



Baby Boomers Are Revolutionizing Retirement: Are Their Employers Ready, Willing and Able to Accommodate?

A White Paper by **Catherine Collinson**

TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

March 2015

BABY BOOMERS

—● PIONEERS OF A NEW PARADIGM

ONLY
14%

have a written strategy
FOR RETIREMENT.

4 OUT OF TEN
BELIEVE
that the Great Recession
has **not yet** ended.

52%

plan to continue working
AFTER THEY RETIRE
and most for reasons of
INCOME,
health benefits.

26%

have a backup plan
for retirement income if unable
to work prior to their planned
RETIREMENT.

36%

expect
Social Security
to their primary source of
income when they retire.

65%
plan to work past
AGE 65
or **DO NOT PLAN** to retire.

41%

are proactively keeping
their skills up-to-date so
they can continue working
PAST 65
or in retirement if needed.



Baby Boomers Are Revolutionizing Retirement

Baby Boomers were born to be wild and their retirement promises to be even wilder. They are forging a new model of retirement that is a radical departure from that of previous generations. In doing so, Baby Boomers are overturning long-standing assumptions about retiring at age 65, calling for dramatic changes in current employment practices, and proving that retirement and working are not mutually exclusive.

Baby Boomers' expected sources of retirement income reflect a shift from the old system (i.e., defined benefit) to the new (i.e., 401(k)). However, they didn't get the full benefit of 401(k)s because many Baby Boomers were already well into their 40s before 401(k)s were implemented. Due to savings shortfalls, many Baby Boomers expect Social Security to be their primary form of income when they retire.

They are the first generation to envision a phased retirement of working longer, retiring later, and even working part-time in retirement – versus the old school “gold watch” retirement.

They are demonstrating that enjoying retirement activities and still working are not mutually exclusive.

As much as Baby Boomers share that vision, they haven't taken proactive steps to achieve it and their vision is also out of sync with current employment practices.

Baby Boomers will be the architects of making this new paradigm a reality for generations to follow.

Based on findings from the 15th Annual Transamerica Retirement Survey, this white paper examines the retirement vision among Baby Boomer workers (born between 1946 and 1964) and the level of involvement among employers to facilitate their transition into retirement.

Catherine Collinson

President, Transamerica Institute & Transamerica Center for Retirement Studies

Are Employers Ready, Willing and Able to Accommodate Baby Boomers' Vision of Retirement?

Sixty-five percent of Baby Boomer workers plan to work past age 65 or do not plan to retire. Slightly more than half (52 percent) plan to continue working after they retire. Given widespread savings shortfalls, it is not surprising that 62 percent of the Baby Boomer workers who plan to work in retirement and/or past age 65 indicate that their main reason is income or health benefits. What is surprising is that 34 percent plan to work for enjoyment, including 18 percent who want to stay involved and 16 percent who enjoy what they do.

Our research found that employers are generally supportive of their employees working past age 65 and delaying retirement and, in fact, are much more supportive than Baby Boomer workers believe to be the case.

Eighty-eight percent of employers agree that they are supportive of their employees working past age 65 and delaying retirement, including 49 percent that “strongly agree” and 39 percent that “somewhat agree.” In contrast, Baby Boomer workers are less likely to believe that their employers are supportive: Only 73 percent agree that their employers are supportive with only 25 percent who “strongly agree” and 48 percent who “somewhat agree.”

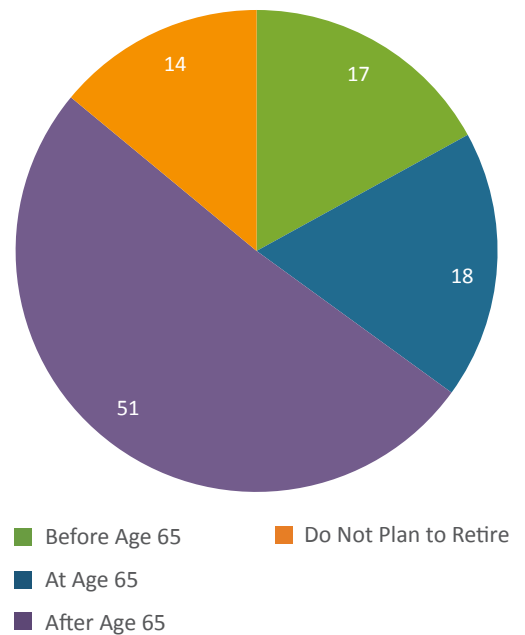
For most Baby Boomers, retirement is no longer seen as a point in time at which one immediately stops working. It is now a phased transition which may involve shifting from full-time to part-time work, taking on a position which is more satisfying and/or less demanding, or pursuing an encore career. Few Baby Boomers expect to immediately stop working when they retire. This vision of a flexible, phased transition into retirement cannot be accomplished without employers having programs and employment practices in place to facilitate it.

