

At a Glance | January 3, 2018

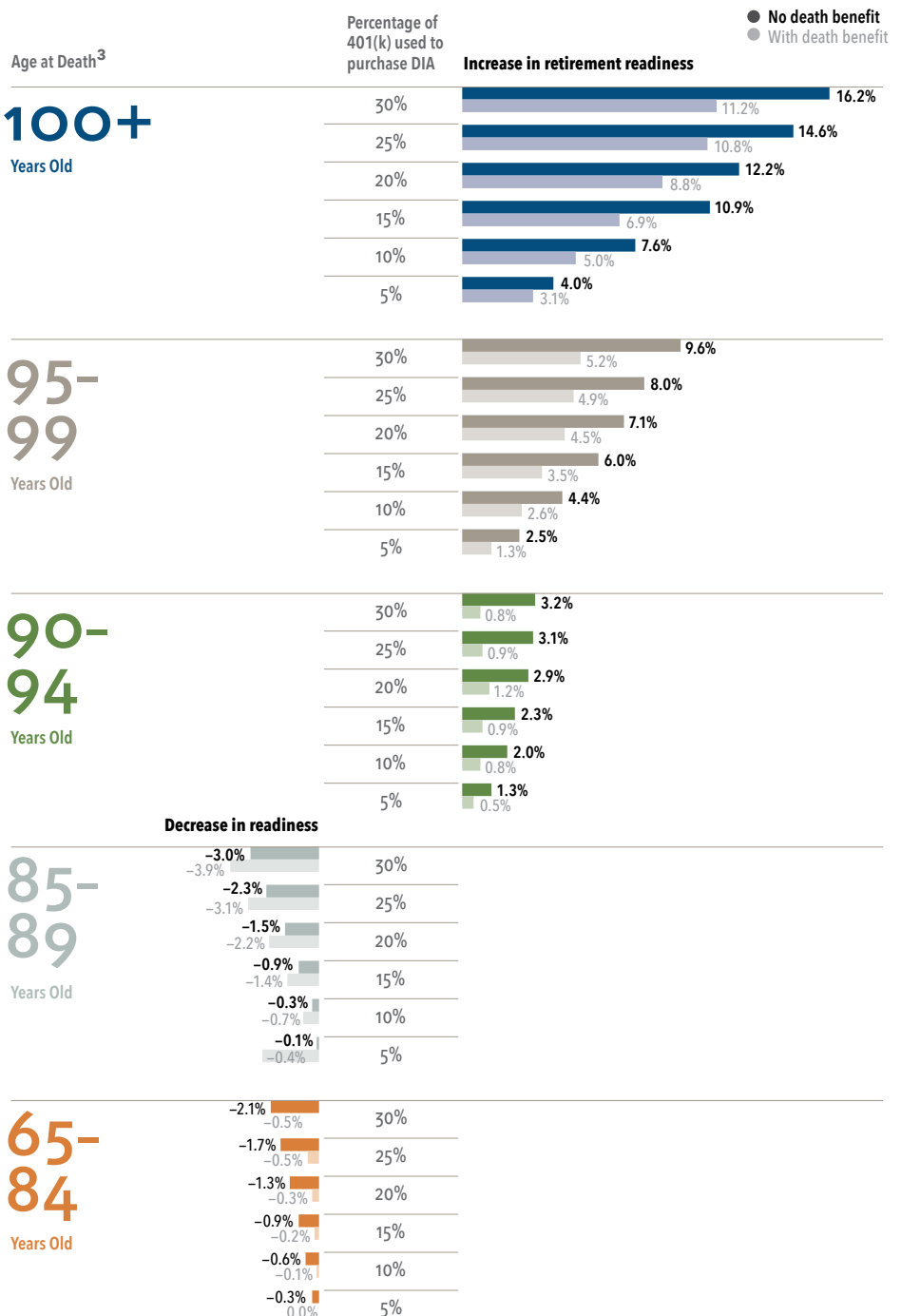
Impact of Deferred Income Annuity (DIA) on Probability of Retirement Success

RETIREMENT READINESS

For each of the groups living beyond age 90, we find an increase in the EBRI Retirement Readiness Rating¹ (RRR) and, as expected, the larger the percentage of 401(k) balance used to purchase a DIA, the larger the percentage increase in RRR. After age 85, the presence of a death benefit reduced RRR.

We find an overall decrease in probability of a successful retirement – as measured by the RRR – for those dying before benefits begin as well as for those dying between ages 85 and 89. This was mitigated somewhat by the presence of a death benefit for those under age 84.

Impact of Deferred Income Annuity Purchases on Retirement Readiness² By Age and Death Benefit Option



¹ The Retirement Readiness Rating is the probability that a household will NOT run short of money in retirement. For additional detail, please see Jack VanDerhei, "What Causes EBRI Retirement Readiness Ratings™ to Vary: Results from the 2014 Retirement Security Projection Model," *EBRI Issue Brief* (February 2014). ² For households currently ages 35-64 who have a 401(k) balance at retirement age (65). EBRI Retirement Security Projection Model® Version 3427. ³ Second death for couples.

Source: Jack VanDerhei. "Deferred Income Annuity Purchases: Optimal Levels for Retirement Income Adequacy." *EBRI Issue Brief*, no. 469 (Employee Benefit Research Institute, January 3, 2019).