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Retirement Plans – What's Next for Retirees?

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Today, over 10,000 people will reach age 65[1]; tomorrow over 10,000 will reach age 65; and so it goes. For those closing in on retirement – how are they preparing for their next chapter?

Evolution of Retirement Savings

An evolution in retirement savings has occurred: pensions that provided a guaranteed stream of income have largely been replaced by 401(k) plans. Many people retiring today have a 401(k) plan to rely on to help fund their retirement.

The investment industry and plan sponsors are all pondering how to help retirees or those nearing retirement who are "living in the 401(k) world" to continue to save and draw income from their retirement accounts.

Being retired doesn't have to mean that participants need to leave their retirement plans. It's rather an opportunity to fine-tune it according to participants' evolving needs, and a "retiree path" can help.

Employers believe there are benefits to plan participants leaving their money in their plan accounts such as continued access to favorable fees relative to other non-plan retirement accounts and investment advice, financial planning guidance, and digital tools.

As a result, employers are contemplating the next step to assisting employees with retirement planning. The newest player on the scene is a "retiree menu" of investment options and tools specifically geared to those entering their next life stage.

According to a recent study:

Two-thirds of plan sponsors welcome a strategy that would keep their participants in-plan.[2]

And **over 80% of plan participants** responding in this same study "indicated they would welcome education and advice from their employer on converting savings into income in retirement."[2]

In December 2020, the ABA Retirement Funds Program ("Program") added a custom Retiree Menu.

The Retiree Menu targets those participants who are in retirement, or soon will be, by introducing a suite of four investment options that have investment objectives and strategies that may be attractive to investors in this phase of their careers. The investment options ranging from capital preservation to growth funds aim to cater to the income and risk considerations of seniors.

In addition, the Menu includes a Retiree Toolbox developed specifically for the Program. The Toolbox provides important information such as Social Security, advisory services, and financial wellness.

One of the most important aspects for the Retiree Menu's success is the participant experience, which for the Program is designed to be relatable, and easy to find and navigate.

Change takes time for both plan sponsors and the investment industry. Retirees stay tuned!

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[1] https://www.pewresearch.org/fact-tank/2010/12/29/baby-boomers-retire/
[2] https://www.pimco.com/en-us/dc-survey?formsubmit=1

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About the ABA Retirement Funds

The ABA Retirement Funds, an affiliate of the ABA, is dedicated to helping lawyers with their retirement by providing fully bundled retirement solutions for law firms of all sizes. Established in 1963, the organization has over 4,000 law firm retirement plans, more than 38,000 participants, and over $7.2 billion in assets in the ABA Retirement Funds Program (abaretirement.com).

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