

# It's No Longer Your Parents' Retirement

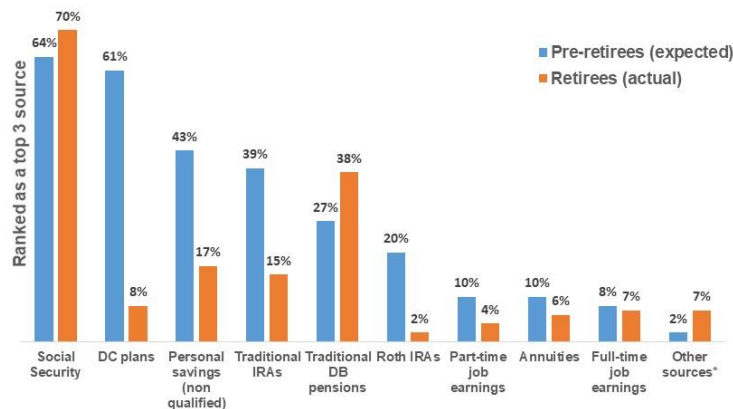
2/7/2023

*How workers' need for lifetime-guaranteed income may drive more Americans to consider annuities*

The goal of a successful retirement is to have enough guaranteed income to cover basic living expenses and not have to worry about running out of money for the rest of your life. According to recent LIMRA research, workers today do not feel that their households will receive enough lifetime-guaranteed income to cover basic living expenses throughout retirement.

LIMRA recently surveyed Americans ages 40 to 85 with at least \$100,000 in household investable assets to explore their perceptions about retirement income and their confidence in their retirement security.

## Top 3 Retirement Income Sources



\*For retirees, includes rental income (3%) and business income (2%).  
Based on 1,026 pre-retirees who plan to retire within the next 10 years and 2,159 retirees. Multiple responses allowed.  
Source: Analysis of Retirement Investors Survey, LIMRA, 2023.

Among retirees surveyed, 70% say that their households receive enough income from various sources to cover the household's basic living expenses. But for future retirees, only 44% expect to receive enough income from Social Security, traditional defined benefit (DB) pension plans, and/or lifetime-guaranteed annuities to cover their household's basic living expenses. Instead, many will have to use their savings to pay these expenses.

LIMRA research has seen this drop in the proportion of pre-retirees who feel they will receive enough from all lifetime-guaranteed sources to cover all of their basic living expenses throughout retirement for three straight years and in four of the last five years — going from a high of 58% in 2017 to 44% in 2022.

LIMRA research shows there is a long-term trend away from traditional pensions, with only about half of retirees receiving pension income in 2022, compared with nearly two thirds getting a pension a decade earlier. This trend accelerates with younger workers. Less than a quarter of workers under 50 will have access to a pension when they retire.

“The ongoing decline in pensions could partly explain why workers feel they will not have enough income, but other factors like uncertainty about Social Security benefits, market volatility, and the rising cost of living, are undoubtedly playing a role,” according to Matt Drinkwater, corporate vice president of Annuity and Retirement Income Research, LIMRA.

LIMRA research shows that overall, just 6 in 10 Americans surveyed are confident their savings and investments will last at least until age 90. This confidence increases sharply with the amount of household investable assets. More than half (51%) of consumers with \$2 million or more in household investable assets say they are confident their savings and investments won't run out if they live to age 90, compared to only 12% of investors with \$100,000 to \$249,999 in assets.

Regardless of their household income sources, workers overwhelmingly agree that lifetime-guaranteed income can provide peace of mind and LIMRA research shows this sentiment is on the rise. Among both retired and non-retired Americans surveyed, a larger proportion (86%) in 2022 said having lifetime-guaranteed income gives them peace of mind in retirement, compared with 76% in 2018.

Workers facing retirement without sufficient lifetime-guaranteed income must seek alternatives. Along with strategies like delaying the claiming of Social Security benefits to age 70 — thereby maximizing this source of inflation-adjusted lifetime

income — Americans can purchase individual annuities. LIMRA research shows interest in annuities had been level or down for much of the last decade, reaching a low of 33% in 2018. In 2022, for the first time, a majority of workers (51%) said they would consider converting a portion of assets into a lifetime-guaranteed annuity in retirement. This increased interest in the concept of annuitization is likely driven by the realization that they won't have enough income from Social Security or pensions to cover basic living expenses in retirement.

"Ultimately, linking annuities with the growing need for lifetime-guaranteed income and the peace of mind it can provide will propel growth of these products," Drinkwater notes.