

Features, Taxation of Individual Annuities Help Middle-Class Americans Feel Confident about Retirement

Washington, DC (August 23, 2023) –

A recent Gallup survey of Americans who own annuity contracts provides new evidence that individual annuities are used primarily by the middle class to accumulate savings and provide income for their retirement. The survey also found that the current federal tax rules for individual annuities are important in encouraging these Americans to save, facilitating better growth in their savings, and discouraging them from using those savings before they retire.

Individual annuities are unique financial tools because they allow their owners to obtain income that is guaranteed to last as long as they live. More than eight in 10 owners cite this feature as an important reason for purchasing an annuity. Owners also have positive opinions about their individual annuities; almost all of them still own the annuity they originally purchased. (Individual annuities are sometimes called non-qualified annuities because they are purchased with after-tax money apart from any qualified retirement plan or IRA.)

The recently-released [2022 Survey of Owners of Individual Annuity Contracts](#) is the 12th in a series of surveys aimed at profiling the demographic characteristics of Americans who own individual annuities and their attitudes toward issues relating to retirement savings and security. The surveys have been conducted periodically by [The Gallup Organization](#) and [Greenwald Research](#) for the [Committee of Annuity Insurers](#) since 1992. The most recent prior survey was in 2013.

“Annuities are crucial to the retirement security of millions of Americans,” says Bryan Keene, counsel to the Committee of Annuity Insurers. “Other than Social Security and increasingly-rare defined benefit pensions, annuities are the only means Americans have to guarantee they won’t outlive their retirement income.”

The latest survey shows that demographic characteristics of individual annuity owners, such as their household incomes (middle-class), gender (slightly more female), reasons for purchase (retirement security), and opinions on retirement savings and security have remained stable over the last three decades. Almost all owners (93%) believe they have done a very good job of saving for retirement.

“About nine in 10 owners hope to use their individual annuities to gain peace of mind during retirement,” says Matthew Greenwald, founder of Greenwald Research. “More specifically, they hope to use their annuities to protect against longevity risk, to protect against investment losses, and to avoid being a financial burden on their children, among other important uses in retirement,” Greenwald adds.

Gallup surveyed 950 owners of individual annuity contracts from August through October 2022. Key findings from the 2022 survey include:

Owners are Consistently Middle Class. According to the Pew Research Center, the median income for all middle-class households is about \$90,000.¹ In comparison, the median annual household income of individual annuity

owners is \$79,000. Seven in 10 owners have household incomes under \$100,000, 46% are below \$75,000, and 25% are below \$50,000. These income figures have changed very little from the 11 prior surveys conducted over the past three decades, after adjusting for inflation. Individual annuity owners are consistently middle class.

Provide Retirement Income. More than eight in 10 owners (81%) intend to use their individual annuity for retirement income. Also, 84% say that individual annuities are an important source of retirement security, 88% say they are a good way to ensure their surviving spouse has continued income, and 84% say the ability to get payments “guaranteed to continue as long as you live” was important to their purchase decision. More than one-third of owners have never participated in an employment-based retirement plan, making their individual annuities a particularly important part of their retirement planning.

Satisfaction with Purchase. Owners have positive opinions about their individual annuities, including that annuities offer an effective way to save for retirement (87% agree), are secure and safe (87%), and provide protection from losing the money they invest (86%). More than nine in 10 owners still hold the first individual annuity they purchased.

Addressing Risk and Increasing Retirement Preparedness. Almost all individual annuity owners are confident in their retirement preparedness (93%). They view guaranteed lifetime income as an important benefit and see their annuities as providing a financial cushion if they or their spouse live well beyond life expectancy (84%). They also view their annuities as financial protection if other investments underperform or inflation is very high (74%), and as an effective way to protect against the costs of catastrophic illness or nursing home care during retirement (79%).

Tax Treatment is Important. Federal tax policy with respect to individual annuities is achieving its intended goal by incentivizing people to save for retirement, allowing them to save more, and discouraging them from depleting their savings before retiring. More than eight in 10 owners (81%) cite the tax treatment of individual annuities (interest or earnings are not taxed until distributed) as important to their savings decision. About seven in 10 (69%) say this feature has allowed them to set aside more retirement savings, and nine in 10 say they try not to withdraw from their annuities before retirement to avoid paying extra taxes.

Most Owners are Retired. Fully 78% of individual annuity owners are retired, up from 2013’s 65%. Only 17% of owners work full- or part-time, down from 28% a decade ago.

Annuity Distributions are on the Rise. Just over half of owners have withdrawn money from their individual annuities – a 16 percentage point increase from 2013. The average age for first withdrawal is 67, and just under half of owners currently receive money from their annuity on a regular basis.

The full 2022 *Survey of Owners of Individual Annuity Contracts* is available [here](#). Links to previous years’ surveys are available [here](#).

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The Committee of Annuity Insurers was formed in 1981 to address federal legislative and regulatory issues relevant to the annuity industry and to participate in the development of federal policy regarding annuities. The Committee is a coalition of 32 of the largest and most prominent issuers of annuity contracts. Member companies represent approximately 80% of the annuity business in the United States. Learn more at www.annuity-insurers.org.

For more information about the survey, contact Bryan Keene, counsel to the Committee of Annuity Insurers, at bwkeene@davis-harman.com.

¹ R. Kochhar & S. Sechopoulos, *How the American Middle Class has changed in the past five decades*, Pew Research Center (April 21, 2022) (reporting the median income for middle class households as \$90,131 in 2020).