

IRI Survey Shows Workers Need Improved Retirement Saving Habits, More Realistic Expectations

And Value Protected Lifetime Income

WASHINGTON, D.C., UNITED STATES, August 31, 2021 /EINPresswire.com/ -- Most workers over age 40 have inadequate retirement savings and are not saving enough to catch up, yet most expect retirement income far greater than even the highest Social Security benefits. And while they also believe that protected lifetime income is a critical characteristic of a retirement investment, they need to save more to produce that income, according to [new research](#) by the Insured Retirement Institute (IRI).

Retirement saving behavior does not support the retirement income expectations of many workers. One-third think they will retire before age 65 and therefore see reduced Social Security benefits. More than half of workers believe they will need at least \$55,000 in annual retirement income. Only four in ten workers have attempted to calculate how much they will need to save to meet retirement income expectations, so they are not connecting income potential to their savings.



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The IRI consumer survey was conducted in March 2021 to gauge the retirement savings behaviors, retirement preparation steps, retirement expectations, and retirement investment preferences of nearly 1,000 workers between 40-73 years old.

"Older workers are under saved and regret that they have not saved more or wished they had started saving earlier," said Frank O'Connor, IRI Vice President, Research and Outreach. "Improving retirement prospects requires an

increase in the percentage of income saved."

While three out of four workers are saving for retirement, savings rates are not nearly high enough for even the youngest respondents to grow their nest eggs to a level sufficient for meeting their income and budget expectations.

"These findings highlight the importance of plans not only auto-enrolling but auto-escalating retirement plan participants to increase savings rates," O'Connor said.

Some employer-provided retirement plans automatically enroll workers and deduct a percentage of each paycheck to contribute to the plan. Others automatically raise the percentage deducted annually up to a maximum of 10 percent. Employees can opt out of the auto-enrollment and auto-escalation at any time.

The survey also revealed that workers are overwhelmingly in favor of considering retirement investment options that guarantee income for life, such as annuities. They are especially interested in annuity products being made available in defined contribution plans.

"IRI's advocacy efforts that led to the enactment of the SECURE Act in 2019 should help workers," O'Connor said. "Measures included in the law made it easier for employers to offer retirement plans and lifted barriers to make protected lifetime income solutions, and other types of annuities such as fixed indexed and Registered Index-Linked Annuities (RILAs), more available within those plans."

The IRI survey noted that the lifetime income disclosure provision in the Setting Every Community Up for Retirement Enhancement (SECURE) Act should help workers better understand how their retirement balances can deliver monthly income.

A final regulation to implement this provision is expected later this year. It will require retirement plans to illustrate how much monthly lifetime income a retirement account balance could provide. In IRI surveys conducted before the passage of the SECURE Act plan, participants indicated these illustrations would prompt them to increase the percentage of income they contribute to their plans.

An encouraging survey finding was the level of interest workers have in adding annuities to their workplace defined contribution retirement plans. Seven in ten workers of the youngest age cohort (age 40-45) say they are very or somewhat likely to allocate a portion of their plan to annuities.

With these preferences and trends in mind, Congress is considering new retirement security legislation that IRI strongly supports. Nearly a dozen IRI-supported provisions from the group's [Retirement Security Blueprint](#) are included in House and Senate bipartisan legislation.

Among the key features of the legislation is an automatic enrollment provision for new employer-provided retirement plans. The measure also increases a tax credit for small business owners to encourage them to offer their employees a retirement plan. For older workers, the legislation allows for larger catch-up contributions for Baby Boomers close to retirement. The legislation also increases the age at which retirees must take minimum distributions from retirement accounts and affords more workers and retirees the opportunity to protect their retirement income to insure against the risk of outliving their accumulated retirement savings, allowing more time for savings to grow.

"Retirement security remains a serious issue for America's workers, retirees, and their families," O'Connor said. "Data show that more work is needed to educate people about planning for retirement, especially with the help of a financial professional who can assist with calculating retirement income needs and setting financial goals. Workers also need to save more and consider protected lifetime income solutions to guard against outliving savings, a top concern among retirement savers. Finally, Congress can act quickly to provide more opportunities for workers to save in employer-provided plans and to improve access to lifetime income products within those plans."

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