TIAA 2019 Lifetime Income Survey

Executive Summary

September 2019
Feeling financially confident can be challenging for many, regardless of age, and especially when thinking about how to ensure you have sufficient income to get to—and through—retirement. Competing priorities, economic uncertainty, and a lack of planning contribute to many Americans feeling insecure about their financial situation.

TIAA’s Lifetime Income Study was designed to uncover the factors that contribute to, and detract from, people’s financial confidence, and assess their attitudes toward financial products that can guarantee lifetime income.

The 2019 TIAA Lifetime Income Survey was conducted by Greenwald & Associates in May and June 2019 via an online survey of 901 Americans between the ages of 25 and 73. Survey results have been weighted by education, gender, income and race.
The State of Financial Confidence

Just three-in-ten respondents say they are very confident they will always feel financially secure, including during retirement. Baby boomers and men overall are more likely than younger respondents and women to be confident in these areas.

**Confidence in financial aspects of retirement**

<table>
<thead>
<tr>
<th>Statement</th>
<th>7: Extremely confident</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1: Not at all confident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never be a financial burden on your children or anyone else</td>
<td>20%</td>
<td>19%</td>
<td>22%</td>
<td>17%</td>
<td>10%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Maintain a good standard of living throughout retirement</td>
<td>15%</td>
<td>20%</td>
<td>22%</td>
<td>20%</td>
<td>10%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Always feel financially secure, including throughout your retirement</td>
<td>12%</td>
<td>19%</td>
<td>21%</td>
<td>19%</td>
<td>15%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Never run out of money during retirement</td>
<td>12%</td>
<td>16%</td>
<td>21%</td>
<td>18%</td>
<td>14%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Be able to financially support loved ones if they need help</td>
<td>12%</td>
<td>12%</td>
<td>22%</td>
<td>21%</td>
<td>15%</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>
| Retire when you want to (Among workers)                                   | 11%                    | 14% | 21% | 21% | 13% | 9%  | 11%                    

35% of individuals feel confident they will be able to maintain their lifestyle as long as they live.
Confidence in a financially secure retirement grows with age as boomers, especially those in their 60s, are more likely than millennials and Gen Xers to express confidence in maintaining their lifestyle in retirement, never running out of money and the ability to always be financially secure.

Confidence in financial aspects of retirement by generation (% very confident)

- Retire when you want to (Among workers)
  - Baby boomers: 25%
  - Gen X: 20%
  - Millennials: 19%
  - Very confident: 39%

- Never run out of money during retirement
  - Baby boomers: 45%
  - Gen X: 20%
  - Millennials: 15%
  - Very confident: 48%

- Always feel financially secure, including throughout your retirement
  - Baby boomers: 53%
  - Gen X: 21%
  - Millennials: 22%
  - Very confident: 48%

- Maintain a good standard of living throughout retirement
  - Baby boomers: 56%
  - Gen X: 28%
  - Millennials: 22%
  - Very confident: 53%

- Never be a financial burden on your children or anyone else
  - Baby boomers: 32%
  - Gen X: 28%
  - Millennials: 28%
  - Very confident: 56%
Nearly half of respondents cite the possibility of unexpected expenses including major medical expenses, significant cuts to social programs, market decline, and an increase in inflation, as the most significant detractors to feeling financially confident.

Level of concern about financial events

<table>
<thead>
<tr>
<th>Event</th>
<th>1: Not at all concerned</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7: Extremely concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>A major expense you are not expecting</td>
<td>14%</td>
<td>7%</td>
<td>5%</td>
<td>10%</td>
<td>13%</td>
<td>18%</td>
<td>25%</td>
</tr>
<tr>
<td>Significant cuts to Social Security and Medicare</td>
<td>10%</td>
<td>7%</td>
<td>20%</td>
<td>15%</td>
<td>18%</td>
<td>17%</td>
<td>23%</td>
</tr>
<tr>
<td>A major medical expense</td>
<td>7%</td>
<td>5%</td>
<td>18%</td>
<td>21%</td>
<td>21%</td>
<td>14%</td>
<td>23%</td>
</tr>
<tr>
<td>A major stock market decline</td>
<td>9%</td>
<td>11%</td>
<td>17%</td>
<td>17%</td>
<td>22%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>A major increase in inflation</td>
<td>4%</td>
<td>9%</td>
<td>24%</td>
<td>27%</td>
<td>16%</td>
<td>17%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Factors that Increase Financial Confidence

Key drivers of feeling financially secure are long-term planning and the ability to invest effectively. Two-in-five respondents selected saving regularly for retirement as a financial confidence booster—almost twice as many as the next action, saving aggressively. Millennials and Gen Xers are more likely to list savings behaviors and understanding debt as factors that build their confidence, while boomers are more likely to select investment diversification and working with a financial advisor as boosters.

