LEGACY WEALTH SERVICES
Live Healthy, Wealthy and Wise

2026 COMPLETE GUIDE

FREE EDUCATIONAL GUIDE

Fixed Index Annuities
Complete Guide 2026

Everything you need to know about protecting your retirement savings from market crashes while still earning meaningful growth

$4.2T	0%	7–9%
IN ANNUITY ASSETS	FLOOR — NO LOSSES	TYPICAL CAP RATE

RC

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What Is a Fixed Index Annuity?

The retirement vehicle that protects your principal while giving you market-linked growth potential

A **Fixed Index Annuity (FIA)** is a contract between you and an insurance company. You deposit a lump sum, and the insurance company credits interest based on the performance of a stock market index — like the S&P 500 — while **guaranteeing your principal will never decrease** due to market losses.

Think of it as a "best of both worlds" product: you participate in market upswings, but you're insulated from the downswings. When the market goes up, you earn interest (up to a cap). When the market goes down, you simply earn 0% — not negative.

This is sometimes called the **"floor and cap" principle** — your floor is 0% (you can't lose your principal), and your cap is the maximum rate the insurance company will credit in any given period.

Simple Definition

"An FIA is like investing in the stock market — but with a safety net that catches you before you can lose your principal."

THE FIA PROMISE

- ✓ **Principal Protection**
  Your deposit is protected from market losses
- ✓ **Market-Linked Growth**
  Interest tied to S&P 500 or other indices
- ✓ **Tax-Deferred Growth**
  No taxes until you withdraw
- ✓ **Optional Lifetime Income**
  Income riders available for guaranteed paychecks

FIA in Numbers (2026)

Minimum deposit (typical)	**$10,000**
Typical surrender period	**5–10 years**
Annual free withdrawal	**10% per year**
Carriers available (US)	**60+ insurers**

CHAPTER 02

The 5 Types of Annuities

★ Fixed Index Annuity (FIA)

Interest linked to market index performance. Floor of 0% protects principal. Caps limit upside. **Most popular for retirement savings protection.**

✓ Best for Age 55–70 with $50K+ to protect

$ Multi-Year Guaranteed (MYGA)

Fixed interest rate locked for 3–7 years. Like a CD but with tax-deferred growth and typically higher rates. **Great for conservative savers.**

✓ Best for Replacing CDs, short accumulation phase

↗ Variable Annuity (VA)

Invests in mutual fund sub-accounts. Highest growth potential — but also real loss risk. **Higher fees, less popular for retirees today.**

⚠ Caution Market risk, higher costs

∞ QLAC (Qualified Longevity)

Defers income to age 80–85 using IRA/401k funds. Reduces RMDs and provides late-life income. 2026 limit: $200,000. **Excellent for longevity planning.**

✓ Best for RMD reduction, longevity insurance

⇄ Single Premium Immediate Annuity (SPIA)

✓ Best for Age 75+ needing guaranteed income NOW

You give the insurer a lump sum; they pay you monthly income immediately — guaranteed for life or a set period. Highest payout rate of all annuity types. No growth phase — it's pure income conversion.

How FIA Indexing Works

Understanding participation rates, caps, spreads, and crediting methods

The 3 Crediting Limits

📊 Cap Rate

Most Common

The maximum interest that can be credited in a period. **Example: 8% cap** — if the S&P 500 gains 15%, you earn 8%. If it gains 5%, you earn 5%. If it falls, you earn 0%.

📈 Participation Rate

Your share of index gains. **Example: 75% participation** — if index gains 20%, you earn 15%. Often used without a cap, so you can capture more upside.

🔢 Spread/Margin

A percentage deducted before crediting. **Example: 2% spread** — if index gains 10%, you earn 8%. Less common; used with high-participation strategies.

The 3 Main Indexing Strategies

Annual Point-to-Point (Most Popular)

Compare the index value at the beginning of the year to the end. Simple, transparent, and widely available. Best balance of growth potential and predictability.

Monthly Sum Strategy

Adds monthly gains/losses, but floors each month at 0%. Can capture more upside in trending markets. Monthly caps apply instead of annual caps.

Volatility-Controlled Indices

Proprietary indices (e.g., BNP Paribas Multi Asset, PIMCO Flexible) that manage volatility. Often offer higher participation rates in exchange for lower raw performance potential.

📌 Real Example: $200,000 FIA Over 5 Years

Year 1	Year 2	Year 3	Year 4	Year 5
S&P +18%	S&P −14%	S&P +9%	S&P +4%	S&P +22%
You earn: 8%	You earn: 0%	You earn: 8%	You earn: 4%	You earn: 8%
$216,000	**$216,000**	**$233,280**	**$242,611**	**$262,020**

Hypothetical example using 8% annual cap, annual point-to-point crediting. Actual results vary by carrier and contract.

CHAPTERS 04 & 07

The 8 Key Benefits — And the Real Risks

An honest look at both sides so you can make an informed decision

8 BENEFITS OF FIAS

1. **Principal Protection**
   You cannot lose your original deposit to market crashes
2. **Tax-Deferred Growth**
   No annual taxes on gains — money compounds faster
3. **Guaranteed Income for Life**
   Income riders can pay you no matter how long you live
4. **Death Benefit**
   Beneficiaries receive the account value — bypasses probate
5. **No Annual Fees (Base)**
   FIAs without riders typically have no annual management fees
6. **Insurer Financial Strength**
   Backed by insurance company reserves + state guaranty funds
7. **Rollover Friendly**
   IRA, 401(k), 403(b) rollover without triggering taxes
8. **Long-Term Care Options**
   Some FIAs include LTC or confinement care benefit riders

⚠ THE REAL RISKS TO KNOW

Surrender Charges

Withdrawing more than 10% per year during the surrender period (typically 5–10 years) triggers fees starting at 7–10% and declining annually. Never invest money you might need soon.

