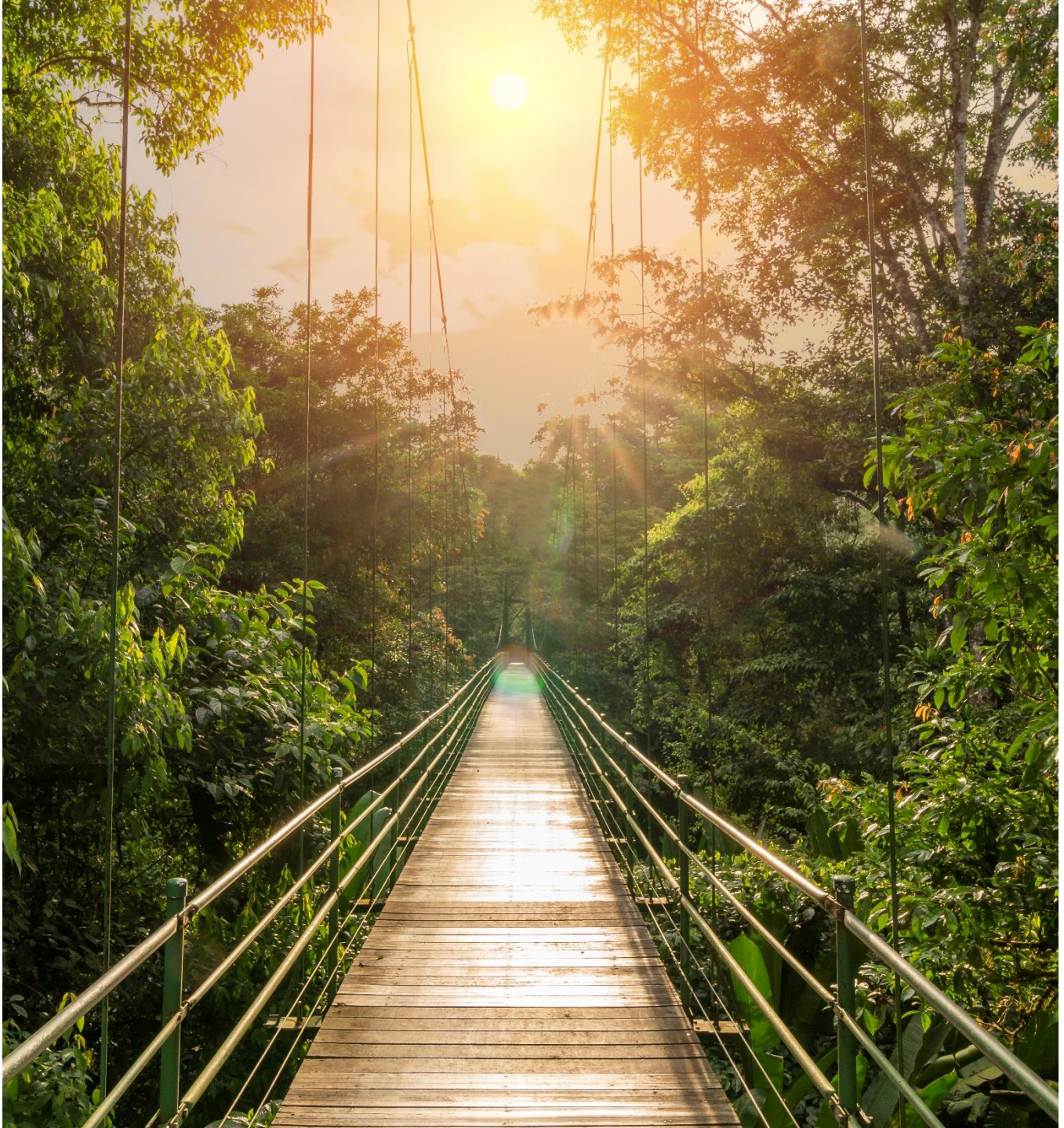
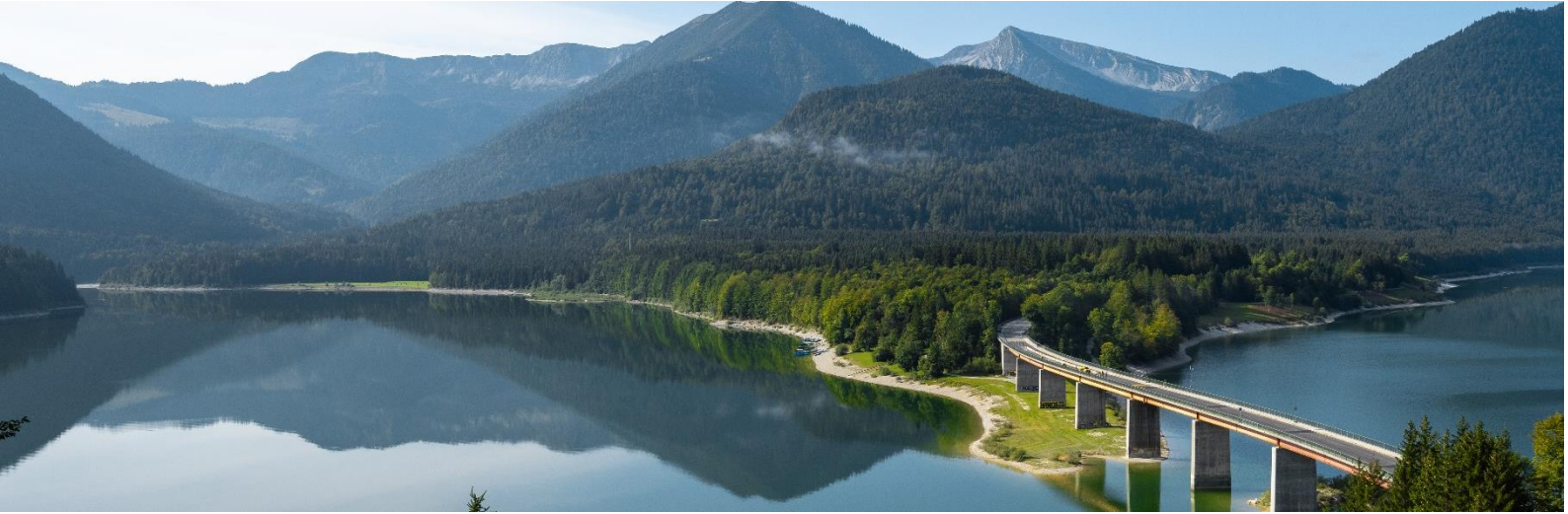


