

STRATEGIES TO RESTORE LIFETIME INCOME TO RETIREMENT PLANS

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I. Summary

The shift from traditional pensions to individual savings accounts profoundly changed the retirement experience of most Americans. Under traditional pensions, retirees received ongoing fixed annuity payments from their plan that they knew would continue for the rest of their lives and their spouse's lives. Most retirement savings accounts, by comparison, do not ensure or even offer guaranteed lifetime income payments: retirees know how much is currently in their account but not how much of it they can spend each month without risk of running out. This shift has led to a sharp decline in the portion of retirees that receive any lifetime retirement income other than Social Security.

Despite multiple U.S. government policies to increase the availability and use of guaranteed lifetime income in the now-dominant defined contribution system, its use remains low and appears to be declining. Even when Social Security is taken into account, we show that the share of retirement income carrying a lifetime guarantee is declining among individuals 65 and older. Our analysis from the Health and Retirement Study (HRS) reveals that guaranteed lifetime income from all sources (Social Security, defined benefit pensions, and private annuities) accounted for just over half of total income for Americans 65 and older in the early 2000s, but that share had declined to approximately 43% by 2022. Private annuities play a minimal role, with only about 6% of older Americans receiving any income from this source.

Economic analysis and survey research suggests that many retirees would benefit from annuitizing at least a portion of their retirement savings. Retirees and prospective retirees consistently report a preference for a dependable lifetime paycheck in retirement, and concern about longevity risk—the fear of outliving your assets in old age—remains widespread. Researchers have found that retirees with guaranteed lifetime income maintain higher spending levels and greater satisfaction throughout retirement compared to those relying solely on withdrawals from savings accounts. Yet few are offered a chance to purchase guaranteed lifetime income annuities at institutional rates and few of those that have the option choose them, creating what economists call the "annuity puzzle."

We explore many factors that contribute to the lack of low annuitization rates. While preferences and rational explanations could explain part of low annuitization rates, we find considerable support for both institutional barriers that prevent employers from offering such options and behavioral biases that result in few retirees choosing an annuity when one is available. For example, federal regulations concerning employer-sponsored plans have imposed heavier burdens on offering such plans relative to other options, so relatively few employers offer an annuity option. In addition, there is also extensive research that decisions to annuitize are affected by behavioral biases, lack of information or trust, or reluctance to undertake the complex decision making involved when choosing among the details of varied guaranteed income products. These findings suggest that many retirees would benefit from more guaranteed lifetime income, even though they do not individually undertake the effort to select and purchase it.

Federal policies have for decades attempted to encourage the inclusion of lifetime income options in defined contribution plans. The Pension Protection Act of 2006, the SECURE Act of 2019, and SECURE 2.0 of 2022 all represent bipartisan legislative efforts that included provisions designed to facilitate annuity offerings in workplace retirement plans. However, their impact has been limited: fewer than 10% of plans offer in-plan annuities, and uptake among participants who have access remains minimal.

For policies to significantly increase the adoption of lifetime income, they must effectively address the institutional factors preventing employers from offering annuity options and the many frictions in decision-making that result in people not choosing them even when they are offered. This could be achieved by:

- Elimination of employer liability for including annuities in retirement plans, combined with alternative effective measures to control costs and provide protection for retirees; and
- Inclusion of annuities in default investment options, combined with ways to preserve retiree flexibility.

Higher rates of annuitization could meaningfully impact the well-being of older adults by providing additional security against the risk of outliving one's assets and reducing rates of poverty among widows.

II. The role of guaranteed lifetime income in retirement

Traditional defined benefit pensions were paid monthly, quarterly, or annually for the life of a retiree. Sometimes, companies would make the payments themselves; other times they would purchase annuity contracts for a retiree from an insurance company. While defined benefit pensions penalized job transitions and were not universally available, the transition to individual retirement savings accounts shifted the responsibility for deciding how much and how quickly to spend in retirement – and whether to purchase an annuity contract that guarantees payments for life – from the employer to the individual retiree.

How do annuities work?

Annuitization allows individuals to exchange their savings for a stream of income guaranteed for life, providing more confidence they will not run out of money in retirement. These contracts come in many different forms. Single premium immediate annuities are available for purchase at retirement and then provide a fixed payment for the life of the retiree and/or the surviving spouse. Deferred annuities can provide for a fixed lifetime payment that starts if and when the retiree reaches old age, say 80 or 85. Variable annuities involve investment of funds and provide a return that varies with markets. Some plans permit conversion into a fixed lifetime payment at the retiree's option (these can be referred to as "guaranteed minimum income benefits" or "guaranteed lifetime withdrawal benefits").

The pricing of annuities reflects expected longevity, interest rates, administrative costs, and profit margins. Insurance companies use mortality tables to estimate life expectancy and calculate payment amounts that balance the need to remain solvent while remaining competitive. Adverse selection—the tendency for individuals with longer life expectancies to disproportionately purchase annuities—affects pricing and can make annuities less attractive to those with average or below-average life expectancies.

Importantly, most annuity contracts are sold directly to individuals, based on the age and health of the individual among many other factors. Traditionally, they have been sold by sales agents, brokers, and financial advisors working on commission.

The benefits of guaranteed lifetime income

Given widespread concerns and the real risk of depleting one's savings during retirement, policymakers, retirement experts, and many economists believe that annuities should be more widely used and that demand for annuities should be much stronger than it is for multiple reasons.

Economists who have studied the welfare benefits of annuitization have generally concluded that they are substantial, as they allow for people to insure the risk of outliving their savings and optimize their consumption. As Brown, Kapteyn, Luttmer, and Mitchell (2017) noted, "there is a vast academic literature dating back a half-century on the role that annuities should and do play in people's portfolios in later life." Some research suggests retirees optimally should annuitize most (Davidoff et al., 2005) or all (Yaari, 1965) of their wealth. Other researchers have suggested that partial annuitization is best for most people (Horneff, Maurer, and Mitchell, 2025).

Second, surveys suggest that individuals value guaranteed lifetime income. Outliving one's savings has consistently polled among the greatest financial fears (Jones, 2024), outpolling even fear of death (Kolluri, 2026). Retirees with lifelong annuities tend to maintain their level of satisfaction during retirement. By contrast, those without such income sources tend to become less satisfied over time (Panis, 2003). A 2024 survey found that 46% of retirees said, "spending the money I saved for retirement gives me anxiety" (Alliance for Lifetime Income and CANNEX, 2024). This relationship persists even after controlling for wealth levels, suggesting that the additional security from having guaranteed lifetime income is not limited to those with little wealth. There is also survey evidence that guaranteed lifetime income benefits employers by increasing employee trust and facilitating retention of younger workers (TIAA 2022).

Third, when lifetime income extends to spouses through survivor benefits, poverty among widows is lower. The economic shock of widowhood is well documented: while poverty rates for elderly couples hover around 6.6%, they jump to roughly 17.6% in the period immediately following a spouse's death (McGarry and Schoeni, 2005). This can be seen in the most important form of guaranteed income, Social Security: each year a husband delays claiming Social Security, it increases his widow's annual benefit, and this appears to reduce her likelihood of entering poverty (Diebold et al., 2017; Slavov, 2025). Traditional pensions under Employee Retirement Income Security Act (ERISA) also recognized this need, shifting the default pension payout from a single-life benefit to a joint- and survivor-life benefit (Sevak et al., 2003). However, the decline of defined benefit plans and lifetime income options means that surviving widows are less insured against the risk of outliving their savings.

