

**2026**

# **Lifetime Income Report**

Closing the Gap Between Savings and Security



# Introduction

For decades, working Americans have been told that if they save diligently in their 401(k) or other defined contribution (DC) plans, they'll be rewarded with a secure and comfortable retirement. But the reality facing today's retirees is more complex, and in many cases, unsettling.

Our analysis reveals a persistent and troubling truth: even retirees who were able to save during their working years often live in fear and uncertainty about whether their savings will last. This "retirement confidence gap" — the disconnect between what people have saved and how secure they feel — is driving a wave of anxiety, underspending, and diminished quality of life in retirement. Financial security in retirement requires guaranteed lifetime income—a promise that you will not outlive your money. Today's solutions built around 401(k)s have failed to turn retirees' savings into sustainable income for life.

While Social Security does represent lifetime income in the form of guaranteed monthly benefit payments, the benefit amounts are not enough to sustain most Americans and must be supplemented by additional retirement savings. For the purposes of analysis in this report, Social Security benefits will be assumed as part of retirees' regular income.

To be fair, 401(k)s and other DC plans were never designed to deliver lifetime income. Historically, guaranteed lifetime income was ensured by Defined Benefit (DB) Pension Plans, while DC plans were intended to be a supplemental savings arrangement. Over time, corporate America froze and closed many of its pension plans, and the 401(k) became the dominant employment-based retirement program. During that time, the industry implemented many improvements to DC plans, which have dramatically increased their prevalence, improved utilization, driven Americans to save more for retirement, and improved investment diversification and outcomes. But delivering a reliable monthly income is not what these plans were designed for. Now that masses of Americans are retiring with most or all of their retirement savings in these accumulation vehicles, this shortcoming is becoming impossible to ignore.

The market is working on solutions to solve America's retirement income problem. Products are being created and promoted within DC plans, but, as we will see, they leave a lot to be desired. On the other hand, DB plans have long been the preferred vehicle for delivering lifetime income. And though traditional forms have fallen out of favor, a new generation of DB plans is emerging, which could solve the lifetime income puzzle without burdening employers with the risks associated with traditional DB plans.

The path forward is moving beyond simply encouraging saving or offering products; it is building lifetime income systems that truly work for people. In this paper, we will explore these solutions as well as the fundamental notion of what a secure and comfortable retirement looks like.

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# 1. The Fundamental Challenge: Life Expectancy Doesn't Mean What Most People Think

When most people think about life expectancy, they imagine a single number — the number of years they are likely to live after retirement. But the reality is quite different. Life expectancy varies substantially from person to person by gender, genetics, lifestyle, health, socio-economic status, and dozens of other factors. Determining every factor is also nearly impossible.

Far worse, life expectancy reflects the average lifetime for a large group of similar individuals but tells us very little about the length of any one individual's life. As such, it is a useful tool for actuaries dealing with large groups, but even with the best information available, it is largely useless for a single person. As an illustration, if you were to look at 10 retirees, only four would pass away within five years on either side of their expected age. The majority — roughly three in each direction — would live substantially shorter or longer than predicted. The implication is that, if you were to budget to spend your retirement savings over your life expectancy, you are more likely to run out of money long before you die or to die with most of it unspent than you are to be reasonably close in your planning.

## The Problem with Self-Managing Retirement Income

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**Out of 10 Retired Aged 65:**

3 will die  
**more than 5 years before**  
their Life Expectancy



Only 4 will die  
**within 5 years of**  
their Life Expectancy



3 will live  
**more than 5 years past**  
their Life Expectancy



The wide variability of life expectancy makes retirement planning extraordinarily difficult. After decades of working and saving, retirees are left with an impossible puzzle: how to stretch their money to last a lifetime without knowing how long that lifetime will be. Spend too quickly and the risk is running out of money too soon. Spend too cautiously, and the risk is living far below one's means and missing out on the very experiences that retirement is meant to offer.

