

An apples-to-apples MYGA comparison?



How compounding interest can deliver added growth

In a rising interest rate environment, it's easy for financial professionals and clients alike to search for products touting appetizing rates. But when it comes to multi-year guaranteed annuity (MYGA) designs, it's important to look beyond rates to determine which solution will deliver the most growth over time for the financial health of your clients. Start by asking, "Are those rates simple interest rates or compound interest rates?"

Aspida's Synergy Choice™ MYGA series calculates interest on a compound basis. This is important because **compound interest helps clients accumulate wealth faster!** It does so by offering interest earnings not only on the annuity premium but also those achieved at the end of every compounding period.

In fact, a product utilizing a simple interest approach would need a rate of 6.00% to provide the same earning potential as a product featuring a compound rate of 5.40%, currently available on the Synergy Choice MYGA-5.

Compound Interest Approach

	Annuity Value	Interest Rate	Interest Earned
Year 1	\$100,000	5.40%	\$5,400
Year 2	\$105,400	5.40%	\$5,692
Year 3	\$111,092	5.40%	\$5,999
Year 4	\$117,091	5.40%	\$6,323
Year 5	\$123,413	5.40%	\$6,664
TOTAL	\$130,078		

Simple Interest Approach

	Annuity Value	Interest Rate	Interest Earned
Year 1	\$100,000	6.00%	\$6,000
Year 2	\$106,000	6.00%	\$6,000
Year 3	\$112,000	6.00%	\$6,000
Year 4	\$118,000	6.00%	\$6,000
Year 5	\$124,000	6.00%	\$6,000
TOTAL	\$130,000		

It's not uncommon to find simple interest designs advertising rate guarantees that seem competitive only to find out their total accumulation potential doesn't really compete. By calculating performance to maturity for both simple and compound interest alternatives, you can provide an apples-to-apples comparison and pick the option that yield's the most growth for the client!

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Guarantees are backed by the claims-paying ability of Aspida. Annuities are designed for long-term accumulation of money; surrender and withdrawal fees may apply on early withdrawals. Annuity withdrawals are subject to income tax, and withdrawals prior to age 59½ may also be subject to an IRS penalty.

This piece provides a brief summary of product features. The contract associated with the product will contain the actual terms, definitions, limitations, and exclusions that apply. Product features and availability vary by state and are solely the responsibility of Aspida. Synergy Choice™ MYGA-2, -3, -5, and -7 contract form series ICC22C-MYGA1012 and C-MYGA1012, and application series ICC22A-4014 and A-4014. Some exclusions and exceptions apply. Please refer to the contract for the actual terms and conditions that apply.

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