TIAA

BIG IDEAS. BETTER RETIREMENTS. | ISSUE 1 | JUNE 2023

TMRW

How to Fix the American Retirement Crisis

WHAT IF I LIVE TO BE 90?

HOW CAN I MAKE MY SAVINGS LAST?

WHAT IF THE MARKET TANKS AND I DON'T HAVE TIME TO RECOVER?

DID WE SAVE ENOUGH?

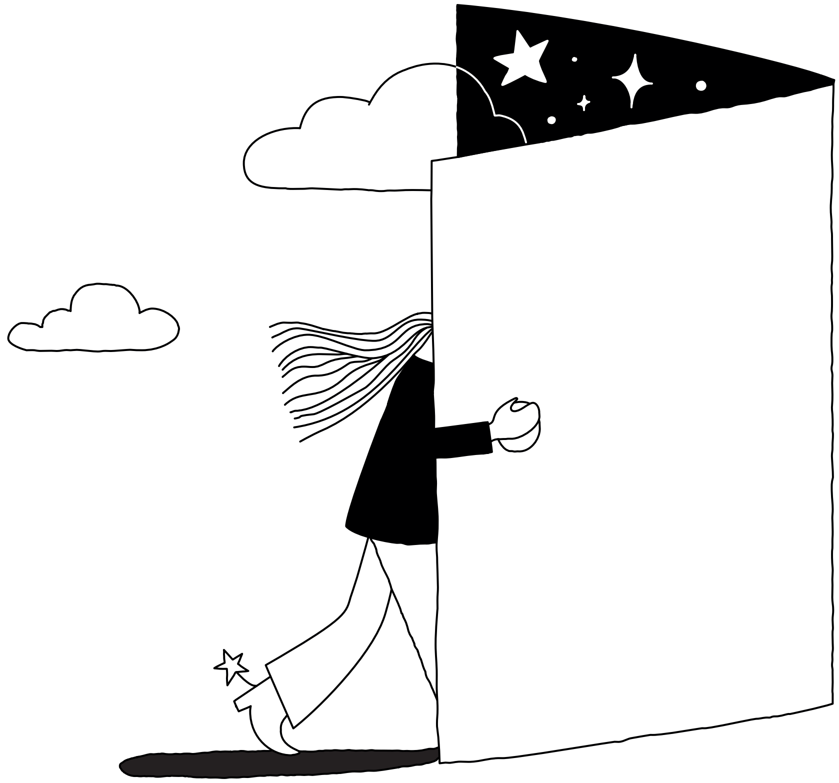
THREE EXPERTS WEIGH IN

HOW SECURE ACT 2.0 CHANGES RETIREMENT

HOW LONG DO YOU THINK YOU'LL LIVE?

REAL PEOPLE, REAL STORIES

TIAA



Welcome to TIAA TMRW

Earlier this year, I had the privilege of meeting some of you at TIAA TMRW, a new event we held on Marco Island, Florida. TMRW brought together retirement plan leaders, experts and scholars to exchange ideas on how we can create better tomorrows for the communities in which we live and work. I'm grateful to have heard from many attendees who described the experience as enlightening, inspiring and even entertaining. All of us left wanting more.

Enter **TIAA TMRW**, our new publication focused on ensuring better tomorrows. We know you're always looking for ways to elevate your work and be the change you want to see. That means continually learning from those who push us to think differently. That's at the core of this publication's mission.

TMRW will feature topics that address the big issues in our industry and offer new perspectives and actionable solutions. This inaugural issue discusses how we can all begin to tackle the retirement crisis as part of a conversation with experts from Morningstar, Boston College's Center for Retirement Research and The American College of Financial Services. We also cover the priorities coming out of SECURE Act 2.0 and the missing piece of the retirement readiness puzzle—longevity literacy. Every issue will include other voices—from experts, such as our three roundtable guests, and from all of you. For instance, we're sharing findings from our recent plan sponsor listening tour. Give us your take on these results by using the QR code in the story. Are you surprised? Do you agree? Let's keep the conversation going!

I came to TIAA a year ago because I believe in our mission to build better retirements for all Americans. TMRW is part of a larger effort to share knowledge that helps us drive meaningful change for the future of retirement—with much more on the horizon. I'm particularly excited about one endeavor: We are working with lawmakers to outline a simple but compelling set of rights we believe should be guaranteed to all retired Americans. It's bold and long overdue, and we look forward to sharing it in the coming months. Stay tuned for our Retirement Bill of Rights, which will lay out our vision and ask for your involvement. Together, we can be the change.

In the meantime, please enjoy this issue and share your feedback at **TMRWpublication@tiaa.org**. We are interested in hearing what you think.

KOURTNEY GIBSON
Chief Institutional Client Officer, TIAA

HOW CAN I MAKE MY SAVINGS LAST?

HOW SHOULD I SPEND MY SAVINGS?

How to Fix the American Retirement Crisis

THREE EXPERTS WEIGH IN

It's not just about what people save, it's what they do with their savings—and why employers are best positioned to help.

DID WE SAVE ENOUGH?

Our expert panel, clockwise from left: Christine Benz, Michael Finke and Anqi Chen.

The American retirement system is in crisis. Workers don't save enough. They draw down their nest eggs too soon and too quickly. And even professionals face enormous challenges in determining how to ensure someone's savings will last their lifetime.

Beyond that, pension income is increasingly rare and there are few assurances Social Security payouts will remain at current levels. Meanwhile, every member of the massive baby boomer generation—some 73 million people—will be over 65 by the end of this decade. People are living longer, healthcare costs are rising sharply and the financial markets are unusually volatile—all factors complicating how people plan to live in retirement.

