Security in Retirement
SERIES

in partnership with

CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

JACKSON®

RESEARCH, ANALYSIS, AND INSIGHTS ON ADDRESSING

Inflation Risk

SUMMARY OF KEY FINDINGS

About our Security in Retirement Series

Jackson® is committed to ensuring more Americans in or nearing retirement can benefit from greater clarity and confidence in their financial futures. To better support this important goal, we have partnered with leading academic experts at the Center for Retirement Research at Boston College to launch the Jackson Security in Retirement Series. This multiphase research effort will take a comprehensive look at a range of potential threats to financial security with the goal of helping financial professionals and retirement investors more effectively identify and manage them.

We have arrived at a critical time for financial well-being in retirement as an estimated 10,000 baby boomers turn 65 each day[1] and a record number of people reach traditional retirement age this year.[2] Meanwhile, rapid advances in healthcare and the science of aging—along with evolving attitudes on what retirement can look like—are redefining what it means to live well longer.

Providing useful, actionable, research-based insights during this confluence of events is essential. Our work with the Center for Retirement Research can help retirement investors and financial professionals better navigate financial challenges in this unprecedented era—one that will have longlasting impacts on the economy, workforce, healthcare, and government.[3]

To access details and up-to-date findings relative to this research series, as well as other proprietary research materials developed by Jackson on topics that affect the saving and spending habits of Americans, please visit jackson.com/researchcenter.

Research methodology

Research, analysis, and insights on addressing inflation risk, the second installment of our Security in Retirement Series with the Center for Retirement Research at Boston College, was conducted in partnership with Greenwald & Associates. The research approach involved:

An online survey of 1,501 consumers conducted from October 12 through October 27, 2023

- Respondents were between 55 and 85 years of age and, if married or partnered, at least shared financial decision making responsibilities in their household.
- All respondents were either retired or employed for pay.
- Data was weighted by age, household income, education, and race using Current Population Survey (CPS) data from the U.S. Census Bureau and U.S. Bureau of Labor Statistics.

An online survey of 400 financial professionals conducted from October 12 through November 7, 2023

- Respondents were financial professionals in a client-facing role with at least 75 clients. They had three or more years of experience at a firm with at least $30 million in assets under management.

Some percentages in the tables and charts from the research in this report may not add up to 100% due to rounding error.

1 Guillaume Vandenbroucke, Federal Reserve Bank of St. Louis, "How Many People Will Be Retiring in the Years to Come?" May 30, 2019.
2 Jessica Hall, Morningstar, "As baby boomers hit another milestone next summer, Social Security will feel the strain," August 7, 2023.
3 Ibid.

Summary of key findings

Managing inflation risk

Inflation has cooled considerably after reaching a new 40-year high in June 2022,[4] but it remains top of mind for consumers. This sentiment—along with other key retirement-related insights—is clear from Jackson's latest research conducted with the Center for Retirement Research at Boston College.

Our research shows that the recent high-inflation environment—coupled with broader economic uncertainty and concerns about Social Security—is making consumers anxious, particularly in terms of their retirement goals. In fact, more than half the consumers we surveyed are more pessimistic about their financial security now than they were two years ago, and nearly 30% say they are much more pessimistic. And women living alone or serving as lead financial decision-maker appear to be affected more severely than their male counterparts—one of several factors we will examine as we dive deeply into inflation risk.

Prolonged inflation above the Federal Reserve's 2% target rate[5] is not only affecting consumers' attitudes, our results show, but their actions—particularly pre-retirees, who seem to feel the effects more acutely than retirees. Not only do pre-retirees report making more significant adjustments to their lifestyles and buying habits, but they are saving less since the start of 2021, when inflation started to spike.[6] They also plan to delay retirement at much higher rates than normal,[7] although our research suggests that for nearly half who plan to work longer, doing so will not be a viable option.

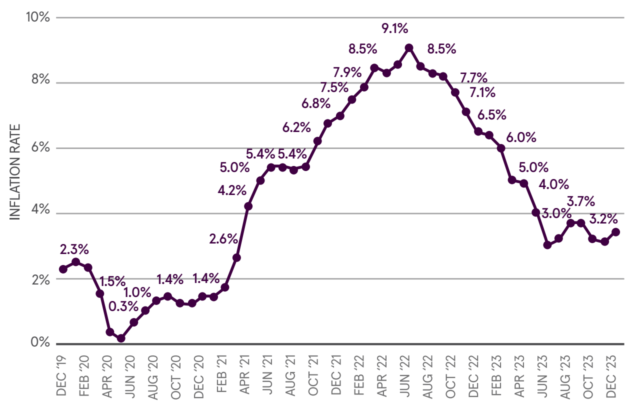
What is an annuity?

An annuity is a long-term, tax-deferred vehicle designed for retirement and is an insurance contract. Variable annuities and registered index-linked annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met. Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity and are subject to conditions and limitations. There is no guarantee that a variable annuity with an add-on living benefit will provide sufficient supplemental retirement income.

The research also reveals significant differences in how financial professionals and consumers view current and future inflation rates.[†] In fact, two-thirds of consumers surveyed overstate these rates and believe they will persist long term. This is important because financial plans based on inaccuracies and misconceptions can lead to undesirable outcomes and missed opportunities. Fortunately, the data shows that consumers working with a financial professional are more likely to have better informed perceptions about inflation rates and modify their investments to mitigate the effects.

One positive aspect to the current environment is it's helping illuminate inflation risk, which can be a silent killer of wealth even at moderate levels by gradually eroding purchasing power as time passes and prices increase. This can pose problems for retirees who live on fixed incomes and affect their standard of living.[8] With inflation risk comes economic uncertainty. This is likely one reason financial professionals have focused more on fixed products, including annuities, since 2021. The reliable income stream annuities can provide may prove valuable amid high inflation and certain annuity products also can help protect against market losses.

Annual rate of U.S. inflation from 2019 through 2023



Source: US Inflation Calculator, "Current US Inflation Rates: 2000-2024," accessed April 25, 2024.

† The consumer price index increased 3.2% on an annual basis in October 2023, the month our survey was conducted, down from 3.7% the preceding month.

4 Christopher Rugaber, Associated Press, "US inflation surges again in June, raising risks for economy," July 13, 2022.
5 Fernando M. Martin, Federal Reserve Bank of St. Louis, "Is Inflation on the Way Out or Here to Stay?" October 19, 2023.
6 Richard Hernandez, U.S. Bureau of Labor Statistics, "What caused inflation to spike after 2020?" January 2023.
7 EBRI Retirement Confidence Survey, 2023 RCS Fact Sheet #2, "Expectations About Retirement," 2023.
8 Thomas J. Brock, Annuity.org, "Inflation Risks," November 14, 2023.

We present our research findings in four sections:

SECTION I
Inflation's effects on financial outlooks and results

SECTION II
Perceptions about inflation and Social Security by retirement status

SECTION III
Inflation and gender decision-making roles

SECTION IV
Economic optimism and the role of news sources

Facts on inflation

- **Inflation** is the overall general upward price movement of goods and services in an economy, according to the U.S. Department of Labor. The department's Bureau of Labor Statistics uses various indexes to measure different aspects of inflation.[1]
- The **Consumer Price Index (CPI)** is likely the best-known inflation measure—it tracks the average change in consumer prices over time for a market basket of consumer goods.[2] The CPI is a key inflation indicator relied upon by policymakers and financial markets.
- **Inflation reached a 40-year high** in June 2022 when consumer prices as measured by the CPI were up by 9.1% compared with a year earlier.[3] After finishing 2022 at 6.5%, inflation cooled rapidly for most of 2023, reaching 3.4% by year's end after the Federal Reserve repeatedly hiked interest rates to try to bring it under control.[4]
- When this report was written, the Fed was widely expected to begin lowering interest rates in 2024, but only if officials were confident inflation was moving toward a targeted **2% on a sustained basis**. At the time, rapidly cooling prices were raising hopes inflation could be brought to an acceptable range without triggering a recession with further rate increases.[4]
- **Inflation risk** is important to manage in retirement because even moderate inflation can have a significant effect on a retiree's finances. Consider the fact that inflation averages around 2.5% annually. At that rate, a retiree who needs $50,000 of income to cover expenses today would need $80,000 in 20 years to maintain the same purchasing power.[5]

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[1] U.S. Department of Labor, "Inflation and Consumer Spending," accessed February 7, 2024.
[2] U.S. Bureau of Labor Statistics, "Consumer Price Index,:" accessed February 7, 2024.
[3] U.S. Bureau of Labor Statistics, TED: The Economics Daily, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," July, 18, 2022.
[4] Christopher Rugaber, Associated Press, "Inflation slowed further in December as an economic 'soft landing' moves into sharper focus," January 26, 2024.
[5] Chris Carosa, Forbes, "How Inflation Affects Your Retirement Plans," July 18, 2022.

