

# 5 Annuity Trends to Watch in 2026

The annuity market is entering a new phase. After several years defined by rising interest rates, advisors and clients now face a different environment—one where rate cuts, shifting risk appetites, and emerging technology are reshaping how annuities fit into portfolios.

“The story in 2026 isn’t about chasing yield anymore,” explained Matt Cross, SVP, Director of RIA Strategy, Annuities at Vanbridge. “Clients want growth, but they also want protection—and that’s reshaping which annuities rise to the top.”

Here are the five trends that matter most as we approach the year ahead.

## 1. A Rotation From Rate Plays to Market Protection

MYGAs, FIAs, and RILAs have thrived in recent years as investors looked for fixed income alternatives with higher potential and greater downside protection. These products offered strong crediting rates and a clear hedge against interest rate risk.

But as the Federal Reserve continues its rate-cutting cycle, that advantage is narrowing. Variable annuities, which were largely sidelined, are starting to look more attractive to investors who still want equity exposure but with more structured risk management.

Expect client conversations to shift from “What yield can we lock in?” to “How do we stay invested without taking unnecessary risk?”

## 2. Lower Urgency for 1035 Exchanges

As new-money rates drift lower, lifetime income benefits on new annuity contracts will become less generous compared to those issued during the rate peak. That makes it harder to justify a 1035 exchange unless there’s a clear advantage.

The result: fewer automatic rollovers and more scrutiny around whether the trade-off is worthwhile. Advisors will need to make a stronger case for replacing existing contracts, one based on strategy, not just rate shopping.

## 3. Cash and Managed Accounts Become the Primary Funding Sources

With fewer annuity-to-annuity transfers, the source of funding will shift. Advisors will increasingly turn to cash positions and managed accounts to implement annuity solutions.

Even in a lower-rate environment, annuities still offer a compelling value:

- better risk-adjusted return potential than equities alone,
- defined downside buffers,
- protection from late-cycle volatility.

The pitch moves from “capturing high rates” to “positioning the portfolio for a more uncertain market.”

#### **4. RILAs Gain Momentum as Markets Rise and Rates Fall**

Among the available annuity products, RILAs are especially well-aligned with 2026 conditions. As equities appreciate and rates come down, RILAs offer:

- meaningful upside exposure,
- customizable downside protection,
- flexibility that resonates with cautious investors.

“RILAs give clients a way to stay invested without feeling exposed,” said Cross. “That balance of participation and protection is exactly what many investors are looking for heading into 2026.”

#### **5. AI Expands Operational Capacity—Not Advisor Replacement**

Annuities remain a relationship-driven business. The complexity of the products, the long-term nature of the commitments, and the retirement goals they support all demand human conversation.

AI won't replace that. But it will reshape how insurance carriers, RIAs, and broker-dealers operate behind the scenes.

Expect to see AI playing a bigger role in:

- streamlining new business workflows,
- improving post-issue servicing,
- standardizing communications,
- reducing administrative burden.

The goal isn't to replace advisors, it's to free them up so they can focus on the work only they can do.

#### **Positioning for What's Next**

The annuity landscape is changing, and it's happening quickly. Advisors who anticipate the pivot, from chasing yield to managing risk, will have an advantage in the discussions ahead. This is still a strong market; the opportunities are just taking a new shape.

Adapting your approach today puts you in a better position to support clients as the environment shifts throughout 2026.