There is hope, though. Policymakers are beginning to expand their focus from simply ensuring people save enough to also making that savings last. It's becoming easier for employers to offer workers what they need to achieve a secure retirement, and there is a growing acknowledgment that employers need to focus on what happens after employees retire.

At TIAA's recent TMRW client conference, **Beverly Goodman**, TIAA's editor in chief and a Certified Financial Planner™, sat down with three of the retirement industry's leading thinkers and researchers to discuss the main challenges—and potential solutions—employers and employees need to consider. The conversation included **Christine Benz**, director of personal finance and retirement planning at Morningstar, Inc.; **Anqi (Angie) Chen**, senior research economist and assistant director of savings research at the Center for Retirement Research at Boston College; and **Michael Finke**, professor of wealth management and Frank M. Engle Chair of Economic Security at The American College of Financial Services.

WHAT'S CAUSING THE AMERICAN RETIREMENT CRISIS

TIAA: Let's start with the broad problem: At least 40% of American households risk running short on money in retirement, according to the Employee Benefit Research Institute. Can someone break down what that means?

Anqi Chen: There are two components to being able to maintain our same standard of living in retirement: saving enough, and then drawing down that savings so it lasts a lifetime.

Michael Finke: Many workers often have no idea how much they're saving, and some of them don't even know that they're saving: More than half of workers are defaulted into target-date funds. That's an improvement from the past, and people have saved more as a result. But then they get to retirement and we dump maybe a quarter of a million dollars in their lap and say: "Good luck! You're on your own!"

Christine Benz: There's the savings problem, and then there's the problem of helping people sort out how to manage their savings once they hit retirement. The saving phase is like being on a bus. Someone provided the vehicle and we're all heading in the same direction to the same destination. Then, at retirement, we get dropped off in a big parking lot with lots of cars, but many of us don't know which direction to take. Some of us don't even know how to drive.

SOCIAL SECURITY AND GOVERNMENT POLICY

TIAA: Doesn't Social Security help ensure a certain standard of living?

Benz: You hear a lot that Social Security replaces a higher percentage of income for lower-income workers than it does for higher-income workers. That's true, but the average Social Security benefit for a 65-year-old in 2022 was about $2,400 a month; the average monthly benefit for all current retirees is even less than that—around $1,800 a month.[1] In many parts of the country, that's simply not enough as a sole, or even main, source of income.

TIAA: So an overreliance on Social Security means that many people, even higher-income workers, face a diminished lifestyle.

Finke: Yes, there are lots of what I call upper-middle class workers in their 50s, 60s and 70s who largely missed out on the pension era [because they were too young], and didn't benefit as much as younger workers from regulations that helped people save by defaulting them into defined contribution retirement plans, like 403(b)s and 401(k)s. There's a lot of variation in the amount of money these people saved, and a lot of people simply did not save very much.

TIAA: Most government policy has been aimed at fighting inertia on the saving side, such as provisions allowing auto-enrollment into retirement plans, auto-escalation of contributions and defaulting into a target-date fund instead of a money market fund. Are these policies necessary?

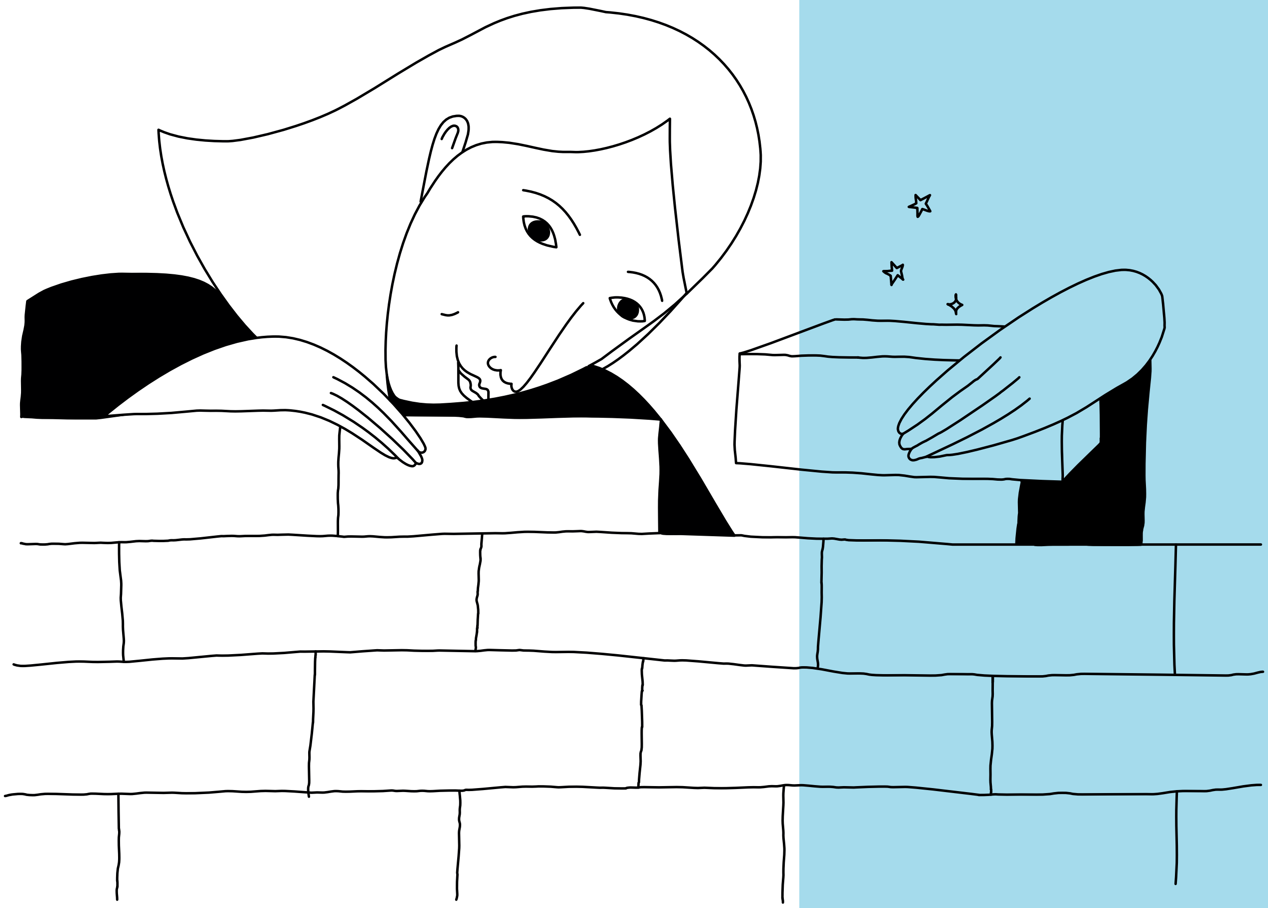
Chen: They matter a lot. Many workers don't save for retirement on their own, and don't make the right choices with their savings, so plans with auto-enroll type features will always help on the savings side.

