

Introduction

In July 1999, The Gallup Organization (“Gallup”) surveyed 1,001 owners of non-qualified annuity contracts for the Committee of Annuity Insurers, a diverse group of life insurance companies that issue annuity contracts. The results of the 1999 Survey Of Owners Of Non-Qualified Annuity Contracts (the “1999 Survey”) are presented in this report. Mathew Greenwald & Associates, Inc. (“Greenwald & Associates”) consulted with the Committee of Annuity Insurers on this project.

This Survey has been conducted in six previous years. Each time, in February 1992, October 1993, December 1994, December 1995, February 1997, April 1998, and July 1999, over 1,000 owners of non-qualified annuity contracts were interviewed by Gallup. Where applicable, the findings from certain of the prior Surveys are compared to the findings of the 1999 Survey in this report. All of the prior Surveys are on the Committee of Annuity Insurers' website (www.Annuity-Insurers.org).

The principal purpose of the Surveys is to obtain a profile of the demographic characteristics of owners of non-qualified annuity contracts and to gain insight on owners' saving for retirement, sources of funds for purchasing annuity contracts, and reasons for purchasing annuities.

To ensure that only owners of non-qualified annuity contracts were interviewed in this Survey, 56 life insurance companies provided the names of individuals who currently own non-qualified annuity contracts (i.e., annuity contracts purchased with after-tax dollars). The companies used specific sampling procedures developed by Gallup and Greenwald & Associates to ensure that a representative sample of owners of non-qualified annuity contracts was identified. The 56 companies are geographically diverse, represent a mix of large and small companies, and account for more than 5.5 million non-qualified annuity contracts currently in force. They also utilize a mix of the main systems for distributing annuities.

The people interviewed were selected at random by Gallup from the samples provided by 56 companies. It is Gallup's view (based on the sampling procedures used and other research that Gallup has conducted in this area) that the results of this Survey represent the characteristics of owners of non-qualified annuity contracts, with a sampling error of plus or minus 3 percentage points, at the 95 percent confidence level.

1999 Survey Summary

There is a great deal of stability in the demographics and attitudes of owners of non-qualified annuity contracts. Their opinions on saving for retirement, sources of funds for purchasing annuities, reasons for purchasing annuities, and demographic characteristics are similar to those of previous Surveys.

Demographic Profile

- The average age of owners of non-qualified annuity contracts is 65. There are slightly more female than male owners of non-qualified annuity contracts (52% vs. 48%).
- Sixty-four percent of owners of non-qualified annuity contracts are married, while 21 percent are widowed.
- Fifty-six percent of owners of non-qualified annuity contracts are retired, while 30 percent are employed full-time.
- Most owners of non-qualified annuity contracts have moderate annual household incomes. Seventy-one percent have total annual household incomes under \$75,000.

Age When Annuities Purchased

- Eighty-four percent of owners of non-qualified annuity contracts purchased their first annuity when they were under 65 years old. The average age at which owners purchased their first annuity was 49.

Saving For Retirement

- Eighty-three percent of owners of non-qualified annuity contracts believe that people in the United States do not save enough money for retirement.
- Seventy-eight percent of owners of non-qualified annuity contracts believe that the government should give tax incentives to encourage people to save.

Financial Preparedness For Retirement

- Eighty-nine percent of owners of non-qualified annuity contracts believe that they have done a very good job of saving for retirement. However, many express concern that the costs of a catastrophic illness or nursing home care might bankrupt them (51%), that they might run out of money during retirement (40%), or that their spouse may not have enough savings to make ends meet if the owner predeceases the spouse (30%).

Uses Of Annuity Savings

- Eight in ten owners of non-qualified annuity contracts say that they will use their annuity savings as a financial cushion in case they or their spouse live well beyond their life expectancy (83%), to avoid being a financial burden on their children (82%), and for retirement income (81%).
- Seven in ten owners of non-qualified annuity contracts purchased an annuity to cover the potential expense of unpredictable events such as a catastrophic illness or the need for nursing home care (74%) or to have as financial protection if other investments do not do well or if inflation is very high (69%).

Attributes Of Annuities

- Nearly all owners of non-qualified annuity contracts (94%) agree that keeping the current tax treatment of annuities is a good way to encourage long-term savings.
- Nearly all owners of non-qualified annuity contracts (91%) agree that annuities are an effective way to save for retirement.

Expected Income Sources In Retirement

- Three-quarters of owners of non-qualified annuity contracts who are not yet retired (75%) expect that personal savings or pensions (i.e., sources other than Social Security) will be the largest source of their retirement income.
- Over half of retired owners of non-qualified annuity contracts (54%) cite personal savings or pensions (i.e., sources other than Social Security) as the largest source of their retirement income.

Profile Of Owners Of Non-Qualified Annuity Contracts

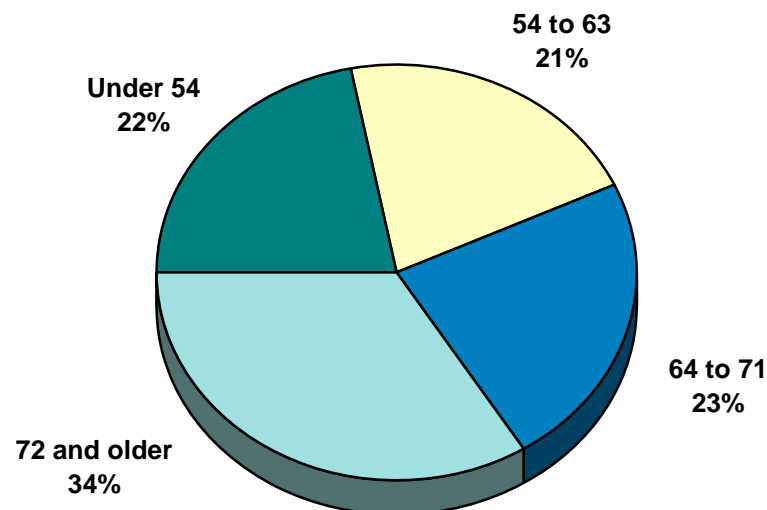
Typical Owner Of A Non-Qualified Annuity Contract

The typical owner of a non-qualified annuity contract is at least a high school graduate, has a moderate annual household income, and is slightly more likely to be female than male. The average age of owners of non-qualified annuity contracts is 65. Eighteen percent of owners of non-qualified annuity contracts currently are receiving regular payouts from their annuity contracts.

Age

The average age of owners of non-qualified annuity contracts is 65. One third of owners of non-qualified annuity contracts (34%) are age 72 and older. This is up 10 percentage points from the 1992 Survey (24%), but is lower than it was in the 1997 Survey (40%). One fifth of owners of non-qualified annuity contracts are under age 54 (22%), between age 54 and age 63 (21%), or between age 64 and age 71 (23%). (See Figure 1.)

Figure 1: Age

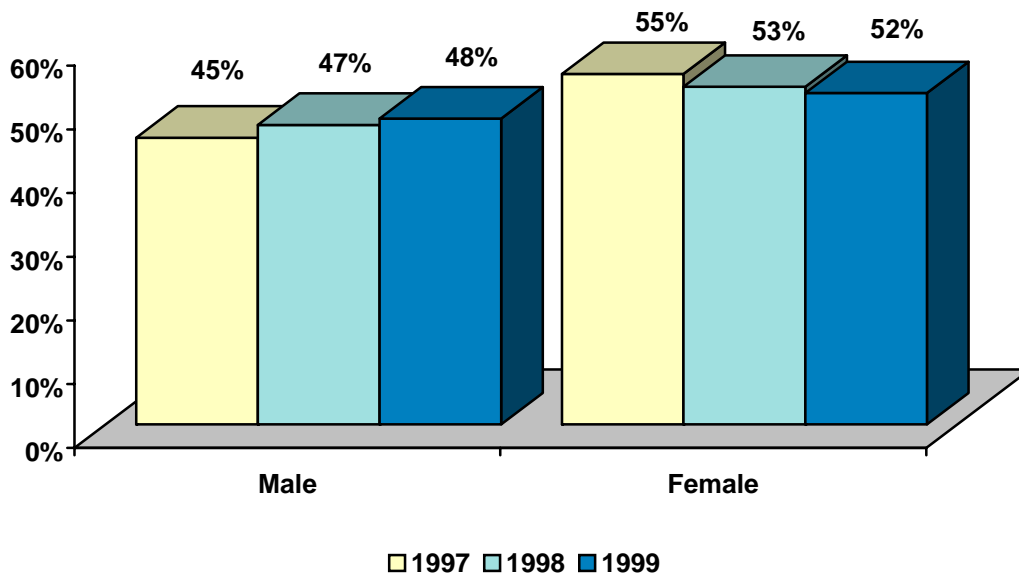


Gender

Owners of non-qualified annuity contracts are slightly more likely to be female than male (52% vs. 48%). (See Figure 2.) There has been an increase in the percentage of female owners since 1992, when only 43 percent of owners of non-qualified annuity contracts were female.

