

In a \$1 Million Retirement Income Portfolio, Investors Choose Annuities and Protection Over Traditional 60/40 Allocation

A significant majority of investors (85%) are interested in owning, or already own, an annuity that guarantees regular income for life

WASHINGTON, D.C., December 6, 2021 — According to the newly released [Alliance for Lifetime Income and CANNEX Protected Retirement Income and Planning Study](#), investors who were asked to build their own hypothetical \$1 million retirement portfolio, said annuities and other income-producing assets were the most favored. The study is a joint research effort designed to better understand and forecast retirement income trends among investors and financial professionals.

When investors designed their \$1 million portfolio, they allocated approximately 20% (\$200,000) to dividend paying stocks, 14% (approximately \$145,000) to real estate and 13% (\$136,000) to annuities. Bank CDs (11%) and bonds (10%) round out the top five asset category choices, while “trending” investment opportunities such as SPACs and cryptocurrency fell to the bottom, with 3-4% of assets allocated to each.

The findings contradict the longstanding 60/40 strategy in which 60% of a retirement portfolio’s assets are invested in stocks, while the remaining 40% are invested in bonds—an approach originally designed to simultaneously grow assets and provide income.

“Investors showed a clear interest in building a retirement portfolio that was protected with an annuity,” said Jean Statler, CEO of the Alliance for Lifetime Income, a nonprofit consumer education organization. “We believe this is yet another blow to the outdated 60/40 portfolio mindset. Our research continues to show growing interest and significant demand from consumers for protected income, as more Americans become educated about the lifetime income, asset protection and other benefits of annuities. Unfortunately, the research also found that financial professionals continue to underestimate the intensity of consumer interest in annuities that provide steady income, which is important in volatile markets.”

An overwhelming majority of investors (85%) are interested in owning an annuity that guarantees lifetime income, or already own one. Of investors who are interested in owning an annuity with lifetime income, 49% are extremely interested. In stark contrast, the corollary study of financial professionals found just 18% believe their clients are extremely interested in annuities with lifetime income, indicating that there is a huge gap in what investors want and what advisors think they want. “If that gap continues to widen, financial professionals are likely to find that their clients will go elsewhere for advice,” Statler added.

The study was conducted by Artemis Strategy Group in August and September and includes surveys of 2,004 investors age 45-75. Simultaneously, 505 financial professionals were surveyed across the spectrum, from registered investment advisors to national wirehouses.

Behavioral Blindspot: Investors Fail to Recognize Familiarity Bias and Emotional Gaps

The study also found that, when presented with an investment opportunity, many investors fall victim to behavioral biases such as familiarity bias (81%), emotional gap (81%) and herd mentality (66%).

“Financial professionals play a critical role in educating their clients about retirement income and annuities and can help them see past their cognitive blind spots,” said **Tamiko Toland, director of retirement markets at CANNEX**, a leading provider of pricing, data and research for retirement and savings products. “While they continue to substantially underestimate a client’s level of interest in annuities, it’s encouraging to see increases in financial professionals’ understanding of an annuity’s value and role within a retirement portfolio. For financial professionals who aren’t at least considering annuities, it’s fair to say that they may not be listening to what their clients and prospects are looking for and are missing a significant opportunity to do what’s best for them.”

Financial Professionals Reimagine the “40” in a 60/40 Portfolio

During the past year, 72% of advisors report changing their approach to retirement planning— with 80% citing low interest rates as a reason behind their shift. As a result, 68% of these advisors say they’re putting more into stocks while 48% are putting more into annuities.

When financial professionals were asked to build their ultimate \$1 million retirement income portfolio for an average client, they would allocate just 20% of the assets to bonds, while putting 18% into annuities.

For the rest of the portfolio, they would allocate 53% (approximately \$530,000) to stocks— including dividend-paying investments (31%), other equity investments (14%) and international investments (8%). The remaining allocation would be made in alternative investments (4%), and real estate, bank CDs, cryptocurrency and SPACs together making up less than 5% of the portfolio.

To learn more about protected income in retirement, including through an annuity, visit www.ProtectedIncome.org.

About the Alliance for Lifetime Income

The Alliance for Lifetime Income is a non-profit 501(c)(6) educational organization based in Washington, D.C., that creates awareness and educates Americans about the value and importance of having protected lifetime income in retirement. Our vision is for a country where no American has to face the prospect of running out of money in retirement. The Alliance provides consumers and financial advisors with educational resources, interactive tools, and actionable research and insights to use in building retirement income strategies and plans. We believe focusing attention and conversations on retirement income that lasts throughout life leads to greater retirement security for millions of Americans. Learn more at www.ProtectedIncome.org.

About CANNEX

CANNEX Financial Exchanges Ltd. is a leading provider of pricing, data and research for retirement and savings products in North America. In the U.S. the firm helps bridge the gap

between annuity product manufacturers and financial professionals in simplifying and communicating the unique value that each product provides and improving the effectiveness and efficiency of planning, sales and service processes. Learn more at www.cannex.com.

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