AUTOMATIC LIFETIME INCOME: THE MISSING OUTCOME IN TODAY'S RETIREMENT PLANS

The policy imperative for strengthening retirement security.



Prudential

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America's retirement system is undergoing a profound shift.

America has largely moved from pensions that paid a predictable monthly check for life to 401(k) and 403(b) plans that mainly help people accumulate a lump sum. Policymakers have improved saving through smart defaults like auto-enrollment—but we still lack an equivalent default for turning savings into income that lasts as long as people live. This paper makes the case for "automatic lifetime income": empowering defined contribution (DC) plans to start a guaranteed lifetime income stream by default from a portion of a retiree's balance (with an opt-out), so retirement plans deliver retirement income checks—not just account balances.

Key Takeaways:

- **The stakes are huge:** more than 121 million Americans[1] are in employer DC plans holding about $13 trillion,[2] and Individual Retirement Accounts (IRAs) hold another $18 trillion[2]—but that money is not set up to automatically become lifetime income.
- **Defaults work:** 61% of DC plans now use auto-enrollment (up from 10% in 2006), and participation is 94% in auto-enrollment plans versus 64% in voluntary plans.[3]
- **Retirees aren't getting the same help on the "spending" side:** only 16% age 50 and older say they have a clearly defined withdrawal strategy, and only 28% work with a dedicated financial advisor on a regular or as-needed basis.[4]
- **Public support is strong:** 91% of DC plan participants find an automatic lifetime income default to be an appealing feature.[5]
- **Automatic lifetime income can raise income and reduce "outliving your savings" risk:** In this paper's example, defaulting 20% of savings into lifetime income increases annual income from about $41,469 to about $47,690—and makes roughly 30% of total income guaranteed for life, before including Social Security.[6]

[1] Department of Labor, 2022.

[2] Investment Company Institute, June 30, 2025.

[3] Vanguard, "How America Saves," 2026.

[4] Prudential's 2026 Global Retirement Pulse Survey.

[5] Prudential survey of DC plan participants, 2025.

[6] Prudential calculations, excludes taxes.

Traditional defined benefit (DB) pensions—once the bedrock of retirement security—were designed to provide employees with a predictable income stream after leaving the workforce. As these plans continue to fade from the workplace, DC plans like 401(k)s and 403(b)s have become the primary way people save for retirement. More than 121 million[1] Americans participate in employer-based DC plans, accounting for $13 trillion in retirement assets.[2] IRAs total another $18 trillion,[3] a significant portion of which originated as DC plan rollovers. These figures highlight the importance of DC plans in today's U.S. retirement system and underscore the enormous opportunity to help people protect their life's work, and, in doing so, facilitate greater retirement security.

Policymakers have made meaningful progress to strengthen DC plans with automatic features, such as auto-enrollment, auto-escalation of contributions, and auto-investing in professionally managed target date funds. These "nudges," which are now required for most new DC plans, make saving the default choice rather than an active decision, and they have proven to be effective at increasing participation, improving savings rates, and simplifying investment decision-making. These innovations have helped millions of workers—especially those who are younger, lower-income, or less financially literate—get on track for retirement.

These policy wins do have one significant limitation: **they focus exclusively on the accumulation phase of retirement planning.** In other words, they help Americans accumulate wealth—but they do nothing to ensure they will have income that lasts their entire lifetime, as DB plans once promised. Perhaps that's why 75% of Americans favor government action that requires workplace retirement plans to offer guaranteed lifetime income.[4]

As more Americans than ever are turning 65 years old—more than 11,000 every day for the next three years[5]—this is a growing concern, and not just for individuals. The fiscal pressures on social programs such as Social Security and Medicare will continue to mount, and government expenditures will rise. Slowing labor force expansion due to an aging population will dampen productivity and alter consumption patterns, threatening long-term economic growth.

As for retirees, without an easy way to generate income from savings, they are left alone in making complex choices on how to draw income from their retirement savings. Very few, in fact, feel prepared to do so. According to our 2026 Pulse survey, only 16% age 50 and older feel they have a clearly defined withdrawal strategy.[6]

In light of these factors, it is time to take the next step in DC plan evolution: expanding the concept of automation beyond saving and **empowering DC plans to provide automatic, guaranteed lifetime income** to retirees. We call this **"automatic lifetime income"**—a plan feature designed to automatically provide a lifetime income stream from a portion of a retiree's savings. This approach supports the growing policy focus on helping workers translate retirement savings into retirement income, such as the bipartisan Lifetime Income for Employees (LIFE) Act, which would allow a participant to be defaulted into an annuity product as a Qualified Default Investment Alternative (QDIA), and the proposed Automatic IRA Act, which would require certain DC plans to offer participants the option to convert their vested savings into a protected lifetime income solution. It also aligns with the recent DOL Advisory Opinion 2025-04A[7] to create a presumption in favor of a secure retirement with lifetime income defaults with safe harbor insulation.

To support this proposal for automatic lifetime income in DC plans, we will:

1. Examine the compelling evidence on the effectiveness of automatic features in accumulation;
2. Highlight the opportunity that "decumulation by design" features represent in today's system; and
3. Offer a policy roadmap for requiring automatic lifetime income defaults in the DC retirement system



[1] This includes 92.6 million active employees. The remaining (non-active) participants are retired or separated and receiving (or eligible to receive in the future) benefits from the plans. Department of Labor, 2022.

[2] Investment Company Institute, June 30, 2025.

[3] Investment Company Institute, June 30, 2025.

[4] Prudential's 2025 Global Retirement Pulse Survey, published October 2025. Includes people with at least $100k in investable assets.

[5] Alliance for Lifetime Income, Peak 65®.

