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# Annuities: Why a new generation of retirees is discovering a “new” retirement tool



JON CRESSMAN

*Well known but often misunderstood, annuities can play a vital role in modern retirement portfolios. Below, Transamerica's Vice President and Managing Director for Annuities Wholesale Distribution, Jon Cressman, fields six questions he commonly gets about potential retirement risks.*

**SmartBrief: People are living longer. What kind of opportunity does this present for retirement planning?**

**Jon Cressman:** Living longer is one of the exciting benefits of our evolving world. This reality creates an opening for financial professionals to have new conversations with clients. With the right education and guidance, risks like longevity, sequence of returns and market volatility can be addressed early, as can concerns over inflation and health care costs.

Additionally, the retirement planning landscape has changed significantly. Traditional pensions are nearly a thing of the past, and more responsibility has shifted to the individual. This is another opportunity for financial

professionals to provide guidance and the personalized strategies their clients need.

**SB: How are financial professionals helping clients prepare for their future, no matter what that future may hold?**

**JC:** Financial professionals are helping to create personalized holistic solutions. It all starts with establishing an effective client relationship. Often, productive client conversations include how tools like annuities and optional living benefits can provide regular payments to supplement other sources of income, like Social Security. Essentially, annuities and living benefits can function as personal pensions, creating guaranteed income for life — provided by the claims-paying ability of the insurance company — that cannot reduce or be outlived. Financial professionals taking advantage of these tools and strategies are helping clients mitigate longevity risk – a primary retirement concern for most Americans.

**SB: How do vehicles like annuities help people in retirement protect against retirement risk?**

**JC:** One top client concern is running out of money in retirement. When a client purchases a variable annuity with a guaranteed withdrawal benefit, market risk, longevity risk and sequence-of-returns risk are shifted from the client to the insurance carrier. Much like with an employer-sponsored defined-benefit pension plan, the insurance carrier bears the risk and burden of poor investment performance and provides a guaranteed income stream in retirement.\*\*

*\*\*Variable annuities are subject to investment risk, including loss of principal.*



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It is often said that timing is everything, and few things illustrate that quite as vividly as sequence-of-returns risk. Two otherwise identical investors can have very different retirement experiences based simply on whether they retire in an up or down market. The guaranteed withdrawal benefit of a variable annuity is designed to help mitigate longevity risk, market risk and sequence-of-returns risk for retirement investors.

**SB: How can vehicles like annuities with a lifetime-income rider help financial professionals make their retirement portfolio more efficient?**

**JC:** A living benefit such as *Transamerica Income Edge*<sup>SM</sup> 1.2, which is available for an additional cost with a Transamerica variable annuity, really can help clients create more flexibility in their retirement portfolios. Inflation, among other factors, has fueled uncertainty around a safe withdrawal rate. As a result, the efficacy

of the 4% rule – traditionally relied on as a safe withdrawal rate – has come into question even by Bill Bengen, the advisor who initially introduced the concept.

Adding a protected source of income, like an annuity with a living benefit, can help reduce the risks that affect retirement income. By providing a guaranteed lifetime income\* stream, the *Transamerica Income Edge 1.2* living benefit may be a perfect complement to a client's retirement portfolio.

**SB: What features do Transamerica's lifetime-income solutions offer?**

**JC:** Transamerica is committed to providing cost-efficient solutions that help deliver confidence in retirement. For example, *Transamerica Income Edge 1.2* dispels the notion that the focus of variable annuity and living benefit primarily is to grow the client's



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withdrawal base, often through a roll-up. Instead, this living benefit helps clients capture potential market gains with an automatic annual step-up, and it offers regular increases to their withdrawal percentages for age and deferral period when they wait to take income.

*Transamerica Income Edge 1.2* features include:

- Non-reducing income for life.
- Consistent, guaranteed income that can never run out or be reduced.\*
- The ability to increase income percentages when a client gets an automatic step-up while taking income.
- The option to automatically lock in market gains.
- The flexibility of 70-plus investment options from well-known money managers.
- Low-cost index investment options.

What that means is the market performance and the withdrawal percentage increases work together to help grow guaranteed income for life for the client.

### **SB: What types of clients can benefit from a financial tool like *Transamerica Income Edge 1.2*?**

**JC:** Clients who:

- Want the confidence of guaranteed income.
- Recognize the need to pace inflation.
- Are concerned about market volatility.

- Are concerned they may outlive their retirement savings.

