
Without Golden, Will MassMutual's RMA Lose Its Glow?

By Editor Test Sun, Jun 7, 2009

Jerry Golden has retired from Mass Mutual, leaving uncertainty over the future of the Retirement Management Account.

MassMutual says the RMA, a tool for building income annuity ladders, "remains available."

Jerome S. Golden, who developed the first variable annuity living benefit while at Equitable Life in 1996, has retired from his post at Mass Mutual, leaving some uncertainty over the future of the Retirement Management Account, a proprietary system for creating ladders of income annuities inside rollover IRAs.

MassMutual said Golden's departure does not mean that the company plans to abandon the RMA concept, which Golden had developed as an independent consultant before joining the insurer in 2005.

"The RMA remains available," said Mark Cybulski, a MassMutual spokesman. "We're reviewing our entire retirement income business, and until the review is complete it's premature to comment. We continue to see opportunity in the retirement income market," he told RIJ.

As for Golden's next move, "My immediate plans are to do some consulting, but I expect to find some interesting business opportunities in this dynamically changing environment," he told *Investment News* last week.

In 1996, Golden created the guaranteed lifetime income benefit, the first variable annuity living benefit. It allowed the owner of a rollover IRA to stay invested in the stock market while getting protection from market risk, sequence-of-returns risk, and longevity risk. At the time, Golden was president of the Income Management Group at Equitable Life.

Starting at least seven years after purchase, any owner of that product between ages 60 and 83 could apply the purchase premium, grown at a guaranteed six percent annual rate during the intervening years, to the purchase of a life annuity with a 10-year period certain, based on rates guaranteed at the time of purchase.

Through the product's "Assured Payment Option," the investor also had access to cash value after the lifetime income was purchased. Equitable, now AXA-Equitable, has since become a leading issuer of variable annuity contracts.

After leaving The Equitable and starting his own company, Golden Retirement Resources, Inc., Golden remained an advocate of income annuities. He created the RMA, and in 2005 MassMutual acquired his company and the RMA technology and brought Golden on as president of its Income Management Strategies Division.

With the RMA, advisors invest a client's rollover IRA assets in MassMutual's Oppenheimer mutual funds. Then they gradually use chunks of those assets to buy a series of single-premium immediate annuities, or SPIAs. The program is designed to be largely invisible to the client, who receives a single monthly

distribution check and one account statement.

This form of annuity laddering moves clients into annuities at a pace or on a schedule that matches their need for income. By purchasing annuities incrementally, the program reduces investment risk and eliminates the need for a large lump-sum annuitization. The annuities offer optional cost-of-living adjustments.

"It's not a product, but a program," said Golden in a 2006 interview. "Combining equities and annuities is the best way for people to secure lifetime income, and it appears that gradual laddering of the annuities is the way to go. The RMA can give clients more security than simply investing their savings and drawing on them year after year for income. And it provides more flexibility than simply buying a lifetime annuity with a lump sum, which can limit a client's options if unexpected needs or emergencies arrive."

The RMAs "sweet spot is people ages 55 to 75 who have already rolled out of a 401(k) or 403(b) plan and have an IRA," he said. The product was initially available only through investment advisor representatives of MML Investors Services, Inc., a MassMutual affiliate, but was expected to be more widely offered later.

The client and advisor decide when the client will begin receiving income from the IRA, and how much he or she will receive each year. Based on that determination, they decide how to divide the assets between mutual funds and annuities. The annuities can be purchased at an optimal time, such as when interest rates are favorable.

"We offer a universe of funding strategies, ranging from keeping all of the money in mutual funds, to putting it all into an annuity upfront, to gradually shifting from the mutual funds to the annuity," Golden said. "The beauty of this is that in the IRA account, it's all tax-deferred." The advisor earns a commission on the sale of each SPIA, as well as an asset-based fee for ongoing services to clients.

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