SOLUTIONS TO THE SPENDING CHALLENGE

TIAA: What about the challenge of helping people turn their savings into income that lasts throughout retirement?

Finke: In some ways we've insulated people from making any active decisions about saving or investing, and now they are tasked with the responsibility of making a very complex math calculation, which is: "How do I turn this money into a lifestyle?"

> **"ANNUITIES CAN AND SHOULD BE IN A SLEEVE OF TARGET-DATE FUNDS YOU CAN BUILD UP OVER TIME."**
>
> **Michael Finke**



Benz: Longevity is a factor, too. There have been incredible strides in how long people live. People being retired for 25 or 30 years creates an enormous financial challenge. Newer policies recognize this challenge: The first SECURE Act, passed at the very end of 2019, made it easier and safer for employers to offer an annuity in a 401(k) plan. [Annuities have long been offered in 403(b) plans.]

Chen: Exactly. The main benefit of an annuity is longevity insurance.

TIAA: I like the term "longevity insurance." Can you explain further?

Finke: With an annuity, you're transferring market risk to an institution that is willing to provide you income even after you would have run down your savings account. If the market goes down, or if you live a very long time, you know that you're never going to run out of income.

TIAA: What else do you find notable about SECURE Acts 1.0 and 2.0?

Finke: The exciting thing is that we are getting closer to incorporating annuities into target-date funds. Annuities can and should be in a sleeve of target-date funds you can build up over time. [Target-date funds own several stock and bond funds and shift allocations among those funds to become more conservative over time.] By the time you hit your mid-60s, the annuity might represent 30% to 40% of your total savings. You don't have to annuitize at retirement, but it does mean that the people in the default—the least-engaged people—will automatically have some of their money in an annuity, which is a crucial piece of retirement planning.

TIAA: Why do annuities belong in workplace retirement plans?

Finke: Employers are required to make sure any annuity they add to a plan is in the best interest of the worker. That's their fiduciary obligation. Right now, people retire and roll their money into an IRA, and nobody asks them, "How much do you want to turn into lifetime income?"

Benz: There are educational gaps when it comes to retirees making the most of their savings. We're handing people their life savings at a point in their lives when, for some people, decision-making is becoming progressively more difficult.

Finke: We have got to do a better job to ensure we're providing either better guidance on how to safely withdraw your money, or on reducing longevity risk. And the way to do that is through annuitization.

TIAA: Why isn't annuitization more popular? Academics and economists almost universally see the importance of having a guaranteed stream of income, but many investors and advisors remain skeptical.

Chen: There are a multitude of reasons why people don't annuitize. People with pensions are used to thinking about their benefit in terms of monthly income based on a percentage of their pay. Conversely, the defined contribution world frames retirement readiness around building a pile of money. We should reframe that and instead ask how much income that big pile of money can buy you. That would help people understand the value of an annuity. But people get attached to their account balances, and sometimes it just doesn't feel good to give your savings to someone who says, "We'll give you $600 a month."

Finke: Market conditions have been a big challenge. In a low-interest-rate environment like we've had for more than a decade, it costs a lot to buy income. There's a general lack of awareness of how expensive income is. It could take $500,000 to produce $35,000 of income every year in retirement.

Benz: Compensation models for financial advisors are in the mix, too. Many people pay financial advisors a percentage of their invested assets. So advice that steers money out of an investment account—whether it's to pay down a mortgage or buy an annuity—reduces the advisor's fee.

Chen: Many advisors say they want their clients to have flexibility, in case there's a health shock or they need a big sum of money for something.

Finke: But part of the puzzle is that most people can spend more if they have an annuity. Their other assets can be invested more aggressively, and they can draw from the annuity without worrying about how removing a chunk of their savings will affect their lifestyle 10, 20, 30 years down the road.

Benz: Also, rightly or wrongly, annuities are inextricably linked to high costs and high commissions for many people.

Finke: The way that sales are regulated and because of compensation issues, there may be an incentive for the products to be mis-sold in the retail space. And that mis-selling can lead to a negative perception and a fear of annuities. That creates this gap between the way economists think about annuities, which is a very efficient way to generate income, and the way many consumer financial advocates think of annuities, which is that they're dangerous.

TIAA: The annuities offered in workplace retirement plans are different than those sold directly to consumers. You mentioned earlier the employer's fiduciary duty to choose an appropriate product, which means employees may have better options inside of a plan versus buying one on their own. What else?

