

# The New Retirement: Working

12th Annual Transamerica Retirement Survey

May 2011

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## About The Center

- The Transamerica Center for Retirement Studies® (“The Center”) is a non-profit private foundation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center’s 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.
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- Although care has been taken in preparing this material and presenting it accurately, The Center disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

## About The Survey

- Since 1999, the Transamerica Center for Retirement Studies® has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public.
- Harris Interactive was commissioned to conduct the Twelfth Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.

# Methodology

- A 25 minute, online survey was conducted between January 31, 2011 – March 10, 2011 among a nationally representative sample of 4,080 workers using the Harris online panel. Respondents met the following criteria:
  - All U.S. residents, age 18 or older
  - Full-time or part-time workers in a for-profit company employing 10 or more people
- Data were weighted as follows:
  - To account for differences between the population available via the Internet versus by telephone.
  - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- Significance is tested at 95% confidence and is indicated throughout the report in the following ways:
  - Significance between sub-groups is identified by the letters A, B, C, D, E, F, G, etc. next to the significantly higher number for that corresponding sub-group.
  - Significance between Dec. 2009/Jan. 2010 (11<sup>th</sup> Annual Survey) data and Jan. 2011/Mar. 2011 (12<sup>th</sup> Annual Survey) data is indicated as follows:
    - = significantly higher in Jan. 2011/Mar. 2011 (12<sup>th</sup> Annual Survey)
    - = significantly lower in Jan. 2011/Mar. 2011 (12<sup>th</sup> Annual Survey)
- This report focuses on full-time and part-time workers combined.

# Terminology

*This report uses the following terminology:*

- Echo Boomer: a person born after 1978
- Generation Xer: Born 1965 - 1978
- Baby Boomer: Born 1946 - 1964
- Mature: Born before 1946



**The New Retirement: Working**  
***12<sup>th</sup> Annual Transamerica Retirement Survey***

## Executive Summary

- The 12<sup>th</sup> 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. Overall, American workers' confidence in their ability to achieve a financially secure retirement is low.
- The research 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.
- While working longer is an important opportunity to help bridge a retirement savings gap -- planning not to retire is not a viable retirement strategy.
- Setting a goal, making a strategy, and preparing for the unexpected are necessary to ensure a financially secure retirement.



# Executive Summary

- The survey found that for many Americans, the foundation of their retirement strategy is simply not to retire, to work considerably longer than the traditional retirement age, or work in retirement:
  - 39 percent of workers plan to work past age 70 or do not plan to retire
  - 54 percent of workers expect to plan to continue working when they retire
  - 40 percent now expect to work longer and retire at an older age since the recession
- Workers' greatest fears about retirement include "outliving my savings and investments" and "not being able to meet the financial needs of my family."
- Most workers will continue working out of financial necessity:
  - Workers estimate their retirement savings needs at \$600,000 (median), but in comparison, fewer than one-third (30 percent) have currently saved more than \$100,000 in all household retirement accounts
  - Most workers, regardless of age or household income, agree that they could work until age 65 and still not have enough money saved to meet their retirement needs
  - Of those who plan on working past the traditional retirement age of 65, the most commonly cited reasons are of need versus choice
  - Many workers (31 percent) anticipate that they will need to provide financial support to family members

## Executive Summary

- Over half of workers (56 percent) indicate that they have a retirement strategy; however, only 10 percent said that they have a written plan, compared to 46 percent who said that they have a plan but it is not written down. Of those who indicated that they have a strategy:
  - 65 percent have factored on-going living expenses
  - 57 percent have factored Social Security and Medicare benefits
  - 49 percent have factored health care costs
  - 21 percent have factored long-term care insurance
  - 18 percent have contingency plans for retiring sooner than expected and/or savings shortfalls
- Of all workers, fewer than one in five (19 percent) have a backup plan for retirement income in the event they are unable to work before their planned retirement.
- Relatively few workers have a good understanding of the government retirement-related benefits such as Social Security (40 percent), Medicare (28 percent), and Medicaid (23 percent).

## Executive Summary

- The survey revealed ways that workers may improve their retirement outlook, including:
  1. Talking about the need to plan and save. Getting the conversation going with friends and family. Just 9 percent frequently discuss saving, investing, and planning for retirement.
  2. Formulating a plan and writing it down. Only 10 percent report having a written strategy.
  3. Getting educated. Learning about government benefits. Learning about retirement saving and investing (71 percent agreed that they don't know as much as they should).
  4. Considering retirement benefits as part of total compensation when assessing employment offers. Over half (53 percent) said they would choose a job offer with higher pay but poor retirement benefits versus an offer that meets their minimum salary requirements and has excellent retirement benefits.
  5. For those whose employer doesn't offer a plan, asking for one. While 92 percent of workers surveyed consider a self-funded retirement plan as an important benefit, only 71 percent report being offered one.
  6. For those who are offered a plan, participating in the plan. Although 78 percent of workers participate, the 22 percent who do not should consider joining the plan.
  7. Taking advantage of the Saver's Credit if eligible (just 25 percent of workers are aware of it). Making Catch-up Contributions if age 50 or older (just 56 percent of workers are aware of it).
  8. Creating a backup plan in the event you are unable to work before planned retirement. Only 19 percent report having a back up plan.

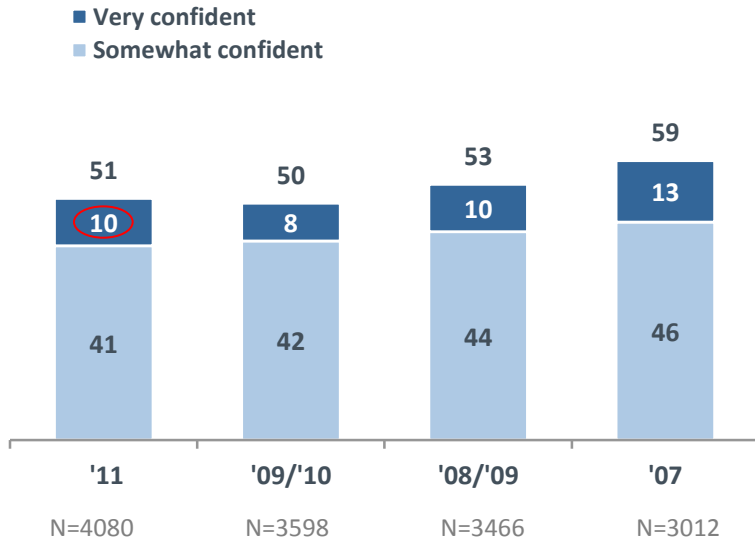
## Executive Summary

- The retirement services industry and media should continue to raise awareness and increase education on the need to plan and save – and, also, the need for a backup plan in the event of being forced into retirement sooner than expected due to intervening circumstances such as a job loss, health issues, or family obligation.
- From a public policy perspective, with so many workers planning to work past age 65, policymakers should consider offering tax incentives for employers to hire older workers along with offering job training / retraining programs for older workers -- to help keep them in the workforce.

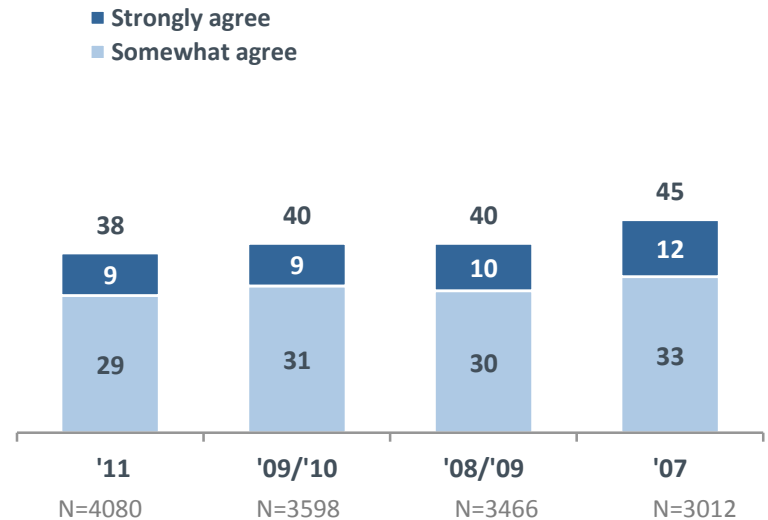
# Retirement Confidence

Very few workers (10 percent) are very confident in their ability to retire comfortably. Also, very few (9 percent) strongly agree they are building a large enough nest egg.

