



2014 JACKSON ALTERNATIVE INVESTMENT  
EDUCATION SURVEY



JACKSON®

## SURVEY OVERVIEW

Jackson National Life Insurance Company® (Jackson®) and the Center for Financial Insight surveyed investors in January 2014 in an effort to gain insight into the current level of understanding of alternative investments from a select group of respondents. In addition to gauging basic alternative investment knowledge, the survey was designed to identify investor perception gaps that may assist in raising the standard and overall value of educational offerings in the alternative investment space.

### Respondent Profile and Methodology

- 574 investor respondents
- Non-retired investors of any age group
- More than \$200,000 in investable assets
- Survey was completed anonymously with the assistance of a third-party survey provider



### Key Insights

While the full results of the survey provided a variety of useful insights on respondents' alternative investment education level from a broad perspective, reviewing parceled segments of the results allowed Jackson and the Center for Financial Insight to perform deeper analysis and glean new observations from the data. The data below includes insights and analysis based on the Full Results, Age-Segmented Results (Data segmented by respondents' age – Ages under 35, Ages 35-45, Ages 45-55, Ages 55-65 and 65+) as well as data reflecting only those 327 respondents currently working with an advisor.

At a high level, the investors who participated in Jackson's 2014 Alternative Investment Education survey showed a broad lack of knowledge on alternative investments. Further, analysis of the age-segmented and advisor-only data revealed that when it comes to the world of alternative investments, the education gap is not limited to a select age group or type of investor. In fact, the confusion surrounding these types of investment vehicles is spread fairly equally across all demographics. However, while the data paints a dismal picture, select statistics representing an overall interest in additional education and knowledge in the alternative investment space provide a glimmer of hope, and an opportunity for all of the stakeholders in the financial services industry to work toward filling the gap.

### Full Results (574 Respondents)

- When asked to choose a definition of "alternative investments" from a list, 52 percent of survey respondents chose a widely accepted description ("anything that is not a stock, bond or cash"), while nearly 42 percent chose "I honestly have no idea what alternative investments means."
- When asked what portion of their investment portfolio includes alternative investments, nearly 40 percent of respondents chose "I don't know."
- More than 37 percent of respondents reported they don't have alternative investments in their portfolios, compared to less than 23 percent who currently have alternative investments in their portfolios. Both results are lower than the percentage of respondents who said they simply "don't know" one way or the other (nearly 40 percent).
- When respondents were asked the primary reason they don't use alternative investments in their portfolios, 20.74 percent chose "what is an alternative investment?," which was second only to the 23.96 percent who chose "they are unsafe/risky investments." "I don't understand them, they are too complex" was another popular response at 17.97 percent.

- A majority of respondents (56.79 percent) said they don't know how alternative investments perform in the market relative to other types of investments.
- More than 19 percent of respondents, the second highest percentage behind "I don't know," believe alternative investments exhibit a low level of correlation with more traditional investments (which data supports when it comes to many alternative assets.<sup>1</sup>).
- More than two-thirds of respondents believe alternative investments carry more risk than traditional investment products.
- While not necessarily surprising that more than 41 percent of respondents do not want any hedge fund strategies in their portfolio, considering the largely negative media coverage of the hedge fund world since 2008, it is interesting how many respondents (one fourth) are open to these strategies.
- In congruence with the overall responses to alternative education questions, another 33.80 percent simply don't know enough about hedge funds to make a decision.
- More than 60 percent of respondents chose "investments that help ensure that I will have sufficient income in retirement" as the characteristic most important to them when choosing investments, by far the highest percentage. Interestingly, the second highest result (31 percent) was "investments designed to provide the diversification I need to protect what I have, and provide modest returns," a common selling point for certain alternative investment products.<sup>2</sup>
- When asked how they prefer to receive financial/investing knowledge and education, 43.03 percent chose "I want my advisor to explain potential benefits, risks and detail of products and investments in my portfolio." Contrast this percentage (far and away the top result), with the fact that only 6.97 percent of respondents chose "I want my advisor to tell me what to do."
- "I prefer to do my own research online via financial news websites, blogs and other objective third-party sources" (nearly 26 percent) were the second most popular response in terms of how investors prefer to receive financial and investing knowledge/education.



