510 Meadowmont Village Circle
Suite 229
Chapel Hill, NC 27517
www.KehrerBielan.com

For Immediate Release:

Bank Brokerage Firms Expect "Reasonable" Fixed Rate Annuity Commissions to Settle at 3%

Survey Examines How Bank and 3rd Party BDs Plan to Change Product Menus under DoL

CHAPEL HILL, NC FEBRUARY 16, 2017: The executive order directing the Department of Labor to review the Fiduciary Standard Rule introduced more uncertainty about the timing and character of the Rule. But should the "reasonable fee" requirement survive review, bank brokerage firms expect commissions on fixed rate annuities to settle around 3%. That is one of the key findings of a new Kehrer Bielan report on *Selling Fixed Annuities under the DoL Fiduciary Standard*.

Most bank broker dealers have already made decisions about advisor sales compensation, moving small accounts to call centers or digital platforms, and their product menus. But little is known about what those product offerings will look like. Will some firms no longer offer some kinds of products in retirement accounts? What sales commissions would they accept as "reasonable sales compensation"? Will they continue to let advisors choose the mix of up-front sales and trail commissions they receive? And will they continue the current practice of accepting different levels of sales compensation for products such as fixed rate annuities with different levels of complexity or benefits to investors?

In mid-January Kehrer Bielan surveyed the bank broker dealers and the third party broker dealers that partner with almost 3,000 banks and credit unions to ascertain how they planned to adjust their product menus, including index annuities, under the DoL Fiduciary Standard. Tim Kehrer, the firm's senior research analyst, noted that 20 firms, encompassing over 6,000 financial advisors, responded to the survey. To help the industry understand how financial institutions are planning to adapt, Global Atlantic commissioned Kehrer Bielan to provide an in depth analysis of fixed annuities.

"Global Atlantic was happy to partner with Kehrer Bielan to provide research that will help to identify trends and assist bank broker dealers as they work to interpret and comply with The DoL rule," said Paula Nelson, Head of Retirement Distribution.

Kehrer noted that the survey respondents were not unanimous in their expectations for future fixed rate annuity commissions, with responses ranging from 2.5% to 5%. But most firms' responses fell between 3% and 3.4%.

The survey also indicates that the majority of firms plan to provide the same product menu for all clients, but a surprising number plan to differentiate product offerings between retirement accounts and retail accounts.

The firms that plan to offer a separate product menu for retirement accounts had somewhat lower sales commission expectations for fixed rate annuities in those accounts, with commissions ranging from 2.5% to 4.3%, compared to 3% to 5% in the firms with a "one-size-fits-all" product menu.

The firms that plan to offer the same products to all types of accounts have also largely decided on what their fixed annuity offerings will look like. They will all offer fixed rate annuities to retirement accounts, a bare majority will allow advisors to choose between more than one up-front/trail commission option, and almost three-fourths expect to receive the same sales compensation for each fixed rate annuity on their menu.

A significant number of firms that plan to have a separate product menu for retirement accounts are still undecided about whether to include fixed rate annuities in those accounts, whether to permit advisors to choose among commission options, and whether to offer fixed rate annuities with sales compensation that varies by consumer benefits. Ten months since the announcement of the Rule, some firms are still not clear on how to best adapt their business model while balancing commitments to their clients and advisors. Among the firms that have decided on commission structures, the majority would not offer commission options to their advisors and three-fourths want to be paid the same sales compensation for each fixed rate annuity in retirement accounts.

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Global Atlantic was founded at Goldman Sachs in 2004 and separated as an independent company in 2013. Its success is driven by a unique heritage that combines deep product and distribution knowledge with leading investment and risk management, alongside a strong financial foundation of over $50 billion in assets.