Employees need education about the options that will get the outcomes they want

Americans are worried about having enough savings to retire and especially about outliving their nest egg. According to TIAA-CREF's 2015 Lifetime Income Survey, almost half (46 percent) of Americans surveyed are concerned they will run out of money in retirement.[1] Overwhelmingly, they want to be certain of a monthly paycheck in retirement: 84 percent of survey respondents indicated this is more important to them than having a certain amount in their savings.

Employers can help address these concerns. First, they need to make sure that they offer lifetime income products as part of their plan menus. Second, they must provide access to financial advice and education, so that employees are familiar with these products and know how they can help to achieve their retirement goals. Both steps are essential to boosting their retirement readiness and confidence.

Set the right goal and measure it

Measuring the effectiveness of any type of plan requires a goal. In the case of a retirement plan, the goal is to generate a stream of income in retirement that will provide for employees' desired lifestyle and that they can't outlive. According to many experts, retirees should aim to replace 70 percent to 90 percent of their preretirement income.

However, most Americans don't know if they are on track, ahead or falling short of meeting this goal. Only 38 percent of respondents said they had conducted an analysis of what their income will be in retirement, and many had done so without the help of a financial professional. Without this analysis, employees may find it difficult to measure their retirement income readiness and whether they need to make up for any gaps between their targeted and expected retirement income.

Once their retirement goals are set, employees then may need help in translating their savings into retirement income.

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Employees need education about lifetime income options

Make sure employees know about income options

Employees have a number of options to generate income in retirement, but it is important for them to understand that most aren't guaranteed. Aside from Social Security or a defined benefit plan, only fixed annuities can provide guaranteed income that individuals can't outlive.[2] Yet according to the 2015 Lifetime Income Survey, only 29 percent of Americans have purchased or are planning to purchase annuities.

There are a number of reasons you should assess your investment menu to ensure it has the lifetime income options, such as an in-plan annuity, that will meet employees' needs. According to TIAA-CREF Institute research, employees purchasing in-plan annuities are more likely to annuitize their savings than those that have not.[3] An in-plan annuity also helps employees to focus on the right goal for retirement—income that will last a lifetime—by helping them understand how fixed annuities work and how they generate retirement income.

Access to lifetime products is a critical first step, but for employees to take advantage of these options, they must know about them. Two-thirds (66 percent) of respondents to the TIAA-CREF 2015 Lifetime Income Survey did not have (22 percent) or were not sure if they had (44 percent) an option in their retirement plan for monthly income that would last through retirement. Of those, 60 percent said they would like to have that option.

> Lifetime income from in-plan annuities can help provide employees with the certainty they are looking for in retirement.

Once employees understand that they have a lifetime income option in their plan, they need compelling communications around the benefit of this option and access to advice on how lifetime income options can help meet their long-term goals. Only 33 percent of survey respondents with access to a monthly income option were invested in it—not surprising, perhaps, considering that just 31 percent have sought advice on how to turn retirement savings into lifetime income. (Click here for an article that provides information for employees on lifetime income options.)

Reaching employees at the right time

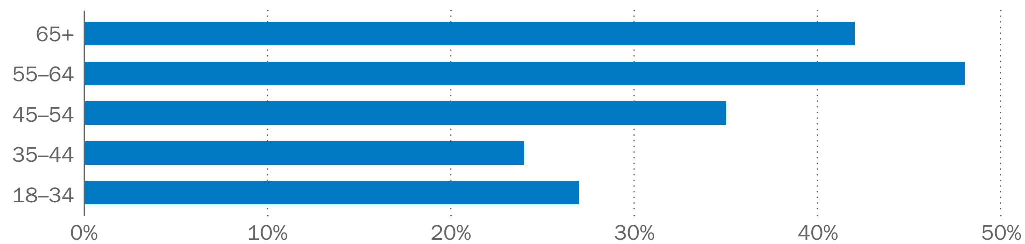
Revisiting your communications and education strategy could help raise employee awareness. And contrary to conventional wisdom, baby boomers—those closest to retirement—are not the only employee group that would benefit from education and advice about lifetime income. Younger generations may actually benefit the most from advisory services. After all, the sooner employees begin planning for retirement the longer they will have to implement an effective plan.

Americans under 45 are as likely as the overall population (84 percent) to give priority to having a guaranteed source of monthly income for life, but they are less likely to be familiar with annuities (26 percent of Americans ages 18–34, and 24 percent of Americans ages

35–44). In contrast, baby boomers (ages 55–64) and retirees (ages 65+) are almost twice as likely to be familiar with annuities (48 percent and 42 percent) (see Exhibit 1). Advice and education from employers—whom 85 percent of young people trust for financial information—can help bridge this gap.

Exhibit 1: Americans are more likely to be familiar with annuities as they approach retirement

Percentage of respondents by age who were familiar with annuities



Source: TIAA-CREF 2015 Lifetime Income Survey

Lifetime income builds confidence

Lifetime income from in-plan annuities can help provide employees with the certainty they are looking for in retirement. As a plan sponsor, you are in a position to boost the retirement confidence of your employees by offering them the products to create a retirement income stream they can't outlive, and the advice and education to help them understand how these products can help meet their goals.

[1] The TIAA-CREF 2015 Lifetime Income Survey was conducted by KRC Research by phone among a national random sample of 1,000 adults, age 18 years and older, from Jan. 7–13, 2015, using a combination of landline and cell phone interviews. The margin of error for the entire sample is plus or minus 3.1 percentage points.

[2] Guaranteed income from annuities is subject to the issuing insurance company's claims-paying ability.

[3] "Helping participants generate a lifetime of income," TIAA-CREF, January 2014.

Guarantees are based on the claims-paying ability of the issuer.

Withdrawal of earnings from an annuity are subject to ordinary income tax, plus a possible federal 10 percent penalty if you make a withdrawal before age 59½.

Annuity contracts contain exclusions, limitations, reductions of benefits and may contain terms for keeping them in force. In considering options for your investment menu, it's important to consider the various types of annuities and which one will meet your employees' needs. For instance, if your employees may be concerned about losing savings in an annuity in the event of their premature death, it may make sense to consider an annuity that offers a survivor benefit. Consult your TIAA-CREF relationship manager to determine what solutions may work for you.

Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not deposits, are not insured by any federal government agency, are not a condition to any banking service or activity, and may lose value.

Not all income options are available at all institutions or for all contracts. Income options will vary by investment provider. There may be liquidity and other withdrawal restrictions. You should contact your provider for details.

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