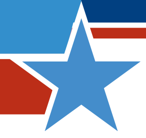
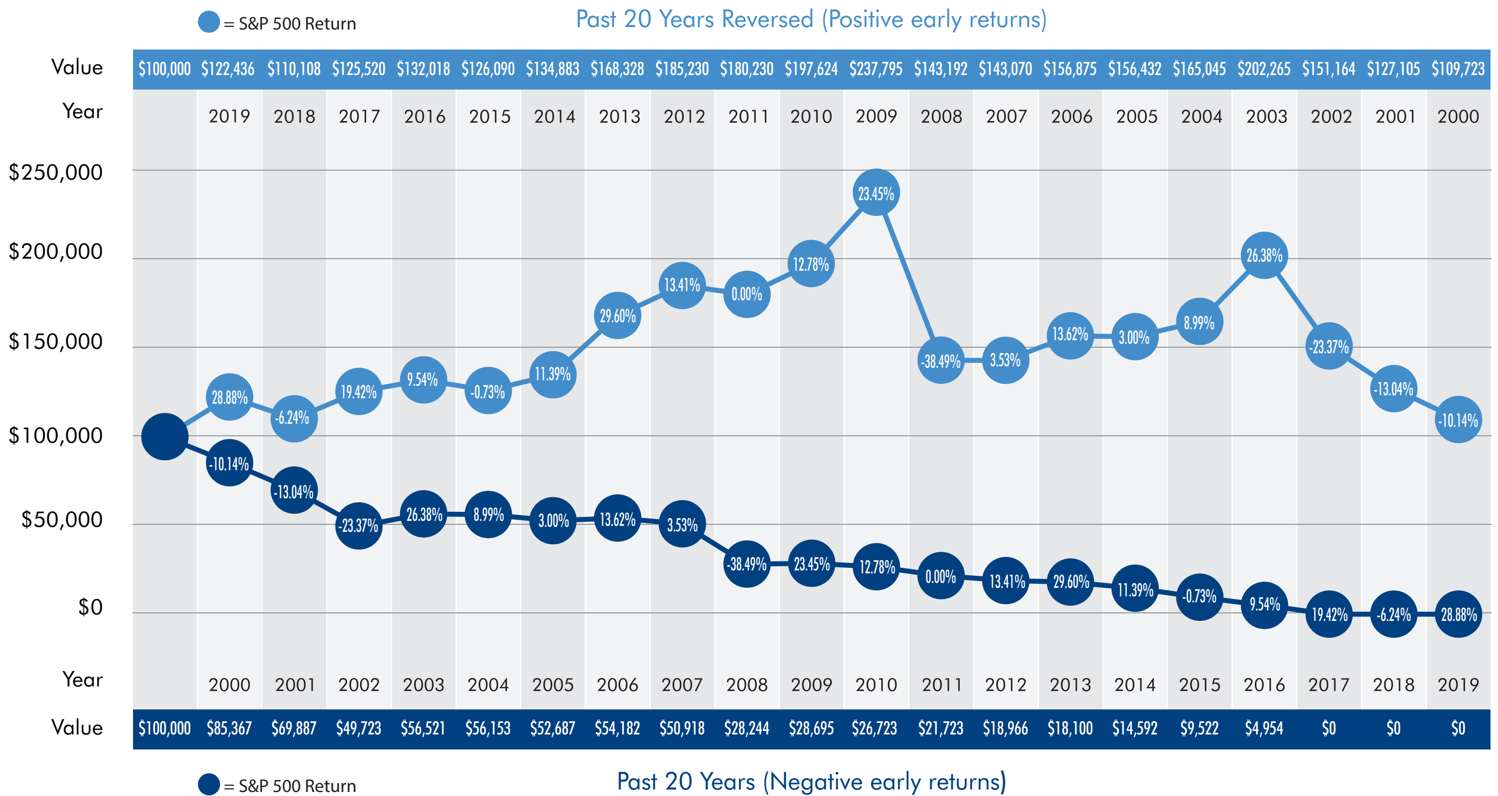
Sequence of Return Risk



The sequence of positive and negative returns over the course of a retirement can have a significant impact when a contract owner begins taking withdrawals. A downturn early in retirement may dramatically diminish a portfolio in the long run.

