

Educational Series

Navigating the Decumulation Phase: Retirement Income Solutions in DC Plans

All data, projections and opinions are as of February 25, 2026 and subject to change.

ABSTRACT

As Defined Contribution (DC) plans have become the primary retirement savings vehicle for many individuals, the challenge of converting accumulated assets into a sustainable stream of income throughout retirement has gained prominence. This report explores the concept of retirement income and reviews the types of solutions currently available to DC plan sponsors governed by ERISA. It analyzes the advantages and disadvantages of these solutions, outlines criteria for evaluating providers and products, and discusses key fiduciary considerations. Additionally, it examines the implications of portability and expenses. The evolving regulatory landscape—shaped significantly by the SECURE Act of 2019 and the SECURE 2.0 Act of 2022—continues to influence the development and adoption of these solutions.

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1 RETIREMENT INCOME IMPERATIVE IN DC PLANS

1.1 From Accumulation to Decumulation: Redefining the Role of a DC Plan

Workers ages 55 and older represent the fastest-growing segment of the U.S. labor force, now accounting for 24% of all U.S. workers.³ The latest available data has the average retirement account balances for households ages 55–64 reaching a record high of \$537,560.⁴

Against this backdrop, the landscape of employer-sponsored retirement plans continues to evolve. Traditionally designed as vehicles for retirement. Defined Contribution (DC) plans—such as 401(k)s—are increasingly expected to serve as sources of sustainable lifetime income for retirees. This shift from the accumulation phase of building wealth to the decumulation phase of strategically spending it down has revealed a critical gap in traditional plan design. Retirees are often left to navigate complex risks—including longevity, inflation, health and sequence-of-returns risk—on their own. In response, the role of a defined contribution plan needs to evolve to from primarily a facilitator of retirement accumulation to also become an enabler of retirement income.

GUARANTEED INCOME: DEMAND VS. AVAILABILITY

75% of workers find guaranteed income options appealing.¹

16% of plan sponsors offer participants a guaranteed lifetime income option.²

¹ EBRI/ Greenwald Retirement Confidence Survey 2025.

² PlanSponsor’s 2025 Defined Contribution Survey. Note: The 16% figure applies to in plan offerings; only 12.7% offer out of plan insurance based products.

³ United States Census Bureau “U.S. Workforce is Aging” December, 2025.

⁴ Federal Reserve’s 2022 Survey of Consumer Finances.

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1.2 Understanding the Decumulation Risk Landscape

The transition to a focus on decumulation introduces a unique set of risks that were largely absent or managed by the employer in the Defined Benefit era. Plan fiduciaries understanding of these risks leads to greater appreciation of the needs of their retiring participants and the value proposition of various income solutions.⁵

- **Longevity risk:** This is the risk of outliving your wealth. Calculations based on data from the Society of Actuaries show that a 65-year-old couple has a 50% chance of one spouse living to 92 and a 10% chance of one spouse living to 100.⁶
- **Overspending risk:** is the danger that retirees spend more than their resources can sustainably support, increasing the likelihood of running out of money later in life. 31% of retirees say they are spending more than they can afford in 2024.⁷
- **Underspending risk:** is the opposite problem: retirees spend too little, even when they can afford more, sacrificing quality of life unnecessarily. Surveys show that many retirees cannot identify a reasonable withdrawal rate—answers ranged wildly (e.g., 8%, 30%, 52%), illustrating widespread confusion.⁸
- **Inflation risk:** Inflation is a concern for everyone, but especially retirees. Wages tend to rise with prices over time, helping to insulate most workers from inflation risk. Once they retire, people may lose this crucial defense. Because retirees often rely on sources of income that may not grow with inflation, even a gradual increase in the cost of living can pose a challenge. At a 2½% rate of inflation, for example, consumer prices end up doubling after 28 years. Moreover, healthcare costs, which disproportionately burden older Americans, have historically outpaced the overall rate of inflation. Over a long retirement, the persistent, corrosive effect of inflation can severely diminish the purchasing power of a retiree's income. Any effective decumulation strategy should account for the need for income to grow over time.
- **Sequence-of-returns risk:** Perhaps the most acute and least understood danger of the decumulation phase is the risk associated with the timing of investment returns. A significant market downturn in the first few years of retirement can have a devastating and permanent impact on a portfolio's longevity. When a retiree withdraws funds from a portfolio that has just experienced a loss, they are forced to sell more shares to generate the same amount of income. This crystallizes the loss and permanently reduces the capital base from which future growth can occur. Even if the market subsequently recovers, the smaller asset base may never catch up.
- **Healthcare risk:** More than half of pre-retirees have said that they are concerned about the rising costs of healthcare and their potential to deplete their retirement savings.⁹ According to the U.S. Department of Health and Human Services, at least 70% of people over 65 will need long-term care at some point.¹⁰

