



A RESEARCH WHITE PAPER • 2026 EDITION

Lifetime Income and the Architecture of a Good Retirement

How Annuities Shape Longevity, Spending, and Psychological Well-Being

Prepared for conservative retirement investors, retirees, and advisors — a direct-to-consumer audience with investable assets commonly in the \$1MM–\$2MM range.

EDUCATIONAL USE ONLY

EXECUTIVE SUMMARY

Retirement is not only a savings problem — it is an income problem.

Retirement planning has traditionally been presented as a savings problem: accumulate enough assets, invest prudently, and withdraw carefully. That framework remains important, but it is incomplete. For many retirees — especially those who have accumulated meaningful savings yet remain concerned about taxes, markets, inflation, healthcare, and longevity — the central question is no longer only “How much do I have?” It is “What kind of income will my savings produce for the rest of my life?”

A growing body of research suggests that guaranteed lifetime income can shape retirement in three ways. First, it can improve **financial security** by protecting against the risk of outliving assets. Second, it can improve **behavior** by giving retirees the confidence to spend appropriately. Third, it may improve **well-being** by reducing financial stress, simplifying decisions, and supporting healthier routines.

Recent NBER research by Larrain, Previtero, and Severino examines approximately 600,000 Chilean retirees from 2004 to 2022 and finds that annuitization — when instrumented using variation in recent market returns — substantially reduces mortality at five- and ten-year horizons. The authors conclude that annuities appear to reduce mortality by shielding retirees from income volatility and investment-related stress, while complementary survey evidence suggests annuitants invest more in their health and report lower disability rates.¹

Research by Blanchett and Finke reaches a complementary conclusion from the spending side. Their work finds that retirees spend significantly more from wealth held as lifetime income than from investment assets,² and that roughly 59.4% of survey respondents would feel more comfortable spending on nonessential activities if given \$10,000 of additional income rather than \$140,000 of additional wealth.⁴

For the conservative investor with \$1MM to \$2MM in assets, the practical implication is not that every dollar should be annuitized. Rather, it is that a portion of retirement savings may be most useful when converted from an uncertain account balance into a predictable paycheck. A well-designed plan can pair **guaranteed income for essential expenses** with a **flexible portfolio** for growth, liquidity, emergencies, and legacy goals.

PLAIN-ENGLISH TAKEAWAY

A portfolio tells a retiree what they *own*. A paycheck tells a retiree what they can safely *use*. The difference can shape confidence, spending, stress, and quality of life.

1 Retirement as Both a Financial and Behavioral System

For most of the 20th century, retirement income was relatively straightforward. Many workers retired with Social Security plus a pension. The pension converted years of work into a monthly paycheck that continued for life. The retiree did not have to decide which shares to sell, how much to withdraw, or whether a market decline should change next month's budget.

Today, the responsibility has shifted. Defined contribution plans, IRAs, brokerage accounts, and personal savings now make up a larger share of retirement resources. This shift has empowered investors, but it has also transferred risk from institutions to households. Retirees are now expected to manage longevity risk, market volatility, inflation, withdrawal rates, tax consequences, healthcare uncertainty, and cognitive complexity.

This is especially relevant for households with \$1MM to \$2MM in investable assets. These investors are often financially successful but not immune to fear. They have enough wealth to protect, enough retirement to fund, and enough uncertainty to make disciplined spending

difficult. They may not want to speculate. They may not want to expose their essential lifestyle to market swings. They often want clarity, consistency, and control.

The central argument of this paper is simple: **income structure matters**. A dollar held in a fluctuating account balance is not experienced the same way as a dollar received as recurring income. The first can feel like principal being consumed. The second can feel like a paycheck being used. That difference is behavioral, psychological, and practical.

CONSUMER CALLOUT · THE RETIREMENT INCOME QUESTION

Ask not only “How much have I saved?” but “Which expenses need to be protected by income I cannot outlive?”

