

Getting to know annuity owners

An in-depth look at the aspirations, challenges
and motivations of annuity customers



Success in sale begins with empathy.

To truly reach people, you need to understand their unique aspirations, challenges and motivations. Of course, this is sales 101. But with financial products—like annuities—there's so much to consider when you're trying to get a sense of what really matters to a particular investor.

And while it's true that every investor is different, many do share certain traits when it comes to hopes, dreams, worries, emotional needs and more. **So, we've separated investors in the annuity market into distinct groups based on these similarities.**

We call this “segmentation.”

When you know which “segment” an investor belongs to, you have a starting point in terms of understanding who they are. This can help you fine-tune your communication strategies—in terms of tone, messaging and channel—while prioritizing more relevant products and features based on the most likely needs and goals of an individual's segment.

Of course, segmentation is no substitute for really getting to know someone. But it can be a great first step toward building the kind of empathy and understanding that will eventually blossom into trust, satisfaction and loyalty.

The research

To identify distinctive investor segments within the annuity market, MassMutual Ascend Life Insurance Company partnered with an independent research firm Burke, Inc. and its innovation and strategy subsidiary, Seed Strategy. Based in Cincinnati, Burke has over 90 years of marketing research experience, working with a wide range of Fortune 100 clients in virtually every industry. Implementing their proven approach to segmentation, Burke conducted an online survey with retirees and pre-retirees across a mix of those who currently own annuities (Annuity Owners), who don't currently own but would consider annuities (Considerers) and who would not consider annuities (Non-Considerers). The survey covered topics ranging from retirement dreams and financial realities to product needs and communication preferences.

Annuity Non-Considerers were included in the research to create a holistic picture of retirees and pre-retirees, but we focused the segmentation analysis itself on the addressable annuity market—Annuity Owners and Considerers.

What is market segmentation?

Market segmentation is the analytical exercise of dividing a given market into groups—called segments—with the goal of applying different strategies to different segments. This is done in such a way that similarities within segments and differences across segments are maximized. This results in groups with clear and meaningful distinctions that can support segment-specific marketing, sales and management strategies.

Methodology in detail

WHO: Nationally-representative men and women ages 50+ with \$250,000+ invested assets
WHAT: 20-minute, online survey
WHEN: May-June, 2021

Prior to conducting research among investors, we conducted in-depth interviews with a group of advisors to understand their experiences acquiring and servicing annuity customers. Ultimately, this allowed us to design our segmentation research and analysis with the advisor's needs in mind.

35%
of all retirees and
pre-retirees currently
own annuities

The insights

We leveraged advanced statistical analyses to explore different ways to segment Annuity Owners and Considerers. Ultimately, we arrived at six segments: three Owner segments and three Considerer segments.

On the whole, Annuity Owners tend to be older investors. Many are already retired or they're just a few years away from retirement. Their primary sources of retirement income include retirement savings accounts, Social Security, employer pensions and, of course, annuities.

Compared to other investors, Annuity Owners are more likely to be working with a financial advisor and value their advisors as trusted resources, even confidants. With an advisor recommendation and a product that meets their needs, Annuity Owners are likely to keep annuities in their financial portfolios for years to come.

What differentiates our three Annuity Owner segments is their mindset. The Striver segment desires security—both in the investments they consider and from their financial advisor. The Confider segment shows great trust—in their advisor's expertise and financial recommendations. And the Strategist segment seeks out opportunity—in their investments so they may leave a financial legacy.



THE STRIVER | WHAT THEY NEED: SECURITY

KEY PILLARS

Worried about
the future

Not financially
savvy

Risk-averse

Seeks basic
expense coverage



THE CONFIDER | WHAT THEY NEED: TRUST

KEY PILLARS

Has basic
needs covered

Focused on life
and family

Advisor-
dependent

Prefers in-person
interaction



THE STRATEGIST | WHAT THEY NEED: OPPORTUNITY

KEY PILLARS

Financially-
informed

Is not seeking
"advice"

Goal-oriented

Sees drawbacks
with annuities



MEET THE STRIVER

Their financial realities

Investors in the Striver segment have modest nest eggs—the lowest invested assets of all segments. They often fear losing what they do have to risky investment strategies and/or possible market downturns. Overall, the thought of retirement—and running out of money in retirement—is a major concern for this segment.

