The Case for Using IOVAs with Top Earners and High-Net-Worth Clients—Updated for Today's Market Environment

26-227

VLQ2818-RIA-00 8/26 E829

About This White Paper

The Case for Using IOVAs with High-Earning and High-Net-Worth Clients

With 2025 now behind us, the economic landscape is clearer: durable growth on the surface, persistent uncertainty underneath, and accelerating wealth concentration. Artificial Intelligence (AI)–driven investment and geopolitical fragmentation remain defining forces. These trends are expected to likely continue well beyond 2026 and reshape how wealth is created, protected, and taxed.[1, 2] For high-net-worth (HNW) and ultra-high-net-worth (UHNW) families, projected to hold more than $38 trillion in investable assets by 2029, the challenge is no longer navigating a single year's market cycle. It's building long-run resilience, which increasingly depends on controlling when income becomes taxable, not merely how portfolios are allocated.[3]

About the Author

K. Orian Williams, JD, LL.M, CFP®, is a managing director for Pacific Life. He has more than 20 years of experience working in financial services and formerly was a fiduciary in the legal field. Williams earned a bachelor of arts degree from the University of Alabama at Birmingham, a juris doctor degree from Loyola New Orleans College of Law, and a master of laws degree with dual concentrations in taxation and wealth management from Thomas Jefferson School of Law. He is also a member of the Louisiana State Bar. Williams currently resides in Nashville, Tennessee.

[1]Nour, Ellie. "Beyond The Forecast: UHNW Investors Must Think Differently About 2026." Forbes. December 26, 2025.
[2]"Wealth Trends 2026 How Advisers Are Repositioning for a Volatile World." Wealth Trends. January 2026.
[3]Horton, Chayce. "The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2025." Cerulli Associates. 2025.

I wrote about this topic previously when inflation was at a 40-year high and the Tax Cuts and Jobs Act (TCJA) was set to expire. We are now in a post-One Big Beautiful Bill Act (OBBBA) tax regime, and it's time for an updated view. The OBBBA, enacted July 4, 2025, permanently extended most TCJA individual rate provisions while temporarily modifying others, notably the State and Local Tax (SALT) deduction through 2029.[1]

Inflation has been something of a roller coaster over the last few years. After peaking at 9.1% in 2022, it cooled to 2.7% in December of 2025 before spiking to 4.2% by May of 2026.[2] For HNW households, I'm seeing the objective shifting. In my opinion, sustaining after-tax, after-inflation growth now requires a planning lens that looks beyond returns and focuses on tax timing, income management, and deferral opportunities.

The continued expansion of the HNW and UHNW markets, again, toward $38 trillion by 2029 reinforces this point.[3] As wealth compounds, taxes compound faster. In an era defined by structural uncertainty, tax deferral remains one of the few levers that compounds advantages over time.

For fiduciary advisors serving high-earning clients who have already maximized qualified accounts, the question becomes unavoidable:

Is it in the client's best interest to voluntarily incur annual taxes through tax-inefficient vehicles, or is it wiser to defer and control when those taxes will occur later in life?

Modern advisory class investment only variable annuities (IOVAs) offer an increasingly compelling answer. For financial professionals at broker-dealers, Registered Investment Advisors (RIAs), and family offices, this is the moment to reassess how IOVAs integrate into tax location strategy, income timing design, and inflation-aware planning. Taxes are inevitable. Tax drag doesn't have to be.

This paper lays out the following:

- Seven facts showing how today's advisory IOVAs reduce or eliminate tax drag;
- Where they fit in ordinary income vs. capital gains planning; and
- How they can help counter inflation's long term effects to give UHNW/HNW and high-earning clients the control, efficiency, and flexibility the next decade will demand.

> *Is it in the client's best interest to voluntarily incur annual taxes through tax-inefficient vehicles, or is it wiser to defer and control when those taxes will occur later in life?*

Making a Case Using the "Forensic Method"

Like some of the crime shows you see on T.V., we will be using forensic and fact-based details to help prove our point. A fact based approach—one that cuts through misinformation and attention-seeking posts from financial influencers—is the best way for me to show why fiduciary professionals should consider advisory IOVAs. These solutions can help mitigate tax and inflation risks for high-earning investors and HNW/UHNW clients with tax-inefficient allocations. Let's look at the evidence.