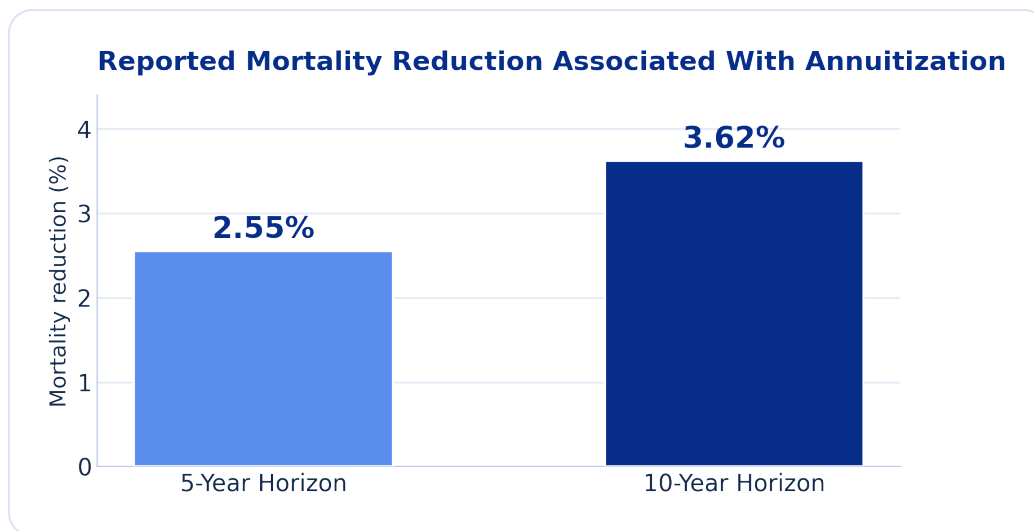
2 The Longevity Effect: Why Income Stability May Matter for Health

The strongest emerging evidence that retirement income structure may influence health comes from the NBER working paper “*The Effect of Annuities on Longevity*” by Borja Larrain, Alessandro Previtero, and Felipe Severino. The study examines administrative payout data on approximately 600,000 Chilean retirees from 2004 to 2022.¹

The authors address a difficult research problem: people who choose annuities may differ from people who do not. To reduce selection bias, the study exploits the fact that annuity sales vary with recent market returns — a pattern consistent with extrapolative beliefs. Using this variation as an instrument, they find that the decision to annuitize substantially reduces mortality at five- and ten-year horizons.¹

The planning significance is considerable. If an annuity reduces income volatility and investment-related stress, then it may do more than transfer longevity risk. It may also change the lived experience of retirement. A retiree who receives a stable monthly payment may face fewer stressful decisions, fewer reactions to market volatility, and fewer perceived threats to household security.

FIGURE 1 · LONGEVITY IMPACT



What it shows: Reported mortality reduction for annuitants relative to non-annuitants — approximately **2.55% at five years** and **3.62% at ten years**, as reported in the working paper. The NBER abstract states that annuitization substantially reduces mortality at both horizons and may do so by shielding retirees from income volatility and investment-related stress.¹

ADVISOR CALLOUT · DON'T OVERSELL THE CLAIM

The prudent language is not “annuities guarantee a longer life.” The more defensible statement is: “Large-scale research finds annuitization is associated with a substantial reduction in mortality, likely through reduced stress, lower volatility, and greater health investment.”

3 The Stress Pathway: From Investment Uncertainty to Health Risk

The connection between financial stress and health is not merely intuitive. In a population-based study of 60-year-old men and women in Stockholm County, researchers found that financial stress was associated with higher risks of incident cardiovascular disease and all-cause mortality. For example, single men without a cash margin had increased risk of both incident cardiovascular disease and all-cause mortality relative to cohabiting men with a cash margin.³

That evidence matters because retirees do not experience market volatility as an abstract chart. They experience it as uncertainty about income, dignity, healthcare, family independence, and the possibility of becoming a burden. A portfolio decline may be financially manageable on paper but emotionally destabilizing in practice.

A guaranteed income stream can help interrupt that pathway. It does not remove every risk. It does not eliminate inflation, healthcare costs, or family uncertainty. But it can reduce the number of core expenses exposed to market volatility — and that reduction in uncertainty can be meaningful for both financial planning and emotional well-being.

This is why lifetime income should be understood not only as a product feature, but as a **retirement architecture decision**. A household that guarantees its baseline income may be better positioned to absorb market volatility in the remaining portfolio because the monthly essentials are already covered.

