THE GALLUP ORGANIZATION

PRINCETON

WORLD HEADQUARTERS
47 Hulfish Street
Princeton, New Jersey 08542

COMMITTEE OF ANNUITY INSURERS

2001 SURVEY OF OWNERS OF NON-QUALIFIED ANNUITY CONTRACTS

October 2001

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Introduction

In November 2000, The Gallup Organization ("Gallup") surveyed 1,005 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 Survey of Owners of Non-Qualified Annuity Contracts (the "2001 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 seven previous years. In February 1992, October 1993, December 1994, December 1995, February 1997, April 1998, and July 1999, Gallup interviewed over 1,000 owners of non-qualified annuity contracts. Where applicable, the findings from prior Surveys are compared to the findings of the 2001 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 Survey is to obtain a profile of the demographic characteristics of owners of non-qualified annuity contracts and to gain insight into their methods for and attitudes toward saving for retirement, including owners' sources of funds for purchasing annuity contracts, and their reasons for purchasing annuities.

To ensure that only owners of non-qualified annuity contracts were interviewed in this Survey, 46 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 46 companies are geographically diverse, represent a mix of large and small companies, and account for more than 5.3 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 the 46 companies. Gallup and Greenwald & Associates are confident that, based on the sampling procedures used and other research that Gallup has conducted in this area, 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.

2001 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 male than female owners of non-qualified annuity contracts (52% vs. 48%).
- Sixty-three percent of owners of non-qualified annuity contracts are married, while 20 percent are widowed and only 6 percent are divorced.
- Fifty-six percent of owners of non-qualified annuity contracts are retired, whereas 38 percent are employed either full-time or part-time.
- A majority (55%) of non-qualified annuity contract owners have moderate annual household incomes (between $20,000 and $74,999).

Age at which Annuities were Purchased

- Eighty-five 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 50.

Attitudes about Savings and Tax Incentives

- Eighty-one percent of owners of non-qualified annuity contracts believe that people in the United States do not save enough money for retirement.
- Seventy-four 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-eight 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 in retirement (47%), that they might run out of money during retirement (36%), or that their spouse may not have enough savings to make ends meet if they predecease their spouse (33%).

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 (70%), while slightly fewer purchased an annuity to have as financial protection if other investments do not do well or if inflation is very high (65%).

Attributes of Annuities

- Nine in ten owners of non-qualified annuity contracts agree that annuities are an effective way to save for retirement (91%), that annuities are a good way to ensure their surviving spouse has a continuing income (91%), and that keeping the current tax treatment of annuities is a good way to encourage long-term savings (90%).

Expected Sources of Retirement Income vs. Actual Sources of Retirement Income

- Non-retired owners of non-qualified annuity contracts are more likely to cite personal savings as major sources of expected income in retirement than retired owners are. Approximately half of non-retired owners say that personal savings, such as annuities or other investments (52%) or money they put into a retirement plan at work (48%) will be major sources of income in retirement. Respectively, only 35 percent and 23 percent of retired owners name these as current sources of retirement income.

- Retired owners are much more likely to name Social Security as a major source of actual income in retirement (48%) than non-retired owners are (26%).

- Over one-quarter of retired owners of non-qualified annuity contracts (27%) cite Social Security as their largest source of income in retirement. Only 13 percent of non-retired owners expect Social Security to be their largest source of retirement income.

- Over one-quarter of non-retired owners (28%) name personal savings, such as annuities or other investments, as the largest expected source of income in retirement.

Profile of Owners of Non-Qualified Annuity Contracts

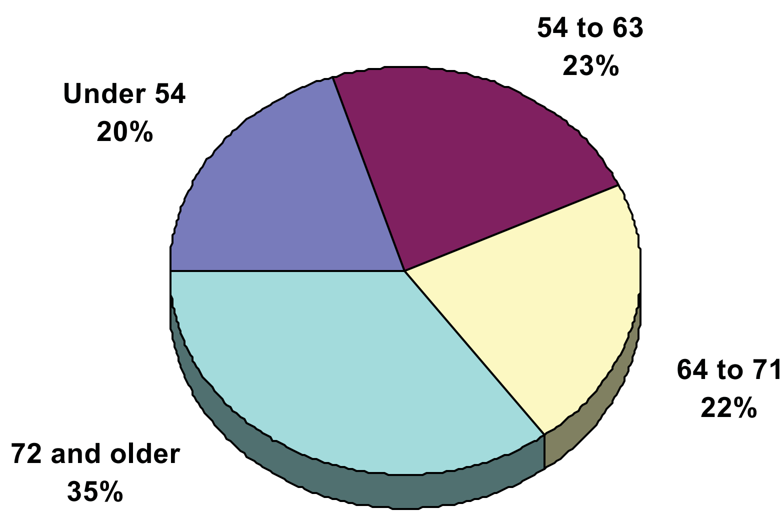
Typical Owner of a Non-Qualified Annuity Contract

The typical owner of a non-qualified annuity contract is at least a high school graduate and has a moderate annual household income. The average age of owners of non-qualified annuity contracts is 65, and owners are more likely to be retired than employed. The typical owner is more likely to own a variable annuity than a fixed annuity and is equally likely to be a female as a male.

Age

The average age of owners of non-qualified annuity contracts is 65. One-third of owners of non-qualified annuity contracts (35%) are age 72 or older. The proportion of annuity owners in this age group has decreased from its high of 40 percent in the 1997 Survey, but is still nine percentage points higher than the 1992 Survey (26%). Approximately one-fifth of owners of non-qualified annuity contracts are under age 54 (20%), between age 54 and age 63 (23%), or between age 64 and age 71 (22%). (See Figure 1)

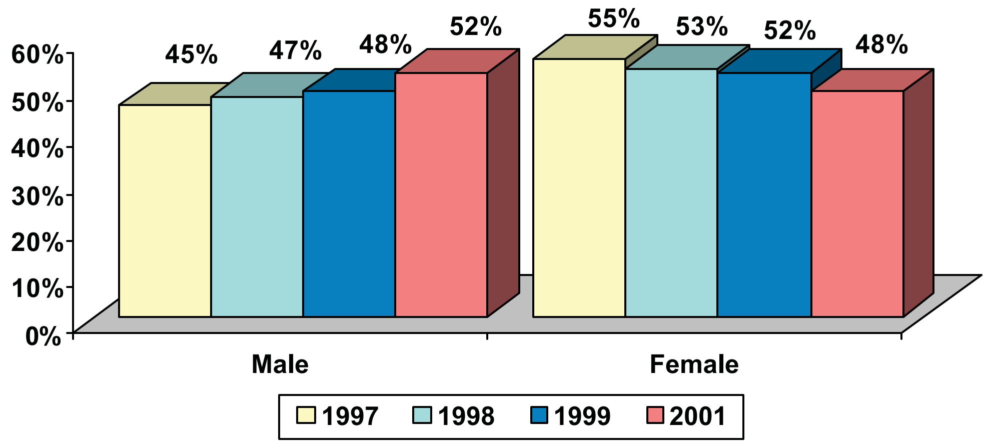
Figure 1: Age



Gender

There is no significant difference in the proportion of owners of non-qualified annuity contracts who are male (52%) and those who are female (48%) (See Figure 2). There has been an increase in the percentage of owners who are female since 1992, when only 43 percent of owners of non-qualified annuity contracts were female. However, the 2001 Survey findings reveal a small decline in the proportion of female owners since 1997 (55%).