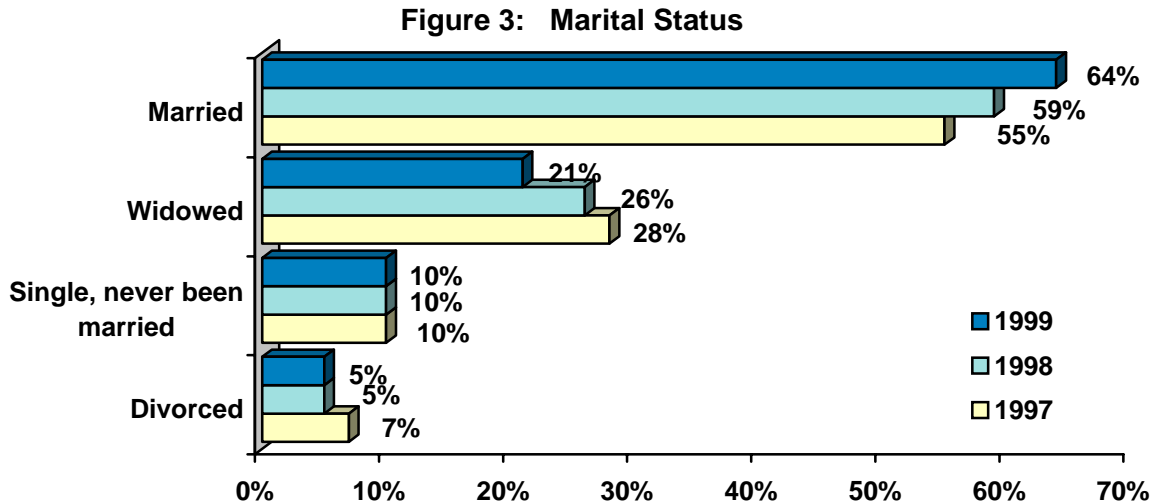
Interestingly, females are more likely than males to own fixed non-qualified annuity contracts (58% vs. 42%), while males are more likely to own variable non-qualified annuity contracts (54% vs. 46%).

Figure 2: Gender



Marital Status

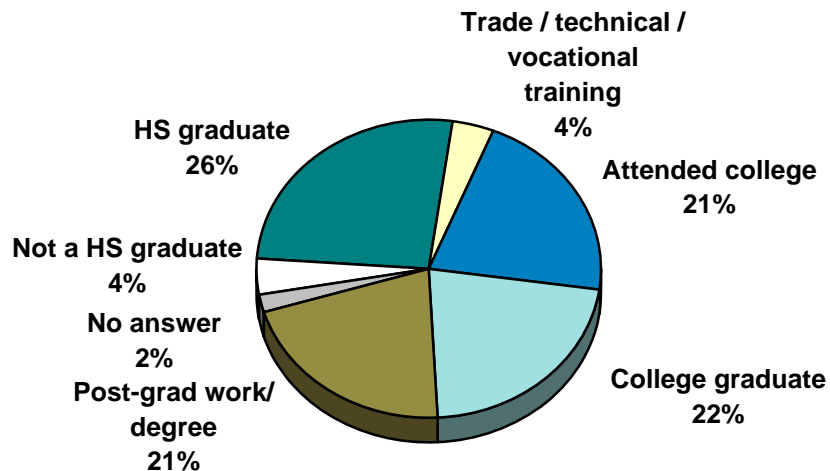
As shown in Figure 3, a majority of owners of non-qualified annuity contracts (64%) are married. Twenty-one percent are widowed. Only 10 percent of owners of non-qualified annuity contracts are single.



Education

As shown in Figure 4, owners of non-qualified annuity contracts have diverse educational backgrounds. More than half of owners of non-qualified annuity contracts (55%) are not college graduates, while one in five (21%) have done post-graduate work or have post-graduate degrees. These proportions are similar to those found in previous Surveys.

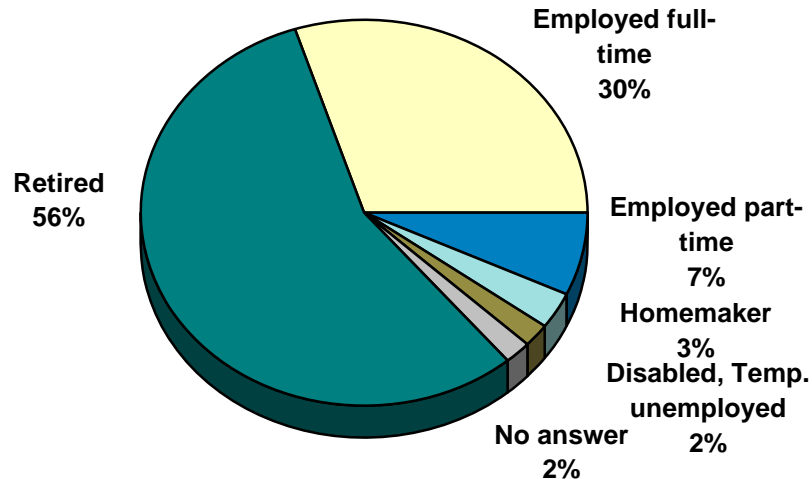
Figure 4: Level of Education



Employment Status

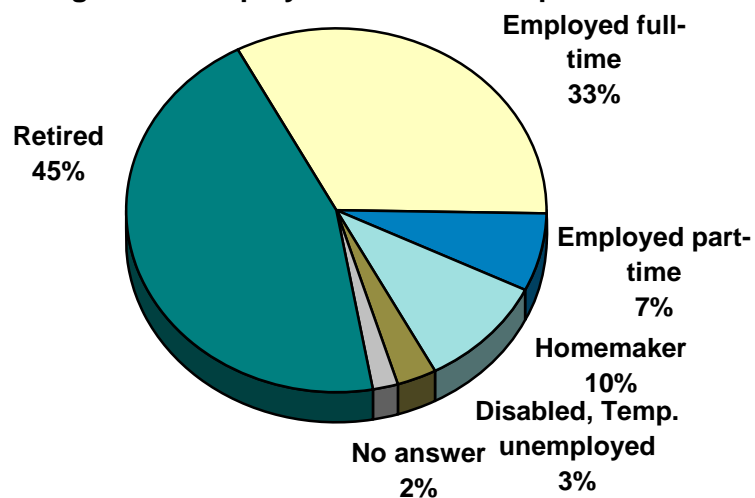
As in previous Surveys, many owners of non-qualified annuity contracts (56%) are retired. Thirty percent are employed full-time and 7 percent are employed part-time. (See Figure 5.)