⁵ For more detailed discussion on key risks retirees face see Bank of America, Chief Investment Office "Tackling Retirement Risks" 2025

⁶ Calculations based on Society of Actuaries, Actuaries Longevity Illustrator

⁷ EBRI "2024 Spending in Retirement Study" November, 2024.

⁸ SHRM Data Brief "Labor Force Snapshot: Older People in the U.S. Labor Force." April 2025.

⁹ Society of Actuaries, "2021 Risks and Process of Retirement Survey," January 2023.

¹⁰ U.S. Department of Health & Human Services. National Clearinghouse for Long-Term Care Information. "How Much Care Will You Need?" Data as of October 10, 2017, latest data available, (accessed February, 2026).

1.3 Defining Retirement Income

Retirement income refers to the periodic payments an individual receives after ceasing active employment, intended to cover living expenses and maintain their desired standard of living throughout their post-working years. Unlike the accumulation phase, where the focus is on growing savings, the decumulation (or payout) phase focuses on strategically drawing down those savings to create a reliable and potentially lifelong income stream.

Key characteristics of effective retirement income include:

- **Sustainability:** The income should last for the retiree's entire lifespan, and potentially that of a surviving spouse.
- **Adequacy:** The income level should be sufficient to meet essential needs and desired lifestyle expenses.
- **Predictability:** To the extent possible, income should be stable and predictable to facilitate budgeting and financial planning.
- **Inflation protection:** Ideally, income should maintain its purchasing power over time by adjusting for inflation.
- **Liquidity and flexibility:** Access to funds for unexpected expenses or changing needs is often desirable, though this can involve trade-offs with guarantees.

2 RETIREMENT INCOME SOLUTIONS CURRENTLY AVAILABLE TO PLAN SPONSORS

Plan sponsors have an expanding array of solutions they can consider offering to participants to help them generate retirement income from their DC plan assets. The solutions can be classified as "in-plan" and "out-of-plan" strategies. In-plan retirement income solutions embed the income-generation directly into the DC's plan investment menu. Out-of-plan retirement income solutions refer to income strategies and tools that are not directly affiliated with structured retirement plans. In-plan and out-of-plan solutions can be broadly categorized as non-guaranteed (investment-based) and guaranteed (insurance-based) solutions, or hybrids combining elements of both.

Non-guaranteed solutions, including systematic withdrawal plans, managed payout funds, target date fund with retirement income and managed accounts prioritize participant flexibility, liquidity, and potential for market growth but provide no income certainty. A central challenge, and a key area of product innovation, is resolving the tension between participants' desire for income security and their strong preference for maintaining control and access to their principal. Guaranteed solutions, primarily insurance-based products like in-plan annuities and structures such as Guaranteed Lifetime Withdrawal Benefits (GLWBs), offer participants a predictable income stream, mitigating longevity and market risks.

2.1 Non-Guaranteed (Investment-Based) Solutions

Non-guaranteed solutions offer methods for generating retirement income without the use of an insurance contract. They provide maximum flexibility and liquidity but place the full burden of managing longevity, market, and sequence-of-returns risks on the retiree.

