

Alliance for
Lifetime
Income

PROTECTED LIFETIME INCOME INDEX STUDY

October 2018



OBJECTIVES

The Alliance for Lifetime Income's new Protected Income Index is an ongoing research program that will track the level of **protected/unprotected** households in the United States and provide insights into Americans' attitudes and behaviors around retirement-income planning.

METHODOLOGY



Participants
N=3,120



Online Quantitative Study
National



Field Dates
September 11 to 19, 2018

General Specifications:

1. Age 25 to 74
2. Census balanced on age, gender, income, education, race, Hispanic ethnicity, and region
3. Data was weighted (on age, income, education, Hispanic ethnicity)
4. 21% are retired (fully or partially)

THE PROTECTED LIFETIME INCOME INDEX

This study gauges Americans' preparation for their retirement income needs by probing:

- How they feel about their retirement income readiness
- What tangible actions they have taken
- How they are thinking about and prioritizing retirement income needs

A key purpose of this study is to provide a basic measure of the proportion of Americans with a source of protected lifetime income. The study examines how and how much such protected income influences the way people feel and plan for their lifetime income needs.

EXECUTIVE SUMMARY

- Americans believe they are making efforts to prepare for their retirement income needs, but many recognize they are falling short. Half of Americans fully expect that their retirement savings and sources of income will not last their lifetime.
- The emotional toll can be seen in the level of concern and anxiety about not having enough income in retirement.
- While most say they have thought about their sources of retirement income, most have not thought through or calculated their expenses in retirement. Instead, there is a high degree of hope that they can maintain their spending patterns.

THE IMPACT OF PROTECTED LIFETIME INCOME

- Just under two out of five Americans (38%) have some protected retirement lifetime income in the form of a pension or an annuity, a number slated to decline as pension ownership contracts.
- Having a protected source of lifetime income increases confidence that retirement savings and sources of income will last a lifetime and leads to greater preparation for retirement.
- Those with a source of protected lifetime income have significantly higher retirement income expectations and anticipate lower reliance on Social Security.
- While having a source of protected income is correlated with age and financial circumstances, it still has an independent impact on thoughts, feelings and actions regardless of age and asset level.

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1 EMOTIONAL IMPACTS OF RETIREMENT READINESS

Americans are uncertain about their retirement finances. Just half expect their savings and retirement income sources will last their lifetime.

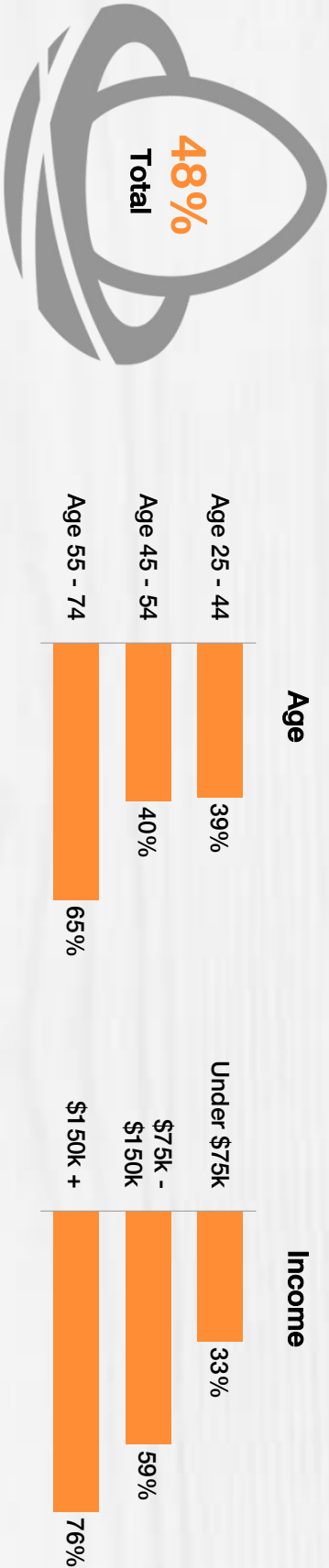
This creates stress. Nearly half are extremely or moderately concerned about having enough lifetime income; those who are younger and those with lower income are even more concerned.

Half of those not retired, and three in ten who are retired, are extremely or moderately anxious that their savings won't provide enough to live on in retirement.

Just half of Americans expect their savings and sources of income to last their lifetime

There are considerable differences by age and income when it comes to Americans’ expectations of their savings and sources of income lasting their lifetime.

Percent Think Their Retirement Savings and Sources of Income Will Last for Their Lifetime



Adequate lifetime retirement income is the greatest of half a dozen significant financial concerns among Americans

The lack of assets and a good retirement income plan are also big concerns.

Percent Who Are Extremely or Moderately Concerned:	
Not having enough lifetime income	48%
Not having a source of lifetime income	47%
Not having enough assets	43%
Not having a good retirement income plan	43%
Not having the right types of investments	36%
Not receiving good financial advice	33%

Concerns about lifetime income and other financial needs are highest among those who are younger and those with lower incomes

Even a portion of those with the highest incomes are extremely or moderately concerned, and quite a few acknowledge at least some concerns.

