



Data Summary

How Will Near-Retirees Manage Retirement Savings for Retirement Income?

A Survey of TIAA-CREF Participants

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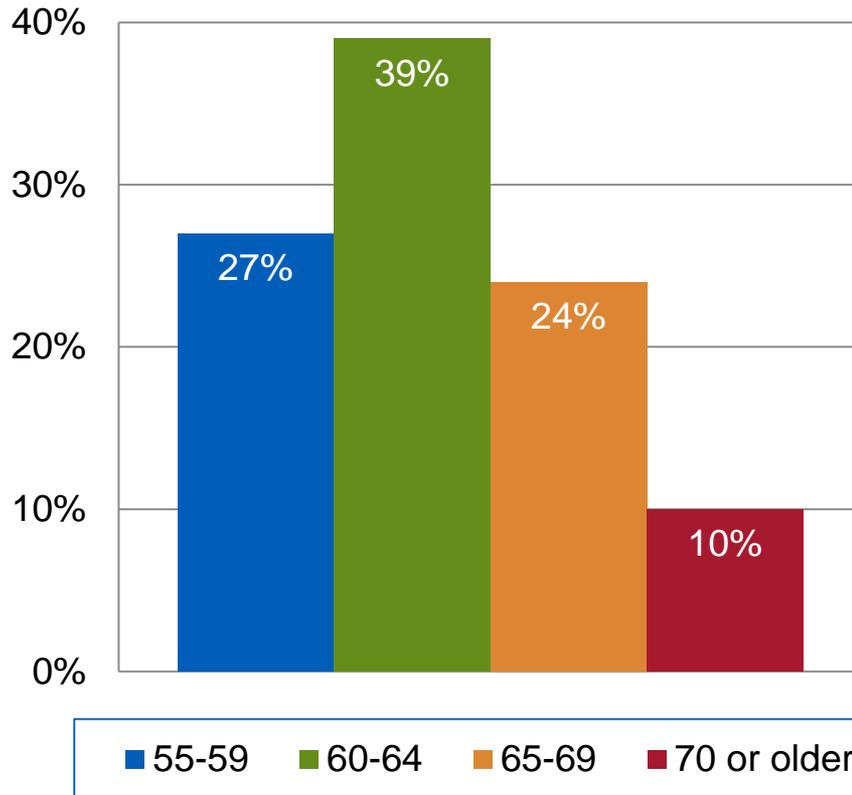
TIAA-CREF Institute

Savings to Income Survey—near-retiree data

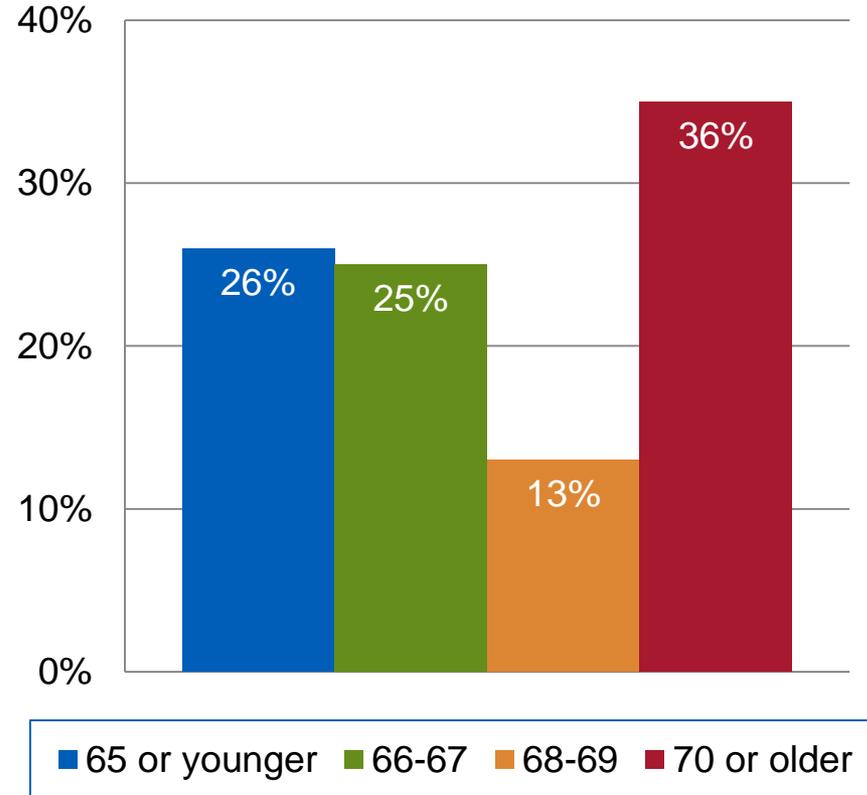
- This research examines how near-retirees with significant assets in tax-qualified retirement accounts expect to convert their savings to income during retirement and the factors that influence those expectations. In particular, the research focuses on potential annuitization of retirement savings.
- 501 near-retirees with these characteristics were surveyed:
 - Age 55 or older
 - Not retired
 - At least \$400,000 in defined contribution and/or IRA assets
 - Expect no defined benefit pension income

