



RECLAIMING
THE FUTURE

Executive Summary

Methodology

Allianz Life Insurance Company of North America contracted Larson Research and Strategy Consulting, Inc. and DSS Research to field a nationwide online survey of 3,257 U.S. adults, aged 44-75. The online survey was conducted in the United States between May 6, 2010 and May 12, 2010. The margin of error for the total sample was approximately +/- 1.7%.

Introduction

Americans are about to face one of the most pronounced retirement income challenges in history. First, they will no longer be able to count on once-reliable sources of retirement income, such as defined benefit plans. Second, increasing life expectancies will bring a real risk of outliving their retirement savings. And third, increased personal responsibility for retirement savings will make retirees more vulnerable to market turbulence.

When combined, these three factors could seriously impact many Americans' retirement preparedness. As a result, we're already seeing a seismic shift in attitudes toward retirement among the baby boomers and their children.

About the study

With this confluence of factors as a backdrop, we conceived and designed The Allianz *Reclaiming the Future* Study to be one of the most comprehensive examinations 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 study revealed several key findings:

- Americans believe that there is a retirement crisis, and that they are unprepared.
- There are five distinct financial "personalities."
- Americans fear outliving their money more than they fear death.
- The economic downturn was a big "wake-up call."
- Annuity-like solutions are gaining relevance and appeal.

While there are no easy answers to the retirement puzzle, The Allianz *Reclaiming the Future* Study did yield some reasons for optimism. Perhaps the biggest of these was the fact that Americans do have options in planning for retirement in a way that addresses reduced sources of income, the risk of longevity, and market volatility.

Discovery 1

Americans believe there is a retirement crisis in this country and fear that they are unprepared.

One of the most striking findings of The Allianz *Reclaiming the Future* Study was the almost universal agreement that the U.S. is facing a retirement crisis.

When asked, “Do you believe there is a retirement crisis in this country?” an overwhelming 92% of the respondents answered affirmatively. Among those in their late 40s, that number rose to 97%. And all (100%) of the respondents with lower income levels¹ agreed that the U.S. is facing a retirement crisis.

While this is a startlingly universal concern, perhaps even more significant is the personal ripple effect it had on many of our respondents. Among those aged 44-54, more than half (51%) said they feel unprepared for retirement. 57% said they worry that their nest egg may not be large enough in retirement. In fact, 47% are afraid of not being able to cover their basic living expenses in retirement.

Discovery 2

There are five distinct financial “personalities.”

The Allianz *Reclaiming the Future* Study identified five distinct financial “personalities,” based on the respondents’ demographic data and responses.

Overwhelmed: 32% of the respondents said they felt unprepared for retirement. The overwhelmed group expects to have to reduce their living expenses in retirement, and they’re counting on Social Security for retirement income. The overwhelmed personality is in “survival mode.”

Iconic: 20% of the respondents are confident their income will last through retirement. The iconic personality feels that they have prepared well for the future. They may have reduced some of their spending, but they do have a handle on their retirement expenses. This group believes in the “American Dream.”

Resilient: 27% of our respondents exhibited a “take charge” attitude. They’ve planned ahead and value their independence, but most are planning on investing, working longer, or supplementing Social Security with some other form of income. The resilient personality is concerned about outliving their income.

Distracted: This personality describes 7% of our respondents. This group has seen their net worth drop significantly. However, they have not changed their retirement plans or reevaluated their overall financial strategy. This group is worried that their savings will not be adequate for retirement, but they don’t have a plan for growing those savings.

Savvy: 14% of those surveyed are either living comfortably in retirement or will retire comfortably. They are financially independent, comfortable taking risks, and they’re confident that their income will last throughout their lives. Savvy personalities tend to have large, diversified portfolios – and therefore, few financial concerns.

Discovery 3

Americans fear outliving their money more than they fear death.

Increasing life expectancies mean that Americans are spending more years in retirement. And consumers are aware of this risk.

