LIFETIME INCOME TO SUPPORT LONGER LIFE

Retirement Innovation and the New Age of Longevity

Developed in Collaboration with
the Principal Financial Group

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About the Longevity Project. We foster research and public conversation to build awareness of the implications of longer life and bring together leaders from business, government, and the social sector to plan for the transitions in health care, retirement planning, the future of work, and more. Together with our lead content collaborator, the Stanford Center on Longevity, and other leading nonprofits, think tanks, and media organizations, our goal is to support a new awareness of the longevity challenge and support change so that people around the world can live healthier, more secure, and more fulfilled lives.

About "Lifetime Income to Support Longer Life:" The primary resources for this paper include original public opinion research conducted by the Longevity Project and interviews of leading experts in the retirement field. In particular, we want to thank a panel of subject matter experts from Principal Financial Group who contributed significant time and many valuable insights for this paper.

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EXECUTIVE SUMMARY

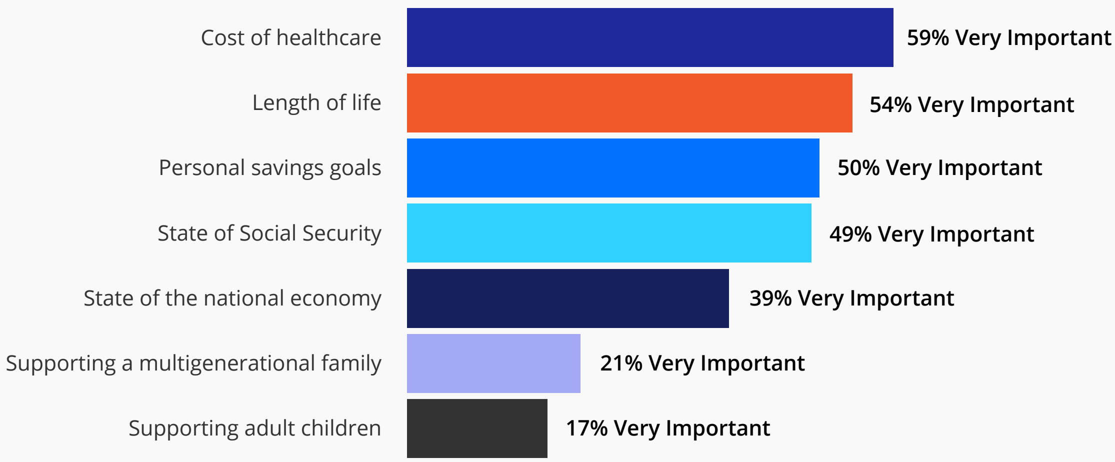
The transition in the United States from a defined benefit retirement system to one dominated by defined contribution plans has been a challenging one. But over the last 15 years, the American financial system has made important strides, through behavioral incentives such as auto-enrollment and auto-escalation, in helping more Americans save for retirement. Though much more work needs to be done in helping Americans save, the next important frontier is helping retirees spend their retirement savings in a predictable and responsible fashion. Currently, workers reaching retirement have little to guide them on how to spend down their retirement savings and few ways to protect themselves financially if their retirement lasts longer than average, or longer than they expect for themselves. The challenge of longer retirement life can be addressed best with widespread adoption of guaranteed retirement income products to supplement Social Security. In 2019, Congress, with the passage of the SECURE Act, took an important first step towards creating a framework for guaranteed retirement income solutions. Now, plan sponsors and the financial services industry should take further, concrete steps to make low-cost income annuities and other similar lifetime income products available and accessible to American workers so that they may have a more secure retirement, and more confidence that they will not outlive their resources.

THE COST OF LONGER LIFE

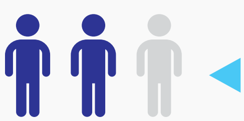
Since 1950, the United States, and much of the world, has seen a significant expansion in the years that an average person can expect to live after turning 65. In the middle of the 20th century, the average American could expect to live 13.9 years after reaching the age of 65; by 2016, that figure had jumped up to 19.4 years. There are many factors that have contributed to this 40% addition to the "senior citizen years" of life in the United States, innovations in the medical field, economic progress, and lifestyle changes chief among them. While recognizing the uneven nature of progress, and that factors like race and income play all too large a role in determining who lives longer, the advances in life expectancy and in healthy longevity can be considered one of the most remarkable achievements of this past century. Longer life has opened up new possibilities for what Americans have told us in our polling they want to do: spending more time with family (52%) and having new experiences (41%).

