New Security Benefit deferred annuity offers floating interest rate and income rider

By Editorial Staff *Thu, Jan 18, 2018*

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Security Benefit Life Insurance Company has introduced a fixed deferred annuity whose floating interest crediting rate allows contract owners to benefit from a rising rate environment. The product also offers an income rider with an up-front bonus and an annual deferral bonus. The payouts can also benefit from rising rates.

The product is called RateTrack Plus Annuity (RTP). It is similar to the RateTrack Annuity that Security Benefit introduced in March 2016, but has an income rider in addition to a floating-rate crediting mechanism.

According to Security Benefit’s product literature:

When the contract is purchased, the owner receives a bonus equal to 4% of the purchase premium. The bonus is applied to the contract value and the income base on which income payments are calculated.

At purchase, Security Benefit assigns an interest rate to the contract and guarantees that rate for five years. The contract owner receives that rate plus a floating rate, the 3-month ICE LIBOR USD Rate, which has historically closely tracked the Federal Funds Rate.

The 3-Month ICE LIBOR USD Rate is set at issue for the first contract year, then every anniversary using the prior business day’s LIBOR rate. It is subject to a cap. After the fifth contract year, Security Benefit will declare an interest rate that is subject to change annually.

The combined interest rate is also used to enhance the annual “roll-up” or deferral bonus of the income benefit base. The income benefit base grows each year by to 3% plus twice the credited interest rate (Security Benefit’s rate plus the 3-Month ICE LIBOR USD rate). The Income Benefit is automatically included with the purchase of the RateTrack Plus annuity.

Each year the owner delays taking income, the income benefit base increases by the roll-up rate until the 10th contract anniversary, the income start date, or the oldest owner’s 85th birthday, whichever comes first.

The longer the contract owner delays income, the higher the annual withdrawal rate. At age 50, the withdrawal rate is 3.60% of the income benefit base per year for single men, 3.40% for single women and 2.90% for couples. In each subsequent year, until age 90, each of those rates increases by one-tenth of one percentage point.

If, after purchase, the contract owners become unable to perform at least two of the six basic activities of daily living (ADLs), they can double the regular income under the rider for up to three contract years. After that they will receive the regular amount.

The contract has a minimum purchase payment of $25,000. Withdrawals in excess of 10% of the contract value during the first 10 years of the contract are assessed a surrender penalty starting at either 12%, 10% or 9%, depending on the state of issue, and a 10% per year reduction in the 4% bonus granted at time of purchase.