[6] Prudential's 2026 Global Retirement Pulse Survey, published October 2026.

[7] DOL Advisory Opinion 2025-04A. Access here: https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/advisory-opinions/2025-04a

Defaults are choices—and often better ones

The power of inertia

The adoption of automatic features in DC plans has been one of the most successful policy and design shifts in retirement savings in the past 20 years.[8] Grounded in behavioral economics, auto-enrollment, auto-escalation, and auto-investing through balanced investments such as target date funds, remove the stress of decision-making and drive better savings outcomes. When the right options are set up by default, people are more likely to stick with healthy, long-term behaviors. And as we'll show in this paper, these innovations significantly increase participation, raise contribution rates over time, and help participants save more.

An inflection point: Breaking through participation barriers

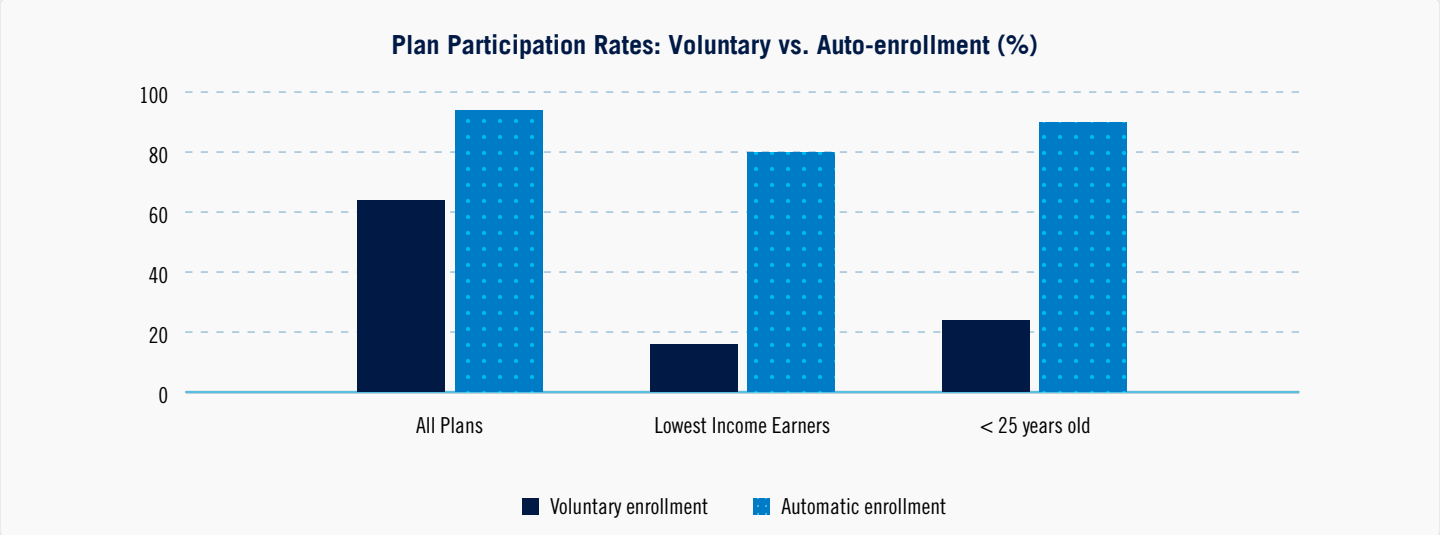
For voluntary enrollment plans, where one must make an active decision to join and start saving, a decision not to enroll isn't out of disinterest, but due to inertia—which simply means that **people tend to stick with the default option.** This concept is crucial because it highlights how people's default settings—or lack of active decisions—can significantly impact their retirement savings. In a voluntary enrollment plan, the default is, essentially, to remain unenrolled—participants must take an active step to enroll. In this case, inertia works against participation.

In 2006, the Pension Protection Act (PPA) provided a legal framework for employers to automatically enroll employees in their retirement plans. Auto-enrollment makes participation the default, requiring employees to actively opt out if they don't want to participate. This subtle difference can significantly impact plan participation rates.

A 2026 study of 4.6 million people in DC plans provides powerful evidence that auto-enrollment increases plan participation. Sixty-one percent of all plans have auto-enrollment—up from 10% in 2006.[9] Overall, these plans boast a participation rate of 94%, compared to 64% for voluntary enrollment plans.[10] Auto-enrollment is especially powerful for the lowest income earners. In auto-enrollment plans, participation rates for them are 80% compared to voluntary enrollment plans, which have a 16% participation rate.[11] Why such a drastic difference? It's not because one group is five times more focused on saving for retirement.

Auto-enrollment can help more workers start saving—and start saving early. This is a critical factor in long-term retirement preparedness.

Rather, it's the simple fact that most people stick with the default, especially if it is reasonable and in their best interest. A similar trend is true for the youngest workers, with auto-enrollment improving participation rates from 24% to 90% for those under 25 years old.[12]



[8] Credit for introducing auto features in defined contribution plans is often given to behavioral economists Richard Thaler and Shlomo Benartzi, whose work in behavioral economics helped validate and accelerate the adoption of both auto-enrollment and auto-escalation. They developed the concept of "Save More Tomorrow"—a program designed to help employees gradually increase their retirement savings through automatic escalation. Their work demonstrated the power of behavioral nudges and inertia in improving financial outcomes, and ultimately led to the Pension Protection Act of 2006 which provided legal support for these features.

[9] Vanguard, "How America Saves," 2026.

[10] Vanguard, "How America Saves," 2026.

[11] Lowest income earners are those who make less than $15,000 annually. Vanguard, "How America Saves," 2026.

[12] Vanguard, "How America Saves," 2026.



