
Lincoln Financial enhances VA income rider

By Editorial Staff Thu, Sep 15, 2016

'The 5% rollup starts at purchase and runs for 10 years. It applies only in years when there's no withdrawal and there's a hard stop at 10 years from purchase,' said Lincoln Financial's Dan Herr.

Lincoln Financial Distributors (LFD), the wholesale distributor of Lincoln Financial Group, said it has enhanced the Lincoln Market Select Advantage, an optional living benefit rider available for a fee of 1.25% (1.50% for joint and survivor policies) with Lincoln's American Legacy and Lincoln ChoicePlus Assurance variable annuities.

The "enhanced option features five percent guaranteed growth to the Income Base during accumulation, flexible income alternatives and access to asset allocation funds, including risk managed options," according to an LFD release.

"Before we launched this rider, we had Linc 2.0," Dan Herr, vice president, annuity product management, told *RIJ* in an interview this week. Consistent with what was in market at the time, it required the use managed-risk investment options. Then we introduced Market Select Advantage, which didn't have the managed-risk requirement but offered a lesser benefit. You had to delay your first withdrawal for at least five years.

"The latest enhancement brings together both features," Herr said. "This version allows the use of some asset allocation funds that are not managed-risk, and if you wait three years—or reach age 70, if that's in less than three years—before taking a withdrawal, you get a higher withdrawal percentage. The 5% rollup starts at purchase and runs for 10 years. It applies only in years when there's no withdrawal and there's a hard stop at 10 years from purchase. It's geared for someone who wants to start income in three years or more.

"For those who want income right away, we have i4Life, our flagship income rider. That's geared to immediate and rising income," he added. [i4Life is a immediate variable annuity; when the value of the assets in the separate account appreciate, monthly payouts rise and vice-versa.]

"We've enhanced the investment flexibility of that rider and made some product tweaks that bolster the upside story. With the earlier version of i4Life, there was a 4% Assumed Interest Rate," Herr told *RIJ*. [With a variable income annuity, the company calculates the size of the first payment by assuming that the account earns 4% in the first period.]

“We lowered the AIR to 3%, which increases the likelihood that there will be a rising income. We also have a managed risk version of i4Life, where the AIR stays at 4%. Our deferred variable annuities offer i4Life as a payout option. A contract owner could choose to take part of the assets as immediate variable income and keep the rest liquid. We’re the only commercially available immediate variable annuity that is liquid. “

Herr was asked why Lincoln was sharpening its variable annuity value proposition at a time when VA sales continue on a downward trend—for reasons described in today’s RIJ article on the latest A.M. Best annuity report.

“As we think about the value proposition of annuities, especially around guaranteed income, we’re looking at what the investment world will look like over the next five to 10 years,” he said. “We’ve had a great bull market. Stocks are at an all time high. Analysts say we’re likely to see muted investment returns over the next 10 years, in the 4% to 6% range for equities and 2% for fixed income, and we ask, ‘How could it not be in the best interests of clients to offer a guaranteed income stream?’ A small segment of producers already understands this. We have to make sure we reach the rest of the advisor world with the message that there’s a product that can help their clients offset the risk of running out of money.”

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