Figure 5: Employment Status Of Owners



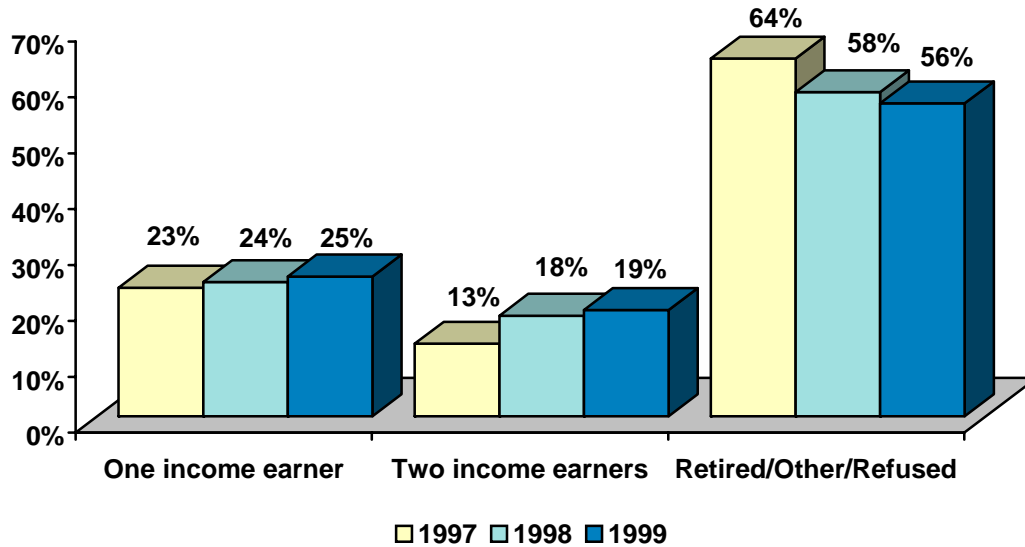
Nearly half of the spouses of owners of non-qualified annuity contracts (45%) also are retired. Thirty-three percent are employed full-time and 7 percent are employed part-time. (See Figure 6.) The percentage of spouses who are retired this year is down 10 percentage points from 1997, and the percentage of spouses who are employed full-time is up 10 percentage points from 1997.

Figure 6: Employment Status Of Spouses



As shown in Figure 7, one quarter of the respondents (25%) have only one income earner in their household (defined as those who work full- or part-time). Slightly fewer have two income earners in their household (19%). Most of the rest are retired. These figures have remained stable since the 1992 Survey.

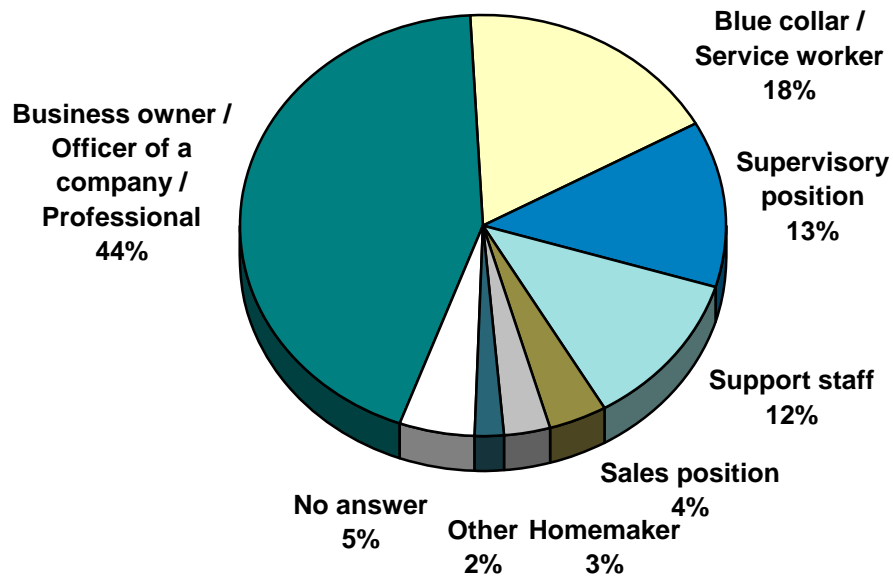
Figure 7: Number of Income Earners in Household



Occupation

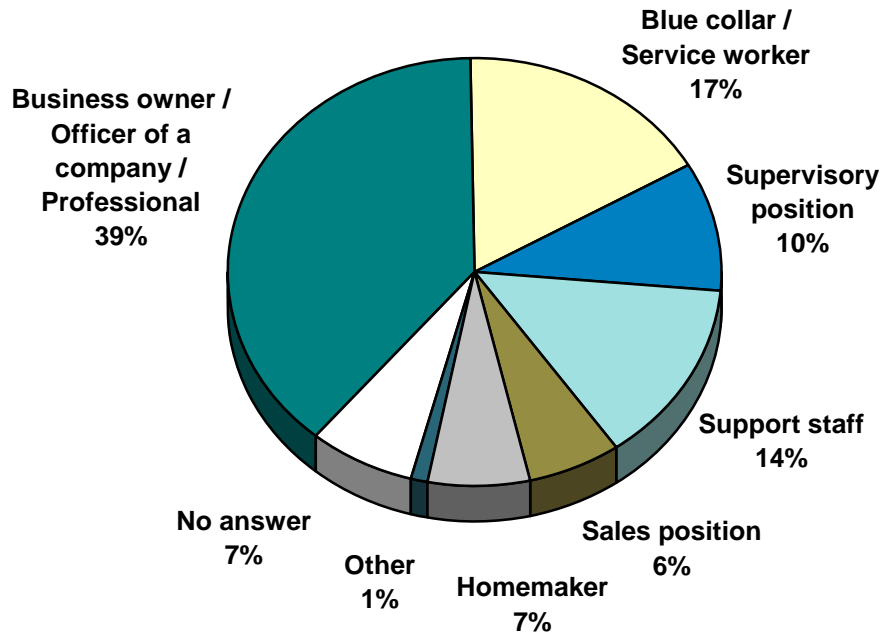
More than two in five owners of non-qualified annuities (44%) identify their occupation (or former occupation, if retired) as being a business owner, officer of a company, or other type of professional, such as a doctor, lawyer or teacher. One in five (18%) are (or were) blue collar workers or service workers, such as a cashier or part of a cleaning crew. One in ten report their occupation as a supervisory position (13%), such as a factory foreman or office manager; or as support staff (12%), such as a secretary. Some report that they are (or were) in a sales position (4%). (See Figure 8.)

Figure 8: Occupation Of Owners



Similarly, two in five spouses (39%) indicate their occupation (or former occupation, if retired) as being a business owner, officer of a company, or other type of professional, such as a doctor, lawyer, or teacher. One in six (17%) are (or were) blue collar workers or service workers, such as a cashier or part of a cleaning crew. One in ten report that they are (or were) support staff (14%), such as a secretary; or supervisors (10%), such as a factory foreman or office manager. Some report that they are (or were) in a sales position (6%). (See Figure 9.)

Figure 9: Occupation Of Spouses

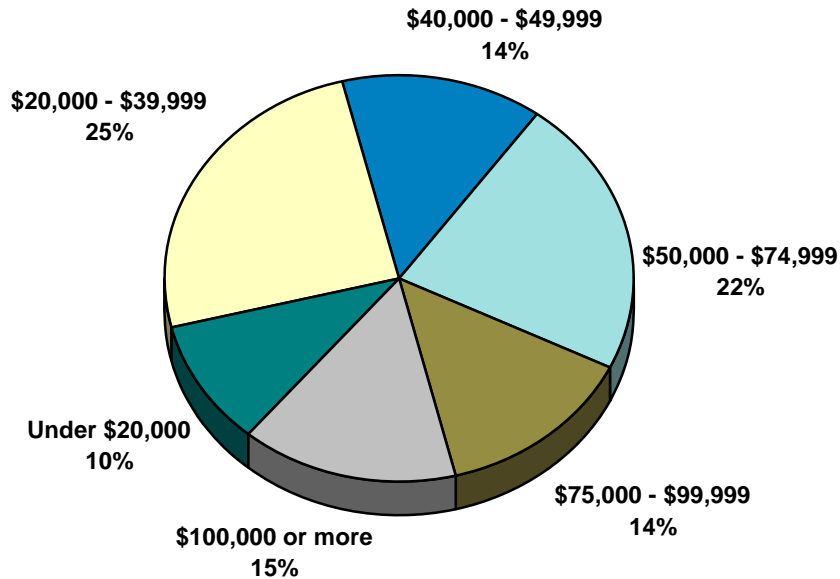


Income

Seven in ten owners of non-qualified annuity contracts (71%) have annual household incomes under \$75,000. Half (49%) have annual household incomes below \$50,000. More than one third (35%) have annual household incomes below \$40,000 and 10 percent have annual household incomes of less than \$20,000. Only 15 percent have annual household incomes of \$100,000 or more.

