



# Annuity Strategy: Conservative Allocation



**OPPORTUNITY  
CONCEPT**

- » As clients age, traditional theory holds that a larger allocation of a retirement portfolio is invested conservatively. Common objectives of the conservative position are primarily to preserve and secondarily to safely gain some return where possible. But how safe is too safe?
- » Low-risk investments are not risk-free. Inflation and interest rate risk can cause historically low returns on conservative investments to result in negative real rates of return at times.
- » What is an investor to do? Since many conservative investments such as cash savings and money market accounts, CDs, and short-term government debt can still result in retirees losing ground, some will take on more investment risk to pursue better returns in equity or bond markets.
- » Experienced Advisors may be able to offer sophisticated hedging strategies, usually at significant cost of both time and expense. Or they can recommend client investment in ready-made insurance products.
- » Annuities can provide an easy, alternative way to participate in market like gains while still insuring against loss. Many features can provide a favorable solution for that conservative allocation position, desirable protection with potential for a better return.



**IDEAL CUSTOMER**

- » Clients who are dissatisfied with low returns on conservative investments.
- » Clients who would like to invest their conservative allocation to participate in some market returns while having some protection against loss of principal.



**DESCRIPTION**

- » Depending on the purpose and time horizon for the conservative position, different types of annuities can best serve varying purposes.
- » Fixed Annuities are generally thought of as a conservative allocation option as well. They can offer a predictable rate of growth that is usually a bit more attractive than conservative cash equivalents mentioned above.



## DESCRIPTION (continued)

- » Variable and Index-Linked Annuities provide broader access to investment markets, but usually provide some insurance against loss, particularly if utilized as a supplement to guaranteed income through a payout option.
- » CUNA Mutual Group also features a Registered Index-Linked Annuity that can fit those clients willing to accept some downside market risk within a limit they choose in exchange for greater upside potential. This option can be integrated in a variable annuity allocation and can be included with a Guaranteed Lifetime Withdrawal Benefit for future income distribution plans.



## IMPLEMENTATION PLAN

- » The bottom line is annuities can help meet the objectives of a conservative portfolio allocation. Advisors considering how to recommend investing clients for greater return with limited or no loss possibility can often optimize both objectives in the client's best interest with an annuity.
- » One drawback of annuities is limited liquidity, so conservative investing should account for any immediate income or emergency funds needed outside of an annuity, unless you are using the annuity itself for guaranteed income.



## HOW CUNA MUTUAL GROUP CAN ASSIST

We provide annuity strategies for different needs of client's retirement phases - accumulation, income and legacy. Our annuity products can provide flexible benefits for varying individual client needs, including utilizing the annuities for the conservative allocation of a portfolio.

Call our annuity sales team for assistance with selecting the most appropriate strategy to meet your clients' specific goals.

### CUNA Mutual Group Annuity Sales Team:



877.345.GROW (4769)



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# CUNA MUTUAL GROUP

### IMPORTANT DISCLOSURES

Certificate of Deposits (CDs): There are distinct differences between annuities and Certificates of Deposits. Most CDs are considered a short-term investment. An annuity is considered a long-term investment. The investment in a CD is insured by the federal government, either through FDIC or NCUA. The investment in an annuity is guaranteed by an insurance company. Like CDs, fixed annuities have a penalty for early surrender, and withdrawals taken before the age of 59½ from an annuity may be subject to a 10% federal tax penalty.

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

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