



# Stock your Retirement Toolbox with smart financial risk-management strategies

An IAR's guide to using variable annuities to manage retirement risks and support holistic planning

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# Expanding the retirement toolbox: managing risk with variable annuities

This paper builds on [Part 1](#) of our *Retirement Toolbox* series, which explores the foundations of retirement planning and the evolving landscape of client risk management.

Part 1 focuses on **registered index-linked annuities (RILAs)** and their potential to help manage major retirement risks—including **market downturns, longevity risk and inflation**—by offering market participation with a **degree of downside protection**.

This paper explores how investment advisor representatives (IARs) can expand their risk-management approach with **variable annuities (VAs)**—specifically those offering **guaranteed\* minimum accumulation benefits (GMABs)** for principal protection. It also examines **investment-only variable annuities (IOVAs)**, which are fee- and fiduciary-friendly products that offer tax-deferred growth and broad investment access at a low cost.

## What is an annuity?

Annuities are long-term, tax-deferred vehicles designed for retirement and are insurance contracts. Variable annuities and registered index-linked annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met. Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity and are subject to conditions and limitations. There is no guarantee that a variable annuity with an add-on living benefit will provide sufficient supplemental retirement income.

\* Guarantees are backed by the claims-paying ability of the issuing insurance company.

# Introduction:

## Meeting today's pressing retirement challenges

The modern retirement environment is changing. **Longer lifespans, unpredictable markets** and **shifting client needs** demand more from financial professionals. A traditional mix of asset allocation and diversification may no longer be enough.

IARs need a **flexible, modern toolbox** to help clients stay on track—and variable annuities can play a meaningful role. With features designed to **help manage market risk** and **support long-term financial goals**, VAs can be part of a broader strategy to navigate today's financial challenges.

An **expanding range of VAs is now available** for registered investment advisors (RIAs), making these products broadly accessible. This paper explores how VAs can help manage today's top retirement risks, where they may fit best and why it's a good time for IARs to take a fresh look at these insurance-backed tools.

By broadening their toolboxes, IARs can build **customized strategies** that align with each client's **unique retirement goals, risk tolerance and time horizon**—helping drive stronger client satisfaction and better retirement outcomes. Let's dive in.



