Presentation to

Federal Advisory Committee on Insurance

Robert A. Kerzner
President and CEO
LIMRA, LOMA, LL Global

LIMRA
Secure Retirement INSTITUTE™

The Trusted Source for Industry Knowledge

Research

Learning & Development

Research
Learning & Development

Professional Networking

Nearly

100 years in existence

More than

20,000 research reports published

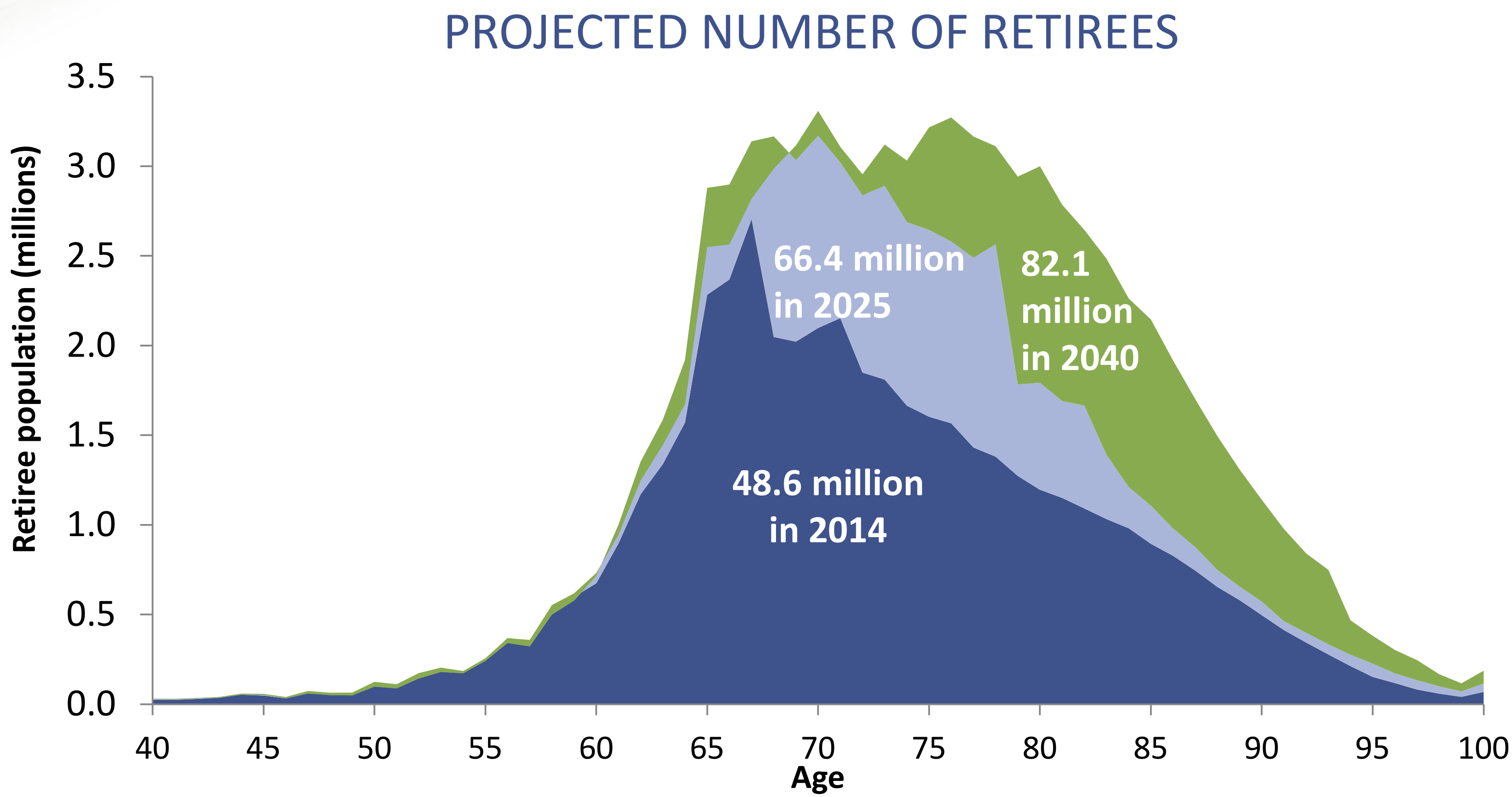
Over

1.25 MILLION individual consumer records collected annually

At least

50 MILLION data points collected annually

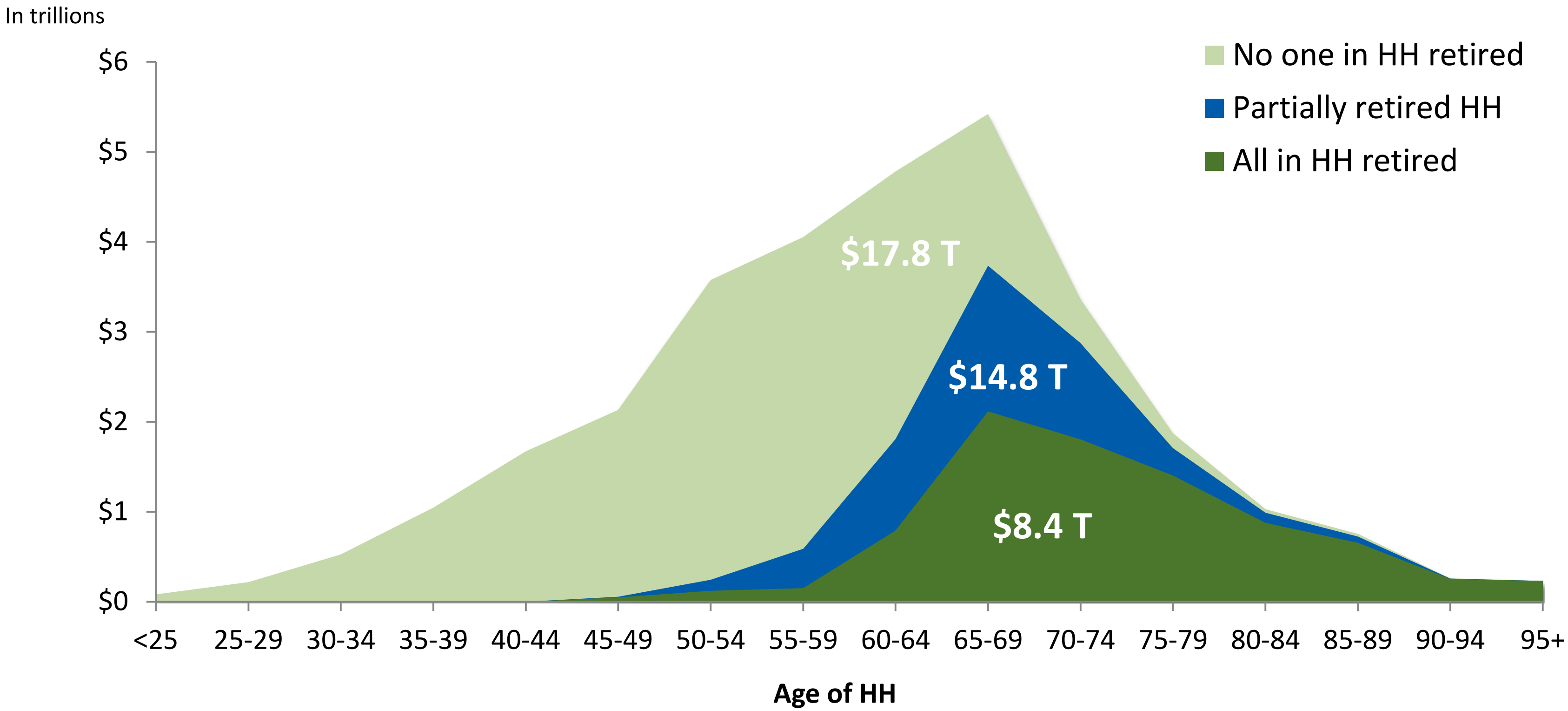
By 2040 there will be 82 million retiree in the U.S.



Source: LIMRA Secure Retirement Institute analysis of U.S. Census Bureau population projections.

Show Me The Money

Financial Assets by Age and Retirement Status



Source: LIMRA Secure Retirement Institute analysis of 2013 Survey of Consumer Finances, Federal Reserve Board, 2014

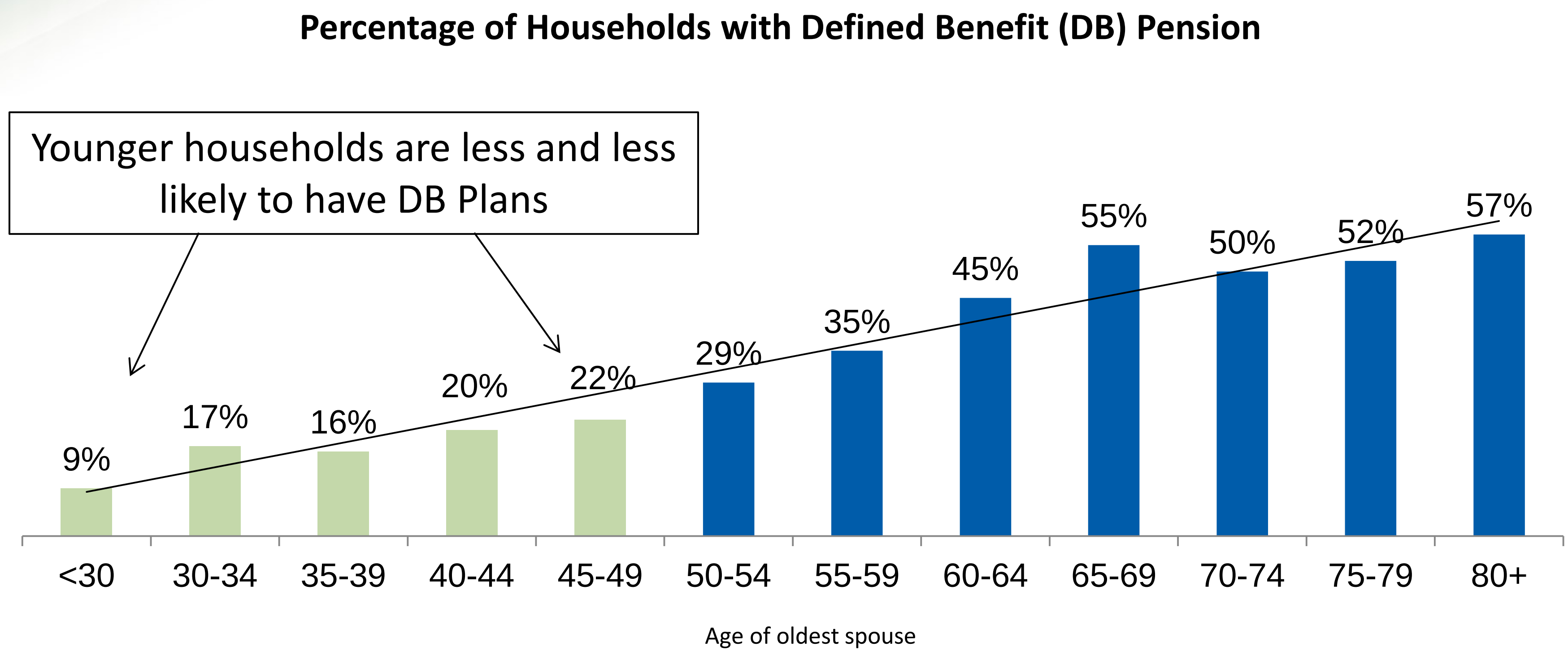
Retirement income opportunity will double to nearly $22 trillion by 2020

	Early Career Age 25 -34 Investable Assets	Mid Career with Kids Age 35 -44 Investable Assets	Kids in College Age 45-54 Investable Assets	Pre-retiree Age 55-64 Investable Assets	Retired Age 65+ Investable Assets	
2010	$0.4 trillion	$1.7 trillion	$4.3 trillion	$6.1 trillion	$5.9 trillion	56% of assets
2020	0.6 trillion	$2.5 trillion	$5.6 trillion	$10.2 trillion	$11.4 trillion	65% of assets
	Asset Gathering Retirement Assets			The Retirement Income Opportunity		