Finally, having a guaranteed paycheck in retirement seems to permit retirees to spend more of their savings. As Benartzi, Previtero, and Thaler (2011) noted, when people who have calibrated their lifestyle based on a paycheck are suddenly faced with lump sum 401(k) payments and no guidance, the overwhelming evidence is that they underspend, living less well in retirement than they otherwise might. Blanchett and Finke (2025) found that people with retirement income spent twice as much per dollar as the equivalent wealth held for investment. They refer to this as guaranteed income providing psychological "freedom to spend," reducing anxiety about resource depletion and supporting higher consumption levels throughout retirement.

These benefits could be significant. As an example, consider a “back-of-the-envelope” calculation of how much consumption could increase if half of non-annuitized retirement wealth among those 65 and older were converted to annuities based on the Blanchette and Finke estimates. If half of those savings were annuitized, this population would spend on the order of \$27 billion more per year.¹

III. Other than Social Security, guaranteed lifetime income in retirement is declining

One consequence of the decline of traditional pensions and their replacement by retirement savings plans is that access to lifetime retirement income has sharply declined. In this section, we describe how various measures of annuity prevalence have changed over time. We also report the results of new analysis of the Health and Retirement Study (HRS) that offers insights into what share of retirement income is annuitized, and how this share varies across income quintiles and age groups.

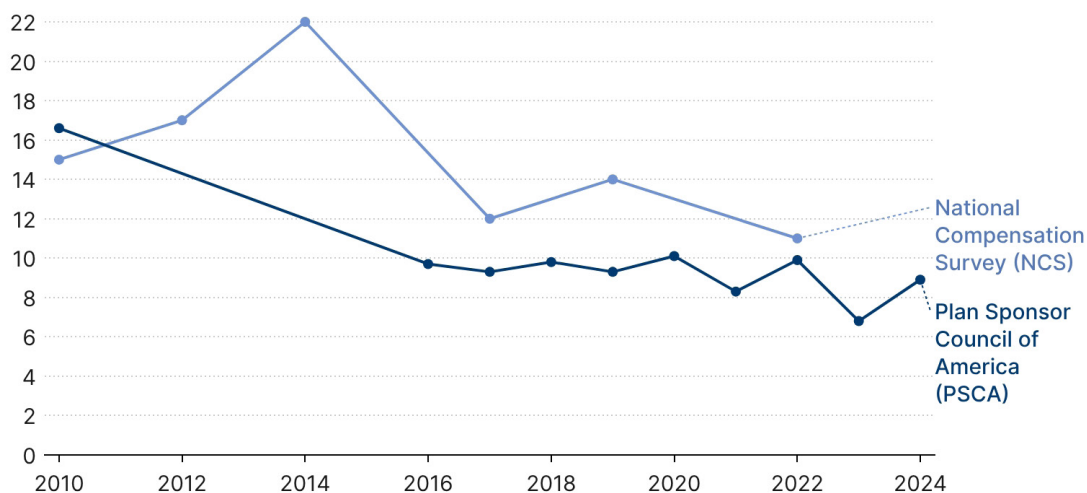
What existing data sources say about the prevalence of lifetime income

Employer offering of lifetime income options remains limited

The National Compensation Survey (NCS) conducted by the Bureau of Labor Statistics provides information on the availability of retirement benefits in employer-sponsored plans. The survey indicates that access to defined contribution plans has grown substantially over recent decades, while access to defined benefit plans has declined. This data source also provides one of the few consistent measures of individual participant access to annuitization options in defined contribution (DC) plans. In 2022, only [11%](#) of private industry workers participating in savings and thrift DC plans had access to an annuity distribution option, and this share has generally been declining since 2014 (see Figure 1).

Surveys conducted by the Plan Sponsor Council of America (PSCA) provide information on plan features and offerings and show consistent findings. The PSCA survey for the 2024 plan year reported that 8.9% of plans offered annuity options (Mulholland, 2025). While this represents an increase from the 6.8% reported the prior year, the overall trend since 2010 has been towards a smaller share of plans offering annuities (Figueiredo and Mackenzie, 2012).

¹ These rough estimates should be interpreted cautiously, as they rely on a comparison of spending behaviors in a single study among households with varying levels of annuitization without accounting for individual variation in savings levels, health, bequest motives, or liquidity needs. The estimate was calculated as follows. Let W denote aggregate post-tax, non-annuitized retirement wealth held by households 65 and over, net of an assumed effective tax rate. Following Blanchett and Finke's estimate that retirees spend approximately half as much out of non-annuitized wealth as out of equivalent guaranteed-income wealth, the annual consumption gap from non-annuitization is given by $(1-\theta)pW$, where $\theta=0.5$ is the ratio of the marginal propensity to consume out of investment wealth relative to guaranteed income, and $p=0.0743$ is an illustrative annuity payout rate. This implies an annual spending shortfall of $0.5 \times 0.0743 \times W = 0.03715W$. The post-tax non-annuitized retirement wealth stock is calculated using the Survey of Consumer Finances in 2022 as \$1.46 trillion assuming a tax rate of 20%. Assuming half of this wealth is annuitized, we obtain an annual consumption difference of roughly $0.5 \times \$1.46 \text{ T} \times 0.03715 = \27 billion .

FIGURE 1**The share of defined contribution plans offering lifetime income options is declining**

Source: Bureau of Labor Statistics National Compensation Survey (NCS); Plan Sponsor Council of America Annual Survey of 401(k) Plans (PSCA)

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Note: Data from the NCS and PSCA are restricted to private industry workers, and data from the NCS reflect the share of specifically savings and thrift defined contribution plans. Data are linearly interpolated between the marked points. The NCS data from 2010 and 2012 are compiled from old pdfs (NCS 2011; NCS 2013). These data points are not included in the corresponding series on the BLS website, which extends from 2014 to 2022.

In contrast to the general sponsor reluctance to include lifetime income options, a few plan sponsors have both included those options and incorporated them into defaults. In most of these plans, the participants must opt in to start monthly payments. However, in at least one plan, participants are defaulted in when they reach the age of required minimum distributions. Lifetime income options for DC plans are now offered by multiple financial institutions, including Alliance Bernstein, BlackRock, JPMorgan Chase, State Street Global Advisors, and TIAA (Ortolani, 2024).

Use of lifetime income options by retirees is declining

Many sources have documented the declining use of guaranteed lifetime income. The Investment Company Institute (ICI) has found low rates of annuitization at retirement, finding that most retirees opted for lump-sum withdrawals or systematic withdrawals rather than converting their balances into guaranteed lifetime income (Investment Company Institute, 2000). Using TIAA's participant-level data within a large defined contribution plan, Brown, Poterba, and Richardson (2025) found that between 2000 and 2018 the share of new retirees selecting a life annuity as their first income draw fell sharply—from 62% to just 18%. By 2018, only about 30% of TIAA participants had a life annuity as part of their income distribution. In addition, Sabelhaus (2022) finds declining presence of protected income by birth cohort, and the PSCA survey states that fewer than 5% of participants choosing annuitization even when available.

