

The 2014 Guaranteed Lifetime Income Study (GLIS) Fact Sheet

The Guaranteed Lifetime Income Appeal Index

Key Finding: Due to lack of familiarity with financial products that provide guaranteed lifetime income and undervaluing of annuitization, just one in six score highly on the Guaranteed Lifetime Income Index.

The Guaranteed Lifetime Income Appeal (GLIA) Index measures how attractive individual consumers find financial products that provide guaranteed lifetime income benefits, and therefore how likely consumers are to consider and invest in these products. In addition, it is envisioned that this index will be tracked over time to provide an indication of how this is changing.

The GLIA Index was developed using three components:

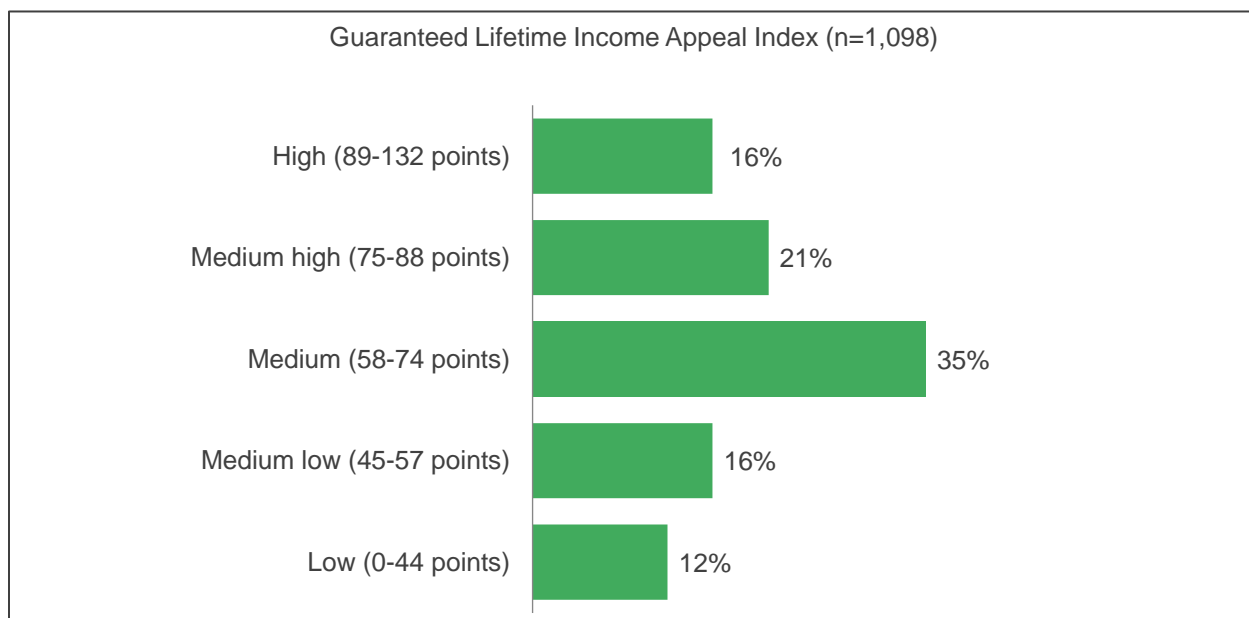
- The **value of guaranteed lifetime income**, including the value of guaranteed income in addition to Social Security and agreement/disagreement that guaranteed income offers peace of mind, allows you to invest more of your other assets in equities, allows you to get income in retirement more efficiently, makes it easier to manage a budget, gives you more long-term security, and makes it easier to know how much you can afford to spend. Respondents were assigned points based on how they answered these questions, with those who placed the highest value on the benefits of guaranteed lifetime income receiving the most points for these questions.
- **Familiarity with annuities**, including variable annuities with guaranteed lifetime withdrawal benefits, fixed indexed annuities with guaranteed lifetime withdrawal benefits, immediate income annuities, and deferred income annuities. Respondents were assigned points based on how they answered these questions, with those who said they were extremely familiar with the various types of annuities receiving the most points for these questions.
- The **value of annuities**, including the tradeoff between a lump sum amount and various SPIA (if retired) or DIA (if not retired) payout amounts and respondent impressions regarding the value that SPIAs, DIAs, and VAs with guaranteed lifetime withdrawal benefits provide. Respondents were assigned points based on how they answered these questions, with those who placed the highest value on the value that lifetime income annuities provide receiving the most points.

The points from each of these components were then combined to arrive at each respondent's GLIA score.

Respondents who receive the most points are those who:

- Place the highest value on the benefits of guaranteed lifetime income
- Say they are extremely familiar with the various types of annuities
- Place the highest value on the value that lifetime income annuities provide

Although most value guaranteed lifetime income, the overall lack of familiarity with the financial products that provide it and undervaluing of annuities mean that just 16% of consumers ages 55 to 75 score highly on the GLIA Index.



The index can be verified, in part, by the fact that the reported likelihood of owning or considering the purchase of an annuity increases as the index score increases. The reported percentage of assets that are annuitized also increases as the GLIA score increases.

High GLIA scorers are more likely than lower scorers to have a formal, written financial plan (prepared with or without the help of a financial advisor). In addition, high scorers are more likely to work with a financial advisor and to recall that their advisor mentioned an annuity. They are considerably more likely than low scorers to express a high level of anxiety about each of the retirement concerns measured in this survey and are more likely to consider financial goals important. In addition, they tend to be younger, in better health, have a higher life expectancy, or be willing to take some investment risk.

High scorers are *less* likely to want to make investment decisions completely, or almost completely, on their own and to draw money from guaranteed income sources.

Consumers with investable assets of at least \$2.5 million are slightly more likely than those with fewer assets to have a low score (17% vs. 11%).

Source: Greenwald & Associates and CANEX Financial Exchanges Limited, 2014 Guaranteed Lifetime Income Study.

Questions included in the index are as follows:

- Please indicate the extent to which you agree or disagree that financial products that provide guaranteed lifetime income...
 - Offer peace of mind
 - Allow you to invest more of your other assets in equities to better your chance for higher returns
 - Allow you to get income in retirement more efficiently than other financial products
 - Make it easier to manage a budget
 - Give you more long-term security than other financial products
 - Make it easier to know how much you can afford to spend each month
- How valuable is it for retirees to have guaranteed lifetime income in addition to Social Security?
- How familiar are you with the following financial products?
 - Variable annuities
 - Fixed annuities
 - Fixed indexed annuities
 - Variable annuities with guaranteed lifetime withdrawal benefits
 - Fixed indexed annuities with guaranteed lifetime withdrawal benefits
 - Immediate income annuities
 - Deferred income annuities
- Which would you rather have?" tradeoff between a lump sum amount and various SPIA (if retired) or DIA (if not retired) payout amounts
- What is your impression regarding the value that ____ provide?
 - Immediate income annuities
 - Deferred income annuities
 - Variable annuities with guaranteed lifetime withdrawal benefits