Longer retirement comes at a cost though, specifically the need for greater financial assets to support people for more years. Most Americans recognize the mathematical relationship between longer life and the need to save more for retirement. In a Longevity Project – Morning Consult poll, 54% of Americans described "length of life" as a very important factor in determining how much money they would want to save for retirement. In fact, alongside health care costs (which is of course related to longevity), length of life was rated as the most important factor for evaluating retirement needs.

Thinking of your retirement savings, how important are the following factors in determining how much you should save?



Regrettably though, while most of us recognize the importance of accounting for the financial implications of longer retirement, Americans as a whole struggle with this challenge. Studies show that Americans routinely underestimate their life expectancy at retirement. And even if we had better actuarial insights into our own life expectancies, the task of planning over 20 or even 30 years while taking into account the variables of health care, housing, the ups and downs of the stock market, caregiving, and family costs are enough to challenge the most sophisticated among us.



2 in 3 pre-retiree men **underestimate** the life expectancy of the average **65-year-old man.**

Half of pre-retiree females **underestimate** the life expectancy of the average **65-year-old woman.**

Source: Stanford Center on Longevity

The unexpected shock of the coronavirus pandemic is a case study in the challenges of planning. Over the course of just a few months, many older Americans faced unexpected health care risks, increased needs to support families due to unemployment and financial setbacks, and dizzying gyrations in the financial markets to name just a few. Working age Americans faced these same challenges as well, but many workers have at least some flexibility to adjust their retirement plans by working longer or differently. Few retirees have that same flexibility.

The longevity challenge has both systemic and individual consequences. On a systemic level, much of the retirement funding challenge in this country comes from those "extra years" of life. The Retirement Security Projection Model from the Employment Benefit Research Institute (EBRI), a widely cited model on retirement funding, projects that Americans are collectively $3.825 trillion short of adequately funding their retirement. Americans with the longest life expectancy account for by far the largest portion of that shortfall.

On an individual level, the challenge of figuring out how to navigate a long retirement of uncertain duration and need is a difficult and stressful one. It was not always that way. Not so long ago, a retirement plan would involve a typical worker exchanging an employment income stream for a pension income stream. That system was highly valued by workers, because it provided a reliable income over the course of retirement, no matter how long or short it was. Most workers now reach retirement with some retirement savings (often from defined contribution plans) and no form of guaranteed income other than Social Security – and many unguided decisions on how to spend down those savings over the course of a long retirement. Retirees are often faced with too many choices and uncertainty about length of life.

Steve Vernon of the Stanford Center on Longevity (SCL) has described two distinct "strategies" among older workers and retirees for deploying their retirement savings. One group views their retirement savings as a "rainy day" fund, minimizing their withdrawals and dipping into savings only for emergency situations. The other group "wings it" by treating their savings as a checking account to pay for an unrealistic level of living, often withdrawing at an unsustainable rate. He concludes that "[n]either strategy is optimal – both camps can do better."

Researchers at Texas Tech and William Patterson University have estimated that over the course of a 30- year retirement, Fear of Running Out (FORO) could lead retirees with a certain amount of assets to underspend by anywhere between $272,000 and $1.165 million. There may be more individual and social consequences to overspending but there are also negative outcomes to an environment where retirees feel compelled to underspend: everything from depriving people of needed services such as healthcare to the high stress of economic uncertainty.

This is the great American **spend down challenge**: how workers can financially plan for and navigate a retirement that could reach up to 40 years, but may also last just one. Over the last 15 years, the American financial system has made important strides in terms of how Americans save for retirement. The innovations of auto-enrollment and auto-escalation, and the growth of target date funds and similar products, has substantially increased the savings rates for many (though by no means all) Americans. But at retirement, the vast majority of savers are dropped into a financial world without guardrails, and with a wide range of complicated choices that few are able to fully appreciate. There are many challenges for the American retirement system of course, but helping Americans spend their retirement savings in a sensible, measured way should be the next frontier for retirement planning. There are a number of different ways to create reliable income streams in retirement. In this paper, we focus on income annuities, which, according to many experts, are a viable and immediately realizable vehicle to help many Americans develop guaranteed lifetime income.

In this white paper, we address three key questions:

Can more widespread use of annuities help retirees manage retirement planning?

What are the barriers to widespread adoption of annuities?

How can we drive greater adoption of effective instruments of guaranteed income such as annuities?

