
By Another Name, Annuities Would Smell Sweeter

By Editor Test *Wed, Sep 8, 2010*

Some 80% of 3,200 people surveyed preferred a product with four percent return and a principal guarantee over a product with an 8% return subject to market risk. But they balk at the word, “annuity.”

Even though most people like the annuity concept, more than half (53%) of Americans aged 44-75 expressed distaste for the word “annuity”, according to a survey from Allianz Life Insurance Company of North America.

Some 80% of 3,200 people surveyed preferred a product with four percent return and a principal guarantee over a product with an 8% return subject to market risk—thus answering the classic behavioral finance question, Would you prefer a 100% change of \$50 or a 50% chance of \$100. But they balk at the word, “annuity.”

“No other financial product offers guaranteed income for life. Government, financial planners and the industry need to re-educate the American public about what these products do and how they can help secure a stable retirement,” Allianz Life said in a release.

The study, titled [*Reclaiming the Future: Challenging Retirement Income Perceptions*](#), found that respondents had decades-old prejudices regarding annuities. Fifty-three percent first formed their opinion of annuities 10-20 or more years ago. Only 27% knew of innovations made with annuities during the past five to 10 years. Only 23% know that variable annuities allow contract holders to participate in market gains.

When people understand annuities, they’re very satisfied with them. According to the study, 76% of annuity owners are “very happy” with their purchase. More than half of owners like the product because it’s a safe, long-term investment vehicle (57%), a great way to supplement their retirement income (56%), and an effective tool to get tax-deferred growth potential (56%). Consumers ranked annuities second-highest (50%) in satisfaction among all financial instruments, beating mutual funds (38%), stocks (36%), U.S. savings bonds (35%) and CDs 25%).

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