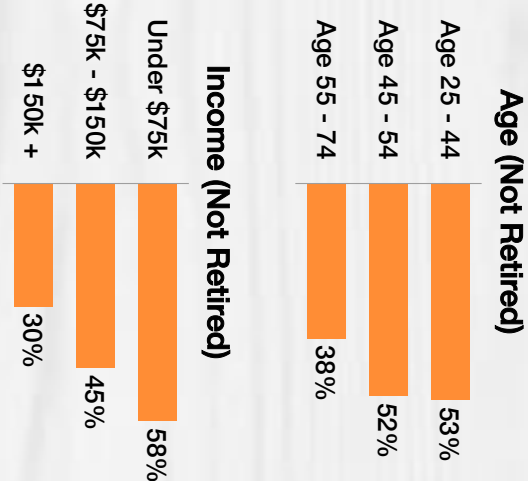
Percent Who Are Extremely or Moderately Concerned:

	Total	Age 25-44	Age 45-54	Age 55-74	Income Under \$75k	Income \$75k to <\$150k	Income \$150k+
Not having enough lifetime income	48%	59%	52%	33%	58%	43%	28%
Not having a source of lifetime income	47%	57%	53%	32%	57%	42%	27%
Not having enough assets	43%	50%	49%	31%	51%	39%	26%
Not having a good retirement income plan	43%	53%	47%	28%	51%	39%	25%
Not having the right types of investments	36%	45%	39%	24%	40%	36%	22%
Not receiving good financial advice	33%	42%	33%	22%	37%	33%	19%

Half of those not retired, and three in ten who are retired, are **anxious that their savings won't provide enough to live on in retirement**

Again, those who are younger and have less income are the most anxious.

Percent Extremely or Moderately Anxious Their Savings Can Provide Enough to Live On in Retirement





2 BEHAVIORS: PLANNING FOR RETIREMENT INCOME AND EXPENSES

Most Americans have thought about their expected retirement income, but few have connected that to expense needs.

Among those not retired:

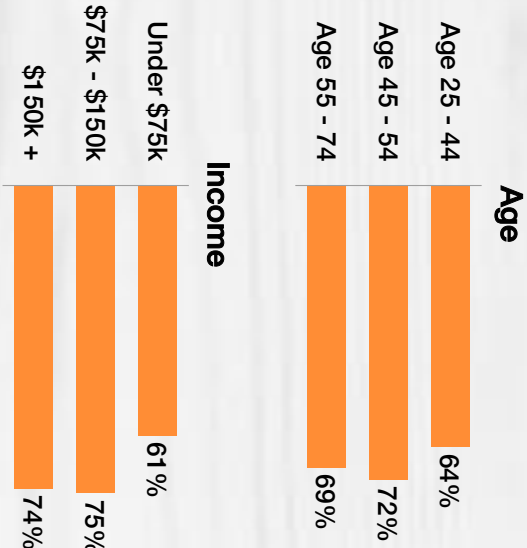
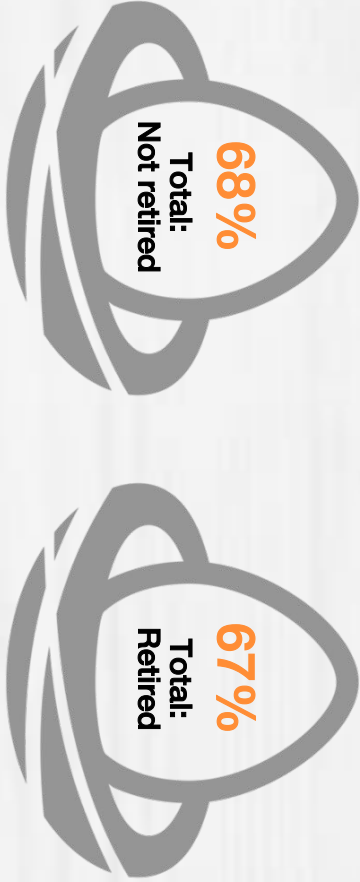
- Two thirds have thought about income in retirement
- Only one third have calculated expenses in retirement

Social Security and employer pensions/savings plans are the main anticipated sources of retirement income.

Two thirds of Americans have thought about where their income would come from in retirement

Even in the 25 to 44 age group nearly two thirds have thought about retirement income.

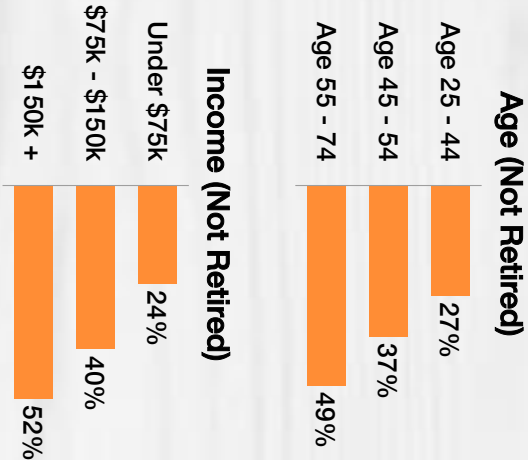
Percent Thought About Where Their Income Would Come from in Retirement



Only one third of those not currently retired have thought about the amount of money they need each month to cover expenses when they are retired

As one would expect, the likelihood of calculating expenses increases with age and income but still only half of the oldest and more affluent have tried a calculation.

Percent Calculated the Amount of Money They Would Need to Cover Expenses While Retired



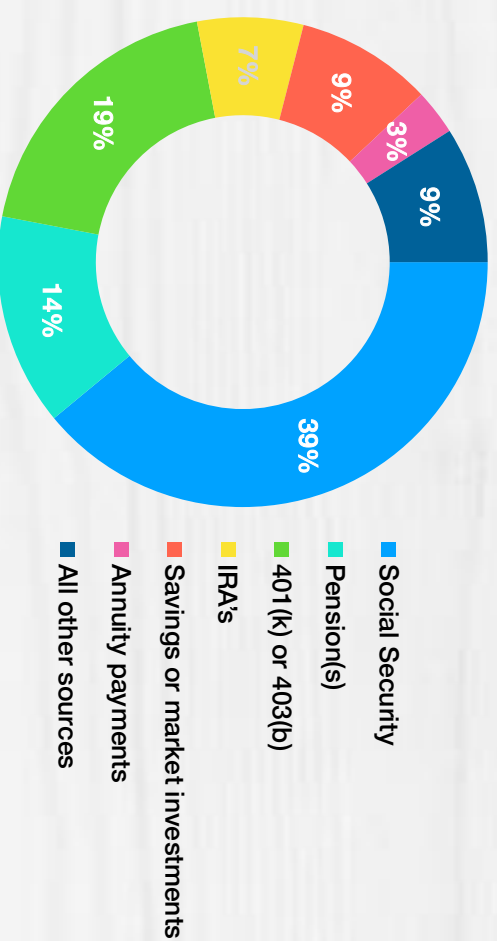
On average, Americans expect about 40% of their retirement income to be provided by Social Security

Americans have various possible sources of income in retirement.

