

Informing the Debate: Facts About Retirement Security



Facts from LIMRA Secure Retirement Institute

LIMRA Secure Retirement Institute research finds that most Americans are concerned about having enough money to last their lifetime and remaining financially independent.

The Institute estimates that there will be 82 million retirees by 2040; many will need to get more than 40 percent of their retirement income from savings.

The Retirement Security Risks

- The biggest risk to Americans' retirement security is the lack of savings. Half of Baby Boomers have less than \$100,000 saved for retirement and more than a third have less than \$25,000.

Source: Consumer Survey, LIMRA Secure Retirement Institute, 2014

- The top reason Americans give for not saving for retirement is that they cannot afford to save.

Source: Consumer Survey, LIMRA Secure Retirement Institute, 2013

- Almost 75 percent of pre-retirees expect to work in retirement, but 75 percent of retirees do not work.

Source: Quarterly Retirement Perspectives, LIMRA Secure Retirement Institute, Fourth Quarter 2013

- Despite the fact that half of all 65 year olds will live beyond 90, less than a third (28 percent) consider longevity a major risk to their financial security in retirement.

Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, 2012

- Six in ten advisors believe their clients are at risk to outlive their income while only one quarter of pre-retirees believe they are at risk to outlive their income.

- Two out of three pre-retirees acknowledge that Social Security and pensions will not cover basic living expenses.

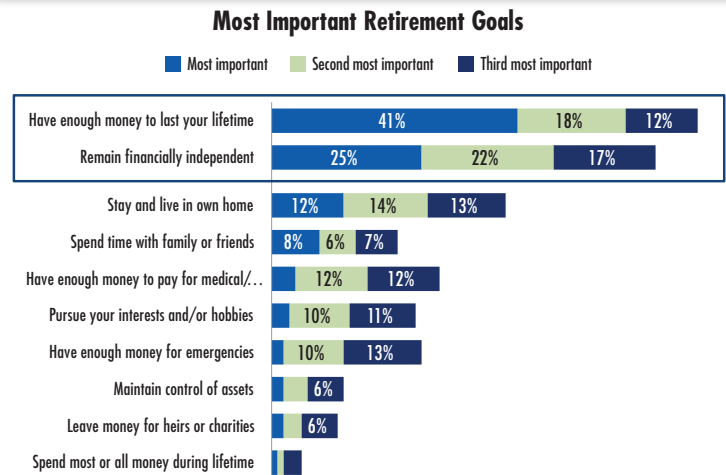
Source: The Pre-Retiree Market, Surveying the Landscape, LIMRA Secure Retirement Institute, 2012

- Only one third of pre-retirees and retirees have ever estimated how long their assets will last in retirement.

- Only 3 in 10 have developed a specific income-generation strategy.

Source: Annuities: Finding the Right Mix, Retirement Income Attitudes and Preferences, LIMRA Secure Retirement Institute, 2014

Americans' Top Retirement Goals

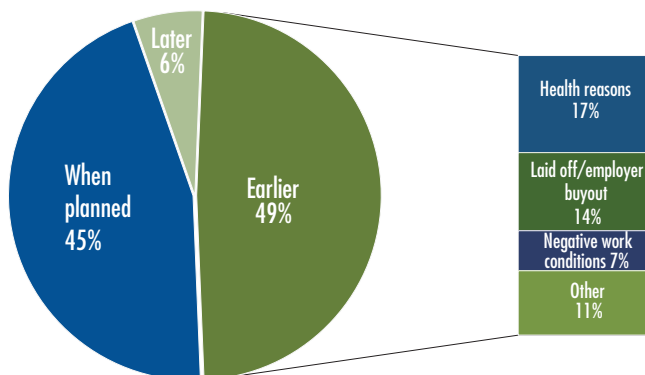


Source: Finding the Right Mix: Retirement Income Attitudes and Preferences, LIMRA Secure Retirement Institute, 2014.

49% of retirees retired earlier than they had planned. Health reasons were the most common cause.

