Retirement income at a crossroads

The growing imperative to consider an in-plan guaranteed income solution

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An **in-plan annuity** is a retirement income solution offered within a defined contribution (DC) plan that allows participants to convert a portion of their savings into **predictable, lifetime income** while remaining in the plan. In-plan annuities help participants have more secure income and better translate account balances into retirement **paychecks**. They do this by enabling the opportunity for long-term growth with the choice for an income guarantee.

A prudent approach is to thoughtfully evaluate an in-plan guaranteed income solution as part of a well-informed decision-making process, even if the plan ultimately decides not to implement one.

Why in-plan annuities matter: rising demand, constrained supply

The reliability of guaranteed lifetime income from pensions and Social Security is declining for many Americans. At the same time, plans and participants continue to seek guaranteed income solutions in defined contribution (DC) plans to help retirees meet essential living expenses, including housing, utilities, food and medical care.

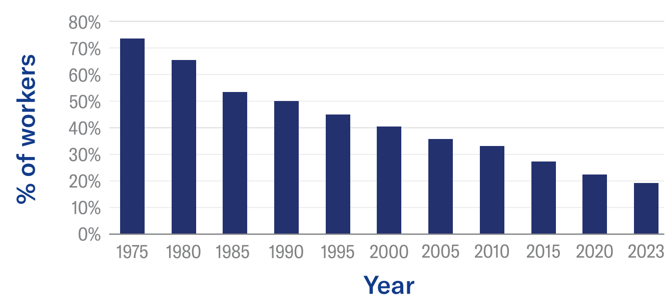
Plan sponsors acknowledge the growing need for guaranteed income among participants, but adoption has been constrained by the relatively early stage of in-plan offerings and limited familiarity with how these options work within DC plans. While in-plan annuities have expanded meaningfully (to over $100 billion in assets) following SECURE Act 2.0, the market remains in its early stages.[1]

93% of plan sponsors report recognizing that retirees need a source of guaranteed income they cannot outlive, and **51%** indicate they are likely to offer a guaranteed lifetime income option within the next **5 years.**[2]

Together, these dynamics suggest a market at an inflection point, where awareness and intent are rising faster than adoption. As interest continues to build, understanding how different in-plan guaranteed income options work will become increasingly important for plan sponsors.

Supply

Access to DB plans has declined from **greater than 60%** of workers in the 1980s to **less than 20%** today.[3]



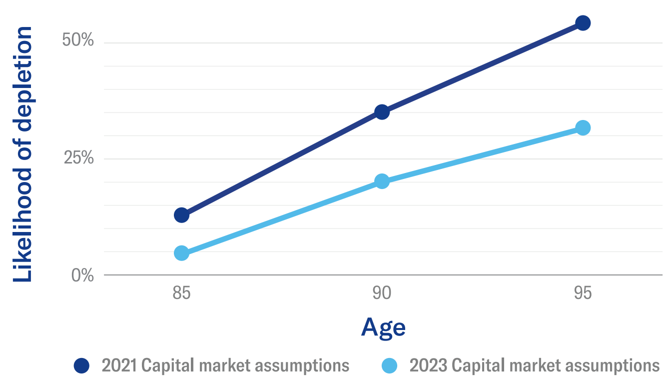
With Social Security trust funds on pace to **deplete by 2032**,[4] Americans face uncertainty on the level of retirement income benefits that will be available to them.

Demand

9 in 10 participants are seeking guaranteed income.[5]

40% of couples will have at least one spouse living into their 90s.[6]

20% to 35% probability of portfolio depletion by age 90 for a new retiree at age 65 spending 5% of savings.[6]



Lifetime income delivers three key benefits to help fill a growing retirement gap

Inclusion of a guaranteed lifetime income solution, most typically as part of a target date fund, provides three key benefits to plan participants:

1 Reduced longevity risk

2 *Pareto dominant* investment outcomes

3 Pre-retirement access and education

1 **Reduced longevity risk:** Like their existing counterparts of Social Security and defined benefit pensions, in-plan retirement income solutions mitigate longevity risk when part of a balanced retirement financial plan.

