

# Simple Wins When You Withdraw

Most multi-year guaranteed annuities (MYGAs) use compound interest. Knighthead Life's Staysail MYGA takes a different approach with simple interest. This structure often results in a higher advertised rate and it may be a better fit for your retirement goals, especially if you plan to take withdrawals.

## Simple vs. Compound: What's the Difference?

Compound interest applies interest on both your initial premium and any interest that's previously been credited. Over time, this compounding effect grows your earnings . . . as long as the funds are maintained in the contract.

Simple interest, by contrast, is calculated only on your initial premium. You won't earn interest on your interest, but you'll typically receive a greater crediting rate.

## Why Simple Interest May Work Better for You

If you plan to take interest-only withdrawals, simple interest can preserve your future earnings. That's because withdrawals don't reduce your interest base; your interest is still calculated on the initial premium. However, with compound interest, withdrawing interest today reduces what you earn in the future.

### LET'S LOOK AT AN EXAMPLE:

Assume a \$100,000 premium on a 5-year Staysail MYGA.

#### We're comparing:

- A MYGA with 5.95% simple interest (5.35% Compound Equivalent Rate ("CER"))
- A MYGA with 5.60% compound interest

In years 4 and 5, let's say you take 10% free withdrawals.\*

The simple interest policy gives you slightly more liquidity because its accumulated value is greater earlier. Despite having a lower CER, the simple interest policy delivers \$417 more in total interest earnings and leaves you with a higher accumulated value at the end of the initial guarantee term.

SIMPLE INTEREST = 5.95%				COMPOUND INTEREST = 5.60%			
YEAR	INTEREST CREDITED	WITHDRAWAL	ACCUMULATED VALUE	YEAR	INTEREST CREDITED	WITHDRAWAL	ACCUMULATED VALUE
1	\$5,950	\$0	\$105,950	1	\$5,600	\$0	\$105,600
2	\$5,950	\$0	\$111,900	2	\$5,914	\$0	\$111,514
3	\$5,950	\$0	\$117,850	3	\$6,245	\$0	\$117,758
4	\$5,950	\$11,785	\$112,015	4	\$5,935	\$11,776	\$111,918
5	\$5,950	\$11,202	\$106,764	5	\$5,641	\$11,192	\$106,366
TOTAL SIMPLE INTEREST			\$29,751	TOTAL COMPOUND INTEREST			\$29,335
TOTAL WITHDRAWALS			\$22,987	TOTAL WITHDRAWALS			\$22,968
ENDING ACCUMULATED VALUE			\$106,764	ENDING ACCUMULATED VALUE			\$106,366

\*10% Free Withdrawals require the Free Withdrawal rider which may result in a decreased crediting rate.

**(833) 637-4854****INFO@KNIGHTHEADINSURANCE.COM****WWW.KNIGHTHEADLIFE.COM**

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.

You should consider the features of Staysail 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 59 ½.

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.

Information provided herein and on Knighthead Life's website is not intended as legal or tax advice. This material is intended to be a general description for public review and education and the language of your contract will control. Please consult with your Financial Advisor before purchasing any of Knighthead Life's annuity products, which may only be available in certain states. Annuities are long term retirement vehicles and may only be offered by a licensed insurance agent. Knighthead Life's products are not guaranteed by any bank nor insured by the FDIC/NCUA.

For the latest AM Best's Credit Rating, access [www.ambest.com](http://www.ambest.com). Please note this rating does not apply to any investment product and is subject to change.

© 2025 Knighthead Life Insurance. All Rights Reserved.