

News Release

First Empirical Exploration Finds FIA Returns Are Competitive

Philadelphia, PA (5 October 2009) – A new study countering the negative conclusions of some theoretical academic papers and some articles in the popular press on index annuity performance has been posted on the Wharton Financial Institutions Center website. The study, "Real World Index Annuity Returns" presents evidence that not only have some index annuities produced returns that have been truly competitive with certificates of deposit, fixed rate annuities, taxable bond funds, and even equities at times, but that articles critical of index annuities often contain dubious assumptions which lead directly to the negative conclusions previously circulated. The new study reached these conclusions.

- Annuity returns have been competitive with alternative portfolios of stocks and bonds.
- Their design has limited the downside returns associated with declining markets.
- They have achieved respectable returns in more robust equity markets.
- Studies that have criticized FIAs are typically based on hypothesized crediting rate formulae, constant participation rates and caps, and unrealistic simulations of stock market and interest rate behavior. When actual policy data are used, the conclusions change.

The study is available for download at:

<http://fic.wharton.upenn.edu/fic/Policy%20page/RealWorldReturns.pdf>

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