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## Guardian Life's new VA offers alternatives

By Kerry Pechter    Thu, Jan 16, 2014

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Alternatives are the asset class du jour, and Guardian Life's GIAC unit introduced a new deferred b-share variable annuity this week called ProFreedom. It allows owners to invest in alternatives—a general term that embraces TIPS, REITS, sector funds, commodities, and global bonds—inside a tax-deferred account.

According to Guardian Insurance & Annuity Co., the issuer, ProFreedom VA offers options managed from boutiques like ALPS/Alerian, Mariner Hyman & Beck, and Merger (Westchester Capital Management, LLC) as well as department stores like Fidelity, MFS and PIMCO.

The contract's mortality and expense risk fee is one percent a year. The investment options carry annual operating charges of 0.73% and up, according to the prospectus, but it wasn't immediately clear which option carried the latter charge or why it was so high. There's a \$10,000 minimum (\$5,000 for qualified money), an eight-year surrender charge period with a first-year charge of 8%.

The product can be issued with the Guardian deferred income annuity, SecureFuture Income, as a rider. There are three death benefit options, ranging in cost from 25 to 35 basis points a year.

Guardian may have been inspired by the success of Jackson National's Elite Access variable annuity, which has sold well among advisers who in the past were unlikely to buy variable annuities. Elite Access sales in the first three-quarters of 2013 were \$2.77 billion. As of Sept. 30, 2013, it was ranked seventh in domestic individual VA sales.

Variable annuities remain the only financial product that can accommodate a virtually unlimited amount of after-tax premia for tax-deferred growth. Active traders who want to avoid generating a lot of capital gains like this feature, especially if the annuity's overall fees are low.

In a release, Douglas Dubitsky, Vice President of Product Management & Development for Retirement Solutions at Guardian, stressed the concept that investing in alternatives can "help reduce the impact of market volatility and risk."

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