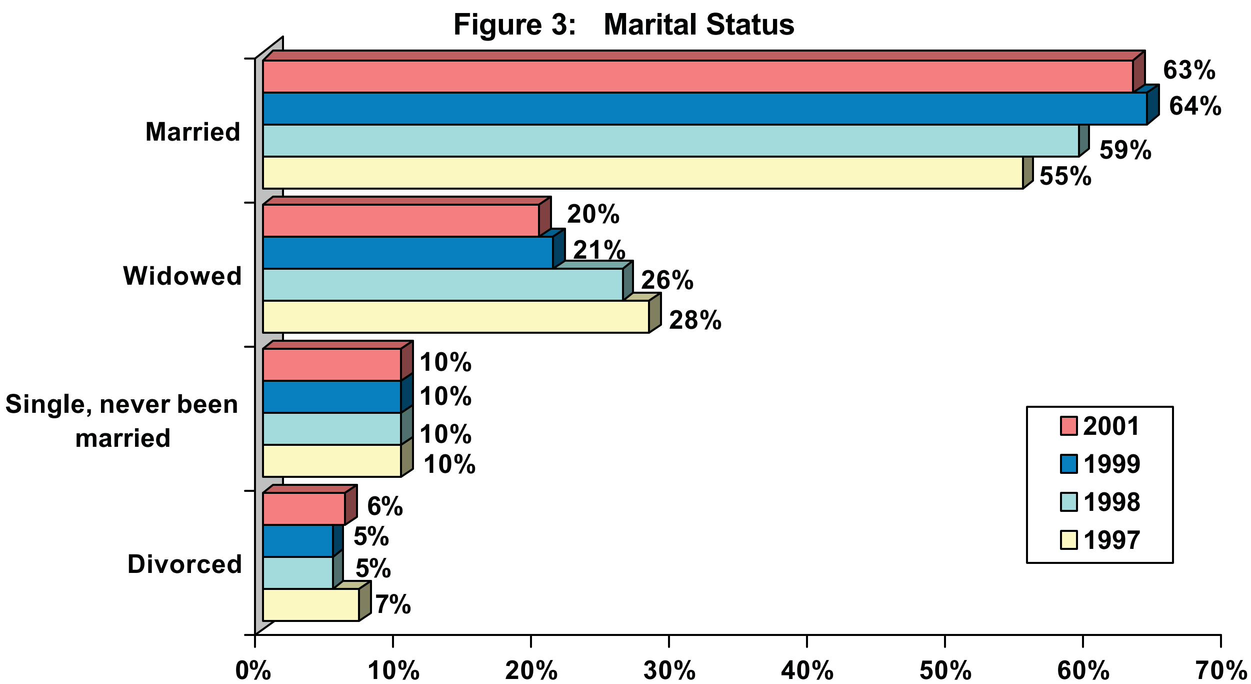
Figure 2: Gender



Marital Status

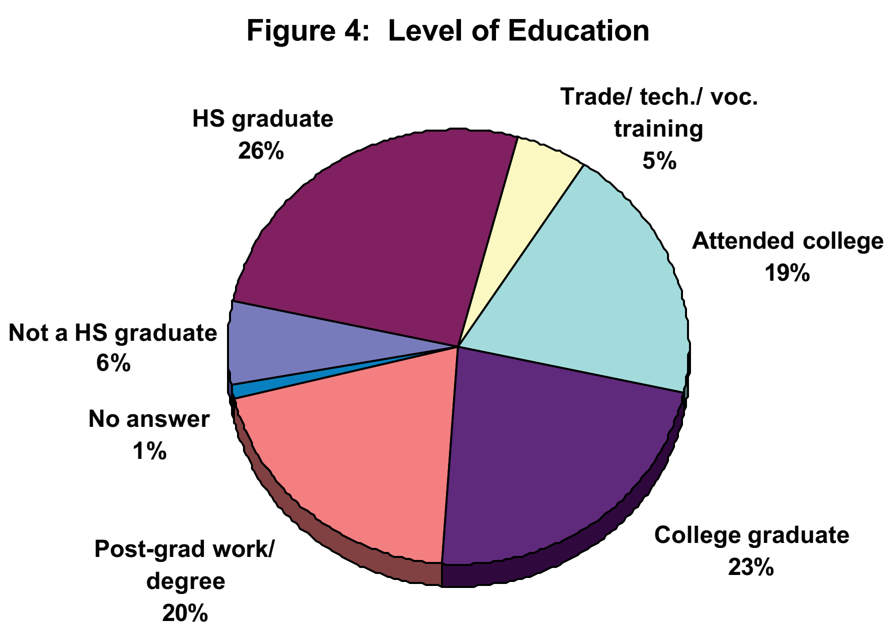
As shown in Figure 3, a majority of owners of non-qualified annuity contracts (63%) are married. Twenty percent are widowed, while only 10 percent of owners of non-qualified annuity contracts have never been married. Six percent are divorced.

Although the percentage of annuity owners who are single or divorced has remained consistent since 1997, there has been an eight percentage point increase in the proportion of owners who are married (55% in the 1997 Survey). Conversely, the percentage of widowed annuity owners has decreased commensurately (from 28% in the 1997 Survey).



Education

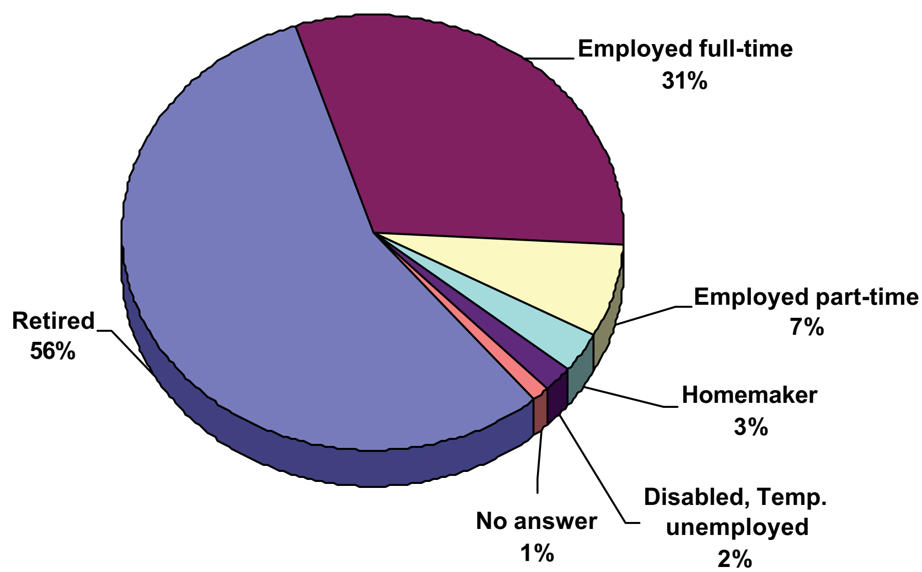
Owners of non-qualified annuity contracts have diverse educational backgrounds. More than half of owners of non-qualified annuity contracts (56%) are not college graduates, while one in five (20%) have done post-graduate work or have post-graduate degrees (see Figure 4). These proportions are similar to those found in previous Surveys.



Employment Status

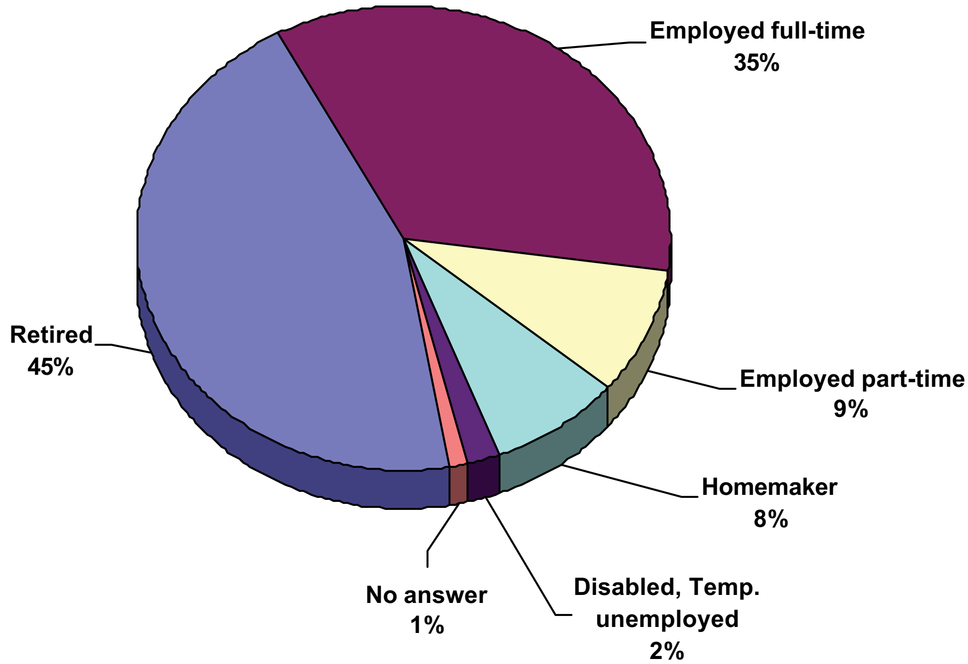
As in previous Surveys, many owners of non-qualified annuity contracts (56%) are retired. Thirty-one percent are employed full-time and 7 percent are employed part-time (see Figure 5). There has been virtually no change in the employment status of annuity owners since the 1999 Survey.