- **Systematic Withdrawal Plans (SWPs):** An SWP is not an investment product but rather a plan feature or service that allows a retiree to automate periodic withdrawals from their existing investment accounts. For example, a retiree can instruct the plan's recordkeeper to sell a certain dollar amount or percentage of their holdings each month and deposit the proceeds into their bank account. This approach is simple and highly flexible but offers no protection against market volatility or the risk of depleting the account prematurely.
- **Managed Payout Funds (or Retirement Income Funds):** These are mutual funds specifically designed to make regular, predictable monthly or quarterly distributions to shareholders. The fund's managers aim to meet a target payout rate (e.g., 4% or 5% annually) through a combination of investment income and capital appreciation. While they aim for predictability, the payments are not guaranteed and can be reduced or suspended if the fund's investment performance is poor. Participants retain full access to their remaining principal at the fund's current market value.
- **Target Date Funds (TDFs) with Retirement Income Focus:** Some TDFs are evolving to not only manage assets to retirement but also through retirement, with a greater emphasis on capital preservation and income generation in later vintages. May incorporate strategies to facilitate systematic withdrawals. Many participants are already invested in TDFs as their QDIA. Income is not guaranteed and depends on the TDF's investment strategy and market performance. The target date for these funds is the approximate date when an investor plans to start withdrawing the assets from their retirement account. The principal value of these funds is not guaranteed at any time, including at the target date. These funds are designed to become more conservative over time as the target date approaches.
- **Managed Accounts:** This is a fiduciary advice solution where a professional investment manager works with a retiree to construct and manage a personalized portfolio and a corresponding withdrawal strategy. The strategy can be dynamic, adjusting withdrawal amounts based on market performance and the participant's changing needs. This offers a high degree of personalization and professional oversight but, like other non-guaranteed options, does not provide an income guarantee.
- **Immediate annuities (SPIAs – Single Premium Immediate Annuities):** Purchased with a lump sum, income payments typically begin within a year. Payments are fixed for life. The income stream is guaranteed by the insurance company and in exchange there is limited to no liquidity.
- **Deferred annuities (DIAs – Deferred Income Annuities / Longevity Annuities):** Purchased now, but income payments begin at a future date (e.g., age 80 or 85). Qualified Longevity Annuity Contracts (QLACs) are a type of DIA with specific Internal Revenue Service rules allowing them to be purchased with tax-deferred retirement funds, exempting a portion from Required Minimum Distribution (RMD) calculations. The SECURE 2.0 Act of 2022 enhanced the appeal of QLACs by increasing the amount that can be allocated to them from a retirement account.¹¹
- **Fixed annuities:** Provide a predetermined, regular income payment for a specified period or for life. Offers certainty.
- **Variable annuities:** Income payments can fluctuate based on the performance of underlying investment subaccounts. Offer potential for higher income. Often come with optional riders for guaranteed minimum withdrawal benefits (GLWBs) or other protections at an additional cost.¹²

2.3 Hybrid Solutions

- **Hybrid Target-Date Funds (TDFs):** These are TDFs that incorporate an annuity or GLWB feature into their glide path. As a participant nears retirement, the fund automatically begins allocating a portion of assets to the guaranteed income component, creating a seamless transition from accumulation to decumulation. This structure is particularly well-suited for use as a Qualified Default Investment Alternative (QDIA).
- **Hybrid Managed Accounts:** These are professionally managed accounts that can incorporate a GLWB or other guaranteed product as part of a customized asset allocation and income strategy tailored to an individual participant's needs.

2.4 Comparative Analysis of Retirement Income Solutions

The following table provides a high-level comparison of the primary retirement income solutions across the most critical investment attributes. Typically, non-guaranteed (investment-based) retirement income solutions prioritize flexibility, allowing retirees to adjust withdrawals, and timing as their needs and market conditions evolve, though do not offer longevity protection. Guaranteed (insurance-based) solutions prioritize longevity protection, offering stable, predictable lifetime income regardless of market performance or lifespan. Hybrid solutions aim to balance both objectives, combining flexibility with partial guarantees.

¹¹ Retirement Income Journal, The Plan Sponsor's Guide to Retirement Income. July, 2024.

¹² Guaranteed Lifetime Withdrawal Benefits (GLWBs): An optional rider on an annuity (typically variable or fixed indexed) that guarantees a certain withdrawal percentage from the benefit base for life, even if the actual account value depletes. The benefit base is often protected from market downturns and may step up with market gains. The benefit base is not a cash value, surrender value, or investment value, and it cannot be withdrawn as a lump sum.

