nuveen
A TIAA Company

LIFETIME INCOME EDITION

Investment Corner | Participant Engagement | Fiduciary Perspectives | On the Horizon

Now is the time for a pension reinvention

The future of defined contribution

next

Issue no. 11

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

next / *The future of defined contribution*

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Leading the charge for lifetime income

We are dedicating this entire edition of *next* to the critically important area of securing guaranteed lifetime income for Americans in retirement. Millions of Americans face a shortfall in retirement savings and lack lifetime income solutions integrated into their retirement plans, and there has never been a more important time to engage on this topic.

As the conversation grows around the importance of including guaranteed lifetime income solutions in a retirement plan, we wanted to examine the different stages of the conversation and the complexities of examining the different options available, and look at how we got to this point in the first place. Our mission is to help steer plan sponsors and consultants toward long-lasting best practices, and to help provide long-term solutions to the difficulties we all face.

In this issue of *next,* we'll explore topics around lifetime income and how we think all the pieces of the puzzle fit together. First, we examine the considerations for plan sponsors when evaluating potential lifetime income solutions. We also examine the research on the perceived role and responsibility of plan sponsors when it comes to offering lifetime income to participants. Next, we dive into the considerations plan sponsors should undertake to communicate any potential changes to participants. The education and messaging concerns around changing a retirement plan menu are complex and convoluted and need to be handled delicately. Third, we look back through the history of the retirement industry in the U.S., looking at how we got to where we are today, and why we think Nuveen and TIAA are well placed to lead the industry into the future.

Finally, we have a Q&A with our CEO, Jose Minaya, to look at why this is a topic that matters to him personally, and to our firm as a whole. We need to ensure that everyone has an equal chance of a comfortable retirement, and closing racial gaps in retirement savings is a major part of that.

This is a critical endeavor at a time when more and more Americans are facing a major gap in their retirement savings. Guaranteed lifetime income has a role in ensuring that people don't run out of money in retirement, and we need decision makers and leaders in this industry to drive this forward and be the change that we need to see.

Your Nuveen Team

INVESTMENT CORNER

What plan sponsors need to know

about lifetime income

 OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

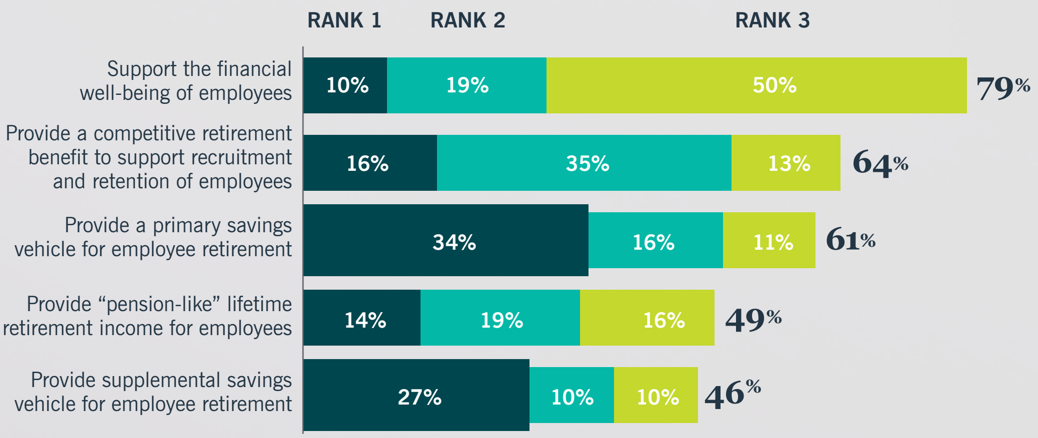
The conversation around guaranteed lifetime income has been steadily growing since the SECURE Act of 2019 changed safe harbor provisions to protect in-plan annuities. Participants have long wanted lifetime income built within their retirement plans, to mirror the benefits of now essentially extinct defined benefit plans.

When Nuveen conducted our third annual Equilibrium survey we spoke to 189 institutional investors who were actively involved in their DC plans, across the U.S., Canada and the U.K.

When asked about the overarching objective of a retirement plan, the respondents prioritized the traditional role of a DC plan, namely providing a savings vehicle for plan participants. However, the most selected answer across rankings was the broadest and most aspirational; to support the financial well-being of employees.