# Variable annuities: Balancing risk and reward

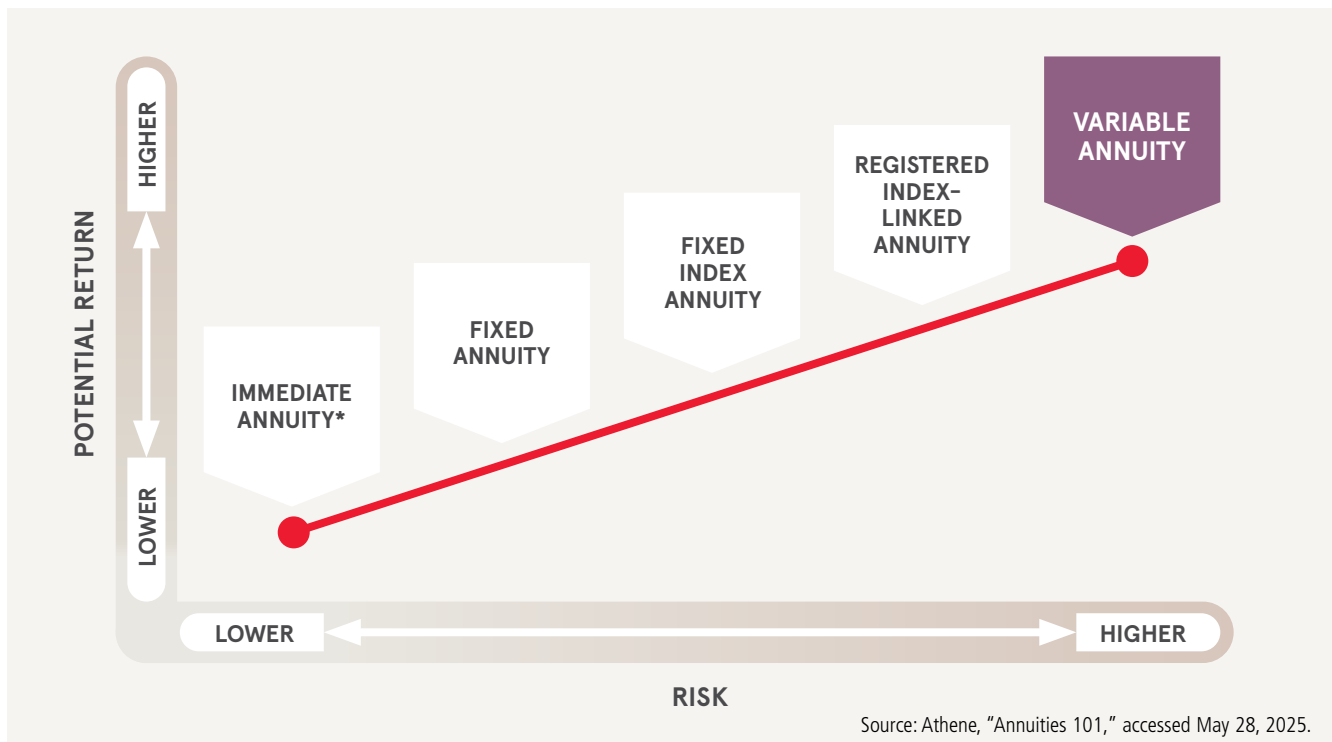
## WHAT SETS VARIABLE ANNUITIES APART

Unlike **fixed index annuities (FIAs)** and **RILAs**, **variable annuities** offer clients direct exposure to market-based investments through professionally managed subaccounts. These “separate account” assets sit outside the insurer’s general account, so clients assume full investment risk—and full market opportunity.<sup>1</sup>

While FIAs are often associated with principal protection and income strategies,<sup>2</sup> and RILAs with a balance of growth potential and some downside protection,<sup>3</sup> **VAs** are commonly linked to **growth-focused planning**.<sup>4</sup>

Compared to FIAs and RILAs, **VAs offer greater upside potential—but also more downside exposure.**

## COMPARING ANNUITY RISK AND RETURN POTENTIAL



\* Unlike the other options shown, immediate annuities are typically used for income rather than deferred growth.

<sup>1</sup> Plansponsor, “(b)lines Ask the Experts – Annuity General Accounts Versus separate Accounts” September 18, 2018.

<sup>2</sup> Derek Miser, InsuranceNewsNet, “A 1035 exchange to an FIA: A smart choice in today’s environment,” June 1, 2025.

<sup>3</sup> Anna Baluch and Aamir M. Chalisa, Annuity.org, “RILA vs. Variable Annuity,” April 17, 2025.

<sup>4</sup> Ibid.

## KEY BENEFITS AND FEATURES OF VARIABLE ANNUITIES

For the right client, a VA can add value as part of a broader portfolio—especially in tax-aware accumulation or asset location strategies. Features to consider include:

- **Investment flexibility** through a wide range of managed subaccounts
- **Tax deferral\*** on investment growth during accumulation
- **Optional guarantees†** like death benefits or guaranteed minimum accumulation benefits (GMABs) that come at an extra cost but may support specific planning goals.
- **Distribution features**, including penalty-free withdrawals up to a specific amount, nonqualified stretch provisions, and riders that structure payments over time—potentially improving control and tax efficiency

Used strategically, a VA can serve multiple roles—both as an investment tool and part of a client’s risk-aligned plan. It all depends on how it fits with the client’s goals and broader financial strategy.