The most important or impactful financial confidence boosters

<table>
<thead>
<tr>
<th>Financial Confidence Booster</th>
<th>23%</th>
<th>17%</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving regularly for retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saving aggressively</td>
<td>10%</td>
<td>11%</td>
<td>21%</td>
</tr>
<tr>
<td>Understanding how to pay down or eliminate my debt</td>
<td>9%</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>Expecting/receiving guaranteed lifetime income from a traditional pension plan</td>
<td>13%</td>
<td>6%</td>
<td>18%</td>
</tr>
<tr>
<td>Having diversified investments</td>
<td>6%</td>
<td>9%</td>
<td>15%</td>
</tr>
<tr>
<td>Knowing I have a clear plan I can follow to meet my financial goals</td>
<td>6%</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>Working with a Financial Advisor</td>
<td>7%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Watching my investments grow</td>
<td>5%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>An investment, e.g. an annuity, that provides guaranteed monthly income for life</td>
<td>5%</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Financial planning offered through my employer by a plan provider or third party (Among workers)</td>
<td>6%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>An investment, such as a fixed annuity, that is not impacted by market fluctuations</td>
<td>3%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Saving for healthcare costs that might occur during retirement</td>
<td>3%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>The ability to regularly see and track my progress</td>
<td>5%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Using tools and projections to look at where I will be</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ranked 1st

Ranked 2nd
Beyond saving, perhaps the most significant antidote to financial uncertainty is the presence of guaranteed lifetime income through a pension or annuity. Large majorities of respondents—more than four-in-five—with access to guaranteed income through a pension or income annuity report that guaranteed lifetime income increases their financial confidence. Nearly all respondents also say it is helpful to know the amount of income they can expect each month in retirement, in addition to Social Security.

“A major lesson of this survey is that effectively addressing uncertainties can be key to feeling financially secure. Two great ways of doing this are using financial vehicles, such as products that guarantee lifetime income, that thereby reduce uncertain outcomes and getting the advice and building the skills needed to deal with adverse events.”

—Lori Dickerson Fouché, Chief Executive Officer of TIAA Financial Solutions

**Impact of a pension on financial confidence**
*(Among those with access to pension income)*

- A great deal: 47%
- To some extent: 38%
- Just a little: 12%
- Not at all: 9%

**Impact of an annuity on financial confidence**
*(Among guaranteed lifetime income annuity owners)*

- A great deal: 41%
- To some extent: 47%
- Just a little: 9%
- Not at all: 4%

**NET:** Increases confidence: 85%

**NET:** Increases confidence: 88%
While there are tangible ways to mitigate financial uncertainty, many are not taking action to improve their financial confidence. More than 60 percent of respondents haven’t created a written financial plan for retirement; over half reported not saving as much as they should have in 2018, including 22 percent who report they saved “much less” than they should have; and almost two-thirds (64%) don’t rely on a financial advisor for advice on achieving their financial goals.

Is amount saved for retirement in 2018 enough?  
(Asked among workers with any retirement savings)

NET: Less than enough: 52%

60% of Gen Xers saved less than enough, compared to only 26% of baby boomers.

NET: More than enough: 12%
Of those who participate in a company retirement plan, nearly seven-in-ten (69%) cite guaranteed income for life as one of their top two goals for their retirement plan, and almost half (45%) say that guaranteed income for life is their very top goal.

**Employer-sponsored retirement plan goals**
*(Asked among workers contributing to a plan)*

- **Provide income to you starting when you retire that is guaranteed to be paid for as long as you live:**
  - Ranked 1st: 69%
  - Ranked 2nd: 24%
  - Total: 93%

- **Keep your savings safe regardless of what happens in the market:**
  - Ranked 1st: 56%
  - Ranked 2nd: 33%
  - Total: 89%

- **Earn a competitive rate of return on your savings:**
  - Ranked 1st: 46%
  - Ranked 2nd: 23%
  - Total: 69%

- **Save a specific amount:**
  - Ranked 1st: 28%
  - Ranked 2nd: 19%
  - Total: 47%
For many, guaranteed lifetime income products can address challenges that arise from saving for retirement, including imparting feelings of financial security, making it easier to save for retirement and protecting savings from market volatility. Among the reasons guaranteed lifetime income is strongly valued: three-in-five (60%) say it provides a feeling of financial security and nearly half (46%) assert it makes it easier to save for retirement.

