



AMERICAN EQUITY
INVESTMENT LIFE INSURANCE COMPANY®



The ART of managing income risk



**Risk is an inevitable part of planning for the future.
The key is to help your clients effectively manage
retirement income risks so they can achieve their goals.**

After years of hard work, they want to know: “Will my retirement savings last?”

As a financial professional, clients turn to you for help figuring out how to generate retirement income that is secure and sustainable.

We call our methodology for doing this ART — knowing where to help clients **A**void risk, **R**etain risk, and/or **T**ransfer risk depending on their retirement goals.



The art of managing retirement income risk

The strategy you use to help clients combat retirement risks is determined by evaluating two key factors:

- 1. How much risk your client is willing to take on,
- and
- 2. The most efficient allocation of capital to satisfy the income they need.

Effective income planning requires understanding when it is more appropriate to avoid risk, retain risk, or transfer risk – and in some instances, a mix of the strategies may be the best approach. Once you assess how much lifestyle-sustaining income a retirement plan needs to generate, you can choose how to help provide it.



	Avoid Risk	Retain Risk	Transfer Risk
Retiree’s Mentality	Unwilling to accept significant risk	Willing to assume all risk	Prefers to transfer risk to a third party
Potential Income Strategy	Use government-insured investments, such as Treasurys and certificates of deposit (CDs)	Use portfolio diversification, such as stocks and bonds, managed money and mutual funds, and/or real estate, alongside a safe withdrawal rate	Use annuities with guaranteed income



The challenge of retirement income

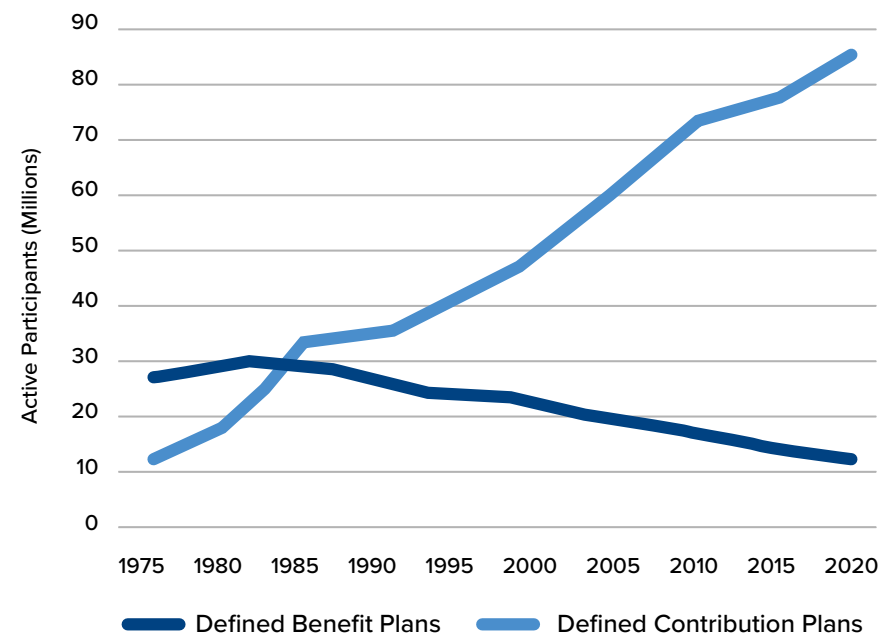
In the past, many retirees relied on a pension to provide the bulk of their retirement income, supplemented by Social Security and personal savings.

For this and future generations of retirees, that model has been turned on its head. Most people will rely on savings and investments for the majority of their retirement income, with some assistance from Social Security. Very few pensions remain – **only 15% of private industry workers had access to one, as of 2024.**¹

As financial professionals, our clients rely on us to help them shift their savings and investment assets to a regular stream of reliable income, similar to the monthly pension checks that previous generations enjoyed. The best way to help ensure that clients' financial needs are met is by effectively managing the risks that threaten their retirement income security.

Next, let's look at five of the more challenging (and common) risks and strategies for conquering each in more detail.

