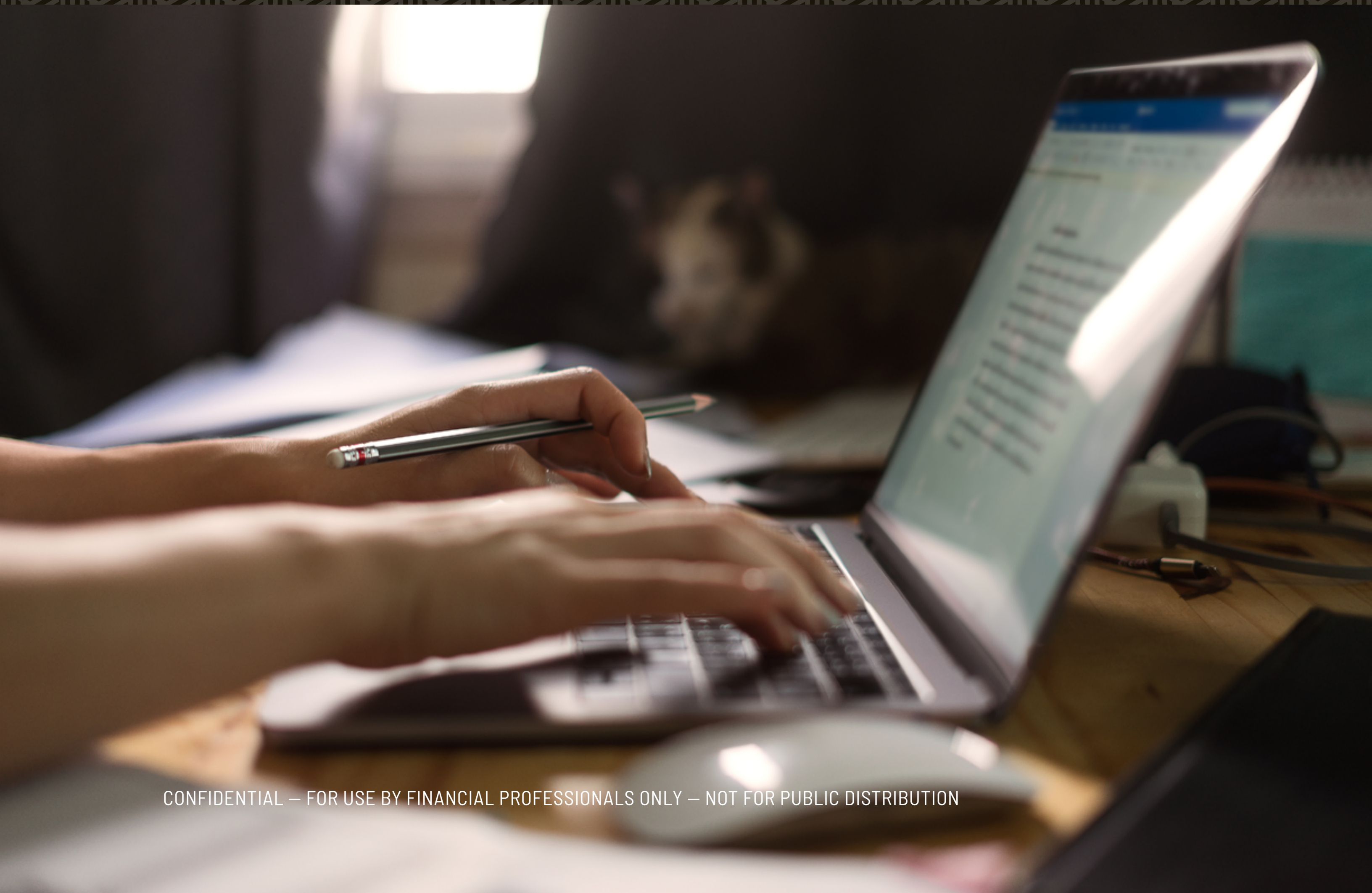
ANNUITIES LANGUAGE GLOSSARY

SPEAKING IN THE LANGUAGE OF YOUR CLIENTS

FOR FINANCIAL PROFESSIONALS

Alliance for
Lifetime
Income



ANNUITIES LANGUAGE GLOSSARY

SPEAKING IN THE LANGUAGE OF YOUR CLIENTS

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THE PURPOSE OF THIS WORK

Two of the Alliance's earliest commitments involved making the language of annuities not only simpler, but more familiar and intuitive to consumers:

- *"To simplify and clarify the complex language we use."*
- *"To clearly illustrate the value and importance of annuities and protected lifetime income in providing retirement security to millions of unprotected Americans."*

When we speak in language that clients can understand, we not only make annuities simpler and more relatable to our consumers, we can improve decision making, leading to better outcomes for tens of millions of consumers.

This work provides a foundational, consistent lexicon rooted in the consumer mindset and their underlying values that the financial services industry broadly can use to have more client-focused, effective conversations about annuities. The goal is to make annuities and their benefits more easily understood, transparent and intuitive.