- While Social Security is the largest source overall, money saved through employer plans is the next largest segment, with 401(k) money now expected to provide more income than pensions.
- Savings from sources outside of Social Security and employer-based plans represent a minority of total anticipated retirement income.

Of course, there are huge variations depending on what sources people are able to draw from.

General Population Estimated Sources of Income in Retirement





3

CONTRIBUTORS TO RETIREMENT READINESS

Most Americans are modestly comfortable with their current knowledge of financial issues though nearly half acknowledge lower comfort or outright low understanding.

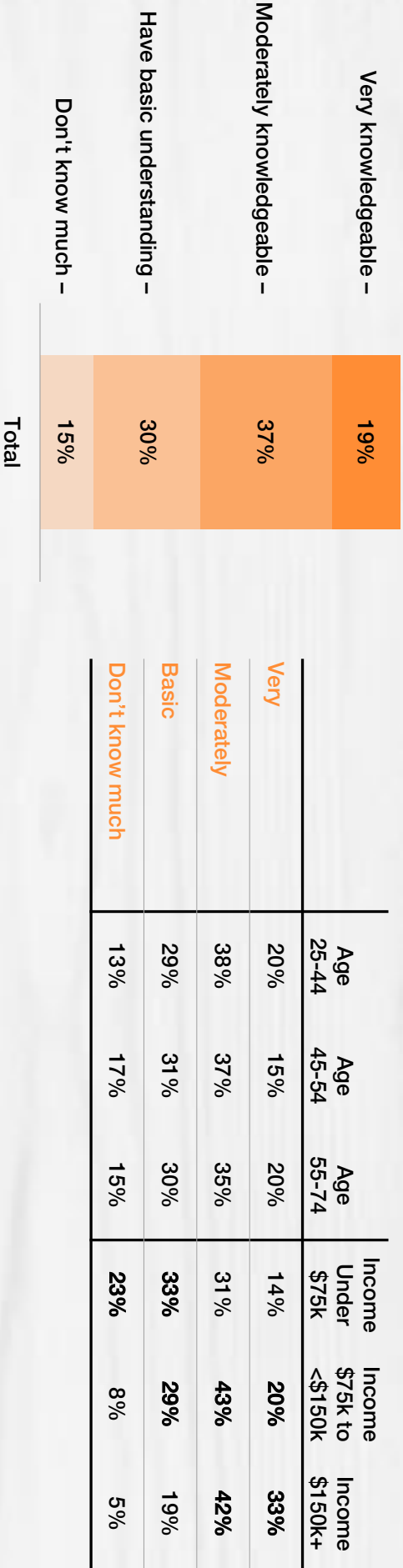
Two-thirds assert that they're currently able to save regularly. Most believe they'll be able to maintain the same money management balance in retirement.

But even among those approaching retirement, few are honed in on retirement saving, with other financial priorities taking precedence.

Most Americans rate themselves as moderately or very knowledgeable about financial issues, though a sizeable minority are less comfortable or lost

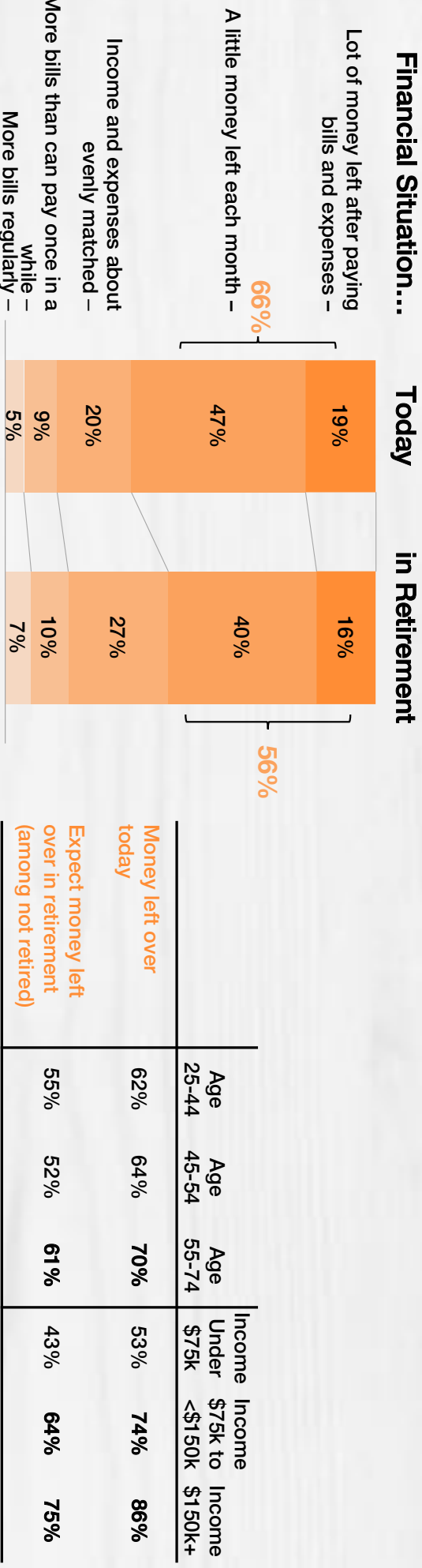
Age is not a big factor in self-perceived financial investing knowledge, but income does have an influence; those with lower incomes are more likely to acknowledge lower understanding.

