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## Great-West Financial launches low-cost VA with income rider

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By Kerry Pechter    *Thu, Dec 12, 2013*

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*The contract has two sleeves, one for investment and the other for income. Only money designated for the income sleeve is subject to the lifetime income benefit rider, a Great-West release said.*

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Great-West Financial has introduced Great-West Smart TrackII, a variable annuity that levies a lifetime income rider fee (currently 1%; 1.50% maximum) only on assets that are moved to an income sleeve.

There are no administration or distribution fees, and total costs are lower than the average variable annuity with similar features, according to a Great West release.

While contract owners can put money in the investment sleeve in a wide variety of fund options, there is apparently only one fund option in the income sleeve: a Great-West SecureFoundation Balanced Fund, Class L. Such two-sleeve variable annuities have been offered by other companies in the past.

There's an annual ratchet, which increases the benefit base if the account value reaches a new high. The contract offers income growth potential by linking the payout rate to the 10-year Treasury rate, as some other VA riders do.

For instance, for contract owners ages 65 to 69, the annual payout rate under the living benefit rider is 4% as long as the 10-year Treasury yield is under 4%. (Today it is under 3%.) But if the 10-year rate is between 4% and 4.99%, the payout rate goes to 4.50% a year. If the 10-year rate is 5% to 5.99%, the payout rate jumps to 5.50%, and so on. The maximum payout rate is 8%, which occurs only if the 10-year rate is 8% or higher.

According to the prospectus, the contract owner can choose to take the amount that is outside the living benefit income sleeve and annuitize it on a variable basis, with or without a guarantee period. Variable annuitization, though not common, has been shown to produce favorable long-term results, when back-tested against historical market performance. The first payment from the variable income annuity in this contract is calculated by assuming an interest rate (an "AIR") of 2.5%.

Depending on the death benefit selected, Great-West Smart Track II's mortality and expense charge is 1.00% (or up to 1.20%, depending on the death benefit selected). Fund charges range from 0.46% to 1.70% of assets.

The contract also offers the possibility of inflation protection if the benefit base is stepped up to a new level, following a new high water mark in the account value or an increase in the 10-year Treasury yield.

Great-West Smart Track II is a commission-based offering that's available through banks and independent broker dealers. The new offering complements Great-West Smart Track, a fee-based offering, that's available through registered investment advisers.

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