Figure 5: Employment Status of Owners



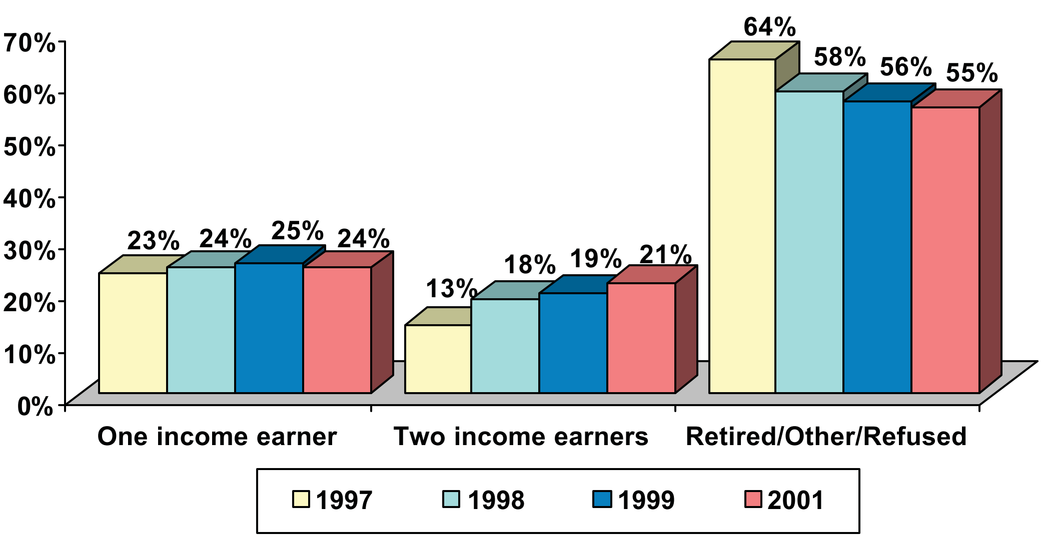
Nearly half of the spouses of owners of non-qualified annuity contracts (45%) are also retired. These are the same as the findings of the 1999 Survey. Thirty-five percent are employed full-time and 9 percent are employed part-time. (See Figure 6)

Figure 6: Employment Status of Owners' Spouses



As shown in Figure 7, about one-quarter of the respondents (24%) 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 (21%). Most of the rest are retired. Since 1997, owners have increasingly shifted to two income earners per household (13% in the 1997 Survey compared to 21% in the 2001 Survey).

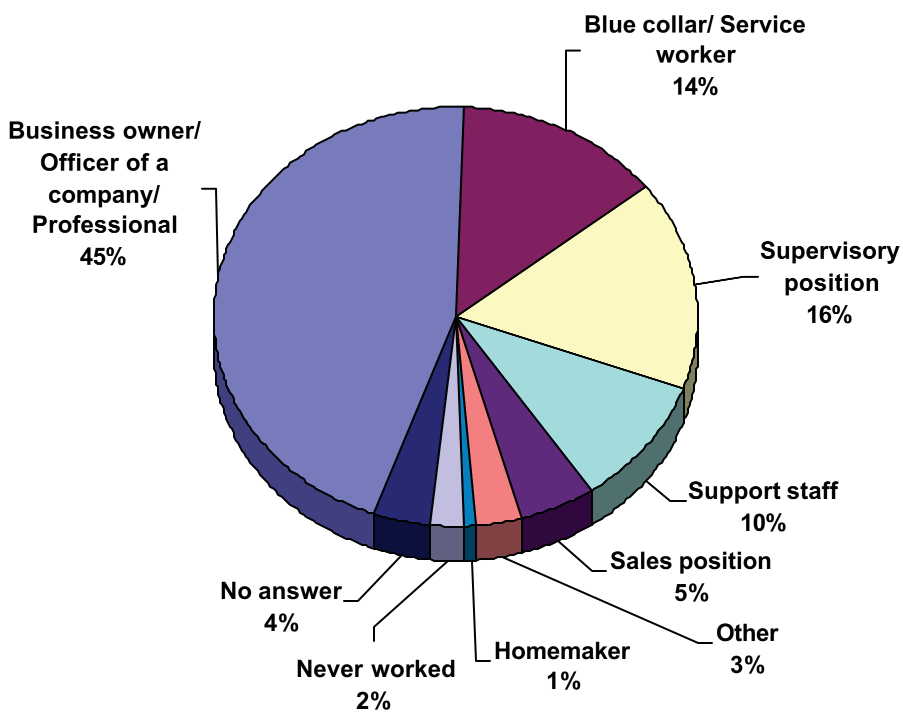
Figure 7: Number of Income Earners in Household



Occupation

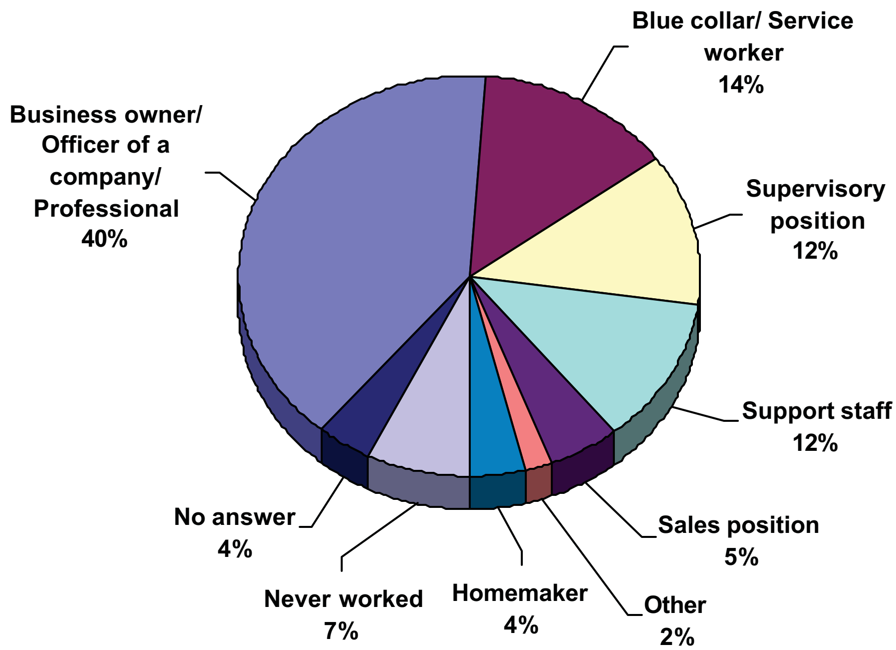
More than two in five owners of non-qualified annuities (45%) identify their occupation (or former occupation, if retired) as being a business owner, officer of a company, or other type of professional, such as a doctor, lawyer or teacher. About one in seven (14%) are (or were) blue-collar workers or service workers, such as a cashier or part of a cleaning crew, a decline of four points from the 1999 Survey. Sixteen percent report their occupation as a supervisory position, such as a factory foreman or office manager. One in ten report their current or former occupation as support staff (10%), such as a secretary. Some report that they are (or were) in a sales position (5%). (See Figure 8)

Figure 8: Occupation of Owners



Similarly, two in five spouses (40%) 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 (see Figure 9). One in seven (14%) are (or were) blue-collar workers or service workers, such as a cashier or part of a cleaning crew. Just over one in ten report that they are (or were) support staff (12%), such as a secretary; or supervisors (12%), such as a factory foreman or office manager. Some report that they are (or were) in a sales position (5%).

Figure 9: Occupation of Owners' Spouses

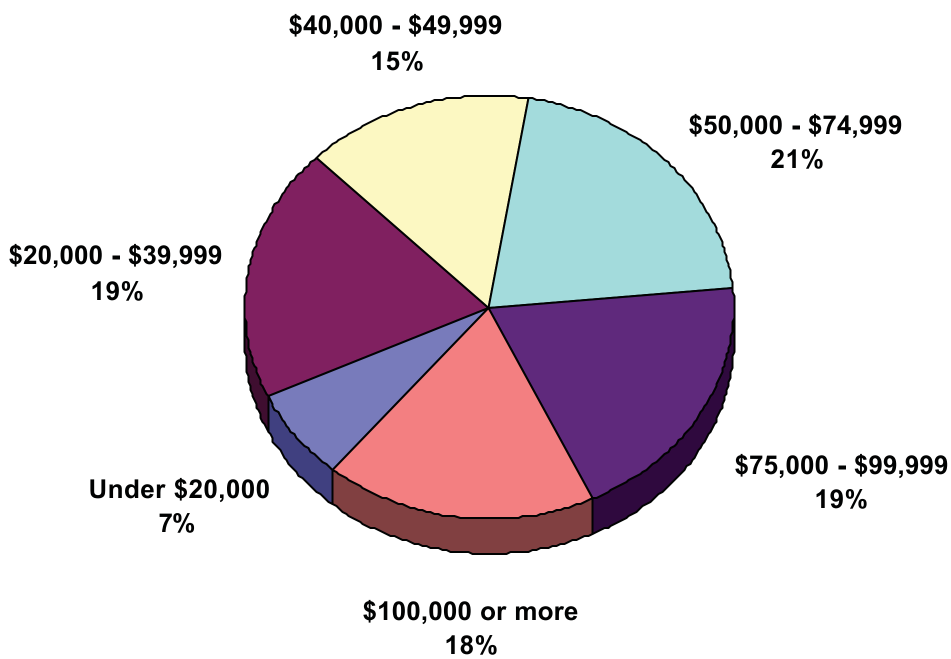


Income

Three in five owners of non-qualified annuity contracts (62%) have annual household incomes under $75,000 (see Figure 10). Two in five (41%) have annual household incomes below $50,000, an eight-point drop from the 1999 findings (49%). One-quarter (26%) have annual household incomes below $40,000, and 7 percent have annual household incomes of less than $20,000. Only 18 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 eight years of the Survey, 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

Seventeen percent of owners of non-qualified annuity contracts are currently helping one or more adult children pay for higher education or a house (See Figure 11). Eleven percent of owners have adult children living in their homes. Nine percent of owners have elderly parents that they or their spouse are currently 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 are under age 64 (82%). Just two percent of owners of non-qualified annuity contracts are making alimony or child support payments. Overall, the findings for family financial obligations are very similar to those in the 1999 Survey.

