The Media Reality Check

Content Analysis of Recent News Coverage of Annuities
Updated

MetLife
Mature Market Institute

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Introduction

Background & Purpose

Today, most Americans get information on investing and retirement planning through the media. This places a very heavy burden and responsibility on the reporters and editors to ensure that the information these individuals are looking for is complete and accurate.

However, in a recent survey, few Americans who should be preparing for retirement had any substantial knowledge of the issues they are facing or the extent of their financial needs as they enter this stage of their lives. This apparent lack of reported knowledge raises a number of fundamental issues. However, an essential question that should be answered is whether an important source that Americans are relying on for this information has met the challenge. This question is particularly salient when it concerns income annuities and the role these products play in retirement planning.

To better understand how information about income annuities has been conveyed in the print media, a detailed analysis was conducted on coverage of this topic in major media from January 1, 2001 through December 31, 2003.

Research Objectives

The objectives of this research was to evaluate the coverage of income annuities and related retirement issues in the major consumer media by determining the following:

- Overall accuracy of coverage
- Misstatements, if any, included in the coverage
- Inclusion of incomplete information
- Presence of basic facts about annuities
- Omission of these basic facts

Research Method

The research consisted of a content analysis of articles on annuities and retirement that appeared in major media from January 1, 2001 through December 31, 2003. Major media for the purposes of this analysis is being defined as the 26 newspapers in the United States with the highest published circulations, leading personal finance magazines, prominent business publications, newsweeklies, and news wire services.

A special analysis was also conducted of those articles published after the presentation of the initial findings to the media in June 2003. These findings are presented where significant differences exist between those articles published prior to July 1, 2003 and those published after that date.

Publications included in the analysis appear in an appendix to this report.

Article Selection

The articles included in analysis were identified through a “key word” search of the Factiva database. The search was based on a Boolean search string using “annuity” OR “annuities” AND “retirement” as the basis of the search.

The search yielded approximately 1,000 article abstracts that met the initial search criteria and this was supplemented with review of select publication Web sites to ensure accuracy and completeness of the search.

Based on this initial search, each article abstract was reviewed for content to ensure relevance to analysis. 269 articles qualified for full review based on this first analysis, yielding 148 articles* included in final analysis.

Coding

The analysis was based on “codes” or categorized statements organized around four specific areas:

1. Basic facts about income annuities
2. Misstatements about income annuities
3. Incomplete information about income annuities
4. Omissions of basic facts about income annuities

These codes were organized around six basic categories of information about income annuities:

- Costs
- Control
- Performance
- Customer qualification
- Longevity
- Product Features

The codes were developed in consultation with leading industry experts, including annuity experts at MetLife, as well as through review of the articles included in the analysis.

Coding was done in the “context” of each article. For example, if the article dealt with longevity risk, codes dealing with cost issues were typically not included in the analysis. This was done to ensure balanced and fair evaluation of content.

* This includes 131 articles prior to the initial release of findings from this study are included as well as 17 articles that were published after the initial release of these findings.

Summary of Findings

Coverage of annuities in the media has fluctuated significantly over the past three years.

From 2001 to 200s, there was a 28 percent overall increase in the coverage in major media on this topic. This coverage returned to levels similar to 2001 during the past year.

Three in four articles on income annuities have gaps that need to be filled.

Overall, 75 percent of all articles published from January 1, 2001 through December 31, 2003 have at least one error or omission. These errors could include misstatements, incomplete information or the omission of a basic piece of information about income annuities.

Costs and performance are the most common categories where misstatements, incomplete information and omissions about income annuities occurred.

Almost half of (42%) errors or omissions were about the costs of income annuities with one in four (23%) misstatements concerning the performance of these products. The most common misstatements were blanket observations that all annuities are expensive, with 24 percent of articles containing this misstatement. Other common inaccuracies classify all annuities as investments, many of which are "bad." One in ten articles also erroneously reported that insurance companies keep any remaining money when the owner of an income annuity dies rather than discussing the concept of risk pooling and/or the death benefits.

Cost is overwhelmingly the most frequent category where only partial or incomplete information appears.

Six in ten (59%) of articles containing incomplete information fall into this category.

This incomplete information about annuities includes universal statements that annuities are more expensive than investment products such as mutual funds or Certificates of Deposit (10% of articles) and have higher fees (7% of articles).

Omissions of basic facts about income annuities are even more prevalent than the inclusion of misstatements or incomplete truths.

Sixty percent of articles contain a misstatement or incomplete information about income annuities. By comparison, 68 percent of articles omit a basic fact on this subject.

While cost is the category with the most omissions, the most common individual omissions were information that annuities are insurance products (22% of articles) and not exclusively investments (26% of articles).

The vast majority of articles on income annuities contain many basic facts that are essential for consumers to know.

Almost nine in ten (90%) of articles contain correctly reported basic facts. However, less than half (38%) of articles include the basic fact that annuities are insurance products. Even fewer, three in ten, report important facts about the death benefits associated with income annuities (23%) or that someone will not outlive their assets with an income annuity (25%). Each of these are key pieces of information that differentiate income annuities describe the key benefits of the products.