**Confidence in Retiring Comfortably:  
Top 2 Box % (Very/Somewhat Confident)**



**Building Large Enough Nest Egg?  
Top 2 Box % (Strongly/Somewhat Agree)**



BASE: Full and Part-time

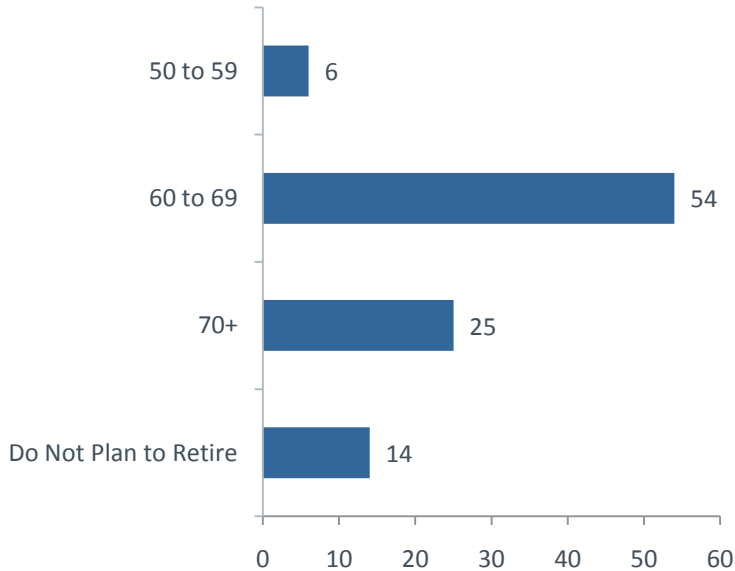
Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?

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

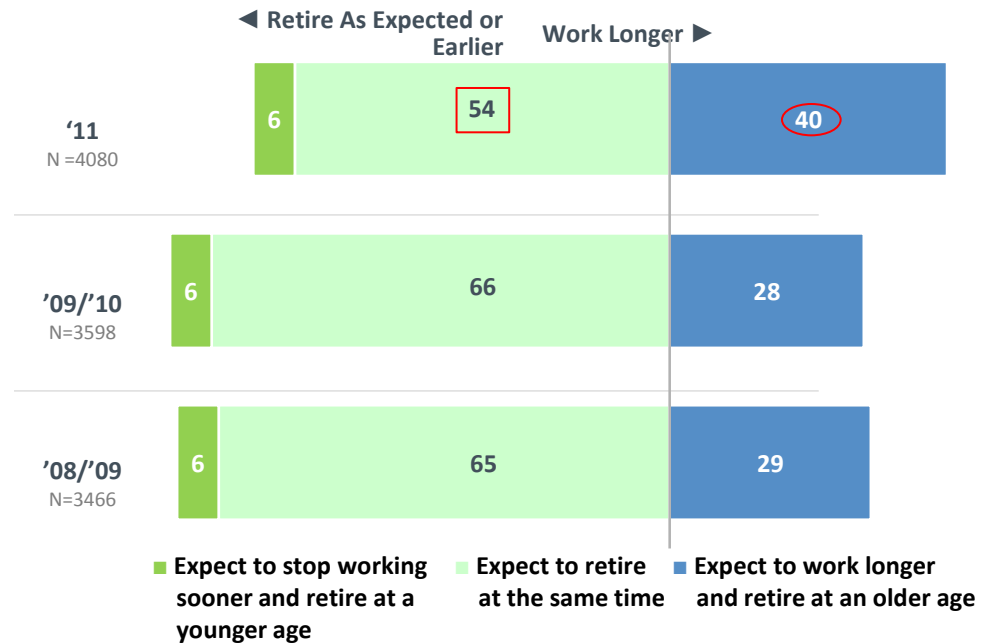
# Expected Retirement Age

Over half of workers (54 percent) expect to retire between age 60 and 69. However, more than one-third plan to work past age 70 or never retire. In the last 12 months, 40 percent of workers said they now expect to retire later.

Expected Retirement Age



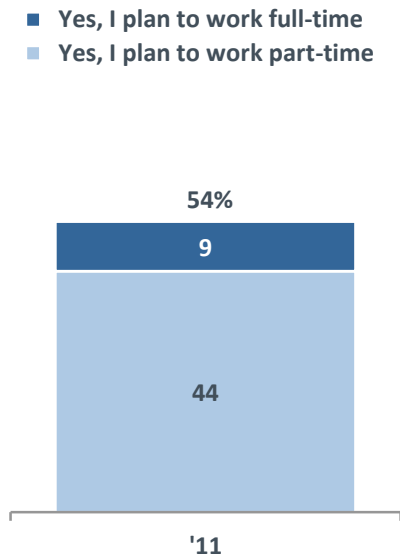
Change in Expected Retirement Age in the Last 12 Months



BASE: Full and Part-time  
 Q910. At what age do you expect to retire?  
 Q1480. Has the age that you expect to retire changed in the last 12 months?

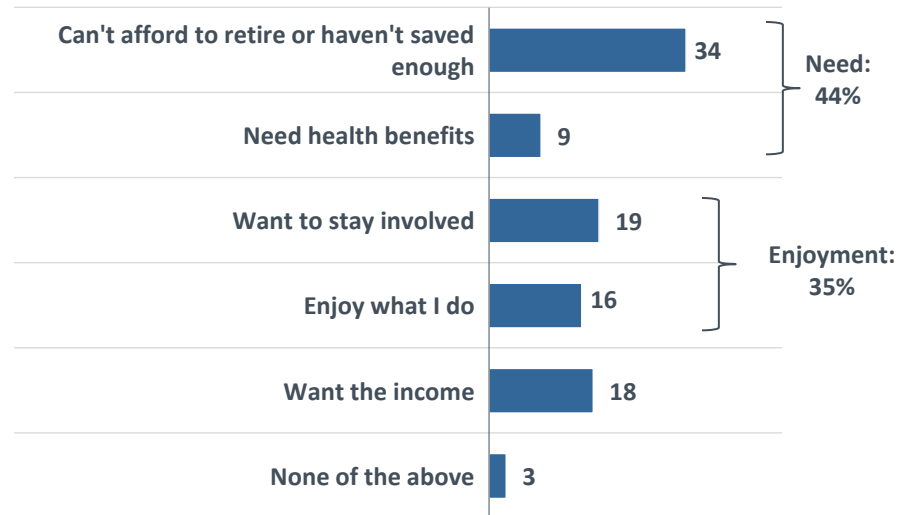
# Working in Retirement

Half of workers plan to work after they retire, mostly in part-time jobs.  
 More than 4 out of 10 of those workers will work out of necessity.



## Main Reason for Working After Retirement Age

N=2516



BASE: All Qualified Respondents

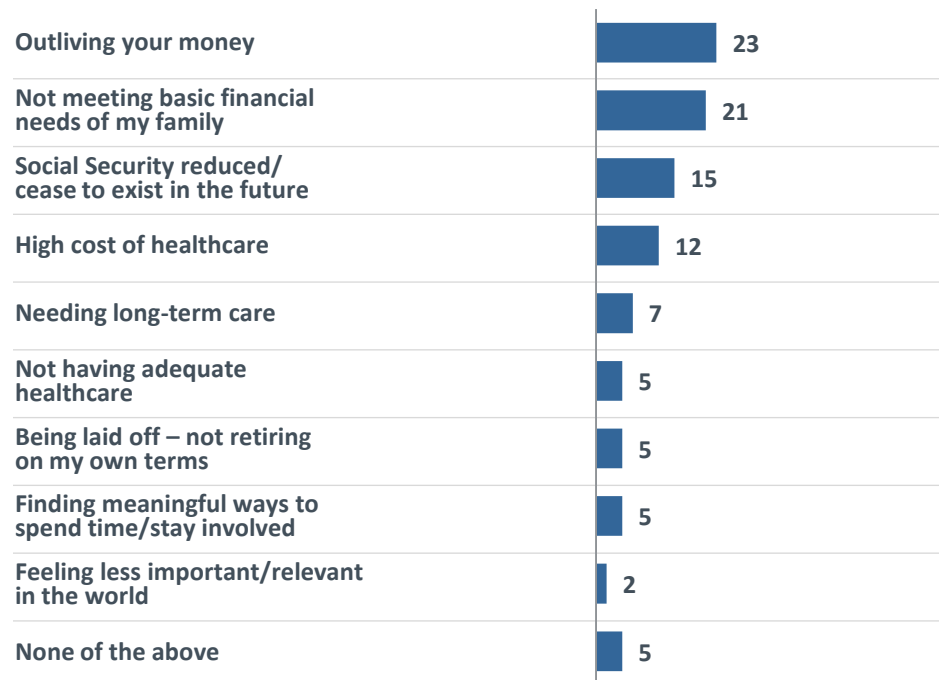
Q1525. Do you plan to work after you retire?

Q1530. What is your main reason for working after retirement or the normal retirement age of 65?

# Retirement Fears

“Outliving their money” and “not meeting basic financial needs of families” are the top cited fears about retirement.

