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## **LPL Taps Five Insurers for New VA Platform**

By Kerry Pechter     *Wed, Feb 23, 2011*

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*Advisors who use LPL Financial's new Fee-Based Variable Annuity platform can manage VA subaccounts just like mutual funds.*

*(Photo at LPL's San Diego office.)*

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LPL Financial, the nation's largest independent broker-dealer, has decided to make it easier for its 12,444 affiliated financial advisors to sell variable annuities and integrate them into fee-based client relationships.

The vehicle is LPL's new Fee-Based Variable Annuity platform, which allows advisors to handle a client's VA subaccount assets the same way they handle other investments—on the same screens, in the same statements and through the same billing processes.

For the minority of LPL advisors who were already selling VAs, the new platform may not change much. But advisors who were on the fence about VAs could begin to sell them if they don't have to interrupt their normal workflow to do it.

LPL advisors are free to sell VAs from a wide variety of issuers, but the broker-dealer has put only five insurers on the platform: AXA-Equitable Life, Allianz Life, Lincoln National Life, Prudential Annuities and Sun Life Financial. Two requirements: no surrender charge and an M&E of no more than 65 basis points.

Insurers have long recognized that their hopes of growing the VA industry's share of the \$10 trillion-plus Boomer retirement hoard, stuck for a decade at about 10%, depend to a large degree on getting fee-based advisors to sell them. It's been a tough sell.

In recent years, many VA issuers created a special share class for fee-based advisors, eliminating the commissions and the high mortality and expense risk charges that typically went with them. But that innovation didn't move the sales dial much, because buying and servicing a VA still required a departure from the advisors' normal procedures.

Advisors were still required, for instance, to obtain the client's permission before money from one annuity subaccount to another. The new platform lets advisors reallocate VA assets without the out-call.

"The advisor now has the capability to implement changes in a client's portfolio on a discretionary basis," said John Moninger, LPL's executive vice president of Advisory and Brokerage Solutions. "That's a big deal. It's one of the biggest deals.

"In 2008 and 2009, we were having a hard time making changes in clients' accounts. The clients were asking, why did you have to call me about these assets and not the others? The technology allows us to bring that into the system," he said.

In a statement, LPL said, "Through this platform, purchases of fee-based variable annuities will be integrated in the existing LPL Financial process for opening accounts for investors, and holdings will be

viewable through all advisor-facing technologies, including *BranchNet*, the company's proprietary, web-based technology platform that allows advisors to manage all critical aspects of their business."

### **Sign of the times**

LPL's move is also a sign of the times. The effort to create the new platform was driven in part by a rising appetite for safety among investors and a growing need among Boomers for secure retirement income, Moninger said.

"Coming out of the financial crisis, a lot of fee-based advisors wanted to know how to protect investors from similar events in the future. They were saying, I need this vehicle but I want to do it on a fee-basis. We were also watching the demographic shift," he said.

Regarding LPL's criteria for including insurers on the platform, Moninger named soft qualities rather than hard sales numbers. "Of course, our primary partners in variable annuities go way beyond that list," he said. "But we were looking for a complementary list of firms who were committed to educating our advisors, some of whom have not used annuities in the past, and who were committed to product development, who were committed to change and to thinking this all the way through."

"It's a big step in the right direction," said Bruce Ferris, head of sales and distributions at Prudential Annuities. "It moves annuities closer to the mainstream of fee-based advisors. In the past, we've had a version of our variable annuity for sale through LPL with very little traction. We said, if we create a share class [for fee-based advisors] will that get us there? And the answer was a resounding 'No.' We were still asking the advisors to do business on our terms and not theirs."

Will this new platform raise sales among fee-based advisors? "The proof will be in the results. There are still many advisors who won't go near annuities, but this should allow them to bring annuities into the conversation." This development could also lead to "unbundled solutions where we put our protection on other pools of assets," Ferris said.

At AXA-Equitable, Steve Mabry, senior vice president, annuity product development, said LPL like his firm's product. "LPL was looking for different types of products and our Cornerstone contract is attractive to them," Mabry said.

"It's got a two-sleeve approach, with over 100 funds on the performance side and a guaranteed account that grows at a rate of 1.5% over the 10-year Treasury rate on the protection side," he said. "It allows the fee-based advisor to become more of an income engineer, and to move the assets over time from performance to protection."

As for consumers, they apparently aren't as averse to paying an annual wrap fee on their VA assets as they are to paying a front-end load (with an A-share variable annuity) or a high ongoing M&E charge (as with a B-share product), says Dywane Hall, an LPL manager in Alexandria, Va.

"A big benefit of using the variable annuity platform is the fee structure," Hall said. "It's about bringing in

the people who want the advantages of a variable annuity and don't mind paying the advisor a management fee but who have heard all about the huge fees associated with variable annuities. You're taking the hesitancy out of the equation. Overall, it's just another arrow in your quiver."

In creating a VA platform, LPL isn't ruling other types annuities out of the retirement equation. "We don't believe there's anyone answer to the retirement income puzzle," Moninger told *RIJ*. "We're just trying to solve two things: how do we improve client experience through the behavior of the advisor, and how do we make our advisors more efficient? When we solve those two, the solutions will pop out."

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