
At the RIA Dance, Annuities Look for Partners

By Kerry Pechter Thu, Sep 19, 2019

Nationwide Advisory Services and Great American announced moves this week aimed at making their fee-based annuities attractive and accessible to Registered Investment Advisors.



Determined to follow advisors wherever they may go, the top annuity issuers continue to develop no-commission versions of their products and make them available where fee-based advisors can see them: on the custodial or turnkey asset management platforms that RIAs (Registered Investment Advisors) use.

This week, Nationwide Advisor Solutions added an income rider for its RIA-ready NARIA variable annuity and Great American announced that Pershing's RIA custody platform would host Great American's fee-based Index Protector 7 indexed annuity, which also has a lifetime income benefit rider.

So far, the excitement about the potential for RIAs to recommend annuities for their retirement clients has been more visible in the annuity world than in the RIA world. But annuity issuers figure that if RIAs are fiduciaries, and their Boomer clients need sequence risk protection and longevity risk protection, then RIAs will, ipso facto, have to start using annuities.

This fall, several annuity issuers received private letter rulings from the IRS that will make it easy for RIAs to receive their asset-based fees from annuities without causing a taxable distribution.

In any case, annuity issuers must go to the RIA dance because it's where desirable advisors and clients will be. Whether their "dance cards," to use a quaint expression, are filled or not remains to be seen. Nationwide (since its purchase of Jefferson National's RIA/VA business in 2017) and Great American have been among the most assertive life insurers in adapting to the evolving world of RIAs and dually-registered (RIA and broker-dealer) advisors.

Nationwide adds income rider to its no-commission variable annuity

Nationwide has launched a new lifetime income rider and two new enhancements to its stripped-down, no-commission NARIA (Nationwide Advisory Retirement Income Annuity)

variable annuity for Registered Investments Advisors (RIAs) and their Investment Advisor Representatives (IARs).

“A simple, transparent, low-cost variable annuity (VA) and one of the only VAs with ‘advisory-friendly’ fee management capabilities that will not erode the client’s benefit base, NARIA can help RIAs and fee-based advisors incorporate insurance into their practice for more holistic planning,” a Nationwide Advisor Solutions release said this week.

The announcement follows the recent IRS Private Letter Ruling allowing favorable tax treatment of advisory fees from non-qualified annuities.

NARIA now offers Nationwide Lifetime Income Rider Advisory (Nationwide L.inc Advisory), an optional living benefit with a 7% (simple interest) annual increase in the benefit base (the notional sum, independent of the account value, on whose basis annual payouts are calculated) during the accumulation period. When the client’s contract returns above 7% on the rider anniversary, the contract value is the benefit base.

“Nationwide L.inc Advisory is designed to help RIAs and fee-based advisors provide a retirement income solution compatible for a shorter accumulation period, which is important during those critical years between the ages of 65 to 75, when most clients start taking retirement income and need income protection,” the release said.

NARIA can now offer unconstrained 100% equity exposure when combined with “RIDER” (Retirement Income Developer), a lower cost optional living benefit launched earlier this year. RIDER has a ratchet feature to lock in growth. It is designed for longer accumulation periods, with newly increased equity exposure.

NARIA also now offers tiered pricing for its low-cost platform funds. More than 30 funds, including investment options from DFA, DoubleLine, Vanguard and Nationwide, are now available for between 10 bps and 35 bps, on top of NARIA’s annual mortality & expense risk fee of 20 bps. NARIA offers more than 150 underlying funds from more than 25 fund families.

Great American’s fee-based FIA joins Pershing RIA platform

Index Protector 7, Great American Life Insurance Company’s fee-based fixed indexed annuity, is now available on BNY Mellon’s Pershing (“Pershing”) registered investment advisor (RIA) custody platform, the insurer announced this week.

Index Protector 7 features an optional guaranteed income rider, Income Keeper, which offers lifetime income payments that could increase each year.

Great American Life launched the industry's first fee-based fixed-indexed annuity in 2016, and the company continues to introduce new technology solutions that make it easier for RIAs to include an annuity in a fee-based portfolio. Most recently, Great American advocated for industry change and received an IRS Private Letter Ruling that permits advisory fees to be withdrawn from Great American Life's fee-based non-qualified annuities without creating a taxable event, as long as certain conditions are met.

Great American Life Insurance Company, a member of Great American Insurance Group, is rated "A+" by Standard & Poor's and "A" (Excellent) by A.M. Best for financial strength and operating performance.

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