



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 the financial professionals who serve them, with a focus on households holding \$1 million to \$2 million in investable assets.

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 who have saved well yet still worry 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.

A 2026 NBER working paper by Larrain, Previtero, and Severino examines approximately 600,000 Chilean retirees from 2004 to 2022. Using variation in recent market returns to address selection, it finds that choosing an annuity lowered the probability of dying by 2.55 percentage points over five years and 3.62 percentage points over ten years.¹ The authors conclude that annuities appear to work by shielding retirees from income volatility and investment-related stress, and 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. Retirees spend significantly more from wealth held as lifetime income than from investment assets.² In a separate survey of 2,051 adults, 59.4% said they would feel more comfortable spending on nonessential activities with \$10,000 a year of additional lifetime income than with \$140,000 of additional savings.⁴

For the conservative investor with \$1 million to \$2 million in assets, the practical implication is not that every dollar should be annuitized. 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 much of the 20th century, 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. In March 2022, only 11% of private industry workers participated in a defined benefit pension, while 48% participated in a defined contribution plan such as a 401(k).⁸

Retirees are now expected to manage longevity risk, market volatility, inflation, withdrawal rates, tax consequences, healthcare uncertainty, and cognitive complexity on their own.

This is especially relevant for households with \$1 million to \$2 million 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.

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, while the second can feel like a paycheck being used.

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

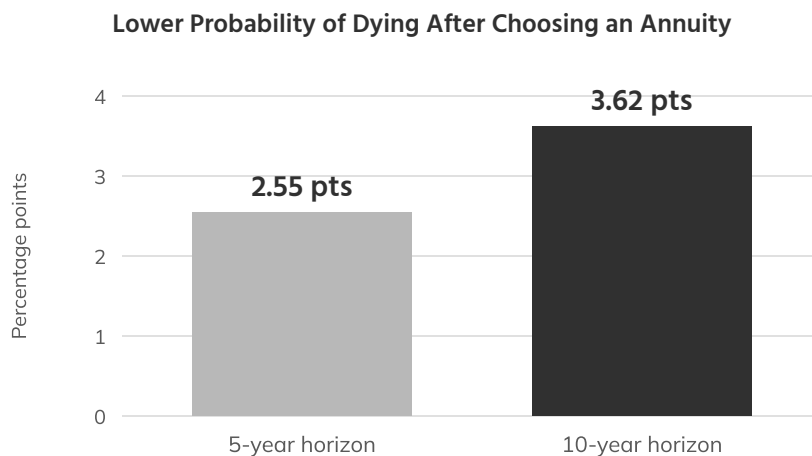
The strongest emerging evidence that retirement income structure may influence health comes from the NBER working paper “*The Effect of Annuities on Longevity*” by Borja Larrain, Alessandro Previtero, and Felipe Severino, issued in April 2026. The study examines administrative payout data on approximately 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 that selection bias, the study uses the fact that annuity sales rise and fall 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. A retiree who receives a stable monthly

payment may face fewer stressful decisions, fewer reactions to market swings, and fewer perceived threats to household security.

FIGURE 1 • LONGEVITY IMPACT



What it shows: The working paper estimates that choosing an annuity lowered the probability of dying by **2.55 percentage points** within five years and **3.62 percentage points** within ten years. These are percentage-point changes in the chance of death, not percent reductions in the death rate.¹

A NOTE ON LANGUAGE • 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 income volatility, and greater health investment.” The study was released as an NBER working paper, and NBER working papers are not peer reviewed.

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, Sweden, researchers found that financial stress was associated with higher risks of incident cardiovascular disease and all-cause mortality.³ Single men without a cash margin had roughly 2.8 times the risk of both outcomes compared with cohabiting men who had 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 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 matter 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 ride out volatility in the remaining portfolio because the monthly essentials are already covered.

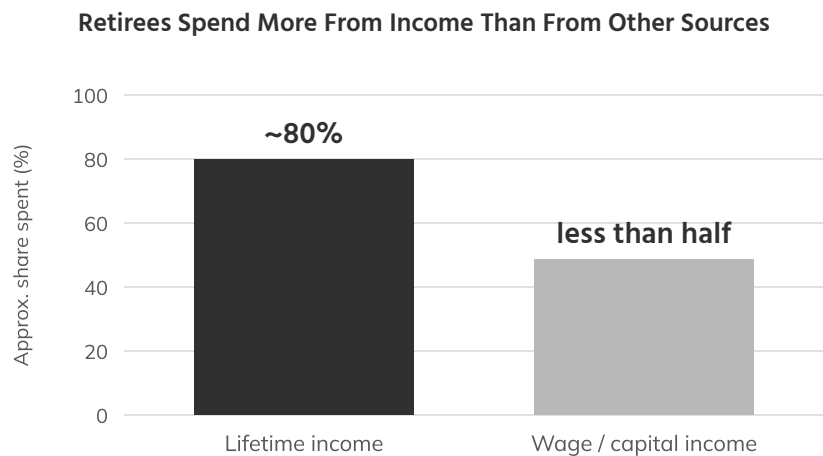
4 The Spending Effect: Lifetime Income as a “License to Spend”