The way to address this uncertainty is through what actuaries call risk pooling. In a pooled system, a group of individuals trade their accumulated savings for a stream of payments guaranteed to last for their lifetimes. This pooling of risk allows actuaries to calculate average life expectancy and apply it to the whole group. Even though this life expectancy doesn't tell you much about any individual, as discussed above, for a group, even of modest size, this projection tends to be accurate and stable. Implicit in this trade is the understanding that many individuals will live shorter lives than the average, and many others much longer. But given that no one knows in advance where they will land on this spectrum, everyone gains the security of knowing that their income will last for their entire lives, however long that ends up being.

It is the equivalent of buying home insurance. Criminal acts aside, no one knows whose home will burn down in any given year, though we can be confident that some number of houses will. Everyone buying the insurance benefits knows that if their house is impacted, they will be protected, and if not, then their premiums will go to support the ones who were. The principle in longevity pooling is similar - by spreading longevity risk across a group, the system provides a level of stability that no individual can achieve on their own.

The benefits of longevity risk pooling go way beyond just the financial. Without guaranteed lifetime income, retirees face not only a financial challenge — “can I afford to support my lifestyle?” — but also a psychological burden: the constant fear of outliving their money. With guaranteed lifetime income, retirement shifts from guesswork and anxiety to confidence and freedom.

## The Pitfalls of Self-Managed Retirement

For today’s retirees who have mostly saved for retirement in DC plans, the dominant retirement income model is self-management. That is, holding on to a pot of invested assets and gradually drawing down on those assets to fund their retirements. A [2025 Gallup Poll](#) found that roughly 60% of Americans have money invested in a DC retirement savings plan such as a 401(k), 403(b), or individual retirement account (IRA). On the surface, many of these individuals, particularly those who had saved for many years in employer-sponsored programs, appear to approach retirement empowered by substantial accumulated savings in individual accounts they can draw upon. But beneath the surface is a model that leaves retirees exposed to risk and poorly equipped to manage it.

The challenge of unmanageable longevity risk discussed above is joined by market and sequence-of-returns risk, inflation risk, and others in creating severe impacts that retirees are not equipped to absorb. Self-managed retirements mean that each retiree must fully bear the brunt of these and other impacts. In fact, our recent survey of more than 1,100 retirees indicates that 43% of people without lifetime income do not feel financially secure in retirement.

On top of the financial challenges, the emotional burden of managing retirement withdrawals is extremely stressful. Every decision — “Can I afford this trip?” or “Should I help my children with a down payment?” — comes with the nagging fear of spending too much. This correlates with our research, which found that **40% of people who do not have lifetime income and self-manage their retirement savings worry about outliving their finances at least once per month, while more than 20% worry about it at least weekly.**

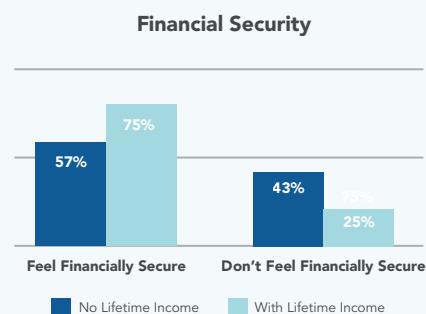
The result is a retirement system that may appear sufficient on paper but fails to deliver outcomes or satisfaction. Retirees are forced to choose between underspending and living cautiously and unhappily or overspending and risking running short later in life. Neither outcome reflects the promise of an entire career spent sacrificing and saving.

## The Psychological Weight of Financial Insecurity

Money in retirement is more than just a financial resource, it is a foundation of psychological security. When retirees lack confidence in their ability to sustain income for life, the effects ripple far beyond their wallets.

People with a guaranteed income source, such as a pension or annuity, are more confident in their ability to cover living expenses. That confidence has real consequences: retirees who know their essentials are covered are more likely to spend, travel, and enjoy retirement without fear of overspending.

