



# The Retirement Readiness Imperative: Overcoming the Challenges Faced by Small Companies

14th Annual Transamerica Retirement Survey

October 2013

# Table of Contents

## *Introduction*

About the Transamerica Center for Retirement Studies®	Page 3
About the Survey	Page 4
About the Author	Page 5
Methodology	Page 6
Terminology	Page 9

## *The Retirement Readiness Imperative:*

### *Overcoming the Challenges Faced by Small Companies*

Foreword	Page 10
Key Highlights & Recommendations	Page 11
Detailed Findings	Page 22
– The Employer Perspective: Retirement Benefits & Features Offered	Page 23
– The Worker Perspective: Retirement Savings, Expectation & Outlook	Page 32
Appendix	Page 49

# About the Transamerica Center for Retirement Studies®

- The Transamerica Center for Retirement Studies® (TCRS) is a division of Transamerica Institute<sup>SM</sup> (The Institute), a nonprofit, private foundation. TCRS is dedicated to educating the public on emerging trends surrounding retirement security in the United States. Its research emphasizes employer-sponsored retirement plans, including companies and their employees, unemployed and underemployed workers, and the implications of legislative and regulatory changes. For more information about TCRS, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).
- The Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties.
- TCRS 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, TCRS 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 14<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®, and is a retirement and market trends expert and champion for Americans who are at risk of not 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 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 also serves as the President of the Transamerica Institute<sup>SM</sup>. She is currently employed by Transamerica Retirement Solutions Corporation and 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.

# Methodology: Employer Survey

- A 16-minute, telephone survey was conducted between April 23–August 15, 2013 among a nationally representative sample of 750 employers. Potential respondents were targeted based on job title at for-profit companies and met the following criteria:
  - Business executives who make decisions about employee benefits at his or her company.
  - Employ 10 or more employees across all locations.
- Quotas were set for large and small companies. The results were weighted as needed on employee size using weighting targets from the Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range.
- Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- The base size was 300 for large companies and 450 for small companies. Other reduced bases have been noted throughout the report.

# Methodology: Worker Survey

- A 22-minute, online survey was conducted between January 21–February 21, 2013 among a nationally representative sample of 3,651 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.
- The base size was 1,764 small-company workers (10-499 employees), including 1,060 micro (10-99 employees) and 704 small non-micro (100-499 employees) workers; and 1,887 large-company workers (500+ employees).

# Methodology: Unemployed/Underemployed Survey

- A 10-minute online survey was conducted between March 5–19, 2013 among a nationally representative sample of 610 unemployed (n=289) or underemployed (n=321) people using the Harris Interactive online panel. Respondents met the following criteria:
  - U.S. residents, age 18 or older.
  - People who were previously fully employed in a for-profit company employing 10 or more people and are currently unemployed or underemployed.
- Data were weighted as follows:
  - To ensure that each quota group is a representative sample based on the length of time people were unemployed or underemployed.
  - To account for differences between the population available via the Internet versus by telephone.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- This report focuses on unemployed and underemployed populations combined.

# Terminology

*This report uses the following terminology:*

## Company Size

- *Small company*: 10 to 499 employees
  - *Micro company*: 10 to 99 employees
  - *Small non-micro company*: 100 to 499 employees
- *Large company*: 500 or more employees

## Unemployed/Underemployed

- *Unemployed* includes:
  - Unemployed but looking for work
  - Unemployed and not looking for work because unable to find work
  - Retired and not looking for work because unable to find work
- *Underemployed* includes:
  - Working part-time, only because unable to find full-time employment
  - Working full-time, but self reporting that he or she considers himself or herself underemployed
- *Un/Underemployed* includes:
  - Unemployed as defined above
  - Underemployed as defined above

# Foreword

Small businesses, defined by the Small Business Administration (SBA) as firms with fewer than 500 employees, are the cornerstone of the United States economy. In 2010, small businesses represented:

- More than 5.7 million employer firms accounting for 99.7 percent of U.S. employer firms,
- Approximately 55 million employees representing 49 percent of private-sector employees, and
- 64 percent of net new private-sector jobs.

From mid-2009 to 2011, small firms, led by the larger ones in the category (20 to 499 employees), accounted for 67 percent of the net new jobs.<sup>1</sup>

Small businesses have historically lagged behind large companies in offering retirement benefits to their employees. Reasons for not offering a plan are often attributed to cost, administrative complexity, and fiduciary responsibilities. Nevertheless, plan sponsorship rates have been resilient and, in some cases, flourished in an extremely difficult economy. During the challenging years between 2007 and 2010, the number of firms with fewer than 100 employees declined by 5.6 percent,<sup>2</sup> but the number of defined contribution plans at companies of that size declined by only 1.5 percent.<sup>3</sup> During that same time period, the number SIMPLE IRA plans increased by 11.3 percent.<sup>4</sup>

Calculating plan sponsorship rates can be elusive. Much of the statistical reporting is derived from the IRS Form 5500 database, a form required by employers who sponsor qualified plans (e.g., defined contribution including 401(k), defined benefit, or other). However, many small businesses offer SEPs or SIMPLE IRAs which are not required to file a Form 5500 and, therefore, do not get counted. A first question is: What percentage of small businesses offer an employee-funded plan? Followed by: What can be done to increase plan coverage among small business workers?

Further, it is generally accepted that among small businesses that offer 401(k) and similar plans to their employees, plan features tend to lag behind those of large employers. To what degree? And what can be done? Given these differences in benefit offerings, how does the retirement outlook between workers of small businesses compare with those of large companies?

This survey report, as part of the **14<sup>th</sup> Annual Transamerica Retirement Survey**, sets out to answer these questions and more.

<sup>1</sup> U.S. Small Business Administration, Frequently Asked Questions, September 2012, [http://www.sba.gov/sites/default/files/FAQ\\_Sept\\_2012.pdf](http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf).

<sup>2</sup> U.S. Census Bureau, Statistics of U.S. Businesses, 2010. <http://www.census.gov/econ/susb/index.html>

<sup>3</sup> U.S. Department of Labor, Employee Benefits Security Administration, Private Pension Plan Bulletin Historical Tables and Graphs, June 2013. <http://www.dol.gov/ebsa/pdf/historicaltables.pdf>

<sup>4</sup> Investment Company Institute. 2013. "The U.S. Retirement Market, First Quarter 2013" (June). [http://www.ici.org/info/ret\\_13\\_q1\\_data.xls](http://www.ici.org/info/ret_13_q1_data.xls).

# Key Highlights

*The Retirement Readiness Imperative: Overcoming Challenges Faced by Small Companies*, as part of the **14<sup>th</sup> Annual Transamerica Retirement Survey**, examines retirement benefits offered by small companies (10 to 499 employees), assesses the retirement outlook of the workers they employ, offers detailed comparisons with large companies (500+ employees), and provides recommendations.

The vast majority of workers (88 percent) at small companies value retirement benefits as important, yet small companies are less likely than large companies to offer a 401(k) or similar plan (e.g., SEP, SIMPLE). Additionally, small companies that do offer plans tend to have plans with fewer features. In order to better understand the gaps, this survey report segments small companies into micro companies (10 to 99 employees) and small non-micro companies (100 to 499 employees).

## Plan Sponsorship Is Not Synonymous with Plan Coverage

Policymakers, experts, and the retirement industry are seeking to increase plan coverage among workers, and specifically those of small companies. Much of this discussion has centered around encouraging more employers to offer a plan.

Small companies lag behind large companies in terms of offering retirement benefits. However, the gap may be surprisingly smaller than many may believe. Our survey found:

- Seventy-two percent of small companies offer a plan, including:
  - Seventy-one percent of micro companies, and
  - Eighty-nine percent of small non-micro companies, compared to
- Ninety-five percent of large companies offer a plan.

Far fewer small-company workers (58 percent) report having access to a 401(k) or similar plan. Much of this gap in retirement benefits can be explained by the prevalence of part-time workers who are not offered benefits. It is likely that these part-time workers are employed by a company that offers benefits to its full-time workers but excludes eligibility to part-timers. This coverage gap between part-time workers and full-time workers is present among companies of all sizes, but more pronounced among small companies.

# Key Highlights

## How to Increase Plan Sponsorship Rates Among Small Companies

A key to expanding coverage among workers of small companies is increasing plan sponsorship rates for micro companies. A key to expanding coverage among workers of small and large companies is encouraging existing plan sponsors to extend eligibility to their part-time workers.

Among the 28 percent of small companies that do not offer a plan, only 22 percent said that they are ‘very’ (three percent) or ‘somewhat’ (19 percent) likely to offer a plan in the next two years. Their most frequently cited reasons for those not planning to do so are: cost (64 percent), company is not large enough (47 percent), and the company is encountering difficult business conditions (38 percent). Lack of interest and concerns about administrative complexity and fiduciary liability are also factors. However, nearly one-third (32 percent) indicated that they would be ‘very’ or ‘somewhat’ likely to consider joining a multiple employer plan offered by a vendor who handles many of the fiduciary and administrative duties at a reasonable cost.

## Plan Features Among Small Companies Typically Lag Behind Those Offered by Large Companies

### *Matching Contributions*

One of the most important features of a 401(k) plan is the employer’s matching contribution which incentivizes its employees to join the plan. Smaller companies lag behind larger companies in offering matching contributions in their 401(k) or similar plan:

- Seventy percent of small companies offer a match, including:
  - Seventy percent of micro companies, and
  - Seventy-seven percent of non-micro companies.
- Eighty-six percent of large companies offer a match.

In recent years, especially during the recession, there were widespread news reports of employers dropping their matching contributions. This year’s survey found that 14 percent of small companies had reduced or suspended their match since the recession began and, among them, six percent had subsequently reinstated their match.

# Key Highlights

## Plan Features Among Small Companies Typically Lag Behind Those Offered by Large Companies (continued)

### *Automatic Enrollment*

Automatic enrollment, a feature which automatically enrolls newly eligible employees into the plan with the ability for them to opt out, has been widely recognized as one of the most effective ways to increase plan participation rates. Small companies are less likely than large companies to offer automatic enrollment:

- Nineteen percent of small companies have adopted automatic enrollment, including:
  - Eighteen percent of micro companies, and
  - Twenty-nine percent of non-micro companies.
- Forty-three percent of large companies offer it.

