

Participant perspectives: retirement savings to retirement income

Key takeaways

401(k) plans are the dominant form of retirement savings in the private sector with 79 million active participants and \$6.8 trillion in assets.¹ While they provide a means to accumulate retirement savings, the typical 401(k) plan is not designed to disburse savings as consistent monthly income guaranteed for a retiree's lifetime. In response, innovation in 401(k) plan design is turning to retirement income and the integration of fixed annuities.

To advance understanding of 401(k) participants in this context, Nuveen and the TIAA Institute surveyed plan participants about converting retirement savings to retirement income, including their perspectives on annuities in a retirement plan.² The findings demonstrate that 401(k) participants are proponents of in-plan fixed annuities, including as a component of target date investments. In addition, participants view retirement and income security as a responsibility that employers share, and often lack clarity about how they will draw income from their retirement savings.

This flyer briefly explores key takeaways from the Nuveen and TIAA Institute Participant Sentiment Survey on Lifetime Income. Access the full report at [Nuveen.com/Participant-Perspectives](https://nuveen.com/Participant-Perspectives).



¹ Employee Benefits Security Administration (EBSA). (2024). Private pension plan bulletin: Abstract of 2022 Form 5500 annual reports. U.S. Department of Labor. <https://www.dol.gov/sites/dolgov/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2022.pdf>.

² The survey questionnaire was developed by the TIAA Institute in consultation with Nuveen and was fielded by Greenwald Research. More than 2,100 401(k) participants were surveyed online between October 23 and November 29, 2024.

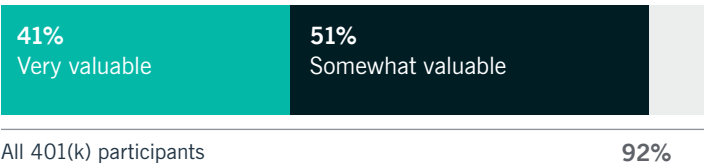
Participants have favorable views of lifetime income

Dive deeper into the key findings

1. Participants see the value of in-plan annuities —and would use them.

The vast majority of 401(k) participants (92%) think it would be valuable for 401(k) plans in general to include a fixed annuity, including 41% who think it would be very valuable. Those expecting their 401(k) and any other retirement savings to be a major source of retirement income more often view the inclusion of a fixed annuity as very valuable (42%) compared with those who expect this to be a minor source of retirement income (37%).

Do you think it would be valuable for 401(k) plans in general to include a fixed annuity?



Note: Data points in all figures of this report are rounded, so they may not appear to add correctly in some instances.

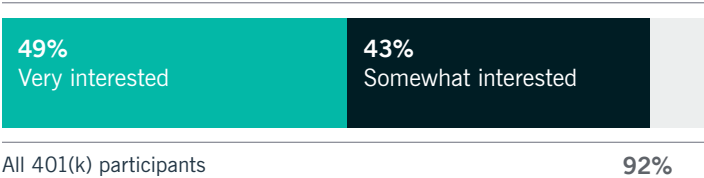
What is a fixed annuity, and how does it fit in a 401(k) plan?

Survey respondents were provided with the following description of a fixed annuity in the context of a 401(k) plan:

A fixed annuity can be an option for saving in a 401(k) plan. Contributions to a fixed annuity earn a guaranteed interest rate, ensuring the savings are protected from loss and will grow every day, even during volatile financial markets. In retirement, money in a fixed annuity can be turned into pension-like retirement income, paid out as fixed monthly payments that are guaranteed to last for life, to help cover living expenses or any other expenses.

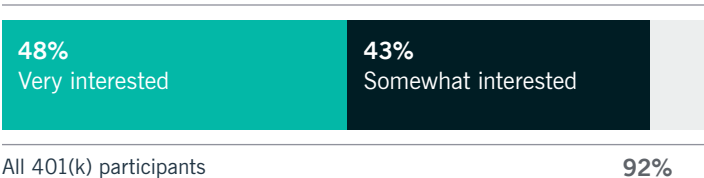
Furthermore, 401(k) participants are likely to use an in-plan fixed annuity if available. In fact, 92% would be interested in using a fixed annuity to provide retirement income that is guaranteed to last for life, and about half said they'd be very interested. Interest is greater among those expecting their 401(k) and other retirement savings to be a major source of retirement income.