What's more, Strivers don't typically consider themselves financially-savvy. They're skeptical of investment strategies they don't understand—especially given their fear that the wrong financial move may keep them from covering their retirement expenses. So, in the Striver's eyes, managing investments is best left to an advisor.

Not surprisingly, Strivers largely rely on advisors when it comes to getting information on financial products; they don't typically feel they have the financial know-how to rely on their own research for financial decisions. In rare cases when Strivers do look for information on their own, they choose “tried-and-true” mediums like the Wall Street Journal, along with bank and investment firm websites.

Their advisor relationship

Strivers appreciate developing strong relationships with their advisors. They look forward to their face-to-face planning and review sessions each year. In fact, face-to-face communication is this segment's preferred way to connect with advisors, regardless of their needs. That said, Strivers are open to communicating with an advisor via email or text for small changes to their portfolio.

Their retirement goals and strategy

For Strivers, retirement dreams tend to be fairly simple. They want to be sure they have steady income in their retirement, and that their families are taken care of when they're gone. Ultimately, Strivers are trying to achieve security, so they look for investment products that have a guaranteed rate of return and minimal risk of loss.

Strivers believe that annuities play an important role in their retirement income, along with other investments. Retirement savings accounts, employer pensions and even bank-based savings accounts also play a role in this segment's retirement income.

Their experiences with annuities

Strivers appreciate that annuities offer a guaranteed rate of return. Given that, they often feel that annuities make sense in terms of covering basic retirement expenses. And, based on what they've heard, annuities involve less risk than stocks, bonds, or mutual funds, which is attractive to this risk-averse segment.

Investors in the Striver segment don't have a lot of major complaints about annuities. And while getting a fee for withdrawing early can be seen as a downside, it's not a deal breaker. These investors will most likely keep their annuity contracts even after early withdrawal charges have ended.



WHO THEY ARE

% Of Addressable Market: **21%**

Average Age: **63**

% Retired: **41%**

Average Assets: **\$750,000**

% with Assets 1M+: **28%**



KEY SEGMENT ATTITUDES

- Worry about outliving their money
- Want to protect their money from possible downturns
- Find investments and retirement planning confusing and intimidating



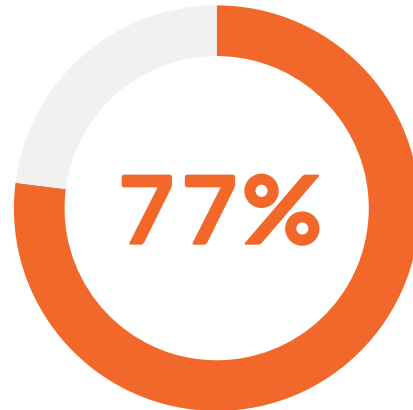
THEIR LIFESTYLE

- Watching movies or TV at home
- Spending time with family at home
- Going out to eat



KEY ANNUITY EXPERIENCES

- Annuities are a good way to cover regular retirement expenses
- Annuities are safer than stocks, bonds, or mutual funds
- Annuities offer a guaranteed rate of return



of **STRIVERS** work with a financial advisor

44%

of **STRIVERS** expect that annuities will be a key source of retirement income



MEET THE CONFIDER

Their financial realities

As they enter retirement, Confiders have healthy investment portfolios—among the highest invested assets of all segments. Because of this, investors in this segment tend to feel optimistic about their long-term financial future and almost unanimously feel as though they are on track with their financial goals for retirement.

Despite this optimism, Confiders are fairly conservative when it comes to investing. They want to protect their sizable nest eggs from market downturns, even if that means missing out on big gains. What's more, Confiders don't always trust their own judgement when it comes to financial planning, so they rely heavily on the expertise of their advisors.

Since Confiders almost exclusively rely on their advisors for financial information, they very rarely turn to other sources for information. But when they must independently research, Confiders tend to trust print media like the Wall Street Journal, Money Magazine and The Economist.

Their advisor relationship

Confiders almost exclusively work with advisors, whom they cherish as a trusted resource—inspiring the name of the segment. Many even prefer a “hands-off” approach to managing their finances, wholly delegating financial planning and management to their advisor. They have a strong preference for face-to-face interactions, though speaking over the telephone is fine when making small changes to an existing investment or getting details about a specific investment product.

