



Building Retirement Confidence Amidst Financial Challenges

9th Annual Transamerica Retirement Survey

February 28, 2008

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Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies® (“The Transamerica Center”) is a non-profit corporation dedicated to educating the American public on trends, issues, and opportunities related to saving and planning for retirement and achieving financial security in retirement.

The Transamerica Center’s research focuses on how to educate and effect positive changes among the American workforce in achieving greater levels of financial security in retirement. Its research emphasizes savings trends among American workers and segments within the workforce, trends of employer-sponsored retirement plans and their participating employees, and the implications of legislative and regulatory changes.

For more information about The Transamerica Center, please see www.transamericacenter.org

Survey Objectives

- For the past eight years, the Transamerica Center for Retirement Studies has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The research emphasizes employer-sponsored retirement plans, issues faced by small- to mid-sized companies and their employees, and the implications of legislative and regulatory changes.
- To this end, Harris Interactive was commissioned to conduct the 9th Annual Transamerica Retirement Survey. Where appropriate, questions were tracked and some new questions were added to investigate new topics of interest.

Methodology

The study was conducted in past years by telephone using a nationally representative random sample. The 2007 worker portion of the tracker has been transitioned to an online medium. In order to migrate the study from telephone to online, we conducted a parallel omnibus phone study with 10 key measures. The omnibus phone study was fielded October 18 - 22, 2007, and received 958 completed responses. The calibration method, back casting, was used to express the relationship between the current and historical data.

Data were weighted as follows:

- To account for differences between the population available via the Internet and the population accessed via telephone in previous years
- To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range

The unweighted online data was comparable to the aggregate omnibus phone study but the accuracy improved as each level of adjustment was added.

Methodology

2007

- An online survey was conducted among a nationally representative sample of 2,011 full-time workers using the Harris online panel, Harris Poll Online (HPOL). Potential respondents were targeted based on job title and full-time status. Respondents met the following criteria:
 - All U.S. residents, age 18 or older
 - Full-time workers in for-profit companies
 - Employer size of 10 or more
- 16 minute online interviews were conducted between October 11 and November 21, 2007.
- Results were weighted as needed for ensuring each quota group had a representative sample based on the number of employees at companies in each employee size range and an omnibus phone survey was utilized to adjust for respondents' propensity to be online versus the telephone as in the previous years' studies.

2006

- Harris Interactive conducted a telephone study among 1,402 American workers, using a nationally representative random sample meeting the following criteria:
 - Work full-time for pay at a company with at least 10 employees
 - 18 or older
 - Excluding government workers and not-for-profit organizations
- 20 minute telephone interview.
- Interviews were conducted between July 27 and October 7, 2006.
- Data were weighted to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.
- Margin of error at the 95% confidence level is +/- 2.6%.

2005

- Zogby International conducted a national telephone survey of 1,387 employed adults. Samples are randomly drawn from telephone CDs of national listed sample.
- Zogby International surveys employ sampling strategies in which selection probabilities are proportional to population size within area codes and exchanges.
- As many as six calls are made to reach a sampled phone number. Cooperation rates are calculated using one of the American Association for Public Opinion Research's (AAPOR) approved methodologies and are comparable to other professional public-opinion surveys conducted using similar sampling strategies.
- Weighting by *age, race, and gender* is used to adjust for non-response.
- Margin of error is +/- 2.7 percentage points. Margins of error are higher in sub-groups.



Building Retirement Confidence Amidst Financial Challenges

Overall Findings: Building Retirement Confidence

- **American workers' confidence in their ability to retire comfortably has been shaken**
 - Workers are less confident in their ability to retire comfortably
 - They are more likely to feel they can work until age 65 and still not have enough money saved for retirement
 - Generally, workers agree they are not building a large enough retirement nest egg
- **What has led to the drop in confidence?**
 - More workers feel they have too much debt to pay off
 - Workers continue to feel financially stretched
 - Workers are taking loans out of their retirement plans at a higher rate

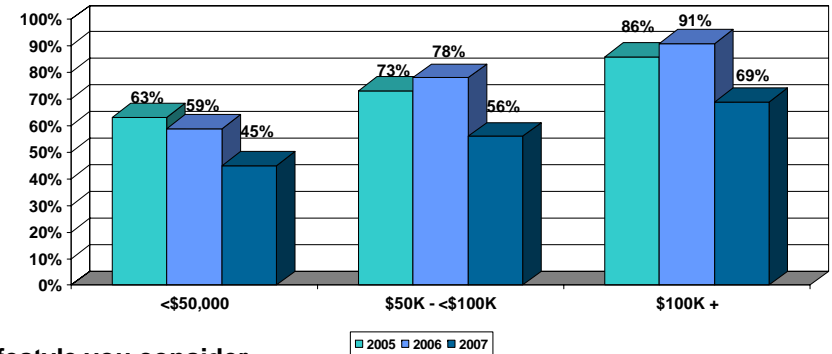
Overall Findings: Building Retirement Confidence

- **How are workers managing these new challenges?**
 - Participation and contribution rates remain stable, and have even increased in some cases
 - Overall satisfaction with company-sponsored retirement plans remains high
 - Workers continue to save for retirement outside of work
- **How can workers take greater control of achieving a financially secure retirement?**
 - Get educated about retirement savings and investing
 - Take time to estimate and plan retirement savings needs
 - When considering how much money they will need to have saved by the time they retire to feel financial secure, 47% of workers guessed
 - Consider hiring a financial adviser
 - Only 31 percent of workers use a financial adviser to help manage their retirement savings and investments

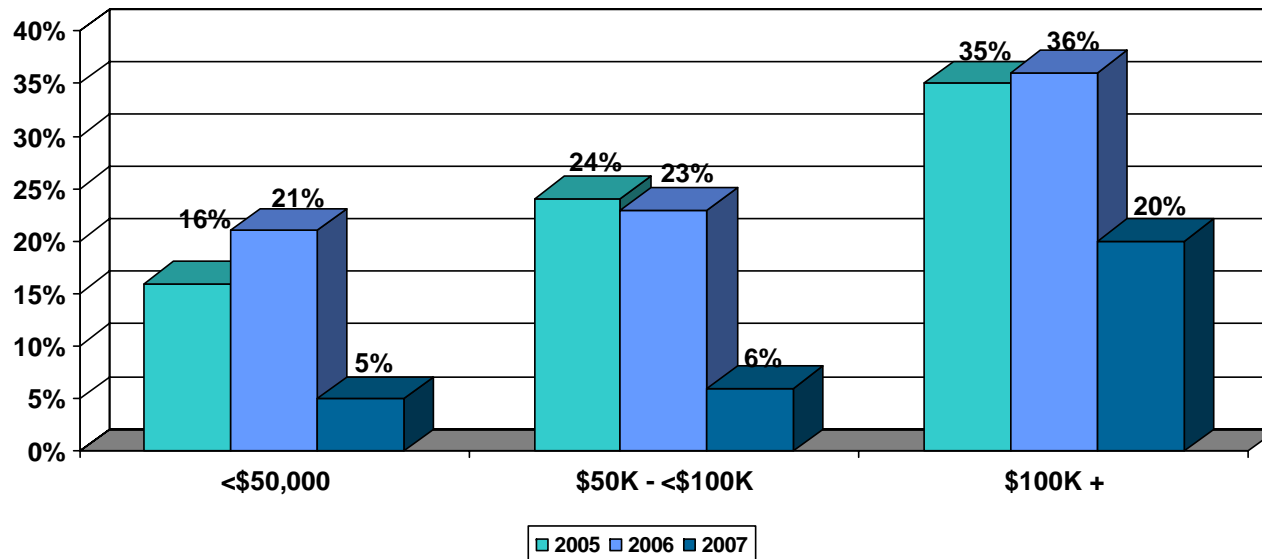
Drop in Confidence

Retirement confidence dropped significantly across all household income groups.

Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable? (% Confident)



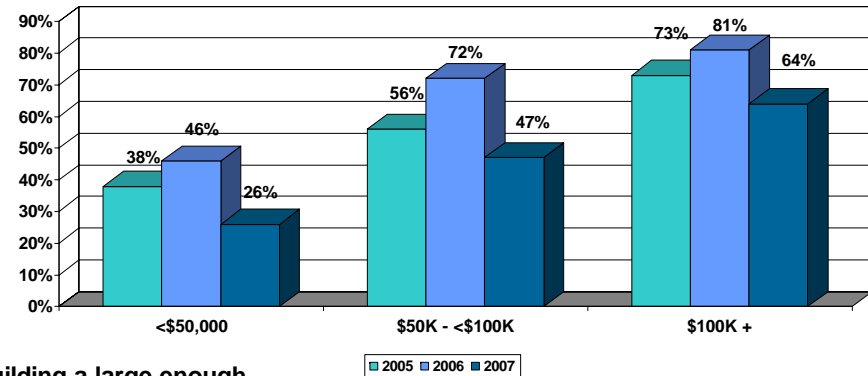
Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable? (% Very Confident)



