



Reframing annuities to solve the “Annuity Puzzle.”



An annuity is the only financial product available that allows individuals to exchange a portion of their retirement savings for guaranteed periodic payments that will last for the rest of their lives. The “Annuity Puzzle” is the phenomenon that shows many consumers fail to purchase annuities even though they could be an effective tool in supporting their retirement goals.

63% of Americans have no source of guaranteed income – such as a pension or annuity – other than Social Security¹

47% of Americans say they’re willing to convert some of their assets into a guaranteed lifetime income stream²

42% of Americans expect their retirement savings and sources of income to last their lifetime¹

yet only

15% of American households have purchased an annuity²

¹ Alliance for Lifetime Income’s 2019 Protected Lifetime Income Study, 2019.

² Facts of Life and Annuities. LIMRA Secure Retirement Institute, 2019.

There are many psychological biases contributing to this phenomenon. Purchasing an annuity can be a complex decision for consumers because it requires them to assess many of life’s unknowns, such as:

Longevity	Spending	Investment	Deciding
How long will I live?	Will I have enough money to last the rest of my life?	What’s the return on annuities compared to other investments?	Do I know enough about annuities to make the right decision?

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Help clients overcome their fears by reframing annuities:

- When talking to clients about annuities emphasize the “consumption framework”³ – that annuities, which can guarantee lifelong income, serve as a form of longevity insurance by reducing the risk they will outlive their money in retirement
- Talk to clients about the role above-average life expectancies play in future purchasing power
- Encourage conversations in the context of income generation and protection
- Focus on the amount of monthly income clients need in retirement
- Discuss annuities as an efficient way to turn savings into monthly income – for life

³ Why Don't the People Insure Late Life Consumption? A Framing Explanation of the Under-Annuity Puzzle, National Bureau of Economic Research, NBER.org., accessed September 2020.

Because annuities have the ability to insure against the uncertainty that arises from longevity risks, clients may be more inclined to purchase an annuity, thereby solving the Annuity Puzzle.

Talk with your clients to see if a fixed annuity could be a fit for their overall retirement plan.

We see the future in you.SM

Annuities are long-term retirement saving vehicles.

Retirement accounts such as IRAs can be tax deferred regardless of whether or not they are funded with an annuity. The purchase of an annuity within an IRA does not provide additional tax-deferred treatment of earnings. However, annuities do provide other features and benefits.

Withdrawals may be subject to federal and/or state income taxes. A 10% federal early withdrawal tax penalty may apply if taken before age 59½ in addition to ordinary income tax. Partial withdrawals may reduce benefits and contract value.

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