Allianz Life Insurance Company of North America

WHITE PAPER

The State of Lifetime Income Report

Explore plan participant preferences and the future outlook for guaranteed lifetime income solutions, such as annuities, as part of employer-sponsored plans

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ALLIANZ CENTER FOR THE
FUTURE OF RETIREMENT™

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About the authors

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With more than 20 years in the financial services industry, Matt has broad experience in guaranteed solutions that can help consumers protect and improve their retirement outcomes. Since 2019, he has led the entry of Allianz into employer markets through partnerships with industry leaders and organizations focused on helping in-plan customers achieve improved retirement outcomes.

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Meghan brings a diverse range of experience to her current role with the Allianz Center for the Future of Retirement™. Leading Defined Contribution Insights, Meghan is dedicated to advancing research and thought leadership to drive meaningful change for the millions of Americans saving through their employer-sponsored plans. She is driven by a desire to make a positive impact through actionable research and accessible communications, helping more Americans achieve the dignified retirement they deserve.

Participant pulse check

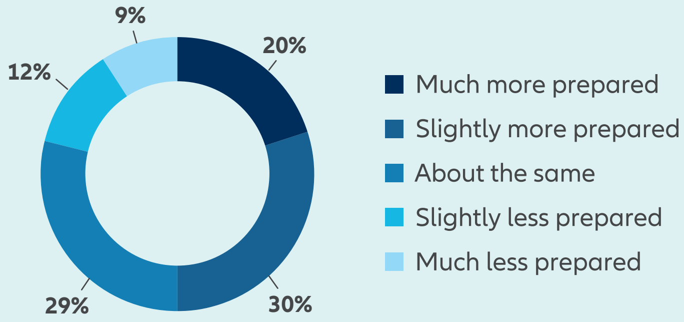
The first defined contribution (DC) participant survey for the inaugural State of Lifetime Income Report, conducted by the Allianz Center for the Future of Retirement™, took place in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan. The primary objective of this survey was to gain insights into the sources of retirement income participants rely on, their level of confidence in these sources, and their primary concerns related to retirement risks.

Additionally, the survey aimed to understand participants' interest in guaranteed lifetime income, their preferences for different product features, and their preferred support models.

Looking back: Positive outlook compared to previous generations

Our survey indicates that most plan participants believe they are as prepared or even more prepared for retirement compared to previous generations in their family. In fact, 50% of participants feel more prepared, and 1 in 5 feel much more prepared. Only a small fraction, less than 1 in 10, feel much less prepared.[1] This optimistic trend is particularly evident among younger generations. 54% of millennials express feeling more prepared for retirement than previous generations compared with 43% of Gen X.[1]

Compared with previous generations in their family, participants feel ...[1]



America's private retirement system has seen notable progress in expanding retirement preparedness. U.S. Bureau of Labor Statistics data reveal that 66% of U.S. workers now have access to defined contribution retirement plans, a significant increase from 56% a decade ago.[2] Additionally, Fidelity Investments recently reported all-time-high average 401(k) and 403(b) balances at $132,300 and $119,300 respectively in the latter half of 2024. These were driven by strong market performance but also notable improvements in employee and employer contributions.[3]

These positive trends reflect the impact of efforts to expand access, improve education, and increase the widespread adoption of auto features, which help overcome inertia. For example, the recent report from Fidelity Investments showed that plans with automatic enrollment had significantly higher participation rates (89%) than those without automatic enrollment (51%).[3]

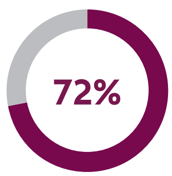
[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

[2] U.S. Bureau of Labor Statistics, Office of Compensation and Working Conditions, March 2024

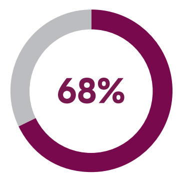
[3] 2025 Workplace Outlook Report, Fidelity Investments, February 2025.

Look ahead: Future retirement risks cause uncertainty to persist

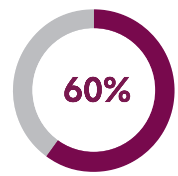
However, despite the significant progress made in retirement preparedness, participants still face numerous uncertainties as they approach retirement:



are **concerned about the possibility of a major market downturn** right before they are ready to retire[1]



say the **fear of unexpected expenses,** such as medical bills or home repairs, prevents them from wanting to spend money[1]

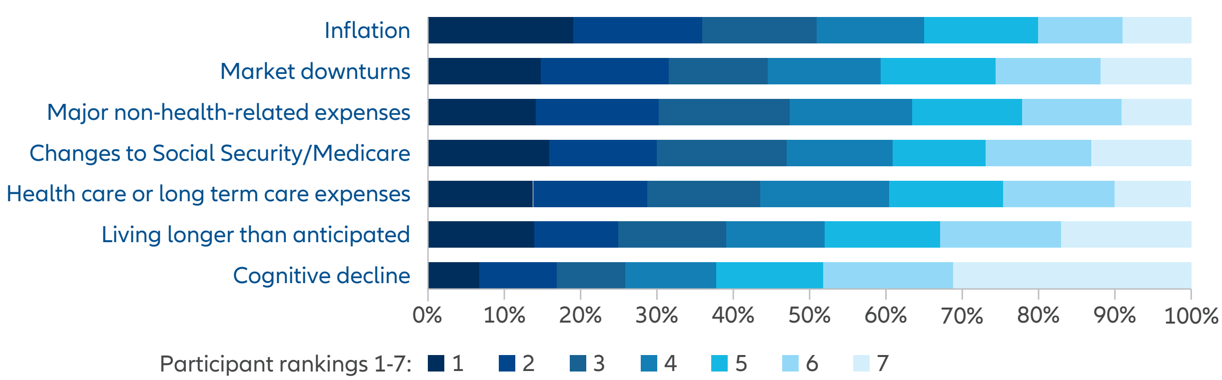


worry that they will **run out of money from their employer-sponsored plan** during retirement[1]

These fears are especially heightened among individuals with less than $200,000 in investable assets. Almost two-thirds (66%) of this demographic expressed concerns about running out of money from their employer-sponsored plan, and 71% state that the fear of unexpected expenses deters them from spending and enjoying their savings.[1]

RANKING RETIREMENT RISKS[1]

To gauge participants' top concerns, the survey asked them to rank seven potential risks to their future income. Results revealed a wide range of priorities, demonstrating the complexity in understanding and addressing retirement risks for a diverse participant population.



Inflation was identified as the primary concern by almost 20% of participants, with more than half ranking it within their top three risks. However, the distribution of concerns across different categories highlights the fact that participants are not a uniform group with a shared worry.

In fact, the percentages of individuals whose top concerns included market downturns, major non-health-related expenses, and health and long term care expenses were all very similar. This suggests that within a retirement plan, different individuals may have distinct and potentially contrasting concerns about the financial risks they may encounter.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

Meeting participant needs today

To continue to propel the defined contribution industry forward, two areas emerge as strategic priorities: holistic risk management and helping participants generate predictable income in retirement. This paper will focus on their preferences related to retirement income, while recognizing the underlying concerns about unforeseen risks that shape their perspectives.

