Do you remember the kids’ trick of "heads I win, tails you lose"? In it, the person who was flipping the coin literally could not lose, regardless of the outcome of the coin. I’d say that those are pretty good odds!

This is similar to how it works when you purchase a fixed indexed annuity. On the one side of the coin, you "win" when the market goes up. But on the other side of the coin, when the market goes down, your principal is still protected from market losses. So, you can win both ways.

**How fixed indexed annuities provide you with a win-win scenario**

With a fixed indexed annuity, or FIA, your funds will receive a contract-specific guaranteed minimum rate of return, but, although they don’t directly participate in the market, they are tied to an underlying market index, such as the S&P 500 or the Dow Jones Industrial Average. So, they can have the potential for a portion of additional earnings when the underlying index performs well depending on caps, spread, and participation rates.

As with other types of annuities, the growth in the contract is tax-deferred. This means that there is no tax due on the gain in your account until the time of withdrawal, and because that likely won’t be until you retire, it may be taxed at a lower income tax rate at that time. Tax-deferral can really allow your money in the FIA to compound, as you are receiving interest on funds that would have otherwise been paid in income tax.

Unlike being directly invested in equities, where gains aren’t guaranteed, your original principal is protected from market losses in a fixed indexed annuity. This is because, even if the underlying index performs poorly and contract terms are adhered to, your original principal is protected from market downturn.

In fact, if no optional riders are purchased and contract terms are adhered to, in a market with negative returns, you would simply be credited with 0% interest for that particular index term rather than experience market volatility. So, even if the underlying index ends the year with a negative return, your contract will not have suffered a market loss — even in a severe market downturn.
When you own an FIA, the value of your contract won't be less than the sum total of your premiums paid (minus any fees and withdrawals), while still providing you with the opportunity to potentially exceed the fixed rate of return if the growth in the underlying index exceeds that minimum rate.

**Additional winning aspects of an FIA**

In addition to the growth and protection of principal benefits that are offered by fixed indexed annuities, there are also several other advantages to owning annuities. One of the most advantageous aspects comes in the form of income.

Today, as our life expectancies have become longer than ever before, one of the most prominent fears on the minds of both retirees and pre-retirees is outliving their assets. But because a fixed indexed annuity can provide you with the option for lifetime income through the purchase of an optional rider, you can help alleviate this worry.

Plus, you can also ensure that a spouse, partner, or other individual also has income for the remainder of his or her lifetime by choosing the joint life income option rider on your FIA. In addition, there are many fixed indexed annuities that will offer a death benefit. By choosing this option on your FIA, you can ensure that you'll leave a legacy to your loved ones.

**Is a fixed indexed annuity a winning combination for your retirement portfolio?**

Adding a fixed indexed annuity can be a great way to ensure that your savings have the opportunity to grow through a portion of the upward market movements, yet at the same time are protected from downward market swings. Some even offer an option to have the contract value reset each year, so there's no need to ever have to get back to a break-even point. Your money won't lose traction.

There truly aren't many, if any, insurance products available today that can offer a "heads I win, tails you lose" approach like the fixed indexed annuity can — and those are odds that are pretty tough to beat.

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