[1]Fleming, Lincoln. "Impact of One Big, Beautiful, Bill on Financial Advisors." BlackRock. July 9, 2025.

[2]U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, 12-month percent change. June 2022 (9.1%), December 2025 (2.7%), and May 2026 (4.2%). August 7, 2026. data.bls.gov

[3]Horton, Chayce. "The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2025." Cerulli Associates. 2025.

Fact 1: Annuities Used to Have a Bad Rap—But Times Have Changed

For years, annuity innovation was nonexistent. During a time when we saw the evolution of hedge funds, index funds, exchange-traded funds (ETFs), structured investments, and the emergence of alternative strategies and private credit, I believe most annuity products on the market were stagnant. Annuities were often seen as a being a conflict of interest, expensive, and complicated. That's good news as I see it—these generalizations are no longer true due to a renaissance in the annuity world.

Fact 2: Annuity Innovation Is Here—It's Been Here

Thankfully, for fans of factual approaches, modern advisory annuities are designed for the way fiduciary financial professionals do business. It took some time, but when innovation finally filtered into the world of annuities, it led to a wave of changes for the products, which now can strategically meet the numerous market demands of fiduciary financial professionals and their clients.

Annuity carriers, like Pacific Life, now offer advisory classes of annuities that do not pay commissions, offer cost-conscious and transparent institutional pricing, and allow fiduciary financial professionals to bill directly on the annuity's account value without creating taxable events or reducing the clients' benefits. Admittedly, the many optional riders available to purchase with some annuities can be complex, but it's often worth the time it takes to learn about them. In this paper, however, we are only focusing on advisory investment-only variable annuities (IOVAs).

Fact 3: Asset Location Is as Important as Asset Allocation

Most fiduciary financial professionals know the importance of asset *allocation*—the strategy of balancing risk with returns for clients based on their goals, risk tolerances, and time horizons. Yet, asset *location* is an often-overlooked planning strategy that is turning out to be just as important in environments like we've been experiencing.

In many categories, the tax cost ratio can eclipse the stated expense ratio, reminding us that taxes can quietly erode long-term performance even in otherwise well-run funds and ETFs. The tax cost ratio measures how much a fund's annualized return is reduced by the taxes paid on its capital gains and income distributions. The average tax cost for advisor portfolios is an astonishing three times the average fee.[1] Thoughtfully locating an asset means considering placing a client's tax-inefficient holdings, such as taxable bond funds, Real Estate Investment Trusts (REITs), alternative strategies, international funds, and actively managed funds, into a tax-sheltered account.

U.S. household financial wealth expanded approximately 16% in 2024 to more than $90 trillion. Within that total, HNW households (≥ $5 million) held about $49 trillion—roughly 54% of all household financial wealth—highlighting the degree to which recent gains accrued to the top of the market.[2] These investors have generally already reached their contribution limits in qualified accounts and are accumulating substantial assets in nonqualified taxable investment accounts. Of course, nonqualified taxable accounts are subject to annual tax reporting.

[1] "BlackRock's center for tax-efficient investing." BlackRock. Accessed April 15, 2026.
[2] "U.S. Household Total Financial Wealth Exceeds $90 Trillion." Cerulli Associates. April 16, 2025.

Ordinary Income vs. Capital Gains—the Big Surprise

Some financial professionals are unaware that certain asset classes and strategies within nonqualified accounts are taxed at ordinary income rates, not capital gains rates. This increases clients' taxable income, often in their high-income-earning years. These clients could take advantage of solutions that do two things: lower their uncontrolled taxable income and reduce the tax drag on tax-inefficient investments during their working years. Psssst… advisory IOVAs can do both. In addition to the gift of any earnings compounding over time, by locating tax-inefficient assets and strategies in an advisory IOVA, fiduciary financial professionals give clients the power to control *when* they pay taxes by choosing when they take withdrawals.