SECTION I

Inflation’s effects on financial outlooks and results

Research reaffirms benefits of partnering with a financial professional.

Despite several positive signs, consumers we surveyed appear more anxious and unclear about the current financial environment than confident and assured.

Among other encouraging data, the economy has been growing steadily, the job market has been strong with low unemployment, inflation has cooled, and a widely predicted recession has not materialized.[9] But economic uncertainty fueled by prolonged high prices combined with a healthy dose of market volatility appear to have taken their toll on many Americans and they seem burned out.

Our research shows that while inflation concerns are top of mind for consumers, their views diverge from those of financial professionals on both current inflation rates and what will happen with rates in 2024. The results suggest there is a strong opportunity for more financial professionals to actively address clients’ inflation concerns and that clients clearly benefit from such guidance.

MORE THAN

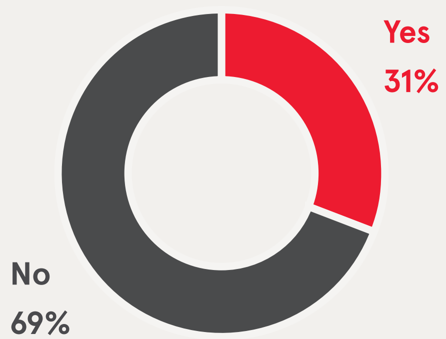
20%

of consumers we polled say they cannot estimate current inflation rates. The same percentage say they're unable to predict future rates. This indicates a high level of uncertainty.

[9] Ben Casselman, The New York Times, “U.S. Economy Grew at 3.3% Rate in Latest Quarter,” January 25, 2024.

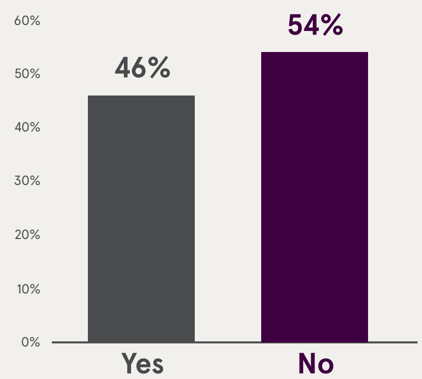
One significant contributor to uncertainty among the consumers we surveyed is likely the fact a little less than one-third are seeking professional financial guidance. Another factor—which may come as a surprise—is that among those working with a financial professional, less than half indicate they are receiving information about strategies to help navigate the current economic environment.

Consumers currently working with a financial professional



Do you receive suggestions on how to compensate for the current economic environment?

(consumers working with a financial professional)



These findings are important because not only are consumers surveyed who are working with a financial professional more likely to have informed perceptions about current inflation rates, but those working with professionals who provide relevant guidance on the present situation are even more likely to be well-informed on the topic. Financial professionals who are not offering this expert help could be missing out on an excellent opportunity to provide added value and enhance client loyalty.

Why inflation awareness matters, whether or not rates are elevated

- Inflation as measured by the CPI dropped to 3.2% for the 12 months ending in October 2023, the month our consumer survey was conducted, down from 3.7% the prior month.[1]
- Based on these figures, less than half the consumers we surveyed identified current rates within an accurate range.
- Further, inflation is projected to drop to below 3% in 2024,[2] yet more than half the consumers we surveyed skew higher than this in their assessment of future rates and 23% say they cannot make an estimate.
- Investors who make decisions to reduce inflation risk based on rates that are too high may be missing out on fixed income opportunities.
- They also may be adjusting their expenses based on inaccurate income estimates.
- With estimates that are low, they may allocate too much money to fixed income or savings opportunities that don't outpace inflation.
- The key is to not be overly conservative or liberal in spending and investing.
- Investors should work with a financial professional to find their sweet spot.

[1] U.S. Bureau of Labor Statistics, "Consumer Price Index News Release," November 14, 2023.
[2] Wayne Duggan, Forbes Advisor, "Inflation Outlook For 2024," January 3, 2024.

Consumers surveyed who partner with a financial professional also seem to be working smarter versus harder to manage the effects of high inflation. They are less likely to have made lifestyle changes to compensate for the economic events that occurred since the start of 2021—instead, they are more likely to have modified their investments to mitigate the effects. In fact, 47% of consumers working with a financial professional report making changes to their portfolios, which is the case for just 19% of those working without one.

Additionally, consumers working with a financial professional reported average increases to savings that were much higher than other consumers surveyed. And, although their gains as a percentage of purchasing power were slightly lower, they experienced lower losses by this measure.

42%

of financial professionals surveyed increased client allocations in 2023 to annuities that have guarantees,* including fixed index, registered index linked, and variable annuities.

* Guarantees are subject to the claims-paying ability of the issuing insurance company.

How financial professionals are adjusting client portfolios

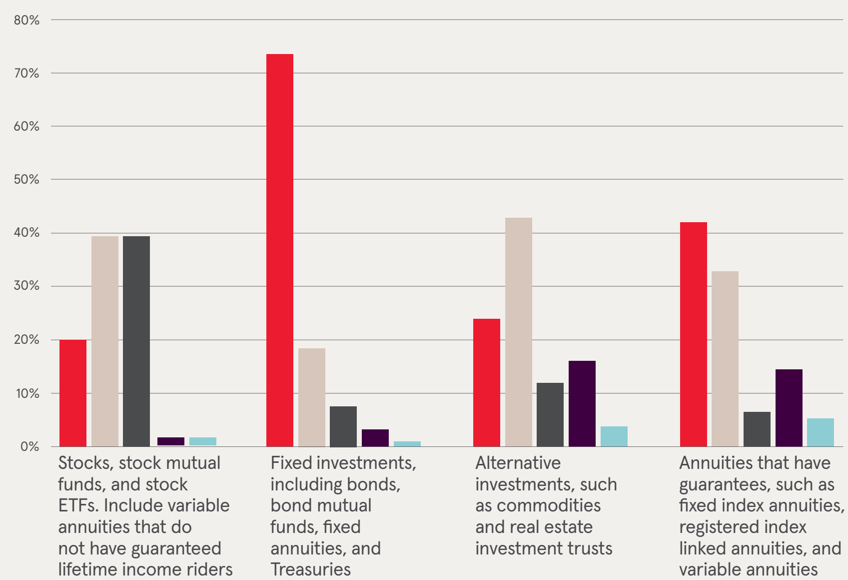
As for the types of portfolio changes financial professionals are suggesting to clients, those polled are taking a fairly cautious approach. Over the past couple years, they have recommended greater asset allocation to fixed products and away from equities, perhaps partly out of fears of an impending recession. They also have been trending toward products that provide guarantees and floors for loss.

These preferences appear to be reflected in U.S. annuity sales, which notched a record high for the second year running, reaching $385 billion in 2023. This was up 23% from 2022 and driven largely by fixed annuity sales.[10] Registered index-linked annuities (RILAs)—insurance products that provide growth opportunities while limiting exposure to downside risk—contributed $47.4 billion in sales for their best year ever.[11] Variable annuities, which can offer guarantees that usually carry additional fees or charges, contributed $51.4 billion to total sales.[12]

Our research shows that in 2021 and 2022, 32% of financial professionals increased allocations to annuities with guarantees, such as fixed index annuities, RILAs, and variable annuities, and 47% increased fixed investments, including bonds, bond mutual funds, fixed annuities, and Treasuries. Only 25% of financial professionals increased allocations to stocks, mutual funds, and stock exchange-traded funds (ETFs) in the two-year period, and 25% also decreased these allocations.

