

Transamerica Study Reveals the New Retirement: Working

Transamerica Center for Retirement Studies® Finds Significant Number of Americans Plan to Never Retire, yet are Unprepared if the Choice is Made for Them

LOS ANGELES – May 17, 2011 – New research released today by the non-profit Transamerica Center for Retirement Studies® (“The Center”) underscores how American workers are largely unprepared for retirement and further, how relatively few have a backup plan in the event they are forced into retirement earlier than planned. The results of the 12th Annual Transamerica Retirement Survey—conducted among 4,080 American workers—found that for many Americans, the foundation of their retirement strategy is simply to not retire or to work considerably longer than the traditional retirement age of 65.

According to The Center’s research, 40 percent of respondents now expect to work longer and retire at an older age since the recession began. Altogether, 39 percent of American workers plan to retire after age 70 or not at all, and over half (54 percent) of workers plan to work in retirement. Of those who plan on working after retirement or age 65, the most commonly cited reasons are out of necessity (44 percent).

While many workers may plan to work past the traditional retirement age or never retire, unforeseen circumstances could force them to stop working before they planned. The survey found the majority of workers are unprepared for this scenario—70 percent agree they could work until age 65 and still not have enough money saved to meet their retirement needs. This sentiment spans across age and income:

- 69 percent of those in their twenties and 72 percent of those in their thirties agree they could work until age 65 and still not have enough money saved,
- 80 percent of those with a household income (HHI) of less than \$50,000 agree,
- 74 percent of those with an HHI \$50-\$100,000 agree,
- And, 59 percent of those with an HHI over \$100,000 agree.

Meanwhile, about a third of workers (31 percent) anticipate not just needing to provide for themselves in retirement, but for additional family members as well.

“With all of life’s uncertainties, planning not to retire is simply not a viable retirement strategy,” says Catherine Collinson, president of the Transamerica Center for Retirement Studies. “Planning to work past age 65 is an important opportunity to continue earning income, save more, and help to alleviate a retirement savings shortfall; however, it’s important that workers be proactive in setting a retirement savings goal, saving and investing for retirement, and having a backup plan if they are forced to retire sooner than expected.”

Retirement Without a Safety Net

The survey uncovered that a vast majority of workers (82 percent) does not have, or is unsure if they have, a backup plan in place in the event they cannot work as long as they need to, and that rate is even higher among those who plan to work past age 70 or never retire (87 percent).

“In today’s society, it’s more important than ever for workers to take personal responsibility for achieving a financially secure retirement. Our research highlights the risk American workers are taking by not having a backup plan in place in the event they are forced to retire sooner than expected,” says Collinson. “It is so vital that everyone have a firm grasp of their retirement saving and planning options, and have a contingency plan if they have to retire sooner than planned or are faced with a health issue that could quickly erode their savings.”

A large number (44 percent) of American workers does not have a strategy to reach their retirement goals. Of those who do have a strategy, only half have factored in healthcare costs and one-fifth have factored in long-term care insurance. Additionally, just 57 percent of workers have factored in Social Security and Medicare benefits.

Overall, relatively few workers have a good grasp of how government benefits will impact their retirement: 40 percent know quite a bit or a great deal about Social Security, 28 percent know quite a bit or a great deal about Medicare and 23 percent know quite a bit or a great deal about Medicaid.

Seven Steps to Retirement Success

American workers estimate their median retirement savings needs at \$600,000, but in comparison, less than one-third (30 percent) currently have \$100,000 or more saved in all household retirement accounts. This discrepancy leads to real anxiety about retirement: the survey revealed top fears include “outliving my savings and investments” and “not being able to meet the basic financial needs of my family.”

How each worker dreams of spending their retirement is unique, but the tools to reach retirement goals are common to everyone. These tactics can help workers get started developing a strategy:

- 1. Get the conversation going with friends and family:** Just 9 percent of workers frequently discuss saving, investing and planning for retirement with family and friends
- 2. Formulate a plan and write it down:** Only 10 percent of workers have written out their retirement strategy
- 3. Get educated:** The majority of workers (71 percent) say they do not know as much as they should about retirement investing
- 4. Consider retirement benefits as part of your total compensation:** 53 percent of workers would select a job offer with a higher than expected salary, but poor retirement benefits over one with excellent retirement benefits and minimum salary requirements
- 5. If your employer offers a plan, participate. And if your employer doesn’t offer you a plan, ask for one.** Just 71 percent of workers report being offered an employee-funded plan at work, while 92 percent say a plan is an important benefit. However, almost one-quarter of workers (22 percent) who are offered a plan at work do not participate
- 6. Take advantage of the Saver’s Credit. Make catch-up contributions:** Just 25 percent of workers are aware of the Saver’s Credit. Just over half of workers (56 percent) are aware that people age 50 and older may be allowed to make catch-up contributions to their retirement plan
- 7. Have a backup plan in the event you are unable to work before your planned retirement:** Only 19 percent of workers currently have a backup plan

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

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About Transamerica Center for Retirement Studies®

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

About the 12th 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 31, 2011 and March 10, 2011 among 4,080 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.

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