Active participants in private employer sponsored retirement plans



¹ <https://www.bls.gov/opub/ted/2024/15-percent-of-private-industry-workers-had-access-to-a-defined-benefit-retirement-plan.htm>

"Private Pension Plan Bulletin Historical Tables and Graphs"; Employee Benefits Security Administration, U.S. Department of Labor; September 2021; <https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletin-historical-tables-and-graphs.pdf>; viewed 5/9/2022.



Retirement income risk 1: longevity



Life Expectancy for Individuals and Couples Age 65

Men 88 years

Women 90 years

Couples 94 years

Source: American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, <http://www.longevityillustrator.org/>, accessed March 25, 2022.

Longevity is among the more significant risk factors in a retirement plan. With quality-of-life improvements and better access to healthcare, retirees are living longer. These longer life expectancies are creating the need for income that may need to last 30 years or more beyond the end of a client's working career.

Compounding this challenge is the number of clients who retire younger than the traditional retirement age. **For 58% of clients, retirement happened sooner than planned due to a health condition or change in employment.**² For others, they've reached a financial milestone. While it used to be rare to see a client in their 50s with a retirement account in excess of a million dollars, it's becoming more common today.³

Consequently, some people want to — and believe they can afford to — retire in their 50s or earlier, making them even more susceptible to the risk of outliving their savings.

in addition, there's been a rising trend called "FIRE" — which stands for Financial Independence, Retire Early — that focuses on aggressive saving, investing, and cost-cutting in order to retire decades earlier than age 65. This strategy intensifies the longevity risk mentioned above. While a traditional retiree may need to fund 25 years of life, a FIRE adherent retiring at 40 must engineer a portfolio that can withstand market volatility, inflation, and healthcare costs for 50 years or more.

² Transamerica Center for Retirement Studies, Retiree Life in the Post-Pandemic Economy, 24th Annual Transamerica Retirement Survey, Nov. 2024

³ <https://www.empower.com/the-currency/life/becoming-the-millionaire-next-door-news>, Empower Personal Dashboard™ data, Nov. 7, 2025



Retirement income risk 2: withdrawal rate

A **safe withdrawal rate** is considered the amount a retiree can take out of an account with little to no probability of depletion. Unfortunately, this is dynamic, meaning it will change over time due to such external factors as market returns, interest rates, and inflation, as well as an individual's personal needs as they age (moving from the “go-go” to “slow-go” to “no-go” years post-retirement).

Managing portfolio withdrawal rates over time has the largest impact on portfolio depletion. Simply put, assets of retirees who take larger distributions from their portfolio will be drawn down faster than those who withdraw less. Even worse, taking large distributions during years when markets decline can further exacerbate that depletion.



Probability a retiree's assets will last 30 years

Withdrawal rate*	Equity/fixed income portfolio allocation				
	100/0	80/20	60/40	40/60	20/80
3%	97%	98%	99%	99%	99%
4%	85%	87%	90%	89%	85%
5%	69%	69%	66%	57%	43%
6%	52%	49%	41%	26%	10%
7%	38%	30%	21%	7%	1%

Hypothetical example shown for illustrative purposes only and does not reflect any specific product or investment. Does not reflect taxes or fees. Represents past performance which may not be used to predict or project future results.

The information regarding the likelihood of various investment outcomes is hypothetical in nature, does not reflect actual investment results, and is not a guarantee of future results. The simulations are based on a number of assumptions. There can be no assurance that the results shown will be achieved or sustained. The charts present only a range of possible outcomes. Results may vary, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than demonstrated in the simulations. Calculations only considered stock/bond mixes; short-term bonds were not included. The probabilities shown are the likelihood of having at least \$1 remaining in the portfolio at the end of the retirement period. Assumes withdrawal is increased 3% annually for inflation.

***Modeling Future Uncertainty: Monte Carlo Analysis"; T. Rowe Price; 02/20; [troweprice.com/content/dam/fail/collections/retirement%20income/monte%20carlo/monte%20carlo%20hard%20card.pdf](https://www.troweprice.com/content/dam/fail/collections/retirement%20income/monte%20carlo/monte%20carlo%20hard%20card.pdf); viewed 01/24/22.



