

Would Lifetime Income Estimates Lead to Change?

A proposal from the U.S. Department of Labor would require certain types of retirement plan statements to show how a worker's current retirement account balance would translate into an estimated lifetime income stream of payments—but recent survey results by the nonpartisan Employee Benefit Research Institute (EBRI) indicates their impact might be limited.

Since the concept of lifetime income illustrations on 401(k) statements is a relatively new innovation, little empirical evidence exists regarding how plan participants would likely respond. To find out, EBRI's 2014 Retirement Confidence Survey (RCS), the longest-running survey of its kind in the nation, included a series of questions concerning monthly income illustrations similar in many respects to those provided by the DOL's online Lifetime Income Calculator (available through the Employee Benefit Security Administration, or EBSA, online at <http://www.askebsa.dol.gov/lia/home>).

Based on an analysis of the results of the 2014 RCS, more than half (58 percent) of workers who were currently contributing to an employer plan found the estimated monthly income was in line with their expectations, and perhaps as a result, relatively few (only 17 percent of the respondents) said they would increase their retirement savings contributions or anticipated retirement age as a result of hearing the monthly income estimate.

However, of those responding that their illustrated value was much less or somewhat less than expected, more than a third (35 percent) indicated they would increase their contributions.

While that information may not have been a surprise to most, the vast majority of workers who were currently contributing to an employer plan found the information useful; more than 1 in 3 (36 percent) of the respondents thought that it was very useful to hear an estimate of the monthly retirement income they might expect from their plan, and another 49 percent thought it was somewhat useful. Additionally, it is possible that these respondents have previously been exposed to this type of information as a current participant in a retirement plan at work.

The full report, including details on the calculations and assumptions utilized, and how they varied from the EBSA proposal, is published in the March *EBRI Notes* article, "How Would Defined Contribution Participants React to Lifetime Income Illustrations? Evidence from the 2014 Retirement Confidence Survey," online at www.ebri.org

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