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 of Health and Retirement Study data reports that 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, which the authors describe as significantly below common withdrawal guidance such as the “4% Rule” and below the income an annuity could generate.²

FIGURE 2 · SPENDING BEHAVIOR



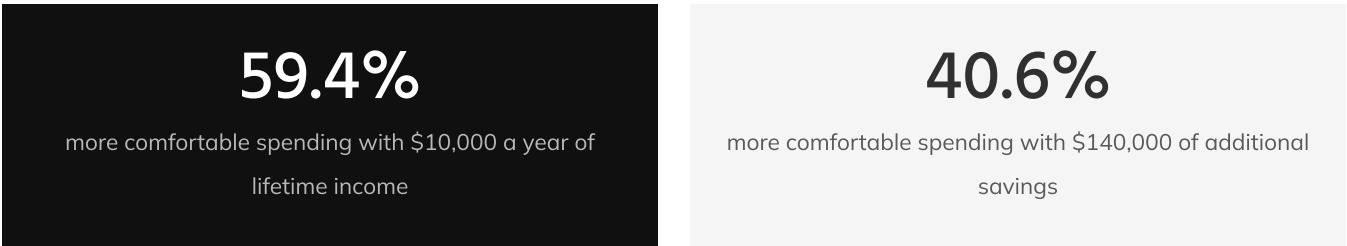
What it shows: Retirees consume a far larger share of lifetime income (about 80%) than of wage or capital income (less than half). The source of a dollar, not just its amount, appears to drive how freely it is spent.²

The behavioral explanation is straightforward. A portfolio balance is often viewed as a reservoir that must be protected, while 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, join a club, eat better, exercise more, or pay for conveniences that reduce stress. In other words, spending confidence can shape quality of life.

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

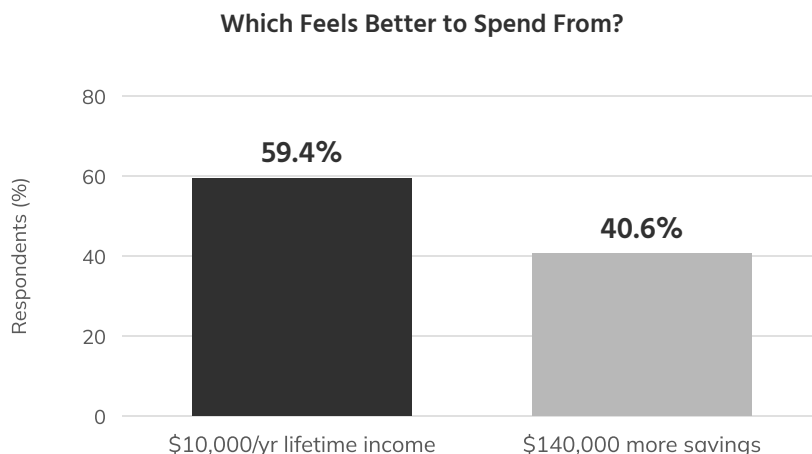
The most striking finding in the Blanchett and Finke research is a preference test. In an October 2023 survey of 2,051 adults from a nationally representative panel, respondents chose whether they would feel more comfortable spending on nonessential activities, such as a vacation or dinner with friends, with an additional \$10,000 a year of lifetime income or an additional \$140,000 of savings.⁴ The \$140,000 figure was the approximate cost of an immediate annuity paying \$10,000 a year to a 65-year-old woman at the time.⁴



This result highlights a behavioral truth that many financial models miss. People do not merely optimize spreadsheets. They *frame* money, attach emotions to its sources, and spend from some buckets while protecting others.

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: Offered roughly equal economic value, a majority chose the smaller stream of lifetime income over the larger lump sum as the money they would feel more comfortable 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, kept for emergencies, or used for discretionary goals with less anxiety.

6 The Underspensing Problem: When Caution Becomes a Retirement Cost

Underspensing 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, but excessive caution can 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, drawing them down mainly after shocks such as the death of a spouse or a period of 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 \$1 million to \$2 million, 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 keep 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

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, while 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. Blanchett and Finke explicitly connect their findings to mental accounting, noting that households bracket traditional IRAs, brokerage accounts, and lifetime income differently.²

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

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.

