

***Redefining Retirement:  
The New 'Retirement Readiness'***

***The 13th Annual Transamerica Retirement Survey***

May 2012

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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.
- 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.transamericacenter.org](http://www.transamericacenter.org).
- The Center and its representatives cannot give ERISA, tax, investment or legal advice. This material is provided for informational purposes only and should not be construed as ERISA, tax, investment or legal advice. Interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here.
- 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 1998, 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 13<sup>th</sup> Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.

## About the Author

**Catherine Collinson** serves as President of the Transamerica Center for Retirement Studies®, a retirement and market trends expert and champion for Americans who are at risk for achieving a financially secure retirement. Catherine oversees all research and outreach initiatives, including the Annual Transamerica Retirement Survey.

With over 15 years of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small business, which have featured the need to raise awareness of the Saver's Credit among those who would benefit most from the important tax credit. Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: The Wall Street Journal, U.S. News & World Report, USA Today, Money, The New York Times, The Huffington Post, Kiplinger's, CBS MoneyWatch, Los Angeles Times, Chicago Tribune, Employee Benefits News and HR Magazine. She has also appeared on PBS' "Nightly Business Report," NPR's "Marketplace" and CBS affiliates throughout the country. Catherine speaks at major industry conferences each year, having appeared at events hosted by organizations including PSCA, LIMRA and PLANSPONSOR. She also authors articles published in leading industry journals, such as ASPPA, SPARK and PSCA.

Catherine is currently employed by Transamerica Retirement Services and serves as Senior Vice President of Strategic Planning. Since joining the organization in 1995, she has been instrumental in identifying and evaluating short- and long-term strategic growth initiatives, developing business plans and building infrastructure to support the company's high-growth strategy in the 401(k) market.

## Methodology: Worker Survey

- A 22-minute, online survey was conducted between January 13 - 31, 2012 among a nationally representative sample of 3,609 workers using the Harris online panel. Respondents met the following criteria:
  - 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.
- This report focuses on full-time and part-time workers combined.

## Redefining Retirement: Executive Summary

- During the past two decades, ‘retirement readiness’ has become a common term in our vernacular. It was inspired by the imperative for Americans to take an even greater role in funding their retirement due to increases in life expectancies, questions about the future of Social Security, and the shift from traditional defined benefit pension plans to self-funded 401(k) and other defined contribution plans.
- A myriad of characterizations of ‘retirement readiness’ have emerged, many that describe it as a gauge to determine whether a worker’s nest egg is adequate to retire at age 65 and generate sufficient income to last throughout his/her retirement years.
- Along the lines of these definitions, the 13<sup>th</sup> Annual Transamerica Survey found low levels of ‘retirement readiness’ among workers, and for many, saving enough to retire by age 65 may be unrealistic.
  - Only 39 percent agreed that they are building a large enough nest egg (10 percent strongly agreed, 29 percent somewhat agreed)
  - 69 percent of workers agreed that they could work until age 65 and not save enough to meet their retirement needs (32 percent strongly agreed, 37 percent somewhat agreed)
- The survey also found workers have already begun adjusting their expectations and the notion of retiring at age 65 has changed dramatically. Most workers plan to either work past age 65 and/or work part-time in retirement:
  - More than half (56 percent) plan to work past age 65 or do not plan to retire
  - More than half (54 percent) plan to work after they retire
- Working longer and retiring at an older age is an effective way to alleviate savings shortfalls; however, few workers (20 percent) have a back-up plan if they are forced into retirement sooner than expected due to life’s unforeseen circumstances.
- Given that workers are already adjusting their expectations, it’s time for our society to redefine ‘retirement readiness’ and outline ways to improve workers’ long-term outlook.



## ***Redefining Retirement: Executive Summary***

- *Redefining Retirement: The New 'Retirement Readiness'*, based on findings from the 13<sup>th</sup> Annual Transamerica Retirement Survey, provides a broad view of retirement preparedness among American workers by age range to highlight opportunities for improving their long-term outlook.
- The Transamerica Center for Retirement Studies® proposes a new definition:  
*'Retirement readiness' refers to a state in which an individual is well-prepared for retirement, should it happen as planned or unexpectedly, and can continue generating adequate income to cover living expenses throughout his/her lifetime through retirement savings and investments, employer pension benefits, government benefits, and/or continuing to work in some manner while allowing for leisure time to enjoy life.*
- The 5 key elements of 'retirement readiness' are:
  - *A clear vision of retirement* including retirement dreams, expected retirement age, and any plans to continue working in retirement
  - *Retirement income* including savings and investments, pension benefits, and government benefits
  - *A retirement strategy* that incorporates savings needs, potential risks, and a back-up plan if forced into retirement sooner than expected
  - *Knowledge to make informed decisions* about retirement investments, government benefits, and healthcare
  - *A family understanding* including an open dialogue about finances and agreement on any expectations of support



## ***Redefining Retirement: Executive Summary***

- Each generation has circumstances that affect their retirement outcomes. The survey results compare and contrast the confidence, sources of income in retirement, and savings behaviors of workers in their Twenties, Thirties, Forties, Fifties, and Sixties. While the basic principles of saving and planning apply to all, each age range has some specific issues and opportunities:
  - Workers in their Twenties expressed low levels of retirement confidence which closely echo the responses of those in their Fifties and Sixties (the approximate age of their parents). It's important that they can learn from their parents' experiences to repeat their successes and avoid their mistakes.
  - Workers in their Fifties and Sixties have less time than younger workers to plan and save. For many, working past age 65 will help bridge savings gaps; however, it is imperative for them to have a retirement strategy and back-up plans if they have to stop working sooner than expected. They should also gain a strong understanding of their Social Security benefits, Medicare, and how healthcare reform will impact them.
- The survey results shed light on the need for greater communications between family members about retirement planning and any expectations of financial support in order to build a common understanding.
- Lastly, the survey results illustrate important actions that can be taken by employers, the retirement industry, and policymakers to help workers achieve 'retirement readiness':
  - Expand access to workplace benefits including retirement and other health and welfare benefits
  - Increase employer and retirement plan provider-based education, information, and access to advice offered by third-party professionals
  - Make retirement educational offerings easier to understand
- Increase awareness of tax incentives such as the Saver's Credit and Catch-Up Contributions



***Redefining Retirement:  
The New 'Retirement Readiness'***

Detailed Findings

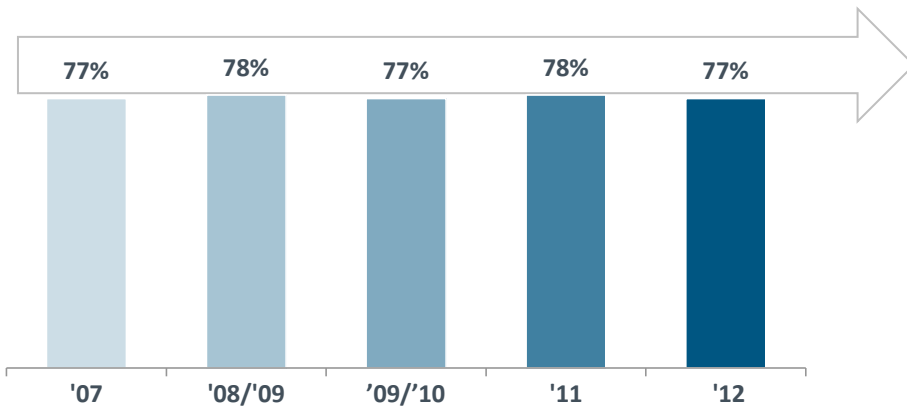
# What is 'Retirement Readiness'?

- During the past two decades, 'retirement readiness' has become a common term in our vernacular. It was inspired by the imperative for Americans to take an even greater role in funding their retirement due to widespread recognition of increases in life expectancies, questions about the future of Social Security, and the shift from traditional defined benefit plans to self-funded 401(k) and other defined contribution plans.
- A myriad of characterizations of 'retirement readiness' have emerged, many of which describe it as a gauge to determine whether a worker's nest egg is adequate to retire at age 65 and generate sufficient income to last throughout his/her retirement years.
- Given the many challenges associated with the on-going recession, financial crisis, and low interest rate environment, are these definitions of 'retirement readiness' still relevant? And, how prepared are American workers?

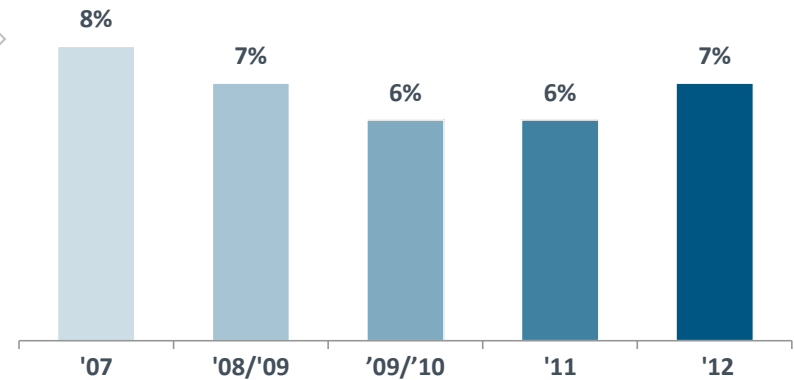
# Workers Remain Committed to Saving for Retirement

Despite the Great Recession, workers have remained committed to saving for retirement in company-sponsored 401(k) or similar retirement plans during the past five years. Participation rates have held steady and remained strong. The median contribution rate, which dipped since 2007, has begun its recovery. This year's survey also found that 24 percent of participants increased their 401(k) contributions in the past 12 months.

Participation in Company's Employee-Funded Retirement Savings Plan (% "Yes")



Median Percentage of Salary Being Saved Among those Participating



BASE: Those with qualified plans currently offered to them

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

BASE: Currently participating in their qualified plan

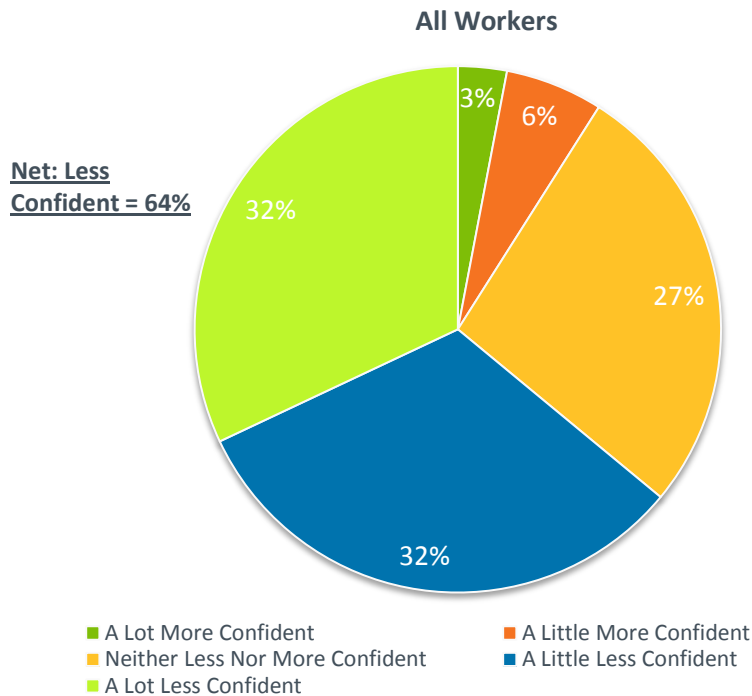
Q600. What percentage of your salary are you saving for retirement through your company-sponsored plan this year?

# Great Recession Reduces Confidence for Retirement

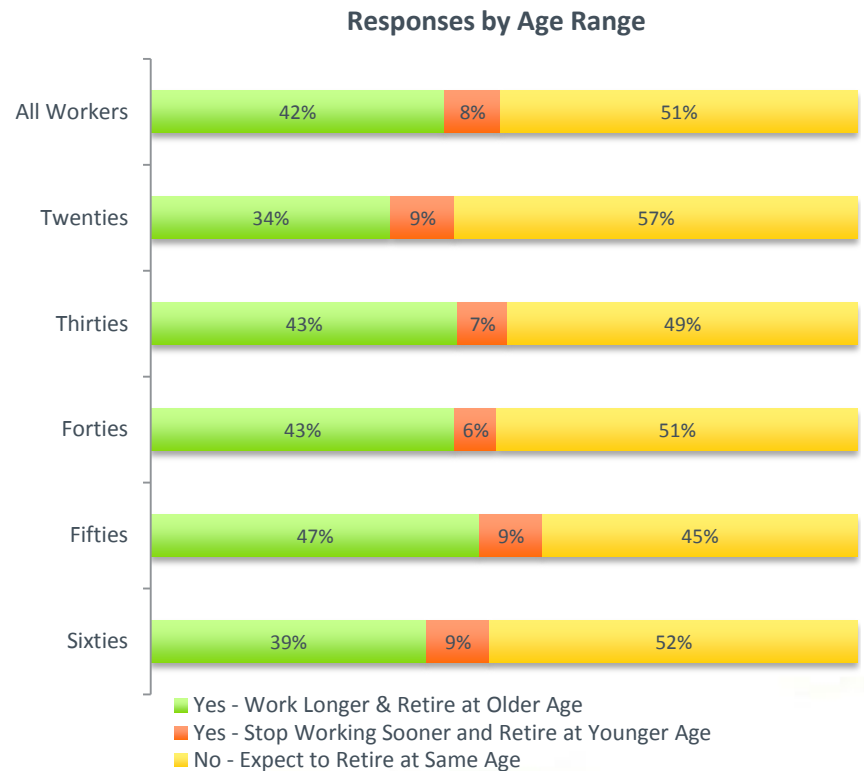
Many workers report that their retirement outlook has changed since the recession began in 2008. The majority (64 percent) are less confident. Further, 42 percent of workers expect to work longer and retire at an older age. Nearly half (47 percent) of workers in their Fifties expect to work longer and retire at an older age.

## Since the Recession began in 2008 ...

How has your confidence in your ability to achieve a financially secure retirement changed?



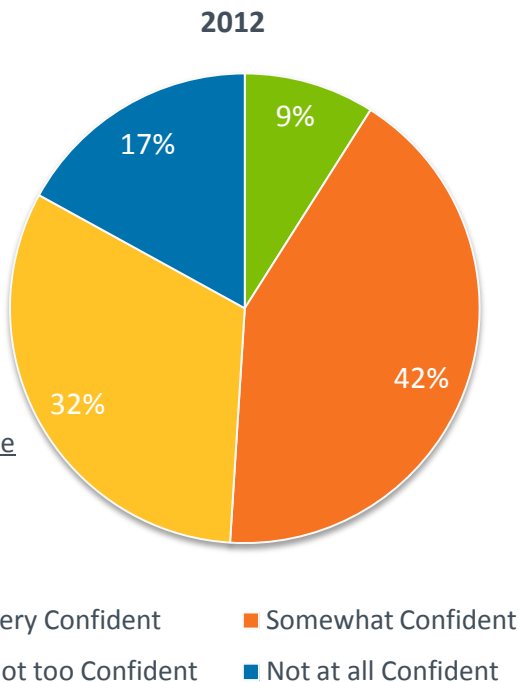
Has the age that you expect to retire changed?



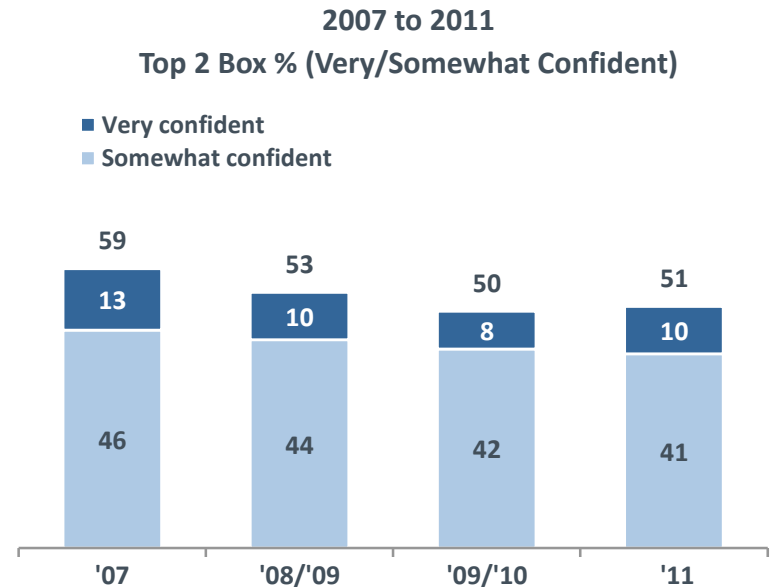
# Current Retirement Confidence Lukewarm

More than half of workers (51 percent) are confident in their ability to fully retire with a comfortable lifestyle including 9 percent who are 'very confident.' The economic difficulties in recent years have impacted retirement confidence. In 2007, prior to the Great Recession, 59 percent of workers were confident including 13 percent who were 'very confident.'

