

Could FIAs Be A Cure For Dropping Bond Prices?

Price hikes were widespread across sectors of the economy in 2021, according to the Federal Reserve's Beige Book (December 2021). Rising interest rates sent bond prices lower, posting their first losses since 2013, and the prospect of continued rising interest rates could have a negative impact on bond markets in 2022. The Fed's bond buying support is expected to end in March 2022, furthering the likelihood of rising rates thereafter in 2022 and 2023.

All this comes amid ongoing demographic retirement trends that show retirees are living longer and, in many cases, bearing more of the weight of their income needs; therefore, they need to save more. Additionally, many retirees have considered retiring earlier as a result of broader consumer trends such as the "Great Resignation" as the pandemic continues to spark many to shift their career focus or exit the workforce earlier. With these factors and many more impacting common retirement savings methods, there is a growing concern among investors and their financial advisors. How can they combat the impact of rate increases on fixed income market values and still earn competitive interest to accumulate assets for retirement?

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