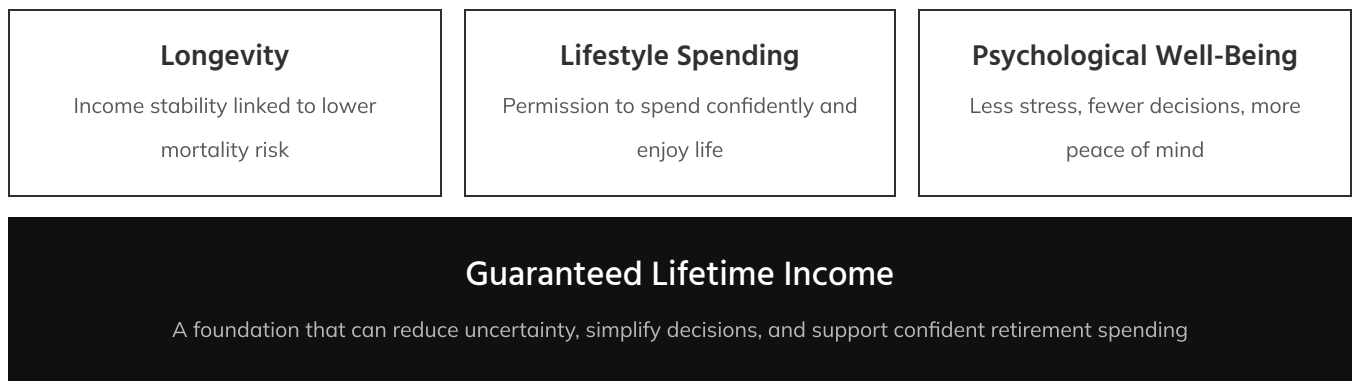
8 A Practical Framework for the \$1 Million to \$2 Million Retirement Investor

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 loss of 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. Annuities do not make it irrelevant; protecting essential income makes it more resilient.
- 4 Preserve an emergency reserve.** Conservative households value control, and rightly so. A sensible plan avoids over-committing liquid assets to any irreversible strategy, and 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, Financial Professionals, 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, is slipping. The 2026 Retirement Confidence Survey from the Employee Benefit Research Institute and Greenwald Research, the longest-running survey of its kind, found that 64% of Americans were confident they would have enough money to live comfortably throughout retirement, down from the year before.^{6,9} Worker confidence fell to 61% and retiree confidence to 73%, while more than 4 in 5 workers expressed interest in buying a guaranteed monthly income product with retirement savings.⁹

Reporting on the 2025 survey also found 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 that include guaranteed income appealing.⁷

For financial professionals, the lesson is that annuities should not be discussed only as products; they should be discussed as **income architecture**. For employers, retirement plans may need better pathways

from accumulation to income. For policymakers, 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 is about having the right kind of income to live longer, spend confidently, and enjoy life.

The research reviewed here points toward a more complete understanding of retirement security. Larrain, Previtero, and Severino find that annuitization substantially reduces 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 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. It 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."

Sources and Endnotes

- 1** Larrain, Previtero and Severino, “The Effect of Annuities on Longevity.” NBER Working Paper 35082, April 2026. Administrative payout data on about 600,000 Chilean retirees, 2004 to 2022; choosing an annuity reduced five-year mortality by 2.55 percentage points and ten-year mortality by 3.62 percentage points. nber.org/papers/w35082

- 2** Blanchett and Finke, “Retirees Spend More With Lifetime Income.” Retirement Income Institute, Alliance for Lifetime Income (now part of LIMRA), Institute Note, April 2025. About 80% of lifetime income spent versus less than half of wage and capital income; savings withdrawal rates of about 2.1% (married) and 1.9% (single) at age 65. limraconsumer.com (PDF).

- 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 14:17, 2014. Cohort of 60-year-olds in Stockholm County; single men without a cash margin had hazard ratios of 2.84 (cardiovascular disease) and 2.78 (all-cause mortality). doi.org/10.1186/1471-2458-14-17

- 4** Blanchett and Finke, “Guaranteed Income: A License to Spend.” Retirement Income Institute Original Research #028-2024, June 2024. Survey of 2,051 adults (October 2023): 59.4% more comfortable spending with \$10,000 of lifetime income, 40.6% with \$140,000 of savings. limraconsumer.com (PDF)

- 5** Poterba, Venti and Wise, “The Composition and Draw-down of Wealth in Retirement.” NBER Working Paper 17536, October 2011, revised July 2013. Households treat housing equity and non-annuitized assets as precautionary savings, drawing them down mainly after shocks. nber.org/papers/w17536

- 6** Employee Benefit Research Institute and Greenwald Research, “2026 Retirement Confidence Survey.” The longest-running survey of its kind; general-population sample of 2,052 Americans (1,007 workers, 1,045 retirees) plus a caregiver oversample. ebri.org/retirement/retirement-confidence-survey

- 7** PLANADVISER, “Retirement Confidence Remains High, As Does Interest in Income Options.” April 25, 2025. 2025 survey: 67% of workers and 78% of retirees confident; about 30% of respondents with workplace plans named guaranteed lifetime income a top improvement. planadviser.com

- 8** U.S. Bureau of Labor Statistics, “Retirement plans for workers in private industry and state and local government in 2022.” The Economics Daily, February 1, 2023. 11% of private industry workers participated in defined benefit plans and 48% in defined contribution plans, March 2022. bls.gov

- 9** Employee Benefit Research Institute, “2026 Retirement Confidence Survey Finds Americans Less Confident About Retirement.” Press release, April 21, 2026. 64% of Americans confident (down from 2025), workers 61%, retirees 73%; more than 4 in 5 workers interested in a guaranteed monthly income product. ebri.org (PDF).

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