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DPL Financial Partners Survey: RIAs recognize retirement income needs that can be met by annuities, yet rarely use them

Some lack awareness or comfort with guaranteed income products

LOUISVILLE, KY., June 25, 2019 – DPL Financial Partners (“DPL”), the leading insurance network for registered investment advisors, today announced findings from a survey of more than 200 RIAs suggesting that the vast majority understand that clients are looking for secure retirement income, even as their strategies are largely focused on asset growth and traditional fixed income. A lack of understanding about how annuities work and a persistent bias against the product category were among other key findings.

“The survey illustrates how handicapped RIAs have been in meeting their clients’ retirement needs without having no-load annuities widely available,” said DPL Founder and CEO David Lau. “RIAs identify needs that annuities are expressly built to address, yet they rarely use them.” Lau added that availability of commission-free annuities that fit with RIAs’ fee-only business model is growing, and he expects that with more awareness they will adopt the products.

Michael Finke, investments and retirement professor and Frank M. Engle Chair of Economics Security Research at The American College, and a leading voice in support of annuities to generate secure retirement income, said at the recent AICPA conference that economists have long been aware that annuities are “the most efficient way to get [bond] income in retirement,” yet noted that annuities are “underused” by financial advisors.

Among the other takeaways from the DPL survey:

- Advisors report that “predictable income” and “not running out of money in retirement” are more important to clients than asset growth and maintaining their lifestyle. However, when looking to generate retirement income, advisors tend towards traditional asset growth and safe withdrawal strategies over guaranteed income products like annuities.
- The survey reveals a strong advisor bias against annuities. This bias is demonstrated most starkly when respondents were asked to choose between an annuity solution that is overwhelmingly better for the client and a bond solution with far weaker returns. In this scenario, one in four advisors still chose the bond solution.

- The most commonly cited strategies for addressing longevity risk—the risk that savers will outlive their assets in retirement—are relying on “safe withdrawal” rate and managing client spending to maintain assets. Only 7% of advisors indicated they use an annuity, despite it being the only product designed specifically to address longevity risk.

Said Lau, “Given that commission-driven annuities have represented a conflict of interest for RIAs, it’s not surprising that many either don’t understand how to use the products to meet clients’ income needs or lack a comfort level discussing annuities with their clients. It’s clear that more education is needed, and carriers need to continue to build no-load annuity products and support specifically for the RIA market.”

An executive summary with more findings from the survey can be viewed at <https://www.dplfp.com/article/ria-retirement-planning-benchmarking-survey>

For a PDF report with the complete survey data, email greg.joslyn@lowecom.com.

About DPL Financial Partners

DPL Financial Partners is the leading RIA insurance network that brings low-cost, commission-free insurance solutions from a variety of the nation's top carriers to RIA practices. DPL’s mission is to create a marketplace of no-load insurance products that enables RIAs to incorporate insurance into their practice to more holistically serve their clients. Clients benefit from products with improved pricing and fiduciary implementation rather than a commissioned, sales-driven one. www.dplfp.com

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