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



2012 Retirement Confidence  
 Confident (Net): 51%  
 Not Confident (Net): 49%



# Inadequacy of Workers' Nest Eggs

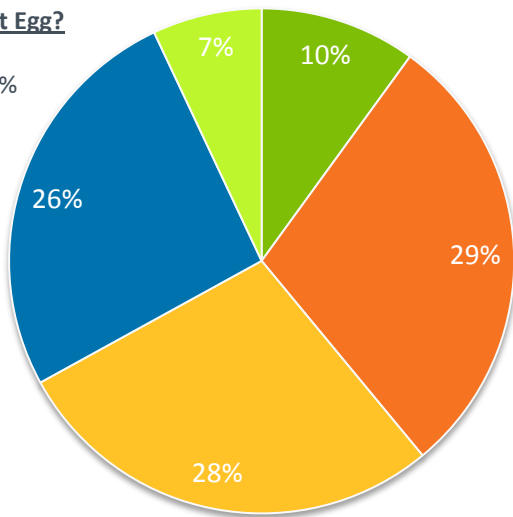
Only 39 percent of workers agree, including 10 percent who 'strongly agree' and 29 percent who 'somewhat agree,' that they are building a large enough retirement nest egg. Interestingly, the level of agreement among workers in their Twenties (38 percent) is similar to those in their Fifties (39 percent) suggesting that their sentiments may be echoing their parents' generation. Unless workers of all ages take greater action in planning and saving, this may not bode well for the ability to generate sufficient income at retirement age.

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

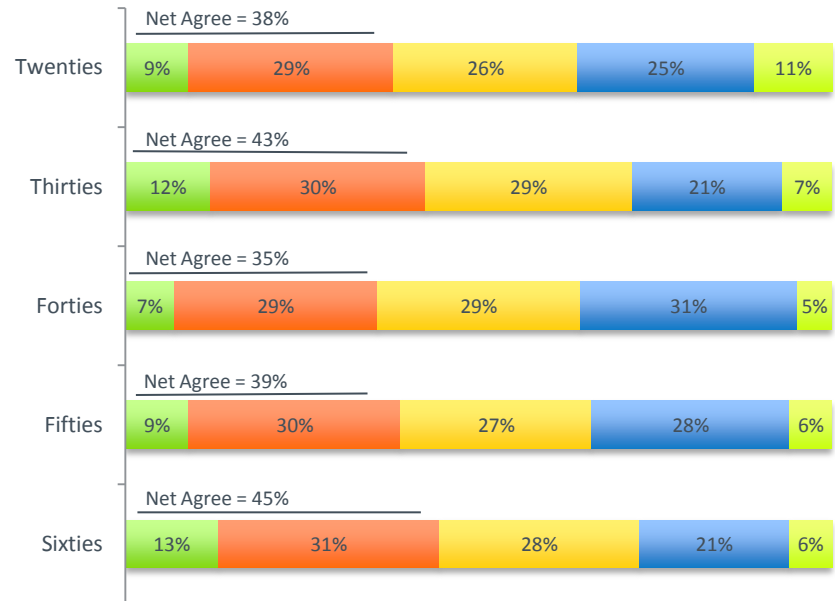
All Workers

**Large Enough Nest Egg?**

Agree (Net): 39%  
Disagree (Net): 53%  
Not Sure: 7%



Responses by Age Range

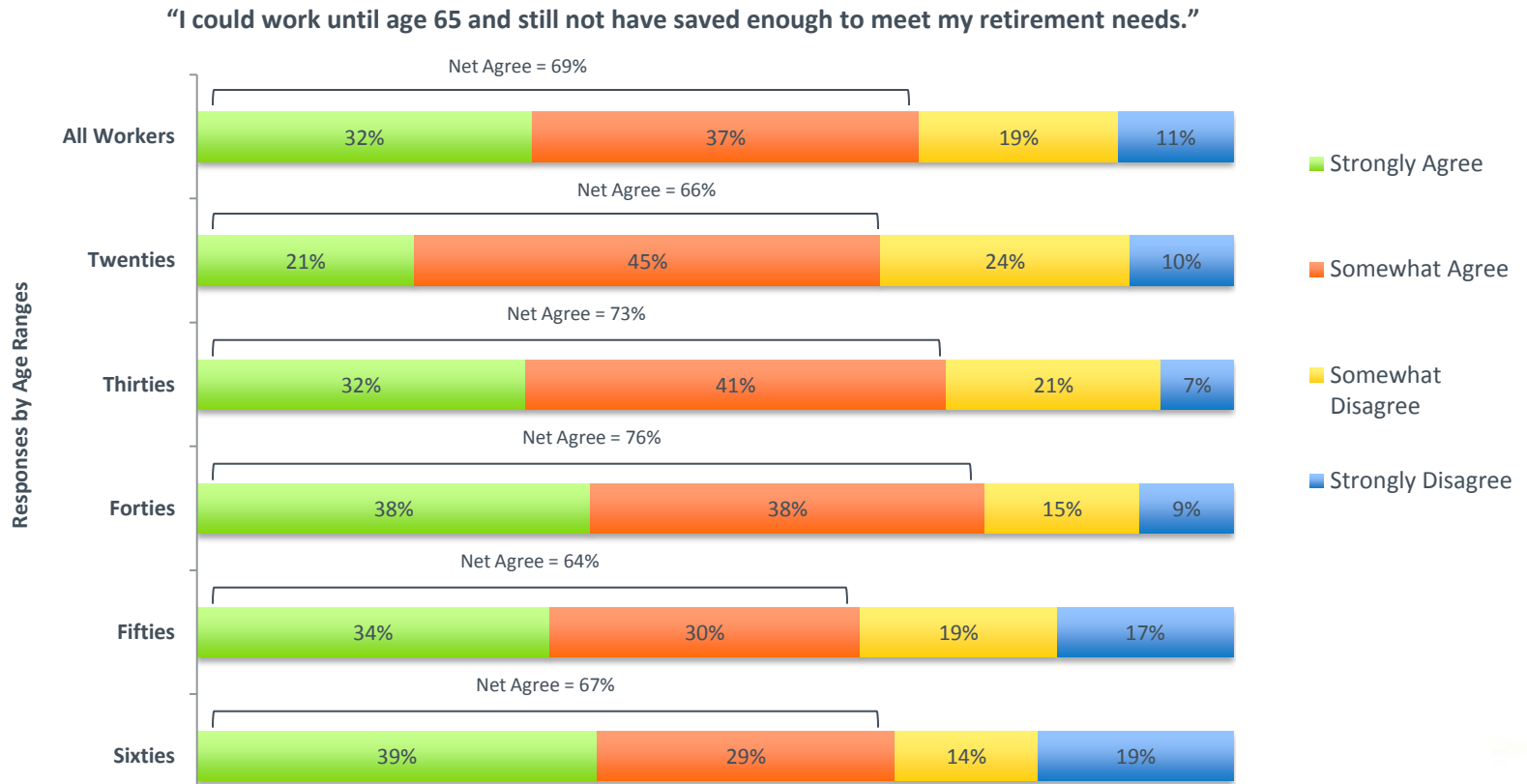


■ Strongly Agree 
 ■ Somewhat Agree 
 ■ Somewhat Disagree 
 ■ Strongly Disagree 
 ■ Not Sure



# Saving Enough by Age 65?

The majority of workers (69 percent) agree that they could work until age 65 and not save enough for retirement. This response rate is highest for workers in their Forties (76 percent). Again, responses for those in their Twenties (66 percent) track with those in their Fifties (64 percent). Younger workers have decades to plan and save -- they can change their retirement destiny. It's important for them to learn from their parents' generation versus repeating their retirement outcomes.



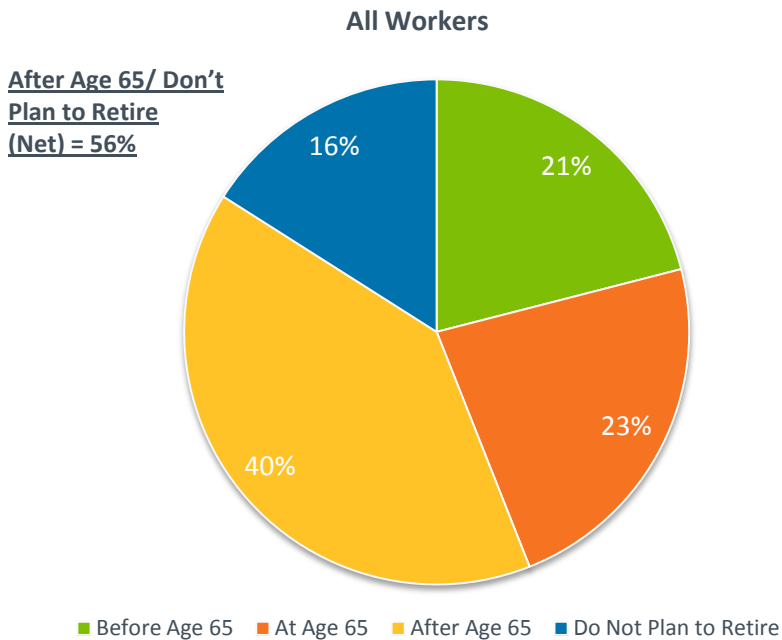
BASE: All Qualified Respondents

Q931. How much do you agree or disagree with the statement, “I could work until age 65 and still not have saved enough money to meet my retirement needs.”

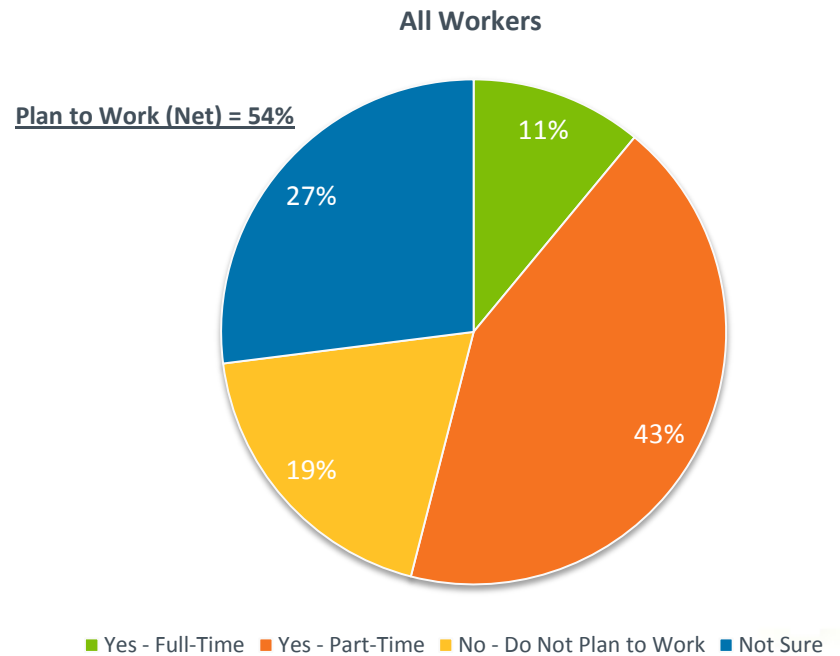
# Workers Adjusting Expectations of Retirement

The majority of workers (56 percent) expect to work past age 65 or do not plan to retire. Further, the majority of workers (54 percent) plan to work after they retire. For many workers, the long-standing vision of fully retiring at age 65 has changed dramatically. Workers have begun to change their vision of retirement. Now, it's time for the retirement industry, plan sponsors, media, and policymakers to offer a new definition of retirement readiness.

At what age do you expect to retire?



Do you plan to work after you retire?



BASE: All Qualified Respondents  
 Q910. At what age do you plan to retire?  
 Q9125. Do you plan to work after you retire?

# A New Definition of 'Retirement Readiness'

- Given that workers are already showing encouraging signs of resilience and adjusting their expectations of retirement, it's now time for our society to rethink our views of retirement, expand our definition of 'retirement readiness,' and outline ways to improve workers' long-term outlook.
- The Transamerica Center for Retirement Studies® proposes a new definition:

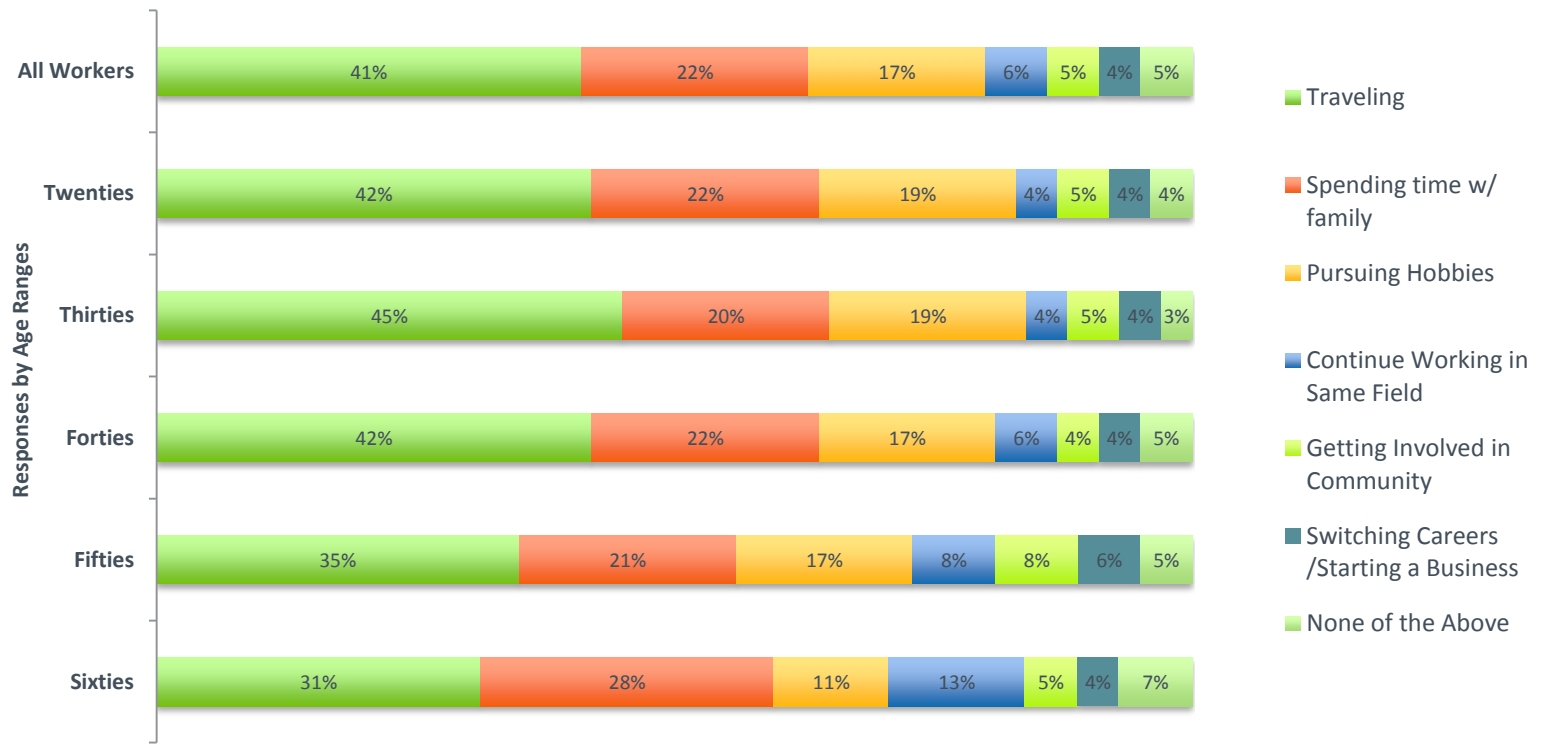
*'Retirement readiness' refers to a state in which an individual is well-prepared for retirement, should it happen as planned or unexpectedly, and can continue generating adequate income to cover living expenses throughout his/her lifetime through retirement savings and investments, employer pension benefits, government benefits, and/or continuing to work in some manner while allowing for leisure time to enjoy life.*

- 'Retirement readiness' includes the following 5 key elements:
  1. *A clear vision of retirement* including retirement dreams, expected retirement age, and any plans to continue working in retirement
  2. *Retirement income* including savings and investments, pension benefits, and government benefits
  3. *A retirement strategy* that incorporates savings needs, potential risks, and a back-up plan if forced into retirement sooner than expected
  4. *Knowledge to make informed decisions* about retirement investments, government benefits, and healthcare
  5. *A family understanding* and an open dialogue about finances and any expectations of support

# #1. A Clear Vision of Retirement: Dreams

Workers of all ages most frequently cite “traveling” and “spending time with family” as their retirement dreams. These dreams can only be realized if they take greater control of their financial future.

