

Executive Summary

2022 RIA Protected Accumulation + Retirement Income Survey

Clients are concerned about the future. What are RIAs doing about it?

Introduction

Results from [Midland National Life Insurance Company's](#) (Midland National) joint Protected Accumulation + Retirement Income Survey with RetireOne indicate Registered Investment Advisors (RIA) are hearing from clients about a variety of factors that may impact the future of their retirement savings. According to the survey, more than 90 percent of RIAs report inflation as a significant concern among clients, while 82 percent indicate that clients are worried about outliving their money.

Among other client concerns, advisors cite the effects of COVID-19 and the war in Ukraine on retirement portfolios; Social Security being insufficient to meet their needs; and a worry that they won't be able to retire on time. RIAs, on the other hand, seem a bit more sanguine: Nine in ten respondents are confident that they have the tools necessary to meet client concerns.

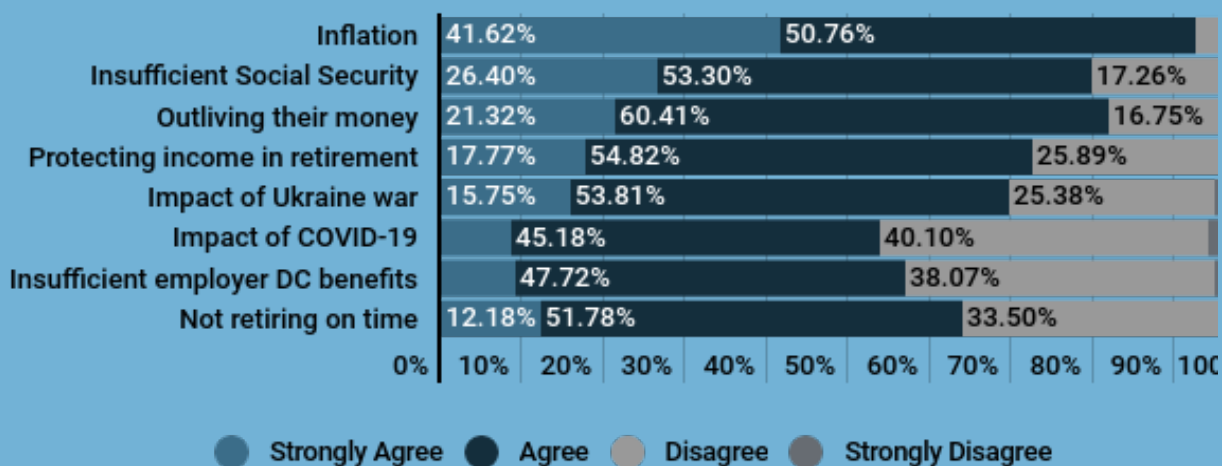
Nearly all (97 percent) RIAs report that retirement income planning is the primary focus for their practices; however, almost 60 percent said they don't use any software for income planning, and most RIAs favor unprotected methods of providing retirement income. A majority of respondents reportedly rely on systematic withdrawal plans such as the 4 percent safe withdrawal rate (77 percent of advisors) or a bucket approach (75 percent of advisors) to draw down client retirement assets. 27 percent of advisors favor an annuity with an income benefit.

Compared to [2021's Protected Accumulation + Retirement Income Survey](#), more RIAs said they were likely or very likely to refer an annuity to clients if it met their needs (64 percent in 2022 versus 52 percent in 2021). Meanwhile, the percentage of advisors who would not refer an annuity, even if it met their client's needs, held steady at 22 percent. Advisors are getting off the fence when it comes to referring annuities.

Clients are responding. Of the advisors likely to refer annuities to clients, 89 percent—nearly nine out of 10—agree that guaranteed lifetime income makes their clients happy, 84 percent believe guaranteed lifetime income helps clients spend confidently in retirement, and 81 percent feel guaranteed lifetime income should be an important part of their clients' retirement income strategy.

Figure 1: Client Concerns

Advisors report clients are concerned about



Rising Rates

With the Federal Reserve recently raising interest rates by another 75 basis points, Certificates of Deposits (CD) have become a more attractive option as savers seek to lock in higher rates of return. Higher interest rates typically mean higher rates of return on CDs, as well as higher rates of payout on annuities.

Compared to 2021 survey results, annuities have gained ground compared to other methods of principal protection, such as cash, money markets, or bonds. While CDs held steady at 41 percent, 2022 saw an increase among advisors recommending fixed annuities (42 percent, up from 38 percent) and fixed index annuities (40 percent, up from 38 percent).

