

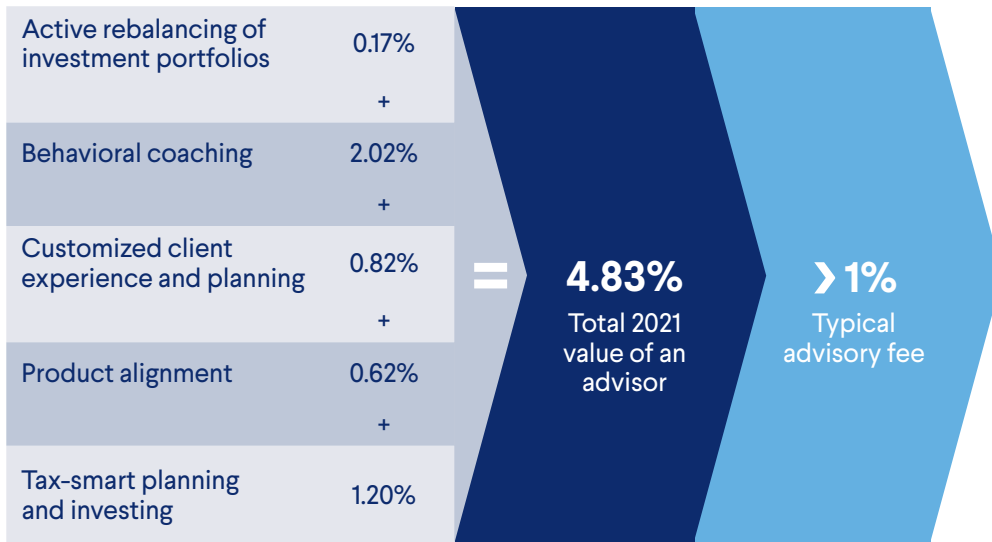


Demonstrate your value with annuities

Traditional services provided by financial professionals in the past are readily available at minimal—or no—cost. That’s why demonstrating the value you provide to clients is so important. In its “2021 Value of an Advisor Study,” Russell Investments identified key services financial professionals offer—and calculated their actual value. The good news: An annuity can help you deliver these valuable services.

The added value of financial professionals

Delivering services and value has an estimated contributory value of **4.83%**.



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This research, as well other studies from Morningstar, Vanguard, and Envestnet, concludes that financial professionals can add significant value to a client’s portfolio. While each study is unique, four areas of expertise are common among them: **financial planning, portfolio management, behavioral guidance, and tax management.**



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How an annuity can help you demonstrate your value

> 1 Financial planning

Building relationships with clients, understanding their aspirations, and helping them achieve their goals isn't something a robo-advisor can provide—but you can. How can you add value? You can customize a risk management approach, create and implement a dynamic withdrawal strategy, and help clients make informed Social Security decisions. **Because annuities uniquely combine elements of both investment and insurance products, they can address several client planning needs:**

Accumulation phase

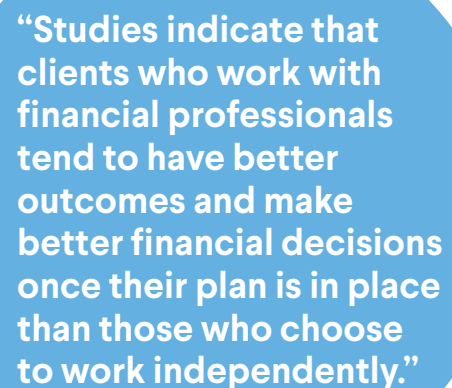
- Asset class alternative in overall portfolio construction
- Bond alternative that can provide upside opportunity with downside protection
- Tax-deferred alternative that allows active portfolio management/rebalancing without tax implications

Distribution phase

- Alternative guaranteed income source that supplements sources like Social Security and pensions
- Lifetime income addresses client concerns about outliving income

Wealth transfer for estate planning and special situations

- Charitable bequests
- Special needs trusts
- Wealth transfer via guaranteed death benefits



“Studies indicate that clients who work with financial professionals tend to have better outcomes and make better financial decisions once their plan is in place than those who choose to work independently.”

> 2 Portfolio management

This encompasses numerous investment-related services, including portfolio construction, asset allocation, rebalancing, risk management, and investment selection. **An annuity can play an important role:**

- **Alternative to traditional bonds** in the fixed-income allocation
- **Downside protection**—even with more aggressive equity allocations
- **Benefit base for future income** with a Guaranteed Minimum Withdrawal Benefit
- **Rebalancing tool**—overall portfolio allocations maintained/rebalanced without tax consequences
- **Longevity hedge**—guaranteed lifetime income addresses longevity concerns
- **Efficient income** compared to the 4% rule and traditional systematic withdrawal strategies
- **Tax-deferred bucket** to manage tax implications

3 Behavioral guidance

Research in the field of behavioral economics clearly shows that financial professionals can make a difference when they counsel their clients about potential pitfalls.

The following table shows a few of the key cognitive biases clients have and how an annuity can help avoid them.

“Annuities can address key cognitive biases helping clients minimize the risk of making potentially poor decisions.”

Cognitive biases and how an annuity can help

Behavioral pitfall	Client behavior	How an annuity helps
Loss aversion: Avoid losses rather than acquiring an equivalent gain	Selling winners too early and/or holding losers too long	Downside protection with guaranteed death benefits and minimum withdrawal or investment benefit options Prevention of market loss, while providing potential market upside
Herding: Follow the crowd or groupthink	Buying high and selling low	Longer-term horizon, solution focus, and goal orientation
Mental accounting: Attach values to money based on its source or location rather than its utility in the portfolio	Focusing on why they like a holding, rather than how it is performing	Preset needs-based solution for either accumulation planning or guaranteed income
Anchoring: Get attached to a holding	Unwilling to eliminate a poor performer or realize gains from a good performer	Tax deferral minimizes tax impact of selling winners Guaranteed death benefit and minimum withdrawal or investment benefit options provide downside protection

4 Tax management

Helping clients minimize tax drag on their investments is important. Due to their tax-deferred status, annuities provide value from a tax perspective:

- Higher-turnover/higher-yielding assets are held within a tax-deferred vehicle
- Rebalancing without tax implications
- Access to a tax-deferred account to complement withdrawals from taxable and tax-free accounts

Demonstrate your value with annuities

As the financial services industry evolves and client needs change, so does the need to demonstrate the importance and value of working with a financial professional. Annuities are a uniquely flexible tax-deferred planning resource that offer key benefits for your clients. When used appropriately in a client’s financial plan, they can help you demonstrate your value.

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Anders is the managing director of Delaware Life National Sales Consulting. With more than 30 years in the financial services industry, he can share proven retirement income, advanced sales, and practice management strategies to help build a successful and profitable business. He is a nationally known speaker at industry events.

About National Sales Consulting

The NSC team is a group of highly educated, experienced professionals who are go-to consultants on income and tax planning and business-building strategies. They can provide actionable sales ideas, meaningful content, and resources that are rich in education and practice management, as well as ways to help simplify complex planning issues for clients. The team's goal is to help financial professionals be successful.

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