2019 RCS FACT SHEET #6

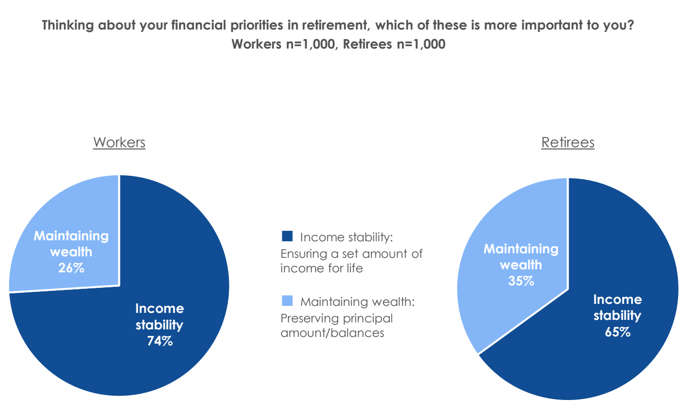
Income Stability vs. Maintaining Wealth
Managing Own Assets vs. Guaranteed Income

Do workers and retirees place more importance on income stability or maintaining wealth in retirement? Does this change with different characteristics of workers and retirees? When choosing between taking one of two approaches of managing their own savings and investments and purchasing a product that guarantees a set amount of monthly income for life, which will workers and retirees take? If they say they will take a combination of both options, how are the assets divided between the two options?

Income Stability vs. Maintaining Wealth in Retirement

Three-quarters (74 percent) of workers say that income stability is more important when thinking about their financial priorities in retirement compared with 26 percent saying that maintaining wealth is more important (Figure 1). Retirees prioritize income stability in retirement over maintaining wealth but at a somewhat lower rate of 65 percent.

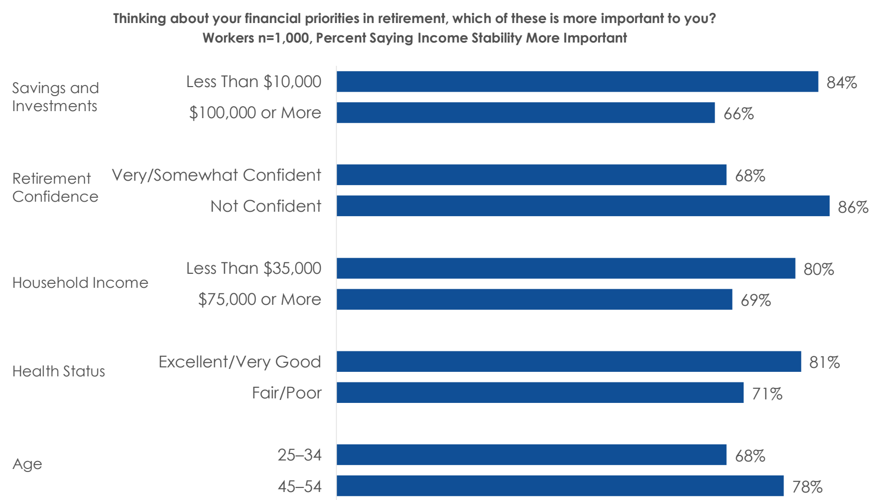
Figure 1
Workers and Retirees: Which Is More Important – Income Stability or Maintaining Wealth in Retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

Workers with lower savings and lower household income are more likely to say income stability is more important (84 percent of workers with less than $10,000 in savings vs. 66 percent of workers with $100,000 or more in savings and 80 percent of workers with household incomes of less than $35,000 vs. 69 percent of workers with incomes of $75,000 or more). Furthermore, workers who are ages 45–54, are not confident in their ability to have enough money to live comfortably financially throughout retirement, or having excellent/very good health status are more likely to say income stability is more important (Figure 2).