Source: LIMRA, Based on 2001, 2007 and 2010 Survey of Consumer Finances, Federal Reserve Board and U.S. Census Bureau's *Current Population Survey, March 2011 Supplement.* All estimates and calculations reflect consumer segments of age 25 or more, and households with assets between $50K and $4.9M. Household HH by age group growth has been estimated by using Census projections by age and assuming that the proportion of HHs that have between $50,000 and <$5 million is constant within age group over time and the proportion in equities remains constant within each age group over time

LIMRA Secure Retirement Institute

Only 1 in 5 Americans under 50 have a defined benefit plan



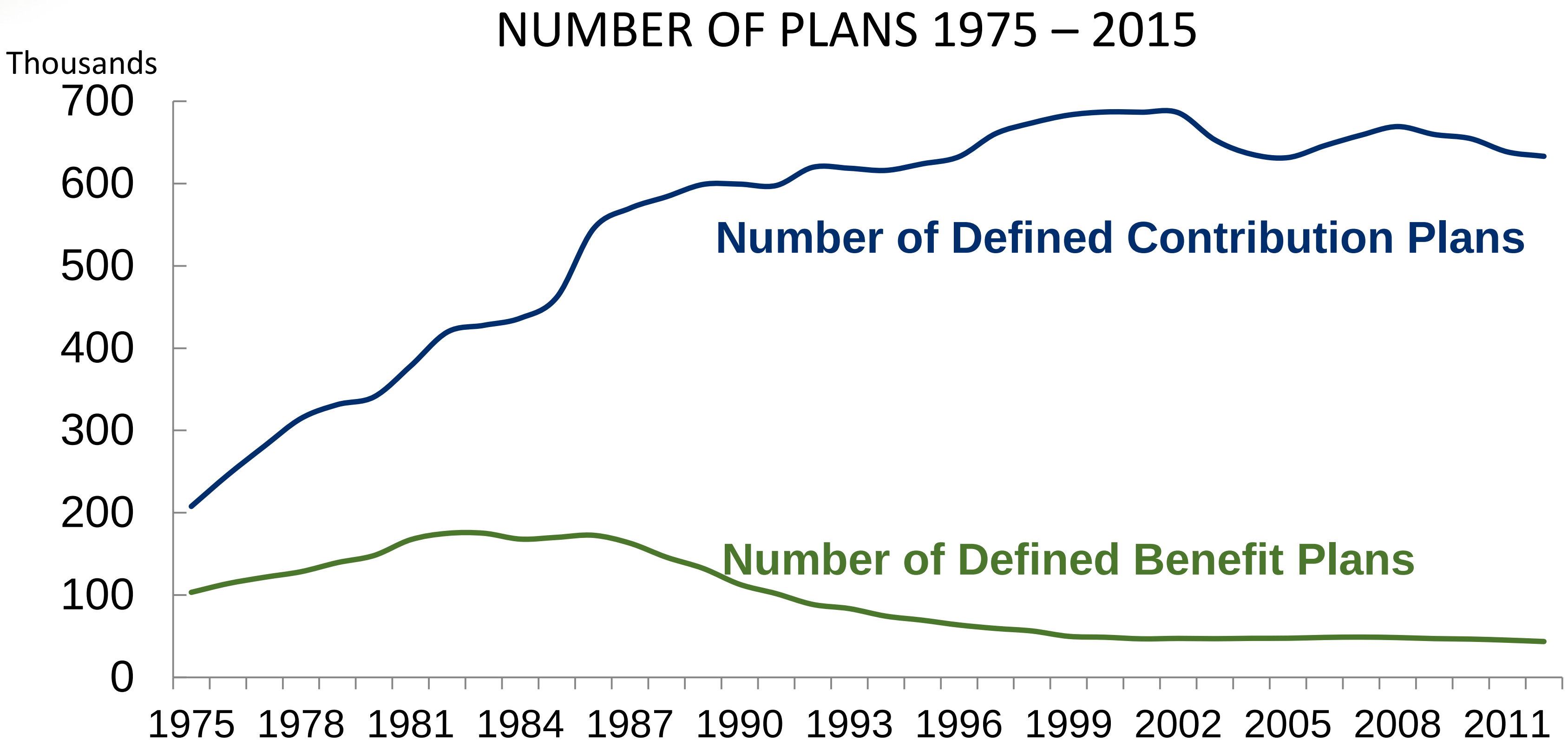
For those with a DB plan:

…more and more likely to be *frozen*, and

…represent *smaller and smaller wage replacement rates*

Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, (will be published in 2015)

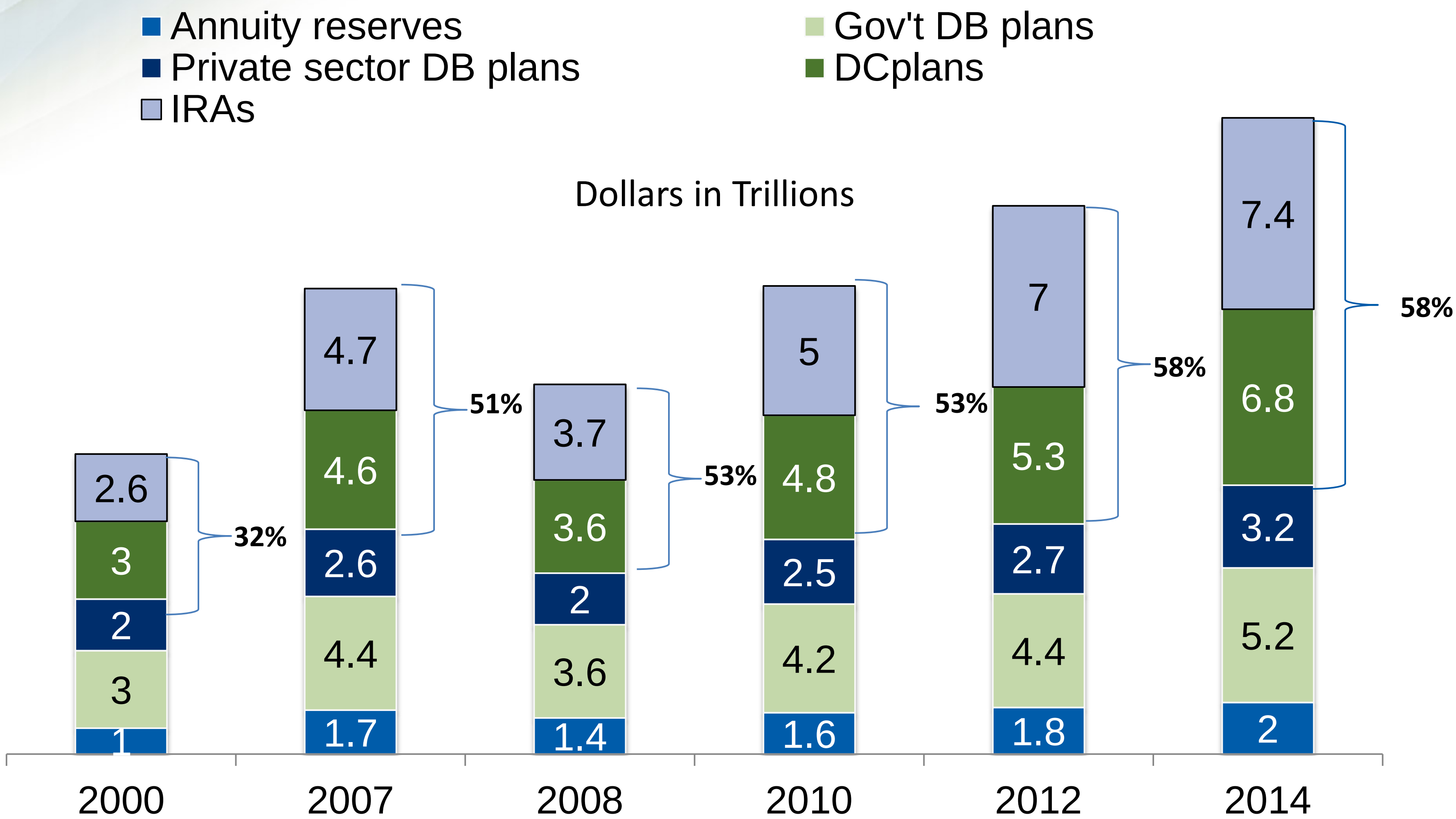
Today the individual is responsible for their retirement security



Source: Department of Labor Private Pension Plan Bulletin Historical Tables and Graphs, December 2014, Table E1

LIMRA Secure Retirement Institute

Majority of Retirement Assets in IRAs or DC Plans

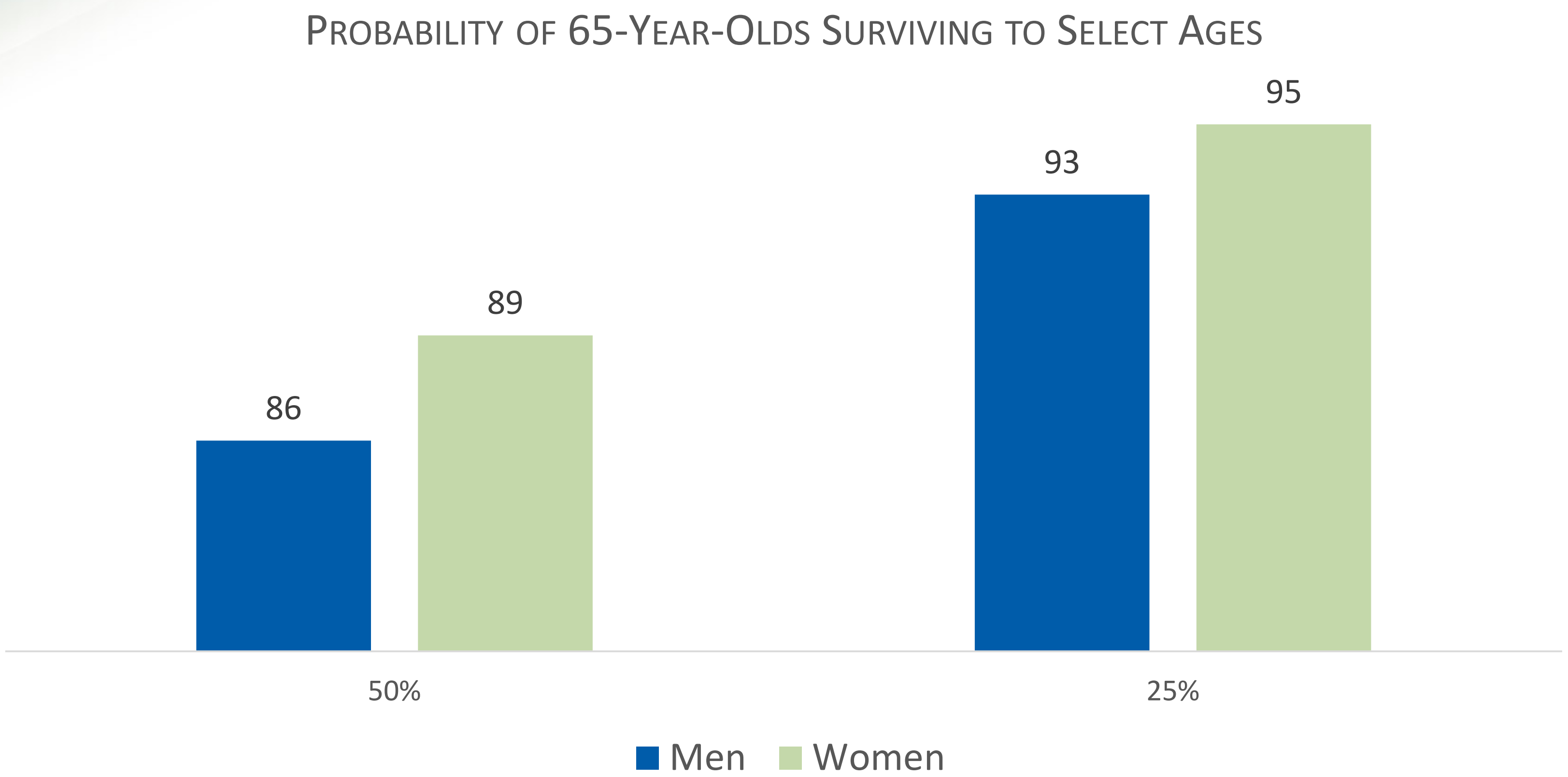


Source: The U.S. Retirement Market Fourth Quarter, Investment Company Institute

RETIREMENT RISKS:

- ✓ Few have saved enough systematically
- ✓ Longevity

1 of 4 Americans age 65 will live into their 90s



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, (will be published in 2015)

The Washington Post

Morning Mix

U.S. life expectancy hits record of 78.8 years — for those born in 2012

By Lindsey Bever and Fred Barbash October 8, 2014

Follow @lindseybever Follow @fbarbash

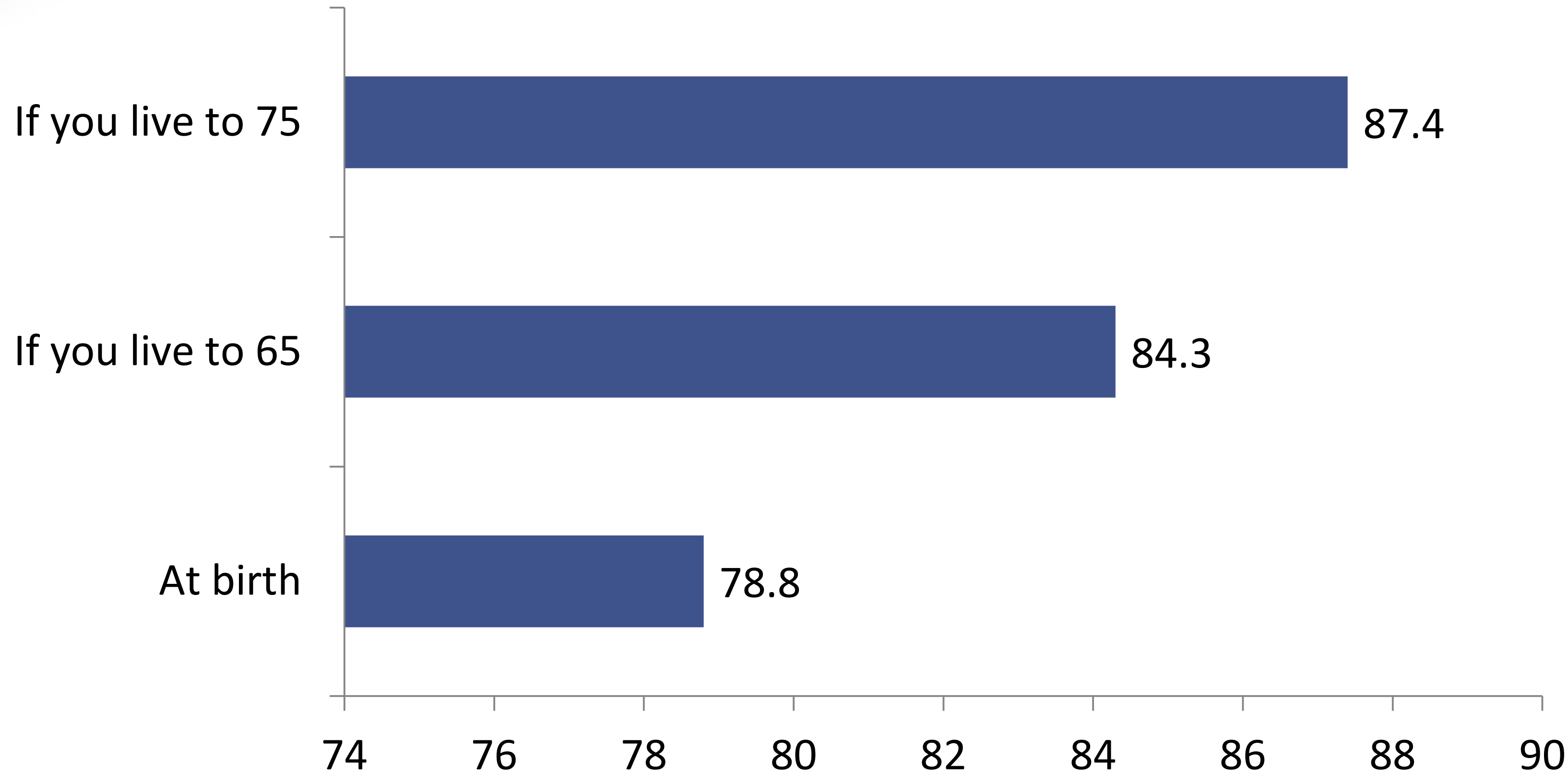
Newborn babies in hospital nursery in Danbury, Conn. (ALAMY)

There's some good news on the longevity front. Life expectancy for Americans born in 2012 is 78.8 years — a record.

That's about six months longer than the mortality rate for those born in 2010

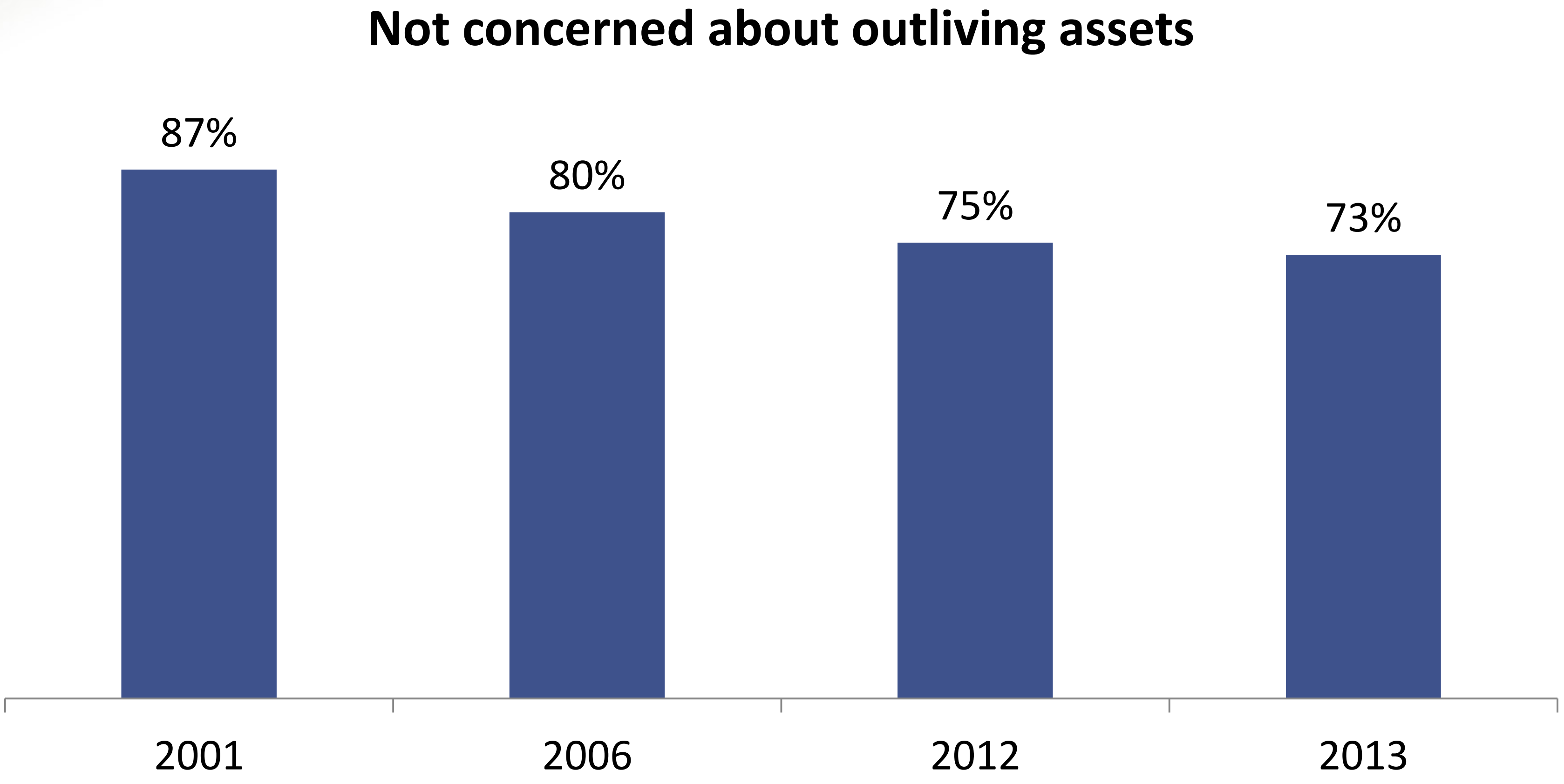
Most Read National

Longevity – life expectancy goes up as people age



Source: CDC: Health, United States, 2012

Retirees Remain Unconcerned About Longevity



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute (2012, and 2015 – to be published)

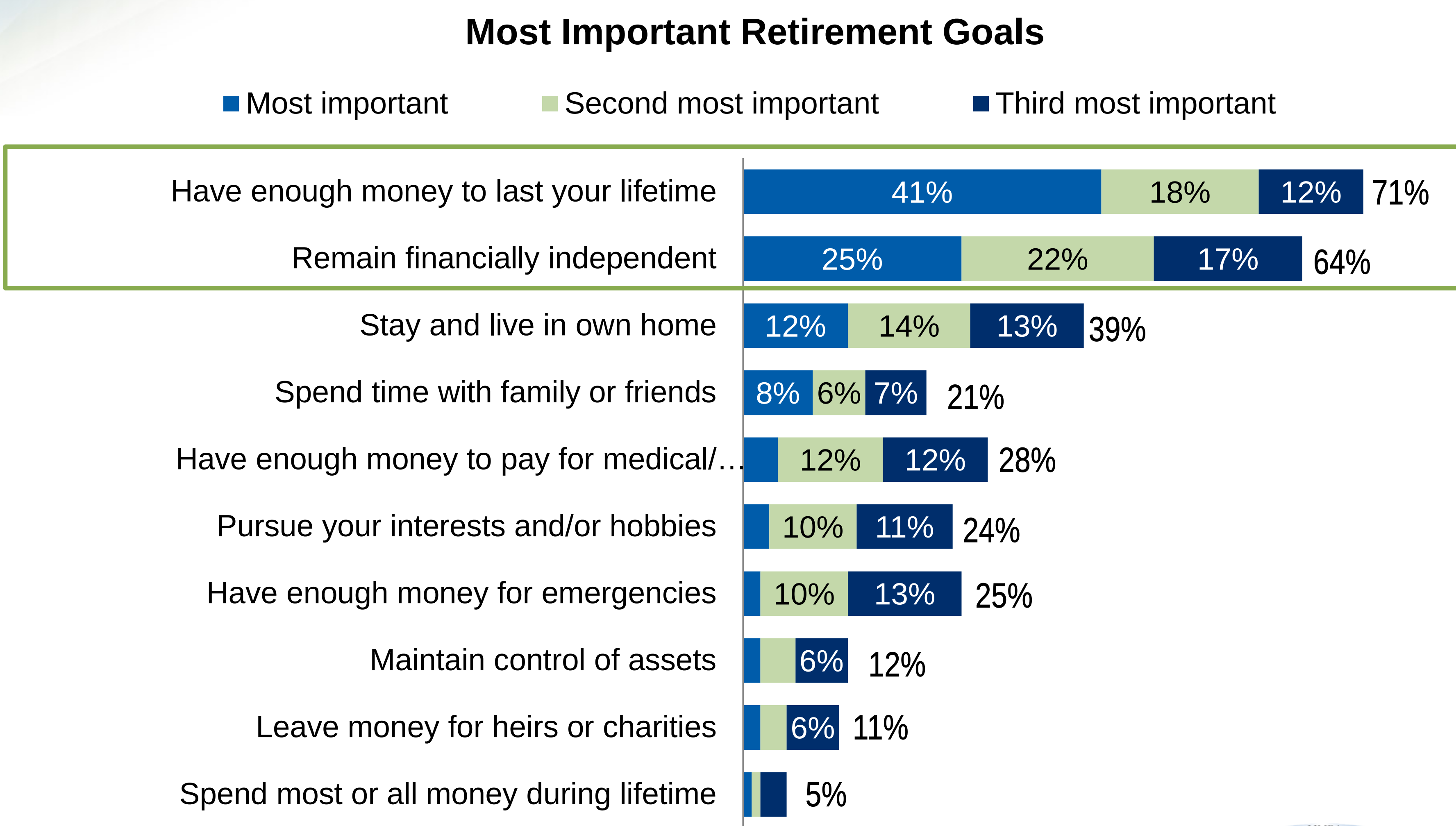
Advisors' perceptions of retirement risks are nearly the opposite of retirees/pre-retirees

Importance	Pre-retirees	Retirees	Advisors
1	Public policy	Public policy	Health care
2	Inflation	Inflation	Longevity
3	Health care	Market & Investment	Public policy
4	Market & Investment	Health care	Inflation
5	Longevity	Longevity	Market & Investment

Source: LIMRA Secure Retirement Institute, 2015. Based on findings from *Advising for tomorrow; Advisor Perspectives on Retirement Planning*, LIMRA, 2012 that surveyed 1,042 advisors who have been in their field for more than a year, and LIMRA Secure Retirement Institute Consumer Study, 2014, results based on analysis of 888 retirees and 547 pre-retirees with $100K+ in household assets.