> "Among the comments offered by respondents was a plea for 'better-written materials that a layman can understand' along with a call for easier, plain-English definitions and descriptions of the product."
>
> Deloitte
> "Voice of the Annuities Consumer" Survey

This glossary builds on the industry's knowledge base through a combination of the existing consumer-focused language in use by a range of annuities companies as well as past research — including primary research and testing conducted by the Alliance in August 2019, September 2020, and October 2020.

This document serves as an optimized glossary that brings together this cumulative insight and includes key context on today's consumer, language to use and avoid, and other strategic recommendations. A separate, accompanying Annuities Language Discussion Guide has been created specifically to help financial professionals in discussions with clients. Our vision and hope is that both documents will be adopted and become indispensable to the industry in creating both formal and informal materials used by financial professionals with clients.

This is the second edition of the glossary, which includes an expanded list of terms, building on the first edition.

Jean Statler
Executive Director

WHAT'S INCLUDED IN THIS GLOSSARY

In an effort to ensure the contents of this guide incorporated the needs of the broader industry, the Alliance focused on identifying the most crucial language that is most frequently used and that has the most immediate opportunity to drive greater transparency and understanding with consumers.

The terms themselves fall into three main categories:

1. **Annuity Product Terms** that reference the overall product offered
2. **Annuity Feature and Benefit Terms** that highlight the more customizable or optional elements that can be included in an annuity purchase
3. **Industry Terms** used in the context of annuities, but within the broader retirement planning landscape

This glossary draws from primary research spanning over a decade, conducted by a range of industry organizations and research firms. **It has been augmented with two nationwide quantitative consumer surveys conducted by the Alliance, one in August 2019 and one in October 2020, and a qualitative session in September 2020 to ensure that the contents reflect the current national consumer mindset.** Data points from the latter are integrated throughout to add further context and understanding for certain recommended language.

> "I don't want to put my money in something that I don't understand."
>
> Focus group participant

HOW TO READ THE RECOMMENDATIONS

While this glossary hopes to promote the use of consumer-facing language and terminology, this is not meant to be a "find-and-replace" exercise.

No one knows your objectives and requirements better than you do, and there may be certain situations or products for which our recommendations are not relevant or appropriate for your needs. We suggest you read the "why it matters" section for each term and definition to help you better understand how the consumer thinks, and why the recommendation was made. This will help guide your decision on whether to implement the language shifts, and if so, how.

You will note certain terms that are unchanged and are not in the format shown below. We included these terms because they are crucial to understanding annuities, and the "definition" and "why it matters" sections will be useful in discussing these terms with consumers.

Finally, we highly recommend using this language glossary alongside the accompanying Annuities Language Discussion Guide for Financial Professionals.

> "They sound good until you get into them, and they aren't really straightforward."

> "Surrender? I don't like that they're talking about my own money like this; seems really negative and off-putting."

Focus group participants

<table>
<tr><th>FROM</th><th>TO</th></tr>
<tr><td>Existing or Standard Industry Term(s)</td><td>Consumer-Focused Articulation of Term(s)
(In some cases we haven't shifted the term,
but intead focused on simplifying the definition)</td></tr>
<tr><td colspan="2">DEFINITION:
Optimized definition of the new term with a consumer focus.</td></tr>
<tr><td colspan="2">WHY IT MATTERS:
Key context and background for the recommendation that is internal context for anyone using the glossary and not meant to be used in conversation with consumers.</td></tr>
</table>

GLOSSARY TERMS

Listed below are some terms commonly used in the financial services industry that may be confusing to consumers. Click on the term to find our recommendation for a simpler and better term to use, along with the reasons why.

PRODUCT TERMS

1. Annuity
2. Deferred income annuity (Longevity annuity)
3. Fee-based annuity
4. Fixed annuity
5. Fixed indexed annuity
6. Guaranteed income
7. Immediate income annuity
8. Participation rate
9. Variable annuity
10. Withdrawal base

FEATURE AND BENEFIT TERMS

11. Accumulation phase
12. Annual lock (when referencing fixed index annuities)
13. Annuity owner
14. Beneficiary
15. Cap
16. Contract value
17. Covered person(s)
18. Death benefit
19. Deferral bonus
20. Distribution phase
21. Earnings sensitive adjustment
22. Financial independence
23. Guaranteed minimum
24. Guaranteed minimum withdrawal rate
25. Interest rate floor (when referencing fixed indexed annuities)
26. Joint life
27. Living benefits
28. Market value adjustment
29. Minimum guaranteed surrender value
30. Penalty-free withdrawal amount
31. Performance trigger
32. Period certain
33. Premium
34. Qualified dollars (when referencing annuities)
35. Required minimum distribution
36. Rider
37. Roll-up
38. Spousal continuation
39. Subaccounts