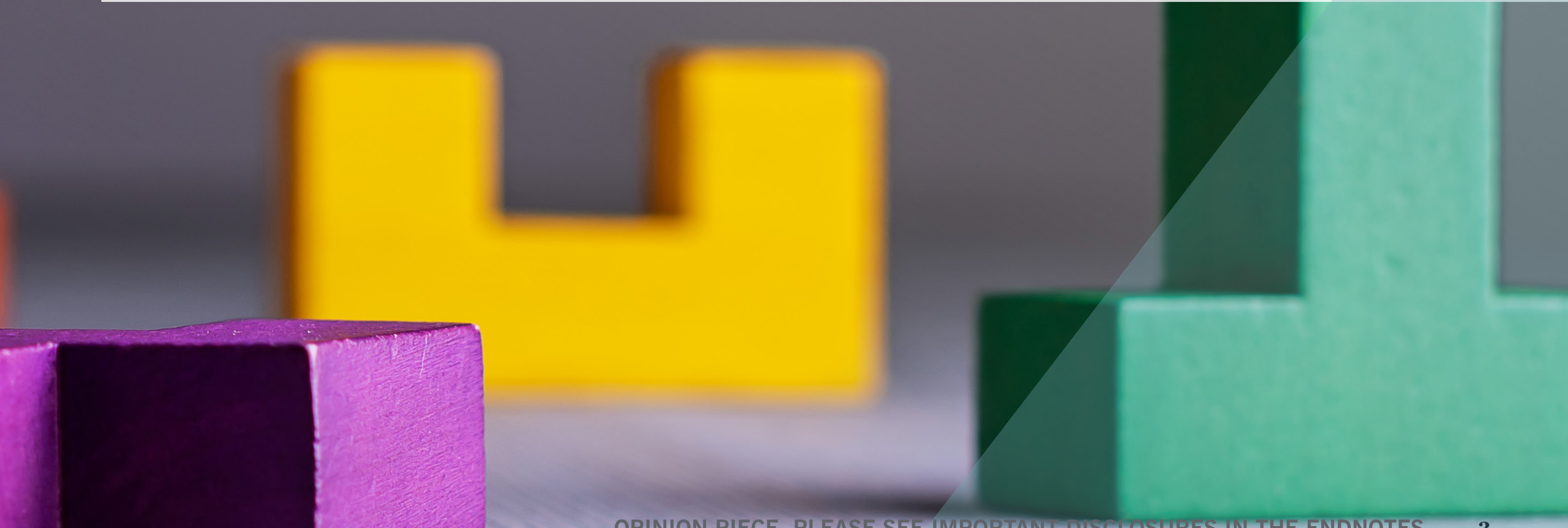
Figure 1: DC plan priorities

Select and rank which of the following objectives are a priority for your DC plan?



Supporting the financial well-being of employees was most commonly selected, but providing a primary or secondary savings vehicle for retirement is a high priority.

189 respondents involved in investment decision making around their DC plan. 2023 Nuveen Equilibrium global institutional investor survey.



Why guaranteed lifetime income

Research shows though that for plan participants, a guaranteed lifetime income in retirement is a significantly larger concern and could be used to motivate recruitment, retention and allow employees to retire on time. Seventy percent of participants surveyed by TIAA expressed a preference for a company that offers a guaranteed lifetime income solution in retirement. Even higher numbers expressed a preference for income stability over just principal protection, with 78% of respondents to an EBRI survey asking for income. These numbers are not necessarily indicative of a disconnect between participants and plan sponsors, but they could be a growing sign that participants want the next evolution in their retirement plan.

They are not simply looking for a tax-advantaged savings vehicle that opens up at retirement. Participants understand that guaranteed income has a significant role in securing their retirement and they are, rightly, looking to their employer to help them in that process.

When asked about their views specifically on guaranteed income, a majority of plan sponsors see that a guaranteed income solution can improve the risk/return profile for participants, and they see a growing need to explore the available options for lifetime income given the current market environment.

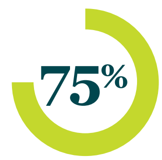
The other telling portion of the dataset is just how large the 'neutral' portion of respondents is. The education around the role and benefits of a lifetime income solution within a retirement plan is still at a relatively nascent stage. Those who have an opinion on the matter are largely in favor, with only around 10% of respondents disagreeing with the potential role and benefits of lifetime income solutions. It is the role of asset managers as well as advisors and consultants to help educate plan committees on the role that guaranteed lifetime income solutions can provide. The solution isn't right for every plan sponsor, but it appears that on balance, once a sponsor has a firm opinion of lifetime income, they view it positively.

49%

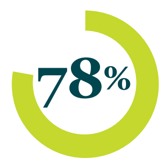
of Americans say running out of money is their biggest retirement concern[3]

Participants say…

would choose to work for, or stay with, a company that offers access to guaranteed lifetime income in retirement[1]



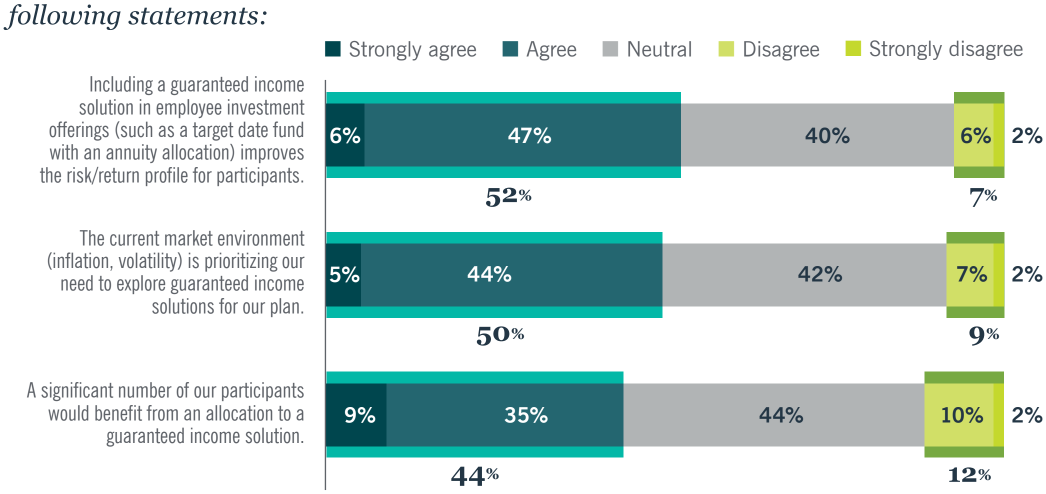
prefer income stability over principal preservation[2]



expressed interest in rolling some or all money from retirement plans to a guaranteed lifetime income product at the time of retirement[2]

Figure 2: Views on income solutions in DC plans

When considering your DC plan, please indicate your agreement or disagreement with the following statements:



Over half (52%) say that including guaranteed income solutions will improve the risk/return profile for participants, while about 4 in 10 have not made up their minds. Current market environment (inflation/ volatility) could influence consideration.

