

Conversation Starters

Assess the need for guaranteed income by asking some of these foundational questions. While they may seem basic, if you truly believe the plan could benefit from a lifetime income solution, then the conversation that stems from these questions can help a plan sponsor better determine how this type of solution could benefit their participants.

Plan Objectives

What is the goal of the plan?

▶ Why this matters

While many plan sponsors may not use the term “guaranteed income” as the plan’s main objective, in most cases the financial well-being of employees in retirement is the underlying reason for offering lifetime income to their participants.

▶ Sample questions

- Is the goal to replace their employees’ paycheck in retirement?
- Is the goal to provide participants with the security of lifetime income?
- Why is a defined contribution plan so important to the company’s benefit program?

Advance the conversation

▶ **Participants are not saving enough**

- 66% of Americans feel they are living paycheck-to-paycheck.¹
- About 56% of surveyed workers feel they are lagging in saving for retirement, with 37% of that group describing themselves as “significantly behind”.²
- 86% of all participants said they wished they had saved more while they were still working, and 60% said they should have started saving earlier.³

▶ **Participants are worried about their finances**

- 2 in 3 Americans worry more about running out of money than death.⁴
- A new study by SoFi, found that nearly 9 out of 10 employees say they’re stressed about finances. Almost half of employees surveyed described their financial status as “just getting by.”⁵

▶ **Many participants need help when it comes to retirement income**

- Greenwald Research found that 72% of employees expressed concern that their retirement income sources may not be simple and easy to manage.⁶
- 59% of plan sponsors recognize that employees need help making financial decisions while in retirement.⁷

¹MarketWatch Survey: Almost 50% of Americans Consider Themselves ‘Broke’, May 2024

²MoneyWatch, More than half of Americans say they don’t have enough for retirement, September 2023

³MedicareFAQ Survey, January 2024

⁴Allianz Life Insurance Company of North America, 2024 Annual Retirement Study

⁵SoFi at Work, The Future of Workplace Financial Well-Being: 2024 Employer & Employee Perspectives, 2024

⁶PlanSponsor, More Than Half of Plan Sponsors View In-Plan Retirement Income as ‘Too Complex,’ Survey Finds, February 2024

⁷Fidelity Annual Financial Wellness Employer Trends Survey, June 2023

Have your employees articulated their concerns about financial security and protection?

▶ Why this matters

The financial well-being of employees is becoming an increasing concern for many employers. This is not only demonstrated by the number of employees voicing financial concerns and a desire for guaranteed income, but also by the growing trend of delayed retirement.

▶ Sample questions

- Have you seen an increase in delayed retirements?
- Have you seen an increase in contribution rates among those who are getting closer to retirement?
- Are you noticing employees changing their investment selections?
- Are your employees asking for simple and automatic investments?

Advance the conversation

▶ *Participants are asking for guarantees*

- According to Greenwald Research, 83% of plan participants say their employers should offer in-plan retirement income options.⁸

▶ *Participants are delaying retirements*

- 42% of plan sponsors report an increase in delayed retirements in 2023.⁹

▶ *Employer costs rise as plan participants delay their retirement*

- EY estimates a \$1.6 million annual cost associated with delayed retirement for an organization with 100,000 employees and 10% product adoption.¹⁰
- Nearly half of employers, 47%, say they are paying higher salaries for longer tenured employees and 38% said health and benefit plans are becoming more expensive due to delays.¹⁰
- According to Fidelity's 2024 State of Retirement Planning Study, 25% have already or plan to delay their retirement day; two-thirds say it is out of financial necessity.

⁸Greenwald Research, Employees, Concerned About Inflation and Longevity, Want Income Options in Retirement Plans, January 2024

⁹Nationwide Research Institute, 2023

¹⁰EY, Protected Retirement Income Solutions, February 2024

Have you considered how a lifetime income option could help benefit your company?

▶ Why this matters

Retirement plans are typically put in place to help employees achieve financial wellness, but many employers also see them as a benefit to help with recruiting and retaining top talent. Employers can also benefit from retaining assets of retirees and current employees for longer by providing an in-plan retirement income solution, allowing them to maintain lower cost investment options and recordkeeping fees.

▶ Sample questions

- How focused are you on employee retention and recruitment?
- Have you considered the cost of retaining assets in-plan?
- Do you have any concerns with decreased productivity in your employees due to financial stress?

Advance the conversation

▶ *There are benefits for sponsors who retain assets in-plan post retirement*

- According to a 2022 Cerulli survey of DC plan consultants, 58% of their plan sponsor clients are either actively seeking to retain participant assets post-retirement or prefer to do so.
- Fidelity recordkeeping data reports that, 60% of retirees on [the Fidelity] platform remained in their plan within the first year of separation, compared with approximately 50% in 2013.¹¹

▶ *Lifetime income can be a valuable and differentiating tool for recruitment and retention*

- 77% of employees say having an option that allows them to build a protected foundation for lifetime income would increase loyalty to their employer.¹²

¹¹Fidelity® 2022 Retirement Analysis: In The Midst of Inflation and Uncertainty, Retirement Account Balances Are Rising, December 2022.

¹²Insurance News Net, Interest grows in annuities as part of employer-sponsored retirement plans, August 9, 2023.