Growing contributions over time

Starting to save is the first step—but ensuring that you're saving enough is equally important. Auto-escalation, also popularized by the PPA, helps make that possible by automatically increasing a participant's deferral rate each year (usually by 1%), typically up to a set limit, such as 12% of pay. Seventy-one percent of plans with auto-enrollment automatically increase the contribution rate annually.[13] Just like auto-enrollment, auto-escalation addresses inertia: Participants rarely take the initiative to increase their savings on their own, even when their financial capacity grows. Auto-escalation as a default ensures contributions grow with salary increases to help accumulate more sufficient assets for retirement.

Simplifying investment decision-making

Before the PPA and the widespread adoption of QDIAs, the default investment option in many DC plans was a conservative investment option like a money market fund. However, these investments prioritized capital preservation over long-term growth—exactly the opposite of what young people need to grow sufficient savings.

With the introduction of QDIAs, employees can now have their contributions directed into a professionally managed portfolio chosen by their employer and aligned with their retirement age, typically a target date fund. This takes the pressure of making complex investment decisions off the shoulders of workers and automatically invests their contributions in professionally managed, diversified portfolios that become more conservative over time.

Auto-investing in target date funds removes the guesswork, making professional portfolio management the standard. In 2025, 98% of plans that designated a QDIA used target date funds.[14]

Demonstrating the value of automation in accumulation

We have combined the best practices of auto-enrollment, auto-escalation, and auto-investing in a target date fund to show the compounding impact these features can have on one's savings based on actual market performance from 1980 – 2022.

In Figure 1, we'll look at what Janice's savings would look like under a few unique scenarios:

[13, 14] Vanguard, "How America Saves," 2026.

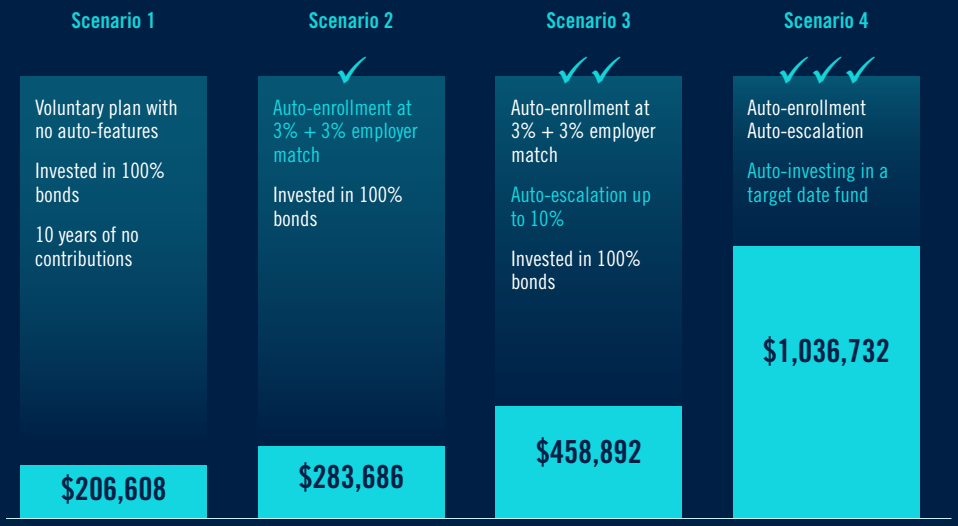
Scenario 1	Scenario 2	Scenario 3	Scenario 4
In the first three scenarios, Janice is invested in a conservative portfolio of 100% bonds.			
• Because her plan does not have auto-enrollment, Janice takes no action to join and doesn't contribute to her 401(k). • Ten years later, at age 32, she realizes she should start to save for retirement and begins contributing 3%[15] of her pay, with a full employer match of 3% (for a total contribution of 6%). She never increases her contribution rate.	• With auto-enrollment, Janice begins to save 3% of her pay immediately, with a full employer match of 3% (for a total contribution of 6%). • She contributes the same amount for her entire career.	• With auto-enrollment and auto-escalation as part of her plan, Janice begins to save at a 6% total contribution rate (3% + 3% employer match). • Her personal contribution rate increases automatically by 1% every year until her total contribution reaches 10%.	This final scenario is the same as scenario 3, but instead of being invested in 100% bonds, Janice is invested in a target date fund with a diversified stock and bond portfolio that helps grow her investments over time and gets less risky as she nears retirement.

The total savings Janice would generate in each of these scenarios is shown in Figure 1. These savings represent total savings after fees. It also assumes that Janice does not take loans or withdrawals from her plan, and if she changes jobs, her savings are rolled into her new 401(k) with the same contribution amounts, investments, and fees.

Figure 1. The combination of automatic features helps significantly increase the accumulation of wealth.



- Janice begins working at age 22 and retires at 65
- Starting annual salary of $20,000 in 1980 dollars, increasing by inflation +1% per year thereafter
- Ending salary of $115,000
- 401(k) plan has 100% match up to 3% of pay
- Investment management fees are 67 basis points



For illustration only. Target date fund (Scenario 4) asset mix starts at 90% equities (2/3 S&P 500® and 1/3 MSCI World ex USA Index) and 10% bonds (Barclays U.S. Aggregate Bond Index) and evolves to 40% equities and 60% bonds. Based on actual market performance from 1980 – 2022 and U.S. Bureau of Labor Statistics Historical CPI-U. S&P data from shillerdata.com; Barclays U.S. Aggregate Bond Index and MSCI World ex USA Index data from upmyinterest.com.

The purpose of this example is to highlight **the effectiveness of DC plans when used as intended.** By consistently saving and investing appropriately, with the help of automatic features, individuals can take full advantage of compounding growth over time. This underscores the vital role DC plans can play in helping participants build meaningful retirement wealth.

