
MetLife, Fidelity partner on new VA with return-of-premium guarantee

By Editorial Staff *Thu, Nov 20, 2014*

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MetLife and Fidelity Investments have launched a new deferred variable annuity product that provides investors with growth potential through Fidelity funds and protection against loss by MetLife if held for a minimum of 10 years. The product, called the MetLife Accumulation Annuity is distributed only through Fidelity.

The product's Preservation and Growth Rider resembles what used to be called "guaranteed minimum account balance" rider, or GMAB. The guarantee is designed to give investors the confidence to wait out market downturns with the knowledge that, assuming they don't take withdrawals for ten years, they'll get at least their original investment back.

But the overall product is expensive. A contract owner would pay 2.68% per year for the fund and the insurance wrapper, according to the product prospectus. The annual mortality and expense risk charge for the product is 0.70% and the rider fee is 1.15%. The contract owners also pay 0.83% per year for the underlying Fidelity fund. If the contract owner takes advantage of a step-up to a higher guaranteed account value, the rider fees may go up.

In other words, on a \$100,000 investment in the product, the contract owner would pay more than \$25,000 over 10 years in fees for protection against the chance that a relatively low-risk portfolio will be worth less in a decade than it is today.

According to Fidelity's website, the underlying investment is the Fidelity VIP FundsManager 60% portfolio, which aims for a 42% allocation to domestic equities, and 18% allocation to international equities, 35% bonds and five percent cash.

The investor is guaranteed at least a return of the initial investment at the end of a ten-year period, with proportionate adjustment for any withdrawals. That is, if the account value starts at \$100,000 and goes down to \$80,000, a \$5,000 withdrawal would reduce the guaranteed amount not to \$95,000 but to \$93,750.

If the account is worth more than the initial investment on any contract anniversary, the contract owner can step up the floor amount to the new higher amount, but a new 10-year guarantee period will begin.

Fidelity already offers several MetLife annuity products, including the MetLife Growth and Incomedeferred variable annuity and the MetLife Guaranteed Income Builder fixed deferred income annuity.

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