

Vanguard adds GLWB to its private-label variable annuity

By Editor Test Thu, Oct 20, 2011

The rider is issued is by Monumental Life Insurance Company, and costs 95 basis points a year in addition to the cost of the no-load VA, which ranges from 36 to 81 basis points, depending on the investment options chosen.

Vanguard, which partners with outside insurance companies on its annuity products and sells direct to the public, has finally added an optional guaranteed lifetime withdrawal benefit (GLWB) rider to its variable annuity.

The [rider](#) is issued is by Monumental Life Insurance Company, and costs 95 basis points a year in addition to the cost of the no-load VA, which ranges from 36 to 81 basis points, depending on which of the 17 investment options chosen.

There's an annual ratchet that raises the guaranteed income base up to the current account value, if higher. The age bands and withdrawal percentages for single life/joint life are 4.5%/4% from age 59 to 64, 5%/4.5% from age 65 to 69, 5.5%/5% from age 70 to 79, and 6.5%/6% from age 80 onward.

"Contract owners can begin GLWB withdrawals anytime after age 59, and the withdrawal percentage is based on age at the time of the first withdrawal and whether the single or joint life option is elected. During rising markets, available annual withdrawals may also increase," the release said.

As for investment restrictions, the rider will be available on only three of 17 portfolios within the variable annuity:

- An existing balanced portfolio, invested 60%-70% in stocks and 30%-40% in bonds.
- A new moderate allocation portfolio, which invests 60% of its assets in stocks and 40% in bonds, and employs an index approach.
- A new conservative allocation portfolio, which follows an index approach and invests 40% of its assets in stocks and 60% in bonds.

In explaining the move, Stephen Utkus, principal and director of the Vanguard Center for Retirement Research, noted that the GLWB gives Vanguard VA holders a second income-producing option—one that they're more likely to use than the conversion to a single-premium immediate annuity that the existing contract already offered.

"Although [Vanguard] variable annuity contract owners have always had the option to annuitize, less than 1% of variable annuity assets were converted to traditional annuity payouts in 2010, in part because it requires relinquishing access to the accumulated cash value of the annuity," Utkus said in a statement.

"The perceived downside to traditional annuitization is that it doesn't meet a retiree's competing desires. Retirees want to ensure they have a regular income to meet spending needs in retirement; yet at the same time, they want to retain access to their assets in case of large health expenses or to leave a bequest to

heirs or charity,” said Mr. Utkus.

In addition to the GLWB, Vanguard offers pre-retirees or retirees investors several products and services, including:

- Managed payout funds.
- Retirement income plans developed by a Certified Financial Planner.
- Vanguard Annuity Access, powered by Hueiler Companies’ Income Solutions platform, a web-based annuity service that enables individuals to compare income annuities from leading insurance companies.
- Vanguard Target Retirement Funds, accumulation vehicles offering diversified, balanced portfolios that generally become more conservative toward retirement.
- Vanguard LifeStrategy Funds, which come in a variety of static asset allocations at different risk levels.

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