



LIMRA Analyzes Immediate Annuity Buyers

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The typical immediate annuity buyer is a 73-year-old woman who pays about \$107,000 in premiums for her contract.

Researchers at LIMRA, Windsor, Conn., have presented an analysis of guaranteed income annuity buyers in a report based on a review of about 55,000 immediate annuity contracts issued in 2008 and 2009.

An immediate annuity is an annuity contract structured in such a way that income payments begin soon after the time of purchase.

The market for immediate annuities is still small. LIMRA says fixed immediate annuity sales are increasing, but it is predicting sales of the contracts will total just \$12 billion in 2014.

Government agencies have been talking about encouraging participants in 401(k) plans and other defined contribution plans to use immediate annuities or similar vehicles to convert retirement savings into streams of guaranteed lifetime retirement income.

In theory, the potential size of the immediate annuity market could be as high as \$250 billion, LIMRA says.

LIMRA found that women now buy about 60% of the immediate annuities sold, and that the age of purchase tends to cluster around the time when Social Security benefits payments begin or the time when the Internal Revenue Service requires retirement plan participants to begin taking minimum distributions.

Although the recent focus of discussions about immediate annuities has been the need for lifetime income guarantees, about 30% of immediate annuity buyers buy contracts with limited terms.

About 90% of the buyers who do choose lifetime income guarantees choose payments that are guaranteed for a fixed period or provide a refund guarantee, LIMRA says.

In addition to insurance specialists, sellers of immediate annuities include banks and broker-dealers.

- *Allison Bell*

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