

Compound vs. Simple Interest

Choosing the MYGA Structure That Fits Your Plan

TWO PATHS TO GUARANTEED GROWTH

Multi-Year Guaranteed Annuities (MYGAs) are a popular, conservative retirement product for consumers who want both principal protection and a guaranteed rate.

Knighthead Life offers two MYGA options built around different interest-crediting strategies: Staysail (simple interest) and Staysail Select (compound interest). Both provide full principal protection and a guaranteed rate for the selected Guarantee Period. The right fit depends on your retirement goals.

SAME DESTINATION, DIFFERENT ROUTES

Two 5-year MYGAs with a \$100,000 premium can reach the same accumulated value at maturity: one using a higher simple rate, the other a lower compound rate. In the hypothetical illustration below, both policyholders end the term with the same accumulated value, making the products rate-equivalent.

SIMPLE INTEREST = 6.55%		
YEAR	INTEREST CREDITED	ACCUMULATED VALUE*
1	\$6,550	\$106,550
2	\$6,550	\$113,100
3	\$6,550	\$119,650
4	\$6,550	\$126,200
5	\$6,550	\$132,750

COMPOUND INTEREST = 5.83%		
YEAR	INTEREST CREDITED	ACCUMULATED VALUE*
1	\$5,830	\$105,830
2	\$6,169	\$111,999
3	\$6,529	\$118,528
4	\$6,910	\$125,438
5	\$7,312	\$132,750

*Rates are shown for illustrative purposes only.

Matching the Strategy to the Goal

IF ACCESS TO FUNDS MATTERS TO YOU

Because the simple interest MYGA holds a higher accumulated value throughout the Guarantee Period, it offers greater amounts for each withdrawal under the Free Withdrawal Rider,* a greater death benefit should death occur before the end of the guarantee period, and a greater cash surrender value throughout the contract than a rate-equivalent compound interest MYGA.

The compound interest MYGA is often better suited to policyholders who don't expect to need funds early. Because growth compounds, its accumulated value accelerates in the later years of the term, rewarding those who hold the full contract length without withdrawals.

SIMPLE INTEREST = 6.55%	
YEAR	ACCUMULATION VALUE / DEATH BENEFIT*
1	\$106,550
2	\$113,100
3	\$119,650
4	\$126,200
5	\$132,750

COMPOUND INTEREST = 5.83%	
YEAR	ACCUMULATION VALUE/DEATH BENEFIT*
1	\$105,830
2	\$111,999
3	\$118,528
4	\$125,438
5	\$132,750

*Rates are shown for illustrative purposes only.

IF YOU'RE PLANNING FOR INCOME

Some policyholders use a MYGA for income, taking interest-only withdrawals annually to cover living expenses. Because more interest accrues earlier under a simple interest design, it can generate higher cumulative interest-only income over the term than a rate-equivalent compound design.

The compound interest MYGA, by contrast, is built for deferred growth. Any interest that isn't withdrawn keeps compounding, which may appeal to policyholders who don't plan to draw income during the term and instead want the greatest possible value at maturity.

SIMPLE INTEREST = 6.55%			COMPOUND INTEREST = 5.83%		
YEAR	INTEREST CREDITED	ACCUMULATION VALUE*	YEAR	INTEREST CREDITED	ACCUMULATION VALUE*
1	\$6,550	\$100,000	1	\$5,830	\$100,000
2	\$6,550	\$100,000	2	\$5,830	\$100,000
3	\$6,550	\$100,000	3	\$5,830	\$100,000
4	\$6,550	\$100,000	4	\$5,830	\$100,000
5	\$6,550	\$100,000	5	\$5,830	\$100,000
	\$32,750			\$29,148	

*Rates are shown for illustrative purposes only.

QUESTIONS TO TALK THROUGH WITH YOUR FINANCIAL PROFESSIONAL

Compound and simple interest MYGAs can reach the same value at the end of the Guarantee Period, but each offers different advantages along the way. Talk with your financial professional about which strategy is built to keep you on course.

- Do I want steady, predictable growth with a higher accumulated value throughout the term?
- Is it likely I'll need to access funds or take withdrawals before the contract matures?
- Am I using this MYGA for income, or to maximize value at the end of the guarantee period?
- Do I plan to hold the full term without withdrawals, and want interest building on interest?

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*Withdrawals under the Free Withdrawal Rider are subject to the terms of the rider and may be subject to ordinary income tax and, if taken prior to age 59½, a 10% IRS penalty. This hypothetical illustration is for informational purposes only and does not represent an actual policy or guarantee of future performance. Products, rates, and features are subject to change and may vary by state.

Knighthead Life is the brand name of Knighthead US Holdings, Inc. and its subsidiaries, Merit Life Insurance Co. ("Merit Life") and Knighthead American Life Insurance Company ("KALIC").

Staysail is a multi-year guaranteed annuity which is issued by Merit Life Insurance Co. and only available in certain states [link to map/list]. Staysail Policy Form: ICC23-FA100-0223 (subject to state variations). Policy form numbers and provisions may vary. Guarantees are backed by the claims-paying ability of the issuing company.

Staysail Select is a multi-year guaranteed annuity which is issued by Merit Life Insurance Co. and only available in certain states [link to map/list]. Staysail Select Policy Form: ICC26_KHL_MYGA (subject to state variations). Policy form numbers and provisions may vary. Guarantees are backed by the claims-paying ability of the issuing company.

You should consider the features of Staysail and Staysail Select carefully before purchasing. Taxes are due upon withdrawal and excess withdrawals may be subject to a surrender charge and market value adjustments. The IRS may impose a 10% penalty for withdrawals prior to age 59½.

Non-qualified annuities are generally entitled to tax deferral. IRAs and other qualified plans are already tax deferred. Therefore, a deferred annuity should be used to fund an IRA or qualified plan to reap annuity benefits other than tax deferral, such as lifetime income and death benefit options.

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