

# GAO Highlights

Highlights of [GAO-14-9](#), a report to congressional requesters

## Why GAO Did This Study

American workers are primarily saving for retirement through their 401(k) plans and will likely need assistance making complicated decisions about how to spend their money throughout retirement. Other countries with defined contribution (DC) systems are also dealing with this spend-down challenge. To identify lessons for the U.S. from the experiences of other countries, GAO examined selected countries' (1) approaches to offering retirement spend-down options; (2) strategies to help participants make sound decisions; and (3) approaches to regulating and overseeing options. An initial review of countries with established DC systems indicated that some countries including the six GAO selected—Australia, Canada, Chile, Singapore, Switzerland, and the United Kingdom—have developed innovative spend-down policies that have the potential to yield useful lessons for the U.S. experience. GAO reviewed reports on DC plans; and interviewed experts and government officials in the U.S. and selected countries.

## What GAO Recommends

GAO recommends that DOL and Treasury, as part of their ongoing efforts, consider other countries' approaches in helping 401(k) plan sponsors expand access to a mix of spend-down options for participants. GAO also recommends that DOL consider other countries' approaches in providing information about options and regulating the selection of annuities within DC plans. In response, DOL generally agreed with GAO's recommendations and will evaluate approaches.

For [GAO-14-9](#) and interactive retirement materials, go to [www.gao.gov/products/GAO-14-9](http://www.gao.gov/products/GAO-14-9). For more information, contact Charles Jeszeck at (202) 512-7215 or [jeszeck@gao.gov](mailto:jeszeck@gao.gov).

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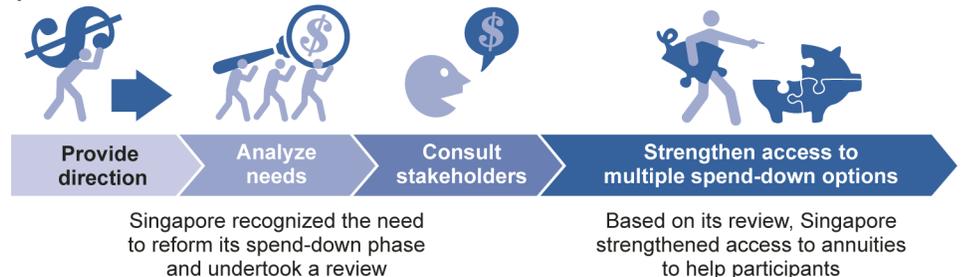
## 401(k) PLANS

### Other Countries' Experiences Offer Lessons in Policies and Oversight of Spend-down Options

## What GAO Found

The six countries GAO reviewed can offer U.S. regulators lessons on how to expand access to a mix of spend-down options for 401(k) participants that meet various retirement needs. Five of the six countries generally ensure that participants can choose among three main plan options: a lump sum payment, a programmed withdrawal of participants' savings, or an annuity. In the last several decades, all the countries took steps to increase participant access to multiple spend-down options, with some first conducting reviews of participants' retirement needs that resulted in policy changes, as shown below. In the United States, 401(k) plans typically offer only lump sums, leaving some participants at risk of outliving their savings. The U.S. Departments of Labor (DOL) and the Treasury (Treasury) have begun to explore the possibility of expanding options for participants, but have not yet helped plan sponsors address key challenges to offering a mix of options through their plan.

#### Example of Steps Taken by Other Countries to Strengthen Access to Multiple Spend-down Options



Source: GAO analysis of documents from Singapore's National Longevity Insurance Committee and Central Provident Fund.

Note: GAO did not conduct an independent legal analysis of the laws, regulations, or policies of the countries selected for this study.

Countries reviewed used various strategies to increase participants' knowledge and understanding of spend-down options, which may be useful to DOL in its ongoing efforts. Strategies used by other countries include (1) communicating spend-down options to participants in an understandable and timely manner, and (2) helping participants see how their savings would translate into a stream of income in retirement by providing them with projections of retirement income in their annual benefit statements. Currently, 401(k) participants have difficulty predicting how long their savings will last because most benefit statements do not focus on the stream of income it can generate. DOL is currently considering including income projections in statements, which may help participants better understand what their balance could provide on a monthly basis once they retire.

Regulators in the countries GAO reviewed employed several approaches to overseeing the spend-down phase aimed at helping participants sustain an income throughout retirement. For example, most of the countries used withdrawal rules and restrictions for lump sums and programmed withdrawals to help protect participants from outliving their savings. With respect to annuities, DOL continues to consider current regulatory barriers that may prevent 401(k) plan sponsors from offering annuities, which do not exist in other countries. Looking at what other countries require may help DOL in its efforts.