RCS RETIREMENT CONFIDENCE SURVEY®

2020 RCS FACT SHEET #6

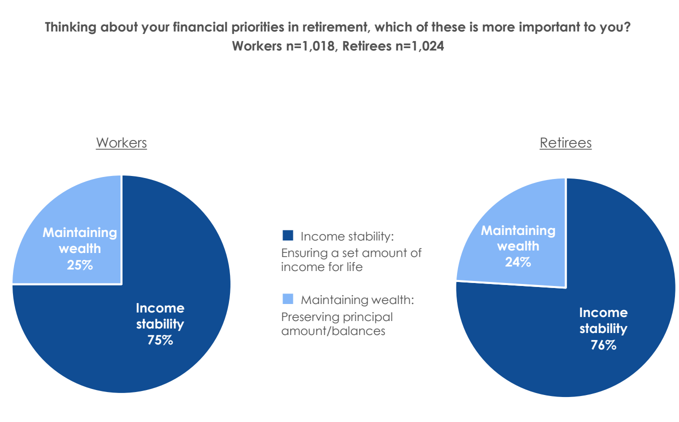
Income Stability vs. Maintaining Wealth
Managing Own Assets vs. Guaranteed Income

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?

Income Stability vs. Maintaining Wealth in Retirement

Three-quarters (75 percent) of workers say that income stability is more important when thinking about their financial priorities in retirement compared with 25 percent saying that maintaining wealth is more important (Figure 1). Retirees are also similarly more likely to say that income stability in retirement is more important than maintaining wealth (76 percent vs. 24 percent).

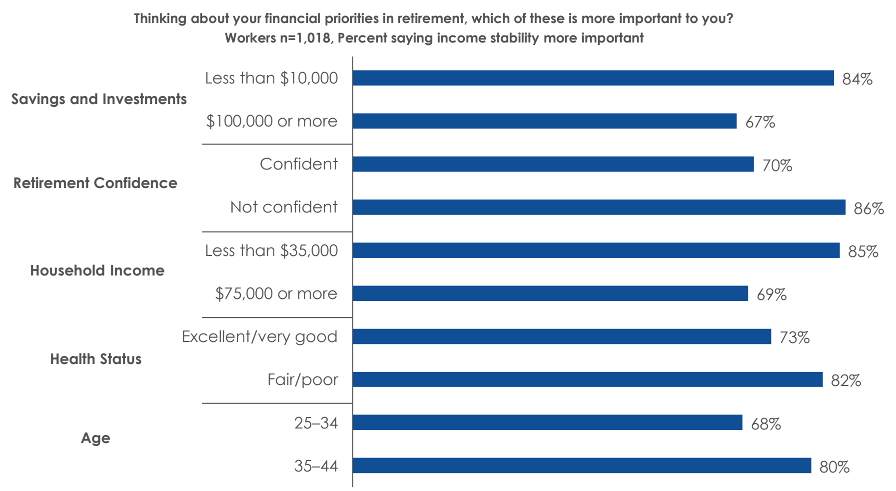
Figure 1
Workers and Retirees: Which Is More Important — Income Stability vs. Maintaining Wealth in Retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey.

Workers with lower savings and household income are more likely to say income stability is more important (84 percent of workers with less than $10,000 in savings vs. 67 percent of workers with $100,000 or more in savings and 85 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 not confident in their ability to have enough money to live comfortably financially throughout retirement or having a poorer health status are more likely to say income stability is more important. The youngest workers (ages 25–34) are least likely to say income stability is more important, but the next oldest workers (ages 35–44) are the most likely to say income stability is more important (Figure 2).

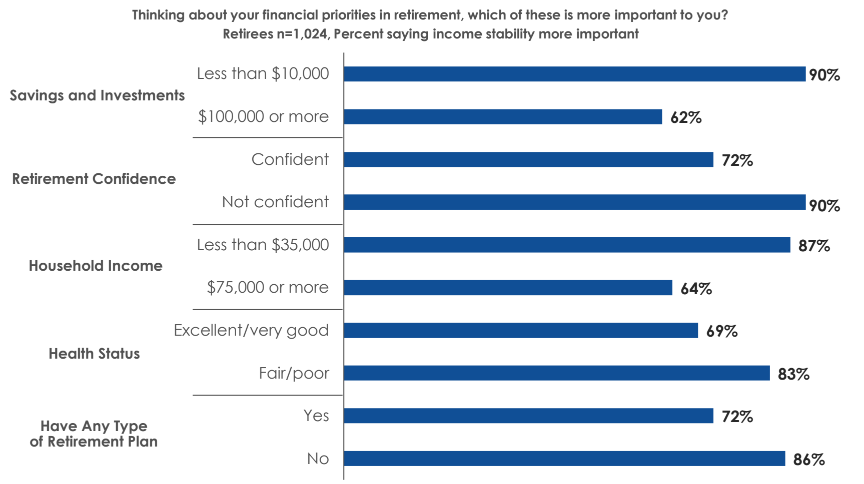
Figure 2
Workers: Which Is More Important — Income Stability vs. Maintaining Wealth in Retirement, by Various Characteristics



Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey.

