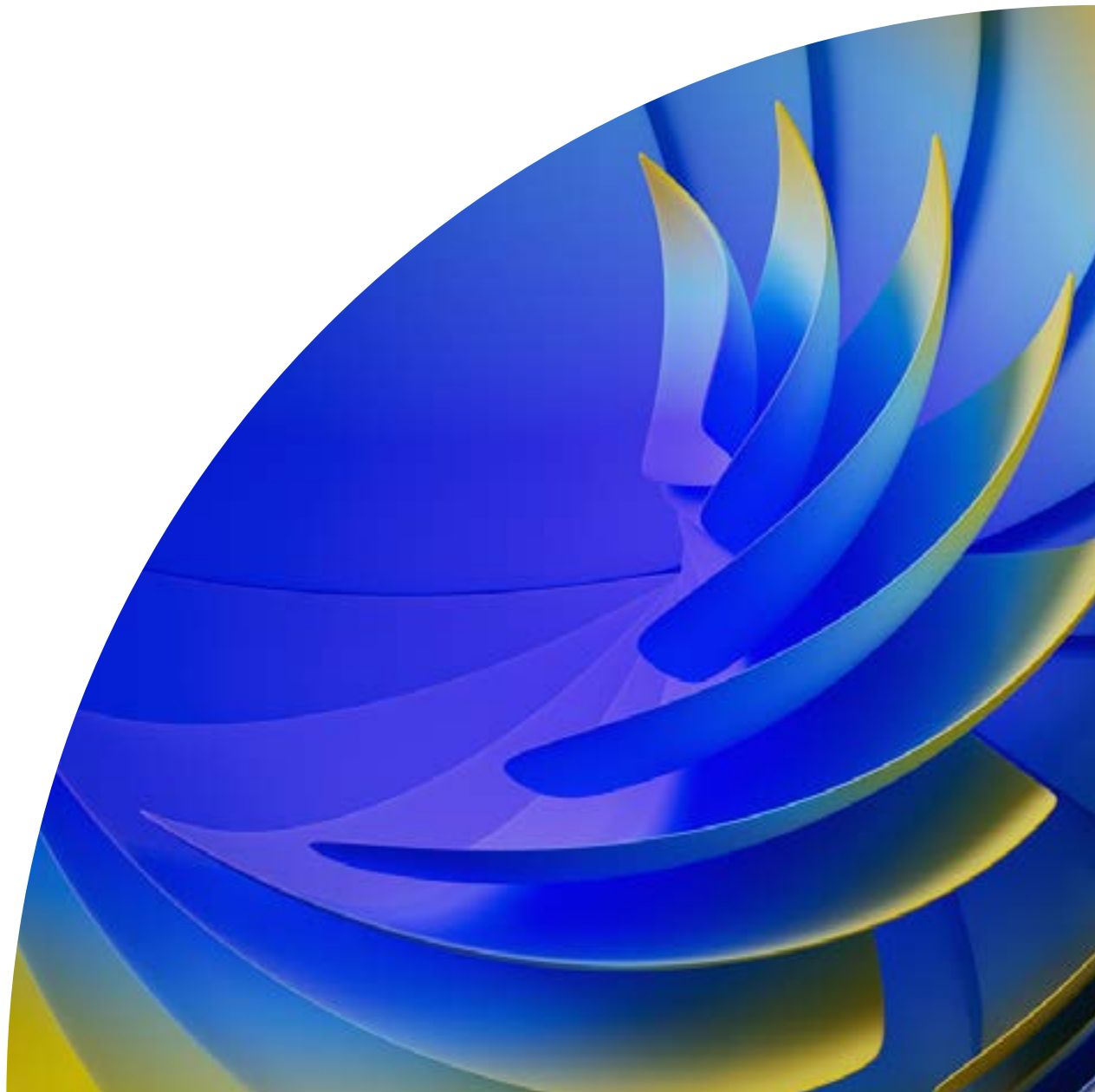


# Hiding Behind the *Averages*

What does conventional wisdom tell us about successful retirement outcomes?

2022 RETIREMENT RESEARCH RESULTS



# Timely insights that tackle tomorrow's challenges

Retirement is one of the most important parts of financial planning, yet it comes with a great amount of uncertainty. Workers are looking to employers for help—investors are looking to advisors for guidance.

Allspring Global Investments' retirement study goes right to the source to reveal key retirement issues. We talk directly with retirees and near-retirees, giving plan sponsors and advisors a clearer picture of tomorrow's retirement landscape. **This year's annual report challenges conventional wisdom.** Using data on retirees and near-retirees, we aim to help all retirement stakeholders take notice and take action.

