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Follow us on Twitter @FidelityNews

Corporate Communications
(617) 563-5800
fidelitycorporateaffairs@fmr.com

Ted Mitchell
(401) 292-3084
ted.mitchell@fmr.com

FIDELITY® SURVEY REVEALS MANY AMERICANS LEAVING MONEY ON THE TABLE WHEN IT COMES TO FIXED INCOME INVESTMENTS

- *Lack of Clarity Exists around Rate of Return and Maturity Dates*
- *Investors Losing Money by Not Reinvesting at Maturity Date to Help Generate Higher Yield*
- *Investors Should Reevaluate Best Investing Options as Needs and Goals Change*
- *Fidelity Introduces New Landing Zone to Help Investors Compare Income Products and Find Best Fit*

BOSTON, May 14, 2019 -- What happens when a fixed income investment -- such as a certificate of deposit (CD) or a deferred fixed annuity -- reaches its maturity date? The answer: if left unattended, the investment will likely generate a much lower rate of return than other options available in today's interest rate environment. Those who weren't sure of the answer are not alone, according to a study conducted by Fidelity Investments®, one of the industry's most diversified financial services firms. In the case of CDs, almost half of respondents (47 percent) believed that if no action is taken at the maturity date, the money is automatically reinvested into a new CD for the same term, which is not necessarily the case—and an additional 38 percent indicated they were unsure what happens. When asked about deferred fixed annuities, only three percent of respondents correctly indicated the money was reinvested for the next 12 months at a lower interest rate.

The study, which targeted Americans age 50 to 75 who are nearing retirement and natural candidates for fixed income products, revealed critical knowledge gaps around how common investment vehicles operate in general. (Fact Sheet: here) On the whole, respondents were unclear about key elements of certain income choices in a number of areas:

Percent of respondents who were…	CDs	Deferred fixed annuities
Unsure of current rate of return	60%	76%
Unsure how much is needed to make a purchase	64%	88%
Uncertain what happens once the investment reaches maturity	38%	68%

The Fidelity study included an oversample of retirees, annuity owners and investors with at least $250,000 in investments. Overall, one quarter of respondents owned either CDs (25 percent) or annuities (23 percent). Perhaps surprisingly, knowledge gaps also existed for those respondents, including the different structural options available for when certain products reach maturity. For example, annuity owners expressed great uncertainty concerning what the difference would be, with only 11 percent aware the money was reinvested at a lower interest rate.

The current average interest rate for deferred fixed annuities reaching maturity where no action is taken hovers around 1.5 percent[1] -- and can be far lower for certain CDs, where the current national average for a one-year CD is .88 percent[2]. With nearly half (47 percent) of CD owners and 20 percent of annuity owners unsure what they plan to do when their investment reaches maturity, many may be at risk of losing out on generating higher yields -- at least one percent higher. For example, CD rates vary greatly and with some competitive providers such as Fidelity, one can secure a one-year CD with an interest rate more than twice the national average (2.40 percent versus .88 percent) [2].

"Especially during volatile times, having fixed income options can be an important component of a diversified retirement portfolio, because they offer safe, predictable rates of return," says Richard Carter, vice president, Fixed Income Products and Services at Fidelity Investments. "Many people are not taking full advantage of the available investment options and are leaving money on the table by not having a better understanding of the savings vehicles in which they are invested. In other words, investors who are focused on the dependability of a fixed income vehicle shouldn't ignore ways to increase their returns at the same time."

Another area of confusion involves where these fixed income investment products can be purchased:

- In the case of CDs, more than half of respondents (51 percent) didn't know they could purchase them from a brokerage or investment firm, even though brokered CDs can offer investors greater choice and in many cases higher interest rates than bank-purchased CDs. Almost three out of four (74 percent) didn't realize they also could be purchased from an independent financial advisor.
- For deferred fixed annuities, more than four out of ten (44 percent) didn't know they could purchase them from a brokerage or investment firm -- and almost half (48 percent) didn't know they could purchase them from an insurance company.