Conclusions & Observations

Americans knowledge of retirement planning issues and retirement planning needs is at a very low level. A reason behind this lack of knowledge is partially related to the difficulty of these individuals to get the information they need to make informed choices and decisions about their futures.

A specific case in point is information about income annuities. Many leading experts on retirement strongly recommend income annuities as an important component in any retirement portfolio because of its insurance benefits as well as the inability of consumers to self-insure against the risk of outliving their money.

As this study demonstrates, a number of articles are not giving consumers some basic information on income annuities. Further, the Retirement Income IQ Study, conducted by NFO World Group, demonstrates that many Americans are misinformed about issues affecting their retirement. This information includes such basic information as:

- Annuities are insurance products that guarantee income
- People cannot outlive their money if they have a lifetime income annuity
- Many can benefit from including annuities when planning for retirement

Consumers also need to know:

- Costs of the product reflect insurance features and benefits resulting in higher value for consumers
- Costs can be competitive with other retirement products
- Many annuities include death benefits

With this information in hand, consumers will be able to make informed decisions to ensure a comfortable and secure retirement.

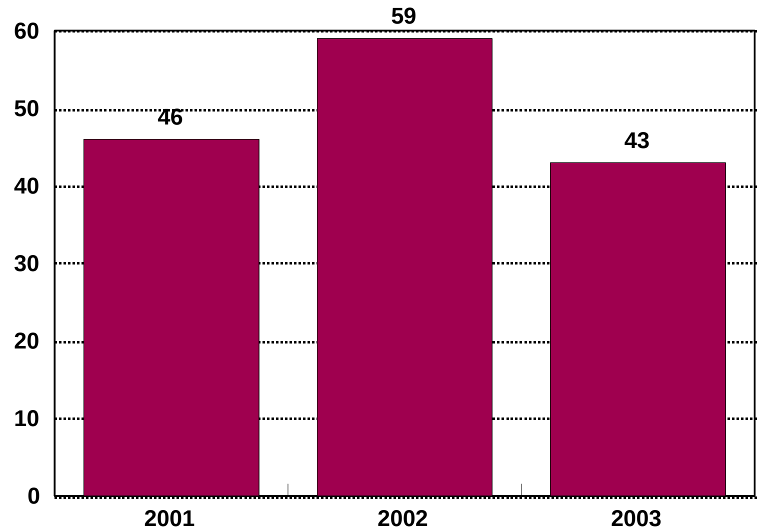
Detailed Findings

Overview

Coverage of annuities in the media has fluctuated significantly over the past three years.

From 2001 to 200s, there was a 28 percent overall increase in the coverage in major media on this topic. This coverage returned to levels similar to 2001 during the past year.

Number Articles Per Year

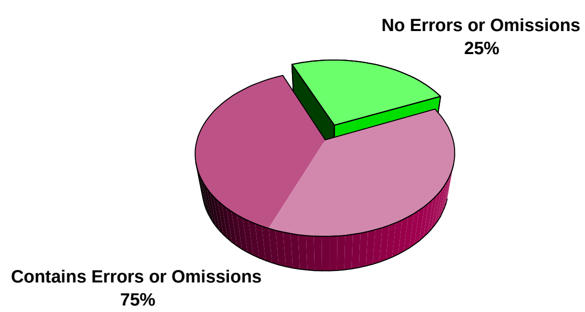


Three in four articles on income annuities have gaps that need to be filled.

Overall, 75 percent of all articles published from January 1, 2001 through December 31, 2003 have at least one error or omission. These errors could include misstatements, incomplete information or the omission of a basic piece of information about income annuities.

Proportion Of Articles Containing One or More Errors or Omissions

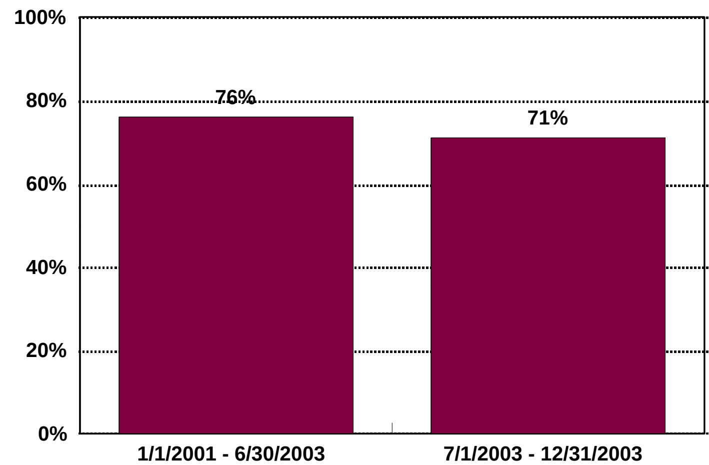
Misstatement, Incomplete Information or Omission of Basic Fact



Among articles published after July 1, 2003, fewer appear to contain errors or omissions. From January 1, 2001 through June 30, 2003, 76 percent of articles contained an error or omission. From July 1, 2003 until December 31, 2001, the proportion of articles containing errors was 71 percent. While this remains a high proportion, it indicates the beginning of a directional shift in the accuracy of reporting on this topic.

