

## SRI Survey: Annuities fit middle-income and mass-affluent

By Editorial Staff    Wed, Nov 10, 2021

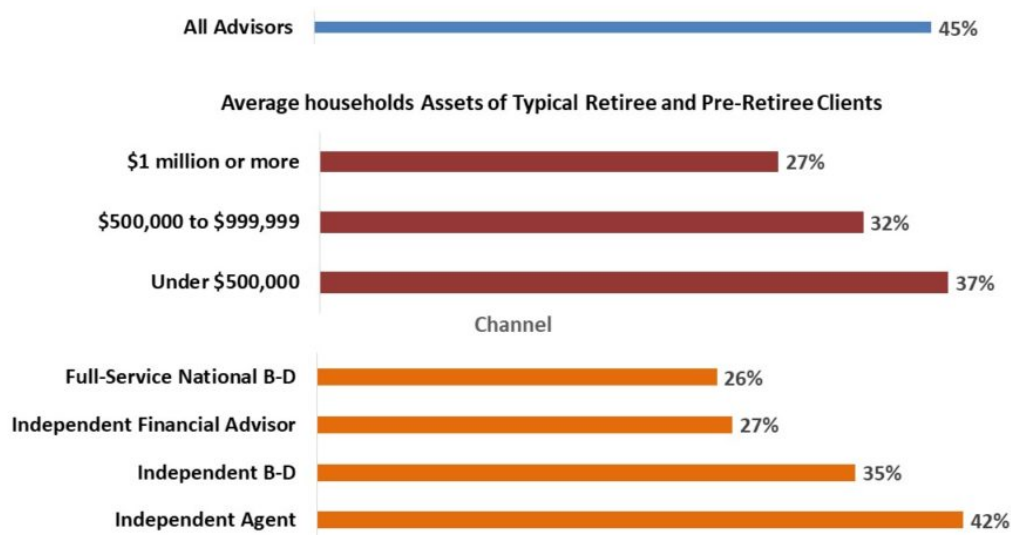
*Of advisers who serve retirees and pre-retirees with less than \$500k in financial assets, 48% say that annuities are more appropriate for these clients than wealthier clients, the Secure Retirement Institute has found.*

More than a third of pre-retirees are “very worried” about running out of money in retirement, according to Secure Retirement Institute (SRI) research. While advisers believe that annuities address that problem, they don’t consider them necessary for all retirees or pre-retirees.

New SRI research asked advisers which market segment was the best suited for annuities, among their typical retiree and pre-retiree clients. The research also looked at whether advisers have seen any changes in clients’ views about annuities.

Most advisers consider wealthier clients (with \$1 million or more in household investable assets) to be a less appropriate segment for annuities than clients with lower wealth levels. Among advisers servicing middle- and mass-affluent market segment (under \$500,000 in assets) retiree and pre-retiree clients, nearly half (48%) feel that annuities are most appropriate for these clients.

### Recommended Percentage of Portfolio in Annuities (Average)

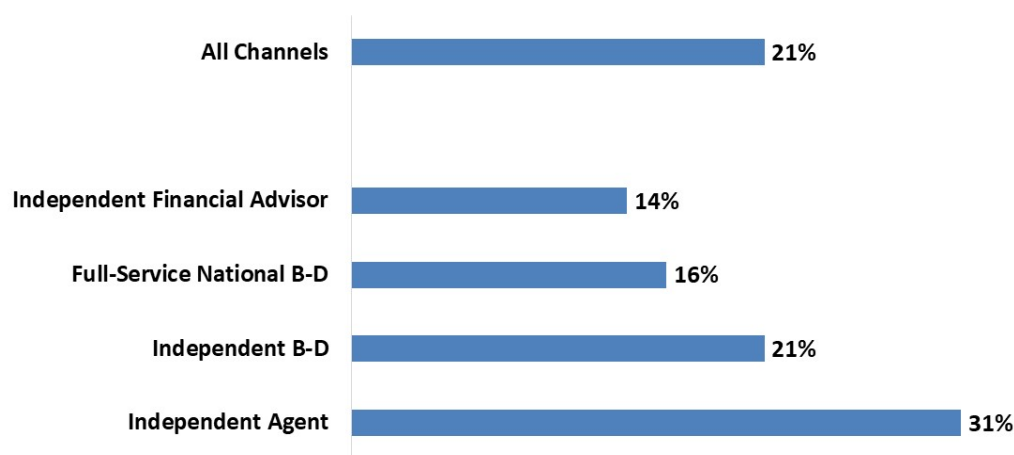


Source: Advisers' Views on Annuities: The Right Amount for the Right Clients, 2021

Are clients expressing interest in annuities? Not necessarily, according to SRI research. On average, the vast majority of recently retired and pre-retiree clients—79%—did not bring up the subject of annuities with their advisers over the past year.

Advisors whose typical retiree and pre-retiree clients have less than \$500,000 in household investable assets report that nearly one quarter raised the issue; only 14% of the clients of advisers catering to clients with \$1 million or more in assets brought up annuities.

### Proportion of Clients Who Proactively Expressed Interest in Annuities During the Past Year (Mean)



Source: *Improved Perspectives? Clients' Perceptions of Annuities, 2021*

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While they may not be bringing up annuities, advisers believe that retirees and pre-retirees have better perceptions of annuity products in recent years. About four in 10 advisers agree that their clients' perceptions of annuities have improved over the past several years.

"The COVID-19 pandemic led to extreme market volatility and investor anxiety. It also may have led pre-retirees and recent retirees to consider how their portfolios are doing, seeking ways to protect their assets against loss," says Matt Drinkwater, corporate vice president of Retirement Research, SRI.

Households with less than \$500,000 in investable assets account for about 60% of annuity owners, other SRI research has shown. Households with \$500,000 to \$999,999 in investable assets and households with \$1 million or more each represented 20% of owners.

Advisers generally recommend that retirees and pre-retirees contribute about one-third of their financial assets to an annuity, but the advisers' annuity allocation recommendation level varied. Those serving clients with under \$500,000 in household investable assets would recommend 37% of the portfolio be placed in annuities, on average. Advisers with wealthier clients say that their clients should only invest 27% of their assets in annuities.

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