## Supporting individuals to and through retirement

Retirees and near-retirees face many of the same uncertainties, yet they often have very different circumstances. On the surface, the average retiree appears to be meeting their income needs in retirement. Going forward, however, inflation and stock market risk will test the outlook for many.

Near-retirees are looking for help to maximize Social Security and Medicare benefits while minimizing taxes. Plan sponsors and advisors can be proactive, providing education and advice in these three areas that are key to a successful retirement.

Understanding the similarities and differences between and within these two groups is essential to identifying the right solutions.

# Conventional wisdom can be useful when it helps define decision-making but harmful when it blurs important distinctions.

Our view is that conventional perspectives on retirement aren't enough. **Retirement stakeholders must move beyond the conventional—aiming high, with bold solutions tailored for real outcomes.**

Findings from this year's research study reflect five key retirement themes. We look beyond each one to challenge or confirm the conventional wisdom. We hope that these insights help plan sponsors and advisors see beyond the averages to help each individual near-retiree and retiree achieve their goals.

## Challenging the conventional wisdom of retirement.

### 01

CONVENTIONAL WISDOM

A guaranteed source of income relieves financial stress.

ALLSPRING'S PERSPECTIVE

It's not all about the guarantee.

### 02

CONVENTIONAL WISDOM

Focus on setting and achieving a savings target.

ALLSPRING'S PERSPECTIVE

Managing savings sources helps maximize retirement income.

### 03

CONVENTIONAL WISDOM

It's simple—you either reach your savings target or you don't.

ALLSPRING'S PERSPECTIVE

Retirement is not a black-and-white picture—it's shades of gray.

### 04

CONVENTIONAL WISDOM

Social Security and Medicare are complicated.

ALLSPRING'S PERSPECTIVE

Yes, but that means there are options.

### 05

CONVENTIONAL WISDOM

Underserved segments have lower levels of retirement readiness.

ALLSPRING'S PERSPECTIVE

Additional support can improve planning and outcomes.

# 01

## CONVENTIONAL WISDOM

### A guaranteed source of income relieves financial stress.

To lessen the uncertainty around retirement planning, workers need to guarantee their retirement income with a traditional pension plan and/or Social Security payments.

## ALLSPRING'S PERSPECTIVE


### It's not all about the guarantee.


In reality, pension benefits continue to decline as concerns about Social Security solvency rise. Fortunately, near-retirees appear to be adapting financially and psychologically. In fact, having a balance of both guaranteed and non-guaranteed retirement income sources is related to a more positive outlook on retirement, compared with mostly guaranteed retirement income sources.


#### RETIREES' SOURCE OF INCOME:


Guaranteed		Non-guaranteed	
Social Security	37%	IRA	10%
Pension plan	25%	Taxable brokerage account	6%
Bank account	9%	DC plan	4%
Annuity	4%		

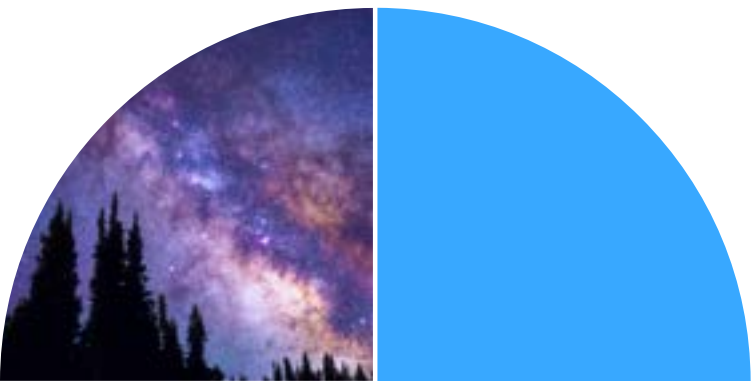
#### Take-aways for tomorrow's retirees:

 Retirees with guaranteed *and* non-guaranteed income sources feel more positive overall.

 Non-guaranteed income can result in higher investment returns.

 Relying on a guaranteed income can be challenging in a high-inflation environment.

 Having a variety of income sources may lead to a greater sense of security.



# 02

## CONVENTIONAL WISDOM

### Focus on setting and achieving a savings target.

To achieve a successful retirement, individuals should be laser-focused on setting and achieving a specific savings target.

## ALLSPRING'S PERSPECTIVE

### Managing savings sources helps maximize retirement income.

Accumulating a certain level of savings is one of several variables in the retirement equation. It's also important to look ahead and plan for the decumulation phase. Drawing retirement income tax-efficiently should start with allocating where savings are held between taxable and non-taxable accounts during accumulation years.