Figure 11: Family Financial Obligations

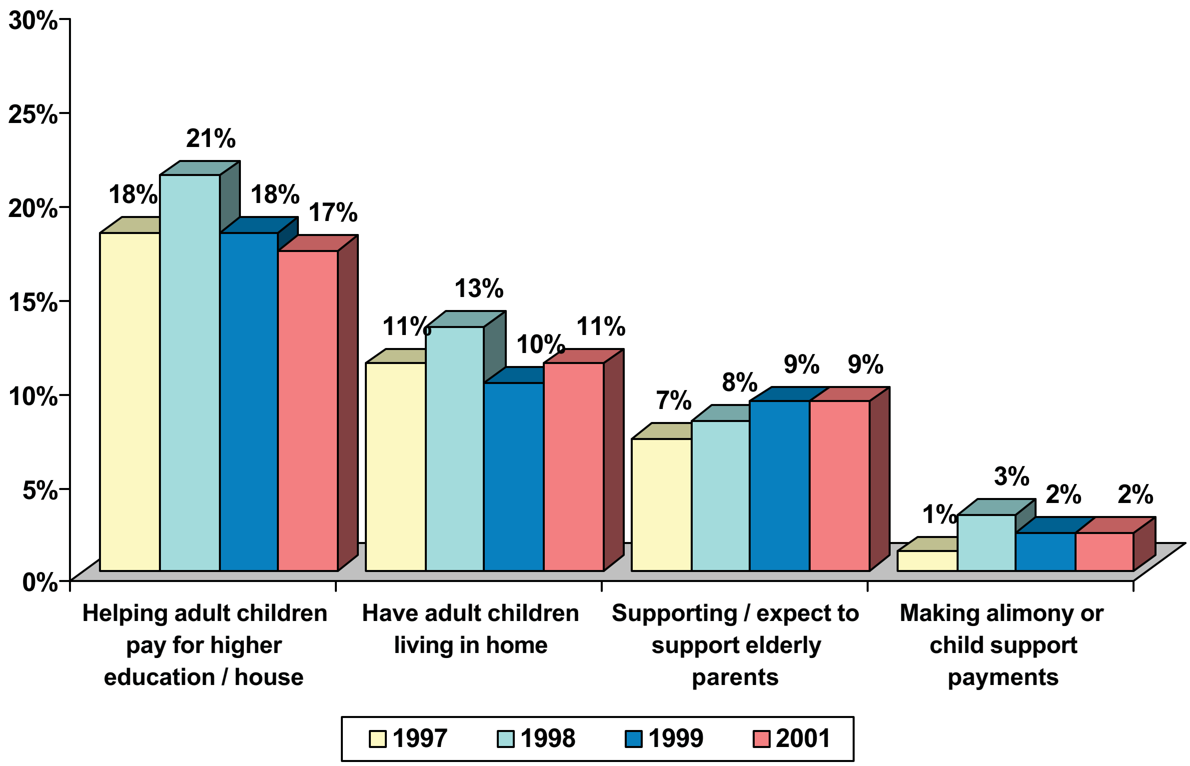
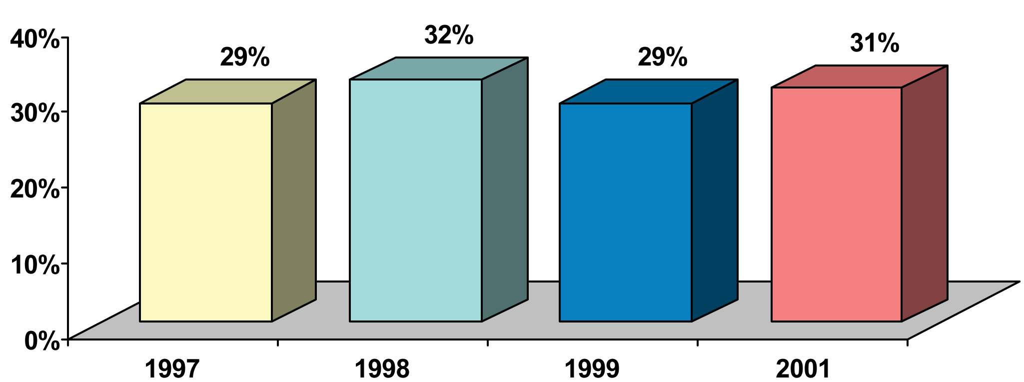


Figure 12 shows that three in ten owners of non-qualified annuity contracts (31%) currently have at least one of the following family financial obligations: helping adult children pay for higher education or a house, have adult children living in their homes, supporting or expecting to support elderly parents, and/or making alimony or child support payments. These findings are similar to those of prior Surveys.

Figure 12: Has at Least One Family Financial Obligations



Type of Annuity – Fixed or Variable

This Survey demonstrates a significant shift from fixed annuities toward variable annuities, as evidenced in Table 1 below. Current owners of non-qualified annuity contracts are much more likely to own variable annuities (65%) than fixed annuities (35%). In 1999, owners of non-qualified annuity contracts were just as likely to own variable contracts (51%) as they were fixed contracts (49%). This shift toward variable annuities is consistent with the overall trend of the study, as fewer than three in ten annuity owners (28%) held variable contracts in 1992.

Table 1:
Sample Type

	1997	1998	1999	2001
		(in percent)		
Fixed Annuities	54	46	49	35
Variable Annuities	46	54	51	65

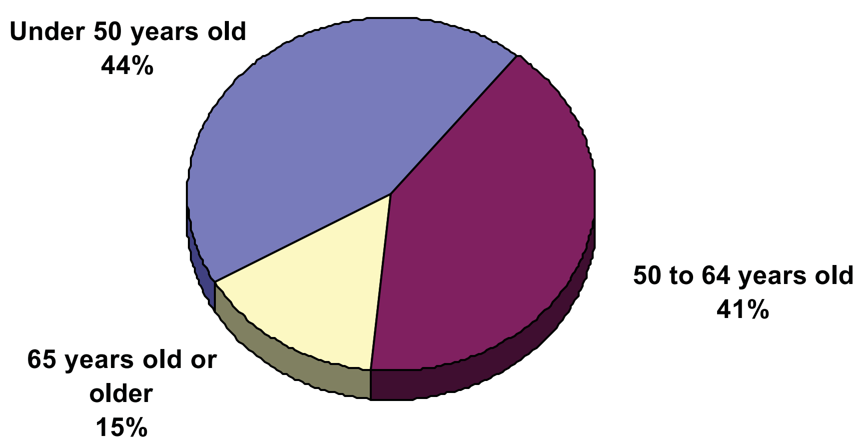
Annuity owners with household incomes of $75,000 or higher per year are more likely to own variable non-qualified annuity contracts (79% own variable contracts, compared to 61% of owners with incomes between $20,000 and $74,999, and 32% of owners with incomes under $20,000). Males are more likely than females to own variable annuities (70% versus 60%), while annuity owners under the age of 64 are more likely to own variable annuities (80%, compared to 55% of those age 64 or older).

