



How Can Lifetime Income Options Address Participant Needs?

Retirement Savings Plans Should Include Lifetime Income Options

8 in 10 workers¹

expect their DC savings plan to be a source of income in retirement

< 40%²

non-retired adults believe their retirement savings are "on track"

60%³

of non-retirees with self-directed retirement savings report having "little or no comfort" managing savings

44%⁴

of unmarried elderly Social Security beneficiaries rely on Social Security for 90%+ of income

Social Security Is *Not* Designed to Meet all Income Needs⁵

\$17,000

Annual income from an average monthly Social Security retiree benefit of \$1,461 in 2019



- \$39,000

Deficit in annual income required to meet \$56,000 target for a "typical" retiree

Different Lifetime Income Solutions Address Different Needs⁶

Plan sponsors should not "make the perfect be the enemy of the good." Rather, solutions can range from more-flexible distribution of accumulated assets based on investment returns (Investment-Only) to those that provide some form of guaranteed income for life (Guaranteed). Many products are available that offer varying degrees of portability, flexibility, and liquidity.

Investment-Only

- Systematic Withdrawal Plan
- Managed Payout Fund
- Laddered Bond Fund

Hybrid

- Target Date Fund with a Deferred Annuity
- Target Date Fund with a GMWB

Guaranteed

Immediate Annuity

- **Immediate Annuity**⁷ Stable income and longevity protection with low liquidity.
- **Laddered Bond**⁸ Lower stable income than an immediate annuity but retains liquidity.
- **Systematic Spending**⁹ Long-term income and growth potential based on market performance with risk of asset depletion.
- **Managed Payout**¹⁰ High liquidity, growth potential, and hedged longevity risk without a guarantee, but variable levels of income based on market performance.
- **TDF with deferred annuity**¹¹ Stable income with longevity protection and liquidity, but potential for variable income streams and asset depletion.
- **TDF with GMWB**¹² Longevity protection, liquidity, stability of income, and growth potential, but can have higher fees than other guaranteed solutions.

Policymakers Have a Critical Role to Play in Empowering Plan Sponsors

- Plan sponsors' decisions about their plans' distribution policies have a direct impact on participant retirement outcomes.¹³
- While provisions of the new SECURE Act may be a good first step to encourage plan sponsors and help plan participants understand the value of lifetime income solutions, much more remains to be done.
- Policymakers should encourage innovative new options tailored to meet the evolving needs of retirees.

Source: Angela M. Antonelli (2019), "Generating and Protecting Retirement Income in Defined Contribution Plans: An Analysis of How Different Solutions Address Participant Needs," Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University and Willis Towers Watson, Policy Report 19-02, Washington, DC.