Single Greatest Fear about Retirement



BASE: Full and Part-time

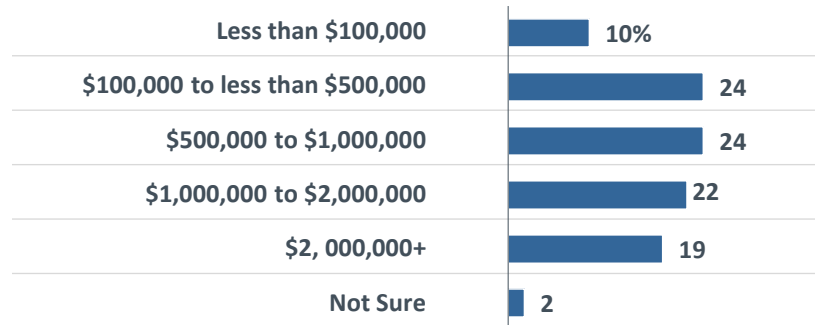
2011: Q1421. What is your single greatest fear about retirement?



# Estimated Retirement Savings Needs

Workers estimate that they will need to save \$600,000 (median) to feel financially secure when they retire.

**Estimated Retirement Savings Needs**  
(N=4080)



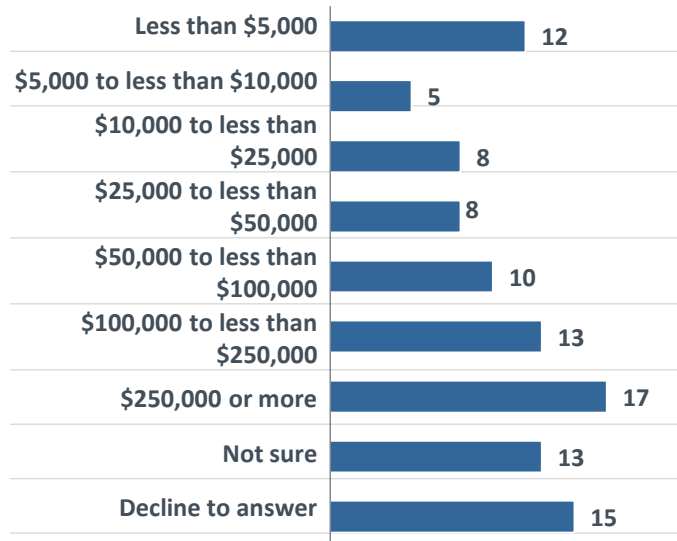
BASE: All Qualified Respondents (n=4080)

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?

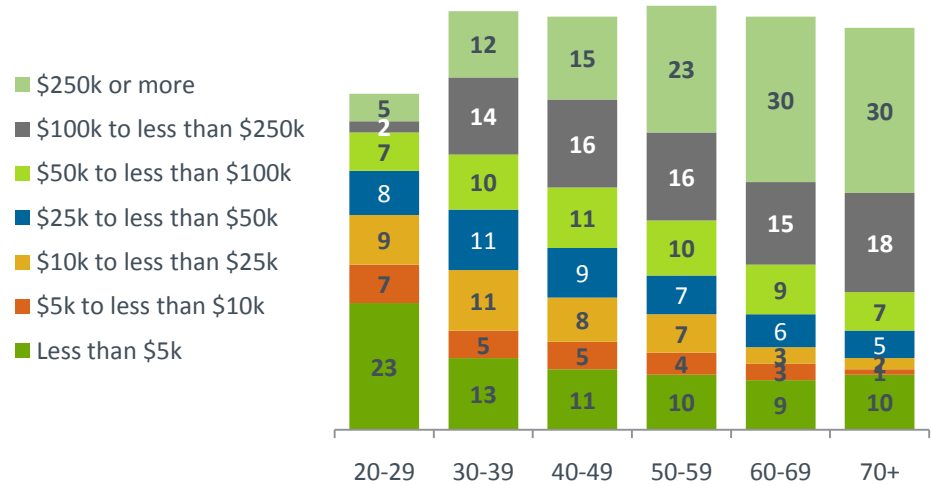
# Current Household Retirement Savings

Only 30 percent of workers indicated they have saved over \$100,000 in all household retirement accounts; however, it should be noted that household retirement savings increases with workers' age ranges.

Household Retirement Savings



Household Retirement Savings by Age (%)



Not sure	22	14	11	9	8	10
Decline to answer	17	11	15	15	17	17

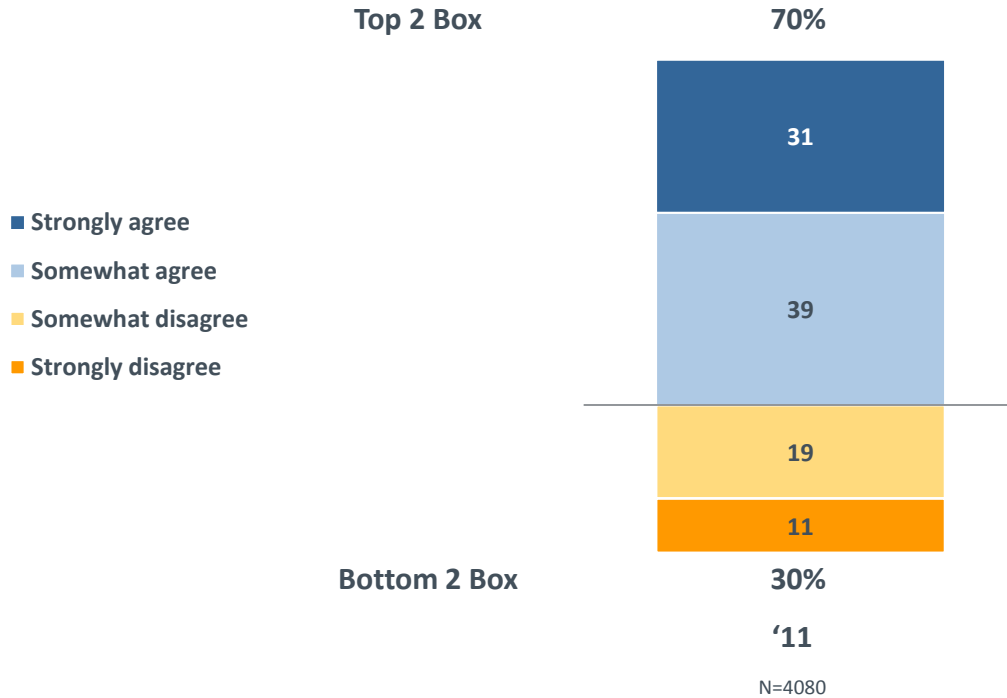
BASE: All Qualified Respondents (n=4080)

Q1300 Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.

# Doubts about Saving Enough by Age 65

The majority of workers agree that they could work until the age of 65 and still not have enough money saved to meet their retirement needs.

I could work until age 65 and still not have enough money saved to meet my retirement needs



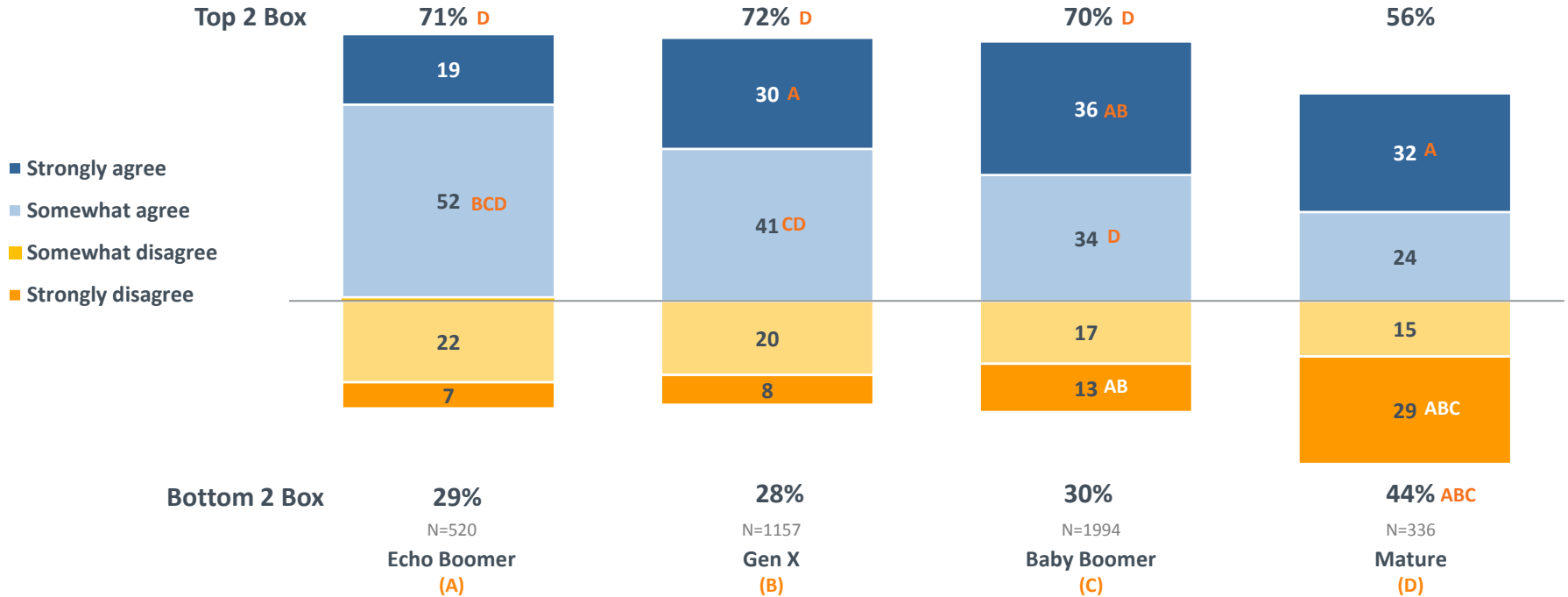
BASE: Full and Part-time

Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? - I could work until age 65 and still not have enough money saved to meet my retirement needs

# Doubts about Saving Enough by Age 65

The majority of workers of all generations agree that they could work until age 65 and not save enough for retirement.