It is clear that owners of non-qualified annuity contracts are predominantly middle class. In all seven years of the Survey, substantial majorities of owners of non-qualified annuity contracts have had total annual household incomes between \$20,000 and \$74,999.

Figure 10: Annual Household Income



Family Financial Obligations

Eighteen percent of owners of non-qualified annuity contracts currently are helping one or more adult children pay for higher education or a house. Ten percent of owners have adult children living in their homes. Nine percent of owners have elderly parents that they or their spouse currently are supporting financially or expect to support in the future. As might be expected, most owners of non-qualified annuity contracts who are supporting elderly parents (77%) are under age 64. Just two percent of owners of non-qualified annuity contracts are making alimony or child support payments. (See Figure 11.)

Figure 11: Family Financial Obligations

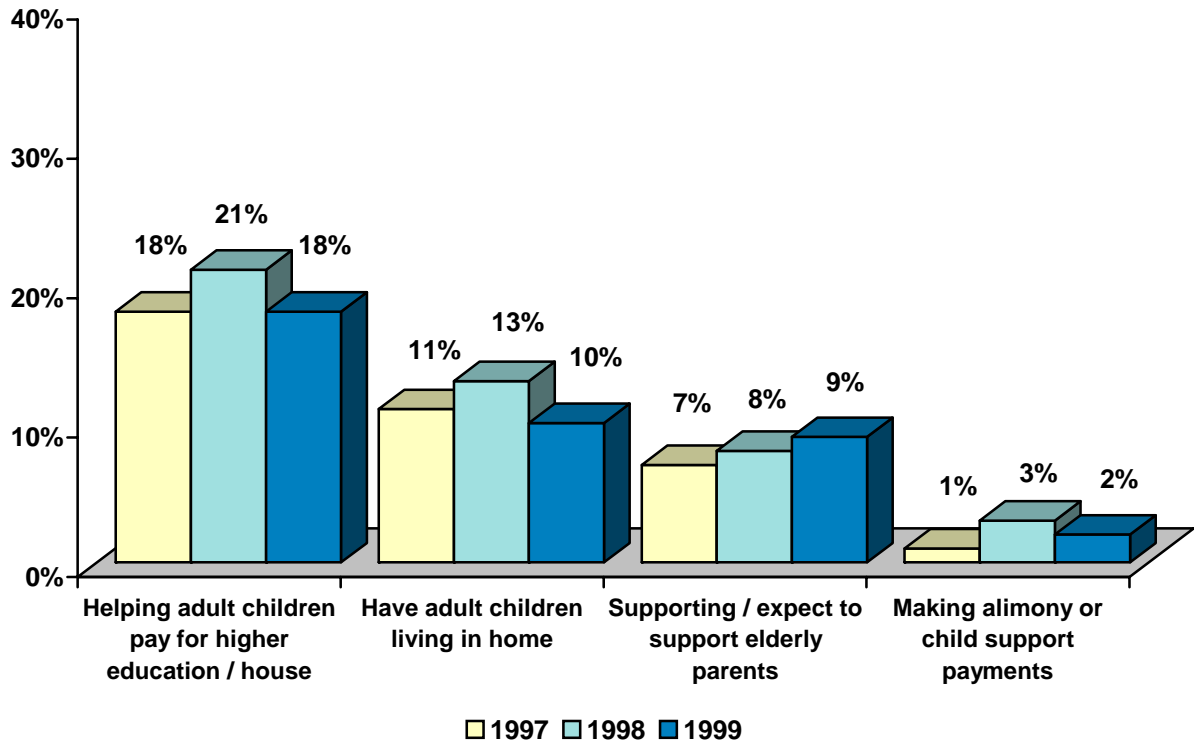
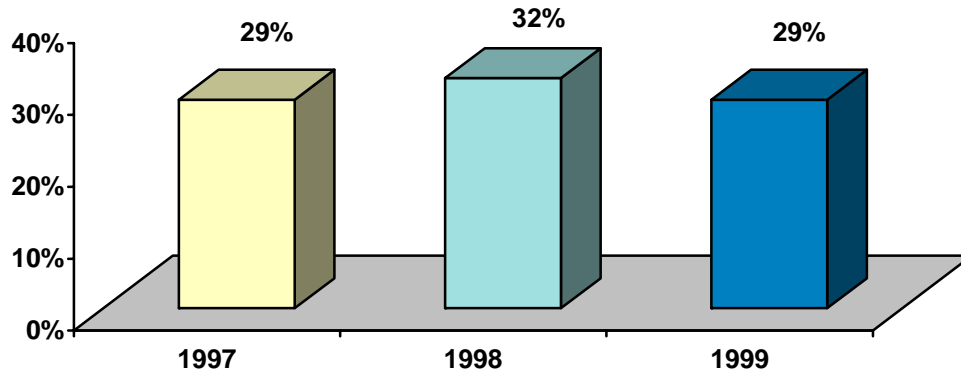


Figure 12 shows that three in ten owners of non-qualified annuity contracts (29%) currently have at least one of these family financial obligations (i.e., helping adult children pay for higher education or a house, have adult children living in their homes, supporting or expecting to support elderly parents, and making alimony or child support payments). These findings are similar to those of prior Surveys.

Figure 12: At Least One of These Family Financial Obligations



Type of Annuity – Fixed or Variable

This year, as shown in Table 1, owners of non-qualified annuity contracts are just as likely to own variable contracts (51%) as they are fixed contracts (49%). However, there has been a steady increase in the percentage of owners with variable non-qualified annuity contracts since the 1993 Survey, when only 28 percent of owners owned variable non-qualified annuity contracts.

**Table 1:
Sample Type**

	<u>1997</u>	<u>1998</u>	<u>1999</u>
	(in percent)		
Fixed Annuities	54	46	49
Variable Annuities	46	54	51

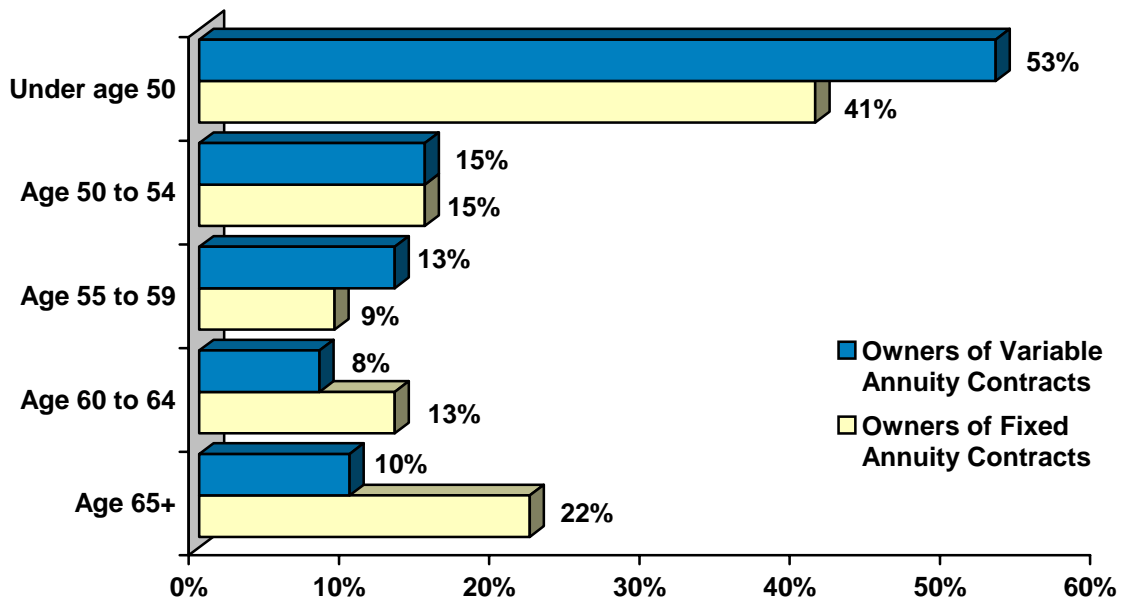
Survey Findings

Age When Annuities Purchased

Eighty-four percent of owners of non-qualified annuity contracts purchased their first annuity when they were under 65 years of age, 63 percent were under 55 years of age, 22 percent were age 55 to 64, and just 16 percent of owners were age 65 and older. The average age at which owners purchased their first annuity was 49.