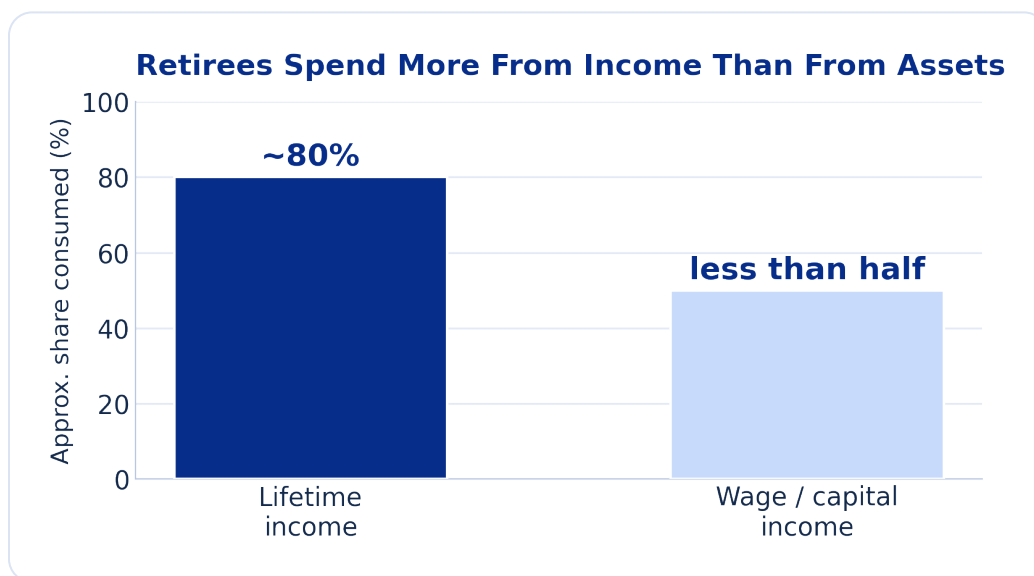
4 The Spending Effect: Lifetime Income as a “License to Spend”

A second major body of research focuses on how guaranteed lifetime income changes spending behavior. This research is especially important for households that did the hard work of saving but struggle to use their savings confidently.

Blanchett and Finke find that retirees spend differently depending on whether wealth is held as lifetime income or as investment assets. Their April 2025 analysis reports that retirees spend a much higher percentage of lifetime income, while spending from savings is significantly lower than what may be considered optimal. In their analysis, roughly 80% of lifetime income is spent, while less than half of wage income and capital income is spent.²

They also find that spending rates from savings are low. Withdrawal rates from savings were approximately 2.1% for 65-year-old married households and 1.9% for single households — rates the authors describe as significantly below common withdrawal guidance and below the income that could be generated from an annuity.²

FIGURE 2 · SPENDING BEHAVIOR



What it shows: Retirees consume a far larger share of money framed as **lifetime income** (~80%) than money framed as **wage or capital income** (less than half) — evidence that the *source* of a dollar, not just its amount, drives how freely it is spent.²

The behavioral explanation is straightforward. Retirees do not treat all dollars the same. A portfolio balance is often viewed as a reservoir that must be protected. A monthly payment is viewed as income that may be spent. The first triggers caution; the second creates permission.

This “permission” is not frivolous. It can determine whether retirees visit grandchildren, travel while healthy, replace an aging car, improve a home, join a club, eat better, exercise more, or pay for convenience that reduces stress. In other words, spending confidence can shape quality of life.

5 Why \$10,000 of Income Can Feel Better Than \$140,000 of Assets

The most striking finding in the Blanchett and Finke research is the preference test. Their survey found that **59.4% of respondents** would feel more comfortable spending on nonessential activities if given \$10,000 of additional income rather than \$140,000 of additional wealth.⁴

