From Saving to Spending: The Next Evolution of DC Plans

Millions of Americans are approaching retirement after spending their careers saving in defined contribution plans. But the challenge is no longer only how much they've saved, it's whether they can turn those savings into income they can live on.

Daniel Klatzkin
Institutional Retirement Income Solutions Leader, New York Life Insurance Company



Executive Summary

America is entering a sustained period of peak retirement. As a result, more than $3 trillion in defined contribution (DC) plan assets will leave the system by the end of this decade as a record number of participants transition into retirement.[1]

While retirees' longevity concerns matter, another problem has become evident: retirees who won't spend the money they have. Research shows that retirees spend more freely from guaranteed income sources like Social Security and pensions while holding back from drawing down savings, even when they can easily afford to.[2] The DC system built trillions in savings, but hasn't yet given people the confidence to spend it. This is the retirement income gap: for many households, the problem isn't how much they saved; it's that nothing in the system turns those savings into income they feel confident will last a lifetime.

The problem

The DC system spent decades creating accumulation defaults but still leaves participants largely alone at the harder step: turning a balance into sustainable income that provides the confidence to spend their savings. The retail market plays an essential role in helping millions of Americans build retirement income strategies through financial professionals. But, for the millions of workplace plan participants who rely primarily on their employer-sponsored retirement plan, many may never actively seek individualized retirement income advice. Expanding access to lifetime income within workplace plans complements the retail market by reaching participants earlier in their retirement journey.

Why insurers matter

Better portfolios and smarter withdrawal rules help, but no investment strategy can pool the uncertainty of a single lifespan. An individual cannot diversify their own date of death. A durable lifetime guarantee rests on three things: mortality pooling, asset-liability management, and capital. Those capabilities sit on an insurer's regulated balance sheet, not inside a portfolio.

Why now, and how the market will be built

The retirement industry is increasingly recognizing that the next evolution of defined contribution plans is not simply to maximize accumulation, but to give participants greater access to retirement income solutions within their plan. For the first time, guaranteed income is moving inside the default architecture that made auto-enrollment and target date funds successful, supported by regulatory safe harbors. Income-embedded target date funds have crossed $100 billion in assets.[3] And because few firms possess all of the capabilities required to deliver these solutions at scale, the market will increasingly be built through partnerships across asset managers, insurers, recordkeepers, and plan fiduciaries.

For plan sponsors, consultants, and asset managers, the question is straightforward: is your DC plan's default design and decumulation toolkit fit for a world where retirement success will increasingly be measured by income outcomes, not just account balances?



Notes appear on page 21

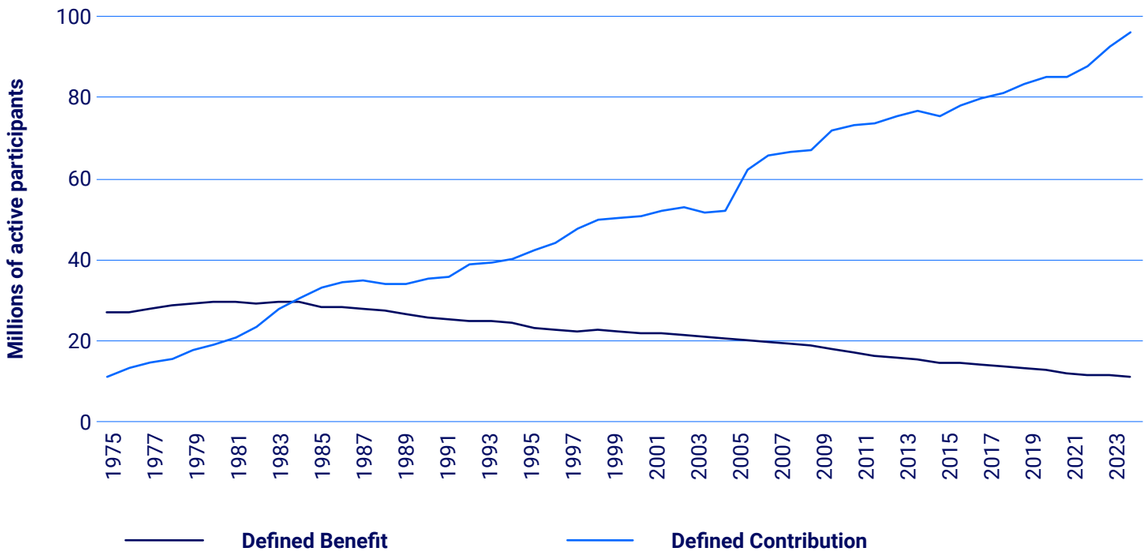
A Structural Gap in the Retirement System

For decades, retirement security in America rested on three pillars: a defined benefit pension that provided guaranteed monthly income, Social Security as a public floor, and personal savings as a supplement.

Those pillars have shifted. Active participants in private-sector defined benefit plans fell from 27.2 million in 1975 to 11.1 million by 2023,[4] and as of March 2024, only about 15% of private-industry workers had access to a defined benefit plan.[5] Confidence in Social Security's long-term adequacy has weakened as well: absent legislative action, projections indicate its reserves could be depleted in the early 2030s, implying automatic benefit reductions for current and future beneficiaries.[6] Much more of the responsibility for funding retirement has shifted to the individual.

The pillar that absorbed that responsibility, personal savings through DC plans, has grown enormously. DC plan assets reached $13.9 trillion as of the third quarter of 2025, serving an estimated 140 million participants.[7,8]

Figure 1. Active Participants in Private Sector Pension Plans, 1975-2023



But there is a fundamental misalignment between what these plans were designed to do and what retirees actually need. The 401(k) was engineered as an accumulation vehicle: optimized for getting money in, compounding it over decades, and growing it as efficiently as possible.

As a savings system, the DC plan has worked. It expanded access, lifted participation, and helped millions build meaningful retirement balances. Auto-enrollment, catalyzed by the Pension Protection Act of 2006, transformed participation rates, increasing participation by roughly 30 percentage points.[9] Auto-escalation pushed savings rates substantially higher. Target date funds, now holding $4.8 trillion in assets,[10] gave plans and participants a sensible default option that automatically adjusts risk over time. Getting money into the system and growing it efficiently is a problem that has largely been addressed.