189 respondents involved in investment decision making around their DC plan. 2023 Nuveen Equilibrium global institutional investor survey.

The how of guaranteed lifetime income

When it comes to lifetime income solutions there are both guaranteed and non-guaranteed products. Systemic withdrawals are the most common withdrawal method employed in the current 401(k) environment, where the participant determines the amount and frequency of withdrawals from their retirement account, until the point the funds are depleted. This option contains few protections for the participant, but it is the most flexible and most liquid of the various payout options. There are also managed payout options, in which a managed account investment manager works to determine regularly scheduled payouts from the participant's assets, with the goal of ensuring that the assets last through retirement. However, there are no guarantees with this type of solution.

We think that an in-plan annuity is the best way to integrate a lifetime income solution into a retirement menu. This can be wrapped into a target date-like structure, where an allocation to an annuity is built into the overall glidepath of the retirement plan, culminating in an allocation around 40% to an annuity product at the time of retirement, although this percentage can certainly be higher or lower depending on specifics. It could also be structured as part of a range of QDIA-eligible structures.

The benefit of in-plan gives the option, but not obligation, to convert those assets into a lifetime income stream at the point of retirement. Simple is key though; annuities can be very complex, and we find it easiest for these solutions to be adopted by participants by embedding them into something that the participants are already familiar with — such as a target date or managed account offering.

In-plan annuities wrapped into a fund structure offers the most seamless integration for plan participants as little will change from the perspective of the plan participant. The genesis of target date funds was to allocate risk according to age and time to retirement, and this metric, while simple, still reflects the needs of a significant portion of plan participants. Wrapping the annuity allocation into a structure that is broadly familiar to participants, whether target date or another type of structure such as a managed account, eases the transition from viewing a 401(k) balance as a savings vehicle to a lifetime income vehicle with a set

Myth vs. *Reality*

Annuities are restrictive, with little to no flexibility.

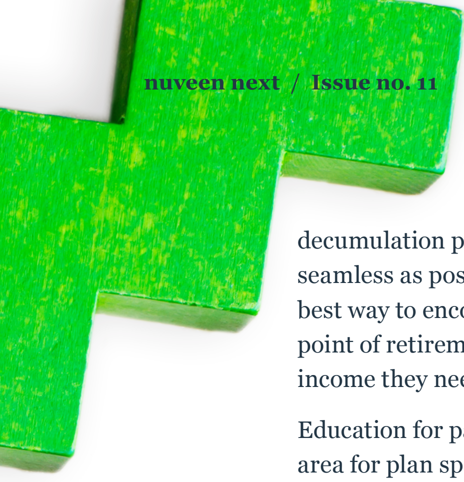
Annuities offer a range of options and can be used to diversify a retirement income plan.

It's all or nothing with annuities: they require using total savings.

Employees can annuitize a portion of their savings and leave the rest until they are ready to withdraw them.

Employees lose estate value

Employees have multiple options with annuities, including joint payout options to provide for an estate benefit.



decumulation plan. Making this transition as seamless as possible for the plan participant is the best way to encourage uptake of the annuity at the point of retirement and get participants the lifetime income they need.

Education for participants remains a significant area for plan sponsors. Recent TIAA data shows that upward of 80% of new employees use the default option in their retirement plan, while longer-tenured employees tend to more actively manage their investments. Both types of investors need to be educated as to the value of an annuity option within their retirement plan menu, either so they understand what the default option is and why the plan designers selected it, or so they understand that leaving the assets within that option is the better choice, rather than actively managing it away.

There are also some technical considerations of different types of annuities, as they can be relatively complicated products with different contract types. Without getting too into the details, as different annuity types will suit different plans and participants, the principal types are:

- An immediate fixed annuity, such as a single premium immediate annuity (SPIA). These annuities are taken at the point of retirement, when a participant signs the annuity contract and hands over a portion of their assets in return for lifetime income.
- A qualified longevity annuity contract, or QLAC. These are similar annuities, in that they are often fixed annuities, that take a portion of assets and surrender them in return for guaranteed income. The major difference is that there is a delay between the surrendering of assets, say at retirement, and the start of payouts, often 10 or 20 years later. This can significantly increase the payouts received but it can increase mortality risk if the annuitant dies before their payouts begin. The assets also have to come from a qualified account or IRA.
- Deferred annuities are used when a participant deposits into an annuity contract over time or at some point prior to retirement. These have two distinct phases, the accumulation phase, when the participant is paying into the annuity, and the payout phase, when they are taking the lifetime income. Some deferred annuities have lockup periods or withdrawal limits, while others have more flexibility and are liquid deferred annuities. We prefer retirement plan options that retain liquidity for participants and ensure as much flexibility as possible.

