

# 2023 AG 49 Equivalent S&P 500 Total Return Information

January 4, 2023



## How do you interact with Indexed Universal Life Insurance?

- Securities licensed agent.
- Non-securities licensed agent.
- Consumer, professional advisor, or trustee.

Indexed Universal Life (IUL) was created in the 1990's as market influenced policy for the premium finance estate planning marketplace. Rather than be limited to 50% of premium financing of a Variable Universal Life (S&P 500 Index Fund Total Return), the ability to finance 100% of premium in a non-SEC registered policy with a crediting rate that is indirectly tied to the S&P 500 Price Return.

- February 4, 2013 - FINRA (Financial Industry Regulatory Authority) implemented Rule 2210(d)(4)(C) regulating "hypothetical illustrations of mathematical principles" utilizing a common gross market return before all fees, costs, penalties, taxes, etc.
- April 16, 2015 - NAIC (National Association of Insurance Commissioners) implemented Actuarial Guideline YY, also referred to as AG 49, a complex 65-year lookback methodology calculating the maximum permitted illustration rate for an Indexed Account. AG 49 encompasses every 1-year and 25-year return within the 65-year period.

The AG 49 Equivalent S&P 500 Total Return is annually calculated using the AG 49 methodology and the S&P Total Return to provide the returns, differentials and illustration rates needed for evaluating Indexed Universal Life alternatives consistent with personal financial planning best practices.

## “How does a 1-Year Point-to-Point Indexed Account illustration rate compare to an S&P 500 Index Fund?”

The following reports are intended to assist in answering this consumer question.

**2023 - IUL - Total Return Equivalent Personal Planning Rate Calculator** – Example of calculating the differential between the AG 49 Equivalent and a policy AG 49 rate and applying it to a consumer S&P 500 Total Return Planning Rate to calculate a personal planning consistent policy illustration rate.

**2023 IUL - VUL Equivalent Illustration Rate Calculator** – Summary of the 9-year history of AG 49 Equivalent Total Returns and provides illustration rate tables based on Total Return Planning Rates and IUL Illustration rates.

**25-Year Annual Minimum - Maximum - Average Returns** – AG 49 is based on every 1-year ending return within 25-year blocks. This report encompasses every 1-year ending return in the past 25-year and provides the minimum, maximum and average returns within each year.

Indexed Universal Life is a controversial product. Part of that controversy is because the product is tied to the S&P 500 price return where fund-based planning alternatives utilize the Total Return – price returns + dividends and interest. These reports are intended to provide the information needed to support the personal financial planning of consumers and their professional advisors.

## For more information contact:

**Mark Whitelaw** Head of Design and Administration [mwhitelaw@wingedfootpartners.com](mailto:mwhitelaw@wingedfootpartners.com)

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## Overview

**Indexed Universal Life (IUL) provides crediting rates informally tied to the S&P 500 share price changes or other indexes. S&P 500 Index Funds include dividends and interest - Total Return.**

**This calculator adjusts IUL illustration rates consistent with a consumer's S&P 500 Total Return planning assumption.**

### AG 49 Equivalent S&P 500 Total Return

April 16, 2015 - NAIC implemented Actuarial Guideline YY, also referred to as AG 49.

AG 49 is a complex 65-year lookback methodology calculating the maximum permitted illustration rate for an Indexed Account.

A comprehensive methodology encompassing every 1-year and 25-year return within the 65-year period.

The AG 49 Equivalent S&P 500 Total Return is annually calculated using the AG 49 methodology and the S&P Total Return.

### FINRA Rule 2210(d)(4)(C)

February 4, 2013 - FINRA implemented Rule 2210(d)(4)(C) regulating "hypothetical illustrations of mathematical principles".

FINRA's Rule utilizes a common gross market return before all fees, costs, penalties, taxes, etc.

Hypothetical illustrations demonstrating the relative value of different financial and tax structures using consumer assumptions.

### Calculating an IUL Illustration Rate Consistent With the Consumer's Overall Personal Financial Planning

Divide the consumer's S&P 500 Total Return personal planning rate by the 10.99% AG 49 Equivalent Total Return.

The result is a percentage that can be applied to the selected Indexed Account AG 49 rate to calculate an IUL illustration rate consistent with the consumer's S&P 500 Total Return personal financial planning assumption.

If illustrating multiple IUL policies with different caps & AG 49 rates, an IUL planning rate calculation is needed for each.

