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## Transamerica Launches "Bridge" GLWB

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By Editor Test    Tue, Aug 17, 2010

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*The new Income Link rider pays out between 5% and 10% of the income base for a few years, then 4% for life. "It's designed for higher income in the near-term," says Dave Paulsen, Transamerica's national sales manager.*

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Until now, no annuity issuer has targeted an important part of the retirement income market: retirees who need "bridge" income to pay their bills until they start receiving income from a pension or from Social Security.

This week, Transamerica appears to have addressed that market with the introduction of a living benefit rider called [Income Link](#). During the payout stage, this rider delivers an income of between 5% and 10% a year for two or more years, before settling down to a steady 4% annual payout for life.

The rider, which might also suit people who expect to travel a lot during the first few years of retirement, seems to work the same way most other guaranteed lifetime withdrawal benefits do, except that the payout is front-heavy. Contract owners must be at least 55 years old, but no older than 81, to elect the rider.

"Most people are dealing with pots of money in retirement, where they exhaust one and turn the next one on. This product operates not only as the first pot, but also as a permanent long-term pot," said Dave Paulsen, national sales manager, Transamerica. "This concept has been in the works for 16 to 18 months. We talked to all our main distributors and key partners, and they agreed that this market is underserved."

Clients who choose Income Link cannot allocate more than 35% of their contract assets to equities, Paulsen said. But even that conservative stance gives clients far more upside than they would get if they decided to take systematic withdrawals from a short-term bond fund during the early retirement years—the strategy that Income Link is designed to replace.

The investment options are limited to sub-accounts based on Transamerica's Asset Allocation/Conservative, Transamerica PIMCO Total Return, Transamerica Money Market, Transamerica U.S. Government Securities, Transamerica Foxhall Global Conservative and Transamerica Index 35, as well as an American Funds bond fund and a fixed account.

The rider fee is 90 basis points of the benefit base, with a maximum of 165 basis points. As is typical of this type of benefit, Transamerica has the flexibility to raise the fee whenever the client raises the benefit base by "stepping up" to the account value. On each contract anniversary, Income Link allows the contract owner to step up the benefit base to the highest value on any of the 12 preceding "Monthiversaries" of the date of purchase. Since the product is designed to provide near-term income, the rider does not include the "roll-up" that many firms use to discourage near-term withdrawals.

Transamerica's VA fees range from 60 to 190 basis points, plus subaccount fees. Surrender charges range from zero to 9%, depending on share class, and a "fund facilitation fee" of up to 30 basis points may apply for certain subaccounts. There's a \$30 to \$35 annual administration fee.

Income Link offers these payout rate options (Each percentage is reduced 0.50% for joint life contracts):

- 10% for two years, then 4% for life
- 9% for three years, then 4% for life
- 8% for four years, then 4% for life
- 7% for five years, then 4% for life
- 6% for six years, then 4% for life
- 5% for seven years, then 4% for life

Each percentage is 0.50% lower for joint life contracts.

After purchasing a Transamerica variable annuity, the owner can start Income Link and elect a payout option and an income start date. The elections can be altered if no income payments have been received yet. Once payments start, they have to be taken as systematic withdrawals, according to a monthly, quarterly, semi-annual or annual schedule.

Transamerica sells about 60% of its variable annuity sales through the independent advisor channel. The company was the 11th largest seller of VAs in the U.S. in the first quarter of 2010, up from 14th a year earlier, with sales of \$794 million and a market share of 2.54%. "We've had double-digit growth year-over-year since 2006," Paulsen said, noting that, "We don't expect Income Link to cannibalize our current living benefit offerings. We expect it to be additive."

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