Jackson National launches second fee-based version of Elite Access VA

By Editorial Staff *Fri, Jan 25, 2019*

Jackson may be betting that the return of volatility in the fourth quarter of 2018 will spark fresh interest among registered investment advisors in the liquid alternatives that the Elite Access series offers.

Jackson National Life Insurance Company, the top seller of variable annuities in the US with more than $8 billion in sales in the first half of 2018, has launched a second version of its fee-based Elite Access Advisory investment-only variable annuity (IOVA) contract, whose first edition launched in early 2017.

Like its predecessor, the new contract, Elite Access Advisory II, is aimed at the fee-based, registered investment advisor (RIA) market. It differs from its immediate predecessor in a couple of ways. Where Elite Access Advisory I offered a three-year surrender fee period and a $10 monthly contract fee, Elite Advisory II offers no surrender period and a $20 monthly contract fee. Advisors can liquidate assets at any time.

The original B-share version of **Elite Access**, was launched in 2012. It made liquid alternatives—then a sought-after asset class because its performance was uncorrelated with that of stocks and bonds—accessible to the advisor market. Previously, only institutions such as endowment funds had access to such exotica. Jackson marketed the product aggressively—it even hired then-popular actor Ben Stein to promote it in handsome videos—and by 2014 it had zoomed to fifth place in variable annuity sales, with $1 billion in sales per quarter.

Today, sales of that product have cooled to about $500 million per quarter. In a steady bull market, its value proposition is weaker. But with the sudden return of stock market volatility in the last quarter of 2018, the appeal of volatility-buffering liquid alternatives may also return.

The earliest version of Elite Access also pioneered the so-called IOVA ("investment only variable annuities") category, which distinguished VAs that was used mainly for tax-deferred trading and investing rather than for generating lifetime retirement income.

So far, Elite Access Advisory I does not appear to have broken into Morningstar's list of the 50 best-selling variable annuity contracts. The new second edition, which has no surrender fee period, might generate more interest among fee-based advisors. The ability to sell its products to fee-based advisors has been and continues to be the number one distribution

problem facing the annuity industry.

Jackson National, perhaps because of its acknowledged wholesaling expertise and brand strength, has succeeded in getting some traction in the fee-based space. Its relatively new Perspective Advisory II VA, a no-commission version of the industry's most popular contract, had sales of $288 million in the first half of 2018. Jackson annuities will be available to RIAs on the new Envestnet Insurance Exchange.

Variable annuities do have a unique advantage, especially for high net worth investors. They remain the only instrument that allows individuals to invest a virtually unlimited of after-tax money for tax-deferred long-term growth as well as for tax-deferred trading. That's important for those who have already reached maximum contributions to employer-based retirement savings plans and IRAs, and those who want to trade frequently without generating taxable gains.

According to a Jackson National press release this week, Elite Access Advisory II's key features include:

Product cost: Monthly contract charge of $20 per month ($240 per year). There is no mortality, expense and administration charge, although the underlying investment subaccounts carry annual operating expenses.

No withdrawal charge: There is no surrender period and zero withdrawal charges. All or any portion of the contract may be withdrawn at any time prior to the Income Date. On contracts without a guaranteed minimum withdrawal benefit (GMWB), if the contract value remaining after withdrawal is less than $2,000, any withdrawal will be treated as a total withdrawal and the withdrawal value will be paid and the contract will terminate.

Compensation structure: Advisor compensation is fee-based, rather than commission-based. The contract has no mortality and expense (M&E) risk charges or administrative charges.

Investment freedom: More than 130 investment options are available. Investors may select up to a maximum of 99 investments and adjust options or allocations up to 25 times each contract year without transfer fees. To prevent abusive trading practices, Jackson restricts the frequency of transfers among variable investment options, including trading out of and back into the same subaccount within a 15-day period.

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