INDUSTRY TERMS

40. Cost basis
41. Crediting strategy
42. Discretionary expenses vs. Non-discretionary expenses
43. Diversification
44 Dollar cost average
45. Fee / Cost / Charge
46. Fiduciary
47. Financial advisor
48. Financial priorities
49. Fixed account
50. Index
51. Liquidity risk
52. Longevity risk
53. Market risk
54. Market volatility
55. Retirement
56. Risk-adjusted returns
57. Risk tolerance
58. Sequence of returns risk
59. Spread
60. Sustainable withdrawal rate
61. Vehicle

ANNUITIES LANGUAGE GLOSSARY

PRODUCT TERMS

1.	**Annuity**
	DEFINITION: A financial product that can offer protected lifetime income and even potentially grow your money.
	WHY IT MATTERS: Points to the two most meaningful financial benefits to a consumer: protection and growth. Be clear and concrete about what an annuity is — a product. This term feels simple and familiar to consumers, and doesn't carry the negativity of "contract" or the confusion of industry jargon like "vehicle." When explaining how an annuity fits into a consumer's overall retirement portfolio, talk about how it can serve as a strategic part of their integrated retirement plan among other investments.

2.	**Deferred income annuity (Longevity annuity)**
	DEFINITION: A type of income annuity that allows you to contribute a lump sum, choose the frequency and amount you'd like to set for your annuity income payments, and then delay those payments until a pre-determined point in time.
	WHY IT MATTERS: The feature to delay payments isn't widely known to consumers, so explaining it in clear, simple language drives home the benefit.

3.	**Fee-based annuity**
	DEFINITION: An annuity that allows financial professionals to receive an annual advisory fee, rather than a commission.
	WHY IT MATTERS: The contrast with commission-based annuities helps make the consumer impact clear.

BACK TO TERMS LIST

4.	**Fixed annuity**
	DEFINITION: An annuity that delivers 100% protection from market downturns with the potential for earned interest. *To add further clarity or specificity, you may want to note that:* For a deferred fixed annuity, there is the benefit of a guaranteed interest rate, in addition to downside protection and the potential for earned interest.
	WHY IT MATTERS: It clearly lays out what consumers can expect in terms of both protection and the potential for modest growth. It's best to start with what differentiates a fixed annuity from a fixed indexed or variable annuity before digging deeper into the details of the fixed product so that the primary feature and benefit to the consumer are clear at the outset as they are weighing their options. Note: If a deferred fixed annuity, there would be more than potential for earned interest — there would be an express interest rate that is guaranteed. If an immediate fixed annuity, there is no interest rate being applied to the principal for growth. Rather, this is guaranteeing an income stream to start immediately or within a year. If speaking with a consumer about a deferred fixed annuity, speak to the guaranteed interest rate, not just the potential for earned interest, as this is an additional benefit for them to consider.

5.	**Fixed indexed annuity**
	DEFINITION: An annuity that guarantees principal protection from market downturns with the potential for growth tied to a market index. *To add further clarity or specificity, you may want to note that:* Mentions of "guarantees" should be accompanied by necessary disclosures and discussion of the annuity company's claims-paying ability.
	WHY IT MATTERS: It's simple and specifies that the rate of return is tied to a market index, which makes it easier for consumers to understand how this annuity works. It's best to start with what differentiates a fixed indexed annuity from a fixed or variable annuity before digging deeper into the details of the product so that the primary feature and benefit to the consumer are clear at the outset as they are weighing their options.

BACK TO TERMS LIST

	FROM	TO
6.	*Guaranteed income*	**Protected lifetime income**

DEFINITION:

Income that can last your whole life — and potentially go to your beneficiaries.

To add further clarity or specificity, you may want to note that:
"Beneficiaries" is familiar and clear to consumers, and can apply to situations where their money is going to an endowment or charity rather than a person. But where possible, speak on a more personal level by referencing "loved ones."

WHY IT MATTERS:

When you're talking about the broader benefits of an annuity, use the term "protection" rather than "guarantee." It's important to lead with protection because it speaks to consumers on a more emotional level than "guarantee." A prospective annuity owner is thinking "I need to protect my money and loved ones," not "I need to guarantee my money and loved ones."

When speaking to the option to provide protected income to others beyond the annuity owner himself or herself, use terms like "loved ones" or "beneficiaries." Today, words like "legacy," "inheritance" or "heirs" don't feel as relevant to consumers.

7. Immediate income annuity

DEFINITION:

A type of income annuity that allows you to contribute a lump sum, choose the frequency and amount you'd like to set for your annuity income payments, and then start receiving those payments immediately or delay receiving them for up to 12 months.

WHY IT MATTERS:

This definition clarifies the difference between an immediate income annuity and a deferred income/longevity annuity — how long payment can be delayed.

BACK TO TERMS LIST

FROM	TO
8. *Participation rate / Index participation rate*	**Index performance crediting rate**

DEFINITION:
The percentage increase of the index's value that can be credited to the annuity at the end of a selected time period.

To add further clarity and specificity, you may want to note:

- *Including an example like the following:* If the market went up 10% and the annuity's index performance credit was 80%, an 8% return (80% of the gain) would be credited.
- A market index is a benchmark created to represent a specific portion of a market in order to evaluate the performance of investments.