But the DC plan was built for accumulation, and converting those savings into income was not part of the original design. Participants spend their careers inside a structure of sophisticated defaults: automatic enrollment, automatic escalation, a default investment that manages risk for them. Then they arrive at retirement and find the defaults end there with only a lump sum withdrawal available to access their savings. Many are left to solve the far harder problem of turning a balance into sustainable retirement income alone.

The behavioral consequences of this design gap are now visible across millions of households. In 2025 research published in the Financial Planning Review, David Blanchett and Michael Finke demonstrated that retirees are deeply reluctant to spend from their savings, even when they can easily afford to. By contrast, retirees spend approximately 80% of income they receive from lifetime sources (Social Security, pensions, and annuities), while spending dramatically less from their investment portfolios. As a result, converting retirement savings into guaranteed income can effectively double the amount retirees are willing to spend. This pattern exists across wealth levels, suggesting that it is the form of wealth, not the amount, that determines spending behavior.[2]

Consider a retiree with $500,000 in a diversified portfolio and $25,000 in annual Social Security income. On average, that retiree will spend freely from the Social Security but treat the portfolio as a reserve to be preserved rather than a resource to be enjoyed. Converting even a portion of that portfolio to guaranteed income changes the behavioral equation: the income is treated as spendable, akin to Social Security.

> **"Unless people purposefully want to leave behind a large bequest when they die, many retirees are denying themselves the opportunity to enjoy life by spending more of their savings." — David Blanchett**

A 2026 study from the Employee Benefit Research Institute echoes these findings. Tracking retiree households across three decades, the Health and Retirement Study found that assets aren't drawn down smoothly or completely: two decades into retirement, median household assets had fallen by less than half across every wealth group, and roughly a third of lower-asset retirees still held 100% or more of what they started with. The study also found that guaranteed income was closely associated with asset preservation late in life. Median assets for lower-asset retirees without a consistent income stream fell 89%; for those with pension income, the decline was 29%.[11]

The Alliance for Lifetime Income's 2024 Protected Retirement Income and Planning Study makes the emotional dimension concrete: 46% of consumers ages 45 to 75 acknowledge that spending their savings causes them anxiety. In the same body of research, nearly 60% of respondents reported they would feel more comfortable spending on nonessential activities with $10,000 of guaranteed annual income for life than with an additional $140,000 in savings, even though the two represent equivalent economic value.[12]

The DC system did what it was designed to do: help people save. Helping them turn those savings into income is the part still being built.

Notes appear on page 21

Notes appear on page 21

Why Voluntary Change Has Been Limited

Behavioral friction is persistent

The gap between the theoretical value of annuitization and its persistently low rates of voluntary purchase has been studied for decades. Common explanations include loss aversion (surrendering a visible account balance for a promise of future income), complexity aversion (the sheer number of product types and features), and framing effects (evaluating insurance as an investment rather than as protection). These barriers often peak simultaneously with retirement, when the decision feels irreversible and cognitive load is already high.

Access is uneven

The retail annuity market is primarily advisor-led. The typical path to guaranteed retirement income runs through a financial professional who evaluates products, explains trade-offs, and facilitates a purchase. This channel serves a meaningful segment of the population. But millions of DC plan participants rely on their plan alone and never seek, or have access to, professional guidance. While some participants will work with financial professionals to develop a broader retirement income strategy, others may rely primarily on their workplace plan. Bringing retirement income concepts into the plan helps ensure more participants begin thinking about retirement through the lens of income rather than simply accumulated assets and complements the expertise of financial professionals.

A fundamental role of the workplace plan is to improve preparedness, working alongside the advice participants receive. Participants who have spent years seeing retirement illustrated in terms of future income rather than only account balances arrive at retirement with a different perspective. They are better positioned to envision living their retirement and how guaranteed income alongside Social Security, pensions, investment portfolios, and other retirement resources can support that vision. For those who engage financial professionals, those conversations can become more focused on goals, tradeoffs, and retirement outcomes rather than first introducing the concept of retirement income itself.

And this is not a niche population; it is the majority of DC plan participants. For many of them, the workplace plan will be the first, and perhaps only, place where they begin thinking about retirement income.

The retail product mix reflects distribution dynamics

The pattern is visible in the industry's own sales data. Total U.S. retail annuity sales reached $464 billion in 2025, an all-time high. Yet sales of single premium immediate annuities (SPIAs) and deferred income annuities, the products that convert savings directly into guaranteed lifetime income, together totaled roughly $19 billion.[13] The gap reflects how these products are distributed and purchased more than the underlying need: 54% of Baby Boomer and Generation X investors report worrying about outliving their assets, up six points from a year earlier, yet fewer than one in five pre-retirees and retirees owns an annuity.[14]

Retail income annuity sales are heavily weighted toward Guaranteed Lifetime Withdrawal Benefits (GLWBs) attached to variable or fixed indexed annuities. Products built around account value and optional withdrawal benefits dominate individual annuity sales, with income annuities like SPIAs and deferred income annuities comprising a much smaller share. GLWBs have real merit, but the dynamics that drive their prevalence don't necessarily align with what produces the best outcome for every consumer.

GLWBs align well with the advisor-intermediated distribution model. Consumers retain an account value, maintain flexibility, and can benefit from market participation, attributes that integrate naturally with an ongoing advice relationship. These are legitimate product benefits, but they help explain why GLWBs dominate retail shelves while simpler income annuity structures, which may produce more guaranteed income per premium dollar, represent a smaller share of sales.

The institutional context poses a different design question: delivering effective income outcomes simply and at scale across a broad participant population. When the question is "how much guaranteed lifetime income does this premium dollar produce?" the answer often favors simpler, mortality-pooled structures.