As shown in Figure 13, more owners of variable annuity contracts were under age 50 when they bought their first annuities than were owners of fixed contracts (53% vs. 41%). Nevertheless, there has been a dramatic increase in the percentage of owners of fixed annuity contracts who purchased their first annuity when they were under age 50 (29% in 1998 vs. 41% in 1999).

Figure 13: Age of Owners When They First Purchased an Annuity By Type of Annuity



Almost all respondents (or their spouses) (90%) still own the first annuity that they purchased. Only nine percent say they do not own that annuity and a few do not know if they still own it (1%).

Three in ten owners of non-qualified annuity contracts (29%) have withdrawn or received money from an annuity that they (or their spouse) still own. Among owners

who have withdrawn or received money from an annuity that they still own, the average age at which these owners first withdrew or received money was 62. Only 5 percent of all owners of non-qualified annuity contracts have withdrawn money prior to age 55.

Saving For Retirement

More than eight in ten owners of non-qualified annuity contracts (83%) believe that people in the United States do not save enough money for retirement. This proportion is similar to that found in previous Surveys. Of note, those under age 64 are more likely than those who are older to believe that people in the United States do not save enough money for retirement (90% of those under age 64 compared to 78% of those age 64 and older).

A very large majority of owners of non-qualified annuity contracts (78%) believe that the government should give tax incentives to encourage people to save. Younger owners of non-qualified annuity contracts (those under age 64) are slightly more likely than those who are older to believe that the government should give incentives to encourage people to save (83% of those under age 64 compared to 75% of those age 64 and older).

Eighty-six percent of owners of non-qualified annuity contracts report that they have saved more money than they would have if the tax advantages of an annuity contract were not available. Nearly all (93%) report that they try not to withdraw any money from their annuity contract before they retire because they would have to pay tax on the money withdrawn from an annuity contract. Similar to prior years, almost two in ten owners of non-qualified annuity contracts (18%) currently are receiving regular payouts from their annuity contracts.

Financial Preparedness For Retirement

While most owners of non-qualified annuity contracts are confident that they have done a very good job of preparing financially for retirement, many express concern about their ability to cover the costs of a catastrophic illness or nursing home care and about running out of money during retirement. Over the seven year period covered by the Surveys, owners have become more confident that they have done a very good job of preparing financially for retirement (89% in 1999 compared to 84% in 1992) and they are less concerned about the costs of a catastrophic illness or nursing home care (51% in 1999 compared to 66% in 1992), or running out of money during retirement (40% in 1999 compared to 52% in 1992).

As shown in Table 2, 89 percent of owners of non-qualified annuity contracts believe that the statement “you have done a very good job of preparing financially for retirement” describes them “very” well or “somewhat” well. Nevertheless, about half of owners of non-qualified annuity contracts express concern about being able to cover the costs of a catastrophic illness or nursing home care (51%) and about figuring out how to

maintain their current standard of living in retirement (47%). Four in ten owners of non-qualified annuity contracts (40%) are concerned about running out of money during retirement. Interestingly, those under age 64 are more likely than those age 64 and older to think this way (46% of those under age 64 compared to 35% of those age 64 and older).

Slightly higher than last year, 37 percent believe that they (or their spouse) are at a high risk of suffering a catastrophic medical condition in old age and 30 percent believe that they (or their spouse) are at a high risk of needing to be confined to a nursing home in old age. Slightly lower than last year, 30 percent think that their surviving spouse may not have enough money to make ends meet.

**Table 2:
Agreement With Various Statements About Preparedness For Retirement**

	Very/Somewhat Well		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
	(in percent)		
They have done a very good job of saving for retirement.	89	90	89
They are concerned that a catastrophic illness or nursing home care might bankrupt them during retirement.	54	48	51
It will be difficult to figure out how to maintain their current standard of living in retirement.	*	43	47
They are concerned that they might run out of money during retirement.	42	42	40
They (or their spouse) are at a high risk of suffering a catastrophic medical condition in old age.	31	32	37
Upon the death of the owner, the surviving spouse may not have enough savings to make ends meet.	38	35	30
They (or their spouse) are at a high risk of needing to be confined to a nursing home in old age.	24	24	30

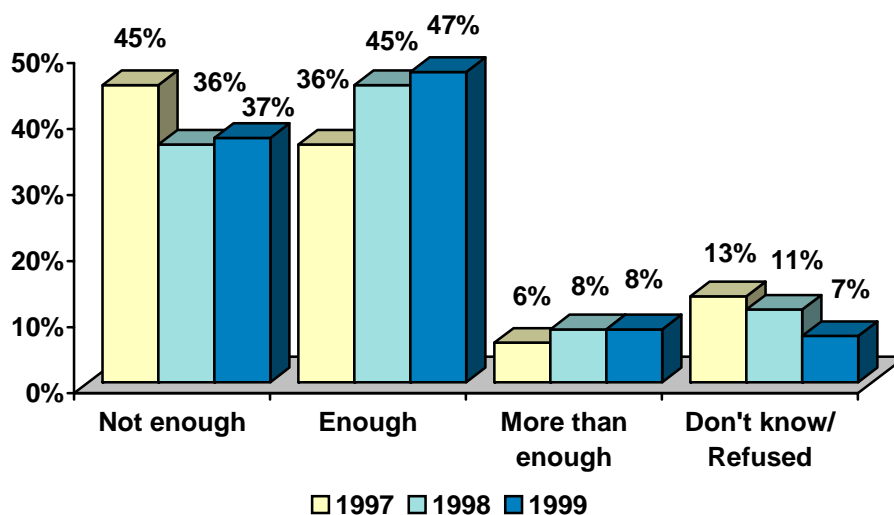
* = not asked

Savings Of Owners Of Non-Qualified Annuity Contracts

As shown in Figure 14, more than one-third of owners of non-qualified annuity contracts (37%) do not think that the money they will receive from pensions and other employment-related retirement programs (including Social Security) will be enough to take care of their financial needs in retirement. The percentage of owners who do not believe that money from pension and retirement plans will be enough has been decreasing since the 1992 Survey when it was 51 percent.

Nearly half of owners of non-qualified annuity contracts (47%) believe that this money will be enough — up ten percentage points from 1992 (37%). (Only 8 percent say that it will be more than enough.)

