



Annuity Insights: Summary

ANNUITIES FROM AN ACTUARY'S POINT OF VIEW

Understanding the science behind the strategy

In this episode, wealth expert Michael Finke is joined by Kelli Faust, Actuary and Corporate Vice President at New York Life, and David Blanchett, Head of Retirement Research at PGIM. Together, they examine annuities through an actuarial lens—discussing how pricing, mortality assumptions, and risk pooling all shape the value of guaranteed income products.

How annuities are priced

Annuity pricing is driven by several factors: mortality assumptions, interest rates, investment earnings, and administrative expenses. Faust explains how insurers like New York Life frequently update their internal data to reflect real-life experience, offering competitive payouts especially when interest rates rise, or mortality improves.

Mortality differences by product and channel

Clients who purchase annuities—particularly deferred income annuities (DIAs)—tend to be healthier and more financially informed, which impacts their longevity expectations. Insurers are increasingly incorporating distribution channel-specific mortality patterns into their pricing assumptions to reflect these differences more accurately and competitively.

Why annuities offer value

Compared to building a bond ladder, fixed annuities have the potential to deliver more income per dollar because insurers pool longevity risk and invest in diversified portfolios that can include higher-yielding corporate bonds. This spread-based model, combined with mortality credits, allows annuities to support higher income guarantees than similar DIY investment strategies.

The role of mortality credits

Mortality credits redistribute funds from annuitants who pass away early to those who live longer. As retirees age, these credits become a larger part of the income stream, making annuities especially attractive for those concerned about outliving their money.

Looking forward: Expanding access and innovation

The discussion highlights opportunities to expand the appeal of annuities through education, liquidity features, and default options in defined contribution plans. Tail risk—the chance of living far beyond average life expectancy—is growing, and annuities remain one of the most effective tools to protect against it.

Final thoughts

Fixed annuities offer more than guaranteed income—they provide actuarial efficiency, longevity protection, and peace of mind in terms of the income guarantees. By pooling risk and pricing intelligently, insurers can deliver value that individuals can't replicate on their own. As retirement needs evolve, fixed annuities remain a powerful solution to safeguard against the financial risks of living longer.

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