Figure 3: Lifetime income solutions offer varied benefits

	EMPHASIZE LIQUIDITY		EMPHASIZE LONGEVITY RISK PROTECTION		
Attribute	**Systematic withdrawals**	**Managed payouts**	**Guaranteed lifetime withdrawal benefit**	**Fixed annuity**	**Qualified longevity annuity contract**
Description	Participant determines amount and frequency of withdrawals from their retirement account until it is empty	Managed account investment manager determines the regularly scheduled payouts, adjusted for market fluctuations, with the goal of helping to ensure funds last through retirement	Contributions are invested into an insurance separate account and paid out to the retiree as steady withdrawals in retirement, regardless of market fluctuations	Predetermined interest rate is earned during the participants' working years. Participant can exchange the fixed annuity for a guaranteed monthly income amount throughout retirement.	Portion of retirement assets is used to purchase guaranteed lifetime income that does not start to payout until a later age: typically 85 or older
Principal protection	No	No	No	Yes	N/A
Payment guaranteed for life	No	No	Yes	Yes	Yes, but payments do not start until later in retirement
Income protected from market downturns	No	No	Yes	Yes	Yes
Ability to withdraw before payments have begun	Yes	Yes	Yes, but may impact guaranteed payment amount	Yes	No
Ability to withdraw after income has begun	Yes	Yes	Yes, but may impact guaranteed payment amount	No	No

Data sources: EBRI, Cerulli and TIAA/Nuveen. This comparison represents only a sample of features typically included in the product types when used in the institutional retirement plan market and does not attempt to articulate all options that may be available. Insurance product guarantees are backed by the claims-paying ability of the issuer.

- The Guaranteed Lifetime Withdrawal Benefit, or GLWB. This type of annuity is different, as the assets remain the property of the participant, but the portfolio is redirected into a mix of stocks, bonds and other asset classes that then generate the income that is provided to the participant. The income is guaranteed by the insurance company if the level of income from the portfolio falls below that in the contract. This contract type includes explicit fees paid by the participant to the insurance company. This has the highest growth potential and ability to keep pace with inflation, while also offering flexibility for the participant.

There are also variables in the underlying contract within each of these types of annuity, such as minimum payment lengths, survivor benefits, variable or indexed annuities. Each change to the underlying annuity affects the premiums and payouts accordingly, and each type of solution needs to be carefully evaluated for its suitability. These are complicated insurance products that need to be understood before they can be implemented.

It also takes time to examine a plan menu and endeavor to evolve the options to include a guaranteed lifetime income solution.

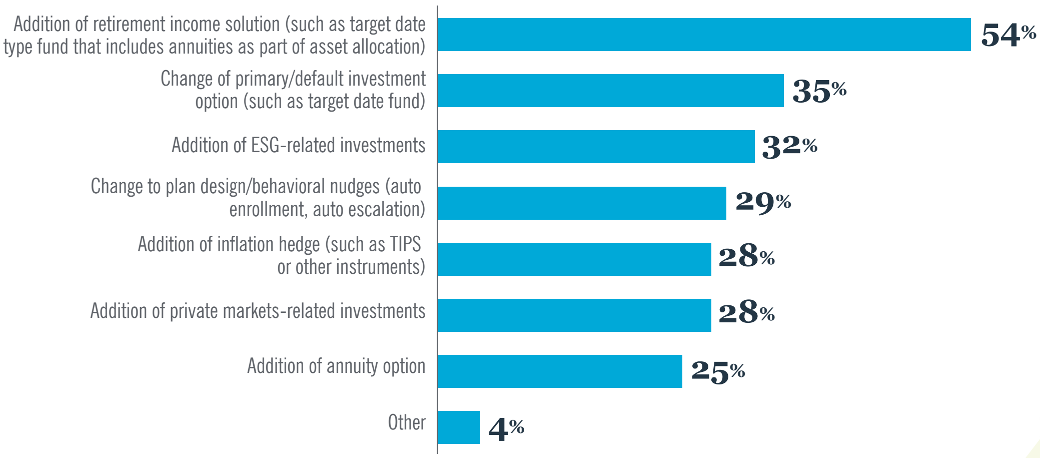
Our survey data shows that for those plans that are considering making changes to their lineups in the next two years, 54% are looking to add some form of lifetime income solution. This is significantly higher than any of the other options presented and highlights that plan sponsors are closely looking at retirement income as one of their highest priorities in the current environment.

We believe that a guaranteed lifetime income solution is something that plan sponsors should be carefully considering. The evaluation of different options and whether they are the right solution for participants to meet their needs in retirement rests on detailed and careful education and analysis. The cost of the solution is a major consideration, as is the underlying complexity. Not all solutions are easy to explain, and many have different characteristics that can change vital components of the annuity. The portability of the solution is also a significant consideration, as employees are increasingly more likely to change jobs, while the overall support afforded by the solutions provider to participants should be robust to educate and support them in their retirement journey.

> “They are not simply looking for a tax-advantaged savings vehicle that opens up at retirement. **Participants understand that guaranteed income has a significant role in securing their retirement.**

Figure 4: Planned changes

Which of the following changes did you make or do you plan to make? (n = 69)



Adding an income solution is the top choice for those plans that intend to make changes to their DC investment lineup over the next two years.