I could work until age 65 and still not have enough money saved to meet my retirement needs

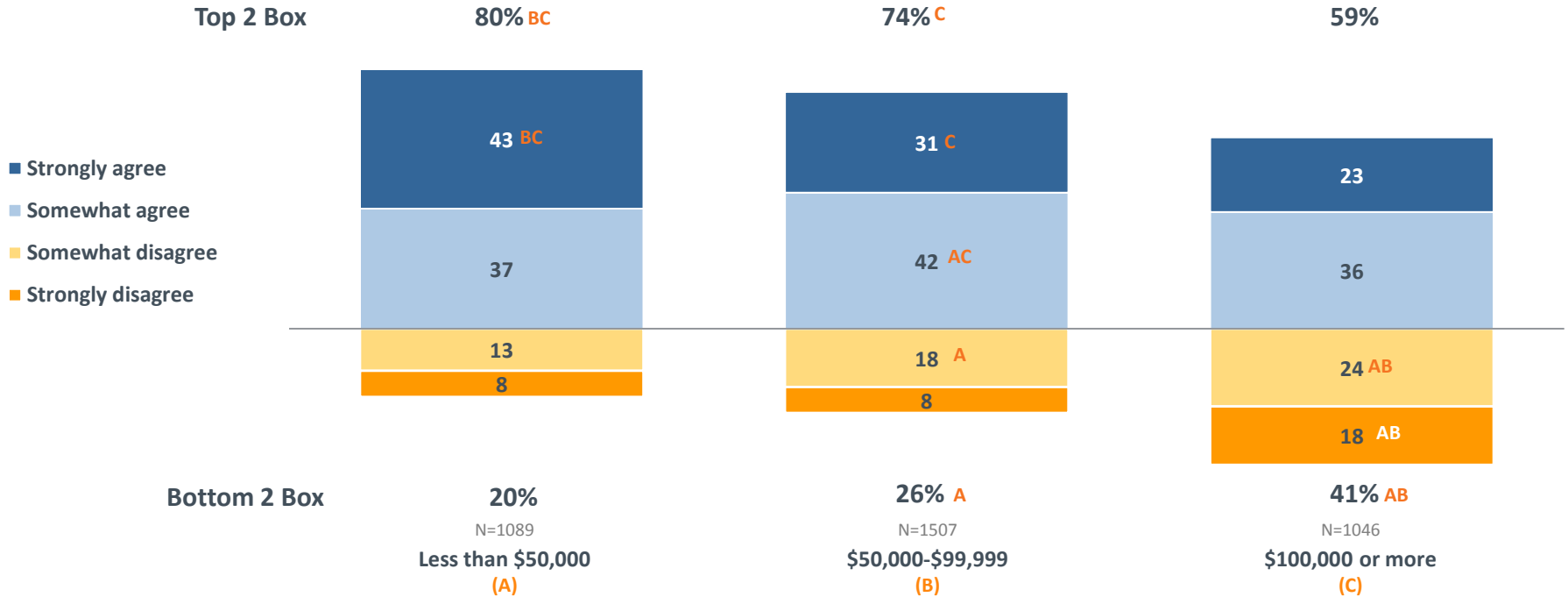


BASE: Full and Part-time  
 Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? -  
 I could work until age 65 and still not have enough money saved to meet my retirement needs

# Doubts about Saving Enough by Age 65

The majority of workers of all levels of household income agree that they could work until age 65 and not save enough for retirement.

I could work until age 65 and still not have enough money saved to meet my retirement needs



BASE: Full and Part-time

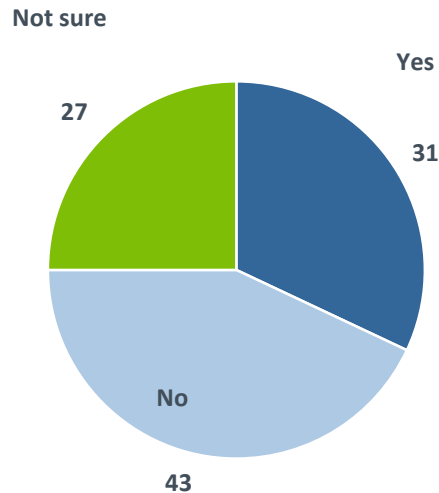
Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? - I could work until age 65 and still not have enough money saved to meet my retirement needs

# Family Obligations

The majority of workers either expect or are not sure if they will need to provide financial support for their family when they retire. Fewer than half (43 percent) expect they will not.

**Do you expect that you will need to provide financial support for your family while you are retired?**

N=4080



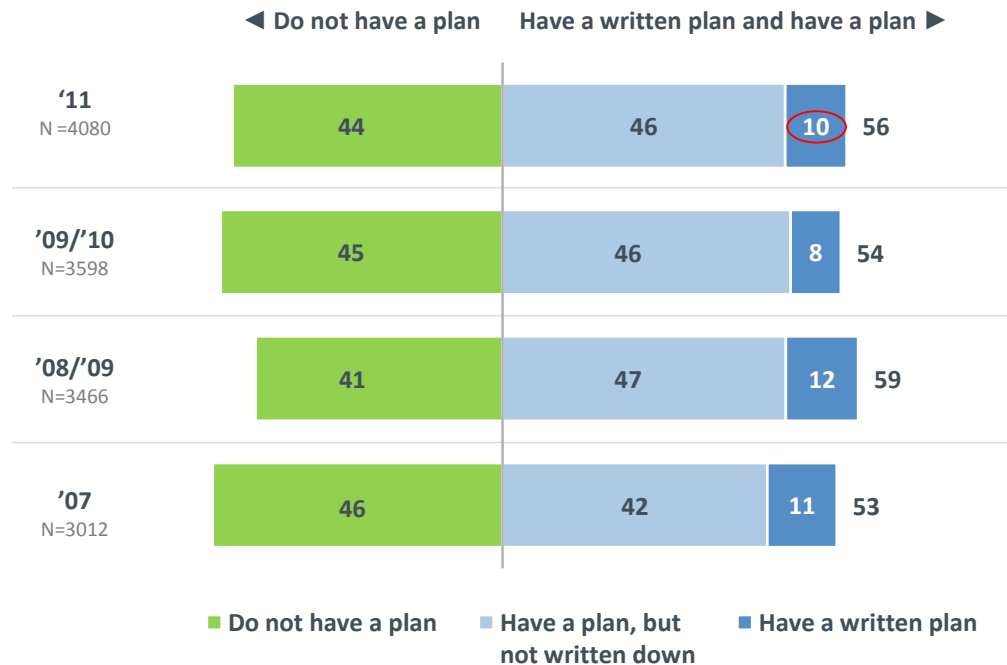
BASE: All Qualified Respondents

Q1505 (NEW) Do you expect that you will need to provide financial support for your family while you are retired?

# Retirement Strategy: Written Plans

Although over half of workers have a retirement strategy, only 10 percent report having a written plan.