## VARIABLE ANNUITIES AT A GLANCE

<b>SEPARATE ACCOUNTS AND CREDITOR PROTECTION</b>	VA owners <b>directly own and can actively manage</b> their investments, which are held in <b>separate accounts</b> shielded from an insurer’s creditors.
<b>BROAD INVESTMENT CHOICES</b>	VAs provide access to a <b>diverse range of investment funds, including equities, fixed income and alternatives.</b> <sup>5</sup> Investment-only variable annuities, in particular, may be useful for <b>high-net-worth investors seeking tax-efficient handling of actively managed investments.</b>
<b>NO CONTRIBUTION LIMITS</b>	Unlike 401(k)s, VAs have <b>no IRS-imposed contribution limits,</b> <sup>6</sup> though <b>insurers may require approval</b> for contributions exceeding <b>\$1 million.</b>
<b>TAX DEFERRAL ADVANTAGES</b>	Gains grow <b>tax deferred</b> and are <b>taxed as ordinary income upon withdrawal.</b> This feature can make <b>VAs valuable for tax-inefficient investments,</b> such as actively managed funds with frequent turnover. Withdrawals must come from <b>gains before principal, and beneficiaries owe taxes</b> on inherited gains.
<b>NO GUARANTEED PROTECTIONS</b>	<b>VAs do not provide built-in principal protection or fixed contract terms related to loss protection.</b>
<b>INSURANCE RIDERS</b>	High-net-worth investors often <b>add riders available for an additional fee,</b> such as <b>guaranteed minimum accumulation benefits (GMABs) or death benefits,</b> which preserve a minimum inheritance value.

\* Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as a 401(k) or IRA. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

† Guarantees are backed by the claims-paying ability of the issuing insurance company.

<sup>5</sup> Brighthouse Financial, “A Guide to Investment Options within a Variable Annuity,” May 2, 2018.

<sup>6</sup> Western & Southern Financial Group, “6 Annuity Benefits to Consider,” November 11, 2024.

## GUARANTEED MINIMUM ACCUMULATION BENEFITS: SHIFTING THE FOCUS

Guaranteed lifetime income riders have long been a focal point of VAs, offering policyholders income they cannot outlive. These benefits can be especially valuable for investors seeking added security in retirement.

However, for fee-sensitive investors and RIAs, the associated costs of income guarantees may be difficult to justify. Many RIA clients also prefer market participation and flexibility over “pension-like” income performance.<sup>7</sup>

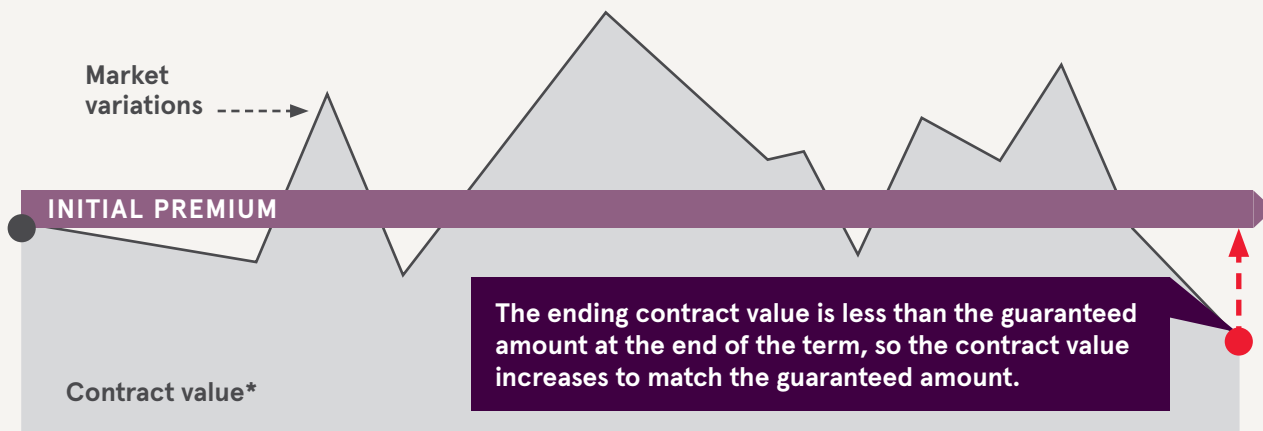
**GMABs may be a consideration for this preference profile—offering a level of downside protection while preserving growth potential, without the ongoing cost of guaranteed income.**

