

## One-Stop Shops for Notes and Annuities

By Kerry Pechter Thu, Jun 24, 2021

*Luma Financial Technologies is now among the structured notes platforms that have chosen to add index-linked annuities to the products they support. It joins SIMON Markets and Halo in that space. In this last segment of our series on indexed products, we examine these new alliances.*



Web platforms like [SIMON](#) and [Halo](#), which have traditionally supported the sale of customized structured notes by wealth managers to sophisticated high net worth investors, have begun supporting the sale of index-linked annuities too.

The moves seem a bit counterintuitive. Regulatory differences and differences in tax treatment, as well as differences in culture and tradition, have kept structured notes, which are securities, and index-linked annuities, which are insurance, on separate playing fields.

But the new alliances make sense. Both types of products use options—puts and calls—to make protected bets on risky assets. Both increasingly use hybrid or volatility-controlled indexes. Both offer opportunities for higher yields than investors can currently get from bonds.

Their target markets also overlap. Older investors who want to lower their financial risk exposure as they near retirement are open to both types of products. “They’re often in their late 50s or 60s, or retirees. So it’s the same demographic that buys annuities,” said Anna Pinedo, an attorney who helps big banks and big annuity issuers communicate.

The result is that SIMON, Halo, and now [Luma Financial Technologies](#), the newest platform in this hybrid space, now try to make it as easy for registered reps at broker-dealers, wealth managers at wirehouses and advisers at RIA firms (registered investment advisers) to deal in annuities as they do in notes.

### Navian spins off Luma

Based in Cincinnati, but with a new office in Switzerland and strategic partnerships in Latin America, Luma is led by Tim Bonacci. Once a managing director of the private client group at Fifth Third Bank, Bonacci started [Navian Capital](#), a structured products wholesaler and distributor, in 2005. In 2011, he spun off Navian’s technology platform as an interface with

advisers. Thus was Luma Financial Technologies born.



Jay Charles

This year, Luma added index-linked annuities. “Our clients said, ‘We need the same tools to evaluate annuities [that we use to evaluate other structured products].’ So we brought in a team of annuity experts,” Jay Charles, Luma’s director of Annuity Products, told *RIJ* recently.

Besides Charles, who had built fintech solutions for annuities at Prudential, Bonacci hired Rodney Branch, a former marketing and product development executive at Prudential, Athene and Nationwide, and, most recently, Keith Burger. Burger came from AIG to be Luma’s national sales director for annuities.

According to its website, Luma “is used by broker/dealer firms, RIA offices and private banks to automate and optimize the full process cycle for offering and transacting in market-linked investments. This includes education and certification; creation and pricing of custom structures; order entry; and post-trade actions. Luma is multi-issuer, multi-wholesaler and multi-product, thus providing teams with an extensive breadth of market-linked investments to best meet clients’ specific portfolio needs.”

Brady Beals, Luma’s director of sales and product origination director and a veteran of Navian Capital, told *RIJ*, “Our client focus has been across the banks, wirehouses, broker-dealers, and RIAs who are not dually registered for annuities. The IMOs don’t compete with us, but rather work with us. Unlike some of our competitors, we are simply a technology platform and not a seller.”

Acquaintance with hybrid indexes is part of Luma’s core competency. “We understand the indexes,” Charles told *RIJ*. “We know how they work. We have a high level of comfort with them. We’ve built proprietary analytics, based on an individual client’s scenario and

advisers' projections. Advisers can compare indices and see how they might perform."



Tamiko Toland

"[Luma] provides end-to-end service, streamlining the sales process and helping financial professionals find the right product for their clients even when there are many products available," said Tamiko Toland, the director of Retirement Markets at Cannex, which provides annuity product data to advisory firms.

"They are very similar to either Simon or Halo. This type of platform can support any distributor that is looking for a single solution to get from education (much of which is required in order to sell certain products) through sales and then in-force management," she told *RIJ*.

"In [Luma's] case, our relationship with a distributor basically funnels through the Luma platform. Cannex still has a relationship with the distribution clients; our data just appears in a different interface. Luma also illustrates elements of annuities that we do not offer. Many of our existing clients receive information from Cannex and integrate it into their own interfaces."