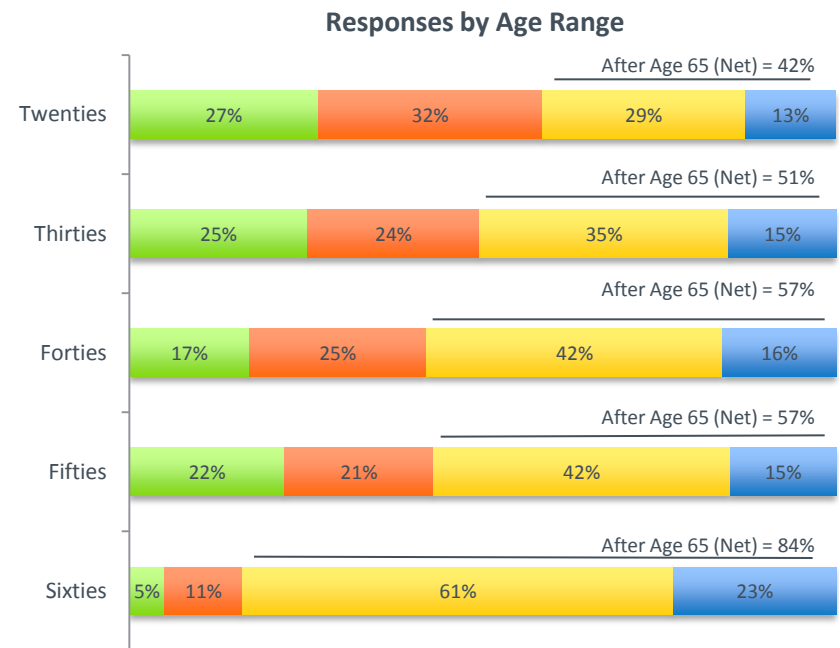
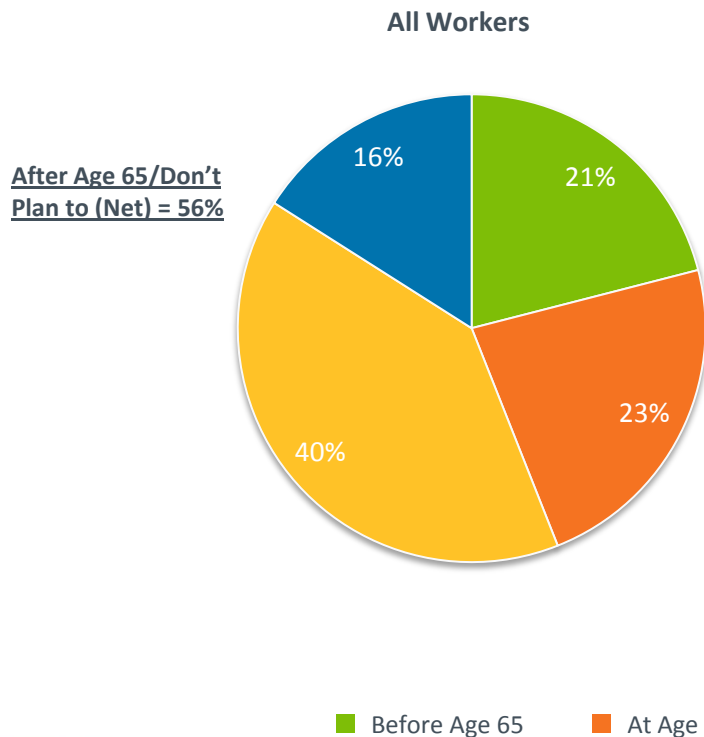
How Do You Dream of Spending Your Retirement?



# #1. A Clear Vision of Retirement: Expected Retirement Age

The majority of workers (56 percent) plan to retire after the age of 65 or do not plan to retire. With the exception of workers in their Twenties, the majority of workers from their Thirties to Sixties plan to retire after the age 65 or do not plan to retire. The notion of the traditional retirement age of 65 is facing its own retirement.

At what age do you expect to retire?

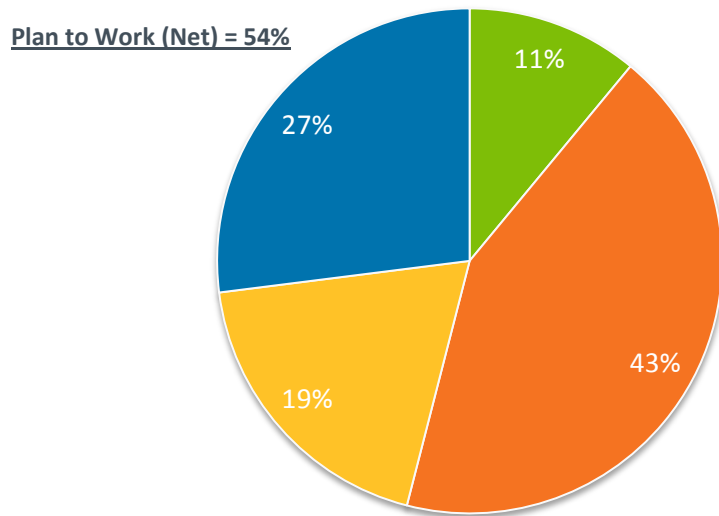


# #1. A Clear Vision of Retirement: Working in Retirement

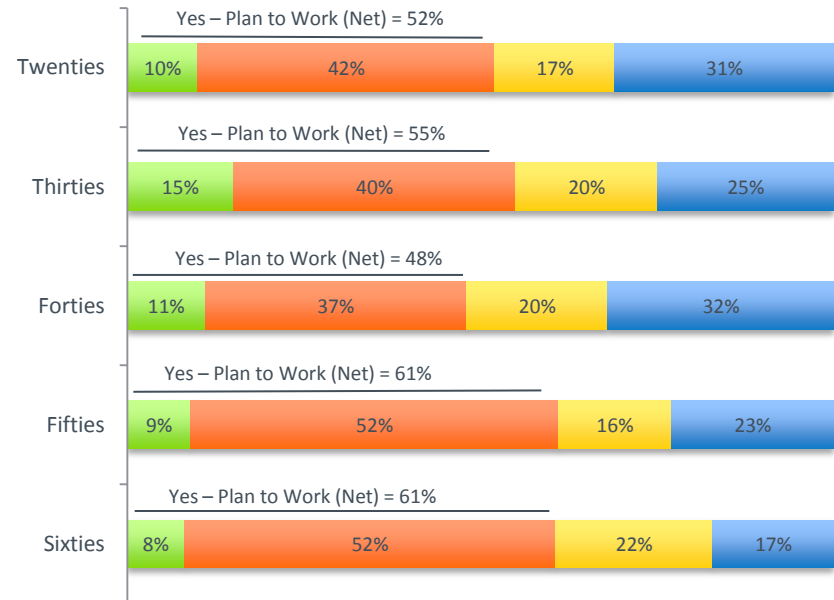
The majority of workers (54 percent) plan to work after they retire, including 43 percent who plan to work part-time and 11 percent who plan to work full-time. Workers in their Fifties and Sixties are most likely to plan to work after they retire. Fewer than one in five workers (19 percent) do not plan to work after they retire which further underscores that the current expectations of retirement are very different from those of traditional views.

Do you plan to work after you retire?

All Workers



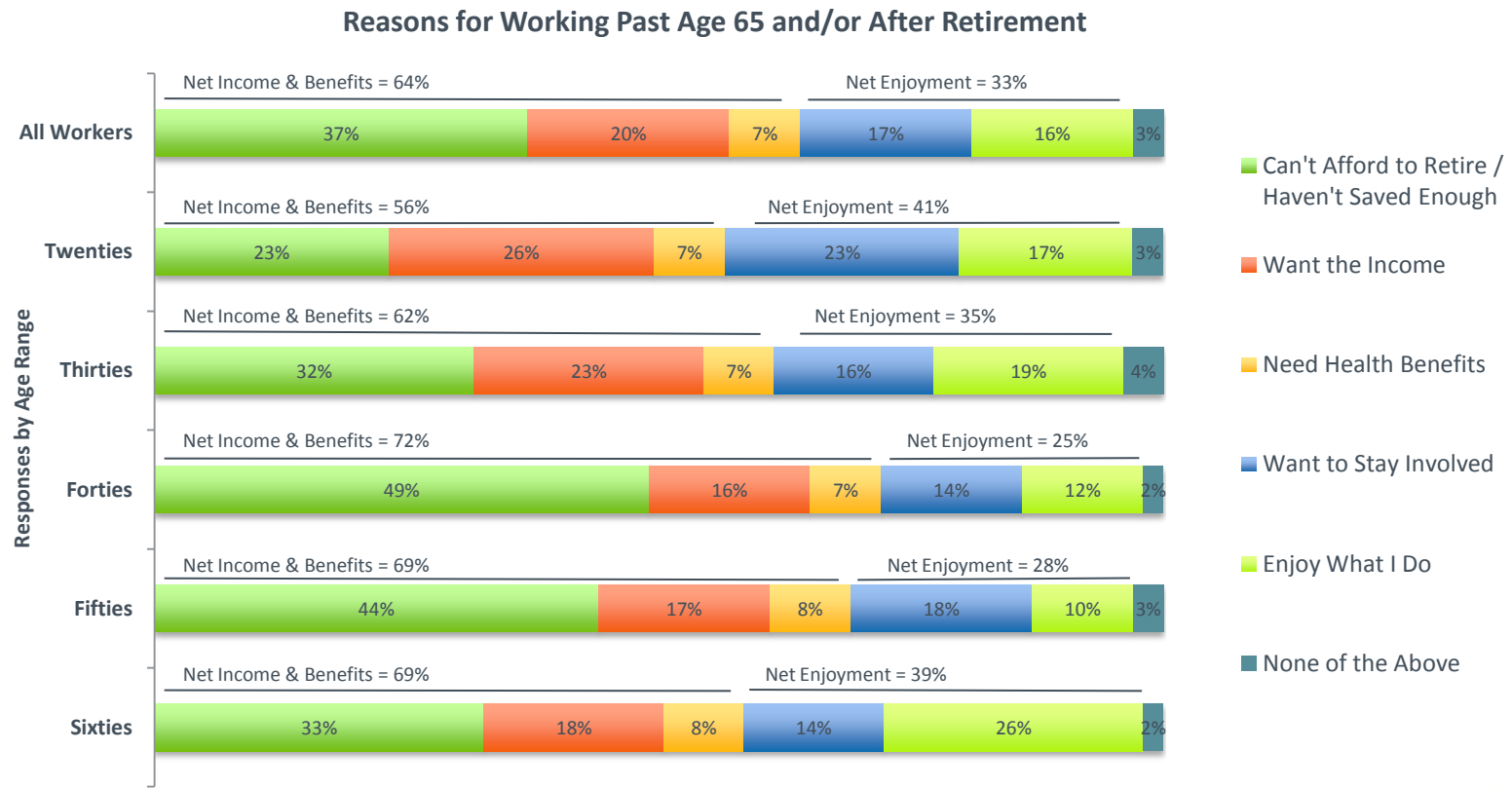
Responses by Age Range



■ Yes – Full-Time   
 ■ Yes – Part-Time   
 ■ No – Do Not Plan to Work   
 ■ Not Sure

# #1. A Clear Vision of Retirement: Reasons for Working

Of the workers who plan to work past age 65 or work after they retire, the majority (64 percent) plan to do so because they want or need the income or they need health benefits.

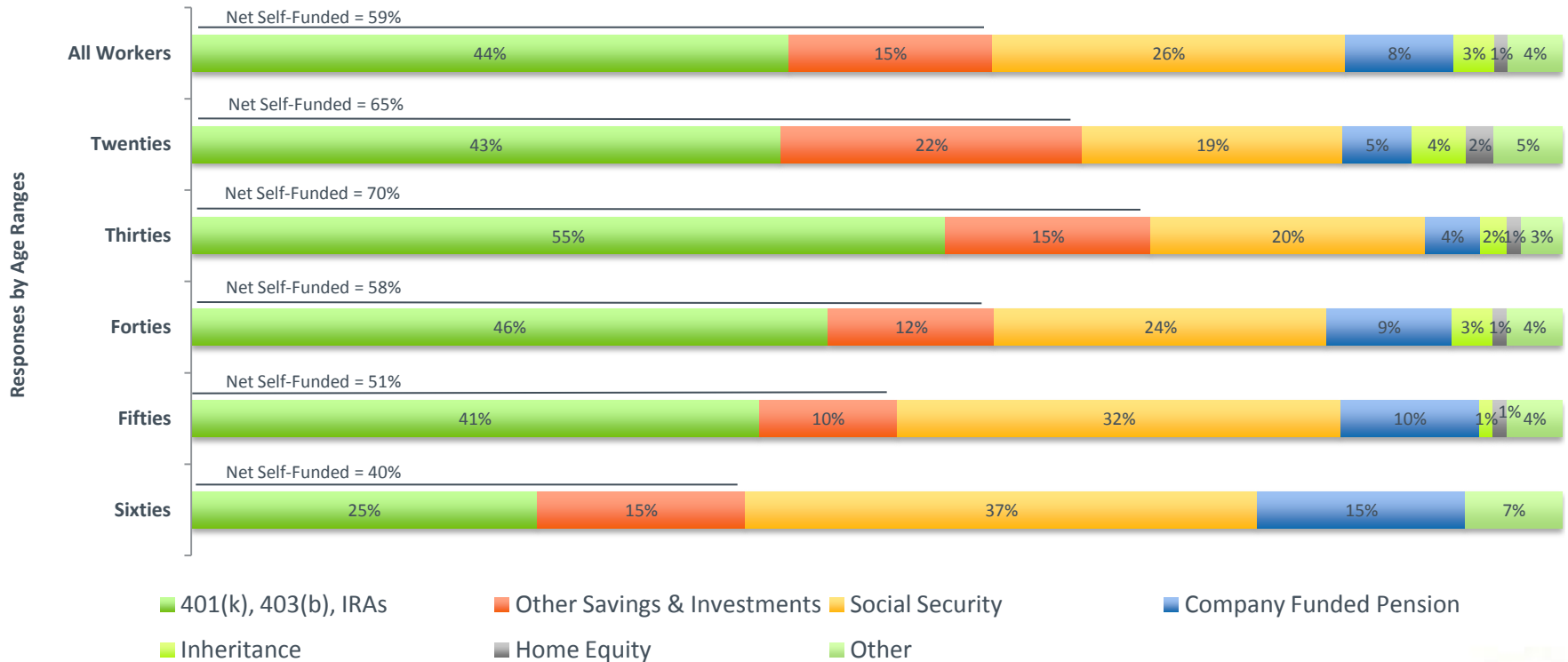




## #2. Retirement Income: Expected Primary Source

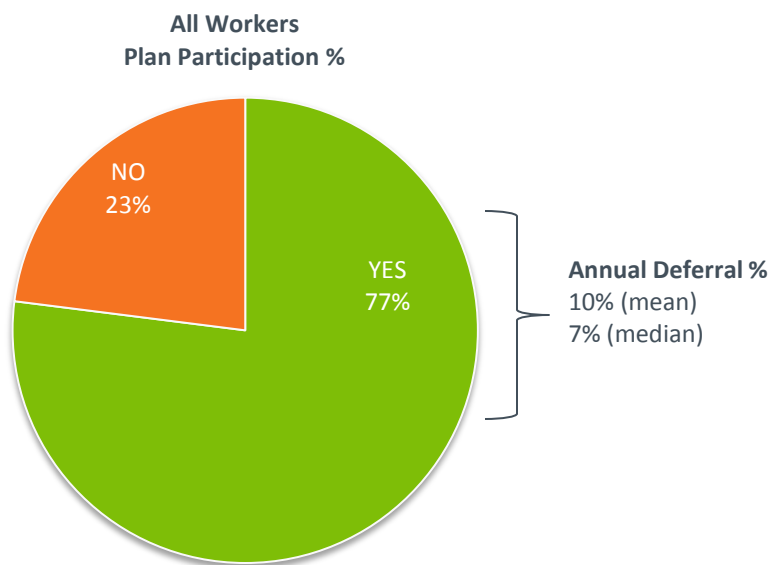
The majority of workers (59 percent) expect to self-fund their retirement through retirement accounts such as 401(k)s, 403(b)s, or IRAs (44 percent) or other savings and investments (15 percent). Workers in their Sixties are most likely to expect to rely on Social Security (37 percent) or a company-funded pension plan (15 percent). Very few workers expect to rely on an inheritance (3 percent) or home equity (1 percent) as their primary source of income in retirement.

What Do You Expect to be Your Primary Source of Income in Retirement?