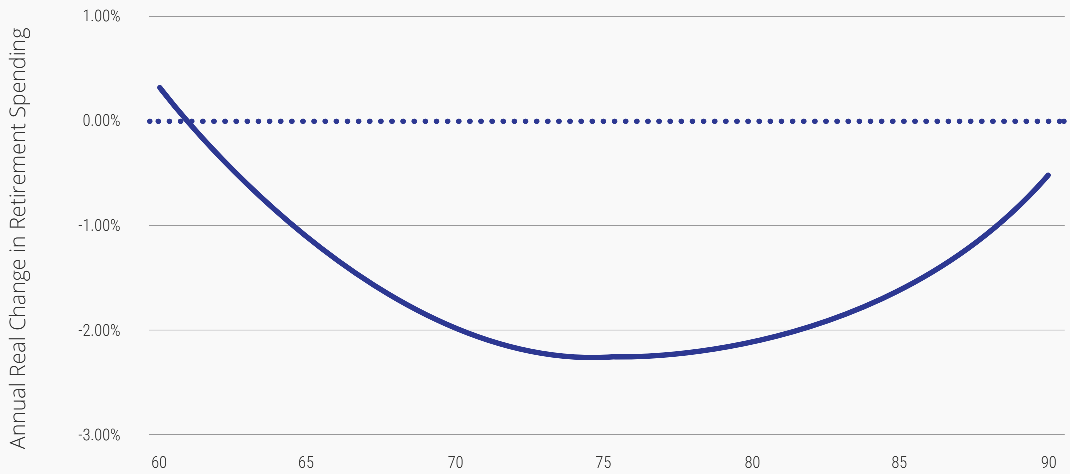
TURNING SAVINGS INTO INCOME

Given the significant variables of retirement, including how long a retiree will live, among the hardest challenges for many retirees is knowing how much to spend and when. In truth, that challenge is considerably different for people of distinct savings levels. For the wealthy, those with significant and durable retirement assets, the challenge is largely a trade-off between consumption and legacy. For those who leave the workforce without material retirement assets, a dauntingly large group, the decisions about what to do with retirement savings is regrettably moot. For these reasons, we largely focus on middle class and upper middle-class earners, many of whom have accumulated their retirement savings in company 401(k) plans, IRAs or similar tax deferred instruments.

Most experts who have studied retirement spending challenges believe that this group of retirees would be advantaged if they could efficiently turn some portion of their retirement savings into a predictable and assured lifetime stream of income. As Vanya Horneff and Raimond Maurer, both of Goethe University, and Olivia Mitchell of the Wharton School wrote last year, the "traditional way to protect against such longevity risk would be to purchase a payout annuity from a life insurance company with a portion of one's retirement nest egg. A life annuity is an insurance product which pays the policyholder a periodic benefit for as long as the annuitant is alive, in exchange for a premium. The insurer transfers the individual's longevity risk to itself, and then in turn, it organizes risk pools across a sufficiently large number of annuitants to make such insurance feasible." There are, of course, other mechanisms and strategies for creating or enhancing lifetime income, some guaranteed and some not, including Target Payout Funds, systematic withdrawals and delaying Social Security income. It may be that strategies involving those approaches are optimal in some individual and group cases, but that is beyond the scope of this paper, and we chose instead to focus on income annuities because of their potential usefulness and because the SECURE Act has now for the first time begun to open the door to more widespread use of annuities as a vehicle for lifetime income.

Although income annuities are not without their critics, they are widely viewed by experts as effective hedges against longevity risks. As SCL's Steve Vernon has written, "There's a clear need for DC [defined contribution] plan sponsors and financial institutions to help their older workers and customers generate reliable, lifetime retirement income – to 'pensionize' their IRAs and DC accounts." Our panel composed of experts from Principal Financial Group, Stanford, and other organizations uniformly agreed that greater annuitization of retirement income would furnish Americans with more retirement predictability and allow them to make sounder judgments about what and when to spend. And by creating a "longevity risk pool," society would benefit by having resources shifted to cover the greater retirement costs of those who live longer.

Retirement Spending Smile - Annual Change in Real Spending



Source: Figure 5, Annual real change in consumption for Retirees. Adapted from "Estimating the true cost of retirement," by D. Blanchett, 2013, Morningstar.

Given the stress that financial uncertainty can place on a retiree, it is not terribly surprising that retirees with annuities or other similar income products are generally happier, as a wide variety of studies have found. In 2012, the consulting firm Towers Watson concluded that among "retirees with similar wealth and health characteristics, those with annuitized incomes are happiest." Similar results have been found in studies by the LIMRA Secure Retirement Institute, the University of Michigan, and Principal to name just a few. The Principal® Retirement Security Survey, Q1 2020, found that retirees who had guaranteed income through an annuity were more likely to feel confident and accept more market volatility with their other assets – a notion that is particularly appealing in the middle of a pandemic driven economy that has witnessed enormous volatility in the investment marketplace.