Proportion Of Articles Containing One or More Errors or Omissions

Misstatement, Incomplete Information or Omission of Basic Fact



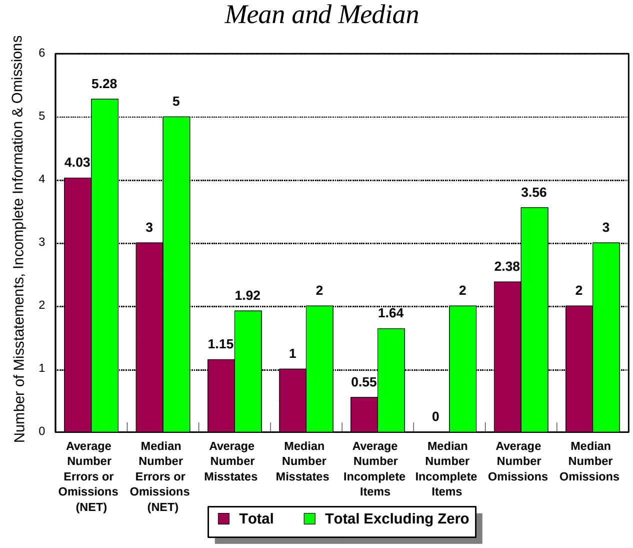
In this analysis, a typical article with errors and omissions contained up to five misstatements, incomplete information or omissions.

In detail, this included:

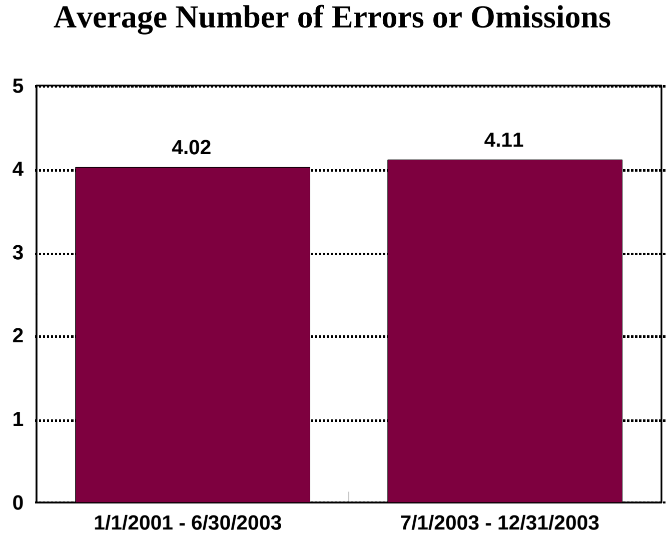
- About two misstatements about income annuities
- Up to two incomplete information items about annuities
- Two to three omissions of basic facts

Typical Article About Annuities

Mean and Median

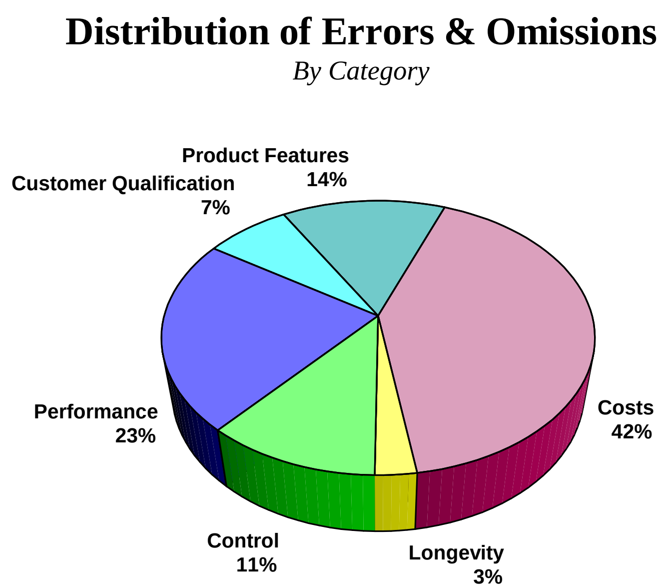


Overall, the typical number of errors or omissions included in each article remained consistent in comparing the periods before and after June 31, 3003.



Costs and performance are the most common categories where misstatements, incomplete information and omissions about income annuities occurred.

Almost half of (42%) errors or omissions were about the costs of income annuities with one in four (23%) misstatements concerning the performance of these products.

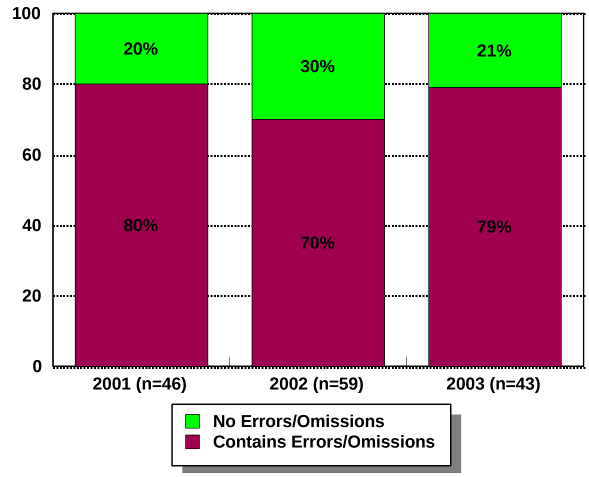


Since July 1, 2003, the errors and omissions have continued to concentrate on performance and cost, with a greater proportion of these errors or omissions concentrating on performance *(40%)*.