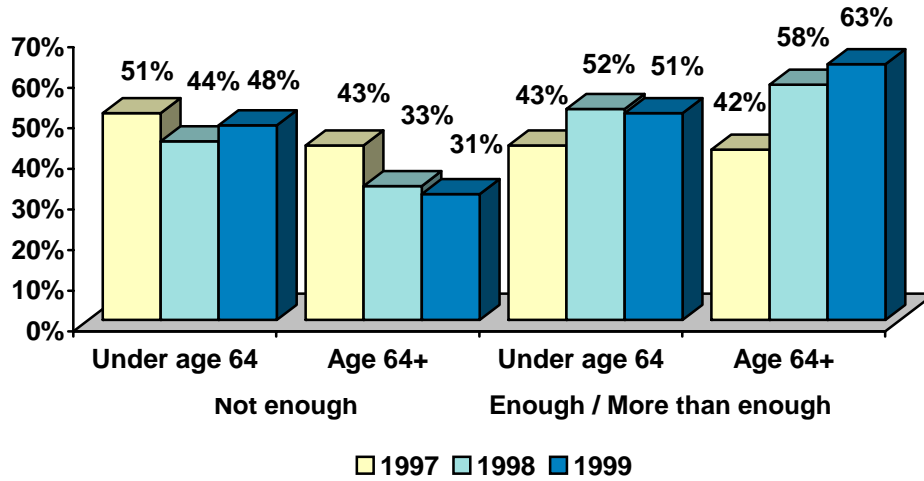
Figure 14: Whether Money From Pension and Retirement Plans Will Cover Retirement Expenses



Owners of non-qualified annuity contracts who are under age 64 appear more concerned that money from pension and retirement plans (including Social Security) will not be enough to take care of all of their financial needs in retirement. Almost half of owners of non-qualified annuity contracts who are under age 64 (48%) do not believe that money from pension and retirement plans will be enough. (See Figure 15.)

The percentage of owners who are under age 64 and think that money from pension and retirement plans will be enough or more than enough has increased steadily from the 1992 Survey figure of 34 percent to the current 51 percent. The proportion who are age 64 and older and believe their pension plan income will be enough or more than enough has increased 14 percentage points since the 1992 Survey.

Figure 15: Age and Whether Money From Pension and Retirement Plans Will Cover Retirement Expenses

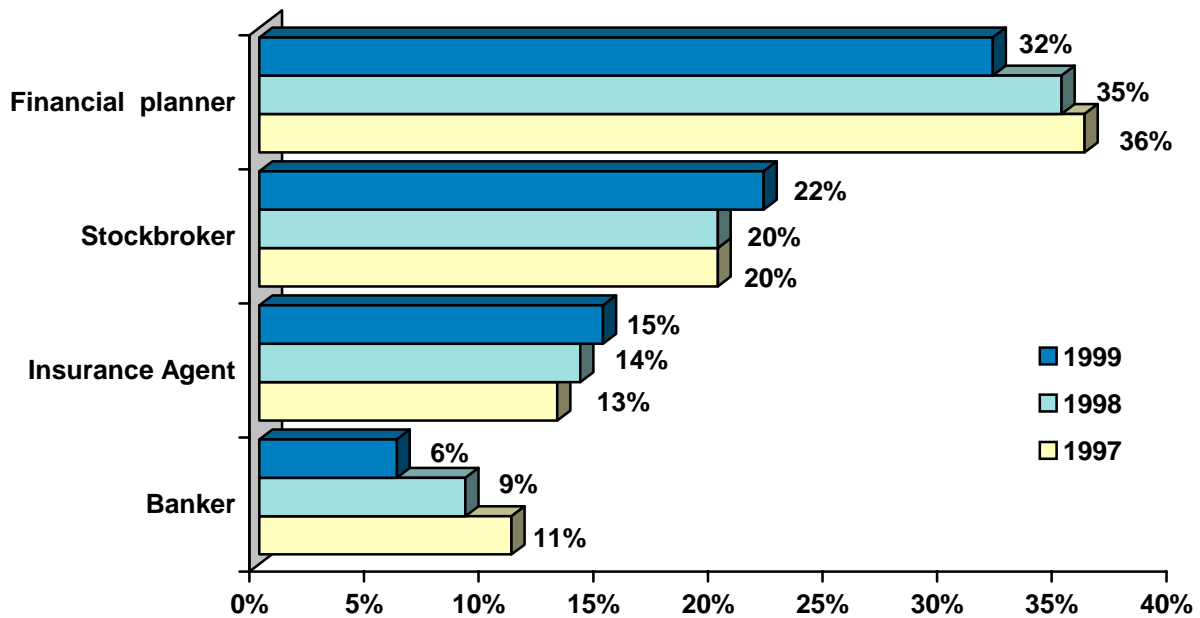


Four in ten owners of non-qualified annuity contracts (40%) report that the current value of all of the non-qualified annuity contracts that they or their spouse own is between \$25,000 and \$100,000. Sixteen percent of owners of non-qualified annuity contracts say that the value is under \$25,000, while thirty-two percent say that it is over \$100,000. These percentages are nearly the same as those found in previous Surveys.

In an open-ended question, owners of non-qualified annuity contracts reported that they talked to a variety of people when making the decision to purchase an annuity contract. Most frequently mentioned were financial planners (32%), stockbrokers (22%), insurance agents (15%), and bankers (6%). These percentages are similar to prior years' Surveys. (See Figure 16.)

Owners of variable annuities are more likely to talk to a financial planner (37%) or a stockbroker (27%) than are owners of fixed annuity contracts (27% and 15%, respectively). On the other hand, owners of fixed annuity contracts are more likely to talk to an insurance agent (18%) or a banker (9%) than are owners of variable annuity contracts (12% and 2%, respectively). The older the owner, the less likely it is that the owner spoke with a financial planner. For example, 41 percent of those under age 54 spoke with a financial planner, compared to just 24 percent of those age 72 and older.

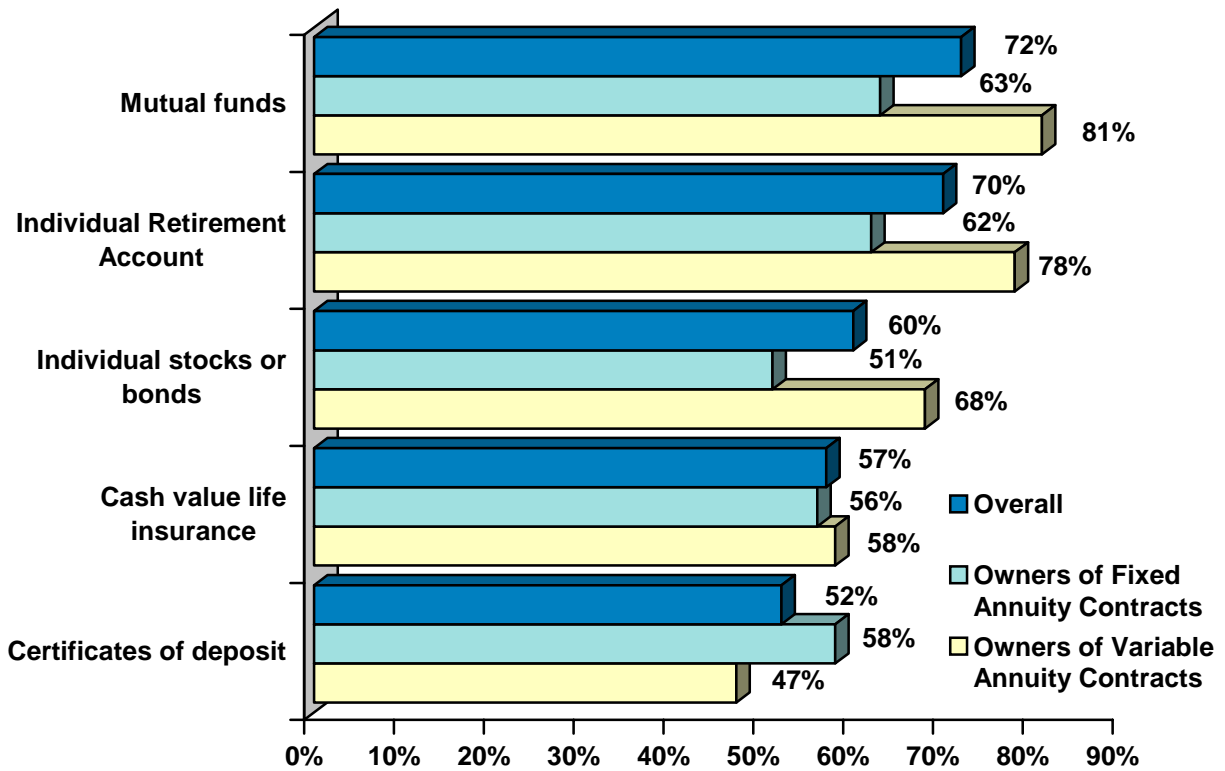
Figure 16: Sources of Information About Non-Qualified Annuities



Owners of non-qualified annuity contracts also save in a number of other financial products. Seven in ten have mutual funds (72%) and individual retirement accounts (70%). Six in ten own individual stocks or bonds (60%) and cash value life insurance (57%). Half have certificates of deposit (52%). (See Figure 17.)