Given the individual and collective benefits of annuities, and other lifetime income vehicles, it is not surprising that many widely admired retirement systems around the world – Singapore, the Netherlands, Israel and Chile among them – have very high rates of annuitization, driven either by legal requirements or by popular acceptance of the value of lifetime income. Singapore's system is especially instructive. In Singapore, workers contribute a relatively high percentage of income to a retirement fund, which is converted upon retirement to an annuity. The annuitization of retirement savings allows one of the longest-lived populations in the world (at an average life expectancy of 82.8) to navigate retirement in a financially secure and predictable manner. The compulsory aspects of the Singapore model may not line up well with the American approach but the reliance on annuities to manage longevity risks is particularly compelling.

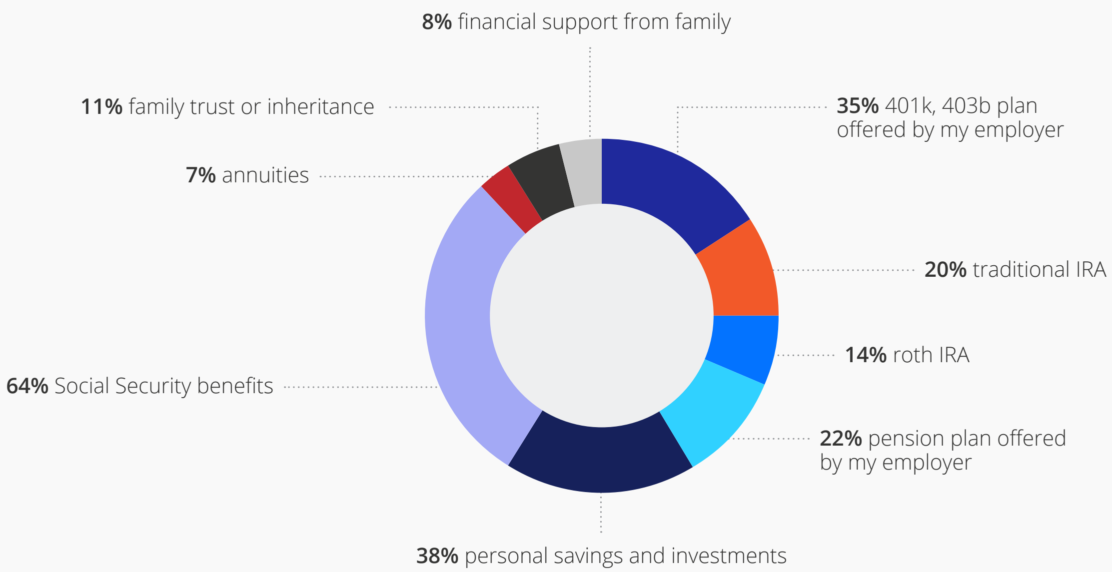
Based on research and the advice of our experts, we believe that higher rates of annuitization in the United States would reduce longevity risks, create more orderly spend down strategies for retirees, and generally bring greater certainty and predictability to the American retirement system. It's our opinion that this should be a significant goal of policy makers, industry groups and others focused on bringing greater stability and effectiveness to our longest-lived retirees.

THE ANNUITY PUZZLE

Most researchers who have studied annuities believe they match up well with what retirees want. Annuities provide the same functional purpose as Social Security and defined benefit plans in that they all provide guaranteed lifetime income, and both Social Security and defined benefit plans are enormously popular, even if the former is sometimes viewed as shaky and the latter is disappearing from the retirement landscape. By all rights, income annuities should be similarly popular with retirees.

They're not. In our Longevity Project – Morning Consult poll, only 7% of respondents cited annuities as part of their retirement plans, placing these products well behind other retirement instruments. Similar results have been found in other recent studies, but even that likely overstates the market presence of annuities since the survey responses likely include reference to indexed or variable annuities and similar products that do not necessarily provide lifetime guaranteed income. The major industry trade group reports that only about 100 immediate annuities, the one most used for retirement income, are sold per day in the United States. This amounts to about 1 percent of the more than 10,000 baby boomers retiring each day.

What Are You Relying on for Your Retirement?



Respondents could choose as many as applied.

