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## Breaking News

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By Editorial Staff    Wed, Jun 15, 2022

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*Aiming at inflation, the Fed tightens base rate by 0.75 percentage points; NWL and Achaean Financial introduce SPIA with upside; Protective Life and Michael Finke in retirement education co-venture; Edelman expands its 'Income Beyond Retirement' program for 401(k)s; Nationwide enhances its RILA's beneficiary features; Midland National offers new three-year FIA.*

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### **Fed hikes benchmark rate to 1.65%**

The Federal Reserve announced its decision to implement the monetary policy stance announced by the Federal Open Market Committee in its [statement](#) yesterday, June 15, 2022. The Fed's Board of Governors of the Federal Reserve System voted unanimously to raise the interest rate paid on reserve balances to 1.65%, effective June 16, 2022. A summary of the Fed's economic projections can be found [here](#).

[The price that banks pay each other for reserves at the Fed—reserves that they need in order to cover checks written by their depositors (including borrowers)—has just gone up. The increase in the cost of money will ripple through the economy, not only raising borrowing costs, but also reducing the market value of existing bonds and sending panic through leveraged investors in the equity markets. It also means that innocent people will lose their jobs—for the sake of reducing inflation. Inflation lowers the real yield on investments, which many Americans don't own.]

As part of its policy decision, the Federal Open Market Committee voted to authorize and direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

The Board of Governors of the Federal Reserve System voted unanimously Wednesday to approve a 3/4 percentage point increase in the primary credit rate to 1.75%, effective June 16, 2022, according to Wednesday's [statement](#) from the Fed. In taking this action, the Board approved the request to establish that rate submitted by the Board of Directors of the Federal Reserve Bank of Minneapolis. Effective June 16, 2022, the Federal Open Market Committee directs the Desk to:

- Undertake open market operations as necessary to maintain the federal funds rate in a target range of 1.5% to 1.75%.
- Conduct overnight repurchase agreement operations with a minimum bid rate of 1.75% and with an aggregate operation limit of \$500 billion; the aggregate operation

limit can be temporarily increased at the discretion of the Chair.

- Conduct overnight reverse repurchase agreement operations at an offering rate of 1.55% and with a per-counterparty limit of \$160 billion per day; the per-counterparty limit can be temporarily increased at the discretion of the Chair.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in the calendar months of June and July that exceeds a cap of \$30 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in the calendar months of June and July that exceeds a cap of \$17.5 billion per month.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
- Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions.

The New York Times reported, "Officials predicted that the unemployment rate would increase to 3.7% this year and to 4.1% by 2024 and that growth would slow notably as policymakers push borrowing costs sharply higher and choke off economic demand.

"The Fed's policy rate is now set in a range between 1.50 to 1.75 and policymakers suggested more rate increases to come. The Fed, in a fresh set of economic projections, penciled in interest rates hitting 3.4 percent by the end of 2022. That would be the highest level since 2008 and officials saw their policy rate peaking at 3.8 percent at the end of 2023. Those figures are significantly higher than previous estimates, which showed rates topping out at 2.8 percent next year.

"Fed officials also newly indicated that they expected to cut rates in 2024, which could be a sign that they think the economy will weaken so much that they will need to reorient their policy approach."

#### **NWL and Achaean Financial introduce SPIA with upside**

National Western Life Insurance Company (NWL) and Achaean Financial Holdings have launched what they call launch "a new and innovative single premium immediate annuity" or SPIA. *RIJ* [reported](#) on an earlier Achaean income product in September 2021.

Introduced as NWL Income+, the new product, to come onto the market in the third quarter

of 2022, will provide lifetime income that delivers on two key features advisors and their clients are looking for in an income product: a highly competitive initial annual payment, and an innovative growth component that presents an opportunity for increasing income to help policyholders keep pace with inflation.

The NWL Income+ is planned to be marketed as a stand-alone product to secure an immediate income stream today, and may be offered as an option on select deferred annuity products in the future.

National Western Life Group, Inc. is the parent organization of National Western Life Insurance Company, which is the parent organization of Ozark National Life Insurance Company, both stock life insurance companies in aggregate offering a broad portfolio of individual universal life, whole life and term insurance plans, as well as annuity products.

As of March 31, 2022, the Company maintained consolidated total assets of \$13.8 billion, consolidated stockholders' equity of \$2.3 billion, and combined life insurance in force of \$20.6 billion. Achaean Financial is a business-to-business licensing and marketing organization with an objective to address the multiple dislocations within US retirement market, using innovative proprietary products, software and marketing expertise.

