Transition into Retirement Seamlessly with Combo DIA-Variable Annuity

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While deferred income annuities have gained a prominent position in the retirement income planning game, the newest entrant into the annuity marketplace is poised to change the way these products operate for good. This is because the new deferred income annuity comes wrapped up within a variable annuity product, allowing clients to access the best of both worlds though a single annuity contract. By structuring the deferred income annuity as a rider, rather than as a stand-alone contract, insurance carriers can now provide clients with the ability to participate in market gains while ensuring sufficient income even late into retirement, without the need to purchase, manage, or exchange multiple annuity contracts.

# Combination DIA-Variable Annuity Product Mechanics

In an effort to provide clients with the greatest possible degree of flexibility in their annuity product purchases, insurance carriers have begun offering optional riders that can be attached to variable annuity products in order to include the benefits of a deferred income annuity within the variable annuity. These deferred income annuities allow clients to withdraw portions of the variable annuity itself in order to fund annuity payouts late into retirement.

Clients must purchase the rider at the time the variable annuity is purchased and can then begin transferring a portion of the variable annuity accumulation into the deferred income component as soon as two years after the contract is purchased. When the client begins making transfers into the deferred component, he must also choose the beginning date for the deferred payments.

The deferral period can be as brief as two years or, in some cases, as long as forty years, giving clients substantial flexibility in designing the product to meet their individual financial needs. Further, clients can choose to transfer as little as around $1,000 at a time or as much as $100,000 to build the deferred income portion more quickly.

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# Benefits of the Combined Product

The deferred income annuity rider can simplify your clients’ retirement income planning strategies in several important ways, not the least of which involves the ability to gain the benefits of both variable and deferred income annuities within one single annuity package.

This single-package treatment also allows clients to avoid the situation where they wish to transition their planning strategies to eliminate the investment-type features common to variable annuity products into a product that allows for a definite income stream—a situation that commonly arises around the time when a client retires.

Without the combination product, the client would traditionally be required to execute a tax-free exchange of the variable annuity contract for a deferred income annuity. Instead, the deferred income annuity rider allows the client to systematically transfer funds from the variable portion of the contract into the deferred income portion over time (though lump sum transfers are also permissible).

# Conclusion

While the deferred income annuity rider has only recently emerged into the annuity product marketplace, as its availability becomes more widespread it will likely provide your clients with a combination product that can meet their needs both during their working years and far into the retirement future.