59.4%

prefer \$10,000 of additional
guaranteed income

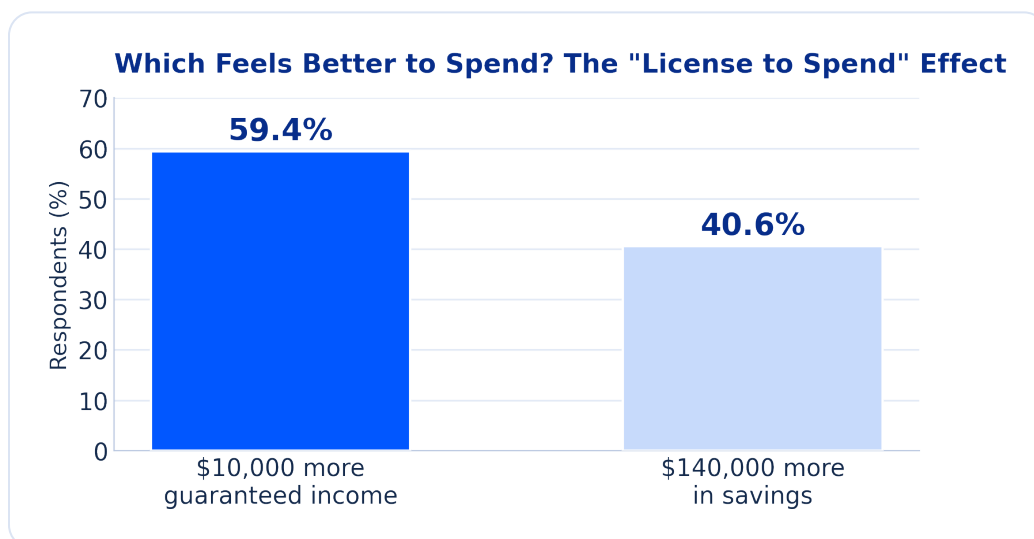
40.6%

prefer \$140,000 of additional
investable wealth

This result is important because it highlights a behavioral truth that many financial models miss. People do not merely optimize spreadsheets. They *frame* money. They attach emotions to its sources. They spend from some buckets and protect others. For many retirees, guaranteed income simply feels safer to use than principal.

For a conservative investor, this finding may be more persuasive than a technical withdrawal-rate analysis. A retiree might understand that a 4% withdrawal strategy is mathematically reasonable, yet still hesitate to spend when markets are down. Guaranteed income can reduce that hesitation by separating lifestyle spending from market timing.

FIGURE 3 · THE “LICENSE TO SPEND” PREFERENCE



What it shows: Given a choice framed for nonessential spending confidence, a majority chose a smaller amount of **guaranteed income** over a much larger lump sum of **wealth** — a vivid illustration of how income framing unlocks spending.⁴

This does not mean guaranteed income should replace the portfolio. It means guaranteed income can make the portfolio more *usable*. Once essential expenses are covered, remaining assets may be invested with greater patience, retained for emergencies, or used for discretionary goals without the same level of anxiety.

6

The Underspending Problem: When Caution Becomes a Retirement Cost

Underspending is one of the least discussed problems in retirement planning. Many retirees spend decades accumulating wealth, then enter retirement and become reluctant to draw from it. This reluctance is understandable — no one knows exactly how long they will live, what markets will do, or what healthcare may cost. But excessive caution can also shrink the very retirement the savings were meant to fund.

Poterba, Venti, and Wise describe how many households treat housing equity and non-annuitized financial assets as precautionary savings, tending to draw them down only after shocks such as the death of a spouse or substantial medical outlays. The authors note that home equity is often conserved until very late in life and may serve as insurance against living longer than expected.⁵

This helps explain why retirees with adequate assets may still feel constrained. The money is technically available, but psychologically protected. Guaranteed income changes the frame. Instead of asking “How much principal can I afford to spend?” the retiree receives a predictable deposit and decides how to use it.

For a household with \$1MM to \$2MM, the objective is often not maximum income at any cost. It is **confidence**. The highest-value plan may be the one that lets the retiree sleep at night, spend without regret, and still retain flexibility for medical expenses, family support, and legacy planning.

CONSUMER CALLOUT · A PORTFOLIO CAN BE TOO PROTECTED

Saving for retirement is only half the job. The other half is converting savings into a life you are willing to live.

7 The Psychology of Income: Why Paychecks Feel Different From Withdrawals

The emotional difference between income and withdrawals can be explained through behavioral finance. **Loss aversion** makes people feel the pain of depletion more strongly than the pleasure of an equivalent gain. A withdrawal from a portfolio can feel like shrinking security; a guaranteed payment can feel like normal income.

