

Annuity Use Is Expanding, But Knowledge Is Limited, Advisor Says

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Annuities are becoming mainstream even though knowledge about them among investors is still limited, said **Len Hayduchok**, president of Dedicated Financial Services and Dedicated Senior Advisors in Trenton, N.J.

“Annuities used to be a limited product with only a small market penetration, but the addition of riders for income, death benefits and long-term-care benefits to provide clients more value than pure growth have made them more popular,” said **Hayduchok**, an advisor and portfolio manager.

The riders come at a cost but provide the holder with more options when purchasing the annuity and more benefits over the years, he said, compared to just the deferred income or immediate income annuities available in the past.

The problem is that knowledge about annuities—even among those who own them—is not great, **Hayduchok** added.

“I think people are highly uneducated about annuities,” **Hayduchok** said in a recent interview with Financial Advisor. “Many do not know the basic features that they should have been educated about before they bought the product. Even people who consider themselves informed investors often are not current about the details of their annuities.”

Hayduchok said when he is advising a client who already owns an annuity product that he will talk with the annuity company, with the client’s approval, and determine the details of the contract. He and the client can then make a determination about whether the annuity is helping or hurting the client’s financial situation.

“Then we can talk about what the client should do with the annuity,” he added.

Indexed annuities are now tied to a number of different indexes, which can add to their appeal. What might curb the appeal of annuities in the future are any new regulations that could be imposed on the product, **Hayduchok** said.