



## Data Summary

# How Retirees Manage Retirement Savings for Retirement Income

## *A Survey of TIAA-CREF Participants*

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October 2015



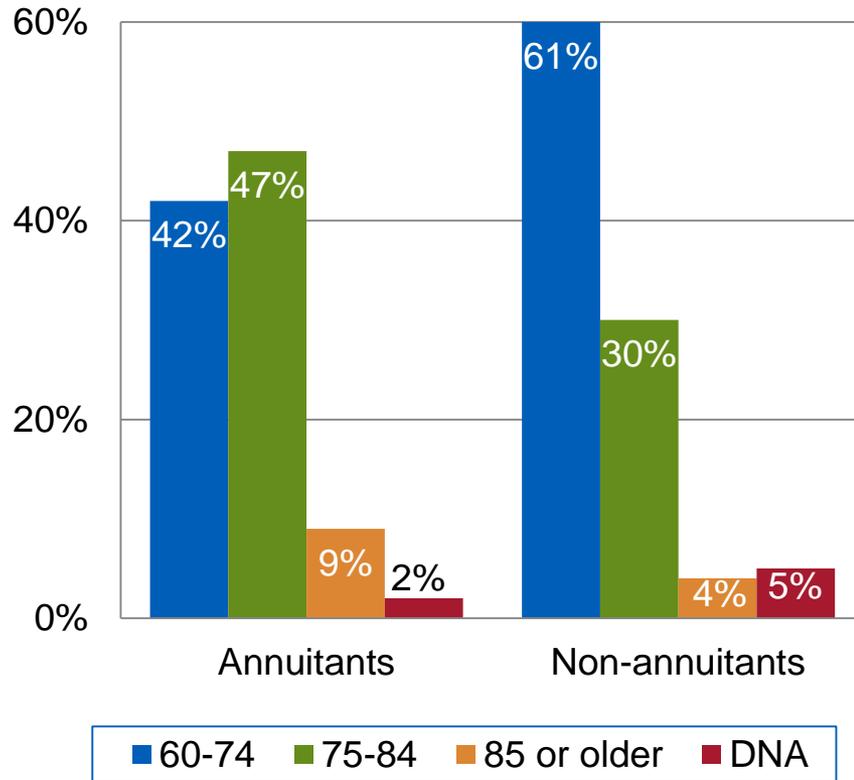
TIAA-CREF Institute

## *Savings to Income Survey—retiree data*

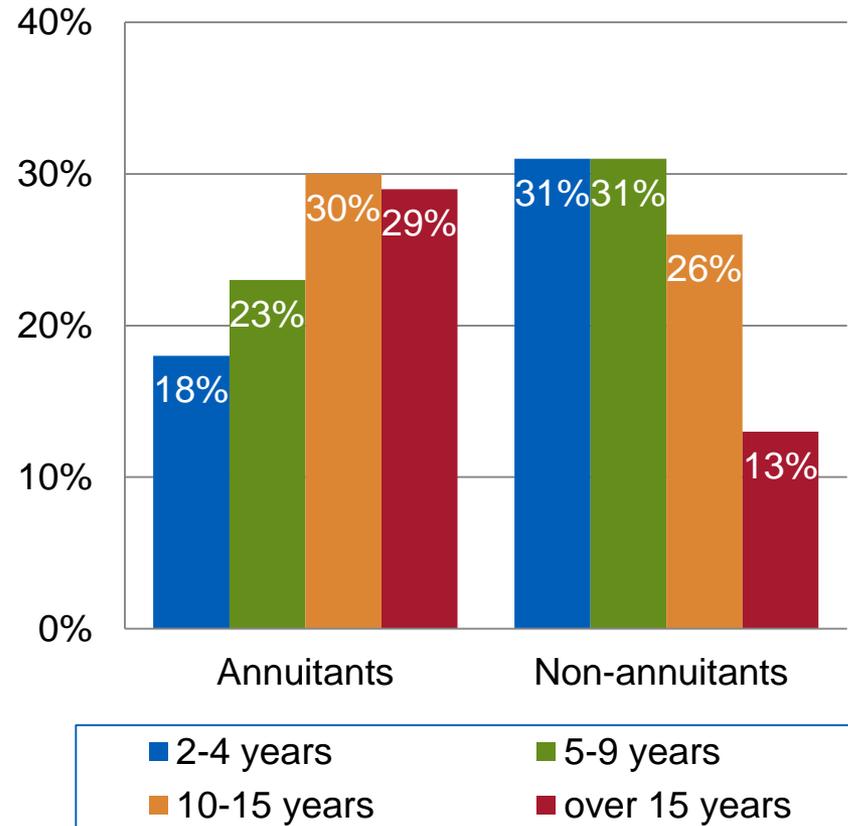
- This research examines how retirees with significant assets in tax-qualified retirement accounts convert their savings to income during retirement and the factors that influence their decisions. In particular, the research examines the similarities and differences between those who annuitize any of their savings and those who do not.
- 1,000 retirees with these characteristics were surveyed:
  - Age 60 or older
  - Retired with at least \$400,000 in defined contribution and/or IRA assets
  - No defined benefit pension income
  - 500 receiving annuitized payments (annuitants)
  - 500 not receiving annuitized payments (non-annuitants)