## #2. Retirement Income: Current 401(k) Savings Rates

Three out of four workers (77 percent) who are offered an employer-sponsored 401(k) or similar plan participate in the plan. Participation rates are higher for workers in their Thirties and older. The deferral percentage of annual salary is 6 percent (median) for workers under age 50 while the median is 8 percent for workers in their Fifties and 10 percent for those in their Sixties.



Age	Participation Rate	Deferral Rate	
		Median	Mean
Twenties	65%	6%	13%
Thirties	83%	6%	10%
Forties	83%	6%	9%
Fifties	77%	8%	9%
Sixties	70%	10%	10%

BASE: Those with qualified plans offered to them

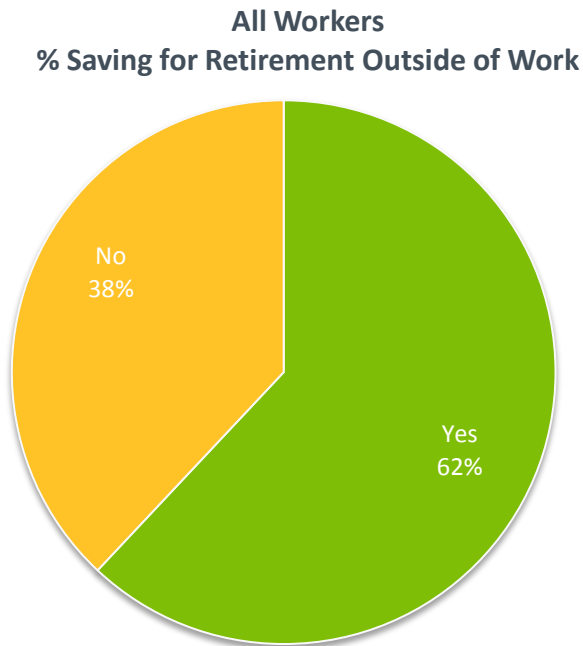
Q1190? Do you currently participate in, or have money invested in your company's employee-funded retirement plan?

BASE: Those currently participating in their qualified plan

Q601? What percentage of your salary are you saving for retirement through your company-sponsored plan this year?

## #2. Retirement Income: Currently Saving Outside of Work

The majority of workers (62 percent) are saving for retirement outside of work. Workers in their Sixties (72 percent) are far more likely to be saving outside of work compared to those in their Twenties (52 percent).

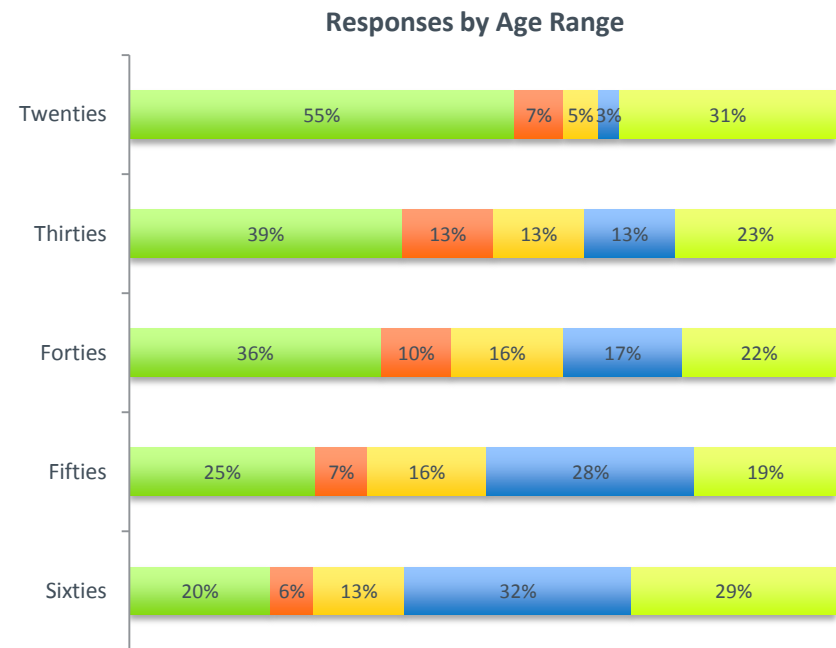
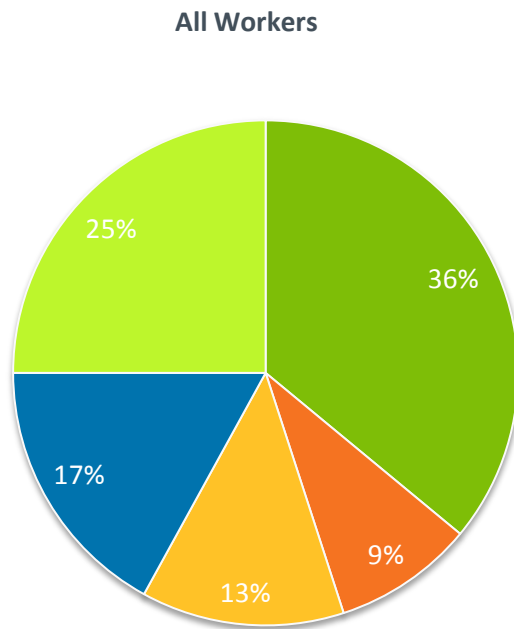


Age	Saving Outside of Work % Yes
Twenties	52%
Thirties	66%
Forties	58%
Fifties	66%
Sixties	72%

## #2. Retirement Income: Total Household Retirement Savings

Workers' reported levels of household retirement savings increase by age range. Overall, slightly more than one-third have saved less than \$50,000. Of concern, a number of workers in their Forties, Fifties and Sixties have saved less than \$50,000 and have less time to take additional steps to build their savings than younger workers.

Approximate Household Savings in all Retirement Accounts

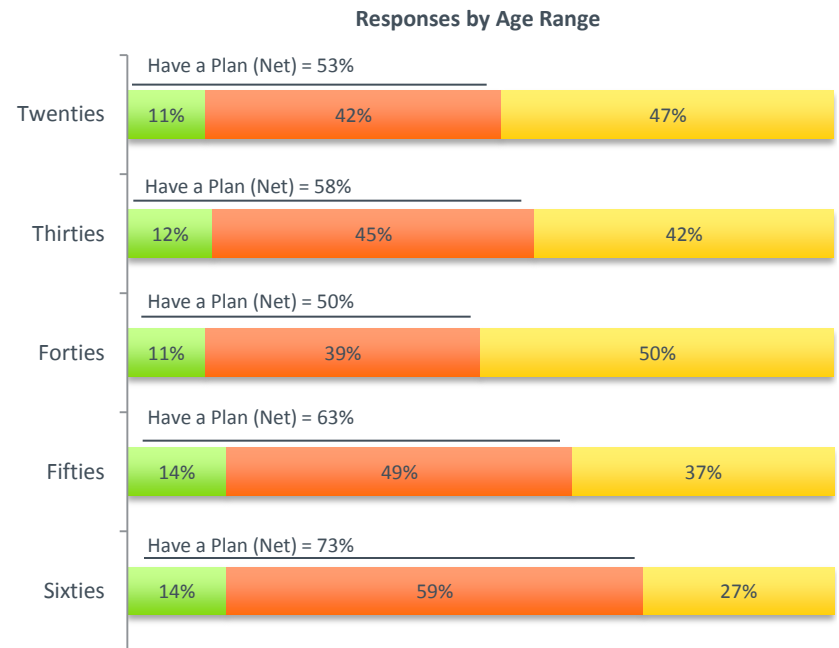
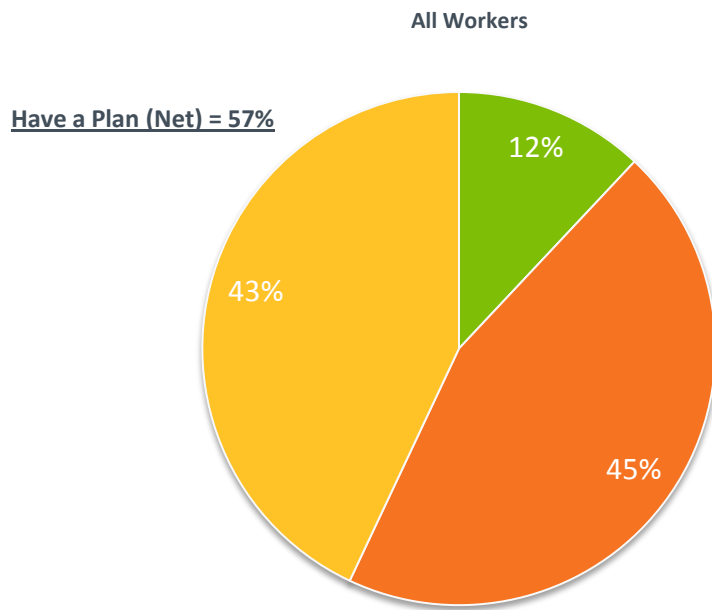


■ < \$50k    
 ■ \$50k to \$99k    
 ■ \$100k to \$249k    
 ■ > \$250k    
 ■ Not Sure / Declined

# #3. A Retirement Strategy: A Written Plan

One of the most important steps workers can take to improve their retirement outlook is to have a retirement strategy. Few workers (12 percent) have a written plan for their retirement strategy including older workers in their Fifties (14 percent) and Sixties (14 percent). Many workers (45 percent) indicate that they have a plan but it is not written down. An alarming number of workers in their Fifties (37 percent) and Sixties (27 percent) do not have a plan at all.

How would you describe your retirement strategy?



■ Have a Written Plan   
 ■ Have a Plan but Not Written Down   
 ■ Do Not Have a Plan

### #3. A Retirement Strategy: Components

A worker's retirement strategy generally should consider a broad range of factors that could impact their retirement savings, ability to generate income in retirement, and protection of savings. Most workers with a strategy have considered on-going living expenses, savings and income needs, government benefits, and healthcare costs. However, few have factored investment returns, inflation, tax planning, long-term care, and estate planning. Few workers have contingency plans.

Components of Strategy	Workers					
	All Workers	Twenties	Thirties	Forties	Fifties	Sixties
On-Going Living Expenses	62%	49%	57%	68%	67%	74%
Total Retirement Savings & Income Needs	60%	47%	63%	66%	64%	64%
Social Security & Medicare Benefits	56%	34%	45%	54%	70%	87%
Healthcare Costs	51%	42%	46%	46%	58%	65%
Investment Returns	46%	33%	46%	46%	49%	53%
Inflation	42%	31%	44%	45%	46%	44%
Tax Planning	25%	24%	25%	27%	28%	21%
Long-Term Care Insurance	25%	22%	27%	22%	29%	22%
Estate Planning	22%	15%	25%	26%	23%	19%
Contingency Plans for Retiring Sooner than Expected or Savings Shortfalls	15%	12%	21%	15%	19%	7%
Other	4%	5%	4%	4%	4%	4%
Not Sure	9%	13%	10%	10%	8%	5%

Note: Components of retirement strategy selected by 50% or more of the subgroup are highlighted

### #3. A Retirement Strategy: A Savings Goal

A good starting point for a retirement strategy is estimating a savings goal. However, when asked how they estimated their retirement savings goal, the most frequently cited response among workers (47 percent) was that they “guessed.” The industry, media, and outreach organizations should continue striving to offer easy-to-use, engaging goal-setting and planning programs and tools.

Age	Retirement Savings Goal (Median)	Retirement Savings Goal (Mean)	% Who Guessed
All Workers	\$500k	\$3,063k	47%
Twenties	\$500k	\$4,313k	54%
Thirties	\$1,000k	\$2,426k	50%
Forties	\$500k	\$2,478k	50%
Fifties	\$500k	\$3,378k	40%
Sixties	\$500k	\$4,035k	37%

BASE: All Qualified Respondents. 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?

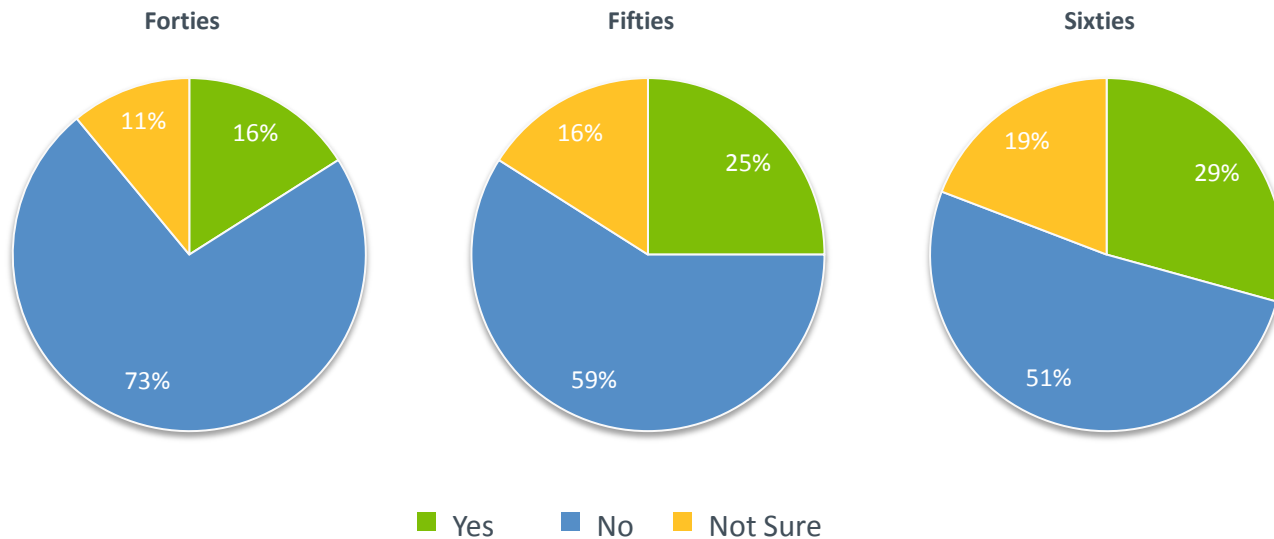
BASE: Those Who Provided Estimates. Q900. How did you arrive at that number?



### #3. A Retirement Strategy: A Back-Up Plan

Because so many workers plan to work past age 65 or work in retirement because they want or need the income, an important component of every retirement savings strategy is a back-up plan. Only 20 percent of workers reported having a back-up plan in the event that they are forced into retirement sooner than expected. Relatively few workers in their Forties (16 percent) and Fifties (25 percent) have a back-up plan. Workers in their Sixties are most likely to have a back-up plan (29 percent).

Have a Back-Up Plan if Retire Sooner than Expected

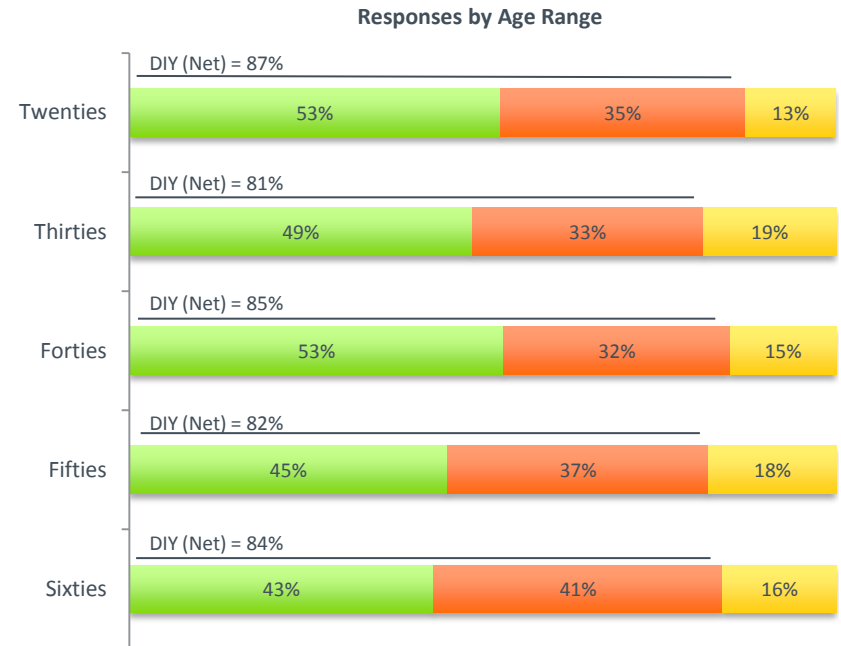
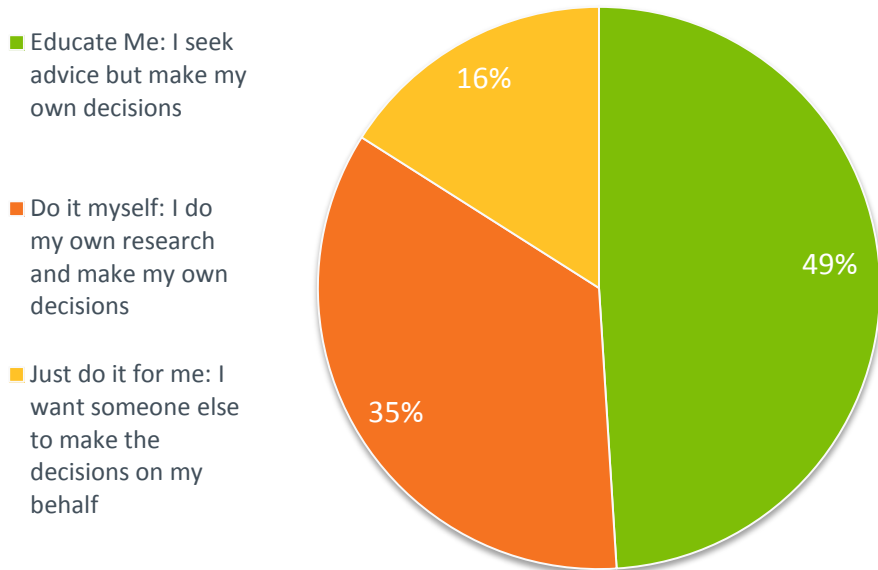


■ Yes ■ No ■ Not Sure

## #4. Retirement Knowledge: Decision-Making Style

The vast majority of workers (84 percent) say that they have a do-it-yourself decision-making style regarding saving and investing for retirement, with nearly half (49 percent) seeking education and advice but ultimately make their own decisions and more than one-third (35 percent) who do their own research and make their own decisions. Relatively few (16 percent) prefer that someone else do it for them.