LIMRA Secure Retirement INSTITUTE

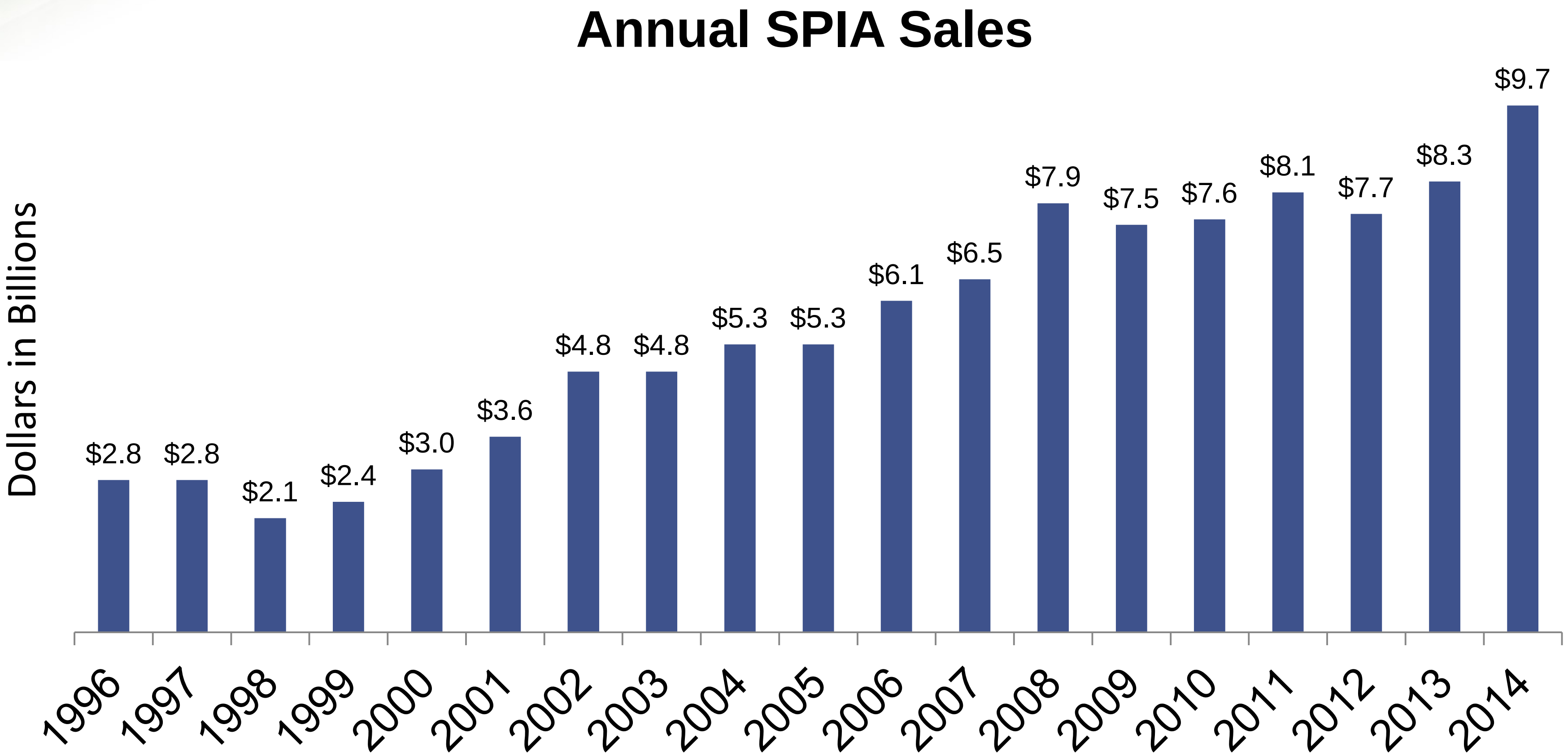
Top goal for retirement: Have enough money to last a lifetime



Note: Based on 2,000 retirees and pre-retirees.

LIMRA Secure Retirement INSTITUTE

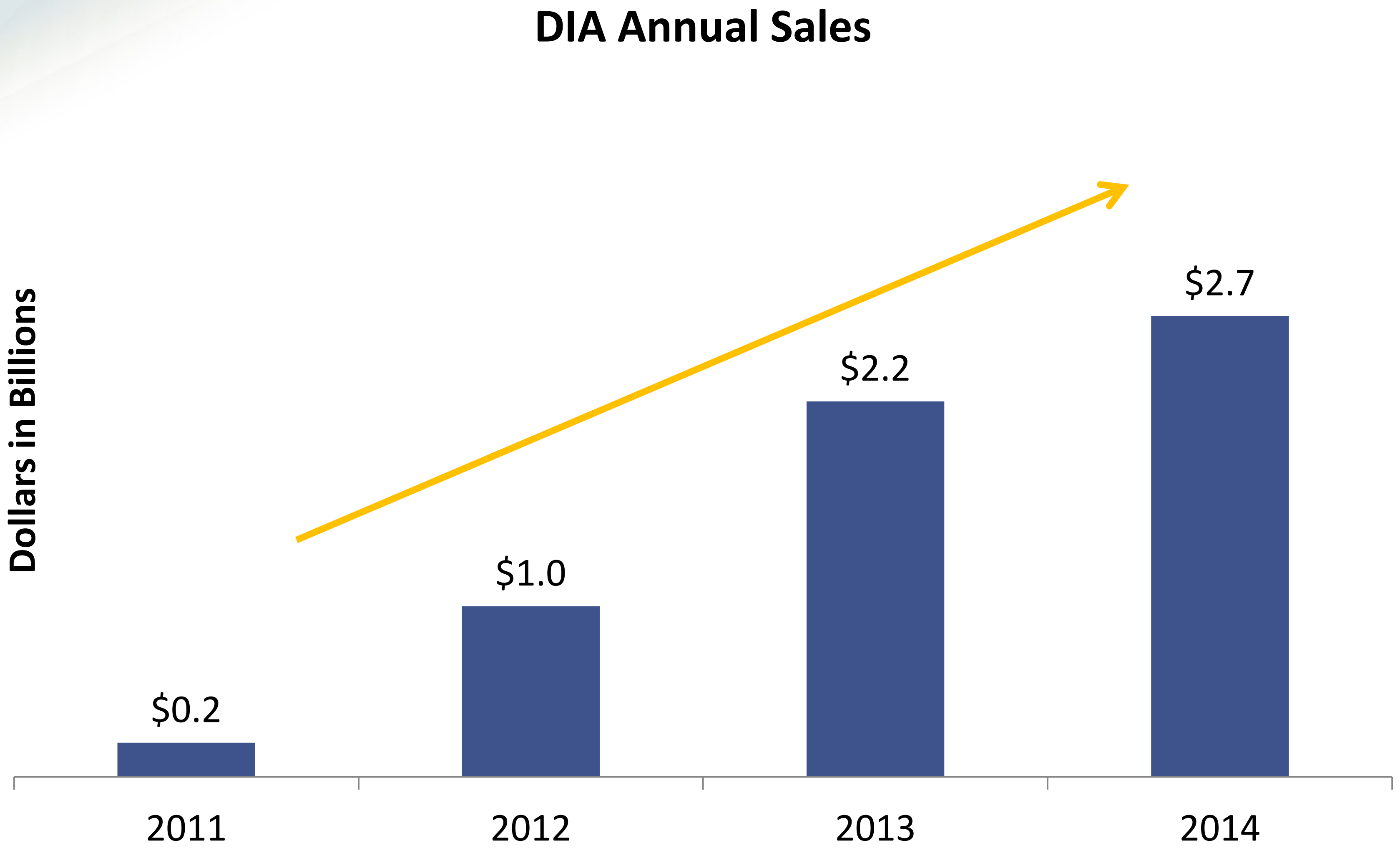
Despite low interest rates, SPIAS experience steady growth



Source: *U.S. Individual Annuities* survey, LIMRA Secure Retirement Institute .

