

The Retirement Tier: The Other Side of Accumulation

DC plans are designed for accumulation. The retirement tier—the part of the plan designed to help participants convert savings into income—is where most plans have more to offer than sponsors realize.

Key takeaways

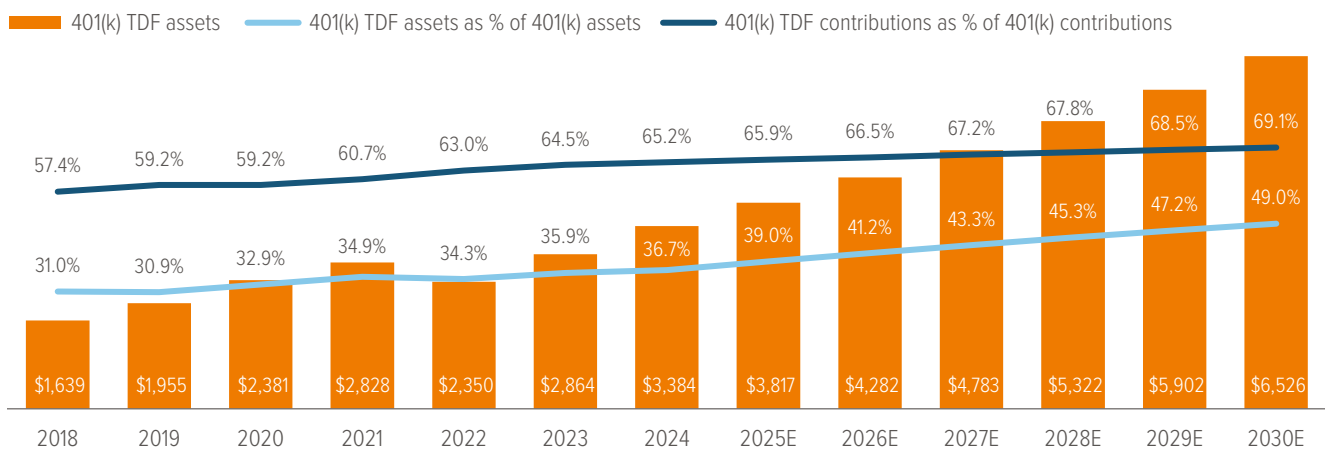
- Participants approaching retirement are asking for help with retirement income planning—and their confidence in this area is low, particularly where the decisions are hardest.
- A retirement tier is the set of investment solutions within a DC plan designed to help participants convert savings into sustainable income.
- We offer a four-part approach for sponsors and DC specialists who want to close the gap between what their plan promises and what it delivers, with particular attention to the DC specialist’s role in the retirement income conversation.

As workers approach retirement, their priorities shift. *Am I saving enough?* becomes *Will this last?*

For most participants, both questions have the same starting point: a target date fund (TDF). TDF assets now represent an estimated 39% of all DC plan assets, up from 31% in 2018; Cerulli projects they’ll account for nearly half by the end of the decade. Contributions flowing into TDFs as a share of total 401(k) contributions now exceed 65%. The TDF is how most participants save for retirement. What happens when it’s time to spend is a question the industry hasn’t fully answered—and participants know it.

Exhibit 1: TDF assets are on track to represent nearly half of all DC assets by 2030

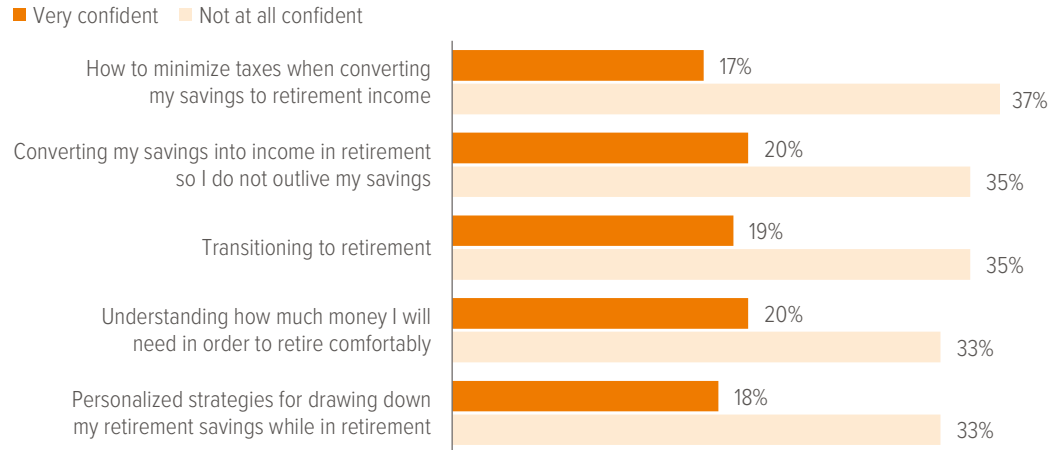
TDF assets and contributions, 2018-2030E



Source: Department of Labor, Investment Company Institute, PSCA, Vanguard “How America Saves,” and Cerulli Associates, *U.S. Defined Contribution Distribution 2025*.