### Age-Segmented Results (574 Respondents, Segmented by Age Group)

- Respondents were broken down by ages 35 and Under (41 respondents), ages 35-45 (102 respondents), ages 45-55 (148 respondents), ages 55-65 (236 respondents), and ages 65+ (47 respondents). Please keep in mind when reviewing the following results and analysis that as certain age groups had more representation than others, group size may factor into certain percentages.
- When broken down by age group, at least 29 percent of respondents in each age bracket chose "I honestly have no idea what alternative investments means." In general, the likelihood of lacking a basic understanding of alternatives rose with age, increasing with each demographic (with the interesting exception of those aged 65+, who actually represented the lowest total at 29.79 percent):
  - Ages 35 and Under – More than 31 percent
  - Ages 35-45 – More than 39 percent
  - Ages 45-55 – Nearly 44 percent
  - Ages 55-65 – More than 45 percent
  - Ages 65+ – Nearly 30 percent

<sup>1</sup> Altegris, Altegris.com, "The potential for positive returns in virtually any market environment," February 20, 2014.

<sup>2</sup> Detlefsen Nel & Associates, Why-Alternatives.com, "Benefits of Alternative Investments," data pulled April 17, 2014.

- As might be expected, when asked how alternative investments perform relative to more traditional investments, the percentage of those choosing “I don’t know” generally increased with age, beginning with a low of 48.78 percent for the under 35 data set and reaching a high of 60.17 percent for the 55-65 year-old data set. Those aged 65+ were once again a relative anomaly in terms of seeing a lower percentage than the 45-55 and 55-65 age groups, as more than 51 percent of respondents in this group chose “I don’t know.”
- One of the more interesting insights from the age-segmented data is that every demographic range, even those 35 and under, chose “Investments that help ensure that I will have sufficient income in retirement” as the most important characteristic to them when choosing investments for their portfolio. At 53.66 percent, those under 35 displayed the lowest percentage (as one might expect), with the highest being those aged 55-65 at 62.29 percent. Nearly 60 percent of respondents aged 65+ chose “Investments that help ensure that I will have sufficient income in retirement,” which is a concerning trend considering this group’s proximity to traditional retirement ages.
- Across the board, very few of each demographic range chose the response “I want my advisor to tell me what to do – I trust him/her to make the right decisions for my portfolio.” As might be expected, respondents ages 65+ saw the highest percentage at 12.77 percent, with the next highest result coming from respondents ages 35-45 at 9.80 percent. The remaining age groups saw results under 6.4 percent.
- In terms of whether respondents would be more likely to invest in alternative investments if they received more relevant, actionable education on the vehicles, the highest result was more than 71 percent (ages 35-45), with the lowest at almost 58 percent, still at a relatively high level (ages 55-65). Based on the data, it appears that every demographic would be more likely to consider alternative investments if more useful education was provided. In fact, the highest scores came from the younger demographics, and not the pre-retiree or retirement-level age bracket as one might expect.

