



# Three Annuity Insights

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Zeldis Learning Center

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**RESEARCH BRIEF**

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**01****Most consumers, even annuity owners, know next to nothing about annuities.**

In general, when you ask consumers what they think about annuities, you either hear a vague negative perception (e.g., "Suze Orman says they're no good") or you hear crickets.

Most consumers can't tell you what an annuity is, what it does, or what the potential advantages and disadvantages are. Surprisingly, this holds true even among annuity owners.

Though annuity owners tend to be more affluent and knowledgeable about general financial topics, most purchased an annuity at the recommendation of an advisor, as part of an overall investment strategy. They don't understand the product as a whole, and they definitely do not grasp all the specific product features or riders.

**Research Implication:**

Testing annuity concepts, products, and materials with consumers can be challenging. You need to be able to explain the product and features as simply and clearly as possible. Videos help. So do comparisons and analogies. But at the end of the day, you should use a qualitative methodology that allows for live moderating (an in-depth interview or online or in-person focus groups). This allows a knowledgeable moderator to help clarify and walk the respondent through any product details or materials.

A static methodology, like a bulletin board discussion, video ethnography, or even a survey can be challenging with consumers. You just don't know whether or not the respondent fully grasped what you were trying to test. Alternatively, you can focus your research on advisors/agents. Annuities tend to be "sold not bought," so the advisor/agent is really driving the sales process and, consequently, is your target audience.

**02****Many advisors/agents themselves know less than you might expect about the range of annuity products and features.**

Of course there are annuity experts, and they are a great source of knowledge. But the average advisor selling annuities, even those with fairly high production, tends to have detailed knowledge of only a handful of provider products and tends to be loyal to them. Advisors acknowledge that it is a crowded market, with an extensive array of bells and whistles, and they simply can't familiarize themselves with every option. So they typically stick with what they know. Their options may be limited to a product that has worked well for clients in the past or one from a provider where they have a great relationship with the wholesaler, or they may rely on an IMO to help them select a product.

**Research Implication:**

Often providers who want to do research with advisors/agents about annuities assume there is a fairly high level of knowledge. They ask questions or present materials that assume the advisor/agent already knows the basics. While that may work well with a small number of advisors who are extremely well-versed, many advisors need a "refresher" on the basics, even if they have a minimum level of production to participate in research.

We recommend adding language to walk the respondent through any annuity products and/or concepts to be evaluated, operating under the assumption they have little to no experience with the product. A glossary or clickable summary of important terms throughout the survey is also helpful when evaluating annuities in an online quantitative environment.

Also, many assume all qualitative advisor/agent discussions should be one on one, because they worry that advisors will be reluctant to share with one another and be candid about their experiences. While this can be true when discussing how they generate leads and execute sales and marketing, most advisors will participate in a healthy and fruitful discussion about specific products, features, and even providers. This is even more likely in an online group, when advisors are not from the same city/market or with independent advisors who worry less about firm restrictions.

**03**

Annuities continue to be strong sellers and most financial professionals' feel that this will continue, at least in the short term.

While the annuities of today tend to be less rich than those available even five to ten years ago, they are still popular products with advisors and most see sales increasing as Boomers continue to retire. In addition, many cite emerging annuity products and solutions, including investment-only annuities for a younger target and the addition of more fee-based products available. Of course, unique concerns in the annuity market also exist (e.g., pending DOL rule changes), which may change the landscape significantly.

#### Research Implication:



Many providers are generating new products or riders to capitalize on the growing market. New products and features are being introduced quickly. Given the crowded field, it is even more important for providers to obtain feedback on concepts, products, features, and riders before they make product adjustments or go to market decisions. A good place to start is with a relatively modest investment in qualitative research (a small number of in-depth interviews or groups). That can help determine, at least initially, whether an idea has enough traction to be followed with a more quantitative assessment of market potential.

Given the rapidly evolving annuity market, it is also valuable to gather information from key audiences (particularly advisors/agents) on the "hot" issues. How are they selling annuities, to whom and for what purpose, what are they seeing as the exciting emerging ideas, how they are reacting to potential new challenges/regulations, and how do they see the market changing going forward. This can help providers stay ahead of the curve.

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