For many HNW and UHNW clients' and dual-income couples, peak savings years are also peak earning and taxable income years. These clients will likely be in a lower tax bracket once they retire and are no longer earning the money they were before. So, their withdrawals won't be taxed as much as they would have been in their working years. But let's put a pin in this for now. We'll get back to the importance of asset location in a bit.

Fact 4: Activity Due to Uncertainty Creates Tax Inefficiency

Geopolitics, monetary policy, trade policy, and economic policy have all become increasingly unpredictable. In periods of heightened uncertainty and volatility, diversification becomes more important, but it also tends to push asset managers toward more tactical trading.

In an actively managed mutual fund, almost any portfolio activity can trigger a taxable event for investors, even when clients haven't sold a single share themselves. Investors have no control over when these gains are realized, and these distributions frequently arrive at the worst possible time.

This creates a circular problem:

- Volatility leads to fund outflows
- Outflows force managers to sell appreciated securities to meet redemptions
- Those sales trigger larger capital gains distributions
- This further frustrates taxable investors and can cause additional outflows

Recent reporting shows the scale of the issue; many mutual funds are projecting double-digit capital gains distributions for 2025, with more than 10 funds estimating payouts of at least 25% of net asset value, driven by strong markets and ongoing outflows. These gains can hit clients even when performance is negative, creating surprise tax bills for high-earning investors in taxable accounts.[1]

Some of these unexpected tax liabilities have even resulted in litigation, particularly among high earners shocked by large year-end distributions.

At the same time, there is a continued structural shift from mutual funds into ETFs. ETFs are generally more tax efficient due to their ability to use in-kind redemptions. This typically allows them to avoid distributing capital gains annually—one of the key reasons investors continue migrating from active mutual funds into ETF structures.

However, while ETFs are highly tax efficient, they do not eliminate taxes entirely. They simply reduce annual drag.

This is where IOVAs come into the picture.

[1] Dore, Kate. "Double-digit mutual fund payouts are coming — how to avoid the tax hit." CNBC. November 6, 2025.

IOVAs can act as a powerful complement to ETFs—not a replacement. IOVAs allow advisors to do the following:

- Wrap ETF or active strategies in a tax-deferred structure
- Eliminate yearly taxable distributions
- Defer taxes on rebalancing, tactical shifts, or fund manager turnover
- Reduce tax drag for clients with the most exposure, including:
  - High earners in peak income years.
  - HNW/UHNW clients with tax-inefficient allocations.
  - Investors holding active strategies generating persistent taxable gains.

Pairing ETFs' inherent tax efficiency with the full tax deferral of an advisory IOVA offers a way to neutralize the growing tax burden driven by volatility, redemptions, and unpredictable capital gains distributions.

In a market defined by uncertainty, reducing unnecessary tax friction isn't just helpful—it's a fiduciary advantage.

Taxes Aren't the Only Drag on Investment Growth

Fees also take a bite out of any potential growth. Historically, the fees associated with variable annuities made them undesirable to many fiduciary financial professionals working in the RIA, family office, and trust channels, and for good reason. In some instances, the cost of managing a variable annuity might not have been worth the headache. Seeing an opportunity, annuity providers developed modern advisory IOVAs designed to be cost conscious. The sheer size and scale of many providers today allow them to provide competitive pricing at an institutional scale. You may find that some annuity carriers can offer a fully diversified portfolio for a total cost averaging under 65 basis points. Institutional pricing means clients can use investments like the ones they were using previously but keep more of their money working for them, growing tax-deferred and compounding over time.

Beware Old Break-Even Studies

I'm well aware there are older studies out there saying the cost of variable annuities makes it hard for clients to break even and get after-tax value from tax deferral. However, I would caution you that those studies may no longer be relevant because they assume higher costs that don't exist in today's investment-only variable annuities and lower tax environment. Moreover, those studies specifically say low-cost annuities (like IOVAs) can be beneficial for clients in higher tax brackets with longer investment horizons.[1]

[1] Finke, Michael. "A VALUABLE BENEFIT OF ANNUITIES: TAX DEFERRED GROWTH." Retirement Income Institute. April 2023.