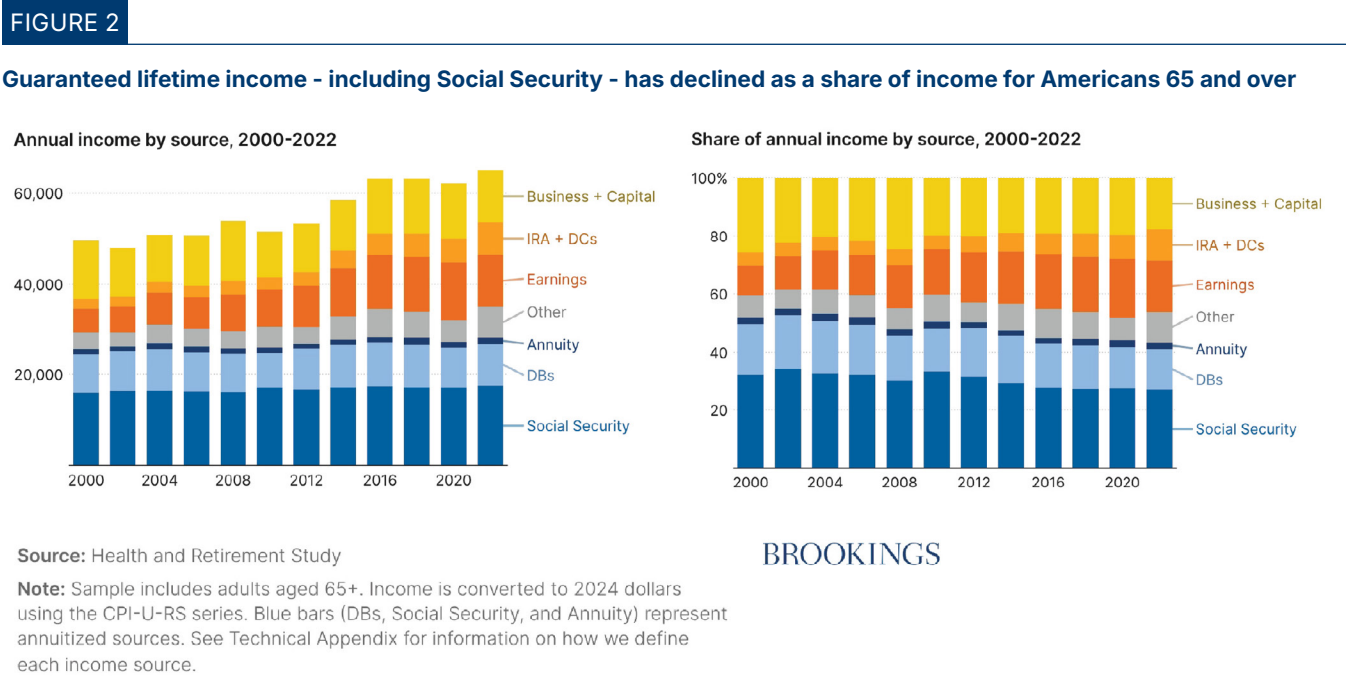
The American Council of Life Insurers (ACLI) 2025 Fact Book, reported that premiums paid into annuities rose 18.8% to \$456 billion, likely due to more favorable pricing caused by high interest rates (ACLI, 2024). However, these figures do not distinguish between immediate and deferred annuities or between lifetime and term-limited products, making it difficult to assess the prevalence of true lifetime income

arrangements. It is also worth noting that annuity payouts in 2023 were still less than 10% of retirement and survivors’ benefits paid by Social Security that year, which amounted to \$1.23 trillion (Social Security Administration, 2024).

New evidence from the Health and Retirement Study

We provide a comprehensive picture of how annuitized income sources contribute to retirement income among Americans 65 and older and how the share of annuitized income varies over time and across income and age by analyzing survey data from the HRS covering the period 2000–2022. We first construct a measure of annual money income that includes earnings from work; withdrawals from IRAs and defined contribution plans, business and capital income (including rental income, dividends, interest, royalties, self-employment income, and trust income), other income (veterans benefits, unemployment insurance, workers compensation, disability insurance, Supplemental Security Income, and other government transfers), defined benefit pension income, Social Security benefits, and private annuity income. We classify defined benefit pensions, Social Security, and private annuities as annuitized income. More details regarding the construction of the underlying data are available in the technical appendix.²

Figure 2 shows the components of income among a nationally representative sample of HRS respondents 65 and older between 2000 and 2022, the most recent year of data available. The survey is conducted every two years and the amounts are reported in constant 2024 dollars, thus reflecting increases after accounting for economy-wide inflation.



The figure shows that over the past two decades, the income landscape for older Americans has shifted in important ways. In 2000, the average person 65 or older in our HRS sample received about \$49,450 per year in real terms. By 2022, that figure had risen to just over \$64,990, representing an average real growth rate of roughly 2.5% annually. This growth, however, has not been uniform across income sources.

² Tables with the dollar amounts reported in the figures are also included in the appendix.

Earnings from work, withdrawals from IRAs and defined contribution plans, and other miscellaneous income sources have all grown faster than inflation. The increase in earnings reflects changes in labor force participation for those 65 and over during this period, which grew from 12.9% in 2000 to around 20.2% in 2019 before the COVID-19 pandemic caused large disruptions to employment and persistent declines in labor force participation among this group (Wilkins, 2025). Higher withdrawals from IRAs and defined contribution plans are consistent with the larger share of older households with retirement account balances over this period and strong stock market returns. In contrast, business and capital income, defined benefit pension benefits, Social Security, and private annuity payments have remained relatively flat in real terms.

The result of these divergent trends is a gradual decline in the share of total income coming from annuitized sources. In the early 2000s, defined benefit pensions, Social Security, and private annuities together accounted for just over half of all income received by those 65 and older. By 2022, that share had fallen to about 43%. This shift mirrors the broader structural transition from defined benefit to defined contribution retirement plans and suggests that absent policy changes, the proportion of retirees' income that is guaranteed for life will continue to shrink. The share of older Americans with any income from annuities has stayed relatively constant around 6%.

Figure 3 presents each component of income, pooled across all of the years, by five different age groups to show how annuitized income changes as individuals age. Overall, the data shows substantial declines in income from all sources with age: for 65- to 69-year-olds, total income amounts to about \$68,000, but declines to approximately \$43,500 for those 85 and older. Earnings decline sharply after 70, and business and capital income also fall. Other income sources diminish as well; however, defined benefit, Social Security, and annuity income maintain or increase purchasing power at older ages, and a somewhat larger share of older retirees receive income from annuities than younger retirees. Thus, the reduction in income by age generally reflects losses of non-annuitized forms of income and the share of income from annuitized sources rises. For the oldest age groups, these guaranteed income streams provide a critical floor, cushioning the loss of labor and investment income and helping to stabilize consumption late in life.