WHY IT MATTERS:
Associating the increase in the index with a credit to the owner is easier to understand than "participation rate." The word "crediting" signals a clear benefit to the annuity owner.

9.	**Variable annuity**

DEFINITION:
A financial product that offers the potential to grow your money through various market investment options, but with the potential for market loss — with the option of receiving protected lifetime income.

To add further clarity or specificity, you may want to note that:
"Protected lifetime income" can be added to an annuity to provide periodic income payments that can last throughout your life.

WHY IT MATTERS:
It's motivating and simple. It spotlights what consumers want most — potential to grow your money and protected lifetime income — while being upfront that there's potential for market loss.

FROM	TO
10. *Withdrawal base / Income base*	**Income base**

DEFINITION:
The amount that the annuity owner can withdraw money against.

WHY IT MATTERS:
It shows consumers how they may be able to receive some form of payment from their annuity should they need to access their money — and makes clear where that money is coming from (their income).

It's good to highlight because it can address potential concerns that an annuity means their money will be completely locked away.

BACK TO TERMS LIST

ANNUITIES LANGUAGE GLOSSARY

FEATURE & BENEFIT TERMS

FROM	TO
11. *Accumulation phase / Growth period*	**Growth stage**

DEFINITION:
The period that you are allowing your money the potential to grow.

To add further clarity or specificity, you may want to note that:
Some annuities allow you to add more money over time.

WHY IT MATTERS:
It's simple and makes a clearer connection to the benefit of this stage — growth.

12. Annual lock
(when referencing fixed index annuities)

DEFINITION:
An opportunity to lock in, or protect, interest earned up to the annuity's caps each year, protecting those gains from any future index decreases.

WHY IT MATTERS:
"Lock" can be intimidating and negative to the consumer rather than positive. Leading with the guarantee in the definition immediately signals a consumer benefit.

13. Annuity owner

DEFINITION:
A person who owns the annuity and has the authority to make any changes.

To add further clarity and specificity, you may want to note that:
If authorized by the annuity owner, another person can also make changes to the annuity.

WHY IT MATTERS:
Given that there are other variables deciding income payout, this definition speaks only to control over the annuity.

BACK TO TERMS LIST

14.	Beneficiary

DEFINITION:

The person you designate to receive any remaining account balance or income payments should you pass away.

To add further clarity or specificity, you may want to note that:
Where relevant, speak to "loved ones" or "family" to make this more personal.

WHY IT MATTERS:

The term "beneficiary" is understood widely, and with a simple definition helps annuity owners know that this money can be carried over to loved ones if the owner passes away.

2019 Alliance Language Survey

80% of consumers say "beneficiaries" and 77% say "loved ones" are relevant terms for them when thinking about who or what they'll leave their money to later in life, compared to heirs (only 63% feel this is relevant), legacy (only 45% feel this is relevant), or estate (only 23% feel this is relevant).

Q46. Here are some terms that all refer to who or what you will leave your money to later in life.
Please tell us how well each option below relates to the descriptions in each column.
(5 point scale from "this doesn't feel relevant to me" to "this does feel relevant to me")

15.	Cap

DEFINITION:

The maximum amount your annuity may be able to earn at the end of a selected time period.

To add further clarity or specificity, you may want to note that:
You choose the time period that's best for you from a set of available options.

WHY IT MATTERS:

"Cap" is easy to understand. In this case, it's best to go with the most simple and succinct term.

	FROM	TO
16.	*Contract value / Account value*	**Account balance**

DEFINITION:

The amount of money in the annuity.

WHY IT MATTERS:

"Value" isn't as tangible and easy to understand as "balance," which is a term consumers are familiar with.

They're used to balances going up and down over time, so it's less intimidating than the idea of value reducing. The same insight applies to "account," which is more familiar and easier to understand than "contract."

BACK TO TERMS LIST

FROM	TO
17. *Covered person(s)*	**Protected person(s)**

DEFINITION:
The person who lifetime income payments are based on and whose age determines the guaranteed withdrawal rate.

To add further clarity and specificity, you may want to note that:

- Annuities are designed to begin withdrawals when the protected person reaches a certain age, generally 59½ (earlier withdrawals can be made at an additional cost).
- If there are two protected persons, the age of the younger person is used, and the lifetime of the person who lives longest.
- In the context of a trust or other specific arrangements, the lifetime income payments wouldn't be paid directly to the protected person. Instead, they would be paid to a protected entity.

WHY IT MATTERS:
While "covered person" has negative contractual associations, "protected person" reinforces the core benefit of protection that annuities offer.

FROM	TO
18. *Death benefit / Legacy benefit / Benefit to your heirs / Legacy / Legacy protection benefit / Family protection*	**Beneficiary benefit**

DEFINITION:
A benefit that pays your beneficiary the remaining account balance or income should you pass away.

WHY IT MATTERS:
It's straightforward and doesn't try to frame a negative situation positively.
"Death benefit" sounds like an oxymoron to consumers.