The median default contribution rate is three percent of annual salary among automatic enrollment plans offered by both small and large companies.

### *Investment Guidance*

Small companies are as likely as large companies (both 66 percent) to offer some form of investment guidance as part of their 401(k) or similar plan.

### *Hybrid Funds*

Hybrid funds, such as target date funds, lifecycle funds, and strategic allocation funds, have become a staple in retirement plan investment options in recent years. These types of funds enable the plan participant to invest in a professionally managed fund that is essentially tailored to his/her years to retirement and risk tolerance profile. Small companies lag behind large companies in offering these types of funds:

- Forty-seven percent of small companies that offer hybrid funds as part of their 401(k) or similar plan and 65 percent of small non-micro companies.
- Seventy-nine percent of large companies with employee-funded plans offer hybrid funds.

# Key Highlights

## Plan Features Among Small Companies Typically Lag Behind Those Offered by Large Companies (continued)

### *Roth 401(k)*

The ability for plan participants to save in their plan on an after-tax basis through the Roth 401(k) feature is also less prevalent among small companies compared to large companies.

### *Educational Offerings*

The majority of micro companies offer online tools and resources, one-on-one counseling, printed materials, group meetings and workshops, and informative emails – but are generally less likely to offer them than larger companies. Small non-micro companies and larger companies generally share similar levels of educational offerings.

### *Retirement Transition Assistance*

Workers nearing retirement age face a myriad of difficult decisions regarding when and how they transition into retirement. Employers of all sizes share a tremendous opportunity to work with their retirement plan providers to offer resources and tools to these workers. While the majority of plan sponsors of all company sizes provide planning materials and information about distribution options, fewer than half offer financial counseling or pre-retirement seminars. Only 20 percent of small companies offer an annuity as a payout option as part of their plan.

## Retirement Expectations of Workers of Small Companies

The Great Recession reset expectations about retirement for many American workers. In 2013, the majority of small-company workers (64 percent) said they are less confident about their ability to achieve a financially secure retirement since 2008. Many small-company workers (40 percent) now expect to work longer and retire at an older age, a percentage which is slightly higher than that of large-company workers (37 percent).

# Key Highlights

## Retirement Expectations of Workers of Small Companies (continued)

Fifty-five percent of small-company workers are confident that they'll be able to fully retire with a comfortable lifestyle, including 11 percent who are 'very confident' and 44 percent who are 'somewhat confident'. Small-company workers share strikingly similar levels of retirement confidence compared to those of large companies.

Most small-company workers (59 percent) plan to work past age 65 or do not plan to retire. This expectation is shared among workers of all company sizes, although it should be noted that workers of micro companies (61 percent) are slightly more likely to plan to do so and those of large companies (56 percent) are slightly less likely.

The majority of small-company workers (55 percent) plan to continue working after they've retired, including 45 percent who plan to work part-time and 10 percent full-time. This expectation is shared among workers of all company sizes, although it should be noted that workers of large companies (52 percent) are slightly less likely.

Among the small-company workers who plan to continue working in retirement, two-thirds (66 percent) plan to do so because they want or need the income or health benefits. Such reasons are consistent with those of workers of large companies.

Delaying retirement and/or continuing to work in retirement is an important way to continue generating income, bridge savings shortfalls, and stay active and involved. However, an alarmingly few small-company workers (20 percent) have a backup plan if retirement happens unexpectedly due to health issues, job loss, or other unforeseen circumstances. Fewer large-company workers (18 percent) have a backup plan.

# Key Highlights

## Small Company Workers' Retirement Savings Habits

Among workers who are offered a 401(k) or similar plan, participation rates of small-company workers (76 percent) are slightly less than those of large-company workers (79 percent). However, there is a wide disparity between micro company (71 percent) and small non-micro company workers (83 percent).

This disparity in participation rates among workers of different company sizes may be explained, in part, by whether the employer offers automatic enrollment, a feature which drives higher participation. Larger companies are far more likely to automatically enroll employees than micro companies.

Among employees who participate, the median annual salary deferral rate is slightly higher among small-company workers (eight percent) compared to large-company workers (seven percent). This may be partly explained by the prevalence of automatic enrollment in larger companies which, in most cases, enroll employees at a three percent salary deferral rate, thereby bringing down the median deferral rate.

Loans and early withdrawals inhibit the growth of retirement accounts. Small-company workers (13 percent) are less likely than large-company (19 percent) workers to have taken a loan. Of the small-company workers who did so, 41 percent cited paying off debt as the reason. Only four percent of workers of all company sizes took a hardship withdrawal in the past 12 months with the most frequently cited reason to prevent eviction from primary residence (31 percent). Among the unemployed and underemployed who had a 401(k) or similar plan at their most recent employer, 42 percent of small-company workers and 44 percent of large-company workers have taken withdrawals from their accounts to cover living expenses.

Perhaps the ultimate measures of workers' retirement outlook is his/her level of household savings in all retirement accounts. The 2013 estimated median household retirement savings among Baby Boomers, the generation closest to retirement, is lower among small-company workers (\$92,000), including \$94,000 among micro company and \$88,000 among small non-micro company workers. Baby Boomers employed by large-company workers have saved more (\$113,000). These 2013 savings levels represent a significant increase from 2007, when the estimated median household retirement savings was just \$60,000 for small-company workers and \$91,000 for large-company workers.

# Key Highlights

## Inspiring Workers to Learn More About Saving and Investing for Retirement

When workers were asked what would motivate them to learn more about saving and investing for retirement, the most frequently cited responses involved simplifying the topic with a good starting point and educational materials that are ‘easier to understand.’ Larger tax breaks and incentives for saving in a retirement plan, and a financial advisor were also frequently cited motivators among workers.

Tax incentives can be powerful motivators for people to save for retirement – but only if they know about them. Among workers of all company sizes, awareness of the Saver’s Credit is low. Only 23 percent of small-company workers and 25 percent of large-company workers are aware of this important tax credit for low- to moderate-income tax filers who save in a qualified retirement plan or IRA. Awareness is lowest among micro company workers at 20 percent.

The majority of small-company workers (56 percent) would like more information on how to reach their retirement goals, yet only 42 percent of small-company employers believe this to be the case. An opportunity to close this disconnect: only 11 percent of small-company workers had spoken to their employer about retirement benefits and only 29 percent of small-company employers had surveyed their employees on the topic.

## In Conclusion

Small companies play a vital role in the U.S. economy and employ millions of American workers. However, they lag behind large companies in terms of offering retirement benefits and retirement plan features. From a public policy perspective, much can be done to increase incentives and reduce impediments for small companies to offer competitive retirement benefits to their employees, including part-time workers.

Employers also have opportunities to help their employees improve their retirement outlook by offering a plan, encouraging savings and discouraging loans and withdrawals, taking full advantage of their retirement plan providers’ educational offerings for employees, and helping facilitate workers’ transition to retirement.

Lastly, workers have the opportunity be more proactive and take greater ownership over their future retirement.

# Key Highlights

## Recommendations for Small-Company Employers

Working with their retirement plan professionals and providers, small-company employers can help improve their workers' retirement outlook through these ten opportunities:

1. Offer a retirement plan along with other health & welfare benefits if not already in place. Take advantage of the tax credit available for starting a plan.
2. For employers who offer a plan, extend eligibility to part-time workers. Seek expertise of retirement specialists familiar with plan design on how to best accomplish this.
3. Proactively encourage participation in existing retirement plans. Consider adding automatic enrollment and automatic escalation features to increase participation rates and salary deferral rates.
4. Discourage loans and withdrawals from retirement accounts. Limit the number of loans available in the plan. Ensure participants are educated about the ramifications of taking loans and early withdrawals. Allow for an extended loan repayment time for terminated participants.
5. Add, increase and/or reinstate matching contributions to 401(k)/403(b) plans. Consider structuring match to promote higher salary deferrals (e.g., instead of matching 100 percent of the first three percent of deferrals change the match to 50 percent of the first six percent of deferrals).
6. Ensure educational offerings are easy to understand and meeting the needs of employees. Provide education on calculating a retirement savings goal, principles of saving and investing, and, for those nearing retirement, ways to generate retirement income and savings to last throughout his/her lifetime.
7. Offer pre-retirees greater levels of assistance in planning their transition into retirement – including distribution options, retirement income strategies, and the need for a backup plan if forced into retirement sooner than expected (e.g. health issues, job loss, family obligations).
8. Create opportunities for workers to phase into retirement by allowing for a transition from full-time to part-time and/or working in different capacities.
9. Promote awareness of the Saver's Credit.
10. Survey employees and plan participants to gauge their satisfaction with the plan.

# Key Highlights

## Recommendations for Policymakers

More than 99 percent of U.S. employers are small businesses and serve as the cornerstone and growth engine of the U.S. economy. As such, they have diverse business circumstances, unique retirement plan-related needs, and differing concerns about costs

As policymakers seek to increase retirement security among workers, especially those of small business, the most effective solutions are best accomplished by offering a variety of cost-effective solutions, within the context of the existing system and available to all plan type, to address these needs and concerns.

Seven steps toward increasing retirement security in small business include:

### 1. *Increasing Plan Sponsorship Rates*

Plan sponsorship rates are lowest among companies with fewer than 100 employees and, therefore, should be an area of focus. Solutions to increase plan sponsorship rates include:

- a. Additional tax incentives to help offset the cost for small employers to establish new retirement savings plans. Increase the available amount and number of years of the start-up tax credit which currently allows small businesses to claim a tax credit of up to \$500 for three years for establishing a retirement plan.
- b. For small businesses in which a stand-alone 401(k) plan is not feasible, consideration should be given to enabling and providing incentives for them to join a Multiple Employer Plan (MEP). To be effective, a MEP should be simple to administer and should provide safe harbors from fiduciary liability for each employer. In addition, care should be taken to (1) protect employers from any liability for the acts or failures to act of other employers participating in the plan, and (2) provide tax incentives for employers and employees to encourage participation. MEPs would tend to provide standard plan terms, and therefore, employers that want plan design flexibility, such as by offering a more robust investment menu, would continue to offer their own plans.