Near-retiree demographics

Current age



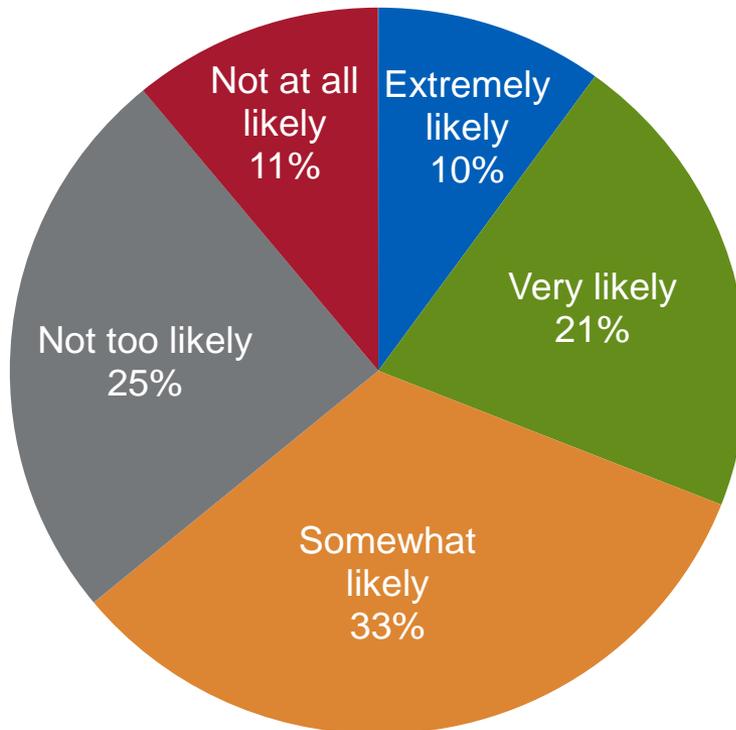
Expected retirement age



The relatively large share of near-retirees expecting to retire at age 70 or older reflects common experience among college and university faculty, though the survey is not restricted to higher education faculty.

To annuitize or not?

How likely are you to annuitize some money from a retirement savings plan such as a 403(b), 401(k) or IRA?



Among near-retirees who are extremely likely to annuitize, one-quarter report that they are required to do so with some of their retirement savings, one-third are not required to do so and the others are not sure if they will be required to annuitize any savings.

Confidence in retirement finances

How confident are you that you (and your spouse) will...

	Extremely confident	Very confident	Somewhat confident	Not too/not at all confident
...be able to maintain a comfortable standard of living throughout retirement?				
Extremely/very likely to annuitize	10%	42%	45%	3%
Somewhat likely to annuitize	9	47	39	5
Not too/not at all likely to annuitize	18	47	30	5
...not outlive your savings and financial assets?				
Extremely/very likely to annuitize	12%	38%	44%	6%
Somewhat likely to annuitize	9	40	40	10
Not too/not at all likely to annuitize	15	41	35	9

Why is retirement confidence somewhat higher among those likely to not annuitize? Does confidence affect intentions to annuitize, or vice versa?

Confidence in retirement finances

How confident are you that you (and your spouse) will...