GMAB riders ensure that—after a specified holding period and as long as the policyholder meets the contract terms—the account value won’t fall below a predetermined minimum, regardless of market performance.<sup>8</sup> Their average cost ranges between 0.30% and 1.00%.<sup>9</sup>

These riders let clients seek market growth while knowing they’ll have a level of protection—a floor under part or all of their principal—based on the contract terms.

### How a GMAB can protect principal in a down market

100% downside protection (guaranteed percentage), 10-year term



**This hypothetical example is for illustrative purposes only and not representative of future performance of any product. Past performance is no guarantee of future results.**

\* Contract value equals the sum of the allocations between the GMAB fixed account option, fixed account, and subaccounts.

<sup>7</sup> K. Orian Williams, Investments & Wealth Monitor, “The Case for Using Advisory Variable Annuities with High-Earning and High-Net-Worth Clients,” June 28, 2023.

<sup>8</sup> True Tamplin, Finance Strategists, “Guaranteed Minimum Accumulation Benefits (GMAB),” May 29, 2023.

<sup>9</sup> Jennifer Schell and Ashley Donohoe, “Guaranteed Minimum Accumulation Benefit (GMAB),” accessed June 4, 2025.



In their joint white paper, “Managing Market Risks in the Pre-Retirement Years Using Defined-Outcome Investments,” Michael Finke and Wade Pfau explore strategies to manage market risks for investors approaching retirement. They focus on the use of structured financial products, such as variable annuities with GMABs, to provide downside protection while allowing for market participation.<sup>10</sup>

**“... Having a minimum accumulation benefit in place can justify having the pre-retiree use a more aggressive asset allocation than they would otherwise prefer in the absence of downside protection. The accumulation benefit allows for upside market growth to increase the account value while protecting the initial investment even when markets perform poorly.”**

**—Michael Finke and Wade Pfau**

“Managing Market Risks in the Pre-Retirement Years Using Defined-Outcome Investments”<sup>11</sup>

Beyond noting that GMABs pair a level of downside protection with growth potential, the authors highlight several other points, including:

- **Enhanced spending flexibility:** By securing a minimum accumulation value, GMABs—and similar structured annuity products—give retirees greater flexibility to manage discretionary expenses and tailor their investment strategies to their desired lifestyle, even in adverse market conditions.
- **Trade-offs between risk and reward:** The authors note that while GMABs provide security against market downturns, they may also limit upside potential due to associated costs and investment restrictions. Therefore, investors must balance their desire for growth with their need for security.
- **Particularly useful closer to retirement:** The authors suggest structured investments like VAs with GMABs can reduce the possibility of large losses in the years leading up to retirement. They add that providing structure over potential gains and losses during this time may effectively help manage retirement risks.

In their analysis, Finke and Pfau say a new generation of annuity products including VAs with GMABs empowers retirement investors to better manage downside risks while still participating in market gains, potentially enabling a more secure retirement with fewer assets or a higher standard of living from their existing savings.

<sup>10</sup> Michael Finke and Wade Pfau, Retirement Income Institute, “Managing Market Risks in the Pre-Retirement Years Using Defined-outcome Investments,” February 2022.

<sup>11</sup> Ibid.

