
On New Lincoln VA, the Income Benefit Is Mandatory

By Editorial Staff Thu, Dec 8, 2016

Available in 2017, the new product is called Lincoln Core Income. Its three underlying investments are all BlackRock iShares. The income benefit comes as part of the product, not as an option. (A link to the prospectus is provided.)



Lincoln Financial Group and BlackRock have collaborated on a new low-cost variable annuity contract for clients of fee-based advisors who want immediate, inflation-adjusted income for life.

It's called [Lincoln Core Income](#), and the three underlying investments are all iShares, chosen from BlackRock's lineup of exchange-traded funds. The income benefit comes as part of the product, not as an option. The product will be available in the first quarter of 2017, according to a Lincoln Financial Group release this week.

The iShare options, which each cost 28 to 31 basis points per year, are Fixed Income Allocation, Global Moderate Allocation and U.S. Moderate Allocation. The annual mortality and expense risk fee is 55 basis points. The minimum initial premium is \$25,000.

The fee for the Core Income living benefit is 85 basis points (with a maximum of 1.50%) for either single or joint life contracts. There are two death benefit options for Core Income, a return of principal guarantee for 75 basis points and a return of account value guarantee for 55 basis points.

No contingent deferred sales charges or surrender periods are associated with the product, making it suitable for advisors who charge their customers a percentage of assets under management.

The initial Core Income payment is set at the time of contract issue, according to the prospectus. It will depend on market conditions at the time of purchase. (The prospectus did not appear to say if the age of the contract owner or annuitant is a factor in the computation of the initial payment. A Lincoln spokesperson said the company could not provide more information at this time.)

In the prospectus, Lincoln gives an example of a client, age 65 to 80 with a premium of

\$100,000, who receives a payment of \$4,000 per year with a 2% annual inflation increase.

Although people from age 51 to age 80 can purchase the product, income is not available until age 60. If taken between ages 60 and 64, the annual Core Income payment is reduced by 25%. The annual income is also reduced by 25% after the death of the first spouse in a joint life contract.

“A shift by advisors towards fee-based models is a growing trend,” said Salim Ramji, Head of BlackRock’s U.S. Wealth Advisory business. “Lincoln and BlackRock are collaborating to meet the need of advisors looking for simpler ways to help clients meet their retirement income goals with more low-cost, quality options using ETFs.”

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