Level of Financial Investing Knowledge



Most Americans believe they're able to save money today, and almost as many are confident they'll do the same in retirement

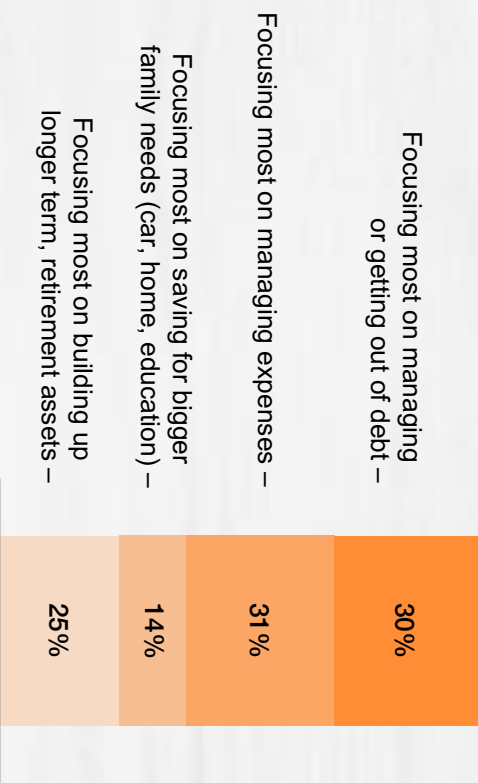
Income definitely makes a difference, with half of those with income under \$75,000 simply breaking even or worse. Expectations for retirement are only modestly lower, even for this group.



Financial Priorities Today: Most are focused on getting out of debt or simply managing expenses; only one quarter are focused on building up retirement assets

As expected, financial priorities are heavily influenced by age and income though debt and expenses remain financial priorities for the older age group and highest income.

Financial Priorities Today



	Age 25-44	Age 45-54	Age 55-74	Income Under \$75k	Income \$75k to <\$150k	Income \$150k+
Debt	35%	31%	23%	32%	30%	21%
Expenses	29%	30%	33%	39%	24%	18%
Car, home, education	20%	12%	9%	15%	14%	10%
Retirement	16%	27%	35%	14%	31%	51%



4 RETIREMENT INCOME PROTECTION

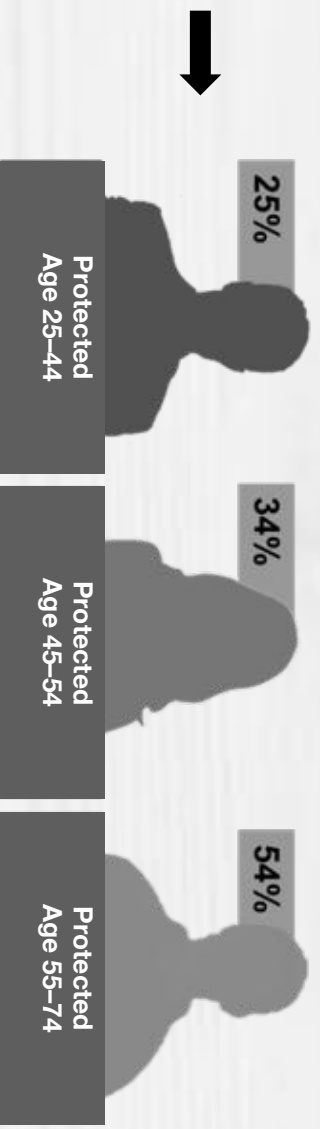
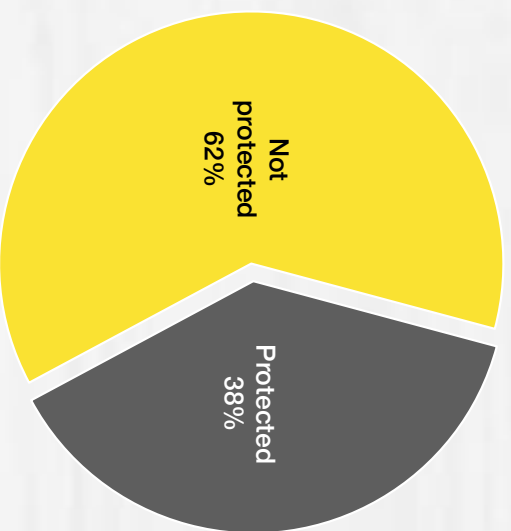
Four out of ten Americans have a source of protected income, and the likelihood of being protected increases with age, income and assets.

Those who are protected are much more likely to believe their retirement savings will last their lifetime, and to be emotionally more comfortable.

The protected have done more to prepare for retirement financial needs like planning expenses. They also anticipate having more retirement income than others, and they are less reliant on Social Security.

Only two out of five Americans (38%) have some **protected retirement lifetime income**

Protected lifetime income is defined as having a pension or an annuity.