In fact, 75% of retirees with some form of lifetime income responded that they feel financially secure in retirement.



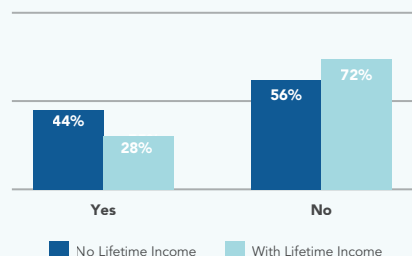
The opposite is also true. Retirees relying solely on savings often underspend out of fear. The [Employee Benefit Research Institute \(EBRI\)](#) found that **middle-income retirees routinely spend 20–30% less than they could afford**, worried that any extra expense might jeopardize their long-term security.

This underspending may protect against the risk of running out of money, but it comes at the cost of quality of life — fewer experiences, fewer opportunities, and unnecessary sacrifice.

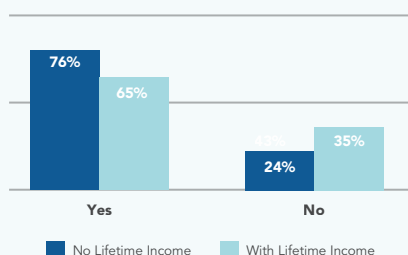
Nearly half of retirees with no lifetime income report that they felt the need to change their lifestyle in retirement to ensure their retirement savings last, while only 28% of those with lifetime income had to do so.

Additionally, nearly 60% of those without lifetime income say financial concerns have caused them to cut back on leisure activities in retirement.

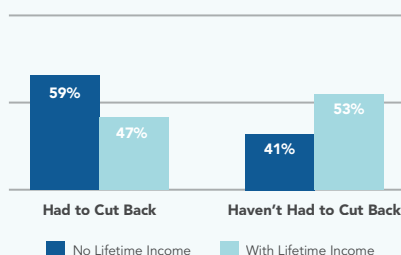
**Changed Lifestyle to Ensure Retirement Savings Last**



**Delayed Major Expenses**



**Leisure Activities**



The consequences of financial insecurity are not just financial; they are deeply personal. [Original research](#) using data from the University of Michigan's Health and Retirement Study (HRS) shows that retirees who feel insecure about their finances are more likely to experience higher rates of depression, chronic illness, and even cognitive decline. In other words, the stress of not knowing if your money will last can directly harm both mental and physical health.

These findings underscore a central truth: retirement income security is not simply about having enough assets. It is about having the confidence to use those assets in a way that supports both financial well-being and life satisfaction. Guaranteed lifetime income plays a critical role in delivering that confidence — and with it, a healthier, happier retirement.

“Guaranteed lifetime income provides retirees with the confidence to spend and enjoy retirement, without fear of outliving their savings, leading to greater financial security, better quality of life, and even improved health outcomes.”

## 2. Why Today's Solutions Fall Short and What We Can Do Better

The fundamental challenge in retirement isn't just about saving enough. It's about creating income that lasts a lifetime. As we've discussed above, guaranteed lifetime income is the real need. It's what gives people confidence to retire, to enjoy retirement, and to plan their lives without constant anxiety about the unknown. According to our research, nearly 80% of people without lifetime income feel that guaranteed lifetime income would make them feel more secure in retirement.

But how much lifetime income does a person need, and how should that income be delivered?

### Pooled Solutions

Not all pooled solutions are equal. The design matters, both in terms of efficiency and how well it supports employee confidence. We can generally split the options available into two groups: those that are internal to the retirement plan, and those that are external.

