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## Vanguard and Hueler Partner to Provide Low-Cost Income Annuities

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By Editor Test     *Wed, Sep 8, 2010*

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Vanguard and the Hueler Companies, two companies identified with low-cost retirement savings and income solutions, have teamed up to offer a web-based service that lets individual investors seek competitive quotes on income annuities from several major insurers for purchase in their rollover IRAs.

The deal links Vanguard, a leading provider of jumbo 401(k) plans and a major destination for rollover money from other providers' platforms, with Hueler, a relatively small Minneapolis firm whose CEO, Kelli Hueler, has virtually crusaded for making income annuities available to retirees at "institutional" prices five percent or more less than retail.

Currently, on Hueler's Income Solutions web-based platform, near-retirees in participating 401(k) plans can ask for competitive bids from participating companies, including Hartford Life, ING Life, Integrity Life, John Hancock Life, MetLife, Mutual of Omaha, Pacific Life, Principal Life, Prudential Insurance, and Western National Life.

The timing of the announcement is significant. It comes a week ahead of Department of Labor hearings on in-plan income options. The hearings themselves mark the new phase of competition for rollover dollars that is heating up among asset management firms and insurance companies.

Both Kelli Hueler, CEO of the Hueler Companies, and Steve Utkus of Vanguard Retirement Research Center, are scheduled to testify at the September 14-15 hearings.

Today, the two companies issued the following release:

[Vanguard Annuity Access](#)<sup>™</sup>, coupled with [Hueler Companies' Income Solutions](#)<sup>®</sup> platform, is designed for individuals seeking a guaranteed stream of income in retirement to augment their investment holdings, workplace retirement plan, and Social Security benefits," the companies said in a release.

"The service can be particularly attractive to retirement plan participants rolling their assets over to a Vanguard IRA (individual retirement account) as they retire. Prospective purchasers can obtain customized quotes on a real-time basis and evaluate competitively priced, directly comparable contracts from multiple companies.

Hueler Companies has been a leading provider of web-based annuity purchase systems since 2004. The firm now provides participants in more than 1,000 defined contribution plans access to income annuities as a tax-deferred rollover option for their retirement assets.

"Traditionally, annuities have been viewed as complex products that were sold and not bought. Vanguard

Annuity Access brings the tools and transparency to the annuity-buying process, enabling self-directed individuals interested in a ‘paycheck for life’ option to make an informed decision,” said Tim Buckley, managing director of Vanguard’s Retail Investor Group.

Mr. Buckley added that the new annuity service complements Vanguard’s market-based options for retirees, which include systematic withdrawals from a diversified portfolio of low-cost Vanguard mutual funds, Vanguard Managed Payout Funds, and retirement income plans developed by a Certified Financial Planner™ (CFP) professional.

“The new Vanguard Annuity Access service is a powerful collaboration that brings together Hueler’s proven low-cost annuity platform with Vanguard’s trusted name,” said Kelli Hueler, CEO of Hueler Companies. “Now prospective annuity purchasers—both retirement-ready plan participants completing a rollover and transitioning individual investors—will benefit from an easy-to-use online resource supported by Vanguard’s licensed, non-commissioned annuity specialists.”

### **Income Annuities for DC Plan Participants Entering Retirement**

Defined contribution plan sponsors are paying increased attention to retirement income strategies, with the goal of providing their participants with the education and tools they need to translate their lump-sum benefits into sustainable income. Since many sponsors are concerned that “in-plan” options such as income annuities will lead to added fiduciary responsibility and increased plan complexity, Vanguard Annuity Access will be offered to participants as an IRA rollover option.

“More than 80% of retiring participants in Vanguard-administered DC plans leave their employer’s plan within three years, typically for an IRA rollover account. As a result, our plan-sponsor clients are interested in an “outside-the-plan” guaranteed income program,” said Barbara Fallon-Walsh, head of Vanguard Institutional Retirement Plan Services. “Many plan sponsors offer the Vanguard Financial Plan service for their participants aged 55 and older, which provides them with free access to a CFP who can help them with retirement income planning. Vanguard Annuity Access represents an additional service they can offer participants entering retirement.”

Vanguard provides recordkeeping and investment services to 3.5 million participants and 1,700 plan sponsors in more than 2,500 defined contribution plans.

### **Plain Talk about the Risks of Income Annuities**

John Ameriks, head of Vanguard Investment Counseling & Research co-author of Vanguard retirement income research (including [Generating Guaranteed Income: Understanding Income Annuities](#)) encourages retirees to weigh the pros of guaranteed income versus the cons, which include loss of investment liquidity, the potential reduction in bequeathable wealth, and the risk of default of the underlying insurer.

Costs are another important consideration. The investment management, distribution, administrative and other costs associated with fixed annuity products are reflected in annuity quotes. As a result, the “apples-to-apples” comparability of quotes at the time they are obtained is critical in evaluating whether contracts are competitive among their peers.

Vanguard Annuity Access is designed to provide competitive payments to investors, resulting from the meaningful competition among insurance companies on the Income Solutions platform and from the institutional, or group-rate, pricing of the annuities offered. The quotes should also be competitive because of the low transaction fee of 2% of the annuity purchase amount.

“For retirees who place a high value on having an additional lifetime income guarantee beyond Social Security and a pension—and are willing to accept the costs and risks of annuitization—low-cost income annuities can be an important part of a broader investment plan,” said Mr. Ameriks.

**Fixed Deferred Annuities Also Available**

The Vanguard Annuity Access service will also offer access to fixed deferred annuities with fixed interest durations ranging from three to seven years. These savings vehicles are designed for tax-sensitive investors wishing to supplement other forms of retirement savings, such as 401(k) plans and IRAs. A fixed deferred annuity lets clients earn a fixed interest rate on their savings for a set number of years. Both the interest rate and principal are guaranteed by the insurance company that issues the annuity.

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