2 ***Pareto dominant* investment outcomes:** Product development has optimized to deliver target date funds (TDFs) with the same benchmark baseline profile of risk, return and liquidity — but with added benefit **on top** of these baseline characteristics of lifetime income. In many solutions (especially with no fees in pre-retirement), participants are no worse off, however, some are demonstrably better off for the inclusion of the income solution, thus the ***pareto dominance***.

3 **Enable access and education before retirement:** Purchasing annuities **out of plan** requires a participant to take action (typically with a financial professional). History has shown, as demonstrated by the adoption and impact of TDFs, auto-enrollment and auto-escalation, that added friction results in participant inaction. Annuities have additionally been protected as a Qualified Default Investment Alternative (QDIA) option for fiduciaries.[7]

The role of a plan sponsor

Plan sponsors have a fiduciary responsibility to at least evaluate the above three benefits and consider an in-plan solution when determining investment options, even if an in-plan solution is not immediately implemented.

Two key questions that differentiate in-plan guaranteed income options

With multiple available solutions in-market today, it is helpful to understand the distinct value propositions and trade-offs associated with each. Two questions provide a consistent framework for organizing these products into four primary categories. The first considers accessibility after income begins. The second considers the scope of the income guarantee. The discussion that follows first addresses accessibility type.

1 Is it a fixed annuity (illiquid after starting income) or a withdrawal benefit product (liquid after starting income)?

Liquidity type. All in-plan annuity options today fall into one of two product types; a fixed annuity or a withdrawal benefit solution. The primary trade-off between these two categories is respectively simplicity of longevity protection versus liquidity of longevity protection.

Liquidity refers to the policyholder's ability to access the annuity's account value during the life of the contract, subject to contractual provisions and potential trade-offs, while retaining ownership of the underlying assets. An in-plan GLWB is considered liquid because it has no surrender charges or contingent withdrawal fees and the underlying cash value remains fully accessible, unlike a fixed annuity where assets are no longer liquid once annuitized.

In-plan annuities remain liquid pre-retirement but offer two distinct forms of liquidity in retirement

	Fixed annuities	Guaranteed lifetime withdrawal benefit (GLWB) annuities
Value proposition	✓ Longevity protection ✓ Simplicity	✓ Longevity protection ✓ Upside potential ✓ Liquidity
Types*	**Deferral period** SPIA — Immediate DIA — 5–10 years QLAC — Age 80 or later	**Downside protection** VA — Low RILA — Medium FIA — High
Funding	Lump-sum premium up front where insurance margin is earned from spread in investing that premium	No lump sum (all assets are liquid)
Income benefit	**7%–8% for SPIA*** Rates can be higher with longer deferrals Typically a fixed rate	**4%–6% for GLWB*** Rates can be higher for higher fees Can potentially grow with investments

*Assumes current average income rate for a 65-year-old and is based on current rates.

2 **Does the income guarantee protect the participant post-retirement only or also pre-retirement?**

Guarantee period. Another key dimension is providing benefits pre-retirement vs. post-retirement only. The benefits to the participant are greater in solutions providing those benefits in pre-retirement. Providing a guaranteed income amount only at the point of retirement can expose participants to point-in-time risk, as income rates are correlated directly with interest rates. SPIA rates at age 65 today are nearly 8%, while they would have been only 5% a few years ago in a lower rate environment. Thus, a solution that provides a guaranteed consumption level prior to retirement offers greater protection from uncertainty to participants as they near retirement age.

A fiduciary framework to compare in-plan guaranteed and non-guaranteed options

Today, plans use standardized criteria — such as risk/return goals and manager track record — to evaluate default investment options. While no objective standard yet exists for funds with guaranteed income, five broad criteria can be used to compare traditional (non-guaranteed) and guaranteed income solutions.

