

CANNEX



ANNUITIES. A WHITE PAPER.

In providing retirees with a guaranteed lifetime income, annuities offer financial security, steady cash flow and peace of mind. Yet despite all of the benefits, many Canadian consumers are skeptical about the impact that annuities can have for them. This creates an opportunity for Canadian brokers who, with the right tools, have the potential to educate clients and expand their annuities business. Let's get a clearer picture of the annuities landscape here in Canada.

ATTITUDES ON THE VALUE OF GUARANTEED LIFETIME INCOME

- 30% of Canadians highly value guaranteed lifetime income
- However, only 19% see great value from annuities and segregated funds
- Only 15% have a strongly familiarity with annuities and segregated funds
- 60% of Canadians say it is valuable to have guaranteed lifetime income products in addition to CPP/QPP, Old Age Security (OAS) and Guaranteed Income Supplement
- 60% of Canadians are highly familiar with mutual funds but just 30% say the same about fixed annuities

PERCEIVED BENEFITS OF GUARANTEED LIFETIME INCOME PRODUCTS

- 27% of Canadians say having a guaranteed lifetime income offers peace of mind
- 26% of Canadians say having a guaranteed lifetime income makes it easier to manage a budget
- 16% of Canadians say having a guaranteed lifetime income provides more long-term security

*SOURCE: Canadian Guaranteed Lifetime Income Study (GLIS), 2015 by Greenwald & Associates and CANNEX

UNDERVALUING OF ANNUITIES

- Canadian consumers show a tremendous undervaluing of annuities
- 54% of retirees say they are not drawing any income from non-guaranteed sources
- Roughly 75% are drawing income from guaranteed income sources and 29% draw more than \$3,500 per month
- Only 27% of Canadian retirees cite employment as an income source in retirement in comparison to 36% of American retirees
- Although 80% of this market say they are currently working with a financial professional, it is clear that annuities products often go unmentioned by advisors
- 23% of Canadians say an advisor has mentioned or recommended income annuities
- Only 33% have created a formal financial plan with the help of the advisor
- 41% have an informal plan and 20% have no plan at all

ANNUITY OWNERSHIP

- More than 60% of consumers think that an annuity represents an appealing strategy for drawing income in retirement
- Yet only about 10% own an immediate income annuity, deferred income annuity or a variable annuity
- According to those who don't own annuities, the most common concern is the perceived inability to access one's money when needed
- 90% identify access as a reason for not purchasing
- About 75% say that they fear losing control over their money
- 25% strongly believe that annuities tie up funds, which could cause problems in the event of an emergency
- 25% think that these products have too many terms and conditions

CONSUMER EDUCATION ON ANNUITIES

- 75% of consumers say they have heard or read about annuities. The most common source of info is a financial advisor
- 40% say an advisor has mentioned these products
- Financial advisors also top the list of trusted sources
- More than 80% would trust advisors at least somewhat to provide information about annuities

- Retirement plan providers and financial institutions are trusted slightly less, but many would still trust these sources at least somewhat

GENDER DIFFERENCES

- 70% of women say annuities are appealing
- 57% of men say annuities are appealing
- Women show greater trust in financial institutions as a source of information
- Women are also more likely to trust information from retirement plan providers
- 55% of women would trust the advisor a great deal
- 47% of men would trust the advisor a great deal

THE STATE OF SAVINGS IN CANADA

- 62% of Ontarians wonder if they'll have enough money for retirement
- 58% wonder if their retirement savings are secure
- 78% say pension plans offered at work should deliver retirees at least 60% of their pre-retirement income

MISCONCEPTIONS ABOUT ANNUITIES

- 30% said they were unaware that annuities can provide income for life
- 29% said they were unaware of the potential tax advantages of investing in an annuity
- 27% were unaware that they could use their RRSP and/or RRIF savings to purchase an annuity
- 22% said they believe their pensions will provide enough retirement income

** Stats sourced from:*

** Canadian Guaranteed Lifetime Income Study (GLIS), 2015 by Greenwald & Associates and CANNEX Financial Exchanges Limited or*

** US Guaranteed Lifetime Income Study (GLIS), 2015 by Greenwald & Associates and CANNEX Financial Exchanges Limited.*

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