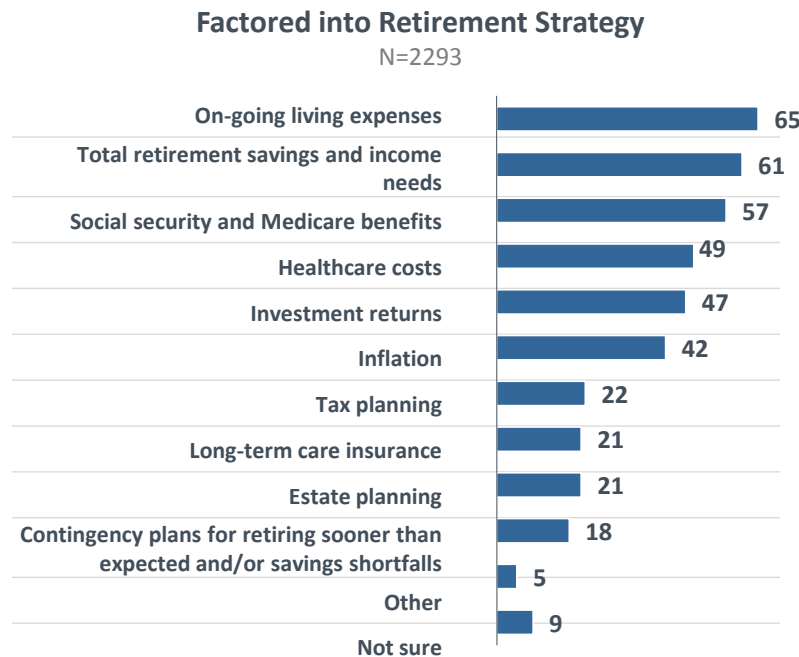
Which of the following best describes your retirement strategy?



BASE: Full and Part-time  
Q1155. Which of the following best describes your retirement strategy?

# Retirement Strategy Factors

Of the 56 percent of workers having a strategy, many factored in on-going expenses and retirement income needs, while just half have factored in healthcare costs, and just over half have factored in Social Security and Medicare benefits.



BASE: Has Retirement Strategy

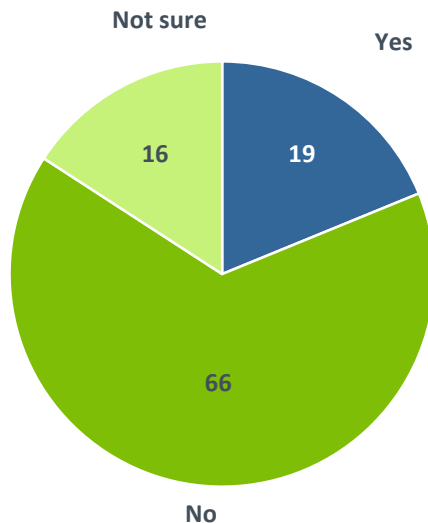
Q1510 (NEW) Which of the following have you factored into your retirement strategy?



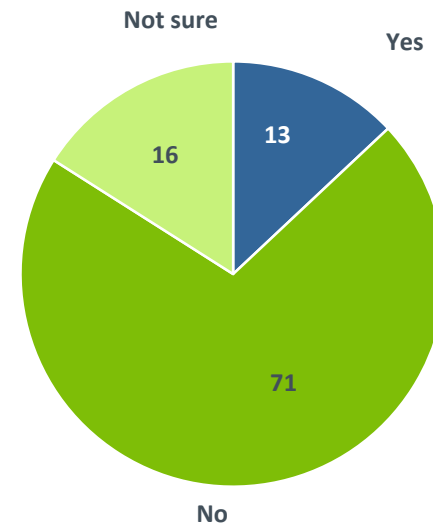
## Lack of Contingency Plans

Most workers do not have a backup plan in the event they are unable to work before their planned retirement. Only 13 percent of workers who plan to work past age 70 or never retire have a backup plan.

**Backup Plan for Retirement Income if Unable to Work**  
All Respondents  
N=4080



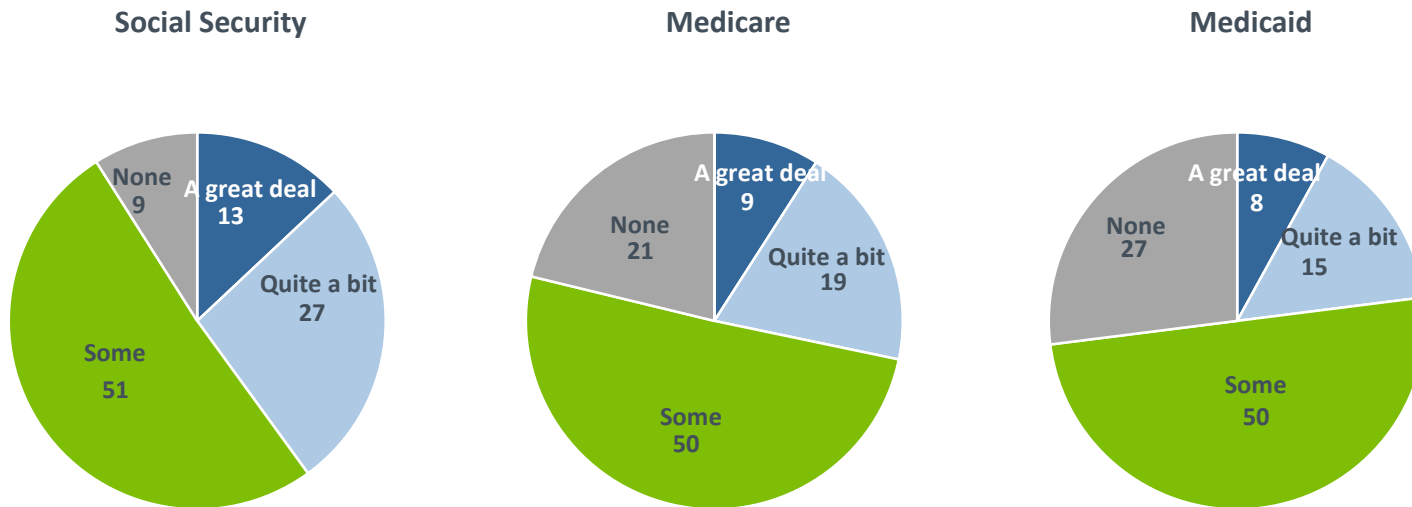
**Backup Plan for Retirement Income if Unable to Work**  
Those Who Plan to Work Past 70 or Never Retire  
N=1660



BASE: All Qualified Respondents; Retire After 70 or Do Not Plan to Retire  
Q1535. In the event you are unable to work before your planned retirement, do you have a backup plan for retirement income?

# Understanding of Government Benefits

Relatively few workers have a good grasp of how government benefits will impact their retirement. Social Security has the highest level of understanding while Medicare and Medicaid lag behind.



BASE: All Qualified Respondents (n=4080)

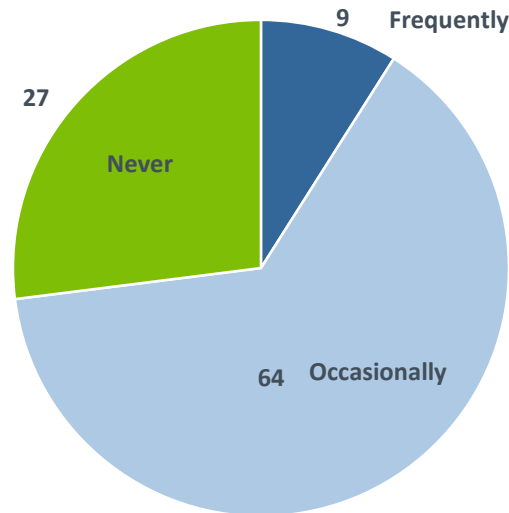
Q1540. How good of an understanding do you have of the following government benefits?

# Talking About Retirement

Although many workers discuss saving, investing, and planning for retirement occasionally, only 9 percent do so frequently. 27 percent never discuss it.

How frequently do you discuss saving, investing and planning for retirement with family and friends?

Total  
N=4080



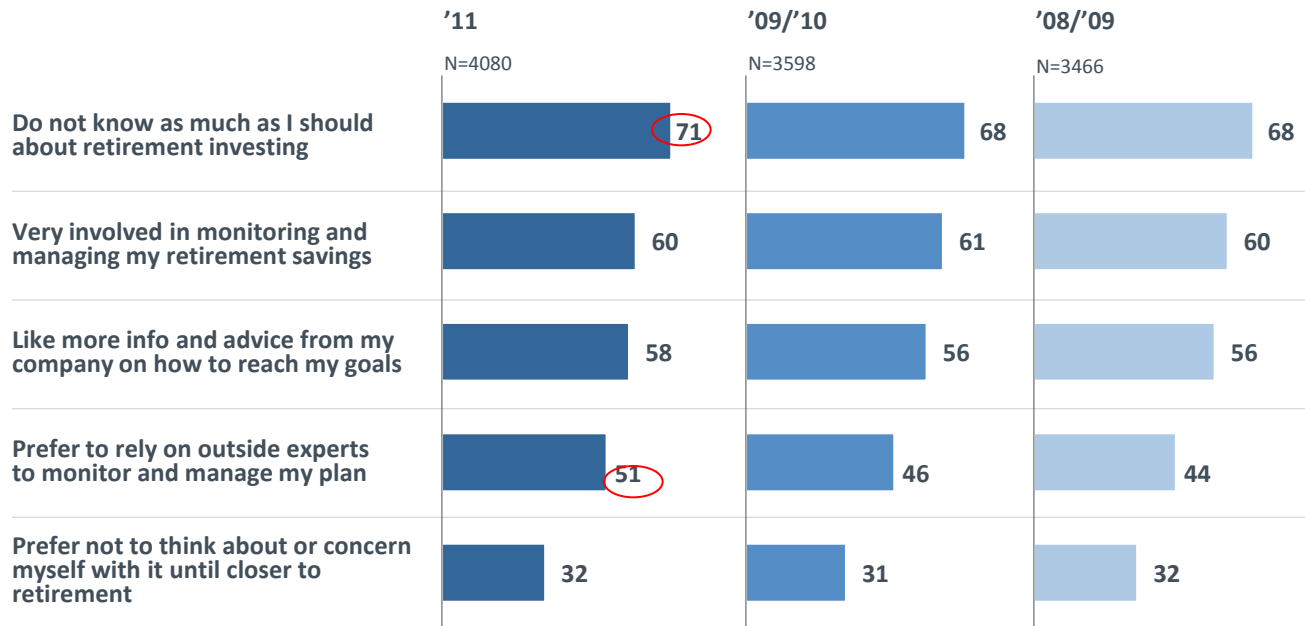
BASE: All Qualified Respondents

Q1515. How frequently do you discuss saving, investing and planning for retirement with family and friends?