[15] The most-used match formula for Vanguard plans that affects the most participants is 50 cents on the dollar for the first 6% of pay, effectively the same as 100% on the dollar for the first 3% as used in this example.

Decumulation by design

The retirement income gap

DC plans lack what defined benefit (DB) pensions provided by design: **guaranteed lifetime income.** DC plans, on the other hand, were designed to help accumulate wealth. As we saw in Figure 1, automatic features can help people accumulate substantial savings, in part by simplifying decision making. But when it comes time to retire, many people are left to make complex financial decisions, like when to claim Social Security benefits, how much to withdraw from savings each year, and how to protect against running out of money in retirement. This challenge has been called "the nastiest, hardest problem in finance."[16]

The default in today's system is a lump sum of savings that one must manage on their own in retirement, however long that retirement lasts. To make matters worse, only 28% age 50 and older work with a dedicated financial advisor on a regular or as-needed basis[17] to help them make these decisions.

Longevity risk

Let's assume Janice retired at 65 and wanted $50,000 of income every year and she ended up living another 35 years to age 100. She would need $1,750,000 (this ignores investment gains, interest, etc., for simplicity). If Janice only lived five years in retirement, she would only need $250,000 when she retired. The difference between these two amounts is significant. Most importantly, Janice wouldn't know until after the fact whether she needed the $1,750,000 or the $250,000.

Planning for retirement is difficult because the length of retirement is perhaps the biggest unknown when it comes to preparing for it. In some households, retirement could last less than a decade, while for others, especially those who retire at a relatively young age, are healthy, and have higher incomes, retirement could last 30 to 40 years. The probability of a long retirement is especially notable for healthy couples. For example, there is a 10% probability that either member of a couple who are both nonsmokers in excellent health could have a retirement period that extends beyond age 101.[18]

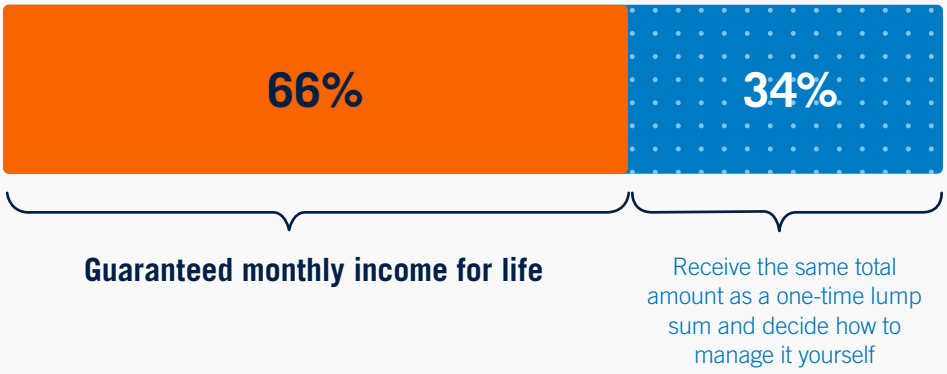
Without guaranteed lifetime income, retirees face two potential suboptimal paths:

1. Draw down accounts too quickly and risk outliving their savings.
2. Withdraw too conservatively and fail to enjoy the retirement they worked hard to achieve.

This could explain why most Americans would prefer guaranteed monthly income for life instead of a lump sum at retirement. Research indicates that accumulating lump sums of money without set plans to generate income can cause people to live below their means and not spend enough.[19]

If people had a choice on retirement income payout, most would prefer guaranteed monthly income for life.

Among non-retirees in the U.S.



Source: Prudential's 2026 Global Retirement Pulse Survey, published October 2026.

[16] William Sharpe was an economist who used this phrase to refer to the challenge of "decumulation"—the process of drawing down savings in retirement without running out of money.

[17] Prudential's 2026 Global Retirement Pulse Survey, published October 2026.

[18] American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, Accessed April 7, 2025.

[19] Retirees Spend Lifetime Income, Not Savings. D. Blanchett and M. Finke, Retirement Research Institute, 2025.

How can we guarantee income in retirement?

Congress has recognized this challenge. The SECURE Act of 2019 provided critical building blocks for expanding lifetime income in DC plans, including a fiduciary safe harbor for selecting lifetime income providers, portability for in-plan lifetime income products, and requirements that participant statements include lifetime income illustrations. SECURE 2.0 built on this foundation through additional retirement income reforms.

Much progress has been made following the SECURE Act and SECURE 2.0. Recordkeepers and insurers are developing in-plan annuity and insurance products that offer guaranteed income and are embedded within default investments. Plan sponsors are implementing these solutions, but overall adoption has been limited to date. The most significant driver of improving retirement income adoption among participants will be **defaulting them into a guaranteed income option.**[20]