Additional Survey Findings

Age at which Annuities were Purchased

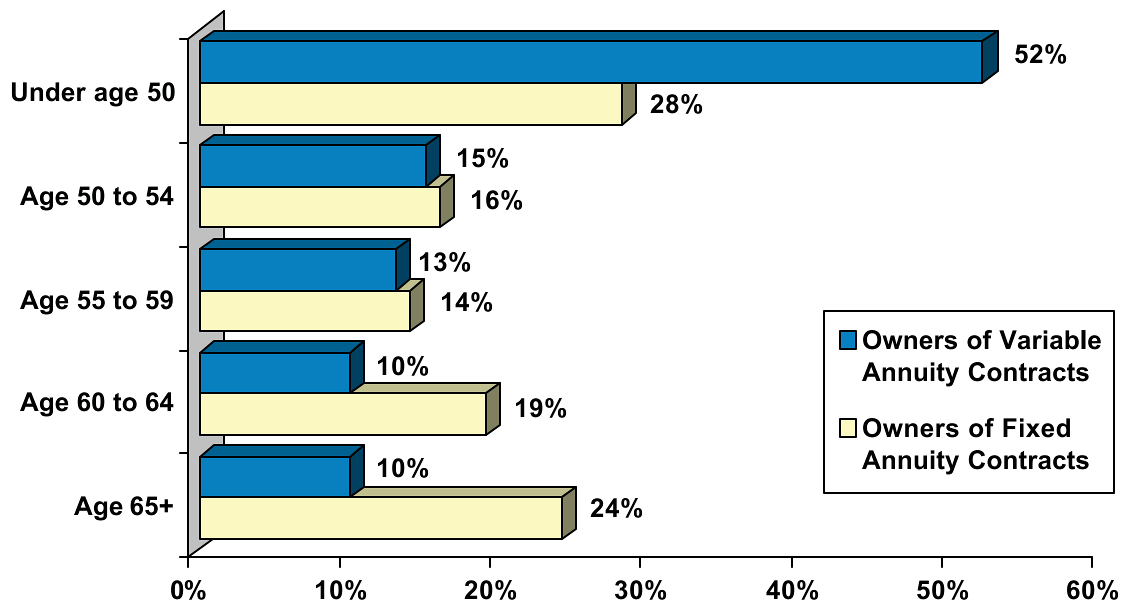
Over two-fifths (44%) of owners of non-qualified annuity contracts purchased their first annuity when they were under 50 years of age (see Figure 13). Almost as many (41%) purchased their first annuity between the ages of 50 and 64. Only fifteen percent purchased their first annuity at the age of 65 or older. The average age at which owners purchased their first annuity is 50.

Figure 13: Age at which First Annuity was Purchased



As shown in Figure 14, half (52%) of variable annuity contract owners were under age 50 when they bought their first annuities. This is nearly twice the proportion of fixed annuity owners who were under the age of 50 when they purchased their first annuity (28%). While the percentage of fixed annuity owners who purchased their first annuity under the age of 50 decreased dramatically from the 1999 Survey (down 13 percentage points), the 2001 findings are nearly identical to the 1998 findings.

Figure 14: Age at which First Annuity was Purchased by Type of Annuity



Almost all respondents (or their spouses) (91%) still own the first annuity that they purchased. Only eight percent say they do not own that annuity and a few do not know if they still own it (1%).

Annuity Income Payments

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 64. Only 4 percent of all owners of non-qualified annuity contracts have withdrawn money prior to age 55. Similar to prior years, two in ten owners of non-qualified annuity contracts (20%) currently are receiving regular payouts from their annuity contracts.

Overall, more than half of the owners of non-qualified annuity contracts (55%) have neither withdrawn money from their annuity nor receive a regular payout. Twelve percent have withdrawn money and receive a regular payout, while another 12 percent have withdrawn money but do not receive a regular payout.

There are several notable differences in the demographics of people in these different payout groups, most notably between those who have neither withdrawn money nor receive a regular payout and those who have withdrawn money. Those who have done neither are more likely to own a variable contract (69% vs. 53% of the other three groups).

Additionally, they are more likely to be employed (49% vs. 17%), be under the age of 64 (53% vs. 20%), and earn $75,000 or more (37% vs. 19%).

Attitudes regarding annuities among those who have withdrawn money and those who have not differ as well. In this case, those who have both withdrawn from an annuity and receive a regular payout are more likely than others to say that they intend to use the money for retirement income (93% vs. 79%). Additionally, they are more likely to say they intend to use the money to give them financial resources so they will not be a burden on their children (92% vs. 81%).

When considering the reasons why people purchase annuities, differences among annuity owners depend primarily upon whether or not the owner receives a regular payout. Those who receive a regular payout are more likely than those who do not to say that having a source of funds to pay for emergencies (78% vs. 69%), having a choice of methods of getting the money (77% vs. 66%), and having an income guaranteed for as long as they live (85% vs. 72%) are important reasons for purchasing an annuity.

Attitudes about Savings and Tax Incentives

Eight in ten owners of non-qualified annuity contracts (81%) believe that people in the United States do not save enough money for retirement. This is similar to the findings 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 (89% of those under age 64 compared to 77% of those age 64 or older).

A large majority of owners of non-qualified annuity contracts (74%) 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 more likely than those who are older to believe that the government should give incentives to encourage people to save (81% of those under age 64, compared to 69% of those age 64 or older).

Eighty-two 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. Almost nine in ten (88%) 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. The percentage of people trying not to withdraw has decreased by 5 points since the 1999 Survey.

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. As shown in Table 2, 88 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” or “somewhat” well.

Nearly half of owners of non-qualified annuity contracts (47%) express concern about being able to cover the costs of a catastrophic illness or nursing home care. Two-fifths of owners (40%) believe it will be difficult to reach their desired standard of living in retirement.

Slightly more than one-third of owners of non-qualified annuity contracts (36%) are concerned about running out of money during retirement. Interestingly, those under age 64 are more likely than those ages 64 or older to be concerned about running out of money during retirement (45% under age 64 compared to 30% age 64 or older).

One-third of owners of non-qualified annuity contracts (33%) think that, if they were to die, their surviving spouse may not have enough money to make ends meet. Three in ten owners (30%) believe that they (or their spouse) are at a high risk of suffering a catastrophic medical condition in old age, a decrease of seven percentage points from the 1999 Survey. One-quarter (24%) believe that they (or their spouse) are at a high risk of needing to be confined to a nursing home in old age (a six-point drop from the 1999 Survey).

Table 2:
Agreement with Various Statements about Preparedness for Retirement

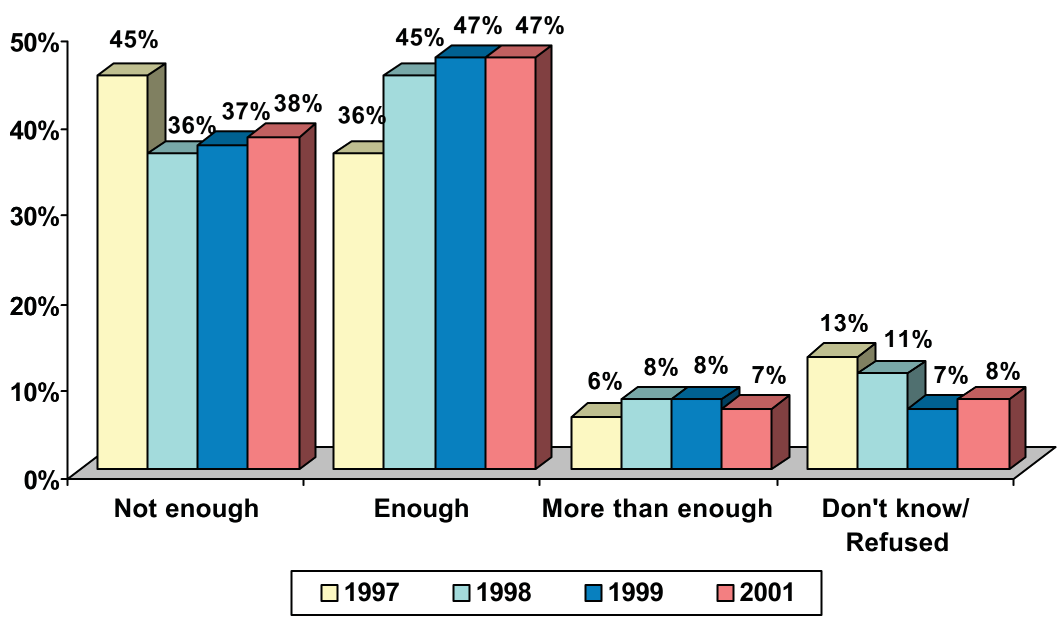
	Statement describes respondent Very/Somewhat Well			
	1997	1998	1999	2001
	(in percent)			
They have done a very good job of saving for retirement.	89	90	89	88
They are concerned that a catastrophic illness or nursing home care might bankrupt them during retirement.	54	48	51	47
It will be difficult to figure out how to reach their desired standard of living in retirement. (Prior to 2001: “maintain their current standard of living.”)	*	43	47	40
They are concerned that they might run out of money during retirement.	41	42	40	36
Upon the death of the owner, the surviving spouse may not have enough savings to make ends meet.	38	35	30	33
They (or their spouse) are at a high risk of suffering a catastrophic medical condition in old age.	31	32	37	30
They (or their spouse) are at a high risk of needing to be confined to a nursing home in old age.	23	24	30	24

* = not asked

Over the nine-year period covered by the Surveys, owners have become more confident that they have done a very good job of preparing financially for retirement (88% in 2001, compared to 84% in 1992) and they are less concerned about a catastrophic illness or nursing home care bankrupting them (47% in 2001, compared to 66% in 1992), or about running out of money during retirement (36% in 2001, compared to 52% in 1992).