# Key Highlights

## Recommendations for Policymakers (continued)

### 2. *Expand plan coverage among part-time workers*

Many employers who sponsor a retirement plan exclude part-time employees from being eligible to join the plan. Potential reasons for employers choosing to exclude their part-time employees include cost, administrative complexity, and difficulties in passing non-discrimination testing. Solutions to create incentives and/or reduce impediments include:

- a. Additional tax incentives and safe harbors from non-discrimination testing.
- b. Lower or eliminate required top-heavy minimum contribution for part-time workers.
- c. Provide relief from being a Form 5500 “large plan filer” if the reason that the plan has more than 100 participants is covering part-time workers.

### 3. *Increase default contribution rates in plans using automatic enrollment*

The current minimum default contribution rate in the safe harbor, which range from three percent to six percent, sends a misleading message to plan participants that saving at those levels are sufficient to ensure a secure retirement. A new auto enrollment safe harbor, under which employees are enrolled at six percent (increasing to eight percent, then 10 percent), which also provides a tax credit for adopting it, can drive up plan sponsor adoption rates and participant savings rates.

### 4. *Promote and expand the Saver’s Credit*

The Saver’s Credit is a meaningful incentive for low- to moderate-income Americans to save for retirement. However, many are unaware of it. Recommendations include: promoting the Saver’s Credit and expanding it by raising the income eligibility requirements so that more tax filers are eligible.

### 5. *Reduce leakage from retirement accounts*

Extend the 401(k) loan repayment period for terminated plan participants and eliminate the six-month suspension period following hardship withdrawals.

# Key Highlights

## Recommendations for Policymakers (continued)

### 6. *Illustrate savings as retirement income on retirement plan account statements*

Require retirement plan statements to state participant account balances in terms of a lifetime income stream as well as a lump sum to raise awareness of savings needs. Such illustrations demonstrate that while lump sum amounts sound large, when translated into lifetime income, they are revealed to be much smaller. This can help participants realize that they need to save more. The illustrations also help educate participants about the importance of ensuring that their savings will last throughout their life.

### 7. Facilitate retirement savings to last a lifetime

Proposals that help participants both manage their investment risk and ensure their retirement savings will last their lifetime are encouraged, including facilitating the offering of in-plan annuities and annuities as a distribution option. Investment such annuities will enable an employee to shift the investment risk and risk of outliving his or her retirement savings to the annuity provider.

Workplace retirement benefits play a vital role in helping workers save for retirement. The workplace retirement savings system has succeeded in serving as the preferred method of saving for retirement for millions of workers. However, more work can and should be done by policymakers, industry, and employers to improve the current system.

There are many opportunities for further enhancements to retirement plans, all of which can help improve employees' retirement outlook, that are well within reach and not necessarily time-consuming and costly to implement. The notion that there could be a single solution for retirement security seems impossible; however, many meaningful steps can be taken and improvements made, which in part and in total have the potential to dramatically improve Americans' retirement readiness.

***The Retirement Readiness Imperative:  
Overcoming the Challenges Faced by Small Companies***

***Detailed Findings***

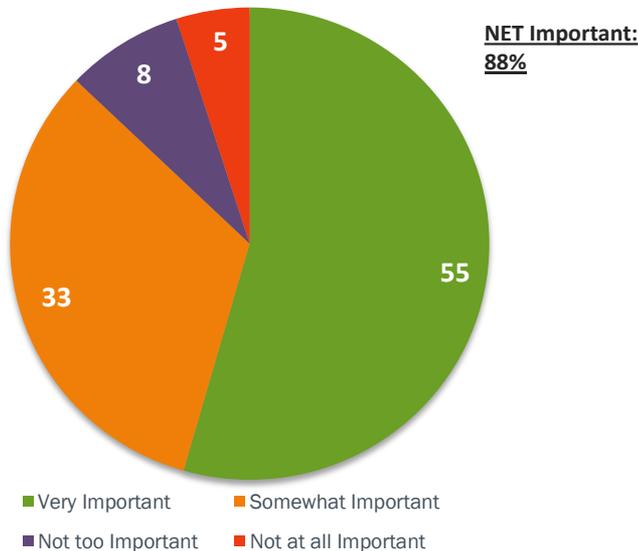
***The Employer Perspective:  
Retirement Benefits & Features Offered***

# Workers of Small Companies Value Retirement Benefits

Among small companies, the vast majority of workers (88 percent) view a 401(k) or similar plan as an important benefit. A similar percentage (83 percent) of employers believe that their employees see such a benefit as important. More workers (55 percent) than employers (49 percent) see these benefits as being 'very important'.

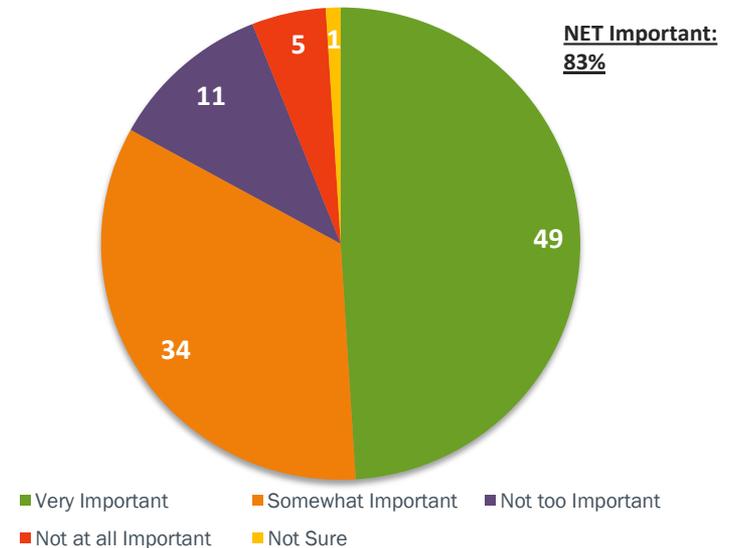
## Worker Perspective

Small Companies (10 to 499 Employees)  
Value a 401(k) or Similar Plan as an Important Benefit (%)



## Employer Perspective

Small Companies (10 to 499 Employees)  
Believe their Employees View a 401(k) or Similar Plan as Important (%)



WORKER BASE: ALL QUALIFIED RESPONDENTS

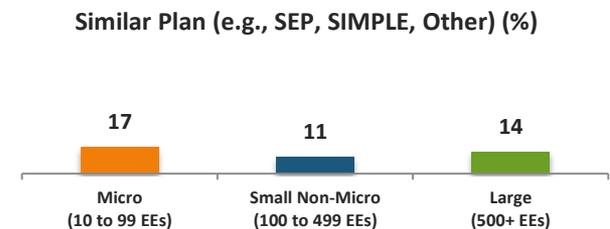
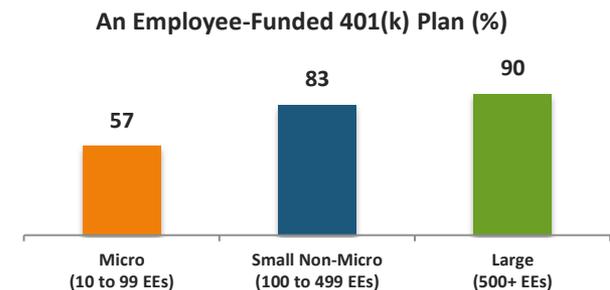
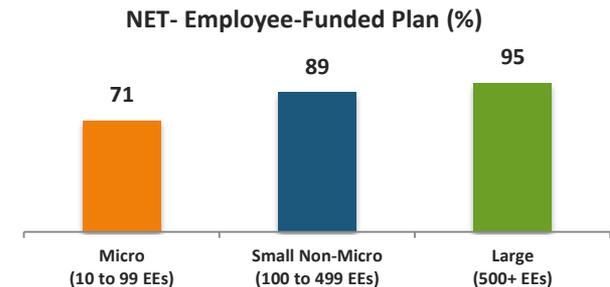
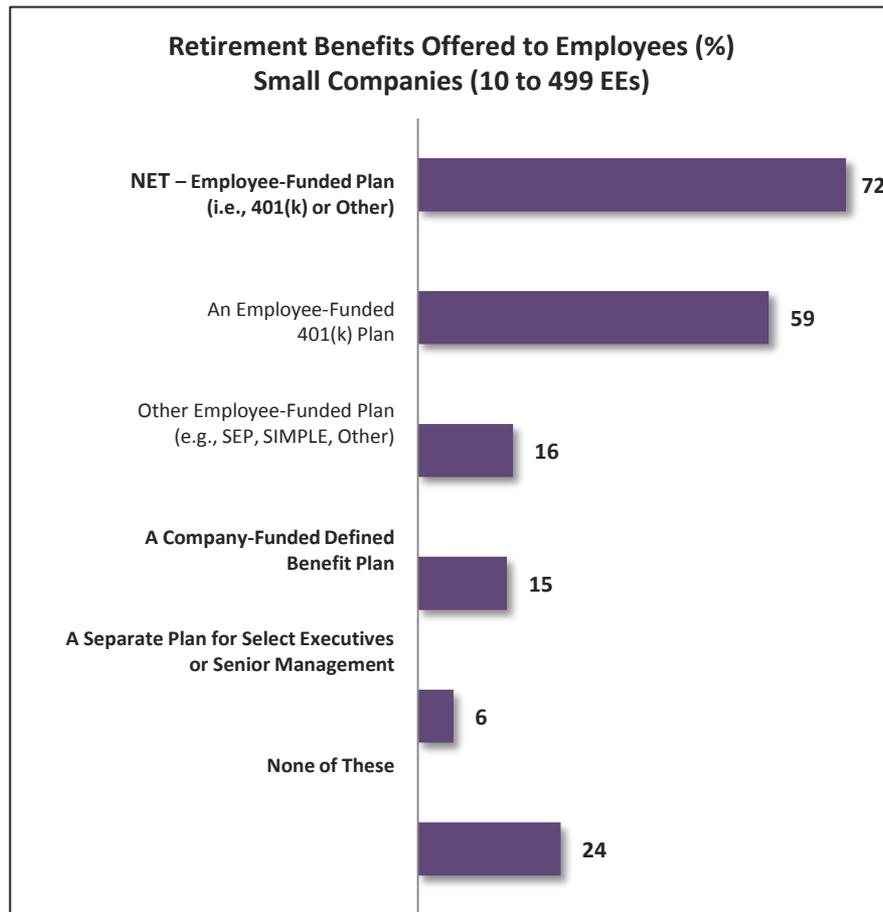
Q1171. Please tell us how important that benefit is to you, personally ... a 401(k)/403(b)/457 or other employee self-funded plan.

