

Fifth Annual Guaranteed Lifetime Income Study (GLIS)

by Greenwald & Associates and CANNEX

In the fifth year of the Guaranteed Lifetime Income Study (GLIS), the study continues to explore consumer attitudes about the value of guaranteed lifetime income and, for the first time, includes an advisor survey that provides an important view of advisors' opinion of guaranteed income products and the needs of their clients. An eye-opening series of questions exposes discrepancies in perception between consumers and advisors, demonstrating key opportunities for education and client service.

The key findings included here highlight just some of the robust findings of this broad-spanning research.



FOR MORE INFORMATION ABOUT THE STUDY, PLEASE CONTACT:

Doug Kincaid
Greenwald & Associates
(202) 686-2510 x106
DougKincaid@greenwaldresearch.com

Tamiko Toland
CANNEX USA
(607) 592-0888
tamiko.toland@cannex.com

RESEARCH METHODOLOGY

The consumer survey involved 1,005 online interviews conducted between February 6 and February 14, 2019. Respondents are between 55 and 75 years old with household assets of at least \$100,000.

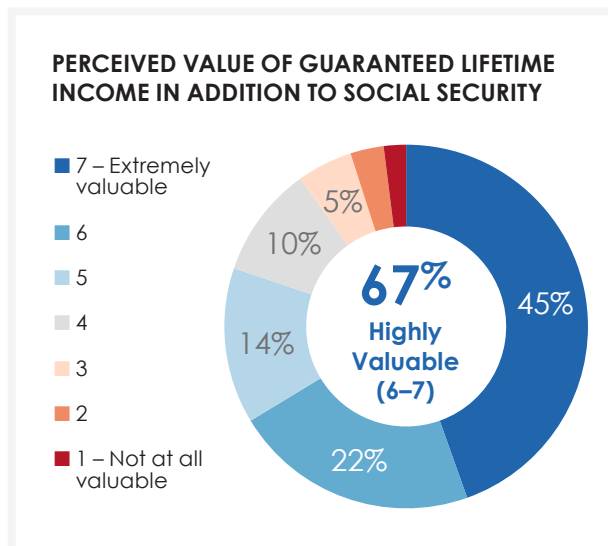
The advisor survey involved 302 online interviews conducted between February 6 and February 15, 2019. All participants have at least three years' experience; have at least \$15 million in assets under management; have at least 50% of their clients be age 55 and over; and derive at least 50% of their income from work with individual clients.

In both surveys, annuities with guaranteed lifetime income include all annuities with a guaranteed income stream, either through annuitization (immediate or deferred) or through a separate income guarantee.

Top 10 Key Findings

1 Consumers Value Guaranteed Income in Addition to Social Security

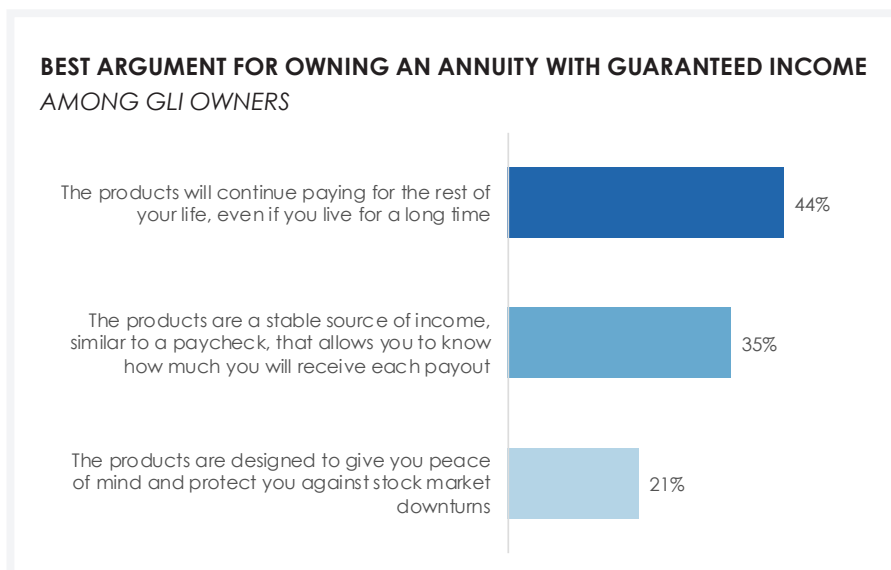
Consumers continue to see a high value in having guaranteed lifetime income beyond Social Security, with 67% finding it highly valuable. That figure is down slightly from 2018, though still higher than it had been in the 2017 survey. Based on the last five years of the survey, consumer sentiment appears to fluctuate based on the prevailing market environment, rising when the market experiences sharp volatility.