Financial professionals appeared to exercise even greater caution in 2023, as shown below. This has resulted in proportionally lower losses for those working with financial professionals compared to those who don't, but also lower gains.

Shifts reported by financial professionals to client allocations since January 2023 by investment type



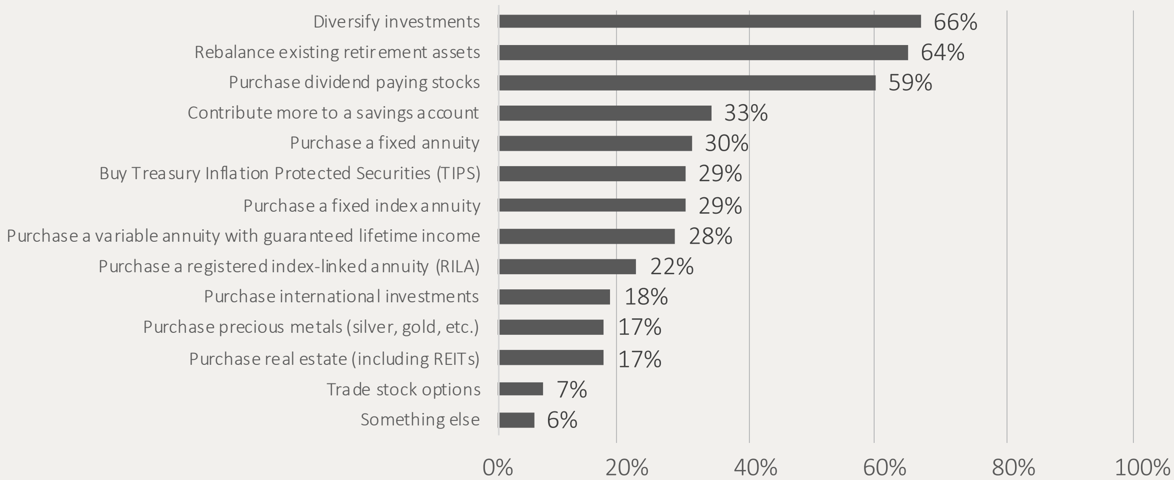
Nearly three-fourths of financial professionals surveyed seemed to take an even more cautious approach with clients' portfolios in 2023 as compared to the previous two years by increasing allocations to fixed investments, although these may deliver lower yields and pose the risk of value erosion from inflation. Meanwhile, 42% increased their use of annuities with guarantees in 2023.

[10] LIMRA, "LIMRA: U.S. Annuity Sales Post Another Record Year in 2023," January 24, 2024.
[11] Ibid.
[12] Ibid.

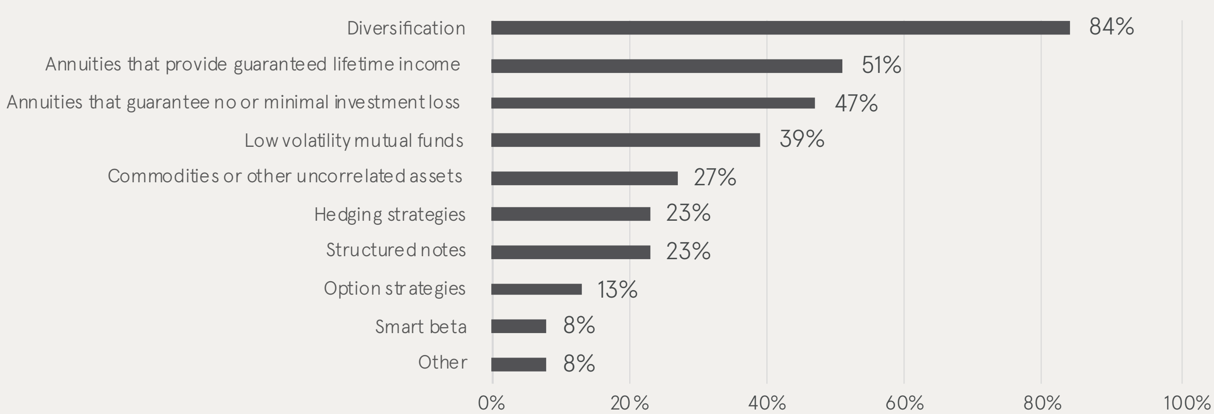
The movement consumers report in their own portfolios bears evidence to how financial professionals say they are managing their clients' portfolios. Nearly half of consumers report increasing their allocations to fixed investments and 44% decreased allocations to equities. Annuities with guarantees were most often left alone—56% of the time—and were increased nearly 30% of the time.

Inflation-specific actions, products, and methods financial professionals suggest

Percent of financial professionals suggesting specific actions since 2021



Percent of financial professionals currently using specific methods or products



To help clients mitigate the direct effects of inflation, financial professionals surveyed most often recommend diversifying or rebalancing existing retirement assets, or buying dividend-paying stocks. Purchasing real estate or trading stock options rank at the bottom of the list.

Diversification ranked highest as a specific method used to fight against inflation. It was followed by purchasing annuities that provide guaranteed lifetime income, ranking second, and annuities that protect against loss, ranking third. This focus on annuity products with guarantees and floors may help explain why consumers whose financial professionals suggested inflation mitigating strategies lost less of their purchasing power compared to other consumers surveyed.

Are financial professionals practicing what they preach?

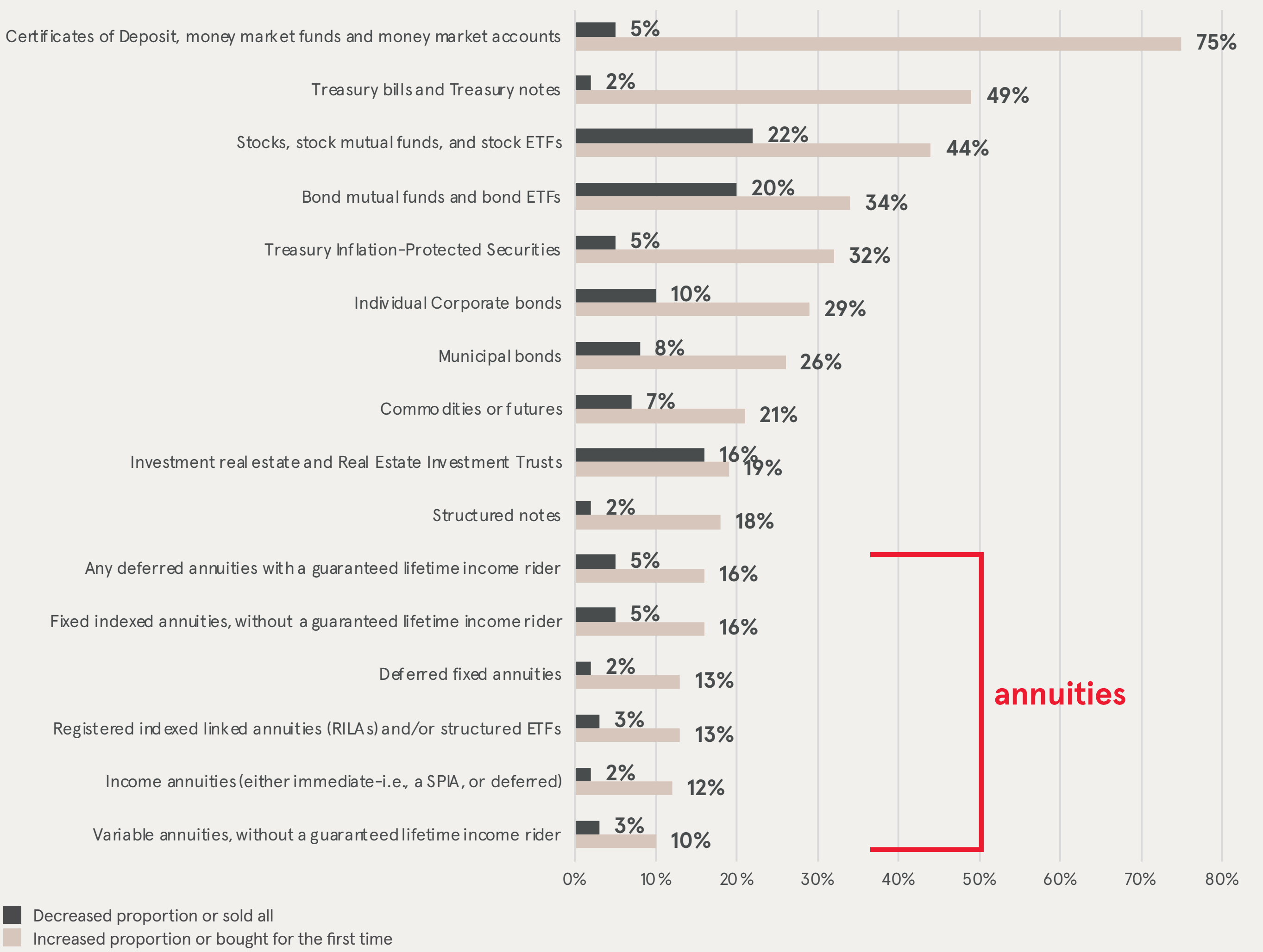
We also examined how closely financial professionals are following their own advice and found that they, too, seem to be taking a mostly cautious approach with their own portfolios since January 2021.