Myth: People Can Retire According to Their Plans

Percent Retired When Planned



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, 2012

Guaranteed Income Important to Americans

- The majority of non-retired Boomers (age 50–65) with financial assets of more than \$100,000 are interested in creating guaranteed lifetime retirement income.
- Seven in ten retirees and pre-retirees say having enough money to last their lifetime is a top priority, and nearly two thirds want to remain financially independent in retirement.
- Retirees and pre-retirees who prioritize guaranteed lifetime income believe that guaranteed income for life provides peace of mind.

Source: *Finding the Right Mix, Retirement Income Attitudes and Preferences*, LIMRA Secure Retirement Institute, 2014

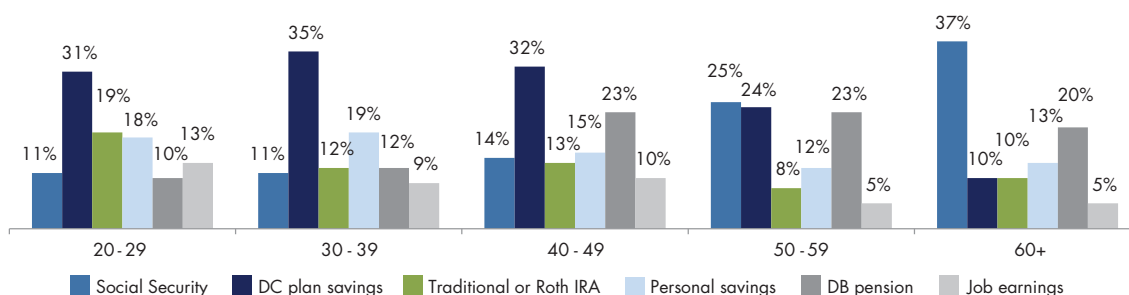
- Pre-retirees think that minimizing the risk of running out of money in retirement and creating a retirement income plan are the two most important advisor services.

Source: *Retirement Study – Consumer Phase*, LIMRA Secure Retirement Institute, 2012

- Half of U.S. household with assets of at least \$100,000 are interested in converting assets into guaranteed lifetime income.

Source: *Retirement Income Attitudes and Preferences*, LIMRA Secure Retirement Institute, 2014

Most Important Source of Expected Retirement Income (by Age)



Source: LIMRA Secure Retirement Institute 2012 LIMRA Retirement Study — Consumer Phase, fielded May 2012. Data based on 2,638 non-retired consumers aged 20 to 84.

Annuity Owners Are Satisfied With Their Purchase

Recent Annuity Buyers' Attitudes

Top reason to buy an annuity	• Supplement SS or pension income	55%
High level of understanding	• Before purchase	21%
	• After purchase	49%
Satisfaction	• Variable annuity buyers	82%
Own more than one	• Variable annuity buyers	62%
Will refer	• Recent buyers	83%

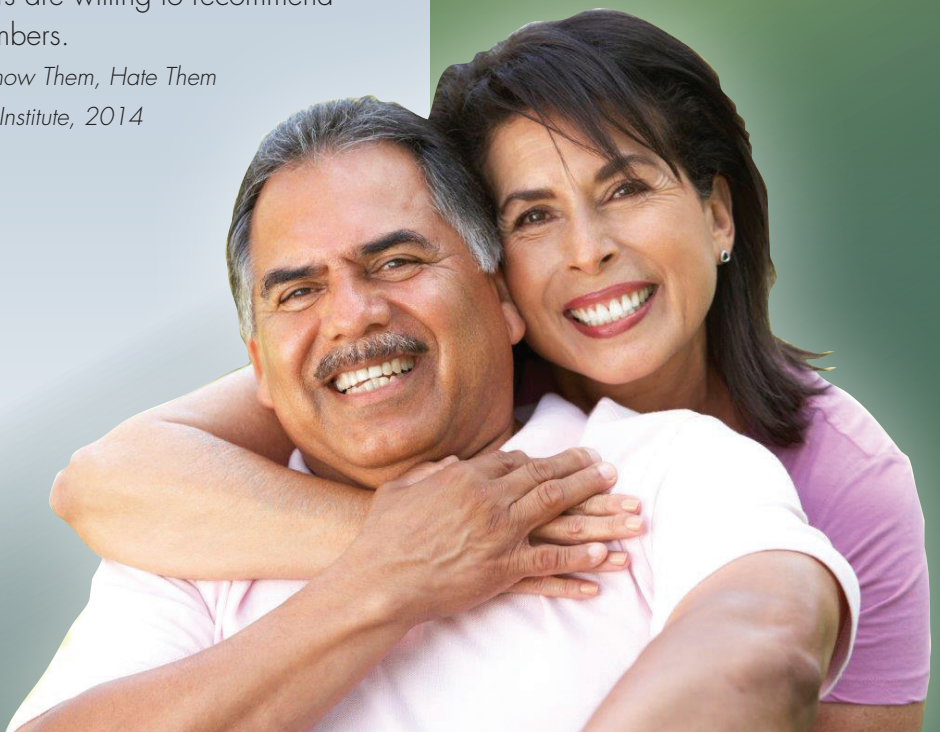
Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, 2012