#### Macroeconomic challenges impact retirement finances:

##### INFLATION:

**45%** RETIREES



**61%** NEAR-RETIREES



##### STOCK MARKET DOWNTURNS:

**35%** RETIREES



**50%** NEAR-RETIREES

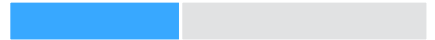


##### HIGHER TAXES:

**25%** RETIREES



**41%** NEAR-RETIREES



**53% OF NEAR-RETIREES:** Plan to use an advisor to maximize retirement income sources, BUT ...

**39% OF NEAR-RETIREES:** Have not yet used an advisor

**71% OF NEAR-RETIREES:** Are interested in learning how to minimize investment-related taxes

**7 in 10 RETIREES AND NEAR-RETIREES:** Believe optimizing investments helps minimize taxes



# 03

## CONVENTIONAL WISDOM

It's simple—you either reach your savings target or you don't.

People who plan for and achieve a certain savings target will enjoy a comfortable retirement; those who don't will not.

## ALLSPRING'S PERSPECTIVE

Retirement is not a black-and-white picture—it's shades of gray.

A retirement savings plan can help keep workers on track, but it represents a number of assumptions. Some people will have more expenses in retirement while others will have fewer. Some will continue to work part time in retirement while others will stop working earlier than expected. Many will adjust their spending—by force or by choice.

### Average monthly income and expenses in retirement:



INCOME:

**\$8,000**

RETIREES (actual)

**\$6,871**

NEAR-RETIREES (expected)



EXPENSES:

**\$4,008**

RETIREES (actual)

**\$4,067**

NEAR-RETIREES (expected)



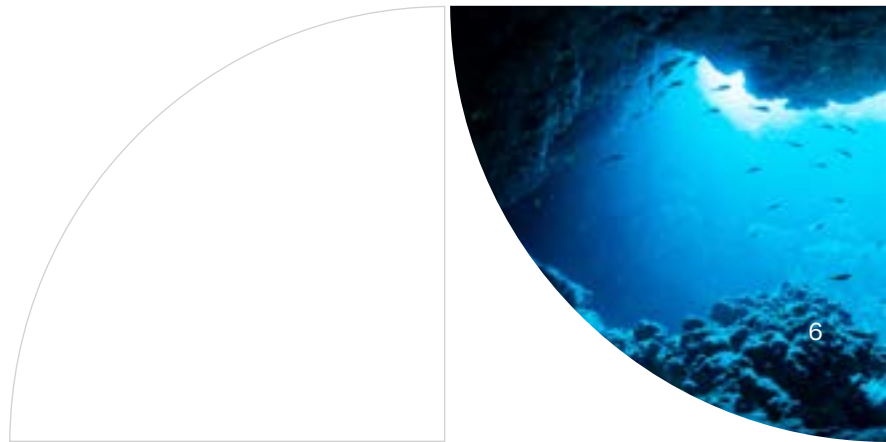
#### 1 IN 4 EARLY RETIREES:

Had unexpected early retirement due to job loss and health issues



#### 1 IN 4 NEAR-RETIREES:

Are delaying retirement or expecting a lower quality of life in retirement because of economic conditions



# Improving retirement readiness

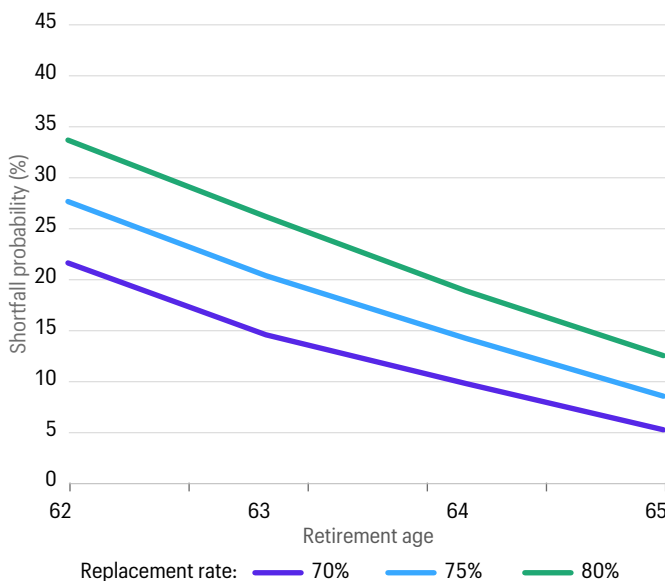
Retiring three years earlier than expected significantly increases the chances of not meeting retirement income needs. That may sound tolerable looking at the broad population of retirees, but for some individuals, a retirement income shortfall could be catastrophic.

