

Meeting the Demand for Guaranteed Lifetime Income Solutions

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Ever since the demise of the corporate pension in favor of largely self-funded defined contribution plans, many Americans have faced their retirement years with a measure of trepidation. Can I save enough? Will I outlive my money? Will market volatility crush my investments? This uncertainty has been one of the key drivers of growth for the financial advisory business over the past two decades. A more recent trend is a surge in interest in guaranteed income solutions.

As more people move toward retirement age, their priorities are shifting from simply accumulating assets to having a steady “paycheck” throughout their retirement years. TIAA called lifetime income offerings the leading trend in retirement plans in 2023. Moreover, the SECURE Act of 2019 has made it easier for 401(k) plans to offer in-plan annuities, which is likely to drive further proliferation.¹

Demand for steady income solutions stands to benefit wealth managers as they help clients plan for decumulation. These vehicles enable advisors to allocate a portion of their clients’ portfolios to provide a steady income stream to cover basic expenses. Ultimately, clients should experience more positive outcomes and higher satisfaction with their advisors’ recommendations, leading to longer-term asset growth and retention.

However, there are challenges. If a client wishes to switch retirement plans, or the plan sponsor changes recordkeepers, it may be difficult to move the money accumulated toward the income benefit and maintain an adequate level of contributions. There is also a vast number of products on the market with different terms and features. Advisors must be able to efficiently analyze and understand their options to make appropriate recommendations to their clients, who in turn need to be educated on the workings of these products.

From a recordkeeping perspective, the administration and servicing of guaranteed income solutions can be extremely complex, requiring data connectivity among multiple players and the ability to track and account for a variety of underlying investments. Addressing this complexity calls for an open-architecture technology solution to enable simple and efficient connectivity among plan providers, income product providers and recordkeepers, regardless of their individual platforms. The solution should also address the portability issue, enabling the seamless movement of the investment and its benefits if the client needs to switch plans, or if a plan



changes recordkeepers or drops the product.

Recordkeepers and retirement plan providers frequently find their systems lack the flexibility to keep up with the proliferation of guaranteed income products and demand. What’s needed is a platform-agnostic “middleware” solution to serve as a **neutral intermediary**. Such a platform would enable plan providers to connect with multiple recordkeepers, guaranteed income products and wealth advisors with a single connection.

The middleware enables real-time data exchange, value and benefit calculations, and the creation of product-specific rules. Freed from the constraints of a single dedicated platform, plan sponsors can transfer products more easily from one recordkeeper to another.

Demand for guaranteed income solutions represents a big opportunity for advisors to drive asset growth and retention and build lifelong client loyalty. With a neutral connectivity platform, access to multiple products and streamlined administrative processes, advisors can more easily take advantage of these offerings, meet the demand for retirement income and deliver better outcomes for clients. ■

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1. “Building a Better Retirement: Three key retirement trends to watch in 2023.” ©2023 TIAA
www.tiaa.org/public/pdf/r/retirement_planning_industry_trends_report-tiaa.pdf