As shown in Figure 15, a majority of owners of non-qualified annuity contracts believe that the money they will receive from pensions and other employment-related retirement programs (including Social Security) will be enough (47%) or more than enough (7%) to take care of their financial needs in retirement. Just under two-fifths (38%) believe that these funds will not be enough. These figures have remained consistent over the past three years. Overall, however, annuity owners are more confident today about these funds being enough to cover their financial needs in retirement than they were in 1992, when a slight majority (51%) said that the funds would not be enough*.

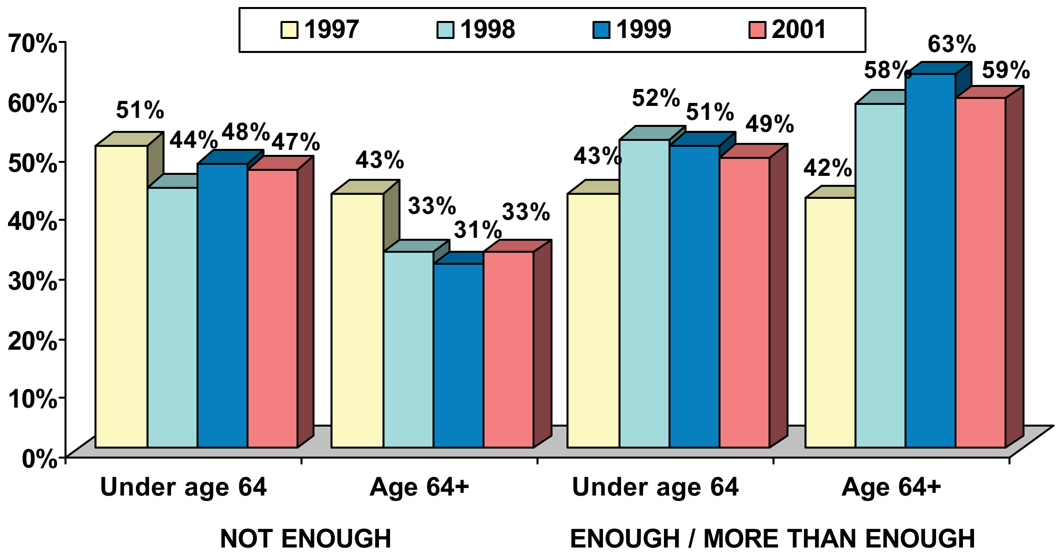
Figure 15: Whether Money from Pension and Retirement Plans Will Cover Retirement Expenses*



Owners of non-qualified annuity contracts who are under age 64 are 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 (47%) believe that money from pension and retirement plans will not be enough, while only one-third of those age 64 or older (33%) believe it will not be enough (See Figure 16).

* Prior to 1998, Social Security was not included when owners were asked to consider money to be received from pension and retirement programs

Figure 16: Age and Whether Money from Pension and Retirement Plans Will Cover Retirement Expenses



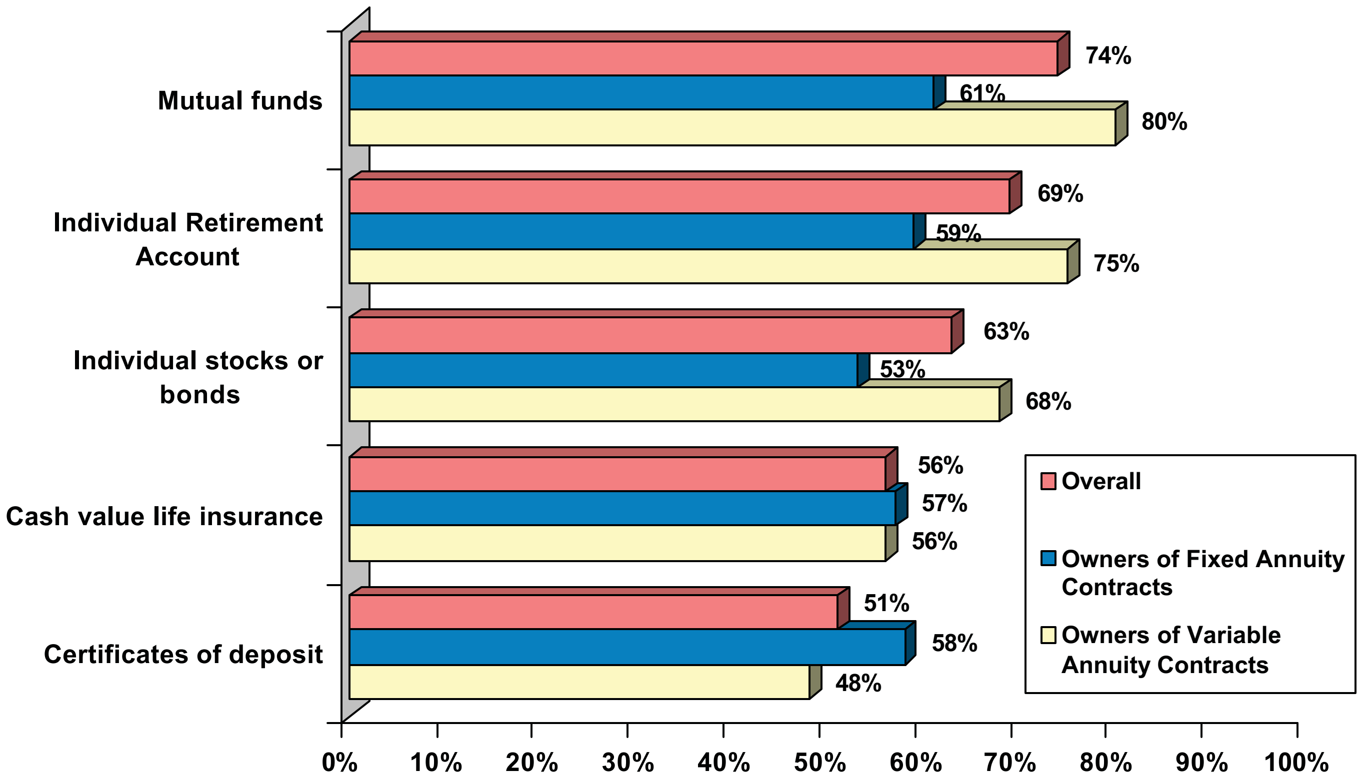
Savings of Owners of Non-Qualified Annuity Contracts

Close to two in five owners of non-qualified annuity contracts (37%) 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. Thirty-three percent of owners of non-qualified annuity contracts say that the value of their annuities is over $100,000, while thirteen percent say it is under $25,000. These percentages are nearly the same as those found in previous Surveys.

Owners of non-qualified annuity contracts save money in a variety of financial products. Three-quarters (74%) have mutual funds, while seven in ten (69%) own individual retirement accounts (see Figure 17). Between half and two-thirds of annuity owners hold individual stocks or bonds (63%), cash value life insurance (56%), and certificates of deposit (51%). These findings are comparable to those in the 1999 Survey.

Owners of variable annuities are more likely than owners of fixed annuities to own mutual funds (80% vs. 61%), an individual retirement account (75% vs. 59%), and individual stocks or bonds (68% vs. 53%). However, owners of fixed annuities are more likely to own certificates of deposits (58% vs. 48%).