Mental accounting reinforces this behavior. Retirees often separate money into categories: spendable income, protected principal, emergency reserves, and legacy assets. Lifetime income falls naturally into the spendable category, while investment assets often fall into the protected category. Blanchett and Finke explicitly connect their findings to mental accounting, noting that households bracket IRAs, brokerage accounts, and lifetime income differently.²

Cognitive load is another factor. Managing retirement income from investments requires ongoing decisions: how much to withdraw, which assets to sell, when to rebalance, how to respond to downturns, and how to adjust for inflation and taxes. These decisions may become more difficult later in life. A predictable income floor reduces the number of decisions that must be made under stress.

INVESTOR TAKEAWAY

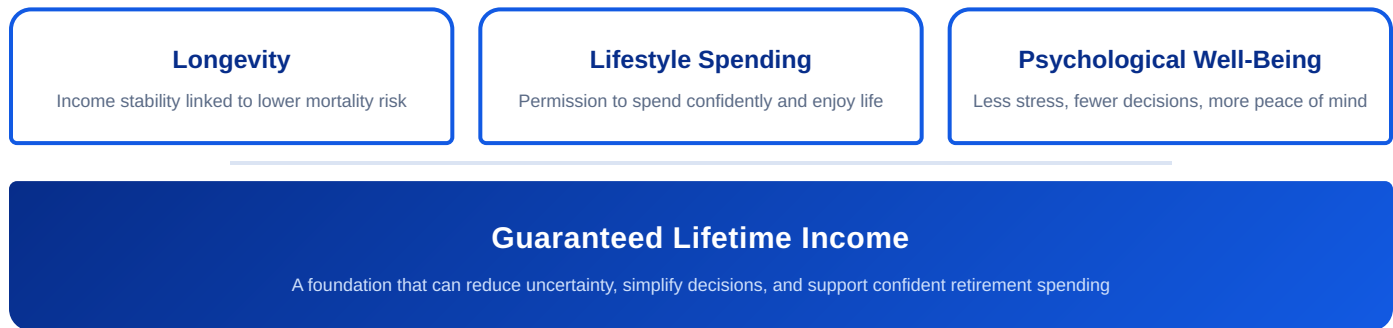
Guaranteed income does not eliminate the need for planning. It reduces the number of critical retirement decisions that must be made during bad markets, poor health, or advanced age.

8 A Practical Framework for the \$1MM–\$2MM Retirement Investor

For the intended audience of this paper, the strongest planning approach is usually not “all annuity” or “no annuity.” It is **segmentation**. Different dollars should have different jobs.

- 1 Identify the essential spending floor.** Housing, utilities, food, insurance premiums, transportation, property taxes, and core healthcare. Social Security, pensions, and annuity income can be coordinated to cover as much of this floor as practical.
- 2 Identify lifestyle spending.** Travel, dining, hobbies, family visits, charitable giving, and home improvements. Guaranteed income supports this category by giving retirees permission to spend without viewing each decision as a reduction in principal.
- 3 Maintain a flexible investment portfolio.** The portfolio remains important for inflation protection, liquidity, emergencies, long-term-care planning, tax-sensitive withdrawals, and legacy goals. It is not made irrelevant by annuities — it is made more resilient when essential income is protected.
- 4 Preserve an emergency reserve.** Conservative households value control, and rightly so. A sensible plan avoids over-committing liquid assets to any irreversible strategy; partial annuitization can balance certainty and flexibility.
- 5 Revisit the plan regularly.** Spending patterns, health, tax laws, interest rates, inflation, and family priorities all change. The role of guaranteed income should be evaluated alongside the broader financial plan.

FIGURE 4 · THE ARCHITECTURE OF A GOOD RETIREMENT



9 Broader Implications for Employers, Advisors, and Policy Leaders

The shift from pensions to defined contribution plans means more retirees must decide how to convert assets into income. Blanchett and Finke note that this shift requires retirees to decide how much to spend each year from savings — a task far more complex than receiving a monthly pension payment.²

Confidence, meanwhile, remains uneven. The Employee Benefit Research Institute and Greenwald Research — whose Retirement Confidence Survey is the longest-running survey of its kind — reported in its 2026 edition that 64% of Americans said they were confident they would have enough money to live comfortably throughout retirement, based on a general-population sample of 2,052 Americans plus a caregiver oversample.⁶ Reporting on the prior 2025 survey found that 67% of workers and 78% of retirees expressed similar confidence, even as many remained concerned about inflation, market instability, housing costs, and medical expenses. That same reporting noted that roughly 30% of respondents with workplace retirement plans said guaranteed lifetime income options would be a top improvement to their plan, and nearly 70% found default investments with guaranteed income appealing.⁷

For advisors, the lesson is that annuities should not be discussed only as products — they should be discussed as **income architecture**. For employers, the lesson is that retirement plans may need better pathways from accumulation to income. For policymakers, the lesson is that stability, not merely wealth accumulation, is central to retirement well-being.