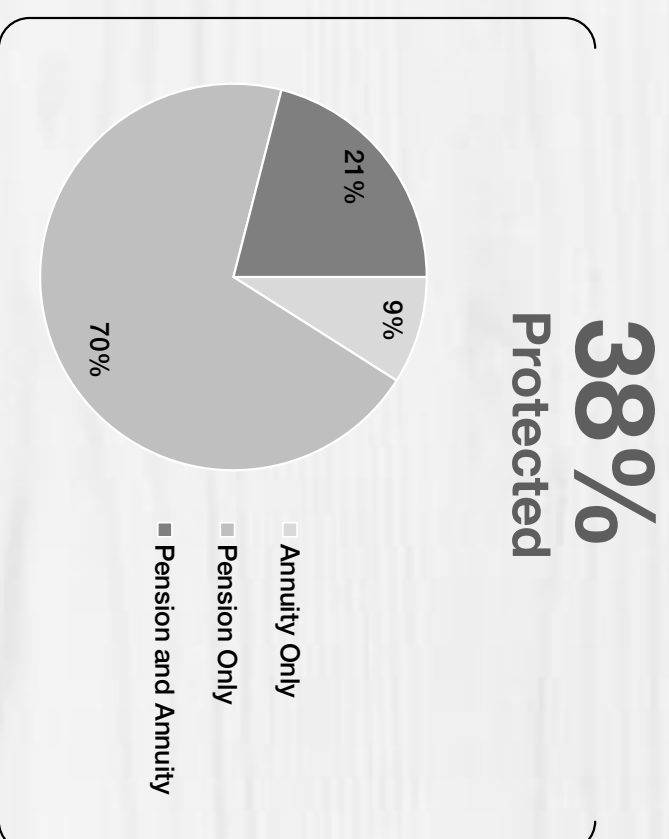


The level of lifetime income protection declines precipitously with age, from over half of Americans age 55 and over to barely a quarter of Americans ages 25-44.

Among the four out of ten who have protected lifetime income, 70% are protected via a pension; two out of ten have both a pension and an annuity

Pension ownership is much higher among those who are older, and the number of people with pensions in the U.S. is dropping.

For many, an annuity is a supplement to a pension, as the majority of annuity holders also have pensions.



Being protected leads to considerable differences in outlook and confidence: Three quarters of protected think their retirement income will last for their lifetime

Even those with a source of protected income still have some measure of uncertainty.

The level of protected income may be small or they could have reservations about pension solvency.

Percent Think Their Retirement Savings and Sources of Income Will Last for Their Lifetime



Anxiety about savings providing enough to live on in retirement decreases with protected status

Percent Extremely or Moderately Anxious Their Savings Can Provide Enough to Live on in Retirement



Americans with protected income are more likely to consider where their income would come from in retirement

Percent Thought about Where Their Income
Would Come From in Retirement



The percent who have thought about the amount of money they need each month to cover expenses while retired increases dramatically among those who are protected

Percent Calculated the Amount of Money They Would Need to Cover Expenses While Retired



54% Protected 25% Not Protected



62% Protected 40% Not Protected

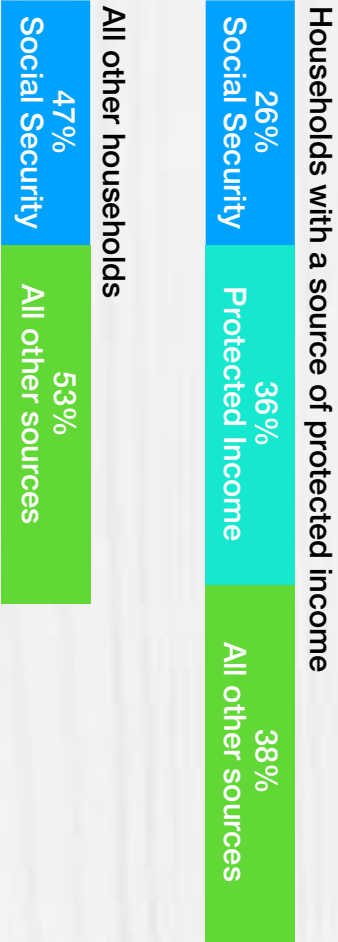
Those who have a form of protected income expect to have about 80% more income in retirement than those without a protected income source

Using expected Social Security income to extrapolate total income expectations, those with a protected lifetime income source anticipate having more money available.

On average, they expect more than a third (36%) of their total retirement income to come from their protected source(s). And they are significantly less reliant on Social Security.

Of note, those with protected income also expect as nearly much money as others from other employer sponsored plans.

Sources of Income in Retirement





5 THE IMPACT OF INCOME PROTECTION AMONG AGE AND ASSET COHORTS

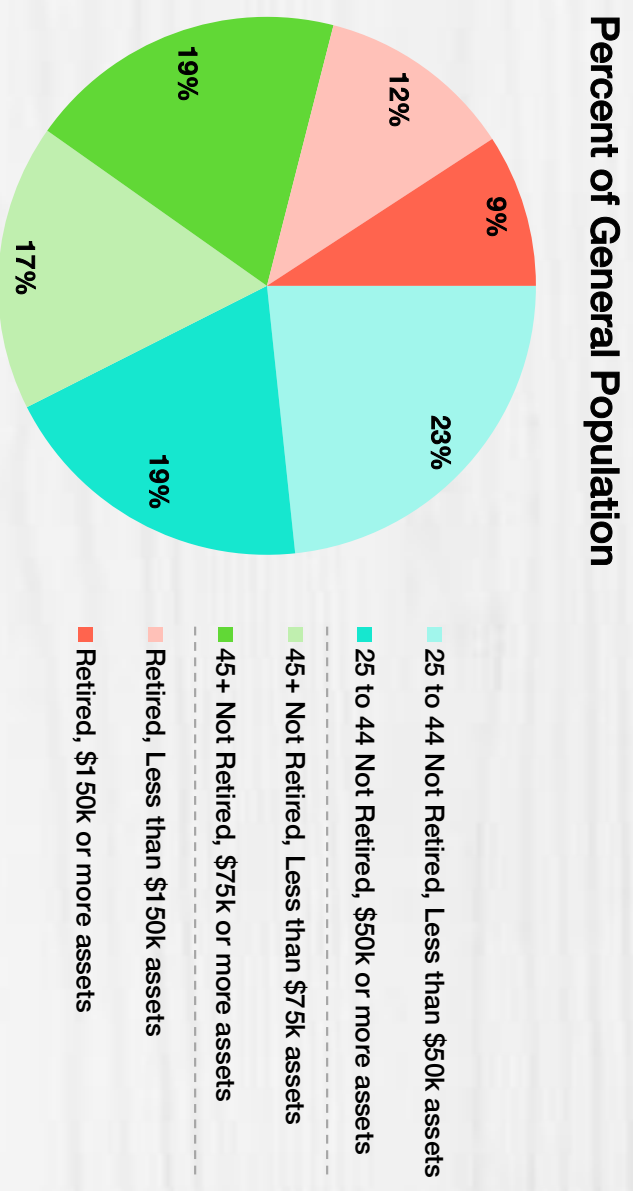
Because the level of lifetime retirement income protection increases with age, assets and income, it is logical to ask whether there is an impact of protection beyond the effect of these factors.