Securing lifetime income with smart withdrawal strategies

How might clients optimize their withdrawal rates and generate lifetime income that can last 30+ years? What might a “safe and sustainable” withdrawal rate look like for them? To answer that, it’s helpful to look at an example.

- Kristen, age 64
- Wants to generate \$45,000 in annual income, starting at age 65
- Needs a solution that hedges for longevity and withdrawal rate risks

While there are different ways to approach it, one option is to transfer a portion of the risk to a fixed index annuity (FIA). **As shown in Scenario 2**, Kristen will be able to:

- Generate steady retirement income at a lower withdrawal rate
- Improve her probability of success from **66% to 99%**
- Maintain more capital in equities— helping with growth and protecting against inflation



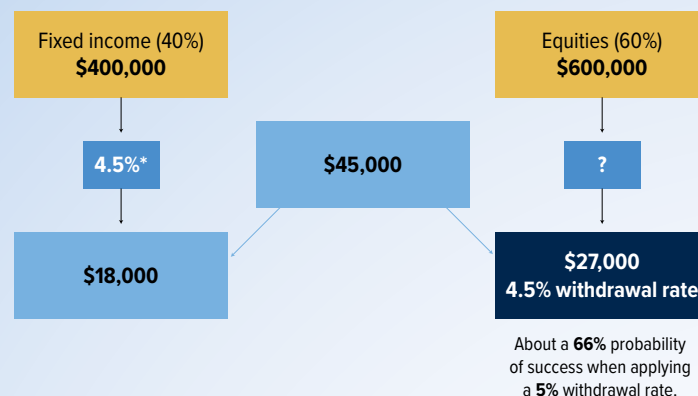
Meet Kristen

Age: 64

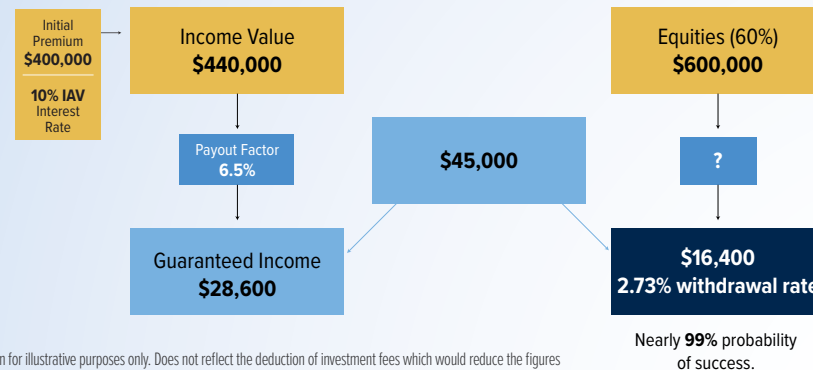
Portfolio value: \$1,000,000

Desired annual income at retirement (age 65): \$45,000

Scenario 1 Retain Risk



Scenario 2 Transfer Risk



Hypothetical example shown for illustrative purposes only. Does not reflect the deduction of investment fees which would reduce the figures shown. Assumes no bonus during the accumulation period.

*Based on 10-year treasury rate as of May 26, 2026.

Fixed index annuities are long-term products designed for retirement. Optional benefits may include fees, withdrawals above the free withdrawal amount may be subject to charges, and surrender charges, caps, participation rates and other limitations may apply. Assumes fixed annuity product is American Equity IncomeShield Bonus 10 with a 1.20% annual fee for the lifetime income benefit rider.



Helping Your Clients With Risk

Risk 1: Longevity

Risk 2: Withdrawal Rate

Risk 3: Inflation

Risk 4: Market Volatility

Risk 5: Sequence of Returns

Benefits of Risk Transfer



Retirement income risk 3: inflation

For the person in retirement for 25 or 30 years, inflation can erode their purchasing power.

