

RECLAIMING  
THE FUTURE

# Younger Boomers' Perceptions White Paper

Allianz Life Insurance Company of North America  
Allianz Life Insurance Company of New York

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# Methodology

Allianz Life Insurance Company of North America (Allianz) contracted Larson Research and Strategy Consulting, Inc. and DSS Research to field a nationwide online survey of 3,257 U.S. adults, aged 44 to 75. The online survey was conducted in the United States between May 6, 2010 and May 12, 2010.

In addition to polling a representative sample of 1,642 U.S. households, the survey also targeted subsamples of more affluent households and households who own annuities. Results were weighted by age, gender, education, race/ethnicity, and income to account for disproportionate sampling of certain populations. The margin of error for the total sample was approximately +/- 1.7%.

We also conducted a nationwide qualitative research study with financial professionals who do not currently sell annuities. The research was entirely anonymous as we conducted in-depth, one-on-one interviews to determine general practice strategies and strategies for generating income in retirement, as well as perceptions, beliefs, feelings about, and objections to annuities.

## Introduction

The face of retirement is changing.

For generations, Americans have relied on Social Security and pensions for their retirement income. As a result, many have waited until their late 50s – or even their early 60s – to truly prepare for retirement. In fact, the average age for an annuity purchase is 51.<sup>1</sup>

But that picture of retirement is changing. Pensions are disappearing and the future of Social Security is in doubt. Meanwhile, market turbulence is eroding a portion of Americans' savings.

And although the market has since recovered, the ongoing volatility has stirred some deep-seated fears for many Americans. As a result, Americans are increasingly aware of the looming retirement crisis – and they're becoming aware at an earlier age. Retirement strategies are changing.

### Our assumptions must change, too.

When designing and marketing retirement products, the financial services industry has traditionally targeted baby boomers aged 50 and older. But The Allianz *Reclaiming the Future* Study found that there's a need for such products among younger boomers as well.

According to the study, baby boomers as young as 44 are rethinking how they plan for retirement. They want more security. They want to feel better prepared. And they're open to new options.

The Allianz *Reclaiming the Future* Study uncovered valuable insights into this new face of retirement and how to best meet younger boomers' needs.

<sup>1</sup> The Committee of Annuity Insurers, "2013 Survey of Owners of Individual Annuity Contracts", The Gallup Organization and Mathew Greenwald & Associates, 2013, p. 8.

# About the study

The Allianz *Reclaiming the Future* Study was designed to be the most extensive examination of baby boomers' preparation for, and expectations of, retirement.

Our study looked at the unique needs, perceptions, and strategies that define this generation's need to rethink retirement. We also looked into consumer and financial professional attitudes toward annuities, and their role in providing retirement income.

The Allianz *Reclaiming the Future* Study sheds light on some important demographic developments that could change how we see retirement for years to come.

## The study revealed several important findings, which we explore in this document:

- Americans are planning for retirement at an earlier age.
- The economic downturn was a big "wake-up call."
- Younger baby boomers are seeking guaranteed solutions.
- They're open to working with a financial professional.
- Annuity solutions are gaining relevance and appeal.

**54%** of the younger respondents said they feel "totally unprepared" for retirement, and 47% said they're ready to "take more control of their financial future."<sup>1</sup>

## 1 DISCOVERY

### Americans are planning for retirement at an earlier age.

For decades, Americans may have waited until their 50s – or even their early 60s – to give serious thought to retirement. And the financial services industry has followed suit: Most retirement-planning products are currently designed for, and marketed to, this older demographic.

But The Allianz *Reclaiming the Future* Study demonstrated that Americans are planning for retirement earlier in life than may have been true a generation ago – and that younger boomers are interested in retirement products as well.

According to the study, the younger baby boomers also felt more uncertainty and anxiety about preparing for retirement. Some 54% of the younger respondents reported feeling "totally unprepared" for retirement. They also expressed a greater need than their older counterparts to:

- Take more control of their financial future (47% vs. 35%),
- Attain more certainty and financial security (41% vs. 30%), and
- Reduce their financial vulnerability (26% vs. 22%).

The study uncovered a significant need for retirement-income products and guidance among younger baby boomers.

<sup>1</sup> For the purposes of this study, "younger baby boomer" was defined as individuals aged 44-49.

**40%** of the younger respondents said that they **worry about paying their monthly bills**, let alone planning for retirement.

## DISCOVERY 2

### The economic downturn was a big “wake-up call.”

The market volatility of the past several years has stirred some deep-seated fears for many Americans – and our study indicated those fears are magnified in younger baby boomers.

When The Allianz *Reclaiming the Future* Study asked 3,257 adults whether there’s a retirement crisis in the U.S., 97% of those in their late 40s answered either “absolutely” or “somewhat.”

The economic downturn that began in 2008 significantly increased younger boomers’ worries about retirement. Almost half of the respondents (49%) said they saw their net worth drop significantly.

