No-Shows at the Trade Show

By Editor Test *Wed, Sep 21, 2011*

At the Financial Planning Association Experience 2011 meeting in San Diego last week, a couple of thousand financial advisors were on hand. So why the dearth of exhibits by annuity issuers?

While exploring the dozens of booths at the Financial Planning Association's *Experience 2011* conference and trade show at the San Diego Convention Center last week, I didn't see a single exhibit sponsored by an annuity issuer.

To be more precise: companies that issue or market annuities had booths, but not for their annuity businesses. MetLife sponsored a booth for its reverse mortgage business. Allianz had one for its Global Investors asset management business. Ameriprise, Lincoln Financial, Nationwide Financial and New York Life all had booths—but for their investment businesses, not their annuity businesses.

That was mildly surprising. Annuity issuers have long stressed the importance of proselytizing to advisors. Independent advisors bring in about one in three variable annuity contract dollars, according to Morningstar. Advisors control access to the end-client. So why weren't the life insurers here in balmy San Diego, courting their top constituency?

Conference attendees were clearly curious about retirement distribution. This year the FPA classified its breakout sessions according to seven themes, called Community Education Tracks. The sessions in the "Longevity and Retirement Planning" track were among the most heavily attended and were often held in the biggest halls.

Hundreds if not over a thousand advisors listened to David Blanchett's annuity-rich talk about "Making Retirement Income Work," and to Ron Kessler's presentation on "Retirement Drawdown Strategies to Optimize Your After-Tax Cashflow" and to Rod Greenshield's session on "Retirement Investing Insights."

Because I (and probably many other attendees) had to catch a departing plane before three last-day presentations, John L. Olsen's "Intelligent and Suitable Uses of Annuities in Retirement Income Planning" and Kevin Seibert's double-feature on "Retirement Income Planning for the Middle-Mass and Mass-Affluent Markets, Parts 1 and 2," I can't say exactly how popular they were.

The inclusion of so many retirement income-related presentations in the program was evidence that the FPA itself believes that the topic deserves attention and presumably reflected advisors' appetite for decumulation strategies.

So, with so much support from the FPA and its presenters, why weren't the annuity issuers there in force?

Clearly, advisors need more information about annuities and about the nuances of incorporating annuities into retirement plans. Judging by the fairly elementary content of David Blanchett's presentation, and by the content of John Olsen's slides, advisors are still learning the basics about annuities.

Sadly, they're also still learning some of the *wrong* basics. It was disappointing to hear Mr. Blanchett use a single life-only contract as the only example in his discussion of the internal rates of return of single-premium immediate income annuities in general. You could hear a collective groan from the audience at a slide showing the potential negative return of a SPIA if the owner/annuitant died shortly after purchase.

This perpetuation of the "hit by a bus" myth must frustrate SPIA issuers. Sure, you lose all your money if you buy a single life-only contract and die shortly after. But how many people make the mistake of buying a single-life only contract? At TIAA-CREF, for instance, participants who annuitize generally buy life-with-period-certain that return most or all principal. According to New York Life, many or most of its contracts are sold with a cash-refund, which means the beneficiaries receive the unpaid principal.

It would have been refreshing to hear a speaker transcend annuity basics, and to hear about the way annuities can relieve hoarding by retirees, or allow retirees to spend or invest their other assets more freely, or about the "alpha" that mortality pooling can provide, or about the new risk-reducing strategies behind variable annuity investment options.

Someone should tell advisors that instead of spending endless hours trying to calculate (or guess) how much their clients can afford to spend in retirement, given this or that asset allocation, they can pay an insurance company to take some or all of the longevity risk off the table. Maybe next year.