ACLI
AMERICAN COUNCIL
OF LIFE INSURERS

The Modern Retirement Landscape

Securing the American Dream through Guaranteed Lifetime Income



American Council of Life Insurers

Executive Summary

America faces a substantial retirement security challenge. The shift from defined benefit (DB) pensions to defined contribution (DC) plans has given workers greater flexibility but placed the responsibility for lifetime income squarely on their shoulders. With roughly 20 million Americans set to reach age 65 by 2030 and life expectancy now at 79 years, the opportunity to strengthen retirement security has never been more important — or more within reach.

The bottom line:

- **The retirement savings gap is a looming economic burden with a $1.3 trillion price tag for the economy.**
- **Annuities are the only guaranteed lifetime income solution and demand is surging.**
- **Annuities deliver broad benefits to individuals and society, including better physical health and budget savings.**
- **Policy progress is real, but more is needed.**

The evidence is clear: expanding access to and utilization of annuities is among the most impactful steps policymakers, employers, and the financial industry can take to strengthen retirement security for all Americans.

1 The State of Retirement Planning

In just a generation, Americans have seen a transformation in how they prepare for retirement. With fewer traditional pensions, or defined benefit (DB) plans and the proliferation of individual accounts or defined contribution (DC) plans, Americans are increasingly worried about outliving their retirement savings. As a consequence, they are playing a more active role in making their retirement savings last.

U.S. Department of Labor data documents this shift and where DC plans overtook DB plans around 1984.

DEFINED BENEFIT	
27.2 million 1975 Active Plan Participants	**11.1 million** 2023 Active Plan Participants

DEFINED CONTRIBUTION	
11.2 million 1975 Active Plan Participants	**96.4 million** 2023 Active Plan Participants

Planning for what may be a long retirement is now one of the biggest challenges facing individuals and our country as more Americans age. The average U.S. life expectancy is at an all-time high 79 years old.[1] The fastest growing age group is 65+, and most will not have a traditional pension because of this shift.[2]

54%
Baby Boomers and Gen-Xers fear outliving their savings.[3]

This shift means Americans are navigating a more complex task of saving enough and managing those savings to last for a lifetime. For some workers, pressing financial obligations like student debt and housing costs make it harder to save. Older workers who start saving late may find it hard to catch up. And changes to the way we work, sparked by the gig economy, mean more workers may have less access to employer-sponsored retirement plans.

Those approaching their retirement are more worried about outliving their savings.[4] When there's a gap between what Americans need to live through retirement and what they've saved, government programs like Social Security spend more – and this retirement savings gap could create a $1.3 trillion economic burden through 2040.[5]

How can Americans solve modern retirement challenges? More households are turning to annuities to supplement Social Security and provide more certainty through retirement. Total market ownership of annuities has steadily increased from 12% to 16% between 2016 and 2024.[6] Life insurers support new tools, policies, and legislation that create a stronger retirement system and help more Americans plan for the long term.

[1] NCHS [2] U.S. Census [3] PRIP [4] Northwestern Mutual [5] Pew [6] RFI Global

2 The Path to Guaranteed Lifetime Income

Americans are looking for ways to draw down their retirement savings that help tackle the shift from defined benefit to defined contribution plans and allow them to mimic the benefits of a pension. Annuities are the only true lifetime income product in the marketplace — one that guarantees retirees won't outlive their retirement savings by providing regular income payments. These products help people navigate anxieties about their savings lasting throughout retirement, the effect of volatile markets on 401(k)s and IRAs, and the high cost of living.

There are two primary types of annuities — **immediate vs. deferred.**

IMMEDIATE ANNUITY	DEFERRED ANNUITY
Turns an amount into a series of income payments from an insurance company that begin within a year after a consumer buys it.	Allow savings to grow tax-deferred until payouts begin. There are different types of deferred annuities (fixed, indexed, or variable annuities) that let savers decide how their money grows.

Guarantees predictable income for life.

Annuities are a benefit used primarily by middle-class households. The median income of annuity-holding households is $76,000. Research shows that those with some form of annuities are better off in retirement from a financial, physical, and social standpoint.

Alternative spend down strategies, such as the 4% rule, have challenges; while offering flexibility, this rule – withdrawing 4 percent of initial wealth, subsequently indexed to inflation each year – has significant failure rates at older ages and provides the lowest level of income. Conversely, annuities offer guaranteed lifetime income, safeguarding against market volatility and longevity risk.