#### **Big banks involved**

Anna Pinedo, the attorney who co-leads the Global Capital Markets practice at the law firm of [Mayer Brown](#), understands the new notes-annuities business. She helps major banks communicate with annuity issuers.



Anna Pinedo

“A lot of structured products are purchased by private bank customers, who tend to be affluent. They’re often looking for the kind of return profile that annuities provide. Advisers have caught on to this. They said, ‘If there’s interest coming from the same client base, why don’t we offer them a structured product in the form of an annuity,’” she told *RIJ*.

“Participants in the structured products market tend to be associated with large banks. They’ve been a little more innovative and motivated to come up with new products and structures than some of the insurance companies have. This time, the life insurers may be pushed by the advisers.”

On its website, Luma lists three of those large banks—Morgan Stanley, UBS, and Bank of America—as direct investors in Luma. These banks manufacture the custom indexes that go into structured products and annuities. They also distribute structured products and annuities through their large wealth management platforms.

“The banks can get a nice stream of consistent revenue by licensing their indexes for use by annuity providers,” Pinedo told *RIJ*. “The indexes give annuity providers something new to offer. They may not have been proactive in this area. The big banks also have big private wealth platforms. They’ve heard first-hand from their advisers that there’s interest in annuities.”

Luma’s notes/annuities business model is distinct from that of annuity platforms like [DPL Financial Partners](#) or [RetireOne](#), which specialize in helping RIAs buy insurance products and were not built for structured notes. (There is cross-fertilization, however; Halo partners with RetireOne to offer notes.) DPL and RetireOne are, in turn, distinct from older, pure insurance sales platforms like Hersh Stern’s [immediateannuities.com](#) and [annuityfyi.com](#).

“We are differentiated in our focus on independent RIAs as well as in the distribution functionality we bring,” David Lau, CEO of DPL Financial Partners, told *RIJ*. “I describe us as a technology-enabled distribution company rather than a pure software company.

“We also provide annuities of all types—variable, fixed index, Multi-year guaranteed rate annuities, single-premium immediate and deferred income annuities—in addition to other insurance products like disability, life and long-term care.”

RetireOne brings a slightly different focus to a similar market. “We’re not direct competitors [with Luma],” said Mark Forman, RetireOne’s senior managing director, marketing and public relations. “One of the most difficult things for folks to understand about annuities is that how they are distributed and sold impacts the kinds of annuities that are made available to specific advisor audiences.

“To transact annuities via a SIMON or Luma, an RIA without an insurance license would still need to work with an insurance agency like ours to transact business, act as agent of record, provide required suitability to Best Interest standards, and nominate the RIA as a third-party advisor on the contract,” he told *RIJ*.

RetireOne is part of ARIA Retirement Solutions, which for years has worked with life insurers to create stand-alone living benefits (SALBs) that add lifetime income features to managed accounts without the purchase of a variable annuity.

### **Going global**

The structured products business in the US, after a fast run-up in the early 2000s, has plateaued in recent years. Luma sees opportunities overseas, where structured products have traditionally been sold more widely than in the US. Luma recently opened a new office in Zurich, Switzerland. It has also announced partnerships with advisory firms in Latin America.

In September 2020, Luma announced that it will partner with [StoneX Financial](#), a global provider of execution, risk management and advisory services, market intelligence, and clearing services. It is a unit of StoneX Group (NASDAQ: SNEX), a New York-based company that serves more than 30,000 commercial and institutional clients, and more than 125,000 retail clients, from more than 40 offices across five continents.

In February 2021, Luma said that Credicorp Capital, a financial firm with a strong presence in the US, Peru, Chile, and Colombia, had chosen the Luma platform to add structured

products through its Asset Management business.

On the technology side, Luma uses [Insurance Technologies](#)' FireLight platform's embedded API capabilities to create a seamless annuity order entry system.

"In the past, advisers relied on a disparate collection of education materials from annuity wholesalers or the home office. They didn't have a view of the entire range of products," Charles told RIJ. "We built a seamless process from the disjointed or broken processes that advisers previously had to use."

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