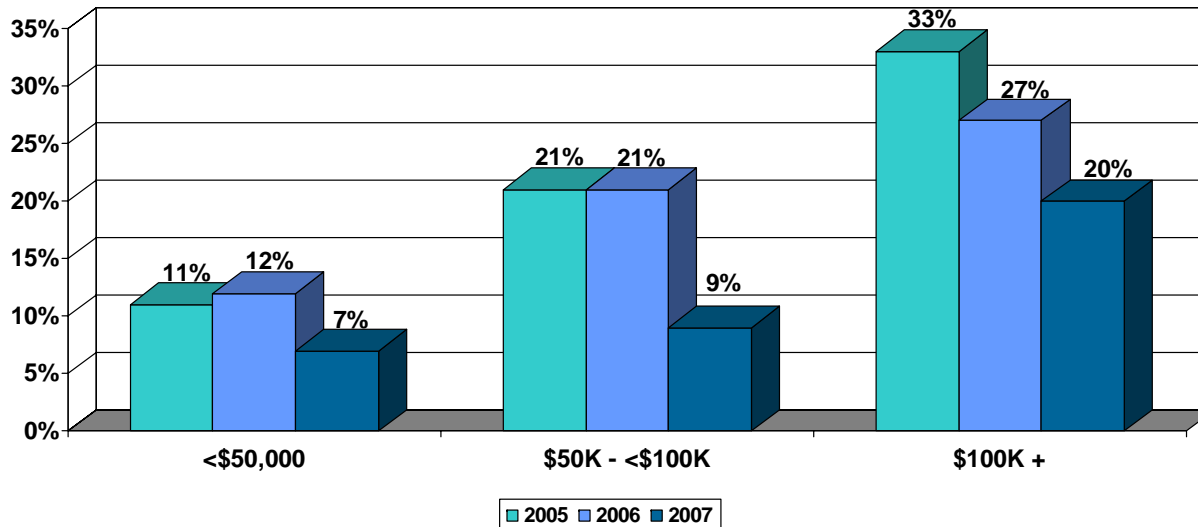
Building A Large Enough Nest Egg?

There were sharp decreases across all income groups in the percentage of workers who “strongly agree” that they are building a large enough retirement nest egg.

Q800. How much do you agree or disagree that you are currently building a large enough retirement nest egg? (% Agree)



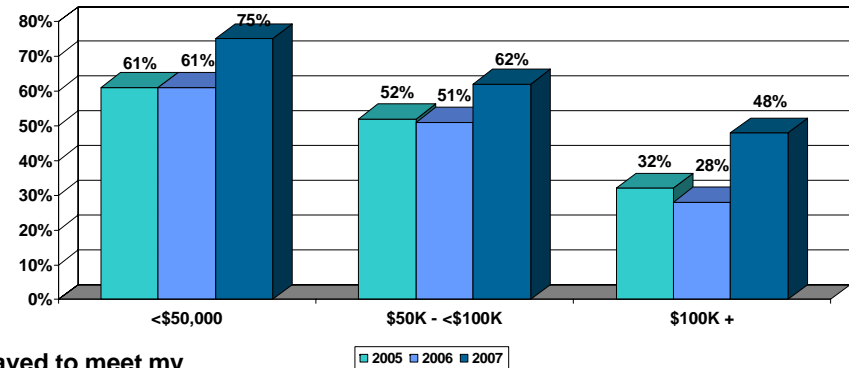
Q800. How much do you agree or disagree that you are currently building a large enough retirement nest egg? (% Strongly Agree)



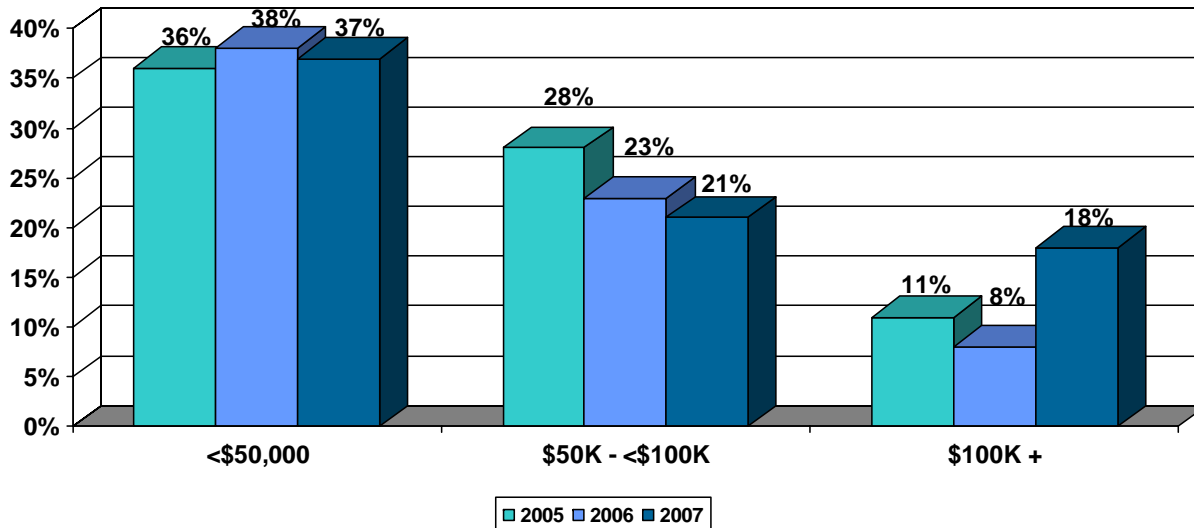
Saving Enough to Retire by Age 65?

Workers' overall level of agreement that they could work until age 65 and not have enough money saved to meet their retirement needs increased across all income groups. However, workers in high-income households were the only income group to have a significant increase in those who "strongly agree."

Q931. I could work until age 65 and still not have enough money saved to meet my retirement needs. (% Overall Agree)



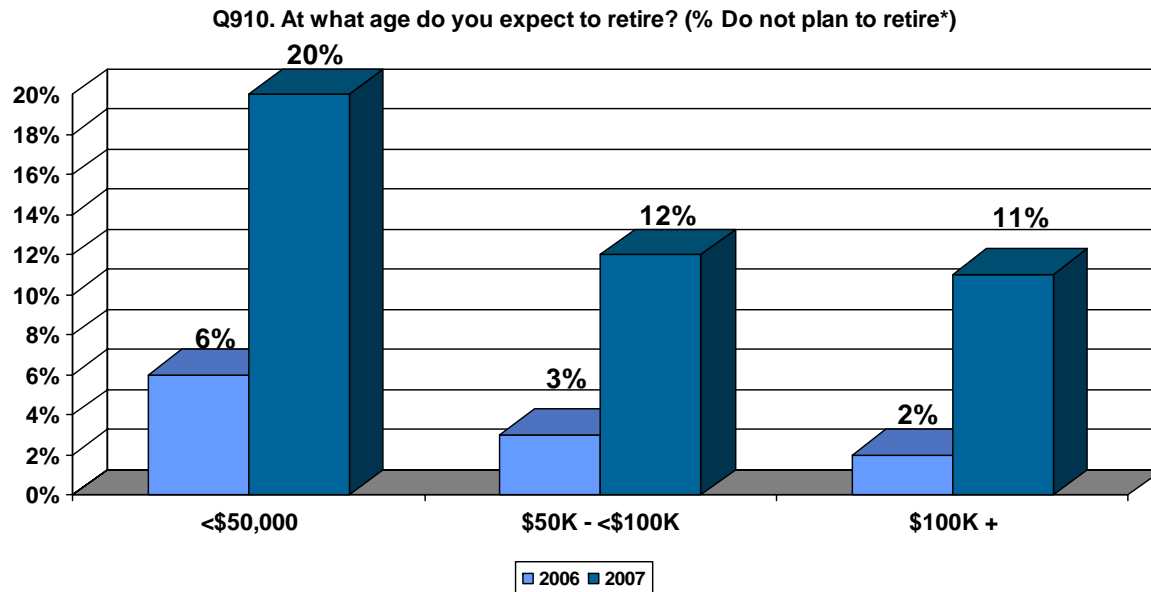
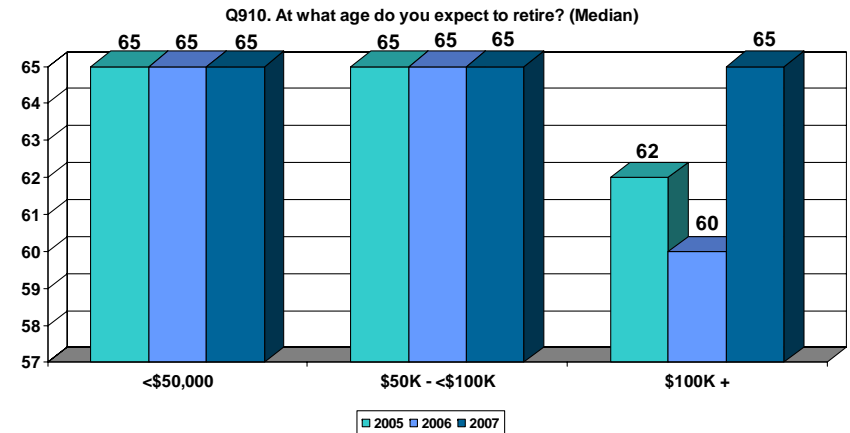
Q931. I could work until age 65 and still not have enough money saved to meet my retirement needs. (% Strongly Agree)



Age Expect to Retire

The percentage of workers who do not plan on retiring has increased across all income levels. Perhaps the drop in retirement confidence has raised workers' expectations for the need to remain in the workforce longer.

However, for those reporting an expected retirement age, the median age has remained the same with the exception of high-income households.

