

UNDERSTANDING THE MARKET VALUE ADJUSTMENT (MVA) ON YOUR INDEX ANNUITY

For Applications Received On or After 1/1/2010

What is the Market Value Adjustment?

The Market Value Adjustment or MVA is an adjustment that may apply to the value of your annuity. The MVA can either increase or decrease your value.

The MVA is determined by a mathematical formula. This formula is designed to measure changes in the interest rate environment since the beginning of your annuity's current surrender charge period. The amount withdrawn or surrendered is adjusted, either up or down, based on the difference between the fixed account credited rate at issue and the fixed account credited rate available on new contracts.

When does the MVA Apply?

Generally, the MVA will apply when you withdraw funds from the annuity contract during the surrender charge period and the amount withdrawn exceeds the amount available under the annuity's penalty-free withdrawal provision.*

While the MVA can either increase or decrease the amount received from a withdrawal or full surrender, upon a full surrender the amount received will never be greater than the contract's accumulated value or less than the contract's minimum guaranteed contract value.

What is the actual MVA formula?

$$\text{MVA Factor} = \left[\frac{(1 + s)}{(1 + c + 0.005)} \right]^{n/12} - 1$$

s = your fixed account credited rate at issue

c = the fixed account credited rate available on new contracts

n = the number of complete months until the end of the surrender charge period

Let's look at an example:

Assume the annuity's accumulation value is \$125,000, that five years remain in the current surrender charge period, and your fixed account credited rate was 3.00% at issue. Also assume that your current fixed account rate is 2.75% and the minimum guaranteed interest rate on the fixed account is 1.00%.

If the annuity is surrendered and the fixed account credited rate available on new contracts has decreased to 2.25%, this would result in a positive adjustment to the cash surrender value. (The MVA factor**, calculated using the MVA formula, would be 0.01222, which would increase your cash surrender value by 1.222%)

If, on the other hand, the fixed account credited rate available on new contracts has increased to 3.75%, this would result in a negative adjustment to the cash surrender value. (The MVA factor**, calculated using the MVA formula, would be -0.01750, which reflects the MVA floor, and would decrease your cash surrender value by 1.750%)

The figures used in this sample MVA calculation are summarized in the chart below:

	0.75% Decrease in Rates	0.75% Increase in Rates
Accumulation Value	\$125,000	\$125,000
Hypothetical Surrender Charge of 10% = (Accumulation Value x 10%)	\$12,500	\$12,500
Cash Surrender Value before MVA = (Accumulation Value – Surrender Charge)	\$112,500	\$112,500
MVA Factor	0.01222	-0.05853
MVA Factor after Cap / Floor	0.01222	-0.01750***
MVA Amount = (Cash Surrender Value before MVA x MVA Factor)	\$1,375.29	-\$1,968.75
Cash Surrender Value after MVA = (Accumulation Value – Surrender Charge + MVA Amount)	\$113,875.29	\$110,531.25

* Withdrawals before age 59 ½ may be subject to a 10% IRS penalty.

**The MVA Factors for the examples above are:

0.75% Decrease in Rates:

$$\left[\frac{(1 + 0.0300)}{(1 + 0.0225 + 0.005)} \right]^{60/12} - 1 = 0.01222$$

0.75% Increase in Rates:

$$\left[\frac{(1 + 0.0300)}{(1 + 0.0375 + 0.005)} \right]^{60/12} - 1 = -0.05853$$

***The MVA factor, either positive or negative, is limited to the difference between your current fixed account rate and the minimum guaranteed interest rate, which results in a MVA factor cap or floor of 2.75% - 1.00%, or 1.75% in this example.

This explanation of the MVA is intended for general educational purposes only. Variations to the MVA may apply in some states. Consult your contract.

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