Vanguard | VIEWPOINTS

How America Retires 2026



Turning complexity into clarity

Clarity in a complicated retirement landscape



Saving was only the beginning. Are your participants ready for what's next?

Welcome to *How America Retires 2026*, our annual look at the real-world behaviors shaping today's retirement landscape through the lens of defined contribution retirement plans.

As more participants enter retirement, plan sponsors face a growing challenge: helping them navigate the shift from accumulation to decumulation. It's not always simple. And it comes with questions like: How might retirees turn their savings into income? How should they invest? And how long will their savings last? The answers will vary, but real-world data can help bring them into sharper focus.

How America Retires 2026 provides insights into retirees' decisions and behaviors as they transition from saving money to spending it. Perhaps most importantly, the report offers practical considerations that can help your participants make that transition with greater clarity.

With the real data and actionable insights in *How America Retires*, you can better support your participants as they move beyond simply reaching retirement—and toward making retirement work.



Section 1:

Landscape and background



The road to retirement

Defined contribution (DC) retirement plans are the centerpiece of the private-sector retirement system in the United States, covering more than 100 million Americans and holding $15 trillion in assets.[1]

Over the past two decades, the growth and performance of DC plans have been remarkable. Encouraged by the Pension Protection Act of 2006, plan sponsors have worked to strengthen DC plan designs, leading to improvements in participant saving and investing behaviors. As of year-end 2025, the average plan participation rate was 86%, the average total contribution rate was 12.1%, and 69% of participants were invested in a professionally managed allocation—all of which were record highs.[2]

Access to DC plans is increasing among American workers as the availability of traditional defined benefit (DB) plans has decreased. Today, only 14% of private-industry workers have access to a DB plan.[3]

Historically, DB plans were designed to provide workers with a reliable and predictable income stream in retirement. However, costs and administrative complexities have led many employers to transition their retirement saving programs to DC plans, providing workers with flexibility in both how much they save for retirement and the investment risk they take. DC plans are also portable, allowing workers to continue saving if they change employers.

But for many workers, converting DC balances into an appropriate retirement income stream can be a challenge. As plan sponsors continue to improve the accumulation phase of retirement saving, uncertainty remains about how best to help retirees draw down their savings during retirement. Although automatic saving and investing solutions are extremely effective in helping participants prepare for retirement, it is difficult to envision an "automatic income solution" that could serve a broad and diverse retiree population, given the wide variation in participants' retirement needs.

1 ***Employee Benefits in the United States, March 2025.*** U.S. Bureau of Labor Statistics, September 2025; and ***Quarterly Retirement Market Data, Second Quarter 2026.*** Investment Company Institute, September 2026.

2 ***How America Saves 2026.*** Vanguard.

3 ***Employee Benefits in the United States Summary.*** U.S. Bureau of Labor Statistics, September 2026.

From saving to spending

After years of working and saving for retirement, many retirees find that the shift from saving to spending does not come naturally. Advances in plan design have improved saving and portfolio construction, making the accumulation process relatively effortless for many plan participants. Automatic enrollment, automatic annual escalation, employer contributions, and default investment in age-appropriate, well-diversified target-date funds can help participants build retirement savings without requiring them to take action. Strong retirement plans that encourage total savings of at least 12%, including employer contributions, can help position most participants for a successful retirement.

But there are no comparable automatic solutions for the decumulation phase—at least none that can meet the needs of most retirees. Retirement income planning is highly individualized because each person's financial situation, goals, and lifestyle preferences are unique. Factors such as household savings, anticipated spending, investment risk tolerance, health and longevity risks, legacy goals, and debt obligations influence how much money retirees will need and how they will spend it. Personal priorities, such as travel, hobbies, and support for family members, play a significant role as well.

Social Security benefits, pensions, and other sources of income also vary, affecting how each person generates income in retirement. Tax considerations, such as the impact of withdrawals from retirement and nonretirement accounts, add another layer of complexity. Ultimately, a personalized approach can tailor a retirement income plan to an individual's specific circumstances, supporting greater financial security and peace of mind.

Considerations for participants transitioning to retirement

Plan participants face many decisions as they approach retirement. Two decisions are particularly important: whether to work with an advisor and whether to remain in the plan or roll over their assets to an IRA.

Work with an advisor?

Although personalized advice can benefit participants throughout their careers, it may be especially valuable in retirement. A capable, cost-efficient advisor can help retirees address their unique needs and goals through expert financial guidance. Advisors often provide several types of value:

- **Financial planning value**—helping investors achieve specific financial objectives.
- **Portfolio value**—building a well-diversified portfolio that is suitably matched to the client's risk tolerance.
- **Time value**—performing tasks that investors might not have the time, willingness, or ability to perform.
- **Emotional value**—helping investors achieve peace of mind and gain confidence that they can meet their financial goals.

Interestingly, when investors were asked to identify the single most important reason they seek advice, peace of mind ranked first. This finding suggests that the emotional and behavioral benefits of ongoing guidance may be just as important as investment or financial outcomes.[4]

Saving a total of

12% to 15%



throughout a 35-year career, in an age-appropriate, well-diversified portfolio, when combined with Social Security, helps participants generate about 75% of their pre-retirement income in retirement.

Source: Vanguard, 2026.

4 ***How to Talk About the Value of Advice.*** Vanguard, December 2025.

Remain in the plan or roll over to an IRA?

Upon retirement, plan participants must decide whether to keep their assets in the retirement plan or roll them over to an IRA. There are many factors to consider when making this decision:

- **Institutional pricing.** Mutual fund fees can differ, as retirement plans may offer institutionally priced investments with lower fees than comparable investor share classes.
- **Fiduciary oversight.** Retirement plan fiduciaries are responsible for monitoring investment options to ensure that fees are reasonable. They are legally obligated to act in the best interests of participants. Some financial advisors may also serve as fiduciaries.
- **Investment choices.** IRAs typically offer a broader range of investment options, including stocks, bonds, mutual funds, and exchange-traded funds. By contrast, some retirement plans offer stable value funds, which are fixed income investments designed to preserve principal and are not available outside of DC plans.
- **Withdrawal flexibility.** IRAs may offer more flexible withdrawal options than some retirement plans.
- **Ease of management.** Keeping assets in a 401(k) plan may simplify account management, especially if the retiree is familiar with the plan's investment options and administrative processes. Alternatively, a retiree may prefer to consolidate household assets with one financial firm and/or advisor to help streamline retirement accounts.

Vanguard's Principles for Retirement Income

The framework outlined in *Vanguard's Principles for Retirement Income*[5] encourages investors to shift their focus from accumulating wealth to creating sustainable income that can support their desired lifestyle in retirement. To help retirees navigate this transition, the framework centers on four guiding principles:

1. **Start with purpose.** Define retirement success before making investment or withdrawal decisions. Investors should prioritize needs, wants, and wishes; estimate spending realistically, including taxes, inflation, health care, and unexpected costs; and determine how much income is needed beyond guaranteed sources. Clear goals and awareness of risks such as longevity and market volatility can help retirees make informed decisions and avoid both overspending and underspending.
2. **Cover the essentials.** Build a reliable income floor for core expenses such as housing, food, and health care. Vanguard recommends using dependable sources including Social Security, pensions, annuities, and, when appropriate, continued employment. Decisions about when to claim Social Security, along with strategies involving annuities or home equity, can strengthen retirement security and reduce anxiety during periods of market uncertainty.
3. **Make your wealth last.** Extend the life of retirement assets while preserving flexibility. Vanguard emphasizes managing debt, making tax-efficient withdrawals, evaluating Roth conversions, and adjusting spending as markets and personal circumstances change. Estate and contingency planning can help retirees balance current needs, future security, and legacy goals.
4. **Simplify.** Reduce financial complexity in retirement. Vanguard recommends consolidating accounts when appropriate, using a dedicated spending fund, coordinating required minimum distributions, and automating withdrawals to streamline cash flow. Simpler routines can help retirees manage their finances more easily and stay focused on their retirement goals.

Together, these principles provide a practical, flexible framework that can help retirees turn savings into sustainable income, improve their financial outcomes, and enjoy greater peace of mind.

5 ***Vanguard's Principles for Retirement Income.*** Vanguard, June 2026.

Participants should compare costs, investment flexibility, retirement income features, tax considerations, and advice needs to determine whether remaining in the plan or rolling assets to an IRA would better support their retirement goals. Beyond this initial decision, retirees must address a range of other considerations that influence their financial security in retirement.

Health care

After years of being covered by an employer's health care plan, workers approaching retirement must prepare for both expected and unexpected health care needs. Because health care is often one of the largest and most uncertain expenses retirees face, it is an essential consideration. Vanguard identifies the following key factors that can influence health care costs in retirement:

- **Health status.** Personal and family medical histories can significantly affect future costs, particularly for retirees with chronic conditions, ongoing medical needs, or the potential need for long-term care.
- **Medicare choices.** Plan options differ in cost and coverage and should be reassessed as retirees' needs change.
- **Employer subsidies.** Retirees who lose employer-sponsored health subsidies may face higher costs.
- **Retirement age.** Timing is important, as those who retire before becoming eligible for Medicare may need coverage through COBRA, a spouse's plan, the health insurance marketplace, or a private insurer.
- **Location.** Geographic location can affect costs because expenses for supplemental coverage, prescription drugs, and private insurance vary by region.

In addition, medical costs and expenses typically rise faster than other costs because of the shift to more expensive services and the emergence of new treatments and prescription drugs.[6] For example, Medicare Part B premiums increased 9.7%[7] in 2026, while the Social Security cost-of-living increase for that year was only 2.8%.[8]

Finally, it is important to distinguish between medical care, which is generally covered by health insurance, and long-term care, which is not. Nearly half of all individuals will need some form of paid long-term care, with women more likely than men to require care for an extended period.[9]

Social Security strategies

When to claim Social Security is a highly individualized decision that depends on several factors. For most workers born after January 1, 1960, claiming at age 62 reduces the benefit amount by 30%, while claiming at age 70 increases it by 24%, relative to the benefit available at full retirement age. Delaying a Social Security claim may allow many retirees to receive a higher benefit amount, increase longevity protection, and, for higher earners who are married and predecease their spouse, preserve a higher survivor benefit.