On the other hand, working part time in retirement can significantly reduce the risk

of a retirement income shortfall—from 12% to 5%, according to Allspring’s research. Or it could allow for a higher standard of living in retirement.

Reality often ends up being quite different from expectations. Some near-retirees and retirees will need guidance to help them determine the optimal way to course correct and achieve their retirement goal.

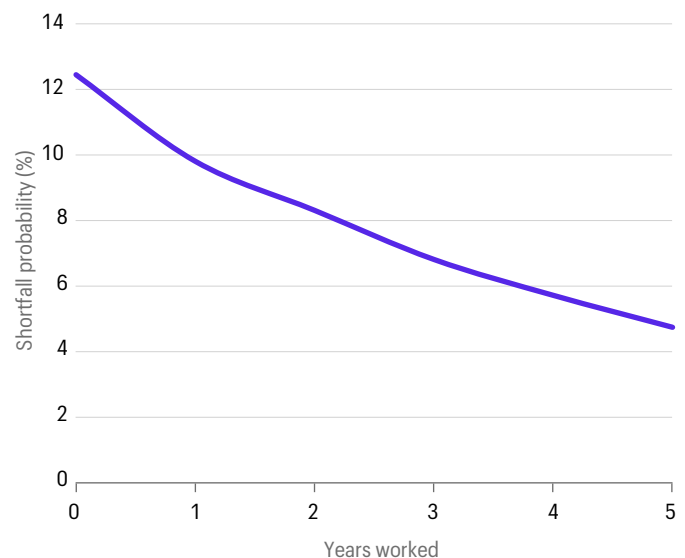
IMPACT OF RETIRING EARLY ON SHORTFALL PROBABILITY:



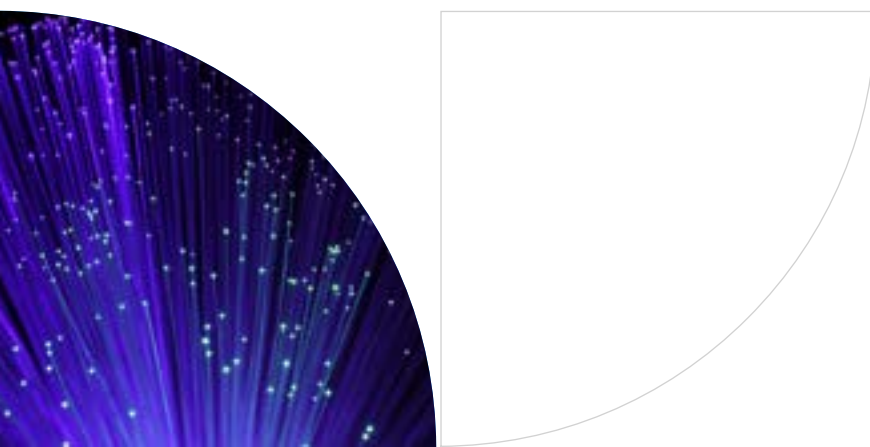
Each year of early retirement before 65 significantly increases the chance of running out of money in retirement.

Source: Allspring. For illustrative purposes only.

IMPACT OF WORKING PART TIME (25%) AFTER AGE 65 ON SHORTFALL PROBABILITY:



Working part time (10 hours per week) after 65 significantly decreases the chance of running out of money in retirement.



# 04

## CONVENTIONAL WISDOM

### Social Security and Medicare are complicated.

The decisions of when to draw Social Security benefits and how to enroll in Medicare are complicated because there are so many factors to consider.

## ALLSPRING'S PERSPECTIVE

### Yes, but that means there are options.

Near-retirees who start this planning process early can enlist experts and maximize the benefits they receive through both programs. Putting it off or going it alone can lead to fewer options and suboptimal benefits overall.

Near-retirees:

**47%** Are not confident they'll get Social Security benefits they are entitled to

**1 in 2** Rely on self-education to understand Social Security and Medicare

**48%** Want help enrolling in or maximizing Medicare

**33%** Are already drawing Social Security benefits

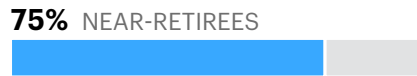
**44% OF RETIREES** began to draw Social Security benefits upon retirement, AND ...

**60% OF NEAR-RETIREES** expect to

Social Security and Medicare are important in deciding when to retire:



SOCIAL SECURITY:



MEDICARE:





# 05

## CONVENTIONAL WISDOM

### Underserved segments have lower levels of retirement readiness.

The wealth gap still exists for most women, African Americans, and Hispanics, adding an extra hurdle for these individuals going into retirement.

