

Flight to Safety Drives Annuity Sales

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Wealth accumulation is taking a back seat to another important investor goal: having guaranteed retirement income.

The shift in investor focus is driving the growth of annuity sales, which hit a record high of nearly \$2.2 trillion in 2010, according to a new report released by the Insured Retirement Institute and Cogent Research, a market research and strategic consulting firm. The report surveyed the views of 684 financial advisors, investors, insurance carriers and others from June to October of 2011.

As a result of recent market volatility, more and more investors are willing to accept lower rates of return to ensure some level of guaranteed retirement income in the future, said Antonio Ferreira, managing director of the Wealth Management Group at Cogent Research and co-author of the study.

Nearly one-third of the advisors reported that client requests for annuities increased over the last five years, with nearly seven in 10 having at least one request in the last 12 months. Variable annuities, in particular, were in demand. Nearly all the advisors surveyed indicated that they sold a variable annuity in the last five years. Three in four expected the usage of variable annuities in client portfolios to increase in the future.

Advisors also anticipated rising use of riders incorporating guaranteed lifetime benefits into annuity contracts over the next five years. Two in five anticipated increased use of guaranteed minimum income benefits, guaranteed lifetime withdrawal benefits, and guaranteed minimum withdrawal benefits. They predicted less growth in guaranteed minimum accumulation benefits.

According to the study, three in four variable annuity contracts today are sold with a guaranteed lifetime benefits rider, with nearly nine in 10 including a guaranteed minimum income benefits or guaranteed lifetime withdrawal benefits rider.

Ferreira explained that investors are taking a more conservative approach to investing. Rather than “trying to play the market” and aim for double-digit returns, investors are settling for guaranteed lifetime income benefits, which typically guarantee a certain—albeit lower—rate of return, as well as principal.

Sales of annuities are on track to break last year’s record, which represented a 10% increase from 2009. The Insured Retirement Industry earlier this month reported [third-quarter annuity sales](#) of \$57 billion, up 5% from the year-ago period. Sales through September were \$175.4 billion, up from \$163.1 billion in 2010.