

What is an annual point-to-point crediting strategy?

Have your clients ever had issues understanding how an annual point-to-point crediting strategy works? Get yourself an empty jar, two different colored gumballs (jelly beans, M&Ms, or any candy that has different colors), and visually show your clients this example. It works every time!

Assumptions:

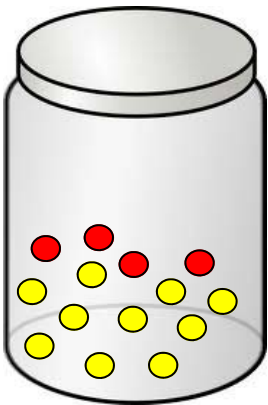
Annual Cap Rate: 4%

Each year, the cap rate will renew at 4%

Any credits into account = 1 Red gumball for every % change

Premium = 10 Yellow gumballs

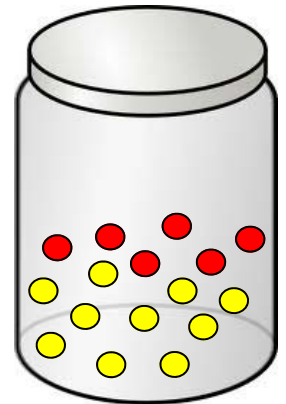
Year 1: S&P up 6% = 4 Red Gumballs deposited



Since the cap is at 4%, the client will only receive a credit up to the cap.

Year 2: S&P up 2% = 2 Red Gumballs deposited

The client will receive what the market earned, up to the cap.



Year 3: S&P down 3% = How many Red Gumballs will the client have to give back?

NONE! The earnings are kept in the candy jar each year.

The client still has 16 gumballs, even with market declines.

Allow the clients to put the gumballs into the jar themselves. Let them keep the jar to help remind them how the index annuity works. Call the clients back after the first year, and use the actual annuity performance to “credit” the jar with candy to illustrate how the clients’ annuity is growing.

www.ipg-us.com

1-800-352-3358

