

Uses For FIAs



Fixed Indexed Annuities (FIAs) are annuity products available to cover different needs. Here's what you need to know:

FIAs can be purchase for Accumulation, Income, or Long Term Care purposes

Accumulation

If the consumer's goal is to grow a pot of money that they aren't going to touch, an accumulation FIA is an appropriate solution as these products are free of any fees and offer varying index options to choose from. Keep in mind that FIAs with longer surrender charges have the capacity to earn more than lower surrender charge products because the carrier can offer higher participation rates, higher caps, and lower spreads resulting in better growth over time.

Income

If the consumer's goal is to have a guaranteed lifetime income stream that they can never outlive, the protection FIA is an appropriate solution. These products typically do have a fee associated with the contract that pays from the cash value each year. The FIA is still able to accumulate value based on index, but with the addition of the guaranteed lifetime income rider the accumulation aspect of the annuity takes a back seat. When Guaranteed Lifetime Income is the client's goal, it is important to identify which carrier can provide the most income, while also give appropriate accessibility clauses such as a "Enhancer." An Enhanced Income enables the annual lifetime income to increase substantially for a period of time (usually up to 5 years) if the annuitant is either confined to a facility or has the loss of 2 ADLs. The annuity company understands that these contracts are long term investments, many times until the end of one's life and therefore, if the annuitant has a need to access more dollars sooner, due to chronic medical conditions, the insurance company will enable more access without any penalty associated.

Long Term Care

If the consumer's goal is to pay a single premium in order to fund their long term care needs, but also see some accumulation to their account then a Long Term Care Indexed Annuity may be an appropriate solutions. These annuities do typically include a fee that is paid from the account value of the contract each year, but specifically provides for a leveraged benefit for the purpose of long term care. Depending on the annuitant's health, a level determining the amount of benefit for LTC can be approved in the contract. Many times you see 2 times or 3 times the benefit.