Overall (n = 69 respondents making changes to their DC investment menu in the coming 2 years). % Yes, multiple answers allowed.

PARTICIPANT ENGAGEMENT

Having the lifetime income conversation with participants

Once the need for lifetime income has been established at the plan sponsor level, one significant consideration is how to communicate potential changes to plan participants. Integrating the needs of plan participants into any major change to a retirement plan is paramount to ensuring consistent and lasting engagement. Using clear, simple language can go a long way to educating participants on principal changes happening to their retirement plan, but a plan sponsor and their advisor have to be ready with significantly more detailed follow-up to be able to answer any questions that the participant may have.

There are initial conversations to have as well. It must be said that annuities and insurance companies more broadly have a negative reputation; the truth and reasons behind the negative reputation can be debated elsewhere. But this is relatively commonplace; everyone likes a new car, but they don't like the salesperson they're buying it from. Plan sponsors and advisors have to find a way to communicate the underlying reasons why lifetime income solutions are the answer to many questions that participants have.

Explaining the challenges that participants face is a journey for both plan sponsor and the participants. The understanding of longevity risk is still relatively nascent and educating participants on just how long they can expect to live, and therefore how long their savings have to last is a vital first step. The other benefits that lifetime income can provide, smoothing volatility of market returns, removing the uncertainty of a monthly paycheck, and guaranteeing lifetime income in retirement, are all benefits people need educating on.

Education for plan participants has to be a cornerstone

Initial education around lifetime income is as much a conversation around setting expectations as it is anything else. Many participants are looking for the security of lifetime income, and the knowledge of when they retire how much they will get in a monthly check. A recent TIAA Institute study found that 69% of young adults think that their retirement plan includes guaranteed minimum income after they retire.[4]

Many participants throughout their careers mistakenly believe that a normal 401(k) offers this, whereas in truth it simply allows the retiree access to their assets at the point of retirement. The conversation about taking the balance of a 401(k), talking with a participant about their needs in retirement and calculating their potential shortfall in regular income is one that needs to happen as a participant approaches the age of retirement.

Take the Twin Sister challenge

Lifetime income vs. systematic withdrawals from assets

An approach that builds on this initial education campaign has been developed by the TIAA Institute's Benny Goodman, called the Twin Sister challenge.

These graphics show the impact of an annuity on two sisters, one of whom takes systematic withdrawals and the other guaranteed lifetime income. The risk of outliving savings is clearly shown in the first chart and can help highlight the benefit of guaranteed lifetime income.

These charts address one of the common complaints about annuities, in that they lock up assets and prevent leftover reserves from being passed on to the participant's estate. The second also highlights the benefit of a partial annuity in topping off income levels, while at the same time leaving a legacy.

Messaging like this can be a simple, visual guide that can alleviate plan participant fears and answer questions as to the role and mechanics behind annuities.

Twin sisters, Tara and Rachel, retire at age 65, each with $100,000 and both earn a 5% return.

Tara

LIFETIME INCOME

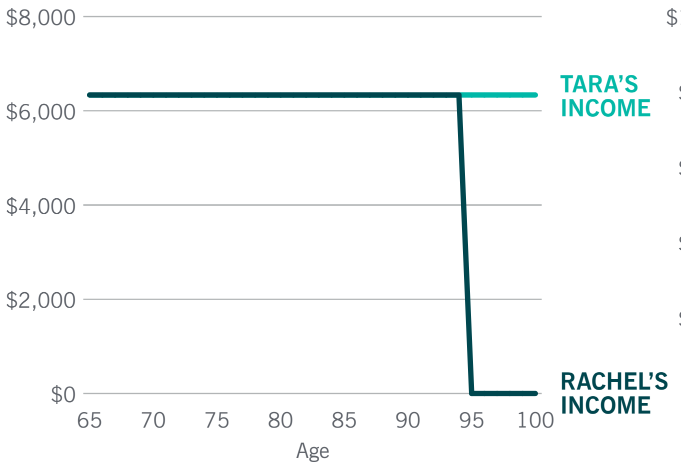
Tara matches that income with a partial annuity ($3,750) and a withdrawal ($2,600).[5]

Rachel

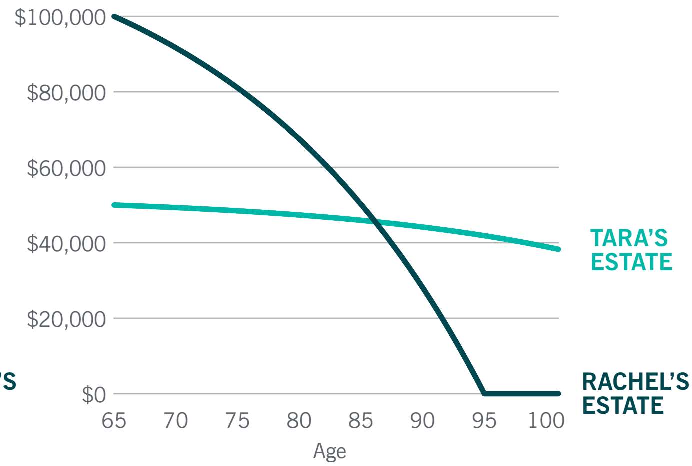
SYSTEMATIC WITHDRAWAL

Rachel takes a systematic withdrawal of approximately $6,350 allowing for 30 years of income.