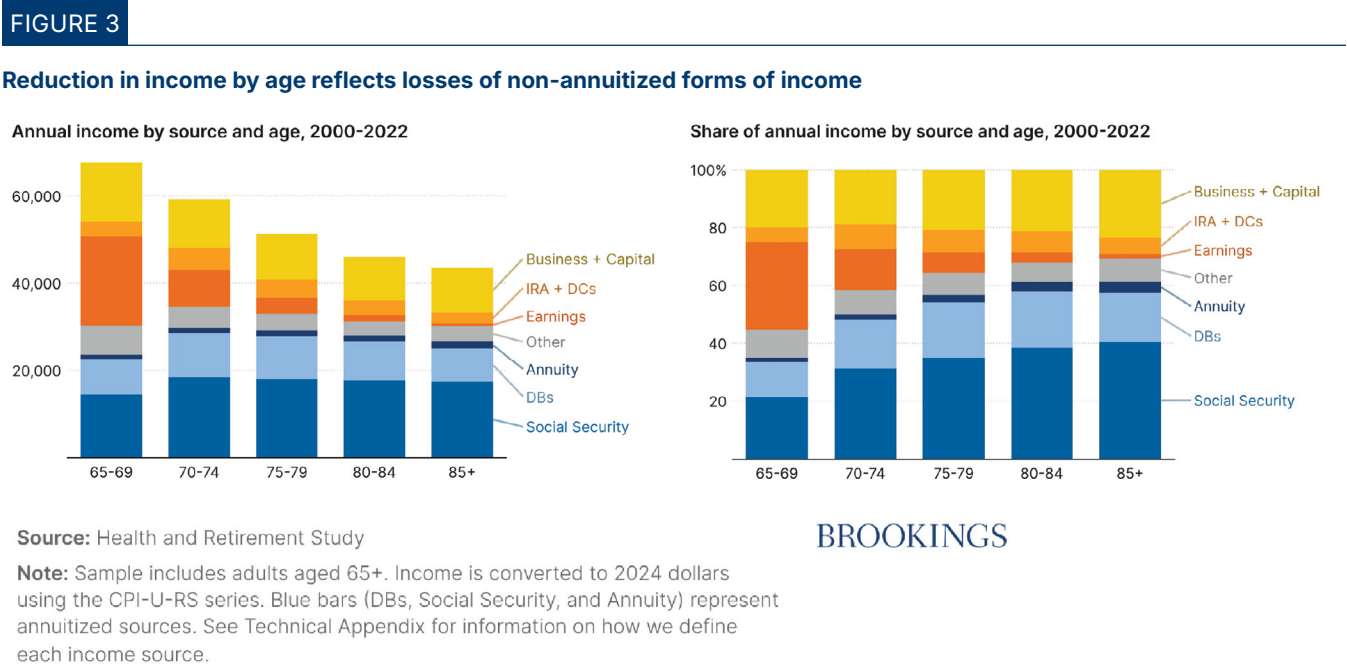
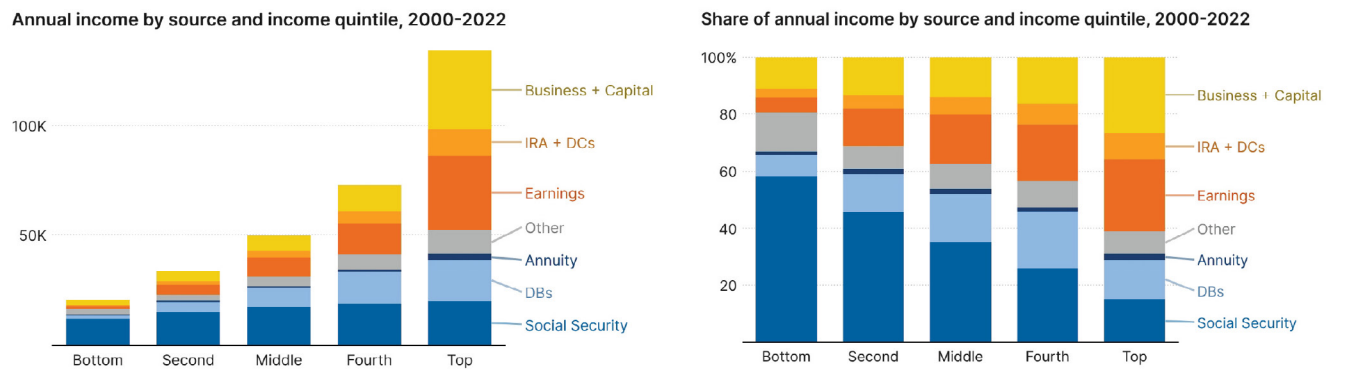


Figure 4 shows the same components by income quintile, where income quintile is determined by one's income during ages 50 to 65. In our pooled sample, the top income quintile has an average annual income of about \$135,000, compared to just \$20,600 for the bottom quintile. Withdrawals from IRAs and defined contribution plans are highly concentrated at the top, averaging about \$600 annually for the bottom quintile but more than \$12,000 for the top quintile. Social Security benefits, in contrast, are more evenly distributed, with the bottom quintile receiving about \$12,000 and the top quintile about \$20,200. Defined benefit pensions and private annuities are more common and larger in dollar terms among higher-income individuals, yet the annuitized share of income is highest for the bottom quintile at 67% because Social Security constitutes a much larger fraction of their total income stream. Focusing on just private annuities, however, reveals that a much smaller share of lower-income individuals has income from annuities.

Taken together, these findings paint a picture of a retirement income system in transition. Annuitized income remains a substantial component of older Americans' resources, but its relative importance has declined steadily over the past two decades. Social Security continues to be the dominant source of guaranteed lifetime income, especially for lower-income retirees, underscoring its role as the primary source of annuitized income in the U.S. private annuities, by contrast, play a small role in aggregate and are concentrated among higher-income households. The decline of defined benefit pensions and the limited annuitization of defined contribution balances mean that, for many retirees, it is likely that Social Security will be the only meaningful source of lifetime income going forward.

FIGURE 4

Private annuity and defined benefit income is more common among high-income individuals, while Social Security represents a major source of income among the bottom income quintile



Source: Health and Retirement Study

Note: Sample includes adults aged 65+. Income is converted to 2024 dollars using the CPI-U-RS series. Blue bars (DBs, Social Security, and Annuity) represent annuitized sources. Income quintiles are based on average annual individual income for adults between the ages of 50 and 65. See Technical Appendix for information on how we define income sources and quintiles.

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IV. Many factors limit use of guaranteed lifetime retirement income

As shown in the previous sections, annuitization is much less prevalent than economic theory predicts, a phenomenon referred to as the "annuity puzzle." The term, introduced by Modigliani (1986), refers to the observation that voluntary annuitization rates remain far lower than standard economic models suggest would be optimal.

The persistence of low annuitization rates despite their theoretical benefits and widespread concerns about outliving one's savings suggests that substantial barriers impede adoption. Nonetheless, there are also many entirely rational reasons why individuals would choose to keep at least some of their retirement savings liquid rather than fully annuitizing. We briefly review the extensive literature on reasons behind low rates of annuitization below.

Rational individual preferences

Loss of control and the need for immediate funds: The irreversibility of most annuity purchases removes the option to modify withdrawals in response to unexpected expenses or changing financial circumstances. As a result, retirees facing potential long-term care costs or other health-related expenses may prefer maintaining accessible assets even at the cost of lower retirement income (De Nardi et al., 2010). These preferences for flexibility, the ability to adjust spending over time, and control over assets, sometimes referred to as "precautionary savings motives," can lead some individuals to favor systematic withdrawal strategies or options for lifetime income rather than committing to annuitization (Brown, 2001; Milevsky and Young, 2007).

Bequest motives: One of the most straightforward explanations for low levels of annuitization is a desire to leave a bequest to heirs, which would naturally reduce the demand for income streams that terminate upon death (Brown, 2001; Poterba et al, 2011). There is some evidence that bequest motives can and do limit the desire for annuities by some individuals (Lockwood 2012, 2018), while some studies have found less support for bequest motives as a major explanation (Bernheim, 1987; Brown, 2001).

Health status and life expectancy: play a central role in determining the value individuals derive from annuitization (Brown, 2001; Finkelstein and Poterba, 2004). Individuals with below average life expectancy receive lower expected value from annuities priced using population average mortality tables, making annuitization relatively unattractive for those in poor health (Friedman and Warshawsky, 1990; Brown, 2002). These individual decisions, while rational given personal circumstances, generate systematic selection patterns that contribute to adverse selection in annuity markets (Finkelstein and Poterba, 2002; Einav et al, 2010).

Having Social Security or other guaranteed lifetime income: Existing sources of annuitized income affect the demand for private annuitization. Social Security provides substantial guaranteed lifetime income for most Americans, effectively creating a base level of annuitization. For individuals with adequate Social Security benefits and defined benefit pensions relative to their anticipated retirement consumption, the marginal value of additional annuitization may be limited (Bernheim, 1991; Dushi and Webb, 2004; Beshears et al, 2011).

Finally, converting assets to income streams requires those assets to be liquid. However, a significant share of assets in retirement are in the form of housing, and households may be reluctant to sell those assets or otherwise lack the liquidity to annuitize (Poterba et al., 2011; Davis et al., 2021).

Behavioral and cognitive biases

There is also ample evidence that many individuals' decision making about annuities does not follow a rational model. As Brown, Kapteyn, Luttmer, and Mitchell (2017) stated: "a nontrivial fraction of the population has implied annuity values that are difficult to reconcile with costless optimization under any plausible set of parameters."