LIMRA Secure Retirement INSTITUTE

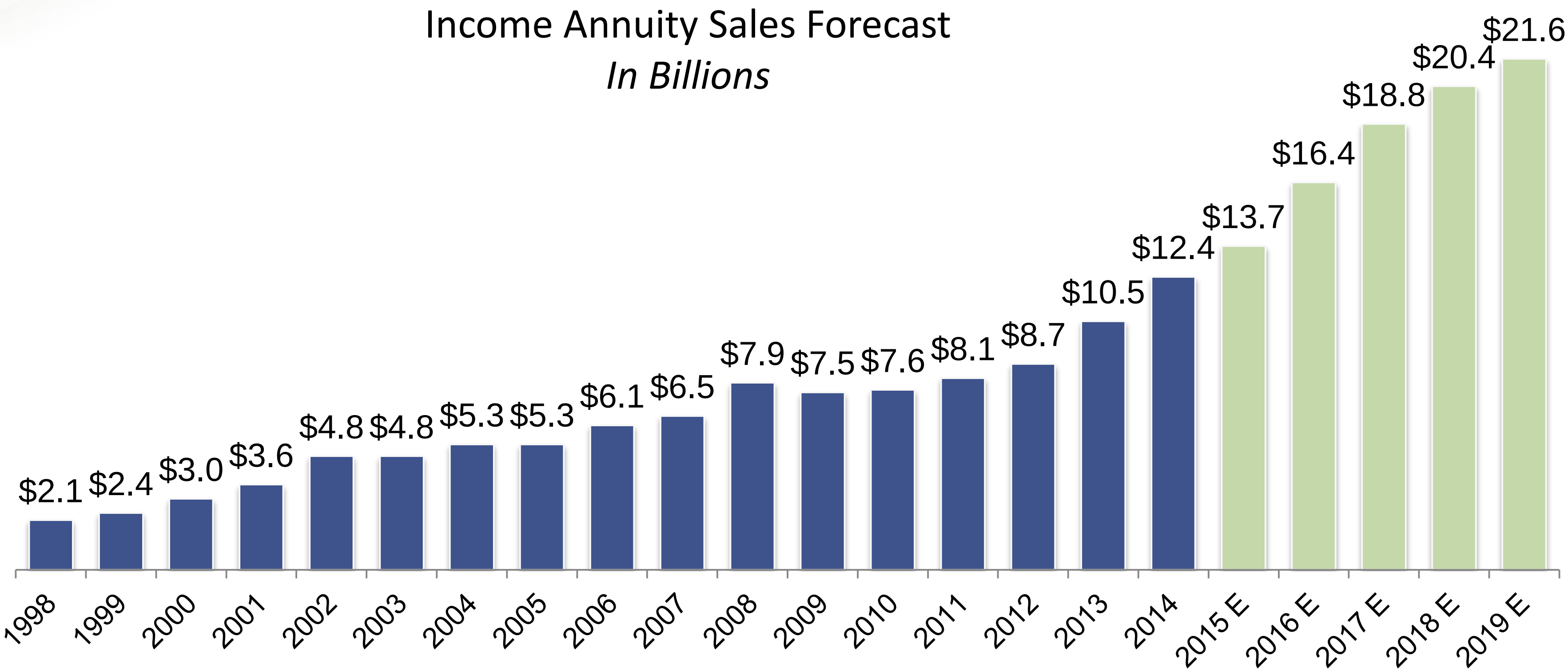
Deferred Annuity Sales Take Off



Source: LIMRA Secure Retirement Institute, U.S. Individual Annuities survey

LIMRA Secure Retirement Institute

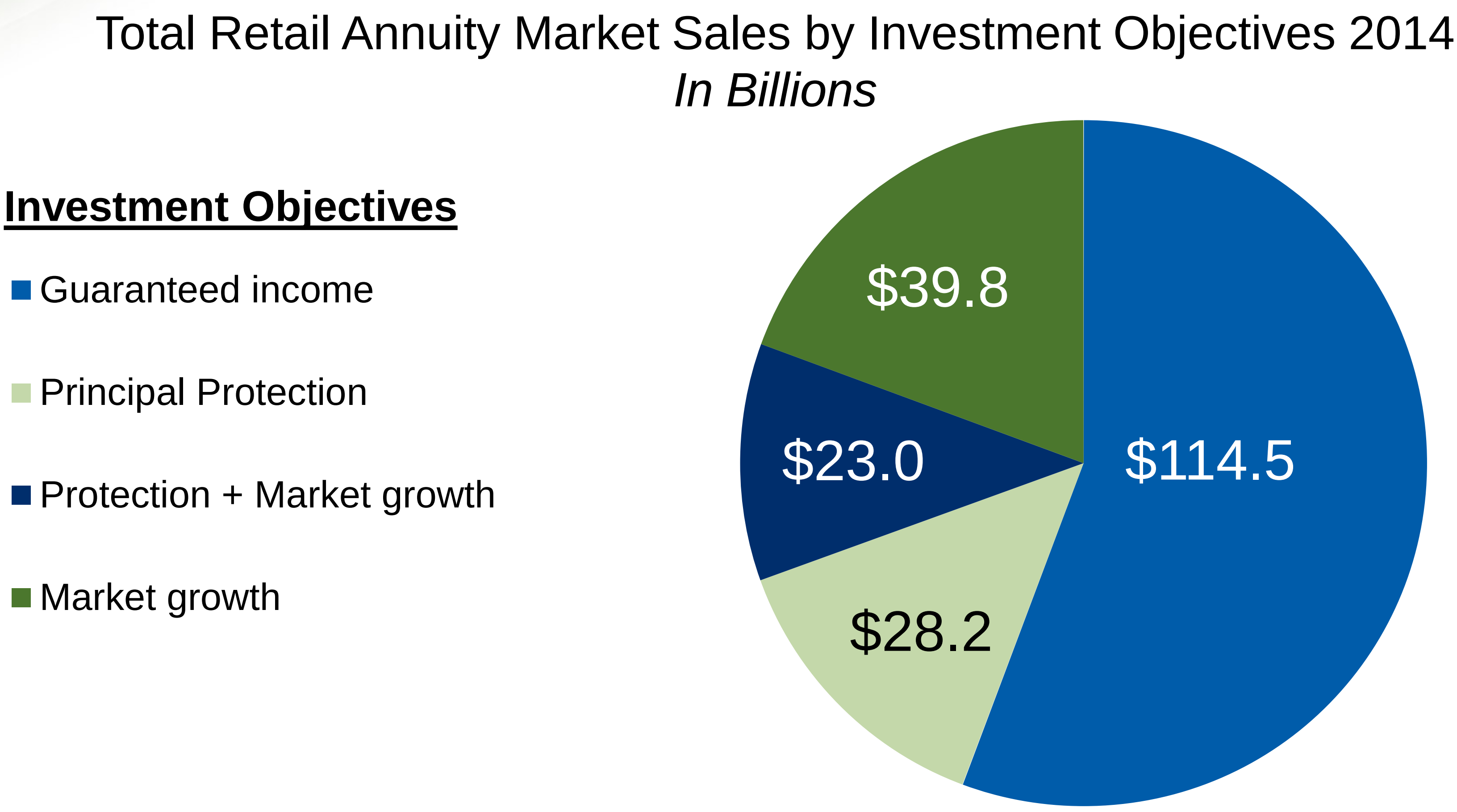
Income annuity sales are expected to reach over $21 billion by 2019



Source: LIMRA analysis and *U.S. Individual Annuity Yearbook 2013,* LIMRA, 2015
Income Annuities = SPIA + DIA
Updated March 2015

LIMRA Secure Retirement INSTITUTE

Majority of consumers are buying annuities to create guaranteed income



Note : Totals are for retail sales only. This analysis excludes sales in employer plans and structured settlements.
Source: LIMRA Secure Retirement Institute, *U.S. Individual Annuities survey*
LIMRA Secure Retirement Institute, *VA GLB Election Tracking Survey*

LIMRA Secure Retirement INSTITUTE

$1 TRILLION+

Estimated demand for guaranteed income products by 2023

$750 BILLION

Today's estimated demand for guaranteed income products

Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, (will be published in 2015)

LIMRA Secure Retirement INSTITUTE

SPIA Profile

SPIA Average Buyer Age:
73

Average Initial Premium:
$136,000

Percentage of IRA business:
50%

Source of SPIA avg. buyer age: *LIMRA Secure Retirement Institute Guaranteed Income Annuities, 2010.*
Source Average Initial Premium: *U.S. Individual Annuity Yearbook 2014,* LIMRA Secure Retirement Institute, 2015
Source for Percentage of IRA business: *: LIMRA Secure Retirement Institute, U.S. Individual Annuities Survey*

LIMRA Secure Retirement INSTITUTE

DIA Profile

DIA Average Buyer Age:
59

Average Deferment Selected:
7.5 years

Average Initial Premium:
$147,200

Percentage of IRA business:
73%

Source of DIA Annuity Average Buyer Age: *LIMRA Secure Retirement Institute ARSG Survey #402, March 2014.*
Source Average Initial Premium: *U.S. Individual Annuity Yearbook 2014* , LIMRA Secure Retirement Institute, 2015
Source for Percentage of IRA business: *: LIMRA Secure Retirement Institute, U.S. Individual Annuities survey, Q2 2014.*

Variable Annuity Profile

VA Average Buyer Age:
59

Average Initial Premium:
$91,000

Percentage of IRA business:
59%

Source: U.S. Deferred Annuity Buyers Attitudes and Behaviors, 2012, LIMRA Secure Retirement Institute
Source Average Initial Premium: *U.S. Individual Annuity Yearbook 2014,* LIMRA Secure Retirement Institute, 2015
Source for Percentage of IRA Retail business: *LIMRA Secure Retirement Institute, U.S. Individual Annuities Survey*

LIMRA Secure Retirement INSTITUTE

Indexed Annuity Profile

Index Annuity Average Buyer Age:

61

Average Initial Premium:

$89,400

Percentage of IRA Retail business:

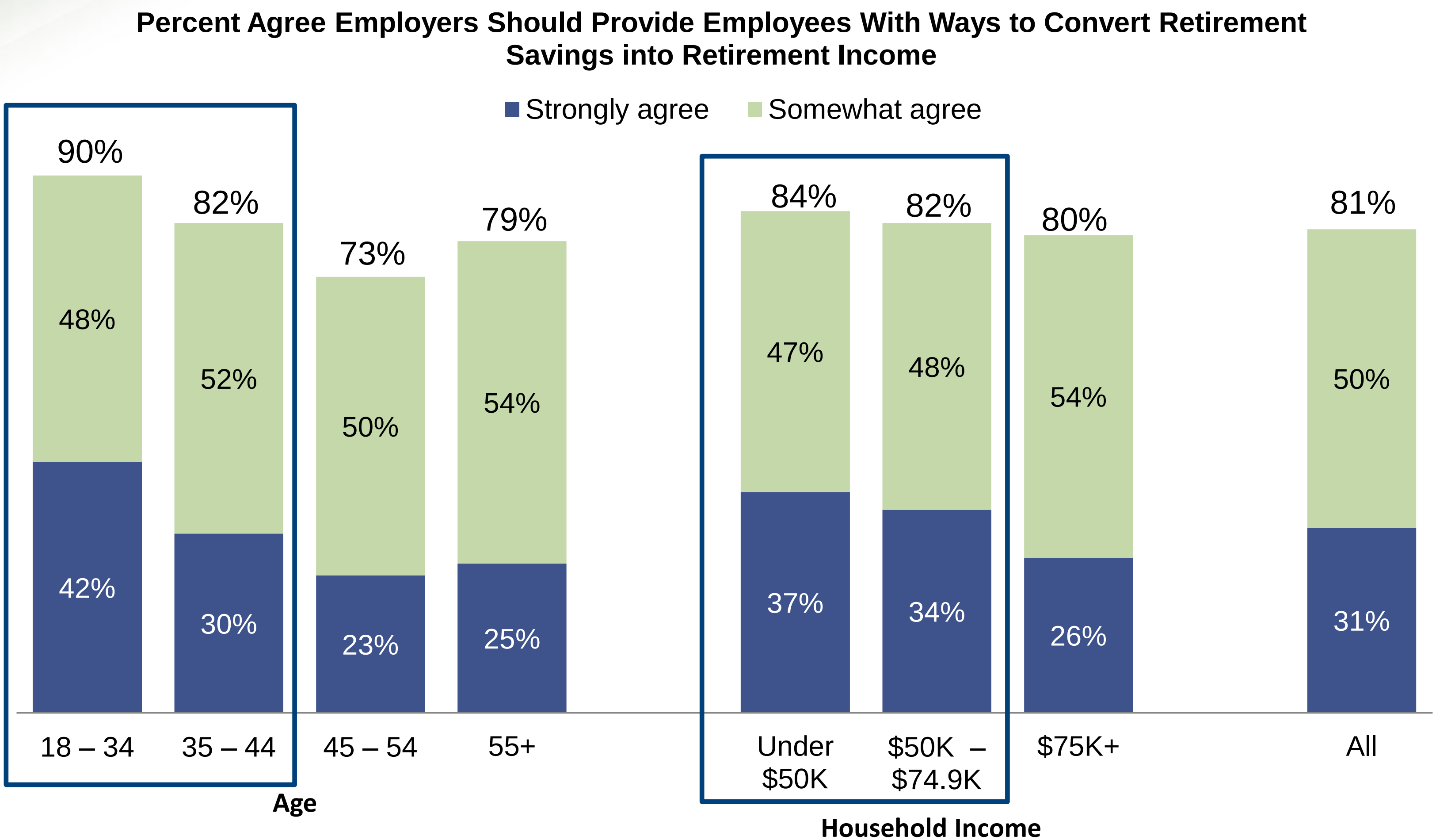
62%

Source of Index Annuity Average Buyer Age: *US Deferred Annuity Buyer Attitudes and Behaviors, 2012*
Source Average Initial Premium: *U.S. Individual Annuity Yearbook 2014,* LIMRA Secure Retirement Institute,2015
Source for Percentage of IRA Retail business: *LIMRA Secure Retirement Institute, U.S. Individual Annuities survey*