Their retirement goals and strategy

For Confiders, the golden years are a time to focus on the things that matter most in life. While they enjoy a lively retirement filled with dining out and travel, they also appreciate the newfound time to read, watch movies and spend time with family at home. When it comes to their retirement goals, family matters most. And since their basic needs are covered, Confiders look forward to funding the education of their children and grandchildren. Ultimately, they hope to leave a financial legacy for their family when they're gone.

To help them achieve these goals, Confiders seek out a diversified portfolio with low risk for significant loss. They see annuities as an important part of their financial strategy, especially when endorsed by their advisor. That said, they believe that other assets—including retirement savings accounts and pensions—should have a place in their portfolios as well.

Their experiences with annuities

Given their more conservative approach to investing, Confiders appreciate that annuities are less risky than stocks, bonds, or mutual funds. But ultimately, their reason for investing in annuities—or any other investment product—comes down to advisor recommendation.

Since their immediate needs are met—and therefore access to cash is less of a concern—Confiders aren't too concerned with early withdrawal charges. In fact, the “set it and forget it” nature of annuities—especially when managed by an advisor—is appealing to this group. They will most likely keep their annuity contracts even after early withdrawal charges have ended.



WHO THEY ARE

% Of Addressable Market: **20%**

Average Age: **66**

% Retired: **51%**

Average Assets: **\$900,000**

% with Assets 1M+: **45%**



KEY SEGMENT ATTITUDES

- Feel optimistic about their financial future
- Find investments and retirement planning confusing and intimidating
- Want to protect their money from possible downturns



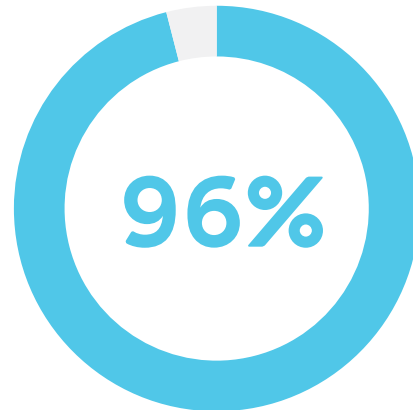
THEIR LIFESTYLE

- Going out to eat
- Watching movies or TV at home
- Reading or writing
- Spending time at home with family
- Traveling within the U.S.



KEY ANNUITY EXPERIENCES

- Annuities are safer than stocks, bonds, and mutual funds
- Annuities are an effective part of a larger strategy with other assets



of **CONFIDERS** work with a financial advisor

41%
of **CONFIDERS**
expect that annuities
will be a key source
of retirement income



MEET THE STRATEGIST

Their financial realities

Strategists boast strong investment portfolios—the highest invested assets of all segments. Because of this, investors in this segment are very optimistic about their long-term financial future and almost unanimously feel as though they are on track with their financial goals for retirement.

They credit much of their financial success to their own financial savvy and their inclination for informed risk-taking. They closely monitor existing investments and thoroughly research new types of financial products before investing. They feel it's important to take on some risk—their extensive research and past financial success gives them the confidence to take on a more aggressive approach.

Given their financial literacy, Strategists tend to service their own needs when it comes to financial product research. They rely on a combination of the internet, print publications—including magazines, newspapers and books—TV shows and networks focused on finance and investing.

Their advisor relationship

While most Strategists do have an advisor, they want to be seen more as a peer when it comes to financial planning and management. In other words, they want to work with an advisor that honors their financial expertise and embraces a “do it together” approach. Most Strategists appreciate face-to-face interaction when it comes to up-front strategizing, but they are comfortable—and even prefer—self-helping for day-to-day management.

Their retirement goals and strategy

Strategists believe that retirement is about enjoying their hard-earned money, and many spend their free time dining out and traveling. But they also see their wealth as something to be enjoyed by future generations, and they dream of leaving a strong financial legacy for their family.

When it comes to their retirement strategy, these opportunistic investors look for products that diversify their portfolio, offer strong potential for growth and come with low to no fees. Compared to other annuity owner segments, Strategists feel that annuities will play a smaller role in retirement income, while retirement savings accounts will play the dominant role, supported by individual stocks.

