

Unlocking the Secrets of Retirement Readiness: Meet the Power Planners

Transamerica Center for Retirement Studies Finds Extraordinary Habits Among Everyday People

LOS ANGELES – June 27, 2013 – Today, nonprofit Transamerica Center for Retirement Studies® (“TCRS”) released its 14th Annual Retirement Survey of more than 3,650 full- and part-time workers, which found that retirement confidence is on the rise in 2013 amid signs of economic recovery. Fifty-five percent of workers are “somewhat” or “very confident” about retirement, representing an increase from 51 percent reported in 2012. This is still, however, four points below the 2007 confidence level of 59 percent.

Despite this increase in confidence, the recent years of what is often referred to as the Great Recession have impacted Americans’ retirement outlook. The majority of American workers (62 percent) said they are less confident about retirement since the recession began, and many Baby Boomers (43 percent) now expect to work longer and retire later.

“Retirement confidence is on the rise, but people are still not technically ready for retirement,” said Catherine Collinson, president, Transamerica Center for Retirement Studies. “Working longer and delaying full retirement is an excellent means of generating income and bridging a retirement savings shortfall, as well as an opportunity to stay active and involved. However, life’s unforeseen circumstances, such as health issues or a job loss, can derail the best of intentions. Retirement readiness requires having a retirement strategy as well as a backup plan if retirement happens sooner than expected.”

American workers’ views of retirement have changed dramatically from the long-held notions of fully retiring at age 65 with many years of leisure to follow. Retirement dreams of traveling, spending time with family and friends, and pursuing hobbies are still alive; however, most workers (57 percent) now plan on working past age 65 and most also plan to continue working (54 percent), at least part-time, in retirement. Most plan to continue working for financial reasons or healthcare benefits (66 percent), yet three in 10 plan to do so for enjoyment.

Who Is on the Road to Retirement Readiness? Meet the Everyday People Who Are Power Planners

“Initially we found that retirement un-readiness is pervasive across demographic segments of the workforce including household income, age range and gender. However, we also discovered a group of American workers who are on the road to retirement readiness, and are a beacon of inspiration for others to follow,” said Collinson. “We’re calling these Americans our ‘Power Planners.’”

Power Planners are ordinary Americans, not limited to the affluent, with the majority reporting an annual household income of less than \$100,000. They are adults of all ages, and they include men and women – although it should be noted that they are somewhat more likely to be men than women.

According to TCRS’ research, Power Planners appear in five different categories based on their retirement savings habits and preparations:

- Twenty-one percent of workers are **Future Early Retirees** – workers who plan to retire sooner than age 65.
- The **10 Percenters** are the 22 percent of workers who save 10 percent or more of their annual salary through company sponsored 401(k) or similar retirement plans.

- **Strategists** make up 12 percent of workers. Members of this group have a written retirement plan.
- Those who are identified as the **Knowledgeables**, 31 percent of workers, believe they know what they should about retirement investing.
- Nine percent of workers fall into the category of **Conversationalists**. These workers frequently discuss saving, investing and planning for retirement with family and friends.

Fifty-nine percent, a surprisingly high percentage, of all workers fall into one or more of the Power Planner categories. However, relatively few fall into two or more (26 percent) Power Planner categories. Even more surprising: less than one percent fall into all five Power Planner categories.

“Power Planners are everyday people. They are neighbors, friends, colleagues, and people next to us in line at the supermarket – not just people limited to the ranks of the ultra-affluent,” said Collinson. “What makes them exceptional is the time they take out of their daily activities to save and plan for retirement.”

Retirement confidence among Power Planners is higher than retirement confidence reported for all workers. While 55 percent of all workers are confident that they can fully retire with a comfortable lifestyle, the figure is significantly higher among Power Planners: 73 percent of Early Retirees, 81 percent of Strategists, 72 percent of 10 Percenters, 73 percent of Knowledgeables and 74 percent of Conversationalists report confidence in retiring comfortably.

Most of the Power Planners expect to retire at age 65 or sooner. By definition, Future Early Retirees (100 percent) expect to retire before age 65. The majority of Strategists (54 percent), 10 Percenters (54 percent), and Conversationalists (53 percent) expect to retire at age 65 or sooner. In contrast, only 43 percent of all workers plan to retire by age 65.