## WHEN GMABS MAY BE A GOOD FIT

Because GMAB riders can ensure VA policyholders will at least receive a return of principal if their investments perform poorly, they may benefit a couple with differing risk tolerances or an investor seeking market exposure along with principal protection.<sup>12</sup>

Since the holding period is long—often 10 or 20 years to receive the full benefit<sup>13</sup>—a VA with a GMAB rider is likely best suited for clients who don't anticipate needing access to their funds in the near term.

Early withdrawals can result in penalties, surrender charges or the loss of the guarantee. As a result, these products may be less appropriate for investors with shorter time horizons or immediate liquidity needs.

**Investors should work closely with a financial professional to determine whether a VA with a GMAB is a good fit for their financial needs.**

## DIFFERENT PRIORITIES, DIFFERENT TOOLS

Variable annuities with GMABs can appeal to clients who want a level of downside protection without giving up growth potential. These products also can support tax-efficient strategies, particularly for clients concerned about market volatility. But for investors who prioritize broad investment access and streamlined pricing—often with flat fees and fewer add-ons—investment-only variable annuities may offer another compelling option.

## IOVAS: TRANSPARENT, COST-EFFECTIVE, ADVISOR-ALIGNED

Investment-only variable annuities—particularly the no-commission “advisory” versions—belong to a transparent annuity category built to **accommodate fiduciary business models** and the **complex tax needs** of high-net-worth investors.<sup>14</sup>

**Advisory IOVAs** can help RIAs and their clients manage tax-inefficient, actively managed investments more **efficiently**.<sup>15</sup> With features like **fixed subscription fees** as low as \$20 per month<sup>16</sup> and **minimal asset-based charges** for beneficiary protection, these annuities eliminate commissions, surrender charges, mortality and expense risk fees, and living benefit costs.<sup>17</sup>

They also open access to a **wide range of investment options**, including actively managed funds and alternative asset classes such as real estate, commodities and hedge funds,<sup>18</sup> while maintaining expense ratios that align with contract complexity.

**“The ability to own high turnover, actively managed (read, tax-inefficient) funds in a low-cost vehicle is a major advantage of an IOVA chassis. To the extent that a particular IOVA offers alternative investments and managed volatility funds, they provide an implicit form of risk protection.”**

**—Rick Roche**

chartered alternative investment analyst<sup>19</sup>

<sup>12</sup> Jennifer Schell and Ashley Donohoe, “Guaranteed Minimum Accumulation Benefit (GMAB),” accessed June 4, 2025.

<sup>13</sup> True Tamplin, Finance Strategists, “Guaranteed Minimum Accumulation Benefits (GMAB),” May 29, 2023.

<sup>14</sup> K. Orian Williams, Investments & Wealth Monitor, “The Case for Using Advisory Variable Annuities with High-Earning and High-Net-Worth Clients,” September/October 2023.

<sup>15</sup> Ibid.

<sup>16</sup> Robert Bloink and William H. Byrnes, Think Advisor, “Are IOVAs the Future of Variable Annuities,” April 24, 2017.

<sup>17</sup> Rick Roche, Advisor Perspectives, “Investment-Only Variable Annuity – A ‘Back-to-the-Future’ Variable Annuity Vehicle,” February 28, 2022.

<sup>18</sup> Robert Bloink and William H. Byrnes, Think Advisor, “Are IOVAs the Future of Variable Annuities,” April 24, 2017.

<sup>19</sup> Rick Roche, Advisor Perspectives, “Investment-Only Variable Annuity – A ‘Back-to-the-Future’ Variable Annuity Vehicle,” February 28, 2022.

For high-net-worth clients, IOVAs can serve as a **flexible tool to manage retirement distributions** without disrupting long-term investment strategy. Their structure supports continued access to tax-deferred, professionally managed assets—helping clients navigate taxes and adapt to changing market conditions throughout retirement.