In each of six age and asset cohorts those who have a source of protected income are more confident about their retirement income lasting, and expect to have more retirement income. The impact of protection is strongest among those with fewer assets.

For analysis purposes, the general population was divided into three age cohorts which were further divided by asset levels

- Those 25-44 years old are the largest cohort representing 43% of the total population 25-74.
- Those 45+ and not retired are 36% of the total population.
- The retired cohort represents about 21% of the population.

Each of these age cohorts is further divided, between those with higher and lower assets, as shown in the chart.



Differences in the degree of protection across the age cohorts are significant, and even more acute among those households within each age group with lower assets

The important segment of 45+ pre-retirees illustrates the combined effect of age and assets:

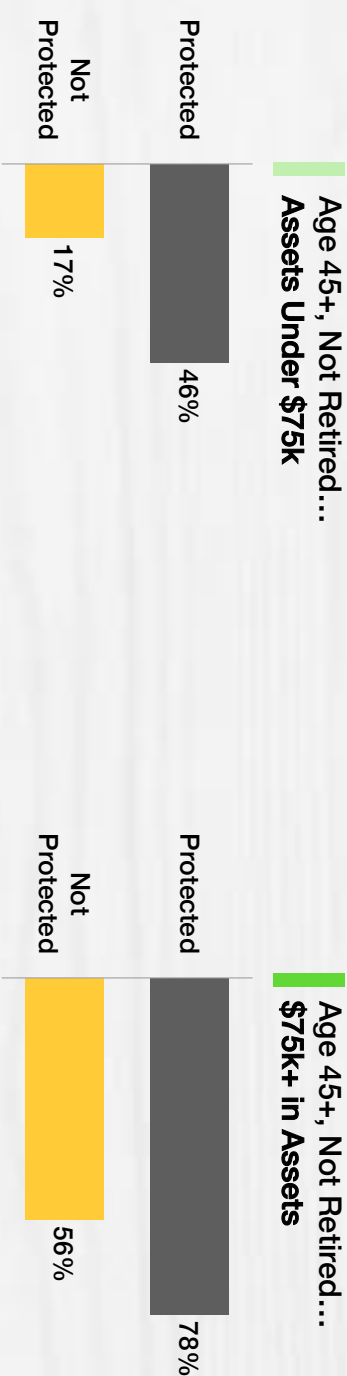
- 22% with less than \$75,000 in assets are protected.
- 56% of those with \$75,000 or more in assets are protected.

	Protected	Not Protected
25 to 44 Not Retired, Less than \$50k assets	12%	88%
25 to 44 Not Retired, \$50k or more assets	41%	59%
45+ Not Retired, Less than \$75k assets	22%	78%
45+ Not Retired, \$75k or more assets	56%	44%
Retired, Less than \$150k assets	45%	55%
Retired, \$150k or more assets	76%	24%

Among people of similar age and with similar asset levels differences in confidence about income lasting are substantial if they have protected income

The distinction between those who are protected versus those who are not in the 45+ pre-retired segment carries through to their confidence about retirement income. Assets and protected income each strongly impact confidence.

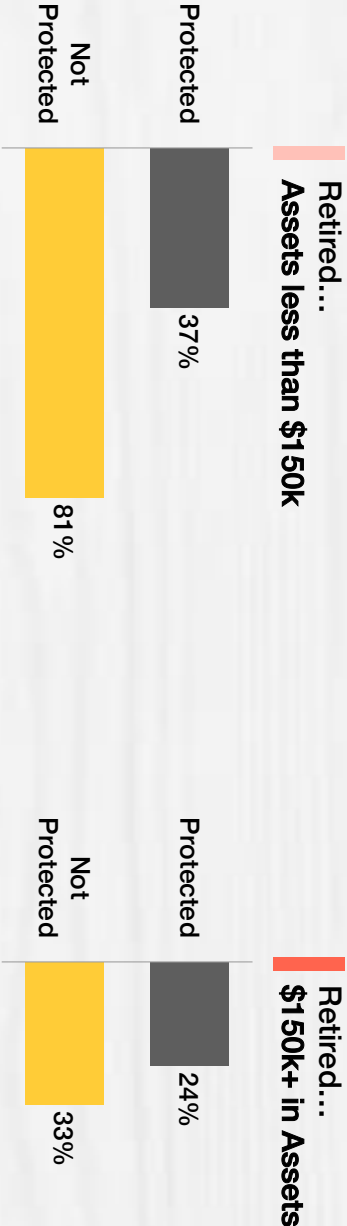
Percent Think Their Retirement Savings and Sources of Income Will Last for Their Lifetime



Whether or not people have a source of protected retirement income affects how much they need to rely on Social Security

The difference can be seen most acutely among those who are retired. Those with higher assets have substantially more income to work with in retirement. Those with a source of protected income have even less reliance on Social Security, indicating even higher income expectations.