Their experiences with annuities

Strategists do see annuities as an effective part of a larger strategy, which includes other assets. That said, they have both positive and negative perceptions of annuities. For instance, they appreciate the low-maintenance aspects of managing annuities as well as the tax-deferred growth. However, they tend to think annuities “lock up” their money for a long time, and they dislike the fees—both for maintenance and early withdrawal. It's also worth noting that these perspectives are often reinforced by negative information they read online. As a result, Strategists are less likely to repurchase or renew in annuities again in the future, versus other segments.



WHO THEY ARE

% Of Addressable Market: **20%**

Average Age: **65**

% Retired: **51%**

Average Assets: **\$945,000**

% with Assets 1M+: **53%**



KEY SEGMENT ATTITUDES

- Feel like they're "on track" with their retirement savings and income goals
- Are very knowledgeable about managing money and investments
- Feel it's important to take some risks when investing in order to build wealth



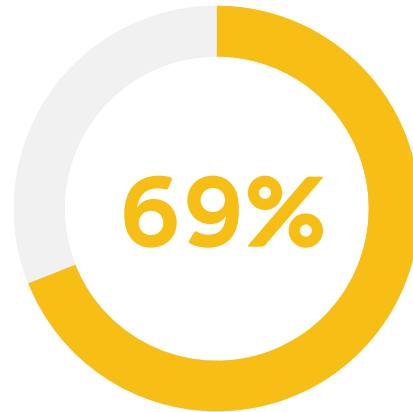
THEIR LIFESTYLE

- Going out to eat
- Traveling within the U.S.
- Watching movies or TV at home



KEY ANNUITY EXPERIENCES

- Annuities are an effective part of a larger strategy with other assets
- Annuities require little effort to manage
- Annuities lock up your money for a long time
- Have heard bad things about annuities in the media



of **STRATEGISTS** work with a financial advisor

32%

of **STRATEGISTS** expect that annuities will be a key source of retirement income

How to make use of this information

In conversations with clients, consider asking a few questions to understand which segment they might belong to, some of which you likely already ask. The conversation that follows is sure to give you rich clues as to which segment they belong to.




- To what extent do you feel you are on track with your financial goals for retirement? Do you feel confident that you'll be able to cover your expenses in retirement based on your current progress?
- Which is more important to you in a financial product—strong potential for growth or protection from market downturns? What about no to low fees or a guaranteed rate of return?
- How comfortable are you researching and managing investments yourself? What level of support can I provide in your financial planning and management?

Among annuity owners...

