Lincoln Financial wraps income rider around CapGroup TDF

By Editorial Staff   *Thu, Jan 23, 2020*

In a renewal of an old partnership, Lincoln Financial and Capital Group are collaborating on a variable annuity with an income rider and exposure to Capital Group target date funds.

Lincoln Financial Group and Capital Group, investment manager of American Funds, are partnering on the launch of the new American Legacy Target Date Income variable annuity. According to a Lincoln press release this week, it is the first protected lifetime income solution with access to a target date series.

The release noted that investors have become increasingly comfortable with target date funds, which serve as default investments in many employer-sponsored retirement plans for participants who are auto-enrolled into plans. Industry-wide, target date funds have a combined market value of about $2 trillion.

A target date fund is a fund-of-funds whose asset allocations typically become more conservative as the investor ages. The "target date" refers to the investor's expected year of retirement, to the nearest five-year milestone. For example, there are 2025 funds, 2030 funds, 2035 funds, etc. Major asset managers such as Capital Group, T. Rowe Price, Vanguard, Fidelity and BlackRock each offers its own proprietary series of target date funds.

In 1987, Capital Group and Lincoln Financial collaborated to create the American Legacy variable annuity, the only annuity at the time to offer access to all American Funds Insurance Series (AFIS) funds. The new product's features include:

- Lincoln Financial Group's highest amount of level protected lifetime income, 5.7% for life at age 65.
- Guaranteed growth for future income at a minimum of 6% each year. Higher target date fund results may allow the annuity owner to lock in an even higher amount of growth.
- Joint life options for when both spouses are looking for protection, and beneficiary protection even if the account goes to zero.