#### Inside the Plan: Lifetime Income Through Pooled DB Solutions

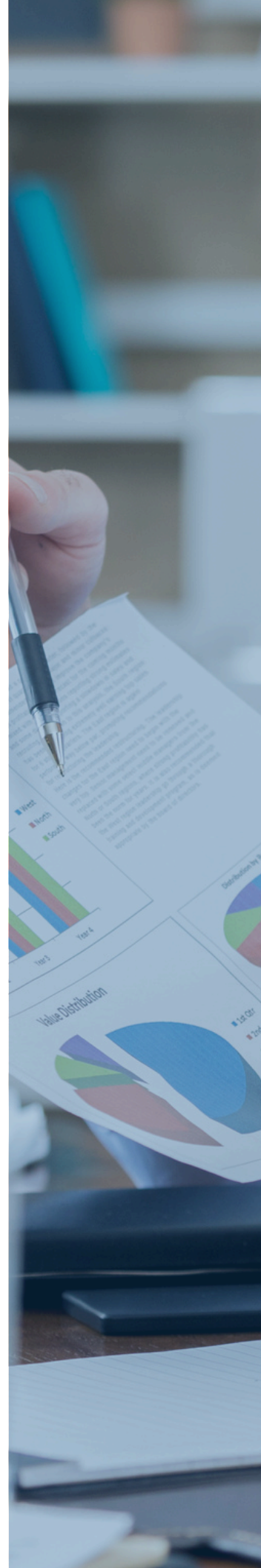
Ideally, lifetime income should be delivered directly from within an employer-sponsored retirement plan. Traditionally, defined benefit plans were the vehicle chosen for this purpose. These plans allow employers to efficiently pool longevity risk and provide retirees with predictable income streams in a convenient and streamlined way, and without the external costs and challenges of engaging with third-party financial institutions.

These defined benefit plans offer both employers and employees numerous advantages:

- **Efficient conversion of assets to income:** DB plans convert assets to income using neutral actuarial conversion factors, which means that none of the assets are diverted to pay external fees, commissions, or profit margins. Rather, the full value of the accumulated assets is used to support retiring employees.
- **Benefits employees understand:** With lifetime income as the default option, employees do not have to worry about shopping for pricey or complex financial products. The design itself builds confidence and reduces stress.
- **Mitigates complexity and risk for employers:** Managing retirees in DB plans is a simple and very well-understood process. Through proper investment and actuarial strategies, the risk and volatility of retiree portfolios are well controlled.

#### Outside the Plan: Insurance Annuities and DC Income Products

A growing number of employers are taking note of the benefits of modern low-risk DB plans and are starting to introduce such solutions to benefit their employees. However, most private-sector American workers still do not have access to such a program. For them, the only lifetime income options available are outside the retirement plan, generally in the form of retail insurance annuities or DC income products that embed insured annuities into 401(k)s. These products provide the guaranteed lifetime income needed and are often designed to integrate with the investment solutions already being offered in the DC plan.



That said, they come with some disadvantages versus the internal solutions discussed above:

- **Financial inefficiency:** Insurance-based products are more costly. Participants often receive 20–30% less monthly income than they could through a DB pension plan, as the insurer must factor commissions, expenses, and profit margins into their pricing.
- **Low adoption:** Even when offered in DC plans, very few participants elect to purchase or enable the lifetime income component at retirement. Take-up rates remain in the single digits because people are uncomfortable handing over their savings to an insurer they barely know for a product few understand.
- **Better than nothing, but not enough:** Annuities remain preferable to managing withdrawals alone, and for many, they are the best option available. But if these products end up unused by most employees, employers may be left wondering if there is a better way.

## Comparing the Models

Since DB Pension Plans offer the most promising path to solving the lifetime income challenge, it is worth comparing the existing models in terms of their ability to secure lifetime income for employees at a reasonable cost and effort for employers.