Voya’s research finds that participant confidence in making retirement income decisions remains low—and lowest precisely where the stakes are highest: converting savings into income, understanding how long assets will last, and building a drawdown strategy.

Exhibit 2: Participants report the lowest levels of confidence in decisions that matter most



As of 04/01/25. Source: Voya IM, 2025 Survey of the Retirement Landscape.

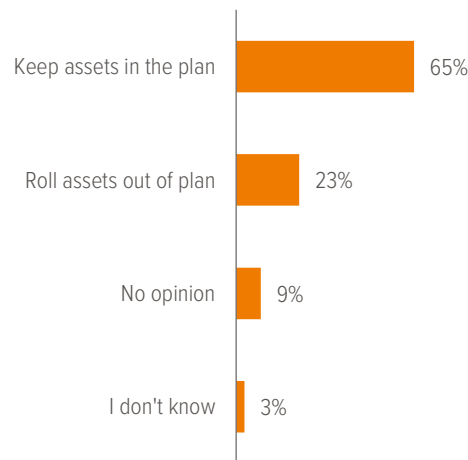
DC specialists may have more influence here than they realize. Nearly two-thirds of active participants have no financial advisor. Half say they plan to find one as they approach retirement.¹ Until then, they report their plan sponsor as their primary source of financial guidance; for many, it’s the most consistent financial relationship they have.

The retirement tier most plans don’t know they have

Two-thirds of plan sponsors want to retain retiree assets in the plan. **Yet sponsors’ stated priorities and actual plan design don’t always line up:** DC investment consultants report that in-plan adoption of formal retirement income solutions remains extremely low.

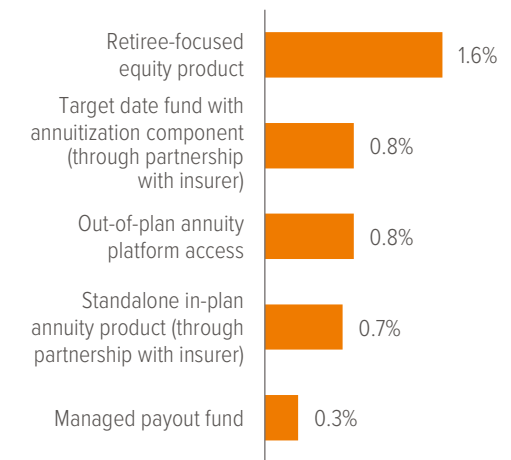
Exhibit 3: Retaining retiree assets in the plan: Sponsor intent and action are two different things

Sponsor preference on retiree assets



Source: Cerulli Associates, U.S. Retirement Markets 2025.

Sponsor adoption of in-plan retirement income solutions



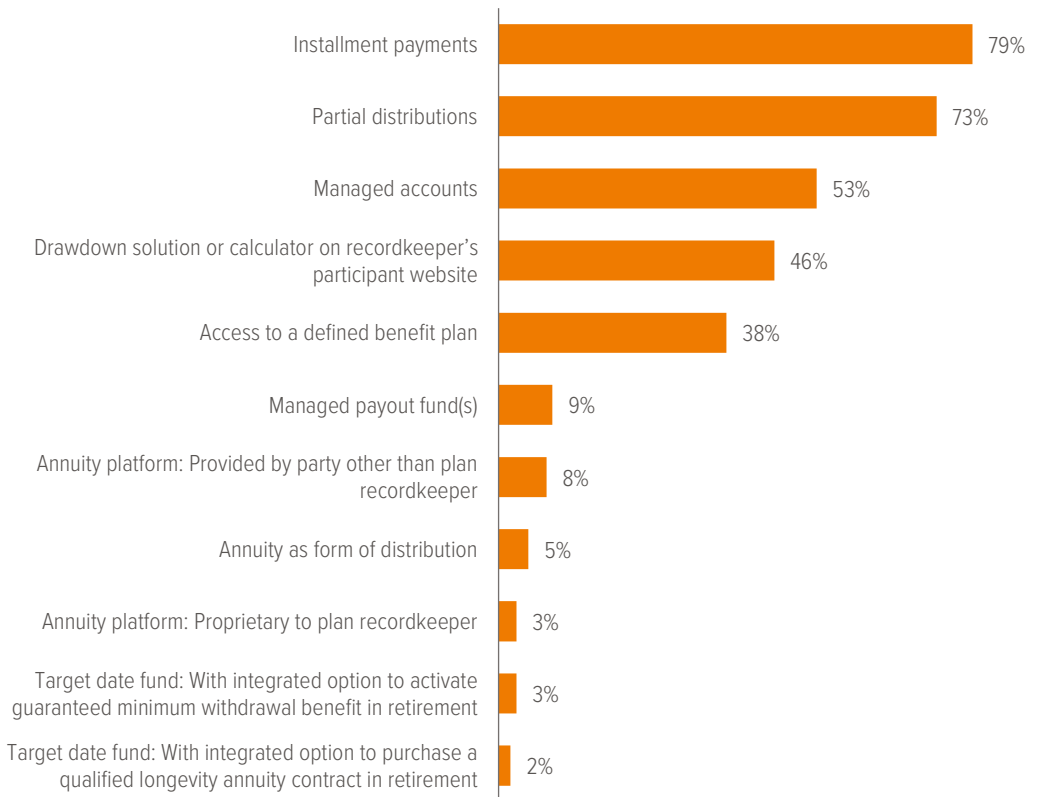
Source: Cerulli Associates, U.S. Defined Contribution Distribution 2025.