When surveyed, between 58% and 60% of the respondents in all age groups reported worrying about longevity. Those with lower income levels¹ reported the most anxiety: 63% of them said that they worry about outliving their assets.

In fact, a surprising 61% of the respondents said they were more scared of outliving their assets than they were of dying. Among people aged 44-49, that number climbed to 77%. And a whopping 82% of those in their late 40s who had dependents were more afraid of outliving their money than they were of death.

¹“Lower income” was defined as a household income of \$30,000-\$45,000 and investable assets of under \$50,000.

Discovery 4

The economic downturn was a big wake-up call.

The 2008 – 2009 market downturn caused a profound financial shift for many Americans. The Allianz *Reclaiming the Future* Study explored the extent of the damage – and its effect on baby boomers' behavior.

More than half of those surveyed (53%) reported that their net worth dropped significantly in a very short period. As a result, more than half (52%) also said they had cut back on entertainment and dining, and 47% found ways to cut daily expenses. 11% told their kids to expect less financial support.

Several of the study's respondents also said that the downturn prompted greater financial engagement. Almost a quarter (22%) said that they began watching or reading more financial news. Another 15% reported paying greater attention to "fine print," and 14% started reading their financial statements "a lot more closely."

But perhaps most significantly, the market downturn caused a seismic shift in how the respondents viewed retirement planning. 46% decided that protecting the security of their assets was "much more important now." And across the board, a majority of the respondents agreed that "the safety of my money matters more to me than it did a few years ago."

Discovery 5

Annuity-like solutions are gaining relevance and appeal.

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

69% of those surveyed said they'd prefer a product that was "guaranteed not to lose value," while only 31% chose a product whose goal was "providing a high return." In fact, an overwhelming 80% of the people surveyed preferred a product with 4% return and a guarantee against losing value over a product with 8% return and a vulnerability to market downturns.

Unfortunately, for some consumers the solution is **shrouded in misperceptions**: A surprising 54% of the respondents expressed a distaste for the word "annuity" – even after describing an annuity-like product as their ideal financial vehicle.

Perhaps this is because 25% of the respondents formed their opinion of annuities more than 20 years ago. Another 28% of respondents said they formed their opinion between 10 and 20 years ago. And of those respondents, 64% percent admit that they haven't researched annuities in the years since. Another 29% say they've considered annuities "once in a while," and only 7% say they've kept up with new product developments.

The facts about annuities are compelling.

According to the study, 76% of the 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.

More than half of the annuity owners surveyed said that they like the product because it's a safe long-term investment vehicle (57%), a great way to supplement their retirement income (56%), and an effective way to get tax-deferred growth potential (56%).

Conclusion

As an unprecedented number of Americans get ready to retire, they will face some serious challenges. Once-reliable sources of retirement income will disappear. They'll risk outliving their savings. And they'll be more vulnerable to market downturns.

As the Allianz *Reclaiming the Future* Study has demonstrated, Americans are aware of this looming crisis – and they are scared.

Fortunately, there is hope: As the Allianz *Reclaiming the Future* Study has also demonstrated, Americans do have options as they face these challenges and plan for retirement. Further, the study also found that annuities may be one of the most relevant of these options: Only annuities can offer the combination of principal protection and income for life.

Learn more about Allianz Life Insurance Company of North America, and about how its annuities are helping Americans prepare for retirement. For more information log on to www.allianzlife.com.



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A leading provider of annuities and life insurance, Allianz Life Insurance Company of North America (Allianz) bases each decision on a philosophy of being true: True to our strength as an important part of a leading global financial organization. True to our passion for making wise investment decisions. And true to the people we serve, each and every day.

Through a line of innovative products and our network of trusted financial professionals, Allianz helps more than 1.2 million people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is now proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

While we pride ourselves on our financial strength, we're made of much more than our balance sheet. We believe in making a difference with our clients by being true to our commitments and keeping our promises. People rely on Allianz today and count on us for tomorrow – when they need us most.

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