
Prudential Launches HD Lifetime Income 2.0

By Editor Test Wed, Aug 22, 2012

Highest Daily Lifetime Income 2.0, which includes an enhanced death benefit, replaces Highest Daily Lifetime Income and Spousal Highest Daily Lifetime Income benefits.

Prudential Annuities, the U.S. annuity arm of Prudential Financial, Inc., has launched the latest iteration of its Highest Daily Lifetime Income rider. The new version, Highest Daily Lifetime Income 2.0, includes the introduction of a Highest Daily death benefit, according to a Prudential release.

Highest Daily Lifetime Income 2.0 retains the five percent annual compounded growth rate of the Highest Daily Lifetime Income product suite, while adding the new death benefit. Fees, age eligibility, payout bands and an investment fund choice have been adjusted for the new offering.

The August 20, 2012 “2.0” [contract](#) appears to supercede the [prospectus](#) filed on April 30, 2012, which described the Highest Daily Lifetime Income and Spousal Highest Daily Lifetime Income benefits. The prices are slightly higher on the new version of the popular rider and the age bands have shifted. The minimum age for 5% payouts, for instance, has moved up to 65 from 59 1/2.

Prudential’s optional Highest Daily income rider allows investors to reset the value of their lifetime income benefit base to the high water mark of their account value regardless of what day the high water mark occurs on. The account value itself fluctuates, however, and does not necessarily post a new high water mark every day on which the overall market shows a gain. The account’s asset allocation is subject to change by Prudential’s automatic risk management mechanism, depending on market conditions.

Many competing living benefit riders allow resets only if the high water mark occurs on a quarterly or annual contract anniversary. As noted above, the HD 2.0 benefits retains the previously-available 5% annual compounded “rollup” until an investor begins lifetime withdrawals, and a minimum 200% rollup of the income base (if withdrawals are deferred for 12 years).

Specific details of the contract are outlined below:

- Fees: 1.0 percent single life (up from 95 basis points), 1.10 percent for spousal (up from 95 basis points) and 1.50 percent for single with Lifetime Income Accelerator (LIA) (up from 130 basis points).
- Minimum issue age: Age 50 for the full suite of living benefits (compared with no minimum issue age in the April 30, 2012 prospectus).
- Age-banded payouts: New age banded payouts include:
 - Ages 50-54: 3% (changed from 45-54)
 - Ages 55-64: 4% (changed from 55-59 1/2)
 - Ages 65-84: 5% (changed from 59 1/2 to 84)

- Age 85+: 6% (unchanged)

(Spousal versions are 50 basis points lower for all age bands.)

- Investment platform: Within the lineup of asset allocation portfolios, the AST Horizon Growth Asset Allocation portfolio will become the AST J.P. Morgan Global Thematic Portfolio.
- Enhanced death benefit: Highest Daily Lifetime Income 2.0 and Spousal Highest Daily Lifetime Income 2.0 introduce a new optional integrated death benefit that locks in account highs daily. This benefit replaces the Combination five percent roll-up and highest anniversary value death benefits. The combined fee for the enhanced death benefit and income guarantee is 1.50% for single and 1.60% for spousal.

Launched in 2006, the Highest Daily suite of living benefits offers other features, including:

- Real-time “stacking,” i.e., the ability to apply the guaranteed growth rate on top of the Highest Daily step-up on a real-time basis.
- Nineteen actively managed asset allocation portfolios.
- Post-withdrawal step-ups: After lifetime withdrawals begin, Highest Daily Lifetime Income 2.0 and Spousal Highest Daily Lifetime Income 2.0 provide annual opportunities for increased income based on the account’s highest daily value.

Overall election rates for Prudential Annuities’ variable annuity optional living benefits grew to 92% during the second quarter of 2012, the company said.