

Transamerica Survey Addresses Impact of Educational Attainment on Worker Retirement Outlook

Transamerica Center for Retirement Studies' Research Highlights Policy Recommendations for Improving Retirement Security and Confidence Among Underserved Members of the Workforce

LOS ANGELES – December 16, 2010 – A study by the non-profit Transamerica Center for Retirement Studies® (“The Center”) addresses the significant differences in American workers’ retirement preparedness based on their level of education. The 11th Annual Transamerica Retirement Survey, conducted among nearly 3,600 American workers, found that the levels of educational attainment among American workers are strongly correlated to their retirement confidence, as well as their ability to save and plan for retirement. The study also makes recommendations for outreach initiatives and public policy, including promoting available tax incentives, improving financial and retirement literacy, and expanding retirement plan coverage, to help improve retirement security among all workers.

Level of educational attainment plays a significant role in Americans’ ability to participate in the workforce.¹ However, once employed, workers with lower levels of education are still often at a disadvantage as it relates to their ability to save and plan for retirement. To start, just 60 percent of workers who only have a high school diploma report being offered a 401(k) or similar plan by their employer, compared to 71 percent of workers with some college education, 78 percent of workers with a college degree and 83 percent with post graduate education. Of workers who do have access to a plan, those with only a high school education have a lower participation rate (63 percent) than those with some form of higher education (77 percent with some college, 84 percent with a college degree, and 87 percent with at least some post graduate education). Those with only a high school education also contribute a smaller percentage of their pay (5 percent median) compared to those with a college degree (8 percent median).

Workers with lower levels of educational attainment are also significantly less confident in their ability to fully retire with a comfortable lifestyle. Just 40 percent of high school graduates without any college education are confident in their ability to retire, compared to 53 percent of college graduates and 64 percent who have pursued a post graduate education. While most workers agree that they could work until age 65 and not save enough to meet their retirement needs, three-quarters of high school graduates with no college education agree with this sentiment compared to just over 60 percent of college graduates. Additionally, nearly half of high school graduates without any college education (48 percent) plan to work past age 70 or not retire at all.

“Regardless of what stage a worker is in as an investor or saver, there are basic tools and principles that can benefit everyone as they prepare for retirement,” said Catherine Collinson, president of the Transamerica Center for Retirement Studies. “While workers with higher education levels tend to have natural advantages, such as higher salaries, nothing can replace the advantages gained by factoring in retirement benefits when considering job opportunities, getting educated on investing fundamentals, setting a retirement savings goal, and developing a strategy to reach that goal.”

Preparing for Retirement

When American workers reach their retirement date, more than half with a college degree expect their 401(k), 403(b), and IRAs to be their primary source of income in retirement – compared to over one-third of workers with only a high school diploma who expect to rely on Social Security.

Most workers, regardless of education, agree that they do not know as much as they should about retirement investing, however this sentiment is more prominent among those with lower levels of education. Furthermore, just 13 percent of those with only a high school education say they know “quite a bit” or “a great deal” about asset allocation principles, compared to 20 percent with some college, 31 percent with college degrees and 50 percent of those who have pursued a post graduate education. Additionally, when estimating retirement savings needs, workers with only a high school education are significantly more likely (61 percent) to have “guessed” compared to those with college degrees (47 percent) and those who have pursued a post graduate education (31 percent).

Workers’ educational attainment is also highly correlated with their reliance on available sources of information for retirement planning and investing. Most notably, nearly one-third of those with only a high school diploma cite that they do not rely on any source—the most common response among that demographic. By comparison, those with a college degree more frequently rely on a wider range of available resources like financial web sites (42 percent), financial planners or brokers (33 percent) and newspapers and magazines (27 percent).

Recommendations

While workers with only a high school education are more likely to admit being disinterested in learning more about saving and investing for retirement, the majority of this subset does, by and large, value retirement plans and offered insights into ways that they can become more engaged. For instance, many (43 percent) indicated larger tax breaks and incentives for saving would motivate them to learn more about saving and investing for retirement. Additionally, 35 percent want educational materials that are easier to understand and 33 percent want a good starting point that is easy to understand.

Retirement plan providers and the media can help improve the retirement outlook for every worker, especially those with only some or no college education, by creating targeted campaigns to boost basic financial literacy skills and awareness about the need to save for retirement. Additionally, plan providers can meet workers’ varied educational needs by offering programs with several instruction categories ranging in sophistication that workers can choose from based on their level of financial and retirement literacy. Lastly, the data highlights an important opportunity to introduce financial literacy and specifically, retirement literacy, as part of a high school education.

The 11th Annual Transamerica Retirement Survey also highlights important opportunities for policymakers to help all workers improve their retirement outlook, including:

- Promote available tax incentives to increase awareness, including the **Saver’s Credit** and **Catch-Up Contributions**
- Pursue regulatory reform and new legislation to expand retirement plan coverage, especially among lower paid, less educated workers
- Incorporate financial literacy education, including retirement planning, into junior high and high school curriculums

For the full survey results and for resources about retirement planning, visit www.transamericainstitute.org.

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About Transamerica Center for Retirement Studies®

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About the 11th Annual Retirement Survey

This survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies between December 3, 2009 and January 18, 2010 among 3,598 full-time and part-time workers. Potential respondents were targeted based on job title and full-time and part-time status. Respondents met the following criteria: All U.S. residents, age 18 or older, full-time workers or part-time workers in for profit companies, and employer size of 10 or more. Results were weighted as needed for the number of employees at companies in each employee size range. No estimates of theoretical sampling error can be calculated; a full methodology is available. For the purposes of the survey report, *Educational Matters: The Impact of Educational Attainment on Worker Retirement Outlook*, the sample population is focused on workers age 25 and older.

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¹ According to the U.S. Bureau of Labor Statistics, workers with higher levels of educational attainment earn more and are less likely to be unemployed; the unemployment rate for those with only a high school diploma was 9.7 percent in 2009 compared to 5.2 percent who held bachelor's degree compared to 3.9 percent with a master's degree. Additionally, median weekly earnings in 2009 ranged from \$626 those with only a high school diploma compared to \$1,025 for those with a bachelor's degree and \$1,257 for those with a master's degree.