

# Fixed indexed Annuity

BY JAY HICKMAN



## Jay Hickman Portfolio Manager

- Portfolio manager at PAR Capital Management
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- Equity research analyst at Credit Suisse
- 30 years of investment research
- Macroeconomic analysis

### Investment Philosophy

- **“Risk” = losing money – not losing a little less than the market.**
- **“Stock market-like returns are available with a guarantee against ANY losses!!!**





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**Eliminating losses near retirement, is more important for wealth preservation and accumulation than maximizing gains.**

Jay Hickman

# Propaganda of Wall Street/Financial Advisors ...

## Myth

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Risk is measured as relative under-performance v.a benchmark

“Buy and Hold” earns average annual returns over the long-term

Market declines are quickly recovered

## Truth

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Actual losses is how investors measure risk

Average annual return masks the mathematical fact that a PERCENTAGE loss has a bigger impact on your \$ than the same PERCENTAGE gain

Recoveries can take a generation—which retirees don't have



# Example

A -50% year and a +50% year averages 0%  
-no loss or gain under  
the Financial Advisor “average return”  
framework.

But that is NOT true! Regardless of the  
sequence—you’ve lost 25% of your actual  
dollars!

$$\begin{array}{r} \$100 \\ -50\% \quad \underline{(\$50)} \\ \$50 \\ +50\% \quad \underline{\$25} \\ \underline{\underline{\$75}} \end{array}$$

$$\begin{array}{r} \$100 \\ +50\% \quad \underline{\$50} \\ \$150 \\ -50\% \quad \underline{\underline{(\$75)}} \\ \underline{\underline{\$75}} \end{array}$$





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# ... Propaganda of Wall Street/Financial Advisors

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## From 1927 to 2024:

- Ø AVERAGE annual return was just under 8% but ...
- Ø COMPOUNDED annual return -what actually happened to dollars invested over that period - was just under 3%!
- Ø ***Do you think emphasis on the 8% rather than the ACTUAL 3% is misleading?***

## Lost required gains

A percentage loss requires a HIGHER percentage gain to get back to breakeven

## Portfolio misconception

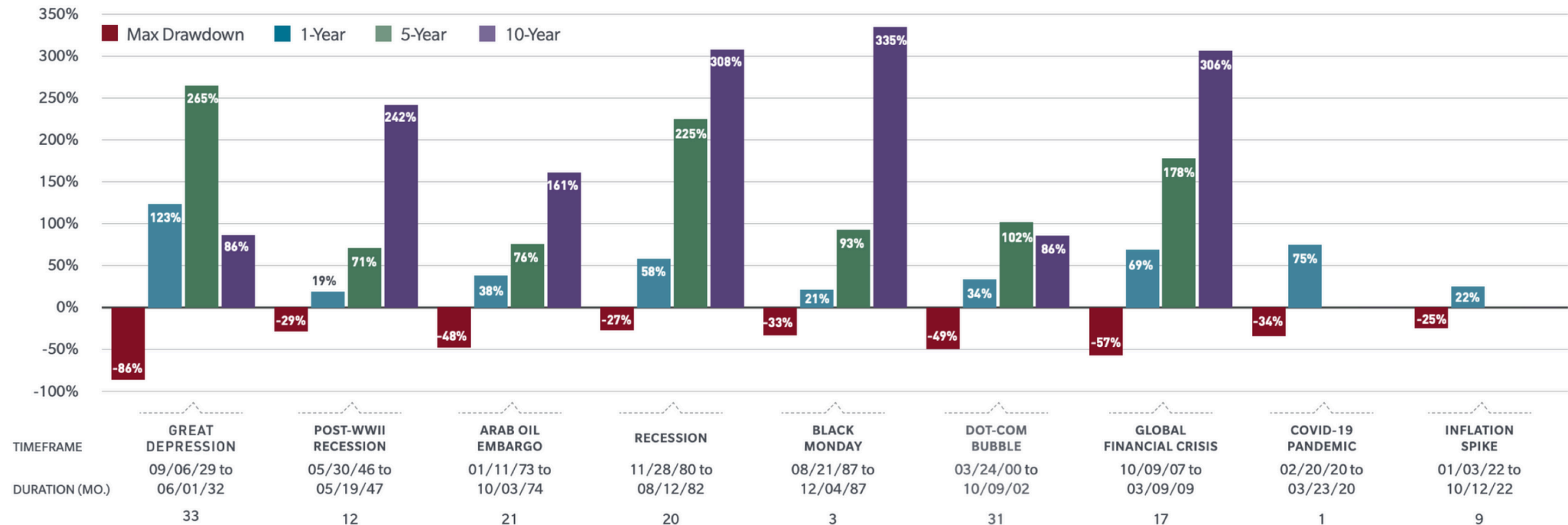
If your portfolio is down 50%, it will have to DOUBLE -rise 100% - just to get back to breakeven!