# Annuitant and non-annuitant demographics

Current age

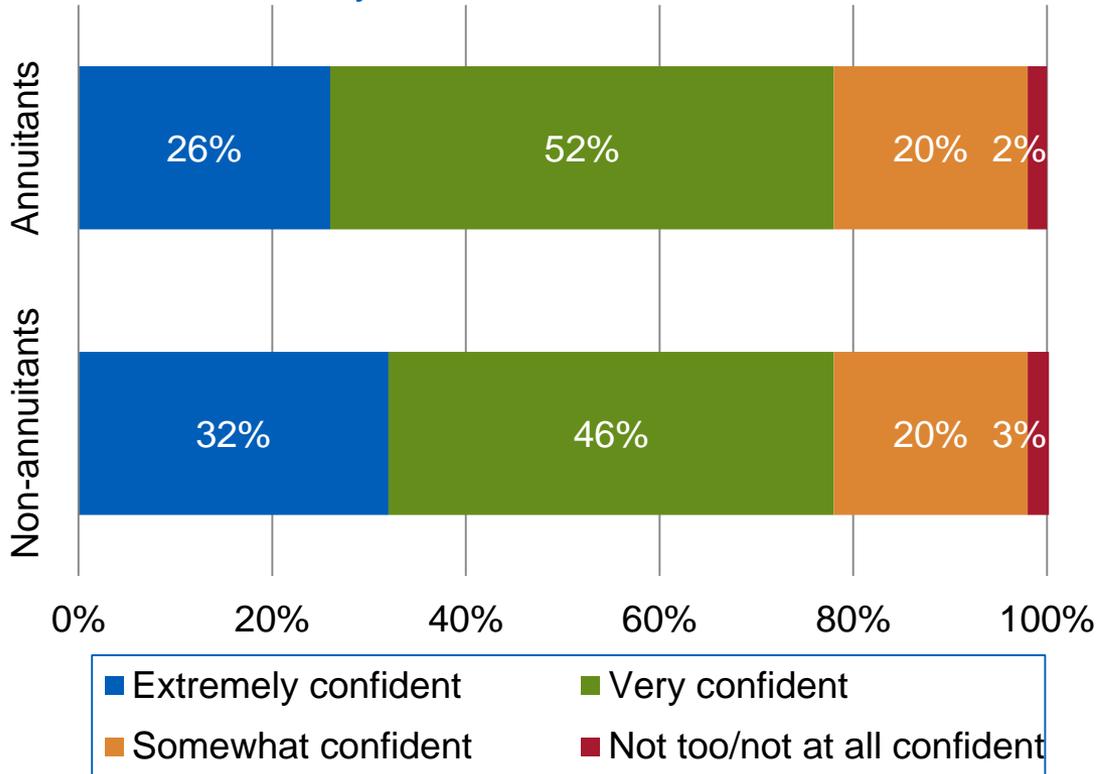


Years retired



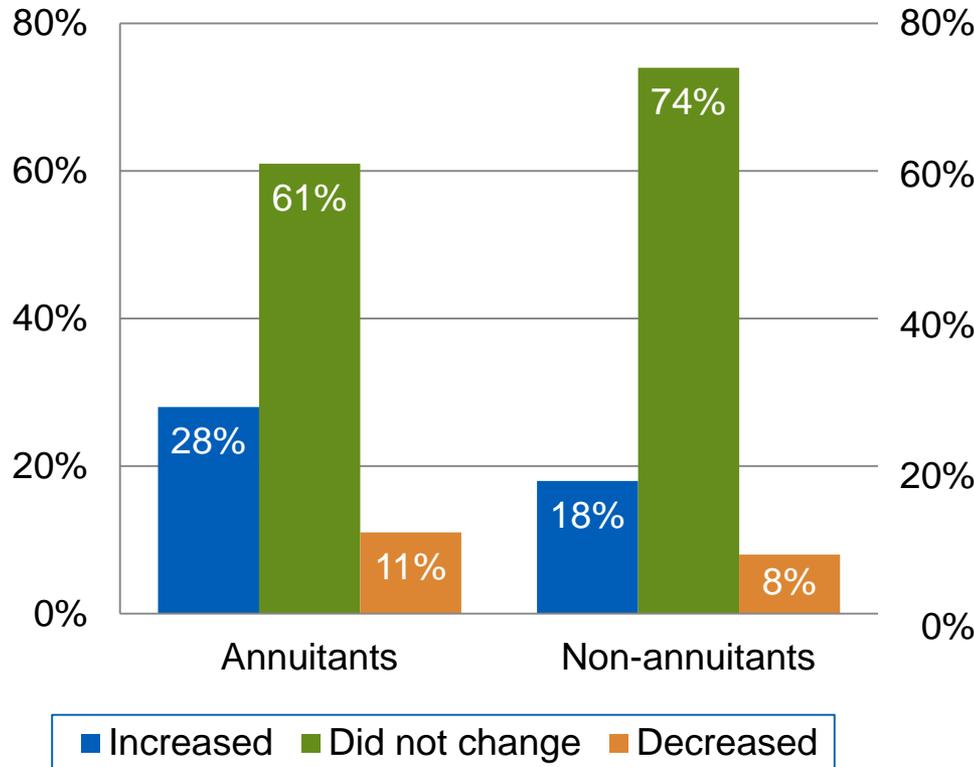
Non-annuitants tend to be younger than annuitants, and they tend to have retired more recently.