One exception is they appear to be buying more stocks than they are recommending—possibly with the goal of generating more passive income through dividends. While only 9% of consumers say they were advised to increase stock holdings, and only 25% of financial professionals indicated they recommended this action to clients, 44% of financial professionals increased stock holdings in their own portfolios.

Three of four financial professionals report buying fixed products such as CDs and money market funds and half increased their interest in Treasury bills or notes or bought them for the first time. Additionally, 16% of financial professionals increased their allocation to annuities or purchased them for the first time and just 5% or less—depending on annuity type—decreased the proportion of annuities in their portfolio.

NEARLY **50%** of financial professionals surveyed purchased Treasury bills or notes since the start of 2021.

Investment changes financial professionals made to their own portfolios since the start of 2021



SECTION I: INFLATION'S EFFECTS ON FINANCIAL OUTLOOKS AND RESULTS

Key takeaways

1. **Over half the consumers we surveyed are unclear about both current and future inflation rates. This is concerning because inflation awareness is critical to knowing how to effectively mitigate the gradual harm it can cause to savings and the resulting loss of purchasing power. Inaccurately predicting inflation rates can lead to spending and investing that's either too liberal or conservative. This can exacerbate the effects of the high-price environment.**

2. **Consumers working with a financial professional—especially one who is providing them with strategies for the current economic environment—are more likely to be informed about inflation rates. They also are less likely to have made changes to their lifestyles to mitigate inflation's effects than those who are not seeking professional guidance and report higher average increases to their savings.**

3. **Financial professionals have been taking a mostly cautious approach to investing over the past couple years amid high inflation and economic uncertainty. They are recommending greater asset allocation to fixed products, as well as products that provide guarantees and floors that limit losses. This likely contributed to record annuity sales for the second consecutive year in 2023.[13]**

[13] LIMRA, "LIMRA: U.S. Annuity Sales Post Another Record Year in 2023," January 24, 2024.

SECTION II

Perceptions about inflation and Social Security by retirement status

Pre-retirees seem to feel inflation's bite more than retirees

In most categories associated with high inflation—ranging from making tangible lifestyle changes to temper its effects, to feeling the impacts of resulting high interest rates—pre-retirees we surveyed appear to be affected more acutely than retirees. In fact, pre-retirees are increasing their rates of delayed retirement since the start of 2021 at rates noticeably higher than historical rates,[14] which we examine more closely in a moment.

One main reason pre-retirees may be feeling more pinched by inflation is they are more vulnerable to its immediate effects. After all, they need to invest for several years to retire for possibly an even longer period and it can limit their ability to save.[15] This reinforces the value of having wages that keep up with inflation. Retirees should seek income sources that do the same, which usually starts with Social Security benefits. The fact these are increased each year based on the CPI is another good reason for pre-retirees to try to maximize monthly benefits by claiming later.[16]

40%

of pre-retirees surveyed report a negative impact from high interest rates on their household finances, which is greater than the percentage of retirees. They also are more likely to say the prices of household goods have increased substantially.

[14] EBRI Retirement Confidence Survey, 2023 RCS Fact Sheet #2, "Expectations About Retirement," 2023.
[15] Steve Vernon, Forbes, "What Is Inflation Risk And How Can It Affect Your Retirement," December 28, 2023.
[16] Ibid.

But, as is shown in this section, pre-retirees aren't optimistic about how much of their retirement expenses Social Security will cover, which may be adding to their anxiety about economic outcomes and whether they will have the retirement savings they need.

Another reason why pre-retirees may be impacted more by inflation is they tend to spend more than retirees on most key expenses, making them more vulnerable to high prices.[17] One recent analysis finds the average retired household spends about 25% less than the average working household.[18] Retirees spend 30% less on transportation, for instance—one of 11 core categories in which their spending is lower.[19] This means they are less affected by inflation-related spikes in gas or used car prices, or higher interest rates for auto loans.

Unsurprisingly, our research shows that lower spending for retirees comes with lower income. They were nearly twice as likely as pre-retirees to be in the household income bracket of less than $50,000 with an average household income of $87,215, nearly $37,000 less per household than pre-retirees.

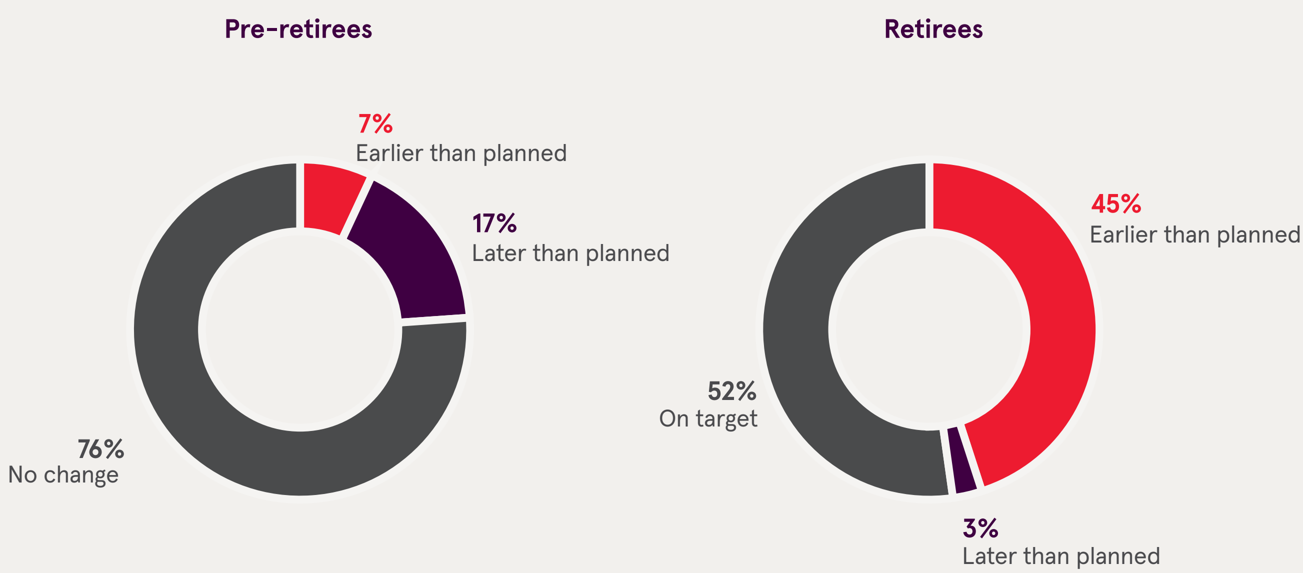
45%

of retirees surveyed report retiring earlier than planned. This suggests that working longer to make up for a retirement savings shortfall is not always a viable option.

The best laid retirement plans can change

About one-fourth of pre-retirees surveyed report shifts in their retirement target dates since the start of 2021, with more than two-thirds of those who changed plans moving their date to later than initially planned. There's significant movement in the opposite direction among retirees, with 45% indicating they retired earlier than they expected.