Beyond tax deferral, **IOVAs offer asset location efficiency**, making them particularly **useful for holding tax-burdened assets**—such as actively managed funds or REITs—that would otherwise generate significant taxable distributions in a brokerage account.<sup>20</sup>

Additionally, IOVA subaccounts that include **managed volatility strategies** can benefit policyholders using **systematic withdrawals**—without surrender fees—to fund retirement. While managed-risk funds don’t guarantee outcomes, they can **support greater portfolio durability** during market downturns.<sup>21</sup>



## FIDUCIARY-FRIENDLY FEATURES OF IOVAs

Cost efficiency	Why it matters
• Little to no mortality and expense risk fees	Helps reduce overall client costs
• Flat monthly contract fee	Transparent pricing with no hidden charges
• Modest annual policy fee	Lowers ongoing costs
• No non-essential add-ons	Keeps focus on investment growth
Flexibility and control	
• No surrender or contingent deferred sales charges	No penalties for early withdrawals if needs change
• Flexible distribution options	Choose how and when to access assets
• No insurance underwriting	Simplified approval with fewer restrictions
• Tax-free exchanges and transfers	Maintain tax deferral during repositioning
• 1035 tax-free policy exchange	Enables efficient movement between contracts
Investment access	
• Open architecture	Broad access to managers and strategies, including alternatives
Legacy planning	
• Inherited non-qualified annuity stretch option	Helps beneficiaries manage distributions
• Beneficiary protections	Supports wealth preservation and transfer goals

Source: Rick Roche, Advisor Perspectives, “Investment-Only Variable Annuity – A ‘Back-to-the-Future’ Variable Annuity Vehicle,” February 28, 2022.

<sup>20</sup> Mitchell H Caplan, Advisorpedia, “A New Approach to Tax Planning with IOVAs,” April 02, 2016.

<sup>21</sup> Rebecca Lake, Smartasset, “Managed Volatility Investing Strategies and Funds,” January 24, 2025.

## TOOLBOX COMPARISON: VAS VS. IOVAS BY RETIREMENT RISK

RISK TYPE	HOW VARIABLE ANNUITIES MAY HELP
<b>Longevity and income risk</b> (outliving savings or insufficient income)	GMAB riders can <b>help investors stay invested</b> knowing that part or all of their <b>principal is protected</b> after a defined holding period—even if markets decline.
<b>Market risk</b> (investment volatility and losses)	VAs with optional GMABs can <b>protect principal</b> from market losses during downturns while still offering the potential for growth.
<b>Tax risk</b> (tax-efficient growth and withdrawals)	<b>Earnings grow tax deferred</b> , meaning taxes aren't paid on any gains until money is withdrawn—helping investors manage taxable income.
<b>Sequence-of-returns risk</b> (market losses early in retirement)	GMABs can <b>help protect against early losses</b> , but typically require holding periods before withdrawals.*
<b>Inflation risk</b> (rising prices erode purchasing power over time)	With market-linked growth potential, VAs with GMABs can help clients <b>stay invested through inflationary periods</b> while keeping a degree of downside protection in place.
RISK TYPE	HOW IOVAS MAY HELP
<b>Tax risk</b> (tax-efficient growth and withdrawals)	IOVAs offer <b>tax-deferred growth</b> , allowing investments to compound without immediate tax consequences, and are useful for holding assets that aren't tax-friendly, enabling high-net-worth investors to <b>maximize tax efficiency</b> .
<b>Market risk</b> (investment volatility and losses)	Unlike traditional annuities, IOVAs offer <b>open-architecture investment choices</b> and access to a wide range of managers—supporting <b>effective diversification and long-term risk management</b> .
<b>Sequence-of-returns risk</b> (market losses early in retirement)	By <b>deferring withdrawals</b> and using <b>tax-free fund transfers</b> , investors can <b>strategically manage distributions</b> to reduce the impact of early market downturns.
<b>Inflation risk</b> (rising prices erode purchasing power over time)	IOVAs can help manage inflation risk primarily through <b>market-driven growth</b> , offering investment options with the potential to <b>outpace rising costs</b> .