Why Investments Alone Cannot Solve Longevity Risk

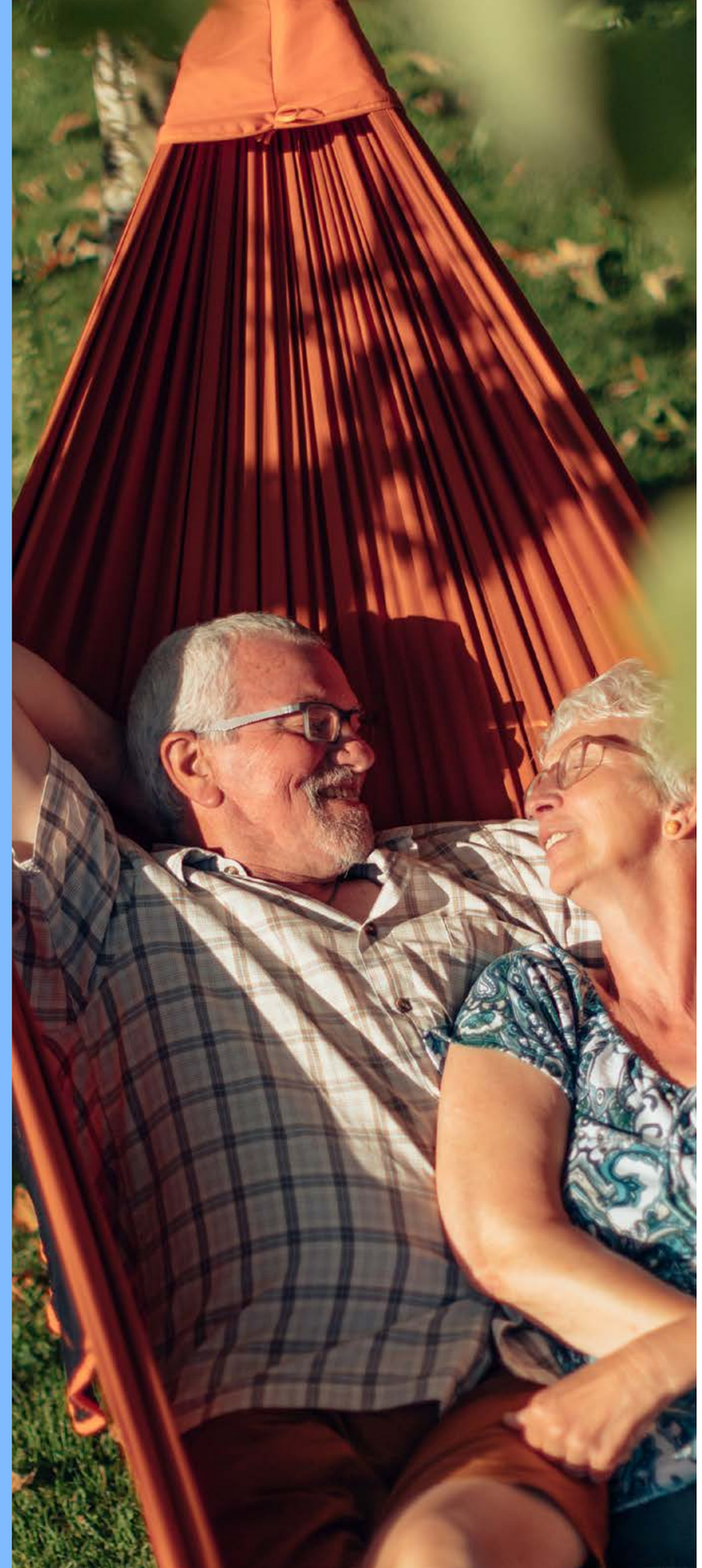
Any capable asset manager will ask: why can't the retirement income problem be solved with better portfolio construction and a smarter withdrawal algorithm?

Investment management has solved hard problems before. Glidepaths manage market risk across a working lifetime. Managed payout strategies can impose spending discipline. Advice can personalize the plan. All of these help, and all of them belong in the picture. None of them resolve the risk that sets retirement income apart.

That risk is not knowing how long the money needs to last. A 65-year-old might live 15 more years or 35. A portfolio can be diversified across asset classes, geographies, and time. An individual cannot diversify their own date of death. Planning to age 95 means underspending for the majority who will not get there. Planning only to average life expectancy means building a plan that many retirees will outlive. No withdrawal rate resolves that tension. The missing ingredient is pooling.

Pooling is what insurance does. When longevity risk is aggregated across a large population, individual uncertainty becomes collective predictability: an insurer does not need to know when any one person will die, only what a large pool will do on average. That is why a pooled lifetime income stream can pay sustainably more per dollar than any individual self-insurance strategy. By pooling longevity risk, every member in the pool is protected against the possibility of outliving their savings.

A lasting lifetime guarantee rests on three things: mortality pooling, asset-liability matching, and capital. Pooling converts individual uncertainty into group predictability. Asset-liability discipline keeps the promise funded across decades and market environments. Capital stands behind the promise when experience deviates from assumption. Asset managers do not lack these capabilities because of some shortcoming. These capabilities belong to a different business model, one built on a regulated balance sheet, actuarial pricing, and liabilities measured in decades. This is the specific role insurers occupy in retirement income, and it is why the solutions gaining traction pair an asset manager's glidepath with an insurer's guarantee.



What's Different This Time

The idea of in-plan retirement income is not new; the industry has discussed it for two decades. The challenge is that most solutions have required participants to take action.

The DC system's biggest gains in participation and diversification came when good decisions were built into the default plan design. Twenty years of plan data tells the same story. In DC plans, defaults scale and elections don't. The industry spent decades designing around participant inertia during accumulation. Yet at retirement, participants are still largely expected to act on their own.

Participant behavior bears this out. Ninety-eight percent of plans that automatically enroll employees use a target date fund as the default investment, and 69% of participants now hold professionally managed allocations, an all-time high.[15] Once defaulted, participants rarely act: in a typical year, only 1% of pure target date investors make a single trade, and roughly three-quarters of participant contribution-rate increases in 2025 came from automatic escalation rather than participant initiative. Whatever sits inside the default is what most participants will hold for their entire working lives.

Figure 3. Inside the Default, Inertia Does the Work

98% of auto-enrollment plans used a target date fund as the default	**69%** of participants hold professionally managed allocations, a record high
73% of 2025 contribution-rate increases were automatic, not participant-initiated	**<1%** of pure target date investors made a trade during the year

Sources: Vanguard, How America Saves; U.S. Government Accountability Office (GAO-24-105364); Fidelity Investments Q4 2025 participant data.

