

### **A Portrait of the American Middle Class and Its Risky Retirement Outlook**

*New study illuminates the middle class's personal finances, retirement preparations, and public policy priorities*

**LOS ANGELES – August 28, 2024** – Only one in five people in the U.S. middle class (21%) are very confident in their ability to fully retire or maintain a comfortable lifestyle throughout their retirement, according to a new survey report, [\*\*\*The Retirement Outlook of the American Middle Class\*\*\*](#), released by nonprofit [Transamerica Center for Retirement Studies®](#) (TCRS) in collaboration with Transamerica Institute®.

“The middle class symbolizes the American dream,” said [Catherine Collinson](#), CEO and president of Transamerica Institute and TCRS. “In today’s chaotic environment, what are the middle class’s hopes, dreams, and retirement prospects? What support is needed from policymakers to help ensure they can retire with dignity? Our new report seeks to answer these pressing questions.”

***The Retirement Outlook of the American Middle Class*** examines the well-being, personal finances, and retirement expectations and preparations of U.S. residents who are in the middle class. Absent a universally accepted definition among demographers and research organizations, Transamerica Institute and TCRS broadly define the middle class as people with an annual household income (HHI) between \$50,000 and \$199,999.

#### **Ten Facts About the Retirement Outlook of America’s Middle Class**

“America’s middle class is navigating the turbulent post-pandemic economy and high rates of inflation. They are focused on their health and financial well-being, but many are at risk of not achieving a financially secure retirement,” said Collinson.

Based on the survey’s findings, these 10 facts illuminate how people in the middle class are faring and financially preparing for older age:

- #1. *Enjoying purposeful, meaningful lives.*** The middle class’s top priorities in life include enjoying life (67%), being healthy and fit (62%), focusing on family (45%), planning for their financial future (44%), leading a more sustainable life (28%), their career (28%), giving back to the community (24%), pursuing lifelong learning (23%), and serving as a caregiver (16%).
- #2. *Embracing positivity albeit with signs of distress.*** Most people in the middle class have positive feelings about life including having close relationships with family and friends (87%), being generally happy (85%), enjoying life (84%), having a strong sense of purpose (79%), having a positive view of aging (72%), and having an active social life (64%). However, some are also experiencing distress such as often feeling unmotivated and overwhelmed (39%), often feeling anxious and depressed (38%), having trouble making ends meet (37%), and being isolated and lonely (25%).
- #3. *Planning to live to an old age.*** People in the middle class plan to live to age 90 (median). One in seven (14%) are planning to live to age 100 or older. More than one in three (36%) are “not sure,” a reasonable answer given the nature of the survey question.
- #4. *Dreaming of an active retirement.*** The top five retirement dreams among the middle class are traveling (67%), spending more time with family and friends (58%), pursuing hobbies (51%), doing volunteer work (23%), and taking care of their grandchildren (20%). One in four (25%) dream of doing some form of paid work in retirement such as starting a business (13%), pursuing an encore career (10%), and/or continuing to work in the same field (9%).

- #5. **Fearing potential financial and health-related challenges in retirement.** The top five greatest retirement fears among the middle class are outliving their savings and investments (40%), declining health that requires long-term care (40%), Social Security will be reduced or cease to exist in the future (39%), cognitive decline, dementia, Alzheimer’s disease (33%), and possible long-term care costs (32%).
- #6. **Juggling a variety of financial priorities.** People in the middle class face competing financial priorities that include paying off debt (59%), saving for retirement/continuing to save for retirement (49%), building emergency savings (42%), saving for a major purchase or life event (31%), and just getting by to cover basic living expenses (31%).
- #7. **Expecting to work beyond traditional retirement age.** Among those who are not yet retired, almost half of people in the middle class (49%) expect to work beyond the traditional retirement age, including 34% who expect to retire after age 65 and 15% who do not plan to retire. Moreover, more than half (52%) plan to continue working after they retire. However, the actual experience of retirees raises doubts about whether these expectations are realistic. The median age that middle-class retirees retired is 62. Half of them (50%) retired sooner than planned often due to employment or health-related issues.
- #8. **Counting on diverse sources of retirement income.** The middle class is expecting diverse sources of retirement income. Regarding their expected *primary source* of retirement income, more than four in 10 people (45%) are expecting it to come from self-funded savings, including 401(k)s, 403(b)s, IRAs and/or other savings and investments. Others are expecting their primary source of retirement income to come from Social Security (27%), a company-funded pension plan (11%), and income from continued work (9%). Only 2% are expecting it to come from home equity or from an inheritance.
- #9. **Risking inadequate retirement savings.** Fewer than one in four people in the middle class (24%) strongly agree they are building or have built a large enough retirement nest egg. As of late 2023, among those who are not yet retired, people in the middle class have saved \$66,000 (estimated median) in total household retirement accounts. Middle-class retirees reported \$186,000 in total household savings excluding home equity (estimated median).
- #10. **Missing opportunities to improve their retirement outlook.** The middle class has yet to fully engage in retirement planning and take steps that could improve their prospects. Only 21% indicate they have “a lot” of working knowledge about personal finance, 24% have a financial strategy for retirement in the form of a written plan, and 17% frequently discuss saving, investing, and retirement planning with family and close friends. Only one in three (34%) use a professional financial advisor.