For many of these younger boomers, the downturn has had a lasting behavioral impact. Half (50%) of the younger boomers said that they are cutting down on entertainment and eating out, while 44% were seeking ways to save money on daily expenses.

The psychological impact was equally pronounced. More than a third (40%) said that they felt “much less in control of [their] financial destiny” during the downturn. This perception appears to have had a ripple effect on all aspects of their financial outlook – from their optimism about retirement, to their investment goals and product choices.

### Younger boomers are feeling “overwhelmed.”

While the downturn clearly affected the younger baby boomers, they also reported feeling “overwhelmed” by their diverse financial obligations.

Over 57% of the younger baby boomers still had teenaged children living at home. Many in this group also reported having larger mortgages and other financial obligations.

In addition, 40% of the younger respondents said that they worry about paying their monthly bills, let alone planning for retirement.

Almost **84%** of the younger respondents said that **the safety of their money matters** more now than it did a few years ago.

### DISCOVERY 3

#### Younger baby boomers are seeking guaranteed solutions.

As we saw earlier, almost half of the younger baby boomers said they saw their net worth drop during the economic downturn that began in 2008. These losses caused them to rethink their assets and reassess their financial priorities, particularly in relation to saving for retirement.

According to The Allianz *Reclaiming the Future* Study, 84% of the younger boomers surveyed agreed that the safety of their money mattered more to them now than it had a few years ago.

Similarly, 52% of the younger boomers said that the recent events had made them more aware of the need for certainty in their finances.

When asked to rate the importance of several financial products' characteristics, 67% of the younger group said they'd rather have a financial product that is guaranteed not to lose value.

Only **19%** of the younger baby boomers **reported having a financial professional** – but 41% are receptive to hiring one.

### DISCOVERY 4

#### Younger boomers are open to working with financial professionals.

Almost a quarter (22%) of the younger baby boomers we surveyed said that even the *idea* of having to provide for themselves and their families in retirement was “overwhelming.”

They know that they need to have a solid retirement strategy, but many of them don't know where to start.

Perhaps this is because only 19% of the younger baby boomers surveyed by The Allianz *Reclaiming the Future* Study reported working with a financial professional. And more surprisingly, 29% of the younger respondents said they believed that working with a financial professional could help solve the problem of possibly outliving their money in retirement.

The respondents' reasons for wanting to work with a financial professional underscored the flight to safety among younger boomers: 95% of the younger respondents said it was important or extremely important that their financial professional help protect a portion of their nest egg. A similar number (87%) want to rely on their financial professional to help them make sure they'd have adequate guaranteed income in retirement.

**TWO-THIRDS**  
of the younger baby boomers **would choose a product that is guaranteed** not to lose value over a product that provides high returns.

**5**  
DISCOVERY

## Annuities are gaining relevance and appeal.

The Allianz *Reclaiming the Future* Study asked the respondents to consider the features that would be most important to them if they could build the ideal financial product.

The study's subjects were allowed to choose from a wide selection of variables including high returns, low fees, and access to money. Of the 13 variables offered, the respondents in the younger group chose three options as the most important when selecting a retirement product:

- Ability to create a stable, predictable standard of living throughout retirement (30%)
- Ability to provide a guaranteed income stream for life (27%)
- Guaranteed not to lose value (27%)

### Unfortunately, for some boomers the solution had a bad name.

The Allianz *Reclaiming the Future* Study showed that a surprising 60% of the younger boomers expressed a distaste for annuities, even after describing their ideal financial vehicle as having the same features/benefits as an annuity.

Perhaps this is because 44% of the younger respondents formed their opinion of annuities more than 10 years ago. Additionally, 41% of the younger boomers admitted that they hadn't taken a look at annuities since then.

### To own one is to love one.

But the facts about annuities are compelling. According to the study, 80% of the younger boomer annuity owners surveyed are happy with their purchase. Among the reasons they cite are:

- protection of their nest egg,
- protection from market downturns, and
- guaranteed income for life.

In fact, the younger boomers ranked annuities highest in satisfaction (83%) among all financial instruments, beating out mutual funds at 66%, stocks at 63%, U.S. Savings Bonds at 51%, and CDs at 43%. (Gold and precious metals came in second, with a satisfaction rating of 82%.)

# Conclusion


For decades, many Americans have waited until later in life to plan for retirement. But because of a variety of economic pressures – such as the disappearance of pensions and continued economic volatility – boomers are increasingly planning for retirement at an earlier age.

The Allianz *Reclaiming the Future* Study demonstrated that younger baby boomers are acutely aware of their responsibility for funding their own retirement, and that they feel more anxiety about retirement than do their older counterparts.

As a result, there is a flight to safety among the younger baby boomers. They are seeking retirement products that protect their principal while providing income for life. They're also more open to guidance from financial professionals than had previously been thought.

The Allianz *Reclaiming the Future* Study suggests that younger baby boomers represent an emerging market for retirement guidance and solutions.

**For more information about the Allianz *Reclaiming the Future* Study go to [www.allianzlife.com](http://www.allianzlife.com).**



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