Overall, there have been few changes over the past few years in the proportion of information gaps in articles about income annuities. In 2001, four in five (80%) articles had an error or omission. This declined to 70 percent of articles in 2002 but returned to earlier levels (79%) during 2003.

Proportion Of Articles Containing One or More Errors or Omissions

By Year

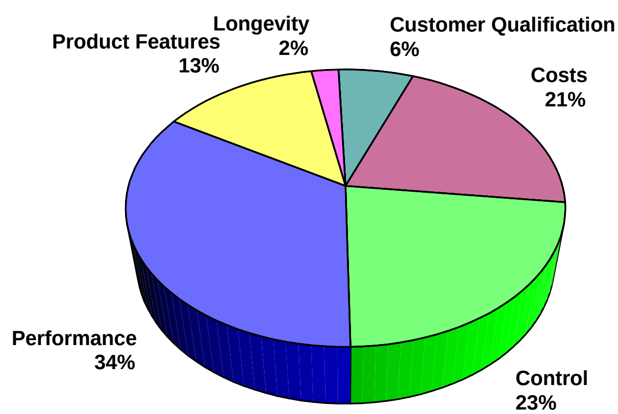


Performance, control and costs are also the most common categories where misstatements about income annuities occurred.

One in three (34%) misstatements were about the performance of income annuities with one in four (23%) misstatements concerning the control of these products. Other categories with significant proportions of misstatements include costs (21%) and product features (13%).

Distribution of Misstatements

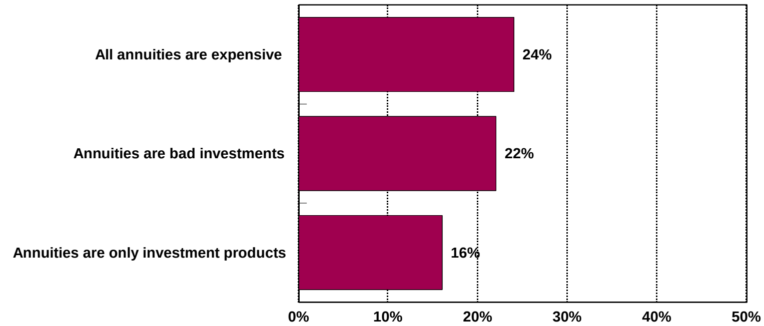
By Category



The most common misstatements were blanket observations that all annuities are expensive, with 24 percent of articles containing this misstatement. Other common inaccuracies classify all annuities as investments, many of which are "bad." One in ten articles also erroneously reported that insurance companies keep any remaining money when the owner of an income annuity dies rather than discussing the concept of risk pooling and/or the death benefits.

Most Commonly Reported Misstatements About Annuities

Proportion of Articles Containing Each Misstatement



In articles published since July 1, 2003, the most commonly reported misstatement is that income annuities have low rates of return. This misstatement appeared in 29 percent of articles published from July 1 to December 31, 2003.

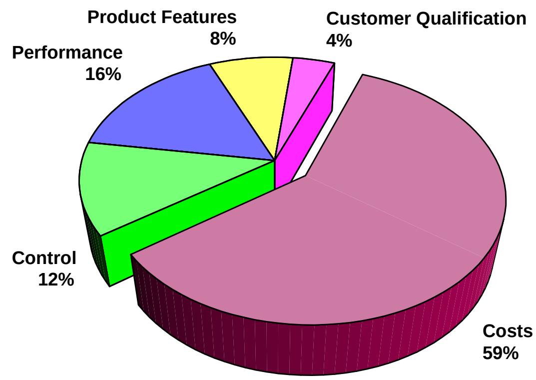
Incomplete Information

Cost is overwhelmingly the most frequent category where only partial or incomplete information appears.

Six in ten (59%) of articles containing incomplete information fall into this category.

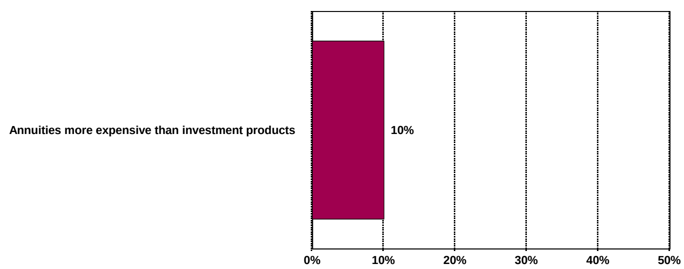
Distribution of Incomplete Information

By Category



This incomplete information about annuities includes universal statements that annuities are more expensive than investment products such as mutual funds or Certificates of Deposit (10% of articles) and have higher fees (7% of articles).

