New Jackson VA's living benefit has one payout option: 4% at 65

By Editorial Staff *Thu, Aug 19, 2021*

In keeping with Jackson National tradition, this variable annuity contract offers a living benefit without investment restrictions. But the single payout rate at age 65 is virtually the same as the presumed safe withdrawal rate from a risky portfolio.

Jackson National Life, the largest issuer of variable annuities (VAs) in the US, has issued a new no-commission VA contract for clients of independent registered investment advisors (IRIAs) who want tax-deferred growth potential and protection against running out of money in retirement.

The new contract, called the **Jackson Retirement Investment Annuity** (JRIA), has these features:

- A core contract charge of 0.40% ($4 per $1,000) per year, with optional add-on living and death benefits for an additional charge.
- No surrender charges.
- Annual gross subaccount fees ranging from 20 basis points to 1.81%.
- Tax-deferred growth until withdrawals begin.
- An optional lifetime income benefit rider (+ProtectS) for an additional charge of 0.30% during the deferral period and 0.75% during the withdrawal period (adjustable to a maximum of 1.50%).
- 110 investment options from many fund providers, including Vanguard, American Funds, BlackRock, Dimensional Fund Advisors and many others.
- A return of premium death benefit for an additional 20 basis points per year. Otherwise, there's a return of account value death benefit.
- No restrictions on investment choice for those who use the income rider.
- The literature doesn't appear to offer an optional joint-and-survivor living benefit.
- Minimum premium, $50,000.
- Potential step-ups in the benefit base (and in fees) on every fifth contract anniverary.

In the past, VAs with guaranteed minimum withdrawal benefit riders typically allowed contract owners to turn on income whenever they want (between ages 55 and 85, for instance). The owners know that the longer they delay income the higher their withdrawal amount will be (as a percentage of their "benefit base," which can't be below their initial account value, regardless of market volatility, and may be augmented by "deferral bonuses" that reward waiting).

In this contract, Jackson appears to offer contract owners one age for starting income (65) and one annual guaranteed withdrawal rate (4.0% per year)—which coincidentally is no greater than the withdrawal rate that advisers consider to be “safe” (i.e., not hitting zero before the retiree’s death) over a 30-year retirement. There are no bonuses to entice contract owners to delay the income start date.

By structuring the contract this way, Jackson reduces or eliminates the expense associated with uncertainty over how the clients will use their income benefit. When clients have the flexibility to turn on income at will, they could all decide to do so in a prolonged market crash, when their account values are depressed. That could create large losses for the carrier.