10 Conclusion: The Right Kind of Income

Retirement isn't just about having enough money — it's about having the right kind of income to live longer, spend confidently, and enjoy life.

The research reviewed in this paper points toward a more complete understanding of retirement security. Larrain, Previtero, and Severino show that annuitization can substantially reduce mortality, likely by reducing income volatility and investment-related stress. Blanchett and Finke show that retirees spend more from lifetime income than from assets, and that many people feel more comfortable spending when money is framed as income rather than wealth. Research on financial stress and health supports the broader pathway: uncertainty can affect the body as well as the balance sheet.

For conservative retirement investors, the conclusion is practical rather than ideological. The goal is not to replace every investment with an annuity. The goal is to design a retirement in which essential expenses are protected, lifestyle spending is psychologically easier, and the remaining portfolio can serve its proper roles: growth, liquidity, taxes, emergencies, and legacy.

A good retirement plan should answer more than the question, “Can I avoid running out of money?” It should also answer, **“Can I enjoy the money I saved?”** Guaranteed lifetime income can help bridge that gap.

“The best retirement income plan is not always the one that maximizes theoretical wealth. It is the one that helps a retiree live with confidence, spend with purpose, and preserve dignity for life.”

REFERENCES

Sources & Endnotes

Each source title links to the original publication. Click the [↔](#) symbol to jump back to where the source is cited in the text.

- 1** **Larrain, Previtero & Severino — “The Effect of Annuities on Longevity.”** NBER Working Paper, 2026. Uses administrative payout data on ~600,000 Chilean retirees (2004–2022) and variation in recent market returns to address selection; finds annuitization substantially reduces mortality at five- and ten-year horizons, likely by shielding retirees from income volatility and investment-related stress, with survey evidence of more health investment and lower disability among annuitants. [Read the paper](#) → ↔
- 2** **Blanchett & Finke — “Retirees Spend More With Lifetime Income.”** LIMRA / Retirement Income Institute Note, April 2025. Reports that retirees spend significantly more from lifetime income (~80%) than from wage and capital income (less than half), and that savings withdrawal rates were ~2.1% (married) and ~1.9% (single) for 65-year-old households. [Read the note](#) → ↔
- 3** **Carlsson et al. — “Financial stress in late adulthood and diverse risks of incident cardiovascular disease and all-cause mortality in women and men.”** BMC Public Health, 2014. Reports associations between financial stress, cardiovascular disease, and all-cause mortality. [Read the study](#) → ↔
- 4** **Blanchett & Finke — “Guaranteed Income: A License to Spend.”** Retirement Income Institute Original Research, June 2024. Reports that 59.4% of respondents would feel more comfortable spending on nonessential activities given \$10,000 of additional income rather than \$140,000 of additional wealth. [Read the research](#) → ↔
- 5** **Poterba, Venti & Wise — “The Composition and Draw-down of Wealth in Retirement.”** NBER Working Paper 17536, revised July 2013. Finds many households treat housing equity and non-annuitized assets as precautionary savings, drawing them down mainly after shocks such as death of a spouse or major medical outlays. [Read the paper](#) → ↔
- 6** **Employee Benefit Research Institute & Greenwald Research — “2026 Retirement Confidence Survey.”** The longest-running survey of its kind; describes the general-population sample and caregiver oversample. [View the survey](#) → ↔
- 7** **PLANADVISER — “Retirement Confidence Remains High, As Does Interest in Income Options.”** April 25, 2025. Reports 67% of workers and 78% of retirees expressed confidence in living comfortably throughout retirement, and growing interest in guaranteed lifetime income options in workplace plans. [Read the article](#) → ↔

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