



The Renaissance of Fee-Based Annuities Is Here: Will Your Firm Lead or Follow?

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For years, annuities were viewed with skepticism by fiduciary financial professionals. They were seen as too complex, too product-driven, and too misaligned with the principles of fee-only and fee-based planning. But that perception is rapidly—and fundamentally—changing. As I was drafting this article, a major broker/dealer announced that it would make direct billing from fee-based variable annuities available to financial professionals on its platform.¹ The new age is officially here!

A new generation of annuities is emerging. Built for transparency, designed for flexibility, and aligned with fiduciary billing models, these solutions are reshaping how financial professionals and institutions think about income, risk, and long-term planning. The fee-based annuity market is no longer a niche; it's a fast-growing, high-potential segment that's redefining the role of insurance in wealth management.²

The Shift Is Real, and It's Accelerating

Fee-based annuity sales have doubled between 2020–2024 to almost \$8 billion in annual sales.³ It's my opinion that we'll see that momentum continue. The data tells a clear story: Carriers are diversifying their traditional annuity products to include fee-based annuities that empower advisory-fee-focused financial professionals. Direct billing capabilities, platform integrations, and tax-efficient features are removing long-standing barriers to adoption.¹ Financial professionals now have the tools to incorporate annuities without compromising their planning philosophy or compensation structure.

This shift isn't theoretical; it's operational.

Financial professionals are already using fee-based annuities to help:

- Transition clients out of legacy, commissionable contracts when it makes sense for the clients' goals.
- Deliver guaranteed income strategies within a fiduciary framework with optional benefits available for an additional cost.
- Reduce tax drag on portfolios by relocating inefficient assets.

¹Osaic announces direct billing for fee-based annuity products," Osaic, June 30, 2025. <https://osaic.com/articles/osaic-announces-direct-billing-for-fee-based-annuity-products>.

²Goldman Sachs, Press Release, "Insurers Lean Into Income, Innovation and Intelligence as Annuity Industry Enters New Era," Goldman Sachs, June 12, 2025. <https://am.gs.com/en-us/institutions/news/press-release/2025/annuity-industry-survey-press-release>.

³"U.S. Annuity Market: New Opportunities Amid Economic Uncertainty," LIMRA, May 20, 2025. <https://www.limra.com/en/newsroom/industry-trends/2025/u.s.-annuity-market-new-opportunities-amid-economic-uncertainty/>.

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The Strategic Imperative

For decision-makers at RIAs, broker/dealers, and family offices, the message is clear: The use of advisory annuities is no longer a fringe development. It's a strategic imperative.

Advisory annuities may offer ways to:

- Expand your platform's value proposition.
- Equip financial professionals with tools that align with fiduciary standards.
- Capture new revenue streams while providing important opportunities for clients and continuing to cultivate trust.

No longer a fringe development; advisory annuities are a strategic imperative.

This is not about selling annuities. It's about solving real problems—income stability, tax efficiency, longevity risk, and legacy planning—within a modern, advice-driven framework. The Cerulli Q1-2025 report reinforces this imperative, highlighting that high-net-worth (HNW) clients increasingly expect comprehensive, tax-efficient solutions.¹ Fee-based annuities align with this demand, offering transparency and customization within a fiduciary framework. Fee-based annuities that become advisory assets under management are a mutually beneficial outcome for advisory firms and financial professionals.

Even the Ultrawealthy Are Paying Attention

Perhaps the most telling sign of the annuity market's evolution is who's adopting it. Cerulli's findings confirm that ultra-high-net-worth (UHNW) clients are drawn to solutions that support intergenerational wealth transfer and income continuity. UHNW clients—those with access to the most sophisticated planning tools—are increasingly turning to private placement variable annuities (PPVAs) and private placement life insurance (PPLI).¹

These structures offer:

- Tax-deferred growth and tax-free wealth transfer.
- Access to alternative investments through institutional managers.
- Estate planning advantages in the context of the \$124 trillion wealth transfer.

This isn't just a trend; it's validation. The modernization of fee-friendly annuities also can make retail investment-only variable annuities (IOVAs) appealing to this segment of clients. Advisory IOVAs have no surrender charges and offer a multitude of institutionally priced investment options. If annuities are providing opportunities for the UHNW segment, they certainly deserve serious consideration across the entire client base.