Retirement plan changes since the start of 2021



[17] Kate Dore, CNBC, "Inflation is still soaring — but here's why it's less likely to hurt some retirees," July 13, 2022.
[18] Derek Miller, Smartasset, "How Spending Changes in Retirement — 2018 Edition," May 30, 2023.
[19] Ibid.

Recent research conducted by Pew Research Center affirms the fact people are working longer, finding 19% of Americans 65 and older were employed in 2023, about twice the percentage in the workforce 35 years ago.[20] The research also finds they are working more, with 62% employed full time, up 15% from 1987.[21]

While some likely work because they enjoy it, there are others trying to make up for the growth inflation has taken from their savings or who claimed Social Security benefits early and receive a permanently reduced benefit, even as overall life expectancy increases.[22] The American Council of Life Insurers cites strong annuity sales as proof these workers are pouring more of their earnings into these retirement products.[23]

Regarding the retirees we surveyed who report leaving the workforce earlier than expected, this is a recurring theme. The Employee Benefit Research Institute (EBRI) recently reported workers continue to predict a median retirement age of 65, while retirees report they retired at a median age of 62.[24]

A Gallup poll conducted in 2022 produced similar results, finding the average expected retirement age was 66, but the actual retirement age was 61, on average. Gallup has consistently found a steady gap of roughly five years between expected and actual retirement ages.[25] Gallup says average retirement ages are likely to continue to increase, citing the need to financially support longer life spans and changes to Social Security benefits enacted in the 1980s that incentivize people for staying employed.[26]

A key point is that while working longer can help protect against outliving one's retirement savings, people should also consider other strategies.

[20] Richard Fry and Dana Braga, Pew Research, "Older Workers Are Growing in Number and Earning Higher Wages," December 14, 2023.
[21] Ibid.
[22] Aaron Smith, Life Annuity Specialist, "More Older Workers Postponing Retirement," January 10, 2024.
[23] Ibid.
[24] EBRI Retirement Confidence Survey, 2023 RCS Fact Sheet #2, "Expectations About Retirement," 2023.
[25] Jeffrey M. Jones, Gallup, "More in U.S. Retiring, or Planning to Retire, Later," July 22, 2022.
[26] Ibid.

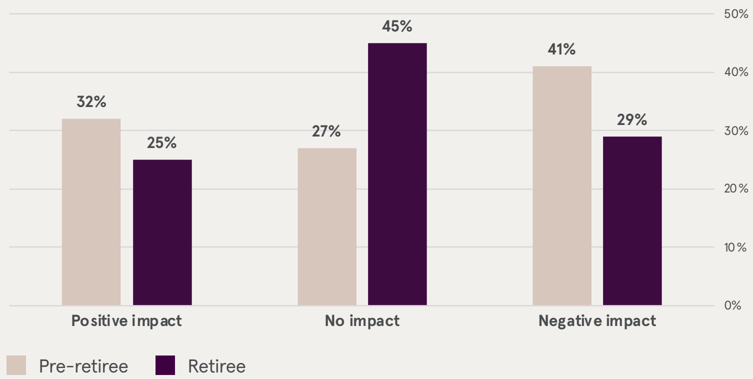
MORE THAN
40%
of pre-retirees surveyed say high interest rates have negatively affected their household finances since the start of 2021, as compared to about 30% of retirees.

Inflation spurs higher interest rates, lifestyle changes

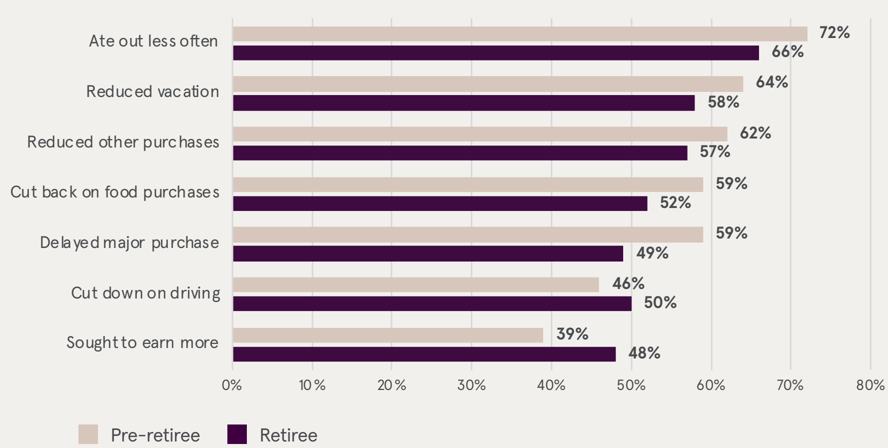
In 2022 and 2023, the Fed raised its benchmark interest rate 11 times to help try to control inflation,[27] bringing rates to their highest level in over two decades.[28] With inflation easing, economists expect rates to hold steady before cuts can begin later in 2024.[29]

Pre-retirees surveyed were not only more likely to have experienced a negative impact from interest rates to their household finances compared to retirees since 2021, but they are making considerably greater adjustments to their lifestyles and consumer habits. For instance, more than 70% of pre-retirees say they are eating out less often and nearly 60% are delaying major purchases. For their part, retirees are more likely to take on additional work to earn more money and, to a lesser degree, cut down on driving.

Impact of interest rates on household finances by retirement status



Percent of consumers reporting lifestyle changes since January 2021



Both pre-retirees and retirees report having similar difficulty saving money over the previous 12 months compared to at the start of 2021. The greatest number in both groups report saving less—this was the case for 45% of pre-retirees and 47% of retirees. Savings levels remained the same for just under 40% for both groups and increased for 14% of pre-retirees compared to 11% of retirees. However, pre-retirees report lower savings rates since the start of 2021.

[27] Ivano Pino and Trina Paul, Fortune Recommends, "The Fed left rates unchanged but plans to cut them later this year. Here's what it means for your money," February 6, 2024.
[28] Christopher Rugaber, Associated Press, "Powell: Federal Reserve is on track to cut rates, though not likely for months," January 31, 2024.
[29] Ibid.

Perceptions match reality for many pre-retirees

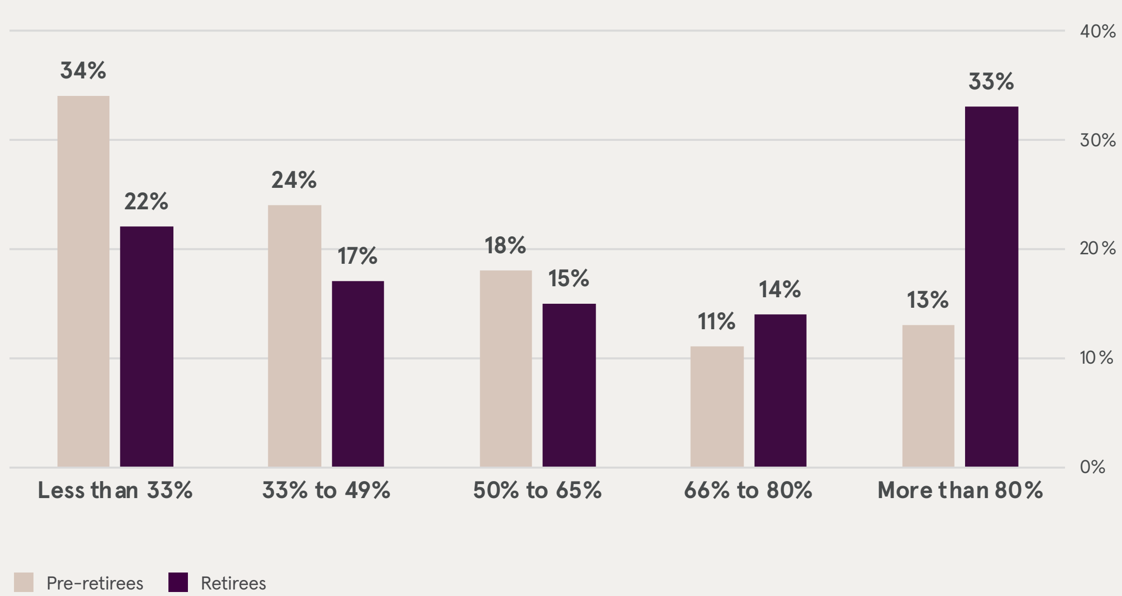
OVER **50%**

of pre-retirees say prices have increased very substantially since January 2021, compared to 30% who qualify the rises as substantial.