Most Commonly Reported Incomplete Information About Annuities

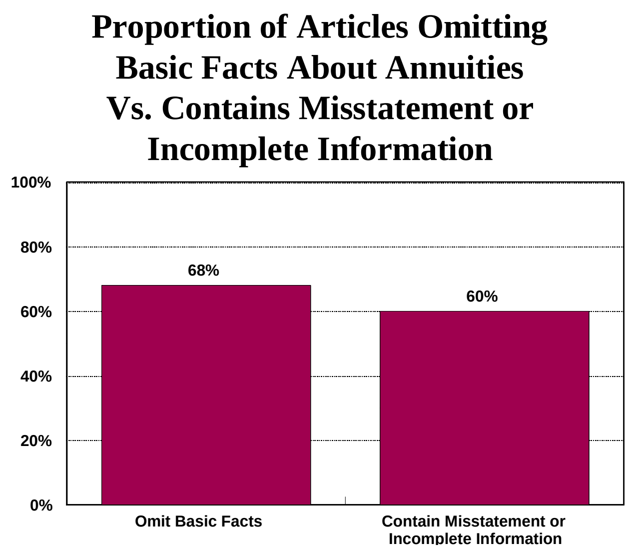


In articles published since July 1, 2003, the most commonly reported incomplete information is that income annuities have been incorrectly compared to, or positioned as, an investment. This misstatement appeared in 29 percent of articles published from July 1 to December 31, 2003.

Omissions

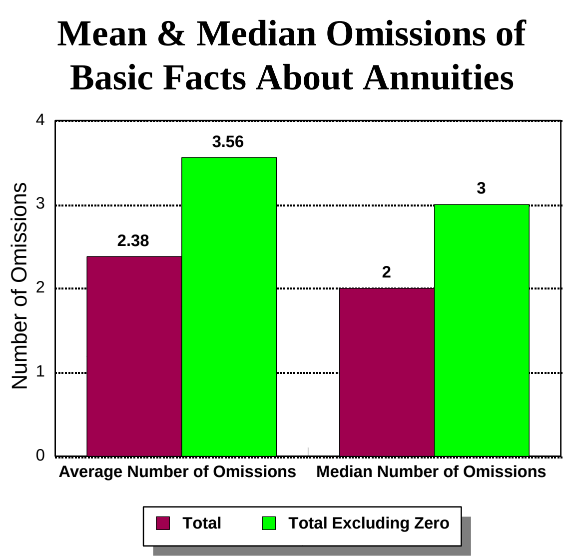
Omissions of basic facts about income annuities are even more prevalent than the inclusion of misstatements or incomplete truths.

Sixty percent of articles contain a misstatement or incomplete information about income annuities. By comparison, 68 percent of articles omit a basic fact on this subject.



These proportions are consistent with articles published in the second half of 2003.

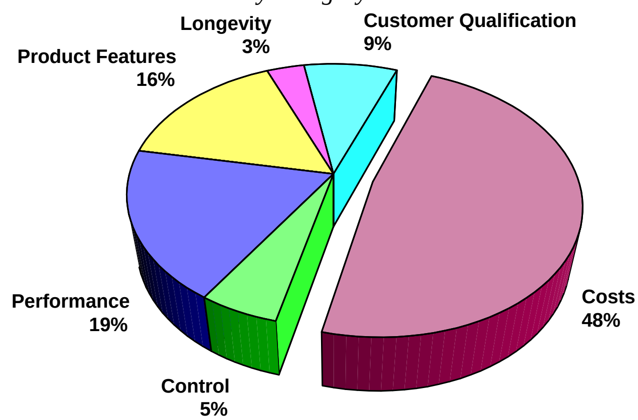
A typical article about income annuities omits up to three basic facts. These omitted facts are those basic pieces of information that are missing in the context of the article under review.



Information about the costs associated with income annuities was the most commonly omitted category of basic facts about this topic. This represents half (48%) of the omitted facts.

Distribution of Omitted Basic Facts About Annuities

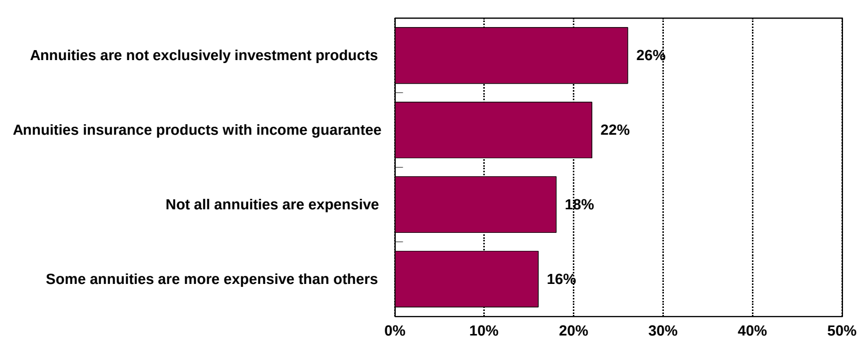
By Category



While cost is the category with the most omissions, the most common individual omissions were information that annuities are insurance products (22% of articles) and not exclusively investments (26% of articles).