Mean Percentage of Total Income from Social Security in Retirement





6 ALLIANCE TARGET AUDIENCE

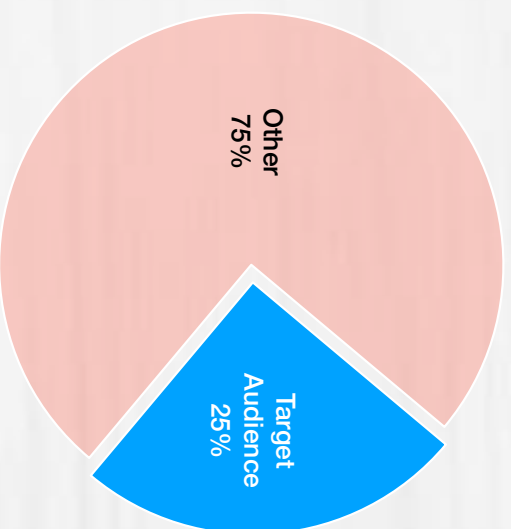
Overall the target audience is in better shape financially than the rest of the population, but many remain concerned about their financial stability in retirement.

They are more engaged in managing their financial lives than the total population, to be expected due to their age and assets base. But many have not taken actions to secure their financial retirement plans.

Nearly four out of ten are unprotected.



The ALL target audience is one-quarter of the total population



Target Audience (n=789):

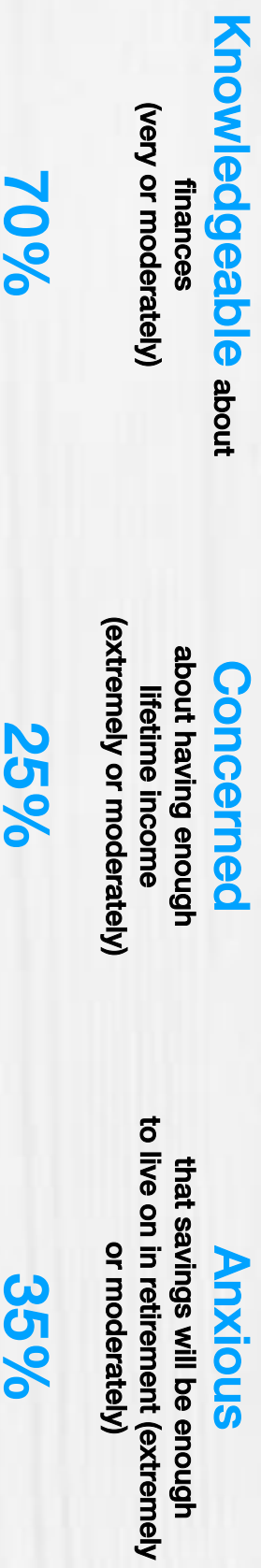
- Age 45 to 54 with assets of \$75k or more
- Age 55 to 72 with assets of \$150k or more



How does the target audience **feel**?

By definition the target audience has a base of assets, and they feel relatively good about their knowledge of finances. One quarter are concerned they won't have enough lifetime income and one third are anxious that their savings won't last. While they are more knowledgeable, less concerned and less anxious than the general population they demonstrate signs of financial uncertainty.

[Among not retired]





How does the target audience **think**?

Most think their retirement savings and sources of income will last their lifetime, and also say they have money left each month after paying the bills. They are better off than the general population.

[Among non-retired]

Retirement Savings Will Last Lifetime

77%

Financial Situation Now

Have (a lot or a little) money
left over after paying bills

83%

Expected Financial Situation at Retirement

Have (a lot or a little) money
left over after paying bills

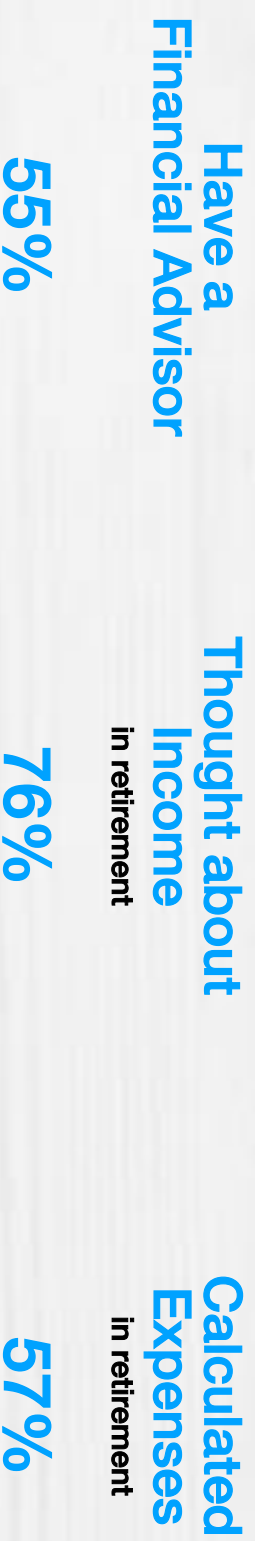
74%



How does the target audience **act**?

They are more likely than the general population to have a financial advisor and to have calculated how much income and expenses they will have in retirement. But only half have an advisor which presents a barrier for annuity introductions, and the extent to which they've fully identified and planned for their income and expenses is limited.

[Among not retired]





7 ALLIANCE TARGET AUDIENCE: ROLE OF PROTECTION

A larger proportion of the target audience have a source of protected income when compared to the total population.

Among those who are protected, the majority are protected by a pension.

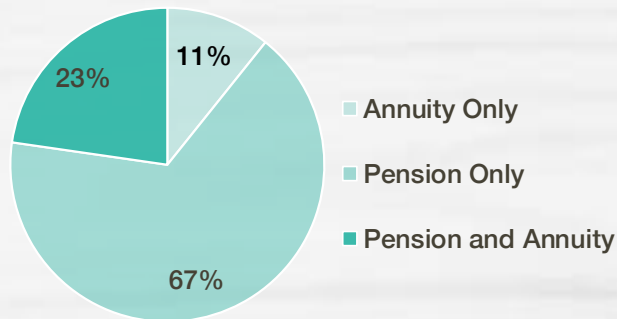
Those who are protected anticipate about a 30% higher retirement income, on average. Pension and annuity income account for over one-third of anticipated retirement income, on average, among those with a protected income source.

What does the target audience **have**?

