THE MATRIX: PERCEPTION VS REALITY

What returns does the average investor experience during any given market cycle? In investing, like many facets of life, perception and reality can often be different. In good times we get greedy and in bad times we panic.

// Why is the average investor so bad at timing[1] the market?

- **Herding:** Copying the behavior of others, even if the outcomes may be undesirable.
- **Narrowing Framing:** Making decisions without considering all the different implications.
- **Anchoring:** Looking back at past experiences, even though the situation may be different.
- **Mental Accounting:** Taking unnecessary risks, while simultaneously avoiding rational risks.

These elements of human error and behavior can be a factor in explaining why the average equity index fund investor underperformed the S&P 500®.

The hypothetical Fixed Index Annuity (FIA) was able to protect from losses in down years and resulted in the highest returns on an annualized basis. This helps demonstrate the power of annual reset, which helps ensure that what goes up won't come down.

Since 2000, a S&P 500® FIA on the S&P 500® outperforms the average equity investor by 119%[1,3].

// The Investor Experience: A Look At the 21st Century

Years of Average Equity Investor Decline	Average Equity Investor Loss[1]	Annual S&P 500®[2] Return	S&P 500® FIA with a Hypothetical 40% Participation Rate	Difference: S&P 500® Vs. Average Equity Investor	Difference: S&P 500® Hypothetical FIA with Participation Rates Vs. Average Investor
2000	**-10.20%**	**-10.22%**	0%	**-0.02%**	10.20%
2001	**-14.92%**	**-13.01%**	0%	1.91%	14.92%
2002	**-21.86%**	**-23.22%**	0%	**-1.36%**	21.86%
2008	**-41.77%**	**-38.12%**	0%	3.65%	41.77%
2011	**-5.73%**	0.99%	0%	6.72%	5.73%
2015	**-2.28%**	0.26%	0%	2.54%	2.28%
2018	**-9.42%**	**-5.50%**	0%	3.92%	9.42%
Average Return of Investor Decline	**-15.17%**	**-12.69%**	0%	2.48%	15.17%
Annualized Returns 2000-2020	4.47%	5.47%	4.12%	1.00%	0.35%

1. *"Quantitative Analysis of Investor Behavior, 2020," DALBAR, Inc, www.dalbar.com.*
2. *^S&P500TR: Summary of the S&P 500 | S&P 500 Stock - Yahoo Finance," Yahoo!, Accessed January 2nd, 2020, https://finance.yahoo.com/quote/%5ESP500TR?p=%5ESP500TR*
3. *Welcome to Pages at the Stern School of Business, New York University, Accessed December 03, 2020, http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html.*

PROTECT FROM MARKET DECLINES **WHILE DELIVERING COMPETITIVE RETURNS.**

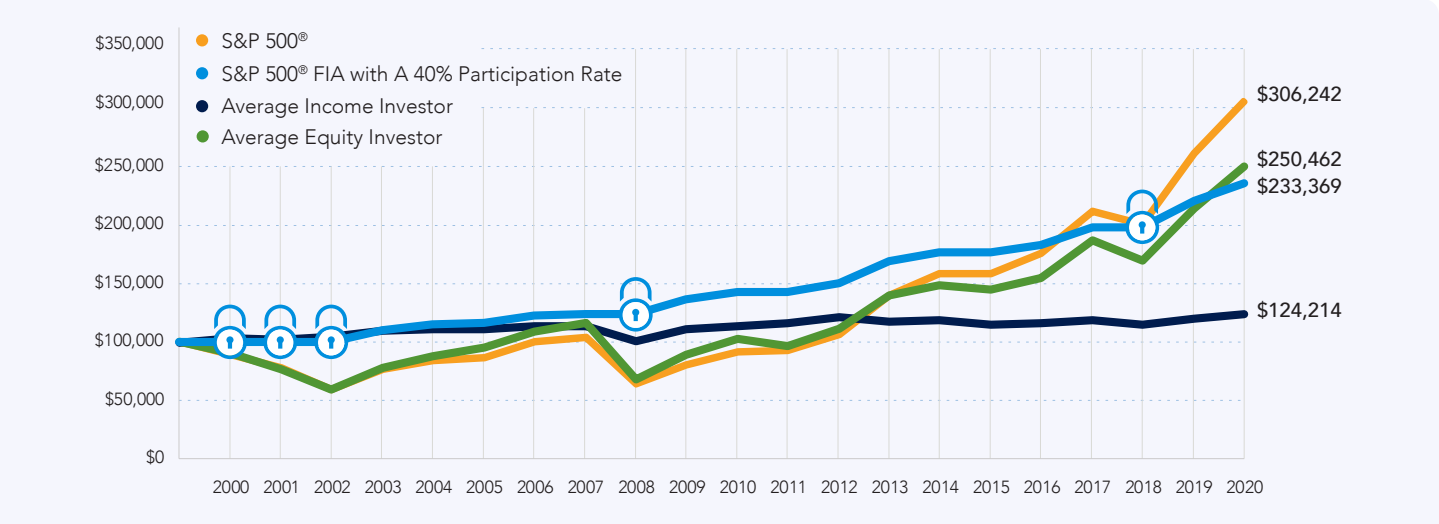
This graph demonstrates how fixed index annuities move with the S&P 500®. In up years, the contract's account value is credited interest, but in the down years, it maintains its value. This serves as a hedge against market corrections, especially when market valuations are high. Assets are protected and **what goes up won't come down.**

LOCKS[4] IN INTEREST CREDITS DURING MARKET DECLINES

// DID YOU KNOW?

