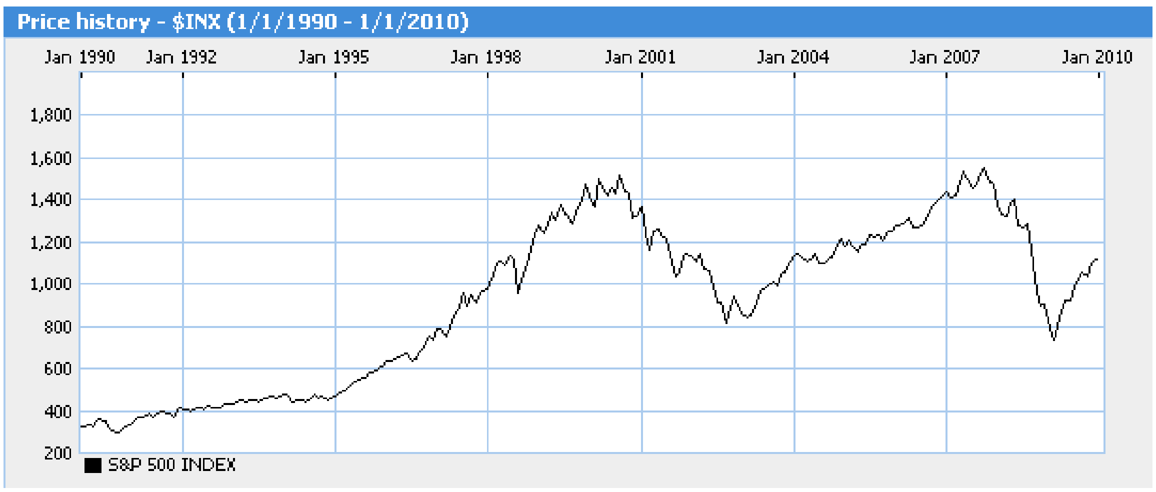
Indexed Annuities vs Stock Market

Market Volatility

According to a November 2009 article from the Center for Retirement Research at Boston College, historical equity performance from 1872 to 2008 was 6.1% with a standard deviation of 19.1%. From 1949 to 2008, equity performance averaged 7.2% with a standard deviation of 18.2%. Standard deviation shows how much variation there is from the average relative to risk. This means that there is a significant chance that the market will go up or decline by 18.2%. This much volatility potentially places your money under a tremendous amount of risk each year in the market. When looking at a chart (see below) of the S & P 500® over the past 20 years, it can be seen that the market trends up over time but is very volatile and takes many negative turns over the course of 20 years.



The impact of a downturn in the markets as we saw in 2008 can be devastating on your net worth and even more devastating for your future plans for retirement. Market downturns hurt more than upturns of the same percentage. If a $10,000 asset purchase goes down 10% in one year, the result is one is left with $9,000. Yet if the market goes up 10% the next year one would only have $9,900 and not the original $10,000 invested. Individuals who thought they had saved enough for retirement had their net worth's devastated and their retirement plans put on indefinite hold in 2008. It will take greater gains to simply restore them to where they were before the downturn because they have less money to grow their money back to where it was originally.

We have also seen the United States take on unprecedented debt that will take generations to pay back if that is even possible. With so much of our future money going to pay back debt, there will probably be less money in flow in the private sector. This could result in the stifling of the private sector which could mean lower overall returns in the future from a market that may become even more volatile than before. Debt results in less money available to spend and less growth in the market as companies experience less growth in their businesses.

Indexed Products

If someone made you an offer that they could minimize the volatility of the market for you while still providing you upside potential and guarantee that you would never lose your premium, how much return would you give up today for the stability provided by a guarantee your money will not decline in value? Probably quite a bit!

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With the ANICO Equity Indexed Annuity and ANICO Indexed universal Life Insurance, your money is never in the stock market but based upon a set one year period of time, you will receive interest related to the performance of the S&P 500® Index up to a cap, but will never lose a cent on your money over any one-year period. Your worst-case scenario for any given one-year period would be your money retains its value but does not earn anything for that year. If the market goes up, you will receive interest related to any market increase up to a cap. You also have the ability to park some or all of the money in a fixed account in the ANICO Indexed Universal Life Insurance product.

Are indexed products what you have been waiting for? Is this not the way to protect your net worth from further erosion while having a chance to grow your funds for retirement?

Potential Advantages of Indexed Products

- Protect your principal from any downturns in the market and never lose a dollar
- Earn a return based upon the performance of an index
- Tax deferred growth of investment
- Ability to Convert principal to an income stream for life
- At Death Assets pass outside your probate estate

Potential Disadvantages of Indexed Products

- If market declines during one year period, you receive no interest on your premium during that period
- Caps on how much interest is credited related to S&P 500® index gains, if any
- If you surrender an index annuity product in the early years, you will receive less than your original premium paid due to surrender charges.
- If life insurance, may be several years if ever before cash value equals investment in account
- Guarantees are backed by the claims paying ability of the issuing life insurance company

Indexed products provide safety of principal and long-term growth potential and can protect your retirement nest egg. Limiting your risk and ensuring you will not lose money while still partaking in the potential upside of the market provides you the best of all worlds. If you could eliminate market downturns prior to 2008 wouldn't your world be a better place today?

