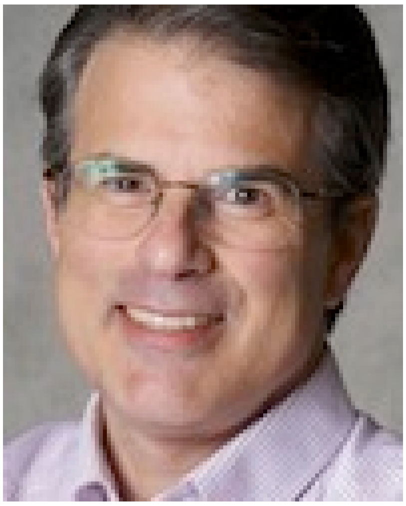
# The Time to Buy Annuities is Now

By Kerry Pechter *Thu, Sep 7, 2017*

*With the market so high, more near-retirees should be taking profits and buying lifetime income products. This opportunity won't last forever.*



Investors, like George Costanza on 'Opposite Day,' should never trust their own instincts. In 1975, when they should have stocked up on cheap stocks (as a guy named Buffett did), they wouldn't touch equities. In 1999, when people should have dumped tech stocks, the dot.com mystique held them transfixed.

So it is today. Boomers should be buying guaranteed income products and treating equities like (excuse the near-anachronism) overdue library books. They should take the profits that the Fed has showered on them since 2009 and lock the gains into personal pensions.

But they aren't. As LIMRA's Secure Retirement Institute reported two weeks ago, annuity sales at mid-2017 were at the lowest level for a half-year since 2001. For this year, the SRI predicts that variable annuity sales will drop below $100 billion for the first time since 1998, when stocks were up and the 10-year Treasury rate was as high as 5.7%.

The variable annuity market, which is more accurately a subset of the mutual fund market, should do well when stocks are up, but it isn't. Indexed annuities, which are supposed to do well when bond yields are down, have seen their fantastic run stalled. Fixed income annuity sales are down too. The annuity marketplace feels strangely quiet, one booth shy of a trade show.

The government is of course partly to blame. The Obama DOL, keen on QLACs but suspicious of VAs and FIAs, put a big chill on those two products. The Trump DOL pushed back the deadline for compliance with the fiduciary rule but didn't bring annuities in from the cold. (Have you noticed that firings, cancellations, delays and postponements are this administration's primary policy tools?)

And, of course, annuities themselves are to blame. Sex them up as much as we'd like, insurance is an expense, not an investment. But why do people believe that equities are safer?

There's a more fundamental obstacle to making annuities more available to their logical buyers: American retirees who have at least a few hundred thousand dollars in savings, who guzzle kombucha and snack on flaxseed to maximize their lifespans, and who lack corporate or public pensions.

Advisors are both the problem and the solution. The problem is the strong tendency for most financial intermediaries to specialize either in investments or insurance, not both. Once an advisor settles into a product category (risky or guaranteed), regulatory regime (state or federal), theoretical foundation (MPT or the law of large numbers) and revenue model (commission or AUM-based), he or she tends to stick with it.

Quants and actuaries just don't hang out much.

To be sure, many advisors have become "ambidextrous." You can find them among the graduates of RIIA's Retirement Management Analyst program or The American College's Retirement Income Certified Professional course. You can meet them here in the virtual pages of *Retirement Income Journal*. But they're still a tiny minority. Investors don't know about them, and don't know where to look.

Lots of new income-generation tools, processes and algorithms are available for open-minded advisors. Lots of ideas exist for software that can help retirees allocate between risky and risk-free products. Two of those ideas, one from the legendary Bill Sharpe and one from Per Linnemann, a former chief actuary of Denmark, are on display in today's issue of *RIJ* (along with three past cover stories in a similar vein). But those ideas aren't yet popular at wirehouses, and that's where so many rich people still keep their money.

Boomers need a new income paradigm, and they need it now. A smart, customized blend of investments and insurance products, *RIJ* believes, is the most efficient way for most people to deal with the many risks of retirement. Few Boomers can afford *not* to be aware of the synergies that blended solutions can offer–even if they eventually choose, as Curtis Cloke likes to say, just to "assume and consume."

A series of unexpected events will someday interrupt the long-running, Fed-nurtured bull market. The Buffetts of the world will sweep up bargains, as they always do. But most investors will be left with shrunken portfolios, and millions of near-retirees will regret not locking in guaranteed lifetime income when they had the chance.