There are a number of important reasons why American workers have generally eschewed annuities. The first, and perhaps most important, is that simple income annuities, as mentioned above, are only one of a broader class of products called annuities. Financial services companies also offer variable, indexed, and fixed deferred annuities for example, which share little in common with income annuities other than a shared root name. This other class of annuities are often perceived as complicated, opaque and expensive products and most importantly for our purposes they are not typically used for lifetime guaranteed income. Whatever the merits of these investment vehicles, they have combined to confuse investors and undermine the reputation of income annuities with the broader investing public.

Second, retirement decisions are often heavily influenced by financial professionals who may be reluctant to recommend annuities due to lack of familiarity and comfort with guaranteed income solutions. This is particularly important because financial advisors play important and trusted roles with retirees, so ensuring that financial professionals are fully educated and aligned on guaranteed income is a key to any comprehensive strategy. And finally, annuities run up against one of the key behaviors of retirees: since, as research shows, Americans frequently underestimate how long they will live, they worry they will not get their "money's worth" from an annuity – that is, that they will die before the insurance company has made a sufficient number of payments to justify the original purchase from a pure transactional basis. This reflects the fact that most people tend to value annuities in terms of rate of returns rather than as insurance to cover the financial risks associated with longer life. Whatever the reason, and it appears likely that all these factors are at work, annuities are not valued nearly as much in the United States as their functionality suggest they should be and not nearly as much as they are valued by retirees in other countries.

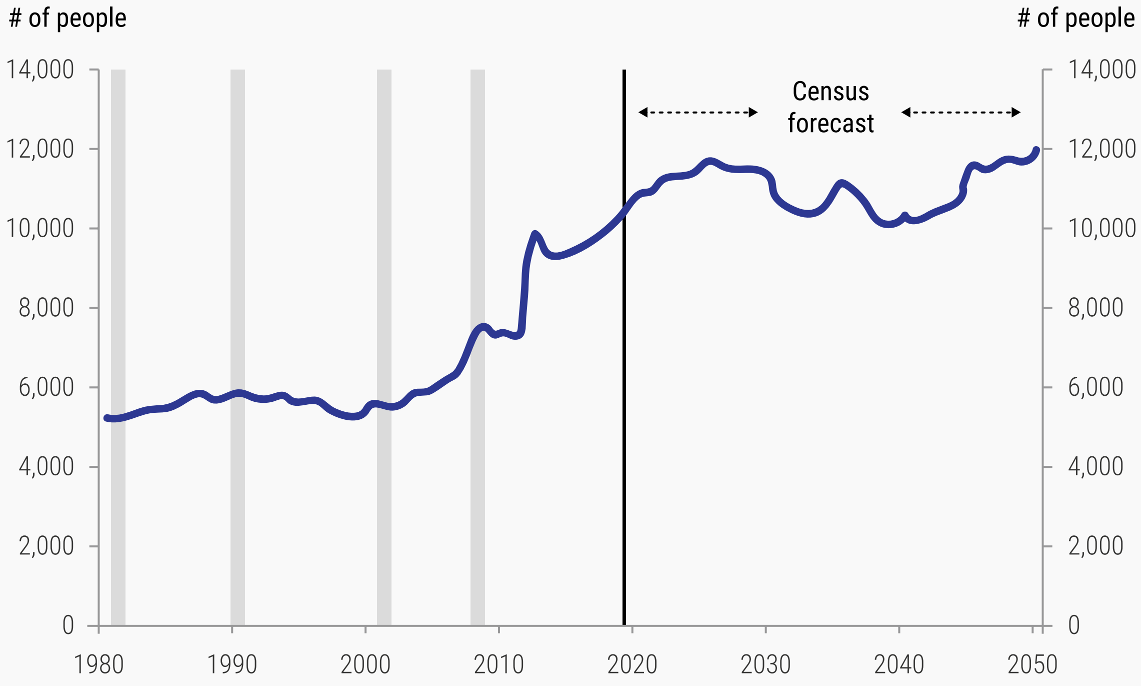
Another piece of the annuity puzzle rests with corporate retirement plan administrators who serve as gatekeepers to the retirement plans of millions of Americans. The influence of plan administrators cannot be overstated, because their decisions on what to include in their plans and how to channel plan participants are far more often than not decisive of how tens of millions of Americans plan their retirements. Their influence on retirement decisions has been demonstrated on the savings side of retirement planning. The Pension Protection Act of 2006 created a safe harbor so that employers could automatically enroll their employees in retirement plans and set aside a portion of wages into their 401(k) plans. In the following decade and a half, auto-enrollment and auto-escalation features have become common features of employer retirements plans in the United States. They have proven to be effective vehicles for driving up retirement savings rates for workers who are eligible for company provided 401(k) plans. Among new hires, the participation rate is almost 80% under automatic enrollment compared to 55% with voluntary enrollment (based on Principal 401(k) business).