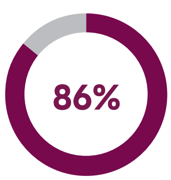
RISK MANAGEMENT

Addressing this complex spectrum of retirement risks requires a proactive and adaptable approach. The varied concerns, from inflation to health care costs, highlight the importance of holistic risk management within retirement planning.

A traditional retirement planning model reliant on accumulation and investment growth, while valuable during working years, may fall short in addressing the unique challenges of the decumulation phase.

The inherent volatility of market-based investments, coupled with the unpredictable nature of other risks like longevity and unforeseen expenses, creates a vulnerability for those depending solely on managing a fluctuating portfolio.

PREDICTABLE INCOME

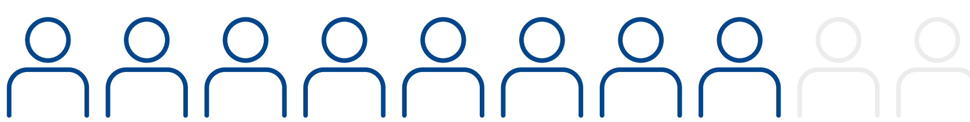


At the same time, an overwhelming **86% of participants prefer a steady income stream in retirement,** rather than figuring out how to spend from their retirement savings balance.[1]

This strong preference underscores the value of annuities, which offer a reliable and consistent flow of income in retirement, mirroring the stability of paychecks during working years.

Annuities, with their regular and guaranteed payments for life, offer a compelling alternative to the anxieties associated with managing a retirement portfolio that is susceptible to market volatility and other financial risks.

8 in 10 participants



Nearly 8 in 10 (78%) participants prefer to work from a clear budget to help manage their expenses, and 85% said they find it easier to spend when they know their basic needs are covered.[1] **An annuity helps provide this structure, delivering predictable income payments on a monthly or other predetermined basis, guaranteed for a retiree's lifetime.**

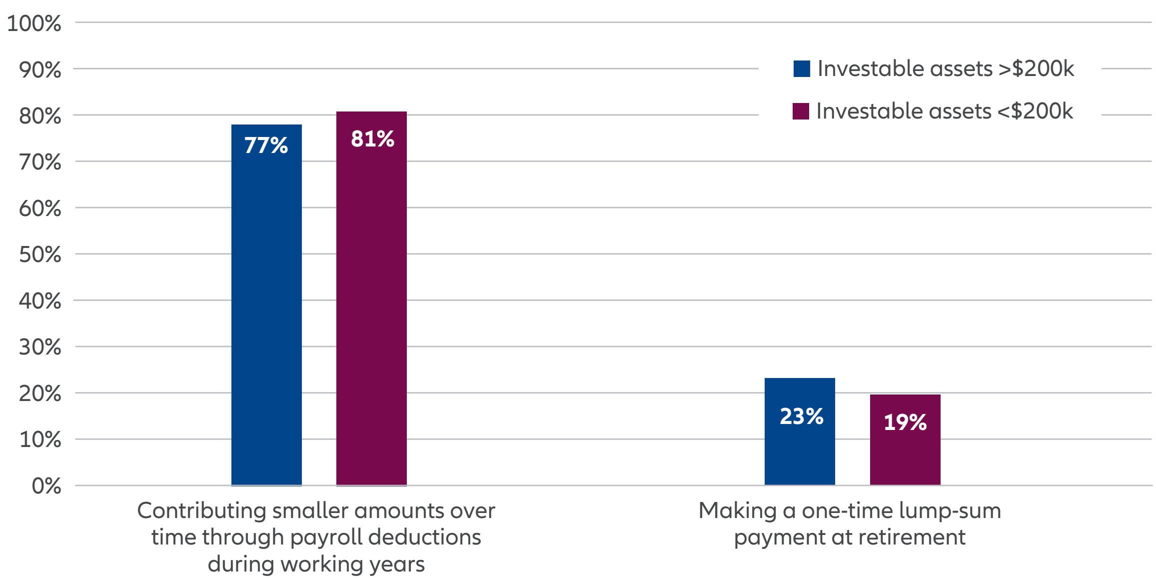
[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

Understanding participants' retirement income preferences

As plans look for innovative solutions to help bolster retirement confidence, annuities are gaining traction within employer-sponsored plans. In fact, 70% of participants say they would consider adding an annuity to their employer-sponsored plan.[1] However, with a wide range of products available, understanding participant preferences is essential. The sections below reflect the preferences of participants who would consider adding an annuity to their employer-sponsored retirement plan.

IN-PLAN VS. OUT-OF-PLAN

An important decision is whether to offer annuities in-plan or out-of-plan. Survey results reveal a strong preference for in-plan solutions: The majority of participants surveyed favored contributing smaller amounts through payroll deductions over a lump sum purchase at retirement.[1] This preference is slightly stronger among plan participants with less than $200,000 in investable assets, where 81% favor contributing smaller amounts over time compared to 77% of participants with over $200,000 in investable assets.[1]



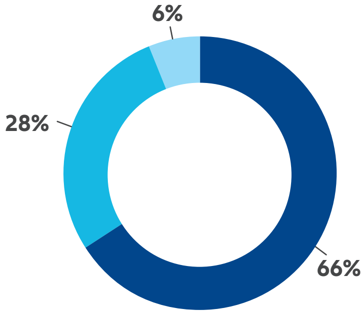
This preference underscores the power of consistent contributions and the behavioral advantage of embedding annuities in an employer-sponsored plan rather than providing an option to purchase an annuity at retirement.

Contributing small amounts over time feels less impactful than a large, one-time expenditure, making it psychologically easier to commit to. Additionally, integrating the annuity within the plan design creates a sense of familiarity, allowing participants to become more comfortable with the annuity and its associated benefits over time through educational materials and communication efforts.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

UNDERLYING PRODUCT DESIGN

When it comes to product design, stability and risk management are paramount. A significant 66% prefer managed growth with capped potential increases and complete protection against market downturns.[1] This contrasts with 28% who preferred higher starting income with full protection from market downturns, but no future increases, and the significantly smaller percentage (6%) who preferred market-linked annuities with potential for higher returns, but also greater risk.[1]



- An annuity that provides **guaranteed lifetime income** and **full protection from market downturns**, with **potential increases (up to a limit)** to address inflation and rising costs of living.
- An annuity that provides **guaranteed lifetime income** and **full protection from market downturns.** It provides a **higher initial income,** but **does not increase over time.**
- An annuity with **higher potential returns but also market risks** and fluctuations based on underlying investment performance, with the need to overcome past losses for income to increase.

