



THE FUTURE OF RETIREMENT INCOME STUDY

Seeing the future

It's not getting any easier to predict the future, or how changing conditions will affect your consumer retirement strategies.

Inside, you'll learn about an often overlooked retirement strategy that can guarantee retirement income for your future no matter what the future holds.

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Introduction

Is it possible to predict the future? When it comes to retirement, our research shows most people cannot.

Here's the good news: You don't need to predict the future to prepare for it. You have the power to make decisions today that will directly impact how you live tomorrow, and, in particular, how much income you will have.

Genworth's new The Future of Retirement Income study delves into people's perceptions about retirement, and reveals the accuracy of their predictions.

Read on for the full story.

About the Research

During 2012 Genworth conducted the **Future of Retirement Income** study. This intensive research study was focused on consumers and financial professionals to uncover new insights on the state of retirement income planning:

- In-depth interviews with financial professionals
- Focus groups with both consumers and financial professionals
- A quantitative online survey of 1,340 retired consumers and pre-retirees
- A quantitative online survey of 300 financial professionals*

Presented results represent statistically significant findings tested at 95% and 90% confidence intervals.

*Quantitative surveys conducted by Directive Analytics.

What does your future hold?

Almost three quarters (73%) of pre-retirees think they will retire when planned. (Figure 1) Yet they may find that life has other plans for them.

Just 48% of retirees surveyed did in fact retire when they expected to. 46% retired sooner than planned, primarily because of job loss. In other words, the future can be hard to predict.

36% of study participants who retired sooner than expected did so because they had lost their job or had been encouraged to take early retirement.

Among participants in Genworth's research who retired sooner than expected, 36% did so because they had lost their job or had been encouraged to take early retirement. 25% said they retired early because they "did not want to work anymore." And 12% said their early retirement came about because they had saved more money than they had expected to (Figure 2).

In fact, according to data from the Employee Benefit Research Institute (EBRI), for the past 11 years people have consistently retired earlier than expected due to a wide range of causes.¹

Figure 1:
Pre-retirees' predictions may not be accurate

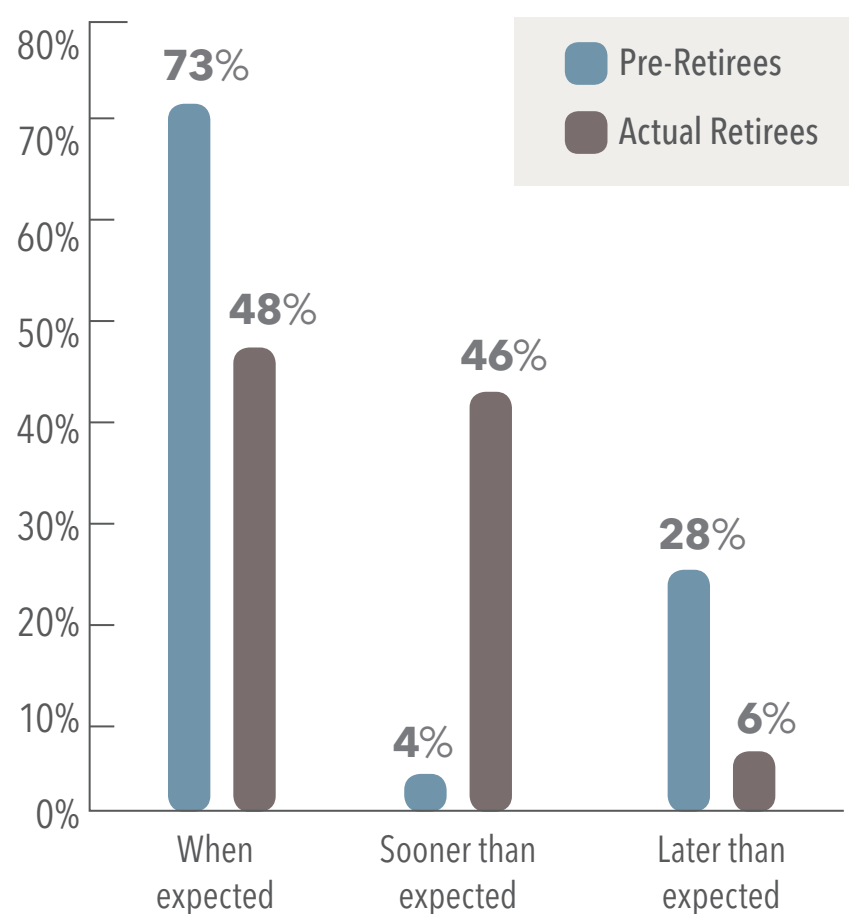
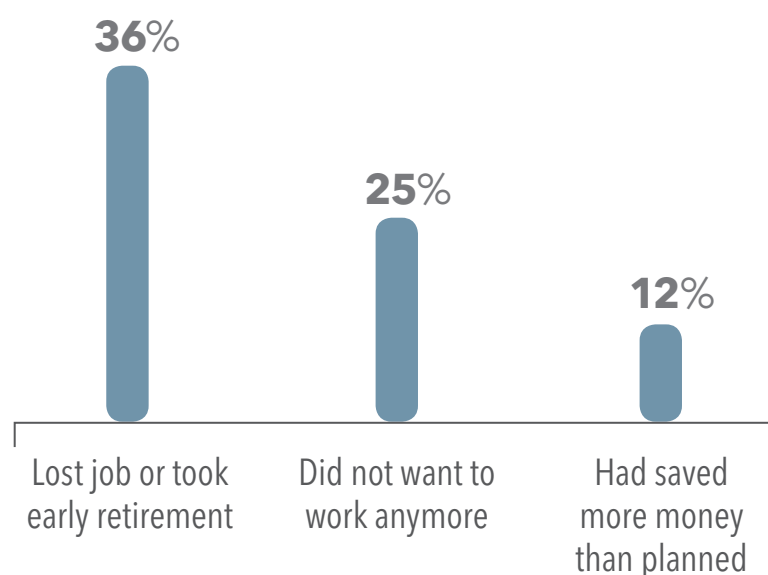


