

Innovation is the Answer: Envisioning a New Approach to the Retirement Income Crisis

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With low levels of savings and the rise in longevity, Americans are facing a retirement income crisis. An estimated 50% of U.S. retirees are at risk of being unable to maintain their pre-retirement standard of living based on current savings levels.* Additionally, most investors don't have the expertise or guidance needed to create a plan to make their savings last throughout retirement.



Innovation in product design cannot be understated as it contains the potential to change the paradigm of retirement planning.

The goal: Better outcomes for participants

A participant-centric design focuses on ensuring the participant never has to trade off in these three categories in

order to receive guarantees. Our industry must step up to this challenge and innovate a new approach focused on better outcomes. Participants need a solution that provides a seamless experience, a viable investment for any stage of life, and in-plan retirement income. Today's typical product design approach won't cut it.

New offerings, not repackaged solutions

The key to success for in-plan income lies in a sharp focus on product design that maintains growth, control, and simplicity for participants. Unfortunately, most of the current "innovations" are 10 to 15-year-old products inefficiently bundled together in a way that creates added cost and other tradeoffs.

The industry has lacked the blue sky thinking needed to overcome the multidimensional challenges of this crisis. But the good news is there have been newly developed product design processes that are truly innovative in the institutional retirement space. This type of thinking is the way forward in solving the income crisis.

One new approach to product design is to put the participant at the center of the process, requiring product engineers to focus on participant outcomes first. This approach required one company to reengineer the annuity portion of the solution all together in order to meet participant needs. It then integrated this newly designed annuity into a portfolio in the most efficient way to eliminate the income risks a participant faces in retirement. Through design innovation, it was able to deliver lifetime income and eliminate the barriers to adoption that have plagued our industry for decades.

Growth opportunity: Traditional investments, such as target date funds, provide great growth opportunity, but growth alone is not enough. Americans need income in retirement to achieve true security. However, they are not willing to sacrifice one for the other.

Simplicity: Studies have shown that automatic enrollment and qualified default investment alternatives (QDIAs) help participants avoid confusion and decision paralysis, which increases success with contributions.

Flexibility and control: With people changing jobs more frequently and wanting access to their funds, portability and liquidity are a must for an investment option.

Straightforward and user-friendly design will be a hallmark of the solutions that emerge to tackle this crisis.

The universal benefits of in-plan income

For any new development to succeed, it must provide value not only to participants, but also to advisors, plan sponsors, and asset managers. The efficiencies created with this new approach does just that. The more the industry is able to bring fresh thinking to the product design process, the more these new solutions will provide a great investing opportunity in the present and security in retirement. ■

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Learn more at annexusretirementsolutions.com and [LinkedIn](https://www.linkedin.com/company/annexus-retirement-solutions).



* Center for Retirement Research at Boston College, THE NATIONAL RETIREMENT RISK INDEX: AN UPDATE FROM THE 2019 SCF, January 2021.

** Greenwald Research, 2022 In-Plan Insights study