Finke: In an in-plan annuity, investments are sold at volume, so administrative costs can be reduced. The other benefit is the average plan participant is probably not going to live as long as the average retail annuity buyer, so the insurance company can potentially provide a more generous quote to participants. Because of all this, plan sponsors can really improve the well-being of their participants by offering in-plan annuities.

"WE DUMP A QUARTER OF A MILLION DOLLARS IN THEIR LAP AND SAY: GOOD LUCK!"

Michael Finke

TIAA: We've talked a lot about income in retirement. How do annuities factor into saving?

Finke: Annuities in the accumulation stage give people more clarity about how much income they're building over time. If the annuity is in a target-date fund, participants can see how much annual income they've been buying, and watch that income rise over time. It can motivate people to save more, because they'll more easily see how their savings translates into monthly spending.

Benz: If you make ongoing, regular contributions to an annuity over the course of your saving years, you're able to experience a variety of interest rates in your plan account. That reduces your point-in-time risk.

TIAA: So essentially, you're dollar-cost-averaging into the prevailing interest rate.

Benz: Exactly. Think about someone who may have wanted to annuitize two years ago, when interest rates were essentially at zero and bond yields were very low. That's a tough environment for insurers, since they need to invest in a way that allows them to guarantee that income. Annuity rates are tied to bond yields. So if you purchase a simple annuity when annuity rates are low, you're stuck with that payout. If you make ongoing, regular contributions to an annuity over the course of your saving years, you're able to experience a variety of interest rates in your plan account.

Finke: Annuities also provide tax-deferred growth for tax-inefficient investments like bonds, which are what most providers of fixed annuities invest in to guarantee their payouts. They can be a good alternative to investing in taxable bonds.

TIAA: Thank you all very much. This has been a terrific conversation.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

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[1] Social Security Administration.

New legislation takes effect this year. These are our five most anticipated provisions.

How SECURE Act 2.0 Changes Retirement


No. 1
Make it automatic: New plans are required to have auto-enrollment and auto-escalation features
No. 2
Good news for people with student debt
No. 3
Roth accounts gain prominence
No. 4
Small nonprofits have more options to offer retirement plans
No. 5
Employees could have easier access to their money in hard times

SECURE Act 2.0 delivered dozens of potentially substantial changes to retirement plans when it was signed into law in December 2022, and that was just the beginning. Some of these provisions are optional (though most will likely become the norm), further clarification is necessary for many and all will take time to implement.

Here are the biggest changes we expect in the near term.

No. 1

Make it automatic: New plans are required to have auto-enrollment and auto-escalation features

One of the most significant provisions in the new SECURE Act is the auto-enrollment mandate for most new retirement plans established after 2024. Newly eligible employees are to be enrolled automatically starting at contribution levels ranging from 3% to 10% of pay. Plus, plans must increase employee contributions 1% each year until they reach at least 10% of pay, up to a maximum of 15%. Existing plans are exempt from this provision.

While employees can opt out of auto-enrollment and auto-escalation, having these options turned on by default will help get more employees into retirement plans and increase their savings rates.

Certain employers are exempt, such as government entities and churches, businesses less than three years old and those with fewer than 10 employees.

OUR VIEW

We have long advocated for auto-enrollment to ensure employees contribute early and consistently to their retirement plans. While this provision applies only to newly established plans, we believe it signals the importance of automatic features in helping employees start saving and ensuring they take full advantage of their retirement benefits.

No. 2

Good news for people with student debt

Starting in 2024, employers can "match" employees' student loan repayments as if they had contributed to a retirement plan.

For employers looking to attract and retain younger workers, this new plan feature could add tremendous value to a benefits package. Younger workers routinely cite their inability to balance student loan repayments with high living expenses and lower salaries as the reason they don't save, or don't save more, for retirement. Adding this feature to a plan gives employees the ability to pay off their loans knowing their retirement account is growing, and helps employers compete in a tight labor market.

OUR VIEW

This provision gives employers more ways to sweeten the idea of saving. Matching participants' student loan repayments as though they were plan contributions should help employees start building their savings sooner, and the compounding effects will pay off significantly later in their careers.


RETIREMENT
READY

Have questions about workplace Roth accounts in particular? Contact your TIAA representative to get access to our series of webinars explaining how to carry out the changes needed to comply with this new rule in SECURE.

No. 3

Roth accounts gain prominence

Roth accounts are much more prominent in the 401(k) world, where 88% of plans offer a Roth option, according to the Plan Sponsor Council of America.[1] That's a stark difference from 403(b) plans: 75% of TIAA clients do not currently offer the option to make Roth contributions. That could—and likely should—change soon, as several important aspects of the SECURE 2.0 Act are oriented toward Roth.

Unlike pre-tax contributions, Roth contributions are made after income taxes have been taken out, so there's no immediate tax break. However, all money in Roth accounts, including investment gains, can be withdrawn tax-free if the participant made the first contribution at least five years ago and is at least age 59½.

Under SECURE 2.0, an employer plan can add an option allowing workers to direct any employer match into a Roth account. The new legislation goes further to mandate that age-based catch-up contributions must be designated as Roth, but only for participants earning more than $145,000 from their employer.

Catch-up contributions, as the name suggests, can help workers give their savings a boost, especially those who started late or had a savings lapse. Up until now, plans could allow catch-up contributions to be made on a pre-tax basis, Roth basis or some combination of the two. Effective January 1, 2024, employer plans offering catch-up contributions to participants ages 50 and older—also known as age-based catch-up contributions, currently an additional $7,500 per year beyond the $22,500 contribution limit—must direct those contributions into a Roth account for higher-paid workers. The rule applies to those earning more than $145,000 in 2023; that figure will increase annually. Participants earning $145,000 or less can still make their catch-up contributions on a pre-tax or Roth basis, as allowed by the plan.

