

The Top 10 Key Findings

**A Study Summary of the Sixth Annual
Guaranteed Lifetime Income Study (GLIS)**

by Greenwald & Associates and CANNEX



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“Following a 10-year bull market, the research shows clients largely optimistic about the outlook for the market in the days before the collapse and confident they would be able to weather a downturn. Although it will take some time to evaluate the impact of the crisis on retirement plans, the research findings underscore the importance of having a solid retirement planning process that takes into account unforeseen events.”

*–Doug Kincaid, Assistant Vice President, Financial Services
Greenwald & Associates*

“A black swan event, COVID-19, has upended lives, the economy, and financial markets in ways that are likely to drive demand for guaranteed lifetime income in retirement. The research demonstrates the critical role advisors play in communicating the value of these products in retirement plans, but also that they generally underestimate clients’ interest in guaranteed lifetime income.”

*–Tamiko Toland, Head of Annuity Research
CANNEX*

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The 2020 study's surveys finalized fielding in the days just prior to the market falling dramatically in reaction to the COVID-19 pandemic. As such, the sixth year of the GLIS provides an excellent baseline for the ongoing trend of the study while examining an eye-opening series of questions that exposes discrepancies between consumers and advisors.

These key findings highlight some of the robust results of this wide-reaching research.

RESEARCH METHODOLOGY

The consumer survey involved 1,000 online interviews conducted between February 13 and February 21, 2020. 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 13 and February 24, 2020. All participants have at least three years' experience; have at least \$15 million in assets under management; have at least 50% of their clients of the 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.

The Top 10 Key Findings

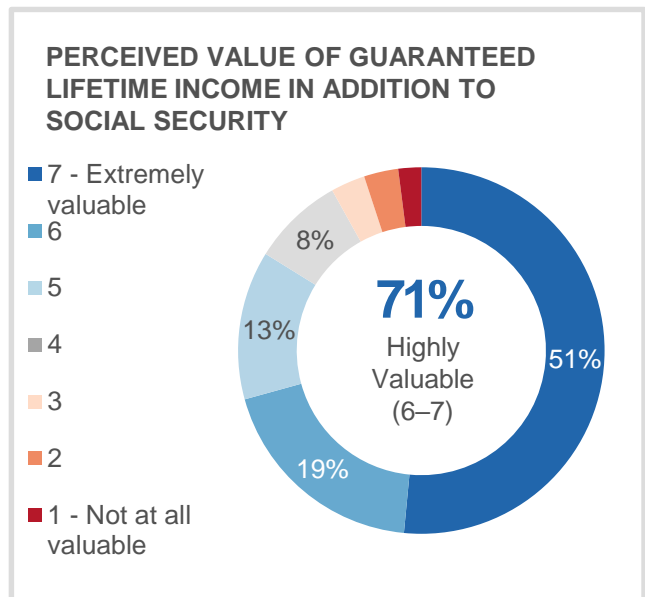
1 Consumers and advisors missed the mark around the likelihood of a market downturn in 2020

On the eve of the market’s falling in late February, just 11% of consumers and—even more surprisingly—6% of advisors thought it highly likely there would be a major downturn in 2020. These misestimations highlight how difficult black swan market events are to predict, even for professionals, and that many common solutions for risk protection, such as diversification, can be insufficient on their own.



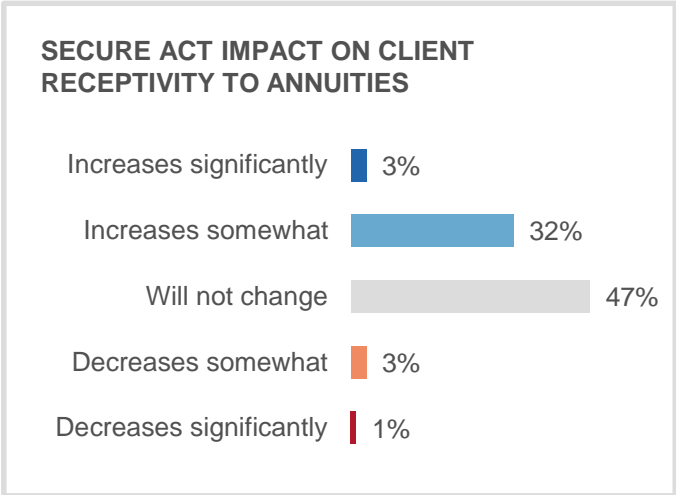
2 Guaranteed lifetime income appeal remains high in varied market conditions

Consistent with previous periods of market volatility, consumers see a high value in guaranteed lifetime income. Up from 67% in 2019, 71% of consumers say guaranteed lifetime income in addition to Social Security is highly valuable. Six in ten advisors report higher client interest in annuities with guaranteed lifetime income during previous market downturns, and 42% say the same about low interest rates. Given the events in 2020, it seems likely that consumer demand for guaranteed lifetime income will only increase heading into 2021.