- **Traditional DB (Final Average Pay or Flat Dollar Plans):** Provide more predictable earnings-based benefits, but with high employer cost volatility and complex accounting. Benefits tend to be skewed toward older, longer-service employees.
- **Non-Market Cash Balance Plans:** Benefits tend to be lower than Traditional DB Plans due to low interest credits and often conservative investments. For employers, volatility remains (though slightly less than traditional plans) due to asset-liability mismatch. Accounting remains complicated.
- **Variable Annuity Plans:** Shared risk and reduced benefit certainty. Plan designs can be complex and cumbersome, and risk remains for both employers and employees.
- **Market-Based Cash Balance Plans:** The most balanced and modern design, typically providing employees with higher balances than fixed-rate plans, while providing an almost risk-free solution for employers.



## The Market is Already Moving This Way

What makes this story even more compelling is that the market itself is validating the move toward **Market-Based Cash Balance plans**. Once considered a niche design, Market-Based Cash Balance plans have now become the front-runner for new defined benefit retirement plans among large employers. According to our recent report, Pension Trends 2025: Cash Balance Plans Take Over — and Market Interest Credits Surge, **nearly six in 10 of all defined benefit plans in the U.S. are now cash balance plans** — and among plans launched since 2018 **with 100 or more participants, nine in 10 are cash balance**.

Even more striking is the shift in plan design preferences. In 2018, **only one in 10 cash balance plans used a market-based crediting rate**. Today, that figure has jumped to **six in 10**. Fixed-rate designs make up the rest, while bond-yield models have all but disappeared. This is not a gradual drift. It's a wholesale migration driven by legislation, CFO support, and high-profile corporate case studies.

The trend is clear: **Market-Based designs are no longer experimental; they are becoming the next big wave in pension design**. Employers recognize that these plans deliver efficiency, transparency, and value, while employees gain flexibility and confidence in retirement. In other words, the market is confirming what the data shows — **Market-Based Cash Balance plans are the most effective and sustainable model for delivering lifetime income today**.

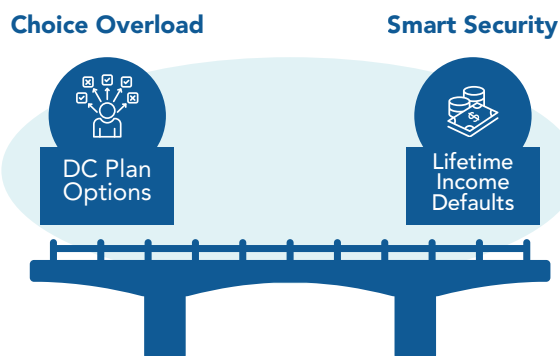
## The Future of Lifetime Income: From Choice to Smart Defaults

The next great challenge in retirement design is not just about efficiency, it's about psychology. Too many retirees fail to use strong lifetime income solutions, even when given access. The problem isn't a lack of value, it's human behavior. Choosing to annuitize savings feels irreversible and complex, leading many to avoid the decision altogether.

We've solved this before. In defined contribution (DC) plans, employees once had to make every choice on their own: whether to join the plan, how much to contribute, and where to invest. Participation rates were low, savings were inadequate, and investments were often poorly diversified. Then came auto-enrollment, auto-escalation, and target-date funds (QDIAs) — default structures that aligned behavior with better outcomes. Suddenly, people were saving more, investing smarter, and building real retirement wealth.

The next evolution is needed for lifetime income. Just as we've accepted that contribution and investment decisions are best left to expert design, it is not a stretch to think that annuitizing a portion of one's retirement savings should also be guided by defaults.

Because Market-Based Cash Balance Plans deliver pooled, efficient income at wholesale pricing, employers can confidently default employees into lifetime income without the financial inefficiencies or psychological barriers of retail annuities. Employees retain the flexibility to opt out or take a partial annuity, but the starting point — the default — is security.



