
# THE MYGA AS A BOND ALTERNATIVE

**By Allison Bell | December 31, 2024**

Registered index-linked annuities have been getting a lot of attention lately, but they accounted for just 14% of U.S. individual annuity sales in the third quarter of 2024, according to Wink.

Sales of multi-year guaranteed annuities - contracts from issuers that promise to pay a set interest rate for at least a specified number of years, such as three, four, five or seven years - accounted for about 37% of individual annuity sales.

David Byrnes, chief distribution officer at Security Benefit, an annuity issuer, expects worries about the presidential transition and the geopolitical situation to help keep MYGA sales strong.

The products "offer a safe haven for assets by mitigating market risk and by helping to diversify a portfolio," Byrnes said.

Interest rates have been starting to fall, but rates on bonds, bank saving accounts and bank certificates of deposit have been falling faster, and MYGA rates are still considerably higher than they were even in January 2023, Byrnes said.

Byrnes answered questions about MYGA strategy via email. The questions and answers have been edited.

**THINKADVISOR: What does the new rate environment for MYGAs' appeal?**

DAVID BYRNES: In this new environment of declining rates, locking in a MYGA rate now is a smart strategy that offers stability, predictability, and the potential for more favorable interest accumulation.

**How should retirement savers come up with the percentage of their portfolios that goes into MYGAs?**

We urge customers to consult with a financial professional regarding their portfolio asset allocation. Advisors can leverage different asset-allocation strategies depending on customer needs.

We believe MYGAs should be considered a new asset class that offers up guaranteed rates, tax-deferred accumulation potential, and principal protection.

With a 60/40 portfolio mix (60% stocks/40% fixed income), for example, taking a slice of the fixed income portion would be something to consider: The new mix could be 60% stocks, 20% bonds and 20% MYGA.

Why? Buying a multi-year guarantee fixed annuity and holding it for the entire guarantee period is a safe way to save, even more so than bonds, which can fall in price in a rising-rate environment. The value of a fixed annuity is also fully backed by the issuing insurance company. If a customer is concerned about market volatility, this could be a reason to dial up exposure to the MYGA portion.

**What if a retiree has a significant amount of assets in a target-date fund? Would that affect how much of the retiree's other assets should go into MYGA contracts?**

As noted above, market rates are now dropping, so fixed income instruments will generally see a drop in yield, but by locking in a rate now, with a MYGA, the yield is guaranteed for the contract period.

And, because annuities are designed to be held for the long term, they may offer higher interest rates than other fixed income options, which can help satisfy fixed income needs for retirees.

Again, with the 60/40 portfolio mix example, taking the mix to 60% stocks, 20% bonds and 20% MYGA helps reduce market risk and guarantees a yield level for a portion of the portfolio.

David Byrnes. Credit: Security Benefit