The survey found a deep disconnect between Baby Boomer workers' expectations and employers' retirement realities: Only 48 percent of employers have practices in place enabling workers to shift from full-time to part-time and even fewer (37 percent) allow taking on new positions that are less stressful or demanding. Moreover, this disconnect is amplified by even fewer Baby Boomer workers believing that their employers have such practices in place: Only 21 percent believe their employers enable employees to shift from full-time to part-time, and only 12 percent say their employers enable employees to take positions which are less stressful or demanding.

Fears are common in today's society about potential age discrimination, given that so many workers are planning to work past age 65 and delay retirement. Our survey asked employers about their supportiveness of workers' delaying retirement and their perceptions of workers who are age 50 and older – and yielded very encouraging responses.

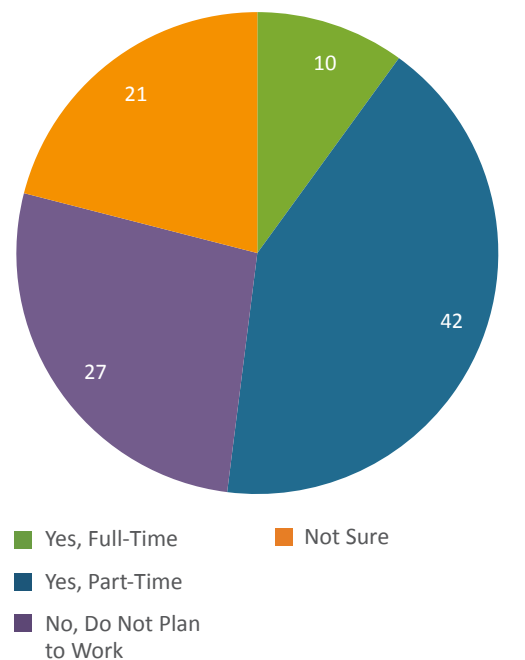
At what age do you expect to retire? (%)

NET – After Age 65 or Do Not Plan to Retire: 65%



Do you plan to work after you retire? (%)

NET – Plan to Work: 52%



The survey found that the vast majority of employers share positive perceptions of their workers age 50 and older:

- Eighty-seven percent say that their older workers are “a valuable resource for training and mentoring,”
- Eighty-six percent believe they are “an important source of institutional knowledge,” and
- Eighty-two percent indicate they bring “more knowledge, wisdom, and life experience.”

The survey also found that many employers feel that older workers have higher healthcare costs (57 percent), but only 28 percent cite higher disability costs. In terms of productivity, only four percent of employers believe that older workers are less productive than their younger counterparts.

Employers have a tremendous opportunity to engage pre-retirees in succession planning, training, and mentoring which can be beneficial from an overall workforce management perspective for both the employer and employees involved. However, our research found that only 35 percent of employers are tapping into this opportunity.

Seven Ways Employers Can Help Baby Boomers Successfully Transition to Retirement

Baby Boomers are creating a new model for retirement that ultimately depends on employers updating their business practices. Employers can also do much more to help their employees financially prepare for retirement while maximizing the value and effectiveness of their retirement benefits.

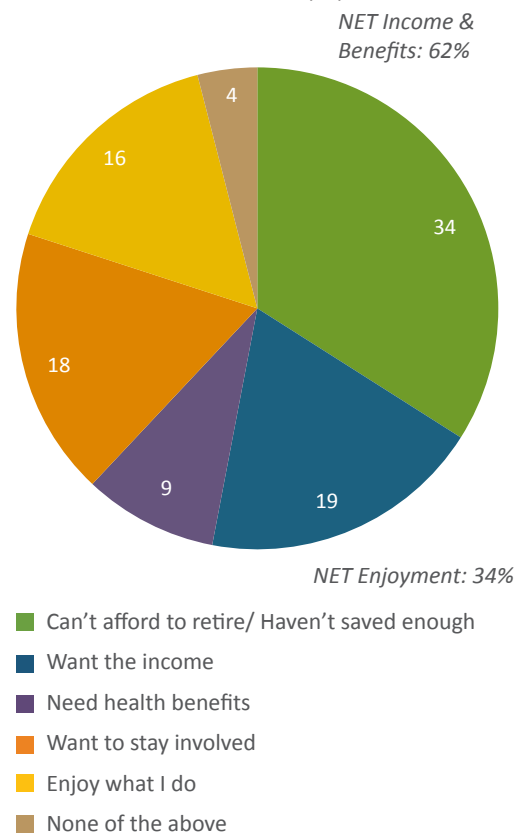
Seven ways employers can help Baby Boomers and future generations successfully prepare and transition into retirement include:

1. Facilitate a flexible and phased transition into retirement. Employers can do much more to accommodate older workers who want to transition into retirement – and by doing so, they can help optimize their own workforce management efforts, improve succession and continuity planning, provide employees with valuable training and mentoring, and enable pre-retirees greater flexibility to retire on their own terms.