2.2 Guaranteed (Insurance-Based) Solutions

Guaranteed solutions leverage the insurance principle of risk pooling to protect participants against longevity and, in some cases, market risk. These products are designed to provide a predictable, pension-like income stream that participants cannot outlive.

Contracts with an insurance company where the participant (or plan) pays a premium in exchange for a guaranteed stream of income. Income guarantee depends on claims-paying ability of insurer issuing the contract. Types of Annuities in-plan options can vary significantly.

Table 1: Comparative Matrix of Retirement Income Solution Investment Attributes

Solution	Fees	Longevity risk protection	Inflation hedge potential	Market / Sequence risk potential	Growth potential	Liquidity/Access to principal
Non-Guaranteed (Investment-Based) Solutions						
Systematic Withdrawals Plans	SWP = Low (if only using index funds)	None	Low (Depends entirely on investment returns outpacing inflation)	None (Full exposure to market volatility)	High (Full market participation)	High (Full liquidity)
Managed Payout Funds	Managed Payout Funds = Medium (Management fees, underlying fund expenses)	None	Medium (Potential for higher payouts in high-return environments)	Low (Payments can be reduced due to market performance)	High (Full market participation)	High (Full liquidity)
Target Date Funds with Retirement Income Focus	Target Date Funds with Retirement Income Focus = Medium (Management fees, underlying fund expenses)	None	Medium (Potential for higher payouts in high-return environments)	Low (Payments can be reduced due to market performance)	High (Full market participation)	High (Full liquidity)
Managed Accounts	Managed Accounts = Medium (Advisory fee is on top of fund fees)	None	Low (Depends entirely on investment returns outpacing inflation)	Low (Payments can be reduced due to market performance)	High (Full market participation)	High (Full liquidity)
Guaranteed (Insurance-Based) Solutions						
Fixed Annuities / Immediate Annuities / QLACs	Fixed Annuities/Immediate /QLACs = Low (costs are reflected in payout, limited transparency on fees)	High (Guaranteed for life)	Low (Unless an expensive COLA rider is purchased)	High (Income is fixed)	Low / None	Very Low (Typically irrevocable)
Variable Annuities (with optional living benefit)	Variable Annuities = High (often the most expensive due to the rider)	High (Guaranteed for life)	Medium (Benefit base "step-ups" can increase income over time)	High (Income is fixed)	Medium (Underlying assets participate in market growth)	Medium (Access to account value, but may impact future income)
Hybrid Solutions						
TDFs and Managed Accounts with embedded annuities	TDFs and Managed Accounts with embedded annuities = Medium (in-plan institutional pricing often makes the "guarantee" cost lower than retail VAs)	High (Guaranteed for life)	Medium (Benefit base "step-ups" can increase income over time)	High (Income is fixed)	Medium (Underlying assets participate in market growth)	Medium (Access to account value, but may impact future income)

Source: Bank of America, Chief Investment Office.

3 FIDUCIARY CONSIDERATIONS

3.1 Fiduciary Duties Under ERISA

The Employee Retirement Income Security Act of 1974 (ERISA) establishes a high standard of conduct for those who manage employee benefit plans. A person or entity becomes a fiduciary to the extent they exercise any discretionary authority or control over the plan's management or assets. When a plan sponsor decides to add, monitor, or remove an investment option—including a retirement income solution—they are acting as a fiduciary and must adhere to several fundamental duties.

The core fiduciary duties under ERISA include: duty of prudence, duty of loyalty (Exclusive Purpose Rule), duty of diversity, duty of monitor, duty of follow plan documents.¹³

3.2 SECURE Act of 2019 and 2022

The SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019) and the subsequent SECURE 2.0 Act of 2022 impacted retirement income solutions, primarily by making it easier for workplace retirement plans to offer guaranteed lifetime income options, such as annuities. The most notable changes for retirement income solutions include:¹⁴

- **Fiduciary Safe Harbor for Annuity Selection:** The original SECURE Act created a new, optional safe harbor for plan fiduciaries when selecting an annuity provider. This lessened the potential liability for employers offering annuities in their 401(k) or other defined contribution plans, which historically had been a major barrier to offering these products. This encourages plan sponsors to include products that provide lifetime income.
- **Portability of Annuity Contracts:** The Act made it easier for participants to move a guaranteed lifetime income investment option (like an in-plan annuity) to another plan or an IRA without penalty if the option is removed from the current plan or if the employee changes jobs. This ensures the participant can maintain their lifetime income strategy.
- **Required Lifetime Income Illustrations:** The Act requires plan sponsors to provide participants with at least one annual benefit statement illustrating the estimated monthly income stream they would receive if their total account balance were converted to an annuity (a single life annuity and a qualified joint and survivor annuity). This is intended to educate participants on what their savings could translate to in retirement income.