	Extremely confident	Very confident	Somewhat confident	Not too/not at all confident
...have the best strategy to manage and draw income from your retirement savings during retirement?				
Extremely/very likely to annuitize	6%	42%	41%	12%
Somewhat likely to annuitize	5	40	43	12
Not too/not at all likely to annuitize	12	40	36	12
...have enough money to take care of unexpected expenses during retirement?				
Extremely/very likely to annuitize	7%	30%	48%	15%
Somewhat likely to annuitize	6	34	50	10
Not too/not at all likely to annuitize	12	38	40	11

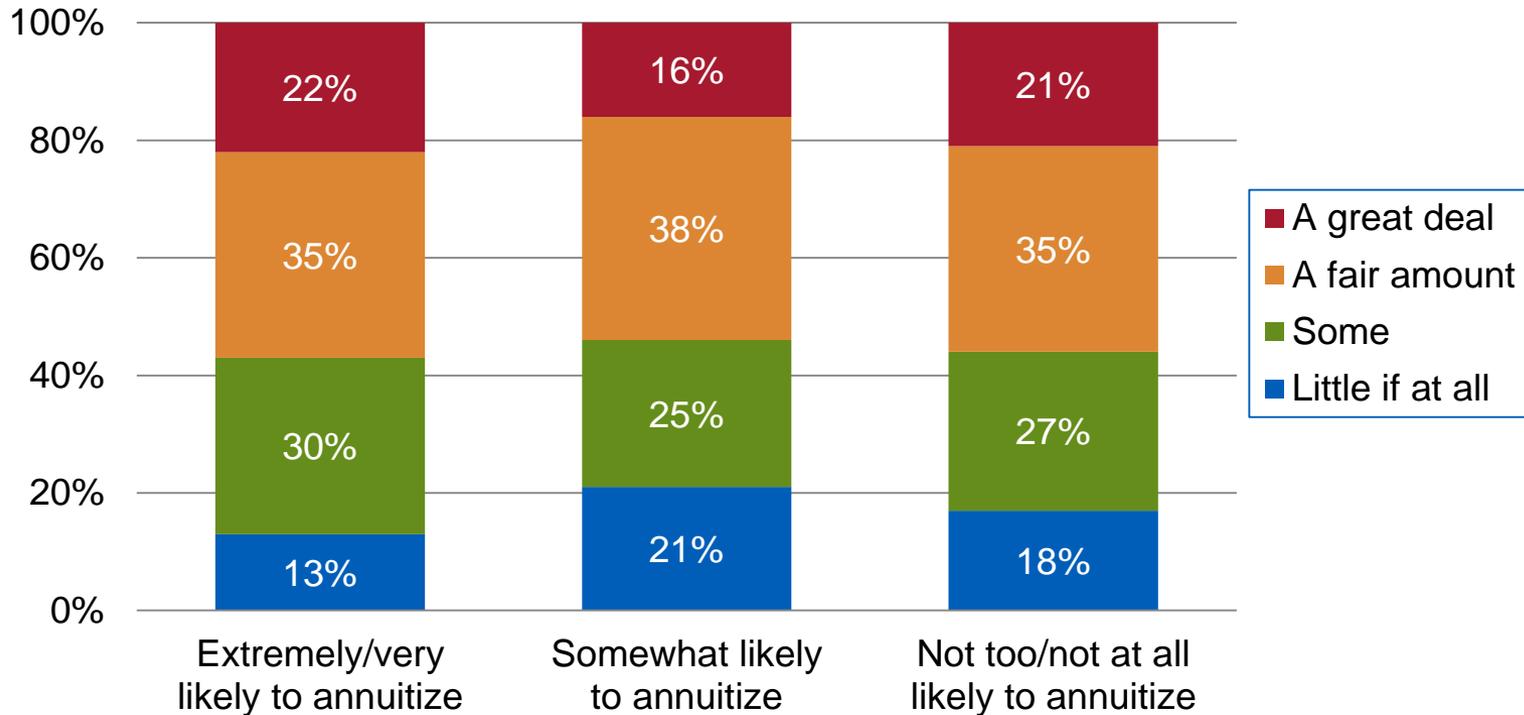
Confidence in retirement finances

How confident are you that you (and your spouse) will...

	Extremely confident	Very confident	Somewhat confident	Not too/not at all confident
...have enough money to take care of medical expenses during retirement?				
Extremely/very likely to annuitize	9%	32%	47%	12%
Somewhat likely to annuitize	5	35	49	10
Not too/not at all likely to annuitize	14	39	36	11
...have enough money to take care of long-term care expenses if you need it?				
Extremely/very likely to annuitize	8%	26%	43%	23%
Somewhat likely to annuitize	5	26	47	22
Not too/not at all likely to annuitize	8	34	39	20

Decumulation planning during accumulation

How much thought have you given to how you will manage and draw income from your retirement savings during retirement?