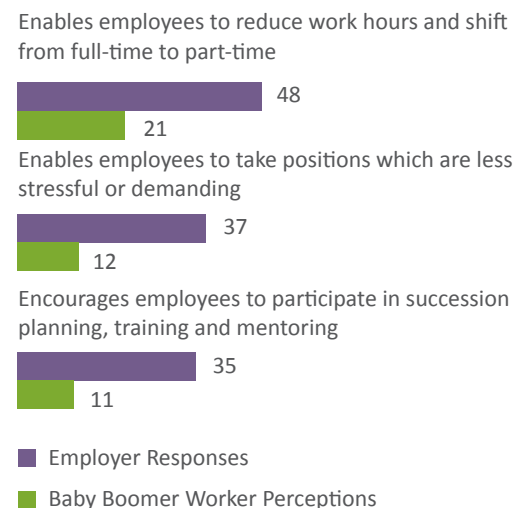
2. Assess effectiveness of retirement plan’s education offerings. Among employers that offer a 401(k) or similar plan to their employees, most provide retirement-planning educational offerings through their retirement plan provider(s). These resources range from online tools and calculators to professional investment advice, as well as informational seminars, meetings, webinars, and workshops. However, these tools are not found to be as useful among workers as plan sponsors may expect. For example, only 60 percent of Baby Boomers find the online tools and calculators to be helpful.

3. Offer assistance for workers’ financial transition to retirement. Pre-retirees face a myriad of complex financial decisions regarding when and how they financially transition into retirement. Plan sponsors of 401(k) or similar plans have a tremendous opportunity to work with their retirement plan advisors and providers to offer transition-oriented

Main Reason for Working Past Age 65 and/or After Retirement (%)



Which of the following, if any, does your employer/company have in place to help employees who are transitioning into retirement? (%)



resources and tools. The majority of plan sponsors provide planning materials and information about distribution options (i.e., a legal requirement); however, fewer than half offer financial counseling, pre-retirement seminars, or an annuity as a payout option as part of their plan. Plan sponsors can also assist by extending plan eligibility for part-time workers so Baby Boomers who are shifting from full-time to part-time have the opportunity to continue saving.

4. Provide education about Social Security and Medicare benefits.

A strong knowledge of government benefits is especially important for pre-retirees. Decisions about these benefits can have life-long impacts and it is important for pre-retirees to make educated choices. Only 17 percent of Baby Boomers say they know “a great deal” about Social Security and only 13 percent about Medicare benefits. Employers can help by offering information about these government benefits. Just 27 percent of employers currently provide information about Social Security and 29 percent about Medicare.

5. Offer workplace benefits that can help serve as a backup plan or “Plan B.” Most workers value health and welfare benefits that can help serve as an important financial safety net in the event of catastrophic circumstances, yet comparatively few employers offer them. For example, 82 percent of Baby Boomer workers value disability insurance but only 57 percent indicate that they are offered it through their employer – thereby leaving a gap of 25 percentage points. Similar gaps are found with long-term care, critical illness, and cancer insurance, all of which are valued by Baby Boomer workers but relatively few are offered to them.

6. Promote the Saver’s Credit and Catch-Up Contributions.

Employers can encourage their employees to save for retirement by promoting two meaningful tax incentives: the Saver’s Credit, a tax credit for low- to moderate-income workers who save for retirement in a qualified retirement plan or IRA; and Catch-Up Contributions, which allow workers age 50 and older to contribute to a qualified plan an additional amount over and above the plan- or IRA-contribution limit. Only 23 percent of Baby Boomer workers are aware of the Saver’s Credit and 64 percent are aware of Catch-Up Contributions.