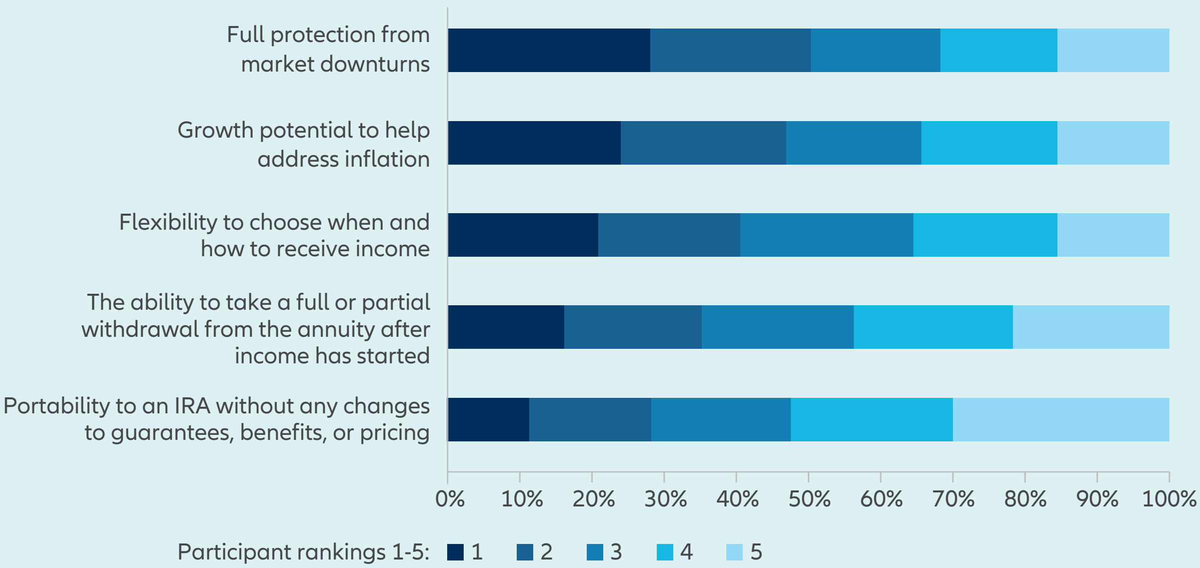
These descriptions coincide with the designs of products that are available in the current market for employer-sponsored plans. However, there may be variations among different products that exist today. Nonetheless, participants express a clear interest in products that help balance two key risks they may face in retirement: market risk and inflation risk.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

TOP FEATURES

When asked to rank specific features, plan participants highly valued protection from market downturns and growth potential to help address inflation, with 50% and 47% respectively ranking it in their top two most desirable features. However, flexibility in income payments (41%) and the ability to take full or partial withdrawals (35%) were also highly valued. IRA transferability, while important, ranked lower in top-two preferences (28%).[1]

Ranking of annuity product features from 1 to 5 with 1 being the most desirable



Despite its lower ranking, IRA portability was deemed desirable by a significant 93% of participants, the highest of any of the five features. This disparity highlights the complexity of participant preferences: They want it all.[1]

An overwhelming majority of participants who expressed interest in contributing to an annuity agreed that the following features would be desirable in their employer-sponsored retirement plan:

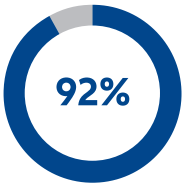
- **Portability** to an IRA without any changes to guarantees, benefits, or pricing **(93%)**[1]
- **Flexibility** to choose when and how I receive income in retirement **(91%)**[1]
- The **ability to take a full or partial withdrawal** from the annuity after income has started **(90%)**[1]
- **Growth potential** to help address inflation **(90%)**[1]
- **Protection from market downturns,** even if it means sacrificing some potential for higher returns **(84%)**[1]

This diverse prioritization and strong agreement regarding the desirability of each feature highlights the complex and multifaceted nature of retirement concerns. Evaluating how products address these various risks holistically is key in determining their overall effectiveness and alignment with participants' evolving priorities.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

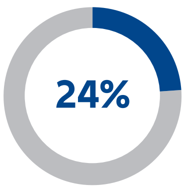
THE IMPORTANCE OF TRUST

In the complex landscape of retirement planning, trust emerges as a cornerstone for participants considering annuities within their employer-sponsored plans.



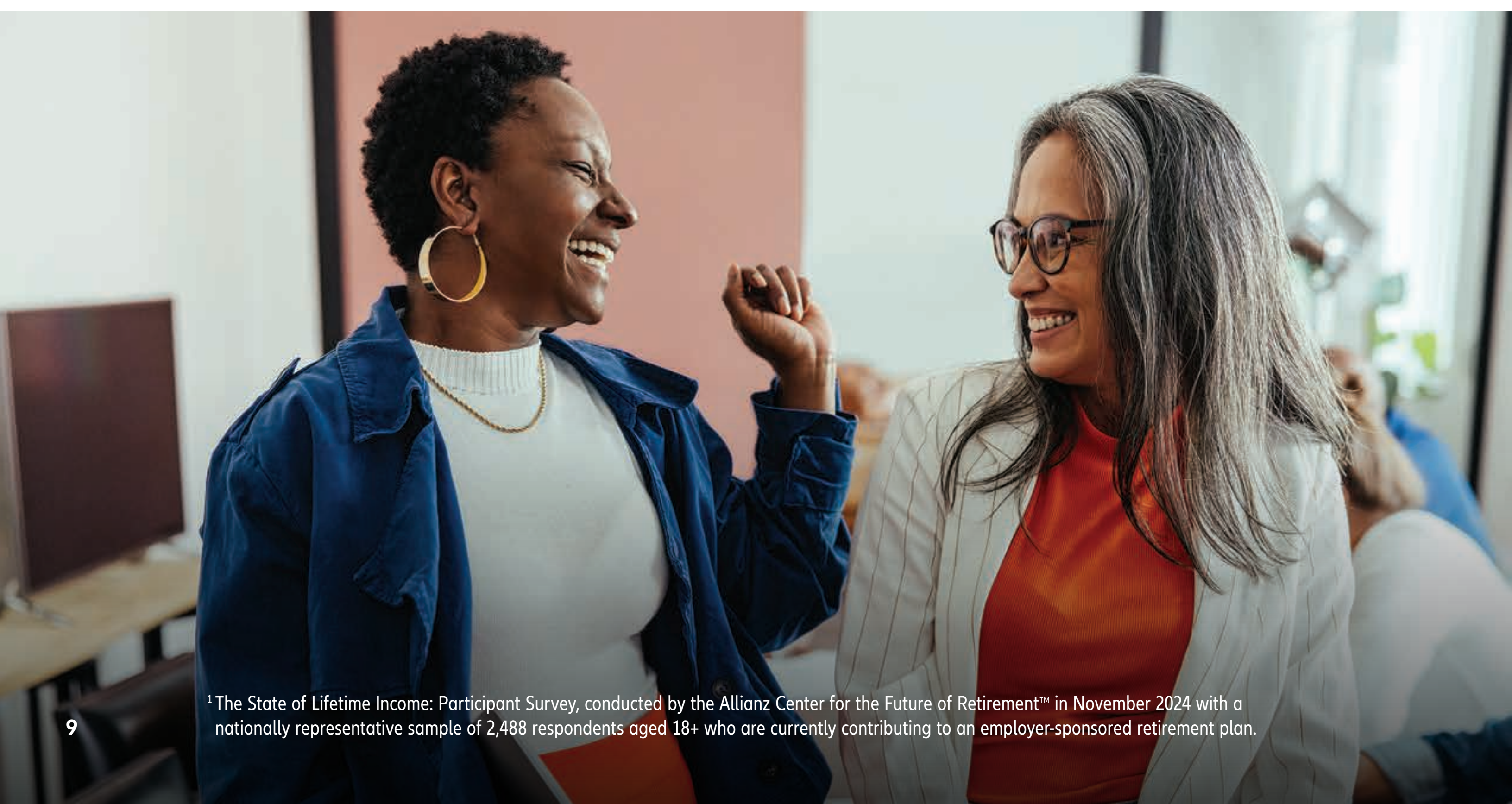
of participants who express interest in contributing to an annuity through their employer-sponsored plan **say it is important that the annuity provider has a strong financial rating and reputation.**[1]