OUR VIEW

We expect many employers will add a Roth feature to modernize their plans and expand opportunities for participants to save for retirement. Employers will need to invest time and resources to comply with the new rule for catch-up contributions, but it's critical that participants get every opportunity to save more for retirement. Plus, directing contributions to a Roth account offers the potential for tax-free growth and more flexibility around withdrawal and tax strategies in retirement.

No. 4

Small nonprofits have more options to offer retirement plans

One of the more curious byproducts of the first SECURE Act left 403(b) plans unable to participate in pooled employer plans (PEPs), which have become a staple in the for-profit world thanks to their ability to tie several small employers together. Multiple employer plans (MEPs) were allowed for 403(b) plans, but a provision that required all employers in a MEP to have a common nexus (essentially be in the same or related fields) limited their popularity.

By opening the door to nonprofits and eliminating the nexus requirement, SECURE 2.0 will likely trigger significant growth for PEPs among 403(b) plans. This provision, which became effective December 31, 2022, creates more opportunities for smaller nonprofits to band together to streamline plan operations and gain more fiduciary support. Plus, if PEPs follow the example set by MEPs, it could also mean participants would get access to more plan features, including lifetime income.

MEPs have long championed lifetime income. When promoting plans to potential members, associations sponsoring the MEPs often point to annuity options as a key benefit and an enticement for individual schools, hospitals and others to join. Similarly, nonprofits unable to meet a MEP's nexus requirement now can offer an annuity through a PEP, likely at a more reasonable cost than any small employer could offer on its own. Having access to the guaranteed lifetime income an annuity provides could be very attractive to smaller nonprofits with few employees, which couldn't afford that kind of plan benefit on their own.

The benefits of PEPs shouldn't overshadow their important considerations. Consolidating within a PEP will naturally limit an employer's control over plan design and ability to make changes. A PEP also can narrow the universe of available investment options, which may draw the ire of the plan's investment committee. These factors deserve due consideration to ensure plans deliver the retirement benefits their participants need.

OUR VIEW

Opening PEPs to nonprofit employers not only creates efficiencies but allows for the kind of access to lifetime income currently enjoyed by MEPs and other larger 403(b) plans. The intent is to help increase employee participation and provide greater retirement security for all working populations—so long as the needs of an employer's workforce are met.

No. 5

Employees could have easier access to their money in hard times

SECURE 2.0 contains two key provisions related to emergency savings vehicles and hardship withdrawals. These sorts of features are something of a double-edged sword: Allowing employees access to their retirement savings can be useful when they are facing a financial hardship, but doing so puts their financial future at risk. In some cases, if employees don't replenish their savings, they could owe penalties. Even if they do replace the money eventually, they can still miss out on market gains and compounding benefits, ultimately leaving them in a worse position when they want to retire.

SECURE 2.0 allows for emergency access to up to $1,000 every three years from plan savings. The provision doesn't require plan sponsors to verify that withdrawals are used for an emergency, or that the amount withdrawn equals the expenses incurred for said emergency. This provision could be abused, but the dollar amounts allowed should be small enough to prevent major ramifications to retirement savings.

In a bonus move for plan sponsors, the hardship withdrawal provisions now allow participants to self-certify the amount withdrawn is for specific, immediate and heavy hardship needs, such as those resulting from a natural disaster. The provisions also align 401(k) and 403(b) hardship withdrawal rules.

"Sidecar accounts" are another new provision that could help alleviate employees' financial stress and prevent them from dipping into retirement funds prematurely. SECURE 2.0 allows plan sponsors to offer these short-term emergency savings accounts as part of a defined contribution plan. The accounts must be funded post-tax with Roth contributions and are capped at $2,500. Employees must be able to make withdrawals from these accounts at regular intervals, which don't require repayment. Both provisions become effective December 31, 2023.

OUR VIEW

We hope educating participants on the value of remaining fully invested in their retirement plan accounts helps prevent the negative effects of early withdrawals. If employers start educating and informing individuals how to create out-of-plan emergency savings, or create savings tools to help free up funds, they can help employees create financial resiliency for emergencies. However, we do appreciate that in times of financial hardship, the money saved within a retirement plan is a tempting resource to alleviate financial stress. For this reason, general support of emergency savings is wise. Plans should balance the need for flexibility with ensuring people consistently save for the long term.

OTHER SIGNIFICANT PROVISIONS

Required minimum distributions (RMD): The increase in the RMD age was again a feature in SECURE 2.0. As workers retire later and live longer, we see the RMD age increase as a benefit for those who can keep saving later in life. Allowing investors to keep their assets invested in retirement plans longer is generally a positive development. Furthermore, the elimination of RMDs from Roth employer retirement plan accounts is additional good news from the Act.

Catch-up limits: The higher limit on catch-up contributions for employees aged 60-63 is again a positive. It allows those who can afford it to continue contributing more to the plan toward the end of their careers. This provision becomes effective January 1, 2025.

CITs in 403(b): While original expectations were that SECURE 2.0 would allow collective investment trusts (CITs) in 403(b) plans, the necessary exemptions weren't included. Congress has started the process to make the adjustments, but it's unclear as to when the bill that reflects these changes will become law.

529 rollovers: This provision doesn't affect employers or the retirement plans they offer, but it's a big change worth noting: Unused money in a 529 college savings plan can now be moved into a Roth IRA for the same beneficiary. There are rules that limit this provision's use: The 529 account must be at least 15 years old, the money moved into a Roth IRA each year cannot exceed the regular Roth annual contribution limits (although the income limits will not apply) and the most that can be rolled into a Roth IRA is $35,000 in total.

