
Decumulation? Most Americans don't know the concept

By Editorial Staff *Wed, Jun 3, 2015*

More than half of those with retirement savings have no distribution plan for how they will access or stretch their money once they retire, with one in five not giving this any thought at all, according to a survey by Pentegra.

Most Americans who are not yet retired give little thought to how they will de-accumulate their savings in retirement, according to the results of an online survey of over 1,000 working adults commissioned by Pentegra Retirement Services and conducted by Harris Poll.

The survey showed that:

- The average anticipated retirement age among working Americans is 66. One in five plan not to retire at all.
- On average, working Americans who plan to retire expect to need only \$3,200 per month to live on when they retire; 19% said they will need at least \$5,000.
- On average, working Americans who plan to take Social Security benefits expect to claim them at age 67.
- 56% of those with retirement savings have no distribution plan for how they will access or stretch their money once they retire, with one in five not giving this any thought at all.

“The retirement industry has spent the last 20 years advising people how to accumulate retirement savings and reach a magic number. We must shift some of the focus to helping educate people on what to do with their savings when they retire,” said Rich Rausser, senior vice president of client services at Pentegra, said in a release.

Regarding the average estimate of \$3,200 for required retirement income, Rausser said, “Based on the average household income of \$52,000, this number may seem practical at first glance. But many people do not factor in having to pay for health coverage and cost-of-living increases when estimating how much they will realistically need.”

The survey also revealed a lack of understanding and awareness of options for accessing retirement savings, including:

- Lump-sum payouts (with only 24% very familiar with this option);
- Routine quarterly or monthly payments (only 29% very familiar);
- Annuities for themselves (guaranteed monthly payment payable over their lifetime) (just 23% very familiar);

- An annuity for themselves for life and the life of their beneficiaries (only 17% very familiar), with one in four employed U.S. adults (not already retired) not even aware that this option exists.

“More people need to know about these annuities,” he said. “They take the stress and guesswork out of distribution, stretching your savings as far as possible. We call it ‘pensionizing.’”

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