This consensus signals a strong need for confidence in the insurance company managing participants' annuity contributions. Participants want reassurance that their hard-earned money is being entrusted to a reliable and trustworthy institution that can fulfill their obligations over the duration of their retirement.



Nearly a quarter of participants (24%) ranked worries about the **financial stability of the insurance company** offering the annuity in their **top three concerns** about annuities as part of their employer-sponsored retirement plan.[1]

These findings underscore a fundamental need for trust in the financial institutions providing guaranteed benefits. Participants are not simply seeking a financial product that ticks certain boxes; they are seeking the promise of lifetime income supported by the insurer's long-term solvency and strength.



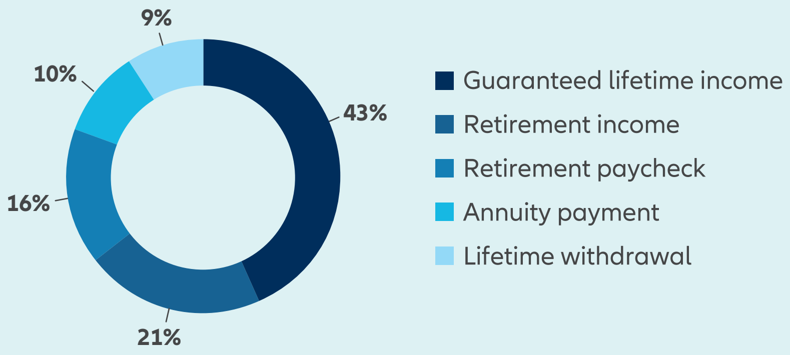
[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

SPEAKING THEIR LANGUAGE

The integration of income solutions into employer-sponsored retirement plans requires a new vocabulary to effectively engage participants. Our research indicates a clear preference for the term "guaranteed lifetime income," ranked first by 43% of respondents to describe the regular payments they'd receive from an annuity in retirement.[1]

This preference underscores the importance of the "guaranteed" and "lifetime" aspects, signaling a desire for financial security and sustained income. This term outperformed other options including "retirement income" (21%), "retirement paycheck" (16%), "annuity payment" (10%), and "lifetime withdrawals" (9%).[1] This suggests participants may view "income" as representing a dependable, recurring payment while "withdrawals" implies a more discretionary or potentially finite action, requiring more personal management.

Top-ranked terms for describing annuity payments

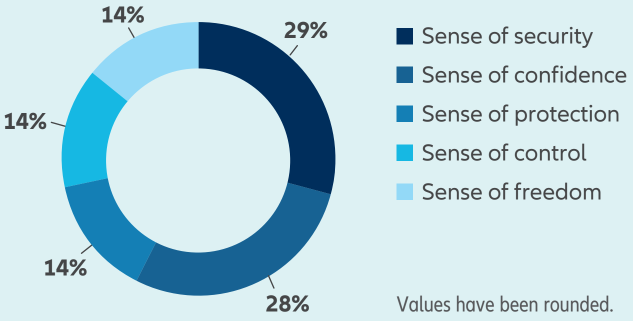


[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

UNLOCKING THEIR EMOTIONAL NEEDS

An important aspect of retirement planning is an understanding of the emotional needs of participants. When asked to rank their desired feelings associated with their retirement income strategy, security and confidence clearly stood out. 29% of participants ranked a sense of security as their primary aspiration, closely followed by 28% who prioritized confidence.[1] This indicates a drive toward reliability and assurance in their post-work years.

Top-ranked emotions desired in retirement income strategy[1]



Values have been rounded.

In comparison, protection, control, and freedom were each ranked as the top priority by 14% of participants.[1] When examining top-two ranks, protection saw a slight increase, reaching 36%, edging past control (31%) and freedom (30%). However, both confidence and security maintained their leading positions, each ranking in the top two for 51% of participants.[1]

These findings highlight the importance of emphasizing how retirement income strategies can cultivate a sense of security and confidence in communications and engagement strategies. While protection, control, and freedom are valuable, incorporating them within the context of achieving the primary goals of security and confidence can have a more sizeable impact.

For instance, explaining how a guaranteed stream of income can address market risks showcases protection alongside the security of a lifetime income stream. Similarly, it can be helpful to illustrate how flexible options provide a measure of control for changing life circumstances, and guarantees can assure them that their retirement income will last a lifetime.

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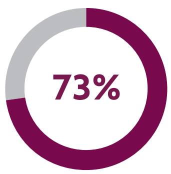
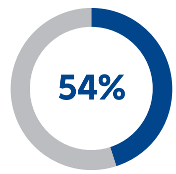
PREFERRED SUPPORT

Participants want guaranteed lifetime income products but need assistance. Most would be interested in having an annuity in their employer-sponsored retirement plan but would require help determining contributions. Over half would pay for an advice service to manage annuity contributions based on their financial situation and retirement goals.



73% are interested in annuities as part of their employer-sponsored plan, but would need help deciding how much to contribute.[1]



54% would pay a fee for an advice service to manage annuity contributions based on personal financial situation and retirement goals.[1]

In terms of preferred support, access to a human advisor topped participant preferences ranking in the top two at 60%.[1] Following were the inclusion of the annuity as part of a professional advice program that tailors allocation strategies to individual circumstances and retirement goals (48%), the availability of educational materials and user-friendly online tools (45%), and embedding the annuity within a target date fund (TDF) that offers an automatic allocation based on retirement date (37%).[1]

Support type also had an influence on likelihood of contribution. 66% of participants said they would be more likely to contribute with access to a human advisor, 65% with professional advice programs. In contrast, just under half (49%) agreed that having the annuity integrated into a TDF would boost their likelihood of contributing.[1] This suggests that while this approach may offer convenience and overcome inertia, many participants prefer a level of personalization when making annuity contributions.