EMPLOYER BASE: ALL QUALIFIED RESPONDENTS

Q525. Do you think your company's employees see this benefit as important ... 401(k) or other employee self-funded plans including SIMPLE and SEP plans

# Retirement Plan Sponsorship Rates Among Small Companies

Small companies are less likely to offer an employee-funded retirement savings plan, such as a 401(k) or other plan (e.g., SEP, SIMPLE), than larger companies. Seventy-two percent of small companies offer a plan, including 71 percent of micro companies and 89 percent of small non-micro companies. Ninety-five percent of large companies offer a plan.

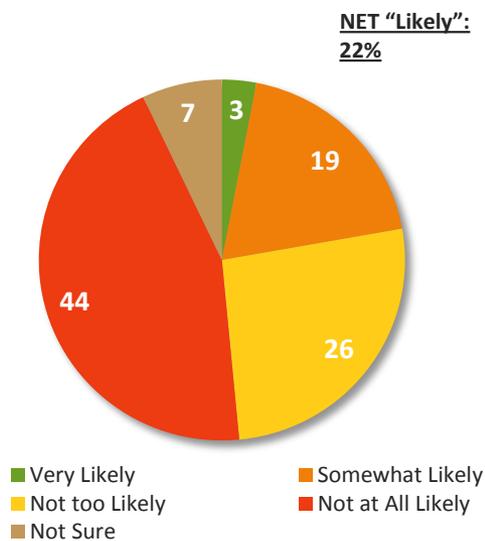


# Non-Sponsors More Likely to Consider Joining an MEP

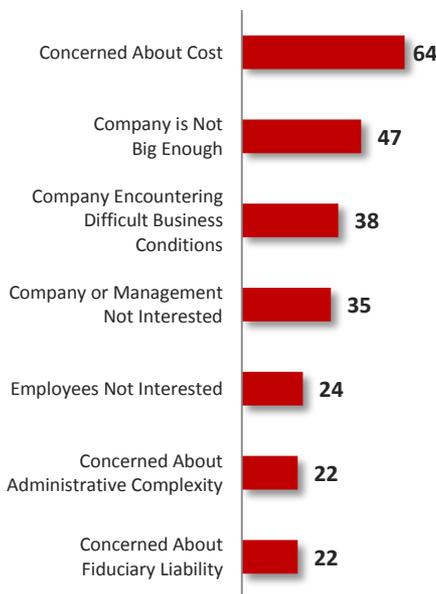
Among the 28 percent of small companies that do not offer a plan, only 22 percent said that they are ‘very’ (three percent) or ‘somewhat’ (19 percent) likely to offer a plan in the next two years. Their most frequently cited reasons for those not planning to do so are: cost (64 percent), company is not large enough (47 percent), and the company is encountering difficult business conditions (38 percent). Lack of interest and concerns about administrative complexity and fiduciary liability are also factors. However, nearly one-third (32 percent) indicated that they would be ‘very’ or ‘somewhat’ likely to consider joining a multiple employer plan offered by a vendor who handles many of the fiduciary and administrative duties at a reasonable cost.

## Small Companies (10 to 499 EEs)

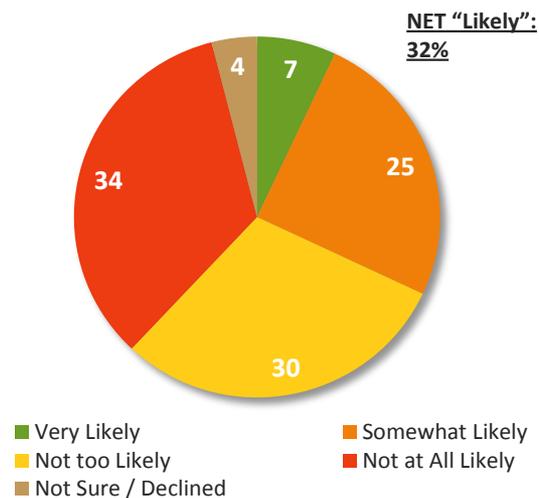
Likelihood to Begin Sponsoring a 401(k) or Similar Plan within the Next Two Years (%)



Top Seven Most Frequently Cited Reasons for NOT Planning to Offer a Plan (%)



As an Alternative, Likelihood to Consider Joining a Multiple Employer Plan(%)



EMPLOYER BASE: DOES NOT OFFER 401(k) OR OTHER SELF-FUNDED PLAN

Q600. How likely is your company to begin offering an employee-funded retirement plan package like a 401(k) to its employees in the next two years?;

Q1605. As an alternative to establishing a stand-alone 401(k) plan, if your company had the ability to join a multiple employer plan which is offered by a reputable vendor who handles many of the fiduciary and administrative duties at a reasonable cost, how likely would you be to consider such a plan?

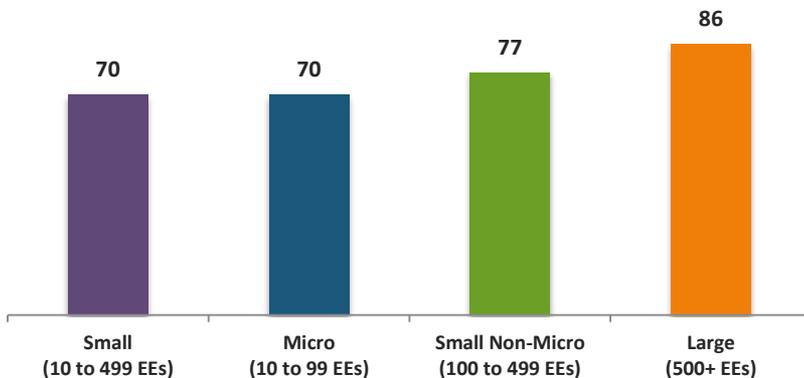
EMPLOYER BASE: NOT LIKELY TO OFFER 401(k) IN NEXT 2 YEARS

Q610. Why is your company not likely to offer a plan in the next two years?

# Matching Contributions Less Prevalent at Small Companies

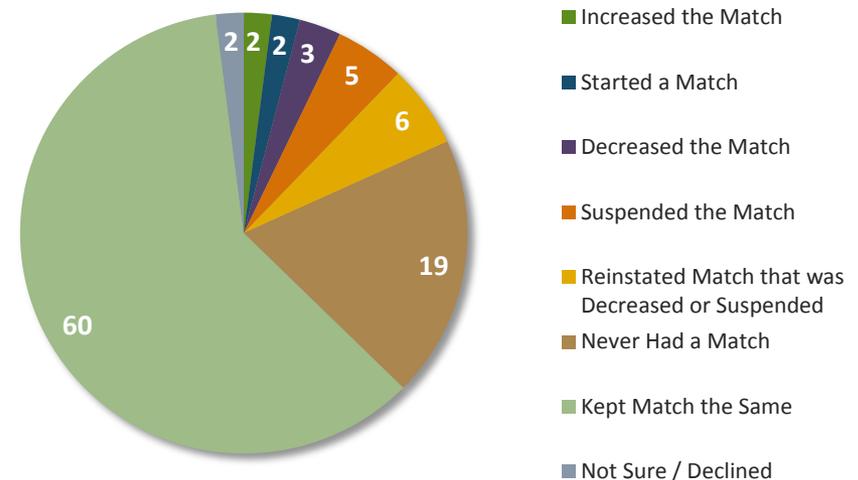
One of the most important features of a 401(k) plan is the employer’s matching contribution, which incentivizes its employees to join the plan. Smaller companies lag behind larger companies in offering matching contributions to their 401(k) or similar plan. Seventy percent of small companies offer a match, including 70 percent of micro companies and 77 percent of non-micro companies. Eighty-six percent of large companies offer a match. In recent years, especially during the height of what is commonly referred to as the Great Recession, there were widespread news reports of employers reducing or eliminating their matching contributions. This year’s survey found that 14 percent of small companies had reduced or suspended their match since the recession began and that six percent had subsequently reinstated their match.