The impact of automatic enrollment is a lasting one. Approximately 90% of those automatically enrolled in defined contribution plans are still contributing after six years. And over time, 95% of plan participants have either maintained or increased their deferral rate, often as a result of automatic escalation provisions. For employers that use them, auto-enrollment and auto-escalation have proven to be powerful tools for driving increased retirement savings among their employees. Auto-enrollment has not only had a profound effect on whether and how much American workers save for retirement, it also has a significant impact on how they save. The inertia inherent in participant retirement savings decisions means that in about 75% of all cases, workers remain exclusively invested in the qualified default investment option (QDIA) after three years and another 10% remain at least partially invested.

The growth of income annuities as a core part of a retirement portfolio has been hobbled by the fact that plan administrators currently do not prioritize adding lifetime income features to their plans. In 2019, only 2% of companies identified “supporting the process that enables participants to convert account balances into lifetime income” as a top priority. In 2020, only a relatively low percentage of companies reported that they currently had lifetime income options: 17% have some form of managed income solution (like a target payout fund), 9% have an annuity option within the plan, and only 11% facilitate third party annuity solutions outside of the plan. The vast majority of companies, more than 75% in each case, reported that "it is not at all likely" that they will offer such solutions in the future.

Companies cite many reasons why they do not currently offer income solutions. Major reasons include fiduciary concerns, operational or administrative concerns, waiting to see the market evolve more, participant utilization concerns, difficulty with participant communications, cost barriers, not interested in making plan enhancements for terminated participants, and preference that participants leave the plan upon termination.

Number of people turning 65 years old every day in the U.S.



Source: US Census Bureau

The reluctance of companies to emphasize lifetime income solutions may be understandable but it also may not be sustainable. As the above graph shows, the number of Americans retiring every day has more than doubled over the last 20 years. And the dislocations, and loss of jobs among older workers, caused by the pandemic is likely accelerating retirement for many. While it took a decade or more to see widespread adoption of savings vehicles like auto-enrollment, the American retirement system may not have the luxury of that much time to help the millions of Americans retiring every year develop sustainable income plans. There is an urgency to the need here that plan sponsors should take into account as they assess providing important new functions for their plan participants.

What are the reasons your organization does not intend to add in-plan income solutions?

2020
2019

	Major reason	Minor reason	Not a barrier
Fiduciary concerns	**60%** / 53%	**21%** / 29%	**19%** / 18%
Operational or administrative concerns	**52%** / 40%	**33%** / 40%	**15%** / 20%
Waiting to see the market evolve more	**50%** / 45%	**30%** / 32%	**20%** / 23%
Cost barriers	**30%** / 17%	**40%** / 35%	**30%** / 48%
Difficulty with participant communication	**29%** / 23%	**36%** / 45%	**35%** / 32%
Participant utilization concerns	**28%** / 27%	**42%** / 40%	**30%** / 33%
We are not interested in making plan enhancements for terminated participants	**21%** / 17%	**17%** / 23%	**62%** / 60%
Preference for participants leaving the plan at termination	**5%** / 6%	**17%** / 18%	**78%** / 76%

Source: Alight "Hot Topics in Retirement" Report 2020

This in sum is the annuity puzzle: simple income annuities could help millions of Americans better manage the spend down challenge and navigate the long-term financial risks of longevity. But for a host of reasons that we identified above, these retirement instruments have not yet been warmly embraced by consumers or plan administrators. Solving this challenge will take substantial innovation and ingenuity from private and public sectors alike and sustained effort over the course of years. The effort is worth it.

Insights from Our Partners at Principal Financial Group

Principal®

BOOSTING RETIREMENT CONFIDENCE

During periods of economic uncertainty

As one of the largest retirement plan providers in the U.S., we're lucky to be connected with millions of people who enjoy sharing their thoughts and opinions. Ongoing research into the saving and spending habits of these individuals gives us valuable insights into the shifting needs of today's retirees.

BUILDING A CONFIDENT RETIREMENT DURING TRYING TIMES

Now more than ever, having a retirement income plan is key to a successful and happier retirement. Adding accounts that create guaranteed income to your plan may further boost that feeling of comfort.