If your 401(k) plan included a fixed annuity, would you be interested in using it to provide yourself with pension-like retirement income that is guaranteed to last for life.



In addition, there is similar interest in using a fixed annuity to save for retirement, as 92% of 401(k) participants would be interested (48% very interested) in saving money in a fixed annuity to earn a guaranteed return. Again, those who expect retirement savings to be a major source of their retirement income expressed higher interest.

If your 401(k) plan included a fixed annuity, would you be interested in saving some money in it to earn a guaranteed interest rate?



Further, almost all 401(k) participants with savings in a target date investment have a favorable view regarding annuities. 95% think it would be valuable for target date investments to include a fixed annuity component that earns a guaranteed interest rate, and 47% think it would be very valuable.

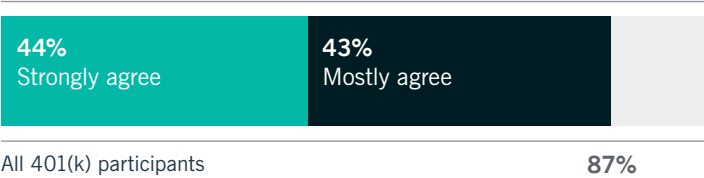
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Underpinning participants' desire for lifetime income options is the belief that employers have a responsibility to help employees achieve retirement income security.

2. Many view financial security in retirement as a shared responsibility.

The vast majority of 401(k) participants (87%) believe that employers have a responsibility to help employees achieve an adequate and secure income throughout retirement, and one-half of these strongly agree with this notion.

Agree or Disagree?
Employers have a responsibility to help employees achieve an adequate and secure income throughout retirement.

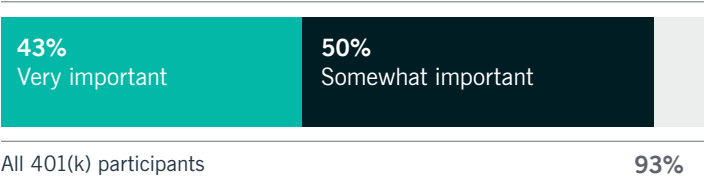


Interestingly, younger participants agreed more than their older peers, with 57% of Gen Z and 54% of Millennials strongly agreeing, compared with 33% and 29% for Gen X and Baby Boomers, respectively. By acknowledging that they can play a role in ensuring employee financial security after retirement, plan sponsors can establish trust and goodwill among young employees—potentially for a long time.

93% of participants think it's important for plans to provide a way to convert savings into consistent monthly retirement income for life.

The idea of shared responsibility manifests in participants' views on plan design. Specifically, 93% of participants think it's important for 401(k) plans to provide a way to convert savings into consistent monthly retirement income for life, like a traditional pension plan, including 43% who think it's very important.

Do you think it's important for 401(k) plans to provide participants with a way to turn some of their savings into fixed monthly payments that are guaranteed to last for life, like income from a pension?