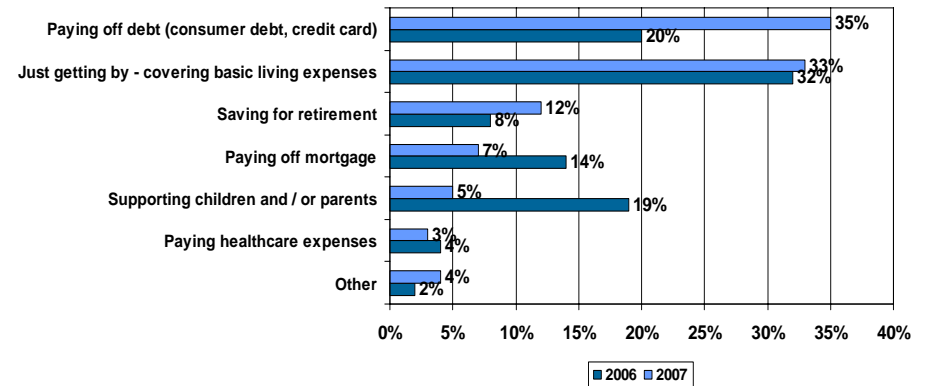


*Percentage used in 2006 is for workers responding "Never," while the percentage for 2007 is for workers responding "I do not plan to retire." Percentage for 2005 unavailable.

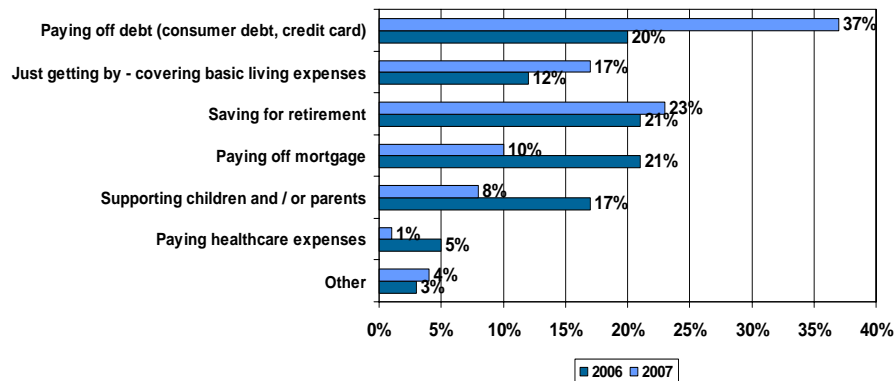
Greatest Financial Priority

Saving for retirement is generally the greatest financial priority for households with high incomes. However, the percentage of workers across all income groups whose greatest financial priority is paying off debt has significantly increased.

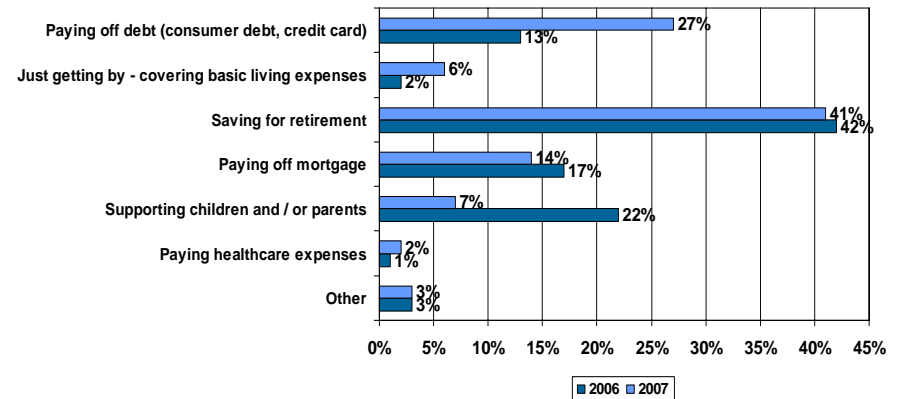
Q500 Which one of the following is your greatest financial priority right now? (Less than \$50,000)



Q500 Which one of the following is your greatest financial priority right now? (\$50K - <\$100K)



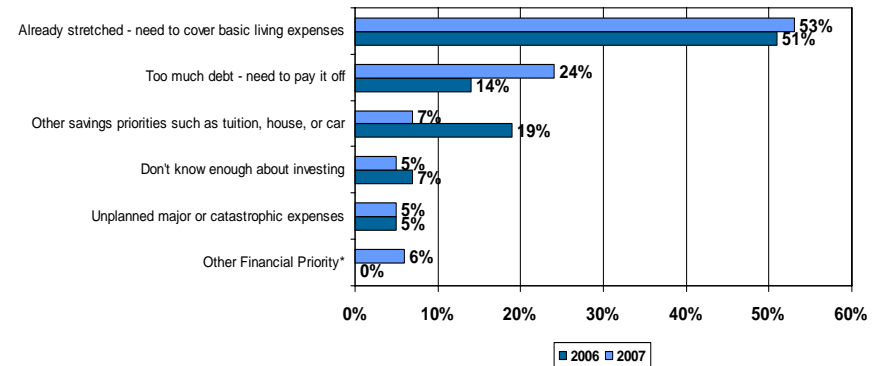
Q500 Which one of the following is your greatest financial priority right now? (\$100K+)



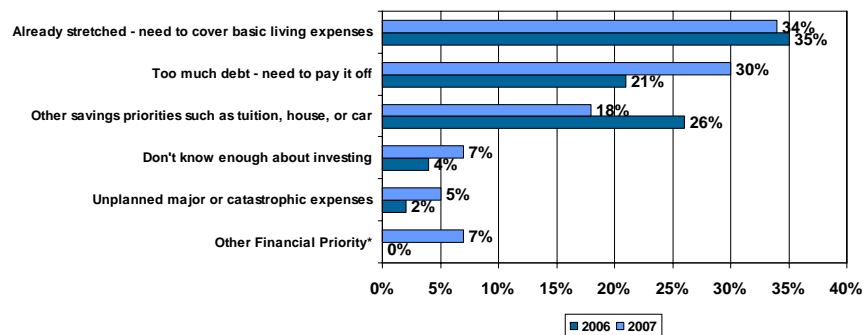
Financial Priorities vs. Retirement Savings

Lower income workers frequently feel they are already stretched when considering what is preventing them from saving more for retirement. The percentage of workers across all income groups who feel having too much debt is preventing them from saving more for retirement has also increased.

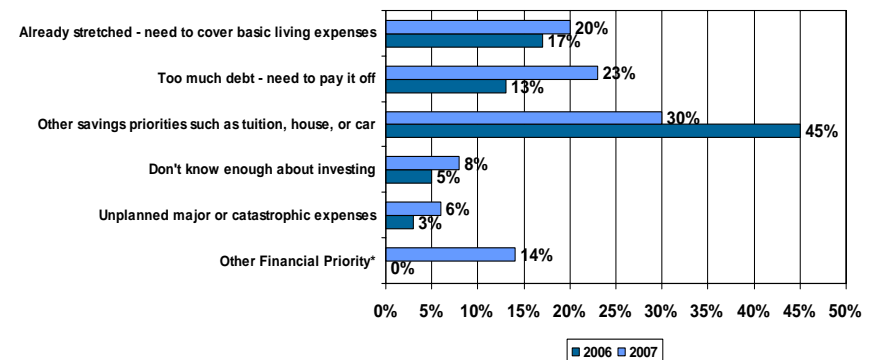
Q810. What one factor or financial priority is most preventing you from saving more for your retirement? (Less than \$50,000)



Q810. What one factor or financial priority is most preventing you from saving more for your retirement? (\$50K - <\$100K)



Q810. What one factor or financial priority is most preventing you from saving more for your retirement? (\$100K+)