When you retired, how confident were you that you could afford to retire?

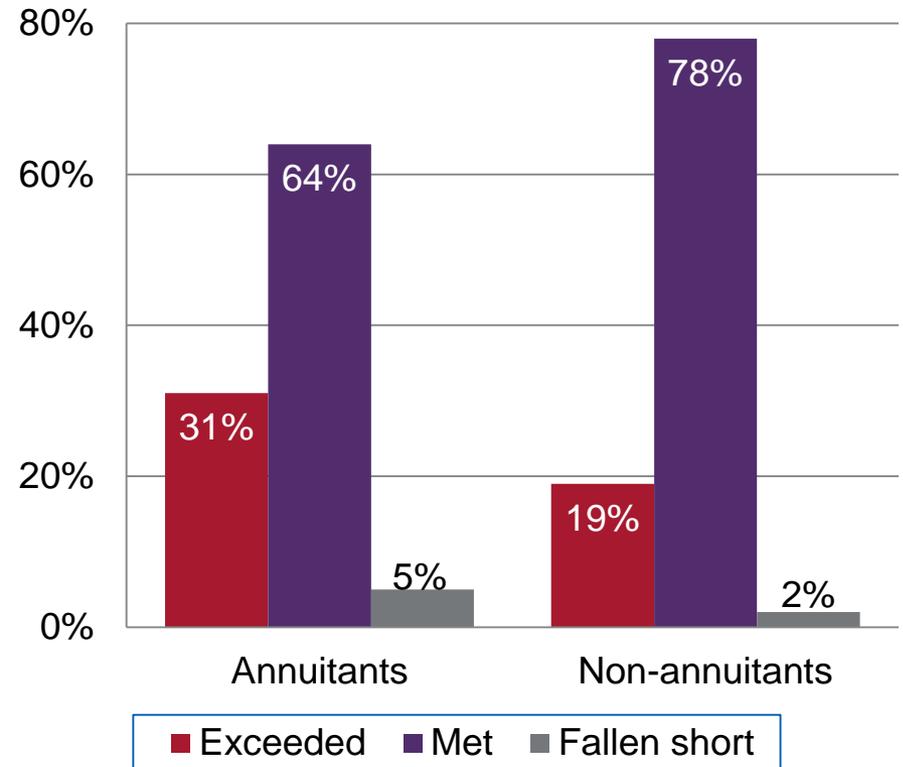


There was no difference in retirement confidence among annuitants and non-annuitants at the time of retirement.