The legislation signaled a major shift toward acknowledging and encouraging lifetime income solutions within defined contribution plans, helping participants translate their savings balance into a dependable stream of income they cannot outlive.

¹³ For additional details see: Meeting Your Fiduciary Responsibilities – U.S. Department of Labor, September 2021.

¹⁴ For additional details see Bank of America Workplace Benefits report "The SECURE 2.0 Act: Summary of recent regulatory guidance and considerations for plan sponsors" 2024

4 PLAN SPONSOR FRAMEWORK FOR EVALUATION AND SELECTION

4.1 Due Diligence Process

Roles and responsibilities in evaluating retirement income solutions:

Benefits Committee: Decides whether the plan should offer guaranteed or non-guaranteed income, or both. Oversees communication, participant education, and rollout.

Investment Committee: Evaluates provider due diligence, investment structure, and insurer stability. Makes fiduciary decisions or oversees the investment advisor who does.

3(21) or 3(38) Advisor: Provides expertise, documentation, monitoring, and vendor analysis. An ERISA 3(38) investment manager can reduce fiduciary burden by assuming discretion. An ERISA 3(21) investment advisor advises but does not decide.

A prudent process for evaluating and selecting a retirement income solution should be methodical and well-documented. The following steps provide a framework for plan sponsor committees.

Table 2: Due Diligence Process

Step	Details
Step 1: Assess participant demographics and needs	The process should begin with an inward look at the plan's population. Plan sponsors should analyze workforce data, including average age, income levels, account balances, and savings rates, to determine the overall need and suitability for an income solution.
Step 2: Evaluate provider financial strength	While the SECURE Act safe harbor allows reliance on written representations, a prudent process still involves conducting some due diligence on potential insurers. This includes, for example, reviewing financial strength ratings from major independent rating agencies and confirming the insurer's good standing with its domiciliary state insurance commissioner. See Table 3 for additional details.
Step 3: Analyze product features and costs and experience	This is a detailed examination of the product itself. Plan sponsors should scrutinize the mechanics of the income guarantee, the available payout options (e.g., single life, joint and survivor), any liquidity features or withdrawal restrictions, and the full spectrum of explicit and implicit costs. The central question is whether the costs are reasonable in light of the benefits and protections being provided. See Table 4 for additional details.
Step 4: Evaluate recordkeeper capabilities	An income solution is only viable if it can be effectively administered. Plan sponsors should confirm that their plan's recordkeeper has the technological and operational capabilities to support the chosen product. This includes handling data transmission with the insurer, accurately reflecting the value of the guarantee on participant statements, and processing transactions correctly. The availability of "middleware" platforms that facilitate communication between various insurers and recordkeepers can be a significant advantage.
Step 5: Document the entire process	Meticulous documentation is the cornerstone of fiduciary defense. The plan committee should maintain a dedicated fiduciary file that records every stage of the evaluation process. This file should include meeting minutes, reports from consultants, the criteria used for evaluation, the list of all products and providers considered, the rationale for eliminating certain options, and a detailed explanation supporting the final selection.

Source: Bank of America, Chief Investment Office.

4.2 Provider Evaluation

Plan sponsors, acting as fiduciaries, should undertake a prudent process when selecting and monitoring retirement income solutions that contain insurance and their providers. Key evaluation criteria include:

Table 3: Provider Evaluation Criteria

Evaluation Criteria	Details
Financial Strength and Stability	Financial strength ratings from major agencies (e.g., A.M. Best, S&P, Moody's, Fitch). ¹⁵ Capital adequacy, profitability, and investment portfolio quality. State insurance department oversight and reserve requirements.
Experience and Expertise	Track record in the retirement income market and with DC plans. Expertise in managing longevity and investment risks. Capability to handle administration, recordkeeping, and participant servicing.
Reputation and Business Practices	Market conduct, regulatory compliance history. Transparency in product design and fees. Commitment to the DC market.