So What's the Break-Even Point? Is Variable Annuity Tax Deferral Worth Paying For?

Nonqualified Assets	Annual Expenses/Fees	Income Tax Rate: Pre-Retirement	Income Tax Rate: Post-Retirement	Capital Gains Tax Rate
Taxable Account	0.68%	35%	24%	18.8%
Annuity	0.70%	35%	24%	N/A

Gross Annualized Return	Tax Deferral Break-Even Year*: 0% of Total Return Subject to Income Tax Rates Annually	Tax Deferral Break-Even Year*: 25% of Total Return Subject to Income Tax Rates Annually
4%	24	8
5%	18	7
6%	15	6
7%	13	5
8%	11	**5**

*Assumes post-OBBBA permanent TCJA marginal brackets, temporary SALT expansion (2025-2029), and current NIIT thresholds.

Fact 5: Ordinary Income Isn't a Crime

The tax treatment of recognized gains from annuities is an objection I often hear from fiduciary financial professionals who do not recommend annuities to their high-earning/HNW clients as a possible tax-control solution. But this view fails to consider some of the nuances of our tax system.

The growth within annuities is taxed at an ordinary income rate upon distribution. However, as we mentioned above, assets and strategies held in taxable accounts can be a mixed bag of preferential long-term rates and ordinary income on the annual basis separately from when the owner of the assets decides to sell them. Fiduciary financial professionals must be able to navigate both our progressive marginal federal income system and the flatter tax system for long-term capital assets at the same time.

Because the OBBBA made the TCJA's marginal income tax brackets permanent, the planning question is no longer whether rates will revert higher but how to manage income across life stages to minimize exposure to today's peak brackets and stealth taxes.

Capital Gains vs. Ordinary Income in a Nonqualified Annuity

In 2026, the top 37% tax bracket starts at $768,700 married filing jointly (MFJ),[1] while long-term capital gains reach 20% above $613,700 (MFJ)[2]—with many HNW households also crossing Net Investment Income Tax's (NIIT) unindexed $250,000 threshold. Locating tax-inefficient assets inside an IOVA defers current income and creates withdrawal optionality to target lower brackets or avoid Income-Related Monthly Adjusted Amount (IRMAA) surcharges. Because of the impacts of compound growth and deferring tax payments until a time the client decides is right, any potential "savings" an investor would receive from paying long-term capital gains taxes (20% plus 3.8% NIIT) on a yearly basis or through tax harvesting could be eclipsed by the growth realized in a nonqualified annuity. How? Let's dig deeper for the facts.

[1] "2026 Federal Tax Tables for Married Filing Jointly." American Tax Service. April 1, 2026.
[2] Chavis IV, Kenneth. "What is the long-term capital gains tax? Here are the rates for 2025-2026." Bankrate. November 30, 2025.

As I write this paragraph, I can already hear some readers saying, "Rule of thumb says long-term capital gains taxes are always better than ordinary taxes." Before 2018, those folks would likely have been correct, but in my opinion, the TCJA rendered that argument moot in some circumstances. There are intervals, or "windows," when the effective ordinary income rates may be lower than long-term capital gains rates.

For instance, let's say we have a married couple filing jointly. Their top capital gains rate is 23.8% because we must remember that investors making over $200,000 individual/$250,000 married filing jointly are subject to the 3.8% NIIT, which I've stated isn't indexed for inflation. At certain levels of income, the couple's effective ordinary income tax rate will be less than the capital gains rate (or combination of the capital gains rate and NIIT). At other levels, the rates will be very close. In addition, remember that not all investment income or returns are long-term capital gains; some will be taxed at ordinary income rates. This brings me to another point.

Taxable income rarely stays flat across a person's life—most individuals begin their careers in lower brackets, move into higher brackets during peak earning years, and later transition into lower brackets as they approach retirement, making proactive, long-term tax planning essential. Timing and control of the recognition of income can help retain more of the value of assets. If we combine tax deferral and asset location, we create the opportunity to defer the recognition of ordinary income to a future lower bracket.