How did your standard of living change with retirement?



How has your lifestyle in retirement compared with your expectations?



Annuitants are more likely to have experienced an increased standard of living in retirement and a retirement lifestyle that has exceeded expectations. A possible explanation is that annuitized payments are greater than had been expected.

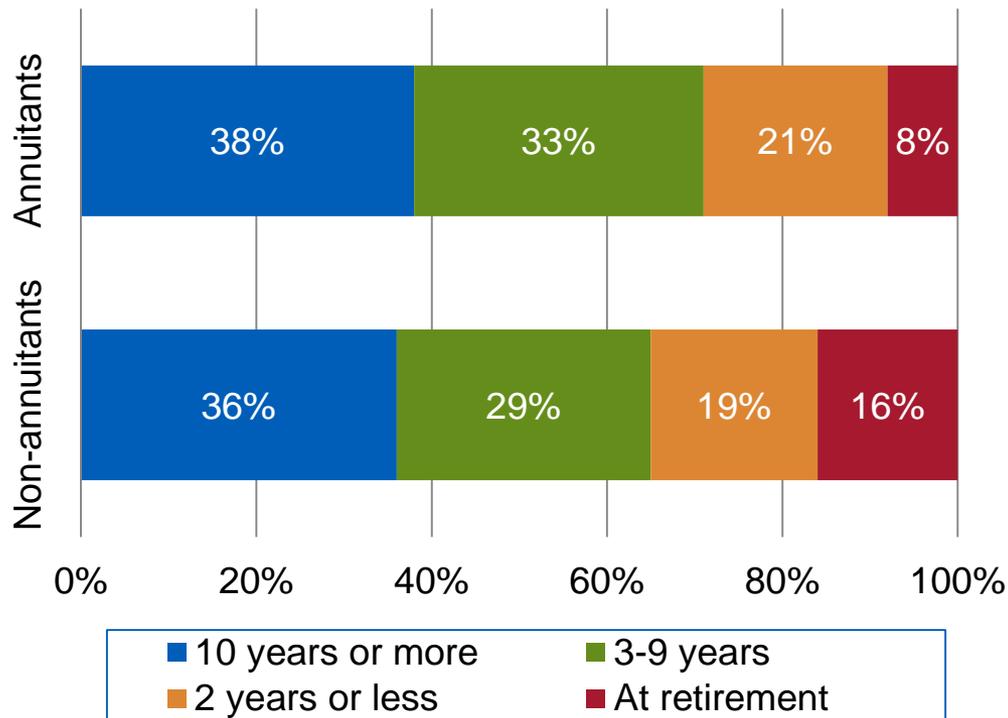
How confident are you that you (and your spouse) will...

	Extremely confident	Very confident	Somewhat confident	Not too/not at all confident
...be able to maintain a comfortable standard of living throughout retirement?				
Annuitants	19%	54%	26%	2%
Non-annuitants	22	52	23	2
...not outlive your savings and financial assets?				
Annuitants	22	49	25	3
Non-annuitants	21	47	27	4
...have the best strategy to manage and draw income from your retirement savings during retirement?				
Annuitants	16	48	32	4
Non-annuitants	14	45	34	6

There are no notable differences in retirement confidence between annuitants and non-annuitants. One might expect annuitants to be extremely confident that they will not outlive their savings and assets; they may not view their annuitized income stream as a “financial asset.”

# Leading up to retirement

About how many years prior to retirement did you begin thinking about how you would draw income from your retirement savings?



Non-annuitants are somewhat more likely to begin planning their retirement income draw at the time of retirement.

# Leading up to retirement

Worked with a financial advisor in deciding how to manage and draw income from retirement savings?

Annuitants 54%

Non-annuitants 58%

Amount of advice typically followed?

	All	Most	Some	Little/none
Annuitants	21%	49%	26%	4%
Non-annuitants	17	51	26	7

Advice received about annuitizing retirement savings?

	Do	Don't	No advice
Annuitants	60%	9%	30%
Non-annuitants	21	37	42

Understanding of annuities and annuitization?

