



Income Outcomes

Retirement Planning Confidence Study



Western & Southern
Financial Group

Save. Save. Save

That's the mantra for most workers leading up to retirement and, with it, the end of a regular paycheck.

For many, saving is "retirement planning." But come retirement, longtime savers face shifting their mindset from accumulating to spending. And to ensuring their saved assets sustain them for what could be a very ... long ... time.

How can purposeful retirement savers transition to prudent retirement spenders? Our recent survey shows that creating a retirement income plan is a start. Especially if it includes guaranteed income-producing strategies, accounts for risk factors such as inflation, volatility and longevity, and is reviewed regularly with a financial professional. **The goal: to "think differently" about the money saved for retirement so it can be spent mindfully in retirement.**

Retirees and pre-retirees share many of the same concerns about retirement, our survey found. What stood out is the **greater retirement confidence** expressed by those who:



Seek guidance from a financial professional



Create a formal and flexible retirement income plan



Add guaranteed lifetime income sources to ensure retirement money lasts

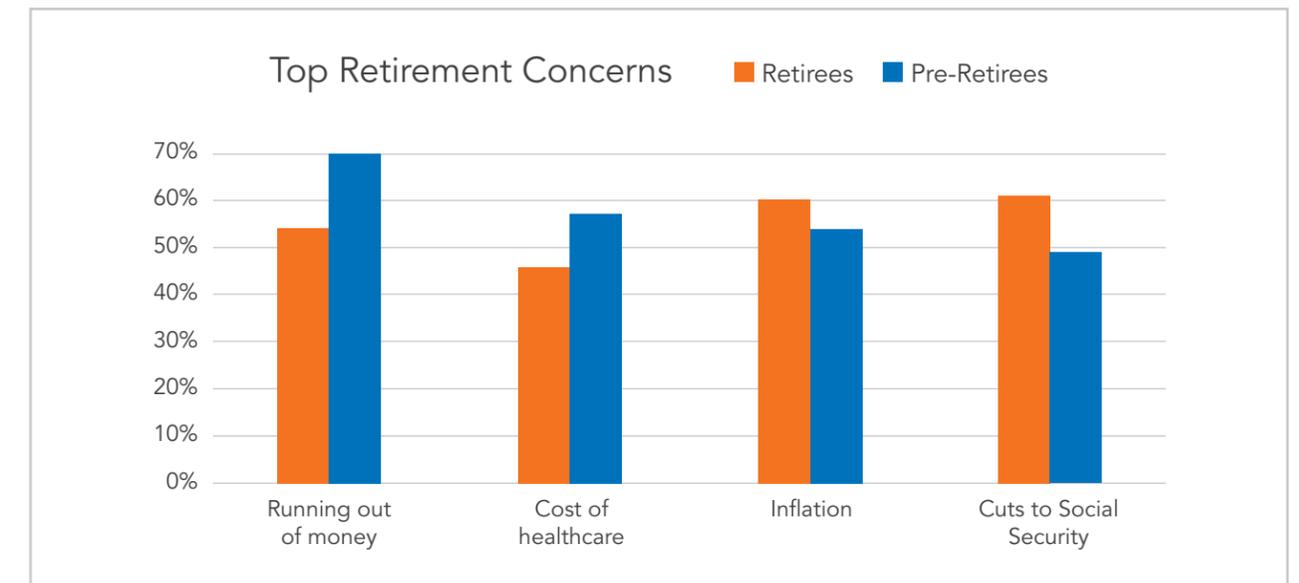
Retirement plans don't end when retirement begins. Read on for key findings that support these points.



When Concerns and Confidence Collide

Running out of money rates highly on the list of concerns of both retirees and pre-retirees. Plus, most lack confidence in managing that same money they worry about exhausting. Let's dig into a few sobering statistics.