Thinking Ahead Institute

An innovation network founded by WTW

Bridging the gap | transition from saving into retirement income in the US DC system



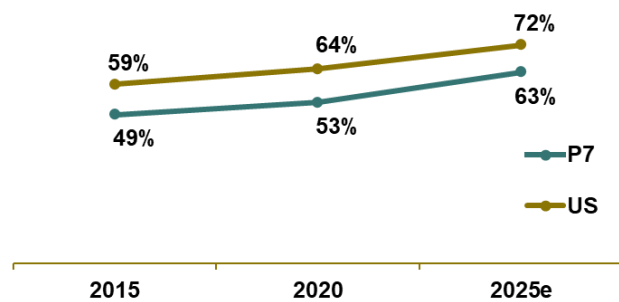


Introduction

Over the past four decades, the US defined contribution (DC) system has grown into the largest and most consequential pillar of the global pension landscape. Today, it holds over \$30 trillion in assets¹ and 115 million private sector workers participating in DC plans². By many measures, this has been a success. Over time, plan sponsors supported by fiduciary committees, and investment professionals have built institutional-scale systems that aim to deliver diversified investments, professional governance and competitive pricing during DC participants' accumulation phase.

Yet despite this success, the retirement experience is often uneven, and it's not unique to the US. In our 2025 Global DC Peer Study³, 60% of participating organisations identified retirement income as the most urgent challenge facing DC plans today. Many retirees encounter greater complexity, rising costs and hence lower than expected income as they move from saving to spending. And in part, it is due to the shortcomings of the way individuals are transitioned from the institutional scale savings system into a more individual, fragmented retirement landscape, which is often more costly and lacks sufficiently effective guidance or advice.

DC share growth over the last ten years in P7 and the US



Source: Thinking Ahead Institute, [Global Pension Asset Study](#), 2026


This reflects how the DC system has evolved: introduced as a flexible, employer-sponsored savings vehicle, it has expanded in scale, choice and regulatory scrutiny, but with less consistent development of mechanisms to support the conversion of accumulated balances into retirement income.

This is not primarily a problem of poor individual choices. It is a structural issue in how the DC system is designed. The system works well while people are saving, but it weakens when they retire. Its strength in accumulation is built on scale, governance and structure – all of which diminish at the point of retirement.

¹ Thinking Ahead Institute, [Global Pension Asset Study](#), 2026

² T. Rowe Price, [The success of defined contribution plans and the road ahead](#), September 2024

³ Thinking Ahead Institute, [Global DC Peer Study 2025](#)



“Many retirees encounter greater complexity, rising costs and hence lower than expected income as they move from saving to spending.”
Global DC Peer Study participant

A system built for saving, not spending

During the accumulation phase, DC plans operate at institutional scale. Employers act as sponsors and bring together large numbers of participants into structured programs with access to:

- **Institutional pricing**
- **Professionally managed multi-asset strategies and streamlined menus**
- **Fiduciary governance**

Although accounts are held individually, plan-level scale creates collective purchasing power and governance. Importantly, this system is designed to work with participant inertia: defaults and simplified pathways allow many participants to remain largely passive during the saving years.

At retirement, that structure often falls away. Assets frequently leave the plan and move into the retail market, typically through Individual Retirement Account (IRA) rollovers⁴. The scale of assets leaving the institutional DC system is striking. Over the past decade, more than \$6.3 trillion has exited DC plans in the form of rollovers and cashouts.⁵ This transition marks a step change: participants move from an institutional system which requires minimal engagement into an individual market where they often navigate decisions alone.