Annual income



Estate value upon death



Tara has income for life, while Rachel will run out of money at age 95

Tara will leave the larger estate more than 50% of the time

This will be true in all return and withdrawal scenarios applied equally to both sisters, including up and down equity markets.

One way that lifetime income solutions bridge the expectations of participants with reality is by being the solution that many already thought they were going to get. Taking a portion of a retirement balance and moving it into a lifetime income solution is how we can get participants to their target income level. We are developing calculator tools that allow a participant to take their Social Security income, examine their target monthly income level and annuitize a portion of their 401(k) balance to fill that gap.

Tailoring the message to participants

Plan sponsors know their participants better than anybody else. Advisors and asset managers have to acknowledge that different sponsors are going to have different needs for their participants, and they have to be ready with different detailed documentation and explanatory materials to go to the right level of depth and complexity to make the participant feel informed and comfortable once the initial conversation has passed.

Communication therefore has to be an ongoing process. Lifetime income as a solution isn't just rolled into a platform and switched on. Participants will need high level education at the initial stages of any planning and preparation, and then as the switch within a plan becomes closer, human resources are going to have to be very available to answer questions as they arise.

The other ongoing part of communication happens throughout the lifecycle of the participant. Onboarding a new hire has to be where the conversation around retirement begins, especially for a plan that is more complex than that of a prior employer, or if a new participant is fresh to the workforce, for example just out of college or returning after a time away from the workforce.

Educational components have to be tailored to meet the needs of a participant wherever they are within their career. Then as that participant moves closer to retirement, their options for the assets set aside for an annuity need to be explained. There is a risk that if education isn't an ongoing and expansive process, then the percentage of participants that ultimately opt into the annuity will be too low, and much of the time and effort put into the overall plan design will be wasted.

Bringing participants on that journey

Ultimately the challenge for plan sponsors is to bring their participants on the journey that leads to understanding of why guaranteed lifetime income is the next evolution in retirement planning and encourages uptake of the annuity. We know that people tend to respond to positive messaging, language that is aspirational and shows participants that lifetime income is a means to the end that they deserve. We also want to use familiar language — income, paycheck, etc. — that talks to concepts that participants are familiar with throughout their careers.

This is an educational and communication journey for both plan sponsors and participants, but openness, honesty and detail are all important parts to ensuring a smooth transition to a lifetime income solution.

FIDUCIARY PERSPECTIVES

How we got here

A history of retirement in the United States

THE DEFINED BENEFIT ERA

1898 **Nuveen founded** to underwrite public infrastructure projects

1918 **TIAA founded** to provide retirement benefits for teachers: TIAA now serves a wide range of individuals and institutions in the academic, medical, cultural and research fields.

1935 **The Social Security Act of 1935 established the Social Security program.** The Social Security Act has been amended and expanded over the years to include additional programs and benefits, and was amended in 1965 to create Medicare (for people 65 and older) and Medicaid (for low-income and vulnerable individuals and families). Social Security has become a crucial part of retirement planning for many Americans, providing a stable income stream in their later years.

1958 **The creation of 403(b) plans can be traced back to changes made to the Internal Revenue Code in 1958** A 403(b) plan is a retirement savings plan available to employees of certain tax-exempt organizations, such as schools, hospitals, religious organizations and nonprofit organizations.

1974 **The Employee Retirement Income Security Act (ERISA) became federal law.** ERISA sets standards and regulations for employee benefit plans offered by private employers. The law was enacted to protect the interests of employees participating in employer-sponsored retirement plans, such as pension plans, 401(k) plans and health insurance plans.

1978 **401(k) plans become law.** The plan originated as a provision in the Internal Revenue Code, more specifically section 401(k), which was added under the Revenue Act of 1978.

Our thoughts on defined benefit plans

It is shortly after 1978 that we see defined benefit plans start to fall away. In 1975, 70% of workers with a retirement plan had access to a defined benefit plan. Today, the number covered by DB plans is 12%. Companies wanted to push the liability management of full defined pension plans off their balance sheet, and to make the employee more responsible for their retirement assets.

What we like

Defined benefit pension plans were not without advantages, and some of these we would like to recreate within the modern 401(k) plan. The guaranteed lifetime income of a defined benefit pension provided participants with the certainty of income on top of their Social Security payments.

What we dislike

However, there were numerous drawbacks with the defined benefit plan. The portability of the assets was limited, with the plans often built on the assumption that the participant would remain with one company for a majority of their career. The defined benefit plans also only ever benefited a relatively small number of people. There were a lot of temporary workers and those who took breaks from employment who were not given access to defined benefit plans.

THE MODERN 401(K) ERA

1983 **At this point a series of legislative changes were made to Social Security to address its long-term financial sustainability.** The reform was prompted by concerns about the future solvency of the Social Security trust funds and the growing number of retirees relative to the working-age population.

1984 **The Retirement Equity Act signed into law** aimed to address gender-based disparities in retirement plans and enhance protections for spouses and beneficiaries. This Act worked to address fair treatment and financial security.