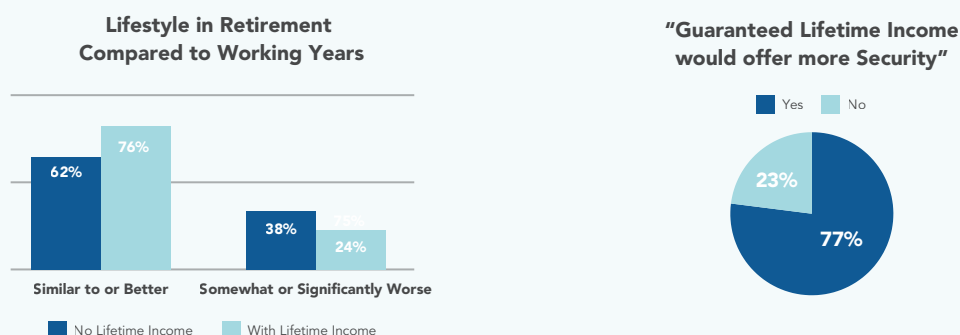
# Lifestyle in Retirement

For decades, retirement planning has centered around the idea of saving toward a lump sum. That framework is both misleading and incomplete. Retirement isn't funded in a single moment — it's lived month by month, year by year. What really matters is not the size of your savings account, but the steady, reliable income those savings can generate for life. The next challenge, then, is to shift the question from "How much should I save?" to "How much income will I need to support my current lifestyle?"

According to our survey, those without lifetime income are twice as likely to be dissatisfied with their lifestyle in retirement compared to retirees with lifetime income.

Lifetime income eliminates much of the anxiety around financial security in retirement and the uncertainty about how much retirees can spend each month. Beyond financial security, lifetime income has a significant impact on lifestyle in retirement. Seventy-six percent of retirees who receive monthly lifetime income payments responded that their lifestyle in retirement is better than or similar to their lifestyle during their working years. In contrast, nearly 40% of those with no lifetime income report that their lifestyle is somewhat or significantly worse.

Of the survey respondents without lifetime income, 77% said guaranteed monthly income would make them feel more financially secure.



## Balancing Security and Flexibility

Lifetime income alone isn't enough. People also need flexibility for unexpected expenses, health shocks, or opportunities they want to pursue. The right retirement solution balances both: secure income that covers the essentials, plus flexible funds that give people freedom.

That balance requires trade-offs. More security means giving up some upside potential. Less security may allow higher spending, but at the risk of running short later in life. This isn't a one-size-fits-all decision, but our analysis suggests that everyone should secure at least a minimum level of guaranteed income to cover essential expenses. Beyond that baseline, individuals can calibrate their income mix according to their risk tolerance and lifestyle preferences.

## The Path Forward

Lifetime income is a real need, and pooling risk is the best way to deliver it. **Market-Based Cash Balance plans provide the most efficient, flexible, and sustainable model for modern employers and employees alike.** They deliver substantially more income than individual insurance products, while giving participants the flexibility they want and employers the manageability they need. In the next edition of this report, we will delve deeper into how these modern low-risk pension plans can be effectively utilized by employers to better support their employees retirement needs.

# Conclusion: Turning Retirement Uncertainty into Income Confidence

Retirement today is filled with uncertainty — not because people aren't saving, but because the system doesn't help them turn savings into sustainable income. Without guaranteed income, retirees face the constant fear of outliving their money, cutting back their lifestyle, or becoming dependent on others.

But it doesn't have to be this way.

This report has examined why guaranteed lifetime income is essential, not just for financial security, but for peace of mind. Further analysis of our survey data revealed how the current system falls short and why we must rethink retirement plans to focus on delivering income for life.

The solution is clear: we must move from a system that hopes people can manage their money wisely to one that ensures they have income they can count on for life.

This is how we build a better future — not just for savers, but for retirees living longer, more meaningful lives.

## Contact us



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#### Methodology:

October Three conducted an anonymous online survey of 1,130 retirees. The purpose of this survey was to gather data on retiree sentiment and to identify trends derived from the sample data. The survey was conducted between September 26 and September 29 and was designed so that the data collected was not associated with the individual respondents. Margin of Error: +/- 3.114%

#### Disclaimer:

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