



Fidelity Pension Partners

More Retirees Take the Gold Watch, But Keep Their 401(k) Assets In-Plan



A recent Fidelity report reveals that over 80% of plan sponsors prefer to allow employees to keep their assets in-plan and withdraw them over time. The number of workers aged 55 and older has increased by 74% over the past two decades, prompting plan sponsors to focus more on how participants transition from saving for retirement to living in it.

Sixty percent of retirees using Fidelity's platform stayed in their employer-sponsored plan within the first year after quitting their jobs as of December 2022, a 10% increase since 2013. Pre-retirees (those between the ages of 50 and 59) exhibit a similar pattern, with record-kept assets for those over 50 tripling in the last ten years.

According to the report, "[Retirees and pre-retirees] may be choosing to stay in plan for a number of potential reasons... The simplification and consolidation of their retirement accounts, familiar and well-priced investment options, potentially lower fees, access to managed portfolio services and advice, educational content, or recordkeeper familiarity."

Additionally, 62% of plan sponsors consider offering retirement income options at least somewhat important. In order to give retirees a steady income, many are looking into target-date funds with guaranteed income through annuity purchasing choices.

These products gained traction following regulatory changes in 2019. In fact, a separate report from Sway Research found that target-date collective investment trusts with annuity components now exceed \$22 billion in assets. Fidelity is among the recordkeepers offering BlackRock's LifePath Paycheck products, which hold the largest share of these assets. Fidelity also found that 23% of plan sponsors currently offer guaranteed income options within defined contribution plans at retirement. Less common are managed payout funds, annuities participants can purchase during their working years, and guaranteed income marketplaces outside of defined contribution plans, which allow participants to allocate rollover assets.



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More than half of plan sponsors offer ad hoc withdrawals, while about a third provide managed accounts designed to help generate retirement income. To analyze defined contribution trends, Fidelity examined data from 25,000 corporate retirement plans covering 23 million participants, 10,000 403(b) plans, and plan sponsor surveys conducted last year.

Sources

https://www.ignites.com/c/4767714/644054/more_retirees_take_gold_watch_leave_assets

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