

# FORTUNE

## — IS YOUR FINANCIAL PORTFOLIO A QUARTERBACK — OR A RUNNING BACK?



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If you have a variable annuity, mutual funds, or are invested in the stock market, chances are your portfolio's value changes daily. These financial instruments and results are based on what is happening in the world, whether it's politics, international financial issues, corporate earnings, unemployment numbers, or merely rumors.

If you follow the various markets, values have taken large steps forward and backward throughout the year. An apt comparison is a football game: A running back who makes a 30-yard gain gets the fans cheering, but if he loses 10 yards on his next carry, those are subtracted from his statistics, and the fans may boo.

Like the stock market, where your total changes each day, you hope that by the next day your portfolio's value has risen. Market volatility makes for some sleepless nights, with worry about whether there will be enough money for retirement or you will have to stay in the workforce.

Insurance companies that offer Fixed Index Annuities, or FIAs, structure their contracts differently. Your results are a reflection of the stock market and the index option you choose. Your premium payments into the annuity are placed in a variety of self-directed subaccounts that can contain financial instruments like long- and short-term bonds or treasury notes. When there are large gains, it's similar to a quarterback completing a long pass. His passing yardage totals increase and are added to his career statistics. Each pass he completes, the yards are added to his totals. This is similar to an FIA, where some insurance companies add the gain to your total each day. Your team's quarterback can throw the ball for unlimited yards until he retires or graduates. The same holds true for your FIA.

Some insurance companies will provide you the ability to grow your interest per year without putting a cap on how much you can earn. They will allow you to grow your balance until you're ready to begin taking an income. If the stock market has some down days, that's equivalent to your quarterback throwing a few incomplete passes. His yardage totals aren't affected. When your quarterback chooses to hang up his cleats, his totals are frozen in time. With an FIA, whatever your balance is at the end of the contract period, you have the option to move your balance to another account without a penalty. Your quarterback may be good enough to provide you with memories of how he performed. Upon your death you will be able to pass your account balance to your beneficiary.

Of course, as with any fixed indexed annuity, certain conditions and limitations exist and must be met regarding gains and market participation caps, so be sure to read your specific contract for the effects of withdrawal privileges and surrender periods.

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