RIJ Receives a Tough-Love Letter

By Editor Test *Thu, Mar 25, 2010*

Garth Bernard and Cogent Research help resolve a question about the popularity of income products.

A few weeks ago, when Cogent Research sent me survey results showing that Americans have negligible interest in retirement income products, it perplexed me. I seemed to remember hearing exactly the opposite from Cogent in the past.

But, as blind as Justice Herself, I published the news in our March 3 issue, under the headline, "Not Much Interest in Income Products: Cogent."

The terrible swift sword of retribution quickly followed. It came from my good friend Garth Bernard, whom many RIJ readers know as the former MetLife retirement executive and ardent immediate annuity advocate who since 2008 has been president and CEO of Sharper Financial Group.

Garth wrote to me: "I wanted to express my great disappointment that the RIJ is part of perpetuating this type of nonsense. Yes, strong words, but I want to be very clear that that is what this type of survey is: garbage passing for science."

This was a stern rebuff, daunting even for a former beat reporter who has, both literally and in the perusal of mortality tables, looked death in the face.

"The issue with surveys of this type is that they ask the wrong questions," Garth continued. "Cogent itself apparently doesn't get the point that the way you serve up a question in a survey heavily influences the answers you get.

"It is like reporting on a survey which asked respondents, 'Would you use an mp3 file?' vs. 'Would you use an iPod?' I'll bet that most of the folks who own an iPod may not even know what format the files are in, nor do they care!"

Garth furnished evidence that the "framing" of questions about annuities determines the answers. In closing, he wrote, "I believe that as the editor of such a fine and valuable publication in this area, you would appreciate this pointed feedback."

I thanked him. Then I wrote a note to Cogent saying that some of my readers—assuming that a single vocal critic stands for a dozen silent ones—seemed to be confused by the apparent inconsistency of Cogent's data.

Cogent project director Carrie Merrick responded within a day. The apparent contradiction in reports was superficial, she said.

“I think your readers may be referring to Cogent’s *2010 Investor Brandscape* study which reported that ownership of annuities (including fixed and variable) is on the rise across all age and wealth segments, particularly Silent Generation investors. Gen X investors are also far more likely to own annuities in 2009 compared to just three years ago,” she wrote.

“We also found that allocations to annuities have increased significantly since 2006, primarily driven by an increased commitment to the products among existing owners.

“In contrast, the retirement income research referenced recently in our newsletter was about ‘retirement income products’ as a whole—with no specification of product type. The low 15% who reported owning ‘retirement income products’ simply highlights the need for more education and understanding on what these products are and the benefits they provide.

“For example, not all people who own annuities said they own a retirement income product—which means they either don’t understand that it is or don’t want to use it in that way. Either way, more education is needed. These themes are explored in detail in our report and will be highlighted in the news release we plan to send out.

“In fact, our retirement income research does complement our *Brandscape* results in two ways:

“Our findings show that the level of interest in retirement income products—reported in our article at 38%—is on par with, if not higher than, annuity/retirement income product usage levels overall. In addition, our retirement income research shows that this interest is much higher among pre-retirees than those already retired—which is in line with our Investor Brandscape data showing increasing trends in annuity usage.

“Both trends are likely the result of increased risk aversion based on the recent recession and people ‘waking up’ to the idea that they’ll need help to guarantee their income stream in retirement. It’s just that the idea today of a ‘retirement income product’ per se is not well understood or positioned to maximize appeal (we find that investors prefer strategies over products), and our report attempts to address this disparity.”

There you have it. Case closed and off to the morgue.

We received another letter recently, thanking us for amending an error in our feature article, “Easing a Widow’s Hardship” (RIJ, February 10, 2010):

“I did not purchase your article but I was pleased to see that you have issued a correction. My 35 years of experience with the Social Security Administration taught me one lesson above all others: Avoid making sweeping generalizations about how much a widow or widower can expect to receive upon the death of their spouse. The computations are complex and subject to too many variables to simply say that a surviving spouse will always get the higher of their own retirement or the widow’s benefits.

“While it is important to understand that taking reduced retirement benefits can adversely affect the amount payable to the surviving spouse, I recommend couples seek expert advice based on the specifics of their relative ages and benefit amounts before deciding whether to apply at 62 or wait until their full retirement age.

"Now that I have retired from Social Security, I offer this expert analysis to help people maximize their income from Social Security. My web site, www.StepUpSocialSecurity.com, explains the services I provide.

By Diane Owens, speaker and consultant, founder of Step Up Your Social Security.

Much appreciated. Please send your remarks, questions, criticisms, or story suggestions to kerry.pechter@retirementincomejournal.com.