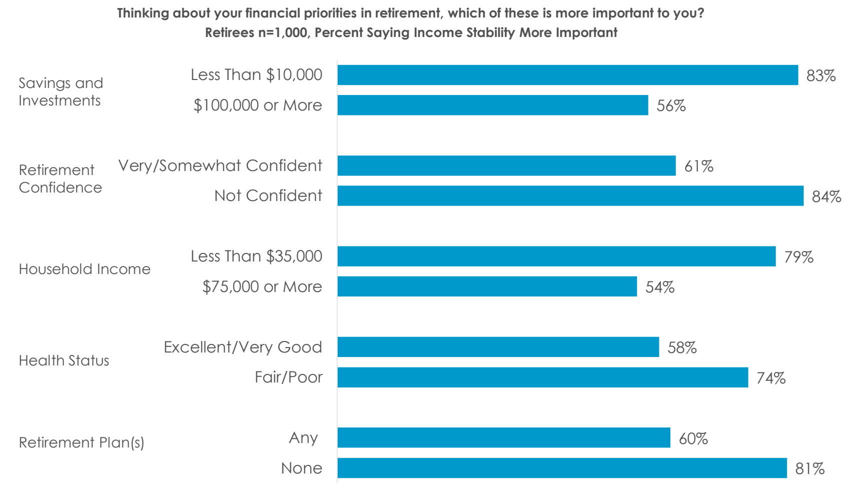
Figure 2
Workers: Importance of Income Stability, by Various Characteristics



Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

Similarly, retirees who have lower savings, have lower household income, are not confident in their ability to have enough money to live comfortably throughout retirement, or have a poorer health status are also more likely to say that income stability is more important (Figure 3). Another differentiating factor for retirees is if they have any type of retirement plan (defined benefit plan, defined contribution plan, or individual retirement account). Retirees without a retirement plan are more likely to say income stability is more important (81 percent vs. 60 percent for those with a plan).

Figure 3
Retirees: Importance of Income Stability, by Various Characteristics



Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

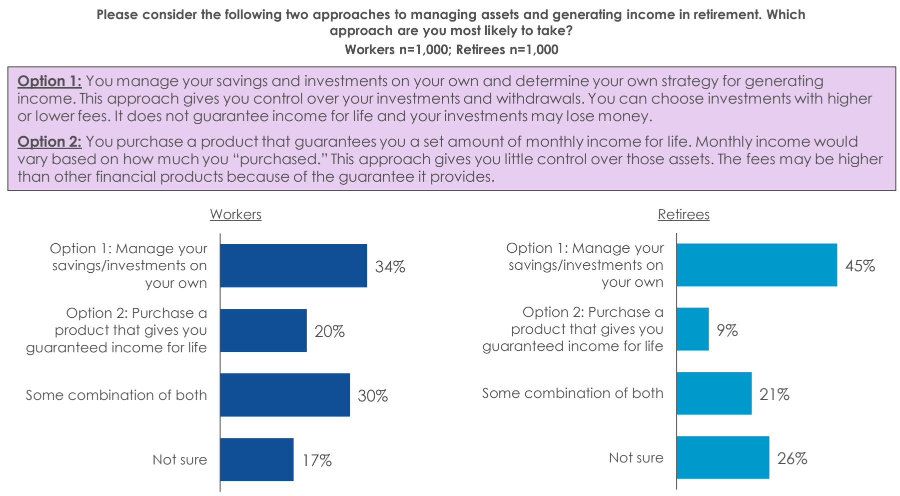
Managing Own Assets vs. Guaranteed Income

In the 2019 Retirement Confidence Survey, respondents are asked about two approaches to managing assets and generating income in retirement.

> **Option 1:** You manage your savings and investments on your own and determine your own strategy for generating income. This approach gives you control over your investments and withdrawals. You can choose investments with higher or lower fees. It does not guarantee income for life and your investments may lose money.
>
> **Option 2:** You purchase a product that guarantees you a set amount of monthly income for life. Monthly income would vary based on how much you "purchased." This approach gives you little control over those assets. The fees may be higher than other financial products because of the guarantee it provides.

One-third of workers say they would take option 1 (34 percent) or some combination of both options (30 percent), while 2 in 10 say they would take option 2 or they are not sure of which option (Figure 4). Retirees are much more likely to take option 1 (45 percent) and much less likely to say option 2 (9 percent). More retirees are unsure which option they would take (26 percent) and are less likely to say they would take some combination of both (21 percent).

