

FA NEWS

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VANGUARD RECOGNIZES INTEREST IN ANNUITIES

Vanguard, the Valley Forge, Pa.-based investment company, has launched a Web-based service that lets individuals compare fixed immediate annuities issued by leading insurance companies.

[Vanguard Annuity Access](#), powered by Hueler Companies' Income Solutions platform, also offers deferred fixed annuity quotes. Vanguard joins more than a dozen Web sites listed on "Google" that provide immediate annuity quotes to investors. In addition, [Jefferson National Life Insurance Co.'s Web site](#) has an online tool advisors can use to compare costs of variable deferred annuities with guaranteed lifetime withdrawal benefits to no-load deferred variable annuities.

Jefferson National, however, does not sell annuities through its tool. By contrast, the Vanguard site does, pocketing 2% of the annuity purchase amount on fixed immediate annuities. The fee, says Jon Ameriks, head of Vanguard Investment Consulting and Research, is paid to Vanguard and Hueler to cover administration costs. It is in line with fees built into insurance fees charged by other insurance agents, and is built into the insurance quote. The annuity quotes are also net of investment management fees, distribution fees, administrative fees and other costs associated with fixed annuity products.

The Vanguard service is designed for individuals seeking a guaranteed stream of income in retirement to augment their investment holdings, workplace retirement plan, and Social Security benefits.

Through the site, financial advisors can get customized real-time quotes and evaluate competitively priced and directly comparable contracts from a number of insurance companies.

So far, eight carriers are listed on Vanguard's annuity platform. They include: American General Life Companies, Integrity Life Insurance Co., Lincoln National Life Insurance Co., Metropolitan Life Insurance Co., Mutual of Omaha, Pacific Life Insurance Co., Principal Life Insurance Co. and Western National Life Insurance Co.

"The comparability of quotes at the time they are obtained is critical in evaluating whether contracts are competitive among their peers," Ameriks says.

Vanguard's new service comes amid a report in "Best Review," an industry trade magazine published by A.M. Best, Oldwick, N.J., that 75% of consumers research all types of insurance products online.

It also comes as financial planners expect increased use of immediate income annuities by those who lost money in the 2008 economic crisis. "All of a sudden over the past two years people are absolutely interested in buying immediate annuities," says Lance Wallach, a Plainview, N.Y., financial planner. "They (seniors) don't want to lose money in the stock market. They want a guaranteed source income." However, there is no free lunch with this online service.

Despite investor interest, Wallach recommends that fellow advisors do their due diligence homework. "Insurers hide the true costs," he warns. "The no-load insurance companies are the best because they don't pay commissions. So the payouts are higher."

Jane King, a Wellesley Hills, Mass., financial advisor, agrees. "In my experience, annuity products aren't transparent. It may be the wrong thing to do because other implications of lifetime guaranteed income are not fully disclosed," she says. "Do you effectively disinherit your children? Do you really know the underlying investments of the insurance company and are they safe?"

Others, however, believe that immediate annuities make it easy for advisors who are uncomfortable managing an income portfolio of individual securities.