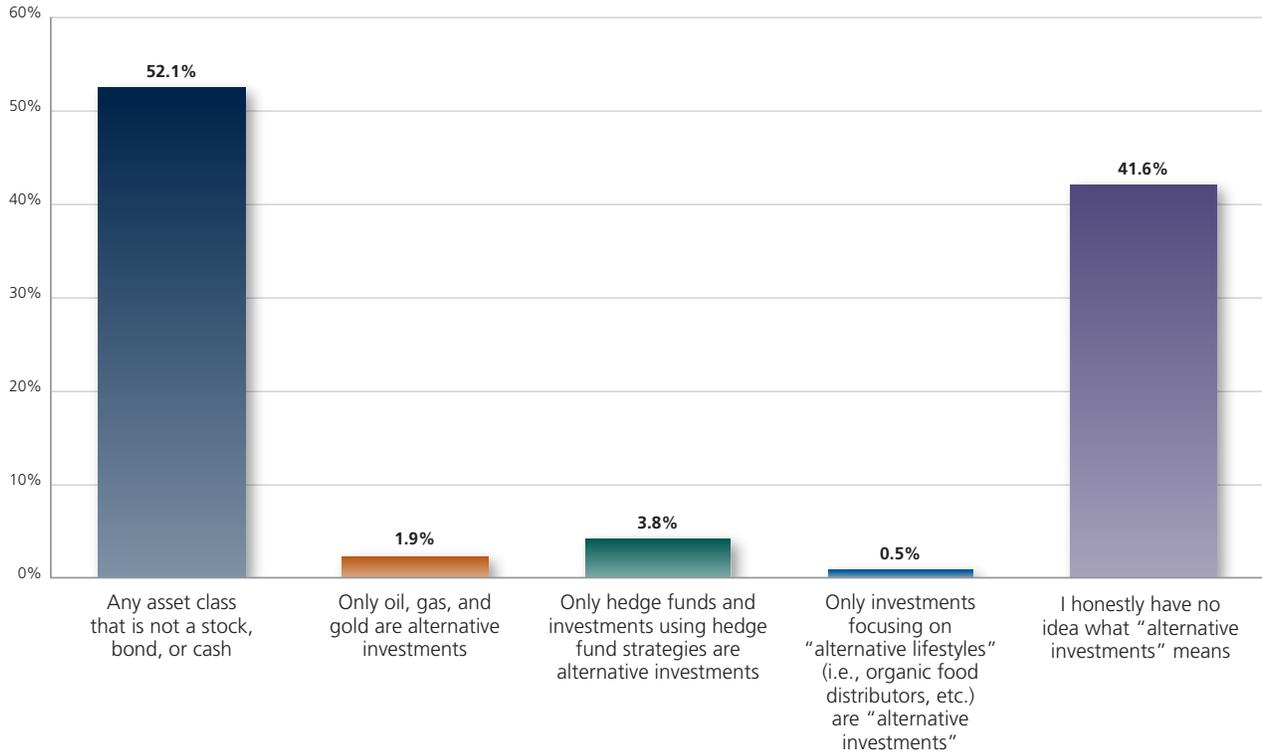
### **Investors Working with Advisors Results (327 Respondents)**

- Of the 327 respondents currently working with an advisor, 141 (43.12 percent) chose “I honestly have no idea what alternative investments means.”
- Although one might expect that working with an advisor would increase the level of investors’ knowledge regarding their portfolio, more than 44 percent of respondents currently working with an advisor don’t know whether or not their portfolio includes alternative investments.
- In the same vein, the percentage of respondents who don’t know how alternative investments perform in the market relative to other types of investments was slightly higher (57.19 percent) when taking those currently working with an advisor, as compared to the full results (56.79 percent).