As the financial landscape continues to change, there is a growing demand for personalized guidance, particularly in areas like annuities, which can provide a guaranteed stream of income for life. Surveys show that consumers rely on human support and tailored advice to feel more confident and increase their likelihood of adopting these products. It is important to recognize the role of human interaction and technology in providing scalable support to a workforce of individuals with unique goals and needs.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

PERSONALIZED SUPPORT HELPS ADDRESS A COMMON CONCERN

An appetite for personalized support coincides with a top concern for participants around annuities as part of their employer-sponsored plan – is it right for me?

30% of participants ranked uncertainty if an annuity is right for their personal situation as a top concern about contributing to an annuity as part of their employer-sponsored plan.[1] This was topped only by worries over fees, and it surpassed concerns related to liquidity, the financial stability of the insurer, growth potential, inflexibility, and complexity.

Particularly striking is the fact that fewer participants selected unease about the complexity of the annuity as a top concern. While participants want their experience to be simple, understanding the details of how the annuity works is less of a concern compared to foundational elements, such as appropriateness for their personal situation, access to funds in case of emergencies, and trust in the issuing insurance company.

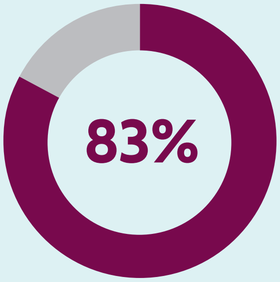
Top concerns related to in-plan annuities (percentage of participants who ranked concerns in top three)[1]

1. Fees and charges associated with annuities **(39%)**
2. Uncertain if an annuity is right for my personal situation **(30%)**
3. Lack of liquidity, restricted access to funds **(24%)**
4. Worries about the financial stability of the insurance company **(24%)**
5. Limited growth potential compared to other investment options **(22%)**
6. Lack of flexibility in managing my retirement income **(18%)**
7. Unease about the complexity of the annuity **(17%)**
8. Negative impact on financial legacy **(11%)**
9. Prefer to purchase outside of my plan **(10%)**

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

Generation-specific insights around guaranteed lifetime income

Millennials in particular are interested in including annuities in their employer-sponsored retirement plans, recognizing the benefits of having guaranteed income for life. This growing interest may be driven by concerns about the future limitations of Social Security, a decline in access to traditional pensions, and a desire to proactively handle the challenges of funding their own retirement while managing risks.



83% of millennials say that an option to create a secure foundation for lifetime income would show that their employer is invested in their retirement preparedness and well-being.[1]

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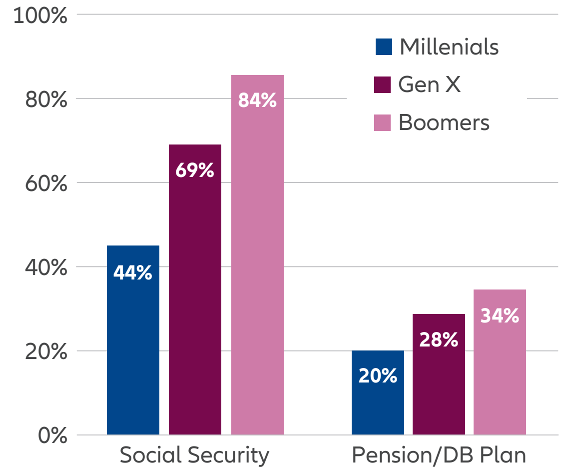
GENERATIONAL SHIFTS IN SOURCES OF GUARANTEED INCOME

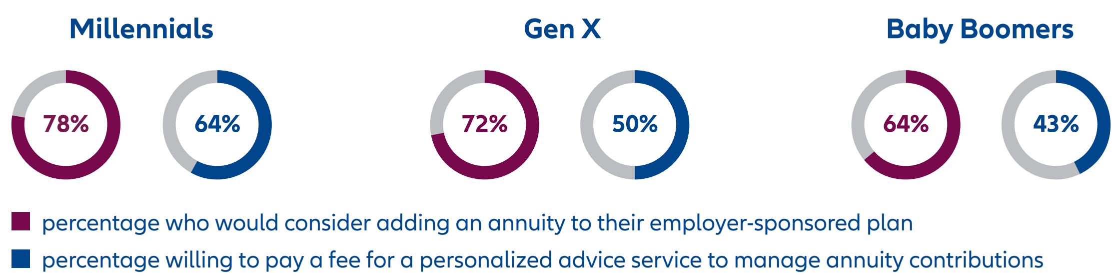
Significantly fewer millennials (44%) envision relying on Social Security compared to 69% of Gen X and 84% of baby boomers.[1] While this perception may be influenced by media reports of potential shortfalls, and may not fully materialize, it highlights a genuine concern among younger generations who are also less likely to anticipate relying on a defined benefit (DB) pension plan.

As a result, there is a slightly higher interest among younger generations in exploring products that offer guaranteed lifetime income, which can act as a supplement to Social Security. This increased interest is evident, with 88% of millennials showing interest compared to 85% of Gen X and 82% of baby boomers.[1]

Expected reliance on traditional guaranteed income sources in retirement, by generation[1]



INTEREST IN ANNUITIES AND ADVICE ON THE RISE: A RESPONSE TO THE CHALLENGE OF INCREASINGLY SELF-FUNDED RETIREMENTS[1]



While millennials may not be retiring today, it is important to take note of their strong preferences for both guaranteed lifetime income and personalized advice. Many individuals in this cohort are in their prime working years and will soon start giving more serious thought to their retirements.

At the same time, 72% of Gen X and 64% of baby boomers would consider adding an annuity to their employer-sponsored plan, and many are interested in personalized advice.[1] Taking into account the needs of different generations can help retirement plans develop enduring income programs that appeal to retirees, now and in the future.

Including these options in a retirement plan can also serve as a valuable tool for attracting and retaining talent. Most individuals from all generations have indicated that having a secure foundation for lifetime income would increase their loyalty to their employer. Specifically, 81% of millennials, 75% of Gen X, and 65% of baby boomers share this sentiment.[1]

Overall, the demand for guaranteed lifetime income across generations presents a clear opportunity for employers to enhance their retirement offerings, leading to the attraction and retention of valuable employees and helping improve outcomes in the process.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

DIFFERENCES IN SPENDING HABITS, BY GENERATION

Generational differences in spending philosophies impact the appeal and positioning of guaranteed lifetime income products. While a foundational desire for financial security is consistent across generations, notable variations exist in spending behaviors and financial priorities.

Millennials exhibit a greater tendency toward impulsive spending. 46% report spending without considering the impact on their overall finances.[1] This suggests a potential disconnect between immediate gratification and long-term financial planning among younger participants.