Figure 2: For many, job loss drives early retirement



? Why did people retire early?

¹ Helman, Ruth, Nevin Adams, J.D., Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D. "The 2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many." EBRI.org. Employee Benefit Research Institute, n.d. Web.

Number one goal: Have enough money

While the majority of people who have not yet retired still believe they will be able to do so at a time of their own choosing, 28% acknowledge that their retirement may not occur as planned.

Why not? 76% of pre-retirees said they will not have enough money. 36% said their expenses may be too high for them to retire when they want to (Figure 3).

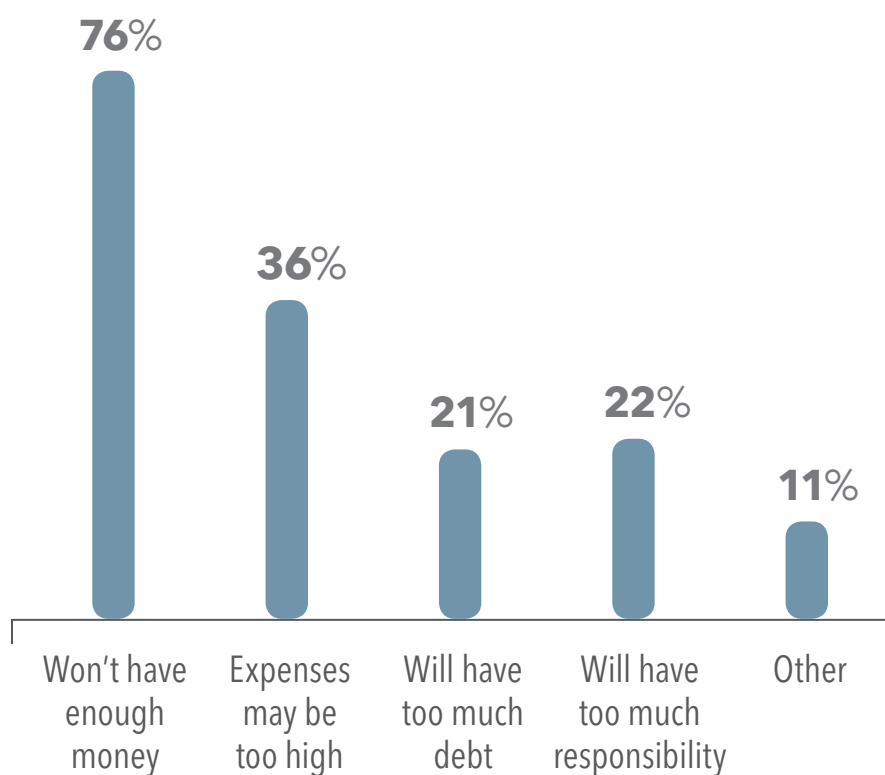
Unfortunately, the experience of actual retirees shows these money concerns may be justified. While 54% of pre-retirees expected expenses to decrease in retirement, 64% of actual retirees found expenses increased or stayed the same once they retired (see Figure 4 for more details).