Automatic lifetime income: The most effective policy solution

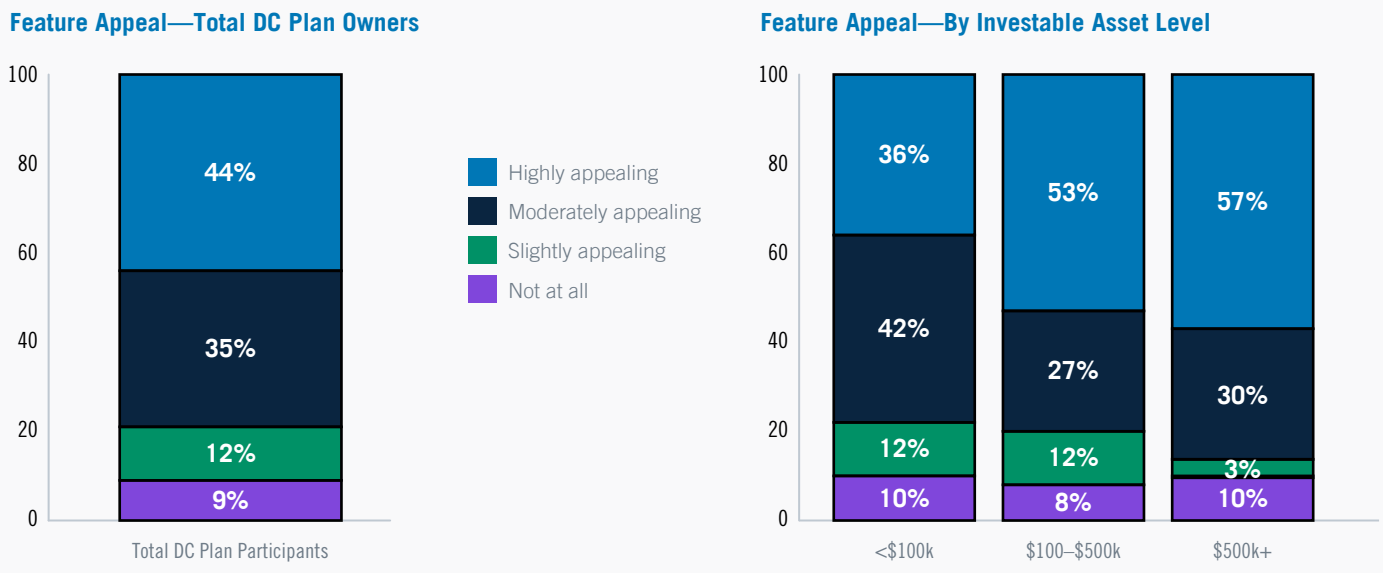
With lifetime income solutions in DC plans today that are embedded in default investments—like annuity-based options within target date funds—the default typically requires participants to actively elect for the lifetime income benefit to commence. For instance, if an annuity is included as part of a target date fund, participants will gradually build up an allocation in the annuity over time. Upon retirement, they need to activate the lifetime income benefit to start receiving income payments. Without taking this step, the participant won't receive the guaranteed income stream.

Therefore, the most effective solution is enabling retirement income payments to commence automatically by default from a portion of a participant's savings invested in an annuity. We refer to this as "automatic lifetime income." Automatic lifetime income can ensure participants begin retirement with a stream of guaranteed income payments in place without having to take action.

Participant and plan sponsor outlook

We asked DC plan participants if automatic lifetime income appealed to them given their personal situation. The results are shown in Figure 2. Ninety-one percent found it at least slightly appealing, and 44% found it highly appealing. Automatic lifetime income became more appealing as investable assets increased.

Figure 2. Most DC plan participants find automatic lifetime income appealing, with favorability rising as investable assets increase.



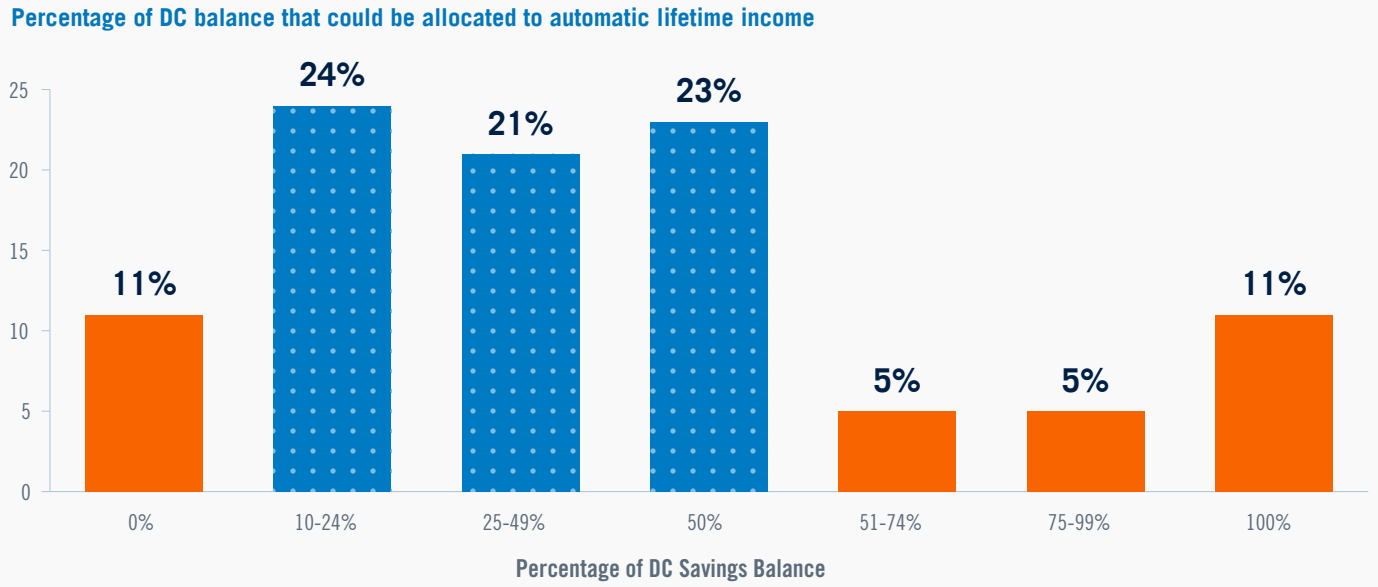
Source: Prudential survey conducted in July 2025 among a weighted representative sample of the U.S. general population, including 423 DC plan participants. High appeal consists of those who responded "extremely" or "very much" to the question, "To what extent does this feature appeal to you, based on your personal situation?".

[20] Annuity Industry Survey. "Change on the Horizon," Goldman Sachs Asset Management, 2025.