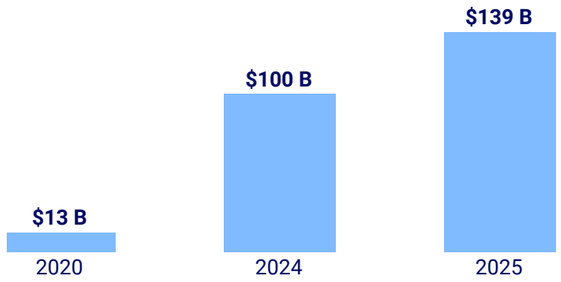
What's different now is that guaranteed income has moved inside the default investment strategy. Income-embedded target date funds position participants for lifetime income automatically, as part of the same default investment they were placed into decades before retirement. The sections below cover the regulation, the product designs, and the adoption data, but the placement inside the default is what actually changed.

1. Income now lives in the default

In-plan retirement income has moved from concept to implementation. Target date funds with embedded income features have grown from $13 billion in 2020 to $139 billion by year-end 2025, with assets increasing 39% during 2025.[16] Sway Research now tracks 17 income-embedded target date fund (TDF) products. Nuveen/TIAA's income-embedded platform held $72 billion in assets at year-end 2025, BlackRock's LifePath Paycheck reached $27 billion, State Street's IncomeWise held $22 billion, and AllianceBernstein managed nearly $14 billion in its custom Lifetime Income Strategy.

Figure 2. Income-Embedded Target Date Fund Assets

Assets in target date solutions with embedded income features, $ billions, year-end



Source: Sway Research, The State of the Target-Date Market.

These products generally work by gradually allocating to insurance contracts as participants approach retirement, often beginning between ages 50 and 55. By retirement, a meaningful minority of assets, typically 25–40%, may be positioned to support lifetime income, with participants retaining full liquidity in the remainder and the option not to annuitize.

It's important to distinguish automatic accumulation from irrevocable annuitization. In income annuity models, participants generally aren't defaulted into the final conversion decision, and for good reason: health, marital status, other income sources, and bequest intentions differ enormously at retirement, and defaulting anyone into an irreversible commitment would be imprudent. The accumulation path happens automatically, while the decision to convert assets into lifetime income remains with the participant.

What the default changes is the nature of that choice. Retirement was never going to be a passive moment; nearly everyone makes active decisions about distributions, rollovers, and Social Security. The design question is what options participants have when that moment comes. For a participant without an advisor relationship, it's a cold start at the worst possible time: research an unfamiliar product category, select a carrier, and irrevocably commit a large share of savings, all at once, under the cognitive load of retirement itself. Under the embedded model, the participant arrives already positioned, with the income allocation funded over years, priced at institutional rates, and increasingly visible on participant statements. The decision shifts from starting cold with an unfamiliar product to electing an income pathway the participant has been building toward: in whole, in part, or not at all.

Whether that reframing lifts conversion rates at scale is the open empirical question of the next five years; the first cohorts of automatically enrolled participants are only now reaching retirement. The longest-running evidence is mixed. At the institution with the longest history of embedded retirement income, where participants have converted savings to lifetime income for a century, annuitization still exceeds anything the voluntary retail market produces. Yet even there, the share of first-time income recipients choosing a life annuity fell from 61% in 2000 to 18% by 2018, as taking no income until required minimum distributions became the de facto default.[17] Participants follow the path of least resistance in decumulation just as they do in accumulation, which is why the design of that path matters. Design can also affect conversion rates: in one trial-period program that lets retirees experience annuity income for two years before committing, roughly half of participants went on to annuitize.[18] None of this means the election problem is solved. But it is the first design in the system's history that builds income automatically and leaves the irreversible decision to the participant. That decision also deserves a better frame than the industry has given it. In the defined benefit era, the first pension check was a milestone, the visible conclusion of a working life. Embedded income gives the DC system a way to restore that meaning: annuitization as the culmination of a lifelong journey of saving, something a participant arrives at and chooses.

Notes appear on page 21

2. Regulation is clearing the path

ERISA already provided a safe harbor for fiduciaries selecting annuity providers for plan distributions, and the SECURE Act of 2019 added a second one for selecting the insurer behind a guaranteed retirement income contract. Together they give fiduciaries a clearer path for evaluating insurers, mitigating a key perceived barrier to in-plan income.

The original SECURE Act also added lifetime income illustrations to participant statements, shifting attention from balances toward income. SECURE 2.0 went further, requiring automatic enrollment with auto-escalation for new 401(k) plans beginning in 2025.[19]

The Department of Labor's March 2026 proposed rule on fiduciary duties for selecting designated investment alternatives is a significant regulatory development for in-plan retirement income. Implementing Executive Order 14330, which identifies lifetime income strategies among the categories to be addressed, the proposal establishes a process-based safe harbor for fiduciary selection decisions across designated investment alternatives. Most importantly, the proposed framework confirms that the fiduciary standard continues to be "did you follow a prudent process," rather than "did you pick the cheapest option"—a distinction that continues to favor thoughtful evaluation of guaranteed income solutions over reflexive cost minimization.[20]

3. The case for guaranteed lifetime income

Among the various approaches to embedding income, structures that convert savings into guaranteed lifetime income, whether through deferred income annuities, SPIAs, or similar mechanisms, are worth a closer look.

Guaranteed lifetime income mirrors what most workers already understand: a predictable monthly payment that continues for life, regardless of market conditions. This is the same structure as Social Security and the defined benefit pension, the two income sources that behavioral research consistently shows retirees are most willing to spend. There is no benefit base to explain, no withdrawal percentage to calculate, no distinction between account value and guarantee value. The promise is straightforward: your savings are converted into an income you cannot outlive.

For participants guided by the conventional wisdom of the "4% rule," the widely cited guideline suggesting retirees can safely withdraw 4% of their portfolio annually, guaranteed lifetime income offers a meaningful upgrade on two dimensions. First, the 4% rule provides no actual guarantee; it is a probabilistic estimate that depends on sequence of returns, portfolio composition, and the retiree's actual lifespan. Guaranteed lifetime income removes those variables. The income is contractually committed regardless of market performance, and it continues for life regardless of longevity. Second, because annuity payout rates reflect the pooling of longevity risk, they typically deliver significantly more annual guaranteed income per dollar than a 4% self-managed withdrawal rate.

Both attributes, simplicity and guaranteed income per dollar, matter most in a default. An advised investor can tailor around complexity, but the millions of participants who will never receive personalized advice cannot. For them, a solution that is easy to understand and delivers the most guaranteed income per dollar of savings addresses the spending problem directly while preserving the ability to access more personalized guidance from a financial professional.

