

# Understanding bonuses and multipliers

The Indexed Universal Life (IUL) marketplace is filled with a growing number of product offerings – many of which provide bonuses, multipliers, or a mix of both.

It's important to understand that not all multipliers and bonuses are the same. In fact, they can vary so greatly that it may impact whether or not the product is suitable for your client's risk profile.

## Bonuses and multipliers: past and present

Throughout the years, more carriers have entered the accumulation IUL marketplace and product design had to evolve for companies to stand out. Bonuses, and eventually multipliers, were some of the ways in the post-Actuarial Guideline 49 (AG49) world carriers were able to compete.

Understanding the differences is especially important now, as new product design has transformed the relatively straightforward interest bonus into the complex and sometimes costly multipliers we see today.

Perhaps the most basic "bonus" comes in the form of an additional interest credit. This additional interest credit goes by many names such as **interest bonuses**, persistency credits, account value enhancements, etc.

One thing these all have in common – and a differentiator from many of the multipliers we know today – is that they're not dependent on the annual index credit. Rather, they simply add an additional percentage to the policy's accumulated value. In general, the interest bonus percentage is more conservative than multipliers today (e.g., 0.5-1.5% over a specified period of time.).



## Key definitions

### Interest bonus

Additional credit is applied to the policy based on a specified period. Tends to be a more conservative credit to the policy.

### Multiplier bonus

Additional percentage of annual indexed credits is added to the policy. Typically begins in year 6 or 11.

### Multiplier accounts/riders.

A multiplier is tied to a specific indexed account or rider. The multiplier is an additional percentage of annual indexed credits, beginning in year 1. Generally comes with an additional cost to pay for the high multiplier.

## The ins and outs of multipliers

**Multipliers** come in various forms, but each take index credits and multiply them by a percentage.

**Multiplier bonuses** came out many years ago and remain very popular today. They provide an additional percentage of annual indexed credits to the policy and can range anywhere from 10-15%, depending on the carrier. A simple way to identify this type of multiplier is by the year in which it begins – typically year 6 or 11.

Recently, there has been a shift in product design toward **multiplier accounts and riders**. These begin in year one and credit an additional percentage of annual indexed credits if a specific indexed account or rider is selected.

In other words, in order to have access to the additional upside potential the multiplier provides, the client must elect specific indexed accounts or riders.

Multipliers typically have a charge associated with them, which helps pay for the upside potential the multiplier provides. This allows the client to choose if they want to pay for the extra leverage, by choosing to either allocate into the account, allocate to a different account without a charge, or a mix of both. The same is true for carriers whose multiplier is tied to a rider – clients may opt in or out.

## Bonuses and multipliers

Type	Typical characteristics	Examples of carriers who offer
<b>Interest bonuses</b>	<ul style="list-style-type: none"> <li>• Conservative amount credited to the policy based on a specified period</li> <li>• Opportunity to get a bonus even in down years</li> </ul>	Securian Financial
<b>Multipliers</b>		
<b>Multiplier bonuses</b>	<ul style="list-style-type: none"> <li>• Bonus begins in later years (e.g., year 6 or 11)</li> <li>• No additional charge associated, but various levers may be pulled to support the cost of multiplier (e.g., cap, participation rates)</li> <li>• Typically between 10 and 15%</li> </ul>	Symetra North American Nationwide
<b>Multiplier accounts/riders</b>	<ul style="list-style-type: none"> <li>• Typically begin in year 1</li> <li>• Frequently only available for an additional cost, which is associated with the indexed account or rider</li> </ul>	Lincoln Financial Pacific Life Allianz John Hancock Nationwide

Source: Securian Financial Competitive Research, January 2020.

This is a sample of carriers that offer index bonuses and multipliers and does not include all carriers and products. Securian Financial offered a product with a multiplier account through December 13, 2019. Products with a multiplier account are no longer offered after that date.

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## Multipliers and volatility

In general, multipliers boost the maximum illustrated rate (max IR) to show the added growth potential of a contract.

As the multiplier percentage increases, so does the impact on the max IR. And as the cash value grows, so does the amount in charges being taken out.

The combination of the charge and high multiplier associated with multiplier accounts and riders makes these types of policies extremely sensitive to market volatility.

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### The truth about “guaranteed” multipliers

Companies sometimes guarantee their multipliers – both multiplier bonuses and accounts/riders. But it might not mean what you think. A common misconception when hearing the phrase “guaranteed multiplier” is that it’s guaranteeing a positive index credit.

But that is not the case. Rather, they guarantee that, in years of positive indexed growth, it will be applied on top of the actual index credit. But what happens when indexed growth isn’t positive? The “guarantee” no longer applies.

**For example, while a 15% multiplier bonus may itself be guaranteed, the client isn’t actually guaranteed to get that 15% if the index credit is zero. A guaranteed 15% multiplier bonus may, in fact, result in a 0% credit.**

Guaranteed multipliers are also quite costly to support. While they may be “guaranteed,” the cap, participation rate or charge may not be. In other words, the carrier has the ability to adjust one of those other levers in order to support the multiplier. They may decrease the cap, lower the participation rate, or increase the charge if it gets too expensive.



## Learn more

For more information about bonuses and multipliers, contact your Life Sales Support Team today:

**1-877-696-6654** (Securian Financial and broker-dealer)  
**1-888-143-7860, option 1** (Independent brokerage)

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