
Transamerica Launches New VA Income Rider

By Editor Test *Wed, Feb 23, 2011*

Under certain conditions, the rider can offer a step-up and a roll-up during the first 10 years, providing "growth on growth" potential.

A new optional variable annuity living benefit rider from Transamerica, called Retirement Income Max, offers annual withdrawal percentages of 6.5% at age 75, 5.5% from ages 65 to 74, and 4.5% from ages 59 to 64 for the single life option. The joint life option is 40 basis points less for each age band. The annual rider fee is one percent.

In up markets, in years when no withdrawals are taken, the contract locks in the highest "Monthiversary" value and automatically increases the withdrawal base (the value used to calculate the rider withdrawal amount) to equal the new high water mark.

In down markets, in years when no withdrawal is taken, it provides 5% annual compounding growth to the withdrawal base for up to 10 years. If the withdrawal base was stepped up in the previous year, the 5% growth will be based on that amount, providing "growth on growth" potential.

The mortality and expense risk fee ranges from 60 to 190 basis points, depending on the class of contract. The 100-basis point rider fee can rise if the client opts for step-ups in the income base, but can go no higher than 175-basis points over the life of the contract. The largest surrender charge is 9%.

The investment options include:

- American Funds Bond Fund - Class 2 Shares (64 basis points)
- Transamerica AllianceBernstein Dynamic Allocation Variable Portfolio (VP) (107 bps)
- Transamerica Asset Allocation - Conservative VP (*Portfolio by Morningstar*) (117bps)
- Transamerica Asset Allocation - Moderate VP (*Portfolio by Morningstar*) (120 bps)
- Transamerica Foxhall Global Conservative VP (156 bps)
- Transamerica Money Market VP (66 bps)
- Transamerica Index 35VP (*Vanguard ETFs*) (79 bps)
- Transamerica Index 50VP (*Vanguard ETFs*) (76 bps)
- Transamerica PIMCO Total Return VP (95 bps)
- Transamerica U.S. Government Securities VP (86 bps)
- Guaranteed Fixed Account

The AllianceBernstein Dynamic Allocation fund, interestingly, makes short-term adjustments to the fund's asset mix of individual securities, underlying exchange traded funds, forwards, swaps and futures to achieve targeted exposure to domestic equities, international equities, domestic bonds, international bonds and foreign currency. This approach seeks to generate improved returns per unit of volatility, as compared to those from fixed weight or rules-based models.

“We pay very close attention to the kinds of solutions financial professionals are seeking to effectively plan for their clients’ retirement,” “With the Retirement Income Max rider and a Transamerica variable annuity, we believe we have helped to address the client’s most common and pressing desires - to have a reliable lifetime income stream that is protected from market downturns, and to also have the ability to maximize this income,” said Dave Paulsen, chief sales officer of Transamerica Capital, Inc.

In years a withdrawal in excess of the rider withdrawal amount is taken, the Monthiversary component of the automatic step-up feature will not apply. An excess withdrawal will cause the withdrawal base, and thus rider withdrawal amount, to decrease. If an excess withdrawal causes the withdrawal base to fall to zero, the annuity policy and rider will terminate.

Like most guarantee lifetime withdrawal riders, this rider has certain limitations. Rollups and step-ups don’t apply in years when withdrawals are taken. Contract owners must allocate 100% of the policy value into one or more of the designated investment options. The 5% growth rate applies only to the Withdrawal Base; it does not apply to policy value, optional death benefits, or other optional benefits.

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