Claiming early may also offer advantages. It can reduce withdrawals from retirement accounts and provide peace of mind by making additional income available sooner. Early claiming may be particularly beneficial for those with little or no risk of outliving their assets.[10]

6 ***Planning for Health Care in Retirement.*** Vanguard, 2026.
7 ***2026 Medicare Parts A & B Premiums and Deductibles.*** Centers for Medicare & Medicaid Services, November 2025.
8 ***Social Security Announces 2.8 Percent Benefit Increase for 2026.*** Social Security Administration, October 2025.
9 ***Six Steps to Creating a Health-Aware Retirement Plan.*** Vanguard, March 2025.
10 ***Claiming Social Security Early: A Spectrum of Breakeven and Longevity Risks.*** Vanguard, February 2025.

Roth accounts

It is difficult to predict what a retiree's future tax rate will be. There are many variables that could move a retiree into a different tax bracket, including changes in tax laws, marital status, income level, and required minimum distributions.

Diversifying assets across accounts with different tax structures can help reduce potential future tax risk. Maintaining a mix of traditional (tax-deferred), Roth (tax-free), and taxable accounts can help manage tax exposure in retirement. The ability to manage the taxation of withdrawals from retirement assets offers flexibility in controlling tax brackets, addressing required minimum distributions, reducing taxes on Social Security benefits, and lowering Medicare premiums.

As of year-end 2025, 18% of active participants were contributing to Roth accounts, and 36% of DC plans allowed Roth in-plan conversions. These conversions offer additional tax diversification by allowing participants to convert all or a portion of their pre-tax and/or traditional after-tax assets to a Roth account.

Required minimum distributions

The SECURE 2.0 Act raised the age at which individuals generally must begin taking required minimum distributions (RMDs) from tax-deferred retirement accounts, including 401(k) plans and traditional IRAs, to 73. Individuals who turn 73 in a given year have until April 1 of the following year to take their first RMD. Subsequent RMDs must be taken by December 31 each year.

Under SECURE 2.0, Roth 401(k) plans, unlike traditional 401(k) plans, no longer require RMDs starting at age 73 (or 75 for those born in 1960 or later). This change allows investments to continue growing tax-free indefinitely during a participant's lifetime, giving them greater control over their retirement income and potentially allowing them to leave larger inheritances.

Spending and Roth conversions between retirement and RMD age

Between ages 59½ and 73, retirees have the flexibility to reassess each year how they might minimize future taxes. For example, those with a large balance in a tax-deferred account—such as a traditional IRA or a 401(k) plan—may face high RMDs in the future. In these cases, they may consider withdrawing additional assets in the years leading up to their RMD age, thereby reducing their account balance and future RMDs. Alternatively, they may consider converting a portion of their traditional pre-tax or after-tax account to a Roth account, which is not currently subject to RMDs or taxes when withdrawn in retirement.

Roth adoption in DC retirement plans

98%
of plans offer Roth contributions

18%
of participants, when offered, made Roth contributions

24%
of plans offer after-tax contributions

10%
of participants, when offered, made after-tax contributions

36%
of plans offer Roth in-plan conversions

4%
of participants, when offered, made a conversion



Source: Vanguard, 2026.

Market risk

Market risk is the chance that investment losses will reduce the value of a retirement portfolio. While every investor faces market risk, it can have a bigger impact on retirees because their income needs continue regardless of market conditions, and they have less time to recover from losses.

A form of market risk unique to retirees is sequence-of-returns risk. Market downturns that occur early in retirement can increase the risk of running out of money, reduce total income, and leave behind smaller balances. Even with strong long-term returns, the timing of gains and losses can lead to very different outcomes for retirees following similar strategies. A disciplined investment approach, thoughtful asset allocation, and awareness of timing risk are important for long-term sustainability.

Inflation risk

Inflation risk can negatively impact retirement plans. Even modest inflation adds up: At 2.5% annually, the real value of an investor's income could be cut in half over 30 years. Portfolios without growth-oriented investments may be especially vulnerable.

Inflation also affects people differently. Some expenses may decline after retirement, while others—such as health care—may increase more rapidly. Standard inflation measures may not fully reflect these individual spending patterns.

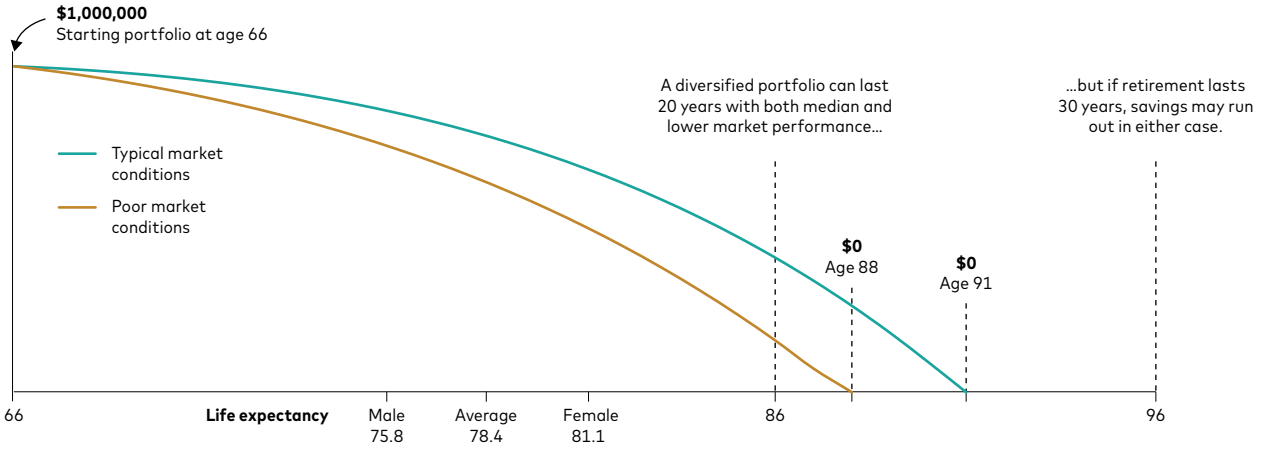
Longevity risk

With people living longer, it is not unusual for retirement to last 20 to 30 years or more, particularly for healthy individuals and couples.

Although retirees may fear market downturns, outliving their savings can pose an even greater risk **(Figure 1)**. Market returns shape the path of their wealth, but it is longevity that determines whether they run out of money.

Longevity risk does not affect everyone equally. Factors such as gender, health, and income all play a role. Women tend to live longer and are more likely to depend on a single income later in life. People in higher-income households also tend to live longer. Meanwhile, those who rely on portfolio withdrawals to cover essential expenses are more exposed to longevity risk, making careful planning especially important.

Figure 1. Longevity can be a bigger risk than poor market returns



Source: *Vanguard's Principles for Retirement Income.* June 2026.

Guaranteed income

Guaranteed income provides retirees with predictable payments that can help cover essential expenses. Traditional defined benefit plans historically served this role, but their availability is now limited. Social Security remains the most common source of lifetime income, while income annuities can supplement benefits by converting savings into guaranteed payments for life or a specified period.

Like Social Security, annuities can help retirees manage market and longevity risks. They may be especially useful when Social Security, pensions, and other dependable sources do not fully cover essential expenses. Options include immediate annuities, deferred annuities, and qualified longevity annuity contracts, with payments structured for an individual or spouse.

By creating a predictable, paycheck-like income stream, annuities can simplify budgeting, reduce reliance on portfolio withdrawals, and provide greater confidence during market volatility. However, retirees should carefully compare costs, features, insurers, and liquidity needs.

Spending guidelines

The 4% rule is a retirement spending guideline that suggests withdrawing 4% of a portfolio in the first year of retirement and then increasing that dollar amount annually for inflation. Designed around a diversified portfolio and a 30-year horizon, this rule offers a simple starting point for balancing current spending with long-term sustainability.

Dynamic spending adjusts retirement withdrawals based on portfolio performance, allowing retirees to spend modestly more after strong returns and less following market declines. Unlike fixed withdrawal strategies, this flexible approach reflects current portfolio values and helps support long-term sustainability. Reducing spending during downturns can limit the need to sell assets at depressed prices, while increasing withdrawals in stronger markets lets retirees benefit from favorable returns.

In summary, retirement planning requires participants to shift from accumulating savings to generating sustainable income—a complex and highly personal transition. Retirees must make decisions about spending, advice, health care, taxes, Social Security, investment risk, inflation, longevity, account aggregation, and whether to remain in their plan or roll assets into an IRA. Navigating these decisions requires personalized planning, thoughtful guidance and education, and supportive plan features that help participants move confidently from saving throughout their career to spending in retirement.

Section 2:

Retiree decisions and behaviors



Retiree plan design features

Remaining in the plan

Upon a participant's separation from service, the plan sponsor may distribute the former employee's vested account balance without consent if the balance is below the statutory limit. Historically, the limit was $5,000, but an optional provision of the SECURE 2.0 Act increased it to $7,000 for distributions made after December 31, 2023.

Depending on the plan's distribution threshold, balances between $1,000 and $5,000 or between $1,000 and $7,000 are generally rolled over automatically to an IRA unless the participant elects otherwise. This was the most common plan provision in 2025, adopted by 79% of plans **(Figure 2)**. Two percent of plans allowed participants with balances of any amount—including those less than $1,000—to remain in the plan, while 12% of plans allowed participants with balances of more than $1,000 to remain.

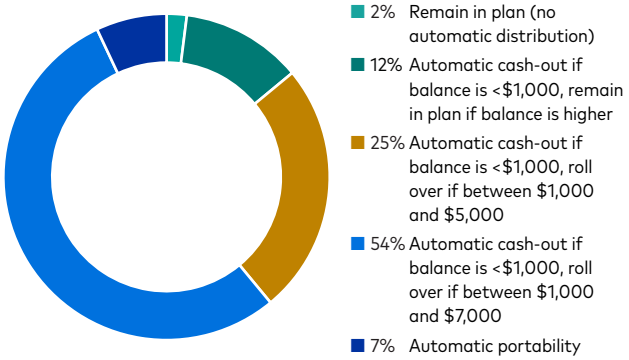
Automatic portability makes it easier for workers to hold on to their retirement savings when they change jobs. Instead of leaving behind small balances, participants can have those dollars automatically transferred to their new employer plan. By year-end 2025, 7% of plans had adopted this feature.