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 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 (86 percent for retirees without a plan vs. 72 percent for those with a plan).

Figure 3
Retirees: Which Is More Important — Income Stability vs. Maintaining Wealth in Retirement, by Various Characteristics



Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey.

Managing Own Assets vs. Guaranteed Income

In the 2020 Retirement Confidence Survey, respondents are asked about two approaches to managing assets and generating income in retirement.

> **<u>Option 1:</u>** 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.
>
> **<u>Option 2:</u>** 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.

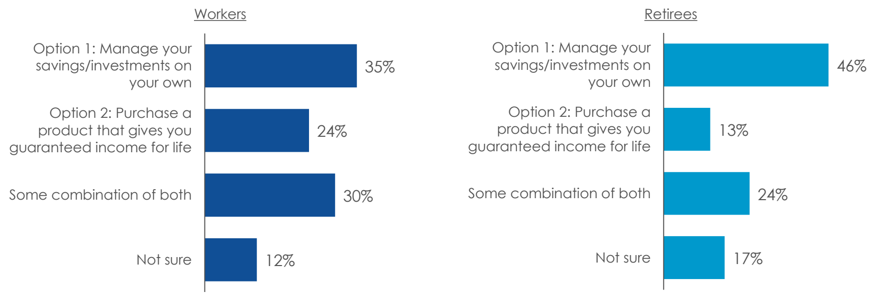
At least 3 in 10 workers say they would take option 1 (35 percent) or some combination of both options (30 percent), while 24 percent say they would take option 2 and 12 percent are not sure of which option to choose (Figure 4). Retirees are much more likely to take option 1 (46 percent) and much less likely to say option 2 (13 percent). Two in ten retirees are unsure which option they would take (17 percent) and 1 in 4 say they would take some combination of both (24 percent).

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

Please consider the following two approaches to managing assets and generating income in retirement. Which approach are you most likely to take?
Workers n=1,018, Retirees n=1,024

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.



Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey.

In the 2019 Retirement Confidence Survey, the workers who said they would use some combination of the options were asked how they would allocate their assets between the two options. The average allocation of their assets to option 1 was 52.2 percent and 47.8 percent to option 2. The allocation to option 1 among retirees who said they would use some combination of both was higher than for workers at 56.4 percent, while option 2's allocation was correspondingly lower at 43.6 percent.

Workers who are older, have higher savings and investments, have excellent/very good health status, are confident in being able to live comfortably financially throughout their retirement, and 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 5).

Figure 5
Workers: Choice Between Managing Own Savings and Purchasing Guaranteed-for-Life Monthly Income Products, by Various Characteristics

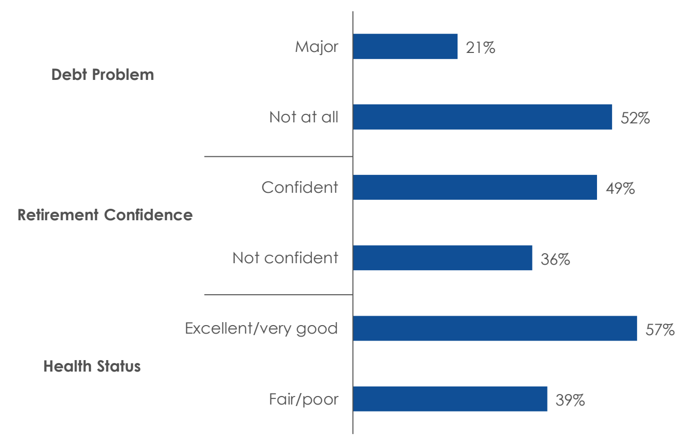
Please consider the following two approaches to managing assets and generating income in retirement. Which approach are you most likely to take? (Workers n=1,018, Percent choosing managing own savings)

Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey.

Retirees who are confident in being able to live comfortably financially throughout retirement, report debt is not a problem at all, and report their health status as excellent/very good are more likely to say that they would take the approach of managing their own savings (Figure 6).

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

Please consider the following two approaches to managing assets and generating income in retirement. Which approach are you most likely to take? (Retirees n=1,024, Percent choosing managing their savings)



Source: Employee Benefit Research Institute and Greenwald & Associates, 2020 Retirement Confidence Survey.

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