# Retirement Preparation and Involvement

Most workers agree that they do not know as much as they should about retirement investing. Many would like more education from their employers. And half would prefer to rely on outside experts.

Top 2 Box % (Strongly/Somewhat Agree)

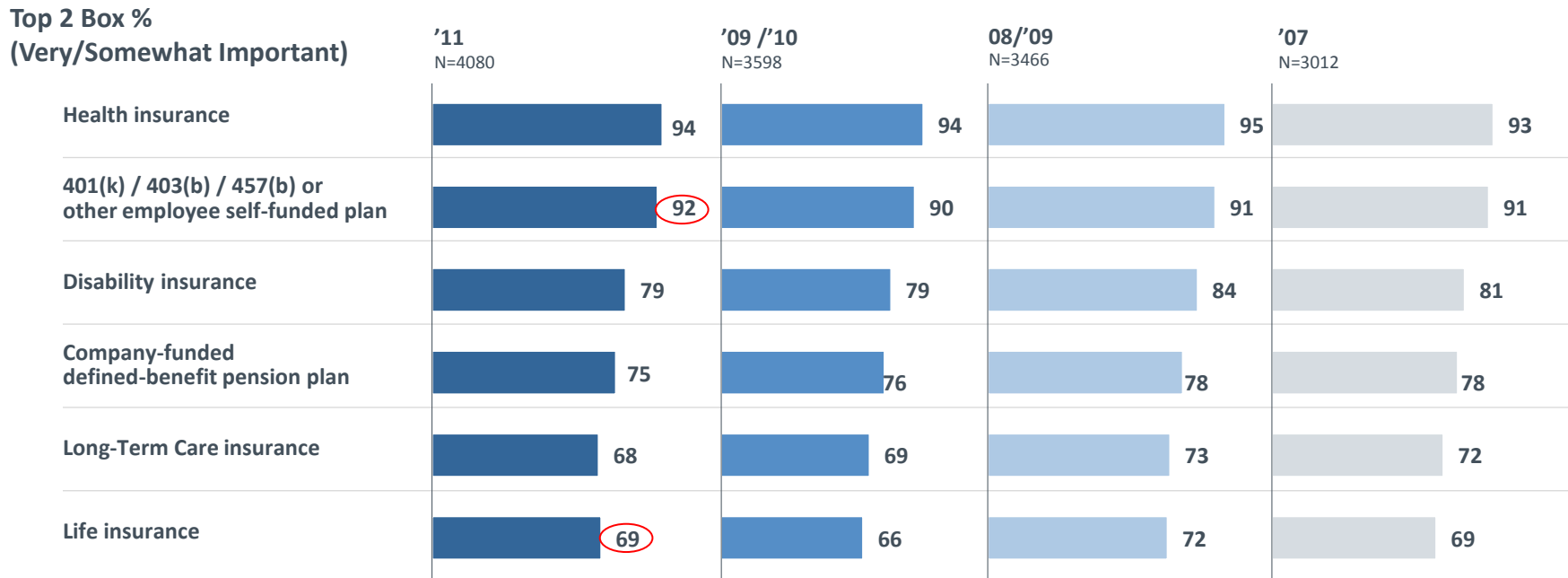


BASE: Full and Part-time

Q930. How much do you agree or disagree with each of the following statements regarding retirement investing?

# Retirement Benefits: Importance Compared to Other Benefits

The vast majority of workers value a 401(k) or similar retirement plan as an important employee benefit.

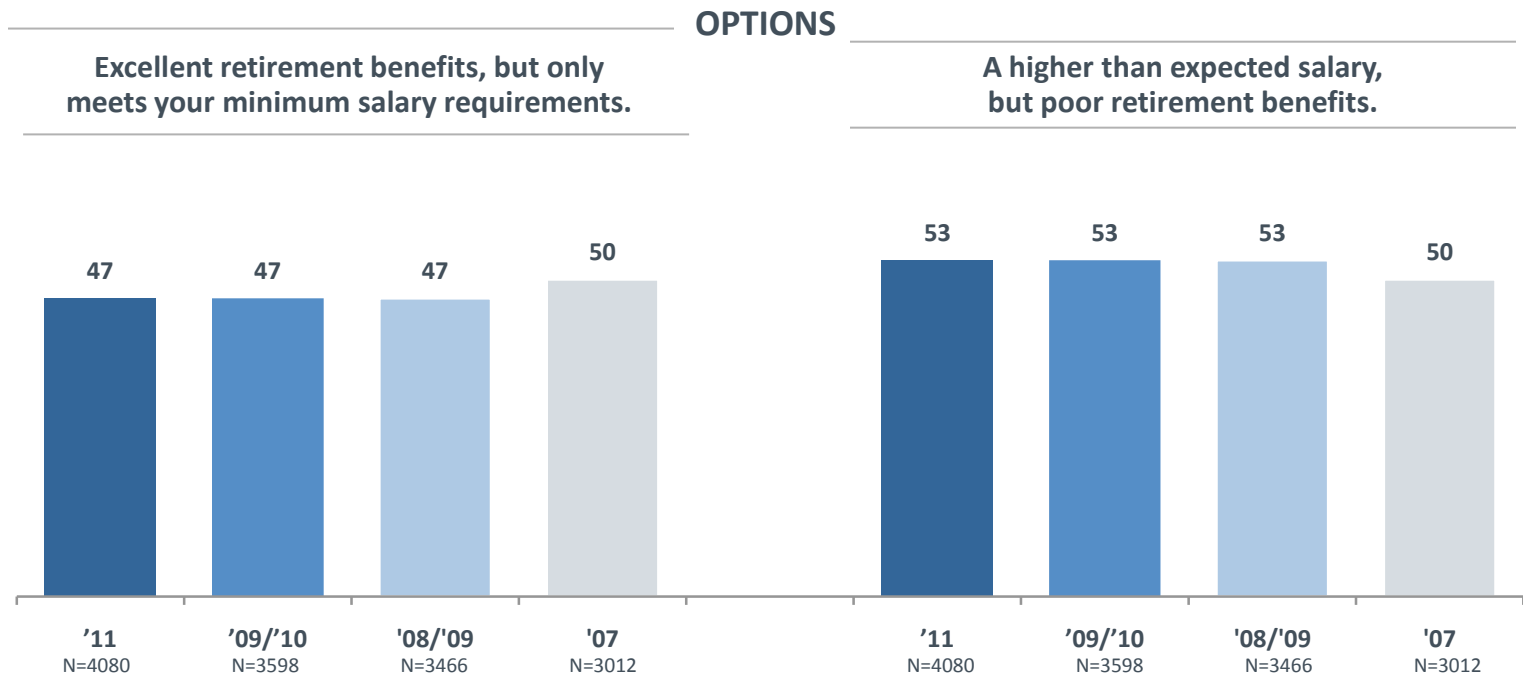


BASE: Full and Part-time

Q1171 Businesses typically offer a number of different benefits for their workers. For each of the following, please tell us how important that benefit is to you, personally.

# Higher Salary vs. Better Retirement Benefits

Workers show a slight preference towards job offers that would provide a higher than expected salary, but poor retirement benefits.