- For those working with an advisor, more than 63 percent of respondents rely on their advisor to explain each investment in detail, with a further 11 percent giving full control to the advisor when it comes to their investment portfolio (“I want my advisor to tell me what to do – I trust him/her to make the right decisions for my portfolio”). Interestingly, 12.54 percent, the second highest percentage, would rather do their own research online using financial news sites, websites, and blogs, regardless of the fact that they currently work with an advisor.
- More than 63 percent of respondents currently working with an advisor would be more likely to invest in alternative investments if they received more relevant, actionable education on the vehicles.

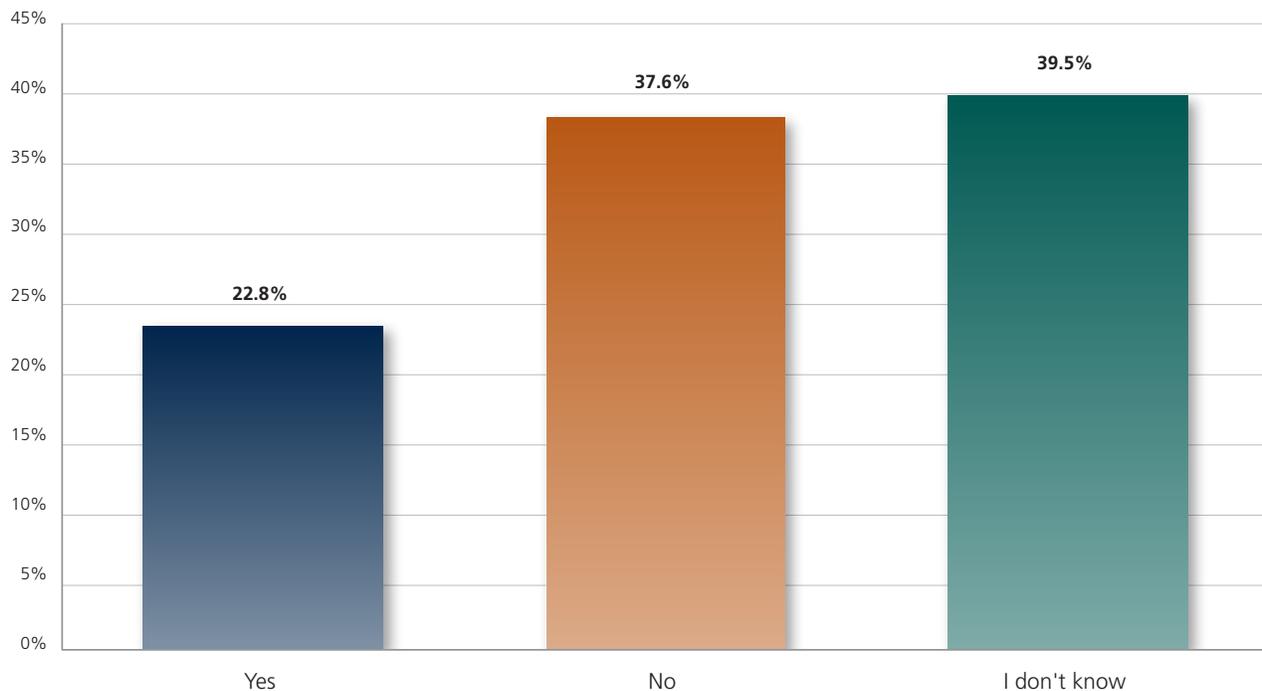
**For more details on the full survey results (574 respondents), please see the charts and graphs included on the following pages.**

