

Retirement Income Market Overview

Where It's Been, Where It is Today
And Where It Needs To Go

This report discusses the various options currently available with which to craft a Retirement Income strategy, offerings by key providers, distribution and marketing strategies and our insight into the future of Retirement Income.

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Boomers Are Just Now Reaching Retirement Age

The “Baby Boomer” generation is just beginning to retire. Boomers are now between the ages of 47 and 65 and make up 28% of the U.S. population. Because of their sheer numbers, boomers have had a large impact on everything and every market they have touched to date. Their retirement will be no different.

The following table shows the relative growth of the population over age 65 as the Boomer generation retirees over the next 25 years.

Over the next 15 years a fundamental shift will occur in the asset management and retirement services industries as gross outflow of a projected \$17 trillion of Employer-based retirement plan assets is used to fund the income needs of retired participants. In 2010 alone, disbursements for all Employer-based plans in the form of benefit payments, withdrawals and lump sum cash outs are estimated to be \$700 billion or about 7% of total private and public sector institutional retirement plan assets.

A generation ago the retirement model was fairly straightforward. Many employees could expect “guaranteed” lifetime benefits from Social Security and a Defined Benefit (DB) pension plan, supplemented in some cases by a voluntary Defined Contribution (DC) plan. Section 401(k) plans were a brand new (and largely supplemental) option, available to a relative handful of employees. Today Boomers face a different landscape – they can expect to live longer, they must rely heavily on personal savings and Defined Contribution plan assets to support them in retirement, they face a Social Security system at risk, the possibility of outliving their assets, they are seeing dramatically rising health care costs (the expected present value of lifetime uninsured health care costs for a typical married couple age 65 is about \$260,000, including insurance premiums, out of pocket costs, home health costs, and nursing home care) and they have expectations for a much more vibrant retirement lifestyle than previous generations. Many also have assumed responsibility for caring for grown children and parents.