There are many examples showing that the way annuity choices are framed can have an important impact on annuitization decisions (Agnew et al, 2008; Brown et al, 2008; Beshears et al., 2014). For instance, when presented as investment products with uncertain returns, annuities appear less attractive than when framed as consumption insurance providing guaranteed income. In addition, people in defined benefit pension plans are much more likely to receive their benefits as an income stream even when lump sum options exist than they are for defined contribution plans when annuitization requires an active choice (Benzarti et al., 2011). This framing sensitivity suggests that the way annuities are presented and explained affects demand independent of their economic characteristics.

Behavioral economics has identified numerous cognitive biases and heuristics that help explain these phenomena. The requirement to commit substantial wealth to an irreversible purchase may trigger loss aversion, with individuals weighing the potential loss of liquidity more heavily than the equivalent gain in income security (Kahneman and Tversky, 1979; Tversky and Kahneman, 1992; Hu and Scott, 2007). While high discount rates or high mortality can be reasonable explanations for low demand for annuities, as described earlier, misperceptions about either could lead to suboptimal annuitization decisions. Evidence suggests that individuals underestimate their survival probabilities, which means they will systematically undervalue the benefit of lifetime income (O'Dea and Sturrock, 2023).

Finally, complexity and cognitive limitations present significant barriers to annuitization decisions. Understanding the tradeoffs involved in annuity purchases requires forecasting uncertain lifespans, comparing income streams with different timing and inflation characteristics, and evaluating counterparty risk—cognitive demands that may overwhelm even sophisticated individuals. Research has shown that individuals struggle to value annuities, especially as the complexity of plans increases, and that these difficulties are more pronounced among less cognitively able individuals and those with less education and financial literacy (Benartzi et al, 2011; Brown et al., 2017; Brown et al., 2021).

Institutional factors

Individuals have private information about their health and life expectancy that insurance companies do not have, and those who expect to live longer are more likely to purchase annuities. This asymmetry in information results in adverse selection, where insurers are forced to price annuities based on the mortality experience of purchasers rather than the general population, resulting in lower payment rates that make annuities less attractive to individuals with average or below-average life expectancies (Finkelstein and Poterba, 2004).

In addition, the fact that retail annuities are individually sold and priced involves substantial loads that reduce their value relative to institutionally priced products (Poterba and Warshawsky, 2000). Mitchell, Poterba, Warshawsky, and Brown (1999) estimated that administrative costs, profits, and adverse selection reduce retail annuity values by approximately 10-15% for average individuals. However more recent estimates suggest that on average, annuity purchasing reflects the mortality of the typical annuity purchaser, who tends to be healthier than the general population (Poterba and Solomon, 2025). In general, administrative costs make annuities less attractive compared to non-guaranteed strategies, particularly for individuals with average or below-average life expectancies or strong bequest motives.

Another factor that may influence demand for annuities is concerns about the financial strength and reliability of insurance companies (Figueiredo and Mackenzie, 2012). Purchasers may worry about insurer solvency over the multi-decade horizon of annuity contracts. While state guaranty associations provide some protection, coverage limits and awareness of these protections remain limited.

Since annuity contracts generally must be offered by insurance companies, they are governed by separate regulatory and capital requirements. As described in more detail below, federal regulation of retirement plans imposes additional burdens on employers considering the inclusion of insurance products in retirement plans; as a result, many employers choose not to do so.

Finally, for historical reasons, annuities are marketed by separate sales forces. When individuals retire, there is competition among advisors and financial firms over retirement assets. General financial advisors frequently advise against purchase of annuity contracts because that means fees will be shared with insurance companies and their salespeople.

Many of the factors discussed play a role in limiting the uptake of annuities. The challenge for both individuals and policymakers is that individual situations vary and the mix between the rational and the biases varies, too. It is challenging to understand the relative importance of each of these factors in a unified framework (Pashchenko, 2013).

What does seem clear is that increasing the adoption of lifetime income requires a multi-pronged approach. We first describe the current policy landscape and then turn to ideas that could increase the adoption of lifetime income products.

V. The current policy landscape

ERISA and lifetime income

The original conception of ERISA in 1974 was to encourage the use of defined benefit (DB) pensions whose payout was in the form of annuities. ERISA also permitted the purchase of an annuity at retirement to satisfy employer obligations upon the retirement of individual participants and was interpreted as allowing an employer to terminate a pension plan and purchase annuities to satisfy its obligations without creating a fiduciary obligation.

However, the 1991 financial distress and ultimate liquidation of the Executive Life Insurance Company, caused by mass withdrawal of policyholders concerned about its overreliance on "junk bond" financing, changed the Department of Labor's approach. In 1995, the DOL published Bulletin 95-1, which stated that employers had fiduciary responsibilities when choosing annuity providers. They were required to choose the "safest available" annuity and to engage in "an objective, thorough and analytical search" for products (U.S. Department of Labor, 1995). In particular, they were to evaluate "the quality and diversification of the annuity provider's investment portfolio" and "the level of the [annuity provider's] capital and surplus." At the same time, they could also consider the relative financial cost of "marginally" less safe providers.

DOL's bulletin on annuities, though intended for DB plans, led to uncertainty about how they applied to DC plans. This uncertainty combined with the fact that the requirements for inclusion of annuity products were more stringent than for mutual funds and other products deterred employers from including annuities in DC plans (Gale et al., 2008).

Efforts to increase lifetime income from 2006-2022

Pension Protection Act of 2006 (PPA): Congress's lack of support for lifetime income options in DC plans changed in 2006 with the Pension Protection Act. PPA directed the Department of Labor to clarify that the selection of an annuity contract as an optional form of distribution from an individual account retirement plan is not subject to the "safest available annuity" standard but is subject to all other applicable fiduciary standards. The resulting regulations, issued in 2008, provided that plan fiduciaries would be deemed to have satisfied their obligations if they considered the provider's financial capability and certain other factors at the time of selection (U.S. Department of Labor, 2008).

However, DC plan sponsors continued to express concern about their ability to implement the standard without litigation and possible fiduciary liability. Many of the terms were seen as vague. Furthermore, in cases where an annuity was offered as a future retirement option, the 2008 "safe harbor" imposed a continuing obligation to monitor an insurance company provider in the years after the initial selection was made. The DOL attempted to address ongoing confusion with a 2015 bulletin, but few observers considered the 2008 regulation a success (Kreps, 2022).

The SECURE Act: The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 included several provisions designed to encourage lifetime income adoption (Congress.gov, 2019). The Act relaxed certain distribution rules, and enhanced portability of annuities. It also required benefit statements to include "lifetime income illustrations" meant to help participants understand how their account balances could translate into retirement income.

SECURE also modified the 2008 safe harbor in several ways. To allay plan sponsor fears they could become liable years after including an annuity option, SECURE allowed them to rely on insurance company representations at the time of selection so long as they continued to receive annual representations and did not independently learn of any financial difficulties. These changes, though well-intentioned, still maintained substantial additional employer fiduciary responsibilities compared to other investment options.

SECURE 2.0, enacted in 2022, further attempted to facilitate lifetime income adoption by allowing qualifying longevity annuity contracts (QLACs) within plans and certain types of deferred income annuities in target date funds and qualified default investment alternatives (QDIAs) (Harter, Secrest and Emery, 2025). It also

provided additional safe harbors for employers to rely on statements from insurance companies about their financial soundness and compliance with state regulations. However, the Act still required employers to investigate, make judgments about, and potentially be liable for the reasonableness of the features and fees of any guaranteed income product.