Note: Due to rounding, charts may not equal 100%.

### Which definition of “alternative investments” is closest to your understanding of these investment vehicles?

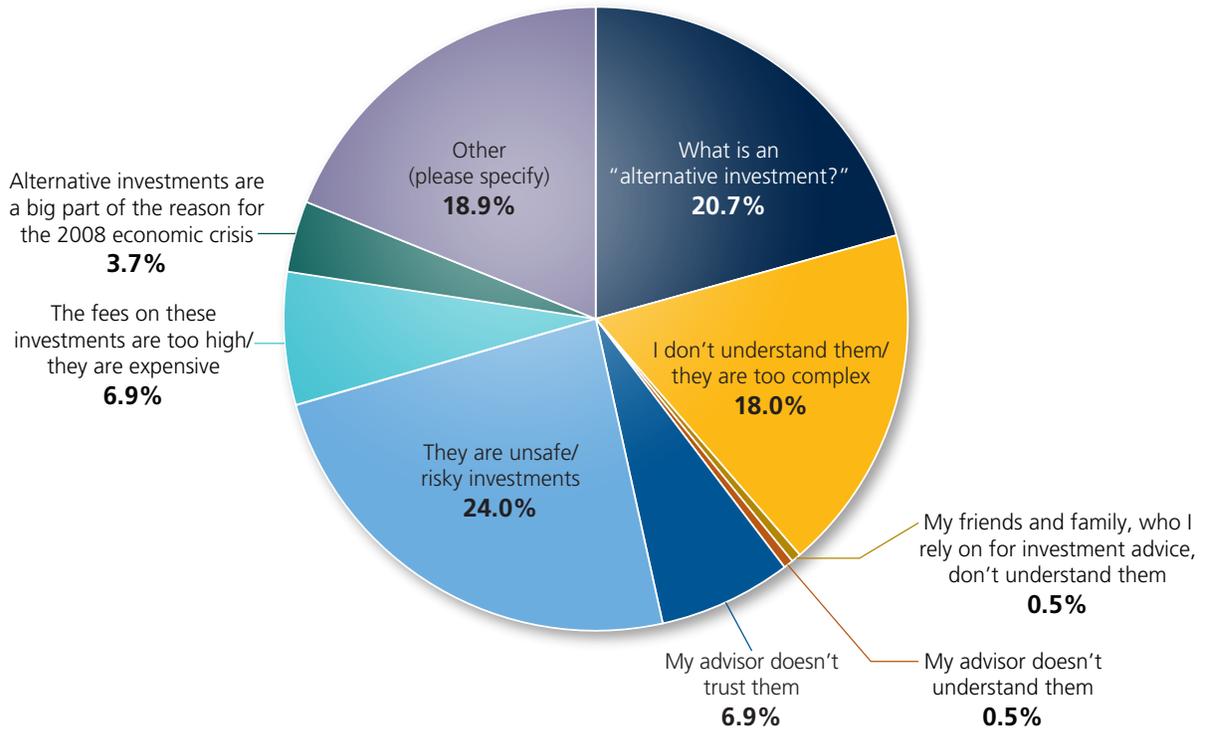


### Does your investment portfolio include “alternative investments?”

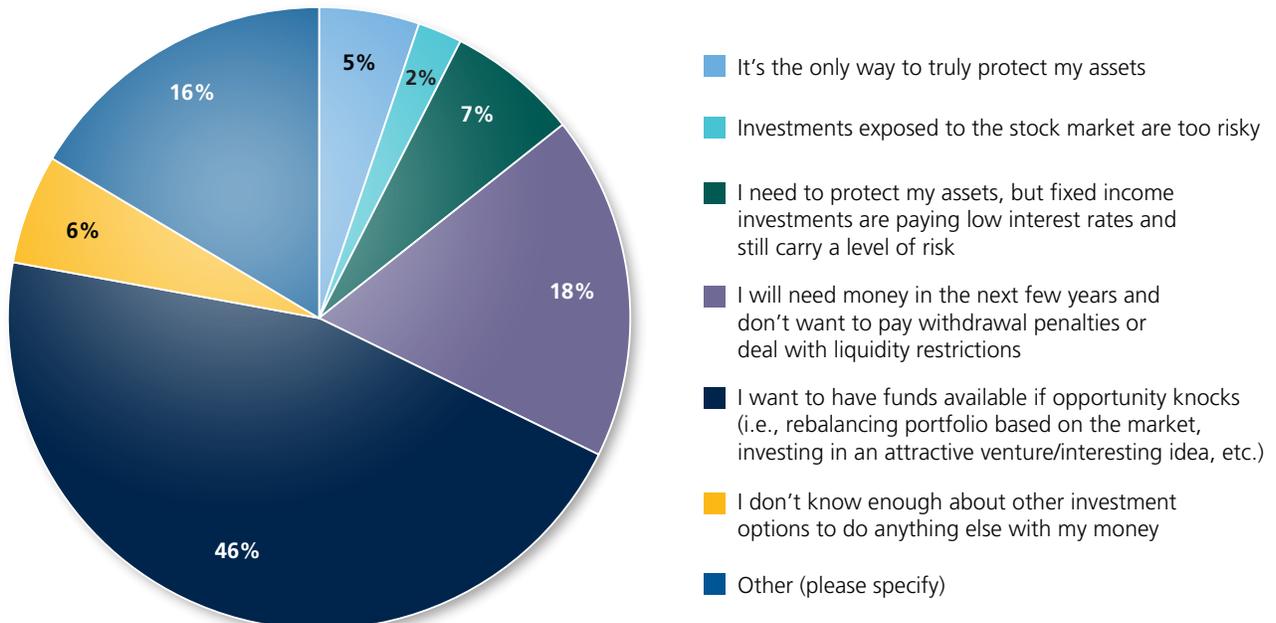


Note: Due to rounding, charts may not equal 100%.

**Of the following, which is the primary reason why you don't utilize alternative investments in your investment portfolio?**

