5 Trends For Fixed Annuities In 2015

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PORTLAND, Oregon — December 9, 2014 — 2014 has been a year of dynamic growth in the annuities industry. Fixed annuities, once viewed as a conservative investment strategy, emerged as an accumulation vehicle of choice for many soon-to-be retirees.

Fixed annuity purchases show no signs of slowing in 2015. Rich Lane, director of individual annuity sales and marketing for Standard Insurance Company[‡], has identified five trends that can better position brokers and producers to sell fixed annuities in the upcoming year.

1. The end of quantitative easing will create uneasy investors. Although the Federal Reserve has ended its quantitative easing program, many investors are unsure how it will affect the stock market. As the potential for interest rates to rise exists, some annuities purchasers could be hesitant about investing in fixed annuities due to fear of rising rates.

“What many don’t realize about delaying their purchase is that they may be hurting their overall accumulation potential,” Lane says. “A fixed annuity’s compounded growth and tax-deferral status can grow savings faster than one may think. A year of tax deferral growth can have a great impact in your accumulation.”

2. Purchasers are getting younger. According to a recent LIMRA study, half of all annuity purchasers are under age 60.[1] This age group opens a huge window of opportunity for expanding annuity sales. These purchasers, like their predecessors, are very concerned about retirement preparedness.

“Fixed annuities are a practical option for financially conservative clients — particularly those who want to see a return on their investment,” Lane says. “Many who are preparing for retirement have a low risk tolerance; a fixed annuity can work well for those who don’t want to gamble with money they’ve worked so hard to accumulate for retirement.”

3. Watch for new products. Many clients choose fixed annuities because they provide protection from market volatility. Some carriers are hoping to capture those benefits in new products, including fixed indexed annuities, which are linked to market indexes.

“Indexed annuities can help accumulate additional funds, but purchasers see selecting that type of product as more of a risk,” Lane notes. “Many carriers are hoping to create annuities that help expand options for consumers while providing the same rate of return.”

4. The benefits of wealth transfer. A client may have set up a fixed annuity as a way to accumulate assets. But by restructuring a payout, fixed annuities can be used to transfer money from a purchaser’s estate directly to select beneficiaries.

“Clients might not be aware that death benefits payable to their heirs, especially in large sums, could actually be a burden,” Lane says. “The taxes associated with the proceeds could place beneficiaries in a different tax bracket and/or eat up a significant portion of an inheritance. Fixed annuity payments can help spread out that impact.”

5. New annuity carriers could mean increased risk. Fixed annuities have been an attractive investment vehicle for more than just individual purchasers. Many companies have added annuities to their investment options to capitalize on new purchasers. Although many products might fit a client’s basic needs, a new or inexperienced carrier could represent a long-term risk.

“It’s important for a broker to select a product that helps meet clients’ investment and accumulation objectives — not just something that increases their personal bottom line,” Lane says. “When investigating options, consider things such as long-term investment outlook, industry ratings and investment stability.”

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About Rich Lane
Rich Lane is the director of individual annuity sales and marketing for Standard Insurance Company, where he has worked for more than a decade. He has been in the fixed annuities industry for more than 17 years, with an emphasis on product and distribution development for brokerages, banks and broker/dealers.

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