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More Americans are adding annuities to help secure their retirement as they recognize the challenges they'll face because of COVID-19's lasting impact.

MORE U.S. HOUSEHOLDS ARE PROTECTING THEIR RETIREMENT WITH ANNUITIES, 2020 PLI STUDY SHOWS

Over the past year, more Americans took an important step in protecting their retirement by adding annuities to their portfolio, according to the Alliance's 2020 Protected Lifetime Income (PLI) Study. Amid ongoing uncertainty about having enough income in retirement because of the pandemic, an estimated 3.1 million households added a source of protected income in the past year to supplement what they receive from Social Security.

It's a strong assumption that most of these Americans were solving for the No. 1 concern of pre-retirees: whether their savings and investments are enough to last throughout retirement. When combined with Social Security, protected income from an annuity can provide households with a reliable stream of monthly income they can count on throughout retirement to help cover essential monthly expenses such as a mortgage, utilities or groceries, regardless of how their market investments are performing.

"No American should face the prospect of running out of money in retirement, and this year's study finally gives us some good news by showing that millions of people have taken an important step to making sure they don't outlive their savings," said Jean Statler, the Alliance's CEO. "The pandemic, market volatility and overall economic conditions have triggered what we are calling a 'retirement reset,' forcing Americans to rethink their retirement plans and find ways to protect their retirement income."

Many Americans are recognizing the challenges they'll face because of COVID-19's lasting impact. Having enough savings and investments for retirement is the No. 1 concern about retirement for more Americans this year (37%) than last year (34%), the study says. And four in 10 people say they feel more anxious about retirement because of the pandemic. Among those who say they've suffered an impact from COVID-19, 60% say they're more anxious.

PROTECTION EQUALS CONFIDENCE

Another main finding of this year's study is that those with protected income have a significantly improved retirement outlook and are more confident. Of those with protected income, 78% believe their income will last their lifetime, compared with only 41% of those who are unprotected.

Having income protection is a key piece in the retirement-income planning puzzle and can help provide retirement security to millions of consumers. The first step in the process is to estimate your basic expenses in retirement, such as housing costs, health care, groceries — fixed expenses you'll have to pay for each month. Then determine how much protected income you'll get from Social Security and, if you're lucky, a pension. You can then help fill gap between protected income and expenses with an annuity.

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But there's more work to do in getting ready for life in retirement. Among pre-retired Americans, only 35% have calculated their monthly financial needs in retirement, the PLI Study says. In fact, only 21% of them are following a specific financial plan, and just 27% are working with a financial planner.

THE PARADOX OF OPTIMISM

Despite this shortcoming in retirement planning and decline in confidence because of the pandemic, Americans generally are optimistic about their retirement. In fact, 74% of retired Americans believe their income will last throughout retirement, up 3 percentage points from last year. Only 51% of nonretired Americans believe this will be the case, however, even though that number is up 9 percentage points from 2019.

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— **Jean Statler**, CEO, Alliance for Lifetime INcome

But an important component of retirement security — having protected income beyond Social Security in the form of an annuity or pension — is lacking in too many households.

“Despite the good news increase in protected U.S. households, 60% of them still do not have a source of protected income other than Social Security and face the prospect of running out of money in retirement,” Statler said. “Though we’re breaking through in our efforts to educate Americans about the need to plan for retirement income, not just accumulating savings for retirement, we still have more work to do.

“Annuities provide protected lifetime income to millions of Americans every month and are a powerful solution that can give people real retirement security. And this is truer today than it has ever been, given the uncertainty and volatility we’re living through.”

Annuities have been hiding in plain sight for many Americans. Sixty percent agree that the benefits of annuities are very important, but an almost equal percentage say they don’t understand them well. Here are three easy ways to learn about annuities and the importance of protected income for your long-term financial security:

- Take advantage of the free educational resources at ProtectedIncome.org
- Determine the gap between your retirement income and expenses by using the Retirement Income Security Evaluation (RISE) Score™
- Speak with a financial professional about how to close any gap between your protected income and expenses with an annuity. To make the conversation easier, the Alliance has a free worksheet on its website with a list of questions to ask your financial professional when considering an annuity.

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WHAT'S YOUR RETIREMENT PROFILE?

To better understand some of the paradoxes in our retirement planning psychology and behavioral patterns, the Alliance for the first time conducted an analysis that identified the five profiles of Americans planning for retirement. The following profiles are based on Americans' dreams, how they approach financial decisions, and actions they're taking today:

- **Optimistic Dreamers:** Creative and open-minded, these individuals want to do good for society and are hopeful that they will enjoy retirement but are uncertain of how to financially prepare for it.
- **Cautious Preparers:** Individuals who adhere to tried-and-true practices in life, including when planning for a financially secure retirement, but are concerned about the risk of costly surprises.
- **Uncertain Strugglers:** Individuals who aspire to gain control over the direction of their lives and expect to take things as they come in retirement to the extent that they don't have a financial plan for it.
- **Purposeful Planners:** Individuals who enjoy leading well-rounded lives and spend considerable time and energy to ensure that they can afford the same lifestyles in retirement.
- **Ambitious Risk-Takers:** Optimistic in their outlook on life, these individuals want to achieve great things for both themselves and society and are confident in their ability to plan for a financially secure retirement.

Although the five profiles here cover the spectrum of Americans who are planning for retirement, they all face the same retirement challenge of ensuring they can pay for basic expenses when market volatility creates uncertainty.

The Alliance's annual PLI Study began in 2018 – the largest protected income study of its kind – surveys a wide range of American adults to gauge their retirement preparedness as well as their attitudes and behaviors around retirement-income planning.

The 2020 PLI Study uncovers how hopeful Americans are about their retirement amid their anxiety regarding the COVID-19's financial impact. Protected income from an annuity offers a solution that can help resolve their doubts and allow Americans to look beyond the pandemic with optimism and confidence in their retirement.

**More information can be found in the survey [fact sheet](#).*