
Who's Doing What with QLACs Now

By Kerry Pechter *Thu, Apr 30, 2015*

The 'Tax-Free Ninja' is Eric Estrada, a marketer at a Houston-based insurance wholesaler. He's one of the young, social-media savvy entrepreneurs who are enthusiastic about the potential for selling Qualifying Longevity Annuity Contracts (QLACs).

Which of the following hashtags is trending on Twitter:

#awristwatchwhosetimehascome?

#weneverpromisedhillaryarosegarden?

#qualifyinglongevityannuitycontracts?

If you guessed the third one, you're probably in the insurance business. By all accounts, few people outside the annuity industry have heard of QLACs. Fewer know what QLACs let retirees do: defer taxable distributions from up to \$125,000 in qualified money until as late as age 85.

But a subset of the annuity world is fairly jazzed about QLACs, and for good reason: They could open up billions of rollover IRA dollars to sellers of deferred income annuities.

To date, seven life insurers have issued QLACs, with more to come. Home offices and IMOs (insurance marketing organizations) have begun acquainting agents and producers with this strange new acronym and the product behind it.

In this article, and in an article next week, we'll tell you about:

- Life insurers that issue QLACs.
- Independent websites that promote them.
- Strategies for selling them. (*Coming next week in RIJ.*)

Clearly, this product (which has also been cleared for use in 401(k)-type plans) is in its earliest stages. But many people feel that curiosity about the tax benefits of QLACs will open the door to broader conversations about other guaranteed lifetime income products with people who may not have known about any of them before. And the potential market—some \$25 trillion in qualified savings—is irresistible.

Life insurers that issue QLACs

In July 2014, the Treasury Department announced specific guidelines for QLAC designs—e.g., no premium greater than 25% of qualified savings (up to \$125,000) and a mandatory return of premium death benefit in the deferral period. So QLACs don't vary much from issuer to issuer. Some contracts offer more income start-date flexibility than others. Prices will obviously fluctuate with interest rates and carrier appetite.

AIG. AIG's American General unit issued its American Pathway QLAC last December. Contract owners who choose a cash refund option can accelerate or delay their income start date by up to five years, and have several inflation-adjustment options.

Americo Financial Life and Annuity. This final-expenses specialist filed an application for approval to issue its DIA as a QLAC last September. "We have had a DIA for many years, and quickly made the adjustments to meet QLAC requirements," said Todd Adrian, Americo's senior marketing manager, product development. "Our DIA is pretty straight forward with no special features or flexibility beyond Treasury requirements."

First Investors Life. Carol Springsteen, president of this unit of The Independent Order of Foresters, told *RIJ* recently, "We will be endorsing our current deferred income annuity contract to facilitate a QLAC version. We plan to endorse our new Flexible Pay Longevity Annuity product to be a QLAC as well."

Lincoln Financial. "We launched our DIA in November 2013, and added the QLAC status in February 2015," said Dan Herr, vice president, annuity product management. "We released it on a limited basis, in certain firms—mainly in the MGA (managing general agent) channel—where it was an easy rollout. The national rollout will be in mid-May. Our contract can be offered with or without the return of premium after the income start date."

Pacific Life. The company with the humpback whale logo introduced its QLAC on April 6. Christine Tucker, vice president of marketing in Pacific Life's Retirement Solutions Group, said in a release that the company is offering the resources of its Retirement Strategies Group and Advanced Marketing Group to help "financial professionals examine the application of QLACs in a variety of financial strategies."

Principal Financial. The Principal announced its QLAC on February 3. The Principal's DIA and its QLAC include a return-of-premium death benefit if the contract owner(s) die during the deferral period. A return of unpaid premium rider for the income period is optional.

Thrivent Financial. "We were able to launch on January 16," vice president Wendy McCullough told *RIJ*. "It was a little bit onerous because we had to build processes for

remediating excess contributions, among other things, in ways that the IRS would accept. Now we're rolling it out to our captive force. We've noticed that the newer retirees have more qualified than non-qualified assets, and up until now they couldn't get longevity protection at later age. With QLAC, they have that option."