2 Best Reason to Buy Guaranteed Lifetime Income? Consumers Say: Protection Against Running Out of Money

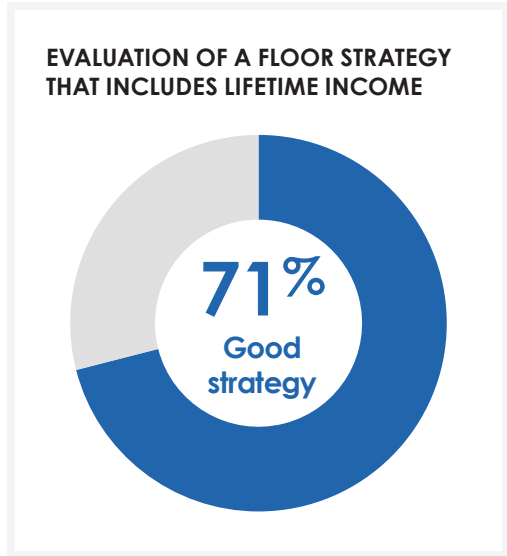
Most people who already own an annuity with guaranteed lifetime income would recommend one to someone else, including some who have already done so. And when asked for the most compelling reason to buy the product, those who already own an annuity with guaranteed lifetime income point to the promise of protecting against running out of money should one live a long time over other potential advantages, such as reliability of payments or downside protection. In addition, among those who own the products, a large portion say it allows them to:

- worry less about day-to-day expenses in retirement;
- budget more effectively;
- spend more on discretionary spending than they would otherwise;
- take greater investment risk with their other assets.



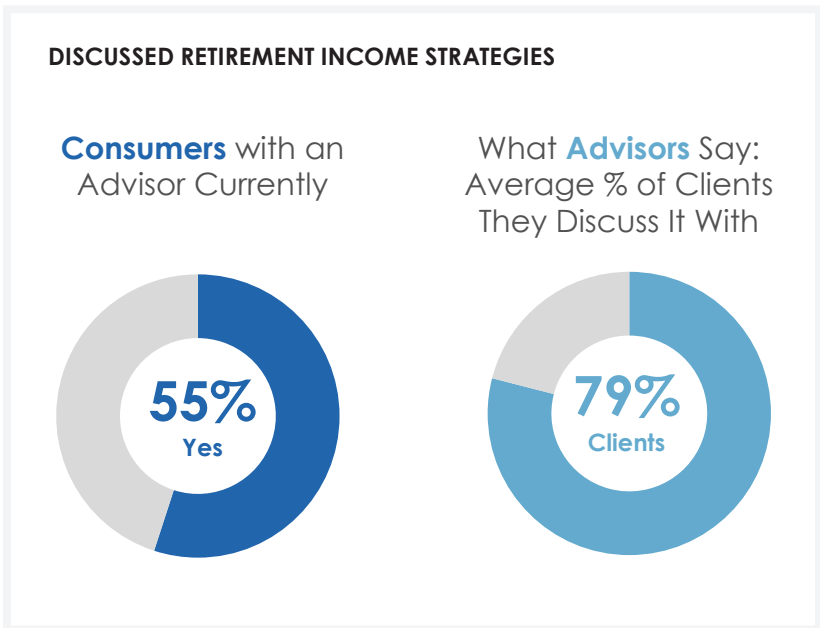
3 “Annuity” Is Still a Dirty Word, but Strategy Framing Helps

Consumers are clearly impacted by a stigma of the “A Word,” annuity. One-third (35%) say they would be less interested in an annuity that offers guaranteed lifetime income than an un-named product that offers the same. That said, the appeal of guaranteed lifetime income products skyrockets when framed as part of a clear retirement income strategy. After hearing how a guaranteed lifetime income product would work in a floor strategy, helping to bridge the gap between Social Security and essential expenses, 71% think it would be a good strategy for their own retirement. In addition, 72% of those who own an annuity with guaranteed lifetime income say the purchase was indeed part of a broader portfolio strategy.



