“New normal” mindset pervades Boomers: Allianz Life

By Editor Test *Wed, Jun 29, 2011*

When asked which is more attractive, an investment paying a 4% guaranteed return or one with 8% return subject to market risk and loss of principal, 76% chose the guaranteed product.

For the second year in a row, Boomers by nearly a 4:1 margin remain more attracted to guarantees for their retirement savings versus potential high returns with market risk, according to Allianz Life Insurance Company of North America’s 2011 refresh of its 2010 *Reclaiming the Future* study.

When asked which is more attractive, a financial product providing 4% return that is guaranteed not to lose value or one with 8% return that is subject to market risk and loss of principal, 76% of respondents chose the guaranteed product, nearly identical to the 80% of respondents in 2010.

Originally conducted in May 2010 with more than 3,200 people age 44-75, the refresh of *Reclaiming the Future* surveyed 439 of the same participants in March 2011—when the Dow Jones Industrial Average reached its highest point in nearly two years—to determine how attitudes about retirement planning have changed.

Despite the recovery, the study revealed that boomers still have high anxiety about whether their retirement income will last and how prepared they are for the future. Their “new normal” mindset includes expectations of a sluggish economy, low investment returns, a more conservative investing strategy, expectations of delaying retirement and an increasing interest in seeking help from financial professionals. Having a source of guaranteed income will be important for Boomers as pessimism about retirement preparedness remains unchanged. More than a third (35%) of respondents in both 2010 and 2011 said that, financially speaking, they feel totally unprepared for retirement – and a nearly equal number in each year (37% in 2010, 38% in 2011) said they have no idea if their income will last throughout their lifetime. In both years, fully half of respondents noted that they are extremely concerned about possibly outliving their income.

One factor that has changed, however, is Boomers’ expected age of retirement. Many now say they’ll need to retire later than they previously thought. In 2010, the average age of expected retirement was 63, but only one year later that average age jumped to 66.5. While many now plan to work longer, data from McKinsey & Company suggests that isn’t a foolproof way to supplement retirement income. In fact, according to their 2006 report, *Cracking the Consumer Retirement Code*, two in five people are forced to retire earlier than planned due to a number of factors, including layoffs or illness.

While the percentage of boomers currently working with financial professionals remained nearly flat (26% in 2010, 27% in 2011), those who said they are now receptive to working with one increased (29% in 2010, 32% in 2011), and those who said they were not receptive decreased (25% in 2010, 21% in 2011). In terms of what type of guidance they want from their financial professional, boomers were increasingly looking to “create more safety and guarantees in my nest egg” (25% in 2010, 31% in 2011) and “understand the big picture for me financially” (29% in 2010, 37% in 2011).

As a result of their uncertainty and anxiety, Boomers now see their main retirement goals very clearly. When asked how to describe their retirement goals, 81 percent said one of their most important goals is having a stable, predictable standard of living throughout retirement.

“Given the ‘new normal’ that boomers are facing, and the increasing complexity of retirement planning, people will likely seek the assistance of a trusted financial professional more than ever before,” said Gary Bhojwani, president and CEO of Allianz Life. “Our updated study reinforces that the less rosy outlook will create increasing demand for boomers to learn more about how to create guaranteed lifetime income and security in retirement.”