

S&P 500[®] IQ Index

Harnessing a Powerful Addition to Fixed Indexed Annuities

The S&P 500, with its proven track record and broad familiarity, is a staple of fixed indexed annuities. In fact, this benchmark index leads in indexed annuity allocation — with nearly 44% of allocations using S&P 500 index crediting options.¹ Building on the broad adoption of the S&P 500, Legacy Marketing Group[®] saw a way to address certain market nuances through the use of a new index to underlie FIAs.

The S&P 500, widely regarded as the best single gauge of the U.S. stock market, carries inherent volatility, which may not always seamlessly align with the objectives of FIAs. This is understandable, as the 500[™] was not originally designed for use with FIAs. While many indices available via FIAs aim to maximize upside potential while limiting downside risk, Legacy Marketing Group believed there was room for innovation.

Seeing an opportunity within this gap, Legacy Marketing Group sought out S&P Dow Jones Indices to create a modified version of the S&P 500 for use with FIAs. Innovative at heart, Legacy was built to offer producers access to diverse products from multiple insurance companies, coupled with gold-standard service, under one roof. Marking its 30th anniversary, Legacy has emerged as a dynamic product development company, working with index providers, carriers and distribution partners to bring new products to market.

Legacy's dedication to innovation shone through as it sought out an index that was optimized for use in FIAs.

To tackle this challenge, Legacy partnered with Alan Grissom, CEO of 12 South Capital and formerly S&P Dow Jones Indices' Global Head of Insurance, due to his extensive knowledge of both indexing and insurance. Grissom's input helped ensure that the concept fit well within an FIA. As a result, S&P Dow Jones Indices developed the S&P 500 IQ Index² — an intelligent path to the 500[™] for use with FIAs.

The S&P 500 IQ Index uses an intraday methodology that allows potentially greater precision and responsiveness in volatility management. This is an index that is attuned to market dynamics and, when used within an FIA wrapper, could enable a carrier to offer higher caps and participation rates and potentially provide more stable renewal rates.

Preston Pitts, President of Legacy Marketing Group, explains that working with S&P DJI was essential. S&P DJI, as a premier index provider, ensures compliance with established guidelines for the



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— Preston Pitts, President, Legacy Marketing Group

S&P 500 IQ Index, as it does for the S&P 500. S&P DJI's S&P 500 IQ Index maintains simplicity, transparency and ease of understanding while adhering to the index provider's rigorous standards.

During the process of working with S&P DJI, Legacy gained an appreciation for intraday index rebalancing, which is a key element of the S&P 500 IQ Index. Newly introduced by S&P DJI, this intraday methodology has brought a significant shift in how market dynamics are addressed and has the potential to provide greater precision and responsiveness in volatility management.

At its core, the intraday rebalancing aspect of the S&P 500 IQ Index's methodology helps reduce lag time. “The ability to be more responsive to market changes is crucial. The use of intraday data and same-day rebalancing allows greater precision in targeting the specified 15% volatility level for the Index,” said Pitts. “All of these factors, combined with the simplicity of the Index — which allocates between the S&P 500 and cash — help facilitate more stable renewal rates.”

With the introduction of the S&P 500 IQ Index, clients now have an additional allocation choice that draws on the strength of the familiar benchmark index. While the S&P 500 is still widely used within indexed insurance products, its volatility may sometimes constrain caps and participation rates of the FIAs.

“This is the exact challenge we wanted S&P DJI to address. The S&P 500 IQ Index has the potential to unlock opportunity, facilitate higher FIA participation rates and caps, and provide renewal rate stability,” Grissom shared.

The S&P 500 IQ Index debuted as a crediting method on Legacy-exclusive FIAs from Americo Financial Life and Annuity Insurance Company on September 18. It will be available as a crediting option within FIAs from additional Legacy carriers in the future. The Index has already garnered overwhelming excitement and interest. A powerful addition to FIAs, the S&P 500 IQ Index stands out with its simple design.

Download your S&P 500 IQ Index Sales Kit from Legacy Marketing Group to see how clients can get higher rates and caps on an FIA and chart an intelligent path to the S&P 500.

Visit [TakeTheIntelligentPath.com](https://www.TakeTheIntelligentPath.com) or scan the QR code.



¹ Wink's Sales & Market Report Q2 2023. ² Formally known as the S&P 500 IQ 0.5% Decrement Index.

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