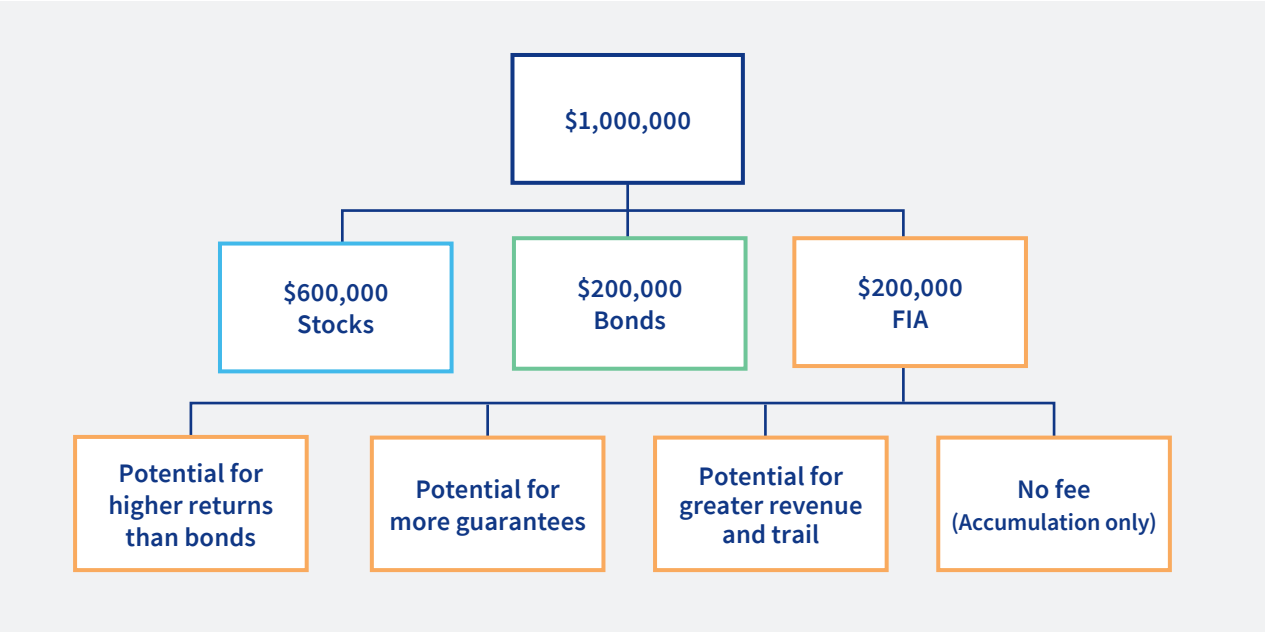
Adding a fixed index annuity may enhance returns and reduce costs

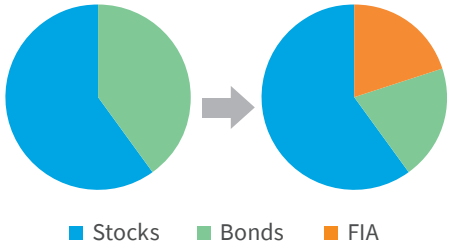
Feel the power® of a fixed income alternative

The Power Series of Index Annuities®

With record-low interest rates, high bond market volatility and a pandemic-induced economic slowdown, a traditional 60/40 stock and bond portfolio may not offer the growth and income clients need to fund their expenses and maintain the lifestyles they want in retirement. Replacing a portion of the fixed income assets with a **fixed index annuity** (FIA) may provide more asset, income and protection guarantees for your clients and more revenues for you. In fact, a recent study found that an FIA-enhanced portfolio may outperform a traditional 60/40 stock and bond portfolio 72%-92% of the time, depending on the interest rate environment.[1]

Key advantages of an enhanced FIA allocation





Allocating half of the fixed income assets in a classic 60/40 portfolio to an FIA may provide:

- More growth and income potential
- More protection and diversification
- More revenue and less cost!

Note: This example is hypothetical and does not reflect an actual case. It is only intended to show how a split allocation between stocks, bonds and fixed index annuity might work.

[1]Source: Richard A. Brink and Brian Hanna, "The Fixed Index Annuity: A New Core for Retirement Saving?" AllianceBernstein (AB) White Paper, April 2021. The 60/40 Portfolio represents 60% S&P 500 and 40% Bloomberg Barclays US Aggregate Bond Index. The FIA Enhanced Portfolio represents 60% S&P 500, 20% Bloomberg Barclays US Aggregate Bond Index and 20% fixed index annuity with S&P 500 index interest account with a 4.5% index rate cap. Based on hypothetical scenarios with return distributions from 5,000 simulations of future returns from JourneyGuide retirement-planning software over a 10-year period starting December 31, 2020. Individual results will vary.

5 critical questions to ask to help you determine if an FIA is right for your client

1. **Is your client looking for higher yields?** FIAs can provide higher income than many fixed income instruments, such as CDs and Treasuries.
2. **Are your clients concerned about rising interest rates?** FIAs can protect principal and provide consistent income, even in a rising rate environment.
3. **Did your client suffer losses during the recent bond market declines?** Adding an FIA can help reduce risk in volatile times.
4. **Do your clients want guaranteed income for life?** FIAs offer lifetime income through annuitization at no cost or through optional features for an annual fee. These optional features can provide additional benefits, such as guaranteed growth of lifetime income.
5. **How much are clients paying for their current fixed income assets?** When used for accumulation only, FIAs typically have no explicit fees, potentially saving money for your clients and providing you with the potential for higher revenues and trail commissions.

Help clients build a brighter future with the power of a fixed income alternative.
Contact your AIG representative today for more information.

Index annuities are not a direct investment in the stock market. They are long-term insurance products with guarantees backed by the claims-paying ability of the issuing insurance company. They provide the potential for interest to be credited based in part on the performance of the specified index, without the risk of loss of premium due to market downturns or fluctuations. Index annuities may not be appropriate for all individuals. Withdrawals may be subject to federal and/or state income taxes. An additional 10% federal tax may apply if clients make withdrawals or surrender their annuity before age 59½. Clients should consult a tax advisor regarding their specific situation.

Interest earned will never be less than zero in flat or down markets. Annuitization is a process that permanently converts an annuity contract to income payments that can be guaranteed for life. Once clients annuitize a contract, they will no longer have access to their principal.

Different investments such as bonds and stocks have different objectives, risk tolerance levels and time horizons than index annuities. Clients should consult their financial professional or agent regarding their individual situation when comparing these various instruments to annuities. Bonds and bond funds are subject to interest rate risks. If held to maturity, bonds can provide a fixed rate of return and a fixed principal value, while bond funds will fluctuate in value and may be worth more or less than the original investment when redeemed. U.S. government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. Interest from Treasury bills and U.S. government bonds is exempt from state and local income taxes but may be subject to federal income tax. Stocks are subject to market risk, including the possible loss of principal. Earnings from stocks and bonds are taxable annually, while earnings from an annuity are not taxed until withdrawn.

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