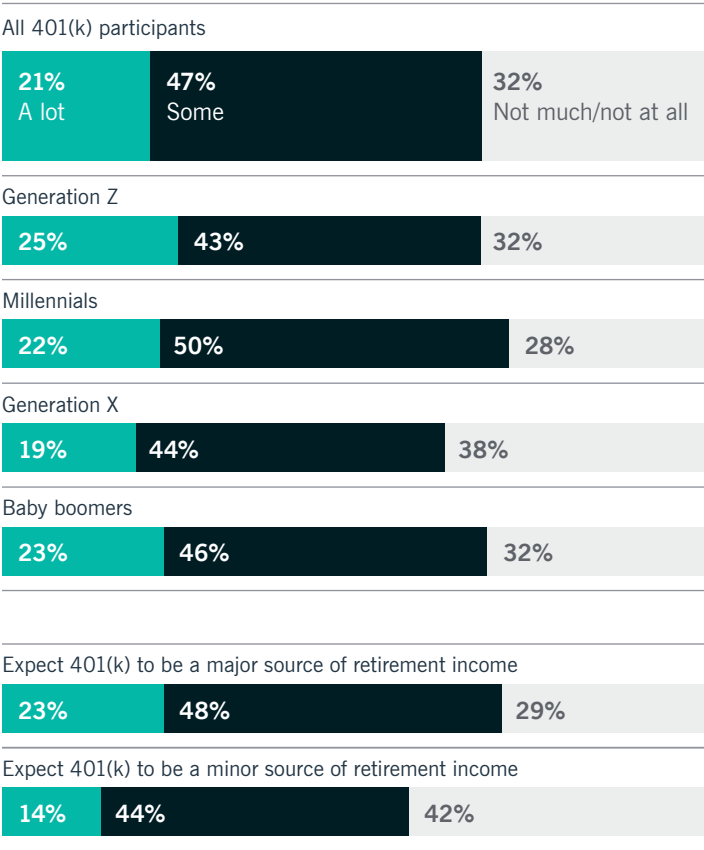


Participants may also see the value of in-plan lifetime income when they consider the mechanics of withdrawing money from savings and are faced with questions like, “How much can I (we) spend year to year?” and “What is the best strategy for withdrawing money to fund this spending?” Answering these questions is inherently complicated because of uncertainty about how long retirement will last and it speaks to a general lack of clarity among participants about retirement income.

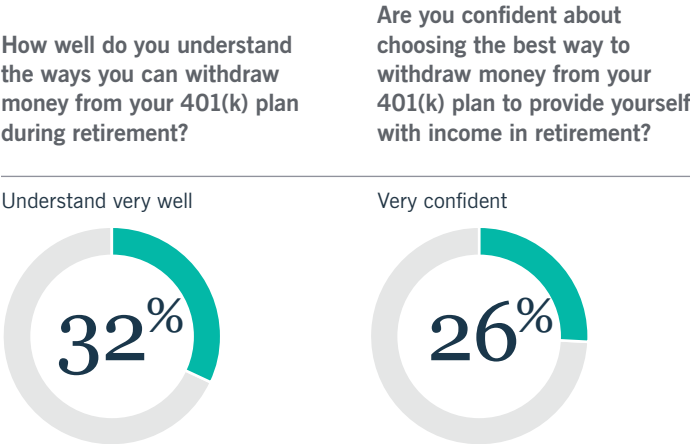
3. There is a lack of clarity around converting savings to retirement income.

Only one-in-five participants have given a lot of thought to converting their savings to income in retirement, while one-third have given it little, if any thought. Surprisingly, even among baby boomers—those closest to retirement—and participants who expect their 401(k) to be a major source of retirement income, only 23% of each group have given this subject a lot of thought.

To what degree have you considered how you will withdraw money from your 401(k) plan to provide yourself with income in retirement?



Given this lack of attention, it’s not surprising that less than one-third of 401(k) participants say they have a very good understanding of the ways they can withdraw money from their plan. Meanwhile, only about one-in-four are very confident about choosing the best way to do so.



Using insights to drive action

Findings from this survey can help propel plan design forward. It’s clear that 401(k) participants would like a way within their plan to convert retirement savings into fixed monthly payments guaranteed to continue throughout their lifetime. Meanwhile, interest in providing in-plan retirement income solutions is growing among plan sponsors.

As sponsors consider possibilities and options, it’s important to recognize that not only do 401(k) participants like the idea of in-plan fixed annuities in the abstract, but they’d be very likely to use them to provide themselves with lifetime income in retirement. Likewise, they would be interested in saving money in a fixed annuity to earn a guaranteed return if the option was included in their plan.

Further, plan sponsors with target-date investments or those considering them should recognize that nearly all participants with savings in a plan’s target-date option think it would be valuable for such investments to include a fixed annuity component.

Plan sponsors that offer in-plan lifetime income options and provide related education and information can not only better equip workers for a successful and secure retirement, but they can also foster employee loyalty and retention and may even create a competitive advantage in their pursuit of new talent.

About the TIAA Institute

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For more information and to see the full results of the survey, go to [Nuveen.com/participant-perspectives](https://nuveen.com/participant-perspectives).

Endnotes

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Any guarantees are backed by the claims-paying ability of the issuing company.

Pension-like income refers to the income received from a guaranteed-interest annuity contract, not income provided by a defined benefit pension plan.

Converting some or all of your savings to income benefits (referred to as “annuitization”) is a permanent decision. Once income benefit payments have begun, you are unable to change to another option.

TIAA Institute is a division of Teachers Insurance and Annuity Association of America (TIAA), New York, NY. Nuveen, LLC provides investment solutions through its investment specialists.