LIMRA Secure Retirement INSTITUTE

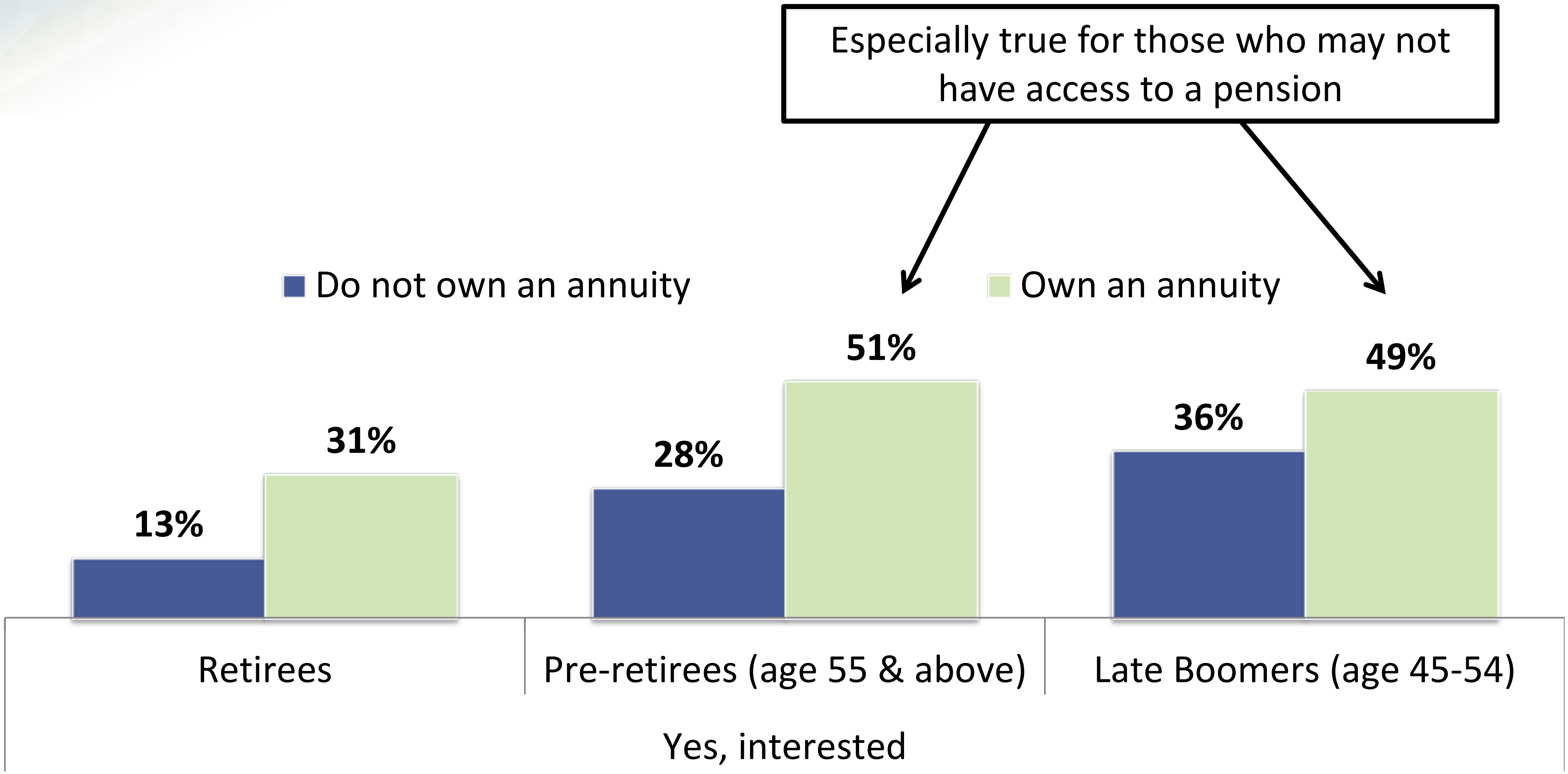
8 in 10 employees would like income options

Desire is stronger with younger and less affluent workers



Source: Quarterly Retirement Perspective 2013: Prospects for Income Projections, LIMRA Secure Retirement Institute
Base: 1,089 consumers who work for pay and are household decision-makers.

Annuity owners are more likely to be interested in converting assets into guaranteed lifetime income



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute (2012)

Less than 4 in 10 retirees have a formal, written plan

Of the retirees who have a formal retirement income plan…

…3 out of 4 adhere to it.

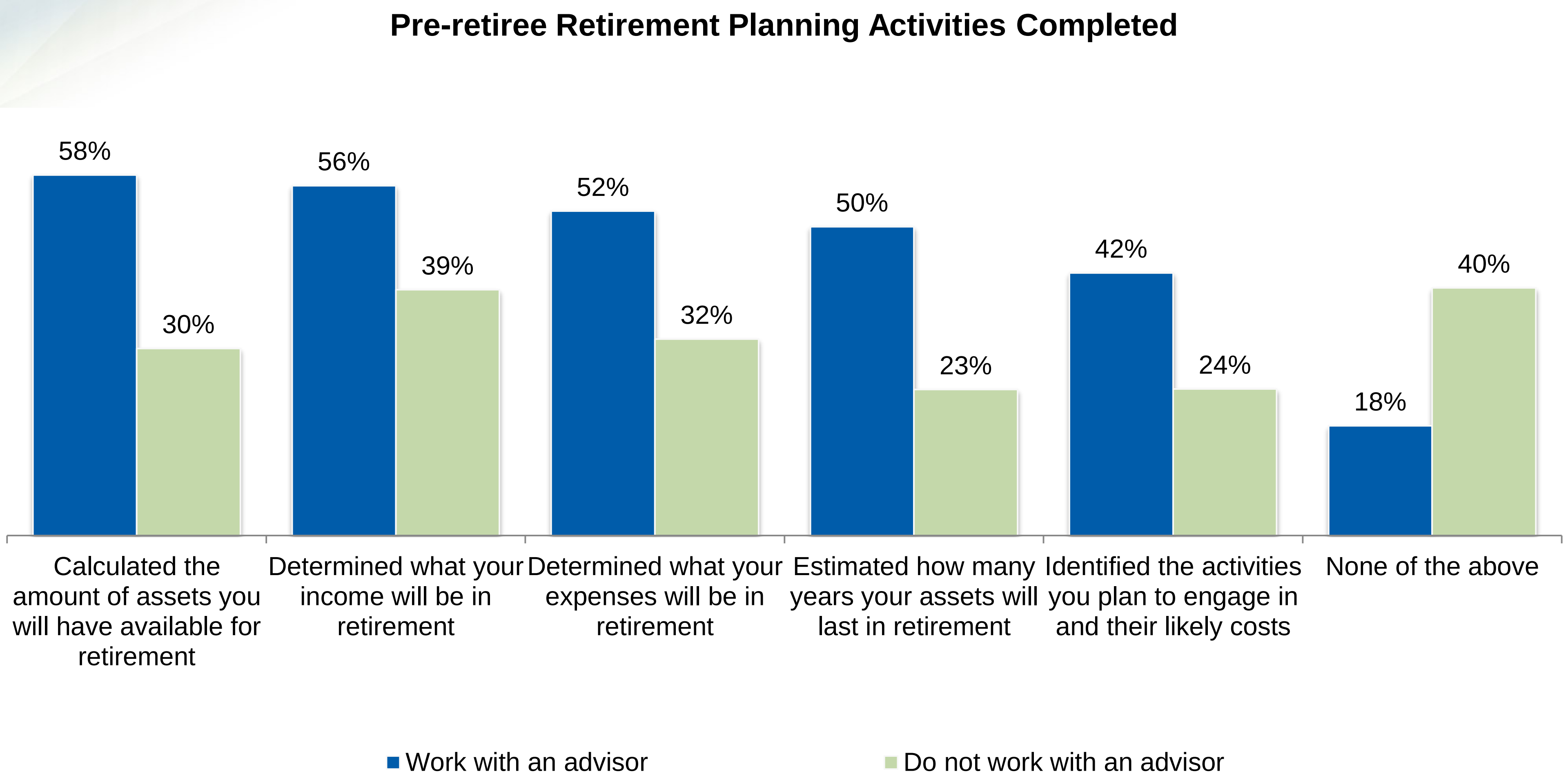
Source: The Financial Advisor's Role in Retirement (2009)
LIMRA Secure Retirement Institute

LIMRA Secure Retirement INSTITUTE

Consumers with a formal retirement plan are <u>twice</u> as likely to say they are very confident they are saving enough for retirement

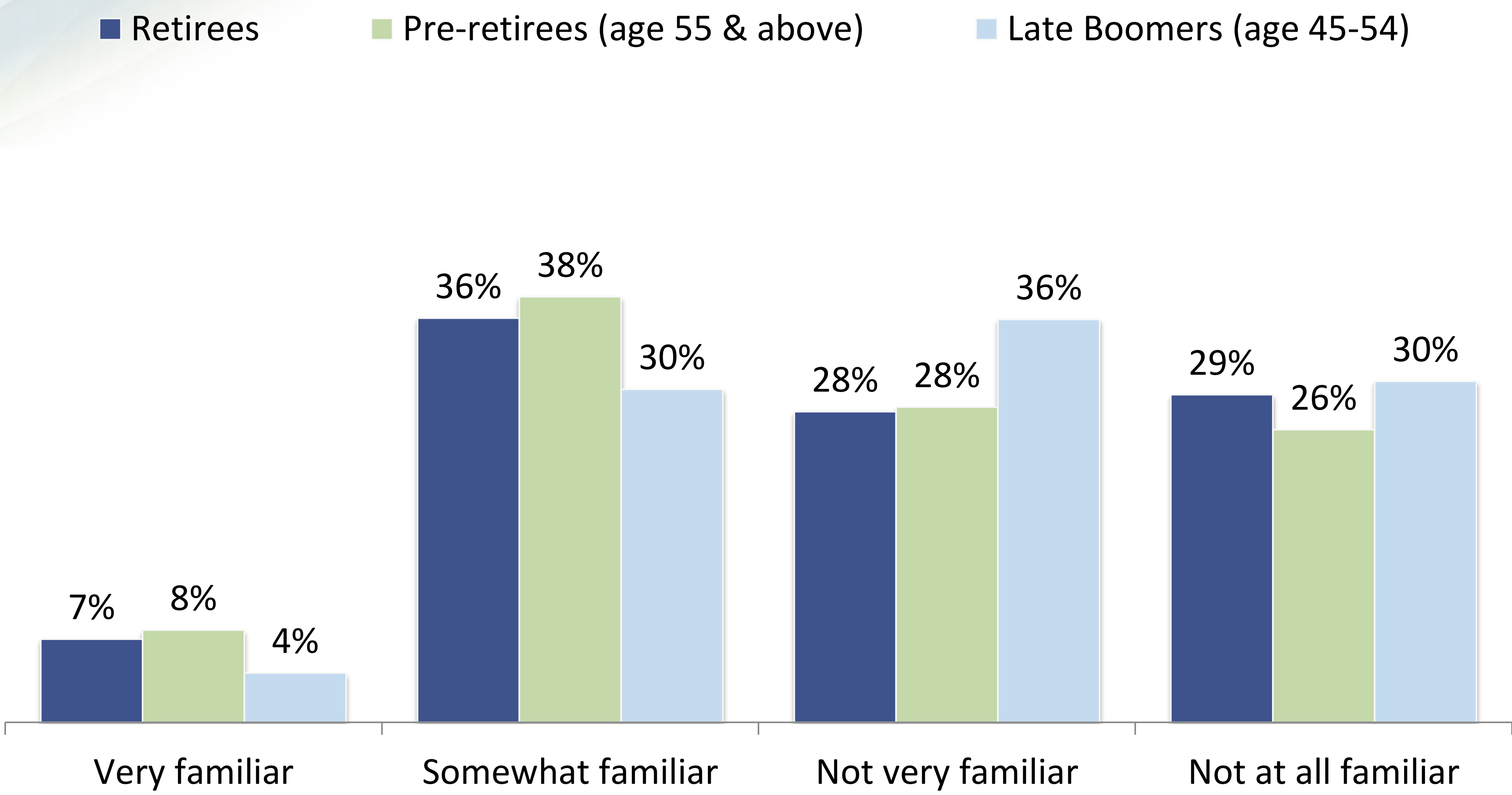
Source: *LIMRA Retirement Study — Consumer Phase, 2013*. The study is based upon a population of 1,975 consumers with minimum household assets of $100,000 or more. The data includes 888 retirees and 1,087 non-retired consumers.

