AXA Equitable Introduces Structured VA Product

By Editor Test *Thu, Oct 21, 2010*

AXA Equitable has put structured notes inside a variable annuity, giving investors tax-deferred exposure to small-cap, gold and oil indices for specific periods while capping their upside and buffering their downside.

AXA Equitable Life has introduced Structured Capital Strategies, a variable annuity offering exposure to potentially volatile indexes for assets like small-cap or international equities, gold and oil while putting a cap on gains and buffers on losses.

The minimum purchase premium is $25,000. The contract is available in a Series B share with a surrender charge (1.25% annual contract fee) and a Series ADV share with no surrender schedule for registered investment advisors (0.65% annual contract fee). For details, see prospectus.

Contract owners can put money in one of 15 Structured Investment Options, which vary by maturity (one, three and five years), loss limits, and underlying index exposure. The variability of the performance of these options is limited by:

- A downside buffer that limits volatility to the first 10%, 20, or 30% of loss in index value by the maturity date—not for each year—depending on the option chosen. Investors can be exposed to net losses that exceed those limits.
- Performance cap rates. For example, a cap on an investment exposed to the S&P 500 with 10% loss buffer is currently set at 12%.

Contract owners can get exposure in these indices:

- S&P 500 Price Return Index
- Russell 2000 Price Return Index
- MSCI EAFE Price Return Index
- London Gold Market Fixing Ltd. PM Fix Price/USD (Gold Index)
- NYMEX West Texas Intermediate Crude Oil Generic Front Month Futures (Oil Index)

Investors can build a portfolios out of 15 equity and commodity index-linked segment types with upside caps and downside buffers customized to one, three or five-year time horizons Segments are generally made available for new investment on the 15th of the month. Gold and oil exposure is available only in tax-favored IRA (individual retirement annuity) contracts. Portfolio operating expenses range from 64 to 74 basis points per year. Three holding accounts are also available outside the segments—a bond index fund, an S&P 500 Index Fund and a money market fund.

AXA Equitable will absorb the first -10%, -20% or -30% of any loss in the event of negative index performance, depending on the selected segment index, duration and buffer. Withdrawals prior to maturity are subject to market adjustments, so that losses of principal are possible.

At the end of each one-, three- or five-year segment period, investors can re-allocate the maturity value of the segment to a new segment or transfer their gains to other investment options available within Structured Capital Strategies, depending on their needs and objectives.

According to a release, “The Structured Investment Option does not involve an investment in any underlying portfolio. Instead it is an obligation of and subject to the claims paying ability of AXA Equitable Life Insurance Company.”