

## A Fixed Index Annuity with a Dash of Risk

By Kerry Pechter      Thu, Jul 31, 2025

*The Momentum Growth contract from Delaware Life introduces a bit of gambling to the FIA product category—but within guardrails, and only with what contract owners might call 'house money.'*



Risk-averse savers might initially be attracted to fixed index annuities (FIAs) by their no-loss guarantees. But people tend to buy the contracts that offer the highest crediting rates (“caps” and “participation rates”) on the growth of a market index.

Crediting rates generally set the upper limits on the amount of gain that an FIA can deliver when there’s positive movement in an index that the FIA owner has bet on. The rates are the best indicators of an FIA’s potential (but not guaranteed) yield.

The [Momentum Growth](#) FIA contract from Delaware Life, an insurance subsidiary of [Group 1001](#), offers contract owners an unusual if not unprecedented way to raise their own crediting rates by putting a portion of their recent winnings at risk.

The expressions like “playing with house money” comes to mind here. Momentum Growth has a feature called “VersaGain.” At the beginning of all but the first year of the 10-year contracts, owners can choose either to protect the previous year’s gains (if any) from all future loss or they can put some of those gains at risk in the coming year.

The reward for taking risk with gains: Higher crediting rates on the entire account.

### A hypothetical example

#### Year One

- Imagine a hypothetical initial premium of \$100,000.
- Assume that the client chooses to get exposure to the performance of the S&P 500 Price Return Index, with a one-year point-to-point cap of 10%.
- Assume a five percent gain (\$5,000) on the account value of the contract during the current contract year.

#### Year Two

- The client now has an account value of \$105,000.

- She can choose a new index or combination of indexes, governed by a new set of caps and participation rates set by the issuer. Call these the “base rates.”
- She can lock-in her new principal at \$105,000, and “let it ride” at the base rates. The \$105,000 can grow but not shrink.
- Or, she can allocate all or part of her \$5,000 first-year gain to VersaGain. The more she allocates to VersaGain, the higher her cap or participation rate will be in Year Two.
- If the index performance in Year Two is positive, she retains the amount she allocated to VersaGain AND earns credits on the full \$105,000. If the Year Two index performance is negative, she will lose some or all of her allocation to VersaGain

“This type of product is relatively new to the FIA space,” Delaware Life’s Dan Buermann told *RIJ* in a recent zoom interview. “Clients have the ability to roll over part or all of their gains from the previous year. They’re only risking part of the earnings; there’s no risk to their principal.” Buermann is co-head of national distribution at Delaware Life, with Bob Kelson.

“Starting in the second year, the client has a choice,” said Mark Waldman, a Genesis actuary who helped design Momentum Growth and VersaGain. “If his \$100,000 goes up 5% (\$5,000) in the first year, he can say, ‘Lock in my \$5,000 gain and I’ll take the same cap or participation rate that I had before.’”

### **Four index options**

The current version of Momentum Growth has four index options: NASDAQ-100 Volatility Control 12% Index (U.S. equities), Barclays Aries Index with a 10% volatility target (U.S. equities and Treasuries), S&P 500 Dynamic Intraday TCA Index (U.S. equity futures), and the S&P 500 Price Return Index (U.S. large-cap stocks, without dividends). Part of the contract value can also be allocated to a fixed-rate sleeve.

All of the indices here, except the S&P 500, have stated volatility controls. These act like governors on a vehicle’s speedometer. While they limit potential index growth, they also help bring down the costs of the options. That extends the insurer’s options budget and typically results in higher caps and participation rates.

The minimum investment for Momentum Growth is \$25,000. The contract has a 10-year term and a 10% initial surrender penalty. There’s a bonus version of the contract, Momentum Growth Plus, with lower crediting rates. Contract owners also have the option to lock-down their gains in mid-year if they expect a correction.

The VersaGain feature gives contract owners some control over their crediting rates, Waldman said. That's because the more past gains they put at risk in the year ahead, the higher their potential crediting rate. "You could more than double your cap," he told *RIJ*.

There are limits. At the start of a contract year, the owner can only up to 15% of the account balance in the subsequent year. For example, if a \$100,000 balance grew to \$120,000 by the end of a contract year, \$2,000 would be automatically credited to the protected account value, and the owner could put no more than \$18,000 (15% of \$120,000) at risk in the following contract year. (Contract years always start on the anniversaries of the initial purchase.)

Delaware Life made a deliberate choice with VersaGain. Actuaries at FIA manufacturers have several ways to give contract owners higher participation rates or caps. They can let owners pay an added fee—a percentage of their account value—for a higher crediting rate. "There are other products where you can pay an added fee and buy a higher participation rate. But in that case, you would lose the fee if the market went down," Genesis actuary Jay Musselman told *RIJ*.

Alternatively, an FIA issuer might offer teaser rates in the first contract year, with the expectation of lowering them in future years. Or they might offer 300% or 400% participation rates over 10 years on customized indices whose returns are restrained by internal volatility controls. Delaware Life said it prefers the VersaGain solution.

Like most modern FIAs (the FIA concept itself dates only to the mid-1990s), Momentum Growth is complicated. That's because FIAs are "structured" financial products, with gains driven by the purchase of options rather than fund shares. Few contract owners fully grasp the mechanics of derivatives.

The many features of the Momentum contract can also make it potentially high-maintenance. At the start of every contract anniversary, the agent/adviser and contract owner must re-decide whether to lever the VersaGain feature, which index (or combination of indices) to use, and how much past gain (if any) to lock in or gamble for the next 12 months.

To make that decision with any confidence, they'll need to guesstimate the near-future behavior of the financial markets. Using VersaGain thus introduces a bit of gambling to the FIA product category—but within guardrails, and with what you might call "house money."