Most plan sponsors permit indefinite deferral of savings, meaning that retiree balances can remain in the employer plan if they are above the distribution threshold. However, 2% of sponsors required terminated participants to leave the plan by age 65 or 70.

All retirees have the option of taking a lump-sum cash distribution, but they may incur an income tax liability (and a 10% penalty if they are younger than 59½).

Figure 2. Frequency of automatic distributions, 2025

Vanguard defined contribution plans



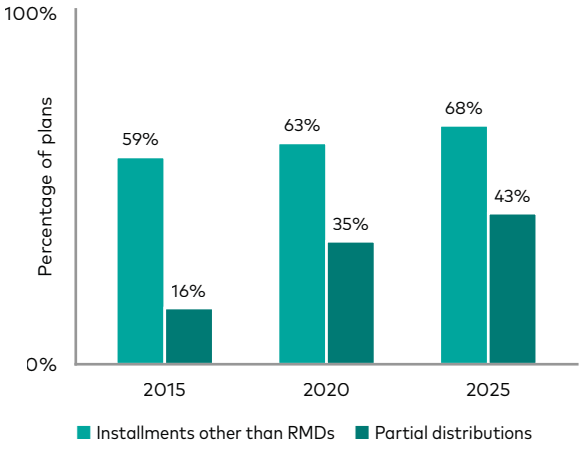
Note: This analysis excludes approximately 60 403(b) plans. Most 403(b) plan sponsors retain the right to execute these automatic distributions within their plan documents. However, because of the multiprovider environment that many 403(b) plans operate within, and the coordination required to process these distributions, most 403(b) plan sponsors do not process them.

Source: *How America Saves 2026*. Vanguard.

Flexible retirement income features

Installments and ad hoc partial withdrawals are increasingly popular plan design features. In 2025, 68% of plan sponsors allowed participants to establish installment payments, and 43% of plans permitted terminated participants to take partial ad hoc cash distributions, up from 16% in 2015 **(Figure 3)**. If a plan does not offer ad hoc distributions, it requires terminated retirees seeking to use any part of their retirement savings to withdraw or roll over the entire account balance. With an ad hoc distribution feature, a plan can serve as a flexible source of retirement income through withdrawals.

Figure 3. Trends in distribution options
Vanguard defined contribution plans



Source: Vanguard, 2026.

Initial retiree decisions

When retiring, participants' first decision is whether to remain in the plan. An analysis of retirees' initial decisions since 2021 found that many retirees were still in the plan by the end of their retirement year **(Figure 4)**. Fifty-three percent of workers who retired in 2021 still had a balance in their plan at year-end, while 27% rolled over their assets and 14% cashed out. While the percentage of retirees who preserve their assets for retirement has remained consistent over the past five years, the percentage who roll over their assets to an IRA has increased modestly. In 2025, of the approximately 66,000 participants who left their employer at age 60 or older, 31% rolled over their assets to an IRA, up from 27% of retirees in 2021.

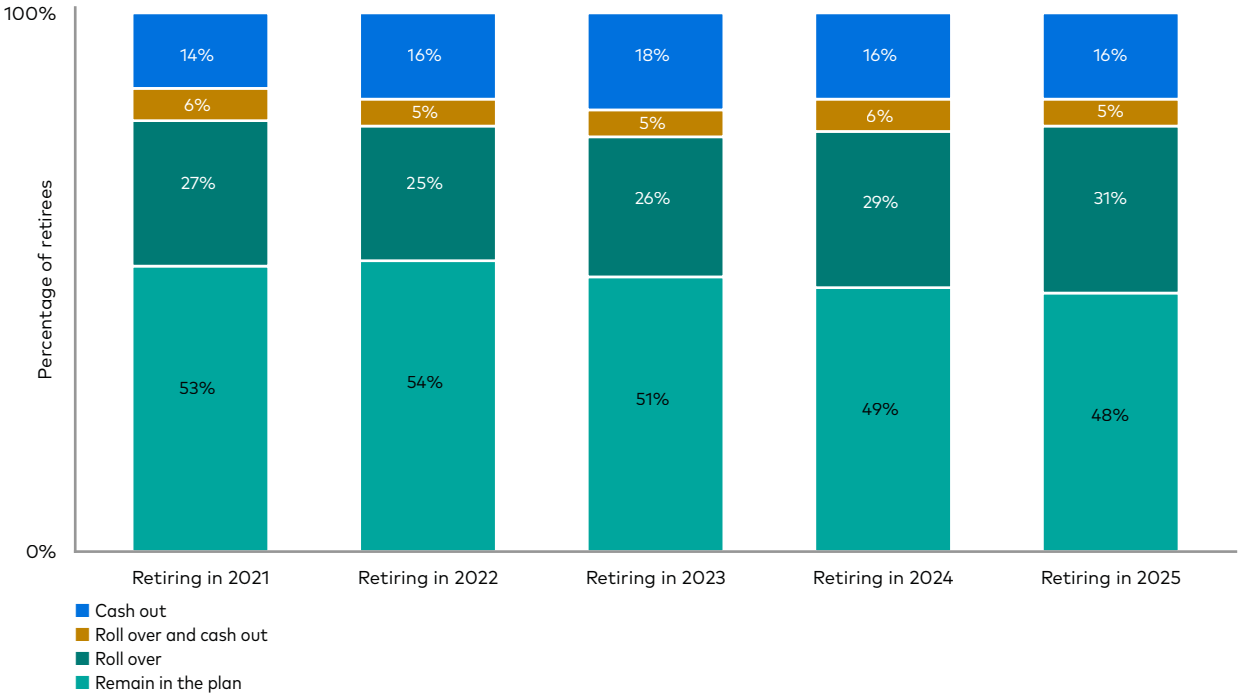
Retirees who initially decided to roll over their assets—or roll over their assets while also taking a distribution—tended to have modestly higher balances than those who remained in the plan **(Figure 5)**. However, many retirees who remained in the plan had sizable account balances, including about one-quarter of retirees with more than $300,000.

Conversely, the approximately 15% of retirees who directly cashed out their retirement plan during the year they retired had significantly lower balances, with a median distribution of about $7,000. These participants were more likely to be shorter-tenured employees who may have had other retirement assets and were using their current plan for immediate retirement income. (Because they were older than 59½, they would not be subject to the 10% early withdrawal penalty.)

Median equity allocations among retirees who rolled over assets and those who remained in the plan were remarkably similar **(Figure 6)**. In 2025, retirees who rolled over assets had a dispersion of 22 percentage points across the middle 50% of their equity exposure. Twenty-five percent had equity exposure below 47%, and another quarter had equity exposure above 69%. Retirees who remained in the plan had a similar dispersion across the middle 50%. Over the past five years, this dispersion decreased for retirees who remained in the plan, from 26 percentage points to 21 percentage points in 2025.

Figure 4. Initial retiree decisions

Vanguard defined contribution plans



Source: Vanguard, 2026.

Figure 5. Distribution of retiree balances by initial decision

Vanguard defined contribution plans

2021 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2021 retirees	53%	27%	6%	14%
75th percentile	$307,361	$367,592	$438,749	$25,564
Median	$94,345	$138,216	$154,880	$7,209
25th percentile	$22,405	$40,089	$45,284	$1,264
Average	$259,366	$287,961	$338,289	$29,646

2022 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2022 retirees	54%	25%	5%	16%
75th percentile	$353,735	$424,855	$456,162	$31,364
Median	$112,718	$156,174	$171,015	$8,839
25th percentile	$27,393	$43,392	$48,855	$1,713
Average	$302,660	$323,898	$360,096	$32,843

2023 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Perentage of total 2023 retirees	51%	26%	5%	18%
75th percentile	$276,281	$343,770	$361,154	$22,369
Median	$84,465	$126,376	$136,613	$6,137
25th percentile	$19,792	$34,634	$37,354	$1,301
Average	$235,175	$266,796	$301,238	$26,442

2024 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2024 retirees	49%	29%	6%	16%
75th percentile	$330,491	$409,182	$406,318	$26,374
Median	$102,914	$142,092	$139,607	$7,707
25th percentile	$26,098	$36,816	$36,072	$1,580
Average	$284,808	$314,752	$326,966	$30,458

2025 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2025 retirees	48%	31%	5%	16%
75th percentile	$345,514	$420,783	$412,443	$27,449
Median	$106,213	$141,029	$130,468	$7,492
25th percentile	$26,291	$29,268	$29,312	$1,468
Average	$303,874	$331,873	$345,936	$32,826

Note: Balances are as of the year-end before retiring.
Source: Vanguard, 2026.

Figure 6. Distribution of retiree equity exposure by initial decision

Vanguard defined contribution plans

2021 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2021 retirees	53%	27%	6%	14%
75th percentile	71%	74%	76%	60%
Median	59%	59%	59%	56%
25th percentile	45%	49%	42%	44%
Average	57%	59%	58%	54%
2022 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2022 retirees	54%	25%	5%	16%
75th percentile	67%	69%	70%	57%
Median	57%	57%	57%	57%
25th percentile	45%	45%	40%	45%
Average	54%	55%	54%	50%
2023 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Perentage of total 2023 retirees	51%	26%	5%	18%
75th percentile	64%	66%	67%	55%
Median	55%	55%	55%	55%
25th percentile	43%	43%	38%	43%
Average	53%	53%	52%	50%
2024 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2024 retirees	49%	29%	6%	16%
75th percentile	65%	69%	68%	62%
Median	53%	55%	54%	53%
25th percentile	40%	45%	40%	40%
Average	54%	56%	53%	50%
2025 retirees				
	Remain in the plan	**Roll over**	**Roll over and cash out**	**Cash out**
Percentage of total 2025 retirees	48%	31%	5%	16%
75th percentile	66%	69%	66%	61%
Median	56%	58%	55%	51%
25th percentile	45%	47%	41%	41%
Average	56%	57%	55%	52%

Note: Equity exposure is as of the year-end before retiring.
Source: Vanguard, 2026.