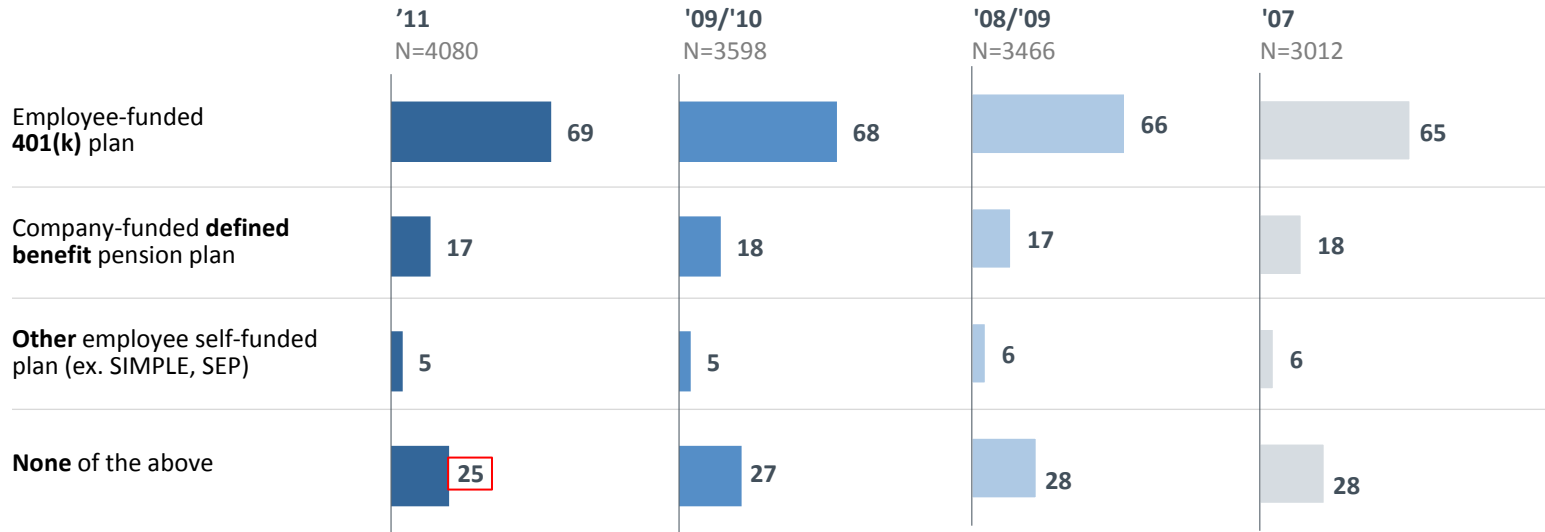


BASE: Full and Part-time

Q830. Suppose that two job offers come your way. Which of the following job offers would you select?

# Retirement Benefits Currently Offered

Retirement plan coverage rates have held steady among workers in recent years.

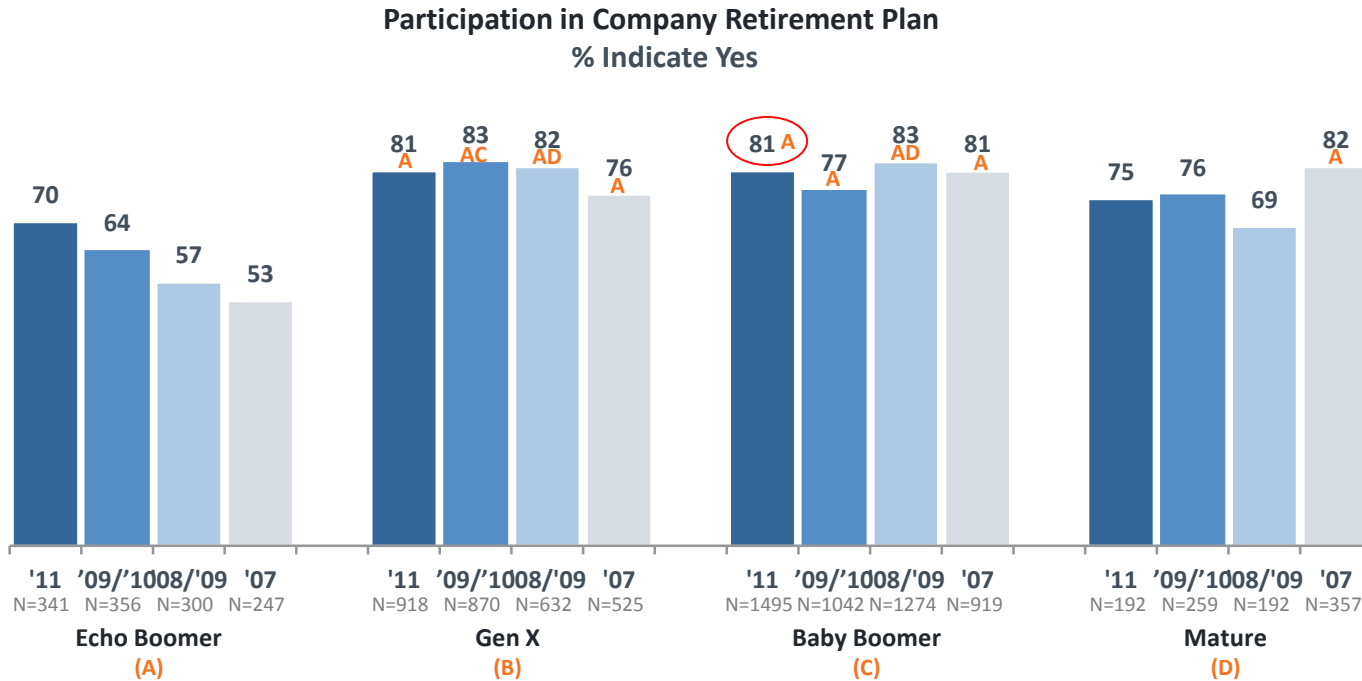


BASE: Full and Part-time

Q1180. Which of the following retirement benefits does your company currently offer to you, personally? Select all that apply.

# Retirement Plan Participation

While the survey found an overall participation rate of 78 percent, workers from the Echo Boomer generation continue to increase participation in company retirement plans while Gen Xers and Baby Boomers stayed relatively the same.



BASE: Full and Part-time; With qualified plans currently offered to them

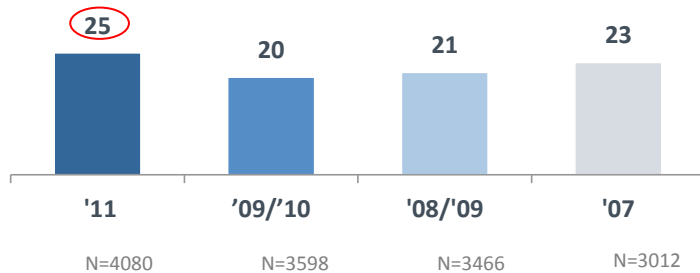
Q1190. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?



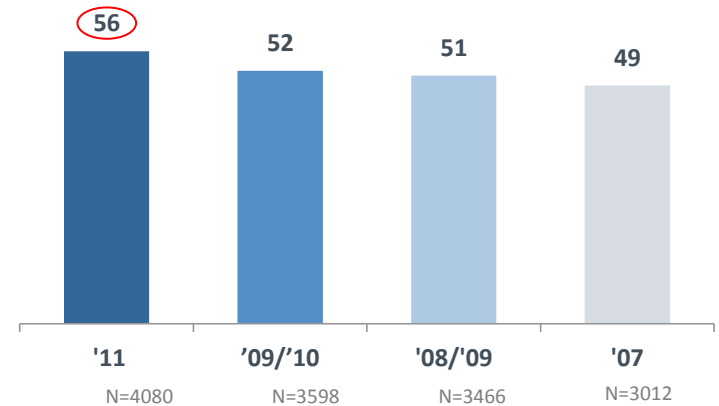
# Awareness: Saver's Credit and Catch-up Contributions

Workers' awareness of both the Saver's Credit and Catch-up Contributions improved over last year.