Legislative Concerns

Other key findings concerned recent and upcoming legislation: the SECURE Act and the LIFE Act. Introduced this past February, the LIFE Act would allow retirement plan sponsors to utilize income annuities as qualified default investment alternatives (QDIAs) in defined contribution plans. This

proposed legislation proved extremely unpopular with survey respondents. Three of four (75 percent) RIAs think annuitization as a default option would cause more harm than good, while 65 percent feel that such a legislative move will hamper their ability to provide holistic advice. Only about a third of RIAs believe the LIFE Act will ensure improved retirement security or provide American savers with needed peace of mind.

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RIAs seem less sure what to think of the SECURE Act’s requirement that defined contribution plans provide participants with lifetime income projection statements. Some RIAs believe it would raise awareness about the impact of current investment behavior on future retirement income (27

percent), inspire Americans to save (20 percent), or help Americans understand how to spend down their retirement savings (17 percent). However, 20 percent of RIAs think the income requirement will confuse Americans, while 16 percent are sure it would have neither a positive nor negative impact. While more RIAs seemed to think SECURE would result in positive outcomes than not, survey respondents are divided.



Advisory Solutions

Finally, the survey shed some light on the rationale of the 22 percent of RIAs who would not refer annuities for clients even if they would meet a client's needs. Of those concerns, fees and liquidity were most often cited, with more than 7 in 10 annuity detractors indicating each was a primary concern. Opacity was another significant concern, at 56 percent. While these concerns may have been valid at one time, these responses indicate a potential lack of awareness of how the industry has changed. In addition, 67 percent of annuity detractors said they would not use an annuity, even if they could design it themselves.

Outsourced insurance desks (OIDs) have become more popular among advisors with

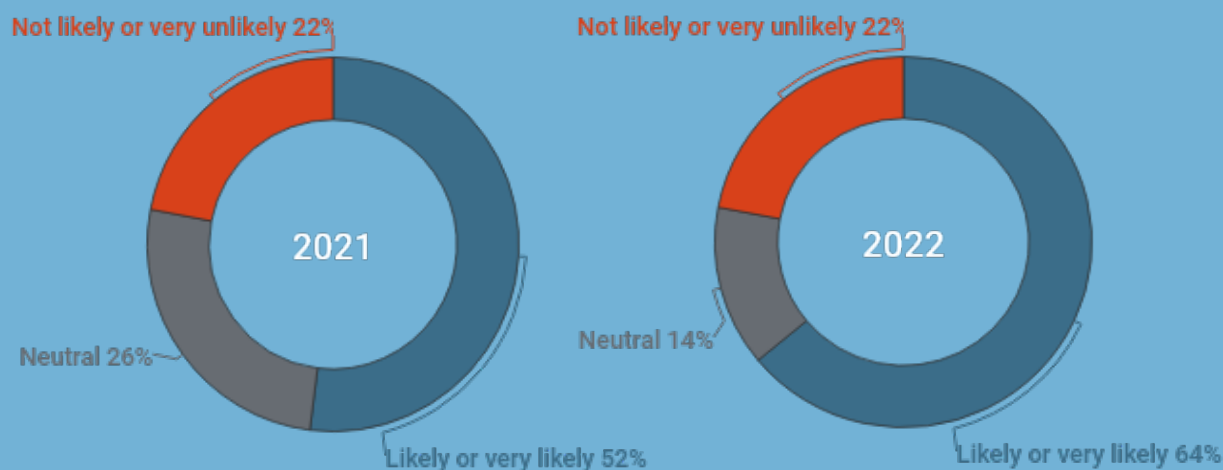
clients seeking life insurance solutions. Among such advisors, 21 percent report working with an OID, compared to 16 percent in 2021. While 40 percent of advisors reported referring clients to a trusted insurance agency in 2021, only 28 percent report doing so at the time of the survey. In contrast, the percentage of advisors who say they are insurance-licensed and offer insurance solutions directly to clients rose from 34 percent in 2021 to 42 percent in 2022.

The survey was conducted in May 2022 and included responses from 197 financial advisors who identify themselves as Investment Advisory Representatives (IAR) of RIAs, hybrid advisors, or dually-registered advisors.

[Check out the infographic to learn more.](#)

Figure 2: RIA Likelihood to Refer Annuities

Likelihood of advisors to refer annuities to clients (2021 vs 2022)





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