Even Power Planners plan to work after they retire, sharing similar expectations of all workers (54 percent). Such expectations are highest among Conversationalists (58 percent) and Strategists (56 percent). However, among those planning to work in retirement, more of the Power Planners plan to do so for enjoyment rather than necessity, a sentiment that is highest among Future Early Retirees (44 percent) compared to all workers (30 percent).

One of the ultimate measures of how the Power Planners compare to all workers is their level of household savings in all retirement accounts. Household retirement savings (median) is highest among 10 Percenters (\$161,000), which is more than triple that of all workers (\$53,000). Strategists (38 percent) and 10 Percenters (37 percent) were more than twice as likely as all workers (18 percent) to report household retirement savings of \$250,000 or more.

Unlocking the Secrets of Retirement Readiness

“Many secrets of retirement readiness may seem like common sense. Yet the survey findings illustrate that the Power Planners taking time to engage in these savings and planning activities can make a meaningful, positive impact on their retirement readiness, especially when comparing them to all workers,” said Collinson. “It should also be noted that when analyzing such comparisons, the survey found opportunities for improvement among all workers including the Power Planners.”

Some striking comparisons between Power Planners and all workers include:

- One hundred percent of 10 Percenters (by definition), 92 percent of Strategists, and 92 percent of Conversationalists participate in their employers’ 401(k) or similar retirement plan – compared to 78 percent of all workers.
- The 10 Percenters, Strategists, Future Early Retirees, and Conversationalists defer a median of 10

percent or more of their annual pay to their 401(k) or similar plan – compared to a 7 percent median among all workers.

- Eighty-six percent of Strategists and 79 percent of 10 Percenters are saving for retirement outside of work – compared to 61 percent of all workers.

One of the most important elements to attaining retirement readiness is having a well-defined written strategy about retirement income needs, costs and expenses, and risk factors. One hundred percent of Strategists (by definition) have a written strategy, followed by 40 percent of Conversationalists. In contrast, only 12 percent of all workers have a written strategy.

“Of workers having a retirement strategy, the survey found that many are still overlooking key factors that could impact their income and expenses such as investment returns, healthcare costs, inflation, taxes, long-term care, and a backup plan if retirement comes sooner than expected,” said Collinson. “This is an opportunity for improvement for all workers including the Power Planners for achieving retirement readiness.”

A key element of retirement readiness is the knowledge to make informed decisions. For example, asset allocation principles are an area of knowledge needed for retirement investing. However, only six percent of all workers know “a great deal” about this topic. Among the Power Planners, 23 percent of Conversationalists and 15 percent of Strategists reported knowing “a great deal” about asset allocation, which illustrates both higher levels of knowledge and an opportunity for improvement.

“Conversations can be a catalyst for retirement readiness. The Conversationalists, who by definition frequently discuss retirement, show high levels of engagement, knowledge, awareness and, ultimately, retirement readiness,” said Collinson. “Moreover, family discussions are essential for setting any expectations about retirement, particularly the need to provide or receive financial support.”

The survey found that just nine percent of all workers frequently discuss saving, investing, and planning for retirement with their family and friends.

Seven Steps Toward Becoming a Power Planner

TCRS’ research has found that American workers understand the need to plan for retirement, yet many simply need a good starting point for taking the proper steps to become retirement ready. The following are steps that all American workers can take to become retirement ready:

1. **Calculate retirement savings needs.** Factor in living expenses, healthcare needs, government benefits and long-term care.
2. **Develop a retirement strategy and write it down.** Envision future retirement, formulate a goal, and have a backup plan in case retirement comes early due to an unforeseen circumstance.
3. **Get educated about retirement investing.** Learn about Social Security and government benefits.
4. **Participate in employer-sponsored retirement plans, if available.** Take full advantage of matching employer contributions, and defer as much as possible.
5. **Consider retirement benefits as part of a total compensation.** Ask an employer for a plan if they don’t offer one.
6. **Take advantage of the Saver’s Credit.** Make catch-up contributions if available.
7. **Talk about retirement with family and close friends,** and seek the services of a professional advisor if needed.

“The Power Planners are a source of inspiration for all,” said Collinson. “Let’s get the conversation started and raise awareness that retirement readiness can be within reach by proactively planning and saving.”

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

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About Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies (“TCRS”) is a nonprofit, private foundation. TCRS is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties. For more information about TCRS, please refer to www.transamericainstitute.org.

About the 14th Annual Retirement Survey

This survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies between January 21 – February 21, 2013, among a nationally representative sample of 3,651 full-time and part-time workers. 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; a full methodology is available.

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