
Nationwide, Annexus partner on in-plan annuity

By Editorial Staff *Wed, Feb 3, 2021*

Nationwide announced last October that it would release a series of five new products for the 401(k) market. Today it announced Lifetime Income Builder, a fixed indexed annuity with a lifetime income rider.



Nationwide and Annexus Retirement Solutions are partnering to launch a new product for the 401(k) market this year. The product will be a collective investment trust consisting of a series of target date funds (TDFs) that will include a fixed indexed annuity or (FIA) with a guaranteed lifetime withdrawal benefit.

The annuity part of the offering is called “Lifetime Income Builder.” The name of the overall savings-to-income solution, as well as the names of the asset managers who will offer investments in the TDFs, will be forthcoming, a Nationwide spokesperson told *RIJ*.

According to a release today:

“Lifetime Income Builder... provides plan sponsors an efficient structure designed to be QDIA (qualified default investment alternative) compliant and which offers a combination of liquidity, portability, and ease of use that is currently missing from other in-plan income solutions. This innovative investment option combines guaranteed lifetime income along with a systematic withdrawal strategy that efficiently addresses the risks a participant faces in generating retirement income.

“The new retirement plan investment option... is an expansion of an already successful partnership between Nationwide and Annexus, which has involved bringing new products to market over the past seven years,” the release added.

In October 2020, Nationwide launched an FIA as a stand-alone investment inside a 401(k) plan. You can find an *RIJ* story about it [here](#).

The passage of the SECURE Act in 2019, which went into effect at the start of 2021, reduced the legal liability that a plan sponsor would face if, for example, it chose to offer an annuity product in its retirement plan and the issuing life insurer later became insolvent and

couldn't meet its liabilities. This relative tweak in pension law has unleashed a surge of new products that, in effect, make defined contribution plans a little more like old-fashioned defined benefit plans, in terms of providing lifetime income.

The introduction of this type of product indicates the further normalization of the use of FIAs. Ten years ago, FIAs were a controversial product sold almost exclusively by independent insurance agents in the "wild west" territory of the annuity business. Five years ago, the Department of Labor tried to make it difficult for advisers to sell FIAs and variable annuities to retirement clients for their IRAs.

But the long-standing low interest rate environment, which began in 2009 and could very well last until 2023 or longer, has up-ended the annuity industry. The retreat of other products has led to the gradual emergence in popularity of index-linked annuities, both fixed and variable.

They tap into the equity markets for their upside potential, via the purchase of options on equity indexes. Many, but not all, broker-dealers now sell retail FIAs, and RIAs can buy no-commission individual FIAs through online platforms like RetireOne, DPLFinancial and Envestnet.

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