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¹The Cerulli Edge, "U.S. Product Development—ETF Edition," Cerulli, Q1-2025.

A \$1.3 Trillion Opportunity Hiding in Plain Sight

According to the Investment Company Institute, mutual funds assets (known as subaccounts) held within variable annuities totaled approximately \$1.3 trillion at the end of 2023.¹ Much of this capital remains an untapped opportunity by fee-based advisors—not because it lacks value, but because the tools to access it weren't available.

But, now they are—and in a big way.

With modern annuity platforms, financial professionals can unlock these assets, bring them into the planning conversation, and aim to deliver strong outcomes for clients—without sacrificing transparency or control.

Built for the Advisory Model

Today's fee-based annuities are designed to integrate seamlessly into advisory practices. They're commission-free, platform-compatible, and operationally efficient. Key features include:

- Advisory fee withdrawals (up to 1.5% annually) without triggering a taxable event.²
- Integration with custodians such as Schwab and Pershing.
- Direct data feeds into portfolio management platforms such as Orion, Black Diamond, Advyzon, and Tamarac.
- Transparent pricing and simplified compliance.
- Easier access, as outsourced insurance desks (OIDs), carriers, or broker/dealers are properly licensed and able to sell products on behalf of financial professionals at RIAs or family offices.

These aren't legacy products with a new label. They're purpose-built solutions for financial professionals who lead with planning, not product.

Demand Is Growing. So Is the Expectation

Retail investors are increasingly open to annuities, especially those nearing retirement. In 2024, we saw the third straight record year for annuity sales with \$434 billion.³ Demand hasn't slowed as a recent report showed annuity sales topped \$106 billion in Q1 2025.⁴ What's driving the demand? It's a mixture of demographics, the economy, and a growing need. We have an aging population, and many of them will retire without the support of a pension plan.

According to a recent investor report conducted by Cerulli Associates:⁵

- 49% cite asset protection as a key benefit.
- 45% value diversification; 28% seek income generation.
- 7% of all investors plan to purchase an annuity in the next year.

Yet, 23% of investors remain unfamiliar with annuities, highlighting a major opportunity for education and leadership. Home offices for financial professionals can play a critical role in assisting clients by facilitating education, research, and due diligence support. Financial professionals who can bridge this gap with clarity and confidence will be well-positioned to grow their practices and deepen client relationships.⁵

¹"Investment Company Fact Book," Investment Company Institute, May 15, 2024. <https://www.ici.org/system/files/2024-05/2024-factbook.pdf>.

²Advisory fee withdrawals are limited to 1.50% of the annuity contract's cash value for the calendar year. Advisory fee withdrawals greater than 1.50% are not allowed. Withdrawals from the contract to pay advisory fees will reduce the contract value (private letter ruling 201946001).

³"LIMRA: 2024 Retail Annuity Sales Grow 13% to a Record \$434.1 Billion" LIMRA, March 17, 2025. [https://www.limra.com/en/newsroom/news-releases/2025/limra-2024-retail-annuity-sales-grow-12-to-a-record-\\$434.1-billion/](https://www.limra.com/en/newsroom/news-releases/2025/limra-2024-retail-annuity-sales-grow-12-to-a-record-$434.1-billion/)

⁴"LIMRA: U.S. Annuity Sales Exceed \$106 Billion in First Quarter Results," LIMRA, June 17, 2025. [https://www.limra.com/en/newsroom/news-releases/2025/limra-u.s.-annuity-sales-exceed-\\$106-billion-in-first-quarter-results/](https://www.limra.com/en/newsroom/news-releases/2025/limra-u.s.-annuity-sales-exceed-$106-billion-in-first-quarter-results/)

⁵The Cerulli Report, "U.S. Retail Investor Products and Platforms 2024," Cerulli, 2024.

Planning with Purpose

The future of annuities is not about product. It's about purpose. It's about giving financial professionals the flexibility to do what they think is right for their clients and giving firms the infrastructure to support them.

The fee-based annuity renaissance is here. The only question is: Will your firm lead or follow?

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