Embedding these solutions within a target date framework addresses one of the longstanding objections to annuitization: timing risk. Rather than requiring a single, high-stakes conversion at one point in time, the glide path can accumulate toward income gradually across interest rate and market environments, reducing the participant's exposure to any single point in time. The decision to convert savings to income is typically an irrevocable commitment. That irrevocability is what allows these structures to pool longevity risk and produce the highest guaranteed income per dollar. The accumulation path leading to that decision becomes incremental rather than all-or-nothing.

Allianz's 2025 research through its Center for the Future of Retirement found that 70% of DC participants would consider adding an annuity to their employer-sponsored plan if available, and 79% of those preferred contributing smaller amounts through payroll deductions rather than making a lump-sum purchase. The preference held just as strongly among participants with less than $200,000 in investable assets, many of whom are less likely to access retail advisory channels.[21]

Notes appear on page 21

4. Adoption confirms the mechanism

Plan sponsor sentiment is shifting. According to T. Rowe Price's DC Consultant Study, plan sponsors with no stated opinion on in-plan retirement income fell from 59% in 2021 to just 19% by 2024. The vast majority moved toward active engagement, with those offering or planning to offer a solution more than doubling from 8% to 18%, and most of the remainder now actively considering their options. Only a small fraction have evaluated and decided against.[22] MetLife's 2026 Lifetime Income Poll makes the shift explicit: 90% of DC plan sponsors now say the core purpose of a DC plan should be to serve as an income source during retirement, and 54% support defaulting a portion of savings into guaranteed income.[23] That sentiment is turning into plans: roughly one in five plan sponsors now offer or intend to add guaranteed income within the next two years.[24]

Participant demand is equally evident. In one industry survey, 93% of 401(k) participants now say that guaranteed lifetime income options are important, up from less than 60% in 2021.[25]

Providers are moving too. Most recently, Fidelity, the second-largest target date manager, announced in June 2026 a target date offering built around embedded lifetime income. Other top target date players, including Vanguard, BlackRock, and J.P. Morgan, have entered the category as well. When the incumbents that define the category choose to enter, the question shifts from whether embedded income will become an established feature of plan menus to how it should be evaluated.

The market has largely moved past whether the challenge exists. The harder question now is implementation.



The Workplace Advantage

Workplace-based retirement income solutions offer advantages across three dimensions: economics, governance, and reach.

Economics

In many cases, institutional pricing and plan-level scale can improve economics relative to individual retail purchases. Through plan-level purchasing, streamlined administration, and institutional pricing, participants may be able to access crediting and payout rates that are difficult to replicate on an individual basis. These efficiencies reflect the economics of purchasing through an employer-sponsored plan rather than differences in the value provided by advisor-led retail solutions, which often address broader retirement planning needs. The Institutional Retirement Income Council has modeled institutional cost advantages ranging from 20 to 60 basis points on investment funds, roughly 100 basis points on guaranteed withdrawal products, and 25 to 50 basis points on annuity payout rates. Compounded over a multi-decade retirement, those differences translate to considerably more income for the participant, though outcomes vary based on product design and implementation.[26]

Governance

ERISA requires plan fiduciaries to conduct a prudent selection and monitoring process, including evaluation of provider claims-paying ability and documentation of decisions. The fiduciary framework adds a layer of due diligence that individual consumers navigating the retail market cannot replicate on their own.

Reach

This may be the most significant advantage. The workplace retirement system reaches tens of millions at scale, including many who will never engage the retail annuity market on their own. That reach is also time-limited. Fidelity recordkept data covering separations from 2020 through 2024 shows roughly two-thirds of participants still holding assets in the plan in the year they separate, but only about one in five after five years.[27] Most retirees don't leave at retirement; they leave gradually, as needs emerge that the plan doesn't address. Embedding income in the plan's default investment path expands who has access to retirement income solutions while helping participants better understand the role guaranteed income can play within a broader retirement strategy. Greater familiarity and easier access may encourage more participants to evaluate guaranteed income thoughtfully, whether ultimately through the workplace plan, retail solutions, or a combination of both.

Notes appear on page 21

Evaluating the Solution Landscape

Plan sponsors and their consultants now face a growing set of implementable approaches to DC retirement income. No single design is universally optimal. Different plan populations, participant demographics, and plan philosophies may lead to different choices.

A central consideration is how income solutions are introduced to participants over time, whether through plan design, participant engagement, or individual decision-making at retirement. The Department of Labor's October 2014 Information Letter regarding the use of unallocated deferred annuity contracts as fixed income investments in target date funds and recent September 2025 advisory opinion confirming that income-embedded target date funds can qualify as a QDIA have further expanded the range of approaches available within the existing framework.[28]

What follows is organized by how participants encounter the solution, starting with approaches embedded in the plan's default investment and moving toward those requiring independent action.

1. Target date funds with embedded income opportunities

This is where the market is converging. Income-embedded TDFs integrate a lifetime income feature directly into the target date glide path, so participants accumulate toward retirement income automatically as part of their default investment. The asset manager selects the insurance carrier(s) as part of product design; the plan sponsor evaluates the total solution when choosing a TDF suite. Two broad families of guaranteed mechanisms have emerged.

In **income annuity models**, the TDF gradually builds an allocation toward guaranteed lifetime income by directing assets to an income-oriented sleeve during accumulation. At or near retirement, the participant can elect to convert that allocation via rollover into a predictable, lifetime income stream: a fixed amount, paid for life, mirroring the structure of Social Security and defined benefit pensions. Because this model avoids ongoing rider fees and benefits from mortality pooling, it tends to produce the most guaranteed income per premium dollar and carry the lowest all-in costs during accumulation.[29] The trade-off is liquidity: once converted, the income is irrevocable. If the participant does not elect to convert, the allocation continues to accumulate in the income sleeve and all existing distribution options (lump sum, installments, rollover) remain available. Annuitization is an additional pathway, not a replacement for the choices participants have today.

In **guaranteed lifetime withdrawal benefit (GLWB) models**, a group annuity contract guarantees a minimum lifetime withdrawal rate regardless of market performance. Participants retain full access to their account balance and the flexibility to start and stop withdrawals, and the guarantee activates without requiring a separate purchase decision at retirement. If the account is depleted, the insurer funds the guaranteed income for life. The trade-off is cost (rider fees can be substantial and reduce the total income produced per dollar invested) and the fact that the guarantee is expressed as a withdrawal rate from a benefit base rather than a fixed income amount, which can add complexity in participant communications.

