# The RAF RILA/ETF Relative Value Index

The **RAF RILA/ETF Relative Value Index**$^{SM}$ is designed to identify the breakeven index performance at which a RILA indexed account using a price return version of an index provides the same upside performance at a given participation rate, as a comparable ETF using the total return version of an index over a six-year point to point period.

The question being answered with the RAF index is this: "if the RILA doesn't include dividends, how high does its uncapped participation rate need to be, and applied to what level of price return performance, to produce the same aggregate performance over a six-year period as a similar ETF that does include dividends? *While this RAF Relative Value Index uses the S&P 500 as the baseline for discussion, the logic of this RAF index can be applied to other RILA indexed accounts and comparable ETFs over different time periods. The impact of product or advisor fees is not included in this discussion.*

Example: The S&P 500 today yields roughly 1.3%. If that stays the same over a six-year period, that's roughly an 8% gain just from dividends which an S&P 500 based ETF will enjoy, but which the RILA using the S&P 500 as the underlying index will not. To make up that 8% without dividends depends on 1) the performance of the index over a given period and 2) the participation rate.

The index has three numbers, representing the aggregate price return performance over a six-year period needed to offset the lack of a 1.3% annual dividend given an uncapped participation rate of 110, 120, and 130%. The green numbers represent a breakeven level of performance for the RILA to equal to ETF.

| Participation Rate | Breakeven Price Return Performance to Offset Lack of Dividends |
|---|---|
| 110% | **80.0%** |
| 120% | **40.0%** |
| 130% | **26.7%** |

With dividend yields on some indexes like the S&P 500 remaining low, a competitive RILA may give up little to no upside to a comparable ETF but do so with the protection of a buffer not available to the ETF.

**The potential for improving risk-adjusted returns with RILAs vs ETFs today is an attractive proposition.**

*IMPORTANT: Please note that the RAF RILA/ETF Relative Value Index$^{SM}$ is not a complete and balanced comparison between a RILA and a comparable ETF. Before recommending either product for a client, there are many other characteristics of each product to compare and evaluate, such as growth potential, market risk, tax related matters, surrender charges, and early withdrawal penalties, among others.*

*The RAF RILA/ETF Relative Value Index $^{SM}$ is specifically limited only to comparing growth potential over a six-year period .*

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