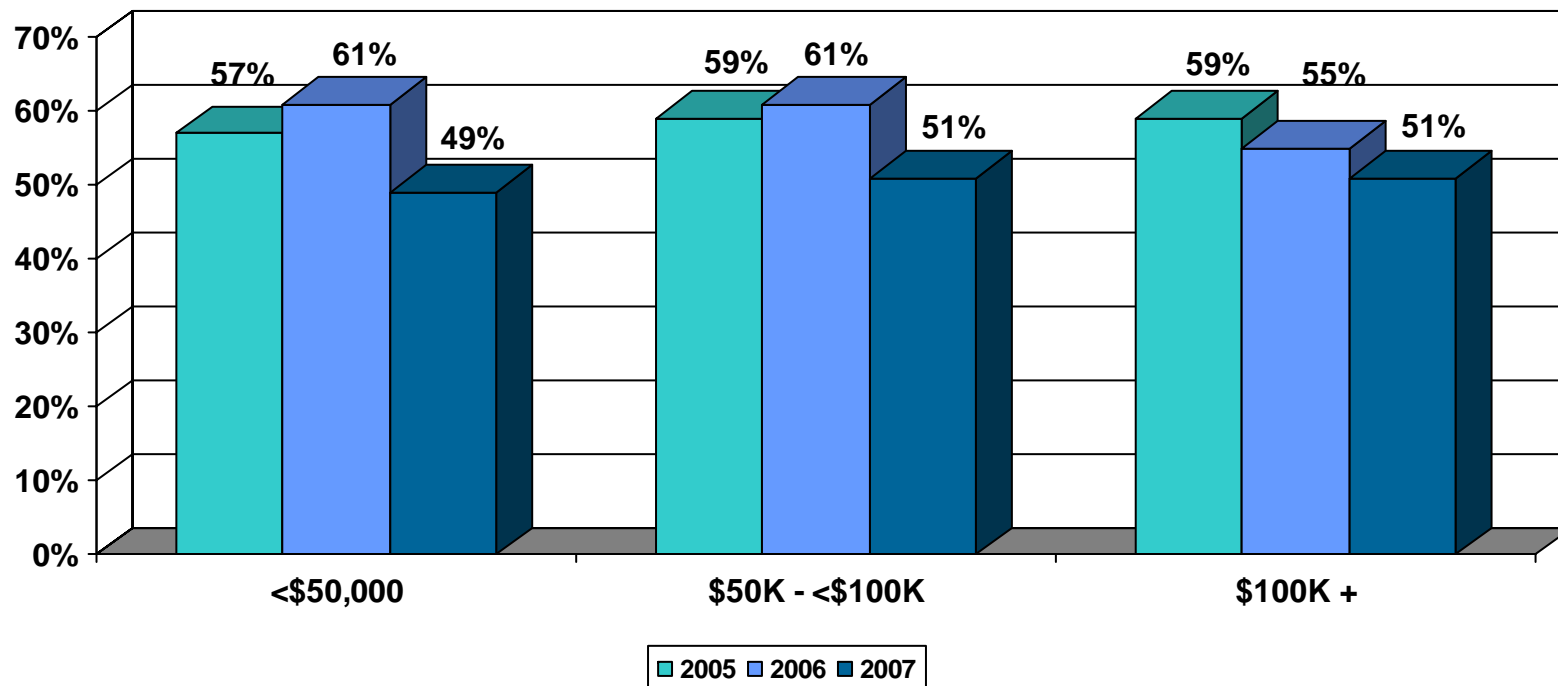


*The 2006 survey offered a longer list of answers (including divorce, taxes, medical expenses, etc.), which received low or no response. In 2007 the question was revised with the option to answer "Other financial priority" in place of the longer list.

Excellent Retirement Benefits vs. Higher Salary

When presented with a hypothetical job offer scenario the percentage of workers who prefer excellent retirement benefits over a higher salary has declined. Perhaps the need to cover current living expenses and the burden of debt has increased workers' preference for a higher salary.

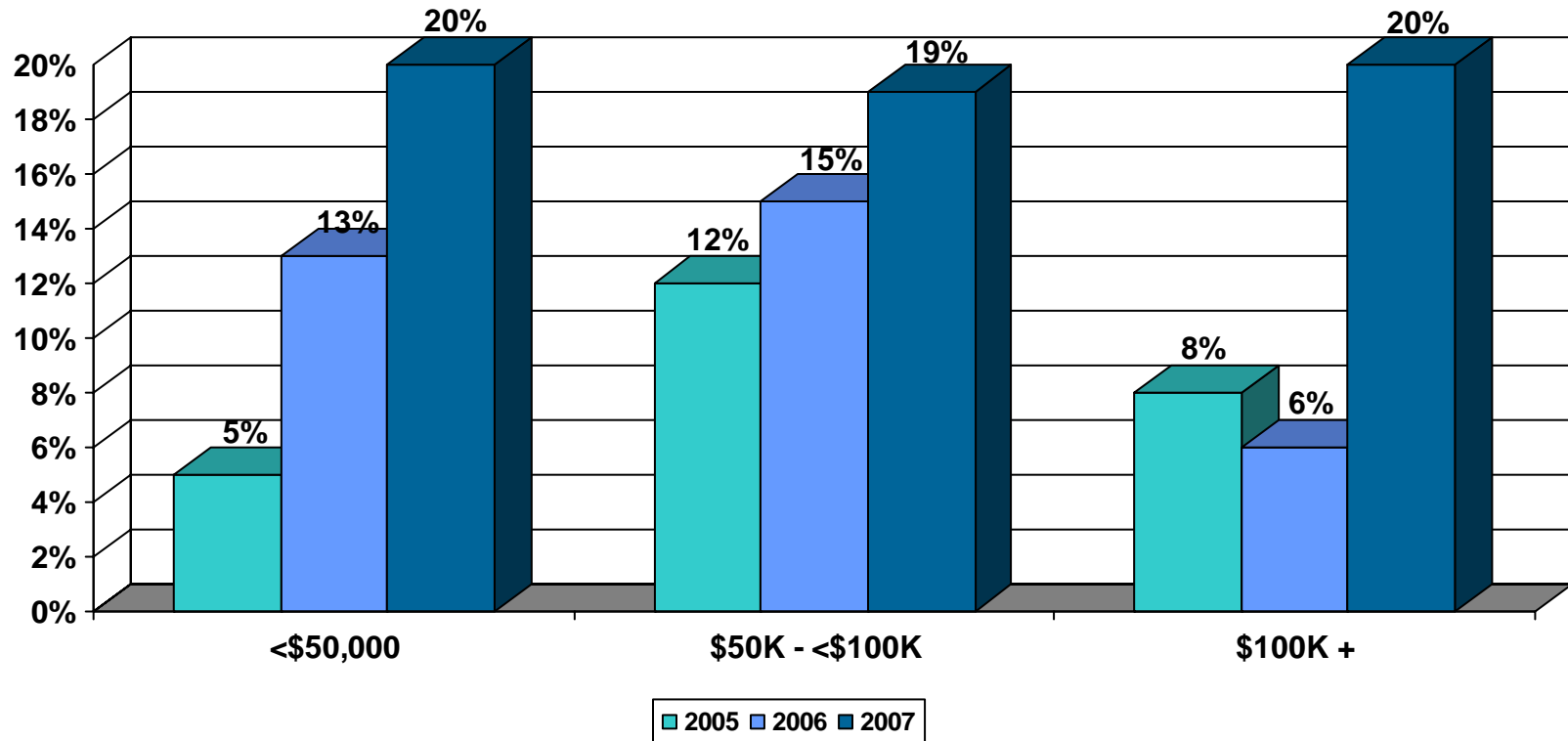
Q830. Which of these two job offers would you be more likely to choose? (% choosing job offer with excellent retirement benefits over an offer with a higher salary)



Retirement Plan Loans

The percentage of workers taking a loan from their retirement plan significantly increased across all income groups.

Q650. Have you taken out a loan from your retirement plan (% Yes)

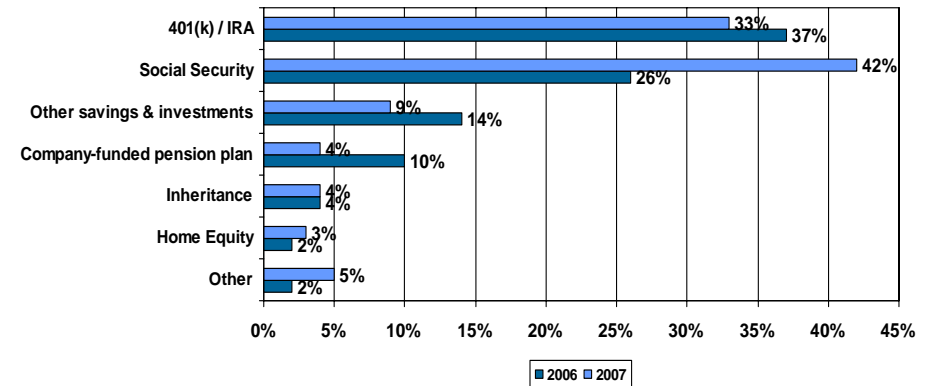


Primary Source of Income

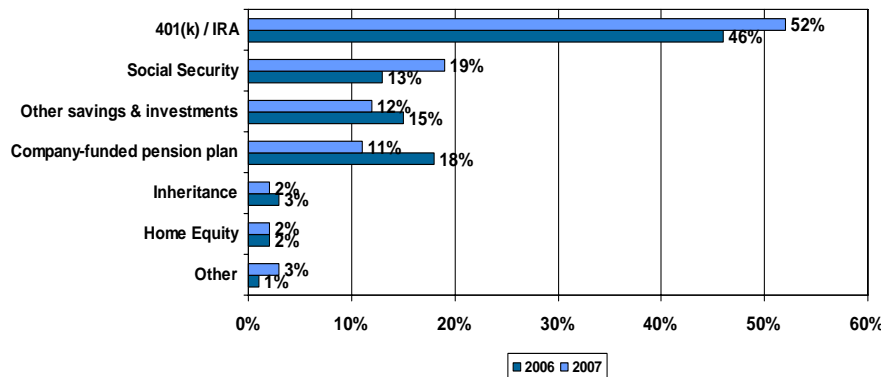
A large percentage of workers are relying on 401(k) and IRA plans as their primary source of income to cover living expenses after they retire. However, lower income workers are also relying heavily on Social Security.

There was an increase in the percentage of workers from all income groups expecting to rely on Social Security.