Variable annuities may be useful in scenarios where clients are concerned about preserving principal, deferring taxes or managing market volatility. Features like tax-deferred growth, principal protection and legacy benefits can offer planning advantages—particularly for high earners or risk-aware investors seeking flexibility in retirement.

### Jackson's licensed concierge desk supports RIAs seeking advisory products†

Jackson has developed an exclusive digital experience for RIAs and wealth managers that is supported by a fully licensed concierge team, making it simpler to conduct annuity business.

From researching client options, to application, suitability and review, our dedicated team of professionals is available to provide expert help. For more information, [click here](#).

\* These protections may not apply if funds are accessed before the end of the holding period, which can limit flexibility during early retirement.

# Leverage variable annuities to support better retirement outcomes

Modern retirement brings both new opportunities and financial challenges, often requiring different strategies than those used during the working years. Effectively managing these risks can enhance confidence and flexibility, allowing clients to stay invested without abandoning long-term goals. In this phase of life, a combination of investments and insurance may be more effective than investments alone.

Variable annuities can offer a unique blend of **market growth potential, tax advantages and risk protection**—making them a **valuable tool** for managing key retirement risks. This paper explored how VAs can help address longevity risk, sequence-of-returns risk and other key retirement challenges, as well as scenarios where they may be beneficial. We've also highlighted how RIAs now have easier access to no-commission VAs and IOVAs, aligning these products more closely with **fee-based planning**.

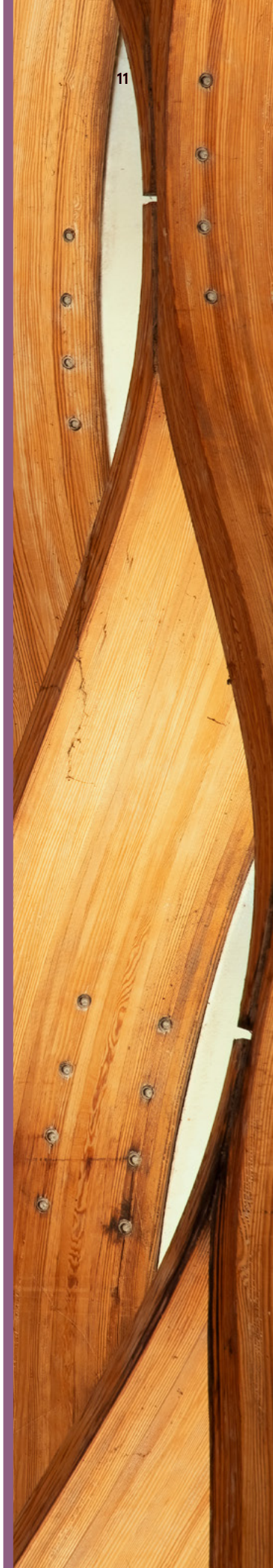
While annuities aren't a one-size-fits-all solution, ignoring them entirely could mean overlooking a key component of a well-rounded retirement strategy. Financial professionals who understand how modern VAs and IOVAs fit into today's retirement landscape will be better equipped to help clients balance growth, risk management and flexibility.

Ultimately, choosing the right financial tools depends on each investor's goals, risk tolerances and financial situations. By integrating variable annuities strategically—where they're a good fit—advisors can **help build more resilient retirement plans**, leading to greater financial security and better outcomes in an uncertain future.

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**To learn how variable annuities can help manage retirement risks and support holistic retirement planning, financial professionals should contact their Jackson representatives.**

**RIAs and wealth managers should call 800/711-7397 and financial professionals on insurance platforms should dial 800/711-7305.**





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Alternative investment strategies such as leveraging, arbitrage, and commodities investing are subject to greater risks and volatility than more traditional investment offerings. The subaccounts expect to invest in positions that emphasize alternatives or nontraditional asset classes or investment strategies and, as a result, are subject to the risk factors of those asset classes.

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