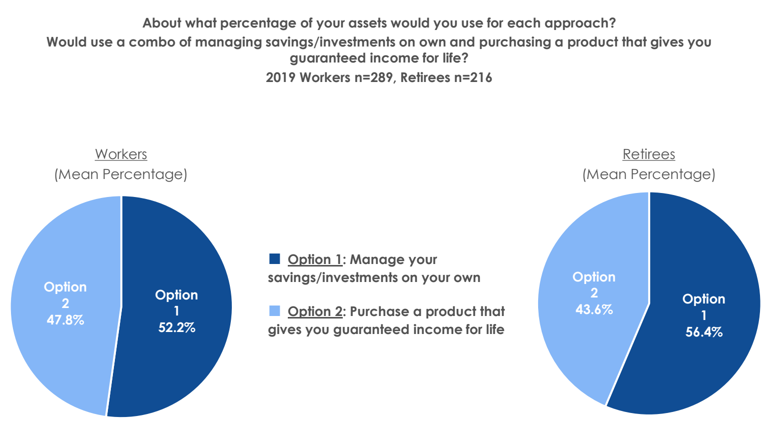
Figure 4
Workers and Retirees Choice Between Managing Own Savings and Purchasing Guaranteed-for-Life Monthly Income Products



Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

Of workers who say they would use some combination of the options, the average allocation of their assets to option 1 is 52.2 percent and 47.8 percent to option 2. The allocation to option 1 among retirees who say they would use some combination of both is higher than for workers at 56.4 percent, while option 2's allocation is correspondingly lower at 43.6 percent (Figure 5).

Figure 5
Average Allocation of Workers and Retirees Who Said They Would Use Some Combination of Managing Own Assets and Purchasing a Guaranteed Income Product



Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

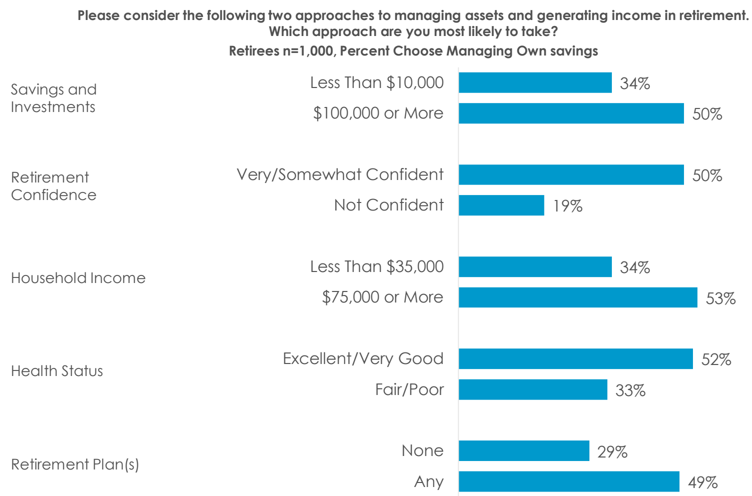
Workers who have higher household incomes, have higher savings and investments, have excellent/very good health status, are confident in being able to live comfortably financially throughout their retirement, and those who have any type of retirement plan are more likely to say that they would take managing their own savings and investments as their approach (Figure 6).

Figure 6
Workers: Choice Between Managing Own Savings and Purchasing Guaranteed-for-Life Monthly Income Products, by Various Characteristics

Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

Retirees with the same characteristics are more likely to take the approach of managing their own savings. However, the differences in taking the approach of managing their own savings are more pronounced among retirees. For example, 50 percent of retirees who are confident in being able to live comfortably financially throughout retirement say they would take the approach of managing their own savings, compared with 19 percent of retirees who say they were not confident in their retirement prospects who say they would take this approach (Figure 7).

Figure 7
Retirees: Choice Between Managing Own Savings and Purchasing Guaranteed-for-Life Monthly Income Products, by Various Characteristics



Source: Employee Benefit Research Institute and Greenwald & Associates, 2019 Retirement Confidence Survey.

For workers and retirees who say they would take some combination of both approaches, the average allocations between the two approaches are not different among any of the characteristic groups where they are found to be different between taking the approach of managing their own savings and investments.

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