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On Focus and In Depth

White House Policy May Lift Banks' Annuity Sales

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By [Matt Ackermann](#)

In trying to help the middle class save for retirement, President Obama may also have given a boost to the annuities business.

On Monday, the White House said it plans to promote "the availability of annuities and other forms of guaranteed lifetime income, which transform savings into guaranteed future income, reducing the risks that retirees will outlive their savings or that their living standards will be eroded by investment losses or inflation."

Analysts applauded the initiative and said it could significantly increase annuity assets this year and beyond. [Carmen Efron](#) of [C F Efron Co. LLC](#) in Weston, Conn., called it a "stamp of approval" for the annuity industry.

"Any time you get the government behind a program, it is an enormous boost for business," she said. "Think about what happened with IRAs and HSAs when the government supported them. Any time the government takes an interest in a financial product, there is an influx of information and publicity. People are going to be talking annuities, and this creates a tremendous opportunities for individual annuity carriers."

[Cathy Weatherford](#), the president and chief executive officer of the [Insured Retirement Institute](#), said that in the past two years she has been advocating this type of measure because the "value of a guarantee has never been greater."

"The dependable, guaranteed stream of retirement income that annuities provide to people later in life is being noticed at the highest levels," she said. "We are pleased that President Obama and Vice President Biden today called for increasing the awareness of guaranteed lifetime income, by 'promoting the availability of annuities.' "

[Efron](#) said the details of the government's plan to promote annuities would be crucial. At the very least, she said, she expects the government to draft educational material to inform people about the differences between fixed and variable annuities.

"The reality is, it would really surprise me if the government pinpointed particular companies to buy from," Efron said. "But they might — [as] they did with HSAs — put together a 'preferred' group of insurance companies that meet their standards."

The new support for annuities could boost sales through banks and other channels.

Income earned from the sale of annuities at bank holding companies rose 2.5%, to \$2 billion, in the first three quarters of last year compared to a year earlier.

The [Michael White-ABIA](#) Bank Annuity Fee Income Report that was released last week said third-quarter annuity commissions rose 12.9%, to \$669.8 million, from the previous quarter.

The report, compiled by the [Michael White Associates](#) consulting firm and sponsored by the [American Bankers Insurance Association](#), measures and benchmarks the banking industry's performance in generating annuity fee income.

It is based on data from all 7,319 commercial and [Federal Deposit Insurance Corp.](#)-supervised banks and 922 top-tier bank holding companies operating on Sept. 30.

Another proposal announced by the Obama administration Monday would encourage middle-class retirement savings by expanding the "Saver's Credit" to families earning up to \$85,000.

The income limit has been \$53,000 for married couples filing jointly.

Eligible taxpayers would be enabled to take a credit of up to \$1,000, or \$2,000 for joint filers, for contributions to a qualified IRA, 401(k) or certain other retirement plans.

The administration said that it also plans to match 50% of the first \$1,000 contribution by families with less than \$65,000 in annual income.

The White House also wants to enhance transparency in 401(k) plans in an effort to make individual investors more aware of program fees and investment performance.

It would do so by requiring that plan documents be made clearer and easier to understand.

Another proposal would require that plan documents report, prominently on quarterly statements, all fees charged against a worker's 401(k) account.

The proposal would also require that plan participants be given information on risk, return and investment objectives before contributing to the plan.

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