We asked plan sponsors what they felt was the maximum percentage of a participant's total DC savings at retirement that could be allocated to automatic lifetime income.

Sixty-eight percent of plan sponsors chose anywhere between 10% and 50%, as shown in Figure 3.

Figure 3. Most plan sponsors believe 10 – 50% of a participant's balance could be allocated to automatic lifetime income.



Source: Survey of 157 DC plan sponsors, conducted in July 2025 with the Retirement Research Center, a DCIIA (Defined Contribution Institutional Investment Association) organization.

Automatic lifetime income offers multiple benefits:

- **Security against longevity risk:** Participants gain protection against outliving their savings, a risk that is difficult and inefficient to manage individually with standard withdrawal programs.
- **Flexibility:** Defaults should guide behavior while respecting individual autonomy. Just as workers can opt out of auto-enrollment or adjust contribution rates on their own, retirees should be able to opt out of the automatic lifetime income default if they choose to manage their savings alone or with a financial advisor.
- **Simplicity:** Participants transition smoothly from accumulation to decumulation without navigating complex financial decisions and confusion at a potentially vulnerable time. These decisions are not only difficult, they also become harder as retirees age. Research has shown that financial decision-making capacity declines with age, even for those who are considered cognitively intact[21], making it risky to expect individuals to manage this process unaided for 20 to 30 years.
- **Scalability for plans:** Defaults allow income solutions to reach all participants, not just a small group who actively seek them out. Workers across income levels benefit, including those least likely to have access to advice or to purchase income products on their own, benefit from access to structured, guaranteed income.
- **Consistency with policy goals:** Automatic lifetime income builds on the proven success of prior policy innovations, turning DC plans into true retirement plans that help Americans save and ensure a portion of those savings provides income that lasts a lifetime.

[21] Boyle PA, Yu L, Mottola G, Innes K, Bennett DA. Degraded Rationality and Suboptimal Decision-Making in Old Age: A Silent Epidemic With Major Economic and Public Health Implications, 2022. https://pmc.ncbi.nlm.nih.gov/articles/PMC9118064/

Automatic lifetime income in practice

In Figure 1 we saw the compounding impact that automatic features had on Janice's savings, enabling her to accumulate $1,036,732 over her career. Assuming a 7% lifetime annuity rate, her total savings could provide her with an annual income of $72,571 if she purchased a life annuity at age 65.[22] However, using 100% of savings to purchase a life annuity is often impractical, as it significantly limits financial flexibility.

To illustrate how automatic lifetime income could work, we examine a few strategies in Figure 4.

A. First, we consider **Scenario A**, a "status quo" scenario, where Janice doesn't have any lifetime income benefit and instead withdraws 4% of her initial total savings balance every year. This approach would yield $41,469 of retirement income per year.[23] This is a mere 36% of her pre-retirement income of $115,000, and it is not truly "safe" as it is not guaranteed to last throughout retirement.

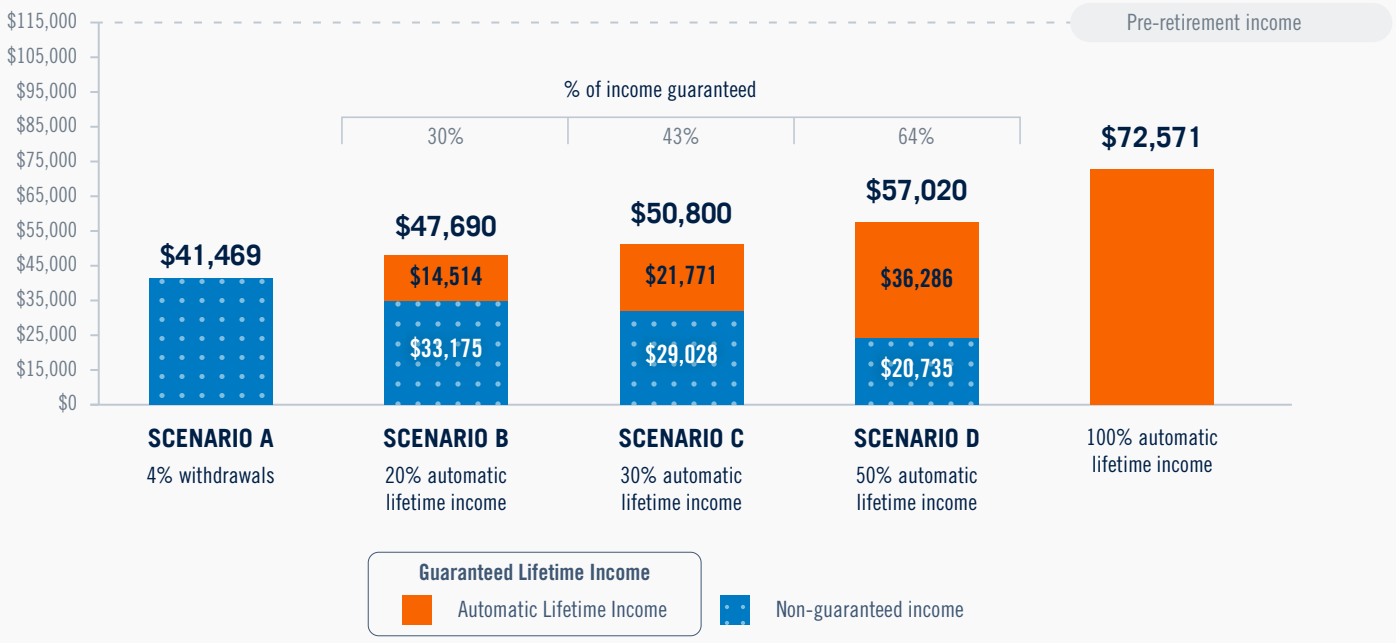
B. We then compare this to an "automatic lifetime income" approach in **Scenario B** where 20% of Janice's savings ($207,346) is automatically allocated to lifetime income. This would generate $14,514 of annual income for life (or $1,210 per month). The remaining savings balance of $829,386 would be available to draw down using the 4% withdrawal strategy, yielding $33,175 of income per year ($2,765 per month).