The happiest retirees not only use more savings vehicles, they also have an edge on guaranteed income. Notably, 73% of our happiest retirees have accounts that create income in their plans, compared to 60% of less happy retirees.[1]

> *People crave certainty, and volatile equity markets can add stress and make the courageous nauseous. Guaranteed income may provide satisfaction to retirees, help them with the confidence to stay invested for the long haul, or help drive better retirement outcomes, regardless of market performance.*
>
> **- *Sri Reddy,*** Senior VP of Retirement Income Solutions, Principal Financial Group®

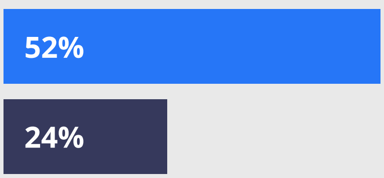
WORKING WITH A PRO CAN HELP

No matter how people build their retirement income plan (Social Security, a defined benefit plan, 401(k), IRA, and/or an income annuity), a financial professional can help pull all those pieces together. Our studies show that 47% of the happiest retirees work with a financial professional.

Additional insights and confidence-boosting behaviors of the happiest retirees:

They're more confident (76% vs. 46%) that they'll be able to cover essential retirement expenses. They also have a lead on confidence when it comes to covering discretionary expenses (60% vs. 27%).

Retirees receiving, or expecting, payments from a defined-benefit (DB) pension plan are **10% happier** than retirees not receiving a DB pension benefit.



They're nearly **twice as confident** as their less happy counterparts that they'll live comfortably in their retirement years (52% vs. 24%)

[1]Principal Financial Group 2020 Retirement Security Survey. Happy retirees scored themselves as a 9 or 10 on a 10-point scale; comparisons here are made to the remaining less-happy retirees, who scored themselves from 1-8.

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SOLVING THE ANNUITY PUZZLE

The American retirement system would be benefited if more companies considered the advantages of guaranteed lifetime income. Fortunately, Congress seems to agree. In December 2019, it passed the SECURE Act, the most significant federal retirement legislation in 15 years. The new law provided three important advances for lifetime income solutions. First, the Act created a new safe harbor for plan providers who have done sufficient due diligence in the annuity's marketplace. This is a critical step in addressing concerns from plan providers around fiduciary obligations, which have been routinely cited by companies as the most pervasive barrier to including more lifetime income solutions into corporate retirement plans. Second, the Act requires a new annual "lifetime income disclosure" that would illustrate the way an annuity would work, thus helping workers to envision how guaranteed income would fit into their retirement plans. Finally, the Act also provides for greater portability of annuities and other lifetime income products, addressing a long-time operational concern for many plan providers.

The impact of the SECURE Act has been temporarily blunted by the coronavirus pandemic, as well as the need for the Departments of Labor and Treasury to promulgate implementing regulations, but our experts from Principal noted to us that they have seen growing interest from plan providers as they begin to return to more normal operations. Regardless of the precise timing of its impact, the SECURE Act is an important step towards integrating income solutions into retirement plans.

But despite the advances of the SECURE Act, a great deal more needs to be done to get the bulk of workers into a "lifetime income model". In interviews with experts at Stanford, Principal and elsewhere, we have identified the following potential actions that could help accelerate the transition to lifetime guaranteed income:

- ***Plan sponsors and major insurance companies should collaborate to develop more low-cost, easy to understand annuities***. Annuity plans should be straight-forward and relatively inexpensive. The ability of the larger plan sponsors and major insurers to work together to drive down costs and provide easy-to-use and easy-to-understand features will be critical to implementing the vision of the SECURE Act.

- ***Develop education efforts for consumers.*** Expanding the role of guaranteed lifetime income requires a concerted effort to educate consumers. In part, the industry should make an effort to help consumers understand the difference between low-cost lifetime income annuities, which we are describing here, and other types of annuities which are often more complex, more expensive and aren't necessarily used to generate lifetime income. Behavioral research has shown that annuities are most attractive when they are positioned as a stream of income and as a source related to consumption, rather than as a savings or investment vehicle. There have of course been efforts in the past to market annuities to the public, but it is not clear that these efforts have effectively conveyed the right education message to consumers. Ultimately, as many of our experts indicated to us, the role of the plan sponsor, who many workers view as trusted and disinterested advisors, will be crucial. Financial education is most effective at "teachable moments" when educators have the natural attention of the audience. As workers approach retirement age, there will likely be many relevant teachable moments, and those moments will be best leveraged by plan sponsors. It is hard to know what would drive plan sponsors to invest in this kind of education but it may simply be that they will conclude that is the right thing to do for their workers, as it surely is.

