ALL GUARANTEES ARE NOT CREATED EQUAL

CUNA MUTUAL GROUP

MGA-1721314

FOR REGISTERED REPRESENTATIVE USE ONLY. NOT FOR USE WITH THE GENERAL PUBLIC.

3-0520-0622

Some investment guarantees make complex promises with fees to match. Others deliver the clarity and protection investors deserve.

Your guidance helps clients know the difference.

Guarantees Should Be Simple and Strong.

Clear communication with your clients is the basis of long and beneficial relationships. But when it's time to explain how guaranteed products work, it can get complicated:

- What's protected, and in what situations?
- What happens in up markets vs. down markets?
- What are the fees?

Today's investors are interested in market growth potential, but fear the possibility of catastrophic loss. And in the changing regulatory environment, they want to know they're getting value for their hard-earned savings. If we go back to the basics, it's annuities that can offer that value—providing a tax-deferred way to participate in market gains, combined with a guarantee against market loss.

But all annuity guarantees are not created equal.

THIS QUICK REFERENCE GUIDE HELPS ILLUSTRATE THE DIFFERENT KINDS OF ANNUITY GUARANTEES.

Now more than ever, your job is to make sure clients understand what they're getting for the fees they're paying. As you'll see, some guarantees deliver more clarity and protection than others, while charging competitive, even lower, fees. Successful advisors don't simply help an investor find ways to manage their money—they help manage expectations and emotions. Use this guide to explain the differences between guarantees, and ensure your clients know exactly what to expect.

MANAGING EXPECTATIONS AND EMOTIONS.

TYPE OF GUARANTEE[1]	▲ VALUE IN UP MARKETS ▲		▼ VALUE IN DOWN MARKETS ▼		OTHER CONSIDERATIONS	TYPICAL COST[2]
	Clarity	Strength	Clarity	Strength		
Fixed Annuity	Fixed rate of return is easy to explain, regardless of market conditions	Fixed rate can fall far short of market performance, although some contracts may offer higher reset at end of guarantee period	Fixed rate of return is easy to explain, regardless of market conditions	Steady growth rate provides comfort during times of market loss, but guarantee could be reset to lower rate at end of guarantee period	Minimum guarantee after end of period is often low; some contracts assess market value adjustment (MVA) on withdrawals	No explicit fees
Index Annuity	Cap rate concept is easy to explain, but variations in participation rate and interest-crediting strategy may add complexity	Lower caps typical for these products can limit growth in strong markets and cause frustration	Standard 0% floor design protects principal, but minimum guarantees which apply only if held for a set term can create confusion	Principal protection is highly attractive in times of market loss, and minimum guarantee may add further value if held to end of period	Contracts typically assess market value adjustment (MVA) on withdrawals; renewal rate history may be volatile	No explicit fees
Index Annuity with Buffer	Cap rate concept is easy to explain, but complex combination of choices for index, buffer, segment, max growth and step rate can lead to confusion around upside potential	Higher caps can offer stronger growth potential than traditional index annuities, but returns may not lock in unless held to end of period	Chosen downside buffer provides comfort, but may be confused with true limit on loss	Buffer minimizes loss, but downside remains unknown and could be significant	Contracts typically assess market value adjustment (MVA) on withdrawals, and formula may be highly complex (or always negative); renewal rate history may be volatile	No explicit fees
Index Annuity with Floor (Risk Control)	Cap rate concept is easy to explain, and interest-crediting follows straightforward annual "point-to-point" approach	Higher caps than traditional index annuities can offer stronger growth potential, and returns are locked in annually	Chosen floor provides confidence of clear downside protection	Floor can be customized to desired level of protection, and reset annually based on changing needs	Contracts typically assess market value adjustment (MVA) on withdrawals; company renewal rate history has been steady	No explicit fees
Index Annuity with Living Benefit	Cap rate concept is easy to explain, but rules for interest-crediting, excess withdrawals and step-up and roll-up rates add major complexity and can cause confusion between benefit base and account value	Caps offer growth potential, although addition of living benefit may mean lower caps than other options; strong market growth has potential to increase lifetime withdrawals	Ability to turn on lifetime withdrawals is simple to explain as "worst-case scenario," but rules for interest-crediting, excess withdrawals and step-up and roll-up rates add major complexity and can cause confusion between benefit base and account value	Comfort of lifetime withdrawals can be powerful, but may end up delivering less value for those seeking accumulation rather than income guarantees	Contracts typically assess market value adjustment (MVA) on withdrawals, and formula may be highly complex; renewal rate history may be volatile	Typically no explicit fees on index annuity chassis, but living benefit rider averages 1.05%
Variable Annuity	No guarantees related to upside potential	Selected investment options receive full market participation	No guarantees related to downside protection	Selected investment options receive full exposure to market loss	Sheer range of variable accounts may add complexity	Contract fee plus average fund fees typically runs between 2.20% and 2.50%
Variable Annuity + Index Annuity with Buffer	While cap rate concept may be easy to explain, some index accounts offer caps that are unknown until start date (minimum cap can be set to determine when to start, but fees are typically deducted even while waiting to reach minimum); complex combination of choices for index, buffer and segment also create confusion around upside potential; no guarantees on variable accounts	Index accounts typically offer higher caps than traditional index annuities, but returns may not lock in until end of period or use complex rules for interest-crediting that amount to a market value adjustment (MVA); variable accounts offer full market participation, but are often so limited that growth potential is highly constrained	On index accounts, chosen downside buffer provides comfort, but may be confused with true limit on loss; no guarantees on variable accounts	Buffer minimizes loss on index accounts, but downside remains unknown and could be significant; variable accounts receive full exposure to market loss	Contracts typically assess market value adjustment (MVA) on index account withdrawals, and formula may be highly complex (or always negative); renewal rate history may be volatile	Some designs offer index accounts with no explicit fees, while others charge 1.25%; variable account fees range from 1.85% to 2.00% (all-in fees for moderate portfolio[2] would average 0.80% to 1.55%)
Variable Annuity + Index Annuity with Floor (Risk Control)	On index accounts, cap rate concept is easy to explain, and interest-crediting is incorporated into same daily calculation as variable accounts; no guarantees on variable accounts	Broad selection of variable accounts receive full market participation; index accounts offer higher caps than traditional index annuities and recognize index performance as part of daily values calculation	On index accounts, chosen floor provides confidence of clear downside protection; no guarantees on variable accounts	Index account floor can be customized to desired level of protection, and reset annually based on changing needs; variable accounts receive full exposure to market loss	Contracts typically assess market value adjustment (MVA) on index account withdrawals; company renewal rate history has been steady	All-in fees for moderate portfolio[2] average 1.60% to 1.70%
Variable Annuity with Living Benefit	No account value upside guarantees; rules for excess withdrawals and step-up and roll-up rates add major complexity and can cause confusion between benefit base and account value	Selected variable accounts receive full market participation, but addition of living benefit rider restricts available options and many funds include volatility controls which can further limit growth potential	No account value downside guarantees; ability to turn on lifetime withdrawals is simple to explain as protection against "worst-case scenario," but rules for interest-crediting, excess withdrawals and step-up and roll-up rates add major complexity and can cause confusion between benefit base and account value	Selected variable accounts receive full exposure to market loss; comfort of lifetime withdrawals can be powerful, but may end up delivering less value for those seeking accumulation rather than income guarantees	Living benefit payout rates for new sales can vary based on market conditions	Average cost of 3.45% (2.35% for contract and fund fees, plus 1.20% for living benefit rider)