The total annual income from this approach would be $47,690, approximately $6,220 higher than Scenario A. In addition, **30% of her total income** ($14,514 ÷ $47,690) **would be guaranteed for her lifetime.**

C. Figure 4 includes a third scenario **(Scenario C)** where 30% of Janice's savings is used to provide lifetime income. This would increase her total annual income further, and her guaranteed lifetime income amount would increase by 50%.

D. If 50% of Janice's account balance were automatically used for lifetime income **(Scenario D)**, she would increase her lifetime income amount by almost 150%, while increasing her total income potential even further.

Figure 4. Automatic lifetime income would provide Janice with more total annual income than a safe withdrawal strategy alone.



Source: Prudential calculations. Excludes taxes.

[22] Excludes taxes and fees.

[23] Under a withdrawal scenario such as this, 4% would be withdrawn each year increasing with inflation.



Figures 4 clearly demonstrates that the status quo, Scenario A—where Janice relies solely on a 4% withdrawal strategy—results in the lowest annual income. With no guaranteed lifetime income, she must be careful spending down from savings to ensure her funds last throughout retirement. She would be more likely to invest her savings conservatively to minimize the risk of losses with market fluctuations. This significantly limits potential returns as well as how much she can spend. Janice could never spend all of her wealth, because once it is gone, it is gone. She has no lifetime income to fall back on.

In contrast, each automatic lifetime income scenario delivers higher total income, with a larger share of her income guaranteed to last her lifetime in each subsequent scenario. The presence of lifetime income increases her flexibility: essential expenses could be covered by lifetime income, while her savings can be used for discretionary spending or emergencies. The presence of a lifetime income stream can also increase the risk tolerance for investment decisions regarding her savings, enabling her to spend more by allowing for more aggressive investment strategies that could yield higher returns. In short, lifetime income provides a financial cushion that can enable more confident and potentially higher spending in retirement.

The income amounts in Figure 4 are based on Janice's savings of $1,036,732, a figure she accumulated by avoiding early withdrawals for her entire career. This is a balance far greater than what many Americans have accumulated in their DC plan. The median 401(k) balance for 65-year-olds and older is $103,202, with the average balance being $330,186.[24] This analysis suggests that for the majority with more modest savings, **guaranteeing a stream of income by default is even more critical** to achieving retirement security and reducing the risk of outliving one's savings.

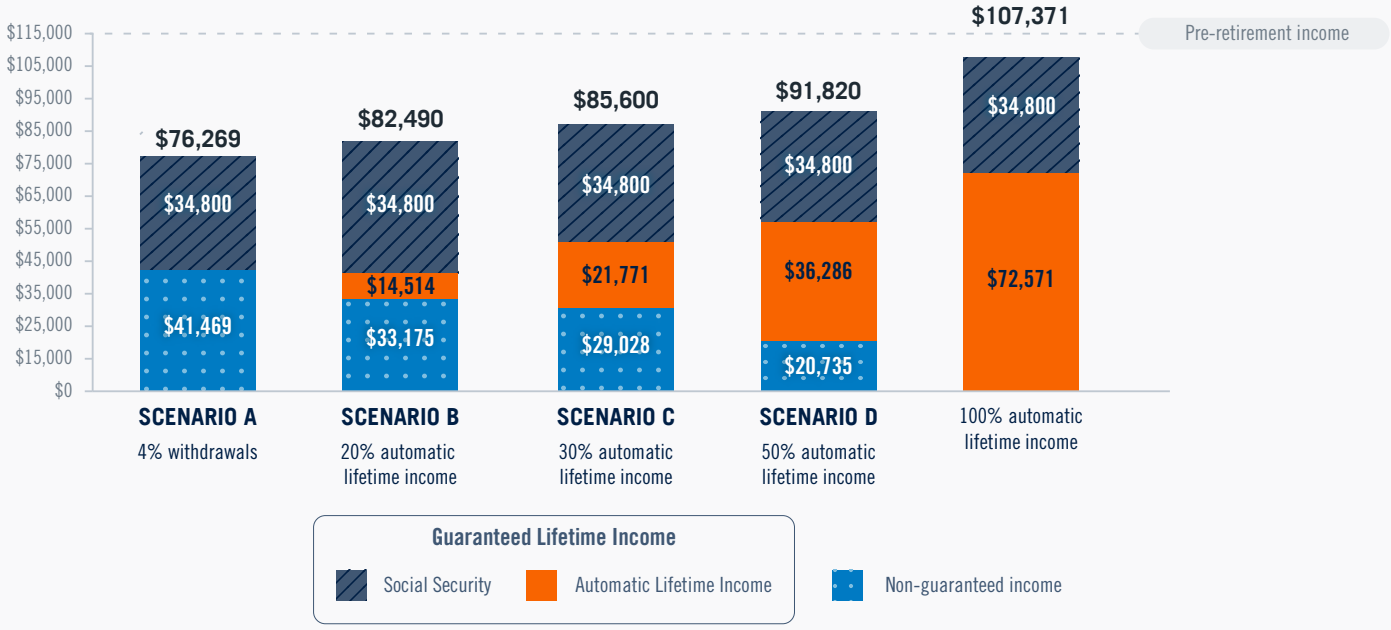
[24] Vanguard, "How America Saves," 2026.