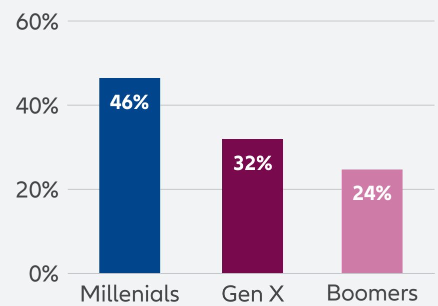
The discrepancy among generations may also stem from the baby boomer generation being raised by parents who experienced the hardships of the Great Depression and instilled a strong emphasis on thrift and savings.

The outlook of baby boomers on spending is different than that of millennials, who tend to favor financial freedom more than other generations do. In fact, 34% of millennials desire a “sense of freedom” from their retirement income strategy, compared to 27% of Gen X and just 22% of baby boomers.[1] This focus on present-day financial flexibility may be influenced by their overall generational outlook as well as a longer time horizon to retirement.

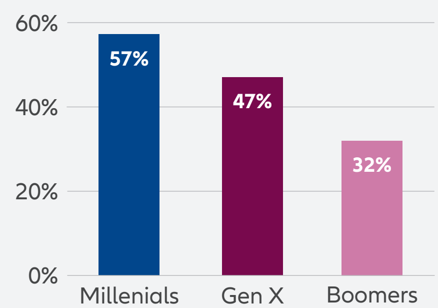
However, it’s worth noting that the desire for financial freedom among millennials is juxtaposed with significant financial anxieties. 57% of them report difficulty affording leisure activities and "fun," compared to 47% of Gen X and just 32% of baby boomers.[1] This discrepancy is likely attributable to factors such as lower accumulated savings, reduced home ownership rates, and higher debt loads.

For instance, nearly a quarter of millennials (24%) reported that student loan debt, whether it be for themselves or a dependent, negatively impacted their ability to save for retirement. In comparison, 13% of Gen X and only 6% of baby boomers faced the same issue.[1] Credit card debt was cited as a hindrance to saving by a larger percentage of millennials (30%) and Gen X (28%) in contrast to just 16% of baby boomers.[1]

Percentage of participants who say they spend money without really thinking about the impact on overall finances[1]



Percentage of participants who say they rarely have money to spend on "fun" or leisure activities, by generation[1]

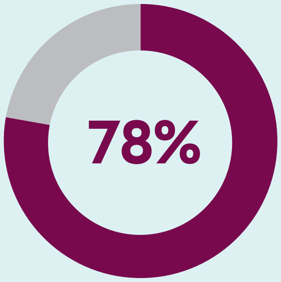


While some of this is influenced by stage of life, there are distinct differences in how different generations discuss their philosophies on spending/saving. This is important to recognize as each generation nears retirement and considers guaranteed lifetime income to support their long-term financial plans.

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

Guaranteed lifetime income insights, by race/ethnicity

Black/African American, Hispanic, and Asian/Asian American participants exhibit a higher interest in adding guaranteed lifetime income solutions to their employer-sponsored retirement plans compared to their white counterparts.



78% of both Black/African American participants and Hispanic participants say they would consider adding an annuity to their employer-sponsored retirement plan.[1]

[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

INCREASED APPEAL OF GUARANTEED LIFETIME INCOME AMONG MINORITY GROUPS

Black/African American, Hispanic, and Asian/Asian American participants demonstrate a significantly higher interest in annuities within employer-sponsored retirement plans compared to their white counterparts. This preference translates into increased loyalty and a greater perception of employer concern for their retirement security.

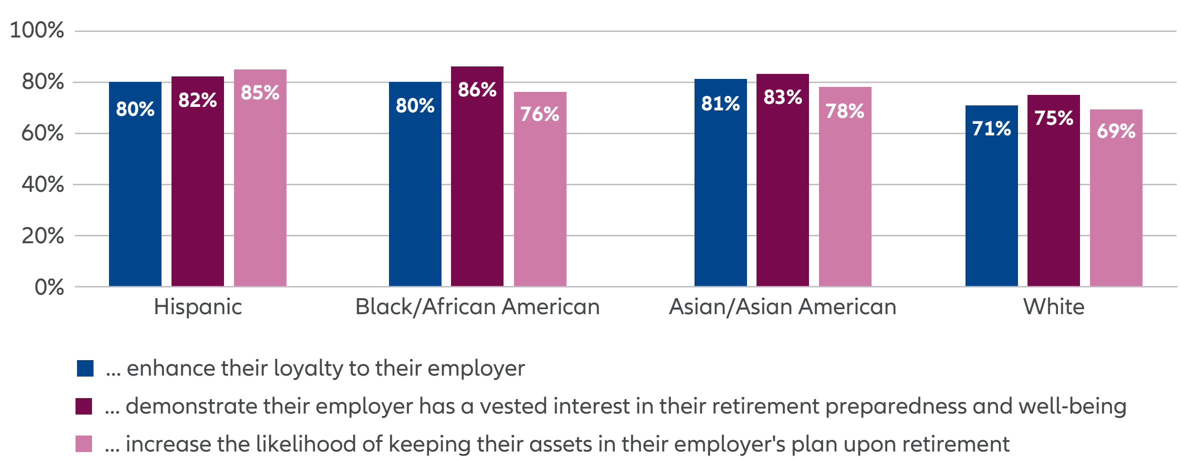
Specifically, 81% of Hispanic participants express a desire to learn more about annuities, followed closely by 78% of Black/African American and 75% of Asian/Asian American participants, compared to 65% of white participants.[1]

Percentage of participants interested in learning more about annuities as part of their employer-sponsored retirement plan[1]

Offering annuities enhances loyalty: 80% or more Asian/Asian American, Black/African American, and Hispanic participants report that this option would strengthen their loyalty to their employer, compared to 71% of white participants.[1] A similar trend emerges regarding perceived employer concern. A significant majority of Black/African American (86%), Asian/Asian American (83%), and Hispanic (82%) participants believe that offering annuities demonstrates an employer's vested interest in their retirement preparedness and well-being, compared to 75% of white participants.[1]

Moreover, among these diverse groups, particularly Hispanic participants (85%), there is a notable inclination toward keeping their assets with their employer's retirement plan.[1] This suggests that offering annuities not only increases loyalty and perceived employer concern but also results in a higher likelihood of retaining assets within the employer's retirement plan.

Percentage of participants who expressed that the availability of an annuity in their employer-sponsored plan would ...[1]



[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

FACTORS DRIVING INCREASED INTEREST AMONG MINORITY GROUPS

A wide range of factors contribute to the heightened interest in adding annuities to employer-sponsored plans among minority groups.

