
New investment-focused variable annuity from Nationwide

By Editorial Staff *Thu, Sep 17, 2015*

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Nationwide, the ninth largest seller of variable annuities in the first half of 2015, has introduced a new investment-focused flexible-premium variable annuity with a choice of 130 funds, the financial services firm announced this week.

The product is called Destination Freedom+. This type of VA is generally aimed at long-term investors who have much more appetite for tax-deferred investing than their defined contribution accounts can accommodate, and who also want the benefit of being able to trade risky assets without the friction of capital gains taxes.

(VA account gains are taxed at ordinary income rates when withdrawn, typically after age 59½ when the penalty period for early withdrawals has ended.)

Thirty-two fund families and 132 subaccount options are offered to contract owners, with none of the investment restrictions that accompany guaranteed income riders. There are also four Nationwide Guided Portfolio Solution model portfolios, including a Growth and Income model, an Enhanced Growth and Income model, a Capital Preservation model, and a Capital Appreciation model.

The fund fees range from 0.32% for the least expensive fund to 8.48% a year for the most expensive fund. The higher fund fee doesn't reflect the actual cost that investors will pay after contractual reimbursements and waivers.

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Freedom+ offers a one percent base cost, which includes an 85-basis point mortality and expense risk (M&E) charge and an administration charge of 15 basis points. Investors can choose either a five-year surrender penalty period starting at 7% or a C-class option with no surrender penalty period for an additional charge of 35 basis points. The minimum initial premium is \$10,000 and the minimal additional premium is \$500 (\$50 for automated electronic transfers).

The only insurance features are the death benefit options: a standard return-of-contract value death benefit, a return of premium enhanced death benefit (20 basis points) and a highest anniversary enhanced death benefit (30 basis points).

According to the product announcement, the product includes a spousal protection feature at no additional cost when an enhanced death benefit is elected. It provides a death benefit for both spouses, regardless of who passes away first. The surviving spouse can receive the death benefit or continue the contract at the higher of the death benefit or contract value.

Nationwide considers that an important differentiator for this product. “Our contracts are annuitant-driven, unlike most carriers’ that are owner-driven,” a Nationwide spokesman told RIJ. “For non-qualified contracts, the benefit isn’t as apparent as it is for qualified contracts like IRAs, because those have to be set up with only one owner. So, for owner-driven contracts, there is only one life that is tied to a death benefit. However, our product is annuitant-driven, so we can have a single owner, but also co-annuitants. Which means we can have two lives tied to a death benefit.”

The contract also offers an optional an enhanced surrender value for terminal illness (ESVTI). Terminally ill owner-annuitants can access to their full death benefit value before they die. Nationwide claims to be the only insurer offering that type of feature on a variable annuity.

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