
Guaranteed Lifetime Income Appeal Index created

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Do Americans value their Social Security benefits? Of course. Do retirees who have private pensions value their monthly checks? Duh. But do Americans know that annuities can provide benefits similar to these other sources of guaranteed lifetime income? Uh, no.

A new study, sponsored by CANNEX, the independent provider of annuity prices and other financial data, and conducted by Greenwald & Associates, confirms Americans' ignorance of annuities.

To publicize this knowledge deficit and to track its variability in the future, CANNEX is sponsoring a Guaranteed Lifetime Income (GLI) Appeal Index, a new measurement derived from the study. The index measures the likelihood that consumers will consider a future annuity purchase and tracks consumers' attitudes toward annuities over time. At present, according to the CANNEX-Greenwald study, only 16% of consumers score highly on the GLI Appeal Index.

The study surveyed consumers ages 55 to 75 with at least \$100,000 of investable assets and found that they highly value sources of guaranteed lifetime income to supplement their Social Security benefits. Consumers also believe that having guaranteed lifetime income provides peace of mind and helps them manage spending and financial planning.

Of those who are currently retired, many already rely on annuitized wealth—income from pensions and Social Security—to meet most of their living expenses and conserve their liquid wealth. For this group, GLI sources cover 79% of retiree expenses.

But the study further revealed that consumers have a very low understanding of other sources of GLI, such as retail annuities, and how to obtain them. This was true even though the gradual disappearance of defined benefit pensions will inevitably force more people to purchase their own “pensions,” in the form of private annuities, if they hope to enjoy the same benefits as traditional pensioners.

“The significant reduction of people who will enter retirement with the right to guaranteed income from employer pensions, coupled with increasing age of entitlement for full benefits

from Social Security, places an increased burden on consumers to solve for their own sources of sustainable income, especially in the face of growing healthcare, longevity and living expenses,” said Mathew Greenwald, president & CEO of Greenwald & Associates, in a release.

“For more than half a century, retirement security in this country has been mainly provided by guaranteed lifetime income from pensions and Social Security,” he added. “As these sources are reduced, a key question is whether or not pre-retirees and retirees replace these sources with other sources of guaranteed lifetime income or use other strategies. Currently, many are not aware of how to generate guaranteed lifetime income on their own.”

The findings of The Guaranteed Lifetime Income Study included:

- 78% of consumers consider sources of guaranteed lifetime income other than Social Security to be very valuable. Those who expressed the greatest appreciation for guaranteed lifetime income’s value included women, those with less than \$1 million in assets, those who rely on others for investment decisions, and those who remember an advisor discussing annuities with them.
- Current retirees depend on guaranteed lifetime income sources to cover most of their living expenses (79% on average). More than 40% say they rely entirely on guaranteed lifetime income sources and do not tap their investments.
- Few consumers understand the role of a guaranteed lifetime income product in a retirement portfolio. They don’t know, for example, that it can allow them to take greater risks with non-annuitized wealth, thus giving them more opportunity for long-term portfolio growth.
- Most consumers don’t understand the differences between the many types of annuities. While two-thirds of consumers say they are highly familiar with mutual funds, for instance, only about 30% of consumers say they are highly familiar with fixed annuities.