

## **Invesco Defined Contribution Study Reveals Majority of Employees Feel Alone in Identifying Best Retirement Strategy, Crave More Guidance from Employers to Navigate Transition from Retirement Savings to Retirement Income**

*Survey of more than 1,000 retirement plan participants and 100 large plan sponsors uncover concerns about generating long-term retirement income and considerations for bridging the income gap*

Media Relations Contact: Gina Simonis, 715-917-8339, [Gina.Simonis@invesco.com](mailto:Gina.Simonis@invesco.com)

**ATLANTA – October 19, 2022** – Invesco today released findings from a new study exploring employee (plan participant) and employer (plan sponsor) preferences for generating long-term retirement income. The annual 2022 defined contribution (DC) research, “[Show Me the Income](#),” reveals that while most employees are relying on 401(k) savings to be their largest source of retirement income – surpassing Social Security, their personal savings and investments – only a small portion of those employees are confident in their ability to generate a retirement income strategy on their own, with the majority worried they will run out of money in retirement.

“Employees often feel the task of funding retirement is primarily on them, and with different ideas of what retirement looks like, there’s not a ‘one-size-fits-all’ approach to saving for retirement,” said Greg Jenkins, Managing Director and Head of Institutional Defined Contribution at Invesco. “This new research allows us to understand where employee knowledge stands regarding retirement income planning and the concerns they have, so that employers can better support the transition from retirement savings to retirement income in their plans.”

To help employers navigate the transition from savings to income for their respective plans, the research looks specifically at factors that would keep employees in their plan when they retire, how employees perceive guaranteed lifetime income and non-guaranteed monthly income withdrawals solutions, and their views around auto-enrollment into an income solution. To ease the uncertainty around retirement income and combat inertia, 80% of employees favorably viewed automatic enrollment into a retirement income solution.

“With research showing that almost 70% of employee respondents are worried about running out of money in retirement, it’s vital that employers help them overcome that fear, bridge the gap with retirement income options and education,” continued Mr. Jenkins. “Nearly 9 in 10 employees would be more likely to stay in their plan if it were able to generate a regular income stream in retirement – yet almost one third of participants were unaware that staying in the plan after retirement was even possible – highlighting the need for improved communication.”

The 10-month study spanned online surveys of 100 plan sponsors and more than 1,000 plan participants, 12 participant focus groups, eight in-depth interviews with plan consultants and advisors, and nine in-depth interviews with large plan sponsors.

### **Key findings include:**

**1. Employees are relying more on DC plan savings but lack confidence, wanting more guidance from employers**

- While withdrawals have historically been the main – and sometimes only – way for employees to access their DC plan savings, a broader approach is needed to address their future income needs.
  - Nearly 7 in 10 employees fear running out of money in retirement, including those with higher incomes, who work with an advisor or have a defined benefit (DB) plan.
  - Only 22% of employees said they were very confident they could develop a retirement income strategy on their own.

- While 78% of employers said they provided communications and/or education about turning retirement savings into a regular stream of income, only 38% of employees remembered receiving these types of communications.
  - Almost half of all Baby Boomers (48%), Gen X (44%), and Millennials (46%) said they hadn't received any communications on the topic.

## **2. Employees would stay in their DC plans if they focused more on retirement income**

- Employers should consider increasing communication around the benefits and ability of staying in plan at retirement, including income generating investments and potentially lower costs.
  - 29% of Baby Boomers and 28% of Gen X employees were unsure if staying in their DC plan at retirement was allowed.
  - Nearly all (97%) of employees would view their employer favorably if they added investment options to help generate retirement income.
  - Employees would be more likely to stay in their current employer's plan if:
    - There were specific investments available designed to help them create a stream of income in retirement (89%).
    - The costs were lower than they could get elsewhere (87%).
    - They could roll other retirement money into the plan for a consolidated view of their savings (84%).