Top Concerns Similar Among Retirees & Pre-Retirees

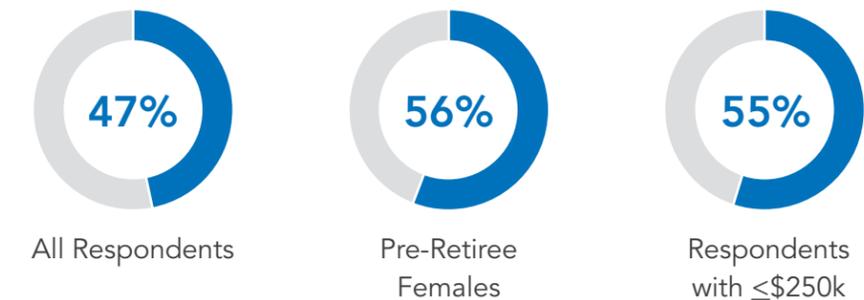


Not surprisingly, cuts to Social Security ranked higher on the retirees' list of concerns. When no longer receiving regular employment paychecks, the guaranteed income provided by Social Security is regarded as critical to meeting day-to-day expenses.

Retirement Money Management Confidence

Almost half of respondents (age 50-75) are **slightly or not at all confident** they can manage their own investments throughout retirement. Female retirees and respondents with net worth at or below \$250k are even less confident.

Slightly or Not at All Confident about Managing Investments



INSIGHT #1

The Power of the Financial Professional

Guidance on Financial Planning is Needed, and Heeded

Retirees and Pre-Retirees Want Professional Financial Advice

People believe in the power of the financial professional. More than half of respondents say financial professionals are among their foremost information sources when making financial decisions.

Top 3 Sources of Financial Information:

- 1 Financial Websites
- 2 **Financial Professionals**
- 3 Friends & Family

Financial professionals aren't the only source available to information seekers. But they are one with distinct advantages. They can be more interactive and responsive than a static website, and are more experienced and knowledgeable than family or friends.

On Their Own and Seeking Financial Advice

The nearly half of respondents expressing uncertainty in managing investments signals a need for guidance. Yet **6 in 10** surveyed say they currently don't work with a financial professional. When it comes to managing the assets that may be needed to last 30 or more years in retirement, a "DIY" approach may be risky.



Still, some of them recognize the value of financial professional assistance. **Nearly a third** of pre-retirees in our study said they are actively seeking a professional to help them plan their future finances.



Those working with financial professionals expect them to provide unbiased, transparent and knowledgeable recommendations. That goes for the companies behind the financial products they offer as well. Many understand that the **financial strength** of a company whose products are depended upon—possibly for decades of reliable payments—is **key for confidence** their money will be there for them when needed.

We asked annuity non-owners what annuity factors are most important when considering adding an annuity to their financial plan. Here's what they said matters about the company.

What annuity non-owners seek in an annuity company:



INSIGHT #2

Real Plans Really Needed

Retirement Income Planning: Knowledge and Action Lacking

Retirees and Pre-Retirees Need Help Planning for Income in Retirement

What is a retirement *income plan*? It's NOT the same as a retirement *savings plan*. In short, it's a way to consider and structure income sources, withdrawal timing and income risks to help determine how best to take income in retirement.

Considerations for Building an Income Plan

Goal: To plot and manage when and how much income to withdraw to sustain payouts throughout retirement—however long it is.

Risks: A plan should balance sources against risks, ones such as longevity, volatility, inflation, taxes, withdrawal rates and other asset-depleting factors. Since many risks are unknown or uncertain, adjustments and contingency options must be considered.

Sources: A plan should take into account guaranteed sources of income, such as pensions, annuities and Social Security benefits. Other sources such as part-time work, individual retirement accounts and personal savings are usually needed to help fill the gap between income needs and guaranteed sources.

Understanding Income Planning

The income plan for spending assets in retirement is different—but equally as important—as the plan for growing retirement assets before retirement. However, our survey found **44% lack a good understanding** of what a retirement income plan entails. Pre-retirees and annuity non-owners have less knowledge than others surveyed.

? What's an income plan? **44%** of consumers don't know!

While pre-retirees were twice as concerned as retirees about income planning, **nearly a third** had not started a plan. Why not? They need help understanding what goes into it, customizing it for their needs and putting it on paper, ideally with the help of a financial professional.