	Extremely good	Very good	Good	Fair/poor
Annuitants	13%	34%	40%	13%
Non-annuitants	10	25	38	26

Annuitants and non-annuitants are equally likely to have worked with a financial advisor in deciding how to manage savings and draw income from it. They are equally likely to follow advice received.

Annuitants were more likely advised to annuitize; very few annuitants were specifically advised to not annuitize.

80% of non-annuitants were advised to not annuitize or received no advice about annuitization.

Non-annuitants are more likely to have a fair or poor understanding of annuities and annuitization.

# 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
<b>Ensuring the financial security of your spouse if you die first</b>				
Annuitants	57%	36%	5%	3%
Non-annuitants	51	36	8	5
<b>Not outliving savings and financial assets</b>				
Annuitants	54	35	7	4
Non-annuitants	49	37	10	4
<b>Having a guaranteed income stream sufficient to cover basic expenses</b>				
Annuitants	53	38	6	3
Non-annuitants	36	35	18	10

Annuitization is consistent with annuitants' top financial priorities for retirement:

- protect spouse's financial security from your death.
- not outliving savings and assets.
- cover basic expenses with a guaranteed income stream.

The vast majority of non-annuitants share two of these items as high financial priorities. Since they have not annuitized any savings, they must draw their savings conservatively to meet these objectives.

# 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
<b>Having the flexibility to adjust your income as needed over time</b>				
Annuitants	15%	49%	27%	10%
Non-annuitants	25	45	26	4
<b>Earning a high rate of return on your financial assets</b>				
Annuitants	9	30	49	12
Non-annuitants	11	31	48	10
<b>Leaving an inheritance</b>				
Annuitants	6	26	35	34
Non-annuitants	12	27	32	28
<b>Having professionals manage your financial assets</b>				
Annuitants	12	20	24	43
Non-annuitants	10	20	24	46

These items are low financial priorities among both annuitants and non-annuitants. So they should not matter for decumulation and whether or not to annuitize.

These items would pose a barrier to annuitization **if** they were significant priorities, but they are not, even among most non-annuitants.

# Mid-level 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
<b>Maintaining direct control of your financial assets</b>				
Annuitants	30%	42%	19%	8%
Non-annuitants	33	47	17	3
<b>Preserving your financial assets</b>				
Annuitants	25	45	24	5
Non-annuitants	32	45	20	3
<b>Maintaining the same standard of living throughout retirement</b>				
Annuitants	24	55	19	2
Non-annuitants	27	49	22	2

These items are mid-level financial priorities among both annuitants and non-annuitants.

Given that other items are generally higher priorities among retirees, none of these should be a barrier to annuitization in practice.

Given the relative ranking of financial priorities among non-annuitants, there appears to be a disconnect for many in the decision to not annuitize.

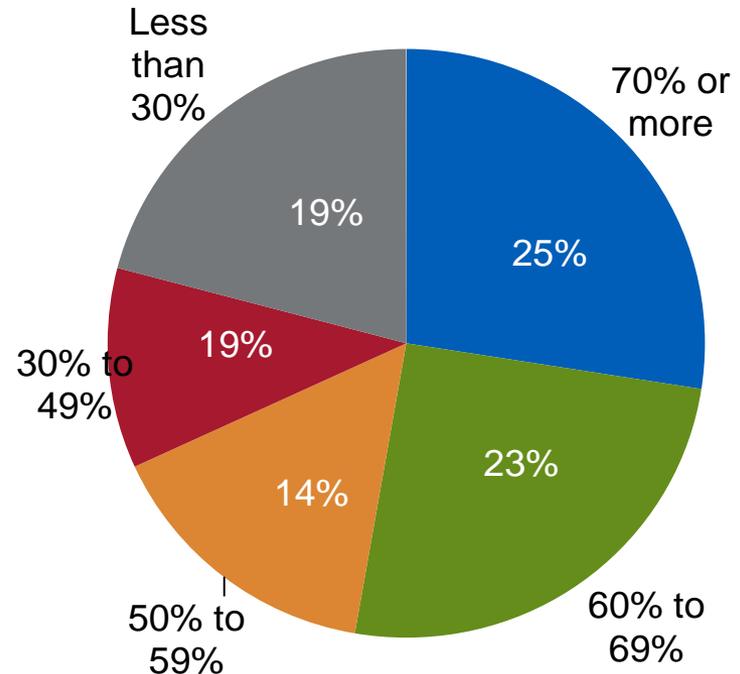
A small share (16%) of annuitants were required to annuitize some of their retirement savings; approximately 40% of these are extremely or very likely to have annuitized anyway.