- ***Helping workers adapt.*** The psychology of embracing annuities and lifetime income is not an easy one. Given the current negative perceptions of annuities in certain quarters, some workers may hesitate at the idea of "giving up their money" for a promise of future payment of unknown duration. As a first step, we believe that the industry should look seriously at developing a standard approach to defaulting some portion of *employer* contributions into income annuities. While this may not be the precise formula for optimizing retirement income, as a practical matter, plan participants are less likely to be averse to a novel approach involving "other people's money". This could be an important first step to a fuller annuitization model in the future.

- ***Develop "anchoring" standards.*** Extensive research has shown that with complex investment matters, consumers often have trouble making decisions unless there is a clear standard or well-worn path to follow. Having the industry establish minimum recommended annuitization levels would help workers (and plan sponsors to a lesser extent) anchor their decisions in some objective way and would likely lead to greater annuitization levels across the board.

- ***Develop an education effort for plan sponsors.*** We typically think of financial education as focused on employees, but education of plan sponsors is equally, if not more, important. Integrating lifetime income concepts into retirement plans is good for companies, as well as workers. According to research from the Callan Institute, many employers have begun to express concerns that their workers may be unable to manage retirement assets adequately upon retirement. Increased use of lifetime income products will help address this concern. In addition, providing annuities as a core part of retirement plans will help keep the retirement assets of more workers in plan, which will have the important benefit of lowering costs across the board for participants. Given this dynamic, it is not surprising that almost 3 in 5 plan sponsors (58.1%) have a policy for retaining the assets of non-active participants, a substantial increase from just a few years ago. It is likely that the SECURE Act will cause many plan sponsors to take a fresh look at annuities, but it does not guarantee adoption. The time is right to develop a comprehensive education effort aimed at the value of lifetime income opportunities focused on the values of employee retention, retaining assets for plans, and the benefits of retirement confidence to worker effectiveness.

- ***Invest in Technologies to Aid Consumers and Enhance Portability.*** With the SECURE Act and its implementing regulations supporting the expansion and portability of annuities, it will be important that the industry continue to update its technology, ensure interoperability of technology systems, find new ways to make information useful and transparent to consumers, and take other actions to continue to improve the "plumbing," as one member of our Principal panel described it to us. Improving the technology back-end may not be the glamorous part of the business but it is critical to supporting consumers and insuring confidence among workers and plan sponsors alike.

- ***Congress should continue to support the development of lifetime guaranteed income as a central feature of the American retirement system.*** While it is reasonable for Congress to wait to fully assess the impact of the SECURE Act, this is also a time for Congress to start considering the next steps to support the development of guaranteed income solutions. There are a range of options for Congress to consider, starting with whether it should further strengthen the safe harbor provisions for plan sponsors offering annuities. Steve Vernon from SCL characterized plan sponsors to us as deeply averse to any risks around long-term liabilities and opined that the safe harbor provisions are not sufficiently strong yet to change behaviors. Time will tell on that, and Congress should carefully monitor and assess. Most importantly, Congress should continue to recognize that retirement spending requires the same attention and support as retirement savings has received over the years, and continue to assess additional actions, whether that be strengthening the safe harbor or creating other incentives for plan sponsors to offer a full range of guaranteed income options for the American worker.

- ***Develop better data.*** In many ways, it is still the early days of this effort. It is clear, as Bill Gale of Brookings said to us, that the effort would be enhanced if better data was available that would help Congress and the Administration assess policy and help companies design products that work for Americans. Results for America, an organization that supports the broad adoption of evidence-based policy, has endorsed a goal of setting aside one

> percent of discretionary program funds for rigorous evidence-based evaluations. While we express no particular view on that specific recommendation, we do agree that more and better evaluation of programs in this area will help plan sponsors, product developers and ultimately the American worker.

Our panel from Principal, as well as third party experts, believe that interest in lifetime income products may increase in late 2020 and into 2021 as companies resume normal business operations in the wake of the COVID-19 crisis. It is true that the low interest rate environment, recently strengthened by changes in policy from the Federal Reserve Board, may depress investment returns for annuity contracts for the foreseeable future. But it is equally true that we are in a period of heightened uncertainty about economic conditions, work opportunities and even length of life, and these factors should compel plan sponsors and workers to value certainty and guaranteed income solutions. With the important push from Congress and the increasing demand for financial predictability, the time is now right for the industry to systematically address the spend-down challenge and the increased financial exposure caused by greater longevity.

Note: The Longevity Project Morning Consult 2020 poll was a nationally representative online survey of 2200 Americans.