1. **Longevity risk management:** range of retirement income outcomes through different longevity, market performance, inflation scenarios and risk of ruin.
2. **Flexibility and liquidity:** consumption flexibility prior to starting retirement income, during retirement and on death.
3. **Volatility and variance of income:** exposure to market volatility and a level of downside protection prior to starting retirement income and during retirement.
4. **Performance growth net of fees:** expected net-of-fee return prior to starting retirement income and during retirement.
5. **Simplicity:** complexity points for number of participant decisions, steps required to start income and degrees of freedom in product.

Keep in mind

Among in-plan solutions, it is critical to consider plan specifics when evaluating the trade-offs associated with each product type.

Establishing quantifiable measures for each of the criteria above will help to enable a like-to-like comparison when evaluating the spectrum of solutions for retirement income.

Plan sponsors routinely express fiduciary preferences in selecting investment options, such as active versus passive management or desired volatility, through target date glide-path design. A comparable set of decisions exists in designing retirement income, where in-plan annuity offerings differ across fees, liquidity and benefit levels. A target date fund with a guaranteed income feature can be evaluated alongside a comparable target date fund without that feature, using familiar risk, return and cost measures.

Yet the industry still lacks a clear, objective framework for benchmarking retirement income outcomes. Advancing a fiduciary benchmarking framework would help sponsors assess trade-offs, recognize the flexibility of modern guarantees and compare guaranteed and non-guaranteed approaches on consistent criteria. Even when an in-plan guarantee is not implemented, providing sponsors with objective tools to evaluate these choices remains a best practice.

In conclusion

Thoughtful evaluation of in-plan guaranteed income options can be a prudent best practice — regardless of whether a solution is ultimately implemented.

Contact the **Equitable Institutional Team** to learn more about our in-plan annuity offerings at **institutionalbusiness@equitable.com.**

***Acronym Key:**

SPIA — Single premium immediate annuity
DIA — Deferred income annuity
QLAC — Qualified longevity annuity contract
VA — Variable annuity
RILA — Registered index-linked annuity
FIA — Fixed index annuity

1 plansponsor.com/tdfs-that-include-retirement-income-features-surpass-100b/.

2 2025 Enduring Retirement Model Study, Metlife, 2025.

3 dol.gov/sites/dolgov/files/EBSA/researchers/statistics/retirement-bulletins/private-pension-plan-bulletin-historical-tables-and-graphs.pdf.

4 taxpolicycenter.org/taxvox/how-2025-budget-act-accelerates-social-securitys-insolvency.

5 2025 BlackRock Read on Retirement, BlackRock, 2025.

6 The Role of Annuities in DC Plans, Wilshire, 2024.

7 Annuities have additionally been protected as a QDIA option for fiduciaries since the 2008 DOL safe harbor regulation and the 2019 statutory safe harbor provision. The recent advisory opinion by the DOL on AllianceBernstein's Lifetime Income Strategy provides further guidance on fiduciary duties under ERISA and affirms that guaranteed income products can meet the criteria to be classified as a QDIA.

Variable and registered index-linked annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump-sum amount later. Subject to market risk, including the possible loss of principal invested. Regarding partial downside protection offered within some annuities, there is a risk of substantial loss of principal because the investor agrees to absorb all losses to the extent they exceed the protection provided.

It is not possible to invest directly in an index. Charges, fees, restrictions and limitations apply. Earnings and withdrawals are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½. Withdrawals may also be subject to a contractual withdrawal charge. Investors purchasing an annuity contract to fund an IRA or employer-sponsored retirement plan should understand such annuities do not provide tax deferral benefits beyond those already provided by the Internal Revenue Code.

All contract and rider guarantees provided within annuities are backed solely by the claims-paying ability of the issuing life insurance company.

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