Two-thirds of annuitants were not apprehensive about doing so.

Five percent of annuitants are likely to annuitize additional savings in the future.

Thirty-nine percent of annuitants are extremely or very likely to recommend that a family member or friend annuitize; an additional 31% are somewhat likely to do so.

### Share of monthly income from annuitized payments



# Attitudes and experiences of annuitants

## Reasons for annuitizing retirement savings

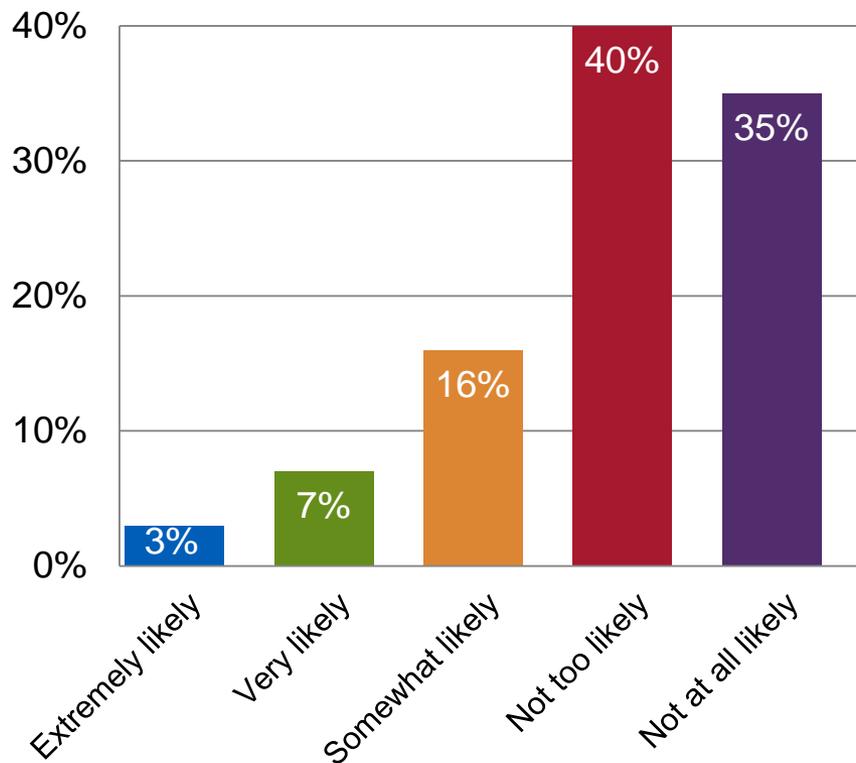
	Extremely important	Very important	Somewhat important	Not too/not at all important
Cannot outlive the income stream	50%	34%	10%	7%
Providing income for spouse if annuitant dies first	49	32	8	11
The certainty of a constant level of income	39	39	16	7
Helping to cover basic living expenses	37	43	14	5
Maintaining standard of living over time	28	44	22	6

The most important reasons for retirees deciding to annuitize are consistent with the top financial priorities noted earlier.

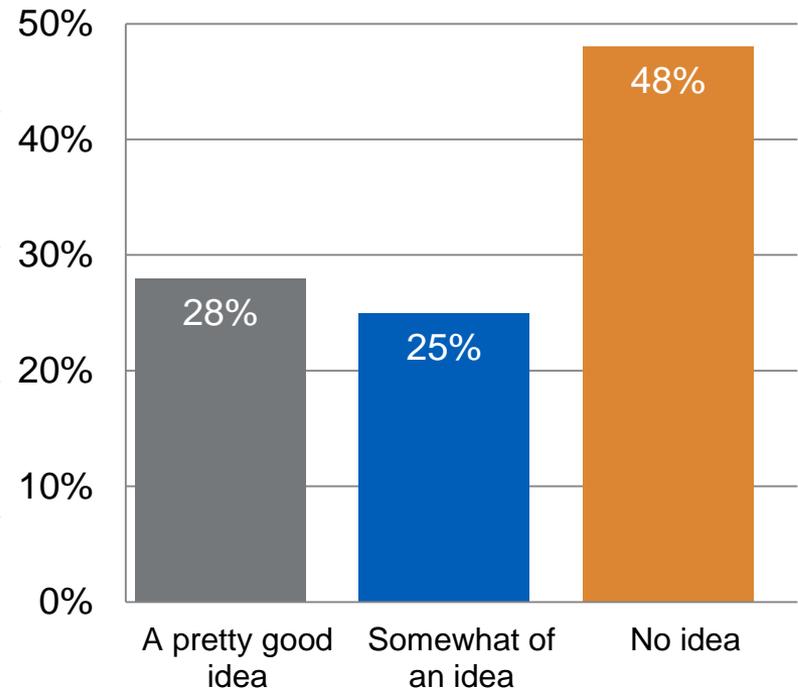
- Taking care of a spouse and not outliving assets were top priorities for many.
- Covering basic expenses is a lower hurdle than maintaining a standard of living, but it matters more for more individuals; this also is consistent with reported financial priorities.