For a retiree planning for a 25 to 30-year horizon, inflation is a silent predator that steadily erodes purchasing power. Because prices rise over time, a dollar today will have significantly less spending power by 2050. That means, just to maintain the same standard of living, a retiree needs more income every year.

The Challenge of Fixed Income

Retirees are uniquely vulnerable to inflation because they often rely on fixed income sources:

- **Pensions and Bonds:** These sources are typically fixed, meaning real income erodes as costs rise.
- **Annuities:** While they provide guaranteed stability, their payments usually do not increase over time.

The “Double Your Income” Rule

The long-term impact of even moderate inflation is compounding. For example: At a **3% inflation rate**, a retiree must double their income every 24 years just to maintain their original purchasing power.

Relying solely on fixed-payment tools like annuities is often insufficient for a 30-year retirement. To combat inflation pressure, a strategy should include:

- **Portfolio Growth:** Maintaining investments that grow over time to offset rising costs.
- **Reinvestment:** Using specific strategies that free up capital to be reinvested, helping to maintain a “real” (inflation-adjusted) level of income.

Amount needed to create \$15,000 of income

Converting assets to cash flow

Investment needed to generate \$15,000 income per year at age 65

AVOID

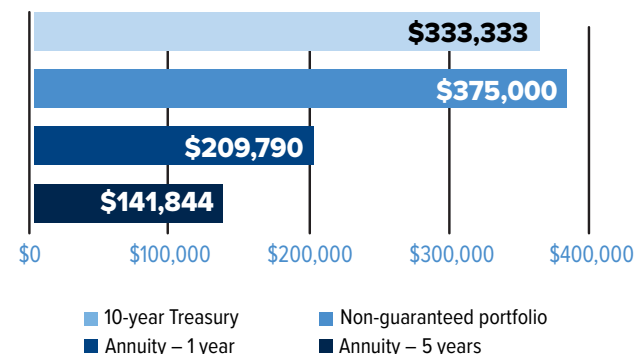
10-year U.S. Treasury at 4.5%

RETAIN

Hypothetical diversified portfolio with a withdrawal rate of 4%

TRANSFER

Hypothetical FIA with an income rider featuring a 10% simple roll up paying 6.50% at age 65 after one year, or 7.05% at age 65 after five years.

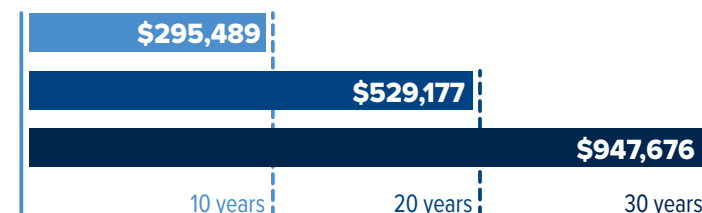


Excess capital can be reinvested

Transferring risk requires \$165,210 less in capital to achieve a guaranteed outcome. This can be reinvested to grow over remaining life expectancy to help address inflation risk.

\$165,210

invested with a hypothetical 6% growth rate



Hypothetical example shown for illustrative purposes only. Does not reflect the deduction of investment fees which would reduce the figures shown



Retirement income risk 4: market volatility

For savers, market declines are often framed as opportunities — a chance to “buy low” on assets that may gain value in the long run. But for your clients nearing retirement, the long run has arrived. They need to access those assets now, and a bear market can hurt them in two permanent ways: by impairing the base value of their assets and by generating lower-than-expected growth.

The ability to recover is fundamentally different for a retiree than for a saver. Each withdrawal made during a down market creates a permanent loss. There likely isn’t enough time for their portfolio to recover and there likely won’t be enough growth to offset the losses during a down market. For example, in 2008, S&P 500 investors required five years just to return to their starting balance.⁴

The chart below illustrates the impact that withdrawals have on portfolio recovery during market downturns. Given three years to recover from a bear market, a client taking a 4% withdrawal would need staggering market growth to recoup their losses:

- 42% growth in a minimum bear market
- 72% growth in an average bear market
- 133% growth in an extreme bear market

This sort of growth is unlikely, even for the most optimistic investor. For context, extreme bear markets have occurred twice in the last 20 years.