Many near-retirees have given limited thought to how they will convert their retirement savings to retirement income. This is true irrespective of intentions to annuitize any retirement savings.

Top financial priorities in retirement

How much of a priority is [this issue] when it comes to managing your personal finances during retirement?

	Very high	High	Moderate	Low/not
Not outliving savings and financial assets				
Extremely/very likely to annuitize	53%	42%	5%	0%
Not too/not at all likely to annuitize	44	39	12	5
Having a guaranteed income stream sufficient to cover basic expenses				
Extremely/very likely to annuitize	53%	39%	6%	1%
Not too/not at all likely to annuitize	40	41	14	5
Ensuring the financial security of your spouse if you die first				
Extremely/very likely to annuitize	48%	36%	11%	5%
Not too/not at all likely to annuitize	48	44	7	1

Near-retirees likely to annuitize and those likely to not annuitize share the same top financial priorities for retirement, though the rank ordering differs somewhat.

Annuitization is consistent with each top priority. So is there a disconnect between priorities and intentions among those likely to not annuitize?

Low financial priorities in retirement

How much of a priority is [this issue] when it comes to managing your personal finances during retirement?

	Very high	High	Moderate	Low/not
Earning a high rate of return on your financial assets				
Extremely/very likely to annuitize	12%	22%	58%	9%
Not too/not at all likely to annuitize	11	33	45	11
Leaving an inheritance				
Extremely/very likely to annuitize	4%	14%	37%	45%
Not too/not at all likely to annuitize	12	22	32	35
Having professionals manage your financial assets				
Extremely/very likely to annuitize	6%	33%	31%	29%
Not too/not at all likely to annuitize	9	18	31	41

These items are relatively low financial priorities among both near-retirees likely to annuitize and those likely to not annuitize. So they should not matter for decumulation.

These items would pose a barrier to annuitization **if** they were high priorities, but they are not, even among most near-retirees likely to not annuitize.

Mid-level financial priorities in retirement

How much of a priority is [this issue] when it comes to managing your personal finances during retirement?

These items are mid-level financial priorities among both groups.

Given that other items are generally higher priorities among near-retirees, these should not be barriers to annuitization in practice.

Again, there appears to be a disconnect between priorities and intentions among those likely to not annuitize.

	Very high	High	Moderate	Low/not
Maintaining direct control of your financial assets				
Extremely/very likely to annuitize	24%	49%	22%	5%
Not too/not at all likely to annuitize	31	44	23	2
Preserving your financial assets				
Extremely/very likely to annuitize	23%	47%	26%	4%
Not too/not at all likely to annuitize	22	45	29	4
Maintaining the same standard of living throughout retirement				
Extremely/very likely to annuitize	23%	44%	30%	3%
Not too/not at all likely to annuitize	25	43	27	5
Having the flexibility to adjust your income as needed over time				
Extremely/very likely to annuitize	19%	51%	27%	3%
Not too/not at all likely to annuitize	24	51	21	4

If very or extremely likely to annuitize

Reasons for expecting to annuitize retirement savings

	Extremely important	Very important	Somewhat important	Not too/not at all important
Helping to cover basic living expenses	46%	36%	11%	7%
Providing income for spouse if annuitant dies first	43	28	18	11
Cannot outlive the income stream	41	38	18	4
The certainty of a constant level of income	34	49	13	4
Maintaining standard of living over time	26	43	28	3

The top reasons why near-retirees likely to annuitize retirement savings expect to do so are consistent with the top financial priorities noted earlier.