**Offers Matching Contribution  
Yes (%)**



**Changes Made to Matching Contribution Since Recession  
Began in 2008 (%)**

**Small Companies (10 to 499 EEs)**



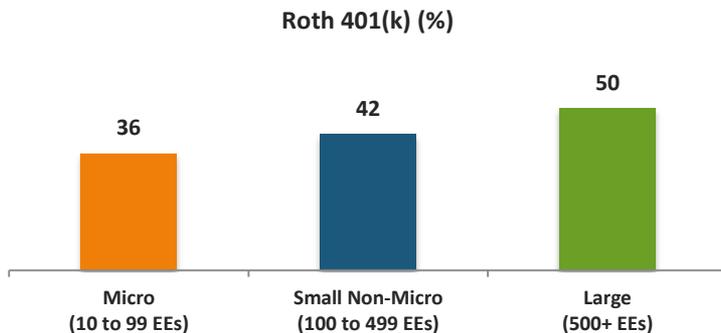
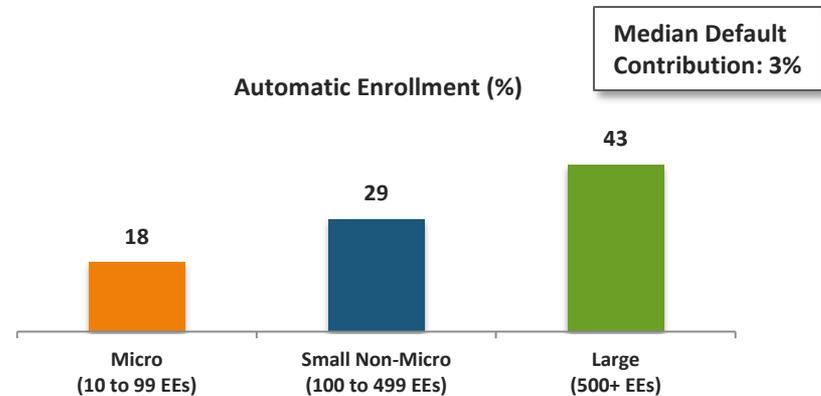
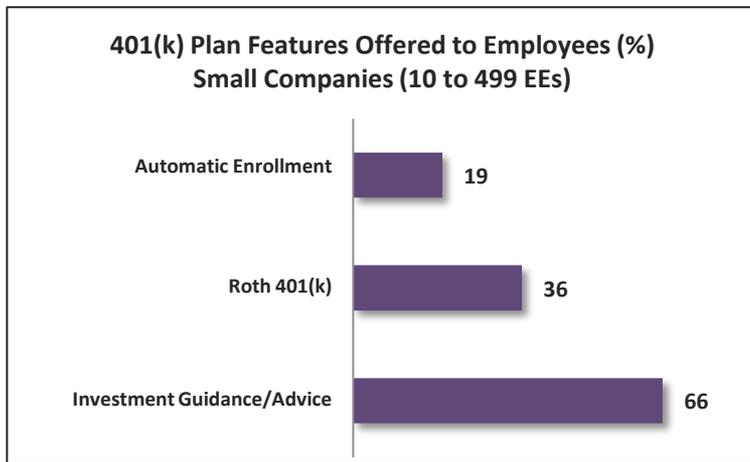
EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN

Q640. Does your company offer a matching contribution as part of its 401(k) or other company-sponsored retirement plan?

Q1610. Since the recession began in 2008, has your company made any of the following changes to the matching contribution?

# Small Companies Less Likely to Offer Automatic Enrollment

Small companies are less likely than large companies to offer plan features such as automatic enrollment and Roth 401(k). Automatic enrollment, a feature which automatically enrolls newly eligible employees into the plan with the ability for them to opt out, has been widely recognized as one of the most effective ways to increase plan participation rates. Nineteen percent of small companies have adopted it compared to 43 percent of large companies. The median default contribution rate for automatic enrollment among companies, both small and large, is three percent. On a different note, small companies are as likely as large companies to offer some form of investment guidance or advice.



EMPLOYER BASE: OFFERS A 401(k) PLAN

Q1025. When a new employee qualifies to join the plan, are they ... automatically enrolled?

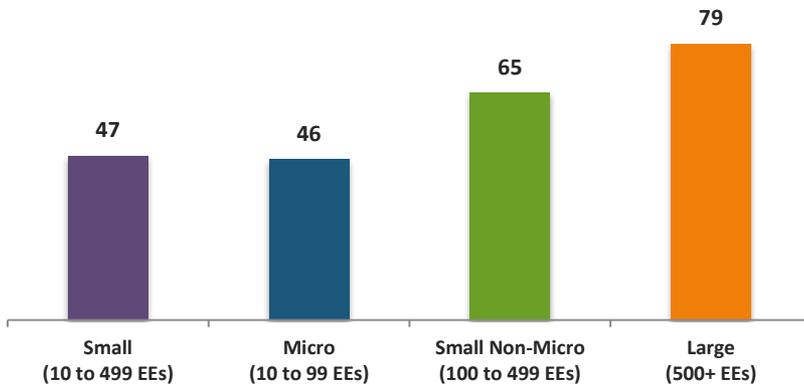
Q540. Has your company adopted a Roth 401(k) option?

Q592. Does your company currently offer investment guidance or advice for employees as part of your retirement plan?

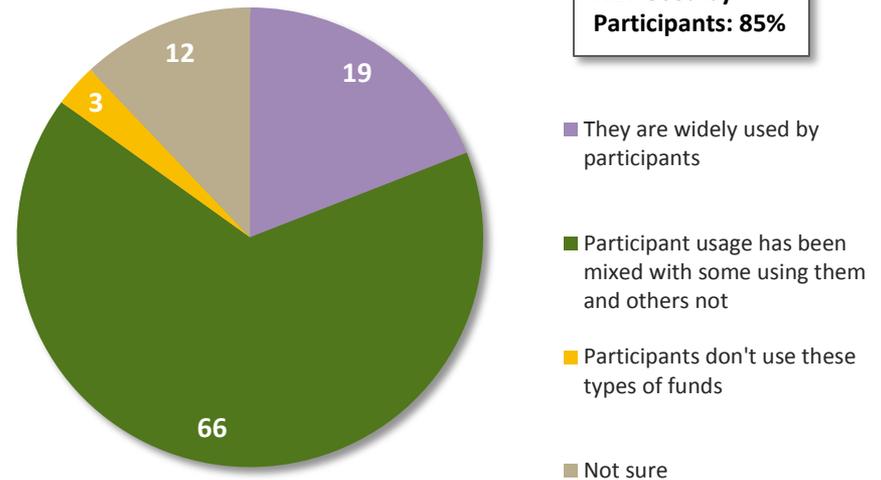
# Small Companies Lag in Offering Hybrid Funds

Hybrid funds, such as target date funds, lifecycle funds, and strategic allocation funds, have become a staple in retirement plan investment options in recent years. These types of funds enable the plan participant to invest in a professionally managed fund essentially tailored to his/her years to retirement and risk tolerance profile. Forty-seven percent of small companies offer hybrid funds as part of their 401(k) or similar plan, including 46 percent of micro companies and 65 percent of small non-micro companies. Of small companies that offer them, 85 percent indicate that their plan participants use them. Seventy-nine percent of large companies offer hybrid funds as part of their plans.

**Offers Hybrid Funds Such as TDFs, Lifecycle Funds, et al.  
Yes (%)**



**Participants Usage of Hybrid Funds (%)  
Small Companies (10 to 499 EEs)**



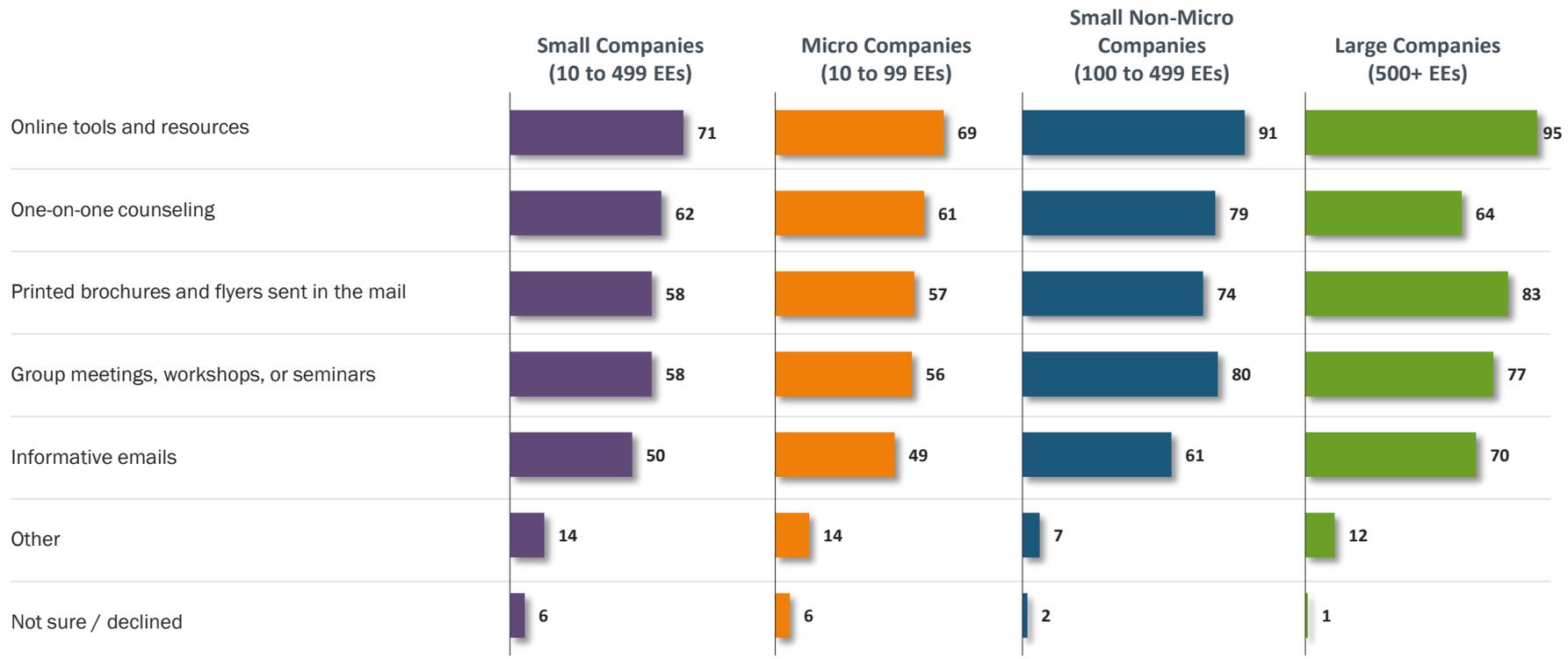
EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN

Q3591. Does your plan's investment options include hybrid-type funds such as: target date funds, lifecycle funds, strategic allocation funds, or similar?

Q3592. How would you characterize your employee's use of these funds?

