CAPITAL GROUP® | AMERICAN FUNDS®

The difference a variable annuity can make

At Capital Group, we believe variable annuities can play an important role in a client's investment portfolio. Variable annuities can help to mitigate a number of risks that retirement investors face, including market risk and volatility, longevity risk and harmful sequence of returns.

Let's look at an example of how a variable annuity with a protected lifetime income benefit can help:

Investor:

Male, age 65

$1 million investment portfolio

Desired annual income of $60,000 per year.

Issue:

With unprotected investments alone, two-thirds of the client's income is vulnerable to market risk and volatility, which could cause an investor to have to change their lifestyle in retirement.

Option:

Invest a portion of the portfolio in a variable annuity with a protected lifetime income benefit to mitigate risk.

	No variable annuity	With an annuity	
Investment portfolio	$1,000,000	$700,000	
Annuity purchase	$0	$300,000	
Social Security income (annual)	$20,000	$20,000	Protected income
Variable annuity with 5% guarantee	–	$15,000	
Investment portfolio withdrawals	$40,000	$25,000	Subject to market volatility
Portfolio withdrawal rate	4%	**3.57%**	
Protected income %	33%	**58%**	
Total annual income	$60,000	$60,000	

Without a variable annuity, the investment portfolio (such as mutual funds) must fund the entire $40,000 need. Shifting $300,000 of the portfolio into a variable annuity with a 5% guarantee accomplishes two important objectives:

1. **Reduces the investment portfolio withdrawal rate from 4% to 3.57%, thus putting less stress on non-guaranteed investments.**
2. **Increases the amount of protected income by 25 percentage points from 33% to 58%. With an annuity in place, less than half of the client's income is subject to market fluctuations.**

Be careful not to over-insure your client's retirement income plan. Things to consider:

Higher potential fees – Variable annuities may impose a variety of fees that may affect the growth of your client's portfolio.

Lower flexibility/liquidity – Variable annuities have investment and/or withdrawal limitation requirements. Early withdrawals may incur a fee. About the guarantee: Guarantees, including optional benefits, are subject to the claims-paying ability of the issuing insurance company.

Hypothetical example shown for illustrative purposes. Does not represent any actual investment. Source: Capital Group, 2024.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investments for life's important goals

Millions of Americans have relied on Capital Group, home of American Funds, to help them pursue some of life's most important objectives — like retirement. For over 90 years, American Funds has offered professionally managed mutual funds that feature in-depth global research, experienced managers and a philosophy of long-term investing. A consistent approach, along with our distinctive investment management process, seeks to achieve superior outcomes over time. With more than $140 billion under management, we are among the top mutual fund companies in variable annuity assets* and offer a suite of 40 insurance-dedicated funds. We believe in the value that protected lifetime income can play in an overall retirement strategy.

*Source: ISS Market Intelligence Simfund. Variable annuities, not including fixed accounts. As of September 30, 2023.

Variable annuities are long-term investment products designed for retirement purposes and are subject to market fluctuation, investment risk and possible loss of principal. Variable annuities contain both investment and insurance components and have fees and charges, including mortality and expense, administrative and advisory fees. Optional features are available for an additional charge. The annuity's value fluctuates with the market value of the underlying investment options, and all assets accumulate tax deferred. Withdrawals of earnings are taxable as ordinary income and, if taken prior to age 59½, may be subject to an additional 10% federal tax. Withdrawals will reduce the death benefit and cash surrender value.

All annuity contract and rider guarantees, including optional benefits and any fixed subaccount crediting rates or annuity payout rates, are the sole obligations of and are backed by the claims-paying ability of the issuing insurance company. They are not obligations of or backed by the distributing firm, insurance agency, or any affiliates of those entities and none makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.

All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.

Capital Client Group, Inc.

Lit. No. INGEFLML-001-0324C Printed in USA CGD/TM/9686-S99506 © 2024 Capital Group. All rights reserved.