- Owning an annuity increases confidence in achieving a secure retirement lifestyle. Nine out of ten affluent households with an annuity are confident in their retirement security.
- Eighty percent of annuity owners scored high or medium on a quiz about the characteristics of annuities. Annuity owners know what they own and why they own it.
- More than 70 percent of annuity owners are willing to recommend annuities to their friends and family members.

Source: *Annuities: Love Them When You Know Them, Hate Them When You Don't*, LIMRA Secure Retirement Institute, 2014

Three quarters or more of annuity buyers are satisfied with their purchase: 5 out of 6 recent annuity buyers would recommend an annuity to a family member, friend, or colleague.

Source: *Finding the Right Mix, Retirement Income Attitudes and Preferences*, LIMRA Secure Retirement Institute, 2014



- The majority of variable annuity buyers said the top reason they purchased their annuity was to supplement Social Security or pension income.

Source: U.S. Deferred Annuity Buyers Attitudes and Preferences, LIMRA, 2014

- Four out of five annuity owners agree that annuities are a good fit for their financial needs.

Source: Annuities: Love Them When You Know Them, Hate Them When You Don't (2014), LIMRA Secure Retirement Institute

- Annuities are an important income source for many retirees. Thirty-five percent of retirees (annual household income of \$35,000+) receive income from annuities. Of these retirees, 40 percent receive regular payments guaranteed for life.

Source: Sources of Retirement Income, LIMRA Secure Retirement Institute, 2011.

- Seventy-seven percent of new variable annuity business is sold with a guaranteed living benefit (when available).

Source: Variable Annuity Guaranteed Living Benefit Election Tracking Survey — LIMRA Secure Retirement Institute, Third Quarter 2014

- Consumers bought around \$105 billion in annuities that are directly associated with guaranteed lifetime income (60 percent of total retail annuity sales) in 2014.

- Life insurers put \$76 billion of annuity benefits into the U.S. economy in 2013.

Source: LIMRA Secure Retirement Institute analysis of SNL Financial LLC data.

“Retirement confidence is most often driven by confidence in one’s own abilities to manage finances and expenses.”

Source: Finding the Right Mix, Retirement Income Attitudes and Preferences, LIMRA Secure Retirement Institute, 2014

As a sign of the shifting landscape, half of not-retired Americans will rely on their personal savings in 401(k) plans, IRAs, annuities, and other savings as their primary sources of retirement income.

Source: Finding the Right Mix, Retirement Income Attitudes and Preferences, LIMRA Secure Retirement Institute, 2014

Retirement Savings at Work

- A large majority of American workers (78 percent) recognize their personal responsibility to save for retirement. Those who contribute to a DC plan are more likely to believe they have a personal responsibility to save (84 percent).

Source: Retirement Confidence and Security: Experiences, Expectations, and Benefits of Planning, LIMRA Secure Retirement Institute, 2014

- There is widespread support for access to a retirement savings plan at work: 77 percent believe that all workers should have access. In addition to tax-deferred savings, workplace plans offer the convenience of automatic deduction, which makes saving easy.
- The majority (77 percent) believe that DC plans are an effective way to save for retirement, even among those who don't currently contribute to them. This belief is even more pronounced among current DC participants; fully 85 percent believe they are an effective way to save.