# Micro Companies' Plans Have Fewer Educational Offerings

The majority of micro companies offer online tools and resources, one-on-one counseling, printed materials, group meetings and workshops, and informative emails – but are generally less likely to offer them than larger companies. Small non-micro companies and larger companies share similar levels of educational offerings.

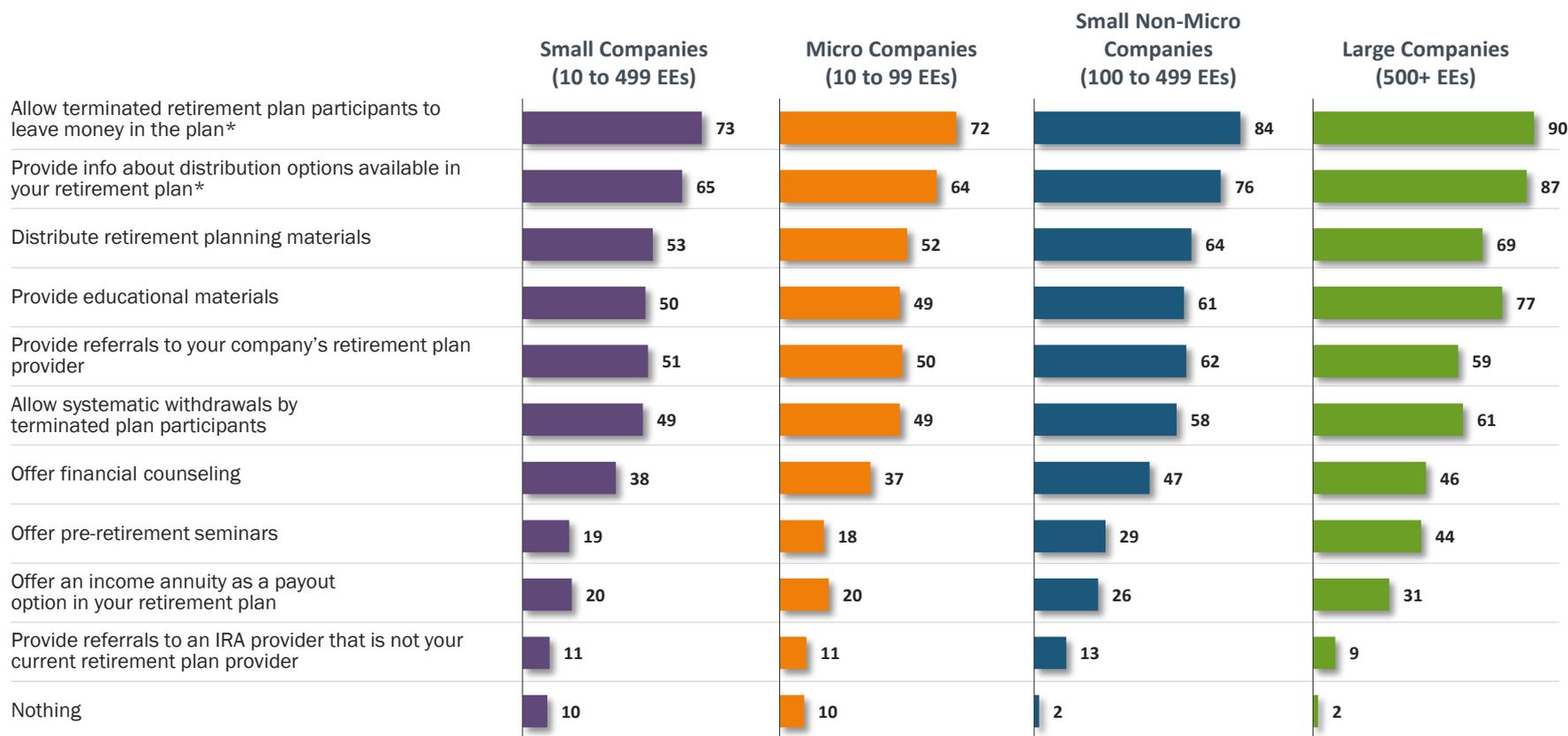


EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN

Q1620. Which one of the following does your company offer to its employees regarding education and/or advice about the retirement savings plan? Choose all that apply.

# Plan Sponsors Can Do More to Assist With Retirement Transition

Workers nearing retirement age face a myriad of difficult decisions regarding when and how they transition into retirement. Employers of all sizes share a tremendous opportunity to work with their retirement plan providers to offer resources and tools to these participants. While the majority of plan sponsors provide planning materials and information about distribution options, fewer than half offer financial counseling, pre-retirement seminars, or an annuity as a payout option as part of their plan.



\*While regulations concerning terminated participants may require that companies perform these actions, these statistics only reflect companies' responses at the time of the survey.

EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN

Q770. Does your company do any of the following to help employees transition to retirement? Choose all that apply.

***The Worker Perspective:  
Retirement Savings, Expectations & Outlook***

# The Great Recession Reset Expectations About Retirement

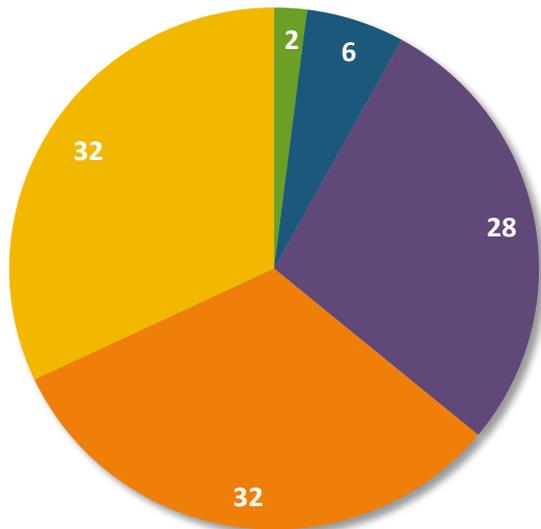
The Great Recession reset expectations about retirement for many American workers. In 2013, the majority of small-company workers (64 percent) said they are less confident about their ability to achieve a financially secure retirement since 2008. Many small-company workers (40 percent) now expect to work longer and retire at an older age, a percentage which is slightly higher than large-company workers (37 percent).

## Since the recession began in 2008 ...

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

Small Company Workers (10 to 499 EEs)

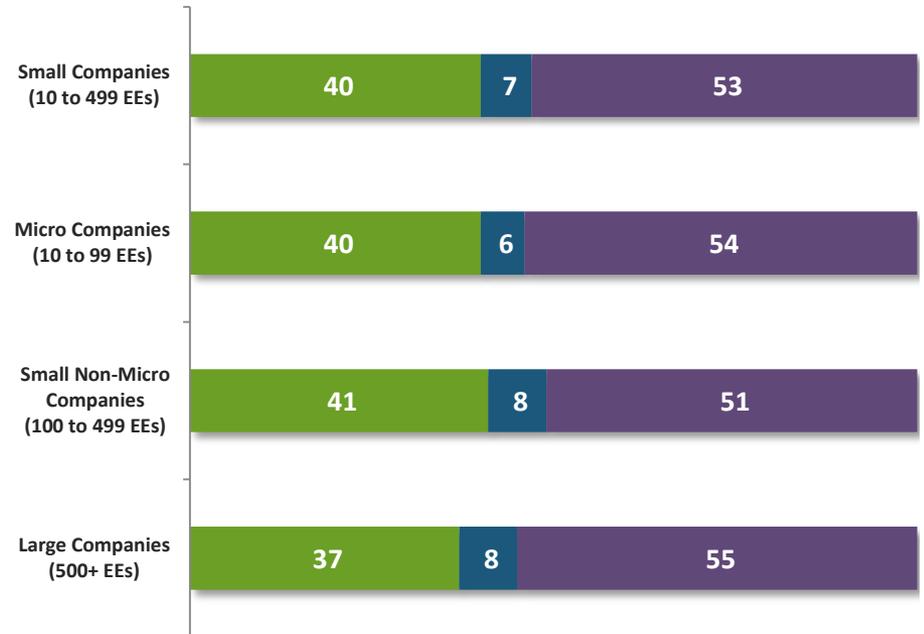
**NET Less Confident: 64%**



- A Lot More Confident
- A Little More Confident
- Neither Less Nor More Confident
- A Little Less Confident
- A Lot Less Confident

Has the age that you expect to retire changed? (%)

Responses by Company Size



- Yes - Work Longer & Retire at Older Age
- Yes - Stop Working Sooner and Retire at Younger Age
- No - Expect to Retire at Same Age

WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1435. Since the recession began in 2008, how has your confidence in your ability to achieve a financially secure retirement changed?

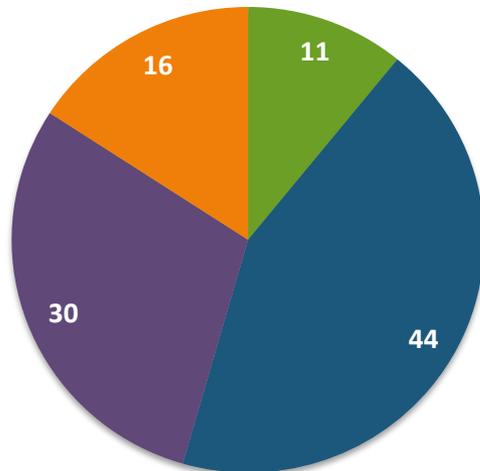
Q1480. How has the age that you expect to retire changed since the recession began in 2008?

# Worker Retirement Confidence Is Low Across Company Sizes

Fifty-five percent of small-company workers are confident that they'll be able to fully retire with a comfortable lifestyle, including 11 percent who are 'very confident' and 44 percent who are 'somewhat confident'. Small-company workers share strikingly similar levels of retirement confidence compared to those of large companies.