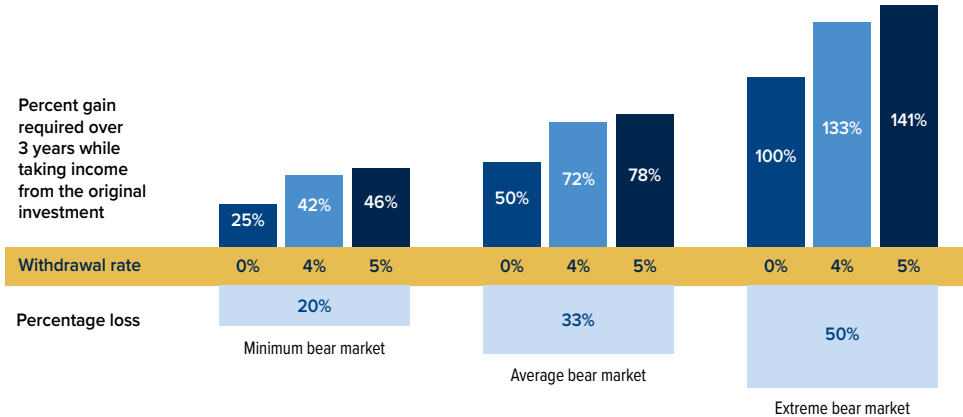
The impact of transferring risk

This is where a transferring risk approach can make a difference. When your client shifts a portion of their risk to a fixed index annuity (FIA), they receive:

- Principal protection
- Index-linked credits that potentially lock in gains without downside risk
- Ability to create a guaranteed income stream

It's important to note that FIAs are long-term products designed for retirement. Optional benefits may include fees, withdrawals above the free withdrawal amount may be subject to charges, and surrender charges, caps, participation rates and other limitations may apply.

The mathematics of loss changes for retirees



⁴<https://annuities.americanannuity.com/resources/2025/financial-flashback-how-smart-planners-weathered-the-2008-recession>



Retirement income risk 5: sequence of returns

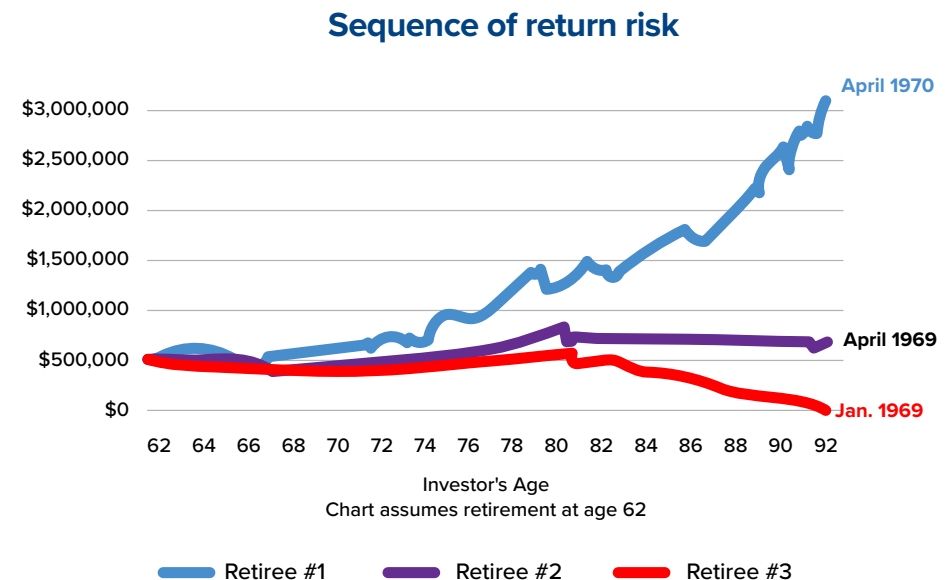
Another crucial aspect of market volatility that is unique to retirees is when they retire. In retirement, it's not just the average portfolio returns that matter; the order in which those returns occur — known as sequence of returns — has an enormous impact as well. Retirees who are fortunate to have gains early in their retirement will have a far different outcome than those who sustain losses early in their retirement, as shown in the illustration at right.