Look closer at the power of risk control

Look closer at the power of risk control

There Are Better Ways to Guarantee.

As the chart demonstrates, you may want to reconsider the guarantees you recommend to help clients meet their goals:

- If you've been using traditional fixed or index annuities as a way to keep things simple, there are other straightforward ways to guarantee the upside potential and downside protection clients need.
- If you've been using annuities with buffers to protect against loss, you may want to consider using products with actual floors for clear and potentially stronger downside guarantees.
- If you've been using annuities with lifetime withdrawal benefits as a way to deliver potential gains and protect against loss, products with risk control accounts may offer more opportunity for growth, along with loss limits and lower costs that can be less ambiguous.

Variable annuities with risk control features may improve the predictability of future cash flows by capping and flooring the price performance of the underlying investments.

Remember, all guarantees are not created equal. At CUNA Mutual Group, we're committed to breaking down the barriers to financial security for all, and we do that by offering understandable products that help investors realize gains without risking it all.

Call the CUNA Mutual Annuity Solutions Desk at 877.345.GROW (4769), option 1 to talk more about what different kinds of guarantees can do for your clients.

THE QUESTION OF INCOME:

For clients seeking both growth potential and protection, advisors may recommend an index or variable annuity with a lifetime withdrawal benefit. The rationale often being, "In good markets you'll have opportunity for growth, and in the worst-case scenario of dramatic loss, you can fall back on your benefit base and draw income for life."

Only 29% of guaranteed lifetime withdrawal benefits were utilized, according to a report released in 2019, and more than three-quarters of those withdrawals were taken systematically.[3]

If guarantees against market loss are what your clients are looking for, there may be better ways — like risk control — to provide account value guarantees. And remember, deferred annuities can always be converted (annuitized) into a guaranteed stream of payments for life, should income be needed down the road.

If growth potential isn't as important to your client as simply making sure their money lasts, you may want to shift attention from a deferred annuity to a product designed to help increase retirement income. An immediate or future income annuity may offer an easier, lower-cost way to guarantee a steady "stream of income" for life.

Just like the accumulation guarantees on the left, when comparing income annuities to living benefits, it's important to know what's really guaranteed and how much those guarantees cost. Your clients might be able to achieve similar — or higher — payouts with an annuity that's designed to deliver nothing but income.

SOURCES

[1]Assumes back-end surrender charge (B-share) product design.
[2]Based on data derived by CMFG Life Insurance Company using Morningstar Annuity Intelligence and publicly available industry sources, 2020. Moderate portfolio defined as 40% variable and 60% index accounts.
[3]LIMRA & Society of Actuaries, 2016 Variable Annuity Guaranteed Living Benefits Utilization, 2019.

IMPORTANT DISCLOSURES

Annuities are long-term insurance products designed for retirement purposes. Clients should consider a variable annuity's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information. Encourage clients to read it carefully.

All guarantees are backed by the claims-paying ability of the issuer and do not extend to the performance of the underlying accounts which can fluctuate with changes in market conditions. CUNA Mutual Group is the marketing name for CUNA Mutual Holding Company, a mutual insurance holding company, its subsidiaries and affiliates. Annuities are issued by CMFG Life Insurance Company (CMFG Life) and MEMBERS Life Insurance Company (MEMBERS Life) and distributed by their affiliate, CUNA Brokerage Services, Inc., member FINRA/SIPC, a registered broker/dealer and investment advisor, 2000 Heritage Way, Waverly, IA, 50677. CMFG Life and MEMBERS Life are stock insurance companies. MEMBERS® is a registered trademark of CMFG Life Insurance Company. **Investment and insurance products are not federally insured, may involve investment risk, may lose value and are not obligations of or guaranteed by any depository or lending institution.** All contracts and forms may vary by state, and may not be available in all states or through all broker/dealers.

CUNA MUTUAL GROUP