Capped Upside

In strong bull markets (like 2021 +28%), you may earn only 8%. The tradeoff for downside protection is you won't capture full market gains.

Rider Fees

Income riders, death benefit riders, and LTC riders typically cost 0.5–1.5% annually, deducted from your account value even when you're not taking income.

Inflation Risk

Fixed income payments don't automatically increase with inflation. Some products offer inflation protection riders, but these add cost.

Insurer Default Risk

While extremely rare (no major annuity insurer has failed to pay since 1940s), insurance companies can become insolvent. State guaranty funds typically cover up to $250K per person.

CHAPTER 05

Income Riders & GLWB Explained

How to turn your FIA into a guaranteed paycheck that lasts as long as you live

A **Guaranteed Lifetime Withdrawal Benefit (GLWB)** rider is an optional add-on to your FIA that promises you a specific income stream — no matter what happens to your account value or how long you live.

How It Works

1. **Benefit Base Grows Guaranteed**
The rider creates a "benefit base" that grows at a guaranteed rate (typically 5–8% compounded) during your accumulation phase — separate from your actual account value.

2. **You Choose When to Turn On Income**
When you're ready to start taking income, you "activate" the rider. Your annual income is a percentage of the benefit base — typically 4–6% depending on your age.

3. **Income Continues Even If Account Hits Zero**
Even if you live to 100 and exhaust your account value, the insurer continues your guaranteed income payments for life. This is the core "longevity insurance" value.

GLWB Example

Initial deposit (age 60)	**$300,000**
Benefit base growth	**7% compounded**
Benefit base at age 70	**$590,090**
Withdrawal rate (age 70)	**5.5%**
Annual guaranteed income	**$32,455/yr**

Hypothetical. Actual results vary by carrier, product, and age.

Key GLWB Terms

Benefit Base: The "phantom" account used to calculate income (not your actual cash)

Withdrawal Rate: % of benefit base paid annually; increases with age

Rider Fee: Annual cost (0.5–1.5%) deducted from actual account value

Surrender Period: Years before full liquidity; 10%/yr free during this period

FIA vs. CDs, Bonds & Stock Market

An honest, side-by-side comparison to help you decide where your retirement money belongs

Feature	Fixed Index Annuity	Bank CD	US Bonds	S&P 500 Index Fund
Principal Protection	✓ Full	✓ FDIC up to $250K	~ Can lose to inflation	✗ Market risk
Growth Potential (10yr avg)	4–7% (capped)	3–5% (fixed)	3–4% (fixed)	8–10% (uncapped, volatile)
Tax Treatment	Tax-deferred	Taxed annually	Fed taxable, state exempt	Taxed on cap gains/divs
Guaranteed Lifetime Income	✓ With rider	✗	✗	✗
Annual Fees	0% (no rider)	0%	0% (direct)	0.03–0.2% (ETF)
Liquidity	10%/yr free	Penalty to break early	Tradeable (market price)	Daily liquidity
Death Benefit	✓ Full account value	Goes to estate (probate)	Goes to estate (probate)	Goes to estate (probate)

Bottom line: FIAs aren't the best in any single category — but they're the only product that offers principal protection *and* market-linked growth *and* tax deferral *and* guaranteed lifetime income in one contract.

Who Benefits Most from FIAs?

The ideal FIA candidate profile

✓ Near-Retiree (Age 55–70)
Has 5–10 years to let the contract grow before needing income. Close enough to retirement that capital preservation matters more than maximum growth.

✓ Conservative to Moderate Risk Tolerance
Can't afford to lose 30–40% in a market crash. Wants some growth but sleeps better knowing the floor is zero.

✓ No Pension / Fixed Income Gap
Relies on Social Security and savings only. An income rider can simulate a "personal pension" — guaranteed monthly income for life.

✓ CD / Money Market Migrant
Has $50K–$500K+ earning low rates in CDs or money markets. An FIA can deliver higher tax-deferred growth with no principal risk.

✗ NOT for Short-Term Liquidity Needs
If you may need access to all your money within 5 years, an FIA is not the right fit. Surrender charges make early full withdrawal costly.

10 Questions to Ask Before Signing

Protect yourself with these agent-accountability questions

1. What is the **surrender charge schedule** and what does it cost if I need to exit early?
2. What is the **cap rate, participation rate, or spread** for each crediting strategy?
3. What is the **annual free withdrawal** amount and what happens if I exceed it?
4. If I add an income rider, what is the **rider fee** and how does it affect my account value?
5. What index options do I have? Is the company using their **own proprietary index**?
6. What is the insurer's **AM Best financial strength rating**? (A or better preferred)
7. What is the **death benefit** — does it reset after crediting or at original premium?
8. Is this a **rollover** from my IRA/401k? What are the tax consequences?
9. Can the carrier **lower the cap rate** after I buy? What is the guaranteed minimum?
10. How does this product compare to **2–3 alternatives** from other carriers?

NEXT STEP — IT'S FREE

Ready to See If an FIA Is Right for You?

Get a complimentary Annuity Review from Rodney Cummings — comparing top carriers, analyzing income projections, and identifying the strategy that fits your retirement timeline.

📅 Book Your Free Annuity Review

Visit legacywealthservices.com/lp/annuities or call 503-832-8555

🏆 **Licensed in 22+ States**	🏦 **Multiple Top Carriers**	📞 **No Pressure, No Cost**

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