Presented by New York Life in partnership with
The American College of Financial Services

Annuity Insights: Summary

HOW ANNUITIES FIT INTO AN INVESTMENT PORTFOLIO

A smarter way to align income and investments

In this episode, wealth expert Michael Finke, Wade Pfau from RISA (Retirement Income Style Awareness), and Phil Caminiti, Head of Third Party Annuity Sales at New York Life, explore how annuities can enhance portfolio efficiency by reducing risk, improving income sustainability, and enabling more strategic asset allocation in retirement.

Framing annuities as fixed income

Annuities, especially those providing lifetime income, have some similarities to bonds, but with a key difference: they continue paying for as long as the client lives. Wade Pfau notes that annuities can be considered part of the fixed income allocation, making them an effective tool to replace or reduce traditional bond exposure in a retirement portfolio. Bonds generally return your principal at maturity after paying interest income during the life of the bond, while annuity payments include a return of principal.

Confidence to take more equity risk

By securing a portion of income through an annuity, clients may feel more confident taking risk elsewhere in the portfolio. This dynamic allows advisors to potentially increase the equity allocation while still managing downside risk—especially important when using a goal-based planning approach focused on meeting lifetime income needs.

The cost efficiency of annuities

Annuities can be a more cost-effective solution for funding retirement liabilities than building a bond ladder. Because insurers pool longevity risk, they can offer the same income with less capital. That means clients may be able to spend more or preserve more assets for legacy planning.

Compliance and portfolio construction

The perception of annuities is evolving. Advisors and compliance professionals are increasingly recognizing annuities not as “alternatives,” but as integral components of a retirement income strategy. When positioned appropriately, annuities support—not hinder—a client’s long-term goals.

Variable annuities with protection riders

Products like variable annuities with guaranteed minimum accumulation benefits (GMABs) help clients preserve their original principal and can lay a foundation to utilizing more growth-oriented investments. These strategies can increase willingness to invest more aggressively within a protected structure.

Final Thoughts

Annuities are powerful tools that combine income reliability with portfolio efficiency. By shifting longevity and market risks to an insurer, they help reduce distribution pressure while helping clients pursue their retirement goal of a more reliable stream of income. Integrated thoughtfully, they enhance both security and long-term growth potential.

SMRU8018302 (Exp.04.28.2027) A01606D.0625