Retirement Income
JOURNAL

Honorable Mention

By Editorial Staff *Thu, Jun 27, 2019*

RIJ returns from vacation with July 11 issue; Jackson feeds demand for MYGAs; Changes in AXA Equitable's top VA and IVA announced; What comes first: wellness or a corporate wellness program? (Prudential); In land of plenty, FINRA finds troubling gaps.

RIJ returns from vacation with July 11 issue

We will be off next week, observing the Independence Day holiday.

Jackson feeds demand for MYGAs

In response to the public's evident hunger for the highest possible safe returns—an appetite stemming perhaps from a record S&P500 Index level—Jackson National Life has launched **RateProtector**, a multi-year guaranteed annuity, or MYGA. First-quarter 2019 MYGA sales were up almost 80% from 1Q2018, according to Winkintel.com.

Jackson RateProtector's features include:

- A three-year, five-year, or seven-year crediting period during which the initial rate is guaranteed not to fall.
- A $10,000 minimum single premium.
- Tax-deferred growth of after-tax deposits, a death benefit, accelerated withdrawals in case of terminal illness or confinement in a hospital or extended care center.
- The company can change the crediting rate at the end of the guaranteed rate period, and the "renewal rate" might be lower than the initial rate.
- For each crediting term, there's an annual surrender charge, starting at 8% (of withdrawals in excess of 10%) in the first year and dropping by a percentage point each year during the term.

Current crediting rates

- 3-Year Guaranteed Option Period: 2.60%
- 5-Year Guaranteed Option Period: 2.70%
- 7-Year Guaranteed Option Period: 2.75%
- Current Guaranteed Minimum Interest Rate (GMIR): 1.75%

After the crediting term ends, market value adjustments (which protect the company from loss that may incur if a client takes out more than 10% of premium (during the first year) or account value (in the remainder of the term) do not apply after the end of the crediting term (which is also the length of the surrender charge period.

Changes in AXA Equitable's top VA and IVA announced

AXA Equitable Life this week announced updates or enhancements to its popular Retirement Cornerstone multi-stage deferred variable annuity and its top-selling Structured Capital Strategies index variable annuity.

Kevin Kennedy, Head of Individual Retirement, AXA Equitable Life.

Retirement Cornerstone 19, as the new variable annuity iteration is called, has a 5% guaranteed "rollup" (annual increase in the benefit base, an amount used to calculate future income payments) with the opportunity for up to 8% growth if Treasury rates rise.

New features in certain versions of Structured Capital Strategies include the ability to invest on only a one-year basis with tax deferral and interest credit up to a cap, instead of committing to a longer term.

Retirement Cornerstone is a single tax-deferred variable annuity comprised of an Investment Account with over 100 investment options and a Protected Benefit Account which funds the Guaranteed Minimum Income Benefit (GMIB). This optional rider, available for an additional fee, provides a lifetime income stream.

Structured Capital Strategies allows investors earn annual interest based on the performance of the S&P 500, Russell 2000 or MSCI EAFE market indexes, up to a cap, with AXA Equitable absorbing up to the first 30% in market losses in a contract year.

What comes first: wellness or a corporate wellness program?

A new report from Prudential Financial, "**The Interplay Between Health & Financial Wellness Benefits**," shows that employees who participate in corporate health and financial wellness programs report lower levels of stress as well as better physical and mental health.

The findings, revealed at the "Aspen Ideas: Health 2019" festival this week, come from a survey of 2,000 Americans employed by organizations that offer wellness benefits like gym memberships, fitness and diet advice, and smoking cessation programs.

Prudential has staked out a thought-leadership role in the field of financial wellness programs, which are considered a must-have capability for full-service retirement plan providers at a time when employees have financial needs—help with student loans and personal money management, etc.—beyond the need to save for retirement.

Financial wellness is a relative of corporate wellness programs of the 1980s, which fought soaring medical costs by encouraging healthy habits with on-site gyms, showers and salad bars. Those programs, which gave rise to corporate track teams among other things, mainly improved the health of those already healthy, it was found.

Among the survey's key findings:

Users of workplace health wellness benefits are more likely to be healthy than non-users; 45% of users report themselves to be in good physical health, versus 37% of non-users.

59% of workers who use health wellness programs consider their overall mental health "good," as do 59% of those using financial wellness programs.

Those numbers fall to 53% for those who don't use health wellness programs and 55% for those who don't use financial wellness programs.

Non-users of financial wellness programs report feeling highly stressed compared to users. Just 13% of workers using financial wellness programs say they have high overall levels of stress, versus 17% of non-users.

Almost a third of workers expressed a desire for financial education classes, online financial management tools, digital financial advice and planning, accrued wage advances, low interest loans, and debt consolidation/payment programs.

In land of plenty, FINRA finds troubling gaps

New research from the FINRA Investor Education Foundation claims that "despite economic growth and declining unemployment," Americans are "failing to save money, struggling with student loan debt and facing decreasing financial literacy."

The study, "The State of U.S. Financial Capability," finds that key indicators of financial capability are no longer improving in step with the economy.

The FINRA Foundation conducts nationwide survey of more than 27,000 respondents every three years. Originally developed in 2009, it measures key indicators of financial capability and evaluates how these indicators vary with underlying demographic, behavioral, attitudinal and financial literacy characteristics — both nationwide and state-by-state. Some of the key findings from the study include:

The divides between the Haves and Have-nots are persisting or widening. Younger Americans, those without a college degree, African-Americans and those with lower incomes are struggling financially.

Americans are not saving. Nearly half of Americans have not set aside money to cover expenses for three months. Moreover, Americans are stressed about money. More than half (53%) of those surveyed reported that just thinking about their finances makes them feel anxious.

A majority of Americans have not planned for retirement. More than half of Americans (54%) have not tried to determine what they need to save for retirement, and only 58% of Americans have a retirement account, based on the survey.

High education costs are causing buyer’s remorse for many. Among Americans with student loans, 47% wish they had chosen a less expensive college. Among those with student debt, a similar percentage (48%) is concerned they will not be able to pay off their loans, and many did not fully understand what they were getting into when they got their loans, the survey shows. Meanwhile, late loan payments are rising.

Financial literacy has declined. Only 34% of respondents could answer at least four of five basic financial literacy questions on topics such as mortgages, interest rates, inflation and risk, down from 42% in 2009. This drop in scores appeared most pronounced among Americans ages 18-34.

Financial education matters. Americans who have participated in a substantial amount of financial education are more likely to save and less likely to overdraw their checking accounts. Nearly half of Americans (49%) who have received more than 10 hours of financial education report spending less than they earn, compared with 36% of those people who received less than 10 hours of financial education.