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Clients Like Guaranteed Lifetime Income but Not Annuities: Report

When it comes to annuities, advisors have some explaining to do



Most Americans are aware that they will have to rely on personal savings in retirement, as Social Security benefits will be insufficient and only 21% can expect any kind of pension, according to [Jackson National Life Insurance Co.](#)

Survey results recently released by Jackson show that some 90% of consumers are very or somewhat interested in financial strategies that offer guaranteed lifetime income, but are largely unaware that annuities can provide this.

The online survey was conducted jointly by Jackson and the [Insured Retirement Institute](#), a trade association, in mid-March among 1,000 consumers 25 or older with at least \$10,000 in retirement savings, an additional 300 consumers who already had an annuity or worked with a financial professional and 400 financial professionals who had been active financial planners for two or more years at the time of the study.

Thirty-two percent of advisors in the survey reported that three or more of their clients had exhausted their investable assets, mainly through overspending or being overwhelmed by the cost of health care or long-term care.

The straight-talking agent and consumer advocate tells ThinkAdvisor that advisors have “no clue” about annuities.

Some 80% of advisors said guaranteed lifetime income product features have had a positive effect on their clients, and for a third, this was the most important feature of annuities.

Fifty-two percent of advisors expected some of their clients who did not own annuities to run out of money during retirement.

The survey found that even though consumers generally perceive the benefits of guaranteed lifetime income in a positive way, and 63% of advisors recommend annuities to their clients, only a quarter of respondents 45 and older planned to purchase an annuity with some portion of their retirement savings.

Jackson said consumers may have failed to connect the dots between their desire for guaranteed income and annuities’ ability to deliver this.

Only 46% of consumers surveyed understood that annuities can provide guaranteed lifetime income. At the same time, 42% thought IRAs can do this (in and of themselves, IRAs do not), and 26% thought the same of mutual funds.

The report stated: “This is a clear opportunity for financial professionals to educate consumers — a significant barrier to more consumers using annuities to secure lifetime income in retirement may simply be that they do not fully understand the product!”

Although annuities can help address the prospect of diminishing savings, many advisors cited specific challenges that limit their use. Sixty-one percent said negative client perceptions of annuities were a barrier, and 45% said their clients considered annuities too expensive.

Yet when advisors described features of annuities in isolation — without referring to the products by name — consumers expressed strong interest, particularly those in the 25-to-44 age group.

“It’s more critical than ever that our industry overcomes the existing bias toward annuities, simplifies the language used to describe them and increases the overall understanding of the power of a well-structured modern annuity so Americans will be more receptive to using them to reach their financial goals,” Jackson’s chief marketing and communications officer Emilio Pardo said in a statement.