67% of Hispanic participants expressed concern about outliving their retirement savings from employer-sponsored plans compared to 59% of white and Asian/Asian American participants and 52% of Black/African American participants. This highlights a significantly higher level of anxiety about financial security in retirement among Hispanic individuals.[1]

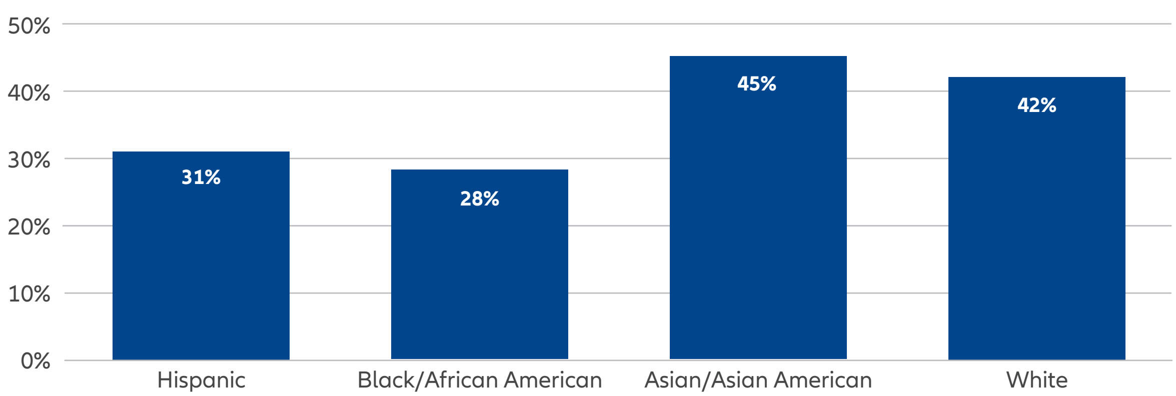
Concerns about market volatility also play a significant role. 77% of Hispanic participants and 75% of Asian/Asian American participants reported worry about a major market downturn impacting their retirement readiness. This concern was also present among 71% of Black/African American participants and 70% of white participants, though to a slightly lesser extent.[1]

Furthermore, a strong preference for steady, predictable income was evident, particularly among Asian/Asian American participants with 94% saying they would prefer to have a steady stream of income rather than figuring out how to spend their retirement savings balance. This desire for income stability underscores the importance of reliable retirement income for this group.

Finally, expected sources of income in retirement vary across demographics, with low reliance on outside investment accounts among Black/African American and Hispanic participants. Only 28% of Black/African American participants and 31% of Hispanic participants expect to depend on personal investments outside their employer-sponsored plans for retirement income.[1]

This contrasts with 45% of Asian/Asian American participants and 42% of white participants. This indicates a greater reliance on employer-provided retirement plans among Black/African American and Hispanic participants.[1]

Percentage of participants who expect to rely on personal investments outside an employer-sponsored plan[1]

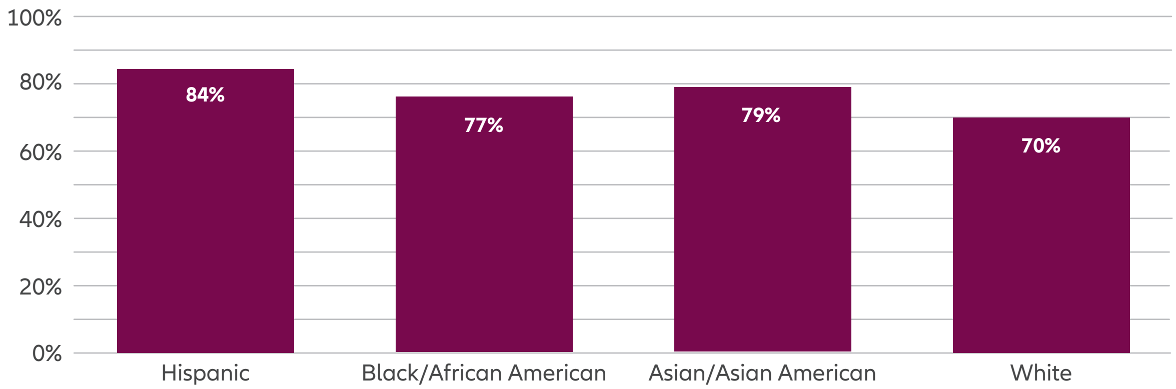


[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

POTENTIAL IMPACTS OF ADVICE FOR DIFFERENT PARTICIPANT DEMOGRAPHICS

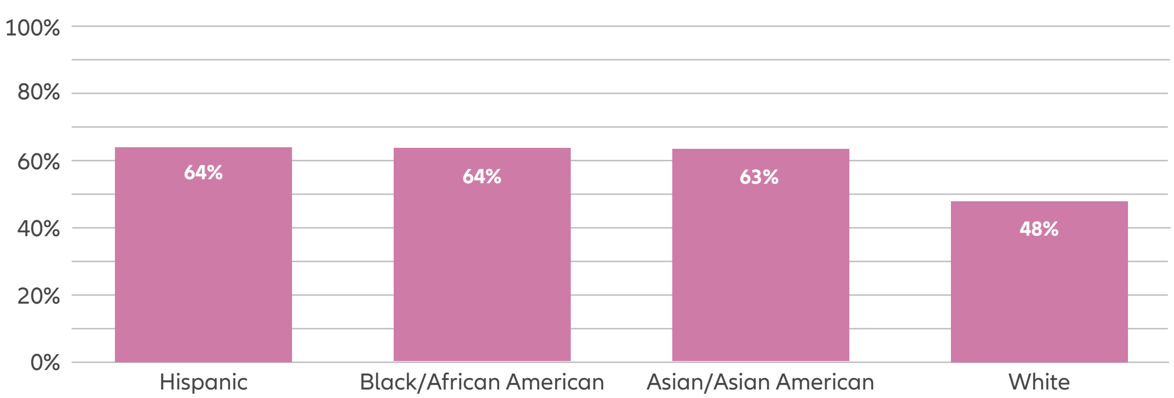
Significant demographic variations emerge when examining the perceived need for annuity advice. Black/African American, Hispanic, and Asian/Asian American participants demonstrated a stronger inclination toward seeking assistance in determining appropriate contribution amounts within employer-sponsored plans. Specifically, 84% of Hispanic, 79% of Asian/Asian American, and 77% of Black/African American participants indicated this need, compared to 70% of white participants.[1]

Percentage of participants interested in annuities as part of their employer-sponsored plan, but would need assistance determining how much to contribute[1]



This translates to an increased interest in paying for advice services tailored to their personal circumstances. 64% of both Hispanic and Black/African American participants and 63% of Asian/Asian American participants expressed willingness to pay a fee for an advice service to manage annuity contributions based on their unique financial situation and retirement goals. This compares to just under half (48%) of white participants.[1]

Percentage of participants willing to pay a fee for an advice service to manage annuity contributions based on their unique financial situation and retirement goals[1]



[1] The State of Lifetime Income: Participant Survey, conducted by the Allianz Center for the Future of Retirement™ in November 2024 with a nationally representative sample of 2,488 respondents aged 18+ who are currently contributing to an employer-sponsored retirement plan.