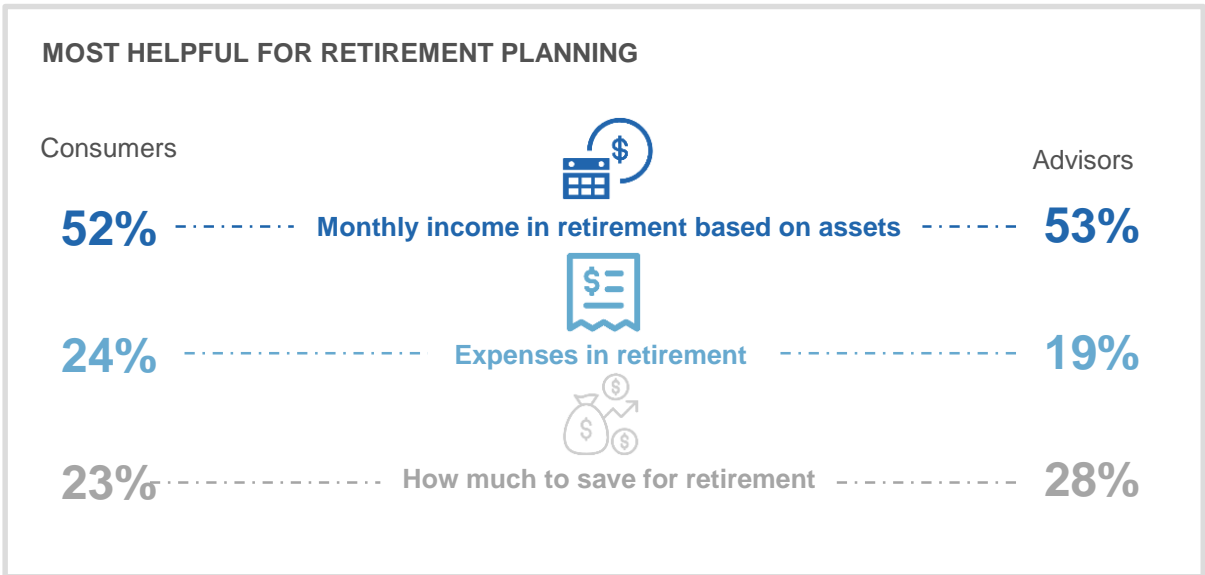
3 Advisors see the SECURE Act as a positive context for annuities

While the SECURE Act does not have a direct impact on advisor annuity sales, 35% of advisors believe it will increase client receptivity to annuities and very few foresee a decrease in receptivity. The SECURE Act requiring plan sponsors to provide an estimate of monthly income in retirement presents advisors with an opportunity to convert these estimates into reality with the purchase of an annuity.



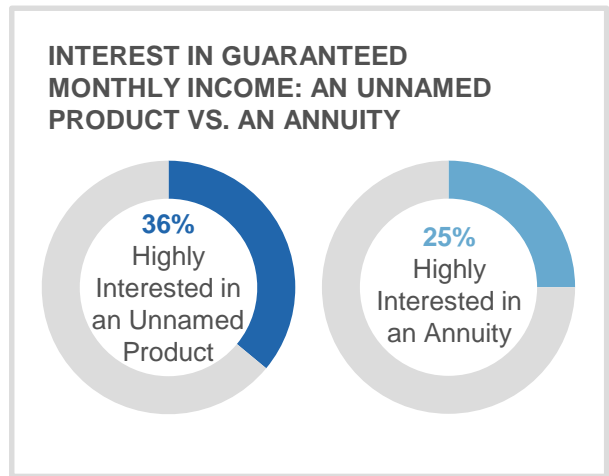
4 Estimates of monthly income in retirement are most helpful

Consumers and advisors agree that estimates of retirement income are more helpful for retirement planning than savings goals or estimates of retirement expenses, even though all are clearly linked. Unfortunately, only 38% of consumers say a financial advisor provided them with this estimate.