Although there are claims that the SECURE Act and SECURE 2.0 safe harbor reforms have resulted in more consideration of annuity options, there is little evidence these changes have led to increased adoption. Businesses still fear fiduciary litigation about the terms of the annuity product or their care in selecting one, risks that they do not take if their plans are limited to mutual funds or ETFs. Since the employee take-up in many plans with an annuity option is low, most companies see no reason to incur any additional fiduciary risk, administrative complexity, or cost at all.

Ongoing efforts to increase use of Guaranteed Lifetime Income

Congress continues to propose additional limitations on employer fiduciary liability. Representatives Norcross (D-NJ) and Wahlberg (R-MI) proposed the Lifetime Income for Employees (LIFE) Act (H.R. 3942), which would both permit annuities to become part of a plan's Qualified Default Investment Alternative (QDIA) and also provide a safe harbor for employers that did so (Congress.gov, 2023). The LIFE Act safe harbor would limit employers' obligations to providing written disclosures, ensuring that the annuity portion was not more than 50% of the account, and ensuring the annuity contract could be rejected without penalty within six months. The LIFE Act has attracted support both from industry and from advocates for reduced federal regulation generally (Mullholland, 2023).

In 2025, the U.S. Department of Labor issued an advisory opinion stating that the Alliance Bernstein Lifetime Income Strategy, incorporating a Guaranteed Lifetime Withdrawal Benefit contract, complied with QDIA safe harbor (U.S. Department of Labor, 2025). It also stated that an employer could, as a fiduciary, transfer some of its fiduciary obligations for selecting and monitoring annuity providers to an investment manager such as Alliance Bernstein so long as it exercised its fiduciary obligations in choosing that investment manager.

The U.S. Department of Labor recently released a proposed rule that, although focused on inclusion of private credit and other "alternative investments," arguably might affect employer willingness to include annuity options (U.S. Department of Labor, 2026). The proposal provides deference for employers who follow and document the process of deciding whether to include "alternative assets," but it is not clear whether that definition includes commercial annuities or whether the proposed rule would provide protections beyond those already in effect.

Lifetime income policies in the United Kingdom

Until 2014, DC savers in the U.K. with DC wealth above a certain threshold were required by law to convert a portion of their accumulated savings into a lifetime annuity by age 75 (Banks et al., 2015). The U.K. tax code permitted 25% to be taken as a lump sum tax-free, and the typical annuitization was estimated by one observer at 75%. In what became known as the "pension freedoms" in 2015, the annuitization requirement was eliminated, and annuity purchases fell sharply to roughly 10%, while lump sum withdrawals became the norm. Although the motivations for the "pension freedoms" appear mixed, they appear to have been implemented at least in part in order to increase U.K. tax revenues.

Concerns about whether savers were managing withdrawals sustainably or protecting themselves against the risk of outliving their savings has led the current government to change policy. The Pension Schemes Act requires trustees of defined contribution schemes to make available a "default pension benefit solution" to provide members with a regular income in retirement unless they choose another option (Pension Schemes Act, 2026). Industry providers are now considering a range of qualifying product forms, including guaranteed-for-life annuities and hybrid drawdown/annuity arrangements. (Jadav and McNally, 2026)

The U.K.'s National Employment Savings Trust (NEST) has begun implementing a default strategy that begins in retirement. Its Guided Retirement Fund attempts to maintain a constant payout from retirement through age 85 (National Employment Savings Trust, 2023). NEST intends to combine this fund with a default deferred annuity that takes effect at age 85 (Reeve, 2025). The initial Guided Retirement program, which began in 2020, is the default for retirement age participants with accounts of £10,000 or more. In private correspondence, NEST has stated that there are about 13,000 participants in the current program with an opt-out rate of 28% (of which about half move to another NEST fund).³

VI. Approaches for greater use of lifetime income in retirement

Despite repeated efforts, as noted earlier, annuity availability and adoption remain modest.

Expanding the use of lifetime income in retirement plans will require multiple approaches addressing each of the barriers that current policy has not overcome. Specifically:

- Employers must be able to incorporate annuity products into retirement plans without any additional fiduciary risk or obligation relative to mutual funds and ETFs.
- At the same time, these fiduciary obligations must be transferred to and assumed by alternative entities with responsibility over standards to determine acceptable annuity products and terms, and for monitoring providers.
- For individuals, there must be defaults available so that the acquisition of lifetime income does not require financial sophistication, time, or substantial commissions and fees. They must also retain some financial flexibility.

Transferring employer fiduciary responsibility to alternative entities

Despite the good intentions of prior policy efforts, the safe harbors were never safe enough. Annuity products still involve different and greater employer fiduciary obligations than mutual funds and ETFs, where employers are not responsible for the performance of these investments. Businesses still fear fiduciary litigation about the terms of the annuity product or their care in selecting one. Therefore, as a practical matter, most employers will not incorporate annuity products into their plans unless doing so comes with no additional litigation or fiduciary risk.

³ Correspondence with Gareth Turner, NEST 4/2/26

Eliminating employer liability for including guaranteed lifetime income options would be a change from the historical ERISA practice but is consistent with many other business risks. Employers pay for employee air travel, yet are not liable if airfare is high, a plane is late, or even if it crashes. Similarly, employers pay for training and education benefits but bear no liability for the reasonableness of the tuition or the quality of the teaching.

There are several ways to eliminate the additional employer liability. The bipartisan LIFE Act would modify U.S. Department of Labor's (DOL) existing Qualified Default Investment Alternative (QDIA) specifically to include lifetime income products. Alternatively, DOL could use its existing broad statutory QDIA authority to broaden the existing safe harbor.

If employers are no longer liable for their choice of annuity options, a different entity or entities must take this role by ensuring that the terms and conditions of the annuities are adequately disclosed, the fees and conditions of the annuity are reasonable, and the issuer is financially sound and going to remain so for decades in the future. In addition, terms for whether retirees can decline the annuity at retirement and/or exit the contract once payments have begun must be determined.

While there are several ways these requirements could be met, we provide a brief summary of potential approaches.

Disclosure and education: The U.S. Department of Labor (DOL) has, in multiple circumstances, specified the terms and forms of disclosure and could do so for annuity contracts as well. For example, to implement the SECURE Act requirement of lifetime income illustrations, DOL published detailed text that most recordkeepers provide to plan participants without any modification. DOL also published required disclosures for participants in 401(k) plans.

Protection against high fees: There are also several approaches that could be used to ensure that fees and conditions are reasonable. First, the DOL could, in consultation with the Department of Treasury, build on its lifetime income illustration standard to create a minimum standard for inclusion of an annuity in an employer plan. The DOL lifetime income illustration standard already takes both interest rates and actuarial tables into account; DOL could add an assumption for a commercial margin to create a minimum payout and require insurers to show compliance. A second approach to assure reasonableness of fees and terms would be to require that plans use a competitive process to procure their annuities. It is also worth noting that the establishment of a lifetime income default would likely reduce costs significantly compared to individually sold lifetime income products.

Protection against insurer failure: There are many safeguards currently in place to ensure the reliability and financial soundness of annuity providers, many put in place during the 35 years since the liquidation of Executive Life. Capital requirements now generally have moved from fixed dollar amounts to take the riskiness of assets into account. Governance and risk management procedures have been strengthened and accounting has been standardized. (National Association of Insurance Commissioners, 2013; Klein, 2012) In addition, the coverage limits of the state guarantee funds that back up insurers have been raised to \$250,000 in present value for most annuities. (Hartley, 2024). This suggests that safety and soundness could be protected by limiting plans to annuities from insurers of size that have high ratings and are doing business in multiple states.

Making it easier for retirees to acquire lifetime income through defaults

The prevalence of automatic enrollment into employer-sponsored plans with a voluntary opt-out has increased considerably over the last 20 years. The practice has led to increases in plan participation over the past quarter century and is now legally required for many newly created employer plans.

