

Keeping the Faith: Americans Still Committed to Retirement Savings

New Transamerica Retirement Survey Underscores Importance of Retirement Plans, Even in a Difficult Economy

LOS ANGELES – April 14, 2009 – The economic downturn has taken its toll on the American workforce and its psyche. Amid this stormy outlook, the 10th Annual Transamerica Retirement Survey, conducted by the Transamerica Center for Retirement Studies® (“The Center”), found surprisingly positive signs in workers’ commitment to retirement savings. The survey results also highlight the importance workers place on employer-sponsored retirement plans.

Despite experiencing declines in both account balances and confidence, workers are still committed to saving for retirement. The vast majority of workers (91 percent) value a company-sponsored retirement plan, such as a 401(k), as an important employee benefit, and most continue to take advantage of their availability. Plan participation (78 percent) and median annual salary contribution (7 percent median) rates remain high for those workers who are offered such a plan. By and large, workers are also resisting the urge to tap into their retirement savings. In the last 12 months, only 6 percent reported having taken a loan and only 3 percent indicated that they had taken a hardship withdrawal from their accounts.

“It’s encouraging that while so many Americans have endured such a difficult year, they have emerged still committed to saving for retirement and participating in their company’s retirement plans,” said Catherine Collinson, president of The Center. “American workers understand the importance of saving, even in challenging times.”

This promising news comes in spite of the fact that the majority of American workers have already been impacted by the weak economy. More than half of the workers surveyed (53 percent) indicated that their employers have already implemented layoffs or downsizing, froze salaries, eliminated bonuses, and/or reduced employee benefits. More than three-quarters of workers shared that they expect the economy to get worse (46 percent) or stay the same (31 percent) over the next 12 months.

The survey also underscored the erosion of retirement confidence as a result of the economy: fifty-seven percent of workers are less confident in their ability to achieve a financially secure retirement than they were 12 months ago. Only 10 percent are now “very confident” that they will be able to fully retire with a comfortable lifestyle.

Opportunities for Achieving a Secure Retirement

In light of the economic downturn, workers have begun changing their expectations about retirement. Twenty-nine percent of survey respondents expect to work longer and retire later than they did 12 months ago. More than one-third of workers (37 percent) now expect to work past the age of 70, including 15 percent who do not plan to retire.

“Working longer can help bridge the shortfalls in retirement savings, however, no one should count on working forever,” said Collinson. “Life offers no guarantees and unforeseen circumstances may dictate otherwise.”

Relatively few workers (38 percent) agree that they are building a large enough nest egg. However, saving more should help alleviate savings shortfalls. “In this recession, juggling financial priorities can be difficult if not seemingly impossible. Nevertheless, it is still important to continually search for more opportunities to save,” said Collinson.

Education emerged as another important opportunity in the survey’s findings. A majority of workers (68 percent) indicated that they do not know as much as they should about retirement investing. Very few (8 percent) have “a great deal” of understanding of asset allocation principles related to retirement investing. And, 17 percent are not sure how their retirement savings are invested.

On an encouraging note that workers are becoming more educated, the survey found that more are turning to sources of retirement-related information such as financial Web sites (e.g., Yahoo! Finance) (32 percent), retirement plan provider Web sites (26 percent), and financial-related television shows (18 percent) than were reported in last year’s Ninth Annual Transamerica Retirement Survey. More than half of the survey respondents (56 percent) indicated that they would like more information and advice from their employers on how to reach their retirement goals.

The Importance of Employer-Sponsored Retirement Plans

The findings in the 10th Annual Transamerica Retirement Survey further illustrate the important role that employer-sponsored retirement plans play in helping workers save for retirement. When workers were asked what they expect to be their primary source of income to cover living expenses when they retire, those who are offered an employer-sponsored 401(k) or similar plan most frequently cited 401(k), 403(b) accounts and IRAs (51 percent). Those workers who are not offered a 401(k) or similar plan most frequently expect to rely on Social Security (32 percent).

Workers who are offered a retirement plan are also more likely to save for retirement outside of work (68 percent) compared to those who are not offered a plan (50 percent). Also compelling, among survey respondents who are currently not offered a retirement plan, 59 percent said they would be likely to leave their current employer for a nearly identical job with a similar employer, if that new employer offered a retirement plan.

“Employer-sponsored retirement plans, including 401(k) and similar plans, have proven to be highly effective in encouraging workers to save for retirement on a consistent basis,” said Collinson. “As recent financial markets have shown, retirement savings – like most savings and investment programs – have risks. However, when the markets improve, people who have continued to save should eventually enjoy a recovery in their account values.”

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About Transamerica Center for Retirement Studies®

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About the 10th Annual Retirement Study

This survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies® between December 16, 2008 and January 13, 2009 among 3,466 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.