Both families benefit from the default-driven wrapper: participants accumulate toward income automatically, without an active decision during their working years. The key distinction emerges at retirement, and Exhibit 1, at the end of this section, summarizes it: the choice involves trade-offs across income efficiency, liquidity, cost, and the clarity of the income promise to participants.

2. Managed accounts with income optimization

Managed account programs provide individualized portfolio management and can incorporate guaranteed income as part of a holistic strategy. This approach offers a degree of individualization that TDFs cannot match, tailoring income allocation based on age, balance, outside income sources, and Social Security claiming intent. Some implementations transition participants from a TDF to a managed account as they approach retirement, leveraging the strengths of both. The trade-off is higher cost and the requirement that participants opt into (or are defaulted into) the managed account service.

3. In-plan annuity marketplaces and purchase windows

Some plans offer participants the ability to purchase individual annuity contracts at or near retirement through an in-plan marketplace or distribution platform. Products may include SPIAs, deferred income annuities, or QLACs, and some platforms connect participants with multiple carriers to enable competitive pricing. These structures preserve participant choice and can leverage institutional economics. They do require an active election at the point of purchase, without the years of default accumulation and statement visibility that embedded designs provide: a behavioral barrier that has historically limited adoption, though plan-level education and decision-support tools can help.

4. Systematic withdrawal and managed payout strategies

Non-guaranteed approaches include both basic distribution features (partial withdrawals, installment payments) and purpose-built managed payout funds designed to generate a sustainable spending stream. The basic features are widely available and widely used, but they leave the participant to determine how much to withdraw and for how long. Managed payout funds attempt to impose more discipline but have seen limited adoption. Neither approach provides a contractual income floor, and neither, on its own, addresses the longevity risk that is at the heart of the retirement income challenge. They can serve as useful complements to guaranteed income, but they are not substitutes for it.

Exhibit 1. Comparing the Solution Families

Approach	Lifetime income guarantee	Default accumulation	Liquidity	Primary trade-off
Target date funds with embedded income (income annuity models)	Yes; fixed lifetime income on the converted portion	Yes (QDIA-eligible)	Full until conversion; converted income is irrevocable	Liquidity on the portion converted
Target date funds with embedded income (GLWB models)	Yes; minimum lifetime withdrawal rate	Yes (QDIA-eligible)	Full account access retained	Ongoing rider cost; less guaranteed income per dollar
Managed accounts with income optimization	Varies; guarantees optional	Yes (QDIA-eligible)	Full	Advice fees; outcome depends on engagement
In-plan annuity marketplaces and purchase windows	Yes, if elected at purchase	No; election required	Full until purchase	Relies on voluntary action
Systematic withdrawal and managed payout strategies	No	Yes	Full	No longevity protection

Notes appear on page 21

Notes appear on page 21

A Market Built Through Partnership

One more structural feature of this market deserves attention, particularly from asset managers and recordkeepers weighing their role in it. Few firms possess all the capabilities required to deliver DC retirement income at scale. In the open-architecture market, the solutions gaining adoption combine capabilities that historically sat in separate industries, and each is hard to replicate.

The asset manager owns the glidepath: how income fits within the default, and how the investment experience remains optimal. The insurer manufactures the guarantee: pooling longevity risk, managing assets against decades-long liabilities, and holding capital behind the promise. The recordkeeper makes the solution operational: connecting plan, fund, insurer, and participant data, and delivering the projections, education, and elections participants experience. And the plan sponsor, typically with its consultant, evaluates whether the assembled whole fits its population, then selects and monitors it. A connectivity layer is emerging around these roles as well: middleware specialists that link recordkeeping platforms, asset managers, and insurers, supporting a seamless participant experience and allowing income solutions to travel across platforms.

That division of labor is likely to persist, which is why partnership matters. Insurers are not positioned to replace asset managers, and asset managers cannot manufacture guarantees without becoming insurers. The firms that succeed in this market will be the ones that integrate most effectively with partners whose capabilities complement their own. For fiduciaries, that means evaluating the full solution: the glidepath, the guarantee, the connections between them, and the staying power of each partner.

Exhibit 2. Four Roles, One Solution

Role	Distinct contribution
Asset manager	Glidepath design and portfolio construction; where income fits within the default; the investment experience through accumulation and retirement
Insurer	Longevity risk pooling; pricing and manufacturing the guarantee; managing assets against long-duration liabilities; capital behind the promise
Recordkeeper	Data connectivity across plan, fund, and insurer; participant projections, education, and elections; operational scale
Plan sponsor and consultant	Fit assessment for the participant population; prudent selection; ongoing monitoring of the solution and its parts



Attributes for an Insurance Partner

Selecting an insurance carrier for a retirement income solution is selecting the counterparty to a multi-decade promise.

A participant who begins accumulating towards guaranteed income at age 55 may not begin receiving payments until age 65 and may need those payments to continue until age 95 or beyond. That is a 40-year relationship. Fiduciary process and due diligence should, among other things, focus on the potential duration of the guarantee.

In most embedded income structures, the asset manager selects the insurance carrier as part of product design, evaluating financial strength, pricing sustainability, and operational capability before bringing a solution to market. Plan sponsors and their consultants then evaluate the total solution, including who stands behind the guarantee. The criteria below often apply at both levels of the decision.

Mortality pooling, asset-liability matching, and capital are what a lifetime guarantee rests on, and none of the three are visible in a rate quote. A carrier that matches long liabilities with long, high-quality assets may earn less spread today but is far less dependent on favorable markets over the decades ahead. Capital is what stands behind the promise when experience deviates from assumption.

The uncomfortable implication is that a carrier can win business on rate by taking more investment risk, holding less capital against the promise, or assuming favorable mortality. None of those choices is immediately visible in a rate comparison, and their consequences may not surface for years. For a guarantee expected to last decades, evaluation should extend beyond the initial payout rate to the strength of the assumptions and balance sheet behind it.

Financial strength and resilience.