This example assumes someone has retired at age 62 with \$500,000 and will live another 30 years. They use a withdrawal rate of 4.05%, have a portfolio with a 60% stock/40% bond mix that's rebalanced annually, and their payments are increased to adjust for annual inflation. The only thing that changes in the chart is when that 62-year-old began their retirement: January 1969, April 1969, or April 1970.

- **Retiree #1** (the blue line) retired in April 1970 and saw their \$500,000 increase to \$2.5 million over 30 years; five times the capital they started with.
- **Retiree #2** (the purple line) retired one year earlier in April 1969 and ended with roughly \$600,000 after 30 years. That's \$1.9 million less than the value of Retiree #1's assets.
- **Retiree #3** (the red line) retired in January 1969, four months earlier than Retiree #2. Unfortunately, Retiree #3 runs out of assets and doesn't even make it 30 years (going bust at 28 years).

Again, the only difference is when the person retired.

The takeaway for financial professionals is that there are certain factors beyond our control. Clients can choose the date they retire, but they can't choose what the market does after they retire. Some aspects feel like luck (or lack thereof). Pairing annuities with managed portfolios can be an effective way to reduce exposure to the sequence of return risk. Because when your client retires today, you have no idea if they're entering a situation like January 1969 or April 1970.



Hypothetical example shown for illustrative purposes only.
Limra Retirement Income Reference Book; Limra Secure Retirement Institute, October 2018; chart assumes \$500,000 initial investments; 4.05% withdrawal adjusted annually for inflation; 42.5% large cap, 17.5% small cap, 40% intermediate government bond, rebalanced annually.



Meet Eric and Ellen

Let's look at a case that demonstrates how pairing annuities and managed money can help improve a client's outcome, depending on whether early returns are positive or negative.



Eric and Ellen are 60 years old and have saved \$600,000 for retirement in Eric's IRA. They want to retire in five years and are seeking \$40,000 in retirement income that will keep pace with 3% inflation. They would also like to leave an inheritance to their son.

You believe the market will be volatile in the coming years but will average a 7% annual return. Meanwhile you believe an FIA will return 5% and

provides an income feature with a 10% simple interest roll-up and a 6.55% for life payment for both their lives at age 65.

What would you recommend to Eric and Ellen?

- Annuity only
- Managed portfolio only
- Splitting it 50/50: Half to an annuity, half to a managed portfolio

Hypothetical example shown for illustrative purposes only.





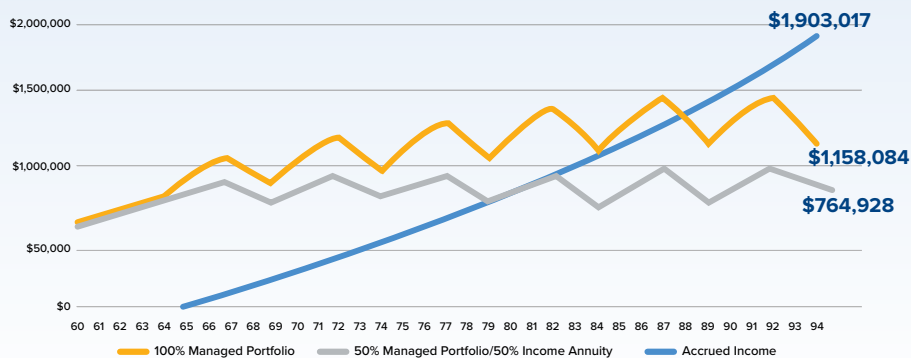
As illustrated in the chart, below left, the 100% managed portfolio (orange line) has an ending portfolio value at age 95 of \$1,158,000, while the 50/50 split of annuity and managed portfolio allocation (gray line) nets out to more than \$760,000. So, both plans succeed but there is more in the 100% managed portfolio that could be left to a beneficiary.