WHY ALL THIS MATTERS

It's crucial for plan sponsors to have a deep understanding of the continually shifting regulatory and legislative environment around retirement plan design. While some SECURE 2.0 provisions begin immediately, the effective dates vary and go out several years, allowing for proper planning to take place.

It's become increasingly important for plan sponsors to have good answers to employee questions about their retirement savings, such as how much they can contribute, on what basis, what investment options are available and why. Retirement benefits are integral to an organization's total benefits package or employee financial wellness strategies. The new provisions available through SECURE Act 2.0 set the stage for creating a best-in-class plan for your workforce.

A version of this story appeared in next, *a Nuveen publication, in April 2023.*

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[1] PSCA Annual Survey of 401(k) and Profit-Sharing Plans, 2022.

We Asked, You Answered: What Employers Think About Their Retirement Plans

Juggling talent concerns, the need for retirement income and the purpose of retirement plans.

Employee benefits aren't immune to the economic struggles facing higher education and healthcare organizations right now. Retirement plan sponsors also have to work their way through tight labor markets, rising inflation and regulatory changes—all while trying to help participants fund their futures.

In late 2022, TIAA surveyed 326 retirement plan sponsors in higher education and healthcare about their challenges, needs and concerns. They shared information about the issues that keep them up at night—mainly plan-specific concerns, but also fears for society at large ("My greatest concerns are malnutrition, alcoholism, insufficient physical activity, smoking and lack of preventive health care.") They also shared their strategic priorities going forward. This is what they had to tell us.

To arrive at these findings, TIAA conducted qualitative interviews with 14 retirement plan sponsors in September 2022. We then sent an online quantitative survey to 326 plan sponsors at the end of October 2022. The plans surveyed were a mix of TIAA clients and non-clients, 60% of which had plan assets greater than $400 million.

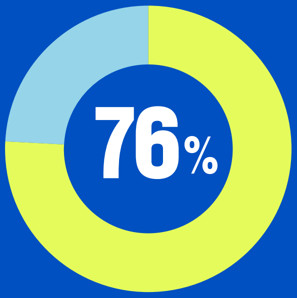
AT THE INSTITUTION LEVEL

Hiring and getting employees to stay is the uppermost concern for plan sponsors. At the same time, they're operating in a tight fiscal environment. So it's not surprising their organizations are focused on working capital and revenue generation.

1 OUT OF 4

plan sponsors say attracting and retaining employees is their greatest concern.

Join the conversation. How are you thinking differently about talent right now? Scan the QR and share your point of view in a short anonymous survey.



of plan sponsors are concerned about how they can implement cost-cutting programs at their institution.

"Improving work efficiency is a strategic priority for the next three years."

43%

of plan sponsors say their institution's top strategic priority for the next three years involves business development, marketing, growth or expansion.

"Establishing a more stable global supply chain system, opening more overseas cooperation projects and increasing investment in technology are the key points of [our] future development."

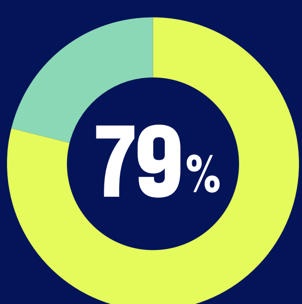
AT THE PLAN LEVEL

In terms of their retirement plan's purpose, most employers are focused on the end, not the means. So they're looking to their plan provider to better engage employees—and help them comply with their fiduciary duties.

NEARLY 1/3

want more retirement planning information to share with their employees.

"We are struggling with employee communication, so that's our current focus."



of plan sponsors say they're concerned about staying on top of their retirement plan's fiduciary responsibilities.

"Development of the company's retirement and employee benefits program is a priority."

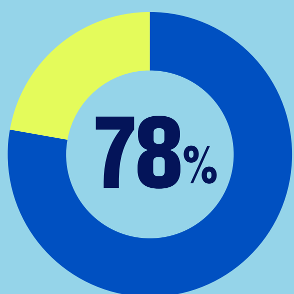
2x

as many plan sponsors say their plan's purpose is to provide income instead of saving.

"Protecting the welfare of retirees is my primary concern."

AT THE EMPLOYEE LEVEL

With their fiduciary responsibilities looming large, it's little wonder employers are anxious about whether their employees can live on their retirement savings. At the same time, participants' mental health is a big concern. The result? Plan sponsors may change up their retirement plan features so employees don't have to worry about income in retirement.



of plan sponsors are worried whether their employees have enough saved to generate a livable income in retirement.

"Employees are an important asset so their financial well-being is what concerns me."

77%

of plan sponsors are worried about employee stress and burnout, and feel responsible for many of the burdens facing employees now.

"Our strategic priority is our employees' health state and welfare."

Nearly

1/3

of plan sponsors would consider adding or better promoting a retirement plan investment option that provides guaranteed income in retirement.

"I would switch to an in-plan annuity because our retirement benefits are not enough for our employees."

HOW LONG DO YOU THINK YOU'LL LIVE?

New research shows that longevity literacy is as important as financial literacy.

Since 2017, the TIAA Institute-GFLEC Personal Finance Index has examined financial literacy levels among U.S. adults and how that knowledge relates to their financial well-being and retirement readiness. In 2022, for the first time, the study included specific research on longevity literacy—knowledge of how long people tend to live in retirement. To learn more about this study, **visit tiaa.org/longevity.**

People who have greater financial literacy plan more and save more for retirement.

But a financially healthy retirement isn't just about financial literacy, according to new research from the TIAA Institute. Longevity literacy is also crucial to people having confidence in a financially healthy retirement.