>\$6.3tn left DC plans over the past decade	>\$600bn annual outflows in recent years
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Source: [Morningstar, 2026 Retirement Plan Landscape Report](#)

At that point, individuals stop benefiting from the institutional DC system and become standalone consumers in a fragmented marketplace – one characterized by a wider range of products, providers and fee structures.

⁴ Investment Company Institute, [The Role of IRAs in US Households' Saving for Retirement](#), 2024

⁵ [Morningstar, Retirement Plan Landscape Report](#), 2026

The loss of institutional scale at retirement

The transition from DC plans to retail IRAs is not a cost neutral administrative event. When participants roll from a workplace DC plan into an IRA, they can face higher all-in costs than in the institutional plan environment, even when they keep the same underlying investment strategy, due to IRAs often using higher-cost share classes that embed distribution/advice costs in fund expenses⁶.

This point of transition is where access to advice or guidance that is high quality and cost-effective is most necessary. Participants move from an institutional environment with embedded oversight and scale into a more individualised setting, where advice is often fragmented, opaque and priced at retail levels. As a result, individuals are not always supported to make decisions in the most cost-efficient way.

These fee differences can compound into large reductions in lifetime income, weakening retirement security at the point it is needed most.

The hidden costs of rollovers

Retiree with \$250K in a 401(k)		
	0.09% fee in institutional 401(k)	1.44% fee in IRA retail share
Account balance after 25 years	\$261,015	\$123,385
Difference	\$137,630 less retirement wealth largely due to fees	

Source: The Pew Charitable Trusts, [Small Differences in Mutual Fund Fees Can Cut Billions From Americans' Retirement Savings](#)

⁶ The Pew Charitable Trusts, [Small Differences in Mutual Fund Fees Can Cut Billions From Americans' Retirement Savings](#), 2022



Part of the cost difference from institutional DC plans to retail IRA accounts reflects product design and complexity. Many retail retirement solutions often bundle income features, protection, advice and flexibility into a single proposition. This can feel reassuring at the point of retirement, particularly after an accumulation phase built around defaults and passivity. But bundling obscures the cost of each component and increases the all-in fee load, and they do not always lead to better outcomes. The result can be greater perceived security, yet weaker net outcomes after fees.

There is a deeper structural mismatch in the DC system. Its strength in accumulation lies in institutional scale and structured decision-making, but there is little in the current system that supports individuals through the transition to retirement while preserving these benefits. Retirement requires something different: reliable income, loss protection, longevity management. While financial advisers and retirement products aim to address these needs, they operate within a fragmented and largely individualized market. In a landscape characterized by complexity, opacity and inconsistent quality, individual participants are poorly placed to assess options or access solutions in a cost-efficient way.

Hence, many individuals transition into retirement without the benefit of institutional pricing, structured guidance or clear decision support. This ultimately reduces the income they are able to generate in retirement.

Design principles for bridging the transition gap

The Thinking Ahead Institute's framework for pension system design identifies four core elements: **secure, affordable, inter-generational financial fairness** and **inter-temporal systemic resilience**. Income provision, longevity risk pooling and access to guarantees are all more efficient when delivered collectively. Yet the dominant retirement pathway leaves individuals to fragmented retail arrangements where each person negotiates separately, pays separately and bears risk largely alone.

Improving retirement outcomes does not require fundamentally reinventing the DC system. It requires extending some of the strengths of the institutional model into retirement, while recognising the different requirements of this phase.

Several themes can be identified:

- **Maintain the benefits of scale beyond accumulation**
Preserving elements of institutional scale, governance and pricing power as individuals move into retirement, rather than allowing these benefits to dissipate at the point of transition.
- **Supporting decisions as an ongoing process**
Retirement is not a single decision but a series of evolving choices. Approaches that provide ongoing, goal- and risk-based support may be better aligned with how individuals manage income over time than point-in-time decisions at retirement.
- **Enabling more collective access to retirement income solutions**
Providing access to retirement income solutions with some degree of collective structure may help improve pricing, enhance fee clarity, and make decision-making more manageable than a fully individualized retail approach.
- **Create a joined-up retirement ecosystem**
Integrating advice, products, and drawdown strategies into a single experience can reduce complexity and improve engagement at the point, where decisions matter most.

Conclusion

The US DC system has delivered strong results^{7,8} during the saving years, but outcomes at retirement can be more uneven. This is not simply because individuals make poor decisions, but because the system often moves them out of efficient, institutionally structured arrangements and into a fragmented retail market at the point when their financial complexity and uncertainty are highest.

WTW 2024 Global Benefits Attitudes Survey⁹ found that 78% of employees in North America worry about not saving enough for retirement, and that retirement benefits rank among the top priorities for employees considering a move to a new employer. Getting retirement solutions right is not only a question of participant welfare; it is increasingly a dimension of employer brand, talent strategy and workforce confidence. Extending some of the benefits of institutional scale, efficiency and support into retirement offers a powerful opportunity to improve overall outcomes for millions of retirees.

⁷ Thinking Ahead Institute, [Global Pension Asset Study](#), 2026

⁸ T. Rowe Price, [The success of defined contribution plans and the road ahead](#), September 2024

⁹ WTW, [2024 Global Benefits Attitudes Survey](#)

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