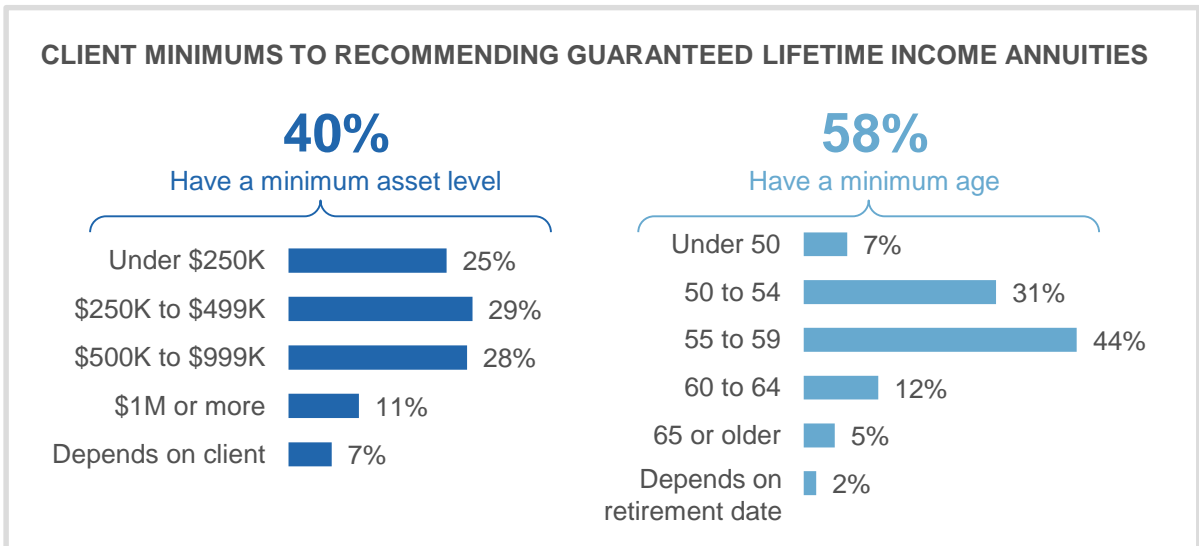
5 Stigma around the name “annuity” remains

The gap between the appeal of an unnamed product and a guaranteed lifetime income annuity remains, with a third of consumers decreasing their level of interest when the word “annuity” is used. Finding ways to rehab the “annuity” name should be a priority, starting with framing it as part of a broader retirement income strategy.



6 Advisors dramatically underestimate consumer interest in guaranteed lifetime income products

Advisors appear to have a target market in mind for recommending guaranteed lifetime income annuities: those between \$250K and \$999K in assets. This target is guided by asset and age minimums that need to be met before considering an annuity for their clients. This contributes to a significant underestimation of interest: while only 14% of advisors think their average client is highly interested in guaranteed lifetime income annuities, 42% of consumers say they are (or already own one). While some of this interest lies with consumers who are below these minimums, interest appears broader for consumers at higher asset levels as well.

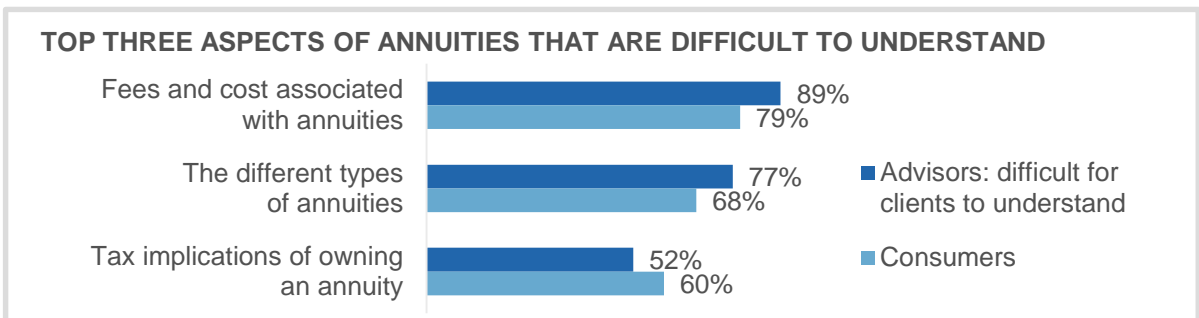


7 Three areas of confusion around guaranteed lifetime income products stand out

About half of consumers express difficulty understanding guaranteed lifetime income products, and at the heart of this confusion are three issues:

- Fees and costs
- Navigating the variations of annuities
- Product tax implications

For those who do not own the products, only a quarter say their advisor has explained these issues well. Also troubling is that half of those who own a guaranteed lifetime income annuity say their advisor did a poor job explaining the amount to invest in an annuity, the tax implications, and the fees and costs.