The guarantee is only as strong as the carrier behind it. Current financial strength ratings are a necessary starting point but not sufficient on their own: the highest-rated carriers represent a distinctly different risk profile than those a tier or two below. Evaluating how a carrier has performed across economic cycles can provide useful insight into risk management discipline and long-term resilience.

Operational integration.

Recordkeeper connectivity, participant communications, income projections, portability provisions, and service infrastructure all shape participant outcomes. Solutions that integrate smoothly with major recordkeeping platforms and provide portability protections, allowing participants to retain their income guarantees across job changes, reduce friction for both sponsors and participants.

Ownership structure and strategic commitment.

Carriers operate under a variety of ownership structures, each with different implications for capital management, governance, and strategic priorities. Mutual companies align obligations to policyholders rather than public equity shareholders, which can reduce short-term earnings pressure and create a natural orientation toward long-duration commitments. Stock companies may offer greater access to capital markets for growth and innovation. Carriers with private equity backing can bring capital markets expertise and asset sourcing capabilities, though their ownership structure may introduce different priorities around investment horizon and capital allocation. Structure alone doesn't determine quality, but it isn't neutral either. Ownership determines who bears the tail risk of the guarantee, who captures the investment spread, and whose time horizon governs investment decisions in volatile markets. Fiduciaries weighing a multi-decade promise should understand whose interests a carrier's capital ultimately serves, over what horizon, and whether retirement income is a permanent, core business rather than an opportunistic line that expands in favorable markets and contracts when conditions shift. A carrier with decades of continuous commitment to guaranteed income products, through multiple economic cycles, offers a track record that newer or more episodic participants in the market cannot yet match.

Notes appear on page 21

Partnership orientation.

The retirement income market is still taking shape, and the solutions that exist today will evolve. Asset managers and plan sponsors should evaluate whether a carrier approaches the relationship as a long-term strategic partnership: bringing intellectual capital alongside financial capital, a willingness to co-develop solutions, invest in research and participant engagement tools, and iterate as participant behavior, regulatory guidance, and market conditions change. In a market where the first generation of embedded income products is just now reaching scale, a carrier's capacity and appetite for ongoing innovation is as relevant as the strength of its balance sheet.

Carrier selection matters, but plan sponsors first have to decide whether retirement income belongs in the plan. The case for evaluating it is stronger than it has been.

Investment philosophy and pricing sustainability.

Carriers that achieve higher crediting rates through more aggressive general account investment strategies may be introducing risks that are not immediately visible. A prudent evaluation considers the carrier's asset-liability matching discipline, the credit quality and diversification of its general account portfolio, and whether its pricing is sustainable across interest rate environments and economic cycles, not just attractive in the current one. The most competitive rate today may not come from the most durable balance sheet. Well-matched investment portfolios may produce lower income while offering greater confidence that the insurer can honor its commitments decades from now.



The Choice Facing Plan Sponsors

For the tens of millions of Americans who participate in employer-sponsored plans, the DC system has been remarkably effective at building savings. Auto-enrollment, auto-escalation, and target date funds transformed participation and savings rates in ways that seemed implausible a generation ago.

The savings challenge has been addressed. But the 30 million Americans retiring by 2030 need help spending: confidently, sustainably, and without the anxiety that research consistently shows accompanies the depletion of investment portfolios.[30] What they need now is help turning savings into income.

Conditions have never been more favorable. Regulatory safe harbors have mitigated legal risk. Product innovation has created embedded solutions that reduce behavioral friction. Institutional pricing can deliver better economics than the retail market. And the research is increasingly consistent on the impact that guaranteed income has on retiree well-being and spending behavior. Industry momentum, from the rapid growth of income-embedded TDFs to the near-universal interest expressed by plan sponsors, means sponsors increasingly have an opportunity to evaluate whether their current plan design fully supports participants through retirement.

Retirement income is not a one-size-fits-all problem. Participants differ in their financial resources, health, family structure, risk tolerance, and preferences for liquidity and legacy. No single solution fully addresses these differences.

Guaranteed lifetime income can play a valuable role within a broader retirement strategy that may also include Social Security, pensions, systematic withdrawals, investment portfolios, and personalized financial advice. The objective is not to replace flexibility with guarantees or to suggest that every participant needs the same solution. Rather, it is to provide participants with a stronger foundation for making retirement income decisions that reflect their individual goals, circumstances, and preferences.

In many ways, retirement income deserves to be viewed through the same lens as diversification during accumulation. Few investors would rely on a single asset class throughout their working years. Similarly, retirees often benefit from diversifying sources of retirement income. Guaranteed income can provide one source of certainty alongside other retirement resources, allowing participants and their advisors to construct retirement strategies that balance income security, flexibility, liquidity, growth potential, and legacy objectives.

Plan design has already shown how much it can improve saving behavior. The next challenge is applying the same discipline to retirement income.

The next evolution of the retirement system is helping participants understand how savings become retirement income. Workplace plans, financial professionals, insurers, asset managers, and plan sponsors all have important roles to play. The stronger those connections become, the better positioned participants will be to make informed retirement decisions and retire with greater confidence.



Notes

This paper is intended for informational and educational purposes only. It does not constitute legal, investment, or fiduciary advice. Plan sponsors should consult their own legal and financial professionals when evaluating retirement income solutions and selecting insurance providers.

