



Fresh Perspective: In Today's Market Backdrop, Protection Products Deserve a Closer Look

While some Financial Professionals have been slow to embrace annuities, the product deserves a closer look. Retirement strategies have evolved considerably in the past decade, and new iterations of annuities may be uniquely suited to address today's biggest market challenges: inflation, rising taxes and the need for income. In an interview with InvestmentNews Create, Equitable's Stephen Scanlon put these challenges in context, and explained why Financial Professionals should consider the power of partial protection as an asset for pursuing true financial resilience for their clients' portfolio.



STEPHEN SCANLON
Head of Individual
Retirement
Equitable

InvestmentNews Create: Where do annuities fit in?

STEPHEN SCANLON: The annuities market has evolved to address the unique challenges of today's market. Traditional annuity products offer a guaranteed level of income, so clients can count on that stability in retirement. Variable annuities and registered index linked annuities can provide optimal tax deferred growth options. Registered Index Linked Annuities (RILAs) also allow investors to go more heavily into equities – which again, we think is often necessary in an inflationary environment – but to do so with some downside protection.

InvestmentNews Create: What do you think is Equitable Financial's advantage relative to other annuity providers?

STEPHEN SCANLON: We've been an innovator in the annuity space since the mid-90s. Culturally, it's been an obsession to identify the challenges clients have, and will have, and pinpoint the right product to help address them. Our work in the RILA space is an example. Many providers are just coming out with products. We created the space in 2010, when the financial crisis was still fresh in investors' minds, and as a result, they were looking for ways to access potential growth but mitigate some of the downside risk of another potential market drop. We continue to refine our RILA offerings, as we do all of our offerings, so they can meet clients' changing needs. Newcomers aren't going to have the experience we do creating and evolving these strategies.

InvestmentNews Create: You've proposed that annuities become more mainstream, and that they should be part of most investors' asset allocation. What are the problems with the traditional 60/40 portfolio?

STEPHEN SCANLON: The 60/40 portfolio isn't suited for some of today's market challenges, which is why at Equitable we believe products offering a level of protection should be in the mix. While past performance never guarantees future results, historically low yields can demonstrate that the upside potential from bonds may be limited. At the same time, one of the biggest economic concerns is inflation. In an inflationary environment, investors often allocate more toward equities in pursuit of potential growth that can outpace it. But after a period of exceptional annualized returns, this also presents additional risk should the market correct near or in the early years of retirement.

The tax outlook presents another challenge for investors. Congress is already looking at raising taxes. And given rising national debt levels, it is likely that if taxes don't increase in the near term, they will have to rise eventually. That environment underscores the value of tax deferred investments.

InvestmentNews Create: What has changed?

STEPHEN SCANLON: The need for protection is greater than ever. Investors want to protect their wealth but not give up some opportunity for capital appreciation. Many Americans face a significant retirement income gap unprepared for living in retirement. To close the gap they need to identify sources of guaranteed income for the rest of their lives so they can maintain the lifestyle they deserve. It does take an investment in the Financial Professional's time to understand each product, and how it addresses a specific client's need. But we believe this commitment is worth the investment given the range of concerns annuities can help address in today's market. The most important change though, is in costs, which have come down considerably. One of Equitable's most innovative variable annuity products for today's market – our new Structured Capital Strategies® Income – can keep clients' costs down with fees as low as 1.50%*. We believe that's a game changing number for a product that allows equity market growth, with partial downside protection, and a guaranteed income stream for life.

*In addition, expenses related to administration, sales and certain risks in the contract are factored into the Performance Cap Rate. As long as your client's money is invested in the Structured Investment Option, they will not be charged additional fees. If your client chooses the optional Highest Anniversary Value (HAV) Death Benefit, or invest their money in a Variable Investment Option, additional fees and charges will apply

Our work with Financial Professionals is also a differentiator. We've learned their language around annuities, instead of expecting them to learn ours. We can discuss where the products fit in the same way they talk to their own clients. We've also developed tools to make that discussion with clients easier. For example, we were first to market with a customer facing app supporting variable annuities –retirementguide.equitable.com.

InvestmentNews Create: Any last thoughts on annuities as investors head into 2022?

STEPHEN SCANLON: I just think if Financial Professionals haven't looked at annuities in a while, it may be worth it to understand what the products look like today. We're heading into an environment with a lot of unknowns when it comes to taxes, inflation, income needs, and of course, the direction of markets. It may be time to think about how you can offer clients equity exposure, with some downside protection, provide guaranteed retirement income, and help them plan for and manage their tax burden. ■

Structured Capital Strategies Income® is a variable and index-linked deferred annuity contract that offers guaranteed lifetime income and an innovative strategy combining structured growth potential, up to a cap, with tax deferral. This product includes a partial protection feature that eliminates a portion of the contract holder's downside risk, while still giving the contract holder the opportunity to invest for growth up to a Performance Cap Rate. This is called the Structured Investment Option (SIO). The SIO permits the contract owner to invest in one or more Segments, each of which provides returns tied to the performance of an index for a set period of 1 or 3 years.

Through the partial protection feature, the Segment Buffer will absorb the loss up to the buffer selected. However, there is risk of substantial loss of principal because the investor agrees to absorb all losses that exceed the protection provided by the SIO at maturity. The SIO provides a return at maturity designed to provide a combination of partial protection against certain decreases in the index and a limitation on participation in certain increases in the index.

An annuity such as Structured Capital Strategies Income® is a long-term financial product designed for retirement purposes. Simply stated, an annuity is a contract between the contract holder and an insurance company that lets the contract holder pursue the accumulation of assets through equities and other investment options. The contract holder may then take payments or a lump sum amount at a later date. There are fees and charges associated with Structured Capital Strategies Income®. Variable annuities contain certain restrictions and limitations and are subject to market risk including loss of principal. Withdrawals are subject to ordinary income tax treatment, and if taken prior to age 59½, may be subject to an additional 10% federal tax. Contact a financial professional for costs and complete details. All contract and rider guarantees, including optional benefits and annuity payout rates, are backed by the claims-paying ability of Equitable Financial Life Insurance Company. Equitable Holdings, Inc. subsidiaries do not provide tax, accounting or legal advice or services.

Structured Capital Strategies Income® is offered by prospectus, which contains detailed information about the Structured Capital Strategies Income® contract and its charges, risks, expenses, and investment objectives. Prospective contract holders should read the prospectus and consider this information carefully before purchasing a contract or sending money.

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