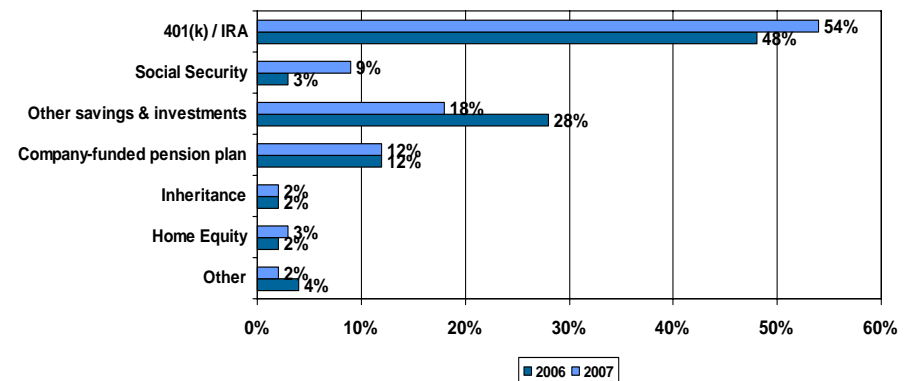
Q550. Which of the following do you expect to be your primary source of income to cover your living expenses after you retire? (Less than \$50,000)



Q550. Which one of the following do you expect to be your primary source of income to cover your living expenses after you retire? (\$50K - <\$100K)



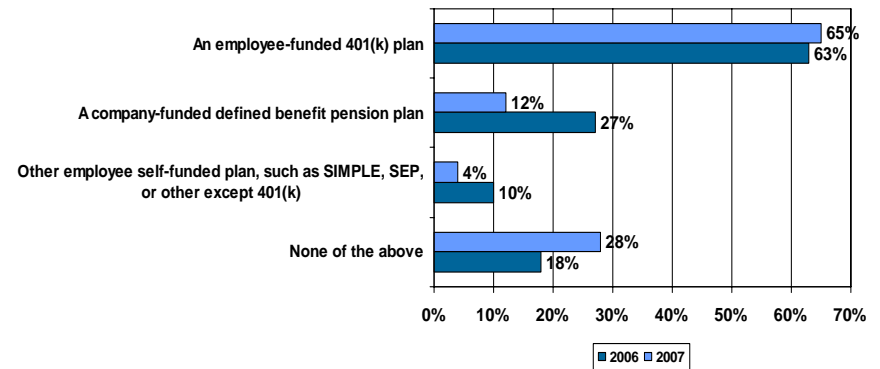
Q550. Which of the following do you expect to be your primary source of income to cover your living expenses after you retire? (\$100K+)



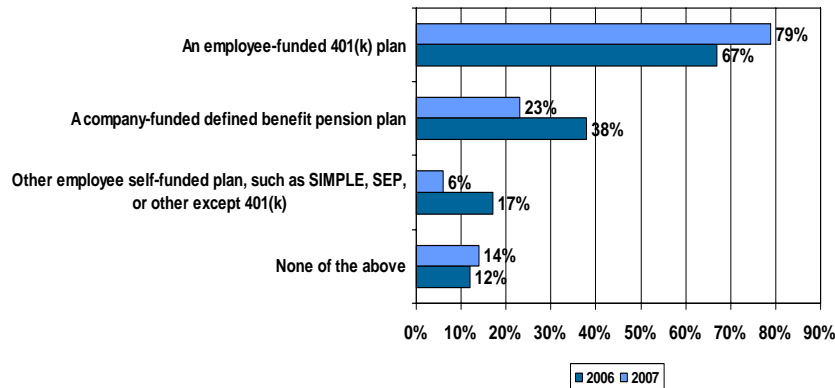
Retirement Benefits

A higher percentage of workers are being offered 401(k) plans, but there is a significant decline in the percentage of workers being offered defined benefit pension plans. This holds true across all income groups.

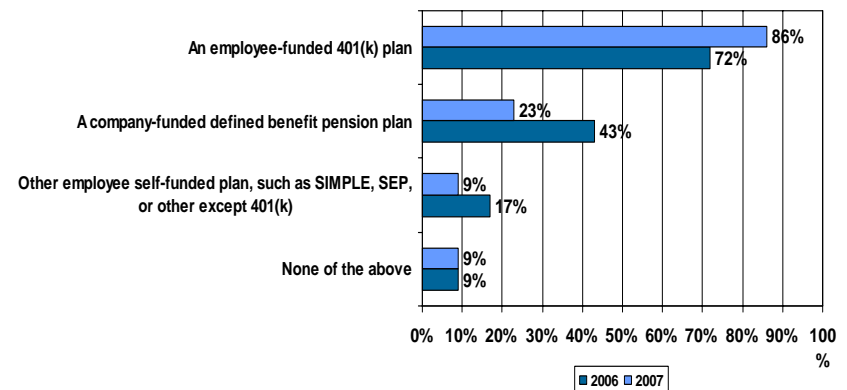
Q580. Which of the following retirement benefits does your company offer to you, personally? (Less than \$50,000)



Q580. Which of the following retirement benefits does your company currently offer to you, personally? (\$50K - <\$100K)



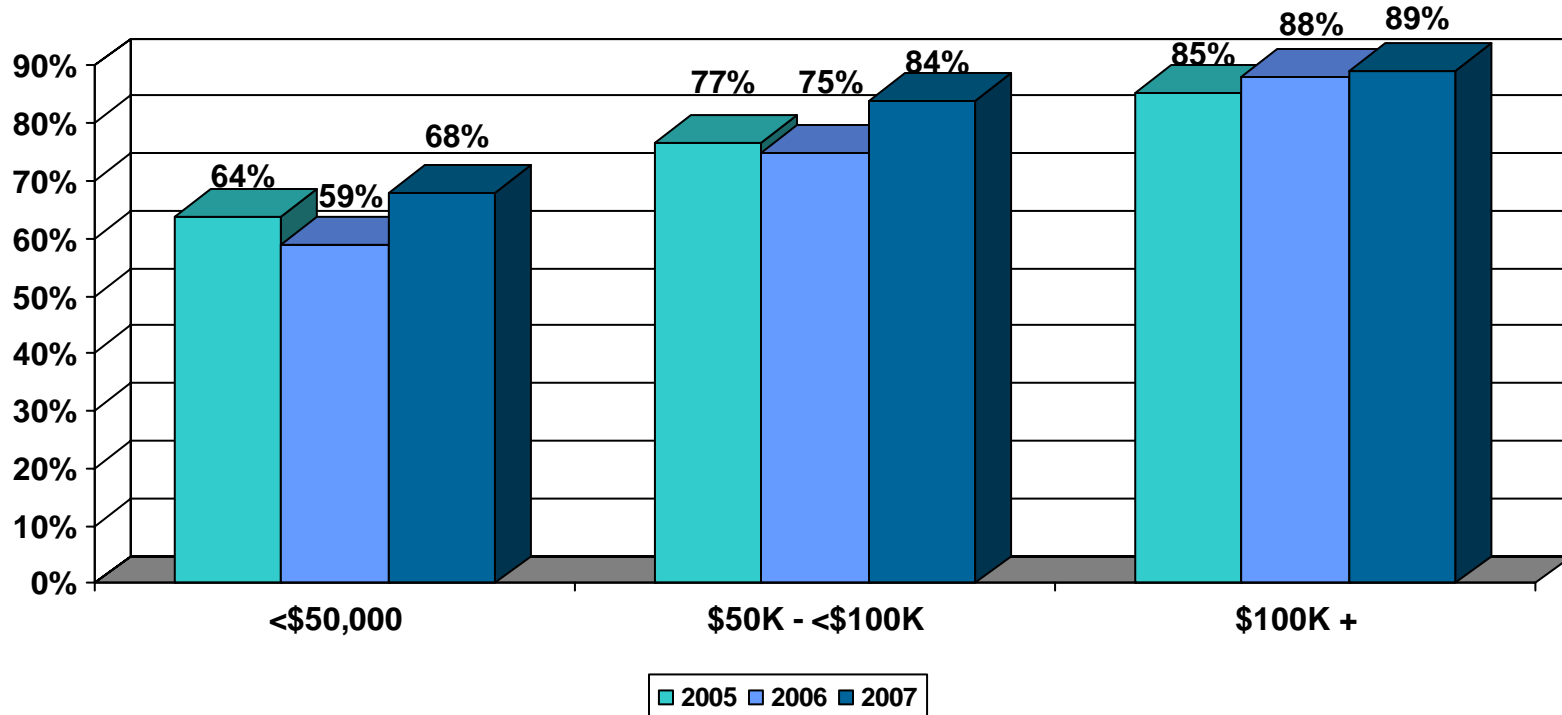
Q580. Which of the following retirement benefits does your company currently offer to you, personally? (\$100K+)



Participation Rates

While workers are dealing with competing financial priorities, participation continues to trend upward.

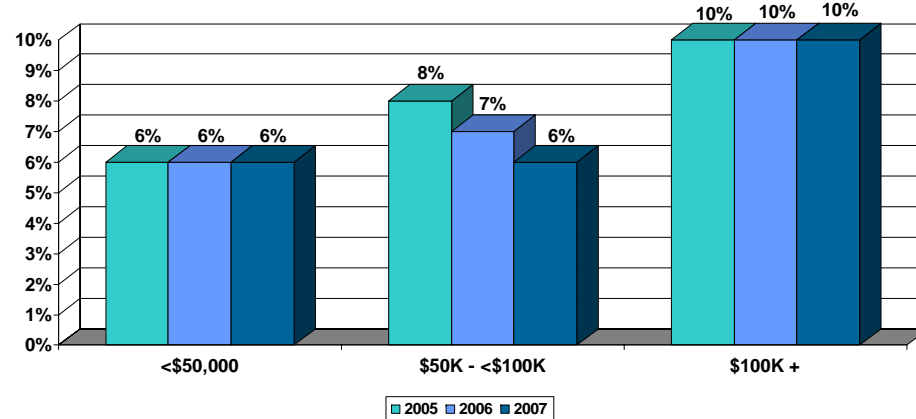
Q590. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan? (% Yes)



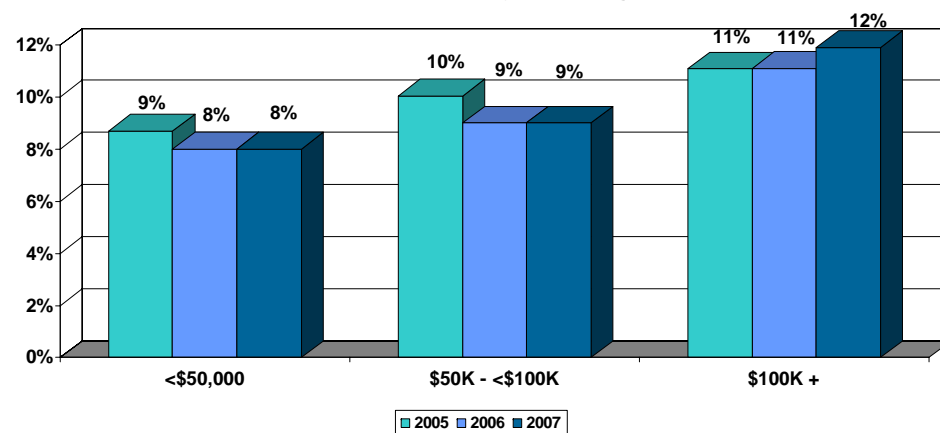
Contribution Rates

Contribution rates have remained stable across all income groups for the past three years. As with participation rates, the drop in confidence does not seem to have negatively impacted contribution rates.