Where relevant, call it a family benefit to be specific and personalize the term.

BACK TO TERMS LIST

19.	**Deferral bonus**
	DEFINITION: An amount that could potentially be credited to your income base annually during the growth stage for each year you wait to take income, up to a certain age.
	WHY IT MATTERS: Deferral bonus is easy to understand and feels relevant, so there is no need to make a change from the industry-standard term. The definition explicitly frames this as an ultimate benefit for the annuity owner for reserving their income for later in life.

FROM	TO
20. *Distribution phase / Income stage / Decumulation phase / Spending phase*	**Income stage**
DEFINITION: The point you start receiving income from your annuity.	
WHY IT MATTERS: It's simple in the eyes of the annuity owner. It uses an everyday term to focus on the tangible benefit to them.	

FROM	TO
21. *Earnings sensitive adjustment*	**Bonus income increase**
DEFINITION: Additional income received on top of the guaranteed amount, or on top of any other permanent income increase. *To add further clarity or specificity, you may want to note that:* This additional income is based on the market performance rate, and allows you to add earnings to the amount of otherwise permissible withdrawals. This gives you the potential to take greater withdrawals and receive the same after-tax withdrawal amount annually.	
WHY IT MATTERS: "Earnings sensitive adjustment" doesn't communicate just how beneficial this aspect of an annuity is to the owner — so make the connection to "income." Make it clear that this is income they might receive on top of any income increase due to market performance (step up).	

BACK TO TERMS LIST

FROM	TO
22. *Financial independence / Financial empowerment / Financial future*	**Financial security**

DEFINITION:
The ability to cover your financial needs and reach your financial goals.

WHY IT MATTERS:
Speaks to the broader benefit of considering an annuity as a part of a consumer's portfolio and the ultimate goal for their financial life — particularly later in life once they aren't taking retirement income from an employer anymore.

"Financial security" is more resonant when saving for retirement than concepts like "empowerment," "independence," or "my financial future." This likely plays into the aversion to loss (the tendency to prefer avoiding losses over earning equivalent gains), and the control consumers crave in the face of uncertainty.

2019 Alliance Language Survey
Nearly 1 out of 2 consumers said that "financial security" was most important to them when thinking about how to reach their financial goals for retirement over options like "financial independence," "financial empowerment" or "my financial future."

Q10. Which of the following feels MOST important to you when you think about the ability to cover your financial necessities and reach your financial goals for retirement? Please select one.

23. Guaranteed minimum

DEFINITION:
An optional benefit that guarantees a minimum amount the annuity will pay or grow by, assuming all contract terms are met by both the annuity owner and the company.

WHY IT MATTERS:
The positive framing of the definition is important for the consumer to understand this guarantee is a benefit to them.

24. Guaranteed minimum withdrawal rate

DEFINITION:
An optional benefit that guarantees you can withdraw a minimum percentage from your annuity annually, typically guaranteed for life or for a specified period of time.

WHY IT MATTERS:
Today, this definition isn't standardized and can therefore be misleading. The above definition clarifies this benefit is optional, annual, and highlights that the length of time the benefit can last varies.

BACK TO TERMS LIST

25.	**Interest rate floor** (when referencing fixed indexed annuities)
DEFINITION: Your guaranteed minimum interest rate for a specified period of time, even during market downturns.	
WHY IT MATTERS: Language like "guaranteed" and "even during market downturns" convey the protection and security that's so important to annuity owners and isn't made clear by the term itself.	

FROM	TO
26. *Joint life*	**Joint protected person**
DEFINITION: An added protected person, usually a spouse, who can lengthen the benefit of guaranteed income for life if they outlive the primary protected person.	
WHY IT MATTERS: The consistency between "protected person" and "joint protected person" makes the relationship between the two clear.	

FROM	TO
27. *Living benefits*	**Protected income benefits**
DEFINITION: Optional benefits available for an additional cost that can offer you guarantees, like a minimum level of income for life. *To add further clarity or specificity, you may want to note that:* Mentions of "guarantees" should be accompanied by necessary disclosures and discussion of the annuity company's claims-paying ability.	
WHY IT MATTERS: Protected income benefits is more concrete. As with "death benefit," there's a missed opportunity to help annuity owners immediately see the value of this feature — and proactively clarify that the income will never run out.	

BACK TO TERMS LIST

28.	**Market value adjustment**
	DEFINITION: A positive or negative adjustment during the holding period to the amount you're able to withdraw from a fixed annuity above the free withdrawal amount. The adjustment is dependent on how the interest rate environment has changed since opening your account.
	WHY IT MATTERS: This definition clarifies when this adjustment takes place, what exactly is being adjusted, and clearly explains the role of the interest rate in the adjustment.

FROM	TO
29. *Minimum guaranteed surrender value*	**Minimum guaranteed annuity value**
DEFINITION: The minimum amount the annuity owner is guaranteed to receive when withdrawing money from their account, after applying early withdrawal costs.	
WHY IT MATTERS: "Annuity value" makes this benefit clear — that this is an amount the annuity owner receives. "Surrender" is not only complex but is also inherently negative.	

