

At a Glance | January 3, 2019

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

RETIREMENT READINESS	Impact of Deferred Income Annuity Purchases on Retirement Readiness ²		
For each of the groups living beyond age 90, we find an increase in the EBRI Retirement Readiness Rating ¹ (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,	By Age and Death Be	Percentage of 401(k) used to	 No death benefit With death benefit
	Age at Death ³	purchase DIA	Increase in retirement readiness
	100+ Years Old	30%	16.2% 11.2%
		25%	14.6%
		20%	8.8%
		15%	6.9%
		10%	7.6%
the presence of a death benefit reduced RRR.		5%	4.0%
			9.6%
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	95-	30%	5.2%
		25%	4.9%
	99	20%	4.5%
	Years Old	15%	3.5%
		10%	4.4%
		5%	2.5%
	00-	30%	3.2%
under age 84.	90-	25%	3.1%
	94	20%	2.9%
	Years Old	15%	2.3%
		10%	2.0%
		5%	1.3% 0.5%
		e in readiness	
	Q – 3.9%		_
	-3.		
	89	-1.5% 20%	
	Years Old	-0.9% -1.4% 15%	_
	leais olu	-0.3%	
		-0.1% 5%	_
 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,®" <i>EBRI Issue Brief</i> (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.	65-	-2.1% 30%	
	22-	-1.7% _0.5% 25%	_
	65- 84	-1.3%	
	Years Old	-0.9% 15%	
Source: Jack VanDerhei. "Deferred Income Annuity Purchases:		-0.6% 10%	
Optimal Levels for Retirement Income Adequacy." EBRI Issue Brief, no. 469 (Employee Benefit Research Institute, January 3, 2019).		-0.3% 5%	