Fixed index annuities do not have a memory past one year, so interest credits are locked in during market declines. This allows the fixed index annuity account value to remain level during declines at the next annual point to point interest crediting date.

// How Fixed Index Annuities Have Performed This Century



4. The annual reset sets the index starting point each year at the contract anniversary. This reset feature is beneficial when the index experiences a severe downturn during any given year because not only do you not lose accumulation value from the downturn, but the new starting point for future growth calculations is the lower index value.

These hypothetical examples are intended to illustrate how index fluctuations might affect your contract values based on the selected crediting methods. They are not intended to show past or future results. The hypothetical products were purchased on 12/31/1999 and the initial premiums and the hypothetical investment amounts in the S&P 500® were $100,000. The depiction assumes no withdrawals or additional premiums or principal were added during the 21-year period ending 12/31/2020. Index returns for a given year have been calculated by comparing the adjusted close from the last trade day trade of the proceeding year with the adjusted close from the last trade day of the given year. For example, the return for 2003 is calculated using the adjusted close of the index on 12/31/2002 and the adjusted close of the index on 12/31/2003.

The S&P 500® returns shown include dividends. Annual returns were modeled using ticker symbol (^SP500TR).

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The S&P 500® returns shown are net of assumed management fees. The annual assumed management fee used within the model was 1.12% and is based on a summation of the average managed asset fee in 2019 of 1.05% and the average equity index mutual fund average fee of 0.07%. This fee data was gathered from McKinsey & Company and ICI Research, respectively. Data used for the S&P 500® returns was from Yahoo! Finance.

Average equity investor and average fixed income investor are based on a DALBAR study (see source 1), "Quantitative Analysis of Investor Behavior (QAIB), 2021." DALBAR is an independent, Boston-based financial research firm. Using monthly fund data supplied by the Investment Company Institute, QAIB calculates investor returns as the change in assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms, two percentages are calculated for the period examined: Total investor return rate and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions, and exchanges for the period.

Equity benchmark performance and systematic equity investing examples are represented by the Standard & Poor's 500 Composite Index, an unmanaged index of 500 common stocks generally considered representative of the U.S. stock market. Indexes do not take into account the fees and expenses associated with investing, and individuals cannot invest directly in any index. Past performance cannot guarantee future results.

Bond benchmark performance and systematic bond investing examples are represented by the Barclays Aggregate Bond Index, an unmanaged index of bonds generally considered representative of the bond market. Indexes do not take into account the fees and expenses associated with investing, and individuals cannot invest directly in any index. Past performance cannot guarantee future results.

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When you buy a fixed index annuity, you own an insurance contract. This is not a comprehensive overview of all the relevant features and benefits of fixed index annuities. Before making a decision to purchase a particular product be sure to review all of the material details about the product and discuss the suitability of the product for your financial planning purposes with a qualified financial professional.

The annual reset allows for any interest credited on each contract anniversary to be "locked-in" and it can never be taken away due to market decreases. The interest credited is added to the accumulation value of your contract, which then becomes the guaranteed Accumulation Value "floor" that will be included in the calculation of the interest that is credited going forward, subject to any withdrawals and applicable rider fees.

Although an external index may affect your interest credited, the contract does not directly participate in any equity investments. You are not buying shares of any stock or index. The index value does not include the dividends paid on the equity investments underlying any equity index. These dividends are not reflected in the interest credited to your contract.

Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and do not apply to the performance of the index, which will fluctuate with market conditions. Annuities are designed to meet long-term needs of retirement income. Annuity contracts typically require money being left in the annuity for a specified period of time, usually referred to as the surrender charge period. If you fully surrender your annuity contract at any time, guaranteed payments provided for in the contract and/or any rider will typically no longer be in force, and you will receive your contract's cash surrender value. Before purchasing an annuity, read and understand the disclosure document for the early withdrawal charge schedule. The purchase of an annuity is an important financial decision. Talk to your financial professional to learn more about the risks and benefits of annuities.

// KEY TERM

FIXED INDEX ANNUITY (FIA):

A fixed index annuity (FIA) is a tax-deferred, long-term retirement savings vehicle issued by an insurance company. FIAs are designed to meet long-term needs for retirement income. While product and feature availability may vary by insurance carrier and state, in general, FIAs provide guarantees of premiums (backed by the financial strength and claims-paying ability of the issuing company), credited interest (subject to surrender charges), and a death benefit for beneficiaries. Any distributions may be subject to ordinary income taxes and if taken prior to age $59^{1/2}$, an additional 10% federal tax. Early withdrawals may result in loss of the premium and credited interest due to surrender charges.

• Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

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