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## Paradigm Shift Occurs in Defined Contribution World

NEW YORK, NY, August 9, 2010 -- Half of employees (52%) believe they are behind in their retirement savings, and a nearly equal number of workers (53%) are very concerned about outliving their retirement money, according to MetLife's 8th Annual Employee Benefits Trends Study. Half of workers (51%) are also very worried about having to work full or part-time in retirement.

Likewise, according to the study, 53% of employees of all ages are very concerned about being able to maintain insurance benefits received through their employers in retirement, while nearly six in ten indicate that they are very concerned with being able to afford healthcare in retirement – even those who assess their overall health as good or better. Perhaps that's why 59% of workers plan to retire at age 65 or older – up 5 points year-over-year.

"Against the backdrop of a still challenging market environment, large numbers of workers are concerned about making their retirement savings last a lifetime. In response, many have said they plan to work longer but, unfortunately, those extra years of earnings still may not be enough to close the gap -- and, job availability and health issues could put those plans at risk," said Robert E. Sollmann, Jr., executive vice president, Retirement Products, MetLife.

The study found that an alarming 61% of workers have planned for 20 years or fewer in retirement even though, with a median retirement age of 65, half of the study's respondents will likely live beyond 20 years, and some well beyond age 85.

"At MetLife, we are in a strong position to help individuals make the most of what they've saved for retirement. For the large majority of Americans, an annuity may be a viable option for a portion of their savings. After all, annuities are the only product that can provide guaranteed lifetime income. And, income annuities, for example, can generate, by far, the highest level of lifetime income per dollar of assets," added Sollmann.

### Employees Want Lifelong Income Options

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As the Administration and public policymakers consider measures to strengthen Americans' retirement security, interest on the part of employees in lifetime income options is strong. It remains to be seen, however, if employers will heed employees' calls by providing education about the need to calculate how much retirement income their savings will generate, and offering options that will allow them to convert their nest eggs into guaranteed income.

According to the study, employees are looking for strategies to create and protect retirement income they can't outlive. Indeed, nearly half (49%) of those who have a retirement nest egg are interested in learning about how to protect their retirement income. Four in ten (40%) are interested in learning more about how they could use annuities as part of their DC plan, and 44% would like their employer to offer an annuity option in their 401k, 403(b) and/or 457 plan. When they retire, 55% of workers say that they'll prefer to receive part of their nest egg for as long as they live rather than taking all of it in a lump sum, whereas only 9% strongly disagree with that statement (likely indicating that they prefer the lump sum).

"To some extent, these findings buck conventional wisdom. We know from the annuity take up rates that very few workers actually annuitize their savings at the point of retirement," said Jody Strakosch, national director for MetLife's Retirement Products group. "That said, we've long believed that the time would come when workers would shift their retirement focus from assets to income. We think that paradigm shift – from a singular focus on asset accumulation to ensuring that their retirement savings provides lifelong income – is occurring now. In the coming years, we expect that to translate into more workers being given an opportunity by their employers to annuitize at least a portion of their retirement savings."

When it comes to protecting their retirement savings in the wake of future market downturns, employees are seeking safety and stability. According to the study, more than two-thirds of workers (70%) prefer guarantees that offer stable but somewhat lower returns, compared to the 30% who prefer a higher degree of risk because the returns could be greater.

### **Employer Offerings Still Lag Behind Employee Interest**

Based on MetLife's latest study findings, very few companies currently offer annuities as either a defined contribution distribution option (16%) or as an IRA rollover option (13%). Among companies with 100+ employees who offer a 401k plan, of those companies that don't currently offer annuities as a distribution option, only 20% are considering them. However, only 14% would not consider offering them, with many others unsure if they would or wouldn't.

"With nearly five in ten workers interested in having their employers offer annuities and other lifelong income products, there may be an opportunity for more employers to give these options careful consideration," added Strakosch.

In MetLife's response to the Departments of Labor and Treasury and the IRS Request for Information (RFI) regarding lifetime income options, MetLife proposed policy recommendations to encourage employers to offer guaranteed lifetime income in defined contribution plans and encourage individuals to choose lifetime income products, which can help to ensure that more Americans enjoy a comfortable retirement. The response also proposed recommended tax law changes to further facilitate annuitization and suggested ways to facilitate the use of in-plan accumulation annuities. A copy of MetLife's response to the RFI can be viewed at <http://bit.ly/bzqUQt>.

### **Study Methodology**

The 8th Annual MetLife Study of Employee Benefits Trends was conducted during the fourth quarter of 2009 and consisted of two distinct studies fielded by GfK Custom Research North America. The employer survey comprised 1,503 interviews

with benefits decision-makers at companies with staff sizes of at least two employees. The employee sample comprised 1,305 interviews with full-time employees age 21 and over, at companies with a minimum of two employees. The 8th Annual MetLife Study of Employee Benefits Trends is available at [www.metlife.com/trends2010](http://www.metlife.com/trends2010).

### **About MetLife**

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