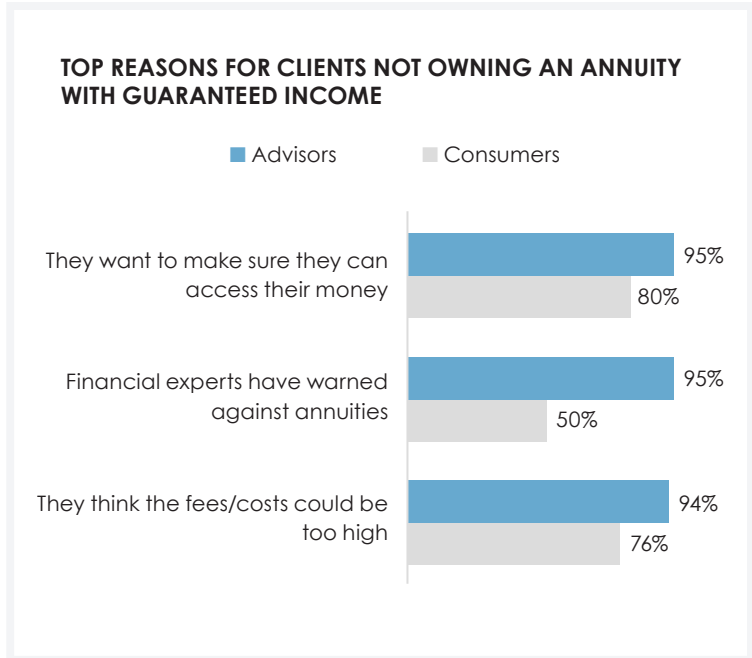
4 Mixed Messages from Advisors and Consumers on Retirement Income Conversations

Consumers and advisors are clearly in disagreement about whether retirement income strategies are even being discussed in advisor meetings. Advisors say that they discuss income strategies with an average of 79% of their clients who are 55 or older. Among consumers who have an advisor, only 55% say they have ever discussed income strategies with their advisor.



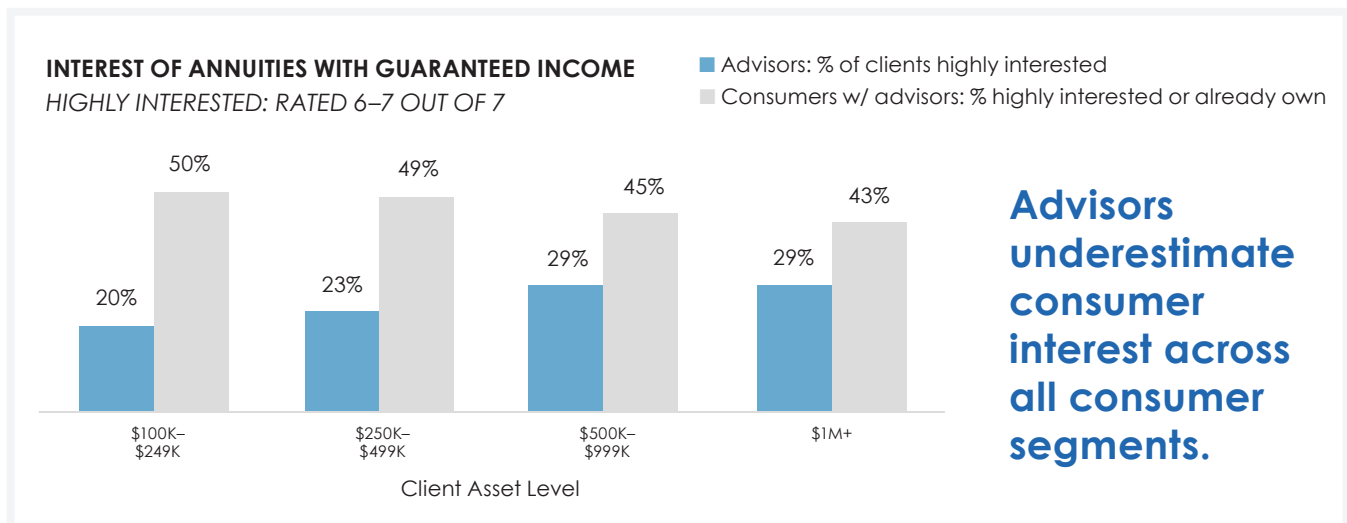
5 Advisors and Consumers Agree Fees and Liquidity Are Top Barriers, But Consumers Surprisingly Less Affected By Financial Expert Warnings Than Advisors Think