What about Social Security?

To present a more complete picture of what Janice's retirement income could look like, Figure 5 includes Janice's annual Social Security benefits to her annual income under each scenario in Figure 4. The Social Security Administration's Online Calculator estimates a monthly benefit for Janice at age 65 of approximately $2,900—or $34,800 annually—based on her earnings. It is also worth noting that with automatic lifetime income, Janice would have the security of guaranteed income that could help her delay claiming Social Security. If she waited to age 70, her Social Security benefits would increase to approximately $4,500 per month, based on her earnings used in our analysis.

Including Social Security income in Figure 5 represents a more complete picture of how the "three-legged stool" model of retirement should evolve. While Social Security provides a foundational level of guaranteed income,[25] it alone does not ensure that individuals can maintain their standard of living in retirement. It is one leg of the stool. Therefore, policy changes that support automatic lifetime income can help more people achieve financial security, allow them to spend more in retirement and increase their contributions to the economy.

Figure 5. Total annual income including Social Security.



Source: Prudential calculations.

Social Security benefit estimated from the Social Security Online Benefits Calculator, based on Janice's earnings. Accessed May 29, 2026.

*Social Security benefits increase each year using a cost-of-living adjustment. Over the last decade the cost-of-living adjustment increase has averaged about 3.1 percent. Excludes taxes.

[25] $2,071 is the average monthly Social Security benefit payment as of January 2026, according to the Social Security Administration.

The unintended consequences of freedom and choice

The United Kingdom required retirees to use 75% of their DC savings to purchase an annuity that guaranteed income for life. Savers could take the remaining 25% as a tax-free lump sum. This mandate was reversed in 2015 to provide more flexibility in accessing savings. This reform is referred to as "Freedom and choice in pensions."

The impact of this was an **80% reduction in total annuity purchases:** 353,000 annuities were delivered in 2013 compared to just 72,000 in 2023.[26] While the reversal of the mandate to annuitize may have given people more control over the savings, it has exposed them to greater financial risks, with very few seeking financial advice before accessing their savings. The default is a lump sum, not lifetime income. **Forty percent are withdrawing unsustainably from their savings, at 8% or more per year**[27] with no guarantees that income will last.

Implementing an automatic lifetime income default in the U.S. would strike a balance between providing retirees with a guaranteed income stream and the flexibility to access their retirement savings for unexpected expenses and other discretionary spending. And as with any default, one could opt out of the lifetime income if they take action to do so.



[26] Pensions Policy Institute, DC Future Book 2024, Association of British Insurers data.

[27] Risks and Challenges of Freedom and Choice in Pensions, Adrian Boudling, October 23, 2024. https://www.dthomas.co.uk/content/media/opinions/237_risks-freedom-and-choice-dc-pensions.shtml

Policy recommendations

Building on the clear success of automatic features in boosting participation and savings, and in alignment with bipartisan legislation including both SECURE Acts, the LIFE Act, the proposed Automatic IRA Act, and the recent DOL Advisory Opinion 2025-04A that supports lifetime income as default investments, policymakers have an opportunity and a responsibility to enable the next generation of innovations that improve retirement security for all Americans.

To fully realize the benefits of automatic lifetime income and address the retirement income gap, we recommend the following policy actions.

A. Expand safe harbor protections for plan sponsors

In a Defined Contribution Institutional Investment Association (DCIIA) survey of DC plan sponsors, the most important factor—by considerable margin—that would make plan sponsors more comfortable adopting an automatic lifetime income feature would be fiduciary safe harbors, chosen by 70% of respondents, with 55% ranking it as their top consideration.[28]

Building on the SECURE Acts' safe harbor for selecting annuity providers, policymakers should expand the regulatory framework to explicitly include automatic lifetime income solutions as part of QDIAs. By providing clarity on the selection and monitoring of in-plan income products with automatic lifetime income, plan sponsors can have confidence to adopt these solutions without fear of litigation.

B. Make automatic lifetime income revocable

In the DCIIA survey, 53% of DC plan sponsors said if employees retained full flexibility and access to their market value so the election of automatic lifetime income was revocable, they would be more likely to adopt an automatic lifetime income feature in their DC plans.[29]

Policymakers should incentivize the adoption of automatic lifetime income through a "free look" period. For example, after automatically receiving income payments for several months to a year, participants would be given the opportunity to cancel their lifetime income and fully access their savings if they decide to solve their income needs some other way.

[28, 29] Survey of 157 DC plan sponsors, conducted in July 2025 with the Retirement Research Center, a DCIIA organization.

Completing the promise of retirement security

The ultimate measure of retirement success is not how much people save, but whether their savings provide lasting income for life. Providing participants with automatic lifetime income from savings they've accumulated is the essential next step in retirement legislation.

The success of automatic features in helping Americans save lies in making prudent financial decisions the default. With automatic lifetime income, we can help Americans spend confidently in retirement, fully realizing the original promise of workplace plans.

Expanding access to retirement security will require a strong relationship across public and private sectors, with employers, financial services companies, and policymakers working together to drive innovation to help protect outcomes for pre-retirees and retirees. With fiscal pressures on public safety nets mounting, this public-private collaboration will play a vital role in helping to reduce retirees' reliance on public safety net programs and empower individuals to secure their own financial future. By positioning DC plans to automatically provide income from savings, we can help policymakers tackle one of the most significant budgetary issues of our time.

Authors



David Blanchett, PhD, CFA, CFP®

Head of Retirement Research, Prudential
Portfolio Manager, PGIM



Phil Waldeck

Head of U.S. Businesses,
Prudential Financial

Contributing authors:

Peter Patrician, Director, Thought Leadership

Jeffrey Turner, Vice President, Government Affairs

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