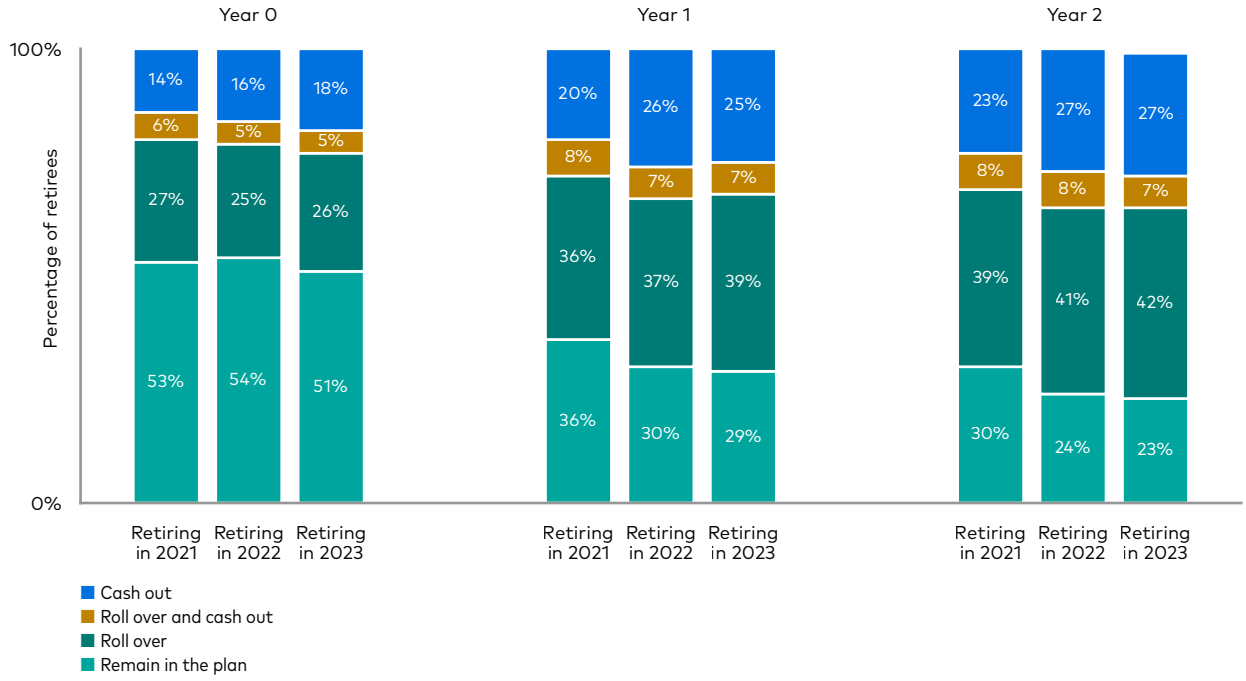
Trends in retiree behaviors

Although 53% of employees who retired in 2021 initially remained in the plan, that share declined as more retirees left over time **(Figure 7).** By year-end 2023, only 3 in 10 retirees were still in the plan, while about half had rolled over their assets, including some who also took a cash distribution; 23% had completely cashed out.

Since most cash-outs involve relatively small balances, focusing on retirees with balances of $100,000 or more reveals a meaningful shift in behavior. In addition, retirees at this balance level are more likely to make ongoing decisions about asset allocation, withdrawals, rollovers, and retirement income.

Among employees who retired in 2021 with balances of $100,000 or more, 55% initially remained in the plan **(Figure 8)**. By year-end 2023, 34% were still in the plan, about 60% had rolled over their assets—with some also taking a cash distribution—and only 5% had fully cashed out. Retirees from 2022 and 2023 generally followed similar distribution patterns in the years after retirement, although rollover activity was slightly higher among more recent retirees.

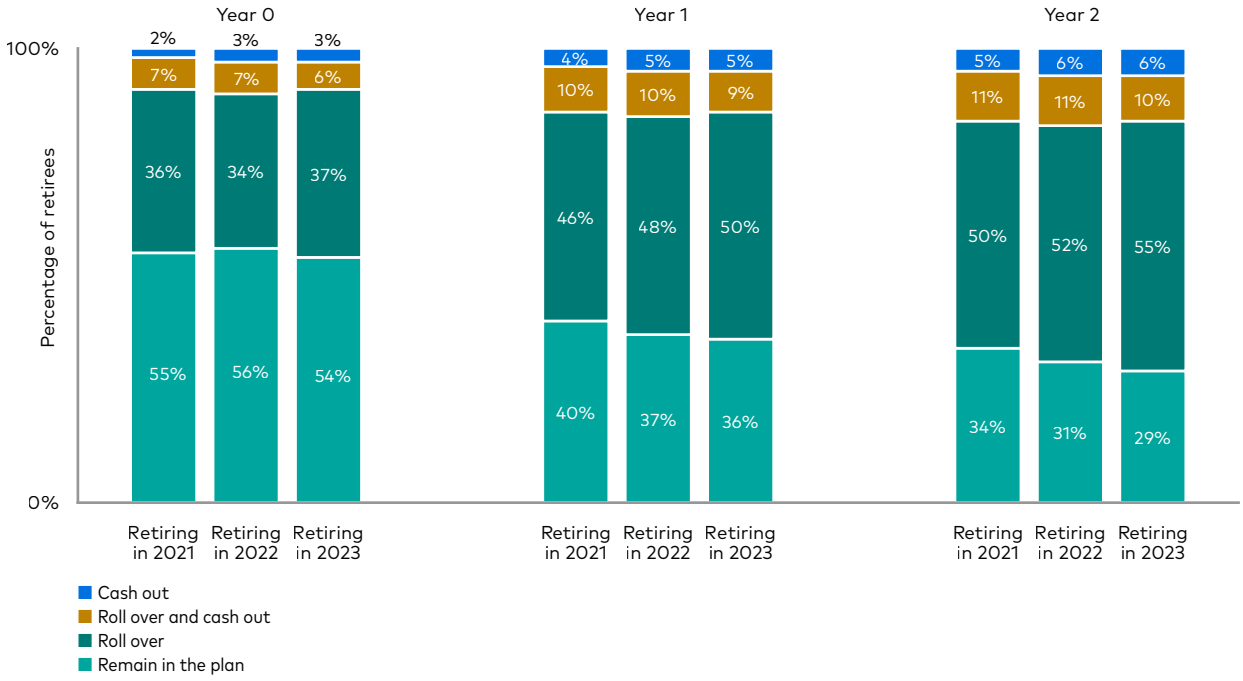
Figure 7. Trends in 2021, 2022, and 2023 retiree behaviors
Vanguard defined contribution plans



Source: Vanguard, 2026.

Figure 8. Trends in 2021, 2022, and 2023 retiree behaviors (balances of $100,000 or more)

Vanguard defined contribution plans



Source: Vanguard, 2026.

Impact of plan design

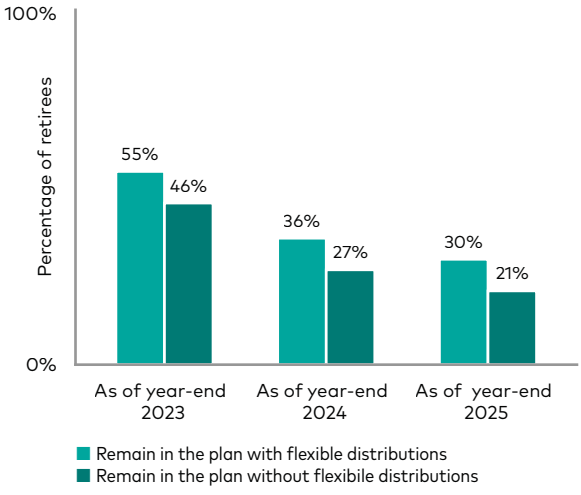
Plan design influences retiree behaviors. Retirees in a plan without flexible distributions typically have two options: roll over their assets or cash out. Those in plans with flexible distributions have a third option: generate retirement income directly from their retirement plan. Because large plans, which serve large numbers of participants, are more likely to offer flexible distribution options, 9 in 10 participants had access to installments, and 8 in 10 had access to partial distributions.

Retirees in plans with flexible distributions were more likely to remain in the plan than retirees in plans not offering the option **(Figure 9)**. By year-end 2025, 30% of 2023 retirees remained in plans with flexible distributions, compared with 21% in plans that did not offer the feature. Therefore, within three years of retirement, employees in plans with flexible distribution options were more than 40% more likely to remain in the plan.

Figure 9. Trends in retiree behaviors by plan design

Vanguard defined contribution plans

2023 retirees with balances of $100,000 or more



Source: Vanguard, 2026.

Retirees remaining in the plan

As of year-end 2025, more than 160,000 former participants age 60 or older had account balances of $100,000 or more **(Figure 10)**. The typical (median) participant was 67, had 20 years of service with their employer, and had a balance of approximately $350,000. Average metrics were similar to the medians for most attributes, with the exception of account balances. The average balance exceeded $600,000, reflecting a skewed distribution because of some very large balances. One-quarter of these participants had more than $715,000 in assets.

Retiree portfolio allocation

Among these retired participants, about 6 in 10 had an equity exposure between 30% and 80% of their account balance **(Figure 11)**. This range reflects a fairly balanced strategy that combines equities for growth with fixed income for stability, helping retirees manage near-term volatility while supporting spending needs over a potentially long retirement. One-quarter of these participants had a fairly aggressive equity allocation, with more than 80% of their balance in stocks, while 16% had a conservative allocation, with less than 30% allocated to equities.

Many individual portfolio allocations are personalized to account for total retirement wealth, future spending needs, and risk tolerance. However, an equity allocation above 80% may be considered aggressive, as it exposes a large share of retirement assets to significant market volatility at a stage when participants may have less time to recover from losses. A severe market decline early in retirement can have a disproportionate effect on long-term retirement security because of sequence-of-returns risk, particularly when withdrawals are occurring. Although equities remain important for growth and inflation protection, high allocations may create portfolio fluctuations that could impact the ability of many older investors to meet their long-term spending needs.

Conversely, an allocation with less than 30% in equities may be considered overly conservative, as it may not provide sufficient long-term growth to support a retirement that could last 25 to 30 years or longer. Low equity exposure increases the risk that portfolio returns will fail to keep pace with inflation, health care costs, and future spending needs, potentially eroding purchasing power over time. While bonds and cash can reduce volatility, relying too heavily on these assets may increase longevity risk, or the possibility of outliving one's savings.

