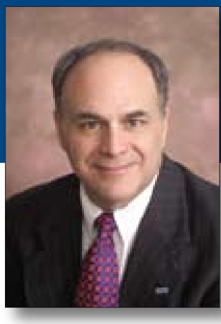

Seizing Opportunities

By ROBERT A. KERZNER, CLU, CHFC

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Over the past two years, our industry has been tested. We've seen share prices rocked, massive layoffs, industry giants brought down, federal intervention, and a steep decline in sales across all business lines.

As we put these events behind us, I'm sure we are all asking ourselves whether or not it's safe to come out. Can we get back to do what we do best — innovate? Is it time to make growth our number one imperative again?

My answer is a resounding ***yes***. I am excited about our prospects for growth in this new reality. My enthusiasm is driven by a number of factors, but mostly — how current demographics support the growing need for retirement income planning. With more than 70 million baby boomers entering retirement, the need for lifetime income is a massive opportunity and consumers will turn to our industry to provide a guaranteed monthly income stream.

Certainly the past two years have left investors in need of our solutions, but it has really been the past decade that has left boomers so ill-prepared for their future. This was a decade in which economic growth not only stalled, but declined dramatically in the latter years, leaving Americans with fewer jobs, higher debt, higher costs, and suffering investment accounts. While the impacts of this 10-year period were felt by all, they were especially traumatic to the retirement portfolios of our nation's baby boomers.

LIMRA has accumulated a huge body of research on retirement and retirement income needs. Through our surveys we found that retirees' perceptions about retirement risks are nearly opposite those of their advisors. What would you think retirees see as the top issue they face? It's no surprise that most list health care as their number one concern. Financial advisors, however, are most concerned that retirees will quite simply outlive their assets.

This difference in opinion is significant, and it shows that we have our work cut out for us in educating consumers on the risks they face in retirement. There were many years when everyone thought asset allocation was going to protect their retirement portfolios, but recent history has illustrated that this wasn't enough. LIMRA's research shows that consumers can make their portfolios last longer when they also incorporate product allocation — and when they put a portion of their portfolio into an immediate annuity.

This research is highlighted in an extremely important exhibit within our *Retirement Income Reference Book*. LIMRA built an investment model, selecting the worst 30-year period since 1926. The model demonstrates what happened over that time frame when the assets were mixed, to different degrees, between a basic managed portfolio and an immediate annuity.

We found that the sustainability of the retirees' portfolio improved dramatically when the immediate annuity was added to the mix. The portfolios without any guaranteed income crashed and burned, but the ones that had at least 40 percent in an SPIA with fixed income payout, fared very well. This was the only scenario where retirees never outlived their income.

Longevity risk is real. It's a major concern of advisors and should have a significant impact on new product development going forward. We have an opportunity in helping address this concern with today's baby boomers, who are retiring now and need help immediately.

We are the only industry that can offer guaranteed income in retirement. I know that the financial services industry will do what it has always done — be a leader in providing both accumulation and protection solutions leading up to and in retirement for our customers. LIMRA and LOMA will give you the industry knowledge you need to grasp these opportunities. We look forward to our continued partnership.