Issuers in the wings. The biggest DIA issuers haven't announced QLACs yet. New York Life, which has a 42% share of the DIA market, and Northwestern Mutual, have each filed for state approval of their QLAC and expect to launch products this summer. A MassMutual spokesman said, "We continue to actively evaluate" as an option for IRA owners and retirement plan participants." A Guardian Life spokesperson said "Guardian is planning to launch its first QLAC later this year." MetLife "has yet to enter the market but we hope to soon," a company spokesman told RIJ recently.

Websites that promote QLACs

So much for the manufacturers; what about the distributors? QLACs are insurance products, so captive (for the big mutual company QLACs) and independent agent channels will account for most sales. A number of insurance and annuity websites have begun offering calculators, educational material, FAQs, and quotes about QLACs, along with connections to live licensed agents via toll-free numbers.

Go2income.com Jerry Golden, who created the world's first guaranteed minimum income benefit rider while at Equitable Life in the late 1990s and sold a retirement income planning tool to MassMutual in the mid-2000s, has since launched a venture called Golden Retirement LLC. A beta version of its proprietary QLAC payout quote tool can be seen at go2income.com. "The QLAC is going to open up a lot of people's eyes to the benefits of income annuities in general," Golden told *RIJ* this week.

Immediateannuities.com. Through this site, insurance executive-turned-web-entrepreneur Hersh Stern and his licensed agents has been providing quotes and selling SPIAs directly to the public for many years. A couple of years ago, he added indexed annuities. He is now offering QLACs as well. There's a QLAC education page on the website, a payout calculator, a QLAC FAQ page, and a video of Christina Benz, Morningstar's director of personal finance, about QLACs.

IncomeSolutions.com. This website, created by the Hueler Companies, is an open-architecture platform where participants in certain retirement plans (Vanguard plans, for instance) and others can get competitive bids on immediate and deferred income annuities

when they change jobs or retire. In April, Income Solutions started offering QLACs from The Principal and AIG, two publicly held insurers that use third-party distribution.

[Myabaris.com](#). Matt Carey, a licensed insurance agent and MBA candidate at the Wharton School, who once worked on retirement issues at the Treasury Department, has started a business that specializes in the sale of DIAs and, starting in June, QLACs. “The QLACs we can sell right now are from AIG, Lincoln Financial, Pacific Life, and Principal,” Carey told *RIJ*. He and a partner are acting as agents for individuals and for advisers who otherwise don't handle insurance sales. They hope to make buyer-behavior data available to the carriers they represent.

[Safemoneysmart.com](#). Coeur d'Alene, Idaho insurance wholesaler Sean Ruggiero created this website for his business, but plans to convert it to a non-profit educational site to help insurance producers learn more about retirement income, including QLACs. “QLACs are a big deal. They will have a big impact on clients and advisers—but not immediately,” Ruggiero told *RIJ*.

[Stantheannuityman.com](#). The sponsor of this site, Stan Haithcock, is well known in the insurance world as a speaker, a producer and a promoter of annuities as income products rather than accumulation products. He has also written an instant book about QLACs, which he makes available on his site.

[Synergyannuity.com](#). “We love the QLAC. RMD planning is hugely overlooked,” said Eric Estrada, the product and marketing guru at this Houston-based IMO. “Right now, everyone is on the Social Security planning bandwagon. But clients have no idea about what to do with money on the sidelines in qualified accounts.”

[Qlacs.com](#). Someone had to claim the “qlacs” domain. The owner is Alternative Brokerage, an IMO whose founder is Bob Phillips, a former chair of the National Association of Fixed Annuities.

Fidelity.com. The retirement giant, which has an online platform where consumers can compare and purchase deferred income annuities from Guardian, MassMutual, MetLife, New York Life and The Principal, will soon offer QLACs. (Only one of its DIA issuers—The Principal—has announced a QLAC yet.) “We don't have them right now, but we anticipate offering them in the second half of the year,” a Fidelity phone rep told *RIJ* this week.

Next week: How to Market QLACs.

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