

Gallup Survey Finds Annuities Provide Greater Retirement Security for Middle-Class Americans

To download the 2009 Gallup Survey, go to:

<http://annuity-insurers.org/annuities.aspx>

WASHINGTON – Results from a Gallup survey released today demonstrate that non-qualified annuities contribute significantly to the retirement security of middle-class Americans, and that those who own annuities have great confidence in their financial future even amidst the recent recession and market downturns.

The survey of 1003 annuity owners nationwide, conducted by The Gallup Organization (Gallup) and Mathew Greenwald & Associates (Greenwald) in conjunction with the Committee of Annuity Insurers (CAI), paints an interesting picture of who purchases non-qualified annuities and why:

- *Purchased by Middle-Class Americans.* Eight out of 10 non-qualified annuity owners (80%) have annual household incomes below \$100,000. Only 4% have annual incomes greater than \$200,000. Almost half (42%) have annual household incomes below \$50,000.
- *Improve Retirement Security.* Over 90% of non-qualified annuity owners agree that the statement “you have done a very good job of saving for retirement” describes them well. Further, they view their annuities as contributing greatly to this preparedness –
 - Almost 8 in 10 (79%) think that annuities are an important source of retirement security and make them feel more comfortable in times of financial uncertainty.
 - More than 8 in 10 (83%) intend to use their annuities to provide a financial cushion in case they or their spouses live well beyond their life expectancy.
 - More than 8 in 10 (81%) also intend to use their annuities to avoid being a financial burden on their children in their later years.
- *Owners are most likely to be older, retired, women.* The survey also shows that most non-qualified annuity owners are female (58%) and that the average owner is a retired 70-year-old woman with a moderate income. Most owners (69%) also are retired, which is up from 58% in 2005. Owners’ average age also increased from 66 to 70 between 2005 and 2009.
- *Happy with annuity purchase.* Owners demonstrate a unique loyalty and commitment to their annuity purchases, with almost all (93%) reporting that they still own their first annuity.

The survey also reflects a striking dichotomy between the American population at large and those who invest in an annuity as part of their retirement planning. While most national polls show a decline in consumer confidence about retirement, more than half of annuity owners (55%) believe that they have enough or more than enough money to cover their financial needs in retirement. This is the tenth survey conducted by Gallup and Greenwald for the CAI since 1992, and the first since 2005.

“This survey demonstrates that these Americans consider their annuities the answer to both sides of the fundamental retirement challenge, a method to accumulate retirement savings and a vehicle to turn their savings into a steady retirement income stream that cannot be outlived,” said Deborah Winston of the CAI.

The Gallup survey reinforces what many policymakers already know – that annuities play a critical role in addressing America’s retirement security problems. In fact, legislation currently being considered in Congress would create tax advantages for the conversion of a portion of an individual’s savings into a lifetime retirement income stream provided through an annuity.

The Retirement Security Needs Lifetime Pay Act, H.R. 2748, in the U.S. House of Representatives, and the Retirement Security for Life Act, S. 1297, in the U.S. Senate, would increase accessibility to lifetime annuities by creating a federal income tax exclusion for a portion of annual annuity income, creating significant tax savings for middle-income Americans.

“These legislative proposals are specific solutions to help middle-income Americans obtain the financial security in retirement that they deserve. The time for Congress to act is now. All Americans should enjoy the same confidence in their retirement future that current annuity owners enjoy,” said Bill Waldie, Chairman of the retirement issues advocacy coalition, Americans for Secure Retirement.

About the Committee of Annuity Insurers

The Committee of Annuity Insurers is a coalition of life insurance companies that was formed in 1982 to address federal legislative and regulatory issues relevant to the annuity industry and to participate in the development of federal tax and securities policies related to annuities. The Committee’s current 30 members include the nation’s largest and most prominent issuers of annuities, representing over two-thirds of the annuity business in the United States.

2009 Gallup Survey of Owners of Non-Qualified Annuities

The Committee of Annuity Insurers has partnered with The Gallup Organization and Mathew Greenwald & Associates to conduct 10 comprehensive surveys of non-qualified annuity owners between 1992 and 2009. The surveys create a unique profile of non-qualified annuity owners and their attitudes toward saving for retirement. The 2009 survey, conducted among 1003 annuity owners across the country, found that non-qualified annuities contribute greatly to the retirement security of middle-class Americans.

Annuity Owners Are Overwhelmingly Middle-Class

- Eight out of 10 non-qualified annuity owners (80%) have annual household incomes below \$100,000, and only 4% have annual incomes greater than \$200,000.
- In fact, almost half (42%) have annual household incomes below \$50,000.

Majority of Annuity Owners Are Women

- Non-qualified annuity owners are more likely to be female (58%) than male (42%). With the exception of the 2001 survey, females have outnumbered males in every survey since 1997.
- The average owner is retired, 70 years old, a woman, and has a moderate income.

Annuity Owners Are an Older and Loyal Group

- Almost all non-qualified annuity owners (93%) report that they still own their first annuity.
- Seven in 10 (69%) are retired, which is up from 58% in 2005.
- The average age of annuity owners increased in 2009 to 70, compared to 66 in 2005.

Annuity Owners View Themselves as Financially Prepared for Retirement

- While many Americans believe that they are not financially prepared for retirement, 91% of non-qualified annuity owners say that the statement “you have done a very good job of saving for retirement” describes them well.
- In that regard, almost 3 in 4 (73%) say that they have set aside more money for retirement than they would have if the tax advantages of annuities were not available. Almost 9 in 10 (88%) say that keeping those advantages is a good way of encouraging long-term savings, and more than 9 in 10 (91%) say that the prospect of paying tax on money withdrawn from their annuities makes them try not to do so before they retire. The latter suggests that the current tax rules successfully encourage them to retain their savings until needed in retirement.

A Safe and Secure Way to Save for Retirement

- Despite the recent market turmoil, which led to a decline in consumer confidence about preparedness for retirement, almost 8 in 10 annuity owners (79%) say that annuities are secure and safe, an important source of retirement security, and make them feel more secure in times of financial uncertainty.
- The vast majority of annuity owners say that annuities are an effective way to save for retirement (86%) and that their annuity was a safe purchase (89%).
- More than 3 in 4 (76%) say that they intend to use their annuities for retirement income. Other intended uses include a financial cushion in case they or their spouses live well

beyond their life expectancy (83%) or to avoid being a financial burden on their children (81%).

- Almost 9 in 10 (85%) agree that investment and insurance guarantees available in annuities are a very important benefit of the product.

Gallup and Greenwald indicated that they are confident that the survey results represent the characteristics of non-qualified annuity owners with a sampling error of plus or minus three percentage points at the 95% confidence level.