

WHITEPAPER

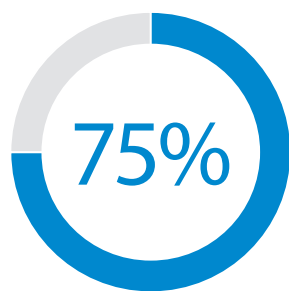
# Retirement Plans: Guaranteed Income Means Better Outcomes

What it takes to make it part of your plan

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Demand for flexible retirement income solutions has sparked one of the most talked-about trends in the retirement industry. As more and more people move toward retirement age, their priorities have clearly shifted from simply accumulating assets to having stable and predictable income



in their retirement years. **In the 2020 EBRI Retirement Confidence Survey, 75% of respondents expressed interest in putting some or all of their savings in a guaranteed income option.** In fact, a like number said income stability was more important to them than

preserving wealth. An estimated three out of five employees would even be willing to take more out of their paychecks each month to ensure a guaranteed retirement income, according to a 2020 Pew Research study.

It's not surprising. In the post-pension era and a historically low interest rate environment, people are more concerned about outliving their assets. They would welcome a simple, seamless way to convert their plan account balances into a guaranteed income stream. Meanwhile, the SECURE Act, which makes it easier to set up and enroll employees in "safe harbor" plans, has paved the way for greater product innovation. Plan providers have an opportunity to tap into these trends, introduce lifetime income solutions and help participants transition into them.

The popularity of steady income solutions stands to benefit everyone across the retirement ecosystem. Plans that offer these vehicles have a better chance of retaining clients and assets, and will have a new marketing tool to attract new participants. Greater product portability will benefit plans and recordkeepers alike, as well as the participant. Product providers stand to gain wider distribution as more retirement plans look to add these offerings. And ultimately, plan participants should experience more positive outcomes and higher satisfaction with their plans.

### Reality check: what's standing in your way?

If there is so much demand, why do fewer than 10% of 401(k) plans include a guaranteed income offering? Two sizeable obstacles loom over the path to success with retirement income products. First, from a recordkeeping perspective, they are extremely difficult to administer and service. They require data connectivity among multiple players and the ability to track and account for a variety of underlying investments – which translate to a significant investment in technology resources.

The second and arguably bigger challenge is participant engagement and education. Plan participants need to understand the workings of these products and their own roles in making smart saving decisions to achieve the desired income objectives. And the educational task does not end with the sale. Participants require constant reinforcement to stay on the path of accumulation.

The first challenge – administrative and servicing complexity – calls for an open-architecture technology solution that supports simple and efficient connectivity among plan providers, income product providers, and recordkeepers, regardless of their individual platforms. The solution must also enable seamless portability of the investment and its benefits in the event the participant wishes to switch plans, or if a plan changes recordkeepers or drops the product. The educational challenge, meanwhile, requires a modern, highly personalized digital client experience that drives participants' engagement with their plans and delivers the information they need in a compelling way.

### Make the most of it

Demand for guaranteed income solutions represents a big opportunity for plan providers, with the potential to drive asset growth and retention and lifelong loyalty on the part of participants. The good news is it doesn't require a major upfront investment in infrastructure to build guaranteed income products into your plan. With an outsourced middleware solution and a full complement of turnkey participant engagement tools, plans can enter the market more quickly and cost-effectively. Meeting the demand for retirement income can lead to better outcomes for plan participants – the ultimate measure of success for a retirement plan.

## Why leading firms are prioritizing lifetime income

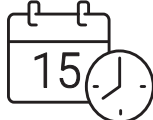
### Foundational shift to lifetime income: Two recent developments

**1 Changing mindset:** With recent market volatility having a guaranteed income stream in retirement that lasts their lifetime has become a priority for Americans.

What's weighing on employees' minds...



What if there's a market downturn, and I lose my retirement savings?



How can I make my money last as long as I do?



I don't want to overspend in retirement, but I don't want to underspend either



I need help converting my retirement savings to a steady stream of income that I don't outlive



What if inflation goes up?



I'm worried about dipping into my retirement savings to pay for health care expenses

**2 Secure Act:** new retirement regulation makes it easier for 401(k) plan sponsors to offer annuities and other "lifetime income" options to plan participants. The regulation also allows for greater "portability." Participants can now either keep the annuity or roll it into an IRA or other qualified plan in the event that the annuity option is removed from their plan's investment lineup or if they change employers and choose to roll their plan over.



**IMPACT:** Investment Product Providers are focused on developing lifetime income solutions to help address the demand from retirement plan participants

### Why they make sense for sponsors

Asset and participant retention

Institutionally Priced Guaranteed Income Solutions

Workplace benefit

Helps employees transition to retirement

Helps meet participants' need for creating a retirement income stream

### Sponsors' Operational "Must Haves" When it Comes to Offering Lifetime Income Options

- Strong lines of communication with their recordkeeper and income solution providers
- Clear understanding of data requirements; guaranteed retirement income requires participant level data
- Open architecture
- Competition & choice
- Minimize cost & effort
- Maintain expected client experience
- Portability across platforms

**IMPACT:** To be feasible, a lifetime income solution needs to be portable – both at the plan level and at the participant level.

## About SS&C Retirement Solutions

SS&C Retirement Solutions leverages 30 years of leadership in delivering innovative, technology-powered solutions and services exclusively to the financial services industries. Our capabilities span and connect the entire retirement ecosystem end-to-end, serving plan providers, sponsors, advisors, participants, asset managers, and insurance companies. SS&C has the resources and commitment to continually invest in new technologies – so you don't have to. Outsourcing to SS&C enables you to take advantage of the most advanced technology and avoid the risk of falling behind. Working with SS&C makes possible the digital transformation of your business, dramatically reducing your servicing costs along with your IT footprint and overhead.

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