With pre-retirees reporting a greater impact overall from inflation come perceptions to match. Not only do they tend to perceive current inflation rates as higher than retirees, but they also anticipate higher inflation rates in the coming year. Additionally, they are slightly more likely than retirees to indicate the prices of household goods have risen very substantially.

Moreover, they are not optimistic about the part Social Security will play in their own retirement and their predictions about the percentage of their household expenses it will cover deviates significantly from how much retirees say it really covers. In fact, there's a nearly 20-percentage-point gap between the two figures, with 58% of pre-retirees predicting Social Security benefits will cover less than half their expenses in retirement and only 39% of retirees indicating this is the case.

Predicted and actual expenses covered by Social Security



SECTION II: PERCEPTIONS ABOUT INFLATION AND SOCIAL SECURITY BY RETIREMENT STATUS

Key takeaways

1. **Among other key differences, pre-retirees generally have higher incomes but also face greater expenses compared to retirees on average. This makes pre-retirees more susceptible to concerns and impacts stemming from high inflation and broader economic uncertainty, including those related to saving for their own retirement.**

2. **This susceptibility shows on several fronts. Perhaps most noticeably, more pre-retirees report delaying retirement since the start of 2021. Pre-retirees also indicate a greater negative impact of interest rates on their finances and are more likely to describe price rises as extreme. They also have experienced lower savings rates since the start of 2021. Perhaps consequently, their perceptions of current and future inflation rates skew higher than retirees and their perception of the role Social Security will play in covering their household expenses skews low.**

3. **One key theme from our findings cannot be repeated enough: Working longer is not a sufficient retirement strategy. Our research shows that 45% of retirees retire earlier than planned. This makes securing protected lifetime income in addition to Social Security even more important.**

SECTION III

Inflation and gender decision-making roles

Female financial decision-makers face unique challenges

Just as there are notable differences between how pre-retirees and retirees are managing the effects of inflation, there are stark differences by gender decision-making roles, our research finds.

Put simply, women who are making financial decisions alone or as the lead decision-maker appear to be experiencing less security and greater strain related to finances due to several factors. These are primarily related to financial and physical health and access to financial advice and knowledge.

Our research affirms what's been widely established: Female solo or lead financial decision-makers have a unique profile that can make weathering financial adversity a particular challenge. Specifically, they are less likely to have postsecondary education, they have lower investable assets and household incomes on average, and they typically rate their physical health lower than their male counterparts or households that make financial decisions in total partnership.

Among other key differences, more than half the female lead or solo decision-makers we surveyed report a household income of less than $50,000, which is $17,000 less than their male counterparts. Members of this demographic also are more likely to rate their health as "poor or fair" versus "very good or excellent" than their male counterparts or households that make decisions in total partnership.

$77,947

is the average household income for women surveyed who oversee financial decision making, alone or as lead. That compares to $95,114 for their male counterparts and $126,467 for total partnerships.

Barriers to financial freedom compounded by early retirements

OVER
50%

of female solo or lead decision-makers surveyed retired earlier than expected and were more likely than other consumers to cite the need to care for another family member as a reason.

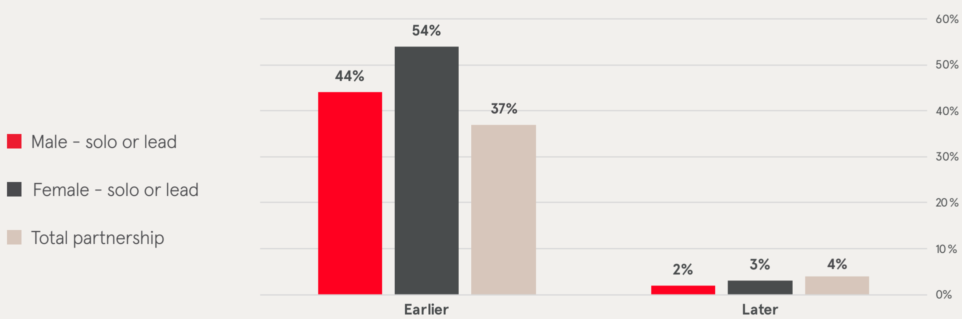
Consumers can better weather inflation or economic uncertainty if they benefit from adequate savings and sound financial planning. Yet our research shows women making financial decisions, either alone or as lead, lack many components of financial resiliency compared to other consumers.

Not only are they less likely to contribute to a workplace retirement plan than consumers we surveyed who are making decisions in total partnership, but they are least likely compared to other groups to own their primary residence. They also are least likely to work with a financial professional and, perhaps consequently, less likely to have made any changes to their investments for asset allocation since the start of 2021. They also were more likely to say their withdrawals from savings increased significantly since the start of 2021 when they were able to discern a pattern of withdrawals.

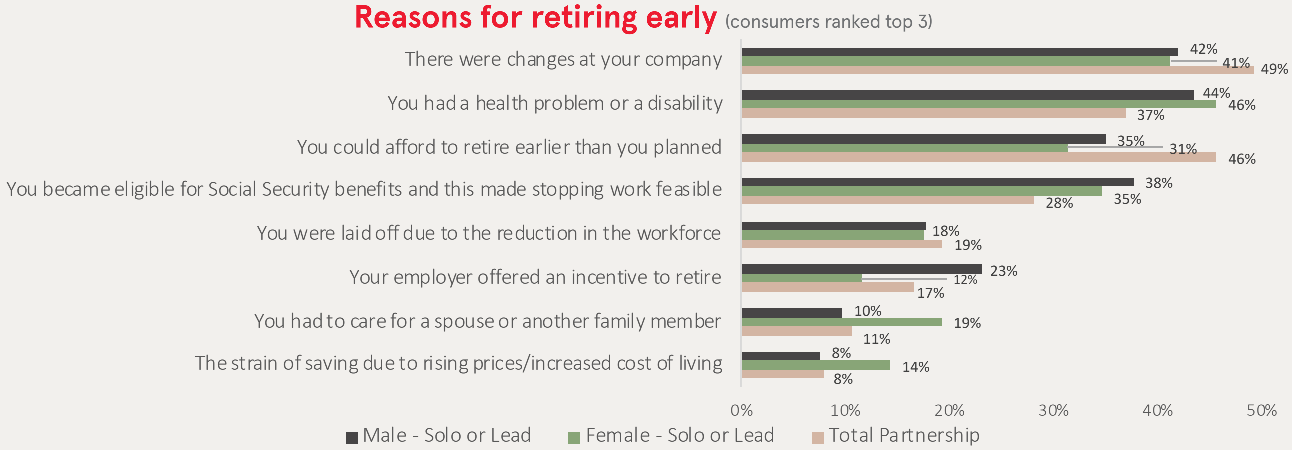
Despite facing these and other obstacles, this cohort was most likely to retire earlier than expected—this was the case for 54%, compared to 44% of their male counterparts and 37% of consumers in a total partnership. Top reasons they cited for retiring early were changes at their workplace or facing a health problem or disability. Following broader trends, this group also reported higher incidences of having to care for a family member and retiring early due to the strain of saving resulting from rising prices and increased cost of living.

Conversely, consumers surveyed who make financial decisions in total partnership were less likely to retire earlier than expected and, when they did, were likely to have done so because they could afford to retire.

Early and late retirements by financial decision-making roles



Reasons for retiring early (consumers ranked top 3)



Many female decision-makers are unclear about inflation and Social Security

Just one-fourth of the women we surveyed who are lead or solo financial decision-makers work with a financial professional and, perhaps unsurprisingly, they generally display less knowledge about current inflation trends.