# Wall Street says Market Declines are Quickly Recovered ...

Historically, markets have posted strong long-term gains following declines

S&P 500 Index cumulative returns for 1-, 5- and 10-years periods following end of bear market



As history has shown, recoveries have followed declines, and investors that have stayed invested for the long term may have benefited from the recovery.

Source: FactSet. Daily data from January 3, 1928 through December 31, 2023. Bear market is defined as the period from a peak to trough, with at least a 20% decline in the S&P 500 index price. Data in USD. Past performance is no guarantee of future results. It is not possible to invest in an index.

Max drawdown is the largest drawdown (peak-to-trough) within each calendar year. This data is not intended to represent the performance of any MFS portfolio.

The **S&P 500 Index** measures the broad US stock market. Index performance does not include any investment-related fees or expenses. It is not possible to invest directly in an index.

**The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult an investment professional. Past performance is no guarantee of future results**



## ... But Recoveries Have Taken A Generation + When Inflation Adjusted

**Is the market  
expensive  
today?**

S&P 500 Peak to Peak (inflation adj.)	Period of Zero Real Returns
12/2021-4/2024	2 yrs 4 months
8/2000-11/2014	14 yrs 3 months
12/1968-12/1992	24 yrs
9/1929-11/1958	29 yrs 2 months
6/1911-4/1928	16 yrs 10 mos



# S&P 500 Valuation is at Second Highest Level in History



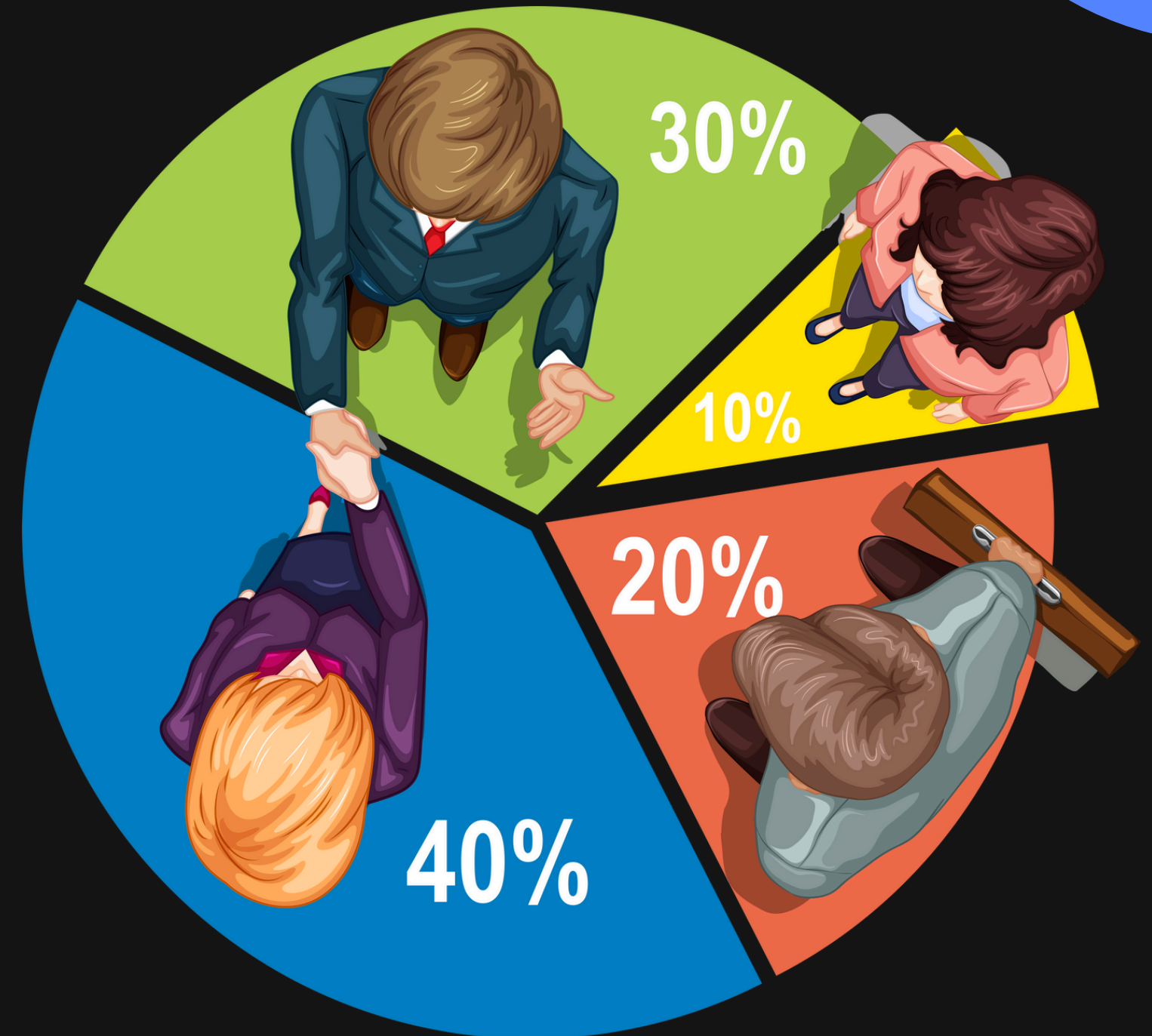
*Shiller PE Ratio – S&P 500 Index divided by cyclically adjusted S&P 500 earnings*