People Need Help:



Understanding Plans



Customizing Plans



Documenting Plans

When in Doubt, Write it Out

As many as **7 in 10** respondents reported having no formal written retirement plan. But **half** of those who do have a plan say they are **very or extremely confident** their income will last through retirement. The simple act of documentation increases confidence considerably.

70% of Retirees and **74%** of Pre-Retirees = No Formal Written Plan

50% of Formal Planners = More Confidence in Lasting Income

Set It ... But Don't Forget It

Retirement can last decades. Over time, needs change, costs rise and surprises happen. That's why reviewing and readjusting plans is so important. Even small increases in inflation can significantly eat away purchasing power over time. Yet, **nearly 30% of retirees never adjust their plan.**

Reviewing a plan is recommended at least annually. Half of respondents report they review quarterly or monthly. Plan assistance, documentation and adjustment can help pre-retirees prepare for the retirement income stage, and help retirees keep pace during the income stage.

Top reasons cited for adjusting plans:

- > Cost of Living
- > Inflation
- > Periodic Budget Review
- > Financial Professional Recommended

INSIGHT #3

Solving the Income Challenge

Lifetime Income Solutions Create Lifelong Confidence

Many Income Options, Few Guaranteed

There are only three financial sources that can create guaranteed lifetime income:



The first two may be well known. But pensions are less common and Social Security faces future funding challenges. Annuities are a solution that provides predictable and guaranteed income for life.

The Need for Annuity Knowledge

Planning—with the help of a financial planning professional—can help people prosper in retirement. Those plans require products that create solutions within them. But do people understand what an annuity really is and how it can help? Not really.



Need and Solution Disconnect

Almost half of the people without annuities don't know anything about them. A majority, **83%** of those surveyed believe a guaranteed monthly income source is **very or extremely important** in retirement. Yet, only **66%** agree that *annuities can provide exactly that*.



Perceptions and Reality

In fact, annuity perceptions vary. Actual annuity owners have a good grasp on the wide-ranging benefits and advantages the strategy can bring to their retirement plan. Owners consistently rated the top beneficial aspects of annuities higher than non-owners. But non-owners aren't as aware of benefits and may even have some misconceptions.

What do owners know that non-owners don't? Experience has shown them the value an annuity can bring and believe it to be more guaranteed, more stable and more important than non-owners. As well as less expensive and less rigid too.

	Quality	Owners	Non-Owners
Strengths	Guaranteed	66%	40%
	Stable	55%	36%
	Valuable	45%	29%
	Trusted	35%	23%
	Important	23%	19%
Weaknesses	Complex	17%	30%
	Expensive	10%	32%
	Rigid	8%	17%

Neutral Sentiment Equals Opportunity

When it comes to the overall impression of annuities, **65% of annuity non-owners reported neutral sentiment**. Women reported being more open to considering an annuity than male respondents.

The gap in annuity perceptions between owners and non-owners indicates an **immense need and opportunity** for annuity education in converting neutral sentiment to informed consideration. Financial professionals hold the key to helping clients understand an annuity's features and benefits and how one might help a client meet their specific income needs.



Key Takeaways

Retirees and pre-retirees can build retirement income confidence by

- › Working with a trusted financial professional
- › Understanding retirement income planning and putting plans on paper
- › Reviewing sources of guaranteed lifetime income and addressing gaps

Financial professionals can help clients achieve more retirement income confidence by

- › Walking clients through the retirement income planning process
- › Helping clients understand the importance of guaranteed income in retirement
- › Explaining the benefits and limitations of annuities with transparency, and helping clients decide where they might fit in their plan
- › Assisting clients with income plan reviews and guiding them through adjustments to maintain goals

Survey Methodology

Responses = 988 | ages = 50-75

495 females | 492 males

492 pre-retirees | 496 retirees

282 annuity owners | 706 non-owners

593 net worth < \$250k | 395 net worth of > \$250k (including primary residence)

Online survey conducted by LIMRA, May 1-22, 2023; Margin of error $\pm 3.118\%$.



For more retirement income resources visit
westernsouthern.com/incomeoutcomes

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