



Solving the Annuity Puzzle

Baby boomers are facing greater financial challenges than previous generations. Many are carrying mortgages into retirement, while others are still supporting their adult children and even elderly parents. On top of these challenges, lifespans are increasing. On average, 65-year-olds today are expected to live to age 85 and about one out of every four will live past age 90.* With this new reality, clients are increasingly seeking strategies that convert their savings into guaranteed income to meet their lengthy retirements and increased costs of day-to-day living.

The annuity puzzle

Given the strong need to avoid outliving one's savings, you may expect more consumers to look to annuities to achieve their lifetime income goals. However, many people are unfamiliar with these products or misunderstand how an annuity works and the benefits it can provide.

The fact that many consumers do not purchase annuities when it likely is in their rational self-interest to do so is called the "annuity puzzle." Athene realized this puzzle was interfering with consumers' ability to plan for a financially secure retirement, and set out to find out why.

Breaking through the biases

Your clients may be unknowingly bringing biases to the table – interfering with their ability to plan for a financially secure retirement.

Researchers have made headway in understanding what drives some consumers to purchase annuities, while others do not. Athene commissioned a review of biases from two experts in judgment and decision making at the UCLA Anderson School of Management. *Solving the annuity puzzle: A behavioral analysis* explores 10 behavioral biases that can keep consumers from purchasing annuities – ranging from fear of mortality to lack of financial confidence.

Many of these biases appear to stem from how consumers respond to four key sources of uncertainty that they face when considering whether or not to purchase an annuity, including:

- "How long will I live?"
- "How much money will I need to cover that amount of time?"
- "How would an annuity perform for me compared to other investments?"
- "Am I understanding this all properly?"

Discover the **10** common behavioral biases against annuities and the solutions for overcoming them.

Visit [Athene.com/NAFA](https://www.athene.com/NAFA) to download the **whitepaper today!**

Turning consumer insight into a competitive advantage

Solving the annuity puzzle: A behavioral analysis also pairs each bias with potential strategies for overcoming them. These solutions may boost your clients' interest in purchasing annuities and facilitate better financial planning. For example, all materials describing an insurance product, like an annuity, should be written in as clear and simple a way as possible to help consumers gain confidence that they properly understand their options. Likewise, clients should initially be presented with a small number of options that are tailored to their needs to prevent "choice overload."

By spotting biases early and lessening their influence, you can reshape the conversation to find solutions that meet each individual's needs and clear the path for clients to make confident financial decisions about their future that best serve their needs.



*Social Security Administration. <https://www.ssa.gov/planners/lifeexpectancy.html>

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