¹Source: Cerulli Associates, U.S. Retirement End-Investor 2025.

Establishing a retirement tier doesn't require adding new features or products to the plan. Most DC plans already have one—sponsors either don't recognize it as such or haven't communicated it to participants that way.

Exhibit 4: Most DC plans already contain the building blocks of a retirement tier

Retirement income solutions currently offered*



Source: Callan Associates, 2026 *Defined Contribution Trends Survey*. *Percentages among those with a solution in place. Multiple responses allowed. A drawdown solution is a simplified process on the participant website (e.g., a one-step button) to implement the output from a retirement calculator. It is a more streamlined process for participants to establish a stream of income; without it, they would have to manually transfer the calculator output to the transactional section of the website.

Five areas to assess

1. Qualified Default Investment Alternative (QDIA): Promote TDFs to older participants and retirees

According to Cerulli, TDFs are the default for about 90% of plans with a QDIA. **Many older participants built their own allocations before TDFs existed and have never revisited them.** The result is often an equity concentration that no longer reflects where they are in their working lives.

For DC specialists, this is as much an education and communication responsibility as a design one. For older workers, that conversation starts with a simple question: are they in the right vintage? The appropriate TDF should reflect their actual retirement timeline and savings picture, not just a default age.

If the TDF suite includes a retirement income vintage, sponsors and DC specialists should make sure participants who are already in the series know it exists—and understand how it differs from the accumulation vintage they may currently be invested in.

2. Glide path design: Not all TDFs are built the same

Glide path design forces a tradeoff, and the stakes are highest at the transition itself.

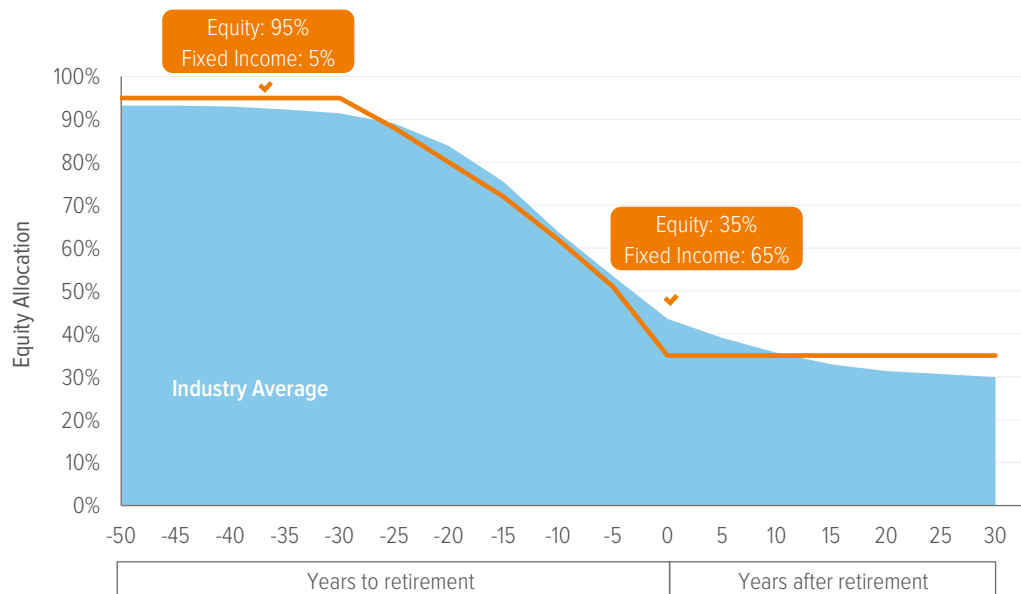
Sequence-of-returns risk peaks in the years just before and at retirement, when balances are largest and time to recover is shortest.