> *Timing and control of the recognition of income can help retain more of the value of assets. If we combine tax deferral and asset location, we create the opportunity to defer the recognition of ordinary income to a future lower bracket.*

Controlling Income to Avoid or Reduce IRMAA

While the OBBBA did not directly change the IRMAA thresholds, its permanent income-tax structure increases the importance of managing Modified Adjusted Gross Income (MAGI), since IRMAA brackets remain unindexed and increasingly binding over time.

Since Medicare Part B and D premiums are based on MAGI, the ability to hold down gross income may help avoid or reduce the IRMAA at higher income levels.

Many advisors I talk to forget that phaseouts of deductions and credits and phase-ins of others can affect their clients' tax burdens.

Phaseouts of Deductions and Credits Are Often Overlooked

Phaseouts of deductions and credits are some of the most complicated and overlooked tax-planning concepts for clients and advisors. Uncontrolled distributions from investments can push clients into higher marginal tax brackets and cause them to lose valuable deductions or credits. Phaseouts are a stealth tax for high-earning clients because they claw back benefits, increase effective tax rates, and decrease after-tax gains.

Some high-earner phaseout traps include Roth IRA contributions and the Adoption Credit. Phase-in tax provisions include the 3.8% NIIT and the .9% Medicare surtax on wages. Some phaseouts provisions are indexed for inflation, and some are not, which will affect more clients over time by putting them over phaseout cliffs as they receive nominal raises over their careers. We saw a dramatic rise in wages during the "Great Resignation" that have only recently flattened out.[1] Think about how many of your clients crossed into new taxes over the last five years.

[1] Crumley, Bruce. "New Data Suggests Great Resignation Salary Increases Are Finally Flattening." Inc. March 8, 2024.

How State and Local Taxes (SALT) Impact Growth

As mentioned earlier, the OBBBA extended most of the tax policy within the TCJA. However, the change in the SALT cap will impact high-earning clients, as deductions are worth more to these income tax filers. For tax years 2025–2029, the SALT deduction cap is $40,000, indexed upward by 1% annually, with a 30% phase-down for MAGI above $500,000 (also indexed) and a minimum deduction floor of $10,000 before reverting in 2030. This materially changes after-tax math for clients in high-tax states.[1]

For high earners in high-tax states, it creates not only a temporary planning window but also a new "SALT torpedo" where incremental income can trigger both higher taxes and lost deductions, increasing effective marginal rates.

In addition, most states tax capital gain and dividend income at the state's ordinary income rates.[2] The point here: There is a lot more to consider than how an investment is taxed on the surface. By relocating actively managed investments and strategies that generate annual income and that the client doesn't currently need or want into an advisory IOVA, fiduciary financial professionals may help clients reduce or eliminate stealth taxes.

Annuities for Legacy Planning

With OBBBA making estate and gift tax exemptions permanent at elevated levels, nonqualified annuities increasingly serve as income-tax-management and beneficiary-control tools rather than estate-tax-minimization vehicles.

For annuity owners who don't need the money themselves, a nonqualified annuity can help with legacy planning. While I often hear the objection that clients lose the step-up in cost basis at the death of the nonqualified annuity owner, what is the likelihood that heirs will immediately liquidate investments that received a step-up of cost basis to avoid further compounding that will be subject to taxation? Heirs will want to spend their inheritance at some point.

Nonqualified annuities don't get a step-up in cost basis because taxes have been deferred and can be deferred for years. Nonqualified annuity owners are not required to take distributions until the annuity maturity date. The tradeoff in not getting a step-up in cost basis is the tax deferral, bypassing the probate process, and allowing natural beneficiaries to control taxable distributions over their life expectancies through a nonqualified stretch provision. With the stretch provision, beneficiaries of nonqualified annuities outside of trusts have the option of receiving an annual required minimum distribution of the account's value over their life expectancies. This allows the money to be reallocated to fit the heir's investment/risk profile and stay invested in the markets so it can continue to grow.

Finally, nonqualified annuities also may be used to achieve tax deferral within various trusts, and the growth within the annuity would not be counted as net distributable retained income subject to punitive trust tax rates. They can be used to efficiently transfer wealth to charitable causes when the client passes away.