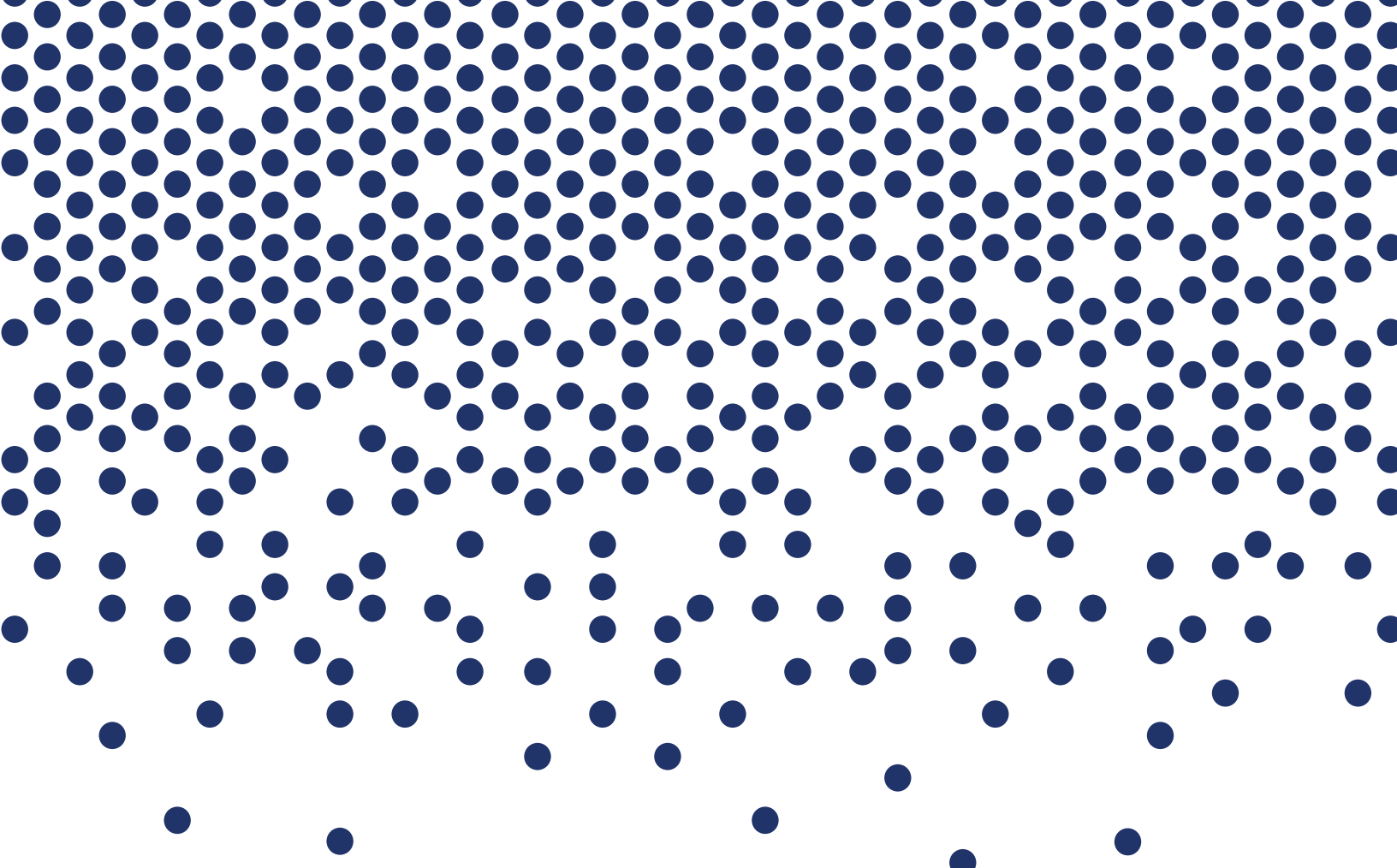
If your client is concerned about their financial future, wants a guaranteed rate of return and protection from downturns and is not particularly confident in their own financial know-how, they are likely a **STRIVER**.

If your client feels on track with their financial goals, seeks products that minimize their risk of loss and looks for your expertise and guidance at every step of their financial journey, they are likely a **CONFIDER**.

If your client is optimistic about their financial future, looks for products that offer growth with no fees and looks for your perspective as a supplement to their own research and planning, they are likely a **STRATEGIST**.

	 THE STRIVER	 THE CONFIDER	 THE STRATEGIST
HOW TO CONNECT WITH THEM	Help them feel more secure by creating a plan to reach their financial goals	Earn their trust by listening and building a genuine relationship with them	Connect back to their goals and help them see the opportunity themselves
HOW TO COMMUNICATE WITH THEM	Provide details but in simple, layman's terms	Explain things completely but concisely	Speak to them as a peer, and be prepared for questions
ANNUITIES TO PRESENT TO THEM	Multi-year guaranteed annuities	Fixed-indexed annuity	Registered index-linked annuity
BENEFITS TO HIGHLIGHT	<p>Guaranteed rate of return over the annuity term, with no risk of loss</p> <p>Options for lifetime payments and joint-life income coverage</p>	<p>Allocation across multiple strategies to support diversification</p> <p>While growth not guaranteed, no risk of loss</p> <p>Advisor's ability to proactively manage account strategies</p>	<p>Opportunity for rapid growth due to moderate risk</p> <p>No-fee options</p> <p>Allocation across multiple strategies to support diversification</p>
HOW TO SERVICE THEM	<p>In-person for up-front planning and opening new accounts</p> <p>Email, text, or chat for tracking and managing</p>	<p>In-person for up-front planning</p> <p>Phone call for managing</p>	<p>In-person for up-front planning</p> <p>Email, text, or chat for opening new accounts, tracking and managing</p>

With this information in hand, you can tailor your approach to servicing each client based on what you know about their segment and—importantly—about them as an individual. Above all else, as you put these learnings into practice, let empathy be your guide.



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