Pre-retirees who have advisors have done more planning than those without an advisor



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute (2012)

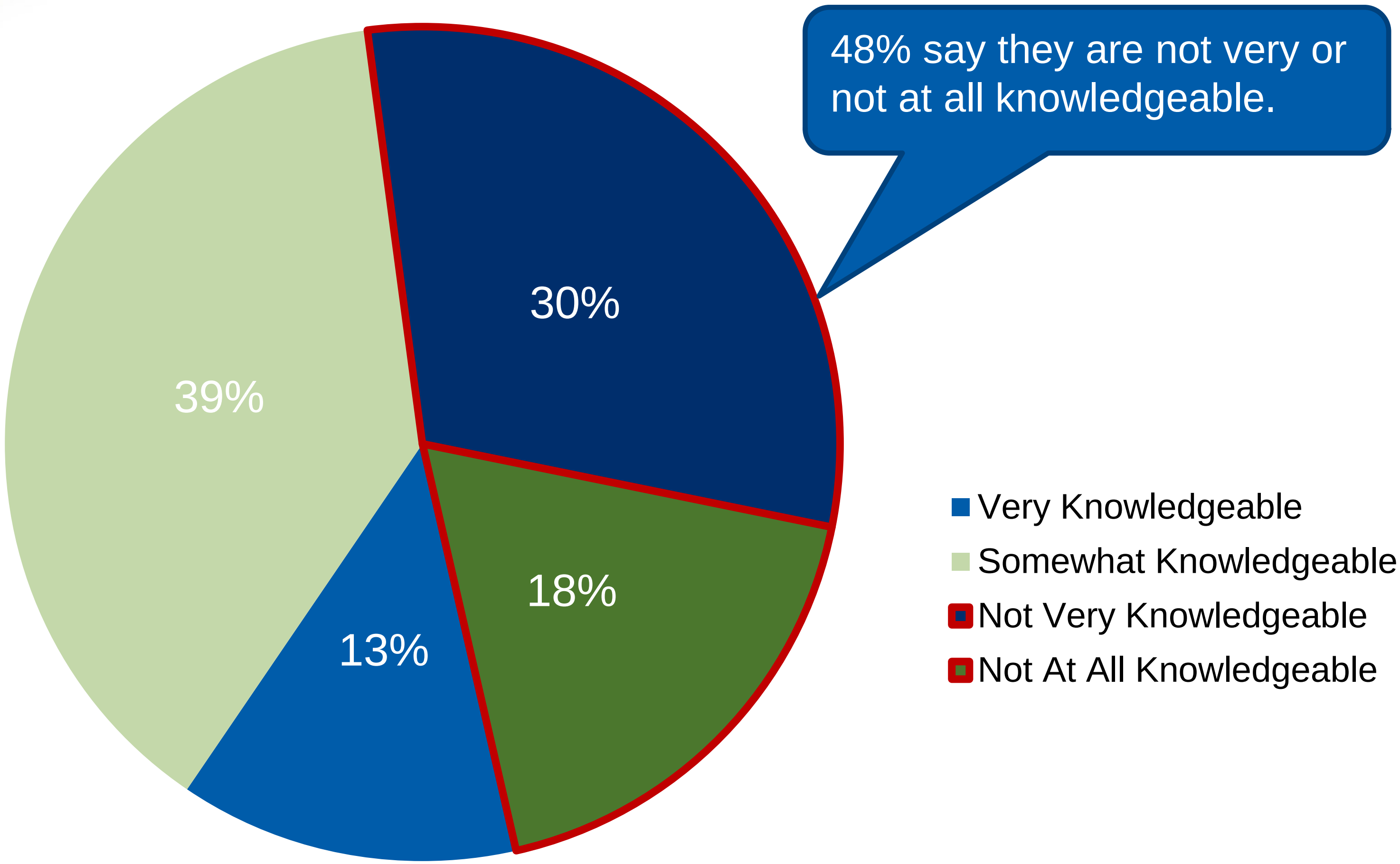
Familiarity with Annuities is Low



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute (2012)

LIMRA Secure Retirement INSTITUTE

Nearly half of Americans are not confident in their knowledge about investments and financial products



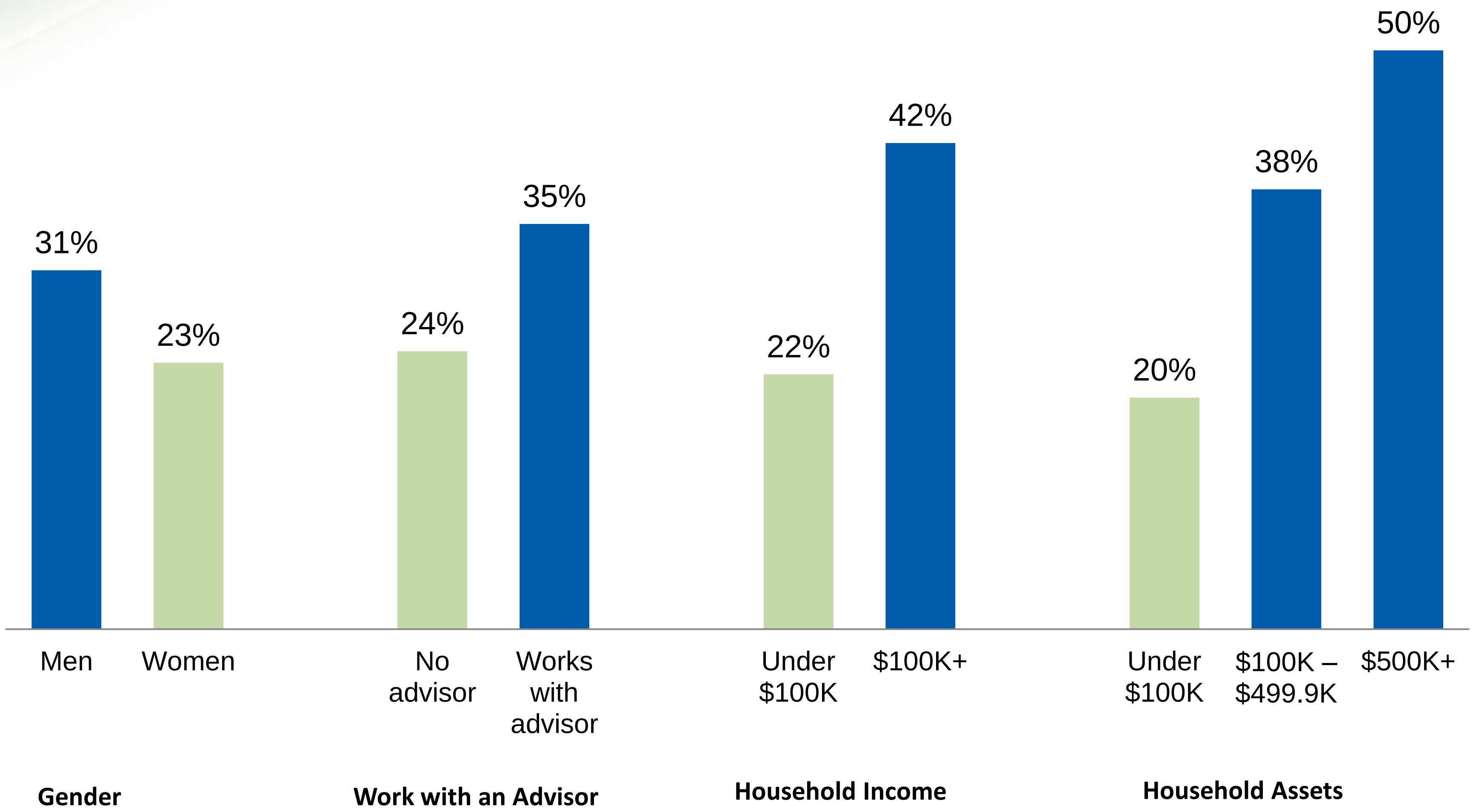
Source: Quarterly Retirement Perspectives 3Q 2013, LIMRA Secure Retirement

Areas where more financial education is needed

Source: Quarterly Retirement Perspectives 3Q 2013, LIMRA Secure Retirement

LIMRA Secure Retirement INSTITUTE

Who Had High Financial Literacy Scores?



Source: Quarterly Retirement Perspectives 3Q 2013, LIMRA Secure Retirement

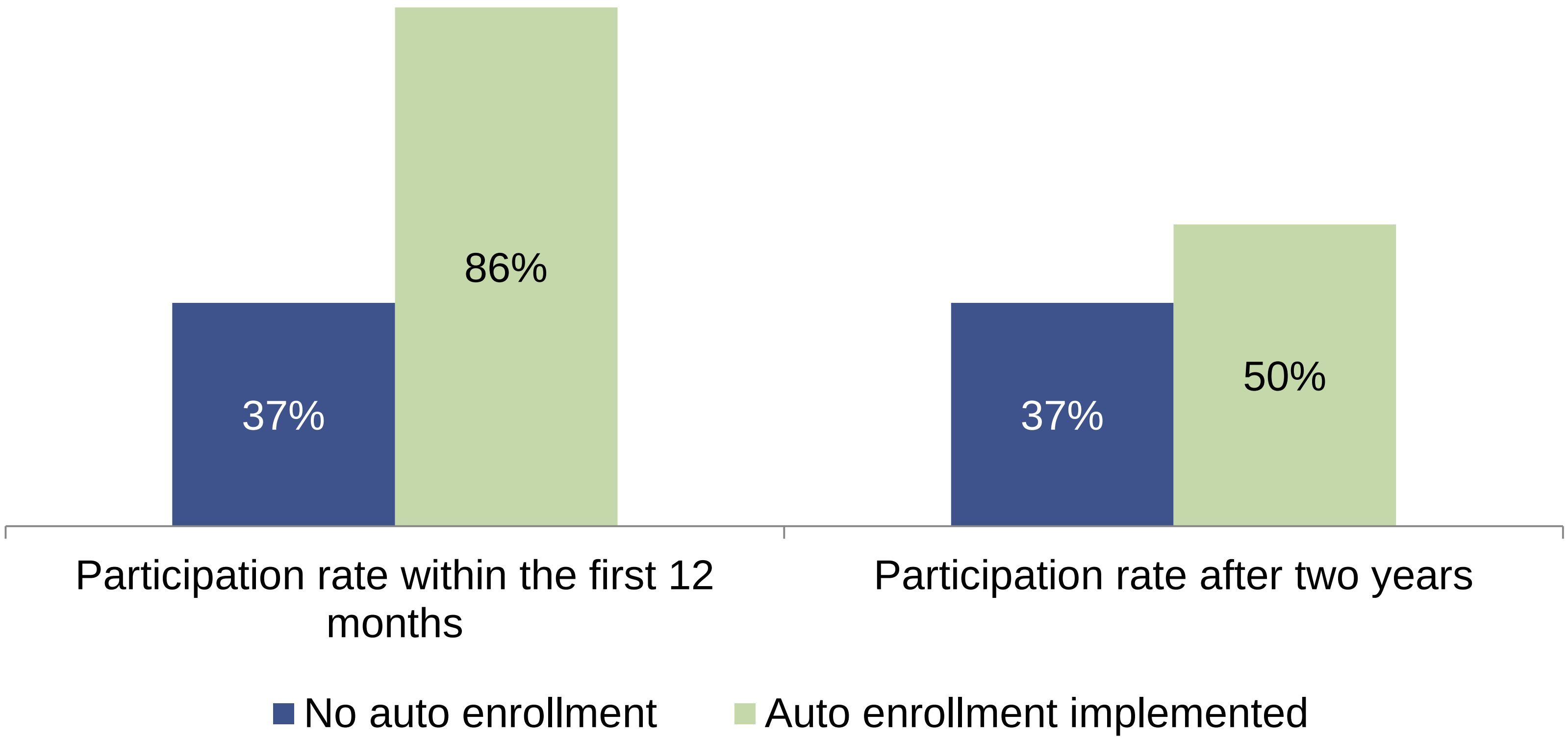
Base: 1,865 consumers who are household decision-makers.

People don’t always do what they know is right…

Auto-Enrollment helps people save

Automatic enrollment can increase participation by up to **34 percentage points.**

Even after 2 years, participation is up **25 percent**!