The non-reducing guaranteed income for life that *Transamerica Income Edge 1.2* provides can help with critical expenses. That creates the freedom for clients to live life on their terms by enabling them to make plans with their discretionary income. ■

*\*Any withdrawals, including those permitted under the living benefit, reduce the annuity's policy value, death benefits, and other values.*

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#### **The withdrawal percentages and living benefit fees along with required allocations, valuation frequency, and minimum benefit age listed within may change and may not be the most current.**

The most current information is disclosed in the applicable Rate Sheet Prospectus Supplement, which may be amended by us from time to time. Please contact our administrative office to determine whether the information above has been amended.

#### **You should not purchase this living benefit without first obtaining the applicable Rate Sheet Prospectus Supplement.**

The withdrawal base does not establish or guarantee Policy Value, Surrender Value, minimum death benefit, or return for an investment option.

Variable annuities are long-term, tax-deferred vehicles designed for retirement purposes and contain underlying investment portfolios that are subject to market fluctuation, investment risk, and possible loss of principal.

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Before investing, consider a variable annuity's investment objectives, risks, charges, and expenses. Go to [transamerica.com](https://www.transamerica.com) for prospectuses containing this and other information. Please read carefully.

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Transamerica variable annuities' range of fees and charges include 0.20%–1.50% M&E&A, 0%–8% surrender charges, current \$35 and maximum \$50 annual service charge, and investment option management fees. A fund facilitation fee of up to 0.60% annually may apply for certain investment options.

The Transamerica Income Edge 1.2 living benefit is available for an additional cost. The living benefit fee percentage may increase upon an Automatic Step-Up, but the maximum living benefit fee is 2.50%.

Withdrawals of taxable amounts are subject to ordinary income tax and may be subject to a 10% additional federal tax if withdrawn before age 59½.

All guarantees, including living benefits, are based on the claims-paying ability of the issuing insurance company.

If you elect the Transamerica Income Edge 1.2 living benefit, Transamerica requires the Policy Value to be allocated in a manner described in the contract, which may include a volatility control strategy. **In periods of high market volatility, volatility control strategies could limit your participation in market gains; this may conflict with your investment objectives by limiting the ability to maximize potential growth of your Policy Value and, in turn, the value of any guaranteed benefit that is tied to investment performance.** Volatility control strategies are intended to help limit overall volatility and reduce the effects of significant market downturns during periods of high market volatility, providing policy owners with the opportunity for smoother performance and better risk-adjusted returns. **You pay an additional fee for the living benefits that, in part, protects the living benefit base from investment losses. Since the living benefit base does not decrease as a result of investment losses, volatility control strategies might not provide meaningful additional benefit to you.** If you determine that underlying funds with volatility control strategies are not consistent with your investment objectives, other investment options are available under the living benefits that do not invest in funds that utilize volatility control strategies.

Living benefit is referred to as a rider in the contract.

All policies, living benefits, and forms may vary by state and may not be available in all states: ICC18 TRGL16IC-0318(IS), ICC18 TRGL16IC-0318(IJ), TRGL16FL-0318(IS), TRGL16FL-0318(IJ), FRGL16NY-0318(IS), FRGL16NY-0318(IJ),

## Jon Cressman

*Jon Cressman is Vice President and Managing Director for Annuities Wholesale Distribution at Transamerica, which provides insurance and investment solutions to customers throughout the US. Cressman has more than 26 years of industry experience, including 16 years leading teams in the annuity sector.*

## ABOUT TRANSAMERICA

With a history that dates back more than 100 years, Transamerica is a leading provider of life insurance, retirement, and investment solutions, serving millions of customers throughout the United States. Transamerica's dedicated professionals focus on helping people live their best lives through saving, investing, and protecting their loved ones. Transamerica is dedicated to building America's leading middle market life insurance and retirement company, with unique access to the large and growing middle market consumer via World Financial Group and US retirement recordkeeping. Transamerica provides a broad range of quality individual life insurance policies, workplace supplemental insurance benefits, workplace retirement plans, individual retirement accounts, and investment products including mutual funds, annuities, stable value solutions, as well as investment management services.

In 2022, Transamerica fulfilled its promises to customers, paying more than \$46 billion in insurance, retirement, and annuity claims and benefits, including return of annuity premiums paid by the customer. Transamerica's head office is in Baltimore, Maryland, with other major operations in Cedar Rapids, Iowa, and Denver, Colorado. Transamerica is part of the Aegon group of companies. Each Aegon company is solely responsible for its own financial conditions and contractual obligations. Based in the Netherlands, Aegon is an international financial services holding company.

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