Summary of participant survey

Overall, results from this survey demonstrate a strong participant interest in integrating guaranteed lifetime income solutions into employer-sponsored plans. When it comes to product preferences, the majority of participants favor contributing smaller amounts through payroll deductions rather than making a lump sum purchase at retirement.

They also prioritize product designs that offer stability, risk management, growth potential, and protection against market downturns. Trust is key for participants when considering annuities, with a strong need for insurance companies to have a solid financial rating and reputation.

When engaging participants, using the term "guaranteed lifetime income" resonates the most, emphasizing their desire for security and sustained income. Participants prioritize feelings of security and confidence in their retirement income strategies.

They also prioritize support and assistance in determining annuity contributions, with a preference for access to human advisors and tailored professional advice programs. Personalization is significant, as participants want assurance that annuities are appropriate for their individual circumstances.

The desire for guaranteed lifetime income and personalized advice is notably stronger among younger generations and diverse demographic groups, including Hispanic, Black/African American, and Asian/Asian American participants. This suggests that these are not only future-oriented trends but also represent immediate opportunities to increase retirement readiness among historically underserved populations and foster greater financial security for more Americans.

Overall, participants express interest in annuities but require support and guidance in understanding their options and making informed decisions. Trust, security, and confidence are key factors in their considerations, and addressing these concerns is essential in effectively implementing annuities within employer-sponsored plans.

Industry pulse check

An opportunity for plan advisors

While understanding participant needs and preferences for guaranteed lifetime income is foundational, advisors seeking to expand their practice must also possess a deep understanding of the evolving retirement income landscape and available solutions. This knowledge can help them deliver differentiated value to plan sponsor clients.

Despite the growing demand, in-plan retirement income solutions have seen limited adoption thus far. According to a recent NAPA Advisor Research Institute (NARI) survey, on average, only 6% of advisors' plans currently feature an in-plan income solution, and just 3% have an income component within their Qualified Default Investment Alternative (QDIA).[1]

However, interest is increasing. Those advisors reported that, on average, 10% of their plans are actively considering adding a retirement income solution and 4% are exploring incorporating an income component into their QDIA.

Other sources, such as the 2024 DC Consultant Study from T. Rowe Price, further point to this increased interest with a dramatic decrease in the percentage of plan sponsors who had no opinion on in-plan retirement income solutions, from 59% in 2021 to 19% in 2024. Simultaneously, those offering or planning to offer a solution doubled from 8% to 18%.[2]

These figures signify an increasing momentum in the retirement income landscape, highlighting the shift from information-gathering to decision-making among plan sponsors. As this market continues to evolve, advisors who take the initiative to educate themselves and their clients on available solutions will be in a prime position to capture opportunities and provide distinctive value. By staying informed, advisors can adapt their strategies and help plan sponsors efficiently address the retirement income needs of their participants in a constantly changing environment.

[1] Spotlight on Innovation: Advisors' Views on PEPs, Retirement Income and Personalized Investments, NAPA Advisor Research Institute (NARI), December 2024

[2] 2024 Defined Contribution Consultant Study, T. Rowe Price, September 2024

A look at the landscape

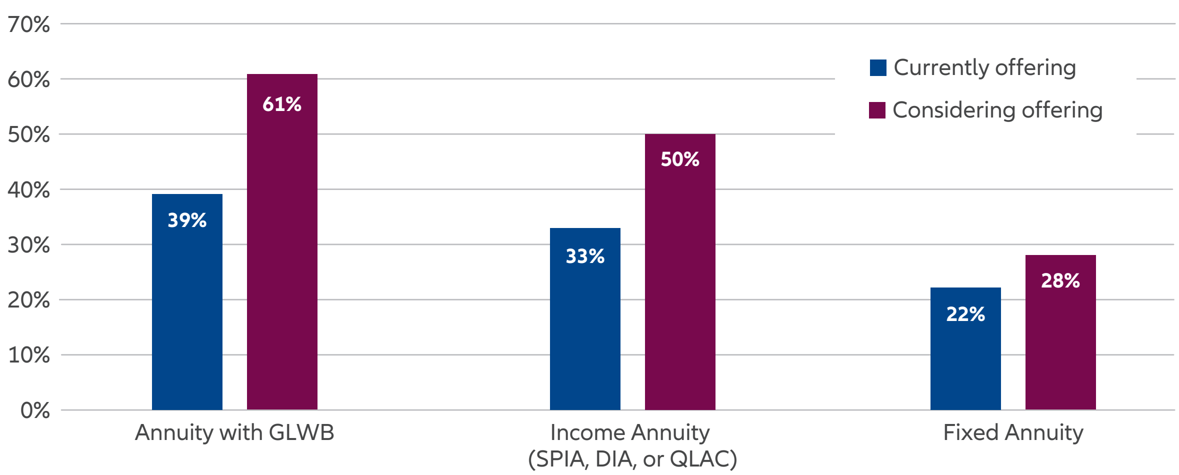
Alongside participant demand, recordkeeper availability is an essential factor in driving the ultimate adoption of guaranteed lifetime income products. Recent years have witnessed a significant acceleration in the development of infrastructure connecting these solutions to recordkeepers and advisors. As a result, retirement income options are becoming more readily available, with large recordkeepers expanding their suites of retirement income solutions.

Technology has played a pivotal role in enabling this expansion, facilitating greater choice and scalability of lifetime income programs. Historically, plans were often limited to recordkeepers' proprietary products. However, tides are turning, and technological advancements now allow recordkeepers to integrate non-proprietary solutions, broadening the range of available options.

A 2024 Retirement Research Center (RRC) survey of recordkeepers underscores this trend, revealing that 56% considered retirement income solutions a "very important" priority for the year. This aligns with a surge in solution announcement and partnerships over the past year.[1]

The RRC study also provides insights into the types of solutions currently offered on these recordkeeping platforms. Among the 61% of recordkeepers offering at least one type of annuity, 28% offer two or more.[1] Specifically, 39% offer annuities with guaranteed lifetime withdrawal benefits (GLWB), 33% offer income annuities (SPIAs, DIAs, or QLACs), and 22% offer fixed annuities. Looking ahead, 61% of recordkeepers are considering adding annuities with GLWBs, 50% are considering income annuities, and 28% are considering fixed annuities.[1]

Percentage of recordkeepers currently or considering offering guaranteed lifetime income solutions, by solution type[1]



These data demonstrate a clear commitment from recordkeepers to expand the availability of multiple guaranteed lifetime income solutions, reflecting the growing importance of these products in retirement income planning. Expanding accessibility, combined with rising consumer demand, positions guaranteed lifetime income as an important component of the future of retirement.

[1] Retirement Income Solutions: Recordkeeper Study, Retirement Research Center (RRC), June 2024

Let's work to enhance participant outcomes, together

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