



TIAA-CREF Institute

## Research Bundle: Lifetime Income

Research compilation from the TIAA-CREF Institute for Plan Sponsors

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### Theme

Savings is necessary but may not be sufficient to ensure a secure retirement. For that, it helps to have a guaranteed income stream you can't outlive.

Annuitization offers an effective and economical way to help achieve lifetime income.

### Institute research studies

This research bundle draws on conclusions from the following Institute research studies. Click on the study name for the full report.

[<sup>1</sup>Converting Assets to Income in Retirement: What Near-Retirees are Thinking](#)

[<sup>2</sup>Retirees, Annuitization and Defined Contribution Plans](#)

[<sup>3</sup>A Paycheck for Life: The Role of Annuities in Your Retirement Portfolio](#)

[<sup>4</sup>Designing and Framing Annuities](#)

[<sup>5</sup>Framing and Annuities](#)

### Transitioning from wealth accumulation to guaranteed income

Research conducted or sponsored by the TIAA-CREF Institute addresses one of the toughest retirement challenges consumers face: turning their retirement savings into an income stream that can last a lifetime.

#### How does guaranteed lifetime income affect retirement security?

- Institute research suggests two-thirds of higher education near-retirees fear they will run out of money in retirement and are unsure about the best way to draw income from their savings.<sup>1</sup> While many distribution strategies can provide income, annuitization guarantees an income stream you cannot outlive.<sup>2</sup>
- Moreover, according to Jeffrey R. Brown, Professor of Finance at the University of Illinois, for any given level of guaranteed monthly income for life, an annuity generally provides this income at lower cost than any other product. How is that possible? It's because the insurance companies that provide annuities pool resources across a large number of retirees, some of whom may have shorter lives than average. The resources that those retirees contribute to the annuity pool can be used to pay income to other retirees who may live longer than average.<sup>3</sup>

#### What does the research suggest people like and dislike about annuities?

- Studies show that people's fears of losing control over their savings and worries that an annuity provider will fail are key reasons why people resist annuitization.<sup>4</sup> Accordingly, how annuities are framed influences decisions. Highlighting the loss of flexibility and control reduces take-up rates, as does describing annuities in investment terms, which can make annuities seem risky if you die prematurely.<sup>5</sup>
- However, when annuities are described in consumption terms – e.g., how much a product would allow its purchaser to spend and for how long – interest levels increase, as this description makes clear that annuities act as a hedge against the risk of outliving your savings.<sup>5</sup>
- Allowing people to annuitize a portion of their wealth, instead of forcing an all-or-nothing decision, also tends to increase annuitization rates, as does offering "bonus" payments in a month of the participant's choosing, funded by lower payments in other months.<sup>4</sup>



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