Owners of variable annuities are more likely than owners of fixed annuities to own mutual funds (81% vs. 63%), an individual retirement account (78% vs. 62%), and individual stocks or bonds (68% vs. 51%). However, owners of fixed annuities are more likely to own certificates of deposits (58% vs. 47%).

Figure 17: Savings In Other Financial Products By Type of Annuity



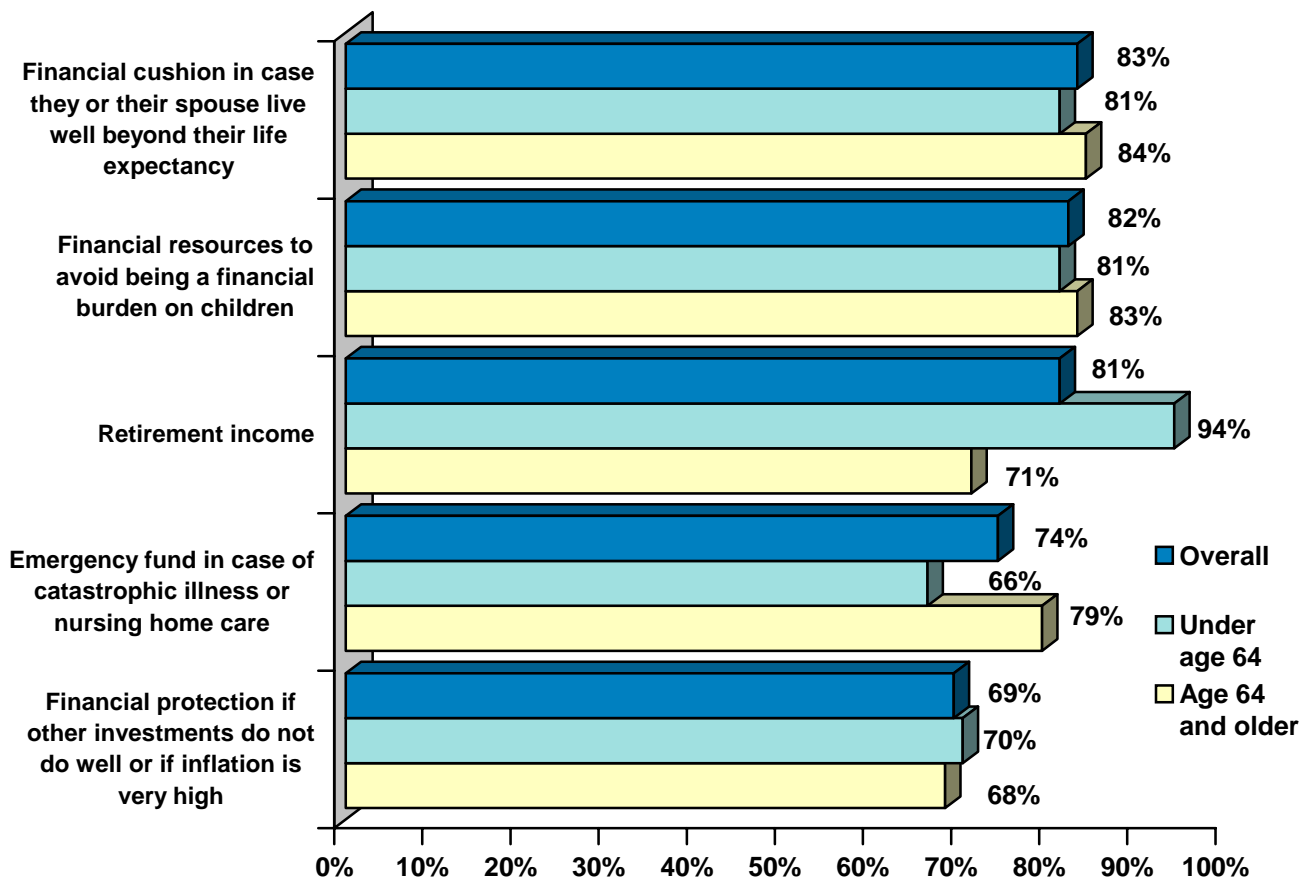
Uses Of Annuity Savings

In an open-ended question, owners of non-qualified annuity contracts were asked to name the primary uses that they intend to make of their annuity savings. Of the many uses given, owners of non-qualified annuity contracts are most likely to say that they intend to use the savings for retirement income (46%), followed by paying for daily living expenses (14%), and for family needs (8%). (Of course, for owners of non-qualified annuity contracts who already are retired, daily living expenses are retirement expenses.)

Owners of non-qualified annuity contracts were asked in a separate question if they intended to use their annuity savings in any of five specific ways. As shown in Figure 18, eight in ten owners of non-qualified annuity contracts stated that they plan to use their annuity savings for the following aspects of retirement: to have as a financial cushion in case they or their spouse live well beyond their life expectancy (83%), to avoid being a financial burden on their children (82%), or for retirement income (81%). Other leading uses of annuity savings identified are as an emergency fund, in case of a catastrophic illness or the need for nursing home care (74%) or to have as financial protection if other investments do not do well or if inflation is very high (69%). These proportions are similar to those found in previous Surveys.

Not surprisingly, older owners of non-qualified annuity contracts (those age 64 and older) are more likely than those who are younger to say they intend to use their annuity savings as an emergency fund, in case of catastrophic illness or nursing home care (79% of those age 64 and older compared to 66% of those under age 64). Younger owners of non-qualified annuity contracts (those under age 64) are more likely than those who are older to say they intend to use their annuity savings for retirement income (94% of those under age 64 compared to 71% of those age 64 and older).

Figure 18: Intended Uses Of Annuity Savings by Age



Older people continue to be concerned about unpredictable events that can have severely adverse financial consequences, such as a catastrophic illness or the need for nursing home care. One of the ways that they deal with these possibilities is saving through non-qualified annuity contracts, which build in value until needed.

Reasons For Purchasing Annuities

In an open-ended question regarding their reasons for purchasing their last annuity contract, a plurality of owners of non-qualified annuity contracts (21%) reported that they purchased their annuity contracts to provide retirement income. Only 11 percent reported that tax savings had been their motivation. Nevertheless, the fact that earnings on annuity savings are not taxed until the savings are used is a strong motivation for purchasing a non-qualified annuity. When asked whether any of a list of specific reasons for purchasing an annuity contract were true for them, ninety-one percent of owners of non-qualified annuity contracts say that the tax treatment of annuity contracts was a “very” or “somewhat” important reason that they purchased a non-qualified annuity.

As shown in Table 3, large numbers also indicate that “very” or “somewhat” important reasons for purchasing an annuity were that it is a safe purchase (89%), that it has a good rate of return (87%), and that they wanted a long-term savings plan (81%).

About three-quarters of owners of non-qualified annuity contracts report the following as “very” or “somewhat” important reasons for purchasing a non-qualified annuity: they could get income guaranteed for life (77%), it was an easy way to save (76%), they wanted a source of funds for emergencies (73%), and they have a choice of methods of receiving payments from their annuity savings (70%). Slightly fewer report that it provides money in case they or their spouse need to enter a nursing home (65%).