# Attitudes and experiences of non-annuitants

### Likelihood of annuitizing in the future



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



Most non-annuitants do not have a good idea about the income level that annuitizing their savings would provide. Among those professing to have a pretty good idea or somewhat of an idea, only 1/3 gave a reasonable answer regarding what \$100,000 would yield if annuitized.

# Attitudes and experiences of non-annuitants

## Reasons for not annuitizing retirement savings

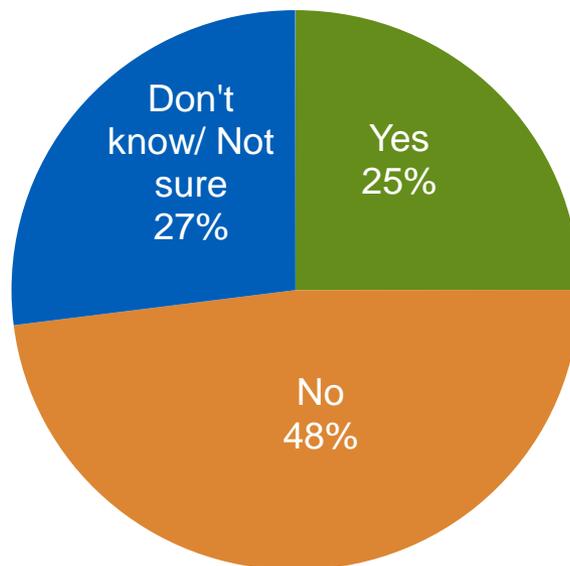
	Extremely important	Very important	Somewhat important	Not too/not at all important
Wanting to keep direct control of the money	26%	41%	25%	8%
Being unable to access the money if needed	18	37	26	18
Having Social Security or other income sources	18	34	30	18
Think it is a poor investment	14	25	35	26
The possibility of losing money if you die prematurely	19	26	24	32
The expense of fees and charges	13	24	33	31

There does not appear to be a strong, driving reason why retirees do not annuitize; no reason rated “extremely important” among a large share of non-annuitants. The most significant reason—maintaining direct control of the money—was only a mid-level financial priority.

Rather than a driving reason or reasons leading individuals to not annuitize, is it more the case that non-annuitants simply do not perceive a driving reason to annuitize?

# Attitudes and experiences of non-annuitants

Did you participate in a plan while working that had a deferred annuity as an investment option?



One-quarter of non-annuitants report participating in a plan while working that had a deferred annuity investment option.

For 75%, either their plan(s) did not have a deferred annuity or they did not realize it, the latter likely being the case for many. Either way, they would not have been socialized to annuities during the accumulation stage of plan participation.

Annuitants are more likely to have experienced an increased standard of living in retirement and a lifestyle that has exceeded preretirement expectations.

Annuitants and non-annuitants share the same top financial priorities for their personal finances in retirement, each of which is consistent with annuitization. Furthermore, the most important reasons for retirees deciding to annuitize are consistent with these top financial priorities.

Why do some retirees annuitize, while others do not? It is possible that non-annuitants do not understand that annuitization would address their top financial priorities.

- 80% of non-annuitants were advised to not annuitize or did not receive advice regarding annuitization; 60% of annuitants were advised to do so.
- In-plan deferred annuities present an opportunity for participants to become socialized to annuities and annuitization. For 75%, either their plan(s) did not have a deferred annuity or they did not realize it, the latter likely being the case for many.