## What Will a Fixed Equity Indexed Annuity Do for You?

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- Stock market-like returns with NO risk of principle loss.
- Up to 10% liquidity after each year, full payout in event of death or confinement to nursing home.
- Lock in gains on contract anniversaries



# Summary

Protect Retirement with Loss Avoidance AND Upside Participation

Ø Buy-and Hold ensures capturing losses that can be catastrophic to retirement plans, and fixed income returns are below inflation.

Ø Fixed Equity Indexed Annuities GUARANTEE protection of investment against ANY losses while offering growth pegged to the stock market.



# Investors Heritage 10-year Fixed Equity Indexed 110% Participation



HERITAGE GROWTH ADVANTAGE ANNUITY

LEAST 10-YEAR PERIOD\*  
NON-GUARANTEED ANNUITY CONTRACT VALUES

Contract Year End	Youngest Attained Age	Withdrawals <sup>1</sup>	Morgan Stanley USDE Annual Point-to-Point Par		Total Account Value	Cash Surrender Value <sup>2</sup>	Death Benefit
			Index Interest Rate	Account Value			
At Issue	63	–	–	\$650,000	\$650,000	\$589,550	\$650,000
1	64	\$0	3.52%	\$672,893	\$672,893	\$616,572	\$672,893
2	65	\$0	0.00%	\$672,893	\$672,893	\$616,572	\$672,893
3	66	\$0	5.95%	\$712,903	\$712,903	\$659,649	\$712,903
4	67	\$0	29.73%	\$924,876	\$924,876	\$864,112	\$924,876
5	68	\$0	0.00%	\$924,876	\$924,876	\$872,436	\$924,876
6	69	\$0	25.00%	\$1,156,062	\$1,156,062	\$1,100,918	\$1,156,062
7	70	\$0	9.54%	\$1,266,300	\$1,266,300	\$1,218,433	\$1,266,300
8	71	\$0	13.92%	\$1,442,618	\$1,442,618	\$1,401,070	\$1,442,618
9	72	\$0	0.00%	\$1,442,618	\$1,442,618	\$1,415,352	\$1,442,618
10	73	\$0	12.21%	\$1,618,699	\$1,618,699	\$1,604,131	\$1,618,699

# North American Guarantee Plus 5-year Annuity (5.2%/yr)

## North American Guarantee Plus<sup>SM</sup> 5-Year

Multi Year Guarantee Annuity  
Single Premium Deferred Annuity  
Qualified Contract



### TABLE OF ILLUSTRATED VALUES

Attained Age	End of Year	GUARANTEED <sup>1</sup>			Projected <sup>2</sup>		
		Annual Withdrawal	Minimum Accumulation Value and Death Benefit	Minimum Surrender Value	Annual Withdrawal	Minimum Accumulation Value and Death Benefit	Surrender Value <sup>^</sup>
64	1	\$0	\$683,800	\$585,813	\$0	\$683,800	\$622,258
65	2	\$0	\$719,358	\$603,387	\$0	\$719,358	\$664,513
66	3	\$0	\$756,764	\$621,488	\$0	\$756,764	\$706,280
67	4	\$0	\$796,116	\$640,133	\$0	\$796,116	\$750,593
68	5	\$0	\$837,514 <sup>†</sup>	\$659,337 <sup>†</sup>	\$0	\$837,514 <sup>†</sup>	\$797,606 <sup>†</sup>
69	6	\$0	\$838,351	\$679,117	\$0	\$881,065	\$805,495
70	7	\$0	\$839,190	\$699,491	\$0	\$926,880	\$856,214
71	8	\$0	\$840,029	\$720,475	\$0	\$975,078	\$910,029
72	9	\$0	\$840,869	\$742,090	\$0	\$1,025,782	\$967,127
73	10	\$0	\$841,710 <sup>†</sup>	\$764,352 <sup>†</sup>	\$0	\$1,079,123 <sup>†</sup>	\$1,027,702 <sup>†</sup>



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*Creative Insurance Solutions*

Thank you!