Jefferson National VAs to offer Braver Capital tactically managed portfolios

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Braver's Tactical Balanced, Tactical Core Bond, Tactical Opportunity and Tactical Sector Rotation portfolios use quantitative algorithms applied to asset class price movement to identify trends in numerous asset classes and the broad market.

Jefferson National, issuer of flat-fee deferred variable annuities primarily for RIAs interested in tax deferral, has added four new "tactically managed model portfolios" from Braver Capital Management to its VA investment options.

The four portfolios, Braver's Tactical Balanced, Tactical Core Bond, Tactical Opportunity and Tactical Sector Rotation portfolios, all use "quantitative algorithms applied to asset class price movement to identify trends in numerous asset classes and the broad market, while employing specific stop loss and position size limits for additional risk control. They are completely transparent, with no swaps, no leverage and no derivatives," according to a release by Jefferson National.

The Louisville-based insurer's flagship VA contract, Monument Advisor, already offers 390 underlying investment options, including 70 of the so-called alternative options that advisors increasingly use to help improve the risk/return profiles of their client's portfolios.

Mutual funds that use tactical strategies characteristically have high turnover, and therefore generate lots of short-term capital gains. That makes them relatively tax-inefficient. Variable annuities, which can accept virtually unlimited amounts of after-tax money for tax-deferred growth, are therefore attractive vehicles for tactically managed investments.

According to the Jefferson National release, "Morningstar estimates that over the 74-year period ending in 2010, investors who did not manage investments in a tax-sensitive manner gave up between 100 and 200 basis points of their annual returns to taxes."

The threat of ongoing volatility was cited as a primary concern by more than 67% of the RIAs and fee-based advisors recently surveyed by Jefferson National. "A majority of advisors see tactical management and alternative investments as key to navigating the current market," Jefferson National said in its release.

"Our research confirms that it is more important to be out of the market during the ten worst days than it is to be in the market on the ten best days—which is why our models seek to stay in the market when it's rising, but strive to move to the safety of cash when it declines," said Dave D'Amico, president and chief market strategist, Braver Capital Management, in the release. "As taxes rise following the fiscal cliff and the ongoing budget deficit debate, tax-deferral is only going to grow in importance."