
Who Is the Typical SPIA Buyer?

By Editor Test *Wed, Dec 1, 2010*

The average age at purchase for an immediate annuity is 73. The average immediate annuity premium was just over \$107,000.

Six of every 10 immediate annuity purchasers are women, according to LIMRA's Guaranteed Income Annuities report, which was based on a review of over 55,000 immediate annuity contracts issued in 2008 and 2009.

LIMRA conducted the report to help insurance companies understand their market, customize their products for specific market segments and to capture more of the research organization calls the \$250 billion "unrealized annuitization market."

The report showed that:

- The average age at purchase for an immediate annuity is 73. Immediate annuities purchased with pre-tax money were more likely to be clustered around ages that correspond either to the onset of Social Security benefits or IRS required minimum distributions.
- The average immediate annuity premium was just over \$107,000.
- Seven out of 10 immediate annuity buyers purchased lifetime guaranteed income contracts.
- Nine out 10 lifetime income annuity buyers chose payments that were guaranteed for a certain period of time or provided a refund guarantee that enabled beneficiaries to recoup some or all of any remaining premium.

Based on LIMRA's quarterly annuity sales survey, the majority of immediate annuity sales are made through insurance agents. A growing portion is sold through banks, national full-service broker-dealers or independent broker-dealers.

"One of the biggest obstacles for potential clients to buy an immediate annuity used to be fear of losing control of their money, said Matt Drinkwater, associate managing director, LIMRA retirement research. "Today, our research shows it's not an all or nothing decision. Two thirds of the contracts allow annuitants to convert a portion of remaining payments to cash, if necessary."

Many immediate annuity contracts offer the option to increase payouts by a fixed amount or adjusted by inflation. However, LIMRA found that 93% of income annuity contracts have no automatic payment increase. LIMRA researchers believe the demand for inflation-protected guaranteed payouts will grow in the coming years with more retirees challenged to address this issue as they live longer.

LIMRA projects that annual fixed immediate annuity sales will increase to more than \$12 billion by 2014. In the third quarter of 2010, \$2.3 billion was invested in immediate or deferred fixed income annuities, according to Beacon Research.