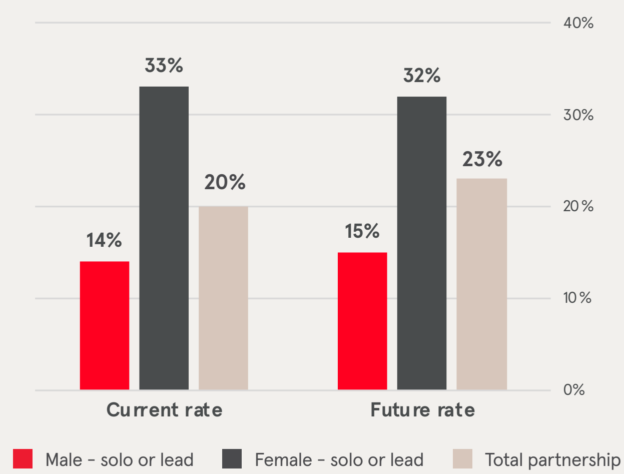
One-third of all respondents in this group cannot estimate current or future rates of inflation and, when they are able to estimate, they are more likely to indicate current and future rates of 6% or higher. This is more than 50% higher than the rate of inflation reported in the month prior to our survey.[31] Additionally, they are more likely to indicate the cost of household goods increased substantially since 2021.

This cohort also generally displays less knowledge about how Social Security works, despite being significantly more dependent on the program's benefits as a source of household income. For instance, when asked about different practices and strategies associated with Social Security, female decision-makers were much more likely to say rates were not adjusted for rising prices and express uncertainty about how adjustments based on the CPI work. They also display high rates of uncertainty about the timing for starting a claim.

41%

of female decision-makers predict future inflation rates of 6% or more although the Fed and private sector expect them to drop below 3% in 2024.[30]

Consumers by decision-making role who are unable to estimate inflation rates



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[30] Wayne Duggan, Forbes Advisor, "Inflation Outlook For 2024," January 3, 2024.

[31] U.S. Bureau of Labor Statistics, "Consumer prices up 3.7 percent from September 2022 to September 2023," October 19, 2023.

SECTION III: INFLATION AND GENDER DECISION-MAKING ROLES

Key takeaways

1. **Women continue to make major financial strides and have made significant progress in areas that include investing in the stock market and preparing for the long term by saving for retirement.[32] This is great news, but it shouldn't obscure the fact they continue to face unique challenges related to their financial wellbeing and there remains much work to be done.**

2. **Our research affirms that women who make financial decisions can possess traits that make them more vulnerable to financial adversity and finds that this group is experiencing less security and greater strain related to their finances than other cohorts. This group also displays less knowledge about trends associated with inflation, despite being highly susceptible to its effects, and less knowledge about Social Security, although this segment is more reliant on the retirement income it provides. At the same time, these women are more likely to retire earlier than planned.**

3. **Knowledge is power—especially when it comes to money matters—yet three-fourths of women financial decision-makers surveyed do not work with a financial professional. It's essential for women to partner with a trusted professional who understands their unique retirement challenges. This will ensure more women can secure their financial future.**

[32] Fidelity, "Fidelity Investments Study: Women Tapping Into Their Financial Superpowers to Gain Ground with Their Money," October 9, 2023.

SECTION IV

Economic optimism and the role of news sources

Levels of economic optimism are reflected in news source choices

Unsurprisingly, our research shows that much of how people feel about inflation and the broader economy relates to where they get their news. What may come as a surprise is the degree to which their reliance on certain news sources can reflect their levels of economic optimism based on whether the outlets lean left or right in terms of bias.

OVER
50%
of consumers surveyed are more pessimistic about the economy since the start of 2021 with nearly 30% reporting they are a lot more pessimistic.

> **Media bias occurs when news organizations or journalists allow their own opinions to affect the news they report and the way they report it. At its most blatant, intentional bias can be like lying or censorship, but most bias is often subtler, less detectable, and often unintentional.†**

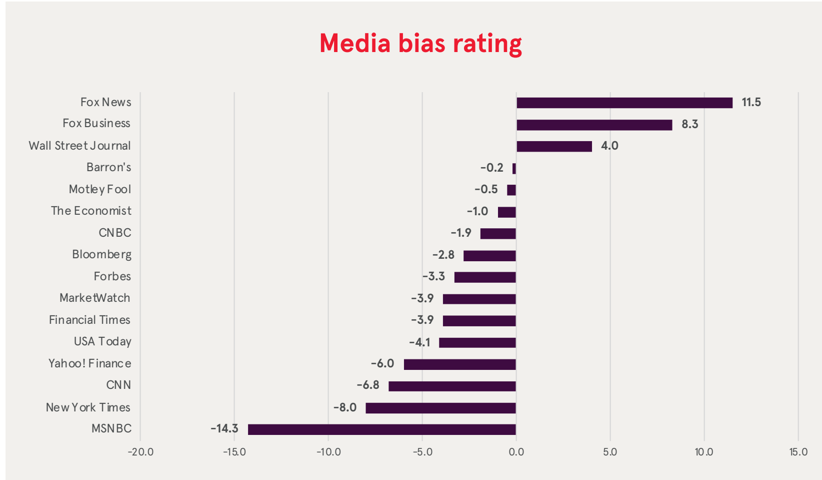
† Source: Metropolitan Community College, "Media Bias," accessed February 9, 2024.

To illustrate how content can vary by news source, consider separate news items featured around the same time in October 2023 by two different media outlets ranked at opposite ends of the bias spectrum by Ad Fontes Media, a for-profit public benefit corporation that rates all news sources by bias and reliability. The company, which cites a "vast and noisy" information landscape,[33] ranks the *New York Times* to the left in terms of bias, and *Fox News* to the right at a greater skew than the *Times*.[34]

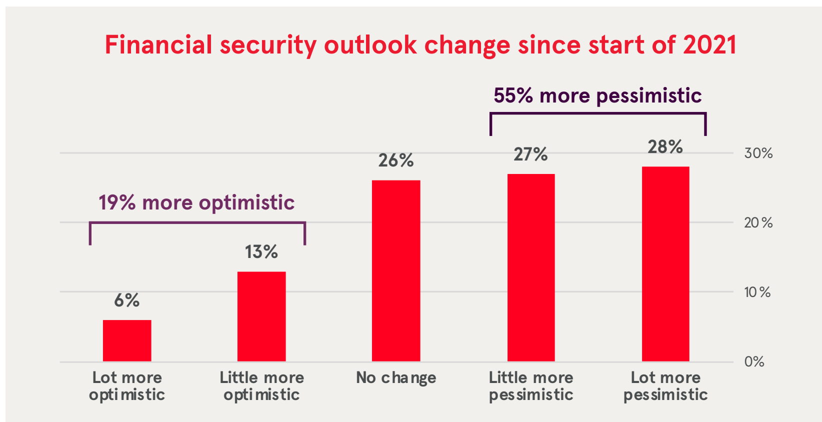
"Until quite recently there was a near consensus among forecasters that the U.S. economy was headed for a recession," wrote economist and *Times* columnist Paul Krugman. "In fact, it's been exactly one year since Bloomberg declared that, according to its models, the probability of a recession by October 2023—this is, now—was 100 percent. Oops."[35] Meanwhile, *Fox* ran an interview with Virginia's governor by Sean Hannity under the headline: "'Bidenomics' is causing economic chaos: Glenn Youngkin."[36]

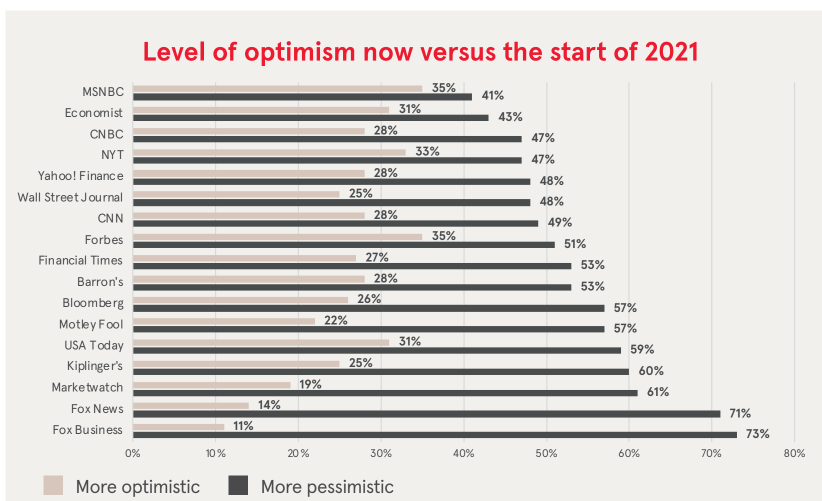
Assuming similar differences in content selection are the norm at both outlets—Ad Fontes' ratings indicate they are—it's easy to see how repeated exposure to content from one source or the other may influence perceptions over time. Another notable factor in financial news consumption, our research finds, is the fact major consumers of the most popular media sources tend to use fewer news sources, which can create an echo chamber effect.