Figure 17: Savings in Other Financial Products by Type of Annuity



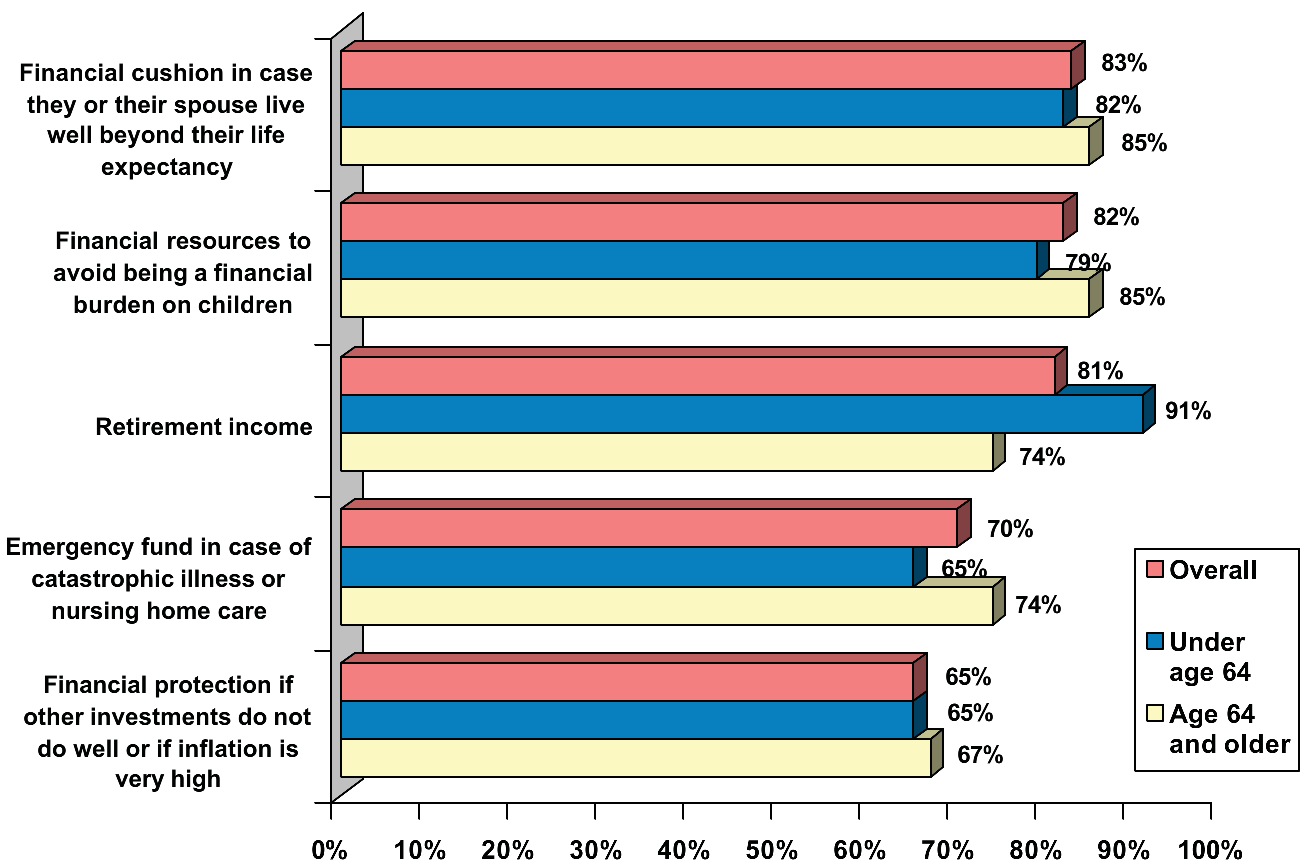
Uses of Annuity Savings

In an open-ended question, owners of non-qualified annuity contracts were asked to name the primary uses for which they intend to spend their annuity savings. Of the many uses mentioned, owners of non-qualified annuity contracts are most likely to say that they intend to use the savings for retirement income (51%), a five-point increase from 1999. Most notably, retirement is mentioned as a primary use for annuity savings by those who are under age 54 (82%) and those employed full-time (80%). Additionally, retirement is more likely to be a primary reason for those who have not withdrawn money from an annuity (56%) than for those who have (40%). Approximately one in ten owners say they plan to use their annuity savings to live on or be financially independent (12%) or for family-related needs (9%).

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, approximately 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%), and 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 (70%), and to have as financial protection if other investments do not do well or if inflation is very high (65%). These proportions are very similar to the findings of 1999, with the exception of a slight decline in those who intend to use the savings as an emergency fund in case of a catastrophic illness or nursing home care (74% in 1999) and as financial protection against under-performing investments (69% in 1999).

Not surprisingly, older owners of non-qualified annuity contracts (those age 64 or 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 (74%, compared to 65% 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 (91%, compared to 74% of those age 64 or 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

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. In a continuing trend, 89 percent of owners of non-qualified annuity contracts say that "the earnings would not be taxed until the funds were used" is an important reason why they purchased an annuity (see Table 3).

Nearly nine in ten annuity owners cite "it was a safe purchase" (88%) and "it had a good rate of return" (87%) as very or somewhat important reasons for purchasing an annuity. Four in five (79%) mention "wanting a long-term savings plan" as an important reason. Between two-thirds and three-quarters believe that important reasons for buying annuities are that annuities could give them an income guaranteed for life (75%), annuities are an easy way to save (72%), annuities provide a source of funds for emergencies (71%), annuities provide a choice of methods for withdrawing money (68%), and that annuities can provide money in case they or their spouse need to enter a nursing home (66%).

Comparing the current Survey findings to those of 1999, there are no significant differences in the importance of any of the reasons for purchasing an annuity. Dating back to 1997, only two reasons—"you wanted a source of funds that could be used to pay for emergencies" (78% in 1997) and "it provides money in case you or your spouse need to enter a nursing home" (72% in 1997)—have decreased significantly in importance in the minds of annuity owners (See Table 3).

Table 3:
Importance of Various Reasons for Buying an Annuity

	Very/Somewhat Important			
	1997	1998	1999	2001
	(in percent)			
Earnings would not be taxed until the funds were used.	90	89	91	89
Was a safe purchase.	90	89	89	88
Had a good rate of return.	87	86	87	87
Wanted a long-term savings plan.	78	79	81	79
Could get an income guaranteed for life.	73	71	77	75
Easy way to save.	76	74	76	72
Wanted a source of funds that could be used to pay for emergencies, such as catastrophic illness during retirement.	78	72	73	71
Had choices of methods of getting the money.	71	67	70	68
Provides money in case owner or spouse needs to enter a nursing home.	72	66	65	66

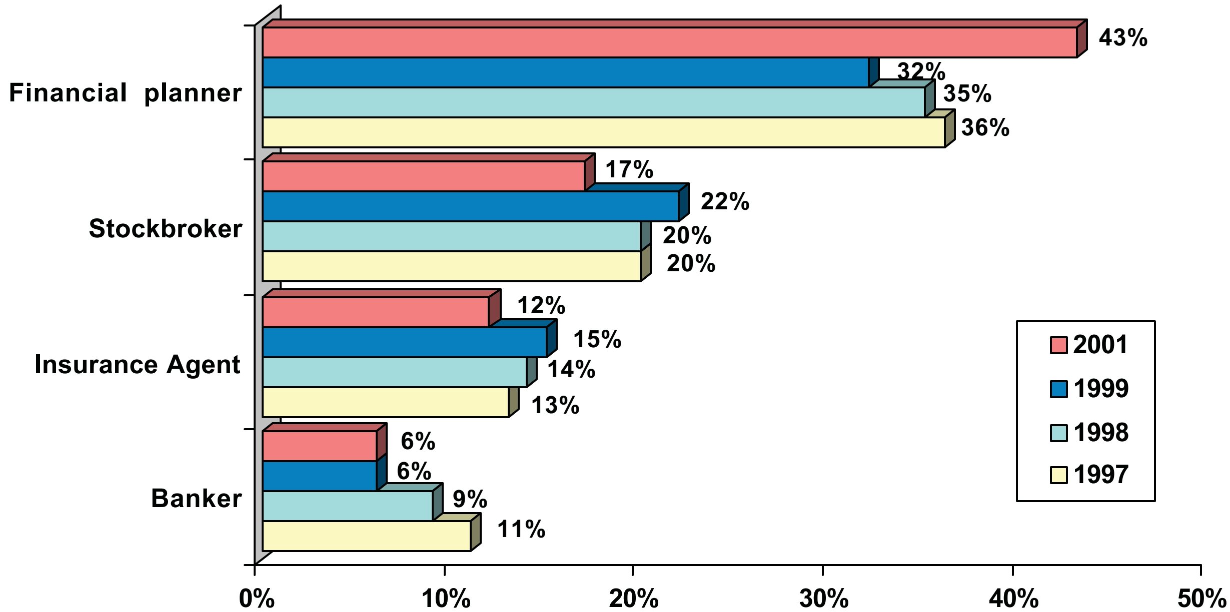
In an open-ended follow-up question, respondents were asked to name the main reason why they purchased their most recent annuity. Two in ten owners of non-qualified annuity contracts (20%) reported that they purchased their annuities to provide retirement or future income. One in ten (11%) reported that they purchased their annuity in order to defer taxes or for other tax-related purposes.

Sources of Information about Annuities

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 (43%), stockbrokers (17%), insurance agents (12%), and bankers (6%). These results differ from those of previous Surveys. While the percentage of owners talking to financial planners has risen by 11 points in the past year, those talking to stockbrokers and insurance agents have declined slightly (See Figure 19).

Owners of variable annuities are more likely to talk to a financial planner (50%) than are owners of fixed annuity contracts (29%). On the other hand, owners of fixed annuity contracts are more likely to talk to an insurance agent (18%) or a banker (10%) than are owners of variable annuity contracts (10% and 3%, respectively). The older the owner, the less likely it is that the owner spoke with a financial planner. For example, 58 percent of those under age 54 spoke with a financial planner, compared to just 36 percent of those age 72 or older.

Figure 19: Sources of Information about Non-Qualified Annuities



Sources of Funds for Annuity Purchases

Owners of non-qualified annuity contracts use a variety of sources to fund 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 (21%), the sale of a home, farm, or business (13%), a death benefit from a life insurance policy (13%), a gift from a relative (11%), or a bonus from their employer (10%). Overall, about half of owners of non-qualified annuity contracts (48%) 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 existing savings (55%), their or their spouse's current income (53%), or proceeds from an investment (35%).