Source: Bank of America, Chief Investment Office.

4.3 Product Evaluation

Table 4: Product Evaluation Criteria

Evaluation Criteria	Details
Features and Guarantees	Nature and strength of any guarantees provided. Flexibility, liquidity provisions, and withdrawal options. Payout options (e.g., single life, joint life, period certain). Inflation protection features (if any).
Costs and Fees	All-in costs, including investment management fees, insurance charges, rider fees, administrative fees. Transparency and reasonableness of fees relative to benefits provided and comparable solutions.
Investment Strategy	Soundness and appropriateness of the underlying investment strategy Quantitative review: Historical performance and risk compared to the market (while not indicative of future results, it's part of due diligence). Qualitative review: investment manager credentials, investment processes and risk management approaches. Ongoing monitoring: to ensure that the rationale for our investment conviction remains valid and identify any other issues that warrant further analysis.
Administrative and Operational Capabilities	Ease of integration with the plan's recordkeeper. Participant communication and education support. Participant support from Asset Manager and Insurance Company once a participant chooses to annuitizes. Robustness of reporting and servicing.

Source: Bank of America, Chief Investment Office.

¹⁵ Ratings can be one indicator of an insurance company's financial strength and can provide a relative measure to help select among insurance companies, they are not guarantees of the future financial strength and/or claims-paying ability of a company

5.1 Portability

Beyond the initial selection, plan sponsors need to address critical operational issues that can impact the long-term success of a retirement income solution. Among the most significant of these is portability. Portability refers to a participant's ability to take their retirement income solution with them if they change jobs, or if the plan sponsor changes recordkeepers or decides to remove the solution from the plan.

- **Investment-Based Solutions (SWPs from mutual funds, managed accounts):** Generally highly portable. Assets can typically be rolled over to an IRA or another qualified plan, where similar withdrawal strategies can often be implemented.
- **Annuities:** Portability can be more complex.
 - Individual annuities purchased out-of-plan: Fully portable as they are owned by the individual.
 - Group annuities held within a plan:
 - Some modern in-plan annuity solutions are designed to be “portable” in that the participant may be able to continue the contract outside the plan (e.g., by converting it to an individual policy or rolling it to an IRA that can hold the specific contract).
 - Older or less flexible group annuity structures might have limited portability, potentially forcing liquidation (which could have surrender charges or tax implications) and leave the participant with fewer options.

The SECURE Act provisions

Congress included portability provisions in the SECURE Act of 2019. These rules allow participants in a plan that is eliminating a lifetime income option to make a qualified distribution by directly rolling over their annuity investment to another eligible retirement plan or IRA, preserving the benefit. Auto-Portability under SECURE 2.0: While focused on small-balance accounts, SECURE 2.0's provisions for automatic portability create a broader regulatory and technological framework for seamless asset transfer between plans. This initiative signals a clear policy direction toward a more interconnected and portable retirement system, which will likely benefit income solutions in the long run.¹⁶

Fiduciary responsibility

Plan sponsors should consider the portability features of any solution when selecting it, as this impacts participants' long-term flexibility. Portability is a core fiduciary consideration essential for maintaining long-term administrative flexibility and ensuring equitable treatment of a mobile workforce.¹⁷

5.2 Expenses

Expenses associated with retirement income solutions can significantly impact the net income received by retirees.¹⁸ ERISA requires that Plan Sponsor ensure all fees and expenses paid by the plan are reasonable for the services provided.¹⁹

- **Investment management fees:** These are the standard fees for managing the underlying investment portfolio (e.g., the expense ratio of a TDF) and are present in both guaranteed and non-guaranteed products.
- **Insurance charges (for annuities):**
 - Mortality and Expense (M&E) charges: Compensate the insurer for risks, including longevity guarantees. Typically, apply only to Variable Annuities.
 - Rider fees: Additional charges for optional benefits like GLWBs or enhanced death benefits.
 - Administrative fees: For recordkeeping and servicing.
 - Surrender charges: Fees for withdrawing money from an annuity before a specified period.

