Overcoming the annuity bias

> **"I therefore claim to show, not how men think in myths, but how myths operate in men's minds without their being aware of the fact."[1]**
>
> – Claude Levi-Strauss

Separating myth from reality is a key component of promoting the merits of annuity investing. Recent surveys suggests that 69% of retirement plan participants expect their employer's plan to provide income starting at retirement that is guaranteed to be paid for life.[2] However, only 17% of plan sponsors currently offer an annuity solution for their participants, including those that provide guaranteed lifetime income.[3] This underscores a significant gap between retirement plan offerings and participant expectations. **Offering an in-plan annuity is a simple way to help participants cover their living expenses throughout retirement and not outlive their savings.**

? Myth	! Reality
Annuities are much more expensive—due to high and hidden fees—than other options	**In-plan annuities can be quite cost-effective.** For example, retail annuities, available outside of the qualified plan market, often have many additional bells and whistles that can be included via a "rider". However, in-plan annuities, by design, are engineered to offer income to plan participants that can be more cost-efficient when compared to retail annuities and adaptable, offering a range of options for growth, income and diversification potential.
Exercising the option to receive lifetime income is limited to only at retirement	Some annuity products, such as fixed annuities offered by TIAA, allow for multiple elections for lifetime income over time. Participants can annuitize a portion of their balance at retirement, wait several years to assess their health and financial needs, and then annuitize more in order to top-off their guaranteed income stream.
Annuities are not competitive with other withdrawal options	**Annuities are the only investment vehicle with a guaranteed stream of lifetime income,** helping avoid the danger of outliving savings using systematic withdrawals. Moreover, the annuitant or their spouse (if selected) will get annuity income for as long as they live or for a minimum of 20 years (if selected). That means they are guaranteed to receive all of their capital back over time and possibly more.
Annuities don't provide good payouts	There are many annuity options available, and many payout options offer flexibility in how to use them in an overall financial plan.
It's all or nothing with annuities: they require using retirement savings	A personalized, customized retirement income plan can include a portion of monthly income from annuities, combined with Social Security benefits and other sources of retirement income, together building a strategy to cover essential expenses with flexibility for other uses.
Negative impact on estate value	Employees have multiple options when choosing lifetime income, which can include payout options for a joint annuitant and/or a selected beneficiary to provide for an estate benefit.

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For more information about the value of annuities, contact:

TIAA_DCIO_Support@TIAA.org

781-392-2376

The SECURE Act recognizes the need for lifetime income by improving the current annuity provider safe harbor.

Learn more at **TIAA.org/dcio/secureact**

Utilizing education to access opportunity

Understanding annuities tends to boost the appeal of in-plan options for participants, making it more likely that they will allocate funds to a guaranteed income option. For example, in a recent survey by the Secure Retirement Institute, 46% of participants with poor annuity knowledge were somewhat or very likely to contribute, versus 64% of those possessing high knowledge.[4] So, scaling the education barrier can help pave the way for annuity providers to access opportunity.

In terms of the payout type preferred by participants, consistent, guaranteed income edges out lump-sum distributions by a substantial margin, with healthy saturation in the nonprofit space and opportunities for growth in the for-profit space.

Expected employee preference

	Total	Nonprofit	For-profit
$2,700 per month for life	51%	56%	46%
$500,000 lump sum	33%	25%	42%

Approximately half of plan sponsors at both nonprofit and for-profit organizations believe employees would prefer a monthly income instead of a set lump sum at retirement.

Source: 2018 TIAA Plan Sponsor Retirement Survey, August 2018

Our legacy of providing lifetime income

TIAA has been leveraging in-plan lifetime income solutions for over 100 years and over the last several years has had significant success, including lifetime income solutions in the plan default. This ensures that even the most unengaged participants can have access to in-plan, institutionally-priced lifetime income options to help ensure they don't run out of money in retirement.

TIAA

[1] "Myth and Meaning: Cracking the Code of Culture," by Claude Levi-Strauss, 1978.

[2] TIAA 2019 Lifetime Income Survey, September 2019.

[3] TIAA 2018 Plan Sponsor Retirement Survey, August 2018.

[4] Secure Retirement Institute, Lifetime Income: *Do Workers Want Options in Their Plans*, April 2020.

You should consider the investment objectives, risks, charges, and expenses carefully before investing. Please call 877-518-9161 or go to TIAA.org/prospectuses for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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