For the most part, the sources used by owners of non-qualified annuity contracts to fund the purchases of annuities have remained consistent since 1992, with two exceptions. The proportion of annuity owners citing existing savings (62% in 1992, and asked as "regular savings" prior to this Survey) and proceeds from other investments (44% in 1992) are both significantly lower. Additionally, the proportion of owners citing both of these sources are significantly different when compared to the 1999 Survey, as existing savings have declined by nine percentage points and proceeds from other investments have increased by six percentage points.

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 or older are more likely to have used money from the sale of a family home, farm, or business

(17% age 64 or older versus 6% under age 64). Not surprisingly, those 64 or older are less likely to have used money from their or their spouse's current income to purchase a non-qualified annuity contract (44% age 64 or older versus 64% under age 64). Those not married are more likely to have used money from a death benefit (17%, compared to 11% married). Interestingly, owners of non-qualified annuity contracts age 64 or older are more likely than those under age 64 to use existing savings as a source of funds to purchase annuities (61% age 64 or older versus 48% under age 64).

Table 4:
Sources of Funds for Owners' Annuities

	1997	1998	1999	2001
	(in percent)			
Existing savings	65	65	64	55
Their or their spouse's current income	53	53	53	53
Proceeds from an investment	31	34	29	35
An inheritance	24	20	24	21
Sale of family home, farm, or business	18	15	14	13
Death benefit from a life insurance policy	14	15	14	13
Gift from a relative	14	11	14	11
A bonus from their employer	12	12	12	10

Attributes of Annuities

At least nine in ten owners of non-qualified annuity contracts "completely" or "somewhat" agree with three statements about annuities: "annuities are an effective way to save for retirement" (91%), "annuities are a good way to ensure your [surviving] spouse has a continuing income" (91%), and "keeping the tax advantage of annuities is a good way of encouraging long-term savings" (90%). Almost as many (89%) agree that "annuities are secure and safe" (See Table 5).

Over three-quarters of owners of non-qualified annuity contracts also agree that annuities are a good source of emergency funds in old age (85%), have attractive tax treatment (84%), are an effective way of assuring money is available to pay for a catastrophic illness or nursing home care (83%), 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 (79%).

Of note, younger owners of non-qualified annuity contracts (those under age 64) are more likely to agree, either "completely" or "somewhat," that keeping tax advantage of annuities encourages long-term savings (94%, compared to 88% of those age 64 or older). Additionally, variable annuity owners are more likely than fixed annuity owners to agree that annuities have attractive tax treatment (86% variable versus 79% fixed), annuities offer a good return (86% variable versus 78% fixed), annuities will prevent them from being a financial burden to their children (84% variable versus 75% fixed), and annuities are an important source of retirement security (82% variable versus 75% fixed).

Table 5:
Agreement with Various Statements about Attributes of Annuities

	Agree Completely/Somewhat			
	1997	1998	1999	2001
	(in percent)			
Annuities are an effective way to save for retirement.	93	89	91	91
Annuities are a good way to ensure their surviving spouse has a continuing income.	90	85	90	91
Keeping the tax advantage of annuities is a good way of encouraging long-term savings.	94	90	94	90
Annuities are secure and safe.	90	87	89	89
Annuities are a good source of emergency funds in old age.	85	85	85	85
Annuities have attractive tax treatment.	88	82	85	84
Annuities are an effective way of assuring money is available to pay for a catastrophic illness or nursing home care.	86	84	85	83
Annuities offer a good return.	84	81	83	83
Annuities will prevent them from being a financial burden on their children in their later years.	83	80	81	81
Annuities are an important source of retirement security.	82	80	81	79

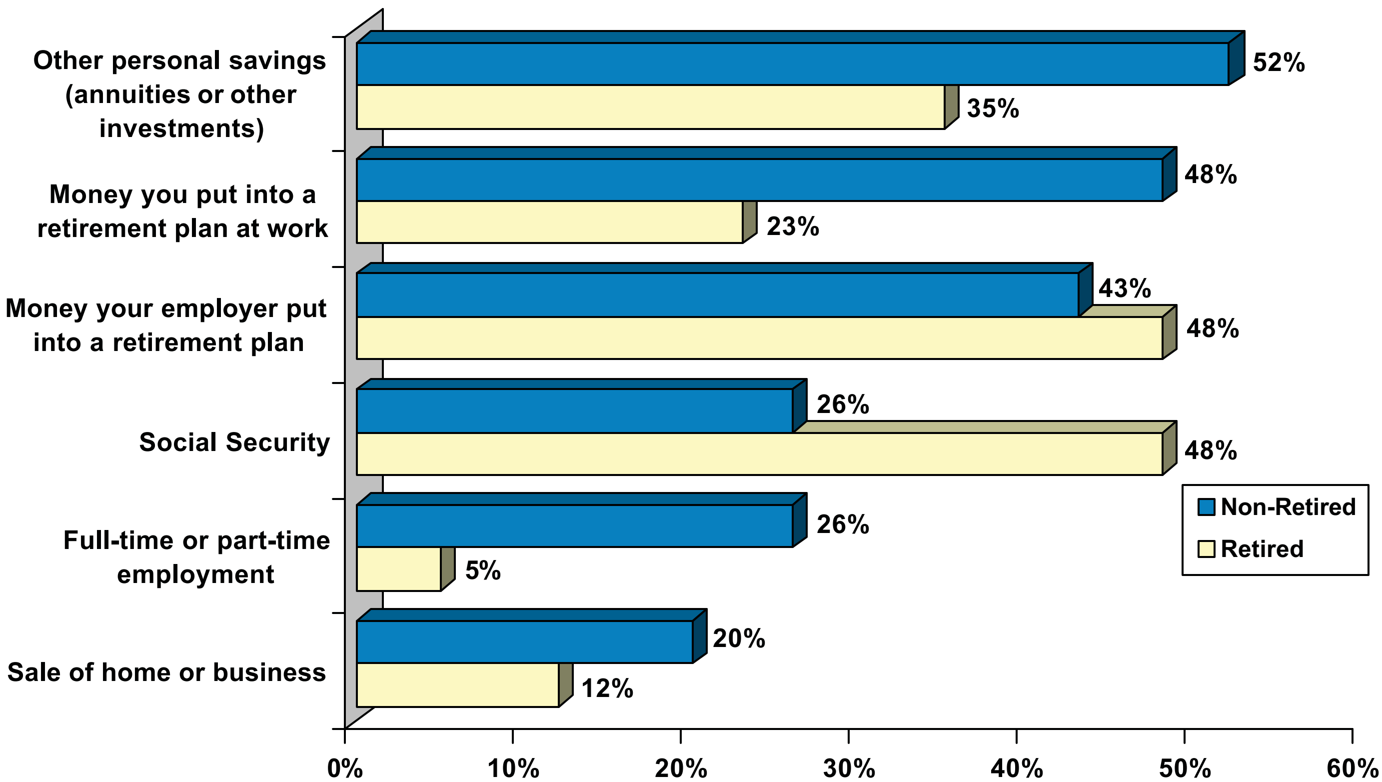
Sources of Income in Retirement

When comparing the current sources of retirement income of retired annuity owners with the expected retirement income of non-retired annuity owners, there are several significant differences. In general, those who are retired rely more on Social Security for their retirement income, while those who are not retired say that they expect to rely more on money that they, themselves, will have saved for retirement. Specifically, half (52%) of non-retired owners expect that personal savings not related to any retirement plans through an employer will be a major source of income in retirement; only one-third (35%) of retired owners say that this is currently a major source of income for them.

Even more dramatically, almost half (48%) of non-retired owners believe that money they will have put into a retirement plan through work, such as a 401(k) plan, will be a major source of income in retirement. Just under one-quarter (23%) of retired owners say that this is currently a major source of income for them. Additionally, one-quarter (26%) of non-retired owners expect that money from full-time or part-time employment will be a major source of income in retirement, while only 5 percent of retired owners say that employment is a major source of income.

As evidence that those who are retired rely more on Social Security for their retirement income, nearly half (48%) of retired annuity owners say that Social Security is a major source of their retirement income, while only 26 percent of non-retired owners expect Social Security to be a major retirement income source. Both retired and non-retired annuity owners view money put into a retirement plan by an employer as a major source of retirement income (48% retired and 43% non-retired).

Figure 20: Major Sources of Retirement Income



When asked about the current or expected <u>largest</u> source of income in retirement, similar differences appear between non-retired and retired owners of non-qualified annuity contracts. Of those annuity owners who are not yet retired, only 13 percent believe that Social Security will be their largest source of income in retirement, compared to 27 percent of those owners who already are retired.

Half of non-retired annuity owners expect money that they have personally saved, either through a retirement plan at work (21%) or through other personal savings (28%), will be the largest source of income in retirement. Only 27 percent of retired annuity owners say that personal savings of this nature represent their largest source of income.

Figure 21: Largest Source of Retirement Income