
Need for annuities is strong but interest still weak: Survey

By Editorial Staff *Thu, Mar 22, 2018*

A new CANNEX/Greenwald survey shows that about four in 10 pre-retirees expect annual income under \$50k in retirement; 23% expect \$50k-\$75k and 16% expect \$75k to \$99k. Under 20% expect \$100k+.

Almost three out four Americans (73%) consider guaranteed income “a highly valuable addition to Social Security,” according to a survey of 1,003 pre-retirees and retirees aged 55-75 with more than \$100,000 in household assets was fielded in February 2018. A year ago, only 61% of those surveyed expressed that opinion.

That is among the conclusions reached in the fourth annual Guaranteed Lifetime Income Study from Greenwald & Associates and CANNEX.

More than half of those surveyed (54%) were worried about their ability to pay for long-term health care or nursing home expenses and 52% worried about losing some of their retirement savings in a market downturn. Slightly fewer (46%) are worried about outliving their savings.

“The less affluent and women, in particular, are concerned about their ability to meet their needs if they live beyond this. Other research has shown that more than half will wind up living longer than they expect,” said study director Doug Kincaid of Greenwald & Associates, in a release.

The survey showed that 43% of respondents with assets between \$100,000-\$249,000 are “highly concerned” about meeting their financial needs in retirement, compared to just 17% of those with more than \$1,000,000 in assets.

More individuals without pension income (38% to 25%) are “highly concerned” about outliving their retirement savings than are individuals with pensions (a population that is declining). Women are more likely to be highly concerned about outliving their assets than men (37% to 22%).

The study showed, however, that almost 8 in 10 are confident to some degree in their ability to maintain their lifestyle in retirement until age 85. About half of respondents (53%) expressed a high degree of confidence.

Those in the lower asset group (\$100,000-\$249,000) are much less likely to be highly

confident about maintaining their lifestyles than those with more than \$1 million, by 43% to 74%. But only 38% were highly confident that they could maintain their current lifestyle to age 90 and only 31% were highly confident that they could do so until age 95.

Respondents expected their income to decline when they retire, but many don't expect their income to change much during their retirement. Around four in 10 pre-retirees said they expect to receive annual income of less than \$50,000; 23% expect \$50,000 to \$75,000 and 16% expect \$75,000 to \$99,000. Less than 20% expect more than \$100,000 in retirement income.

About four in 10 (38%) expect their expenses to be highest in late retirement and 25% expect their expenses to be higher in early retirement; 15% expect their expenses to be highest in the second 10 years of retirement. Around one in five were not sure when expenses would be highest.

Many retirees have bullish expectations of asset growth during early retirement. More than half (53%) of respondents ages 65 to 69 believe the value of their assets will be higher in 10 years, as do 48% of those ages 70 to 75. Only 19% and 13%, respectively, believe their assets will be lower in value.

"Respondents are optimistic that market growth in their savings, along with a lower level of expenses, will enable them to maintain their quality of life in retirement," said Gary Baker, president of CANNEX USA.

But, "given limited savings and rising costs, drawing down assets will be a necessity for most retirees, making the risk of running out of funds a question of time without lifetime income strategies," he added.

In their evaluation of guaranteed lifetime income products, two thirds of respondents rated the benefit of protection against longevity risk, peace of mind, and making it easier to budget, as positives. Understandability, access and too many terms & conditions were the top negatives. The evaluation of the positives of these products rose year-over-year, while negative evaluations remained the same.

Consistent with data from prior years, financial advisors are the most common source of information about annuities with 39% of respondents saying they heard about the product from advisors. Twenty-three percent of respondents said they heard about annuities from financial institutions.

Seventy percent of respondents said they believe that financial advisors should discuss guaranteed lifetime income to meet their retirement needs; if they do not, many would consider changing advisor relationships. Two-thirds of the advised said they are “highly satisfied” with the financial advice they receive, but satisfaction was even higher if retirement income strategies were discussed. Only half of those currently working with an advisor said they’d had a conversation about retirement income strategies, however.

Although clients have mostly heard positive commentary about guaranteed lifetime income products and annuities from advisors and financial institutions, the messages they receive are mixed. About 60% of advisors were reported to have been positive about annuities, but 37% were either neutral or negative. Respondents said that most of what they read or hear from the media about annuities is either neutral or negative.

When the word “annuity” was used instead of “guaranteed income product,” a third of respondents expressed lower interest in the same product. When guaranteed income products are framed in the context of covering essential expenses, their perceived importance rose, particularly among women.

“There are significant operational challenges the financial services industry still needs to overcome to broaden access to annuities, in addition to addressing negative perceptions around them,” Baker said.

Among those who report owning a guaranteed lifetime income product, 63% reported being highly satisfied with the purchase. “Peace of mind” was the most cited benefit. About three-quarters (73%) said the product is highly important to their financial security.

Those who purchased these products tend to be more risk averse than their counterparts, the survey showed. Women rate the importance of having guaranteed lifetime income significantly higher than men at all stages of retirement.

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