FROM	TO
30. *Penalty-free withdrawal amount / Free amount*	**Free withdrawal amount**
DEFINITION: The maximum amount the annuity owner can withdraw without being charged any fees.	
WHY IT MATTERS: "Free amount" on its own lacks clarity. "Penalty-free" is both negative and unnecessary complex. "Free withdrawal" is both clear and positive, using familiar terms to highlight a tangible benefit.	

BACK TO TERMS LIST

FROM		TO
31.	*Performance trigger*	**Performance credit**

DEFINITION:
A pre-set amount credited to your account if the index change is positive or flat at the end of the term.

To add further clarity and specificity, you may want to note that:
The amount is calculated as a pre-determined percentage of your investment.
If the market index change is negative, the account is protected from loss, but no interest is gained.

WHY IT MATTERS:
Provides a more positive and clear benefit to the annuity owner than a "trigger."

32.	**Period certain**

DEFINITION:
A payout option that allows the annuity owner to choose when and how long to receive payments, which beneficiaries may also be able to receive.

To add further clarity or specificity, you may want to note that:
The option has both lifetime and non-lifetime options available.

WHY IT MATTERS:
It gives annuity owners choice, especially since they may opt to receive fewer payments themselves in lieu of saving more for their beneficiaries later on.

BACK TO TERMS LIST

FROM	TO
33. *Premium / Purchase payments / Money paid into a contract*	**Annuity contribution**

DEFINITION:
For most annuity types, this is the money you put into the annuity.

WHY IT MATTERS:
The word “contribution” is important to use here to connect with the annuity owner’s priority of growth.

“Paid” could seem like you are giving up your money for something else. In most cases (outside some fixed products), you are investing the money and maintain access to it. Liquidity has been a major concern in the annuity space in the past, and “paid” has the risk of bringing that back.

2019 Alliance Language Survey
73% of consumers feel “contribution” is a clear way to describe this, compared to only 58% who think “premium” is clear. 67% of consumers also feel that “contribution” is relevant for them, whereas only 56% feel “premium” is relevant.

Here are some terms that all refer to the money you use to fund your annuity. Please tell us how well each option below relates to the descriptions in each column.
Q28. (5 point scale from “it’s not easy to understand what it means” to “it’s easy to understand what it means”)
Q29. (5 point scale from “this doesn’t feel relevant to me” to “this does feel relevant to me”)

FROM	TO
34. *Qualified dollars / Qualified money (when referencing annuities)*	**Pre-tax dollars**

DEFINITION:
Money that hasn’t been taxed yet can be used to fund annuities connected to tax-qualified retirement plans, such as 401(k)s.

WHY IT MATTERS:
“Pre-tax” provides more clarity, removing the question of what the money is being qualified for.

35. Required minimum distribution

DEFINITION:
The amount of income that you’re required to receive from your account each year, once you reach retirement age.

WHY IT MATTERS:
The definition clearly links the distribution to a customer benefit — income.

BACK TO TERMS LIST

	FROM	TO
36.	*Rider / Benefit / Waiver / Option*	**Optional benefit**

DEFINITION:
A feature that can provide benefits or protection to you or your beneficiaries at an additional cost.

WHY IT MATTERS:
Emphasizes the annuity owner's choice and personalization and the benefits such an option can provide. Specify "for an additional cost" to enhance transparency.

	FROM	TO
37.	*Roll-up / Bonus*	**Guaranteed growth**

DEFINITION:
The ability to permanently adjust your income based on a pre-set guaranteed growth rate.

To add further clarity or specificity, you may want to note that:
This guaranteed growth rate is periodically applied to your benefit base (which is your income base plus any additional guaranteed growth increases), which permanently increases the benefit amount you receive.

Mentions of "guarantees" should be accompanied by necessary disclosures and discussion of the annuity company's claims-paying ability.

WHY IT MATTERS:
Guaranteed growth is easier to understand than "bonus" and "roll-up."

38. Spousal continuation

DEFINITION:
An option to transfer ownership or continuation of your guaranteed income to your spouse in the event you pass away.

WHY IT MATTERS:
It's clear and easy for annuity owners to immediately understand.

It uses clear language like "transfer" to help clients understand how spousal continuation compares to a feature like the joint option.

BACK TO TERMS LIST

FROM	TO
39. *Subaccounts / Variable portfolios / Investment divisions*	**Variable annuity investment options**

DEFINITION:

The different investment options a variable annuity owner can choose to allocate their money to.

WHY IT MATTERS:

"Annuity investment options" conveys choice and control, and is easier to understand than the industry phrase, "subaccounts."

2019 Alliance Language Survey

60% of consumers felt "investment options" was a clear way to talk about these underlying investments, compared to only 31% who felt "investment divisions" and 29% who felt "subaccounts" were easy to understand.