If not too or not at all likely to annuitize

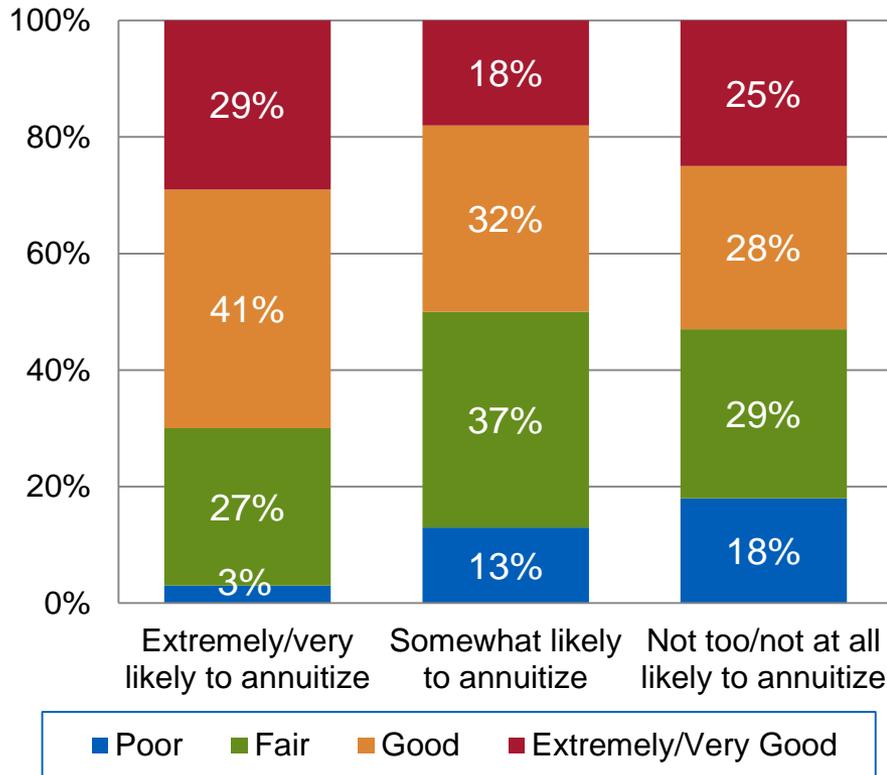
Reasons for expecting to not annuitize retirement savings

	Extremely important	Very important	Somewhat important	Not too/not at all important
Wanting to keep direct control of the money	24%	43%	24%	9%
Being unable to access the money if needed	21	41	26	12
The possibility of losing money if you die prematurely	22	37	18	24
Think it is a poor investment	19	25	36	21
The expense of fees and charges	14	26	33	28
Having Social Security or other income sources	12	20	32	36

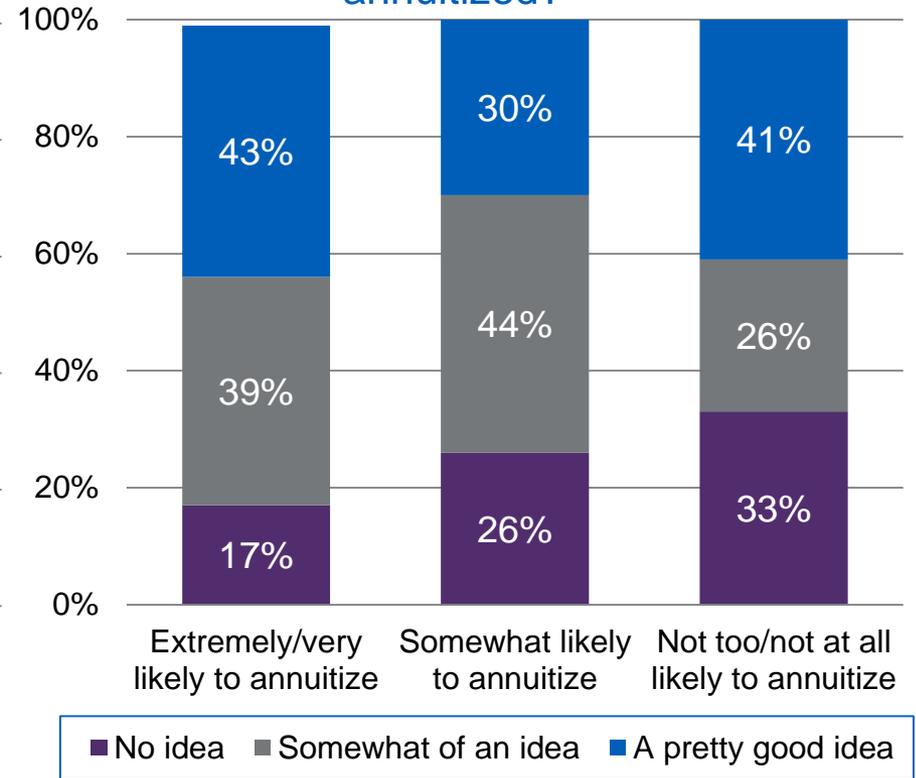
There does not appear to be a strong, overriding reason why near-retirees likely to not annuitize expect to not do so; no reason rates as “extremely important” among 30% of those expecting to not annuitize retirement savings.