Figure 10. Retiree population
Vanguard defined contribution plans

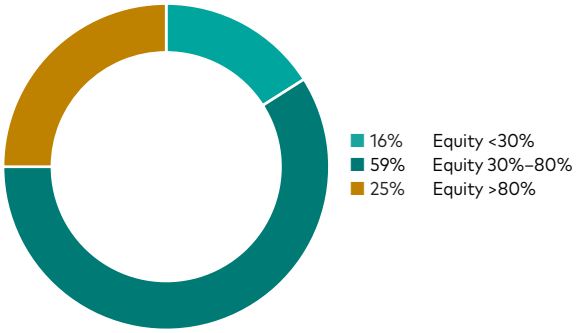
Retirees age 60 or older with balances of $100,000 or more, as of year-end 2025				
Total number of term-deferred participants	**161,175**			
	25th percentile	50th percentile	75th percentile	Average
Age	63	67	68	68
Prior job tenure (years)	10	20	31	21
Account balance	$187,000	$348,000	$715,000	$605,000
Equity percentage	39%	60%	80%	57%
Year of retirement	2010	2018	2024	2015

Source: Vanguard, 2026.

Figure 11. Retiree portfolio construction

Vanguard defined contribution plans

Retirees with balances of $100,000 or more, as of year-end 2025



Source: Vanguard, 2026.

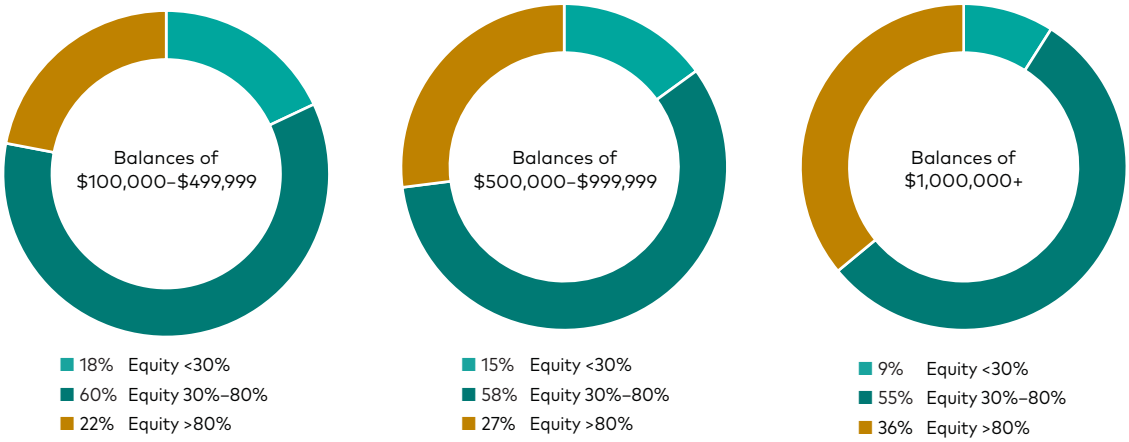
Portfolio construction varied by account balance in 2025 **(Figure 12)**. Retirees with balances between $100,000 and $499,999 were the most likely to have a balanced strategy. Among those who did not, the split was somewhat even—22% had more than 80% in equities, and 18% had less than 30% in equities. Retirees with balances of at least $1 million were significantly more likely to have an aggressive allocation, with 36% holding more than 80% of their balance in equities. Retirees with higher balances may have more capacity to withstand market losses without jeopardizing their ability to meet their essential spending needs.

Across account balance levels, younger retirees—those ages 60 to 64—were least likely to have a conservative allocation **(Figure 13)**. As their balances increased, so did the proportion with an aggressive allocation. Retirees ages 70 and older were similarly likely to use balanced strategies across account balance levels. However, those with balances of $1 million or more were three times as likely as those with lower balances to have an aggressive equity allocation.

Figure 12. Retiree portfolio construction by balance

Vanguard defined contribution plans

Retirees with balances of $100,000 or more, as of year-end 2025

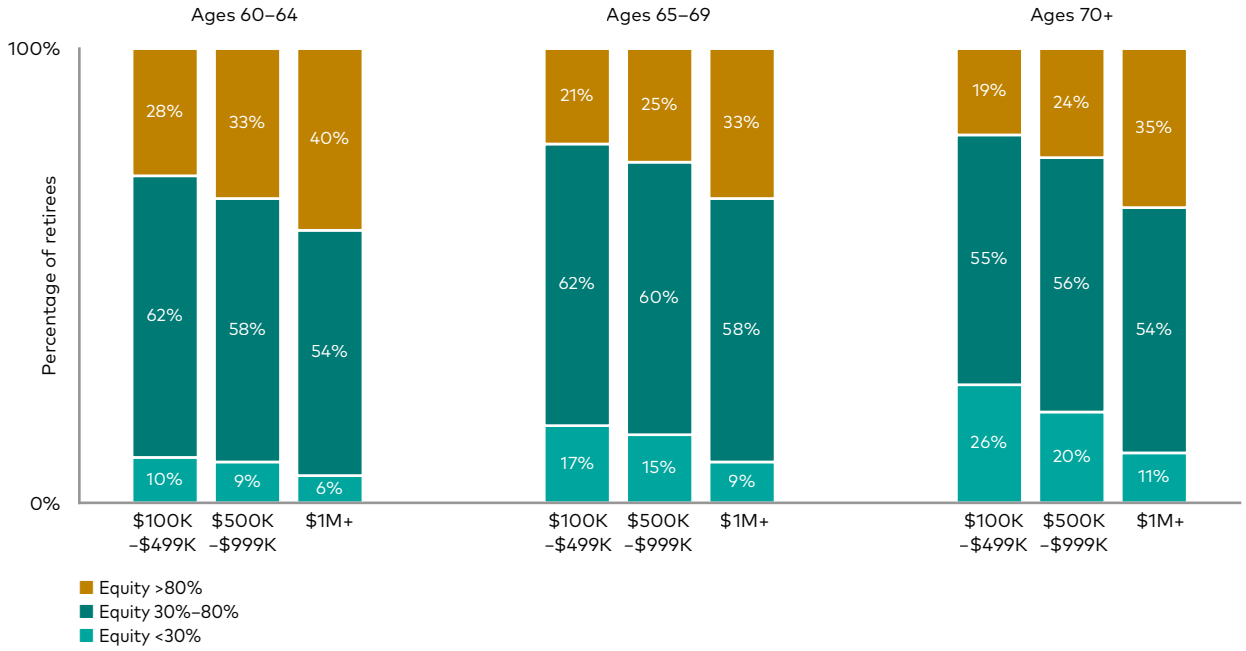


Source: Vanguard, 2026.

Figure 13. Retiree portfolio construction by balance and age

Vanguard defined contribution plans

Retirees with balances of $100,000 or more, as of year-end 2025



Source: Vanguard, 2026.

Retirement income behaviors

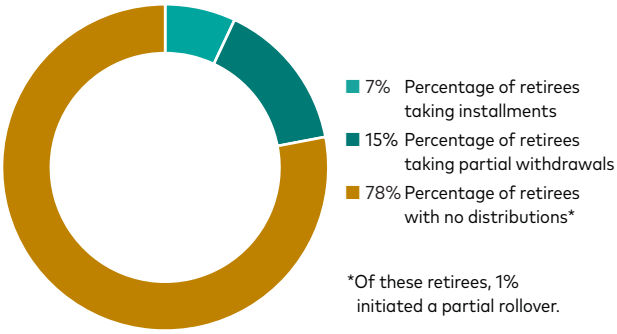
Nine in ten participants can take installments from their retirement plan, giving them a convenient way to generate retirement income. Although term-deferred participants ages 73 and older must take RMDs, retirees ages 60 to 72 may leave their retirement assets untouched.

An analysis of more than 125,000 former participants ages 60 to 72 with balances of more than $100,000 found that 7% had established routine installment payments **(Figure 14)**. Another 15% had taken an ad hoc partial withdrawal, while nearly 80% of participants had left their retirement account untouched. This observation aligns closely with a Vanguard survey in which 8% of respondents said that they withdrew consistent amounts from their retirement assets.[11]

Figure 14. Retirement income activity

Vanguard defined contribution plans

Retirees ages 60 to 72 with balances of $100,000 or more, as of year-end 2025



Source: Vanguard, 2026.

11 ***From Retirement Savings to a Retirement Paycheck.*** Vanguard, September 2026.

Installment use varied notably by age and account balance. Participants ages 70 to 72 were nearly three times as likely to take installments as those in their early 60s **(Figure 15)**. Additionally, retirees ages 65 and older were more likely to take installments than younger retirees, perhaps reflecting efforts to coordinate retirement income with Social Security payments. Retiree behaviors around ad hoc partial withdrawals varied less. Overall, 15% of retired participants ages 60 to 72 with balances of $100,000 or more took a withdrawal from their retirement plan. Across age groups and account balance levels, behaviors were relatively consistent.

Participants electing to take installments tended to have higher balances, were older, and were more likely to have lower equity exposure than all other retirees **(Figure 16)**. Retirees who took installments had median balances that were 24% higher than those of retirees who took none, and they tended to be about two years older. Participants who took installments also had lower equity exposure, which could reflect both their older age and a greater allocation to fixed income to meet current spending needs.

Figure 15. Retirement income activity by demographics
Vanguard defined contribution plans

Retirees ages 60 to 72 with balances of $100,000 or more, as of year-end 2025

Percentage of retirees taking installments

	Balance range			
Age range	$100,000–$499,999	$500,000–$999,999	$1,000,000+	Total
60–64	3%	6%	6%	4%
65–69	8%	10%	10%	9%
70–72	11%	12%	11%	11%
Total	7%	9%	9%	7%

Percentage of retirees taking partial distributions

	Balance range			
Age range	$100,000–$499,999	$500,000–$999,999	$1,000,000+	Total
60–64	12%	13%	13%	13%
65–69	16%	17%	16%	16%
70–72	16%	16%	15%	15%
Total	14%	15%	15%	15%

Source: Vanguard, 2026.