Most Commonly Omitted Basic Facts About Annuities

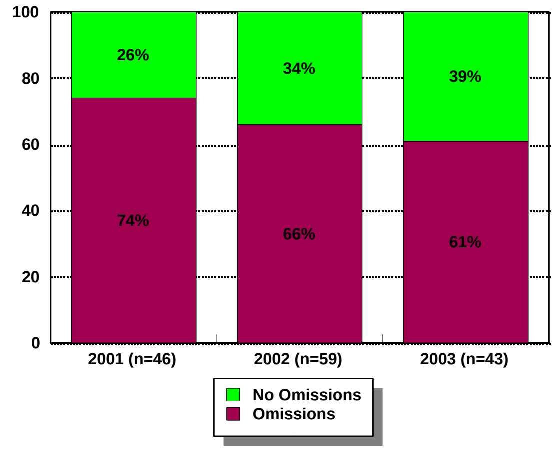
Proportion of Articles Omitting Each Basic Fact



While the proportion of articles containing errors declined during 2002 and then returned to earlier levels in 2003, the number of articles omitting basic facts did not follow the same pattern. In 2001, three in four (74%) of articles omitted a basic fact about income annuities. By contrast, 66 percent of articles published in the 2002 omitted some of this basic information. In 2003, this proportion continued to decline to 61 percent.

Proportion of Articles Omitting Basic Facts About Annuities

By Year

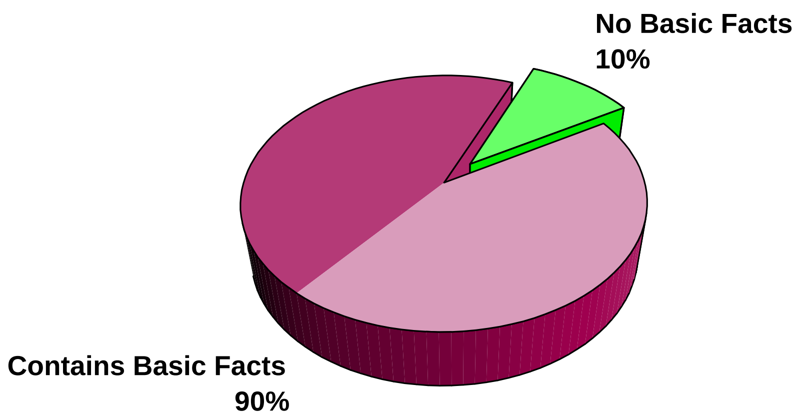


Basic Facts

The vast majority of articles on income annuities contain many basic facts that are essential for consumers to know.

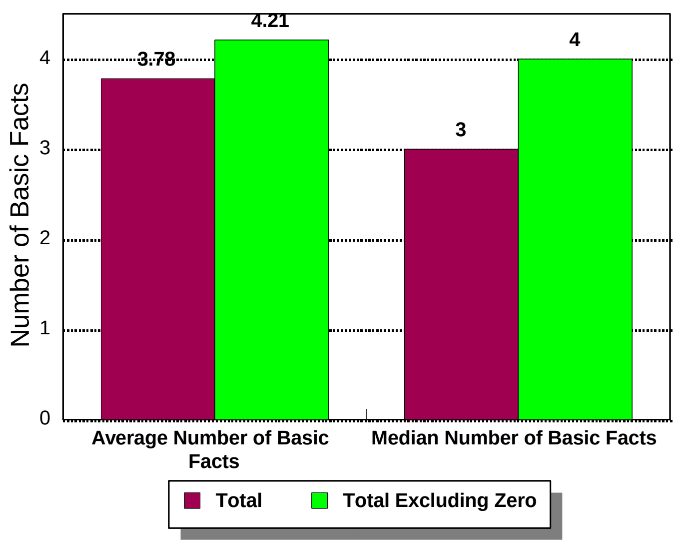
Almost nine in ten (90%) of articles contain correctly reported basic facts.

Proportion of Articles Containing Basic Facts About Annuities



A typical article contains four to five basic facts.

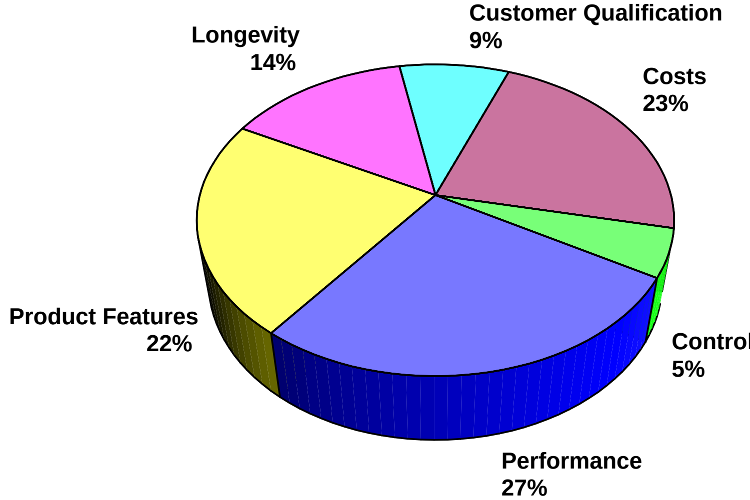
Mean & Median Basic Facts



The facts in these articles concentrate their information on performance, costs and product features. Significantly less emphasis is placed on categories of information involving longevity or customer qualification for the products.