**Agreement on lifetime income topics**

- Having an investment that provides guaranteed monthly payments for life in retirement gives people a feeling of financial security.
  - 29% agree strongly, 31% neither agree nor disagree, 23% agree, 12% disagree, 4% strongly disagree.

- Being able to invest in something that guarantees monthly income for life in retirement makes it easier to know how much to save for retirement.
  - 20% agree strongly, 27% neither agree nor disagree, 28% agree, 18% disagree, 4% strongly disagree.

- It is difficult to know how much income I will be able to get from money invested in the stock market.
  - 17% agree strongly, 23% neither agree nor disagree, 29% agree, 19% disagree, 8% strongly disagree.

- Guaranteed lifetime income products protect people from stock market volatility.
  - 17% agree strongly, 24% neither agree nor disagree, 27% agree, 25% disagree, 5% strongly disagree.

- Protecting my savings from stock market losses is more important to me than getting the highest returns.
  - 16% agree strongly, 22% neither agree nor disagree, 25% agree, 21% disagree, 11% strongly disagree.

- People who own a guaranteed lifetime income product can invest more in equities with the rest of their money to increase their chances of higher returns.
  - 10% agree strongly, 21% neither agree nor disagree, 29% agree, 33% disagree, 6% strongly disagree.
Those who rely on a financial advisor express more confidence in their ability to always be financially secure, never run out of money and maintain their lifestyle in retirement than those who do not rely on one. A professional financial advisor is the top source of information on achieving financial goals, according to one-in-three (36%) respondents, and two-in-five (41%) say a financial advisor helped them determine the amount they need to save. As people get closer to retirement, the role of financial advisors becomes even more critical. Among boomers, over half say they rely on an advisor for information on achieving their financial goals (54%) and determining their savings goals (52%).

### Sources of advice on achieving financial goals

- A financial advisor: 36%
- Employer/retirement plan provider: 32%
- My spouse/partner: 29%
- Online retirement or income calculators or worksheets: 27%
- Financial websites, blogs or webcasts: 24%
- Just myself: 15%
- My parents: 14%
- Friends: 12%
- Other family members: 11%
- Newspapers or books: 7%
Baby boomers are more likely to be familiar with guaranteed lifetime income products than younger generations, and men are more likely than women. Overall, Americans value knowing how much income they will have in retirement, but confusion surrounding financial vehicles that guarantee lifetime income in retirement remains high. One-third of respondents who are offered a retirement plan by their employer do not know whether their plan offers an investment option that guarantees lifetime income. Among those who think that guaranteed lifetime income is available in their plan, many incorrectly believe that mutual funds (35%) and target date funds (20%) secure lifetime income.

Plan offers option for guaranteed monthly income?  
(Asked among those offered a plan)

- Yes, 25%
- Not sure, 32%
- No, 43%

Plan options respondents claim to offer guaranteed monthly payment  
(Among those claiming their plan offers a guaranteed income option)

- Annuities: 59%
- Mutual funds: 35%
- Money market funds: 21%
- Target-date funds: 20%
- Other: 6%

How a target date fund (TDF) provides monthly income  
(Among those claiming a TDF is available to provide income*)

- A guaranteed monthly check: 64%
- A pool of savings that I can draw on: 16%
- Another method: 2%
- Not sure: 19%

* Directional findings based upon a small sample size.
There are steps individuals can take to improve their financial picture today and in the future:

- **Prepare for the unexpected.** Creating a financial plan provides individuals with the confidence to weather unexpected hiccups like medical bills and market volatility.

- **Consider the benefits of lifetime income.** Guaranteed income adds to feelings of financial security and makes it easier to save for retirement. It also protect against market volatility and running out of money in retirement.

- **Consult a financial advisor.** Working with a professional can help to ensure greater confidence in a person’s ability to always be financially secure, never run out of money and maintain their lifestyle in retirement.
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