1996 **Assets in 401(k) plans pass $1T**

1997 **ROTH IRAs established**

2003 **HSAs created**

2006 **The Pension Protection Act creates QDIAs,** leading to a huge uptake in target date funds. Target date funds allow for automatic risk adjustment, albeit often based simply on a participants' target age of retirement. So, while they are relatively simple in overall portfolio rebalancing, they provide risk adjustment over time and allow for growth to transition to income over the life of the portfolio.

Our thoughts on 401(k) plans

What we like

The modern 401(k) era has many benefits for plan participants and sponsors alike. Shifting the burden of managing the assets onto the participant affords much more portability when employees change jobs and allows them to allocate the risk of the portfolio according to their needs. Having tax advantaged accumulation vehicles allows people to see much more clearly how well they are saving for retirement, how much of an asset base they have built up, and with projected returns how much they can expect to have in retirement. It encourages early savings, while allowing younger employees to move between companies and not lose what they have saved.

What we dislike

As much as the 401(k) is an ideal vehicle for accumulation, it does not have a set standard to assist with decumulation. Plan participants are often left confused as to their options when they reach the age of retirement, and there is no inherent guaranteed income within a 401(k).

THE SECURE ACT ERA

2017 **Target date funds pass $1T in AUM**

2020 **SECURE Act passed.** The SECURE Act was a significant step forward in retirement legislation. It also highlights that fixing America's retirement crisis is a growing area of concern for Congress, and it has wide bipartisan support. The Act made it much easier for part-time employees to get access to retirement plans, it changed RMD provisions, and opened up a greater use of annuities within 401(k) plans by adding safe harbor provisions.

2022 **SECURE Act 2.0 passed.** This follow-up piece of legislation continued to build on the SECURE Act. It continued to incentivize businesses to offer retirement plans, included automatic 401(k) enrollment, and further changed tax codes and RMDs to help encourage savings by participants.

Data source: TIAA Institute.

What the future holds

While there are elements from the defined benefit era that we want to see make a return to retirement plans, namely guaranteed lifetime income, the drawbacks of the defined benefit era are worth avoiding. Likewise, while the portability and accumulation benefits of the modern 401(k) plan are well-established and worth trying to retain, we feel that we need a solution that enables better decumulation from the basket of assets built during a long career.

We think that an in-plan annuity, that takes some of the accumulated assets built up in the 401(k) structure, and can transfer them into a guaranteed income stream, can present the option that blends the benefit of both solutions. These structures are relatively well established within the 403(b) space but bringing this to the larger 401(k) market can have wide-ranging benefits for a lot of plan participants, while not putting the burden back on plan sponsors.

ON THE HORIZON

Q&A with Nuveen CEO Jose Minaya

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Why is it important to you and to Nuveen that we work toward closing the racial retirement gap?

First, the racial gap on the retirement side is deeply personal to me. I grew up as a first-generation Dominican Republican American in New York City in a home where two hardworking, loving parents weren't investing in a 401(k). There were very few resources and little to no education available to us about the importance of retirement savings. This is true for far too many Americans.

When I entered the financial services industry nearly 30 years ago, I started to learn about these topics. It granted me the ability to see the importance of retirement savings in accumulating wealth and securing a happy retirement.

This is something that people just don't talk about a lot within the Hispanic American community. Many engage outside methods, almost gray markets, when they think about saving. Your proverbial "money under the mattress" approach. That to me is a massive failure of our country and our industry. Here at Nuveen, we have the ability to address that need in partnership with members of that community.

Second, over the years I've come to realize that these issues represent a massive business opportunity for the entire financial services industry. If we think about the Hispanic American community on its own, the buying power is a massive basket of capital. That community represents nearly $3 trillion of GDP in its own right.[6] It is also a young population in the U.S., with a median age of 30, versus a median age of 41 for non-Hispanic Americans.[7]

If we can get our penetration rates for Hispanic Americans into financial services or retirement products to a comparable level to other communities, that is a massive opportunity from a business perspective. What if we lifted those engagement percentages to 30, 40, 50%? That would be a huge influx of capital into the markets, into our industry and the wider economy. This benefits all of us in the long run.

This is a critical moment for Nuveen and the broader financial services industry. It goes back to our underlying mission that we're long-term asset managers. I look at this and it seems so obvious to me because there's going to be a first mover advantage to tapping into these communities.

What idiosyncratic factors affect retirement planning for the Hispanic American community?

There are several significant barriers affecting Hispanic Americans' ability to effectively save for retirement. As a firm, we have to understand the different cultural nuances in order to adequately serve these clients. For example, the impact of remittances. I grew up in an environment where, especially for a lot of first-generation people, they're regularly sending money back home. It's part of the whole agreement of even coming to this country and trying to build a life here; you're trying to lift your entire family. There are strong cultural expectations around that.

The TIAA Institute releases an annual Personal Finance (P-Fin) Index. It is a barometer of financial literacy based on a 28-question survey.[8] Throughout the survey we saw that:

- 45% of Hispanic Americans are more likely to have difficulty making ends meet, compared to 21% of Asian-Americans and 25% of whites.
- 38% of Hispanics are debt constrained, compared to 17% of Asian-Americans and 22% of whites.

There's also a culture around trust. When you look at how the entire financial services industry is educating clients and prospects, we are often guilty of presenting a "one size fits all" approach. This simply won't work. Here at Nuveen, we have a Spanish-speaking sales desk dedicated to serving our Spanish-speaking clients. We are translating materials and creating materials in Spanish, but there is still a long way to go. So, we have to get better at examining the different demographics and asking ourselves, "Are we putting enough effort into truly understanding the communities we're trying to serve?" We have to engage with a community in order to really penetrate it.