## ALLSPRING'S PERSPECTIVE

### Additional support can improve planning and outcomes.

The financial services industry needs to do better in serving these groups, including building diverse teams of investment professionals to support all communities, offering tailored guidance throughout their working years, and helping individuals optimize retirement benefits.



#### AFRICAN AMERICANS:

Impacted more by the pandemic financially and expecting to retire two years later, across income levels, YET they feel a greater sense of resiliency



#### AFRICAN AMERICANS AND HISPANICS:

More interested in advice on Social Security and Medicare

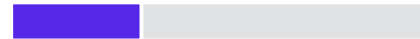
“ Our diversity and inclusion principles are rooted in the belief that the better we know you, the better we can serve you. Underrepresented groups in particular have unique needs, which we look to research and understand so that we can help these investors achieve better outcomes.”

SONYA RORIE, CFA  
Deputy Chief Diversity Officer

### Women have less favorable attitudes toward retirement than men, across income levels:

More retirees and near-retirees are anxious about their financial life.

31% WOMEN



19% MEN

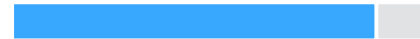


Fewer retirees are confident that their savings will last.

69% WOMEN



87% MEN



Fewer near-retirees are confident they know how much retirement income they'll need.

58% WOMEN



74% MEN



# Redefining success

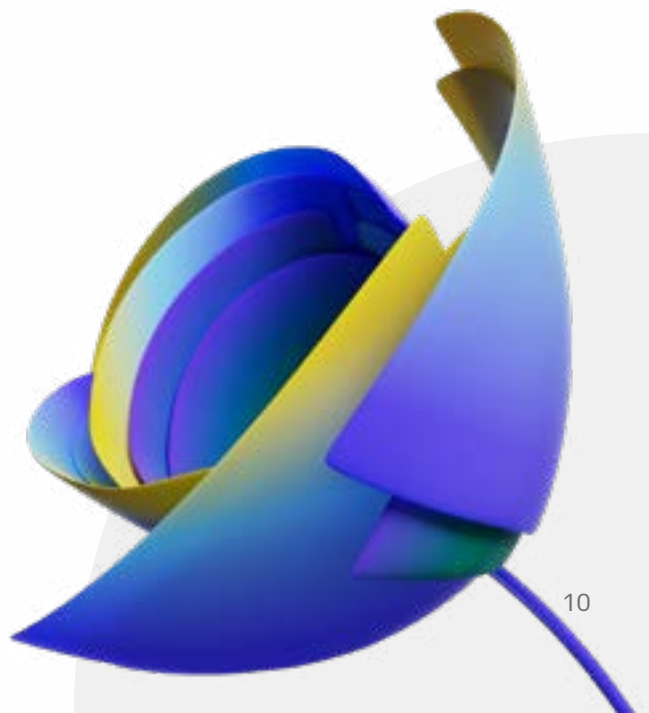
Allspring conducts retirement research every year so that we can better understand the issues that workers and retirees face. Our purpose is to give plan sponsors and advisors insights to help struggling near-retirees become confident retirees and to offer retirees options for a better retirement experience.

Working with plan sponsors and advisors, we often hear that success is benchmarked against plan and investor averages. But just as this year's research findings uncover, there is vital information hiding behind the averages. Averages and conventional wisdom can blur key distinctions. Benchmarking against outcomes shows where individuals may need to course correct by saving more, working longer, accepting a lower replacement rate, or taking on more investment risk.

People don't retire on averages, and conventional wisdom is not likely to inspire innovation. Allspring's retirement experts and product innovators can help plan sponsors and advisors redefine success and improve the planning and retirement experience for workers and investors.

**NATE MILES, CFA**  
Head of Retirement

**RON COHEN**  
Head of DCIO Distribution



# About the survey

On behalf of Allspring Global Investments, Escalent conducted a survey between August 15 and September 7, 2022, among 2,758 adults who reside in the U.S. and are primary or joint household financial decision-makers. The survey analyzed attitudes and behaviors around planning their finances, saving, and investing for retirement. The sample consisted of 1,504 working Americans (with an average age of 60) and 1,254 retired Americans (with an average age of 70). Data are weighted where necessary by assets, age, gender, race/ethnicity, and region to bring them into line with their actual proportions in the population.

# Plan sponsors, advisors, and consultants:

Ask your Allspring contact about a call or meeting to learn more about our retirement study and key DC trends for 2023.

→ For more information on retirement income, **click here**.

→ For more information on defined contribution, **click here**.

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