Part of the reason is “senior inflation.” According to The Wall Street Journal, prices for things consumed by seniors—such as medical services, home healthcare, and nursing homes—have experienced significantly more inflation than the official consumer price index.² No wonder, then, that not having enough money and facing rising expenses were such important concerns to participants in our research.

In fact, here are just a few quotes from our focus group participants:

- “I found your income needs don’t go down when you retire.”
- “I spend more each month than I bring in on my pension.”
- “Cost of living can erode your net.”

Figure 3: Retiring depends upon having enough money



? Why don't people expect to be able to retire when they want to? (Participants were instructed to pick all that apply)

Figure 4: Costs keep rising, even in retirement

Expense	Retirees reporting an increase
General Cost of Living	77%
Healthcare	41%
Real estate/mortgage	26%
Financial dependants	18%
Debt	9%
Long term care	9%

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² Arends, Brett. “The Danger in ‘Senior’ Inflation: For Aging Americans, Rising Prices Will Take An Even Bigger Toll.” Online.wsj.com. The Wall Street Journal, 27 Feb. 2008. Web.

Uncertainty is certain

Retirement is out there to discover. You may just need to make some different moves than you originally planned to prepare for the unpredictable.

Building diverse portfolios that include annuities is one way people can have more control over their financial futures, particularly when it comes to income. Annuities can provide guaranteed lifetime income in exchange for a premium. That promise makes annuities particularly relevant in a world of uncertainty and market volatility.

Annuities can
provide guaranteed
lifetime income.

In general, you buy an annuity with a lump sum or a series of payments. In return, your premium is paid back to you, along with any earnings, over a certain amount of time.

Many annuities offer the choice of a lifetime payout: the longer you live, the more income payments you receive. And with deferred annuities, your money can grow tax-deferred until you decide to begin your annuity income stream.

85% of annuity owners agreed that **"A predictable income stream is critical to my ability to have the retirement I envision."**



Annuity buyers may have hesitations

Even with annuities' potential for income and tax-deferred growth, our research shows that some consumers are hesitant to purchase one. The reasons:

- 58% of consumers believe they already have enough predictable income to satisfy their retirement needs. As we have seen, however, when people predict the timing and cost of retirement, they can be setting themselves up for a disappointing retirement.
- 53% of consumers who are considering annuities have second thoughts because they would rather invest directly in the market.
- 52% object to annuities because they are not comfortable investing money they can't access without penalty for a period of time.

52% object to annuities because they are not comfortable with a product where they can't access their money without penalty for a period of time.

In terms of access to their money, however, 78% of people who own annuities are, in fact, satisfied.



Annuity owners see the value

91% of annuity owners had positive or neutral impressions of them, compared to 68% of non-owners (Figure 5).

The Power of a Plan

Genworth research shows that simply having a plan can boost your confidence, and make abstract risks and fears seem more manageable.

In fact, 59% of people with a written plan feel they will have enough money for the rest of their lives, while only 45% of those without such a plan feel they will have enough. And 74% of pre-retirees with a written plan feel comfortable with their retirement strategy, versus 44% of those without a written plan (see Figure 6).

91% of annuity owners had positive or neutral impressions of them.