A lack of understanding?

How would you rate your understanding of annuities and annuitization?



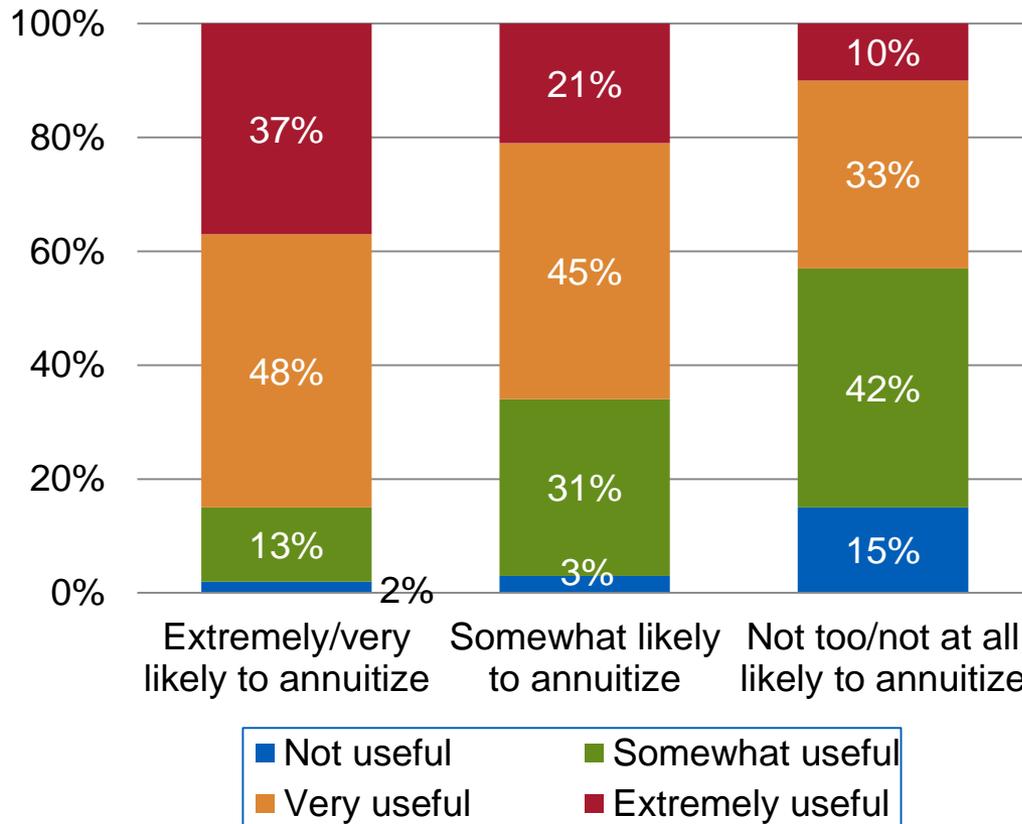
Do you have an idea of how much income your savings would provide if annuitized?



Many near-retirees likely to not annuitize report having a limited understanding of annuities and of the income level that annuitization of their retirement savings would produce.

Connecting the disconnect

How useful would it be if your retirement savings plan quarterly statement showed how much monthly income would result from annuitizing 25%, 50%, 75% and 100% of your balance?



Most near-retirees likely to annuitize view income projections as extremely or very useful. On the other hand, most of those likely to not annuitize see limited value in such information, even though they admittedly don't understand a lot about annuitization.

