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Future-Proofing the U.S. Retirement System Requires Addressing Demographic Disparities
New report examines demographic influences and vulnerable populations in the U.S. workforce

LOS ANGELES – December 16, 2022 – Almost half of U.S. workers (49 percent) expect their primary source of retirement income to come from self-funded savings such as 401(k)s, 403(b)s, IRAs, and other savings and investments. However, the total household retirement savings among workers is only $67,000 (estimated median), according to ***Emerging From the COVID-19 Pandemic: A Compendium About U.S. Workers' Retirement Outlook*** ("Compendium"), a comprehensive study released today by nonprofit Transamerica Center for Retirement Studies® (TCRS) in collaboration with Transamerica Institute®.

"Amid concerns about Social Security, the disappearance of traditional defined benefit pensions, and intensifying expectations that workers self-fund a greater portion of their retirement income, many workers are inadequately saving and are at risk of not achieving a financially secure retirement," said Catherine Collinson, CEO and president of Transamerica Institute and TCRS. "Enhancing retirement security involves addressing demographic disparities, removing structural barriers, and future-proofing the system so everyone can retire with dignity."

As part of TCRS' *22nd Annual Retirement Survey of Workers,* the Compendium is based on a survey of employed workers at for-profit companies conducted in late 2021. It offers more than 35 key retirement indicators by household income, employment status (full-time, part-time), level of educational attainment, urbanicity, caregiver status, LGBTQ+ status, and race/ethnicity.

Lower-Income Workers Have Less Ability to Save for Retirement

"Lower-income workers have less money and fewer opportunities to save for retirement in the workplace," said Collinson. Sixty-seven percent of workers with a household income (HHI) of less than $50,000 feel they do not have enough income to save for retirement.

Only 60 percent of workers with an HHI of less than $50,000 are offered a 401(k) or similar plan by their employer, and 58 percent of them participate. In comparison, 74 percent of workers with an HHI of $50,000 to $99,999 are offered a plan, and 76 percent participate, while 78 percent of workers with an HHI of $100,000+ are offered a plan, and 85 percent participate.

Retirement savings increase dramatically with household income. Workers with an HHI of less than $50,000 have saved just $3,000 in total household retirement accounts while workers with an HHI of $50,000 to $99,000 have saved $42,000, and those with an HHI of $100,000+ have saved $172,000 (estimated medians).

Forty-eight percent of workers with an HHI of less than $50,000 expect to retire at age 70 or older or do not plan to retire. Thirty-five percent expect Social Security to be their primary source of retirement income.

The Saver's Credit is a tax credit to incentivize savings among low- to moderate-income workers who save for retirement in a 401(k) or similar plan or IRA. Unfortunately, fewer than half of workers who may meet the income eligibility requirements are aware of it.

Part-Time Workers Have Less Access to Employer-Sponsored Retirement Benefits

"With lower pay and less access to employer-sponsored benefits, part-time workers are at a disadvantage in saving for retirement, compared with full-time workers," said Collinson. Only 19 percent of part-time workers "strongly" agree they are building a large enough retirement nest egg.

Slightly more than half of part-time workers (51 percent) are offered a 401(k) or similar plan by their employer, and 59 percent of them participate. In comparison, 77 percent of full-time workers are offered a plan, and 80 percent of them participate.

Part-time workers have saved just $29,000 in total household retirement accounts, while full-time workers have saved $74,000 (estimated medians).

Forty-eight percent of part-time workers expect to retire at age 70 or older or do not plan to retire. Twenty-nine percent expect Social Security to be their primary source of retirement income.

Educational Attainment Inspires Retirement Confidence

"Educational attainment brings career opportunities, higher pay, and better employer benefits which translate to improved retirement confidence," said Collinson. Among those age 25 and older, workers with a college degree are twice as likely as those without a degree to be "very" confident in their ability to fully retire with a comfortable lifestyle (35 percent, 17 percent, respectively).

Eighty-two percent of workers with a college degree are offered a 401(k) or similar plan by their employer, and 87 percent of them participate. In comparison, only 67 percent of workers without a college degree are offered a plan, and just 74 percent participate.

Workers without a college degree have saved $32,000 in total household retirement accounts, which is dramatically less than the $170,000 saved by workers with a college degree (estimated medians).

Forty-two percent of workers without a college degree expect to retire at age 70 or older or do not plan to retire. Thirty-two percent expect Social Security to be their primary source of retirement income.

Rural Workers Are Getting Left Behind

"In recent decades, economic activity in the U.S. has become increasingly concentrated in urban and suburban areas. As a result, rural workers are getting left behind regarding employment opportunities and retirement preparations," said Collinson.

Rural workers have lower household incomes than suburban and urban workers ($65,000, $88,000, $90,000, respectively) (estimated medians).

Only 66 percent of rural workers are offered a 401(k) or similar plan by their employer, and 72 percent of them participate. In comparison, 74 percent of both urban and suburban workers are offered a plan, and approximately eight in 10 participate (77 percent, 80 percent, respectively).

Rural workers have saved $33,000 in total household retirement accounts, while urban workers have saved $67,000 and suburban workers have saved $82,000 (estimated medians).