“By gaining knowledge and engaging in financial planning, the middle class can make better informed decisions in their daily lives which could, in turn, improve their long-term retirement prospects. However, they also need better, stronger societal support,” said Collinson.

### **Priorities for the President and Congress to Help Improve Retirement Security**

“Policymakers pave the way for modernizing our retirement system for current and future generations,” said Collinson. The middle class’s top priority for the President and Congress to help people have a financially secure retirement is addressing Social Security’s funding shortfalls (65%), according to the survey’s findings. Other priorities include addressing Medicare’s funding shortfalls (53%), making out-of-pocket health care expenses and prescription drugs more affordable (50%), ensuring all workers can save for retirement in the workplace (47%), implementing financial literacy curriculum in schools (40%), innovating more affordable solutions for long-term care (39%), increasing access to affordable housing (39%), supporting family caregivers (37%), providing and/or subsidizing additional broadband access (28%), and creating incentives for continuing education (28%).

“Solving Social Security’s funding shortfalls does not have a clearcut solution in the eyes of the middle class,” said Collinson. When asked how Congress should address Social Security’s funding shortfall, people in the middle class have mixed opinions about possible actions including increasing the maximum earnings subject to payroll taxes (41%), increasing the Social Security payroll tax rate (37%), preserving retirement benefit payments for retirees in greatest need (31%), and raising the retirement age (24%). Twenty-two percent of workers “don’t know” what actions Congress should take. Only 4% say that Congress should “do nothing.”

“Our nation faces a tremendous opportunity to future-proof our retirement system to help middle-class Americans protect their health, build wealth, and retire with dignity. Doing so requires a holistic approach that requires strengthening safety nets and enhancing the built environment. A collective effort is needed among policymakers, industry, academics, and individuals and families to implement lasting solutions,” said Collinson.

[\*The Retirement Outlook of the American Middle Class\*](#) provides detailed survey findings about the health and well-being, employment status, personal finances, and retirement outlook of middle-class U.S. residents aged 18 and older. The report provides comparative breakdowns by those with an annual household income (HHI) of \$50,000 to \$99,999 and \$100,000 to \$199,999. The report provides recommendations for individuals, employers, and policymakers. Also, it offers a suggested reading list to learn more about the middle class.

To download the report, visit [www.transamericainstitute.org](http://www.transamericainstitute.org). Listen to Transamerica Institute’s podcast [\*ClearPath – Your Roadmap for Life<sup>SM</sup>\*](#). Follow on [LinkedIn](#), [Facebook](#), and X (formerly Twitter) [@TI\\_insights](#) and [@TCRStudies](#).

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#### **About Transamerica Center for Retirement Studies**

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#### **About the 24<sup>th</sup> Annual Transamerica Retirement Survey**

The analysis contained in [\*The Retirement Outlook of the American Middle Class\*](#) was prepared internally by the research team at Transamerica Institute and TCRS. The 25-minute online survey was conducted within the U.S. by The Harris Poll on behalf of Transamerica Institute between September 14 and October 23, 2023, among a nationally representative sample of 10,002 people including 5,726 with a household income of \$50,000 to \$199,999. Data was weighted where necessary for age by gender, race and ethnicity, region, education, marital status, household size, household income and propensity to be online to being them in line with their actual proportions in the population. Respondents were selected from among those who have agreed to participate in our surveys. The sampling precision of Harris online polls is measured by using a Bayesian credible interval and the worker sample data is accurate to within +1.2 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest. Percentages are rounded to the nearest whole percent.

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