Figure 16. Retirement income attributes

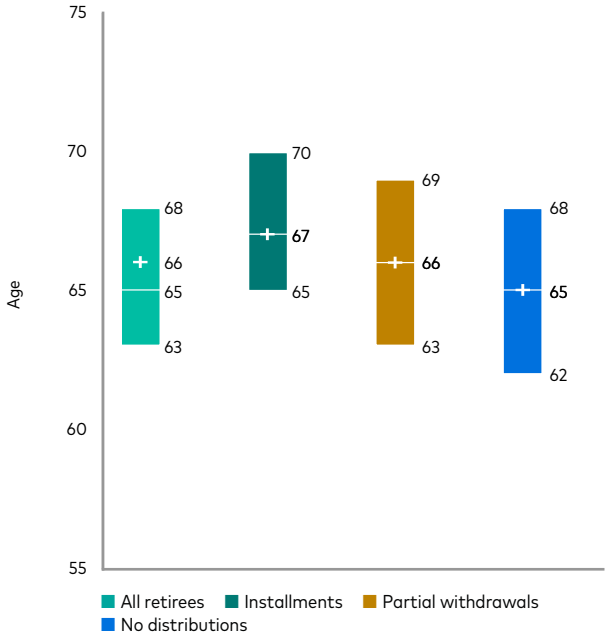
Vanguard defined contribution plans

Retirees ages 60 to 72 with balances of $100,000 or more, as of year-end 2025

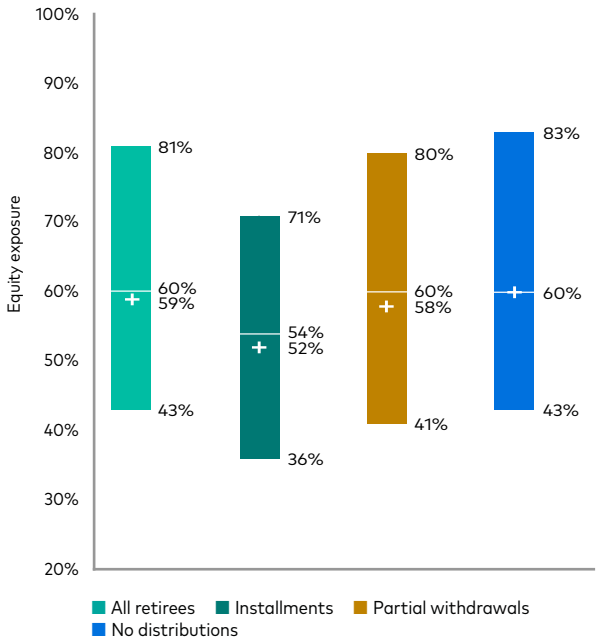
A. Retirement income attributes by balance



B. Retirement income attributes by age



C. Retirement income attributes by equity exposure



Across age groups, retirees who took installments tended to have lower equity exposure and were more likely to have an equity allocation between 30% and 80% **(Figure 17)**. Other retirees were more likely to have higher equity allocations.

In 2025, retirees receiving installment payments withdrew an average of 6% of their account balance **(Figure 18)**. Across all age groups, retirees with balances of at least $1 million withdrew an average of 4%, compared with 8% among those with balances less than $500,000. Retirees who did not take installments but withdrew assets on an ad hoc basis tended to take a greater percentage of their account balance. Those with balances less than $500,000 withdrew 18% of their balance, and overall, those who took partial distributions withdrew an average of 14% of their balance.

Note: Bars show the middle 50% of retirees (25th to 75th percentile); the average value is represented by a white cross and the median value by a white line.
Source: Vanguard, 2026.

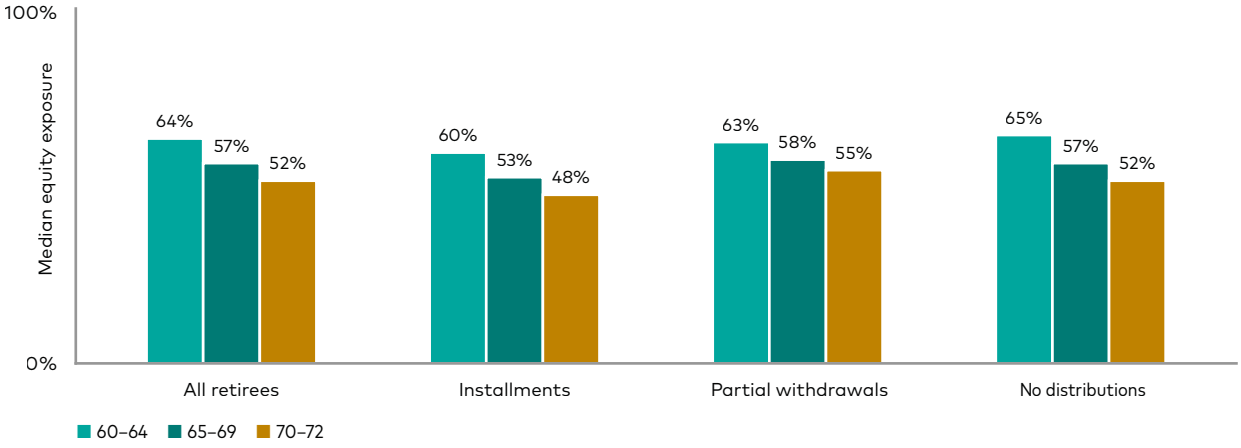
Retirees who took installments were more likely than those who took ad hoc partial withdrawals to withdraw a modest share of their account **(Figure 19)**. Seventy percent of installment users withdrew 3% to 10% of their balance, compared with 40% of those taking partial withdrawals. Ad hoc withdrawals were generally larger. Among retirees who took a partial withdrawal, 22% had left their employer in 2024 or 2025, 36% between 2020 and 2023, and 42% before 2020.

In a Vanguard survey, retirees reported a variety of reasons for taking irregular withdrawals **(Figure 20)**. The most common were paying off debt, covering unforeseen expenses such as medical care and home repairs, and funding discretionary spending.

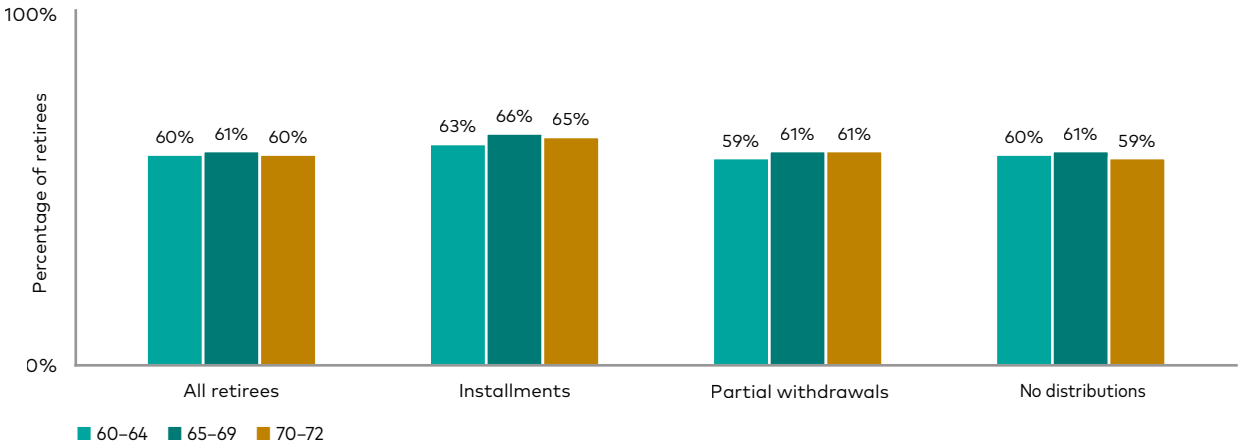
Figure 17. Equity exposure by retirement income distribution behavior and age
Vanguard defined contribution plans

Retirees ages 60 to 72 with balances of $100,000 or more, as of year-end 2025

A. Median equity exposure by retirement income distribution behavior and age



B. Percentage of retirees with a balanced strategy by retirement income distribution behavior and age



Source: Vanguard, 2026.

Figure 18. Retirement income distributions

Vanguard defined contribution plans

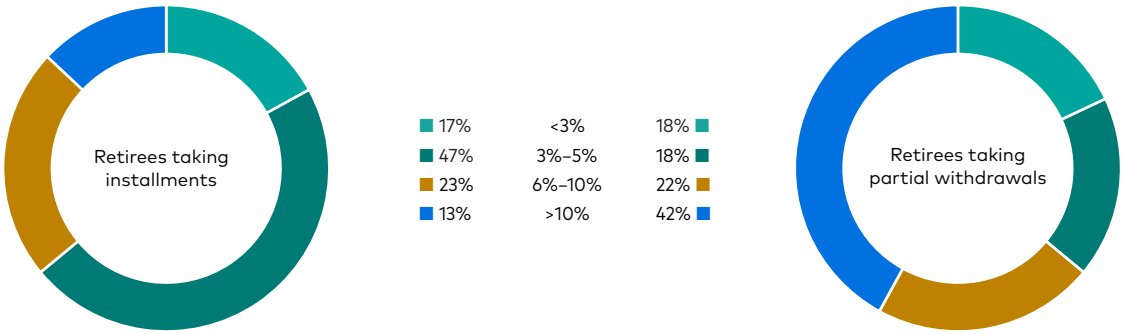
Retirees ages 60 to 72 with balances of $100,000 or more, as of year-end 2025				
Retirees taking installments (average percentage of total balance)				
		Balance range		
Age range	$100,000–$499,999	$500,000–$999,999	$1,000,000+	Total
60–64	10%	5%	4%	7%
65–69	8%	4%	4%	6%
70–72	8%	5%	4%	6%
Total	8%	5%	4%	6%
Retirees taking partial distributions (average percentage of total balance)				
		Balance range		
Age range	$100,000–$499,999	$500,000–$999,999	$1,000,000+	Total
60–64	19%	10%	6%	15%
65–69	17%	8%	5%	13%
70–72	16%	7%	5%	12%
Total	18%	9%	5%	14%

Source: Vanguard, 2026.

Figure 19. Distribution of retirement income (percentage of account balance withdrawn)

Vanguard defined contribution plans

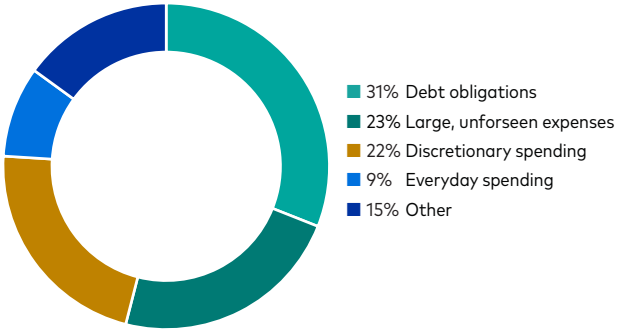
Retirees ages 60 to 72 with balances of $100,000 or more, as of year-end 2025



Source: Vanguard, 2026.