Getting the Fix on Fixed Income Products: Go Back to Basics

As last year's market volatility demonstrated, fixed income products can play an important role in an individual's investment portfolio because the savings can grow at a fixed rate, regardless of market fluctuations. But how can an investor gain a better understanding of fixed income investment vehicles and the best fit for their portfolio? Fidelity recommends going back to basics by asking the following questions:

- **Why was the investment made in the first place?** Especially when it comes to deferred fixed annuities, the investment may have been made years ago. It may be helpful to revisit the reason behind the purchase -- and the problem it was meant to solve.
- **Have goals changed since the investment was initially made?** Especially in cases of investments made years ago, it's possible goals may have changed as a result of life events. If that is the case, perhaps the role the investment plays in the overall portfolio changed, too.
- **Does it make sense to reevaluate options -- including whether a fixed rate option can help fulfill these goals?** Once an investor has taken a look back, look ahead. Does the investment plan created need tweaking to reflect today's priorities? If so, how do fixed rate options fit in? With several options available, take time to consider their unique structural merits as well as the rates. Investors should assess their situation and then develop a new strategy to get there.
- **Am I getting the best value for my money?** For example, Fixed Income mark-up charges can vary widely from provider to provider. At Fidelity Investments, purchases of new issue CDs are free, while trading CDs & bonds in the secondary market is only $1 per bond. High net worth investors may have additional considerations: Fidelity aggregates CDs from several hundred different banks, which can be helpful for those looking to invest larger sums across multiple CDs to maximize FDIC coverage, all within a single account. Additionally, fixed deferred annuities and other fixed income investments may offer higher rates based on the amount—and, investment earnings in an annuity grow tax deferred until withdrawn.

When making these decisions, it may be a good idea to consider strategizing with a trusted financial advisor about short-term and long-term objectives. In addition, for the fixed income section of an investment portfolio, consider all the options available. To help sort things out, Fidelity has created an at-a-glance Income Product Comparison Chart.

For Additional Information

Fidelity offers a number of online resources to secure more information on making fixed income products a part of overall retirement planning needs. These include:

- A fixed income landing zone containing useful information on deferred fixed annuities, CD and money market solutions designed to help investors determine which solution best fits their specific needs.
- "Is it time to look at CDs?" provides information on investing in a CD and how brokered CDs may be an overlooked investment opportunity, as rates have moved up meaningfully in the last several years. By offering CDs from many different issuers, brokered CDs can often provide FDIC insurance on higher balances than possible from a single bank. For example, those offered by Fidelity are FDIC-insured up to $250,000 per account owner, per institution.
- "Saving for retirement with deferred fixed annuities," to learn more about what deferred fixed annuities can offer.
- For assistance with fixed income products, Fidelity has a team of fixed income specialists available at (800) 544-5372 from 8 a.m. to 8 p.m. E.T., to help clients manage their bond portfolios, as well as Regional Brokerage Consultants available to meet with clients locally. For investors with bond portfolios of $3 million and higher, Fidelity's High Net Worth Bond Desk can provide even greater personalized service.

About the Study

The Fidelity Investments Fixed Income study presents findings from a nationwide survey of 1,004 Americans age 50 to 75 regarding their awareness, attitudes, and ownership of fixed income investment products, including retirees and deferred fixed annuity owners. Final data were weighted to correct for oversampling. Interviews were conducted September 25 to October 8, 2018 by Versta Research, which is not affiliated with Fidelity Investments. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study. A Fact Sheet on the study can be found here.

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Investing involves risk, including risk of loss.

Diversification and asset allocation do not ensure a profit or guarantee against loss.

Past performance is no guarantee of future results.

Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Your ability to sell a CD on the secondary market is subject to market conditions. If your CD has a step rate, the interest rate may be higher or lower than prevailing market rates. The initial rate on a step-rate CD is not the yield to maturity. If your CD has a call provision, which many step-rate CDs do, the decision to call the CD is at the issuer's sole discretion. Also, if the issuer calls the CD, you may obtain a less favorable interest rate upon reinvestment of your funds. Fidelity makes no judgment as to the creditworthiness of the issuing institution.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution issuing the CD will generally be counted toward the aggregate limit (usually $250,000) for each applicable category of account. FDIC insurance does not cover market losses. All the new-issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, visit FDIC.gov.

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1. SOURCE: The Fidelity Insurance Network as of May 1, 2019
2. SOURCE: bankrate.com and Fidelity.com as of May 1, 2019

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