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## Honorable Mention

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By Editorial Staff      Wed, Sep 22, 2021

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*Lincoln Financial to gain \$1.2 billion in capital from reinsurance deal; Joanna Rotenberg to run Fidelity's \$4.1 trillion Personal Investing division; Guggenheim Life and Annuity "under review" by ratings agency; Schwab: Average balance of self-directed brokerage accounts is \$348,183.*

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### **Lincoln Financial to gain \$1.2 billion in capital from reinsurance deal**

Security Life of Denver Insurance Co., a subsidiary of Bermuda-based Resolution Life, will reinsure approximately \$9.4 billion of Lincoln Financial Group's in-force executive benefit and universal life reserves, according to a Lincoln release. ("Reserves" in this context means "liabilities," or the estimated amount that the reinsurer will need to pay policyholders in the future. Reserves are not assets.)

The reinsurance transaction will release about \$1.2 billion of capital for Lincoln. The proceeds will predominantly be used to fund incremental share repurchases of approximately \$900 million that Lincoln expects to complete by the end of the first quarter of 2022. The remaining proceeds will be used for general corporate uses, primarily paying down debt.

The transaction is expected to increase Lincoln Financial's adjusted operating earnings per share by about 5% and expand ROE in 2022. Under the terms of the reinsurance agreement, Lincoln Financial will retain account administration and recordkeeping of the policies.

The transaction will have no impact on Lincoln Financial's relationship with, or commitments to, its distribution partners and policyholders, the release said. Lincoln Financial said it will continue to sell individual life insurance and executive benefits products.

The agreement is dated September 17, 2021, with an effective date of October 1, 2021. Closing of the transaction is subject to customary conditions, but no regulatory approvals are required to close the deal.

The transaction is structured as a coinsurance treaty for the general account reserves and as a modified coinsurance treaty for the separate account reserves, with counterparty protections including a comfort trust and investment guidelines to meet Lincoln Financial's risk management objectives.

Lazard acted as financial advisor and Sidley Austin LLP served as legal advisor to Lincoln Financial.

**Rotenberg to run Fidelity's \$4.1 trillion Personal Investing division**

Joanna Rotenberg has been named head of Fidelity Investments' \$4.1 trillion Personal Investing division, effective early November, the fund giant and retirement plan provider announced. Rotenberg succeeds Kathy Murphy, who will step away from her role by the end of the year.

Rotenberg joins Fidelity from Toronto-based BMO Financial Group, where she was group head of Wealth Management since 2016 and a member of the company's Executive Committee since 2010. Rotenberg will report to Abigail P. Johnson, chairman and chief executive officer of Fidelity, and join the Fidelity Operating Committee.

Fidelity's Personal Investing division services more than 30 million client accounts with \$4.1 trillion in assets under administration.

**Guggenheim Life and Annuity "under review" by ratings agency**

AM Best has placed under review with developing implications the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating of "bbb+" (Good) of Guggenheim Life and Annuity Company (GLAC) (Wilmington, DE).

The Credit Rating actions "reflect GLAC's decline in surplus and weakening in its risk-adjusted capital position during the first half of 2021, driven in large part by the payment of stockholder dividends to its ultimate parent, Sammons Enterprises, Inc.," AM Best said.

GLAC's management is working on a capital plan to increase its capital and surplus and strengthen its risk-adjusted capital position. The ratings are expected to remain under review while GLAC management finalizes its capital plans and AM Best can fully assess the impact this has on the company's capital and surplus position and risk-adjusted capitalization.

**Schwab: Average balance of self-directed brokerage accounts is \$348,183**

The average account balance of self-directed 401(k) brokerage accounts (SDBAs) across all retirement plan participant accounts finished Q2 2021 at \$348,183, a nearly 22% increase year-over-year and a 4.3% increase from Q1 2021, according to Charles Schwab's SDBA Indicators report for 2Q2021.

SDBAs are brokerage accounts within retirement plans, including 401(k)s and other types of retirement plans, that participants can use to invest retirement savings in individual stocks, bonds, exchange-traded funds, mutual funds and other securities outside their plan's core investment offerings.

Trading volumes were in line with the prior year at an average of 14 trades per account, as participants encountered COVID volatility with the rise of the Delta variant, according to the report. "Despite some fears, participants saw account growth year-over-year as stocks continued to climb off the March 2020 low and consumer confidence surged back to pre-pandemic levels," a Schwab release said..

The majority of participant assets were held in equities (37%). Mutual funds were the second largest holding at (30%), followed by ETFs (20%), cash (12%), and fixed income (1%).

#### **Allocation Trends**

The data also reveals specific asset class and sector holdings within each investment category:

**Mutual funds:** Large-cap funds had the largest allocation at approximately 34% of all mutual fund allocations, followed by taxable bond (19%) and international (16%) funds.

**Equities:** The largest equity sector holding was Information Technology at 29%. Apple was the top overall equity holding, comprising 10.26% of the equity allocation of portfolios. The other equity holdings in the top five include Tesla (6.28%), Amazon (5.03%), Microsoft (2.72%) and NVIDIA (1.84%).

**ETFs:** Among ETFs, investors allocated the most dollars to US equity (50%), followed by sector ETFs (15%), international equity (13%) and US fixed income (13%).

#### **Other report highlights:**

- Advised accounts held higher average account balances compared to non-advised accounts – \$550,127 vs. \$302,330.
- Gen X had the most advised accounts at 48%, followed by Baby Boomers (36%) and Millennials (13%).
- Gen X made up approximately 45% of SDBA participants, followed by Baby Boomers (32%) and Millennials (18%).
- Baby Boomers had the highest SDBA balances at an average of \$532,338, followed by

Gen X at \$306,489 and Millennials at \$103,777. All balances were up from Q1 2021.

- On average, participants held 12.3 positions in their SDBAs at the end of Q2 2021, up slightly from 10.5 last year and consistent with Q1 2021.

The SDBA Indicators Report includes data collected from approximately 174,000 retirement plan participants who currently have balances between \$5,000 and \$10 million in Schwab Personal Choice Retirement Accounts. Data is extracted quarterly on all accounts that are open as of quarter-end and meet the balance criteria.

The SDBA Indicators Report tracks a wide variety of investment activity and profile information on participants with a Schwab Personal Choice Retirement Account (PCRA), ranging from asset allocation trends and asset flow in various equity, exchange-traded fund and mutual fund categories, to age trends and trading activity. The SDBA Indicators Report provides insight into PCRA users' perceptions of the markets and the investment decisions they make.

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