

# The Role of Information and Expectations in Retirement Planning: Communicating Income versus Lump Sums

Anna M. Rappaport, FSA, MAAA  
Anna Rappaport Consulting

Presented at the 2008 Retirement 20/20 Conference  
Defining the Characteristics of the 21st Century Retirement System  
Crystal Gateway Marriot, Washington, DC  
November 17-18, 2008

Copyright 2009 by the Society of Actuaries.

All rights reserved by the Society of Actuaries. Permission is granted to make brief excerpts for a published review. Permission is also granted to make limited numbers of copies of items in this monograph for personal, internal, classroom or other instructional use, on condition that the foregoing copyright notice is used so as to give reasonable notice of the Society's copyright. This consent for free limited copying without prior consent of the Society does not extend to making copies for general distribution, for advertising or promotional purposes, for inclusion in new collective works or for resale.

## **Abstract**

In defined contribution plans, it is most common to provide lump sums as the primary form of payment and to communicate plan benefits as lump sums. We know from research that people tend to be short term focused and that they do not translate lump sums well into income. We also know that there are gaps in understanding and financial literacy.

This paper will discuss information and the signals it provides and focus on the issue of communicating lump sums versus income. It will discuss challenges in communicating income and provide some alternatives. The author will bring in some of the information from her ERISA Advisory Council testimony on financial literacy and what employers should tell employees about the post-retirement period and some of the research. The paper will also introduce family issues and the need to communicate about how savings affect all family members.