Q600.What percentage of your salary are you saving for retirement through your company-sponsored plan this year? (Median)



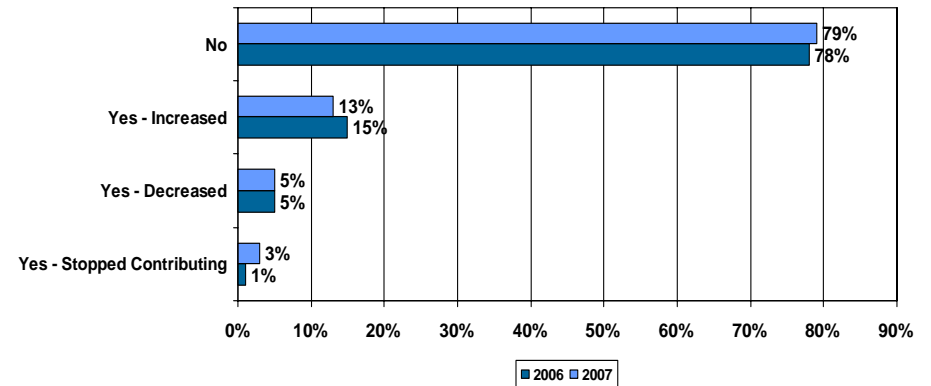
Q600.What percentage of your salary are you saving for retirement through your company-sponsored plan this year? (Average)



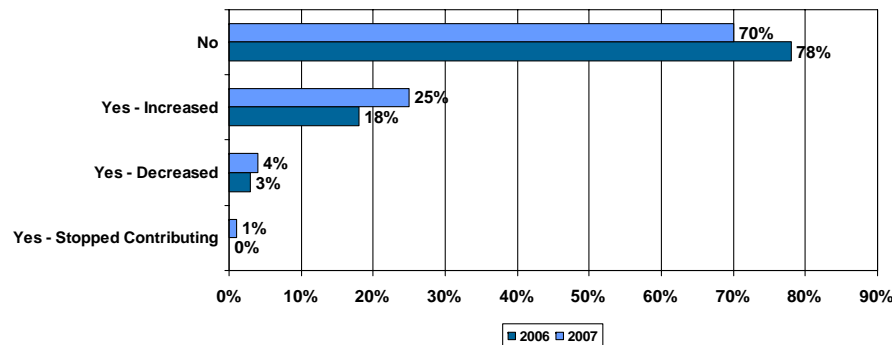
Changes to Contribution Rates

As further evidence that contribution rates have not decreased, most workers have not changed their contribution rates over the last twelve months. If changes were made, workers were more likely to increase their contribution rates rather than decrease or stop contributing all together.

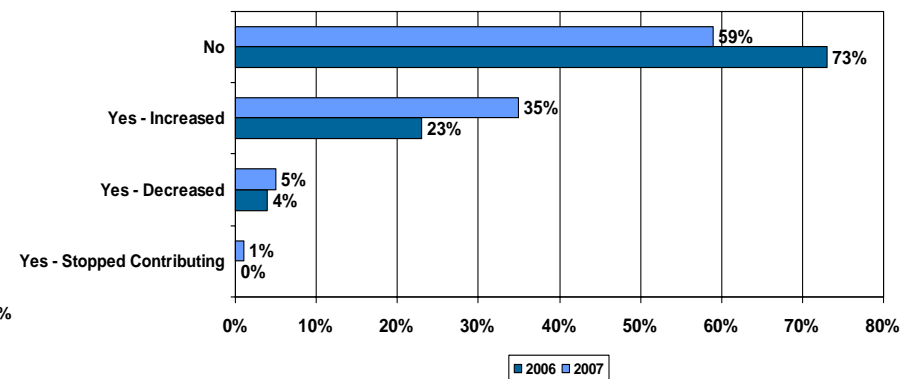
Q640. Have you changed the percentage of your income you put into your retirement savings plan in the last twelve months? (Less than \$50,000)



Q640. Have you changed the percentage of your income you put into your retirement savings plan in the last twelve months? (\$50,000 - <\$100K)



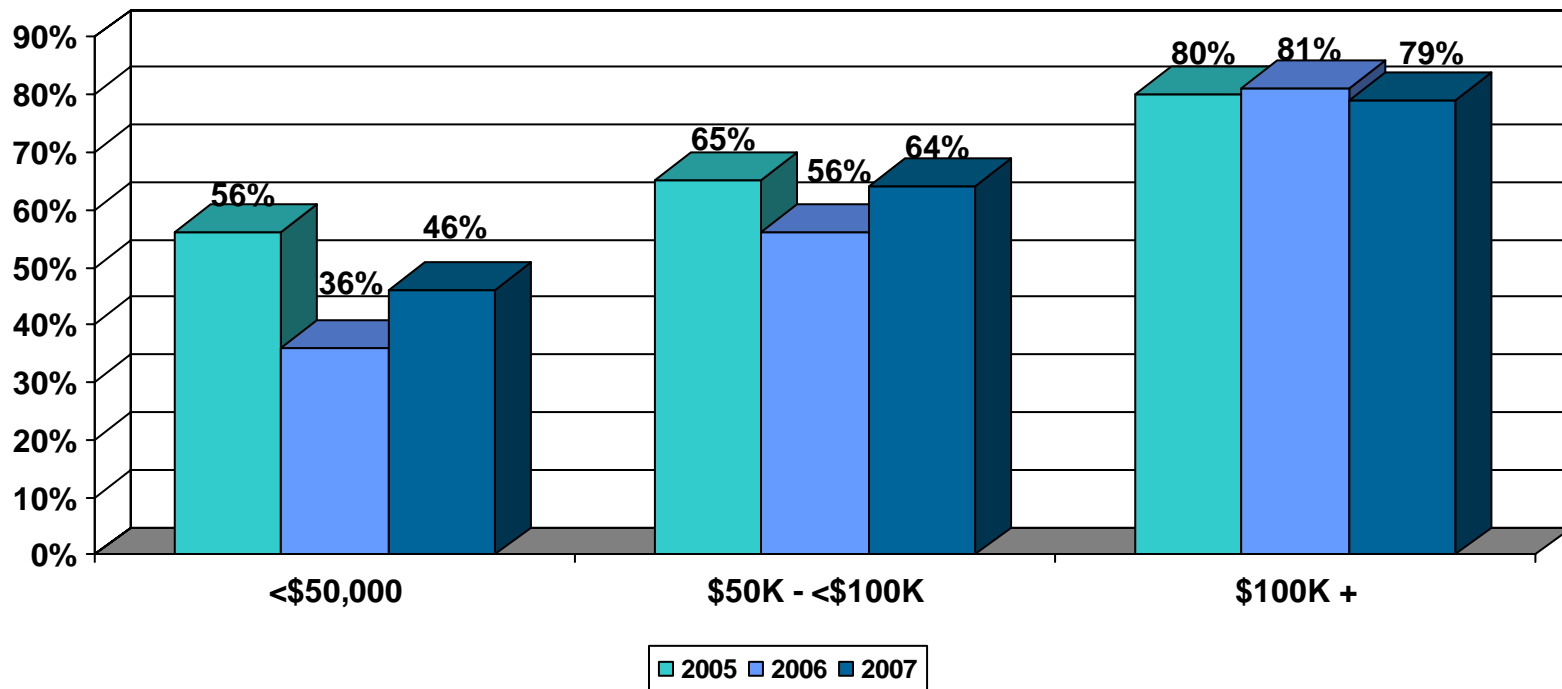
Q640. Have you changed the percentage of your income you put into your retirement savings plan in the last twelve months? (\$100K+)



Saving for Retirement Outside of Work

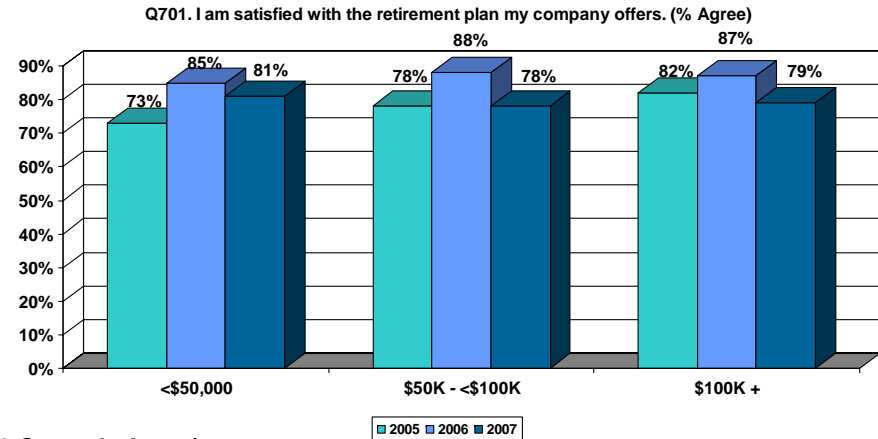
While high income workers are more likely than lower income workers to be saving for retirement outside of work, the drop in confidence does not seem to have negatively impacted either group.