A “through retirement” TDF continues de-risking past the target date; an approach that leaves participants to manage the income transition largely on their own.

A “to retirement” fund takes a more deliberate path: it reaches its most conservative allocation at the target date and hands off to a dedicated retirement income vintage, giving participants a clearer structure for what comes next. For plans that have built a retirement income solution into the plan, that handoff is where the design choice has the most consequence.

Exhibit 5: Know what your TDF suite is designed to do

Sample glide paths: Voya TDFs vs industry average



As of 03/31/26. Source: Voya IM. This chart is for illustrative purposes only and may not reflect the current allocations of the Voya Target Date Funds. This illustration is intended to show how the Voya Target Date Funds transition over time. Average includes all mutual fund and VP target date suites in Morningstar. Equity allocations based on Years to Target (YTT) Stock glidepath data in Morningstar Direct. This data may differ from Morningstar analyst reports, which combine Stock and Other. In select cases where the Manager has indicated in their prospectus that specialty or other asset classes are considered part of their Equity glide path (e.g. Real Estate and/or Commodities), we have done our best to add those allocations to the Stock YTT glide path data. Voya’s Target Date suite may periodically deviate from the Target Allocation, generally within the range of +/- 10% relative to the current Target Allocation.

3. Core investment menu: Expand the options

DC plans typically offer more diversity on the equity side than they do in fixed income.

For participants who move away from TDFs as they near retirement (either by choice or because they were never in one), the fixed income menu often offers a narrow set of core bond funds. That leaves them to piece together income, duration, and risk on their own.

Adding stable value or fixed income strategies beyond core investment-grade can help older participants avoid equity concentration their time horizon doesn’t support.

High-dividend equity and managed volatility strategies extend that logic into the years just before and after retirement, when sequence-of-returns risk does the most damage.

4. Retirement income: Consider ways to help participants prevent savings depletion

When asked about decumulation priorities, plan sponsors consistently name three: a guaranteed monthly payment floor if account balances run out; the ability to build a comprehensive income plan; and flexible withdrawals.²

The problem is that few plans actually deliver on all of these. Outside of access to a defined benefit plan—a legacy benefit rather than a new solution—guaranteed income options are in place at fewer than one in ten DC plans. TDF-integrated options show some movement in the “actively considering” column, but the dominant response across every category remains not considering.

The gap between what sponsors say they want and what their plans actually offer is widest here.

Closing that gap doesn’t require a plan overhaul. For most sponsors, the logical starting point is an honest inventory: which distribution methods exist, which ones participants are actually using, and whether the way those options are explained gives participants enough to make a decision—or just gives them a list.

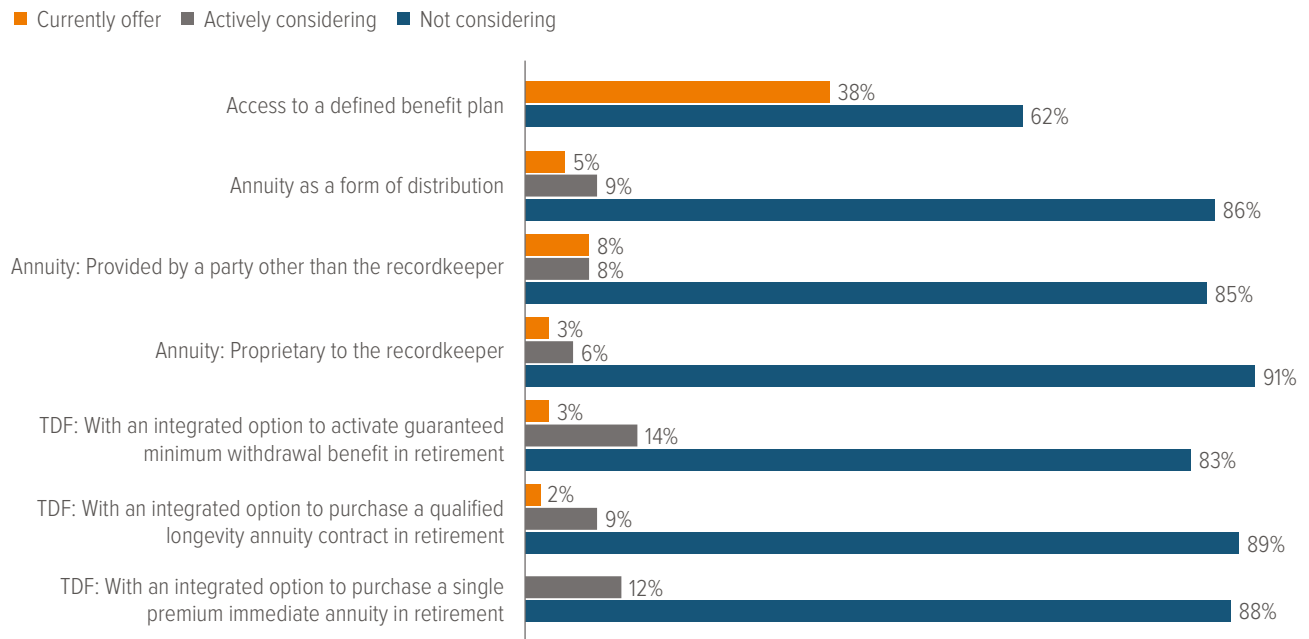
5. The DC specialist’s role in the retirement tier

