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## **ANNUITY COMPLEXITIES SUPPRESS SALES, STUDY SAYS**

The complexity of annuities and the lack of knowledge advisors and investors have about them are big roadblocks to sales growth, according to a new study by Cogent Research and the Insured Retirement Institute.

Although most advisors say they are very familiar with annuities, only 40% indicate they are very or extremely familiar with annuity regulatory changes, according to the study, entitled *The Evolution of the Annuity Industry*. At the same time, 90% of annuity producers say annuities would be easier to sell if people had a deeper understanding of the market.

They also agree it takes more time and effort to sell an annuity than a mutual fund and that the purchasing process is more burdensome than for other investments.

"Due to the complexity and the fluid nature of product features, both gatekeepers and producers have a difficult time keeping track of each carrier's products," the study says. But investors want more options and guaranteed incomes and living benefits after retirement, so simplifying annuities is not necessarily the answer.

Assets in both variable and fixed annuities reached record highs in 2010, with a combined total of more than \$2.1 trillion. Total assets increased 17% in 2009 and 10% last year. Nearly all advisors say they sold a variable annuity in the last five years and most expect their use of variable annuities to increase in the next five years.

The opportunities lie in providing annuities with riders such as long-term care, as well as marketing to younger clients, according to the study, which added that additional education for clients also will increase sales.

Prior to the incorporation of sophisticated riders and enhanced benefits, annuities were positioned as a vehicle for tax deferral and principal protection. However, the story has changed to one that highlights guaranteed retirement income, the study said.

"Now is a prime time for advisors to start proactively reaching out to clients regarding the potential benefits associated with annuity ownership, particularly among younger investors," the study said. "Recent market volatility has provided advisors additional case studies for positioning the benefits associated with annuities."