What role does financial literacy play in finding a solution?

Financial literacy is an extremely important component of all of this and the different businesses across the financial services industry all have a part to play. The TIAA Institute P-Fin Index also found that Hispanic Americans answered only 38% of the questions correctly. Whereas the number for white Americans was 53% and for Asian-Americans it was 55%.

Education is key and to be effective, it must be tailored to specific audiences. Just as we cannot address individuals just entering the workforce the same way we address people who are near retirement, we cannot address Hispanic Americans the same way we address Black Americans. We need to be able to find creative ways to share what we do.

I often describe our business as a factory floor. The main job we have is to manufacture something that is going to hold its integrity. So, we have a bias toward educating because it helps drive the capacity of our factory floor. It's why we exist. It is our central mission, and we want to be able to continue to cast that message in the broadest form possible.

There are overlapping layers of responsibility between us, plan sponsors and financial advisors in doing this. Helping our key stakeholders, namely institutions, participants and plan sponsors, ultimately helps us. It's a symbiotic relationship. Additionally, we need to talk to leading financial advisors about why we believe in closing the retirement gap and the promise of guaranteed lifetime income. Those financial advisors can then share the message with their clients.

What role does guaranteeing lifetime income play in solving this issue?

I describe guaranteeing lifetime income as the original promise of the retirement industry. We began with the concept of Social Security, then the concept of defined benefit plans and then, as the world opened up, plan participants were given a lot more choices. They began asking themselves a series of questions. What funds should they buy within their 401(k)? Should they sit inside the default option? How are those ideas and choices being compared? To me, the most consistent thing to keep asking is, what is the desired outcome of retirement?

Starting on the day they retire, participants need enough money in the bank to receive a stream of income that they can live on. That is a participant's most basic need. All we're doing is going back to the beginning and asking, how do we get people a level of certainty that they are guaranteed an income stream that they can count on to be there year after year? How can we ensure that people have enough in that income stream to be able to retire with dignity? This is what retirement plans were always meant to be and as a nation, that is the purpose that we have to rediscover together.

What additional work is Nuveen doing with Hispanic American plan participants specifically? What impact does this have?

As I mentioned earlier, we have a Spanish-speaking sales desk available to our Spanish-speaking clients. We are also translating our written material into many different languages, including Spanish. Now we have to go beyond that.

We, as senior leaders, have to go on road shows and get out into Hispanic American communities. Many of our clients currently are Hispanic Americans so we have to make sure we are adequately supporting them and their savings goals. We can't just translate materials from English to Spanish. We need specific people on our team that specialize in communicating with these participants. We're asking ourselves, are we leaning into that culture and understanding that community? If we're talking about the benefits of guaranteed lifetime income, we need to talk about it in a way that really resonates with that community.

When we go to open an office in Tokyo or Germany, we have to think about the community we're entering. We can't just send Americans there. We hire locals and lean on their expertise. We tailor product offerings and educational programs to those specific needs. It's an obvious best practice. So why would we not do that with our Spanish-speaking clients within the U.S. as well?

Nationwide, more than 80% of Certified Financial Planners® identify as white. Less than 3% identify as Hispanic Americans.[9] We need more diversity across the financial services industry in order to meet the needs of these clients.

Building on that, the most important thing for us relates to how we get our products out to the marketplace. So, we're asking ourselves, what can we be doing to create a better message? We need to get to know our clients and customers really well and tailor the message to them individually rather than having one monolithic message. Our factory floor is extremely good at manufacturing a widget, and that widget is guaranteed lifetime income. Yet that is not enough. We need to position ourselves so people see that it's special and is key to securing a dignified retirement. We're still learning how to do that, but we are extremely proud to be on this journey.

A recent TIAA survey conducted research into the Hispanic American population, with findings that highlight the need to better serve this community.

The Institute found that:

Only 60% of Hispanic Americans have saved any money for retirement, compared to 87% of Asian-Americans and 76% of white Americans.

Only about one in four Hispanic Americans are currently contributing to retirement plans. For white Americans and Asian-Americans, it's more than one in three.

Even when employers offer ways to help save for retirement — such as employer matches — only ***28% of Hispanic American*** employees have used those programs. The number for Asian-Americans, white Americans and Black Americans is about 40%.

Source: TIAA Institute Survey. 2022.

For more information, please visit us at nuveen.com

Endnotes

1 TIAA 2021 Lifetime Income Survey, May 2021.

2 EBRI Retirement Confidence Study, 2020.

3 AARP, May 2019.

4 TIAA Institute. Young adults, their attitudes and outlook toward retirement and the future. June 2023.

5 Life annuity payment is based on 2023 TIAA dividend mortality tables, and a single-life annuity paying 5% interest. Rachel's actual withdrawal is $6,335; Tara's annuity payment is $3,743 and her withdrawal is $2,591.

6 Latino Donor Collective. 2022 LDC U.S. Latino GDP Report.

7 Census Bureau. 25 May 2023.

8 TIAA Institute and the Global Financial Literacy Excellence Center at the George Washington University School of Business. 2022 Personal Finance Index.

9 CFP® Board. 30 June 2023.

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

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