Distribution of Basic Facts

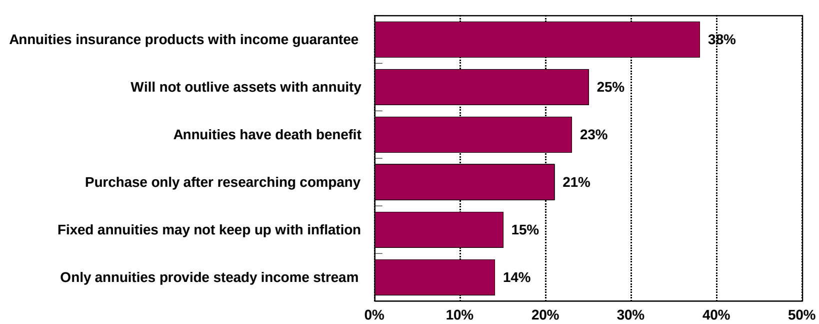
By Category



However, less than half (38%) of articles include the basic fact that annuities are insurance products. Even fewer, three in ten, report important facts about the death benefits associated with income annuities (23%) or that someone will not outlive their assets with an income annuity (25%). Each of these are key pieces of information that differentiate income annuities describe the key benefits of the products.

Most Commonly Reported Basic Facts About Annuities

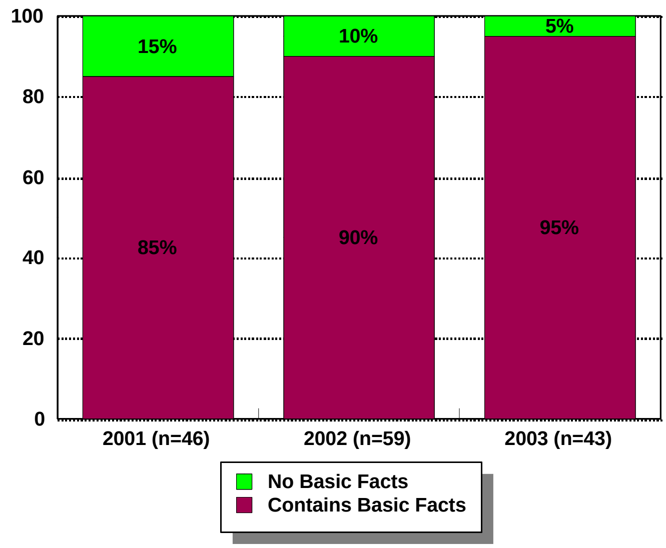
Proportion of Articles Containing Each Basic Fact



In spite of this shortfall of basic information, this proportion of articles containing basic facts about income annuities has shown significant positive change since 2001. In 2003, only five percent of articles did not contain any basic facts. That proportion is one-third of the level in calendar year 2001. This positive shift in articles containing basic facts is consistent with the simultaneous decline in articles containing omissions during this same period.

Proportion of Articles Containing Basic Facts

By Year



Media Sources

Wire Services

- AP Online
- Associated Press Newswires
- Dow Jones Business News
- Dow Jones Newswires
- Reuters News

Magazines

- Business Week
- Consumer Reports
- Fortune
- Forbes
- Kiplinger’s Personal Finance
- Kiplinger’s Retirement Report
- Modern Maturity (AARP)
- Money Magazine
- Newsweek
- SmartMoney
- Time
- U.S. News & World Report

Newspapers

- Arizona Republic
- Atlanta Journal-Constitution
- Boston Globe
- Chicago Sun-Times
- Chicago Tribune
- Cleveland Plain Dealer
- Daily News (N.Y.)
- Dallas Morning News
- Detroit Free Press
- Houston Chronicle
- Los Angeles Times
- Miami Herald
- Minneapolis Star-Tribune
- Newark Star-Ledger
- Newsday (N.Y.)
- New York Post
- New York Times
- Philadelphia Inquirer
- Portland Oregonian
- San Diego Union-Tribune
- San Francisco Chronicle
- Seattle Post-Intelligencer
- St. Petersburg Times
- Wall Street Journal
- Washington Post
- USA Today

Codes

Misstatements

Costs

- All annuities are expensive.

Control

- You lose investment control with an annuity.
- With annuities, it is an “all or nothing” decision.
- When you die, the insurance company keeps your money.
- Annuities lock up your money.

Performance

- Annuities have a low rate of return.
  - Interest rates are low.
  - Equity markets are “in the tank.”
- Annuities won't keep up with inflation.
- Annuities are a bad investment - you can do better on your own.

Product Features

- All annuities are exclusively investment products.

Longevity

- You may not live long enough to collect full benefits from an annuity.

Qualification

- Annuities are not for the rich.
- Annuities are only for the rich.
- If you don't think you're going to live long, don't buy one.

Incomplete Information

Cost

- Annuities can be more expensive than investment products.
  - Missing fact: Omission of longevity insurance benefits.
- The fees/expenses for an annuity are higher than other investments.
  - Missing fact: Annuities are insurance, not an investment.
- Confusion about the cost of an annuity
  - Retail vs. institutional
  - Separate account charge vs. investment management fees
  - Mortality tables
  - Surrender fees

Control

- If insurance company goes out of business, you will lose your money.
  - Missing fact: You should carefully select who you purchase an annuity from.