> *The tradeoff in not getting a step-up in cost basis is the tax deferral, bypassing the probate process, and allowing natural beneficiaries to control taxable distributions over their life expectancies through a nonqualified stretch provision.*

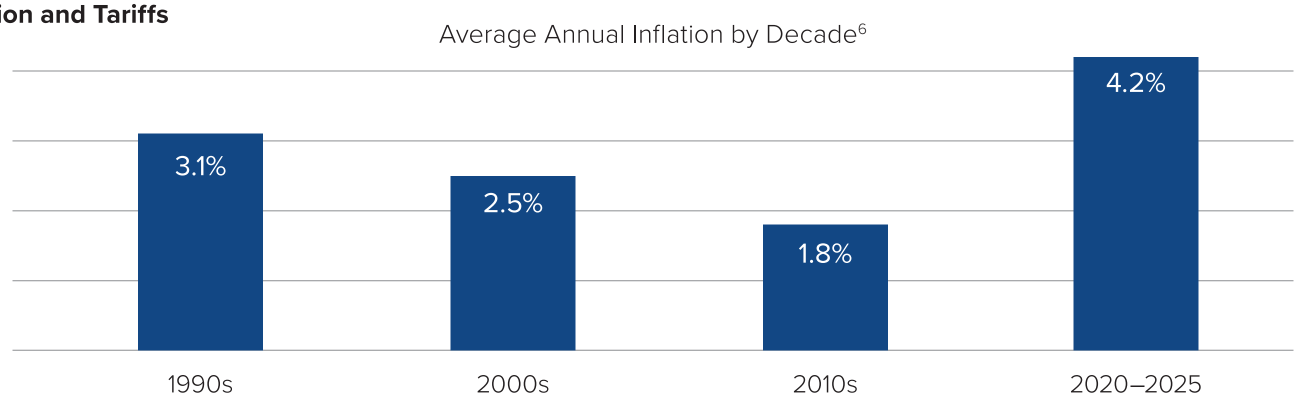
[1] Hernandez, Fredrick. "SALT Deduction Changes in the One Big Beautiful Bill Act." Bipartisan Policy Center. July 30, 2025.
[2] Taylor, Kelley R. "Capital Gains Tax Rates 2026: What You Need to Know." Kiplinger. April 10, 2026.

Fact 6: Inflation Acts Like a Stealth Tax

Taxes and inflation work hand in hand to drag down growth. Want to see the negative impact inflation has had on consumer buying power since the pandemic? Just look at the Bureau of Labor Statistics' CPI Inflation Calculator for a reality-inducing trip down Price-Comparison Lane and see how far your client's dollar isn't stretching today.

Since 2010, we've seen a substantial increase in the prices of things people need every day, including a 36% increase in the cost of hospital services[1] and a 45% increase in the cost of beef[2] in 10 years, as well as a 24% increase in water and sewer prices in just the last five years.[3] (Know any clients who might need some of those goods and services?) Historically, the Federal Reserve Bank tries to hold inflation to a year-over-year average of 2%. As previously mentioned, the U.S. inflation rate spiked to 9.1% in June of 2022,[4] cooled significantly to 2.7% in December of 2025, and has since raised to 4.2% as of May of 2026.[7] To put that into hard figures, $1,000 in June of 2021 would buy $810.74 in goods and services in May of 2026. Zoom out even further to June of 2000, and that same $1,000 would only buy you $531.15 in goods and services.[5] Inflation can even have a dramatic impact on HNW clients. Well-off retirees who had nice financial cushions are finding themselves cutting back on things they wanted to do, such as traveling, buying new cars, or eating out at restaurants.[6]

Inflation and Tariffs



Tariffs and unexpected wars also have contributed to the upward pressure on inflation. With such volatility, inflation remains above target critical spending categories.[7]

I can't count how many times I've heard financial professionals who have UHNW/HNW clients tell me, "My client has plenty of money." Guess what? These clients also think about higher prices! The "lifestyle tax" affects high-earning or UHNW/HNW clients too, and it plays out in the types of purchase decisions they make. There's been a major downturn in the purchases of luxury automobiles, clothes, jewelry, and furnishings recently.[8] Higher prices are even impacting luxury travel.[9]

What are the most impactful investment strategies to counter this "lifestyle tax"? You can go on the offensive by using commodity strategies, natural resources (gold, energy), real assets (securities), and REITS to combat inflation. In fact, 91% of advisors working with HNW clients consider alternative investments to now be an important initiative.[10] You also can take a defensive position by using a fixed income strategy to protect client portfolios from rising inflation. However, these strategies are also tax inefficient. But fear not; there is an answer.

