WHY FLEXIBILITY WINS IN TODAY'S MARKET

David Blanchett, PhD, CFA, CFP®

Head of Retirement Research, Prudential Financial and Portfolio Manager, PGIM

David is currently an Adjunct Professor of Wealth Management at The American College of Financial Services and a Research Fellow for the Alliance for Lifetime Income.

In today's dynamic market, investors want financial products that deliver growth potential and downside protection—without sacrificing control. For retirees, this is especially important as longer life expectancies and inflation concerns make maintaining market participation critical for preserving purchasing power.

The power of flexibility

Today's Registered Index Linked Annuities (RILAs) are offering more features and options than ever to truly personalize each client's annuity experience. One emerging feature offers the ability to lock in market gains and reallocate the portfolio at any time, not just at the end of a term. This flexibility can be particularly valuable for investors who want to stay invested in equities while actively managing risk during their term.

Our research shows that both advisors and consumers have a clear interest in this type of flexible allocation feature. What's more—the availability of such a feature increases risk tolerance for both groups, potentially boosting returns. It also allows investors to dynamically reallocate portfolios without triggering gains, which can offer tax advantages.

In short, flexibility to reallocate gives investors more control and confidence. And this helps advisors drive meaningful conversations and build highly-personalized strategies for each individual client.

How flexibility changes the game

To better understand how increased flexibility impacts perceptions of consumer and investment products, RILAs in particular, online surveys[1] of financial advisors and consumers were conducted in August 2025. The results highlighted three key potential benefits of a flexible reallocation feature:

RILAs gain new attention—and appeal

The flexible reallocation feature was especially appealing to mass affluent consumers in the accumulation phase working with financial advisors. As one advisor shared, "The feature appeals to both aggressive and conservative clients, supports stronger investment strategies, and boosts overall client comfort and confidence."

77%

of advisors say client interest in RILAs would rise with the ability to lock in growth and reallocate anytime

- 84% of likely RILA buyers were even more interested with this feature offered.
- 78% of respondents said the benefit was important.

[1] The financial advisor survey was conducted online by Prudential Financials' Marketing Insights group from August 4th to 5th, 2025 and there were 209 respondents. An online survey of mass affluent consumers, defined as those with at least $500,000 in investable financial assets, was conducted by C space from August 14th to 25th, 2025, and there were 177 respondents.

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Consumers and advisors are willing to take on more growth risk

Flexible reallocation doesn't just increase interest—it changes behavior.

64%

of advisors would increase allocations to risky assets if this feature is available.

- "This allows them to take more risk for potential upside now that they can lock and re-enter. This would also allow to take the pressure off the other strategies in their portfolio to perform—we could scale risk back on those since we have this." - Surveyed Financial Advisor, risk tolerance changed from moderately aggressive (60%-74% equities) to aggressive (75%-89% equities)
- Equity allocations increased by 8%, on average, from 49% to 57%.
- The largest increase in risk levels was seen among advisors with clients invested in relatively conservative RILA strategies, with risk rising by about 20%.

An 8% increase in equity exposure could raise expected returns by about 40 bps, assuming a 500-bps equity risk premium.[2] For the most conservative advisors, the increase in expected returns would be closer to 100 bps.

Consumers also expressed interest in increased risk levels:

41% of consumers said they'd be more willing to invest in higher-growth and riskier assets—and among balanced and aggressive investors, this willingness jumps to almost 50%.

"If I can lock in/secure earnings I would be more willing to take controlled risk."—consumer survey respondent

A potential boost to after-tax wealth

Another benefit: flexible reallocation allows investors to dynamically adjust risk levels without realizing gains, in particular short-term gains. This can help build long-term wealth more efficiently. While all annuities offer similar advantages, this is a notable advantage over a traditional taxable (i.e., nonqualified) account, where gains are realized (and taxable) when they occur.

The future is flexible—are you ready?

As RILAs evolve, flexible reallocation is set to become a must-have feature for both financial advisors and their clients boosting the appeal of RILAs and opening the door to potentially better investment outcomes through higher expected returns.

Are you ready to help clients benefit from a more flexible future?

Key takeaways:

Flexibility drives demand: 77% of advisors say flexible reallocation increases client interest in RILAs.

Behavior shifts with flexibility: Both advisors and consumers are more willing to take on growth risk—and equity allocations rise—when flexible reallocation is available.

Potential for higher returns: Flexible reallocation can lead to greater equity exposure and higher expected returns, especially for conservative investors.

Tax-efficient wealth building: The ability to reallocate without triggering gains can help investors build long-term wealth more efficiently than traditional taxable accounts.

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This is a game-changer. It gives conservative clients the ability to take more equity risk in their portfolios.

–Surveyed Financial Advisor

[2] The geometric average annual equity risk premium (ERP) from January 1926 to December 2024, according to data from the "Stocks, Bonds, Bills, and Inflation" dataset has been 6.91%; therefore a 500 bps (5.0%) ERP is a relatively conservative assumption and more consistent with expected returns.

Discover how **Flexible Allocation** and other powerful enhancements in the **FlexGuard 2.0** suite* can help you attract new RILA clients and build confidence around risk.

For more information, please contact your Prudential wholesaler or the Sales Team at 800-513-0805.

Investors should carefully consider the features of the contract, index strategies, risks, charges, and expenses. The prospectus for the contract contains this and other important information which can be obtained by contacting the National Sales Desk. Clients should read the prospectuses carefully before investing.

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