

# Navigating a path to financial security in retirement

Actionable insights and highlights from “The Peak 65® Zone Is Here—Creating a New Framework for America’s Retirement Security,” published by the Alliance for Lifetime Income’s Retirement Income Institute.<sup>1</sup>

In the middle of the 20th century, a historic boom in births created the Baby Boomer generation. Now, the aging of those Baby Boomers is creating another historic boom: More Americans will turn 65 this year than ever before. In fact, it’s estimated that over 4.1 million Americans will turn 65 each year through 2027.<sup>1,2</sup>

As we usher in this potential tidal wave of retirees—a period dubbed Peak 65®—are these millions of Boomers well-prepared to fund and enjoy a secure retirement for as long as they live? What will it take to make life-long financial security a reality for them?

The Alliance for Lifetime Income says the changing face of retirement makes it imperative that households forge a path to protected income guaranteed to last throughout retirement.



More than **11,200** Americans will turn 65 every day through 2027<sup>1,2</sup>

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# The changing retirement landscape

Given longer life spans, today's workers may spend 30 or more years in retirement. America's retirement and social insurance programs were not designed for lives that may extend to 90 or even 100 years old. Therefore, people will have to think through their financial strategies and solutions to help ensure they don't outlive their money.

The need is clear: An index created by the Center for Retirement Research at Boston College estimates that approximately half of U.S. households are at risk of not having enough money to maintain their standard of living in retirement.<sup>1,3</sup>

Rather than just aiming to accumulate a level of assets they *hope* will last a lifetime, more people are thinking about ways to generate a steady, guaranteed income stream throughout retirement, no matter how long they live.

Today, there are three types of protected lifetime income available in the U.S.—pensions, Social Security, and annuities. Increasingly, many retirees cannot rely on a pension or Social Security to fully fund their retirement lifestyle. Let's look at the pressures on these two retirement vehicles.

**91%** of investors say it is important that their retirement income plan provides a guaranteed income payment or principal protection.<sup>4</sup>

## Traditional defined benefit pension plans are available to fewer and fewer individuals

One of the most dramatic changes in the way that Americans plan for retirement is the significant decline in employer-provided defined benefit pension plans, which provide defined income in retirement. The shift to workplace savings-based plans such as 401(k)s and 403(b)s also puts more responsibility for retirement planning in the hands of workers.

### As noted by the Alliance for Lifetime Income:

"When people in the Peak 65 generation entered the labor market in the early 1980s, approximately 60% of private sector workers relied on the protected income offered through a pension plan as their only retirement account, as compared to 4% in 2020.<sup>1,5</sup>

According to data released in 2023 by the U.S. Bureau of Labor Statistics, only 19% of all workers participate in a pension plan."<sup>1,6</sup>

Even workers who still have access to a traditional defined benefit pension plan may have questions about the long-term viability of their plans. Many existing pension plans are underfunded—by at least \$1 trillion and possibly by much more, according to estimates noted in the report by the Alliance for Lifetime Income.<sup>1,7</sup>

## Social Security is just one part of the solution—and more education is needed

Because so few private-sector employers offer a traditional defined benefit pension plan, more Americans are entering retirement with Social Security as their only source of protected income.

However, Social Security was never intended to serve as the sole source of income in retirement. It was designed to replace about 40% of income in retirement for the average worker,<sup>1,8</sup> and today it's replacing about 37% for the average worker.<sup>1,9</sup> This could leave those who are relying too heavily on Social Security exposed to financial risk.

In addition, many Americans are claiming Social Security benefits before their full retirement age, missing out on larger payouts for the rest of their lives.

### According to the Alliance for Lifetime Income:

“Though a large body of research evidence has confirmed that it is financially advantageous for most Americans to wait beyond the EEA (early eligibility age) to claim Social Security,<sup>1,10</sup> most individuals continue to claim early.”<sup>1,11</sup>

What's more, Social Security faces financial shortfalls. According to the Social Security Trustees, if steps are not taken to reform the program, the trust funds could be depleted and unable to finance full benefits as early as 2034, less than a decade away.<sup>12</sup> The aging of America and the growing

number of Peak 65 retirees also mean the ratio of workers paying into the system through payroll taxes versus retirees receiving benefits will decline, stressing Social Security's finances.

Unless the federal government acts, Social Security might only be able to pay 77% of scheduled benefits when the retirement trust fund runs out of assets.<sup>12</sup> Even if the government does act to reform the program, the solution could involve structural changes that reduce benefit levels.

That brings us to the third and final source of a robust, fully protected income stream throughout retirement—annuities.



**Only 16%** of those in the Peak 65 Zone plan to defer claiming Social Security benefits until age 70—when they could collect the maximum benefit, which is 24% higher than benefits at full retirement age.<sup>13</sup>

## Annuities are designed to offer reliable, protected retirement income that doesn't run out

As life expectancy after retirement increases, it becomes imperative that individuals properly allocate their resources so they do not exhaust them during their lifetime. Annuities are designed to help ensure that households have a constant stream of protected income for life.

