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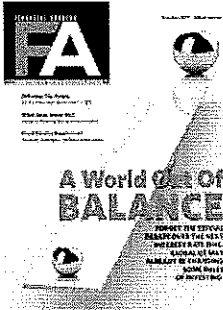
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Quarterly Sales Jump For Variable Annuities

NOVEMBER 2, 2015 • BEN MATTLIN

Recently, in a reversal of previous trends, the Insured Retirement Institute (IRI), an annuities data tracker, found that quarterly sales of variable annuities jumped nearly 12 percent from the preceding quarter, outstripping fixed annuities by 2 percentage points.

"It makes sense," says Andy Barnett of Sarasota, Fla.-based Global Financial Private Capital. "The positive trend in VAs will continue as long as the market keeps going up."

But low interest rates may contribute, too. "Baby boomers are looking to enhance returns," observes Tom Arculik of Cantella & Co., in Boca Raton. "Wouldn't be surprised if rates started to move up that the fixed may become more in demand."

Gary Rajah at Rajah Asset Management in Coral, Mich., might concur. "Investors seeking guaranteed retirement income may consider the potential for higher income offered through market participation and deferral credits more attractive in a low-rate environment," he says.

Volatility can also attract retirement-minded clients to the relative safety of VAs. For "baby boomers who are entering their retirement years, [VAs] can deliver upside with a guarantee unlike any other product," notes Joe Heider at Cirrus Wealth Management in Cleveland, Ohio.

The protections that VAs offer will continue to fuel their popularity. "Income guarantees are still a large driver in annuity sales," contributes Judson Forner of Akron, Ohio-based ValMark Securities. "As individuals realize they may have overestimated their risk tolerance, they will look back to risk-transfer vehicles" like VAs.

After all, as Craig Sargent of CPI Cos. in Voorhees, N.J., puts it, "Many investors are deathly afraid of losing money in another 2008-type downturn."

For all these reasons, Michael Rosenberg at Diversified Investment Strategies in Livingston, N.J., posits that rising demand for VAs will generate "more innovation with pricing and benefits, as well as new carriers' entering the marketplace." Retirees, he says, want to insure their income through living benefits, and younger investors will "shift to low-cost investment-only VAs" (IOVAs) to "defer taxes, eliminate trading costs and ticket charges, as well as provide rebalancing without triggering taxation."

Indeed, one prominent player in IOVAs, Jefferson National, recently announced new alliances with Trust Co. of America, Orion Advisor Services and Quovo, "to help more RIAs and fee-based advisors integrate tax-advantaged investing into their practice," says Laurence Greenberg, president of Jefferson National.

Separately, Lincoln Financial released a new living-benefit rider for its VAs called Market Select Advantage. It provides guaranteed lifetime income and access to a broad spectrum of investment options, to mix "the opportunity for account value growth with the security of a guaranteed retirement income," says Lincoln's Dan Herr, vice president of Annuity Product Management.

In other news, Sen. Elizabeth Warren (D-MA) concluded an investigation into conflicts of interest among providers of fixed annuities, which are less stringently regulated than variables. Agents were allegedly given free vacations, jewelry, and other inducements to put their interests ahead of clients'. Stan "the Annuity Man" Haithcock hailed this effort as, "A welcome spotlight for hopeful change."

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