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# Who's Buying Immediate Annuities and How to Get Their Business

## A recent LIMRA report reveals likely annuity purchasers

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LIMRA's *Guaranteed Income Annuities* report, released Monday, identified trends in annuity sales and uncovered [who is most likely to purchase immediate annuities](#).

LIMRA examined over 55,000 immediate annuity contracts issued in 2008 and 2009 for the study and found that **60% of immediate annuity contracts are purchased by women**.

Additionally, the **average age for purchasers is 73**, and the report noted that purchases made with pre-tax money were more likely to be "clustered around ages that correspond either to the onset of Social Security benefits or IRS required minimum distributions."

**Dr. Matthew Drinkwater**, associate managing director of retirement research for LIMRA and author of the report, describes the typical annuity buyer.

"The typical immediate **annuity buyer is a woman in her 70s** who is selecting a lifetime payout, with a guaranteed payment (either a period certain or refund option)," he wrote in an e-mail interview with [AdvisorOne](#). "Usually the typical buyer will be drawing from after-tax money, and on average she is converting over \$100,000 into guaranteed income."

Typically, payments received do not increase over time, Drinkwater wrote, noting that "buyers tend to avoid features that would automatically increase payments by a fixed amount or with inflation."

"However," he added, "buyers do tend to select liquidity features that allow them to commute remaining payments into a cash payment, or to access some of the underlying funds and continue to receive payments."

The **average immediate annuity premium was just over \$107,000**, according to the report, and LIMRA estimates the unrealized annuitization market is \$250 billion.

"LIMRA forecasts that the immediate annuity market, which was \$7.5 billion in 2009, **will increase to \$7.7 billion this year** and rise to **\$11 billion by 2013**. Some of the growth will occur because of the underlying demographics (more of the large boomer population reaching the ages when these products are purchased)," Drinkwater wrote.

Immediate annuities will grow ever more popular as more people enter retirement with insufficient guaranteed income sources to cover their basic living expenses, according to Drinkwater, and companies are also working to make annuities more "palatable" for consumers by addressing buyers concerns, particularly liquidity options.

"**Greater familiarity and comfort** with the annuitization concept among advisors and consumers, thanks to training and education efforts, will also help to boost their sales potential," Drinkwater writes.

### **What Does This Mean for Advisors?**

According to Drinkwater, just over half of buyers who applied before-tax money to purchase their annuity were between ages 62 and 72. "Ideally, **advisors and sales reps should be contacting prospective customers shortly before they reach these key ages,**" he wrote.

"Advisors should also be aware that nine in 10 lifetime **SPIAs** have a guaranteed payment. Clients appear to prefer these payout options even though the period certain or refund option reduces the monthly income compared to straight "life only" payouts."

In other words, according to Drinkwater, buyers are willing to trade off maximum income for the assurance that they will receive some of their premium back.

Guaranteed income benefits [continue their popularity](#), according to the report, as 70% of people who purchased an immediate annuity also purchased **lifetime guaranteed income contracts**. Ninety percent of buyers chose payments that were guaranteed for a specified period of time, or that would provide a refund to beneficiaries for any unpaid premium.

Most sales are made through insurance agents, the report found, but a "growing portion" are sold through banks, national full-service, broker-dealers or independent broker-dealers.

[http://www.advisorone.com/article/whos-buying-immediate-annuities-and-how-get-their-business?page=0,0&sms\\_ss=mailto&at\\_xt=4d1aa632f202eeac,0](http://www.advisorone.com/article/whos-buying-immediate-annuities-and-how-get-their-business?page=0,0&sms_ss=mailto&at_xt=4d1aa632f202eeac,0)