Q41. Here are some terms that all refer to the types of investments available inside of a variable annuity contract. Please tell us how well each option below relates to the descriptions in each column. (5 point scale from "it's not easy to understand what it means" to "it's easy to understand what it means")

BACK TO TERMS LIST

ANNUITIES LANGUAGE GLOSSARY

INDUSTRY TERMS

40.	Cost basis
	DEFINITION: Your original investment amount. *To add further clarity and specificity, you may want to note that:* The cost basis is typically used for tax purposes. This amount typically isn't taxed when sold and only applies to post-tax funds.
	WHY IT MATTERS: The clarity of the definition simplifies a complex industry term.

41.	Crediting strategy
	DEFINITION: The method used to determine how interest is credited to certain annuities, when applicable.
	WHY IT MATTERS: Words like "method" and "determine" clarify crediting strategy is a tool.

	FROM	TO
42.	*Discretionary expenses vs. non-discretionary expenses*	**Essential expenses vs. non-essential expenses**
	DEFINITION: Two main types of retirement expenses: essential expenses cover everyday needs, such as housing and meals, and non-essential expenses cover your lifestyle, such as travel and entertainment.	
	WHY IT MATTERS: "Essential" and "non-essential" speak consumers' language and avoid financial jargon language like "discretionary."	

43.	Diversification
	DEFINITION: Strategically spreading your money among different types of investments to help reduce the impact of market downturns. *To add further clarity or specificity, you may want to note that:* Diversification does not guarantee a profit or protection against a loss.
	WHY IT MATTERS: "Diversification" is the consumer-preferred articulation and highlights the benefit and the "why" it's important.

BACK TO TERMS LIST

44.	**Dollar cost average**
	DEFINITION: A strategy to invest specified amounts spread out over a period of time, instead of one larger amount, to reduce the risk of investing all at once when prices are high.
	WHY IT MATTERS: Using consumer-friendly terms like "amount" and "at once" help make this strategy more approachable.

FROM	**TO**
45. *Fee / Cost / Charge / Price / Commission*	**Cost or Fee**
DEFINITION: The amounts associated with owning an annuity, which may include setting up the annuity, adding optional benefits, etc.	
WHY IT MATTERS: Consumers who have accumulated investable assets are generally used to having costs and fees associated with their investment products, so it doesn't feel surprising or alarming.	

46.	**Fiduciary**
	DEFINITION: A qualified financial professional who is required to help you make financial decisions in your best interest. *To add further clarity or specificity, you may want to note that:* A fiduciary is not the only type of financial professional required to help you make financial decisions in your best interest. Certain non-fiduciaries must also comply with best-interest requirements.
	WHY IT MATTERS: Highlights the control consumers have while still highlighting advisors' expertise (and points to the value beyond just "managing money").

BACK TO TERMS LIST

FROM		TO
47.	*Financial advisor / Advisor / Financial professional / Financial consultant*	**Financial professional**

DEFINITION:
A qualified person who can help you understand your options and make financial decisions to work toward your financial goals.

WHY IT MATTERS:
Highlights the control consumers have while still highlighting advisors' expertise (and points to the value beyond just "managing money").

FROM		TO
48.	*Financial priorities / Retirement goals / Life priorities / Covering your [essentials, basic needs, non-negotiables] / Needs and wants / Saving for retirement*	**Financial needs and goals**

DEFINITION:
Financial priorities that impact the objectives you set for how to save or spend your money during important life stages.

WHY IT MATTERS:
It helps make investing for retirement feel more immediately relevant and motivating.

It captures how advisors listen, understand and give recommendations, while keeping the consumer in control.

FROM		TO
49.	*Fixed account*	**Fixed rate account**

DEFINITION:
An account that earns a guaranteed interest rate and is not invested in or tied to the market.

WHY IT MATTERS:
Defining this term provides an opportunity to show annuity owners the benefit of a fixed account — why it would ultimately matter to them.

BACK TO TERMS LIST

50.	**Index**
	DEFINITION: A benchmark used to represent a specific portion of a market in order to evaluate the performance of investments. An index fund includes investments that match a particular index.
	WHY IT MATTERS: Words like "benchmark" and "represent" clarify that indexes are a measurement tool.

LIQUIDITY, LONGEVITY AND MARKET RISK

We consistently see that in many cases, simpler language — even when less concise than the industry standard language — is more consumer-focused. Some language that consumers are exposed to more often in their daily lives, like market risk, aren't as necessary to spell out. For example:

- Consumers said it was more important to discuss "not having enough money to last" with a financial professional over "longevity risk."
- Consumers said it was more important to discuss "accessing invested money when you need it" with a financial professional over "liquidity risk."
- Meanwhile, consumers preferred "market risk" over other potential articulations of the same concept.

Q22-24. Out of the options shown, which of the following is MOST important to discuss with a financial advisor? Please select one.

	FROM	TO
51.	*Liquidity risk*	**The risk you won't be able to access your money when you need it**

DEFINITION:
The risk that your money will need to be accessed sooner than anticipated, which could result in penalties or impact performance.