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

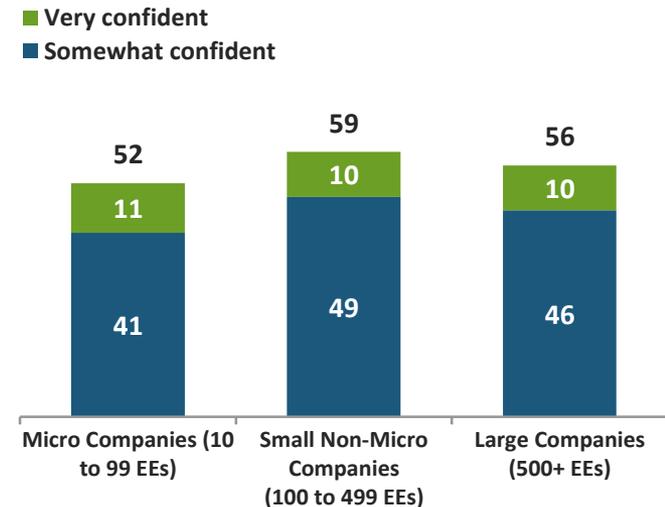
Small Company Workers (10 to 499 EEs)



**Retirement Confidence**  
NET Confident: 55%  
NET Not Confident: 45%

Very Confident      Somewhat Confident  
Not too Confident      Not at all Confident

Workers' Retirement Confidence By Company Size



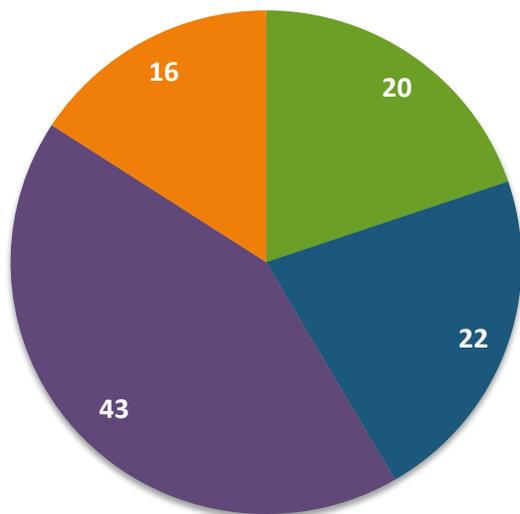
# Most Workers Expect to Work Past Age 65

Most small-company workers (59 percent) plan to work past age 65 or do not plan to retire. This expectation is shared among workers of all company sizes, although it should be noted that workers of micro companies (61 percent) are slightly more likely to plan to do so and those of large companies (56 percent) are slightly less likely.

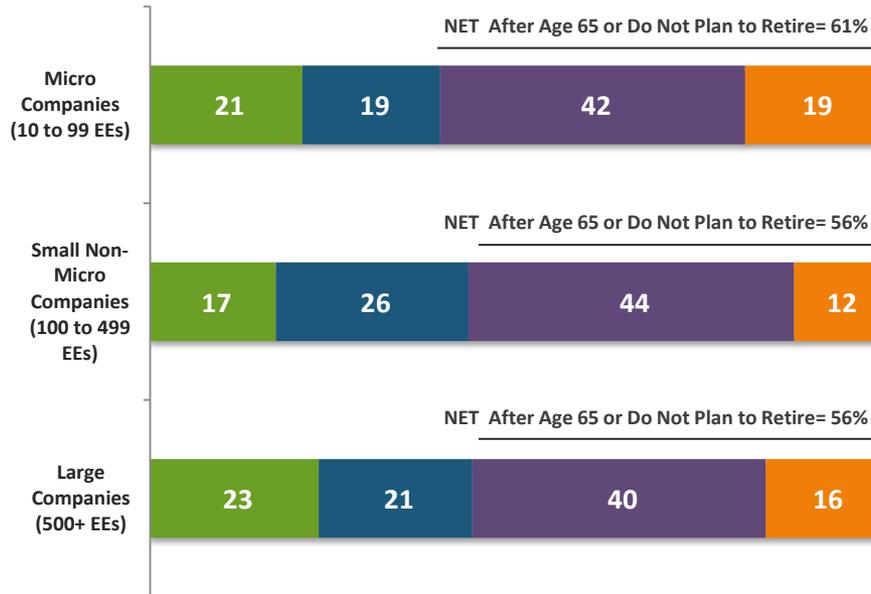
At what age do you expect to retire? (%)

Small Company Workers (10 to 499 EEs)

NET After Age 65 or Do Not Plan to Retire: 59%



Workers' Responses by Company Size



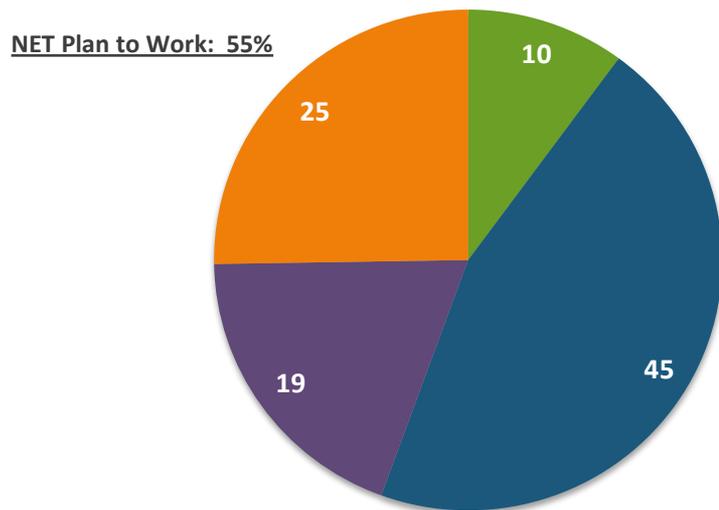
■ Before Age 65 ■ At Age 65 ■ After Age 65 ■ Do Not Plan to Retire

# Most Plan to Work in Retirement

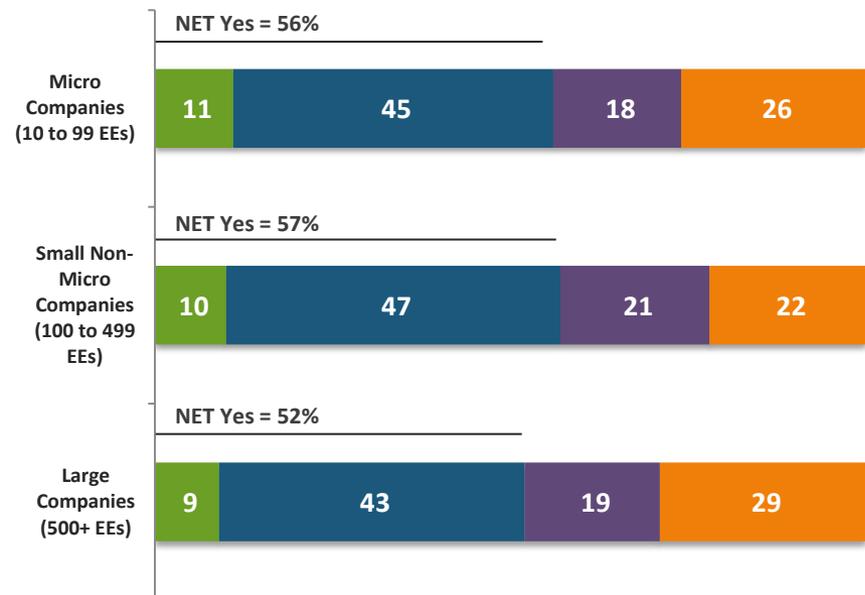
The majority of small-company workers (55 percent) plan to continue working after they have retired, including 45 percent who plan to work part-time and 10 percent full-time. This expectation is shared among workers of all company sizes, although workers of large companies (52 percent) are slightly less likely.

Do you plan to work after you retire? (%)

Small Company Workers (10 to 499 EEs)



Workers' Responses by Company Size

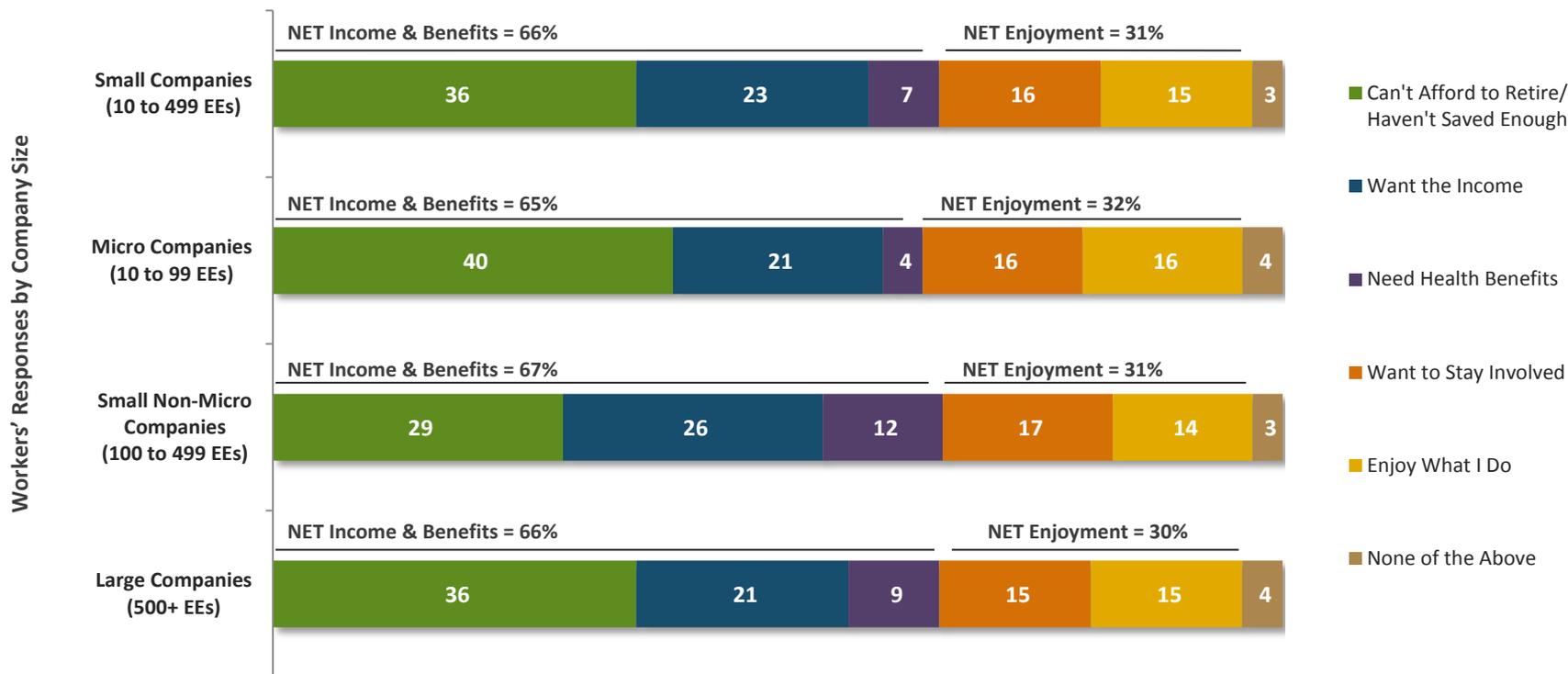


■ Yes - Full-Time   
 ■ Yes - Part-Time   
 ■ No - Do Not Plan to Work   
 ■ Not Sure

# Main Reason for Working in Retirement

Among the small-company workers who plan to continue working in retirement, two-thirds (66 percent) plan to do so because they want or need the income or health benefits. Such reasons are consistent with those of workers of large companies.