Figure 20. Reasons for irregular retiree withdrawals

Share of retirees by withdrawal purpose



Source: Vanguard Retirement Income Survey, December 2025.

Required minimum distributions

The SECURE 2.0 Act raised the RMD starting age from 72 to 73, beginning in 2023. As a result, participants ages 73 and older in 2025 were required to take RMDs from their tax-deferred retirement accounts.

Vanguard survey research found that nearly half of retirees misunderstood the RMD rule.[12] These respondents either believed that RMDs represent a government recommendation for how much to withdraw or did not know they could take more than the RMD amount.

With only about 1 in 10 retirees taking regular withdrawals—and many misunderstanding RMDs—the findings underscore the need for intentional retirement income planning to help retirees draw down their savings with confidence.

Key findings and implications for plan sponsors

- **Retiree-friendly plan design is becoming more common.** Most plans allow retirees with balances above the distribution threshold to remain in the plan, while installment payments, partial withdrawals, and automatic portability increasingly support continued saving and flexible access to retirement income.
- **Retirees often preserve their assets initially, but many eventually roll over.** About half remain in the plan at retirement, but rollover activity increases over time. Among 2023 retirees with at least $100,000, about 30% remained in the plan and about 65% had rolled over by the end of 2025.
- **Flexible distribution options influence behavior.** Retirees with access to installments and partial withdrawals are more likely to remain in their employer plan, giving sponsors an opportunity to position the plan as a retirement income destination.
- **Most retirees have balanced portfolios, but equity exposure varies meaningfully.** About 6 in 10 retirees held 30% to 80% in equities, while 25% held more than 80%, and 16% held less than 30%. Aggressive allocations were more common among retirees with higher balances.
- **Most retirees are not regularly drawing income from their accounts.** Among retirees ages 60 to 72 with at least $100,000, 7% received installment payments, 15% took ad hoc withdrawals, and nearly 80% left their accounts untouched. Installment users generally took smaller, more consistent withdrawals than those using ad hoc distributions.
- **Plan sponsors can better support retirees' investment and withdrawal decisions.** The findings suggest a need for clearer guidance, planning tools, and access to advice on portfolio allocation and retirement income.

12 ***From Retirement Savings to a Retirement Paycheck.*** Vanguard, September 2026.

Section 3:

Plan sponsor considerations



As plan sponsors decide how best to help participants prepare for retirement, there are important strategic and plan design considerations.

Sponsors should first decide whether they want their DC plan to support participants in retirement. Some may prefer to focus primarily on the accumulation phase and encourage former participants to roll their assets out of the plan. However, as automatic enrollment, annual escalation, target-date funds, and other modern plan design features have improved retirement saving during the accumulation phase, many sponsors are now including income options that help participants throughout their retirement years.

Retirement plan features

Plan sponsors can extend their support into retirement through a range of retiree-friendly features.

Advice

Personalized advice can benefit participants throughout their working years and into retirement. By offering low-cost, high-quality financial guidance, plan sponsors can help participants address their unique needs, pursue their goals, and gain peace of mind.

Installment payments

Installment payments offer retirees a structured way to manage retirement income. As of year-end 2025, 68% of plans offered this feature, up from 59% of plans a decade ago.

Partial withdrawals

Ad hoc partial withdrawals are an increasingly popular feature that can provide unlimited flexibility for retirees. As of year-end 2025, 43% of plans offered ad hoc withdrawals for retirees, nearly three times the 16% of plans in 2015.

Consolidating retirement savings

Plan sponsors can help participants consolidate their retirement assets throughout their career, enabling them to enter retirement with a single, more manageable account. This includes allowing and encouraging participants to roll over existing retirement savings not only while they are actively employed but also after they leave their employer.

Removing age restrictions

Eliminating age-based distribution restrictions allows retirees to remain in the plan for as long as it meets their needs rather than requiring them to roll over their assets at a specific age.

Automatic portability

Automatic portability is a distribution default option for small account balances. Unless the participant chooses otherwise, their balance is automatically transferred to their new employer's plan when they change jobs. This feature helps participants preserve small balances, which are critical building blocks for retirement outcomes.

Investment strategies

Investment strategies can help retirees maintain an appropriate asset allocation throughout retirement. Counting a target-date series as one fund, plan sponsors offer an average of 17.7 funds, typically representing a diverse set of asset classes, including domestic equities, international equities, bonds, stable value funds, and money market funds.

Target-date funds

Target-date funds (TDFs) can serve as a complete portfolio in a single investment. Each TDF invests in a broadly diversified mix of stock and bond funds designed to help reduce investment risk while providing an age-appropriate asset allocation, professional management, automatic rebalancing, and low costs.

Although TDFs use sophisticated investment strategies, selecting one is straightforward: Participants simply choose the TDF with the target date closest to their expected retirement year. More than 90% of plans use a TDF as the default investment. As a result, 61% of participants are pure TDF investors, meaning that 100% of their assets are invested in a single TDF.

Participants can select a fund with a later target date for a more aggressive investment mix or an earlier target date for a more conservative one. Because personal circumstances can change over time, participants should regularly review their asset mix to ensure that it continues to align with their goals and risk tolerance.

While most participants hold a single target-date fund, older participants are more likely to invest across multiple funds **(Figure 21)**. This may reflect investment decisions made before TDFs became widespread as well as a greater tendency to customize allocations among equity, fixed income, stable value, and other options.[13] The age-related difference suggests that plan sponsors should continue to support the simplicity of TDFs while providing access to income and capital-preservation options for participants approaching or in retirement.

Figure 21. Fund use trends by age, as of year-end 2025
Vanguard defined contribution plans

	<25	25–34	35–44	45–54	55–64	65+
Percentage of participants who are pure target-date or other balanced-fund investors	**90%**	**77%**	**67%**	**55%**	**46%**	**37%**
Cash	**1%**	**2%**	**5%**	**11%**	**18%**	**30%**
Bond funds	**3%**	**7%**	**14%**	**22%**	**26%**	**27%**
Active	1%	2%	4%	8%	10%	12%
Index	2%	6%	11%	17%	21%	22%
Balanced funds	**97%**	**93%**	**90%**	**86%**	**81%**	**72%**
Target-date	96%	93%	89%	83%	77%	65%
Traditional balanced	1%	4%	7%	12%	16%	19%
Equity funds	**8%**	**18%**	**26%**	**36%**	**42%**	**43%**
Domestic equity funds	**8%**	**17%**	**25%**	**35%**	**41%**	**42%**
Domestic active	3%	7%	12%	19%	24%	24%
Domestic index	7%	15%	22%	30%	35%	34%
International equity funds	**4%**	**10%**	**17%**	**24%**	**27%**	**23%**
International active	1%	3%	6%	11%	12%	11%
International index	4%	9%	14%	18%	19%	17%

Source: Vanguard, 2026.

13 ***Trends in Defined Contribution Lineups and Participant Behavior.*** Vanguard, August 2026.

Hybrid annuity TDFs

Given the increased attention to TDFs and retirement income sufficiency, a new generation of investment products has emerged: hybrid annuity TDFs, which combine annuities with a target-date fund.[14] These professionally managed retirement solutions support both the accumulation and the decumulation phases of retirement saving. They are designed to stabilize assets as a participant approaches retirement and, if the participant selects the option, provide guaranteed income in retirement, subject to the claims-paying ability of the issuing insurance company.

Most hybrid annuity TDFs have three components:

- **A multiasset allocation to support asset growth.** In a hybrid annuity TDF, the multiasset allocation provides the opportunity for asset growth during the accumulation phase. It is a diversified portfolio with an asset mix like that of a traditional TDF, following a glide path that derisks as a participant approaches retirement.
- **An income-funding strategy for the guaranteed-income purchase.** The income-funding strategy is an annuity liability management strategy that uses invested assets to prefund the annuity purchase. The allocation to this strategy gradually increases with a participant's age and peaks near the final purchase. Although the assets remain liquid, the structure and approach vary by provider.
- **An annuity for guaranteed income.** Hybrid annuity TDFs use an annuity component as a source of guaranteed income during the decumulation phase. Our analysis focused on fixed-rate annuities that generate an income stream based on a payout rate determined at the time of purchase.

Hybrid annuity TDFs can offer benefits by combining professional portfolio management with the option to create guaranteed income in retirement, but successful implementation requires thoughtful planning.

Plan sponsors should consider these three key factors when deciding whether to offer a hybrid annuity TDF:[15]

- First, the guaranteed-income component may not suit every participant's financial circumstances, liquidity needs, or legacy goals. Participants should therefore have a clear opportunity to opt in or out before their election becomes irrevocable.
- Second, because these products are more complex than traditional TDFs and may limit access to assets once income begins, sponsors should provide ongoing education about how the guarantee works, when decisions must be made, and the related trade-offs.
- Finally, any additional costs associated with the guarantee should be fully transparent so that participants can evaluate whether the potential income security justifies the expense.

Vanguard Target Retirement Lifetime Income Trusts combine Vanguard's industry-leading glide path with an embedded, optional guaranteed-income feature.



14 Although we refer to this product type as a "fund" for simplicity, it can also be structured as a trust.

15 ***Retirement Income Strategies: Best Practices for Plan Sponsors.*** Vanguard, December 2025.

Vanguard Target Retirement Lifetime Income Trusts combine Vanguard's industry-leading glide path with an embedded, optional guaranteed-income feature. The solution helps participants manage retirement assets within a professionally constructed target-date strategy while providing the option to convert a portion of their savings into secure lifetime income.

Fixed income funds

When considering the needs of retirees and their typical preference for reducing investment risk as they age, plan sponsors should evaluate a range of fixed income options. These could include both index and actively managed funds, as well as strategies covering different segments of the global fixed income market, allowing participants to tailor their investments to their needs.

Fixed income plays an essential role in a well-diversified portfolio. A strategic allocation to fixed income is one of the most effective strategies available to investors to smooth returns over the long term. During a recession, fixed income can serve as a ballast, providing stability and enhancing portfolio performance. Although market downturns are inevitable, patience and a steadfast commitment to a long-term investment strategy are crucial.



of plans offered active bond funds in 2025, up from 71% in 2015.