Both policymakers and researchers have proposed to increase lifetime income in the same way, by establishment of defaults that automatically, unless the retiree chooses otherwise, provide guaranteed lifetime income for a portion of retirement savings (Mitchell, 2025; Horneff et al., 2025; Finke and Toland, 2024). Their rationale is that having lifetime income as a default will overcome the unwillingness to engage in the involved decision making and reduce the high costs of individual purchases of lifetime income contracts. In addition, an automatic process in which more people participate could, via diversification and risk pooling, significantly lower the costs of lifetime income. Estimates of the savings from group-rated institutionally priced annuities versus the individual retail market range from 100 to 200 basis points each year (Walsh, 2022; Institutional Retirement Income Council, 2021).

Importantly, a lifetime income default will be opposed by employers unless the additional employer fiduciary obligation that comes with annuities is eliminated. According to a recent [DCIIA survey](#), only 3% of employers favor a default/opt-out of lifetime income options. This statistic underscores the fact that even a voluntary default arrangement is unlikely to be successful if not accompanied by the transfer of retiree protection obligations described above. Conversations with human resource personnel suggest that if employers were not made liable for the results after retirement, they would be more willing to provide advice and assistance to their employees prior to the retirement.

Advocates have suggested the inclusion of annuities into the Qualified Default Investment Alternative (QDIA), meaning that employers would be permitted to include annuities as a default payout option. This approach could permit inclusion of a lifetime income default without additional employer fiduciary requirements. An additional benefit is that current law gives the U.S. Department of Labor wide latitude in setting the requirements of a QDIA so the Department could develop and modify requirements more quickly than would be possible under a legislative calendar.

Other possible approaches to increase annuitization

There are many other approaches that could be used to increase annuitization, but evidence suggests that they are less likely to be effective.

Use of requirements: Other nations have been willing to require retirement programs and to specify some of the features of those programs. The U.S., by comparison, has not. Congress has generally declined to require employers to offer retirement plans, and declined to require particular types of plans for those employers that choose to do so.

Although there have been multiple proposals over the years for various federal requirements, retirement legislation has historically been required to have a bipartisan consensus and requirements generally do not get the support of employers, workers, recordkeepers, and investment firms. For those and other reasons, a federal requirement for greater use of lifetime income seems unlikely in the foreseeable future.

Financial education: While providing better information and financial education is widely endorsed, there is little evidence that it leads to greater actual use of lifetime income. A 2011 survey for the Society of Actuaries found that greater understanding of annuities increased the reported likelihood that pre-retirees would buy an annuity but had no effect on those already retired (DiCenzo et al., 2011). Other work on retirement planning more generally finds that information from online calculators tend to be complements to financial knowledge rather than substitutes (Goda et al., 2023).

Financial incentives: Although financial incentives have been introduced to encourage both individual and employer actions to facilitate increased savings, and in principle could be used to encourage the offering and take-up of guaranteed lifetime income options, the evidence that they change behavior is weak. Bloomfield, Goodman, Ramnath, and Slavov (2025) found that only around 7% of eligible employers started plans even after the SECURE Act and SECURE 2.0 substantially increased the number of financial incentives. Their conclusion was that "the startup credit's influence on employers is modest at best, calling into question the effectiveness of current tax-based strategies to expand [retirement plan] coverage" (Bloomfield et al., 2025).

Furthermore, the competition for financial incentive dollars within typical tax legislation means that an annuity incentive would have to compete with expansions of existing tax incentives, each of which already has a constituency. Since annuity products are offered in competition with the far more widely established mutual funds and ETF's, the companies that dominate retirement investing are unlikely to favor tax incentives solely for insurance products.

VII. Conclusion

The shift from traditional defined benefit pensions to defined contribution retirement plans has fundamentally altered the retirement landscape in the United States. One of the most significant consequences of this transition has been the sharp decline in guaranteed lifetime income available to retirees beyond Social Security. Analysis of Health and Retirement Study data reveals that the share of income from annuitized sources for Americans 65 and older declined from just over half in the early 2000s to approximately 43% by 2022, with private annuities playing a minimal role.

As the population ages and more individuals rely exclusively on defined contribution plans for retirement income beyond Social Security, the need for effective lifetime income solutions becomes increasingly urgent. Without policy intervention, the trend toward a smaller share of income from guaranteed sources will likely continue, leaving future retirees more exposed to longevity risk and the uncertainties of very old age.

Current policy approaches have not substantially changed this reality. Federal policies dating back to 2006 have attempted to encourage the inclusion of lifetime income options in defined contribution plans through safe harbor provisions and disclosure requirements, yet fewer than 10% of plans offer in-plan annuities and uptake among participants who have access remains minimal. The limited effectiveness of these policies suggests that removing legal barriers alone is insufficient without addressing plan sponsor concerns, participant understanding, and market structure issues.

Meaningful progress will likely require a comprehensive approach that addresses multiple barriers simultaneously: making the conversion of savings to guaranteed lifetime income an automatic default while preserving retirees' flexibility, protecting retirees through safeguards rather than the ability to sue their employer if the guaranteed income provider fails to deliver, and ensuring that plans can incorporate lifetime income without greater regulatory and fiduciary obligations.

Successful reform will require coordination among policymakers, plan sponsors, financial services providers, and researchers to develop and implement strategies that address the multiple barriers currently limiting annuitization while respecting legitimate diversity in individual circumstances and preferences.

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Technical Appendix

This appendix provides additional details on the data sources, variable construction, and methodological choices used in the analysis of retirement income in the Health and Retirement Study (HRS) presented in this paper.

Data source and sample construction

The analysis uses data from the HRS, a longitudinal survey of Americans over 50 conducted by the University of Michigan with support from the National Institute on Aging. The HRS has been fielded biennially since 1992 and provides detailed information on income, assets, health, employment, and family structure. This analysis uses data from survey waves 2000 through 2022, the most recent year available at the time of analysis.

The sample is restricted to individuals 65 and older at the time of each survey wave. This age restriction focuses the analysis on individuals who have reached traditional retirement age and are likely to be drawing on retirement resources. The HRS uses a complex sampling design with oversampling of certain populations, and all statistics presented in the paper are weighted using HRS-provided respondent-level weights to produce nationally representative estimates.

Income measurement and variable construction

Measuring income in retirement presents both conceptual and practical challenges. The appropriate definition of "income" depends on the purpose for which it is used. Tax-based measures such as adjusted gross income (AGI) are often used to determine eligibility for government programs but exclude many non-taxable sources, including most Social Security benefits, and thus understate economic resources for retirees. Broader income concepts that include other non-cash components might provide a more comprehensive measure of economic resources but are more difficult to produce and do not necessarily indicate an individual's purchasing power.

Survey-based measures of income may vary in what components are considered income. For instance, the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC), which forms the basis of many published statistics of the income of Americans, includes regular withdrawals from IRAs and 401(k)s, but not irregular withdrawals, overlooking a potentially important source of income for retirees. Comparisons between survey reports and tax data suggest that limiting to regular withdrawals misses a substantial share of actual retirement distributions. In addition, underreporting of income is a well-documented issue in household surveys, particularly for income sources that are irregular, complex, or received in lump sums.

Reported withdrawals from IRAs and defined contribution plans in the HRS are designed to capture both regular and irregular withdrawals, in contrast to those reported in the CPS ASEC. However, the HRS has made a series of changes in the survey methods over time meant to provide a more comprehensive understanding of the status of retirement plans across current and former employers that impacted the measurement of defined contribution withdrawals. Thus, it is possible that defined contribution withdrawals during the early part of our time period are underreported.