Impact of advice

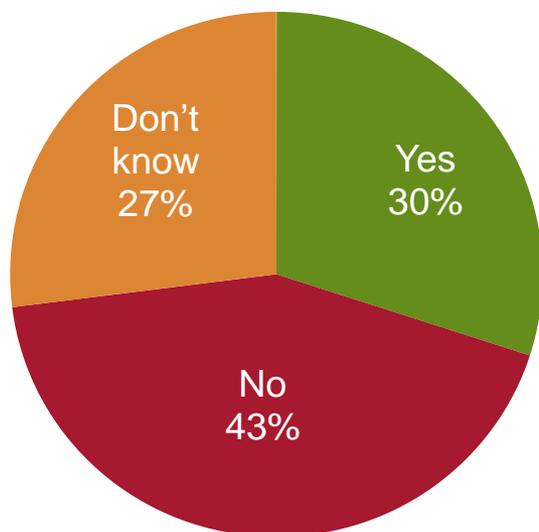
	Extremely/very likely to annuitize	Somewhat likely to annuitize	Not too/not at all likely to annuitize
Have you worked with a professional financial advisor in the course of planning and saving for retirement?			
Yes	66%	63%	67%
No	34	37	33
What advice have you received about annuitizing some of your retirement savings? <i>(if worked with an advisor)</i>			
Annuitize	45%	22%	14%
Do not annuitize	5	9	23
No advice	49	69	63

While equally likely to have worked with a financial advisor, near-retirees likely to annuitize and those likely to not annuitize tend to receive different advice. Those likely to annuitize are 30 percentage points more likely to have been advised to do so. On the other hand, those likely to not annuitize are almost 20 percentage points more likely to have been advised to not annuitize; they are also more likely to have received no advice regarding annuitization.

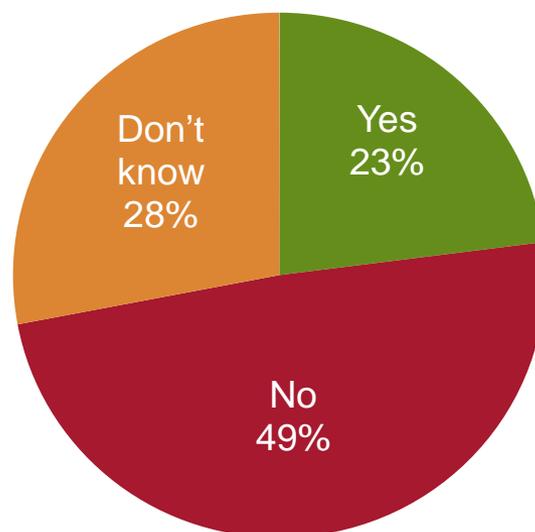
Impact of accumulation stage plan design

Are any retirement savings invested in a deferred annuity?

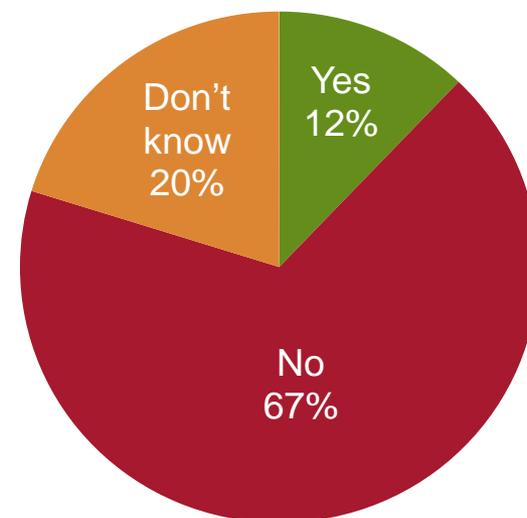
Those extremely/very likely to annuitize



Those somewhat likely to annuitize



Those not too/not at all likely to annuitize



Exposure to and experience with annuities during accumulation appears to matter for decumulation decision making. Thirty percent of near-retirees likely to annuitize have retirement savings invested in a deferred annuity compared with 12% of those likely to not annuitize. Among those somewhat likely to annuitize, 23% are invested in a deferred annuity.

Near-retirees likely to annuitize and those likely to not annuitize share the same top financial priorities for their personal finances during retirement, each of which is consistent with annuitization.

- Not outliving savings and financial assets
- Having a guaranteed income stream sufficient to cover basic expenses
- Ensuring the financial security of a spouse if they should die first

There appears to be a disconnect between financial priorities and expectations for retirement savings decumulation among those likely to not annuitize.

Why do some near-retirees expect to annuitize, while others do not?

- Advice matters. Those likely to annuitize are 30 percentage points more likely to have been advised to do so. Those likely to not annuitize are 20 percentage points more likely to have been advised to not do so.
- Experience with annuities during accumulation matters for decumulation. Thirty percent of near-retirees likely to annuitize have retirement savings invested in a deferred annuity compared with 12% of those likely to not annuitize.