To demonstrate sequence of return risk, below are two hypothetical portfolios invested directly in the S&P 500® over a 20-year period (2000-2019). Each account begins with the same initial value of $100,000 and sees the same withdrawal of $5,000 annually. The only difference is late loss compared to early loss. The portfolio that incurred early loss runs out of money in 17 years, whereas the portfolio that did not ended with a value of $109,723 over 20 years.



This hypothetical example is not intended to represent any particular investment and assumes no fees or expenses.

As an insurance product, fixed index annuities are not directly invested in an index. This allows for principal protection from index losses that can draw down long-term income, while also allowing for interest growth with index-linked increases.

The one who works for you!®

Numbers Behind the Sequence

Everyone knows the market cycles up and down. Not everyone understands that when these changes occur, it could have a significant impact on their portfolio. The table below shows the annual returns over a 20-year period are the same. The difference is the order of returns, which have been reversed.

As you can see, an early downturn led to a significant decline that eroded the principal to zero in 17 years. In the reverse, an up market helped sustain the principal with an ending value of $109,723 after 20 years.

Past 20 Years
(Negative early returns)

	Year	Invested without Principal Protection	
		S&P 500®	$100,000
Early Loss	2000	-10.14%	85,367
Early Loss	2001	-13.04%	69,887
Early Loss	2002	-23.37%	49,723
	2003	26.38%	56,521
	2004	8.99%	56,153
	2005	3.00%	52,687
	2006	13.62%	54,182
	2007	3.53%	50,918
	2008	-38.49%	28,244
	2009	23.45%	28,695
	2010	12.78%	26,723
	2011	0.00%	21,723
	2012	13.41%	18,966
	2013	29.60%	18,100
	2014	11.39%	14,592
	2015	-0.73%	9,522
	2016	9.54%	4,954
	2017	19.42%	0
	2018	-6.24%	0
	2019	28.88%	0

Past 20 Years Reversed
(Positive early returns)

	Year	Invested without Principal Protection	
		S&P 500®	$100,000
	2019	28.88%	122,436
	2018	-6.24%	110,108
	2017	19.42%	125,520
	2016	9.54%	132,018
	2015	-0.73%	126,090
	2014	11.39%	134,883
	2013	29.60%	168,328
	2012	13.41%	185,230
	2011	0.00%	180,230
	2010	12.78%	197,624
	2009	23.45%	237,795
	2008	-38.49%	143,192
	2007	3.53%	143,070
	2006	13.62%	156,875
	2005	3.00%	156,432
	2004	8.99%	165,045
	2003	26.38%	202,265
Late Loss	2002	-23.37%	151,164
Late Loss	2001	-13.04%	127,105
Late Loss	2000	-10.14%	109,723

This hypothetical example is not intended to represent any particular investment and assumes no fees or expenses.

By providing principal protection, a fixed index annuity helps clients from allowing a downturn to be a setback. Their principal will never decrease due to index volatility and it can grow tax-deferred until income is withdrawn. These are key benefits for providing long-term income in any market cycle.

The "S&P 500®" is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by American Equity Investment Life Insurance Company ("AEL"). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks have been licensed to SPDJI and sublicensed for certain purposes by AEL. AEL's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates, and such parties make no representations regarding the advisability of investing in such product(s) and have no liability for any errors, omissions, or interruptions of the S&P. *The S&P 500 Index (SPX) is a price return index and does not include dividends paid on underlying stocks.

The content provided is for informational purposes only. American Equity Investment Life Insurance Company does not offer legal, investment, or tax advice. Please consult a qualified professional. Guarantees are based on the financial strength and claims paying ability of American Equity and are not guaranteed by any bank or insured by the FDIC.

American Equity Investment Life Insurance Company®
6000 Westown Pkwy, West Des Moines, IA 50266

www.american-equity.com • Call us at 888-221-1234

©2020 American Equity. All Rights Reserved.