Meanwhile, the chart on the right shows what could happen with a negative sequence of return outcome. In this scenario, the 100% managed portfolio fails at age 90 — meaning the income would potentially

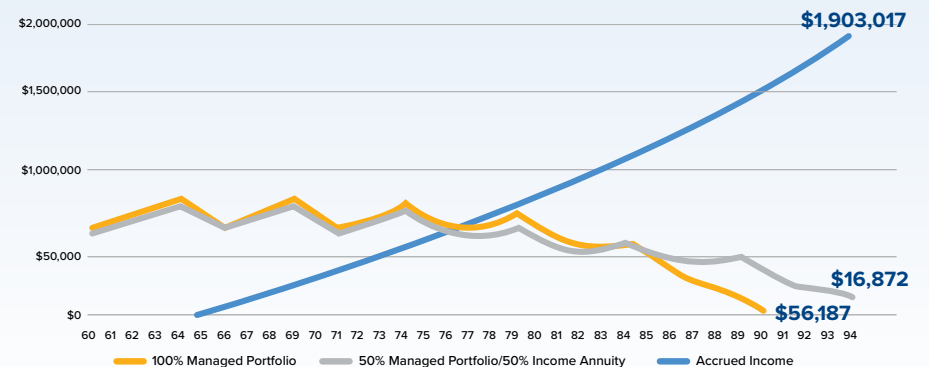
stop before the end of Eric and Ellen's lives. Compare that to the 50/50 annuity-managed portfolio split, which makes it to the desired age of 95, pays the full \$1,900,000 in income, and leaves a little left over for an inheritance.

Because we cannot guarantee a positive outcome with sequence of returns, the hypothetical Eric and Ellen have a much better probability of meeting their income goals and not depleting their resources by pairing the annuity with a managed portfolio.

Eric and Ellen IRA Value — positive sequence



Eric and Ellen IRA Value — negative sequence



Hypothetical example shown for illustrative purposes only.



Helping Your Clients With Risk

Risk 1: Longevity

Risk 2: Withdrawal Rate

Risk 3: Inflation

Risk 4: Market Volatility

Risk 5: Sequence of Returns

Benefits of Risk Transfer



The benefits of risk transfer

The primary benefits of risk transfer are best explained by what it allows you to do.

Risk transfer:

- May allow withdrawal rates that could otherwise be considered unsafe or unsustainable
- May help improve the probability of a successful retirement outcome
- Can help reduce longevity risk with guaranteed lifetime income payments
- Can help lessen portfolio volatility by hedging downside risk
- May allow for a more aggressive approach in a managed portfolio

Whichever mix of approaches you choose, transferring risk in an income portfolio using an FIA has the potential to generate more income from the same assets or achieve the same income with less capital. This can create additional dollars to fund lifestyle expenses, hedge against retirement risks, or create additional dollars to pass on to loved ones.



A more financially secure retirement



Risk is an inevitable part of planning for the future, but you can help clients remove guesswork by helping them understand where to **A**void, **R**etain, and **T**ransfer risk so they have a better chance of achieving their goals.

At American Equity, we believe everyone deserves to enjoy what they've worked a lifetime to build. That's why our team is focused on providing the stability and guarantees your clients need to thrive in whatever comes next.

- **Most trustworthy:** Recognized by Newsweek as one of America's Most Trustworthy Companies for four consecutive years (2023–2026).⁵
- **A-rated strength:** Built on a foundation of disciplined asset management and top-tier financial ratings from AM Best, S&P Global, and Fitch.⁶
- **Iowa-based:** Real people providing real answers directly from our headquarters in Des Moines, Iowa.

We don't just believe in annuities — we believe in what they unlock: a retirement anchored in stability and peace of mind.

⁵<https://rankings.newsweek.com/most-trustworthy-companies-in-america-2026/insurance>

⁶<https://www.american-equity.com/financial-strength>

A.M. Best has assigned American Equity an "A" (Excellent) rating, reflecting their current opinion of American Equity's financial strength and its ability to meet its ongoing contractual obligations relative to the norms of the life/health insurance industry. A.M. Best utilizes 15 rating categories ranging from A++ to F. An "A" rating from A.M. Best is its third highest rating. For the latest rating, access [ambest.com](https://www.ambest.com). Rating effective 11/27/2024.

