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Annuities Gain In Popularity, Study Says

Investors are asking their advisors about annuities, rather than the other way around, which challenges the conventional wisdom that says it is the advisors who bring up the idea first, says a new joint study about the annuity industry.

The increasing interest in annuities and guaranteed retirement income are due to recent market turmoil and investors' growing fear of running out of money in retirement and increasing aversion to risk, the study says.

The Insured Retirement Institute (IRI), which is a consulting organization for annuities and insured retirement strategies, and Cogent Research, a custom research organization, jointly conducted the study that resulted in the report, *The Evolution of the Annuity Industry*.

The strong increase in interest in annuities reflects the increased importance of guaranteed retirement income over the past five years, according to the study. Some 60% of the financial advisors who have clients with annuities in their portfolios say the clients have increased their annuity holdings in the past five years.

In addition, 49% of investors say their top priority in retirement has become not running out money, rather than living a lavish lifestyle, indicating they are becoming more averse to risk.

"We've been advocating for an increased role of annuities in client portfolios for many years," said Cathy Weatherford, president and CEO of IRI. "These initial findings support the notion that guaranteed income solutions are increasingly important to both financial advisors and their clients."

The initial findings were released at the recent IRI Annual Meeting in Boston. The full report will be released in a few weeks.

"Two thirds of advisors indicate that their clients are asking them about annuities, which challenges the long held notion that annuities are sold and not bought," said Tony Ferreira, Cogent Research managing director. "The recent economic downturn and market volatility has caused many investors to face financial realities and reassess retirement goals. Many are becoming more risk averse and are looking for solutions like annuities to fund income gaps in retirement."

—Karen DeMasters