

The Great Retirement Decision: Paycheck or Pot of Gold?

How retirees receive their defined contribution plan savings can shape their financial future

While many employers are focused on the Great Resignation, workers nearing retirement are focused on the Great Retirement Decision: whether to take money saved in a defined contribution plan as a "pot of gold" lump sum payment or a regular paycheck in the form of monthly annuity payments — or some combination of the two.

This retirement decision is increasingly important today. Fewer workers receive retirement income from a traditional defined benefit (DB) plan, leaving more and more employees to rely on savings from defined contribution (DC) plans to supplement their Social Security income in retirement.

Lump sum payments remain a risky decision for retirees

A big one-time payout is the less prudent choice for many, as there's a significant risk that the proverbial "pot of gold" will run out.



1 in 3 retirees who took the lump sum depleted their savings in an average of 5 years



Overall, **26%** of retirees who took a lump sum and still have money remaining estimate they have less than \$50k left

Many retirees who take the "pot of gold" regret their decision

Almost half of lump sum recipients express at least some regret about withdrawing money from their DC plan



These regrets may stem from difficulties managing their lump sum payments.



Nearly 4 in 5 recipients of lump sum payments made at least one major purchase within a year of receiving their money



More than 1 in 3 of those who took the lump sum gave a significant portion of their money to at least one person or group



Taking the paycheck ultimately proves more rewarding for retirees



Nearly all annuity-only recipients are happy that they chose to receive a retirement paycheck from their DC plan

Of those who receive monthly payments:



Say it makes their budget more predictable



Say it makes them feel financially secure



Say it's easier to pay for basic necessities



Say it provides greater flexibility for strategies with their other investments

Annuities help retirees manage their spending



Nearly all annuity-only retirees use their monthly annuity payments for ongoing expenses, such as day-to-day living and housing expenses

Employees want an annuity option from their employers



About **9 in 10** retirees and pre-retirees feel it's valuable to have a guaranteed monthly income to pay their bills

Workers are looking to their employers to offer an annuities option:



89% of pre-retirees would like the option for both: a monthly paycheck and a lump sum payment



Overall, **more than half** of pre-retirees think their employer should be required to offer an annuity option

For more information on income annuity options, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

Monthly guaranteed income leads to better outcomes in retirement. Read the full study for more insights on retirement outcomes for retirees: metlife.com/paycheckgoldstudy

Note: All data referenced in this infographic are from MetLife's 2022 Paycheck or the Pot of Gold Study.

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