



Retirement Income Solutions



Retirement Income

- Solutions aimed to provide a predictable stream of income to participants throughout retirement

88.5 Million

Projected number of people aged 65+ by 2050

83%

The percentage of participants interested in a guaranteed benefit solution

50%

Percentage of participants that would contribute to a guaranteed benefit solution

- Shift from DB plans to DC plans as primary savings vehicle
- Most plans help address accumulation and portfolio diversification, but few address distribution strategies
- The SECURE Act provided greater flexibility and fiduciary protections for in-plan income solutions

Participant Concerns

Having control
over day-to-
day, month-to-
month finances

Having the
capacity to
absorb a
financial shock

Being on track to
meet your
financial goals

Having the
financial freedom
to make the
choices that allow
you to enjoy life

- **Market Risk**

- Tolerance for volatility substantially reduces for near-retirement participants
- Many look for a stable source of income that does not fluctuate with markets

- **Longevity Risk**

- Fear of outliving assets in retirement
- Valid concern for participants without guaranteed benefit

- **Flexibility and Control**

- Variability in access to savings across solutions
- Most guaranteed solutions offer less liquidity and may include surrender charges

Retirement Income Solution Types

- An evolving marketplace for retirement income solutions includes a variety of services and products to address the differing decumulation needs of participants.

Managed Payout Vehicles/ Services

- Mutual fund or CIT designed to be liquid and fully accessible
- Provide income over preset periods
- Service constructed to manage decumulation of assets using existing plan investments
- Exposure to market and longevity risk
- Ongoing fiduciary responsibility to monitor plan investments

Annuity-based solutions

- Guaranteed income solutions to provide consistent income stream
- Insurance
- Offerings both in and out of plan
- Enhanced protections from SECURE Act

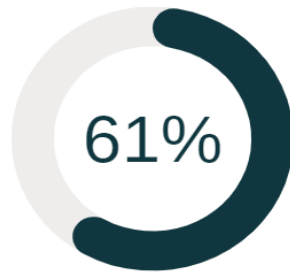
GLWB

- Subset of annuity-based solutions
- “High watermark” locks in value of benefit base
- Access to account value during accumulation but subject to surrender fees and reduced payouts during withdrawal phase
- Very costly due to guarantee portion

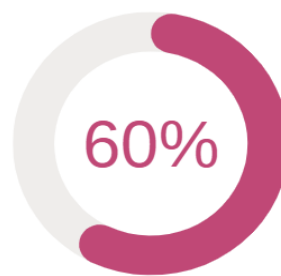
Plan Sponsor Challenges



Say they're too administratively complex



Say fees are too high



Say current products are too complex or unproven



Worry that participants may face portability restrictions



Say fees are not sufficiently transparent

- **Complexity**

- Each type of solution includes different levels of complexity
- Additional contracts, infrastructure, portability restrictions, etc. can make integration and administration complex

- **Fees**

- While some plans disclose the explicit fees, plan sponsors must also consider implicit costs

- **Transparency**

- Many annuity-based solutions lack transparency with fees and structure
- Challenging for plan sponsors to accurately understand and evaluate products
- Increased fiduciary risk

Considerations

- Developing market
 - From interest to integration
- Demographics
 - Participant education
 - Expectation to implement solutions to plan
- Fiduciary Liabilities
 - Increased responsibility to monitor plan investments
 - SECURE 2.0
 - Does current legislation offer enough protection to take on additional responsibilities?
- Personalized needs
 - Participant complexities increased as retirement approaches

Retirement Income Matrix

- Monitor variety of income solutions offered in today's market
- Categorized into 3 sections
 - Managed payout products
 - Annuity-based solutions
 - Guaranteed Lifetime Withdrawal Benefits (GLWB/ GMWB)
- Observed metrics
 - Fees
 - Underlying investments
 - Portability
 - Payout
 - Insurance credit quality (annuity- based solutions)

Disclosure

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All investments involve varying levels and types of risks. These risks can be associated with the specific investment, or with the marketplace as a whole. Loss of principal is possible.

This information was developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements, and you should consult your attorney or tax advisor for guidance on your specific situation.

The target date is the approximate date when investors plan to start withdrawing their money. Generally, the asset allocation of each fund will change on an annual basis with the asset allocation becoming more conservative as the fund nears the target retirement date.

Mutual funds are sold by prospectus only. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund. The fund prospectus provides this and other important information. Please contact your representative or the Company to obtain a prospectus. Please read the prospectus carefully before investing or sending money.

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