Q740. Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.? (% Yes)

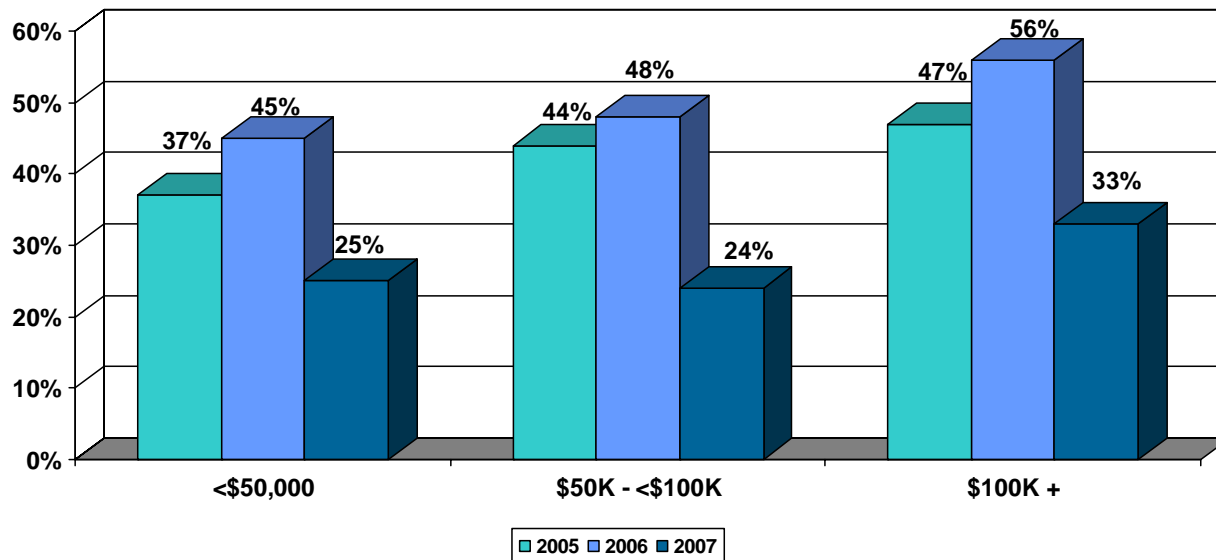


Retirement Plan Satisfaction

A large percentage of workers are satisfied with their retirement plan, however there has been a significant decrease in the percentage of workers who “strongly agree” that they are satisfied.



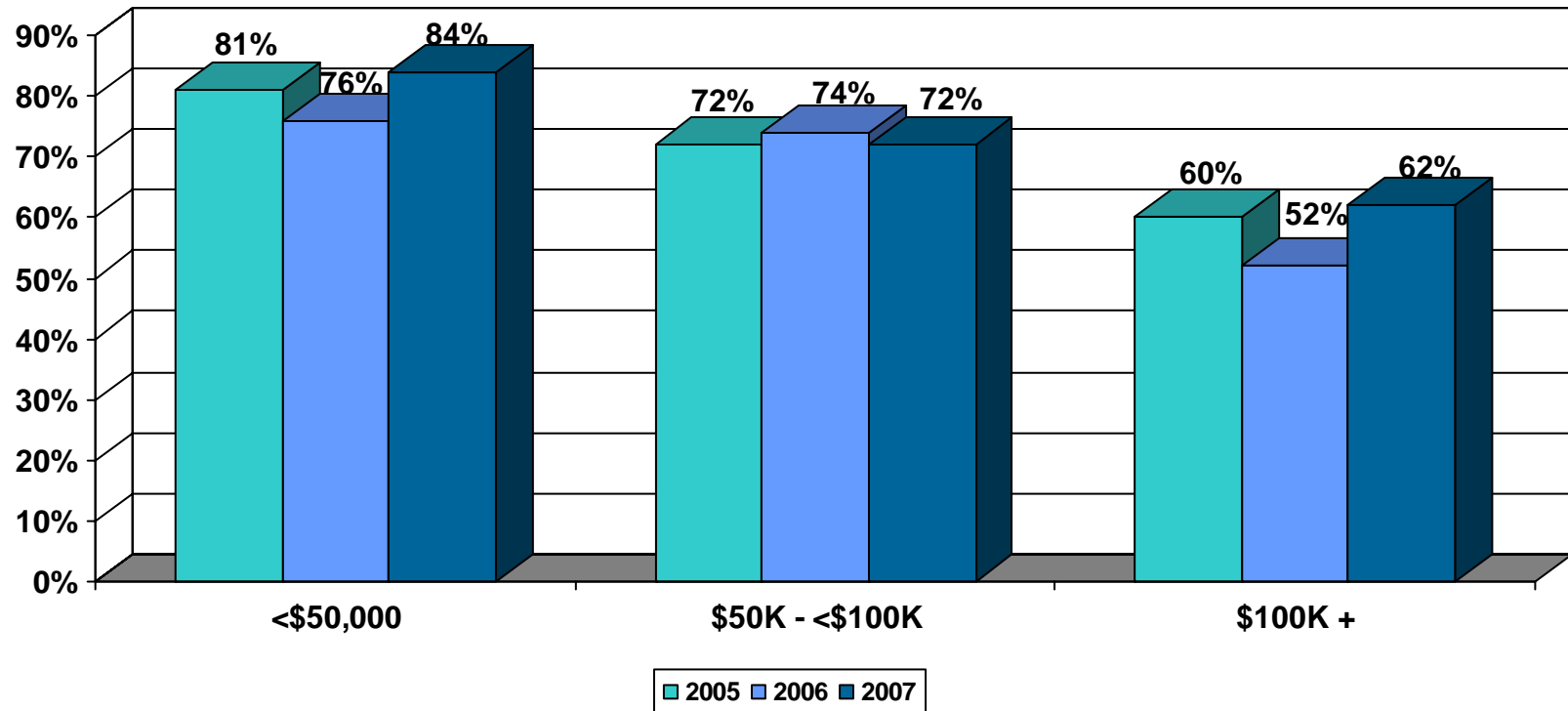
Q701. I am satisfied with the retirement plan my company offers. (% Strongly Agree)



Knowledge About Retirement Investing

There were notable increases in both the percentage of low income and high income workers who agree that they do not know as much as they should about retirement investing.

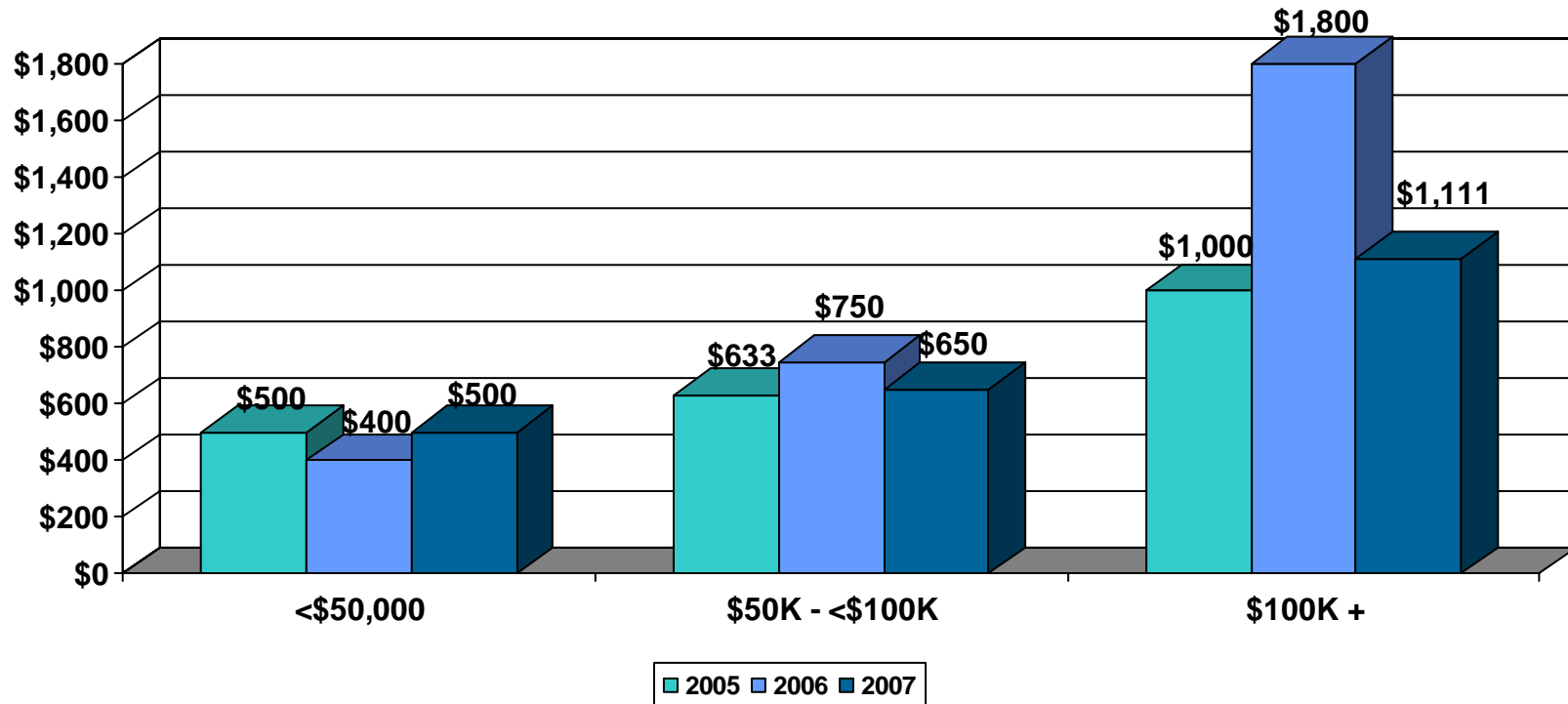
Q931. I do not know as much as I should about retirement investing. (% Agree)



Amount Needed for Retirement

The amount of money workers feel they'll need to have saved by the time they retire in order to feel secure has remained about the same over the last three years, with the exception of high-income households.