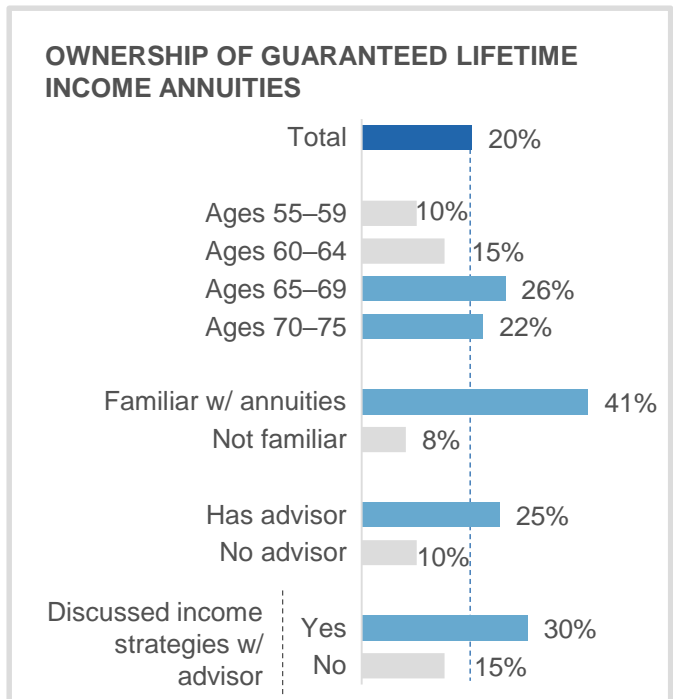


8 Advisors are critical in driving ownership

Based on a regression analysis, the study identified four factors that drive guaranteed lifetime income annuity ownership:

- Familiarity with annuities
- Having an advisor
- Discussing income strategies with an advisor
- Age

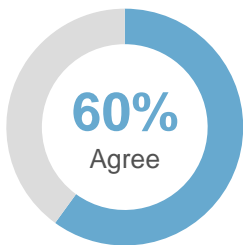
It is impossible to overstate the role of the advisor; those who have discussed income strategies with an advisor are twice as likely to own a guaranteed lifetime income annuity.



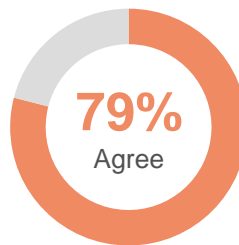
9 Consumers believe advisors have a responsibility to present guaranteed lifetime income products

Six in ten consumers say advisors have a responsibility to present guaranteed lifetime income products as part of a retirement income strategy. Having a choice among strategies is also important, as the majority of consumers believe advisors should present clients with two or three options for producing income in retirement so that they can select the best option for themselves.

SENTIMENT AROUND GUARANTEED LIFETIME INCOME PRODUCTS



Financial advisors have a responsibility to present guaranteed lifetime income products as an option to their clients



Financial advisors should present 2 to 3 options for how to get income from investments so clients can select the best option for them

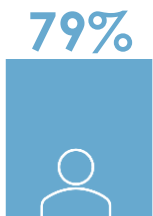
10 Advisors continue to underestimate the importance retirees place on achieving high returns

60% of consumers are looking for both protection and growth at the same time. Although most are satisfied with their advisor on these fronts, satisfaction is higher for guaranteed lifetime income annuity owners. Three-quarters of advisors say it is difficult to manage expectations of achieving both goals at once.

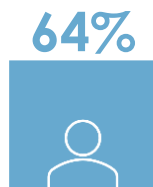
VIEWS ON ACHIEVING RETURNS AND PROTECTING FROM LOSS SIMULTANEOUSLY



75% of **advisors** say managing expectations around simultaneously achieving returns and protecting from loss is at least somewhat difficult



Guaranteed lifetime income annuity owners



Non-guaranteed lifetime income annuity owners

Consumers are very satisfied with their advisor's ability to achieve returns and protection from loss simultaneously

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These top findings offer a glimpse at the important insights obtained in the full 2020 Guaranteed Lifetime Income Study.

Pulling back the curtain on market trends, this year's report provides a closer look at modern financial solutions through research on consumer awareness, receptivity, behaviors, and more.

Use the study to support your sales and marketing initiatives moving forward.

For more information, or to discuss becoming a partner of this or future GLI Studies, please contact:

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