

Retirement Income 101: Where Will Your Retirement Income Come From?

Even the most prepared pre-retirees worry they'll outlive their savings.

Understanding how much you'll need in retirement, and where that money will come from, can help you prepare. Here's what you need to know.



How much money do you need in retirement?

Generally, retirees need **70 to 90%** of their pre-retirement income to maintain their current lifestyle in retirement.¹



And, with almost **70%** of retirees having the same or higher standard of living in retirement as when they were working, it's vital to plan for the income you'll need in retirement.²

Which sources of income will replace your paycheck?



Social Security

Social Security provides a modest income to help cover some essentials.

\$1,827 per month is the average Social Security benefit in 2023³

IRAs and Other Income Sources

Investment income, money in individual retirement accounts (IRAs), part-time job, and rental income can supplement other retirement income sources.

58% of Americans plan to keep working in retirement⁴

Workplace Retirement Savings Plan

These savings plans (i.e. 401(k), 403(b), thrift savings plans, profit sharing, etc.) are predominantly funded by employees and may include contributions by employers.

75% of employees say a 401(k) or other defined contribution plan is a must-have benefit⁵

Unlike pensions, these plan savings **do not** automatically convert to an income stream when you retire.

Pensions

This retirement income benefit is funded by employees and employers.

64% of workers who have a defined benefit or traditional pension plan expect it to be a source of retirement income⁶



Converting your workplace retirement savings plan into income

While participants do have the option to take their workplace retirement savings plan as a lump sum payment, there is a significant risk that the proverbial "pot of gold" will run out. **MetLife's research found 1 in 3 retirees who took the lump sum depleted their savings in an average of 5 years.**⁷

Plan participants should consider all their options on how to turn their retirement savings into income. Generally, there are three options that can be considered — either alone or mixed and matched — to convert it to retirement income:

Option 1: Rollover the funds into an IRA



Retirees have the option to roll their funds into an IRA or managed account for the value of their workplace retirement savings, then work with a financial advisor to manage their savings throughout retirement.

However, this option likely involves advisor fees, you may lose access to low-cost plan investment options, and can leave your savings vulnerable to market volatility.

Option 2: Split your retirement savings into payments

With a systematic withdrawal plan (SWiP), you can opt to withdraw money on a regular schedule, such as once a month for 30 years. However, if you outlive your withdrawal schedule, you may outlive your savings.



Option 3: Receive a guaranteed paycheck for life



An annuity, such as a fixed income annuity, is a contract issued by an insurance company that pays you a monthly paycheck for life. It guarantees a fixed income stream that helps ensure your retirement savings will last throughout retirement, regardless of market conditions or how long you live.

Converting only a portion of your savings into an annuity allows you to maintain access to some of your retirement savings.

Finding the right solution for you

As you plan for retirement, focus on planning for the income you'll need in retirement — not just how much you should be saving. Ideally, your strategy should combine multiple income streams to bring it close to what you were earning before retirement.



For more information on income annuity options, please call the **MyFRS Financial Guidance Line** at 1-866-446-9377, Option 2.

1. Top 10 Ways to Prepare for Retirement, U.S. Department of Labor, September 2021.
 2. Why Do People Spend the Way They Do in Retirement? Findings From EBRI's Spending in Retirement Survey, EBRI, January 2021.
 3. Understanding the Benefits, Social Security Administration, January 2023.
 4. Over Half of Americans Plan To Work in Retirement: Here Are the Best Options, Nasdaq, March 2023.
 5. MetLife's Employee Benefit Trends Study, 2023.
 6. Retirement Confidence Survey, Employee Benefit Research Institute, 2023.
 7. MetLife's Paycheck or Pot of Gold Study, 2022.

Group annuity contracts are issued through Metropolitan Tower Life Insurance Company (MTL) or Metropolitan Life Insurance Company (MLIC). Like most group annuity contracts, MTL and MLIC group annuities contain certain limitations, exclusions and terms for keeping them in force. MTL and MLIC annuity products may not be available in all states. Contact your MetLife representative for more information.