The 2022 TIAA Institute-GFLEC Personal Finance Index study (better known as the P-Fin Index) shows that retirees with strong longevity literacy were more likely to plan and save for retirement while still working, compared to those with weaker longevity literacy. As with financial literacy, retirees with strong longevity literacy also tend to experience more financially stable retirements.

Given the aging population in the U.S., longevity literacy is quickly becoming a crucial part of plan participant education and plan design. According to the Society of Actuaries, there is a 50% chance that one member of a 65-year-old couple will live to be 92 years old. The data also show that a third of the men and half of the women currently in their mid-50s can expect to live to be 90 years old.[1]

The P-Fin Index found that more than half of U.S. adults either don't know or underestimate how long people tend to live in retirement. This is a significant share of the population that may well be underprepared for retirement. The study goes on to show that workers with greater longevity literacy levels and stronger life expectancy knowledge are also those who most likely are planning for retirement (see Exhibit 1). This underscores the importance of a longevity literacy component in retirement planning and education.

The Personal Finance Index study shows that workers with higher longevity literacy levels and stronger life expectancy knowledge also are most likely planning for retirement.

Exhibit 1: Knowledge of life expectancy for a 60-year-old

	All	Strong knowledge *(Answered correctly)*	Poor knowledge *(Don't know)*	Overestimate	Underestimate
Saving for retirement on a regular basis	72%	80%	53%	80%	73%
Saving for retirement is unconstrained by debt payments	67%	73%	63%	67%	59%
Have tried to determine how much to save for retirement	47%	56%	28%	51%	48%
Confident about saving an adequate amount for retirement (among savers)	73%	78%	69%	73%	69%

Source: TIAA Institute-GFLEC Personal Finance Index (2022)

THE GENDER DIVIDE

The study also shows that women have better longevity literacy than men—they're more likely to know life expectancy at age 60 and less likely to underestimate it (Exhibit 2). At the same time, a troubling and consistent finding over the Index's six-year history is financial literacy among women tends to lag that of men.

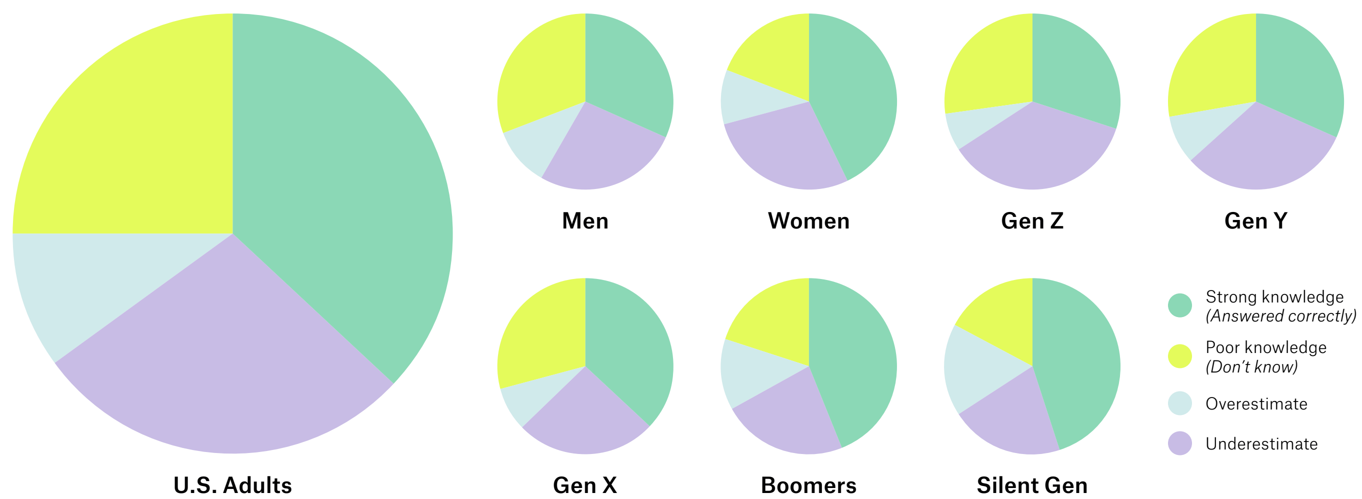
This dual reality should be factored into retirement planning conversations and communications with women, particularly given the fact women retire with less money saved.[2] As the primary caregivers for children and parents, women tend to have gaps in their employment that result in smaller nest eggs. Yet that caregiver role is the reason for women's better longevity knowledge. Because they understand the longevity costs but have less saved, women might be particularly attracted to securing lifetime income though annuitization.

ADDRESSING LONGEVITY IN THE PLAN

It shouldn't be surprising that financial knowledge, longevity literacy and retirement readiness are all linked, but the data draw attention to the severity of the issue. Across nearly every age group, most workers lack strong longevity knowledge (Exhibit 2). Much work remains to educate workers about how long their retirement savings might need to last, how to save properly throughout a career and overall retirement readiness. Without a clear understanding of how long retirement might last, workers may not save enough, or they could spend their savings too quickly during retirement. This new research sheds light on those risks and why longevity literacy should be a major focus of participant education programs.

But education alone isn't the answer. Participants also need to understand the tools they can use to manage their

Exhibit 2: Knowledge of life expectancy for 60-year-old men/women in the U.S.



Source: TIAA Institute-GFLEC Personal Finance Index (2022)

Education alone isn't the answer. Participants also need to understand the tools they can use to manage their longer lives. We believe tying longevity literacy to guaranteed lifetime income is the key.

longer lives. We believe tying longevity literacy to guaranteed lifetime income is the key. Improving longevity literacy would likely encourage more participants to annuitize some portion of their retirement assets into a continuous income stream in retirement, and help mitigate the risks of outspending their savings.