Our research shows there are clear differences by major news source regarding shifts consumers report in their own economic optimism. On one end of the spectrum, *MSNBC* viewers are nearly split down the middle regarding their shifts toward optimism or pessimism. At the other, viewers of *Fox News* and *Fox Business* have become more pessimistic since the start of 2021 more than 70% of the time. We should note that our research was conducted under a Democratic president leading into an election year and that a leadership change could potentially result in greater optimism among members of this audience.



Data from Ad Fontes Media puts Fox News and Fox Business at the right end of the media bias spectrum and MSNBC and The New York Times at the left.





Overall, consumers surveyed expressed much more movement toward pessimism than optimism about their financial outlook since the start of 2021.

33 Adfontesmedia.com, "Helping People Better Navigate the News Since 2018," February 9, 2024.
34 Ad Fontes Media, "The Media Bias Chart," accessed February 9, 2024.
35 Paul Krugman, The New York Times, "Soft Landing, Here We Come?," October 17, 2023.
36 https://www.foxnews.com/video/6339746786112

Perceptions of inflation also differ by media source

There also are consumer differences by media source in perceptions of the causes of inflation, the impact of rising prices, and future annual inflation projections, our research shows.

Consumers surveyed who rely on right-leaning media are more likely to indicate inflation is the result of pandemic-related government spending, while consumers of left-leading sources are more likely to view inflation resulting from corporations seeking higher profits.

Consumers of left-leaning media sources also are far more likely to predict inflation rates will reach 3% or less in 2024, and far less likely to predict rates of 8% or higher. However, many consumers—particularly those of right-leaning news sources—predict inflation rates of 8% or higher in the coming year. This is despite the fact inflation fell to between 3% and 4% at the time of our survey[37] and is expected to drop below 3% in 2024.[38]

Following the same theme, when asked to predict the impact of rising prices on the U.S. economy in 2024, there was wide disparity between consumers of many of the most popular left- and right-leaning media sources. For example, *MSNBC* viewers expect a weaker economy only 48% of the time, compared to nearly 80% for viewers of *Fox News* and *Fox Business*.

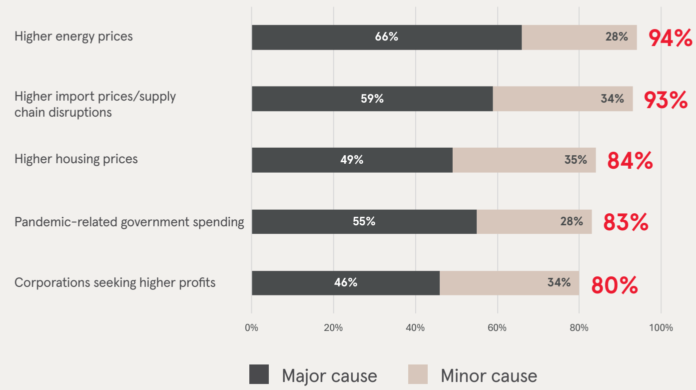
Similar differences were seen in other measures of economic optimism. When asked about both the general outlook for the U.S. economy and the impact of rising prices on the economy in 2024, consumers of left-leaning media were much more positive about the future.

9 OUT OF 10

consumers surveyed who follow the news about inflation at least somewhat closely believe it's caused by some combination of higher energy and import prices and supply chain disruptions.

Causes of inflation

(among those who follow news about inflation closely)



[37] U.S. Bureau of Labor Statistics, "Consumer Price Index News Release," November 14, 2023.
[38] Wayne Duggan, Forbes Advisor, "Inflation Outlook For 2024," January 3, 2024.

SECTION IV: ECONOMIC OPTIMISM AND THE ROLE OF NEWS SOURCES

Key takeaways

1. **The news sources consumers rely on appear to significantly color their perceptions on inflation and the broader economy. Among other major differences, consumers of left-leaning media sources are far more likely than those who rely on right-leaning media to indicate greater optimism about the economy and predict lower future inflation rates and impacts. Consumers of right-leaning media are more likely to skew in the opposite direction in these and related areas.**

2. **No matter their political affiliation or beliefs, consumers should rely on numerous sources and different perspectives to inform their financial decisions. Making these decisions in an echo chamber—an environment where they only encounter information or opinions that reflect or reinforce their own—can result in negative outcomes. A trusted financial professional can help consumers make sense of conflicting reports and pursue their financial future with greater purpose and confidence.**

Effectively managing inflation risk amid economic uncertainty

Inflation rates may have fallen well below the four-decade highs they reached in 2022, but the effects—combined with broader economic uncertainty—continue to impact consumers' perceptions, attitudes, and actions. Many consumers surveyed are more pessimistic now about their financial wellbeing than they were two years ago, with those nearing retirement affected more significantly by inflation than retirees. Additionally, women financial decision-makers seem to be affected disproportionately.

Inflation is clearly top of mind for many consumers and financial professionals, making this an ideal time for Jackson to partner with the Center for Retirement Research to investigate inflation risk on a deep level. We are confident that by better understanding the real-time impacts and how they're being addressed, we will support the development of effective strategies to help manage inflation risk—whether rates spike or hover around the Fed's 2% target.

Inflation risk is the potential for rising prices to erode the value of money over time. And while this serious retirement risk can dissipate when inflation rates are at or near acceptable levels, it is always there, a subtle foe that can slowly erode the best-laid financial plans. The key to managing inflation risk is having income that meets or exceeds the rate of inflation. This is true for everyone, whether they are retired or planning for retirement.

As a leading provider of annuities, Jackson often conducts research to see how our products are used and considered to meet various income needs. Our research reveals that over half the financial professionals we surveyed recommend annuities that provide guaranteed lifetime income to fight against inflation, and 47% suggest purchasing annuities that protect against loss. The two ranked respectively at second and third among specific products or methods financial professionals are leveraging for their clients. Our research also shows that financial professionals were least likely to adjust annuities in their own portfolios since the start of 2021.

It's not surprising financial professionals favor annuities for protecting against prolonged, elevated inflation because there is a broad range of these retirement products available today that offer more choices and greater flexibility to address changing economic conditions. The predictable guaranteed income stream annuities can provide can be especially valuable when inflation is high and other investments may be volatile. It's also not surprising annuity sales are breaking records.[39]

Additionally, as retirement researcher Wade Pfau notes about annuities and inflation, lower withdrawal rates from investments that result from using an annuity with level payments can help assets grow and to better manage risks related to market volatility.[40] Annuities also can help reduce the risk of running out of money in retirement.

One resounding theme from our research is the benefit of working with a financial professional. Not only do consumers surveyed who seek professional guidance seem better informed about inflation, but they are less likely to have had to make lifestyle changes to adjust to economic events that have occurred over the past few years.

Seeking professional guidance can help remove the unique obstacles many women financial decision-makers face. It also can help make sense of an often confusing and overwhelming media landscape, and ensure more Americans achieve the financial freedom they deserve.

Prolonged, elevated inflation has been capturing headlines while compressing the time it can take for rising prices to erode Americans' purchasing power. Even as inflation rates return to less noticeable levels, it's important to be aware of the risk this invisible enemy can pose to even the best laid retirement plans. Fortunately, investors can manage inflation risk in retirement by working with a financial professional to ensure they have a diverse portfolio with adequate income that can withstand rising prices over time.

> **To learn how an annuity may help protect against inflation risk and deliver greater confidence and clarity in retirement planning, investors should work with a financial professional.**
>
> **Financial professionals should contact their Jackson representative to learn more about the potential benefits of incorporating annuities into effective client income strategies.**

[39] LIMRA, "LIMRA: U.S. Annuity Sales Post Another Record Year in 2023," January 24, 2024.
[40] Wade Pfau, Protected Lifetime Income, Alliance for Lifetime Income, "How Annuities Can Help Retirees Protect Against Inflation," March 28, 2023.

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