1. Morningstar, 2026 Retirement Plan Landscape Report: gross DC plan outflows exceeded $650 billion annually from 2020–2024. The $3 trillion figure extrapolates recent outflow rates through the end of the decade; McKinsey (April 2025) projects continued net outflows through 2030.
2. David Blanchett and Michael Finke, "Guaranteed Income: A License to Spend," Retirement Income Institute Research Paper No. 28, June 2024; and "Retirees Spend Lifetime Income, Not Savings," Financial Planning Review, 2025.
3. Sway Research, The State of the Target-Date Market. Aggregate assets across income-embedded TDF products from multiple providers, including BlackRock, Nuveen/TIAA, State Street, AllianceBernstein, and Nationwide; not attributable to any single firm. Definitional boundaries vary: Morningstar's stricter count of TDFs with embedded annuities was roughly $42 billion across 13 series as of March 2026; broader tallies including managed account programs such as TIAA RetirePlus exceed $117 billion.
4. Congressional Research Service, "A Visual Depiction of the Shift from Defined Benefit (DB) to Defined Contribution (DC) Pension Plans in the Private Sector," IF12007, updated March 2026. Active DC participants 93.4M (2023); DB participants 11.1M (2023), down from 27.2M in 1975.
5. U.S. Bureau of Labor Statistics, The Economics Daily (March 2024): private-industry DB access (~15%) and participation (~10%).
6. Congressional Budget Office: Social Security trust fund depletion projections (early 2030s) and potential benefit reductions absent legislative action.
7. Investment Company Institute, "The U.S. Retirement Market, Third Quarter 2025," published January 2026. DC plan assets at $13.9 trillion.
8. PLANSPONSOR, 2025 Recordkeeping Survey. DC industry approaching $13 trillion with ~140 million participants.
9. Vanguard, How America Saves 2026: 94% participation among automatically enrolled employees in 2025, versus 64% under voluntary enrollment.
10. Morningstar, "2026 Target Date Fund Landscape." Total TDF assets at $4.8 trillion at year-end 2025.
11. Employee Benefit Research Institute, "Asset Decumulation Over Retirement and the Role of Guaranteed Income Streams," Issue Brief, April 30, 2026 (1992–2022 Health and Retirement Study waves). Median nonhousing assets fell 43%, 30%, and 42% for low-, middle-, and high-asset households by 21–22 years postretirement; 33% of low-asset households retained 100% or more; without consistent income flows, low-asset medians fell 89%, versus 29% with pension income.
12. Alliance for Lifetime Income, 2024 Protected Retirement Income and Planning (PRIP) Study. Survey of 2,516 consumers ages 45–75.
13. LIMRA, U.S. Individual Annuity Sales Survey, full-year 2025 final results (March 2026). Total retail annuity sales of $464.1 billion; single premium immediate annuity sales of $14.4 billion; deferred income annuity sales of $4.8 billion.
14. Alliance for Lifetime Income by LIMRA, 2025 Protected Retirement Income and Planning (PRIP) Study, as cited in LIMRA's fourth quarter 2025 annuity sales reporting.
15. Vanguard, How America Saves 2026 (69% in professionally managed allocations at year-end 2025; roughly 1% of single-TDF investors traded during the year); U.S. Government Accountability Office, GAO-24-105364 (98% of automatic-enrollment plans defaulted to a target date fund); Fidelity Investments, fourth quarter 2025 (roughly 73% of contribution-rate increases were automatic).
16. Sway Research, "The State of the Target-Date Market: Year-End 2025." Income-embedded TDF assets grew from $13 billion in 2020 to $139 billion by year-end 2025, a 39% increase during the year; 17 products tracked.
17. Jeffrey Brown, James Poterba, and David Richardson, "Trends in Retirement and Retirement Income Choices by TIAA Participants: 2000–2018," Journal of Pension Economics and Finance (2023). Over the period, the share of first-time income recipients taking no income until required minimum distributions rose from 10% to 52%.
18. TIAA Institute, "Annuity Trial Periods: Design and Implementation" (2026): 52% of Income Test Drive participants annuitized their balances following the two-year trial period.
19. SECURE Act of 2019, §203 (lifetime income disclosure on participant statements); SECURE 2.0 Act of 2022 (QLAC dollar cap increased to $210,000, indexed; automatic enrollment required for new 401(k) plans effective 2025).
20. U.S. Department of Labor, "Fiduciary Duties in Selecting Designated Investment Alternatives," proposed rule, Federal Register, March 31, 2026 (Doc. 2026-06178), implementing Executive Order 14330; comments closed June 1, 2026. The executive order names lifetime income strategies among the categories addressed; the proposed safe harbor applies to designated investment alternatives generally.
21. Allianz Center for the Future of Retirement, 2025. 70% of DC participants would consider in-plan annuity; 79% prefer payroll deduction; 81% among those with less than $200,000 in investable assets.
22. T. Rowe Price, 2024 DC Consultant Study. Plan sponsor "no opinion" on income solutions: 59% (2021) to 19% (2024). Offering/planning to offer: 8% to 18%.
23. MetLife, 2026 Lifetime Income Poll, fielded February 2026 among 242 defined contribution plan sponsors.
24. Fidelity Investments, "The Rise of Retirement Income in DC Plans" (July 2026). Fidelity plan sponsor panel workplace retirement income survey, February 2026, among 130 plan sponsors.
25. TIAA participant research. 93% of 401(k) participants say guaranteed lifetime income is important (up from <60% in 2021).
26. Institutional Retirement Income Council, "Delivering Additional Income Through Lower-Cost Products and Services Available in the Defined Contribution Industry" (2021). Figures are modeled scenarios rather than measured market averages.
27. Fidelity Investments, "The Rise of Retirement Income in DC Plans" (July 2026). Fidelity recordkept data as of December 31, 2025, among participants age 60 and older separated from their employer. Figures reflect the share of participants with assets remaining in the plan in each year following separation; some reductions may reflect plan deconversions rather than participant asset-retention behavior.
28. Department of Labor information letter to J. Mark Iwry, Senior Advisor to the Secretary and Deputy Assistant Secretary for Retirement and Health Policy at the Treasury Department, dated October 23, 2014. Confirmed that target date funds using unallocated deferred annuity contracts can qualify as a QDIA under ERISA §404(c)(5); Department of Labor Advisory Opinion 2025-04A (September 2025). Confirmed that a target date fund with an embedded lifetime income feature can qualify as a QDIA under ERISA §404(c)(5).
29. Morningstar, "Guaranteed Income in Defined Contribution Plans: Evaluating Target-Date Funds with Built-In Annuities" (2026): explicit GLWB rider fees of roughly 1% versus minimal accumulation-phase costs for income annuity structures.
30. Alliance for Lifetime Income / Retirement Income Institute, "Peak Boomers" (30.4 million born 1959–1964 turning 65 between 2024–2030).

Notes appear on page 21

September 2026

To learn more, please contact

Daniel M. Klatzkin
Institutional Retirement Income Solutions Leader,
New York Life Insurance Company

Daniel_M_Klatzkin@nylim.com

New York Life Insurance Company
51 Madison Avenue
New York, NY 10010
www.newyorklife.com

9090933

© 2026 New York Life Insurance Company, New York, NY. All Rights Reserved. NEW YORK LIFE, and the NEW YORK LIFE Box Logo are trademarks of New York Life Insurance Company.