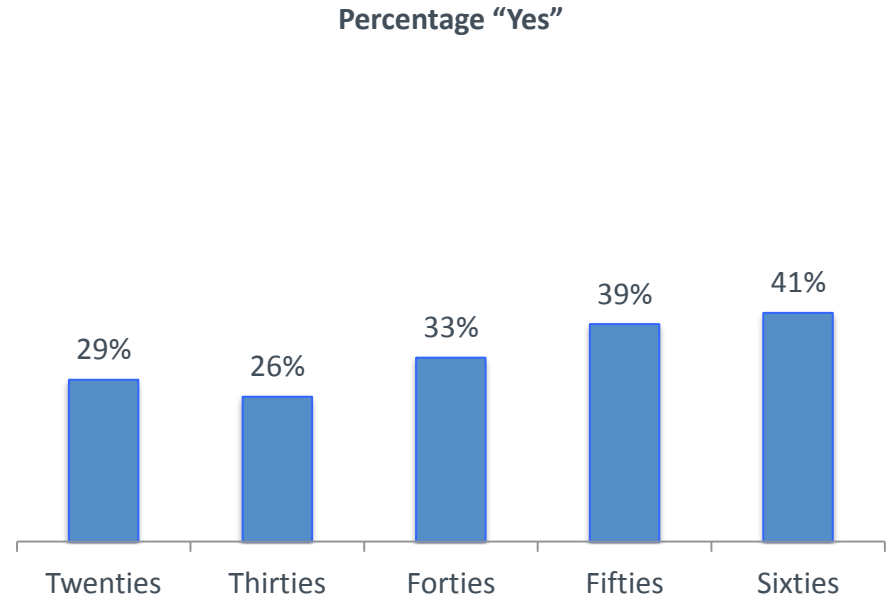
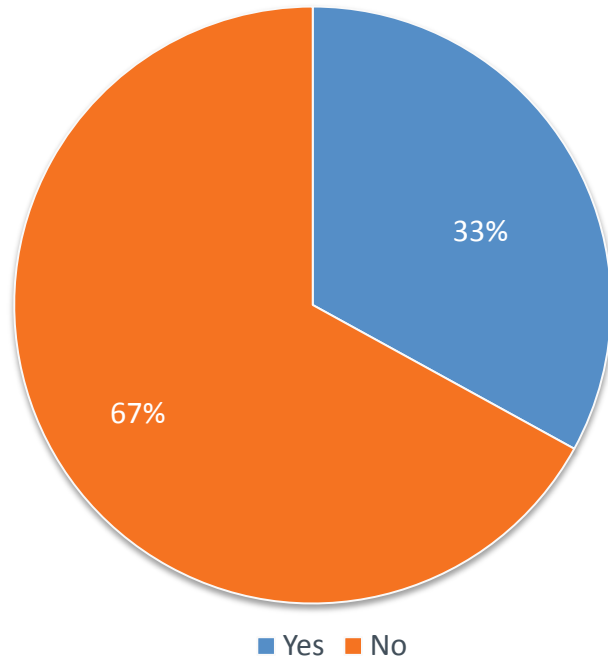
How would you describe yourself when it comes to saving and investing for retirement?



## #4. Retirement Knowledge: Access to a Financial Advisor

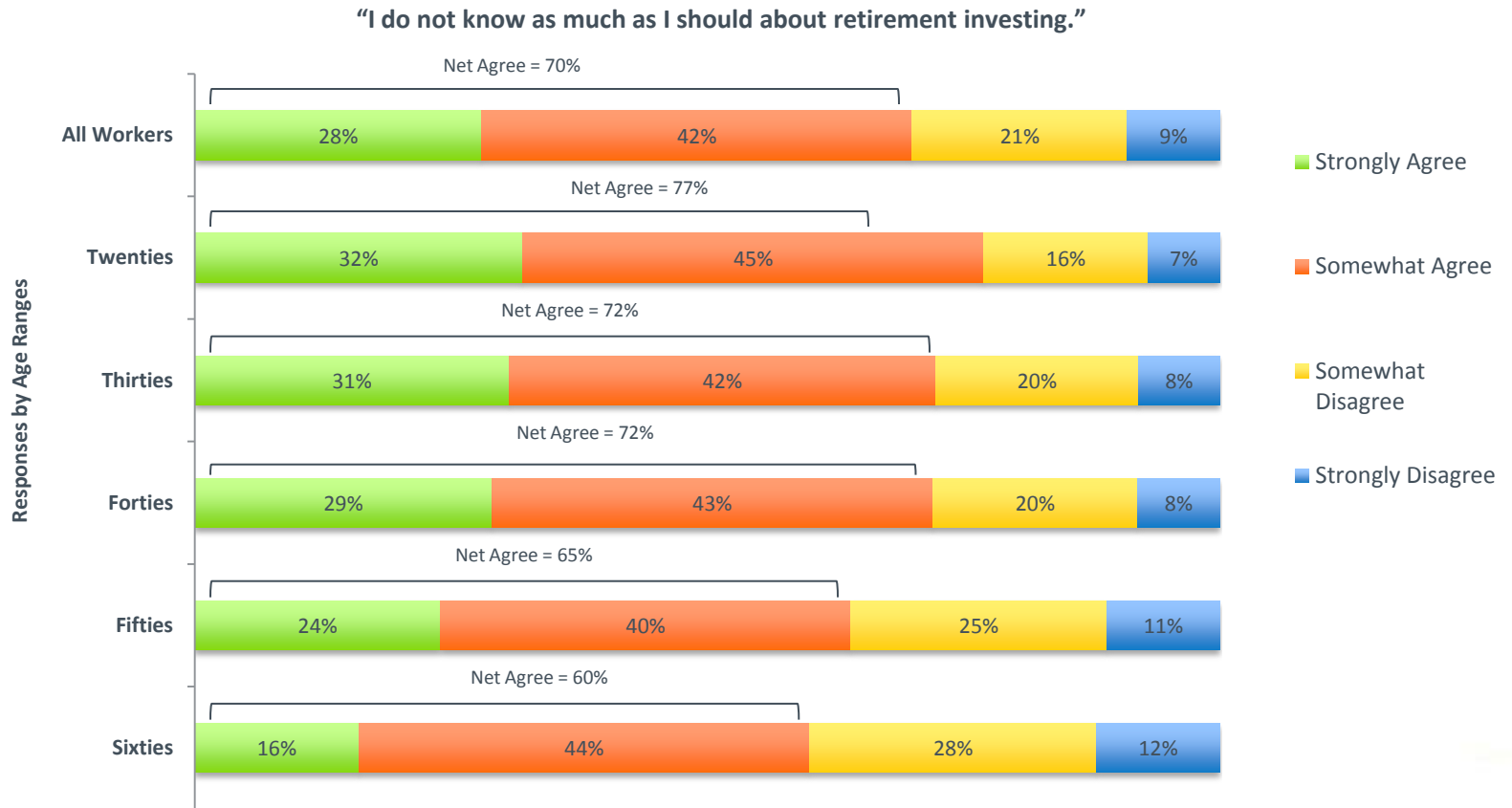
Although nearly half of workers (49 percent) say they seek advice before making their own decisions, fewer than one-third (33 percent) indicate that they use a professional financial advisor. Advisor usage is highest among workers in their Fifties and Sixties. It is important that workers of all ages without expertise consider using some sort of advisor to help them create a retirement strategy.

Do you use a professional financial advisor to help manage your retirement savings or investments?



# # 4. Retirement Knowledge: About Retirement Investing

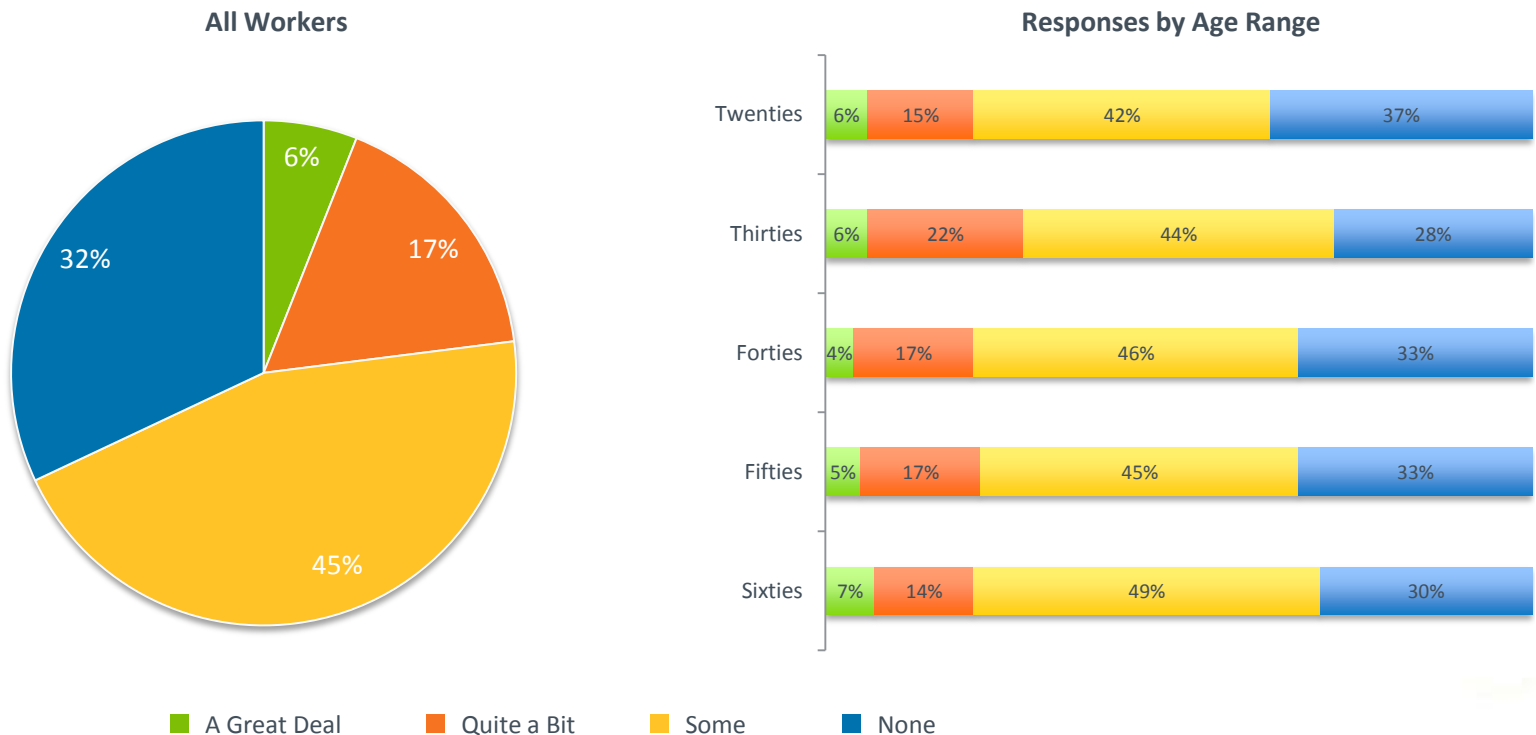
Most workers say they do not possess the required knowledge to create a retirement strategy to plan, save, and manage investments. The vast majority of workers (70 percent) agree that they do not know as much as they should about retirement investing.



## # 4. Retirement Knowledge: About Asset Allocation Principles

Workers' lack of knowledge is best illustrated by the widespread lack of in-depth understanding of asset allocation principles, which is a basic premise of retirement investing. Few workers (6 percent) know "a great deal" about asset allocation principles as they relate to retirement investing and relatively few (17 percent) know "quite a bit."

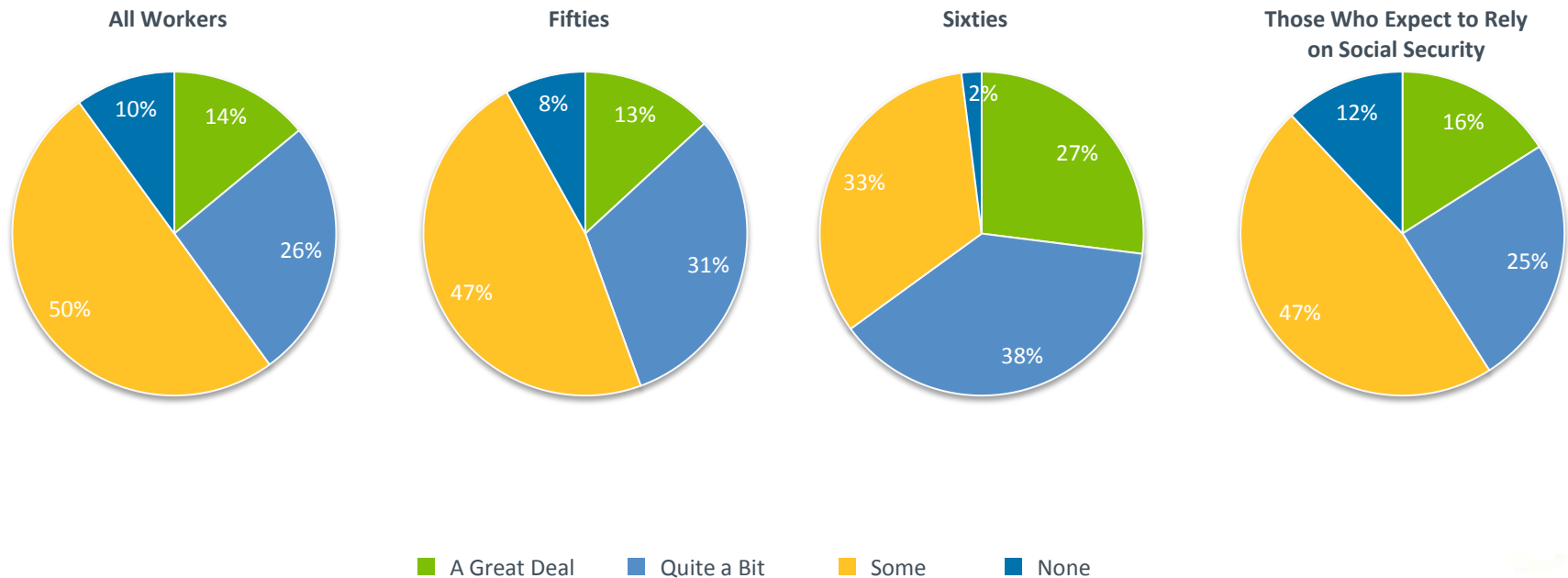
Level of Understanding Regarding Asset Allocation Principles



## #4. Retirement Knowledge: Social Security Benefits

A strong knowledge of government benefits is important for all future retirees and especially important for workers nearing retirement. One in four (27 percent) of those in their Sixties and even fewer (13 percent) of those in their Fifties know “a great deal” about Social Security. Of those workers who expect to rely on Social Security when they retire, only 16 percent have “a great deal” of understanding.