The levels of importance that owners of non-qualified annuity contracts place on the various reasons for buying an annuity contract are very similar to those found in previous Surveys, except for one – the percentage of owners who reported purchasing an annuity to provide money in case they or their spouse needs to enter a nursing home decreased seven percentage points from the 1997 Survey (the first year it was asked).

**Table 3:
Importance Of Various Reasons For Buying An Annuity**

	Very/Somewhat Important		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
	(in percent)		
Earnings would not be taxed until the funds were used.	90	89	91
Was a safe purchase.	90	89	89
Had a good rate of return.	87	86	87
Wanted a long-term savings plan.	78	79	81
Could get an income guaranteed for life.	73	71	77
Easy way to save.	76	74	76
Wanted a source of funds that could be used to pay for emergencies, such as catastrophic illness during retirement.	78	72	73
Had choices of methods of getting the money.	71	67	70
Provides money in case owner or spouse needs to enter a nursing home.	72	66	65

Sources Of Funds For Annuities

Owners of non-qualified annuity contracts use more than one source of funds for the purchase of annuities. Many owners of non-qualified annuity contracts buy annuity contracts with the proceeds from “one-time” events such as an inheritance (24%), the sale of a home, farm, or business (14%), a death benefit from a life insurance policy (14%), a gift from a relative (14%), or a bonus (12%). Overall, about half of owners of non-qualified annuity contracts (49%) say that they have used money from at least one of these one-time events to buy a non-qualified annuity. As shown in Table 4, many owners of non-qualified annuity contracts also indicate that some of their annuity premiums have come from their regular savings (64%), their or their spouse’s current income (53%), and proceeds from an investment (29%).

The sources of funds that owners of non-qualified annuity contracts use to purchase annuities are, for the most part, unchanged over the seven year period covered by the Surveys. However, the use of proceeds from an investment is down 15 percentage points from the 1992 Survey (44%).

Age and marital status play a role in determining sources of funds for many owners of non-qualified annuity contracts. Owners of non-qualified annuity contracts who are age 64 and over are more likely to have used money from the sale of a family home, farm, or business. Not surprisingly, those 64 and older are less likely to have used money from their or their spouse's current income to purchase a non-qualified

annuity contract. Those not married are more likely to have used money from a death benefit and less likely to say that they have used a bonus to purchase annuities.

**Table 4:
Sources Of Funds For Owners' Annuities**

	<u>1997</u>	<u>1998</u> (in percent)	<u>1999</u>
Regular savings	65	65	64
Their or their spouse's current income	53	53	53
Proceeds from an investment	31	34	29
An inheritance	24	20	24
Sale of family home, farm, or business	18	15	14
Death benefit from a life insurance policy	14	15	14
Gift from a relative	14	11	14
A bonus	12	12	12

Attributes Of Annuities

Nearly all owners of non-qualified annuity contracts agree “completely” or “somewhat” that “keeping the tax advantage of annuities is a good way of encouraging long-term savings” (94%), that “annuities are an effective way to save for retirement” (91%), that “annuities are a good way to ensure your [surviving] spouse has a continuing income” (90%), and that “annuities are secure and safe” (89%). (See Table 5.)

Very large proportions of owners of non-qualified annuity contracts agree “completely” or “somewhat” that annuities “have attractive tax treatment” (85%), “are an effective way of assuring money is available to pay for a catastrophic illness or nursing home care” (85%), “are a good source of emergency funds in old age” (85%), “offer a good return” (83%), “will prevent them from being a financial burden on their children in their later years” (81%), and “are an important source of retirement security” (81%).

Of note, younger owners of non-qualified annuity contracts (those under age 64) are more likely than those who are older to say that the tax treatment of annuity contracts was a “very” or “somewhat” important reason that they purchased a non-qualified annuity (91% of those under age 64 compared to 81% of those age 64 and older).

**Table 5:
Agreement With Various Statements About Attributes Of Annuities**

	Agree Completely/Somewhat		
	<u>1997</u>	<u>1998</u>	<u>1999</u>
	(in percent)		
Keeping the tax advantage of annuities is a good way of encouraging long-term savings.	94	90	94
Annuities are an effective way to save for retirement.	93	89	91
Annuities are a good way to ensure their surviving spouse has a continuing income.	90	85	90
Annuities are secure and safe.	90	87	89
Annuities have attractive tax treatment.	88	82	85
Annuities are an effective way of assuring money is available to pay for a catastrophic illness or nursing home care.	86	84	85
Annuities are a good source of emergency funds in old age.	85	85	85
Annuities offer a good return.	84	81	83
Annuities will prevent them from being a financial burden on their children in their later years.	83	80	81
Annuities are an important source of retirement security.	82	80	81

Expected Income Sources In Retirement

The 1999 Survey included a new series of questions on expectations for sources of income in retirement. Owners of non-qualified annuities clearly believe that they are responsible for their own financial security in retirement.

Figure 19 compares the expected largest income source in retirement by retirement status. Of those owners who are not yet retired, only 12 percent believe that Social Security will be their largest source of income in retirement, compared to 30 percent of those owners who already are retired. In fact, 75 percent of those owners who are not yet retired expect that personal savings or pensions (i.e., sources other than Social Security) will be the largest source of their retirement income. Even today's retirees recognize the importance of personal savings, with over half of retired owners of non-qualified annuity contracts (54%) citing personal savings or pensions (i.e., sources other than Social Security) as the largest source of their retirement income.

Figure 19: Largest Source of Retirement Income

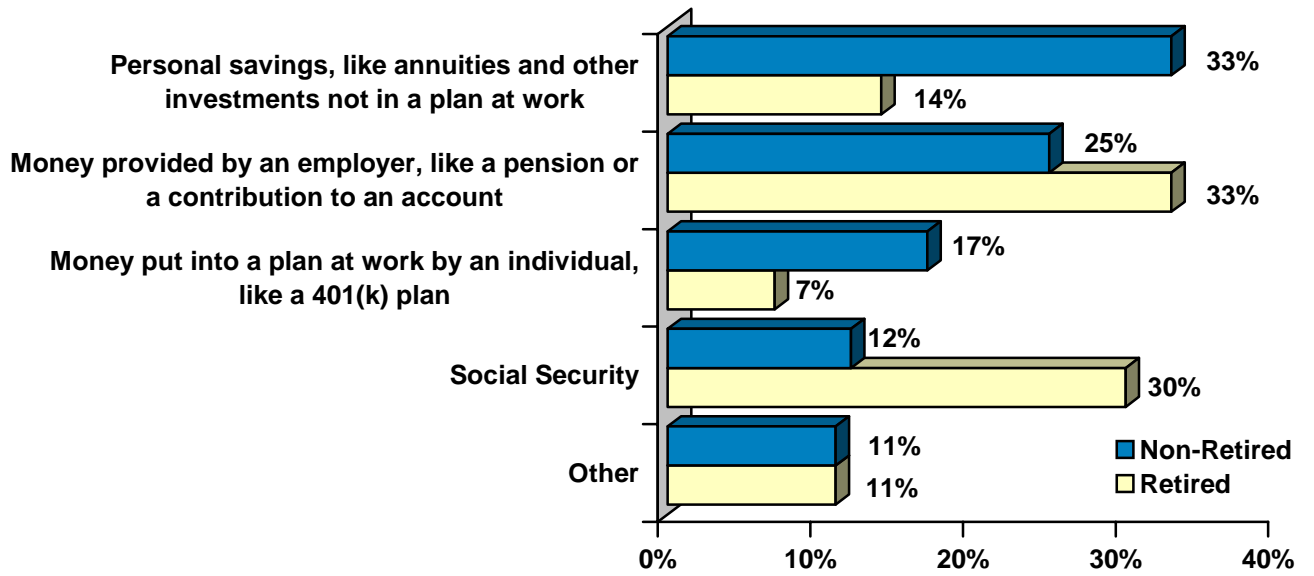


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COMMITTEE OF ANNUITY INSURERS

1999 SURVEY OF OWNERS OF NON-QUALIFIED ANNUITY CONTRACTS

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