Build your retirement nest egg back up without worrying about the market dragging you down again. Talk to your advisor about an American National Insurance Company Indexed product today!

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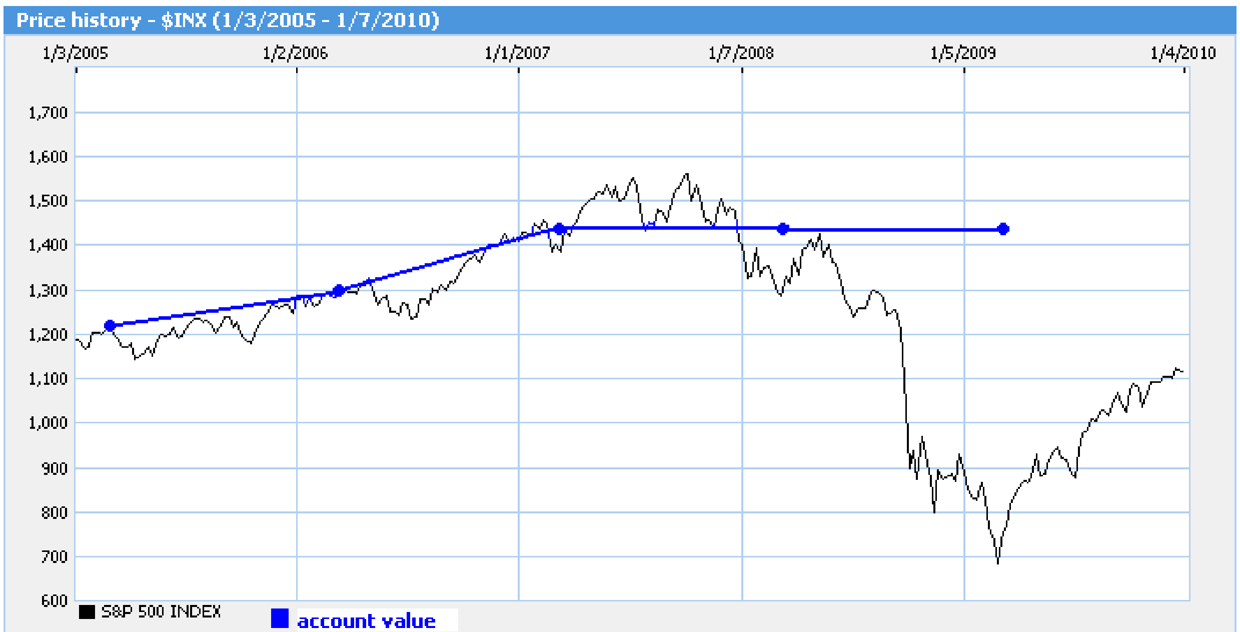
Hypothetical Example

The graph below is a hypothetical example of the index concept which assumes the ANICO IUL was available in the past. The chart runs from 1/3/2005 through 01/04/2010. The graph depicts the S&P 500® Index and the theoretical account value of an IUL policy committed to the Index account using a one-year point-to-point measuring period which is assumed to begin on March 1, 2005. The participation rate is assumed to be 100% and the cap rate is assumed to be 14% in all years. The cap rates are not guaranteed and are likely to fluctuate. If the contract anniversary falls on a non-business day, the S&P value from the previous business day is used.



For any year where there was an index loss, none of those losses would have been passed on; instead, the interest earning credit would have been zero for that year.

Index caps and participation rates are not guaranteed and are subject to change on a year-by-year basis. The contract may be subject to surrender charges. One-year periods are point-to-point so market must increase from date of first point to second point at end of investment period. Although this product was not available for the period of time reference above, actual historical prices of the S&P 500® index have been used in this hypothetical example. Historical chart of S&P 500® should not be relied upon for future performance. This hypothetical example is intended soley for illustrative purposes and is not an indication of the IUL's past or future performance. Please see disclosure document and marketing material prior to purchase. Consult your own legal and tax advisors prior to entering into such a transaction.

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When you buy an indexed product, you are not buying an ownership interest in any stock or index. Interest earnings are paid at a rate that is related to the performance of the S&P 500® Index. The S&P 500® Index does not reflect dividends paid on the stocks underlying the index. Guarantees on the American National Insurance Company products are backed solely by the financial strength and claims-paying ability of American National Insurance Company, Galveston, Texas.

Guarantees on the products are not linked to the performance of the S&P® 500 Index. Past performance of the index is no guarantee of future results.

Ordinary income tax may be assessed on any withdrawal. A federal tax penalty of 10% may be assessed on any withdrawals made prior to age 59½. Information provided is not intended to be legal or tax advice. You should consult with your attorney or tax advisor for your specific circumstance.

Forms: IUL08; IULU08; REIA-NQ,PA; GREIA-NQC,PQC

If you're interested in learning more, please contact:

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