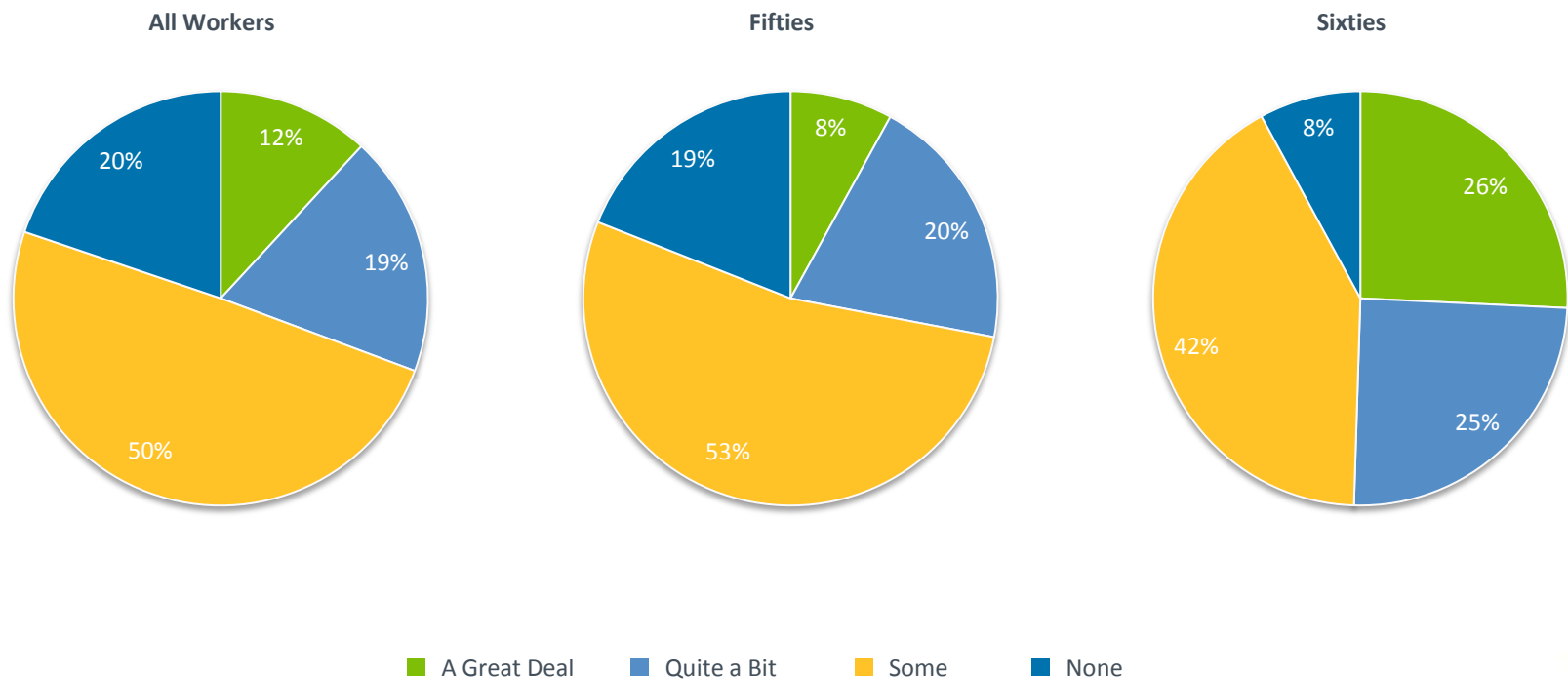
Level of Understanding re: Social Security Benefits



## #4. Retirement Knowledge: Medicare

Unforeseen healthcare expenses can adversely impact workers' ability to save for retirement; moreover, they can potentially erode the savings of retirees. A strong knowledge of Medicare benefits is especially important for workers nearing retirement. One in four (26 percent) of those in their Sixties and far fewer (8 percent) of those in their Fifties know "a great deal" about Medicare.

Level of Understanding re: Medicare



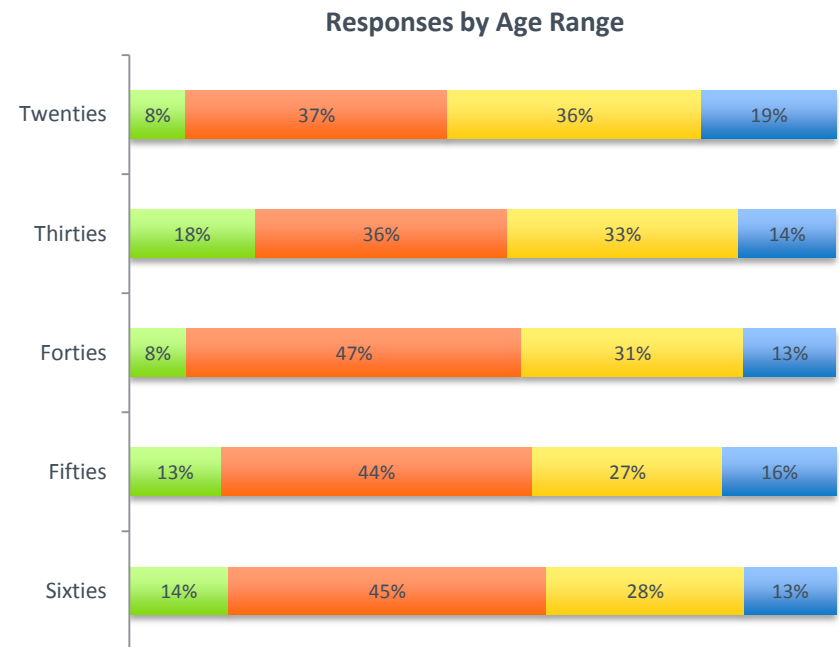
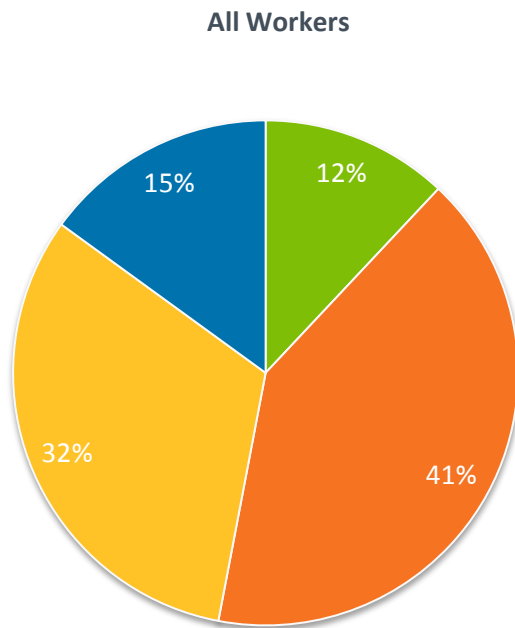
■ A Great Deal ■ Quite a Bit ■ Some ■ None



## #4. Retirement Knowledge: Healthcare Reform

Unforeseen healthcare expenses are a leading cause of bankruptcy in the U.S. Only 12 percent of workers say they are “very informed” how their health insurance may be impacted by healthcare reform. Setting aside the politics of healthcare reform legislation, it’s critical that workers understand how their own coverage may be impacted so they can help to plan and protect their savings, retirement or otherwise, from unexpected medical bills.

**Informed About Changes to Health Insurance due to Healthcare Reform**

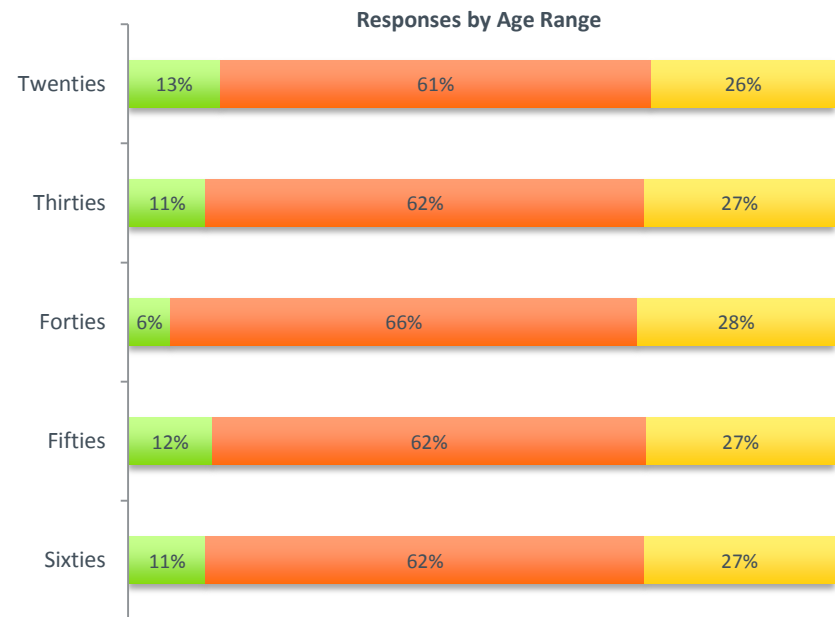
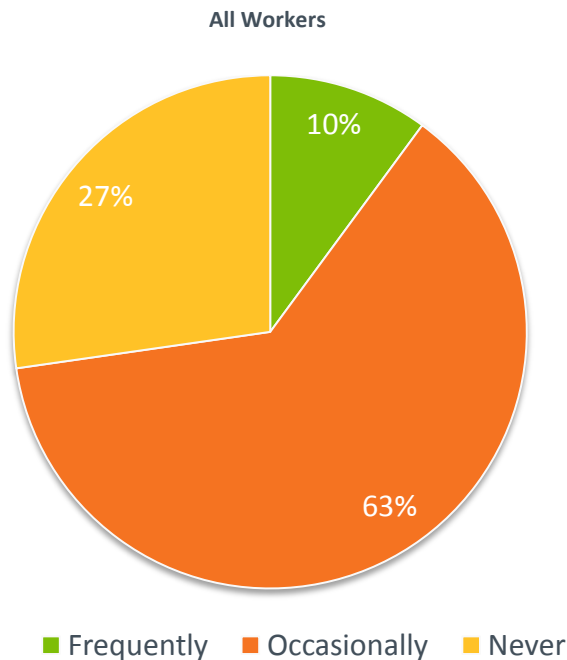


■ Very Informed     
 ■ Somewhat Informed     
 ■ Not too Informed     
 ■ Not at all Informed

## #5. A Family Understanding: The Importance of Family

Family plays a vitally important role in the ability of workers to plan, save, and retire. However, this year’s survey found that only 10 percent of workers “frequently” talk about retirement planning with family and friends – and 27 percent “never” talk about it.

How Frequently Do You Discuss Saving, Investing, and Planning for Retirement with Your Family and Friends?



## #5. A Family Understanding: The Importance of Family

Workers most frequently cite “friends and family” as go-to sources of information about retirement (34 percent). More workers in their in their Twenties (48 percent) cite “friends and family” compared to those in their Fifties (28 percent) and Sixties (20 percent).

What sources of information do you rely on for retirement planning and investing?	Workers					
	All	Twenties	Thirties	Forties	Fifties	Sixties
Friends/Family	34%	48%	33%	34%	28%	20%
Financial Planner / Broker	29%	23%	26%	29%	36%	40%
Financial websites (Yahoo! Finance, Morningstar, etc.)	29%	31%	34%	26%	26%	29%
Retirement Plan Provider Website	24%	17%	30%	24%	28%	19%
Online newspapers, magazines, and blogs	23%	23%	29%	20%	21%	25%
Employer	18%	24%	17%	17%	19%	8%
Print newspapers and magazines	18%	13%	18%	15%	20%	29%
Retirement Calculators	17%	11%	20%	16%	22%	14%
Financial-related television shows	15%	13%	15%	14%	17%	22%
Plan Provider printed material (i.e., brochures)	15%	12%	17%	14%	20%	10%
Accountant	11%	13%	10%	8%	10%	14%
None	17%	18%	17%	17%	14%	15%

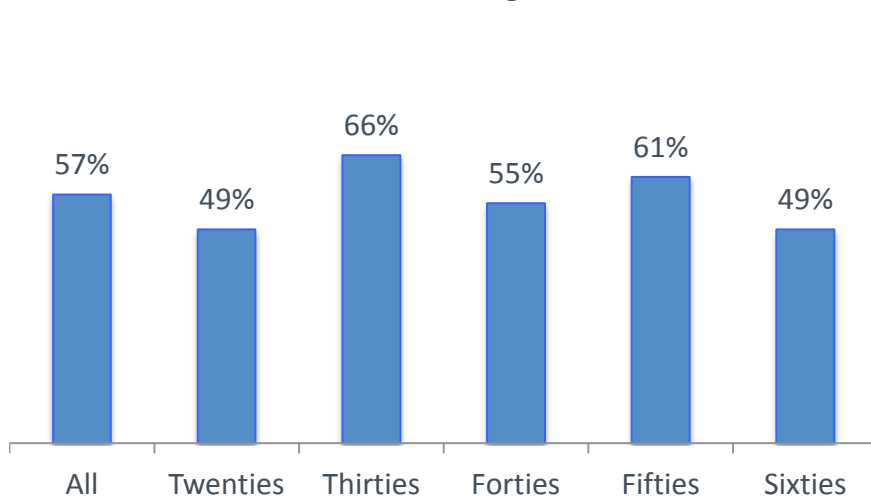
Note: Chart excludes de minimus responses less than 10 percent (i.e., insurance agent (6 percent), lawyer (3 percent), social media (3 percent), other 5 percent)

Note: Sources of information selected by 20% or more of the subgroup are highlighted

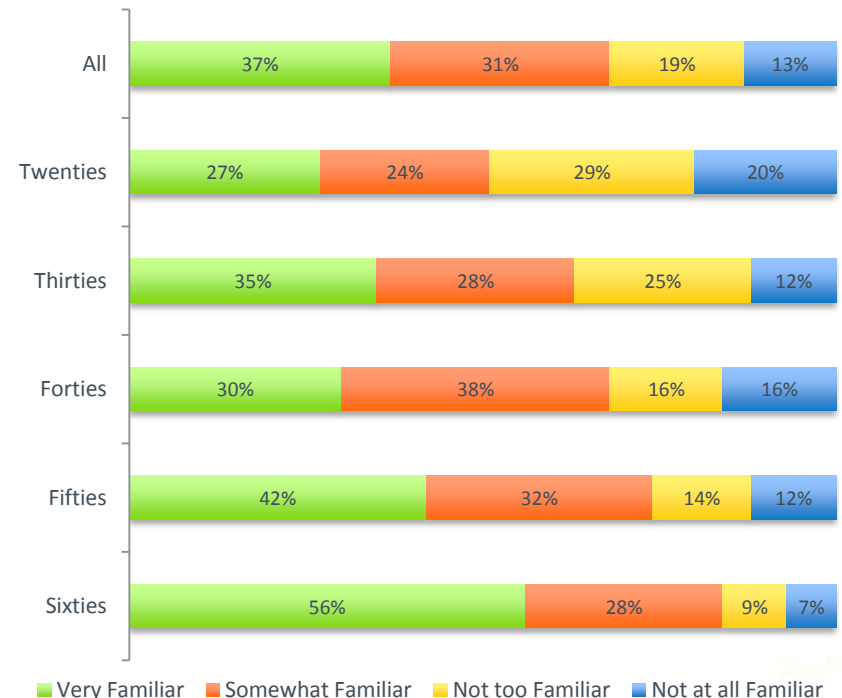
## #5. A Family Understanding: Spouse / Partner Savings

The majority (57 percent) of workers in a marriage or civil union indicate that their partners are saving for retirement. Only 37 percent say they are “very familiar” with their partner’s savings. Older workers in their Fifties (42 percent) and Sixties (56 percent) are “very familiar.” As a matter of practicality for planning purposes, it’s important that all married / civil union workers are familiar with their partner’s savings.