Forty-five percent of rural workers expect to retire at age 70 or older or do not plan to retire. Thirty percent expect Social Security to be their primary source of retirement income.

Caregiving Is a Potential Threat to Retirement Security

"With the skyrocketing costs of long-term care services and supports, many workers will be called upon to be an unpaid caregiver for an aging parent or loved one. This labor of love often involves trade-offs in a worker's employment and financial situation which could compromise their future retirement," said Collinson.

Almost four in 10 workers (38 percent) currently serve as caregivers or have been a caregiver in the past. In doing so, 85 percent have made one or more adjustments to their employment situation, ranging from missing days of work and reducing hours to foregoing a promotion or quitting a job.

Caregiving workers, including current and past caregivers, are more likely than non-caregivers (i.e., those who have never served as a caregiver) to have experienced one or more negative impacts to their employment during the pandemic (50 percent, 30 percent, respectively). Caregiving workers are also more likely to indicate their financial situation has worsened as a result of the pandemic (28 percent, 19 percent).

Despite their challenges, caregiving workers are faring slightly better than non-caregivers in retirement savings. Seventy-eight percent of caregivers are offered a 401(k) or similar plan by their employer, and 82 percent of them participate. Only 70 percent of non-caregivers are offered a plan, and 74 percent participate.

Caregiving workers have saved $70,000 in total household retirement accounts while non-caregivers have saved $64,000 (estimated medians).

A Potentially Brighter Retirement Future for LGBTQ+ Workers

"Historically, the LGBTQ+ community has been a demographic segment more likely to retire in poverty. However, in recent decades, the LGBTQ+ community has made great progress with the enactment of legal protections and recognition of rights. Importantly, the legalization of same-sex marriage makes same-sex spouses eligible for government and employer-sponsored retirement benefits," said Collinson. "Today's LGBTQ+ workers have a brighter retirement future."

Many LGBTQ+ workers are early in their careers and getting started with retirement savings. Survey respondents self-identifying as LGBTQ+ workers are younger than non-LGBTQ+ workers (age 32, age 41, respectively) (medians). Twenty-five percent of LGBTQ+ workers are between ages 18 and 24, compared with nine percent of non-LGBTQ+ workers.

Sixty-seven percent of LGBTQ+ workers are offered a 401(k) or similar plan by their employer, and 77 percent of them participate. Seventy-three percent of non-LGBTQ+ workers are offered a plan, and 78 percent participate.

LGBTQ+ workers have saved $31,000 in total household retirement accounts, while non-LGBTQ+ workers have saved $70,000 (estimated medians).

Forty-four percent of LGBTQ+ workers expect to retire at age 70 or older or do not plan to retire.

Influences of Race and Ethnicity on Retirement Savings

"Our societal focus on diversity, equity, and inclusion has solidified the imperative for bridging racial inequalities," said Collinson. "The survey findings reflect the dynamic nature of the workforce, highlight retirement-related similarities and differences, and surface questions for further research."

The workforce is becoming more diverse, especially among younger generations, a trend that is reflected in workers' ages across race and ethnicity. Among the survey respondents, white workers are older than Asian American/Pacific Islander (AAPI), Black/African American, and Hispanic workers (age 44, age 40, age 34, age 34, respectively) (medians).

Contextually, a worker's age and household income are major contributing factors to their retirement savings. AAPI workers report the highest household income at $100,000, followed by White ($92,000), Hispanic ($70,000), and Black workers ($59,000) (estimated medians).

Black workers are more likely than AAPI, Hispanic, and White workers to be offered a 401(k) or similar plan by their employer (80 percent, 76 percent, 73 percent, 71 percent, respectively). However, among those offered a plan, Black workers are less likely than other races/ethnicities to participate in the plan (65 percent, 78 percent, 79 percent, 80 percent).

AAPI workers have saved the most in total household retirement accounts, followed by White, Hispanic, and Black workers ($105,000, $86,000, $45,000 $34,000, respectively) (estimated medians).

"Strengthening the U.S. retirement system requires expanding retirement plan coverage, making it affordable for employers to offer benefits and easy for workers to save in the workplace, and ensuring workers of all ages have meaningful employment, income, and incentives to save. It also requires implementing reforms to address Social Security's funding shortfalls and strengthening safety nets," said Collinson. "Success can be best achieved by a collaboration among policymakers, industry, academics, nonprofits, employers, and individuals. Every stakeholder plays a vital role in transforming the future."

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About the 22nd Annual Transamerica Retirement Survey
The analysis contained in *Emerging From the COVID-19 Pandemic:* ***A Compendium About U.S. Workers' Retirement Outlook*** was prepared by the research teams at Transamerica Institute, TCRS, and The Harris Poll. The 28-minute online survey was conducted within the U.S. by The Harris Poll on behalf of Transamerica Institute and TCRS between October 28 and December 10, 2021 among a nationally representative sample of 5,493 workers in a for-profit company employing one or more employees. Results were weighted where necessary to align with the population of U.S. residents, referencing Census data for education, age by gender, race/ethnicity, region, household income, education, employment, marital status, and size of household. Weighting also adjusts for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who respond to surveys versus those who do not.

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