Annuities Need More Positive 'Positioning'

By Editorial Staff *Thu, Jun 13, 2019*

'Consumer sentiment about annuities also appears to fluctuate based on the prevailing market environment,' according to a new study from CANNEX and Greenwald & Associates.

The "positioning" of retirement income products can determine the public's level of interest in them, according to the fifth annual Guaranteed Lifetime Income Study by Greenwald & Associates and CANNEX.

The study, based on a survey of 1,005 Americans ages 55 to 75 with at least $100,000 in investable assets along with 302 financial advisers, showed that the individual appeal of annuities may depends on whether they are framed as part of:

- A source of retirement income
- A hedge against poor stock market performance
- A way to meet long-term care and other medical expenses in old age
- A hedge against outliving one's savings (longevity insurance)

Drivers of Interest in Guaranteed Lifetime Income Products

"Perceptions around annuities, how the products are positioned, and whether they are discussed by advisors, all significantly affect whether and how consumers consider them," said study director, Doug Kincaid of Greenwald & Associates.

The *Top 10 Key Findings & Data from the Guaranteed Lifetime Income Study* report summary shows:

Two-thirds (67%) of near-retirees or the recently-retired surveyed say they "highly value" guaranteed income to supplement Social Security. When guaranteed lifetime income (GLI) products are positioned as a way to cover essential expenses along with Social Security, 71% believed this would be a good strategy for their own retirements.

Consumer sentiment about annuities also appears to fluctuate based on the prevailing market environment, dropping as stocks rise and increasing when the market experiences sharp volatility.

Positive vs. Negative Perceptions of Annuities

The products' perceived negatives have not significantly changed over the last few years.

About half of consumers (46%) believe annuities:

- Have too many terms and conditions
- Hinder their access to their money
- Are difficult to understand

More than a third of consumers (35%) expressed less interest in an annuity that offers guaranteed lifetime income than in an unnamed product with identical features.

Annuity Owners Satisfied

Of respondents who own a GLI product, six of 10 are satisfied and three-quarters would recommend them. The respondents are:

- Less concerned about day-to-day expenses in retirement
- Can budget more effectively
- Spend more on discretionary items
- Take greater investment risk with their other assets
- Worry less about losing savings during a downturn (19% vs. 28%)

"Women, in particular, are interested in these products as a means to avoid running out of money in retirement," said Tamiko Toland, head of Annuity Research at CANNEX.

Gaps between advisors and clients

Advisors say that they discuss income strategies with an average of 79% of their clients, but only 55% of clients report having discussed income strategies with their advisor. Advisors also consistently underestimate client interest in guaranteed lifetime income products.

"The research reveals a disconnect between what advisors think clients want and what clients say they want, but it also highlights opportunities to discuss retirement income strategies and products," Toland said.

For a copy of the 2019 Guaranteed Lifetime Income Study's supplemental data charts and additional information about the findings of the study, go to **Greenwald & Associates** or **CANNEX**.

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