Entry - Consumer Planning Rate and IUL AG 49 Rate.	Entry	S&P 500 Capital Return	S&P 500 Total Return
2023 AG 49 Equivalent Returns ( Unmanaged ):		7.60%	10.99%
Enter Client's S&P 500 Total Return Planning Rate <u>Before</u> Fund Fees:	7.00%		
7.00% Planning Rate as a Percent of the 10.99% AG 49 Equivalent Total Return:			63.69%
Enter the IUL Indexed Account AG 49 Rate:	5.23%		

AG 49 Equivalent Consumer Planning Rates	IUL Illustration Rate	S&P 500 Capital Return	S&P 500 Total Return
Key Rates * 63.69%:	3.33%	4.84%	7.00%

**For more information or questions contact:**

**Mark Whitelaw** Head of Design and Administration [mwhitelaw@wingedfootpartners.com](mailto:mwhitelaw@wingedfootpartners.com)

**Indexed Universal Life (IUL) is the most complex policy form available today.**

**Many Variable Universal Life (VUL) products now offer Indexed Accounts as asset allocation alternatives.**

**Life Insurance products offering Indexed Accounts require careful evaluation for consistency to personal planning assumptions.**

**WFP serves Affluent individuals, Trustees and RIAs using investment oriented life insurance products as alternative fund, cash, tax and risk management containers.**

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# 2023 IUL - VUL Equivalent Illustration Rate Calculator

iSIRP Advisor Services

January 4, 2023



Applying the AG 49 calculation to the S&P 500 Total Return provides advisors and consumers the ability to review different life insurance, investment and retirement alternatives utilizing comparable market return planning assumptions.

Please consult your Investment Advisor for further clarification.

## 2015 - 2023 AG 49 Equivalent Returns

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Reg 49 Equivalent S&P 500 Total Return	10.90%	10.87%	10.99%	10.94%	10.95%	10.96%	10.94%	10.98%	10.99%
Reg 49 Equivalent S&P 500 Price Return	7.12%	7.14%	7.26%	7.27%	7.34%	7.41%	7.45%	7.54%	7.60%
Impact of Dividends and Interest	3.78%	3.73%	3.73%	3.67%	3.61%	3.55%	3.49%	3.44%	3.39%
Data So Data Source - Yahoo Finance	35%	34%	34%	34%	33%	32%	32%	31%	31%

## 2023 - 65-Year Price and Total Returns

	65-Yr Return	Ave 1-Yr Returns	AG 49 Eq
S&P 500 Total Return	10.48%	11.73%	10.99%
S&P 500 Price Return	7.27%	8.49%	7.60%
Dividends and Interest	3.21%	3.24%	3.39%
Dividends and Interest Percent of Total Return	30.63%	27.62%	30.85%

## AG 49 Rates at Different 1-yr PtP Cap Rates - Total Return Differential to the 10.99% S&P 500 Total Return Equivalent.

	A	B	C	D	E	F	G	H	I	J	K	L	M
1-yr IUL PtP Cap	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
AG 49 Rate	4.07%	4.37%	4.67%	4.96%	5.23%	5.51%	5.77%	6.02%	6.27%	6.51%	6.74%	6.96%	7.18%
Diff From 10.99% Ave	-63%	-60%	-58%	-55%	-52%	-50%	-47%	-45%	-43%	-41%	-39%	-37%	-35%

## S&P 500 Total Return - AG 49 Adjusted Equivalent Illustration Rates - Applying the AG 49 differential to defined S&P 500 Total Returns.

	A	B	C	D	E	F	G	H	I	J	K	L	M
1-yr IUL PtP Cap	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
10.00% S&P 500 TR	3.70%	3.98%	4.25%	4.51%	4.76%	5.01%	5.25%	5.48%	5.71%	5.92%	6.13%	6.33%	6.53%
9.00% S&P 500 TR	3.33%	3.58%	3.82%	4.06%	4.28%	4.51%	4.73%	4.93%	5.13%	5.33%	5.52%	5.70%	5.88%
8.00% S&P 500 TR	2.96%	3.18%	3.40%	3.61%	3.81%	4.01%	4.20%	4.38%	4.56%	4.74%	4.91%	5.07%	5.23%
7.00% S&P 500 TR	2.59%	2.78%	2.97%	3.16%	3.33%	3.51%	3.68%	3.83%	3.99%	4.15%	4.29%	4.43%	4.57%
6.00% S&P 500 TR	2.22%	2.39%	2.55%	2.71%	2.86%	3.01%	3.15%	3.29%	3.42%	3.55%	3.68%	3.80%	3.92%

## IUL Illustration Rate - S&P 500 AG 49 Equivalent Total Return - Applying the AG 49 differential to defined IUL Illustration Rates.

	A	B	C	D	E	F	G	H	I	J	K	L	M
1-yr IUL PtP Cap	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
8.00% IUL Illus Rate	21.60%	20.12%	18.83%	17.73%	16.81%	15.96%	15.24%	14.60%	14.02%	13.51%	13.04%	12.63%	12.25%
7.00% IUL Illus Rate	18.90%	17.60%	16.47%	15.51%	14.71%	13.96%	13.33%	12.78%	12.27%	11.82%	11.41%	11.05%	10.71%
6.00% IUL Illus Rate	16.20%	15.09%	14.12%	13.29%	12.61%	11.97%	11.43%	10.95%	10.52%	10.13%	9.78%	9.47%	9.18%
5.00% IUL Illus Rate	13.50%	12.57%	11.77%	11.08%	10.51%	9.97%	9.52%	9.13%	8.76%	8.44%	8.15%	7.90%	7.65%
4.00% IUL Illus Rate	10.80%	10.06%	9.41%	8.86%	8.41%	7.98%	7.62%	7.30%	7.01%	6.75%	6.52%	6.32%	6.12%

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# 25-Year Annual Minimum - Maximum - Average Returns



Based on all 1-year ending returns between 1998-2022.