Advisors are in agreement with consumers on the belief that concerns over access to the money and product fees/costs are two of the most significant barriers to client receptivity. However, advisors appear to far exaggerate the impact of financial expert warnings against annuities on client receptivity: 95% of advisors cite this as a barrier, while only 50% of consumers do.



6 Consumers Are More Interested in Annuities with Guaranteed Lifetime Income Than Advisors Realize

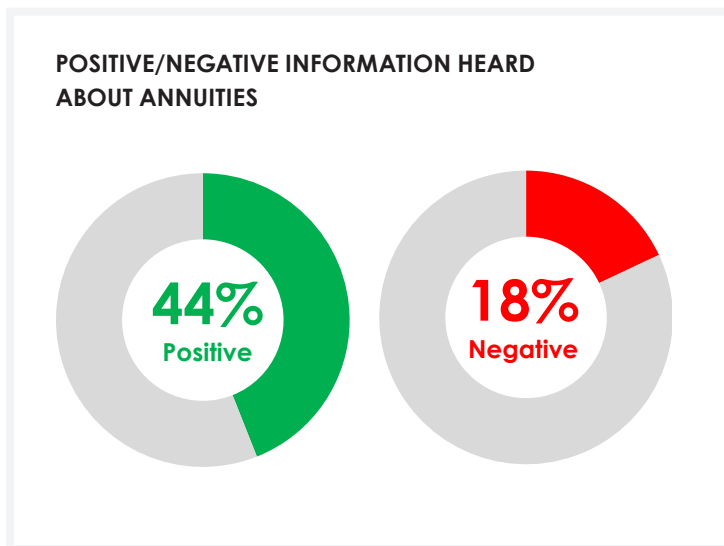
Advisors already see a gap between client cohorts they believe annuities with guaranteed lifetime income are highly suitable for and the percentage of clients who would be highly interested. There are specific demographic groups where the gap stands out, such as wealthier clients and those several years from retirement. Nevertheless, advisors may be significantly underestimating client interest across all groups as consumers are more likely to report higher interest in annuities with guaranteed lifetime income than advisors believe. Also, while advisors think that interest in annuities with guaranteed lifetime income increases with asset levels, the opposite appears to be true.



7 Positive Beliefs About Guaranteed Lifetime Income Products Outweigh Negatives for Consumers, But Negatives Remain Persistent

