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RETIREMENT  
INCOME  
CRISIS?

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A retirement income crisis looms over millions of people, some of whom are likely your clients. Ready for some sobering stats regarding working Americans?

**Only 36% of non-retired U.S. adults surveyed thought their retirement savings were on track<sup>1</sup>**

**26% reported having no retirement savings<sup>1</sup>**

Among those aged 60 and older, **87%** have retirement savings—but only **48% say they're on track for retirement<sup>1</sup>**

**43%** said they were unable to put away any retirement savings in 2021, and **42%** think they are too far behind on their retirement savings goals to catch up<sup>2</sup>

Every year for the past decade, about two million baby boomers have been retiring from the labor force. In 2020, that annual figure rose to more than three million.<sup>3</sup> By 2030, it's predicted that all baby boomers—an estimated 73 million people—will have reached retirement age in a demographic shift the U.S. Census Bureau describes as a "gray tsunami."<sup>4</sup>

Almost half (**49%**) of Americans surveyed said they're just trying to get by and **can't even think about saving for retirement right now.**<sup>2</sup> And since the start of the COVID-19 crisis, more than a third of Americans experienced a change in their employment—including layoffs, furloughs, pay cuts and reduced hours—that could negatively impact their finances.<sup>5</sup>

## Who Is At Risk? What Can Be Done?

Currently, just 21% of non-retirees have a defined benefit pension, and **26% have no retirement savings** at all.<sup>1</sup>

And according to the Bureau of Labor Statistics, just 15% of private industry workers have access to defined benefit retirement plans provided by their employers, and **33% don't have access to employer-provided retirement plans**, whether defined benefit or defined contribution.<sup>6</sup>

How many of those people may be among your clients?

About 78% of Americans with a protected lifetime income say they are confident that their retirement savings and income sources will last throughout their lifetime. Among those without an annuity or pension, that confidence level falls to just 41%.<sup>7</sup>

**40% of American households have protected lifetime income<sup>7</sup>**

**60% express value for protected lifetime income through their retirement<sup>7</sup>**

**Only 11% say they understand annuities very well<sup>7</sup>**

# How Can Protected Lifetime Income Work With Social Security?

Sixty-nine percent of retirees say that Social Security will be their primary source of income throughout their retirement years. Nine in 10 retirees are currently receiving Social Security benefits, and among them, the median age they report starting Social Security benefits was 62—even though, depending on their birth year, the minimum age for receiving full retirement benefits is between 65 and 67.<sup>8</sup>

**That means many retirees are relying on reduced benefits as their primary source of income.**

Social Security was not designed to be retirees' only source of income. On average, Social Security retirement benefits replace about 42% of beneficiaries' pre-retirement income.<sup>9</sup>

For very low earners, Social Security benefits replace a higher percentage of their income—as much as 78%—and for high earners, the percentage benefits replace is lower at around 28%.<sup>9</sup>

The Social Security Administration cites 70% of pre-retirement income as the percentage financial advisors recommend for a comfortable retirement.<sup>9</sup>

So for most Social Security beneficiaries, the difference between their benefit amount and the replacement income needed for a comfortable retirement has to come from other sources.



## How Can Advisors Help?

Although life expectancy had already been falling before the pandemic caused a more pronounced drop, an average 65-year-old man can expect to live to almost 83, and a woman at 65 can expect to survive to more than 85 years of age.<sup>10</sup>

Having a protected lifetime income that clients can't outlive may provide long-term advantages and peace of mind. Financial advisors may want to consider a type of retirement income plan their clients may not fully understand: annuities.

Annuities may represent a strategy that can help provide protected income for life. Most retirees rely on their defined contribution savings to pay for their retirement expenses. An annuity to accompany their savings and/or investments could provide an additional source of guaranteed income with fixed payments over a period of time—or a guaranteed lifetime income option—that may help clients reduce their risk of outliving their money.

Your clients could find the number and types of annuities confusing, so they may look to you for help with understanding their options and the details about how different annuities and their features may work for their individual needs.

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Visit [smartriskcontrol.com](http://smartriskcontrol.com),  
contact your wholesaler, or  
call the CUNA Mutual Group  
Annuity Solutions Desk  
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#### SOURCES

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- <sup>3</sup>Pew Research, The pace of Boomer retirements has accelerated in the past year, November 9, 2020.
- <sup>4</sup>U.S. Census Bureau, By 2030, All Baby Boomers Will Be 65 or Older, December 10, 2019.
- <sup>5</sup>National Institute on Retirement Security, Retirement Insecurity 2021: Americans' Views of Retirement, February 2021.
- <sup>6</sup>Bureau of Labor Statistics, 67 percent of private industry workers had access to retirement plans in 2020, March 1, 2021.
- <sup>7</sup>Alliance for Lifetime Income, 2020 Protected Lifetime Income Study and Segmentation Report, October 26, 2020.
- <sup>8</sup>Nonprofit Transamerica Center for Retirement Studies, Retirees and Retirement Amid COVID-19, September 2020.
- <sup>9</sup>Social Security Administration, Retirement Benefits, January 2021.
- <sup>10</sup>U.S. Department of Health and Human Services National Vital Statistics System, Provisional Life Expectancy Estimates for January through June, 2020, February 2021.

#### IMPORTANT DISCLOSURES

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