#### **Protective Life and Michael Finke in retirement education co-venture**

Protective Life Corporation, a US subsidiary of Dai-ichi Life Holdings, Inc., announced today the launch of a new goals-based income planning program with Michael Finke of The American College of Financial Services.

The program will supply financial professionals with the strategies needed to evaluate clients' income needs, better understand key income risks and develop specialized strategies that will help protect their clients' goals in retirement.

To learn more about the growing need for guaranteed income in retirement and gain additional insights and tools visit [finpro.protective.com/retirement](https://finpro.protective.com/retirement).

Michael Finke, Ph.D. is a professor of wealth management and Frank M. Engle Distinguished Chair in Economic Security at The American College of Financial Services.

He received a doctorate in consumer economics from The Ohio State University in 1998 and in finance from the University of Missouri in 2011. He leads the O. Alfred Granum Center for Financial Security at The American College of Financial Services and is a Research

Fellow at the Retirement Income Institute, and a member of the Defined Contribution Institutional Investment Association Academic Advisory Council.

### **Edelman expands its 'Income Beyond Retirement' program for 401(k)s**

Edelman Financial Engines, the independent wealth planning and investment advisory firm, has launched Income Beyond Retirement (IBR), a retirement income solution designed for 401(k) plan participants in or near retirement.

"IBR combines portfolio management and technology-enabled analysis with financial advisor support to create highly personalized, flexible retirement income plans and investing strategies to match the individual needs of employees," Edelman said in a release.

IBR is currently offered by Boeing, Lenovo, Equifax, Milliken and Prime Therapeutics and many of the FORTUNE 500. Edelman Financial Engines said it is working with its 401(k) provider partners to make IBR available to plan sponsors. Currently, the solution is live with its direct provider partners and will be available across all partners soon.

Near-retirees aged 55 and older are offered a complimentary Retirement Checkup with an advisor, and together they develop a plan that manages to the employees' anticipated needs while planning for the unexpected. IBR focuses on critical decisions, such as claiming Social Security and evaluating income and growth preferences.

### **Nationwide enhances RILA's beneficiary features**

Nationwide has added two new complimentary, automatic death benefit features to its registered index-linked annuity (RILA), the Nationwide Defined Protection Annuity (DPA). The product was co-developed by Nationwide and Annexus, the indexed annuity designer.

- Under the Return of Premium (ROP) death benefit feature, beneficiaries will receive no less than the original premium invested in the annuity. It is automatically added if the annuitant and co-annuitant are both 75 or younger on the application sign date.
- The Spousal Protection feature protects both spouses and provides a death benefit on both of their lives, even on qualified contracts.

Nationwide DPA also provides three defined protection levels which limit negative performance. Clients can select how much of their investment—90%, 95% or 100%—will be protected from market losses and helps determine their performance opportunities. DPA also features a variety of index strategies whose performance determines the owner's gains

or losses.

Under the Return of Premium Death Benefit, the Death Benefit is equal to the greater of the Contract Accumulation Value, or the purchase payment amount adjusted proportionately for any withdrawals, the Nationwide release said.

Upon the first spouse's death, the Contract Accumulation Value will be set equal to the purchase payment amount (adjusted for withdrawals), if greater. Upon the surviving spouse's death, the Death Benefit (including the ROP if applicable) will be paid to the beneficiaries.

Under the Spousal Protection feature, a surviving spouse may continue the contract and name new beneficiaries. From that point on, any withdrawals will be treated as Preferred Withdrawals, and will receive full gains/losses and will not be subject to surrender penalty or market value adjustment.

#### **New three-year FIA from Midland National**

Midland National Life Insurance Company and Midland Retirement Distributors have launched Summit Focus 3, a new three-year fixed index annuity, the two member companies of Sammons Financial Group announced this week.

The Summit Focus 3 fixed index annuity offers:

- A term length of only three years
- Crediting rates that are guaranteed for the three-year term
- Protection against losses during a market downturn
- Growth potential based on the performance of quality index options
- No taxes until a withdrawal is taken

"The contract period is designed for clients who need a short-term solution during a time of transition, or who may be looking for more upside potential than a traditional fixed-rate product can offer. The product is aimed at clients with concerns about the potential for annually declining rates in subsequent years of a longer-term contract," the companies said in a release.

A subsidiary of Sammons Enterprises, Inc., Sammons Financial Group is privately owned. Its member companies include Midland National Life Insurance Company (including Sammons Corporate Markets); North American Company for Life and Health Insurance; Sammons Institutional Group (including Midland Retirement Distributors and Sammons

Retirement Solutions), and Beacon Capital Management, Inc.

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