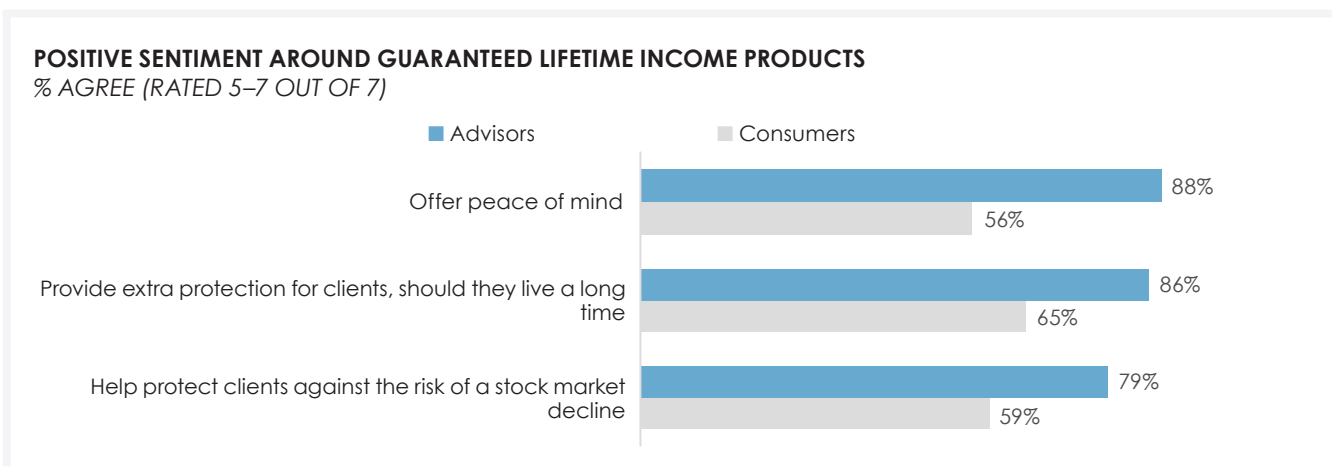
Positive beliefs about guaranteed lifetime income products have consistently outweighed the negatives over the past few years. Positive beliefs have gone up and down somewhat since 2017, yet the negative beliefs have been rather entrenched. What’s more: only 18% report hearing negative information about annuities in the past year (vs. 44% who heard something positive), suggesting that new information is not driving the negative beliefs. The industry may be able to garner more consumer interest by addressing these entrenched ideas that guaranteed lifetime income products:

- *have too many terms and conditions;*
- *put you at risk of not having access to the money;*
- *are difficult to understand.*



8 Advisors Have Greater Conviction in Their Beliefs about Guaranteed Lifetime Income Products—Both Positive and Negative—Than Consumers

Advisors, like consumers, agree more with positive statements about guaranteed lifetime income products than negative ones. However, they also agree more strongly than consumers about all of the positive attributes and many of the negative ones. There were a few topics, such as guaranteed lifetime income products allowing owners to take greater investment risk with other products, where the difference was the greatest, suggesting an opportunity for advisors to educate clients.

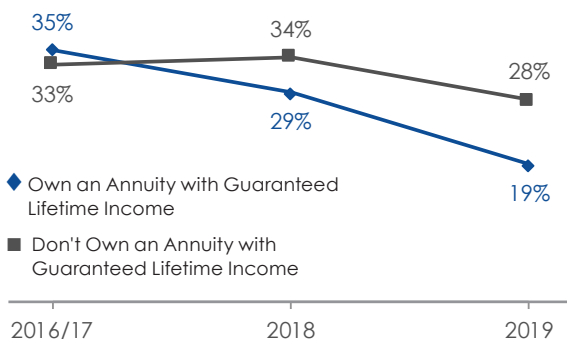


9 Guaranteed Income Gives Owners Peace of Mind

Owners of annuities with guaranteed lifetime income are much less concerned than their peers about certain retirement risks. Overall, the level of concern among consumers about retirement has gone down from 2018, but the top concerns themselves are the same. Those who own an annuity with guaranteed lifetime income are less likely to worry about:

- *affording long-term care;*
- *the potential of losing savings in market downturns;*
- *and maintaining their standard of living.*

CONCERN ABOUT THE POSSIBILITY OF LOSING SOME OF YOUR SAVINGS BECAUSE OF DOWNTURNS IN THE MARKET



10 Most Advisors Expect the Highest Costs in Retirement to Come Early, But Consumers Aren't So Sure

Nearly two-thirds of advisors believe that their clients will be spending the most during the first 10 years of retirement. By contrast, consumers are divided in their opinions. Though many agree with advisors, more consumers felt expenses are likely to be highest in late retirement (year 20 and beyond). Advisors believe that their clients will be spending heavily during early retirement on travel, activities, and hobbies, but they may also be underestimating client concern about expenses in late retirement.

Almost two-thirds of advisors believe their clients' expenses are typically highest in early retirement, compared to just 28% of consumers who think the same.

EXPECT RETIREMENT EXPENSES TO BE HIGHEST