Annual Range of Return

## S&P 500 Total Return vs Sample Indexed Return Alternatives

## Gross Index Average Returns

Variable				Indexed UL			Gross Index Average Returns			
0.08% Fund Fee				8.00% Cap, 0.00% Floor			Bond	S&P 500		
S&P 500 TR Index Fund				Capped 1-Yr PtP			Vanguard	Index	Total	
							Total Bond	Return	Return	
							Average	Average	Average	
Min	Max	Average		Min	Max	Average				
1	1998	0.29%	52.98%	26.70%	0.00%	8.00%	7.69%	4.25%	24.78%	26.78%
2	1999	15.71%	41.17%	23.99%	8.00%	8.00%	8.00%	9.44%	22.39%	24.07%
3	2000	-12.36%	20.46%	8.89%	0.00%	8.00%	6.20%	8.58%	7.68%	8.97%
4	2001	-32.38%	0.68%	-15.32%	0.00%	0.00%	0.00%	-0.76%	-16.26%	-15.24%
5	2002	-33.07%	3.82%	-15.77%	0.00%	2.47%	0.03%	11.39%	-16.90%	-15.69%
6	2003	-30.18%	35.41%	0.96%	0.00%	8.00%	3.89%	8.43%	-0.74%	1.04%
7	2004	7.13%	44.85%	19.77%	5.40%	8.00%	7.92%	8.26%	17.80%	19.85%
8	2005	2.40%	18.25%	8.62%	0.71%	8.00%	6.02%	3.97%	6.79%	8.70%
9	2006	2.35%	19.97%	10.53%	0.54%	8.00%	6.64%	4.24%	8.57%	10.61%
10	2007	2.25%	27.77%	14.93%	0.45%	8.00%	7.44%	2.40%	12.88%	15.01%
11	2008	-46.63%	4.09%	-15.58%	0.00%	2.16%	0.02%	4.27%	-17.24%	-15.50%
12	2009	-46.40%	49.16%	-16.27%	0.00%	8.00%	1.90%	6.92%	-18.33%	-16.19%
13	2010	3.52%	71.88%	24.29%	1.58%	8.00%	7.72%	5.05%	21.81%	24.37%
14	2011	-3.48%	32.84%	13.60%	0.00%	8.00%	6.11%	5.93%	11.45%	13.68%
15	2012	-0.83%	34.28%	11.53%	0.00%	8.00%	5.06%	6.42%	9.20%	11.61%
16	2013	11.55%	35.13%	21.79%	8.00%	8.00%	8.00%	7.56%	19.18%	21.87%
17	2014	9.61%	28.71%	19.94%	7.48%	8.00%	8.00%	4.05%	17.56%	20.02%
18	2015	-4.78%	19.12%	8.99%	0.00%	8.00%	5.40%	-2.26%	6.87%	9.07%
19	2016	-10.64%	19.62%	3.88%	0.00%	8.00%	2.83%	5.76%	1.74%	3.96%
20	2017	13.29%	28.80%	19.35%	8.00%	8.00%	8.00%	0.30%	16.97%	19.43%
21	2018	-10.73%	27.63%	14.50%	0.00%	8.00%	7.06%	2.50%	12.37%	14.58%
22	2019	-8.05%	39.83%	8.40%	0.00%	8.00%	4.72%	3.46%	6.24%	8.48%
23	2020	-18.53%	35.68%	12.42%	0.00%	8.00%	6.12%	-0.13%	10.43%	12.50%
24	2021	15.16%	79.09%	35.65%	8.00%	8.00%	8.00%	8.61%	33.60%	35.73%
25	2022	-19.85%	30.44%	-2.02%	0.00%	8.00%	2.38%	9.98%	-3.36%	-1.94%
<b>Average:</b>		-7.78%	32.07%	<b>9.75%</b>	1.93%	7.22%	<b>5.41%</b>	<b>5.14%</b>	<b>7.82%</b>	<b>9.83%</b>
Std Dev:		18.31%	18.59%	14.06%	3.24%	2.18%	2.73%	3.54%	13.81%	14.06%
<b>Average vs. 9.83% S&amp;P 500 Total Return:</b>							<b>-45.02%</b>	<b>-47.67%</b>		<b>0.00%</b>

## Hypothetical Illustration Rates utilizing 25-Year Average Differentials and 7.00% S&P 500 Index Total Return Planning Rate

	3.85%	3.66%	7.00%
2023 Maximum Permitted Illustration Rate	<b>5.23%</b>	Variable Products	<b>12.00%</b>

FINRA requires that "Hypothetical Illustrations" of financial comparisons utilize a common gross market return (10% maximum).

Indexed and Variable insurance are alternatives for investing in the S&P 500.

Indexed = Index Return (share price) adjusted for floors and caps. Total Return = Index Return plus dividends reinvested for funds.

Hypothetical Illustration Rates assume (1) all 1-year ending returns within a calendar year and (2) applying 25-year return differentials to the S&P 500 Index Return planning rate.

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