Is Spouse / Partner Saving in a Retirement Plan?  
Percentage “Yes”

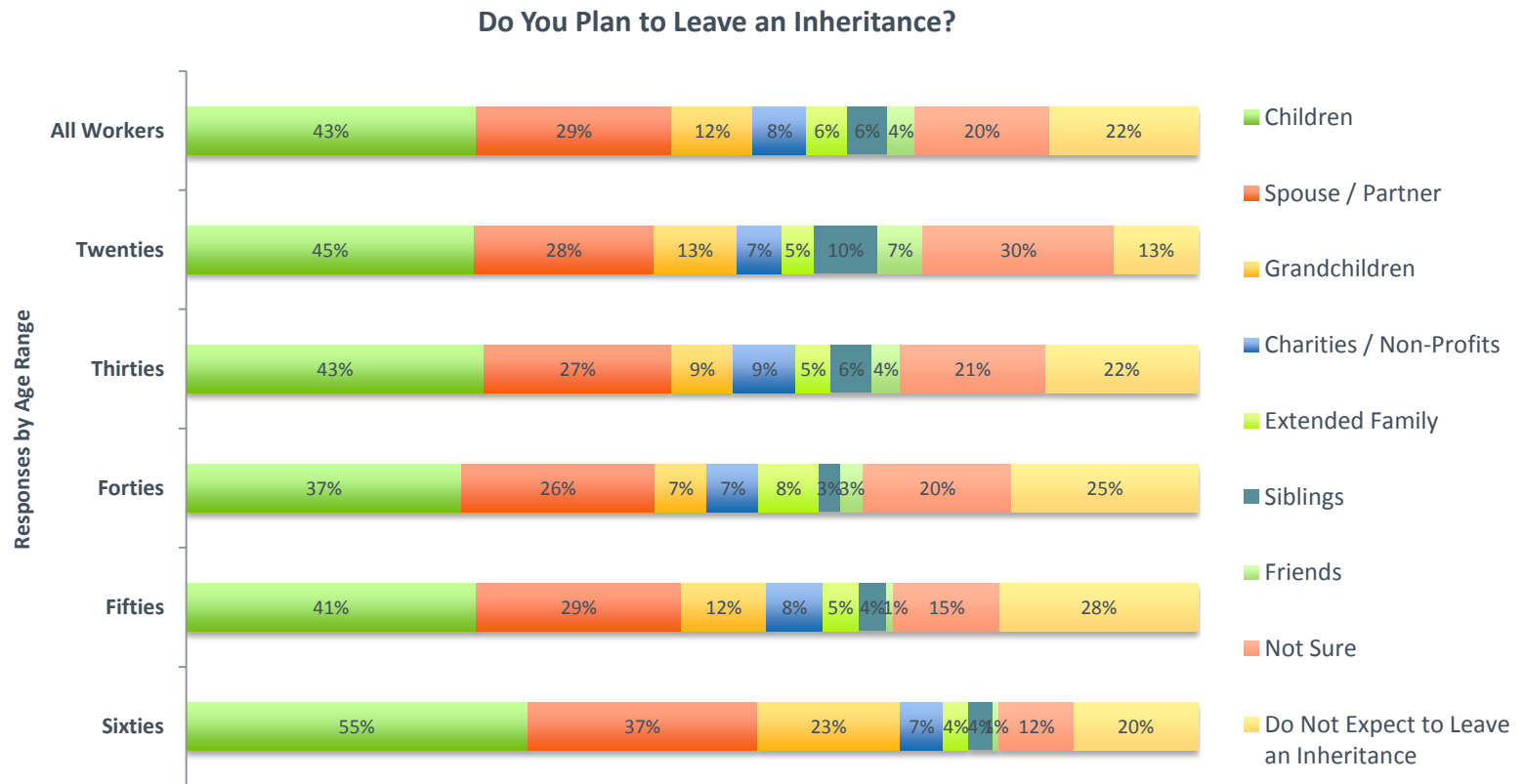


Level of Familiarity with Spouse's / Partner's Retirement Savings



## #5. A Family Understanding: Inheritance

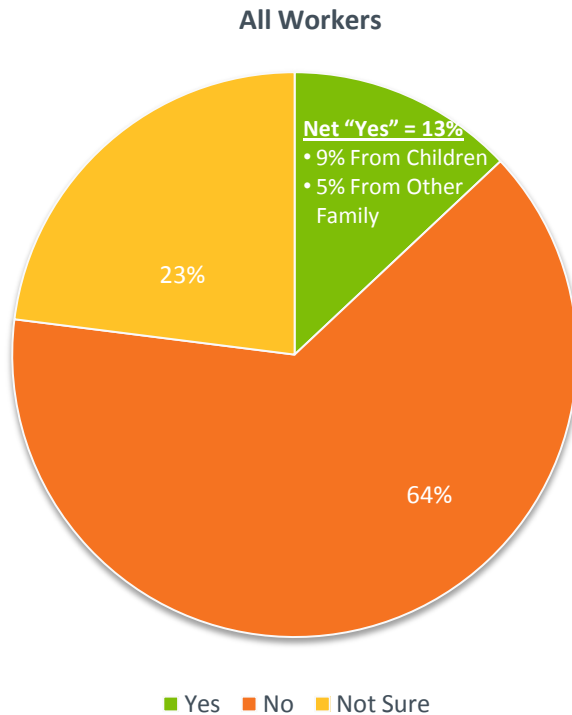
Although most workers do not feel that they are building a large enough retirement nest egg (p. 15), a total of 58 percent of workers plan on leaving an inheritance. One in five do not expect to leave an inheritance (22 percent). The most frequently cited beneficiaries are children (43 percent) and spouse / partner (29 percent).



## #5. A Family Understanding: Expectations of Reliance

The majority of workers (64 percent) do not expect to receive financial support from their family while they are retired. Fewer than one in ten (9 percent) expect to receive support from their children. Workers in their Twenties (17 percent) are most likely to expect to receive support from children. Only 4 percent of workers in their Fifties and Sixties expect to receive financial support from their children.

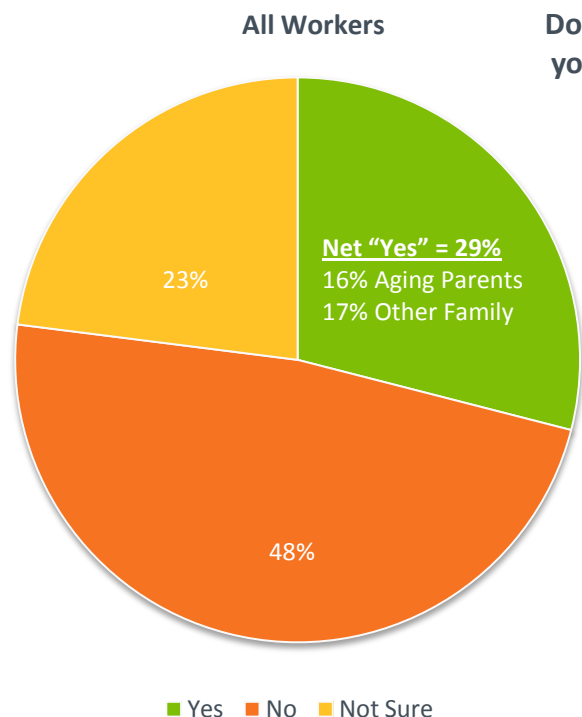
Do you expect that you will need to receive financial support from your family while you are retired?



Age Range	Yes			No	Not Sure
	Net "Yes"	From Children	From Other Family		
Twenties	25%	17%	11%	46%	29%
Thirties	14%	10%	6%	63%	24%
Forties	9%	6%	4%	65%	26%
Fifties	6%	4%	2%	75%	19%
Sixties	6%	4%	2%	79%	16%

## #5. A Family Understanding: Expectations of Providing Support

Nearly one in three workers (29 percent) expect to provide financial support to family members while they are retired. The “Yes” response rate is highest among workers in their Twenties of whom 31 percent expect to financially support aging parents (5 times the response rate of those in their Fifties and Sixties). An interesting contrast: while 31 percent of workers in their Twenties expect to financially support their aging parents, only 4 percent of workers in their Fifties and Sixties, roughly their parents’ age, expect to receive support from their children. This may further illustrate the need for family members to have an open dialogue and share a common understanding.



**Do you expect that you will need to provide financial support for your family (other than spouse / partner) while you are retired?**

Age Range	Yes			No	Not Sure
	Net "Yes"	Aging Parents	Other Family		
<b>Twenties</b>	43%	31%	18%	29%	28%
<b>Thirties</b>	35%	21%	20%	43%	22%
<b>Forties</b>	26%	13%	16%	49%	26%
<b>Fifties</b>	17%	6%	13%	62%	21%
<b>Sixties</b>	20%	5%	16%	67%	13%

BASE: All Qualified Respondents

Q1506. Do you expect that you will need to provide financial support for your family (other than your spouse / partner) while you are retired?

# How to Improve 'Retirement Readiness'

- In addition to assessing workers' preparedness for retirement, the 13<sup>th</sup> Annual Transamerica Retirement Survey asked a series of questions to help further shed light on how it may be possible to improve their outlook.
- The survey identified important actions that can be taken by employers, the retirement industry, and policymakers that may help workers achieve 'retirement readiness':
  - Expand access to workplace benefits including retirement and other health and welfare benefits
  - Increase employer and retirement plan provider-based education and information to workers about how to achieve their retirement goals. Additionally, increase opportunities for workers to receive advice about retirement planning and investing
  - Make retirement education offerings easier to understand
  - Increase awareness of tax incentives such as the Saver's Credit and Catch-Up Contributions
- Please see pp. 52 to 58 for conclusions and a full set of recommendations.

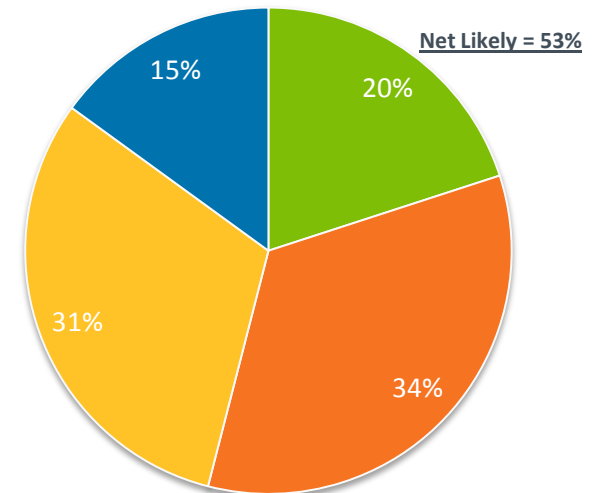


# Importance of Workplace Retirement Benefits

The vast majority of workers value workplace retirement benefits as important. As a point of comparison, 90 percent of workers value a 401(k) or similar plan but only 76 percent indicate that they are offered such a plan – thereby leaving a gap of 14 percent. The gap is even wider among those who value a defined benefit plan versus those who are offered one. Further, 53 percent of workers say they would be likely to leave their current employer to take a nearly identical job, with a similar employer, for better retirement benefits.

Retirement Benefit	Workers' Stated Importance			Workers Offered Benefits	The Gap: Importance vs. Offered
	Net Important	Very Important	Somewhat Important		
A 401(k), 403(b), or similar employee self-funded plan	90%	61%	29%	76%	-14%
A company-funded defined-benefit pension plan	75%	40%	35%	19%	-56%

Likelihood of Switching Jobs for a Better Retirement Plan



■ Very Likely ■ Somewhat Likely ■ Not Too Likely ■ Not At All Likely

BASE: All Qualified Respondents

Q1171. For each of the following, please tell us how important that benefit is to you, personally.

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

Q. 730 How likely would you be to leave your current employer to take a nearly identical job, with a similar employer, if that employer offered you a retirement plan/a better retirement plan?

# Retirement Benefits Coverage by Age & Employment Status

Access to employer-sponsored retirement plans, both employee-funded and defined benefit pension plans, is far higher for full-time workers than for part-time workers. Workers in their Twenties are more likely than others to have no plan, while workers in the Thirties are most likely to have retirement benefits.

Percentage of Workers Offered Retirement Benefits by Employment Status																		
Type of Benefit	All Workers			Twenties			Thirties			Forties			Fifties			Sixties		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
NET – An Employee-Funded Plan	76	85	57	67	80	52	83	<u>88</u>	64	80	85	65	75	86	<u>51</u>	76	85	66
• A 401(k) Plan	73	84	53	64	79	47	81	86	57	79	84	63	74	84	50	74	84	63
• A Similar Plan	6	6	5	5	5	6	8	8	9	4	5	2	5	6	3	4	3	4
A defined benefit pension plan	19	22	12	18	19	17	22	<u>26</u>	<u>8</u>	18	21	11	20	23	14	15	22	<u>8</u>
None of the Above	20	11	39	27	17	<u>38</u>	14	10	34	16	10	34	20	10	44	21	10	33

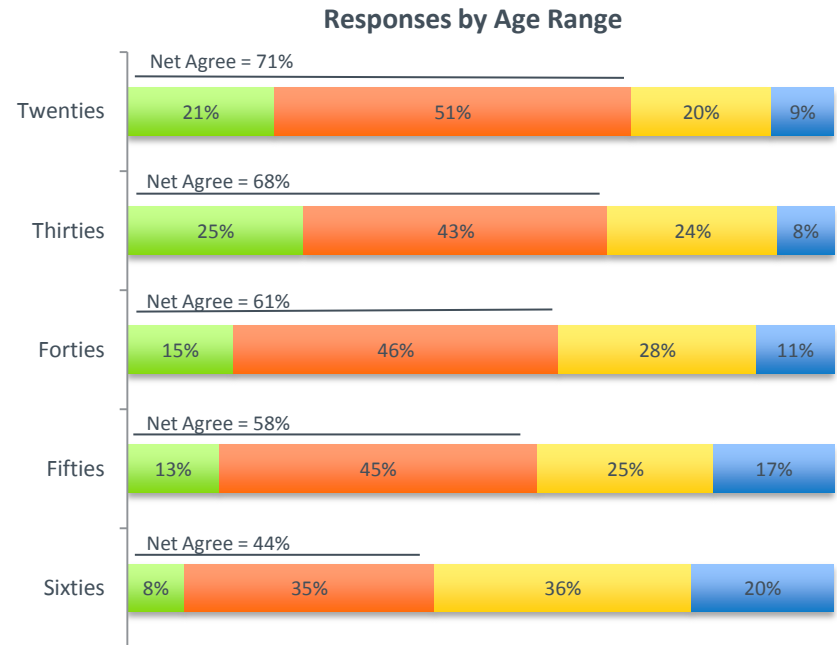
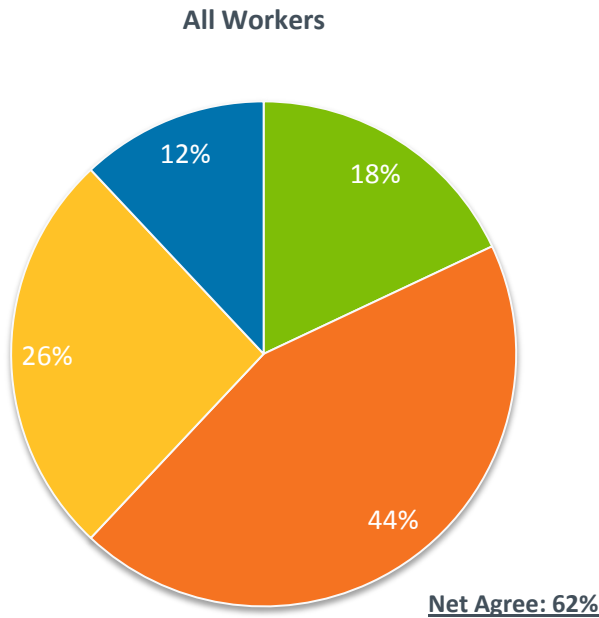
BASE: All Qualified Respondents

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

# More Education and Advice From Employer

The majority of workers (62 percent) would like to receive more information and advice from their employers on how to achieve their retirement savings goals. The response rate is highest among workers in their Twenties (71 percent). Given the low levels of retirement confidence among workers in their Twenties, this presents an important opportunity for employers and retirement plan providers to provide them with education and tools to help them improve their outlook and change their retirement destiny.

**“I would like to receive more information and advice from my company on how to reach my retirement goals.”**



■ Strongly Agree    
 ■ Somewhat Agree    
 ■ Somewhat Disagree    
 ■ Strongly Disagree

# Importance of Other Employer Health & Welfare Benefits

Most workers value other health and welfare benefits as important benefits. As a point of comparison, 95 percent of workers value health insurance but only 79 percent indicate that they are offered such a plan – thereby leaving a gap of 16 percent. Among the types of workplace benefits available in the marketplace, the gap among those valued as important versus offered is widest for disability, long-term care, critical illness, and cancer insurance. Increasing access to these types of insurance may help them avoid unforeseen catastrophic expenses thereby enabling them to save and protect their retirement nest eggs.

Type of Benefit	Importance			Workers Offered Benefits	The Gap: Importance vs. Offered
	NET: Important	Very Important	Somewhat Important		
Health Insurance	95%	82%	13%	79%	-16%
Disability Insurance	80%	37%	43%	50%	-30%
Life Insurance	71%	31%	40%	59%	-12%
Long-Term Care Insurance	68%	26%	42%	23%	-45%
Critical Illness Insurance	66%	25%	41%	12%	-54%
Cancer Insurance	59%	21%	37%	9%	-50%

BASE: All Qualified Respondents

Q1171. For each of the following, please tell us how important that benefit is to you, personally.

Q1172 (DU: Q575). Which of the following benefits does your company offer you, personally?

# Getting Motivated

The majority of workers (52 percent) say that the greatest motivators to learn more about saving and investing for retirement is a good starting point and educational materials that are ***easier to understand***. Other frequently cited motivators include larger tax breaks and incentives, a financial advisor, and a greater sense of urgency (or fear).