Annuitization
Retirees who fully or partially annuitize retirement savings fare better than those who opt for the 4 percent rule.[1]

$76,000
The median income of annuity-owning households.[2]

A strategic balance of annuities and systematic withdrawals, tailored to individual needs, preferences, and market conditions, is the key to optimal retirement outcomes.[3]

[1] Warshawsky-Pang [2] ACLI [3] Warshawsky-Pang

3 Rising Demand for Annuities as Gen X Approaches Retirement

The demand for guaranteed lifetime income is rising. Annuity sales rose a record 7% to $464.1 billion in 2025 – the fourth consecutive annual record.[1]

As Gen X approaches retirement, six in 10 pre-retirees and retirees say their parents' experience with pension income influenced their own retirement income decision making.[2] Pre-retirees in particular report being influenced by their parents' experience with a pension when making decisions about saving for retirement.

In addition, nine in 10 of those who took an annuity laud the advantages and the peace of mind that it provides. Greater access is the primary barrier standing between more Americans having the same access to this peace of mind.

9 in 10

retirees who took an annuity laud the advantages.[3]

4 Policy Efforts to Improve Annuity Access

Policymakers have already taken some steps to improve Americans' access to annuities as they save for retirement.

✓ SECURE

- Made it easier for employers to add annuities to their plans, permitting them to rely on the expertise of the state insurance departments when selecting an annuity provider.
- Requires employers to include an illustration in benefit statements showing how much lifetime income could be generated from the participant's account balance.

✓ SECURE 2.0

- Encourage the use of partial annuitization by recognizing the full value of the annuity payments under the required distribution rules.
- Improved rules that facilitate the use of deferred payout annuities known as Qualified Longevity Annuity Contracts (QLAC) by revising a limitation that had frustrated the use of 401(k) savings to purchase a QLAC through an IRA rollover and clarified rules relating to former spouses and their benefit rights.

[1] LIMRA [2] MetLife [3] MetLife

5 The Benefit of Annuities to Americans

Annuities provide measurable benefits to the American people and society – from better health and longevity to government savings. Guaranteed income reduces financial anxiety, supports independence, and benefits mental and physical health of retirees -- at no cost to public programs and with a boost to the economy.

BENEFITS TO SAVERS

Individuals expecting annuity payments expressed a willingness to invest in relatively expensive health checks and pay for more intensive exercise programs than their current routine.[1]

People who anticipated receiving an annuity actually increased the intensity of their exercise, compared to those who expected to receive a lump sum.[3]

Retirees who turn their savings into guaranteed lifetime income may live longer.[5]

Annuity holders score higher on life satisfaction, relationships, free time, and social activities. They were 51% more likely to report lower stress and 27% more likely to find finances predictable and easy to manage, even after controlling for income level.[7]

BENEFITS TO SOCIETY

Retirees who have annuities are able to postpone receiving Social Security payments. This saves the program $100 billion over time as the greatest surge of Baby Boomers retire.[2]

Paying retirement benefits as lifetime income is more efficient than paying them as a lump sum, reducing costs by as much as 35%.[4]

Retirees with annuitized income spend approximately 2x as much per year as those with equivalent non-annuitized savings. Every $1 converted to guaranteed income generates roughly twice the spending of $1 held in portfolio form.[6]

Access to annuities may impact poverty rates. Older households (65 or older) who have annuities experience poverty at a rate 5-7 percentage points lower than those without annuities.[8]

[1] Forbes-New School [2] ACLI [3] Forbes-New School [4] Prudential [5] NBER [6] LIMRA/Alliance for Lifetime Income [7] Legal & General [8] SSA

Conclusion

The retirement security challenge facing America is substantial, but it is not insurmountable. When employers shifted from defined benefit pensions to defined contribution plans, Americans gained flexibility — but lost the certainty that their income will last as long as they do.

Annuities fill this gap directly. **They are the only financial product that can replicate the core promise of a pension — guaranteed, lifelong income.** The evidence is compelling: annuity holders enjoy better health, greater life satisfaction, and stronger financial security in retirement. Meanwhile, the societal benefits — reduced strain on Social Security, higher consumer spending, and lower taxpayer costs — make expanding annuity access a winning proposition for the country as a whole.

Legislation like SECURE and SECURE 2.0 laid important groundwork for policymakers to continue to build on.

Expand workplace annuity options.

Encourage employers to include lifetime income options within defined contribution plans, making guaranteed income a routine part of managing retirement savings rather than an afterthought.

The retirement security of tens of millions of Americans is not simply a financial issue — it is a public health imperative, an economic opportunity, and a test of our collective commitment to protecting those who have worked a lifetime to earn a stable future. Guaranteed lifetime income is part of the solution. The time to act is now.