WHY IT MATTERS:
This term addresses risk that, addressed in conversation with the consumer, can help the consumer understand if an annuity is in their best interest and aligned with their personal needs.

We consistently see that in many cases, simpler language — even when less concise than the industry-standard language — is more consumer-focused.

2019 Alliance Language Survey
51% of consumers said it was more important to discuss "accessing invested money when you need it" with a financial professional, compared to "liquidity risk" at only 17%.

Q23. Out of the options shown, which of the following is MOST important to discuss with a financial advisor? Please select one.

BACK TO TERMS LIST

	FROM	TO
52.	*Longevity risk*	**The risk you won't have enough money to last**

DEFINITION:
The chance that you may live longer than your income will last.

WHY IT MATTERS:
This term addresses risk that, addressed in conversation with the consumer, can help the consumer understand if an annuity is in their best interest and aligned with their personal needs.

We consistently see that in many cases, simpler language — even when less concise than the industry-standard language — is more consumer-focused.

2019 Alliance Language Survey
36% of consumers said it was more important to discuss "not having enough money to last" with a financial professional, followed by "outliving your money" at 32%, compared to "longevity risk" at only 21%.

Q22. Out of the options shown, which of the following is MOST important to discuss with a financial advisor? Please select one.

53.	**Market risk**

DEFINITION:
As with most investments, there is the chance you could lose money because of market downturns.

WHY IT MATTERS:
Familiar and preferred term for consumers, so changing it may cause more confusion than clarity.

This term addresses risk that, addressed in FA conversation with the consumer, can help the consumer understand if an annuity is in their best interest and aligned with their personal needs. For VAs in particular, it's important to underline that, based on the investments, there is some market risk consumers must understand and agree to.

BACK TO TERMS LIST

FROM	TO
54. *Market volatility*	**Market ups and downs**

DEFINITION:
The way stocks, bonds and other market investments change in value, sometimes very quickly.

To add further clarity or specificity, you may want to note that:
This market movement may affect the value of your annuity or other investments.
Some annuities can protect your income even when the markets go down.

WHY IT MATTERS:
Speaks more directly to what annuities protect against — market downturns. "Market ups and downs" is a good alternative when you want to speak to potential upsides.

FROM	TO
55. *Retirement / Life transition / Life changes*	**Life stage**

DEFINITION:
Where you are in terms of your financial priorities and needs, for instance, growing your money or drawing from your money later in life.

WHY IT MATTERS:
"Life stage" makes an annuity feel more immediately relevant to the consumer. Growing and withdrawing from their account balance isn't just reserved for the retirement phase of life, so it connects with where they are today and where they'll be in retirement. It feels relevant to them no matter what age they may be.

FROM	TO
56. *Risk-adjusted returns*	**Estimated performance**

DEFINITION:
An estimated measure of the returns relative to the amount of risk involved.

WHY IT MATTERS:
It's simple and helps drive understanding of the relationship between risk and performance.

BACK TO TERMS LIST

FROM	TO
57. *Risk tolerance / Appetite for risk / Degree of certainty / Risk appropriateness / Investor confidence*	**Risk comfort level**

DEFINITION:
The level of market risk you're comfortable with.

WHY IT MATTERS:
It's more consumer-friendly and feels geared toward the individual. It makes it clear that risk is all about their personal comfort level.

58. Sequence of returns risk

DEFINITION:
The potential for a market downturn early in retirement, which can have a disproportionately negative impact on your long-term account balance if withdrawals are already being taken.

To add further clarity and specificity, you may want to note that:
A market downturn has a more negative impact if withdrawals are already being taken and there's less capital available to compound and offset losses compared to when you're still contributing to the account.

WHY IT MATTERS:
This definition puts what matters most to the consumer at the center: long-term account balance, by simply communicating its relationship with market variability, time in retirement, and withdrawals.

59. Spread

DEFINITION:
An index crediting method where a pre-determined rate is subtracted from any percentage increase in the index, and you're credited the difference.

WHY IT MATTERS:
Contextualizing the word "subtracted" makes the positive benefit clear.

BACK TO TERMS LIST

60.	**Sustainable withdrawal rate**
	DEFINITION: The estimated maximum percentage that you can withdraw each period without running out of money during your lifetime.
	WHY IT MATTERS: This definition clarifies what "sustainable" is referring to with the addition of "maximum percentage" and "without running out of money during your lifetime."

	FROM	TO
61.	*Vehicle / Strategy / Solution / Product*	**Product** (what they're purchasing or investing in) **Or** **Strategy** (what it does for them; its function)
	DEFINITION: What you use to pursue your specific financial goal.	
	WHY IT MATTERS: The term "product" is most successful in pointing to what an annuity actually is, whereas "strategy" works best when describing how an annuity works. The definition speaks to it as something the consumer uses to achieve what they want, versus something a company sells to them. Both "product" and "strategy" are clearer and more concrete than "solution" and "vehicle," and feel more relevant to consumers in terms of what it does for them and their money, rather than a "contract."	

BACK TO TERMS LIST