Aware of Saver's Credit, % Indicate Yes



Aware of Catch-up Contributions, % Indicate Yes



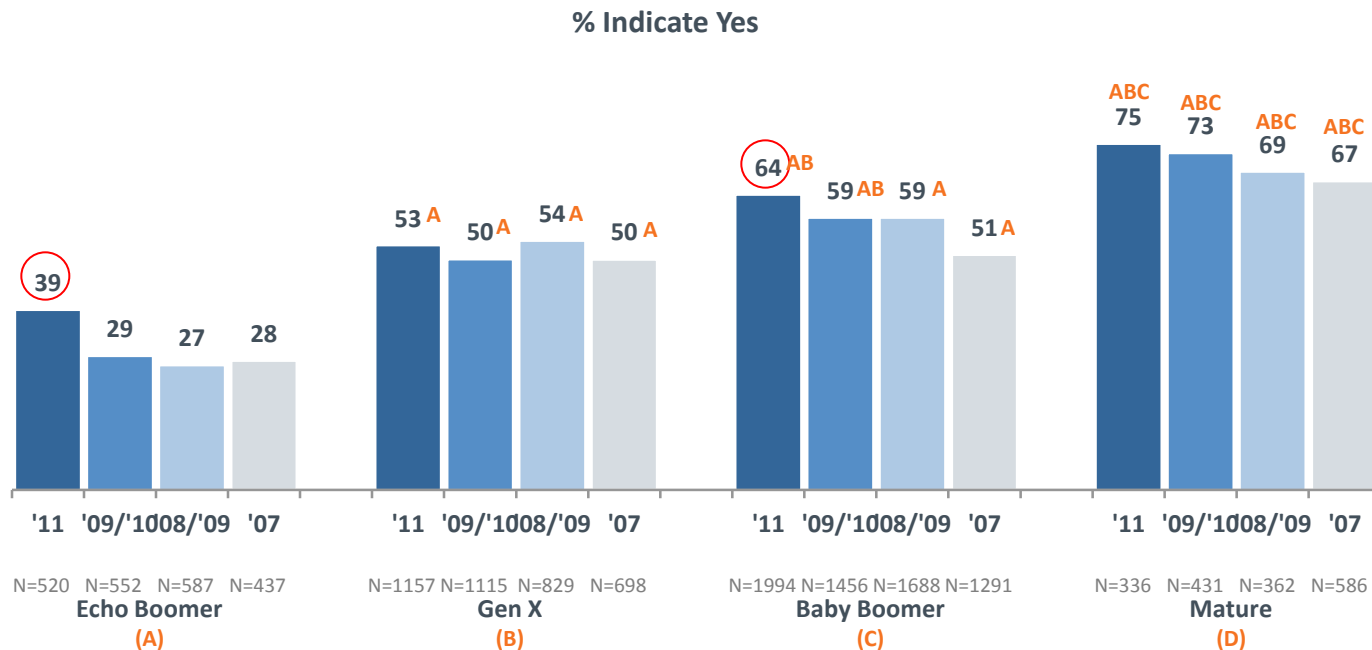
BASE: Full and Part-time

Q520. Are you aware of a tax credit called the "Saver's Credit," which is available to individuals and households, who meet certain income requirements, for making contributions to an IRA or a company-sponsored retirement plan such as a 401(k) plan or 403(b) plan?

Q1000. Are you aware that people age 50 and older may be allowed to make catch-up contributions to their 401(k)/403(b)/457(b) plan or IRA?

# Awareness: Catch-up Contributions

Awareness of Catch-up Contributions increased among all generations with predictably older workers being more aware. Given that the youngest Baby Boomers are now nearing age 50, there's an opportunity to increase awareness among this generation.



BASE: Full and Part-time

Q1000. Are you aware that people age 50 and older may be allowed to make catch-up contributions to their 401(k)/403(b)/457(b) plan or IRA?

## Conclusion

- The 12<sup>th</sup> Annual Transamerica Retirement Survey 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. Overall, American workers' confidence in their ability to achieve a financially secure retirement is low.
- The research 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.
- While working longer is an important means of bridging a retirement savings gap -- planning not to retire is not a viable retirement strategy.
- Setting a goal, creating a plan, and preparing for the unexpected are necessary to ensure a financially secure retirement.
- The vast majority of workers do not have a retirement strategy that is written down.
- Relatively few have a good grasp of how government benefits will impact their retirement.

# Conclusion

## Recommendations for Workers

- How each worker plans on 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:
  - Get the conversation going with friends and family
  - Formulate a plan and write it down
  - Get educated about retirement investing
  - Consider retirement benefits as part of your total compensation
  - If your employer offers a plan, participate. If your employer doesn't offer you a plan, ask for one
  - Take advantage of the Saver's Credit if eligible. Make catch-up contributions if eligible
  - Have a backup plan in the event you are unable to work before your planned retirement

## Recommendations for the Retirement Industry and Media

- The retirement industry and media should continue to raise awareness and increase education on the need to plan and save – and, also, the need for a backup plan in the event of being forced into retirement sooner than expected due to intervening circumstances such as a job loss, health issues, family health.

## Recommendations for Policymakers

- From a public policy perspective, with so many workers planning to work past age 65, policymakers should consider tax incentives for employers to hire older workers along with job training / retraining programs for older workers -- to help keep them in the workforce.



# Appendix

## Respondent Profiles

# Profile of Respondents – Total Respondents

	Full- & Part-time N=4080	Full-time N=2873	Part-time N=1207
<b>Gender</b>			
Male	52%	61%	34%
Female	48%	39%	66%
<b>Age</b>			
18 - 19	1%	<1%	3%
20 - 24	5%	1%	13%
25 - 29	8%	7%	11%
30 – 34	11%	13%	7%
35 – 39	14%	18%	7%
40 - 44	11%	13%	7%
45 - 49	14%	16%	10%
50 - 54	10%	11%	10%
55 - 59	12%	11%	13%
60 - 64	7%	7%	9%
65 and over	6%	4%	12%
MEAN	44.3	44.2	44.5
MEDIAN	44	44	47
<b>Ethnicity</b>			
White, non-Hispanic	79%	80%	78%
Hispanic	7%	7%	8%
African American	5%	5%	6%
Asian/Pacific	4%	4%	3%
Other/Mixed	3%	3%	3%
Decline to answer	2%	2%	2%

	Full- & Part-time N=4080	Full-time N=2873	Part-time N=1207
<b>Level of Education</b>			
Less than high school graduate	1%	1%	1%
High school graduate	22%	17%	31%
Some college or trade school	32%	29%	38%
College graduate	29%	34%	20%
Some grad. school/grad. degree	15%	18%	10%
<b>Marital Status</b>			
Married	60%	62%	56%
Single, never married	23%	21%	28%
Divorced/widowed/separated	12%	12%	12%
Civil union/domestic partnership	5%	6%	4%
<b>Type of Area Lived In</b>			
Large city	21%	22%	21%
Small city	20%	18%	22%
Suburbs	41%	43%	37%
Rural area	18%	17%	20%

# Profile of Respondents – Total Respondents, continued

	Full- & Part-time N=4080	Full-time N=2873	Part-time N=1207		Full- & Part-time N=4080	Full-time N=2873	Part-time N=1207
<b>Household Income</b>				<b>Amount in Current Employer's Retirement Plan</b> <i>(Those with qualified plans currently offered to them)</i>			
Less than \$25,000	7%	3%	14%	(N=2973)	(N=2407)	(N=566)	
\$25,000 to less than \$50,000	17%	14%	24%	Less than \$5,000	18%	14%	31%
\$50,000 to less than \$75,000	21%	21%	21%	\$5,000 to less than \$10,000	7%	6%	10%
\$75,000 to less than \$100,000	15%	17%	12%	\$10,000 to less than \$25,000	11%	12%	9%
\$100,000 to less than \$150,000	19%	22%	14%	\$25,000 to less than \$50,000	11%	13%	5%
\$150,000 or more	10%	13%	4%	\$50,000 to less than \$100,000	12%	14%	8%
Not sure	1%	<1%	1%	\$100,000 to less than \$250,000	11%	13%	5%
Decline to answer	10%	9%	11%	\$250,000 or more	9%	9%	6%
MEAN	\$80,518	\$89,093	\$63,114	Not sure	7%	6%	11%
MEDIAN	\$62,146	\$72,646	\$45,142	Decline to answer	14%	13%	15%
<b>Household Amount Saved for Retirement</b>				<b>Company's Primary Business</b>			
Less than \$5,000	12%	11%	16%	MEAN	\$72,522	\$79,870	\$45,751
\$5,000 to less than \$10,000	5%	4%	6%	MEDIAN	\$24,031	\$31,066	\$5,469
\$10,000 to less than \$25,000	8%	8%	8%	Professional services	26%	29%	20%
\$25,000 to less than \$50,000	8%	9%	7%	Service industries	22%	13%	38%
\$50,000 to less than \$100,000	10%	11%	6%	Manufacturing	14%	20%	4%
\$100,000 to less than \$250,000	13%	15%	9%	Transportation/Comm./Utilities	8%	9%	6%
\$250,000 or more	17%	18%	15%	Agriculture/Mining/Construction	4%	4%	3%
Not sure	13%	10%	18%	Some other type of business	25%	24%	28%
Decline to answer	15%	14%	15%	<b>Number of Employees</b>			
MEAN	\$105,801	\$111,175	\$93,592	10-499 (NET)	46%	47%	44%
MEDIAN	\$49,295	\$57,861	\$27,856	10 to 24	12%	10%	14%
<b>Occupation</b>				25 to 99	17%	18%	14%
Professional/Medical/Technical	29%	36%	15%	100 to 499	18%	19%	15%
Clerical/Service/Administration	21%	18%	26%	500+ (NET)	54%	53%	56%
Managerial or business owner	13%	18%	2%	500 to 999	7%	7%	8%
Sales	13%	7%	24%	1,000 or more	47%	46%	49%
Blue-Collar/Production	10%	11%	7%	MEAN	822.1	810.9	844.2
Teacher/Education	1%	<1%	1%	MEDIAN	554	485	671
Some other occupation	15%	10%	24%				