Standard and Poor's rating service has recognized American Equity Investment Life Insurance Company with an "A" rating. An insurer rated "A" has strong financial security characteristics, but is somewhat more likely to be affected by adverse effects of changing circumstances or economic conditions than are insurers with higher ratings. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Rating effective 5/6/2024.

Fitch Ratings assigned American Equity Investment Life Insurance Company an Insurer Financial Strength rating of "A". Fitch Ratings utilizes 19 rating categories ranging from "AAA" to "C." An "A" rating is the sixth highest rating. An insurer with an "A" rating is considered to have a strong capacity for payment of financial commitments, but may be more vulnerable to adverse business or economic conditions than insurers with higher ratings. Outlooks indicate the direction a rating is likely to move over a one- to two-year period if current financial or other trends continue. For more information, please visit [fitchratings.com](https://www.fitchratings.com). Rating effective 7/18/2025.





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The image shows a smartphone screen with the American Equity website's 'Income Quick Quote' calculator. The interface is clean and professional, with a blue header bar containing navigation links for 'INDIVIDUALS', 'FINANCIAL PROFESSIONALS', 'Search', 'Careers', and 'Contact'. Below the header is the American Equity logo and the text 'INVESTMENT LIFE INSURANCE COMPANY®'. The main heading is 'Income Quick Quote' in red, followed by a 'New Quote' button. The form is divided into four sections: 'Client Information', 'Agent Information', 'Product Selection', and 'Premium'. The 'Client Information' section includes fields for 'Client Name' (First and Last), 'Issue State' (a dropdown menu showing 'Iowa'), 'Client Gender' (radio buttons for '1. Male' and '2. Female'), 'Client DOB' (MM/DD/YYYY), and 'Client Age'. The 'Agent Information' section includes fields for 'Agent Name' (First and Last) and 'State' (a dropdown menu showing 'Iowa'), with a 'Clear' button. The 'Product Selection' section has a heading 'No Products Available' and a red note: 'There are no products available at this age - must be 40-80'. The 'Premium' section includes 'Policy Type' (radio buttons for '1. Non-Qualified' and '2. Qualified'), 'Solve Mode' (radio buttons for '1. Enter Premium' and '2. Enter Annual Income'), and a 'Compare Mode' toggle switch.

Ready to bring greater clarity to your clients and help them achieve a more secure retirement?

Use our [Income Quick Quote Calculator](#) to give clients a personalized view of how an FIA can translate their retirement savings into a dependable, lifelong income stream. It simplifies complex financial projections into a clear roadmap that visualizes how much guaranteed income clients can receive based on their specific age, initial premium, and chosen payout option.

For more client engagement tools about ART and income planning visit our [resources section](#) or contact your regional representative with specific questions at 888-647-1371.

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Under current tax law, the Internal Revenue Code already provides tax deferral to qualified money, so there is no additional tax benefit obtained by funding a qualified contract, such as an IRA or Roth IRA, with an annuity; consider the other benefits provided by an annuity such as lifetime income and a death benefit.

Possible interest credits for money allocated to an index-linked crediting strategy are based upon performance of the specific index; however, fixed index annuities are not an investment, but an insurance product, and do not directly invest in the stock market or the index itself.

Annuity products offered by American Equity. Other retirement options may also support similar goals.

Any information regarding taxation contained herein is based on our understanding of current tax law which is subject to change and differing interpretations. This information should not be relied on as tax or legal advice and cannot be used by any taxpayer for the purposes of avoiding penalties under the internal revenue code. Taxpayers should consult with their professional tax and legal advisors for applicability to their personal circumstances.

Guarantees are based on the financial strength and claims paying ability of American Equity and are not guaranteed by any bank or insured by the FDIC. Fixed index annuities are not an investment, but an insurance product.

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