Source: *Saving for Retirement on the Path of Least Resistance. Behavioral Public Finance: Toward a New Agenda, 2004*

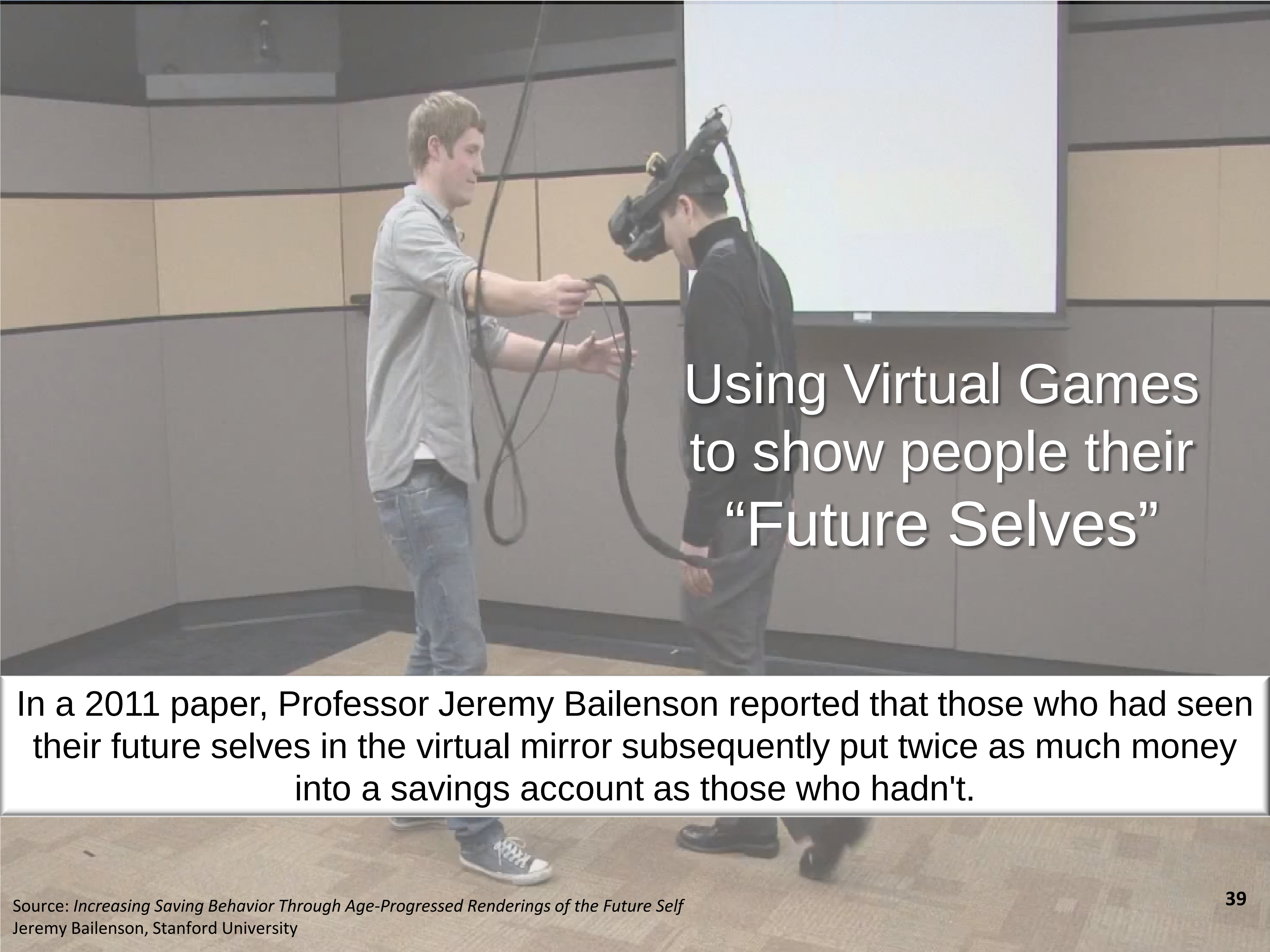
LIMRA Secure Retirement INSTITUTE

Employer match spurs participation

Employees are nearly <u>three times</u> as likely to participate in their DC plan if there is an employer match in place

	Odds Ratio
Employer match	2.84
Household income $100,000 or more	1.71
College graduate or more	1.70
Defined benefit plan	1.33

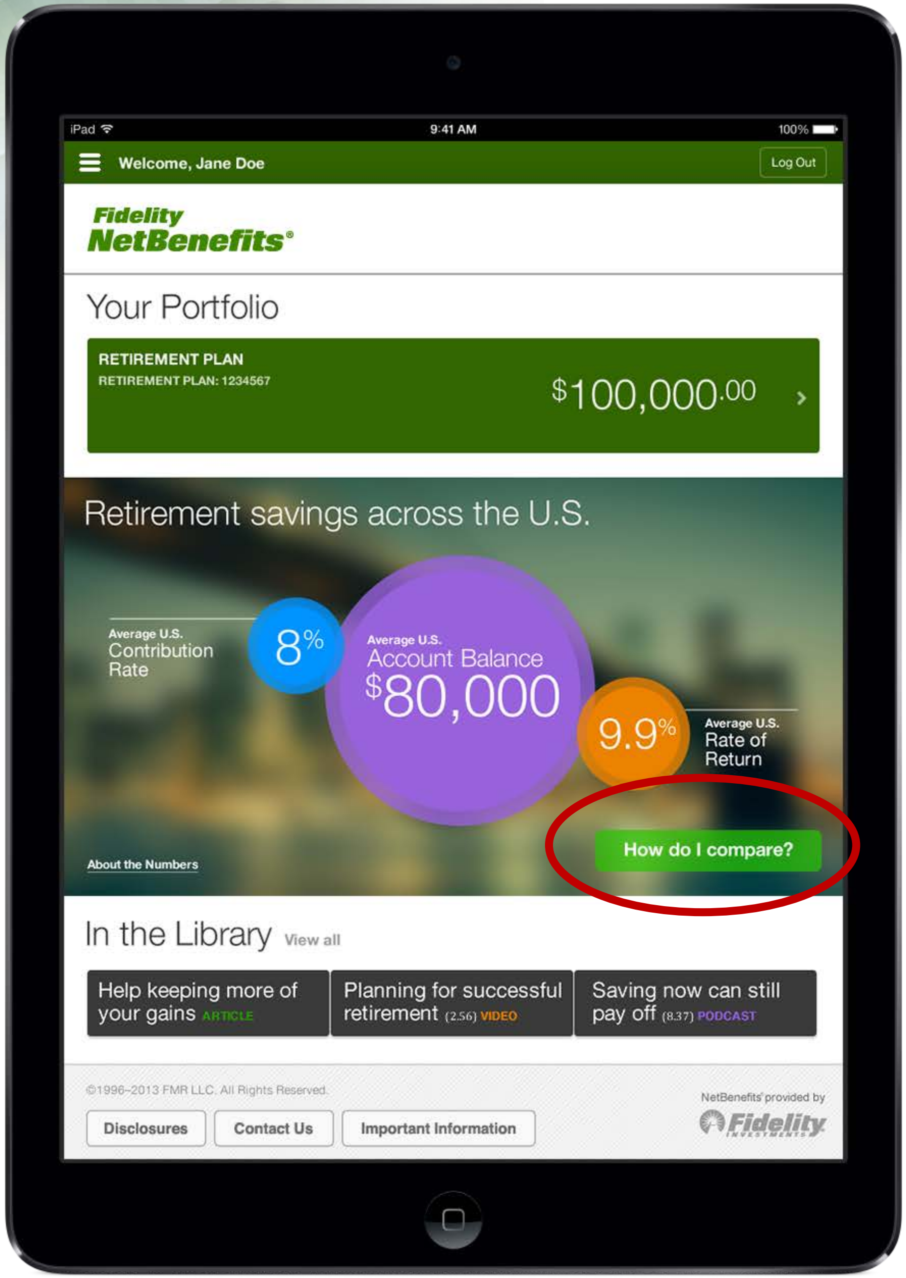
Source: The Plan Participation Puzzle, LIMRA Secure Retirement Institute, 2010



Using Virtual Games to show people their "Future Selves"

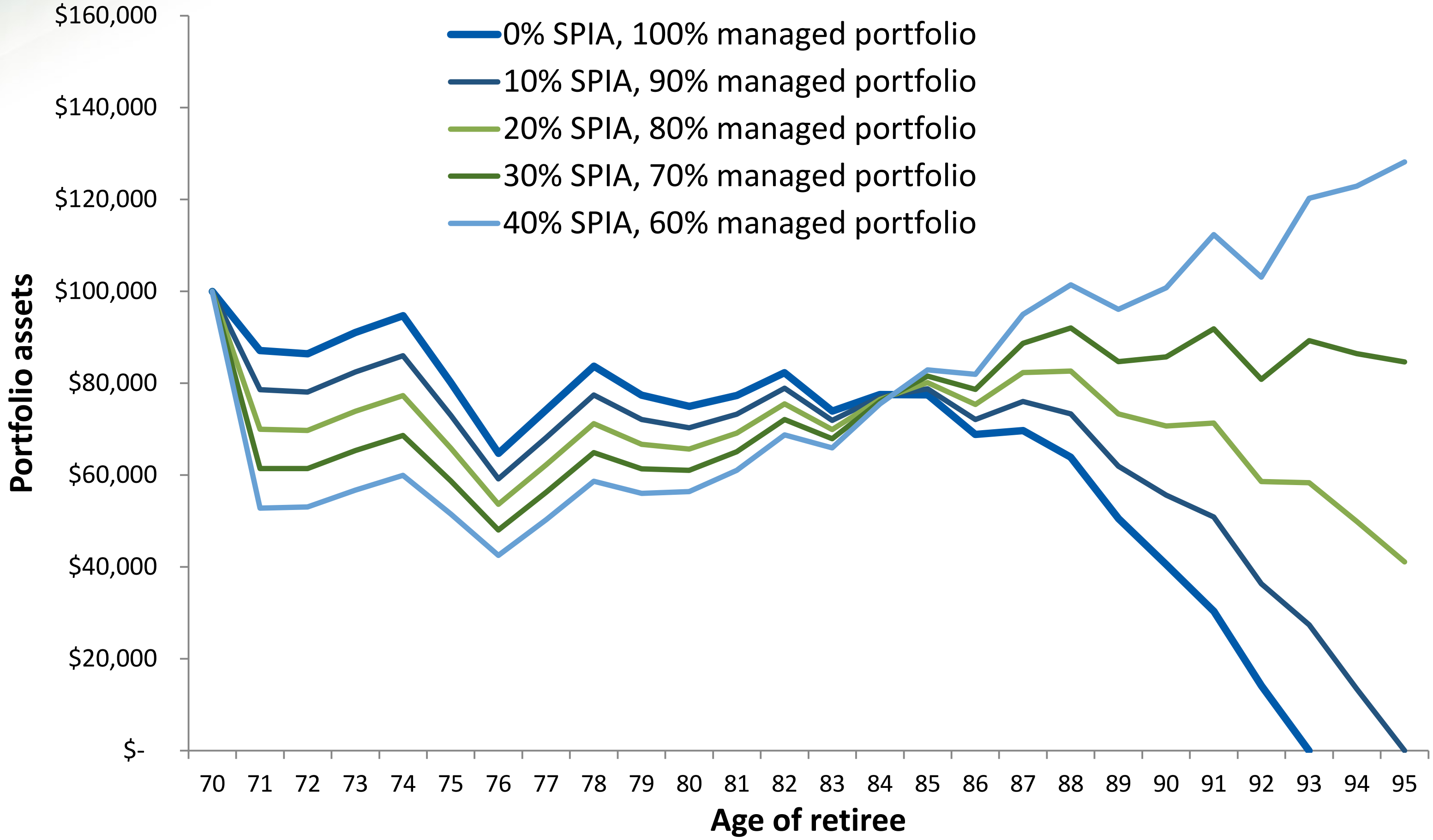
In a 2011 paper, Professor Jeremy Bailenson reported that those who had seen their future selves in the virtual mirror subsequently put twice as much money into a savings account as those who hadn't.

Source: *Increasing Saving Behavior Through Age-Progressed Renderings of the Future Self*
Jeremy Bailenson, Stanford University



Fidelity's *Net Benefits* lets people see how their savings habits compare with others'

Retiree Portfolio Longevity With Immediate Annuity



Source: LIMRA SRI analysis. Illustration of 1969 to 1993, the worst 25-year period out of 62 possible scenarios since 1926. The portfolio has an asset allocation of 42.5 percent large company stocks, 17.5 percent small company stocks, and 40 percent intermediate-term government bonds and is rebalanced annually. An annual payout rate of 6.00 percent was based on actual single-life immediate annuity quotes with inflation adjustments for a hypothetical 70-year-old male in April 2013. The initial withdrawal amount was $4,500 or 4.5 percent of beginning assets; thereafter annual withdrawals were adjusted based on the prior year's inflation rate. The hypothetical portfolio had a 50-basis-point charge assessed annually (following the withdrawals and the investment growth or loss).

LIMRA Secure Retirement INSTITUTE

LL Global, Inc.

LIMRA LOMA

Secure Retirement INSTITUTE

HARTFORD ATLANTA TORONTO SHANGHAI TAIPEI HONG KONG MEXICO CITY

300 Day Hill Road, Windsor, CT 06095-4761, U.S.A.
Phone: 860-688-3358 • Fax: 860-298-9555 • www.limra.com