Performance

- Confusion and/or lack of distinction between different types of annuities.
  - Deferred vs. immediate
  - Fixed vs. variable
  - Retail vs. institutional
- Annuities are incorrectly compared and positioned as an investment.

Product Features

- Many annuities are investment products.

Longevity

- To make your income stretch in retirement, you'll need to cut back on spending.

Qualification

- You should buy an annuity when you are older (typically 75 or older) because you get a better deal.
- Lack of knowledge of new features (needs to be specified):
  - Liquidity (i.e., withdrawal provisions)
  - Guaranteed periods (so that you're guaranteed to get payments for a specified length of time even if you die)
  - Cost of living adjustments on fixed annuities (to help keep up with inflation)

Basic Facts *(included and omitted)*

Costs

- Annuities are not exclusively investment products.
- Annuities are insurance products that provide an income guarantee.
- Longevity insurance (i.e. annuities) carries a price just like other insurance products.
- Like any product, some annuities are more expensive than others
  - Costs vary depending on the insurance charges, various features, commissions, provision of advice, and charges related to investments.
  - Costs may vary among providers.
- Not all income annuities are expensive.
  - Many annuities are less expensive than some investment products such as mutual funds.
  - Many investments contained in an annuity may have lower management fees associated with them than other investment products that someone could buy on their own.

Control

- With annuities, an individual has control:
  - Over investment risks
  - Over mortality risk.
  - Individuals can't manage longevity, inflation and market risk on their own - it's impossible to predict.
- Annuities create a cash flow that may give more control over finances.
- Variable annuities allow individuals to select from a wide range on investments.
- Variable annuities allow individuals to make changes throughout their lifetime.

Performance

- Annuities have competitive rates of return.
  - Fixed annuities, like any other fixed investment (e.g. bonds), have a risk that they will not keep up with inflation.
  - Variable annuities have equity investment options that are typically used to keep pace with, or outpace, inflation.
  - There are also annuities on the market that are indexed to keep pace with inflation.
  - Annuities have a rate of return dependent on the underlying investments of the annuity.
- When the market is declining, the impact is less severe in an immediate annuity, because you are not selling “principal” to get your income payments – i.e., you’re not realizing losses.

- When the market goes up you instantly benefit – even if it goes back down – because you receive higher payments when the market was up.
- In a regular investment, you don't benefit from a market increase unless you sell your portfolio.
- Only income annuities were originally intended to provide a steady stream of income, a process known as annuitization.
- Individuals should purchase an annuity from an insurer after carefully researching the company's financial strength, ratings and reputation.
- For variable annuities, investments are held in separate accounts from the insurer's general assets and, therefore, are not subject to other obligations.

Product Features

- Annuities are insurance products.
  - Insurers base annuity payments on a pool of many lives. And they know that while you may live to your life expectancy and beyond, others will die earlier.
- Investment products do not provide a guaranteed income provision (e.g. insurance).
- Annuities can be customized (i.e. menu pricing).
  - Annuities can be designed for the specific buyer.
- There are different types of income annuities – variable, fixed and hybrid.
- Most annuities have benefit options to provide continuing payments when you die.
  - Continued payments for the life of a spouse.
  - Guarantee periods that ensure heirs will get any remaining income payments for a minimum period.

Longevity

- People are living longer and longer and compared to a generation ago, they spend more time in retirement.
- By taking a portion of their retirement savings and purchasing an income annuity, individuals can ensure that they will not outlive their retirement assets.
- Guaranteed income streams (i.e. pension plans, annuities) have a positive impact on retirement satisfaction.
- Most others should buy an annuity (with a least a portion of their assets) because they do not know how long they are going to live and also generally underestimate how long they are going to live.

Qualification

- Almost everyone with a decent nest egg should purchase an annuity.
- The majority of workers feel they are behind schedule in saving for retirement.
- Unhealthy people, especially those who are terminally ill, should probably not buy an annuity.

- Better to annuitize because if the individual does not have an annuity then they will erode their principle faster and may, in fact, run out of money.
- The best time to annuitize is when your paycheck stops and you need a guaranteed monthly stream of income.
- Income annuities are best suited for middle to upper income individuals (although not the very wealthy) with at least a modest savings of $50,000 or more.

About MetLife

MetLife, a subsidiary of MetLife, Inc. (NYSE: MET), is a leading provider of insurance and other financial services to individual and institutional customers. The MetLife companies serve approximately 12 million individuals in the U.S. and provide benefits to 37 million employees and family members through their plan sponsors. It also has international insurance operations in 12 countries. For more information about MetLife, please visit the company's Web site at www.metlife.com.

The MetLife Mature Market Institute is the company's information and policy resource center on issues related to aging, retirement, long-term care and the mature market. The Institute, staffed by gerontologists, provides research, training and education, consultation and information to support MetLife, its corporate customers and business partners.   For more information, visit www.maturemarketinstitute.com.

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