Figure 5: Annuity owners like them more than non-owners

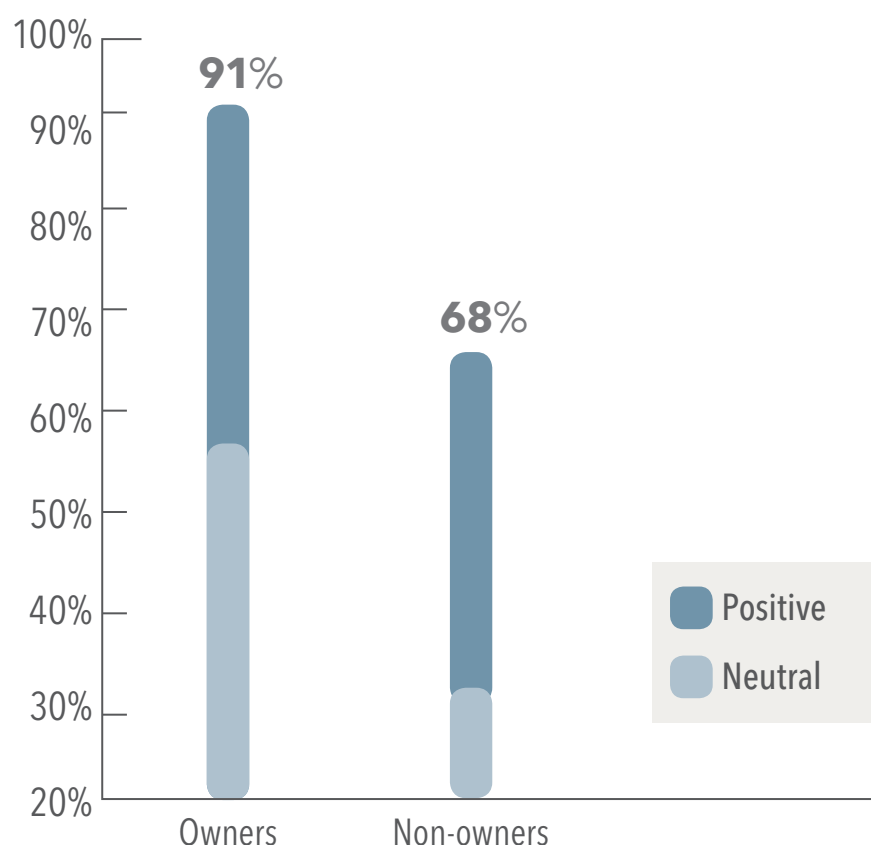
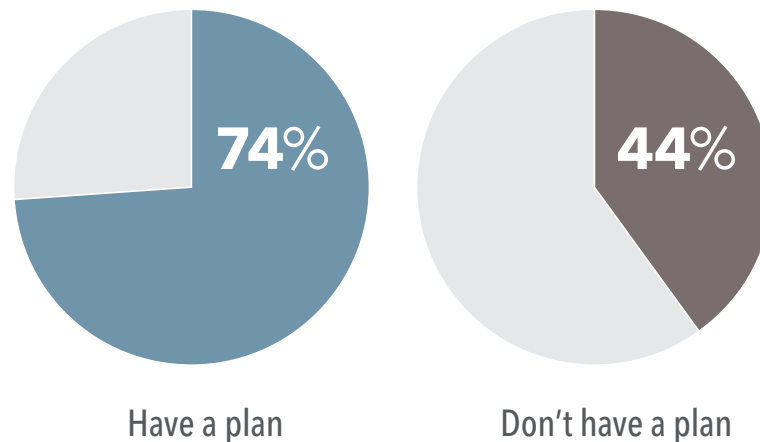
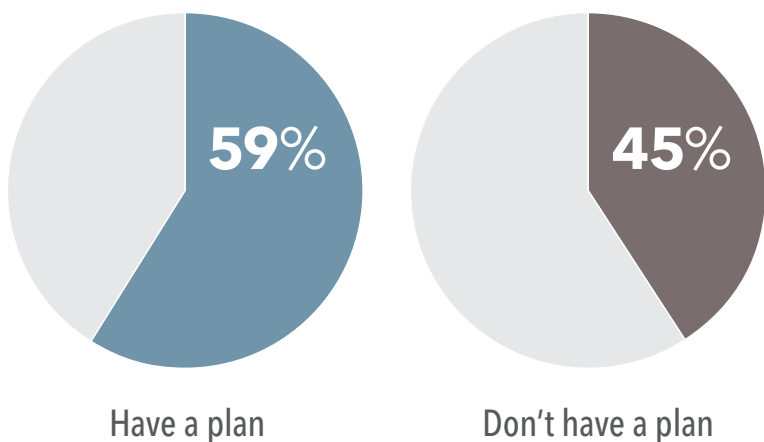


Figure 6: People feel more confident and comfortable when they have a written plan

Confident their money will last their lifetime

Pre-retirees confident their money will last their lifetime



A retirement to rely on

A happy and prosperous retirement is what you look forward to during the decades you spend working and saving. Yet the future is difficult to predict.

You might not have as much time to save as you had expected. Your expenses in retirement might be higher than planned, and your income could be lower. And in today's volatile environment, trusting in steady, reliable growth of your nest egg can be a risky proposition.

Even with all this uncertainty, you can take steps now to plan a retirement you can rely on. An annuity might be part of the solution. It can help you guarantee a stream of income for your whole life, regardless of what the

markets do, or the length of time for which you need income. And some annuities are designed to help you benefit from growth in the market, without the downside risk of direct investment.

Talk with a financial professional to learn more about the different types of annuities available to you, and how they can protect the future of your retirement income.



Annuity guarantees are based on the claims paying ability of the issuing insurance company.

Withdrawals/surrenders have the effect of reducing the contract value and death benefit. Withdrawals/Surrenders of taxable amounts are subject to ordinary income tax and if taken prior to age 59½ an additional 10% federal penalty tax.

Insurance and annuity products:	Are not deposits.
Are not guaranteed by a bank or its affiliates.	May decrease in value.
Are not insured by the FDIC or any other federal government agency.	

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