



INSIGHTS BRIEF

The Future of Retirement Security

Converting savings to income:
An international comparison

 TIAA Institute

This TIAA Institute report examines how eleven countries are addressing the critical challenge of converting retirement savings into sustainable income, as traditional defined benefit plans give way to defined contribution systems worldwide. The research provides an international comparison of approaches for providing retirement income, offering actionable insights for building more secure retirement systems in an era of increasing longevity and financial pressures.

Countries worldwide are reforming their retirement systems in response to longer lifespans and declining worker-to-retiree ratios that make traditional defined benefit plans increasingly unsustainable. This report analyzes retirement systems in eleven countries: Australia, Canada, Chile, Germany, Japan, the Netherlands, Singapore, Sweden, Switzerland, the United Kingdom, and the United States, and examines how each addresses the fundamental challenge of converting accumulated savings into guaranteed income in retirement.

The research reveals a global trend toward hybrid systems that aim to combine the lifetime income guarantees of traditional pensions with the flexibility and financial sustainability of defined contribution plans. Key findings demonstrate that when annuitization is seamlessly integrated into the process for accessing retirement savings, participants are far more likely to choose guaranteed income products that support long-term financial security. Countries like Chile and Switzerland achieve annuitization rates of approximately 50% to 60% without mandates by minimizing behavioral obstacles and incorporating income decisions into the standard retirement process.

The study evaluates systems across four dimensions: adequacy, financial sustainability, fairness, and plan design, revealing that successful retirement systems require balancing these elements through appropriate contribution rates, risk-sharing mechanisms, universal access to quality plans, and strong fiduciary oversight to guide participants toward sound decisions.



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THE FUTURE OF RETIREMENT SECURITY

Key insights

Integration is key to income conversion success: Countries that seamlessly incorporate annuity decisions into the process for accessing retirement savings achieve significantly higher annuitization rates (50% to 60%) without mandates, compared to systems where participants must independently seek providers (under 10% adoption).

Hybrid systems represent the future: Leading retirement systems are evolving beyond traditional DB versus DC divides to combine guaranteed lifetime income with flexible, market-based mechanisms that link retirement benefits to cohort longevity, investment performance, or system solvency, ensuring both sustainability and adequacy.

Contribution rates directly determine adequacy: There are no shortcuts, countries with the highest retirement replacement rates also maintain the highest mandatory contribution rates, with systems achieving 60% to 90% replacement rates requiring combined employer-employee contributions of 25% to 37%.

Middle-income earners are most likely to benefit from annuitization: Analysis from Chile and Switzerland reveals that participants in middle wealth brackets (20th–80th percentiles) are most likely to choose annuities when offered, while very low-balance retirees cannot meet minimum thresholds and high-net-worth individuals prioritize flexibility and bequest motives.

Guaranteed income does not have to mean a fixed annuity. Some countries, such as Sweden or Japan, already use automatic adjustment mechanisms to keep state pension benefits sustainable. Likewise, retirees in Sweden or the Netherlands can allocate some of the savings to variable annuities, where part of the assets stay invested in the market. These provide potentially higher but more volatile income in retirement.

ANNUITIZATION CHOICES

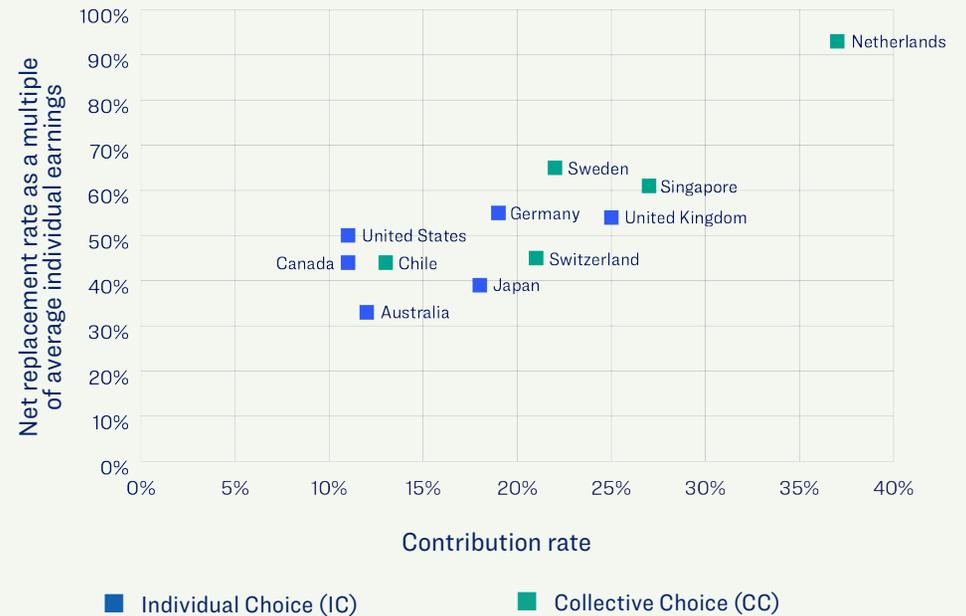
Low net worth
No choice,
cannot annuitize



Middle net worth
Most likely
to annuitize

High net worth
Less likely to
annuitize

PROJECTED NET REPLACEMENT RATE FOR FULL-CAREER AVERAGE INCOME EARNER FROM CURRENT MANDATORY SYSTEM†



†Note: This includes the government system and the workplace system when it is mandatory. For the U.S. and Canada, where workplace savings are voluntary, the replacement rate only includes Social Security (U.S.) or CPP/QPP (Canada).

Source for contribution rates: OECD PAAG 2023, table 8.1, except:

Australia: Superannuation rate starting 2025, <https://www.superguide.com.au/how-super-works/superannuation-guarantee-sg-contributions-rate#:~:text=changes%20over%20time.,What%20is%20the%20current%20Superannuation%20Guarantee%20rate%3F,it%20is%20scheduled%20to%20stay.>

Singapore: average of contribution rates to ordinary and special accounts up to age 55, https://www.cpf.gov.sg/content/dam/web/employer/employer-obligations/documents/CPFAllocationRatesfrom_1_January_2024.pdf.

United Kingdom: author calculations based on national insurance and auto-enrollment contribution rates for average income earner, <https://www.gov.uk/national-insurance/how-much-you-pay>.

Source for replacement rates: PAAG 2023, table 4.5, projected net replacement rate for an individual entering the labor market at age 22 in 2022 based on current tax and contribution rules except for Singapore: OECD country profile.