[1] "Utilization and Price Drivers of Increasing Health Care Spending (2010-2023)." Altarum. June 10, 2024.
[2] Cunningham, Mary. "Beef prices in the U.S. are searingly high. Here's why." CBS News. July 8, 2025.
[3] "U.S. water and sewer bills reach five-year high, outpacing inflation." Smart Water Magazine. March 19, 2026.
[4] "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years." U.S. Bureau of Labor Statistics. July 18, 2022.
[5] "CPI Inflation Calculator." U.S. Bureau of Labor Statistics. bls.gov. August 7, 2026.
[6] McMahon, Tim. "U.S. Inflation History Since 1774." InflationData.com. April 10, 2026.
[7] Wallace, Alicia. "U.S. inflation tops 4% for first time in three years as oil prices jump." CNN. June 10, 2026.
[8] Danziger, Pamela N. "As Luxury Brands Brace For Tariffs, Affluent Consumers Hit Pause." Forbes. April 11, 2025.
[9] Gollan, Doug. "High Net Worth Travelers Are Balking At Increased Prices And Lower Service." Forbes. August 6, 2025.
[10] "Differentiating Your Practice with Private Markets." KKR. 2025.

For that, let's take the pin out of our prior asset location discussion. We know we can locate tax-inefficient strategies within an advisory IOVA. So, how do we help high-earning clients battle inflation with tax-inefficient assets? If you're thinking you can wrap them in an IOVA and eliminate tax drag, you've made a great observation. Many of these offensive and defensive strategies can be found in advisory subaccounts managed by well-known managers such as JP Morgan, Fidelity, T. Rowe Price, PIMCO, BlackRock, American Funds, DFA, and Vanguard.

Inflation Offense and Defense in a Portfolio[1]

Offense

Asset Class
Commodity Strategies
Natural Resources (Gold, Energy, Mining)
Real Estate Assets (Securities)
REITS

Defense

Asset Class
Inflation Protected Bond
Global Inflation Protected Bond
Unconstrained Fixed Income
Floating Rate Income

Fact 7: Annuities Can Assist in Decreasing the Impact of Inflation and Lower Tax Drag

Here's a wrap-up of the facts we've covered so far:

- Annuities weren't always seen in a positive light, but innovation in the industry created solutions that help meet the needs of modern HNW/UHNW investors and fiduciary financial professionals. These advisory investment-only variable annuities are liquid, cost conscious, and able to be integrated into most financial planning platforms.
- HNW and UHNW clients are increasing in number, presenting an opportunity for fiduciary financial professionals to separate themselves from their peers and ensure that clients maintain and grow their wealth for years to come.
- New advisory class annuities offer clients the opportunities to benefit from compounding growth and legacy planning while also putting the client in control of when taxes are paid through tax deferral.
- Compounding growth and tax deferral can lead to significant growth in assets while also allowing time for the client to move into a lower tax bracket before taxes are actually paid on those assets.
- Wrapping tax-inefficient investments in annuity wrappers can be an effective strategy to combat inflation.

Case Closed—Annuities Deserve a Second Look

I think you'll agree that it's time to explore advisory investment-only variable annuities if you haven't done so before or if it's been a while. Exploring the features offered by this solution with clients could provide the tax-efficient opportunities they've been looking for.

[1] "Are the prices right? Understanding inflation: A Student of the Market special edition." BlackRock. February 2024.

PACIFIC LIFE

THE OFFICIAL SPONSOR OF RETIREMENT®

26-227

VLQ2818-RIA-00 8/26 E829