

## A Chronicle of 'NARIA,' Nationwide's Income-Generating VA for RIAs

By Kerry Pechter      Thu, Mar 21, 2019

*The 'Nationwide Advisory Retirement Income Annuity' has no commission or surrender schedule and offers RIA clients a choice of 130 investment options. The income rider costs 80 basis points per year (95 basis points for the joint contracts).*



Nationwide has added a no-commission deferred variable annuity (VA) with a lifetime withdrawal rider to Nationwide Advisory Solutions, its annuity sales platform for RIAs (registered investment advisors). Nationwide acquired the platform when it purchased Jefferson National in March 2017.

The new offering is called NARIA, for Nationwide Advisory Retirement Income Annuity. It lets RIAs offer their clients a source of tax-deferred savings and guaranteed lifetime income with considerable investment flexibility. It also allows RIAs to deduct up to 1.5% a year in advisory fees from the contract without reducing the income guarantee.



Craig Hawley

“Our research shows that nearly two-thirds of RIAs and fee-based advisors say their clients are more likely to seek guaranteed income since the financial crisis,” said Craig Hawley, the head of Nationwide Advisory Solutions, in an interview this week. “That’s a disconnect for

them, and we have a great solution for it. The tech integrations we've built are also an enormous advantage.

"We know that a lot of fee-based advisors are not insurance experts, so we provide a licensed agent desk for free. In the past, advisors have been referring insurance to others, but this is something we do for them as part of our offering. There's no additional platform fee. Access to the licensed agent desk is part of the product offering."

The "Retirement Income Developer" income rider costs 0.80% (capped at 1.25% or 0.95% for joint-life contracts, capped at 1.40%). The payout rate starts at 4.50% of the benefit base when the youngest contract owner is 59½ to 64 and rises to 5.50 when he or she reaches age 75. If the owner defers income for at least five years, the payout rates bump up by 50 basis points. There's a 0.15% administration fee and a 0.05% mortality and expense risk fee. Investment option fees range from 0.16% to 3.01%.

There are some investment restrictions for rider-users. The advisor can choose from 130 different investment options from Nationwide and other mutual fund companies, but the overall equity allocation can't exceed 70% (Nationwide rebalances the account quarterly). Alternately, the advisor can rely on a dozen or so Nationwide asset allocation portfolios.

By adding annuities with insurance features to an RIA platform, Nationwide is pushing into territory where Jefferson National didn't tread. Jefferson National limited its business to helping RIAs buy and manage a flat-fee (\$20 per month) variable annuity (Monument Advisor) strictly for the purpose of tax deferred trading and growth, Nationwide is using the same platform to offer no-commission annuities with income and death benefit features.

Like many other annuity issuers, Nationwide hopes that RIAs, who typically don't use insurance products, will recognize the need for guaranteed income among their boomer clients and start recommending annuities—but only if the issuers simplify the contracts, strip out the commissions, lower the fees and integrate annuities into their existing wealth management process.

"It's not a 'product conversation' with RIAs," Hawley told *RIJ*. "Advisors view the world through a planning lens, and they want to know how to achieve outcomes. We have to ask, 'What are the solutions you need?' Then we can show them a solution that meets that need."

"If RIAs say, 'I have customers who want to save now and who want a certain amount of income later,' and we can show them how they can build the benefit base over time and how their client can turn on income down the road, then our story will resonate with them," he

added.

There are now three annuities on the Nationwide Advisory Solutions platform. Aside from NARIA, there's a Nationwide no-commission single premium immediate annuity as well as Monument Advisor, the investment-only variable annuity contract originally issued by Jefferson National.

Nationwide faces potential competition in this space from RetireOne, DPL Financial, and the forthcoming Envestnet Insurance Exchange. One difference is that the Nationwide platform is for Nationwide products only. Nationwide also has the advantage of a head start. With its acquisition of Jefferson National, it inherited some 4,000 individual RIA relationships and has added about 1,600 more.

The CEO of DPL Financial is David Lau, one of the founders of Jefferson National. Lau told *RIJ* in an email this week, "I had a non-compete [with Nationwide] which expired prior to launching the distribution aspect of DPL. While we both compete for RIAs, our business model is different — we represent a variety of carriers whereas they only have proprietary products."

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