## **3. Employees want retirement income that is both reliable and flexible**

- Employees want a consistent, monthly income stream that reliably covers their baseline expenses and includes the flexibility to withdraw additional amounts as needed.
  - Nearly all (94%) employees viewed guaranteed lifetime income as a good fit for them, while 84% believed that non-guaranteed monthly income withdrawals are the best option, and 88% preferred a split option between guaranteed lifetime income and non-guaranteed monthly withdrawals.
  - While employees liked the concept of guaranteed income for life, the idea of "locking it in" – not being able to make any changes (92%), access larger amounts if needed (90%), or control how the money would be invested (79%) – were key disadvantages.
  - Nearly all (98%) employers said a guaranteed lifetime solution was a good fit for plan participants; however, employers viewed the potential for additional fiduciary risk to the plan, higher costs, and a participant's inability to access larger amounts as needed as top disadvantages.
    - 92% of employers agreed that even if a small percentage of employees take advantage of a guaranteed lifetime solution, it's still worth offering.

## **4. Employees would welcome auto-enrollment into a retirement income solution**

- To help overcome fears around retirement income and inertia, employees are becoming familiar and comfortable with auto-features, with an opt-out option.
  - 80% of all employees had a favorable view of auto-enrolling into a retirement income solution.
    - Participants who had been automatically enrolled into their plan had the most positive view (93%).
    - Millennials had a more favorable view than Baby Boomers (83% vs. 75%), along with those with income less than \$100,000 (83%).
  - As a whole, employees had various reasons for welcoming auto-enrollment into a retirement income solution:
    - 58% liked the idea of a consistent monthly payment
    - 44% felt it made the choice easy; and
    - 40% liked that they won't have to pay a financial advisor to manage this money.

"Quite simply, we found that employees want their employers to start the retirement income conversation – specifically on how to turn their DC plan savings into an income stream in retirement," concluded Mr. Jenkins. "To ensure employees are not only prepared for retirement, but provided with income throughout, it is crucial that employers look at a range of tools and income solutions and consider early, more frequent educational support to help employees have a smooth transition."

To further address common investor concerns about replacing income in retirement, the research also helped inform the creation of the Invesco/A&P Capital Retirement Income Index (RIIX), which benchmarks the current cost of generating 30 years of assured income. The rules-based Index consists of a curated collection of US Treasury securities, with \$1 worth of instruments maturing each year for the next 30 years. As another tool to help bolster retirement savings

conversations, the Index will help investors benchmark the cost of future retirement income needs through a highly liquid, secure and transparent methodology.

Invesco is a leading global investment management firm and a leading provider of Defined Contribution solutions, managing more than \$134 billion in DC assets (as of June 30, 2022). With a thoughtful research and insights platform, one of the broadest investment offerings, and a commitment to a superior client experience, Invesco is helping plan sponsors, advisors and consultants achieve optimized participant outcomes.

The “Show Me the Income” study is part of Invesco’s “ReDefined Contribution Plans” research series. To access the executive summary or request the full study please visit [www.invesco.com/retirementincome](http://www.invesco.com/retirementincome). To learn more about Invesco’s defined contribution insights and solutions, please visit [www.invesco.com/dc](http://www.invesco.com/dc).

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### **Methodology**

Together with Greenwald Research, Invesco conducted the research from March through December 2021. The study spanned online surveys of 100 plan sponsors and more than 1,000 plan participants (all working for large US organizations with 5,000 or more employees), 12 participant focus groups, eight in-depth interviews with plan consultants and advisors, and nine in-depth interviews with large plan sponsors.

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### **Disclosures**

Research conducted by Invesco and Greenwald Research. Sources for all data, unless indicated, include virtual participant focus groups (held May-June 2021 and December 2021-January 2022); online participant survey of more than 1,000 employees of large US companies (conducted September-October 2021); survey of 100 large US plan sponsors (conducted November-December 2021); and in-depth interviews with 18 plan sponsors and consultants (held March 2021 and March-April 2022). Percentages may not add up to 100 due to rounding. Plan sponsor and participant quotes are used with permission. Invesco is not affiliated with Greenwald Research.

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