The plan’s DC specialist has considerable influence on what a participant does at retirement. When advised participants roll assets to an IRA, the single largest driver is their advisor’s recommendation. Forty-one percent of participants cite it as the reason for the rollover, ahead of investment options, flexibility, or convenience.³ A well-designed retirement tier (with a coherent glide path, appropriate income options, and a clear withdrawal path) gives the DC specialist a substantive case for keeping assets in the plan. Without it, the conversation tends to resolve toward whatever feels most familiar, which is often an IRA rollover.

The DC specialist who understands what participants actually want is better positioned to have that conversation. Fifty-two percent of participants say they’re looking for a solution that protects their savings while generating enough income to live on.⁴ Whether the plan answers that preference depends almost entirely on how the retirement tier is designed. That’s where the DC specialist’s relationship with the sponsor matters as much as their relationship with the participant.

Exhibit 6: Guaranteed income options remain out of reach for most participants

Guaranteed retirement income solutions offered*



Source: Callan Associates, 2026 Defined Contribution Trends Survey. *Percentages among those with a solution in place. Multiple responses allowed.

²Source: Cerulli Associates, U.S. Retirement Markets 2025.

^{3,4}Cerulli Associates, U.S. Retirement End-Investor 2025.

Next steps for sponsors and DC specialists

Sponsors

- Decide what the plan's goals are with respect to retiree accounts.

- Start with the participant population: how are older participants and retirees invested, are they keeping assets in the plan after retirement, and when do withdrawals begin?

- Understand which components of a retirement tier are already offered, including current investment options and distribution methods available to retired and separated participants.

- Educate older participants on the benefits of investing in the target-date series appropriate for their timeline, including any retirement income vintage the suite includes.

- Expand the core investment menu beyond core plus bonds and stable value, considering high-dividend or managed volatility equity strategies that can help older participants manage risk and return simultaneously.

- Consider products or plan design modifications that address retirement income in a way that offers participants a clear path, not just a list of options.

For DC specialists specifically

- Review the retirement tier components in each plan you advise. Use it as a conversation starter with the sponsor, not a compliance checkbox.

- Identify which participants in your book are within five to ten years of retirement and don't hold an age-appropriate TDF. That gap is where the retirement tier conversation begins.

- Make the retirement tier part of your annual plan review. If the distribution options, glide path, and income menu aren't on the agenda, they're probably not being addressed anywhere.

- Know what the plan offers before the participant asks. A DC specialist who can walk a near-retiree through their in-plan options is a specialist who gives them a reason to stay.

- The retirement income conversation belongs in your DC practice. Passing it to a wealth management colleague leaves a gap the data suggest participants are asking you to fill.

A note about risk

There is no guarantee that any investment option will achieve its stated objective. Principal value fluctuates and there is no guarantee of value at any time, including the target date. The “target date” is the approximate date when an investor plans to start withdrawing their money. When their target date is reached, they may have more or less than the original amount invested. Stocks are more volatile than bonds, and portfolios with a higher concentration of stocks are more likely to experience greater fluctuations in value than portfolios with a higher concentration in bonds. Foreign stocks and small- and mid-cap stocks may be more volatile than large-cap stocks. Investing in bonds also, entails credit risk and interest rate risk. Generally, investors with longer timeframes can consider assuming more risk in their investment portfolio. Guarantees are based on the claims-paying ability of the insuring company.

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