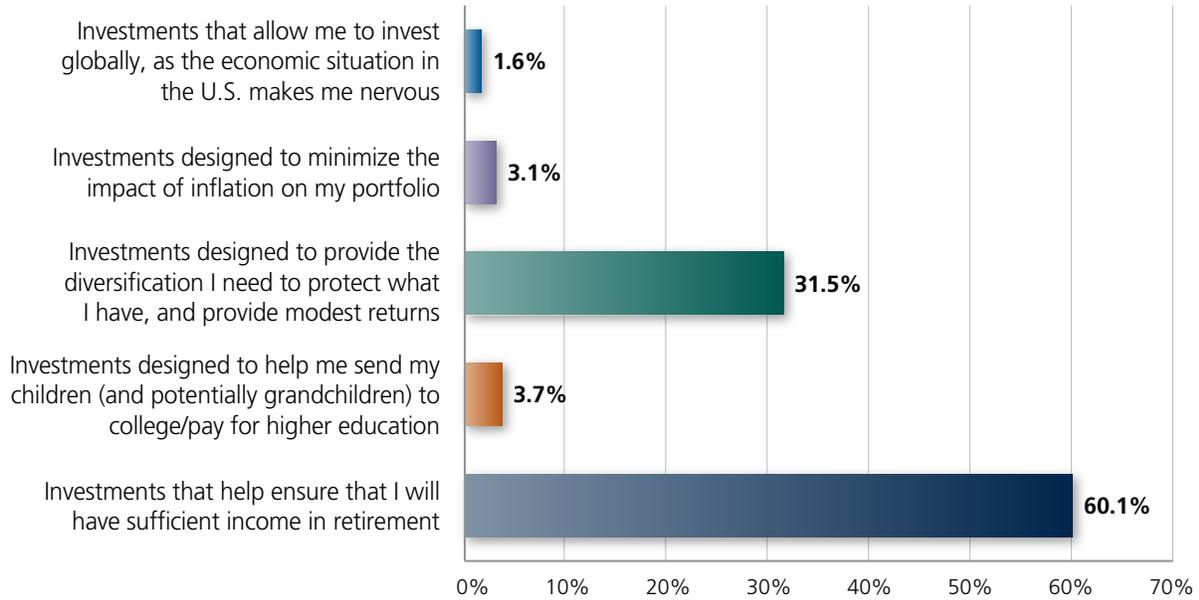


**What is the #1 reason why you hold cash/Money Market Accounts/savings accounts as part of your portfolio?**

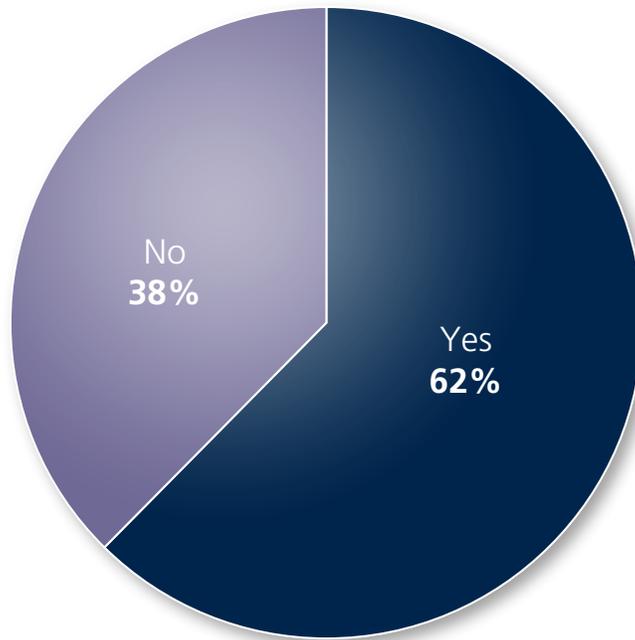


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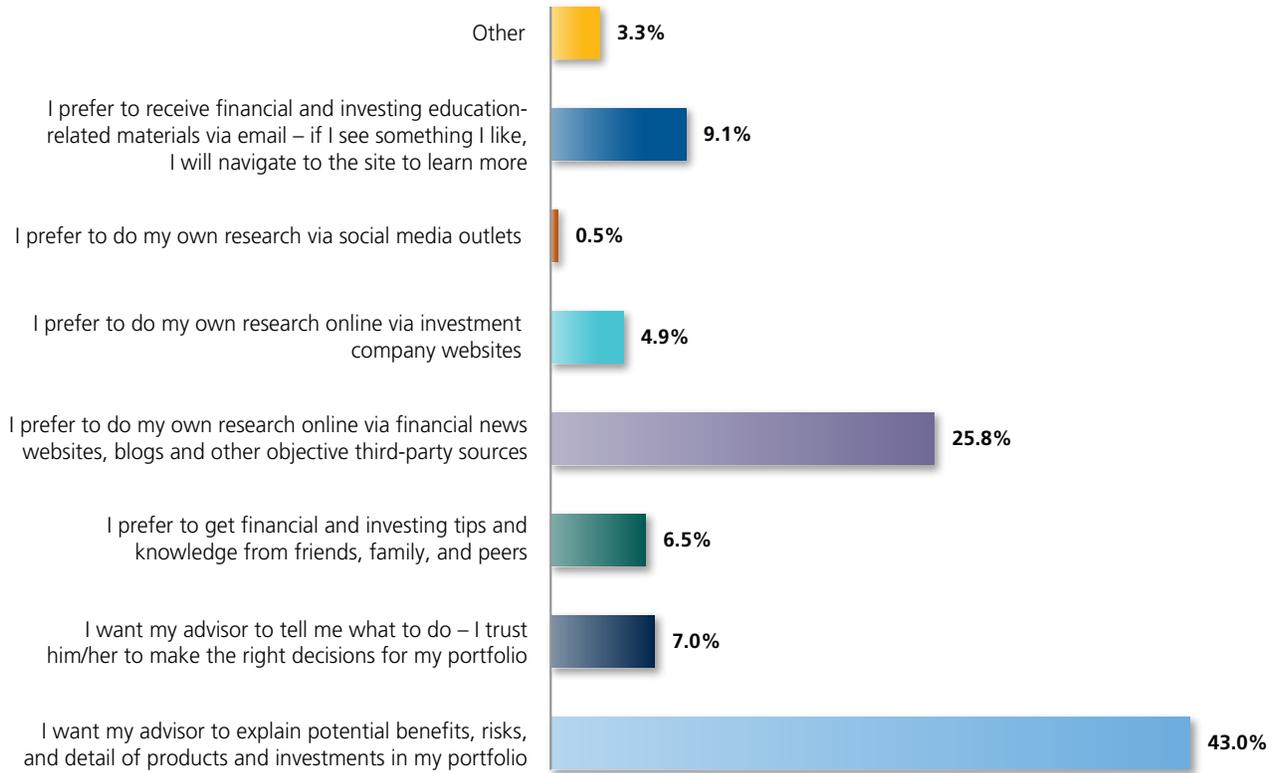
### Which characteristic is most important to you when choosing investments for your portfolio?