An annuity is a long-term contract between you and an insurance company. You put some of your savings into the annuity, and the insurance company promises to provide you with an income stream that will last for life. An annuity allows assets to grow tax deferred.<sup>14</sup> That means earnings are not taxed until you withdraw them, so you can save more while you're still working and enjoy guaranteed income for life when you retire.

For individuals seeking to replicate the lifetime payment guarantees of a pension, using annuities on top of Social Security can help them create their own "personal pension."

Many of today's annuities offer growth potential in addition to the security of protected lifetime income. Some annuities also offer principal protection, which can relieve the stress and worry of market downturns or changing interest rates. Annuity guarantees are backed by the claims-paying ability of the issuing insurance company.

Which type of annuity might work for you depends on your financial situation and priorities. A financial professional can help you evaluate the different types of annuities and determine if an annuity makes sense as part of your overall retirement income strategy.

For example, since your monthly Social Security payment depends on the age at which you claim, you could use an annuity to create a "bridge" to Social Security. Here's how: If you retire before Social Security's full retirement age, you could purchase an annuity to provide immediate protected lifetime income, enabling you to wait to file for Social Security later, thereby increasing your monthly Social Security benefits for life.

**72%** of people would feel more confident if they had a source of guaranteed monthly income beyond Social Security.<sup>15</sup>



## Taking action today to avoid the risk of financial insecurity in retirement

With America's Peak 65 retirement surge under way, the future financial security of millions of Americans—and the generations that follow—may very well depend on the actions they take now to ensure they don't outlive their money.

Building tomorrow's financial security starts with understanding today's sources of protected lifetime income that will last for the rest of your life—no matter how long you live. **Exploring annuities and protected lifetime income is an essential next step.**

**66%** of Americans fear running out of money in retirement more than they fear death.<sup>15</sup>

## Moving financial futures forward

Corebridge Financial is a leading provider of annuities in the U.S. with a long and proven track record of helping Americans prepare for a more secure retirement. We offer resources, tools and solutions to help people take action in their financial lives for today and tomorrow.

At Corebridge, we believe no one achieves a financially secure future by accident—great things can happen when people take action. To learn more about our protected lifetime income solutions, please visit [corebridgefinancial.com](https://www.corebridgefinancial.com).



Securing lifetime income is a priority for **92%** of Americans, with **65%** saying it is a high priority.<sup>15</sup>



Action today can lead to great things tomorrow. **Action is everything.**

**Sources:**

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- <sup>2</sup> Based on data from the Social Security Administration, 2023.
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- <sup>5</sup> CNN Money, "Ultimate guide to retirement," 2021.
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- <sup>7</sup> Urban Institute, urban.org, "State and Local Backgrounders—State and Local Government Pensions," accessed March 7, 2024.
- <sup>8</sup> ssa.gov, "Retirement Ready—Fact Sheet for Workers Age 61-69," February 2023.
- <sup>9</sup> Center on Budget and Policy Priorities, "Policy Basics: Top Ten Facts About Social Security," April 17, 2023.
- <sup>10</sup> Svetlana Pashchenko and Ponpoje Porapakkarm, Center for Retirement Research at Boston College, "Accounting for Social Security Claiming Behavior," September 2018.
- <sup>11</sup> ssa.gov, "Annual Statistical Supplement, 2023."
- <sup>12</sup> ssa.gov, "The 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds."
- <sup>13</sup> Alliance for Lifetime Income, "Peak 65<sup>®</sup> Zone—Infographic," based on data from a recent Ipsos Survey of people in the Peak 65 Zone, January 2024.
- <sup>14</sup> Keep in mind, for retirement accounts (such as IRAs), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement account itself.
- <sup>15</sup> Corebridge Financial, "2023 Corebridge Financial Survey on Longevity."

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Annuities are long-term insurance products designed for retirement. In the growth stage, they can help build assets on a tax-deferred basis. In the income stage, they can provide protected lifetime income through standard or optional features. A contract can be annuitized in order to receive lifetime income payments for no additional cost if a lifetime annuity option is chosen. Income protection features may be optional or standard. Additional fees, age restrictions, withdrawal parameters, and other limitations apply. With variable annuities, certain investment requirements also apply.

Early withdrawals may be subject to withdrawal charges and a Market Value Adjustment (MVA) may also apply to certain fixed annuities and index annuities. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. An investment in a variable annuity involves investment risk, including the possible loss of principal. The contract, when surrendered, may be worth more or less than the total amount invested.

All contract and optional benefit guarantees, including any fixed account crediting rates or annuity rates, are backed by the claims-paying ability of the issuing insurance company. They are not obligations of or backed by the distributor, insurance agency or any affiliates of those entities and none makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company. Products and features may vary by state and may not be available in all states. The purchase of an annuity is not required for, and is not a term of, the provision of any banking service or activity.

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