There are various fixed income investments that can align with a participant's unique objectives. Retirees concerned about volatility and seeking to use bonds to diversify risk may prefer high-quality bonds, such as Treasuries. Those who want to use income from bonds to meet their spending needs and seek greater credit exposure may consider diversified active bond funds, emerging markets bonds, high-yield bonds, and active multisector investments.

Nearly all retirement plans offered bond funds in 2025, with 9 in 10 plans offering an index bond fund. Over the last 10 years, the availability of active and international bond funds has increased. In 2015, 71% of plans offered active bond funds, and 16% offered international funds. In 2025, those percentages rose to 81% and 20%, respectively.

Retirement income solutions

After years of saving and accumulating retirement assets, participants may find that drawing down those assets can be a challenge. Many variables influence retirement income, but most participants ultimately want to know how much they can withdraw while retaining enough assets to last throughout retirement. As awareness of this challenge grows, plan sponsors have access to an expanding range of products and services to support retirees.

Advice

Financial advice may be provided by a professional or through a digital service to help retirees manage their finances. Financial advice can help participants pursue their goals through investment management, budgeting, and tax guidance. To support participants' investing and planning decisions, a growing number of plan sponsors offer managed account advice. In 2025, 46% of Vanguard DC plans offered advice, and because most larger plans offered advice, nearly 8 in 10 participants had access to it.

Older participants are more likely than younger participants to self-direct their retirement investments. In fact, one-half of participants age 55 or older are do-it-yourself investors. As a group, they tend to have the highest account balances, averaging more than $472,700, and a wide range of equity allocations.

About 3 in 10



older, do-it-yourself investors had an extreme equity allocation.

In 2025, 18% of older, do-it-yourself investors in Vanguard DC plans had an aggressive equity position, with more than 80% of their balance allocated toward equities. Conversely, 9% had a conservative allocation, with less than 30% of their balance in equities. Overall, about 3 in 10 older, do-it-yourself investors had an equity allocation at either extreme. Although some may have sound reasons for choosing these allocations, they may benefit from portfolio guidance, education, and support from an investment professional.

When deciding what type and level of financial advice they need, participants should take the following steps:

- **Assess their financial goals.** Participants should determine whether they have a single goal, such as retirement, or are balancing multiple goals. They should also decide whether they need a onetime conversation or ongoing advice and wealth management. The complexity of their financial situation can help determine the appropriate level and sophistication of services needed.
- **Start the search.** There are various types of advice programs available. Some participants may be more comfortable working directly with a financial advisor, while others may prefer a fully digital service, such as a robo-advisor. A combination of the two approaches—managing routine needs online while consulting a financial advisor when questions arise—may work best for some participants.
- **Verify the credentials of financial professionals.** The term "financial advisor" does not indicate any specific credentials, so it is important for the participant to understand which professional certifications and designations an advisor holds. The advisor should also be a fiduciary, meaning they are legally required to act in their clients' best interests.
- **Learn investment strategies.** Participants can learn about the investments an advisor recommends by asking for a sample portfolio. It should include primarily low-cost, broadly diversified funds and exchange-traded funds (ETFs) balanced between domestic and international stocks and bonds.
- **Assess cost and compensation.** Participants should assess whether the fund and ETF fees are reasonable and how the advisor is compensated. A reputable advisor will discuss fees and compensation openly. If an advisor provides both advice and brokerage services, participants should determine whether they will pay an asset-based fee in addition to commissions and fund expense ratios. They should also ask whether the advisor receives compensation for recommending specific funds.
  - **Fee-only advisors** are compensated directly by their clients for their services. Typically, fee-only advisors charge an hourly fee, a flat fee per plan, or a retainer, but some offer subscription payment models.
  - **Fee-based advisors** charge a fee based on the percentage of assets managed on behalf of the client. These fees generally range from 0.25% of assets ($250 on a $100,000 investment) to 1.5% ($1,500 on a $100,000 investment) or more. Advisor compensation arrangements vary. While some advisors are salaried, others are paid based on a percentage of assets under management.

Annuities

An annuity is an insurance contract that can provide guaranteed income for life or for a specified period. Retirees concerned about outliving their savings may consider an annuity as part of their retirement income strategy. Lifetime annuities provide income for as long as the retiree lives, while other options offer payments for a fixed term, such as 10 or 20 years.

Potential benefits and trade-offs

- **Predictable lifetime income.** An annuity can create a dependable income stream that supplements Social Security, pensions, and portfolio withdrawals from a 401(k) plan or IRA. For example, a retiree seeking $5,000 in monthly income who receives $2,100 from Social Security and $400 from a pension could consider an annuity that provides the remaining $2,500.
- **Greater spending confidence**. Regular payments can simplify budgeting and provide reassurance during market volatility, particularly for retirees with low risk tolerance or a long life expectancy.
- **Reduced liquidity and flexibility.** Purchasing an annuity often requires committing a sizable portion of savings, which may leave fewer liquid assets available for emergencies, changing needs, or other priorities.
- **Costs, complexity, and legacy considerations.** Fees, contract provisions, insurer strength, and death-benefit options can vary considerably. Some options may also leave less money for heirs, so retirees should compare products carefully and maintain sufficient assets outside the annuity.

Annuity types

The most common annuity options are:

- **Immediate fixed income annuity.** Regular payouts begin shortly after purchase, with a guaranteed monthly amount that doesn't change. Some insurers provide minimum payout guarantees or refunds if the annuitant dies before receiving their initial investment, but these options lower the payout amount.
- **Deferred fixed income annuity.** Payouts begin at a future date—possibly years or decades later—and they provide a guaranteed monthly amount. Because payments are deferred, these annuities generally offer larger payouts than immediate annuities. A qualified longevity annuity contract is one example.
- **Variable annuity.** Payouts can vary and are determined by the performance of underlying investments. Payments would be higher when the underlying investments do well and lower when they perform poorly.
- **Index annuity.** Payouts can vary and are determined by the performance of a market index.

While most plan sponsors do not have in-plan annuity options, many support a simple, unbiased solution that allows participants to obtain real-time, competitive annuity quotes from multiple insurance companies. As participants explore retirement income options, access to institutionally priced annuities can help those seeking predictable income and protection against outliving their savings make informed decisions.

Note: Annuities are not risk free.[16] They are subject to the risk that the insurer will default. In addition, immediate variable annuities contain underlying investment portfolios that are subject to investment risk, including possible loss of principal. Deferred variable annuities are long-term vehicles designed for retirement purposes and contain underlying investment portfolios that are subject to investment risk, including possible loss of principal.

16 Product guarantees are subject to the claims-paying ability of the issuing insurance company.

Financial wellness resources and guidance

Financial wellness resources and guidance can equip retirees to manage their retirement spending effectively. Modeling tools, calculators, and educational materials can help them estimate how long their savings may last and consider the financial and nonfinancial aspects of retirement.

Many retirees prefer to manage retirement income on their own. Plan sponsors can support them by offering flexible withdrawal options and scenario-modeling tools that help them estimate monthly income, assess their needs, and determine how well their assets may meet those needs.

Drawing on recent Vanguard research,[17] plan sponsors can help retirees evaluate different ways to convert their savings into income while balancing spending, flexibility, and longevity risk.

Helping retirees create a paycheck

Vanguard research explores how plan sponsors can help retirees evaluate sustainable income strategies based on their spending needs, desire for flexibility, and longevity risk.

Read the full paper: ***From Retirement Savings to a Retirement Paycheck.***



Retirement paycheck

Retirement income calculators and "paycheck" modules are foundational in helping retirees and pre-retirees clearly understand what their monthly income could be and in providing them with guidance on how long their assets could last in retirement. These tools model personalized "what-if" scenarios, helping retirees and pre-retirees feel more confident in their retirement planning and empowering them to draw down their savings independently.

Retirees can choose among several income strategies, each offering a different balance of current income and future financial flexibility:

- **No paycheck—Social Security and RMDs only:** Relies on Social Security until RMDs begin providing additional spending income.
- **Real paycheck:** Converts 401(k) savings into an inflation-adjusted income stream that supplements Social Security.
- **Partial annuity paycheck:** Uses 25% of savings to purchase immediate income annuities and applies the real paycheck approach to the remaining assets.
- **Social Security bridge paycheck:** Delays Social Security until age 70 to maximize future benefits, using larger portfolio withdrawals earlier in retirement to provide income comparable to the higher benefit that begins at age 70.

While Social Security and RMDs provide the lowest spending but the most flexibility, the Social Security bridge paycheck generates the highest spending by accelerating early withdrawals. The real and partial annuity paychecks offer a middle ground, providing steady income and reserves for unexpected expenses.

17 ***From Retirement Savings to a Retirement Paycheck.*** Vanguard, September 2026.

Choice architecture for decumulation

For retirees who may struggle converting their savings into consistent income, a well-designed choice architecture experience could help them determine a sustainable withdrawal level, understand market and longevity risks, and decide whether to convert part of their savings into guaranteed income.

Creating a retirement paycheck offers a practical starting point because it can be customized through three decisions:

- **Retirees can choose when payments begin.** Those who continue working, have a working spouse, or receive income from other sources may benefit from delaying withdrawals. Doing so allows more time for portfolio growth and may increase future income and flexibility.
- **Retirees can weigh guaranteed income against financial flexibility.** Those prioritizing certainty might annuitize part of their savings or delay Social Security, while others may prefer to retain greater access to their assets.
- **Retirees can balance higher income today against greater certainty later.** Lowering the target probability that savings will last can increase current income but shorten the expected duration of payments. Retirees anticipating longer lives may prefer a higher success threshold and a more conservative paycheck.

Helping retirees model and plan through various scenarios may increase their spending confidence while establishing guardrails to help reduce longevity risk.

Conclusion

Navigating retirement can be challenging. Each participant's journey is unique, shaped by personal choices, financial situations, and life experiences. Because there is no one-size-fits-all approach, plan sponsors should help retirees understand their options and next steps, from in-plan features and services to solutions outside the plan.

Meeting participants where they are is essential. By recognizing their goals and aspirations and offering support tailored to a range of needs and preferences, plan sponsors can help them pursue a comfortable and sustainable retirement.

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