Further considerations for Plan Sponsors

- **All-in cost:** Evaluate the total cost of a solution, not just individual fee components.
- **Value for money:** Assess whether the fees are reasonable given the benefits, guarantees, and services provided.
- **Transparency:** Ensure all fees are clearly disclosed to participants.
- **Institutional pricing:** Leverage the plan's scale to negotiate for lower fees where possible, especially for in-plan annuity solutions.

The table on the next page provides a framework for understanding and comparing the potential costs associated with different types of in-plan income solutions.

¹⁶ Secure 2.0 Creates an Important Opportunity to Improve Retirement Savings Portability, Georgetown University Center for Retirement Initiatives, March, 2023.

¹⁷ Retirement plan fiduciary responsibilities, Internal Revenue Service, as of August 26, 2025. (accessed, November 2025).

¹⁸ Understanding Retirement Plan Fees and Expenses, U.S. Department of Labor, September, 2021.

¹⁹ Meeting Your Fiduciary Responsibilities, U.S Department of Labor, September, 2021.

Table 5: Typical Fee Structures of In-Plan Income Solutions

Fee Component	Managed Payout Fund	Target Date with Income Funds	Fixed Annuities / QLAC	Standalone Variable Annuity	TDF with Annuities
Investment management expense	(Fund expense ratio)	(Fund expense ratio)	Expenses embedded in payout rate	(Sub-account expense ratios)	(TDF expense ratio)
Insurance/Guarantee rider fee (M&E)	N/A	N/A		Only applicable to TDFs with GLWB	Only applicable to TDFs with GLWB
Surrender charges	None	None		Can be high (e.g., 7% declining over 7 years)	Typically none or low for in-plan TDF structures
Administrative/recordkeeping fee	Plan-level fee (asset-based or per-participant)	Plan-level fee (asset-based or per-participant)	Plan-level fee + potential contract-level fees	Plan-level fee + potential contract-level fees	Plan-level fee (asset-based or per-participant)
Implicit/Opportunity costs	Low (full participation)	Low (full participation)		High (Multiple layers of fees reduce net returns)	Medium (Potential returns capped by underlying TDF; fees reduce upside)

Source: Bank of America, Chief Investment Office.

6 CONCLUSION

The evolution of the DC plan from solely a supplemental source of retirement assets to the primary source of retirement funding, combined with an aging demographic, has created an urgent need for effective decumulation strategies. The analysis presented in this report underscores several critical imperatives for plan sponsors navigating this new landscape.

First, the fundamental purpose of the modern DC plan needs to be expanded. Success can no longer be measured solely by participation rates and account balances at retirement, but by the ability of those balances to generate a sustainable, lifelong income stream. This requires plan sponsors to actively consider the decumulation phase and the unique risks plan participants face within it.

Second, the market has responded with a diverse array of retirement income solutions, but no single product is a panacea. The central tension is the **trade-off between the security of a guarantee and the desire for flexibility, liquidity, and growth**. Plan sponsors need to engage in a rigorous analysis to find the solution that best fits the specific needs and preferences of their participant population.

Third, the legislative environment, shaped by the SECURE Acts, is now supportive of in-plan income solutions. The creation of the fiduciary safe harbor for annuity provider selection has removed a major historical impediment. However, this legislation has not eliminated fiduciary responsibility; rather, it has refocused it on the importance of a prudent, well-documented process for evaluating product suitability and fee reasonableness.

Plan sponsors should be proactive in looking at decumulation strategies that best fits the needs of their employees. This requires a methodical, documented process to determine if a retirement income solution is right for their plan, and if so, which product structure and provider are most appropriate.

Important Disclosures

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Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

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Investing in stable value products is typically more involved than investing in other diversified fund offerings. Plan sponsors will need to sign participation agreements and other documents with the stable value product's sponsor; will also be required to meet certain eligibility criteria; and such investments are typically subject to plan-level withdrawal restrictions that may limit plan liquidity.

It is possible to lose money in a variable annuity purchased with an optional protection rider. Variable annuities have holding periods, limitations, withdrawal charges, exclusions, termination provisions, and terms for keeping them in force. Optional riders may be irrevocable and expire without use.

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