Motivators to Learn More about Saving & Investing for Retirement	Workers					
	All Workers	Twenties	Thirties	Forties	Fifties	Sixties
<b>NET: Easier to Understand</b>	<b>52%</b>	<b>59%</b>	<b>51%</b>	<b>53%</b>	<b>53%</b>	<b>43%</b>
• Educational materials that are easier to understand	39%	37%	37%	40%	42%	37%
• A good starting point that is easy to understand	35%	47%	36%	33%	32%	20%
Larger tax breaks / incentives for saving in a retirement plan	41%	36%	40%	44%	47%	35%
A financial advisor	27%	33%	31%	28%	21%	18%
A greater sense of urgency (or fear) that I need to save	23%	29%	26%	23%	17%	14%
Other	4%	3%	4%	6%	4%	6%
Nothing – I am already educated enough	13%	8%	13%	11%	12%	24%
Nothing – I am just not that interested	8%	11%	7%	8%	8%	6%

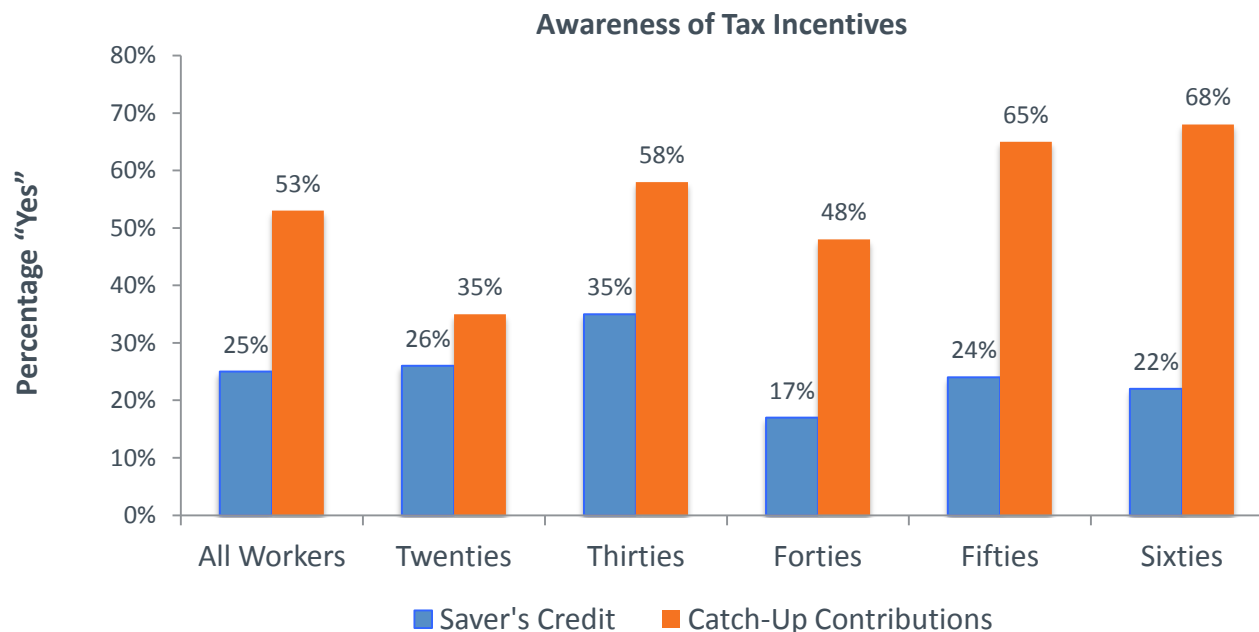
Note: Motivators selected by 20% or more of the subgroup are highlighted

BASE: All Qualified Respondents

Q2941. Which one of the following would motivate you to learn about saving and investing for retirement?

# Important Opportunities: Saver's Credit & Catch-Up Contributions

Few workers (25 percent) are aware of the Saver's Credit. Awareness is even lower (20 percent) among those workers reporting an annual household income of less than \$50,000 – which represents the segment that is most likely to be eligible to claim the Saver's Credit. Many may be missing out on this valuable tax credit simply because they are unaware of it. Although awareness of the ability to make Catch-Up Contributions is higher (53 percent), it too presents an opportunity for increasing awareness, especially for workers who either are or will soon be eligible.



BASE: All Qualified Respondents

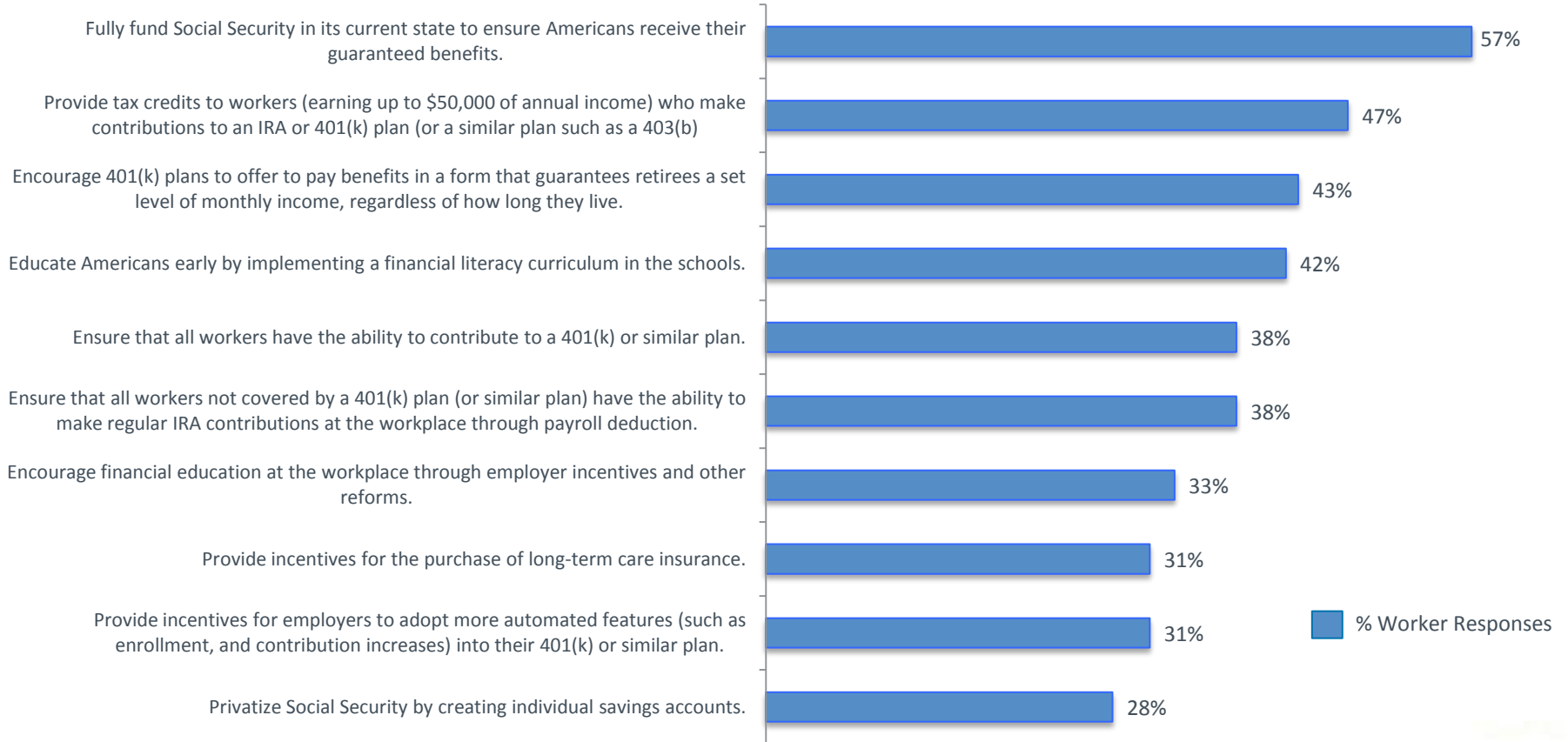
Q1120. Are you aware of a tax credit called the "Saver's Credit," which is available to individuals and households, who meet certain income requirements, for making contributions to an IRA or a company-sponsored retirement plan such as a 401(k) plan or 403(b) plan?

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?

# Retirement Security & the Upcoming Election

With the upcoming election, the survey asked workers about retirement security-related priorities and found fully funding Social Security to be the most frequently cited priority (57 percent).

**With the November 2012 election in mind, which of the following should be priorities for the next President and Congress to help Americans prepare for a financially secure retirement?**



BASE: All Qualified Respondents

Q1427. With the November 2012 election in mind, which of the following should be priorities for the next President and Congress to help Americans prepare for a financially secure retirement?



# Conclusions

## Overall Conclusions

- The 13<sup>th</sup> Annual Transamerica Retirement Survey found that workers have remained committed to saving for retirement; however, for many, saving enough to fully retire at age 65 may be unrealistic. Further, the survey found that workers are already changing their expectations of retirement with the majority planning to work past age 65 and more than half planning to work after retirement. In light of these new realities, now is the time to redefine retirement and what 'retirement readiness' means.
- The notion of working in retirement may seem paradoxical. But, if the ultimate objective of retirement is leisure time to enjoy life, why should it preclude working in some manner if doing so is beneficial? Although continuing to work is different from traditional views of retirement, it brings important opportunities for workers to bridge savings shortfalls as well as stay active and involved, maintain relationships and contribute to society.
- However, planning to work past age 65 and/or continue working in retirement does not diminish the imperative for workers to have a retirement strategy including back-up plans if they stop working sooner than expected, the means to generate adequate income throughout his/her lifetime, the knowledge to make informed decisions, and a having conversations with family members about retirement planning.

## 'Retirement Readiness' by Age Range

- Each generation has unique circumstances that affect their expected retirement outcomes. For example, workers in their Sixties are more likely to rely on Social Security or company-funded pension plans than those in their Twenties, because their careers were already well underway before 401(k) plans were introduced. In contrast, workers in their Twenties are more likely to rely on 401(k) or similar self-funded retirement accounts amidst concerns about the long-term outlook for Social Security and the decline of traditional pension plans.



# Conclusions

## 'Retirement Readiness' by Age Range (continued)

- For many workers in their Fifties and Sixties, their retirement outlook may be challenging but it also offers opportunities. The survey findings support plans by these groups to work past age 65 yet underscore the urgency and importance of having a strategy and back-up plans if they have to stop working sooner than expected. It is also prudent for them to gain a strong understanding of Social Security, Medicare, and how their health insurance will be impacted by healthcare reform.
- Workers in their Twenties are suffering from a crisis in retirement confidence despite the fact that they have decades ahead of them to plan, save, and invest for retirement. The survey shows that workers in their Twenties are similar in certain ways to workers in their Fifties and Sixties (roughly the age of their parents), and that this group may be inheriting their parents' sentiments. It's important for workers in their Twenties to learn from their parents' experiences and repeat the successes and avoid the mistakes. With so much time on their side, workers in their Twenties can still determine their retirement destiny.

## The Role of Family

- Family relationships are a vital support system. However, the survey found that few workers "frequently" discuss planning and saving for retirement with family and close friends. Of note is that 31 percent of workers in their Twenties expect to financially support their parents when they retire. However, only 4 percent of workers in their Fifties and Sixties expect to receive support from their children, illustrating the need for family members to have an open dialogue and build a common understanding.

# Conclusions

## The Importance of Workplace Retirement Benefits

- Employers and employer-sponsored retirement plans play an important role in workers' saving and investing for retirement. Many workers expect to rely on savings from 401(k) or similar retirement plans as their primary source of income when they retire. Despite economic turbulence in recent years, workers have remained committed to saving and contributing to their retirement plans.
- The majority of workers would like additional information and advice from their employers on how to achieve their retirement goals. This sentiment is highest for workers in their Twenties. Further, it is important to note that workers expressed a need for educational materials to be easier to understand.
- The vast majority of workers value retirement benefits as important. However, only three out of four workers said they were offered a 401(k) or similar plan. Full-time workers are far more likely than part-time workers to be offered a plan. This highlights the need to expand retirement plan coverage so that all workers have the opportunity to participate in a plan.
- Retirement benefits hold such great importance among workers that more than half said that they would leave their current employer for a nearly identical job with a similar employer if it offered better benefits.

## Recommendations for Workers

- How each worker ultimately plans on spending his or her retirement is unique, but the tools to help attain retirement readiness are common to all.
- Seven tactics may help workers of all ages improve their retirement readiness:
  1. Calculate your retirement savings needs.
  2. Develop a retirement strategy and write it down. Envision your future retirement, formulate a goal for how much you will need to save each year (be sure to include employer-sponsored retirement plans and outside savings), and be sure to factor living expenses, healthcare needs, long-term care, and government benefits.
  3. Get educated about retirement investing. Seek professional assistance if needed. Learn about Social Security and government benefits.
  4. If your employer offers a plan, participate. Be sure that your annual salary deferral takes full advantage of employer matching contributions, if available. Defer as much as you can. If you decide against maximizing annual salary deferrals in the plan, be sure to save for retirement outside of work.
  5. Consider retirement benefits as part of your total compensation. If your employer doesn't offer you a plan, ask for one.
  6. Take advantage of the Saver's Credit if eligible. Make Catch-Up Contributions if eligible.
  7. Have a back-up plan in the event you are unable to work before your planned retirement.
- Importantly, talk about retirement with family and close friends.

## Recommendations for the Retirement Industry & Media

- The important motivator for workers to learn more about saving and investing is to make educational offerings “easier to understand.” The retirement industry and media have an opportunity to further engage a much wider audience and increase public awareness on the topic through traditional media as well as new channels (e.g., social media).
- The retirement industry and media also have an important opportunity to help promote and raise awareness of the Saver’s Credit and Catch-Up Contributions.
- The retirement industry and media should continue to raise awareness and increase education on the need to plan and save – as well as the need for a back-up 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 emergency.

# Recommendations for Employers & Retirement Plan Providers

- Seven opportunities in which employers, working with their retirement plan providers, can help workers to improve their retirement readiness include:
  1. Offering a retirement plan along with other health & welfare benefits if not already in place.
  2. Proactively encouraging participation in existing retirement plans. Consider the appropriateness of adding automatic enrollment and automatic escalation features to increase participation rates and salary deferral rates
  3. Adding, increasing and/or reinstating matching contributions to 401(k) plans. Consider structuring match to promote higher salary deferrals (for example, instead of matching 100% of the first 3% of deferrals change the match to 50% of the first 6% of deferrals).
  4. Assess educational offerings to determine whether they are meeting the needs of all employees, especially those employees who may find materials and concepts difficult to understand and make any necessary changes accordingly. Make them easier to understand.
  5. Promoting the educational resources offered by the company's retirement plan provider and encourage employees to take advantage of them. Also, consider:
    - Implementing an educational campaign to help workers get "back on track" with their retirement – or simply reposition existing educational offerings with messaging about the importance of getting "back on track."
    - Establishing an annual 401(k) retirement readiness check-up at the same time of year as healthcare open enrollment.
  6. Offer pre-retirees greater levels of assistance in planning their transition into retirement – including the need for a back-up plan if they find themselves retiring sooner than expected due to unforeseen circumstances.
  7. Promote awareness of the Saver's Credit and Catch-Up Contributions.

## Recommendations for Policymakers

- Policymakers also should consider the following to help employers and their employees to increase retirement readiness:
  1. Pursue legislative and regulatory initiatives to expand retirement plan coverage for all workers including part-time workers:
    - a. Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing
    - b. Expanding the tax credit for employers to start a plan and facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans.
  2. Expanding the Saver's Credit by raising the income eligibility requirements so that more tax filers are eligible.
  3. Expanding Catch-Up Contributions by raising limits and lowering the eligible age.
  4. Extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals.
  5. Requiring retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum.



# *Appendix*

# Health & Welfare Benefits Coverage by Age & Employment Status

Percentage of Workers Offered Health & Welfare Benefits by Employment Status																		
Type of Benefit	All Workers			Twenties			Thirties			Forties			Fifties			Sixties		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
Health Insurance	79	91	53	72	86	56	87	93	66	83	92	52	80	92	54	73	94	51
Life Insurance	59	74	30	48	68	24	71	76	49	62	73	26	60	75	28	58	82	34
Disability Insurance	50	63	24	38	49	26	56	63	28	52	61	23	57	71	25	49	70	26
Long-Term Care Insurance	23	29	11	20	28	10	30	34	13	24	28	8	22	27	10	21	28	14
Critical Illness Insurance	12	14	6	12	18	4	16	17	9	7	9	2	11	14	5	14	15	14
Cancer Insurance	9	12	4	7	12	2	13	14	8	8	11	1	10	13	3	9	7	11
None of the Above	18	7	40	21	10	34	11	6	30	17	7	47	18	7	43	24	5	43

BASE: All Qualified Respondents

Q1175. Which of the following benefits does your company offer to you, personally?





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