



## **Financial Services Firms Stumped by the Retirement Income Dilemma**

*Retirement Income Product Innovations Not Resonating with Retirees and Pre-Retirees*

**CAMBRIDGE, MASS., (March 12, 2010)** – Despite a proliferation of retirement income products and financial services firms’ best efforts to capture the retirement income market, no single leader has emerged in this coveted space. Cogent Research’s new *In-Retirement Income™ 2010* report explores familiarity and interest in retirement income products among today’s affluent retirees and pre-retirees, revealing a vacuum for both a winning product and a clearly identified leading provider.

According to the report, today’s affluent pre-retirees and retirees are most interested in managing their retirement income through traditional CD or bond laddering strategies implemented by themselves or through advisors. Variable annuities are second in familiarity and interest, while more recent innovations such as target payout and absolute return funds earn very little interest.

“We’ve found a variety of factors responsible for this seemingly rudderless market, not the least of which is the incredibly high expectations of today’s retirees and pre-retirees,” said Cogent Principal and co-founder Christy White. “In theory, pre-retirees love the idea of a guaranteed paycheck, but in reality they are unwilling to give up control of their principal for too long – and certainly not forever.”

Pre-retirees are, however, willing to make other sacrifices to have the type of retirement they want, including delaying retirement, saving more, and continuing to work while in-retirement. In fact, nearly half of all affluent pre-retirees (49%) say they will continue working in-retirement to augment their income, while less than one-quarter (24%) of current affluent retirees rely on employment income. In all, pre-retirees expect to draw on 7.5 sources of income in retirement, and they expect to tap those resources much earlier in retirement than did their retired peers.

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Retirees' and pre-retirees' lukewarm response to retirement income products is reflected in their indecision regarding which firm is the "best" among retirement income providers. No one firm was chosen by more than 10% of survey respondents, with the largest percentage of respondents saying they "don't know" (26%). Furthermore, when asked to name the company they would be most likely to consider when purchasing a retirement income product, more than 30 different firms were cited, again with no single firm earning more than 10% of the vote – although Fidelity Investments and Vanguard did enjoy nods from one in six pre-retirees and self-directed investors. Well-known brands, including Wells Fargo, Morgan Stanley Smith Barney, Edward Jones, Charles Schwab, Ameriprise and Merrill Lynch were cited by 5% or less.

For now, past experience (already use and like them) is more of a determining factor behind selection than expertise in retirement income planning. "While this level of confusion and indecision around retirement income products and providers is no doubt disheartening to providers, it's also an exciting opportunity for the firm or firms who eventually get it right," says Carrie Merrick, Project Director at Cogent Research, and author of the study.

Cogent Research's *In-Retirement Income™ 2010* aims to help retirement income product providers maximize asset-gathering among retirees and pre-retirees by determining awareness of and interest in various types of retirement income products, barriers to increased interest, and the messaging and benefits of retirement income products that most resonate with retirees and pre-retirees. Data for the study was collected via an online survey among a representative sample of 961 retirees and pre-retirees with a minimum of \$100,000 in investable assets.

**About Cogent Research.** Cogent Research helps clients gain clarity, obtain perspective, and formulate direction on critical business issues. Founded in 1996, Cogent provides custom research, syndicated research products, and evidence-based consulting to leading organizations in the financial services and life sciences industries. Through quality research, advanced analytics, and deep industry knowledge, Cogent Research delivers data-driven solutions and strategies that enable clients to better understand customers, define products, and shape market opportunities in order to increase revenues and grow the value of their products and brands.

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