### If you received more relevant, actionable education on alternative investments, would you be more likely to invest in these vehicles?



How do you prefer to receive financial and investing knowledge/education?



## About Jackson

Jackson is a leading provider of retirement solutions for industry professionals and their clients. The company offers a diverse range of products including variable, fixed and fixed index annuities designed for tax-efficient accumulation and distribution of retirement income for retail customers, and fixed income products for institutional investors. Jackson subsidiaries and affiliates provide specialized asset management and retail brokerage services. With \$195.5 billion in assets (IFRS unaudited) as of 12/31/2013<sup>1</sup>, Jackson prides itself on product innovation, sound corporate risk management practices and strategic technology initiatives. Focused on thought leadership and education, the company develops proprietary research, industry insights and financial representative training on retirement planning and alternative investment strategies. Jackson is also dedicated to corporate social responsibility and supports charities focused on helping children and seniors in the communities where its employees live and work. For more information, visit [www.jackson.com](http://www.jackson.com).

**For the detailed results of the 2014 Jackson Alternative Investment Education Survey, please contact Dan Martin, Executive Communications Team Lead, at 303-224-7584 or [daniel.martin@jackson.com](mailto:daniel.martin@jackson.com).**

<sup>1</sup> Jackson also has \$178.5 billion in IFRS policy liabilities set aside to pay primarily future policyowner benefits (as of 12/31/13). International Financial Reporting Standards (IFRS) is a principles-based set of international accounting standards indicating how transactions and other events should be reported in financial statements. IFRS is issued by the International Accounting Standards Board in an effort to increase global comparability of financial statements and results. IFRS is used by Jackson's parent company.

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Jackson is the marketing name for Jackson National Life Insurance Company (Home Office: Lansing, Michigan), Jackson National Life Insurance Company of New York® (Home Office: Purchase, New York) and Jackson National Life Distributors LLC.

**Read a prospectus carefully before investing. It contains the investment objectives, risks, charges, expenses and other information which should be considered carefully before investing. To obtain a prospectus please contact the Issuing Company.**

Portfolios that have a greater percentage of alternatives may have greater risks, especially those including arbitrage, currency, leveraging and commodities. This additional risk can offset the benefit of diversification. Diversification does not assure a profit or guarantee against a loss in a declining market. Although asset allocation among different asset categories generally limits risk and exposure to any one category, the risk remains that management may favor an asset category that performs poorly relative to the other asset categories. Some of those risks include general economic risk, geopolitical risk, commodity-price volatility, counterparty and settlement risk, currency risk, derivatives risk, emerging markets risk, foreign securities risk, high-yield bond exposure, noninvestment grade bond exposure commonly known as "junk bonds," index investing risk, industry concentration risk, leveraging risk, market risk, prepayment risk, liquidity risk, real estate investment risk, sector risk, short sales risk, temporary defensive positions and large cash positions.

This survey represents the opinions of those surveyed. Provided by Jackson National Life Distributors LLC.

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