The two must work in tandem. Without understanding life expectancy, we wouldn't expect participants to appreciate the concept of annuitization (a consistent stream of income during retirement). The research supports this idea, particularly when looking at retirement outcomes. According to the study, 83% of retirees with strong longevity literacy have lifestyles that meet or exceed pre-retirement expectations, compared with only 63% of those with weak longevity literacy.

Understanding longevity can especially help educate younger employees who might see retirement as a distant prospect. The balance of working life and retirement life is shifting toward more years in retirement, so savings need to be built early and regularly to allow for a steady deaccumulation phase.

Our research into providing lifetime income specifically identifies longevity risk as an area that can be mitigated with proper education and tools. We recommend building financial literacy programs and folding guaranteed lifetime income into the conversation to ensure participants can make their savings last, however long they need.[3]

A version of this story appeared in next, *a Nuveen publication, in April 2023.*

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[1] soa.org/research/age-wise/

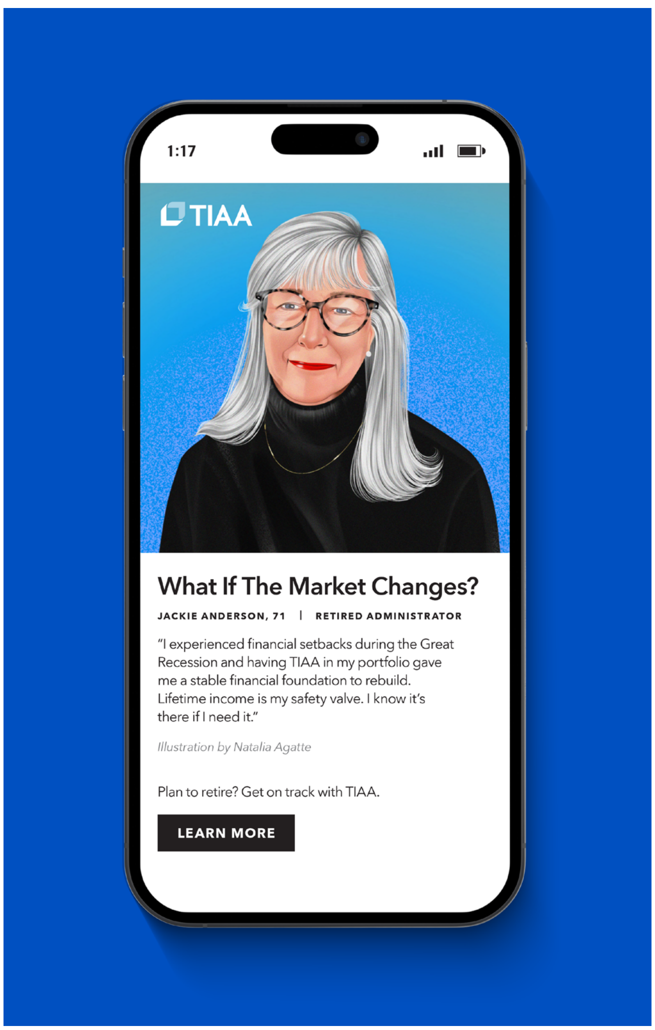
[2] census.gov

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

Real People, Real Stories

TIAA participants get retirement ready.

A SPECIAL NEW YORK TIMES SERIES



Jackie lost money during the Great Recession. Grace has worried about being homeless since early adulthood. Shawn wants to ensure at least some of her money will last a lifetime. Retirement isn't all golfing and watching the sunset from Adirondack chairs: Many people worry about their ability to maintain their lifestyle in retirement. Others have worse fears, rational or not.

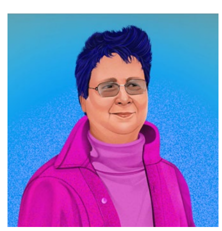
Managing money in retirement is one of the toughest challenges people face, financially and emotionally. Too often our conversations around retirement start and end with the financial considerations, even though our values around money and lifestyle are much more emotional in nature. At TIAA, we wanted to capture that side of retirement from those who know it best.

If you read the New York Times, you may have spotted a series of vignettes from TIAA like the ones shown here. These are real TIAA plan participants who shared personal stories of overcoming their worry and anxiety about retirement readiness.

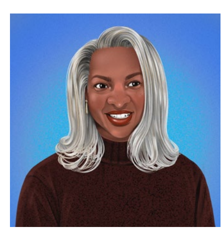
The series speaks to the "what ifs?" participants often ask. *What if I have a long retirement? What if the markets change? What if I don't earn enough? What if I already have a plan?* Might other participants see themselves in these stories? Could vignettes like these facilitate conversations that lead to improved retirement outcomes?

Next up will be a series of documentary-style short films in the New York Times that further humanize the struggles and successes with retirement readiness. The subjects will explain, in their own words, how they've been able to pursue retirement as a TIAA participant. Watch for those later this year.

By sharing real-life participant stories, we can help others follow a similar path to building more dignified retirements. We know this is your goal, too. Let's do this together.



GRACE TULLY, 65
Retired Administrator



SHAWN GRAIN CARTER, 61
Professor and Executive

CARL SCHULKIN, 79
Retired Teacher

GO INSIDE THE READER'S EXPERIENCE.

This QR code leads to a participant tool that gauges whether they're on track for their retirements.

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BIG IDEAS. BETTER RETIREMENTS.

TIAA is a leading provider of retirement plans for thousands of institutions, bringing the promise of secure retirements to millions of people. We were founded more than 100 years ago to help teachers retire with dignity, but our mission of helping those who help others has expanded well beyond education. We stand hand-in-hand with more than 5 million clients, offering them a path toward the financial stability needed to follow their dreams and retire with dignity.

TIAA

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