
New York Life's new fixed deferred annuity has a GLWB

By Editorial Staff Thu, Mar 19, 2015

The Clear Income Fixed Annuity's lifetime withdrawal rider provides longevity risk protection income with more liquidity than a deferred income annuity, and is designed to compete well against fixed indexed annuities with GLWBs and low-yielding investments.

New York Life, which created and dominates the deferred income annuity space, has just launched a new fixed deferred annuity contract with a guaranteed lifetime withdrawal benefit product. It's aimed at people who need future income but want more liquidity than a DIA ("longevity insurance") offers.

The new product is [The New York Life Clear Income Fixed Annuity](#). It features a 5% compound annual increase in the benefit base in the first 10 years (provided no withdrawals are taken), a guaranteed 2.1% increase in the account value for the first seven years, and a 75-basis-point annual rider fee that's assessed on the account value, not the higher benefit base, which is higher.

Ross Goldstein, a New York Life managing director, said the product is the company's first GLWB product. In December 2013, Pacific Life introduced a fixed deferred annuity with a GLWB, a 6% simple annual roll-up and a 75-basis-point rider charge. The product will be distributed by New York Life's agent force and select broker-dealers.

"The DIA, and especially the life-only DIA, is still the most efficient way to get deferred income in retirement. But we've done consumer research and found that a lot of people still value control of their assets and liquidity and are willing sacrifice part of the income for it," Goldstein told *RIJ*.

"We see three major markets for [Clear Income]," he added. "Ten to 20 percent of the assets in variable annuities today is in fixed-return or cash subaccounts. We also think it compares favorably with the fixed indexed annuities with GLWBs. It's much, much simpler. Third, there's a lot of safe money in the marketplace. Trillions of dollars are earning very low rates of return. [Clear Income] can give them potentially more accumulation value and income if they decide to use it."

The withdrawal rates for a single annuitant are 4.75% from ages 59½ to 64, 5.25% from

ages 64 to 69, 5.75% for ages 70 to 79 and 6.75% for ages 80 and over. For a joint-life contract, the payout rates are 50 basis points less for each age bracket.

According to the hypothetical in New York Life's Clear Income brochure, a \$100,000 premium would, after ten years, lead to a \$162,889 benefit base and an account value of \$110,753, assuming no withdrawals. The annual payout for a single person ages 65 to 69 would be \$8,552. The annual payout for a single person ages 70 to 79 would be \$9,336.

For comparison purposes, the annual payout from New York Life DIA purchased by a 60-year-old today for income starting in 10 years would be 10,171.80, or \$847.65 per month, according to New York Life.

According to a New York Life release, "Clear Income was designed based on market research that revealed that retirement-age consumers primarily want control of their money, safety of principal, and lifetime income payments from their retirement income products." Consumers ranked growth of assets eighth. The top five most important attributes by percent of respondents:

- Control of money, 76%
- Safety of principal, 73%
- Keeps pace with inflation, 72%
- Easy access to my money, 67%
- Income payments cannot be outlived, 55%

High growth potential ranked eighth with only 36% percent indicating that this was important.