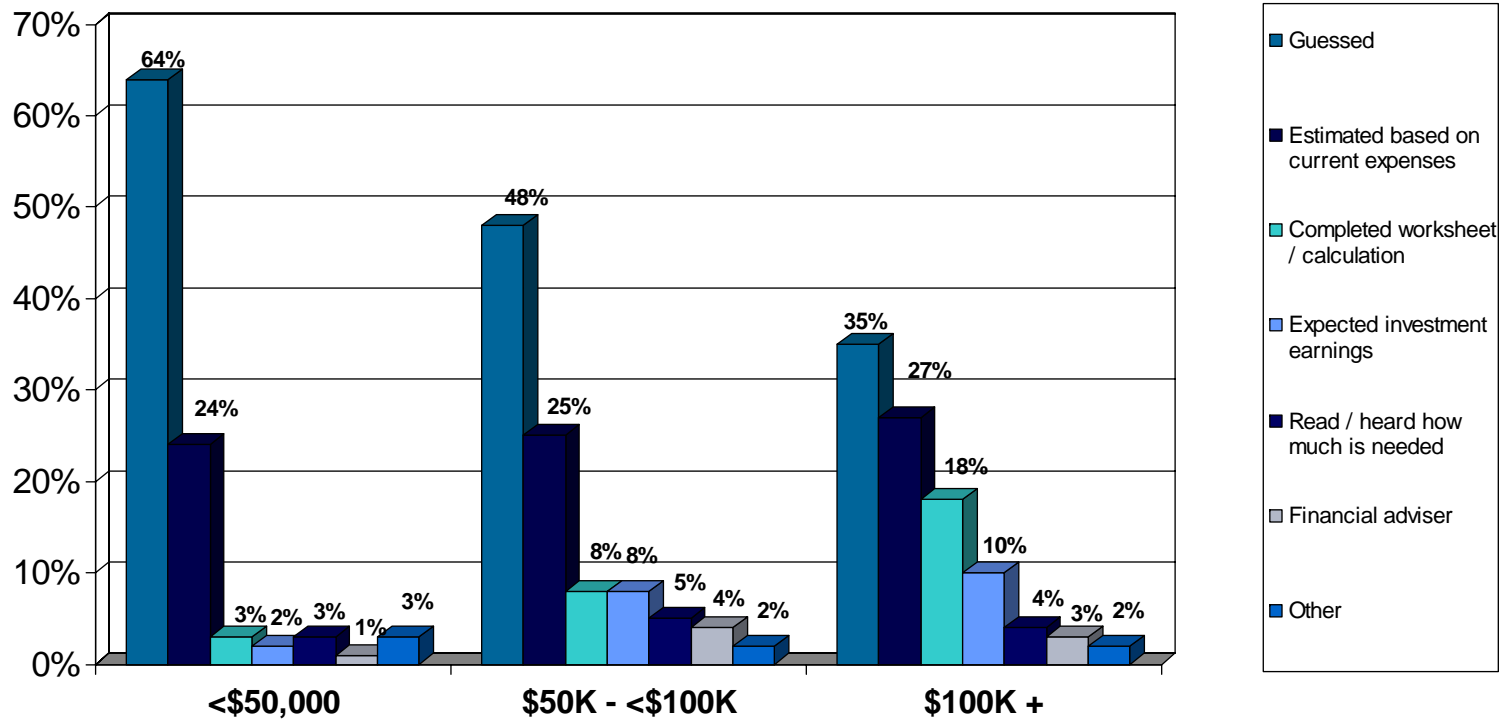
Q890. Thinking in terms of what money can buy today, how much money do you believe you will need to have saved by the time you retire in order to feel financially secure? (Median, \$ Thousand)



Retirement Savings Estimate

Lower income households are significantly more likely than higher income households to guess at how much money they'll need to have saved in order to feel financially secure in retirement.

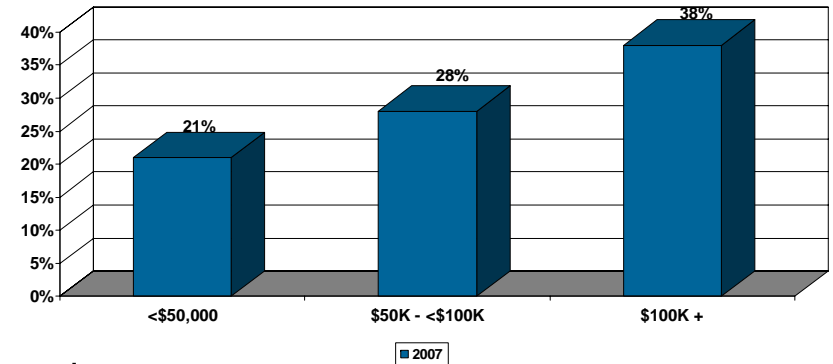
Q900. How did you arrive at that number? (2007)



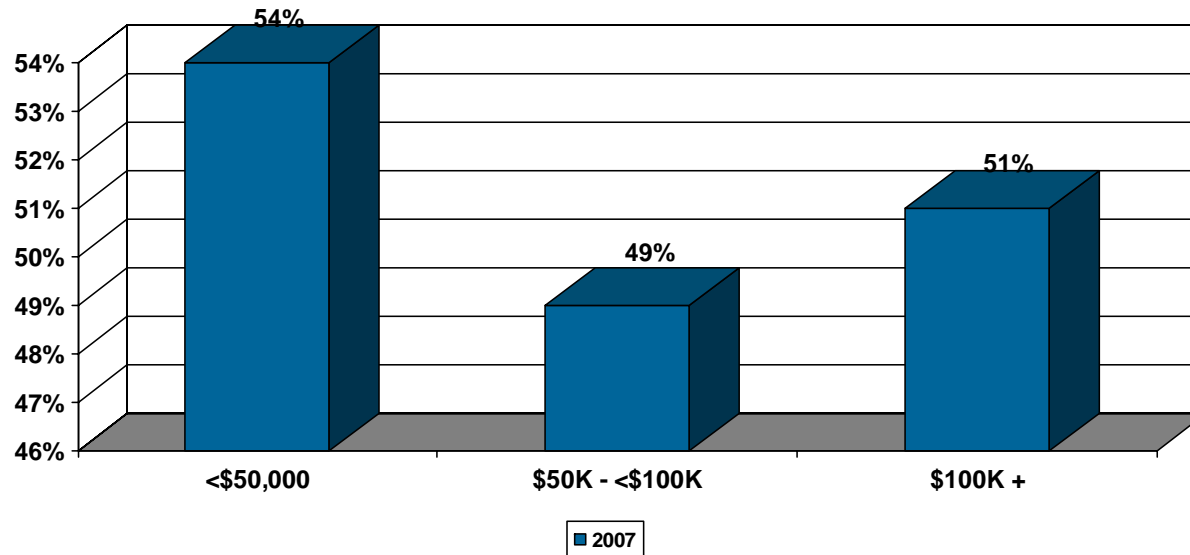
Professional Advisers

A majority of workers agree that they would prefer to rely on outside experts to monitor and manage their retirement savings plan. However, a smaller percentage actually use a professional financial adviser.

Q860. Do you use a professional financial adviser to help manage your retirement savings or investments? (% Yes)



Q931. I would prefer to rely on outside experts to monitor and manage my retirement savings plan. (% Agree)



Final Conclusions – Building Retirement Confidence

- **The 9th Annual Transamerica Retirement Survey found that the American workforce is facing formidable challenges, including the high cost of living and consumer debt, that are preventing them from saving more for retirement**
- **The Transamerica Center believes that promoting these challenges and opportunities are vital for encouraging people to take action and increase the likelihood of achieving a financially secure retirement**
- **The survey results identified some important actions that people should consider taking:**
 - ✓ Use an online calculator or worksheet to estimate retirement savings needs
 - ✓ Conduct a personal “gap analysis” to understand how much is needed for retirement and then find a balance between long-term savings and immediate needs
 - ✓ Create a plan and continue to manage and monitor retirement accounts
 - ✓ Take advantage of savings opportunities including the Saver’s Credit and Catch-Up contributions
 - ✓ Explore retirement-related educational offerings from retirement plan providers and in the general media
 - ✓ Consider the use of a professional financial adviser

About Harris Interactive

- Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides research-driven insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for The Harris Poll, one of the longest running, independent opinion polls and for pioneering online market research methods. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices, its wholly-owned subsidiary Novatris in France and through a global network of independent market research firms. The service bureau, HISB, provides its market research industry clients with mixed-mode data collection, panel development services as well as syndicated and tracking research consultation.
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