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## **DC plans still slow to embrace lifetime income: Willis Towers Watson**

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By Editorial Staff    *Wed, Aug 3, 2016*

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Sponsors of defined contribution (DC) retirement plans are slowly embracing lifetime income solutions to help employees improve their financial security in retirement, according to a new survey by Willis Towers Watson, the global advisory company.

The consulting firm described lifetime income solutions generally as the "education and tools necessary to help plan participants determine how to spend down accumulated savings in retirement as well as in-plan and out-of-plan options that create streams of income from employer-sponsored retirement plans."

According to a release from the firm, most employers currently prefer lifetime income education and planning tools, and partial or systematic withdrawals during retirement to insurance-backed products, annuities or other managed payout options, which Willis Towers Watson described as "more effective solutions."

The survey also found that almost one-quarter of employers (23%) have adopted one or more of these lifetime income solutions, while another 18% will implement a solution this year or consider solutions for next year and beyond.

The most prevalent lifetime income solutions are systematic withdrawals during retirement (73%), followed by income planning tools (64%) and education (60%). The more effective solutions designed to help plan participants develop a steady flow of income in retirement are much less common, even though 71% of respondents cited the primary reason for adopting a lifetime income solution was to help participants convert DC plan balances into lifetime income.

The survey found less than one-fifth (19%) offer out-of-plan annuities at the time of retirement, although 21% are considering these options for 2017. One-third provides in-plan managed account services with a non-guaranteed payout, and 22% offer an in-plan asset allocation option with a guaranteed minimum withdrawal or annuity component. Less than one in 10 offer an in-plan deferred annuity investment option.

Just over half (53%) of respondents that haven't adopted a solution say they may do so in

the future. When asked why they had not adopted a solution, 81% cited fiduciary risk as a very or extremely important barrier, while two-thirds cited cost. Six in 10 respondents said the market offerings and products were not satisfactory or were too new.

The survey also found low participant usage of available lifetime income solutions. Sixty-one percent of sponsors reported that a quarter or less of their participants used in-plan managed account services with a non-guaranteed payout service, while just over half reported a similar usage of lifetime income education.

Less than a quarter of employees capitalized on lifetime income planning tools, or used partial or systematic withdrawals during retirement at roughly half of the companies.

The Willis Towers Watson Lifetime Income Solutions Survey is based on responses from 196 large and midsize U.S. employers that sponsor a retirement plan. The survey was conducted online in March and April 2016.

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