

<https://www.wsj.com/finance/investing/annuities-new-golden-age-probably-isnt-over-yet-c0ce8f2e>

HEARD ON THE STREET [Follow](#)

Annuities' New Golden Age Probably Isn't Over Yet

High rates have helped annuity sales, but so have other forces

By [Telis Demos](#) [Follow](#)

Sept. 20, 2024 at 6:30 am ET



Asset management firms such as Apollo Global have beaten the S&P 500 over the past year. PHOTO: JEENAH MOON/BLOOMBERG NEWS

It has been a historic couple of years for annuity sales, fueled by the highest interest rates in a generation. Will falling rates put an end to that?

For eight years through 2021, sales of U.S. annuity policies averaged around \$230 billion a year, according to Limra, an insurance industry-funded research firm. In 2022, when the Fed began raising rates aggressively, they surged to \$313 billion. They hit \$385 billion in 2023. And sales in the first half of this year were 19% ahead of where they were the first half

of last year, according to the preliminary results of Limra's survey.

As sales have boomed, so have the shares of many big sellers of annuity policies, including the private-equity and alternative asset giants that have acquired retirement companies in recent years. Athene-owner Apollo Global, Corebridge Financial **CRBG 0.31% ▲**, Equitable, Global Atlantic-owner KKR and Jackson Financial **JXN 0.19% ▲** have all beaten the S&P 500 over the past year.

Annuities are often-complex products typically sold as a way to protect retirement savings and offer a stream of income. When interest rates rose, for many so-called fixed annuities—designed to provide a guaranteed income stream—the promised payouts were much more than they were during the years of near-zero rates.

Now the question is whether interest rates coming down could reverse that trend. Ten-year Treasury yields have fallen about 1.25 percentage points from their highs last October, to about 3.74%.

But there are a few things that might support annuity sales. For one, a lot of investors have parked in cash for now, taking advantage of high short-term rates. Retail money-market funds had nearly \$1.9 trillion of assets as of early August, more than \$700 billion more than in May 2020, according to Federal Reserve data. As rate cuts hit the yields of online savings accounts or money-market funds, people might start to shift into longer-term assets—including annuities.

Then there are the demographics. Next year will feature the highest ever number of people turning 65 in the U.S., at 4.18 million, according to a Retirement Income Institute report citing Social Security Administration figures.

What that group terms the “Peak 65” zone, which began in 2024, will also likely bring with it many more people starting to rely on what they have saved in their retirement accounts, such as in 401(k)s. Jefferies analysts recently noted that their understanding is that about half of annuity sales are typically from 401(k) rollovers.

“We feel recent market volatility and the decline in [long-term] interest rates has likely made the ‘annuity pitch’ easier for advisors,” the analysts wrote in an early September

note.

Additionally, some retirement plan sponsors—such as companies that offer direct contribution plans like 401(k)s, typically invested in stocks, bonds and mutual funds—are offering annuity products within those plans. So-called in-plan offerings had initially been slow to take off after a legislative change made it more feasible. Now things seem to be accelerating, and there are key new products coming to market.

These include LifePath Paycheck from BlackRock [BLK 0.46% ▲](#), and SmartRetirement Lifetime Income from JPMorgan Chase [JPM -1.39% ▼](#). These are target-date funds that also offer an option to convert some of the returns to a lifetime income stream. The asset managers join with insurers to cover the longevity risk of that.

Equitable, a major annuity provider, is working with both BlackRock and JPMorgan on their products. Equitable has told analysts that it received over \$500 million of inflows from clients' plans offering BlackRock's product in the second quarter, and it expects more plans funding in the fourth quarter and first half of next year.

The annuities business isn't without its hurdles, including regulation. A sharp turn lower in long-term yields would likely not help sales, either—though 10-year Treasury yields have actually risen for now following the Fed's half-point cut, perhaps due to rebounding economic optimism.

The new normal for annuities might still last for a while yet.

Write to Telis Demos at Telis.Demos@wsj.com

Appeared in the September 21, 2024, print edition as 'Annuities' Run Probably Isn't Over Yet'.

Videos