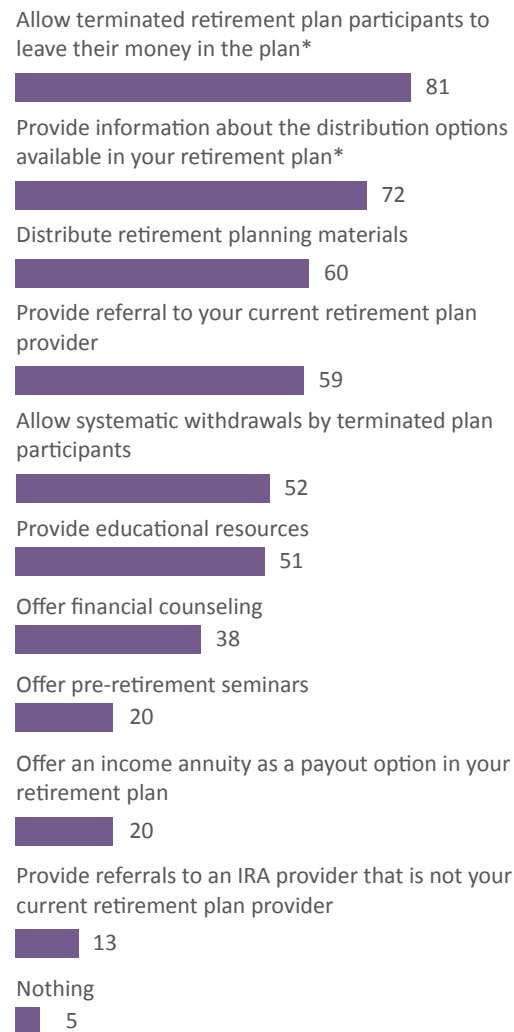
7. Foster an age-friendly work environment. With so many Baby Boomers planning to work past age 65 and potential anxieties about age discrimination, employers have an opportunity to foster an age-friendly work environment for their employees of all ages. One way employers can communicate their commitment to diversity, including age and other demographic factors, is to adopt a diversity and inclusion policy statement that they widely communicate with employees and other interested parties. About half (48 percent) of employers say they have adopted a diversity and inclusion policy statement.

Baby Boomers are once again breaking all the molds, challenging convention, and blazing a new trail for retirement that future generations will follow. While much depends on employers updating their business practices, Baby Boomers’ success also requires their own personal commitment and focus on saving, planning, and preparing for long-term financial security.

Please visit TCRS www.transamericacenter.org to view the full survey report and additional materials. Follow TCRS on Twitter @TCRStudies

Does your company do any of the following to help employees transition into retirement? (%)

Responses of employers that offer 401(k) or similar plans



**Note: While regulations concerning terminated participants may require that companies perform these actions, these statistics only reflect companies’ responses at the time of the survey.*

About the Author



Catherine Collinson serves as President of the Transamerica Center for Retirement Studies®, and is a retirement and market trends expert and champion for Americans who are at risk for not achieving a financially secure retirement. Catherine oversees all research and outreach initiatives, including the Annual Transamerica Retirement Survey.

With over 15 years of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small businesses, highlighting the need to raise awareness of the Saver's Credit among those who would benefit most from the important tax credit. Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: The Wall Street Journal, U.S. News & World Report, USA Today, Money, The New York Times, and The Huffington Post. Catherine speaks at major industry conferences each year, having appeared at events hosted by organizations including PSCA, LIMRA, SVIA, PLANSPONSOR and the OECD. She also authors articles published in leading industry journals, such as ASPPA, SPARK and PSCA.

Catherine also serves as President of the Transamerica Institute®. She is currently employed by Transamerica Retirement Solutions and serves as Senior Vice President of Strategic Planning. Since joining the organization in 1995, she has been instrumental in identifying and evaluating short- and long-term strategic growth initiatives, developing business plans and building infrastructure to support the company's high-growth strategy.

About Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies (TCRS) is a division of the Transamerica Institute, a nonprofit, private foundation. TCRS is dedicated to conducting research and educating the American public on trends, issues, and opportunities related to saving, planning for, and achieving financial security in retirement.

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About the 15th Annual Transamerica Retirement Survey

Employers. This telephone survey was conducted within the United States by Harris Poll on behalf of TCRS between July 31 and September 17, 2014 among a nationally representative sample of 751 employers including large (500+ employees) and small (10 - 499 employees) companies. Respondents met the following criteria: Business executives who employ 10+ employees across all locations and who make decisions about employee benefits at his/her company. Results were weighted as needed on employee size using weighting targets from Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range.

Workers. This online survey was conducted within the United States by Harris Poll on behalf of TCRS between February 21 and March 17, 2014 among 4,143 full-time and part-time workers, including 1,021 Millennials, 1,120 Generation X, 1,805 Baby Boomers, and 197 who were born prior to 1946. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: 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 to account for differences between the population available via the Internet versus by telephone, and to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. No estimates of theoretical sampling error can be calculated.

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