Our measure of annual money income includes the following components:

- Earnings from work: Wages, salaries, bonuses, overtime, tips, and commissions from all employment.
- Withdrawals from IRAs and defined contribution plans: Regular and irregular distributions from individual retirement accounts, 401(k) plans, 403(b) plans, and similar tax-advantaged retirement savings accounts. The HRS made methodological changes over the study period to improve capture of these withdrawals, particularly irregular distributions.
- Business and capital income: Rental income, dividends, interest, royalties, self-employment income, and trust income.
- Other income: Veterans benefits, unemployment insurance, workers compensation, disability insurance, Supplemental Security Income, other government transfers, insurance payouts, alimony, and reimbursement for expenses.
- Defined benefit pension income: Periodic payments from employer-sponsored traditional pension plans, including those from current and former employers.
- Social Security benefits: Old-age, survivors, and disability insurance benefits from the Social Security Administration.
- Private annuity income: Payments from individually purchased annuities and annuities not provided through employer pension plans.

All income amounts are converted to constant 2024 dollars using the Consumer Price Index for All Urban Consumers (CPI-U-RS) to account for inflation over the study period. To limit the influence of outliers and reporting errors, the top 0.5% of observations for each income source are topcoded at the 99.5th percentile value for that source.

Classification of annuitized income

For purposes of this analysis, annuitized income is defined as income from sources that provide guaranteed lifetime payments. This includes defined benefit pension income, Social Security benefits, and private annuity income. These sources share the characteristic that they continue for the lifetime of the recipient (and in some cases a surviving spouse) regardless of how long the individual lives, providing insurance against longevity risk.

Income from IRAs and defined contribution plans is classified as non-annuitized even when taken as regular periodic withdrawals, as these payments are not guaranteed for life and depend on the remaining account balance. Similarly, earnings, business and capital income, and other income sources are classified as non-annuitized.

Income quintile construction

Figure 4 in the main text presents income by quintile based on pre-retirement income. Quintiles are constructed using average total income during ages 50 to 65 for each individual in the sample. Quintiles are based on a pooled sample from 1992 to 2022. We use respondent-level population weights as given in the RAND files and do not normalize the weights across years. This approach classifies individuals based on their economic position during their peak earning years rather than their retirement income, which may be affected by annuitization decisions themselves. Individuals are assigned to quintiles based on their position in the distribution of pre-retirement income across all individuals in the sample, and this classification remains fixed for all observations of that individual in the age range of 65 and older.

Limitations and measurement issues

Several limitations affect the measurement of retirement income in the HRS and should be considered when interpreting results:

Survey underreporting: Like all household surveys, the HRS is subject to underreporting of income, particularly for complex or irregular sources. Comparisons with administrative data suggest that certain income sources may be understated, though the magnitude varies by source.

Changes in survey methodology: The HRS has made improvements to its measurement of retirement account withdrawals over time, which may create discontinuities in the time series. Early waves may understate DC withdrawals relative to later waves.

Exclusion of in-kind benefits: The income measure does not include the value of in-kind benefits such as Medicare or Medicaid health coverage, which constitute substantial economic resources for many older Americans.

Difficulty distinguishing annuities from withdrawals: In some cases, it may be difficult to distinguish between true annuity payments and regular systematic withdrawals from retirement accounts, potentially affecting the classification of income as annuitized versus non-annuitized.

Treatment of joint accounts: For married couples, income attribution decisions may affect measured individual income levels, though this is less problematic when analyzing household-level income.

Despite these limitations, the HRS provides the most comprehensive nationally representative data available on the income sources of older Americans and their evolution over time. The trends and patterns identified in this analysis are robust to alternative measurement choices and consistent with findings from other data sources where available.

Data from figures

TABLE 1

Annual income by source, 2000–2022

Income Source (USD)							
Year					Annuitized Sources		
	Earnings	IRAs + DCs	Business + Capital	Other	DBs	Social Security	Annuities
2000	5,170	2,228	12,697	3,736	8,673	15,871	1,079
2002	5,565	2,220	10,725	3,108	8,811	16,404	1,068
2004	6,865	2,382	10,322	4,198	9,273	16,444	1,203
2006	6,935	2,515	11,016	3,789	8,721	16,286	1,348
2008	8,046	2,883	13,289	3,876	8,493	16,150	1,135
2010	8,058	2,583	10,097	4,688	7,709	17,083	1,225
2012	9,133	2,976	10,699	3,768	9,090	16,698	953
2014	10,493	3,852	11,052	5,241	9,437	17,170	1,124
2016	11,850	4,583	12,038	6,279	9,738	17,402	1,132
2018	11,989	5,071	12,109	5,744	9,450	17,215	1,517
2020	12,682	5,220	12,128	4,744	8,905	17,086	1,330
2022	11,469	7,071	11,488	6,793	9,289	17,518	1,364

Source: HRS

Note: Sample includes adults aged 65+. Income is converted to 2024 dollars using the CPI-U-RS series. Other income includes income from unemployment insurance and workers compensation, Supplemental Security Income and Disability Insurance, other government transfers, and other household income. Business and capital income includes any income from a business, self-employment earnings, income from rent, dividend and interest income, income from trust funds or royalties, and income from any other assets. Household income is allocated entirely to the individual if the respondent is single or widowed, and is split between the respondent and spouse if married. Income for a given source is top-coded at the top 1 percent for people ages 65+ in that year receiving any income from that source. See Technical Appendix for additional information.

TABLE 2

Annual income by source and age, 2000–2022

Income Source (USD)							
					Annuitized Sources		
Ages	Earnings	IRAs + DCs	Business + Capital	Other	DBs	Social Security	Annuities
65-69	20,410	3,517	13,567	6,599	8,261	14,410	940
70-74	8,459	5,137	11,127	4,861	10,095	18,422	1,144
75-79	3,615	4,158	10,570	3,890	9,909	17,891	1,291
80-84	1,585	3,361	9,770	3,132	8,831	17,666	1,530
85+	632	2,430	10,259	3,488	7,407	17,502	1,688

Source: HRS

Note: Sample includes adults aged 65+. Income is converted to 2024 dollars using the CPI-U-RS series. Other income includes income from unemployment insurance and workers compensation, Supplemental Security Income and Disability Insurance, other government transfers, and other household income. Business and capital income includes any income from a business, self-employment earnings, income from rent, dividend and interest income, income from trust funds or royalties, and income from any other assets. Household income is allocated entirely to the individual if the respondent is single or widowed, and is split between the respondent and spouse if married. Income for a given source is top-coded at the top 1 percent for people ages 65+ in that year receiving any income from that source. See Technical Appendix for additional information.

TABLE 3

Annual income by source and income quintile, 2000–2022

Income Source (USD)							
					Annuitized Sources		
Quintile	Earnings	IRAs + DCs	Business + Capital	Other	DBs	Social Security	Annuities
Bottom	1,087	619	2,327	2,817	1,593	11,982	198
Second	4,331	1,554	4,552	2,708	4,404	15,288	678
Middle	8,506	3,069	7,065	4,428	8,463	17,527	908
Fourth	14,176	5,388	11,965	6,727	14,343	18,965	1,183
Top	33,937	12,153	35,850	10,961	18,447	20,204	2,629

Source: HRS

Note: Sample includes adults aged 65+. Income is converted to 2024 dollars using the CPI-U-RS series. Other income includes income from unemployment insurance and workers compensation, Supplemental Security Income and Disability Insurance, other government transfers, and other household income. Business and capital income includes any income from a business, self-employment earnings, income from rent, dividend and interest income, income from trust funds or royalties, and income from any other assets. Household income is allocated entirely to the individual if the respondent is single or widowed, and is split between the respondent and spouse if married. Income for a given source is top-coded at the top 1 percent for people ages 65+ in that year receiving any income from that source. Income quintiles are based on average annual individual income for adults between the ages of 50 and 65. See Technical Appendix for additional information.

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