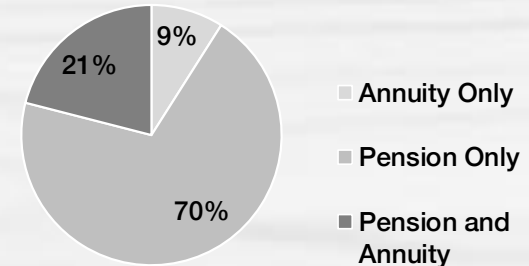


Six out of ten of the target audience are protected compared to four in ten in the general population.

62%
Target Audience
Protected



38%
General Population
Protected



A comparison of protected/not protected on readiness and planning dimensions shows the protected are more prepared and less worried

On the three key metrics of emotional impact the portion of the target audience who are protected are more confident, less concerned and less anxious.

Their unprotected target audience counterparts are significantly more comfortable than the population at large, but still the presence of a protected source of income makes an additional positive emotional and planning difference.

	General Population	Target Audience	Target Audience Protected	Target Audience Not Protected
Think retirement savings and sources of income will last lifetime	48%	77%	85%	65%
Concern (extremely/moderately) about having enough lifetime income	48%	25%	19%	35%
Anxiety (extremely/moderately) [not retired]	49%	35%	30%	41%
Thought about income in retirement	68%	76%	78%	73%
Calculated expenses in retirement [not retired]	34%	57%	66%	45%

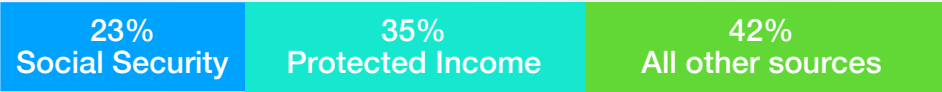
Alliance Target Audience

Compared to the total population, the difference between protected and unprotected households in the target audience is smaller, but those with protected income still expect, on average, to have about 30% more income in retirement.

Protected households typically don't rely as much on IRA or other savings, but they do look to 401(k) assets as a significant portion of their total retirement income.

Sources of Income in Retirement

Alliance Target Audience
Households with a source of protected income



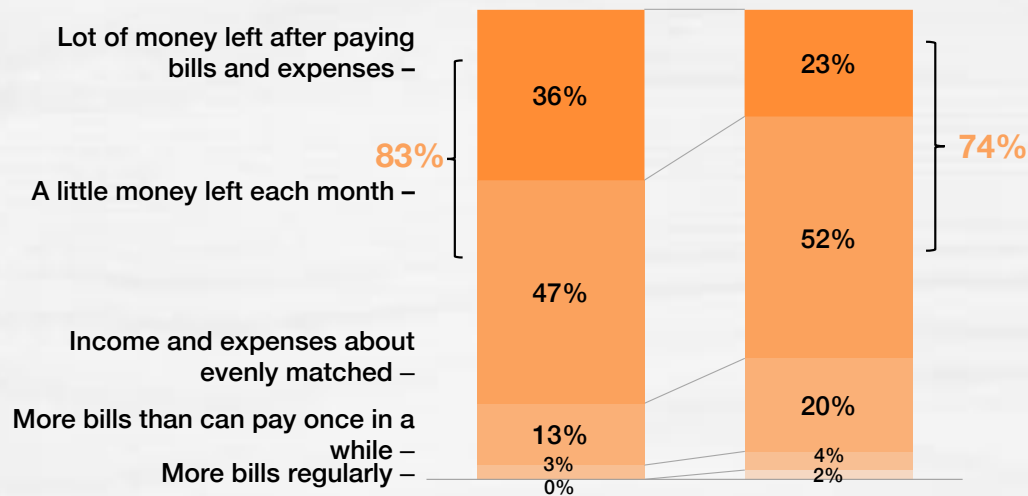
Alliance Target Audience other households



Among the target audience over eight in ten are saving each month and most expect to do the same in retirement

Three quarters in the target audience expect that in retirement they'll have money left over each month; eight in ten of the protected target audience expect this compared to two thirds of the not protected group.

Target Audience Financial Situation
Today in Retirement



	Target Audience Total	Target Audience Protected	Target Audience Not Protected
Money left over today	83%	85%	80%
Expect money left over in retirement (among not retired)	74%	81%	65%

SUMMARY TAKEAWAYS

- Many Americans are not financially well prepared for retirement; they know it and it takes an emotional toll that impedes effective planning and successful outcomes.
- A household's financial resources, current circumstances, and planning approach all impact retirement preparedness and comfort with that stage of life.
- Those with a protected source of lifetime income (pension or annuity) anticipate more income in retirement, expect to rely less on Social Security and have even less concern about the adequacy of their plans. This is the case at all age and asset levels.
- The ALI Target Audience represents those closer to retirement with more assets. Even among this financially better-prepared group, those with protected income have higher retirement income expectations and the greatest confidence about not outliving their income, though it's important to acknowledge that even the strongest levels of protection don't eliminate all financial concerns.

RESEARCH AND COMMUNICATIONS FOLLOW UPS

- This survey provides story lines for additional public release efforts beyond the initial release at the advertising launch. Potential tracks might include the focus on specific age/asset level cohorts of the population, inclusion of greater detail on levels of protection or discussion of how current circumstances relate to retirement concerns, for example.
- As the first effort to develop a trackable Index, this study provides a basic metric of the central “Protected Lifetime Income” concept. The data offer the opportunity to refine the Index with the addition of levels of protection or possibly with other behavioral dimensions, depending on the interests of the Alliance.
- This has internal applicability for the Alliance, particularly in helping to calibrate the impacts of Protected Income in relation to other factors like age and assets; showing the impact of degrees of protection on retirement security; and elucidating the connection between the certainty of lifetime income and various emotional manifestations.
- Finally, this should provide another piece of the platform for other research related to the Alliance’s mission.