Source: Workers See Defined Contribution Plans as Critical to Retirement Security, LIMRA Secure Retirement Institute, 2014

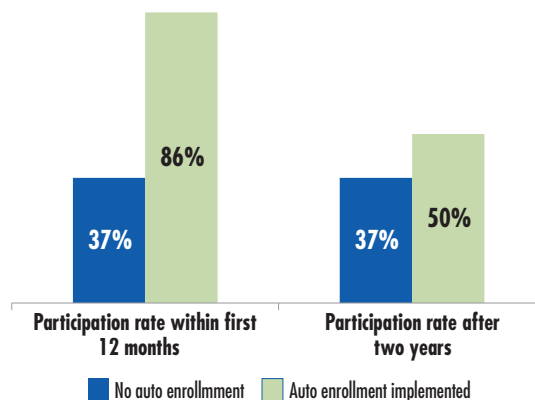
Employer-matching contribution is the single most significant factor in determining whether employees contribute to a DC plan or not.

Source: The Plan Participation Puzzle, LIMRA, 2010

Automation Helps People Save

Automatic enrollment can increase participation by up to **34 percentage points**.

Even after 2 years, participation is up **more than 25 percent!**



Source: Saving for Retirement on the Path of Least Resistance. Behavioral Public Finance: Toward a New Agenda, 2004

- Eight in ten U.S. workers would like a guaranteed income option in their DC plan, yet most employers do not offer these options (only 21,000 employers in the United States, representing less than 1 percent of the U.S. work force).
- Younger workers are most interested in this option — 90 percent of those 18–34 believe that employers should provide ways to convert savings into retirement income.
- Half of employers do not believe guaranteed income products are important to their employees.

Source: Quarterly Retirement Perspectives, LIMRA Secure Retirement Institute, Fourth Quarter 2013

Advice Matters

Consumers who work with a financial professional:

- Are almost twice as likely to contribute to a retirement plan (78% vs. 41%).
- Are more likely to save a larger percentage of their income for retirement (61% vs. 38%).
- Are more confident in their retirement security (71% vs. 43%).

Source: *Use of and Impact of Advisors*, LIMRA, 2012

- Eight in ten consumers who work with an advisor believe their advisor helps them in ways they would not be able to achieve on their own.

Source: *Finding the Right Mix: Retirement Income Attitudes and Preferences*, LIMRA Secure Retirement Institute, 2014

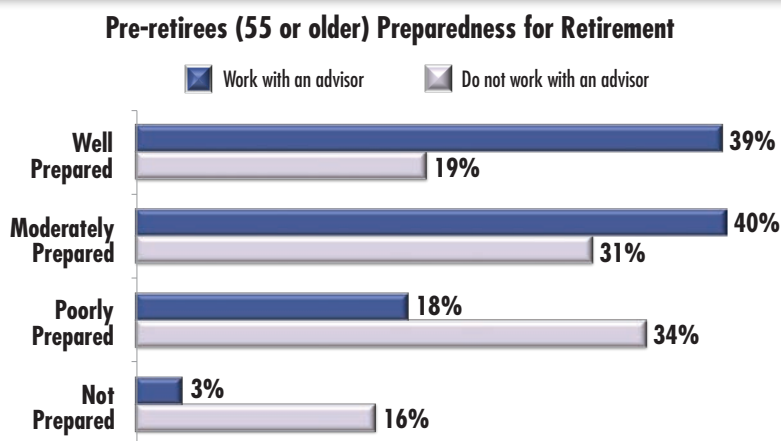


Retirees and pre-retirees who work with a paid financial professional are **twice** as likely to have developed a specific plan or strategy for generating income in retirement.

They were also significantly more likely to have done more complicated planning — like estimating retirement assets and how long they will last.

Source: *Finding the Right Mix: Retirement Income Attitudes and Preferences*
LIMRA Secure Retirement Institute, 2014

Pre-Retirees Who Worked With Advisors Feel More Prepared for Retirement



Source: *Retirement Income Reference Book*, LIMRA Secure Retirement Institute, 2012

Pre-retirees who use an advisor are more likely to have done more retirement planning and feel more prepared for retirement.

Source: *Retirement Income Reference Book*,
LIMRA Secure Retirement Institute, 2012

- Although LIMRA research shows that more than half of consumers say they prefer flat fees, only 1 in 5 are willing to pay more than \$100 for advice.

Source: *Bye, Bye Commissions*, LIMRA 2012

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