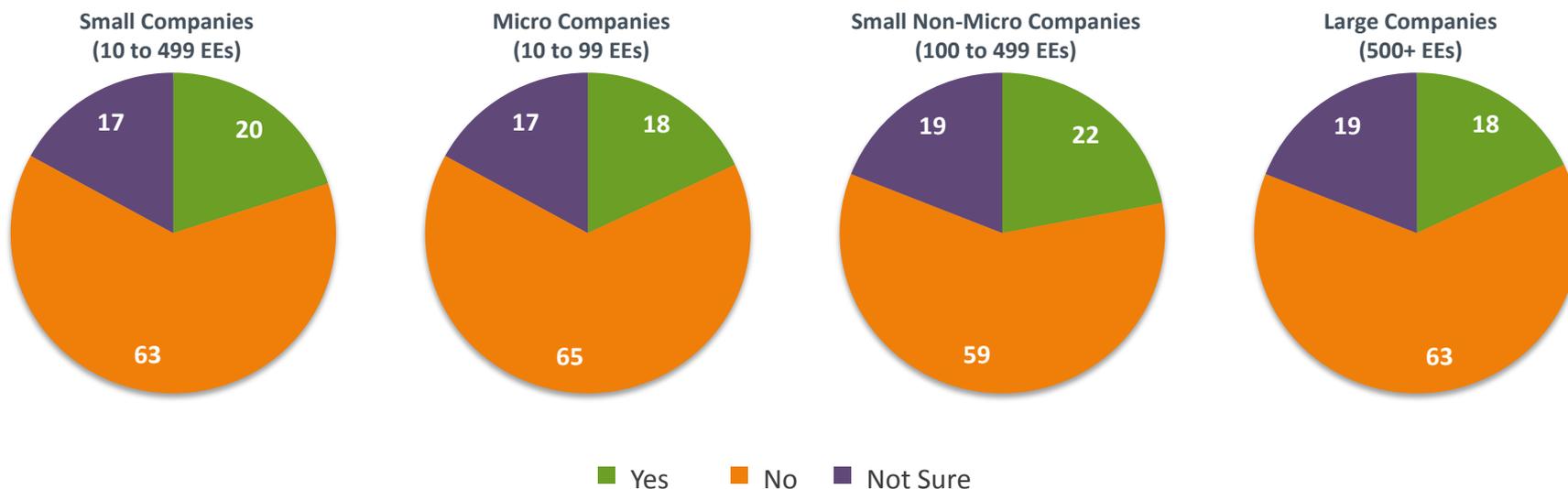
Main Reason for Working Past Age 65 and/or After Retirement (%)



# Few Have a Backup Plan if Retirement Happens Unexpectedly

Delaying retirement and/or continuing to work in retirement is an effective way to continue generating income, bridge savings shortfalls, and stay active and involved. An alarmingly few small-company workers (20 percent) have a backup plan if retirement happens unexpectedly due to health issues, job loss, or other unforeseen circumstances. Even fewer large-company workers (18 percent) have a backup plan.

Have a Backup Plan if Retire Sooner than Expected  
Workers (%)

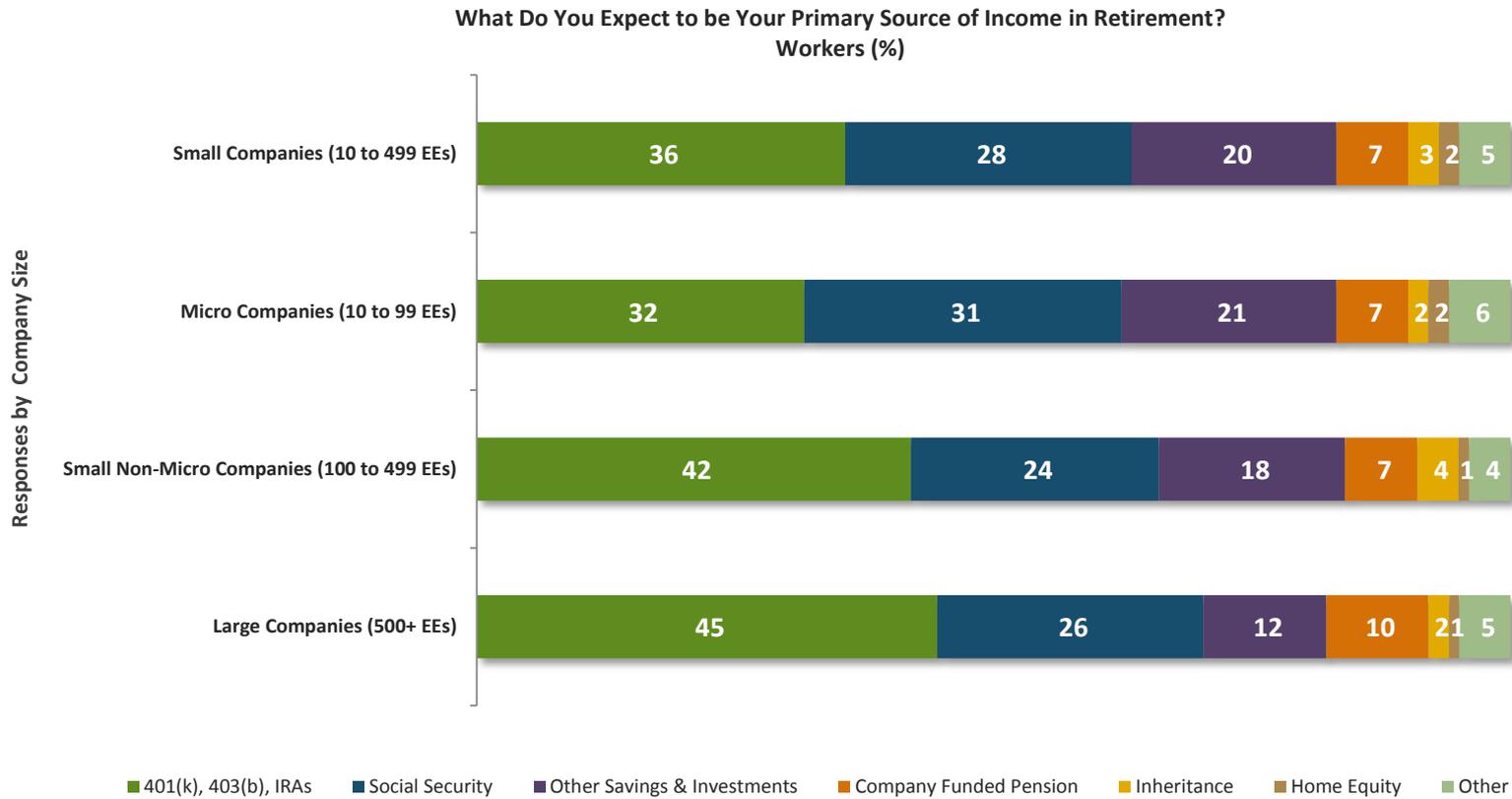


WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1535. In the event you are unable to work before your planned retirement, do you have a back-up plan for retirement income?

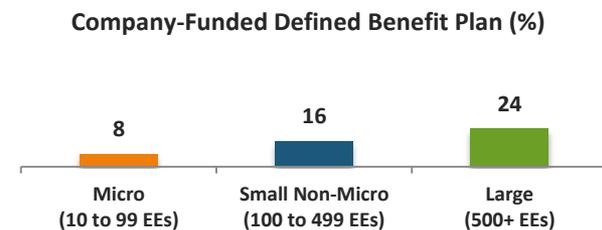
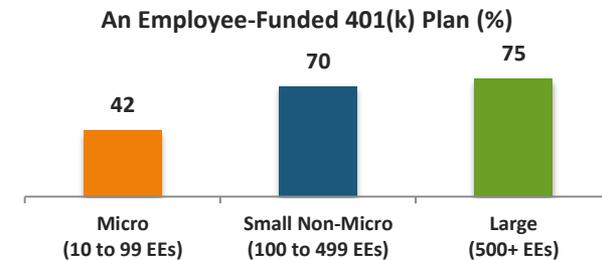
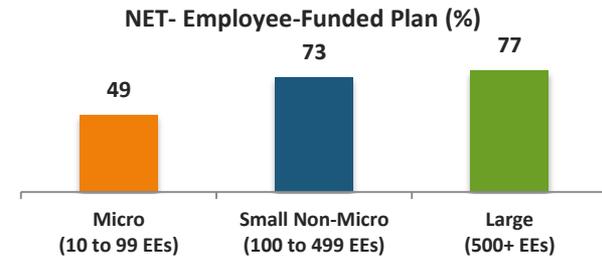
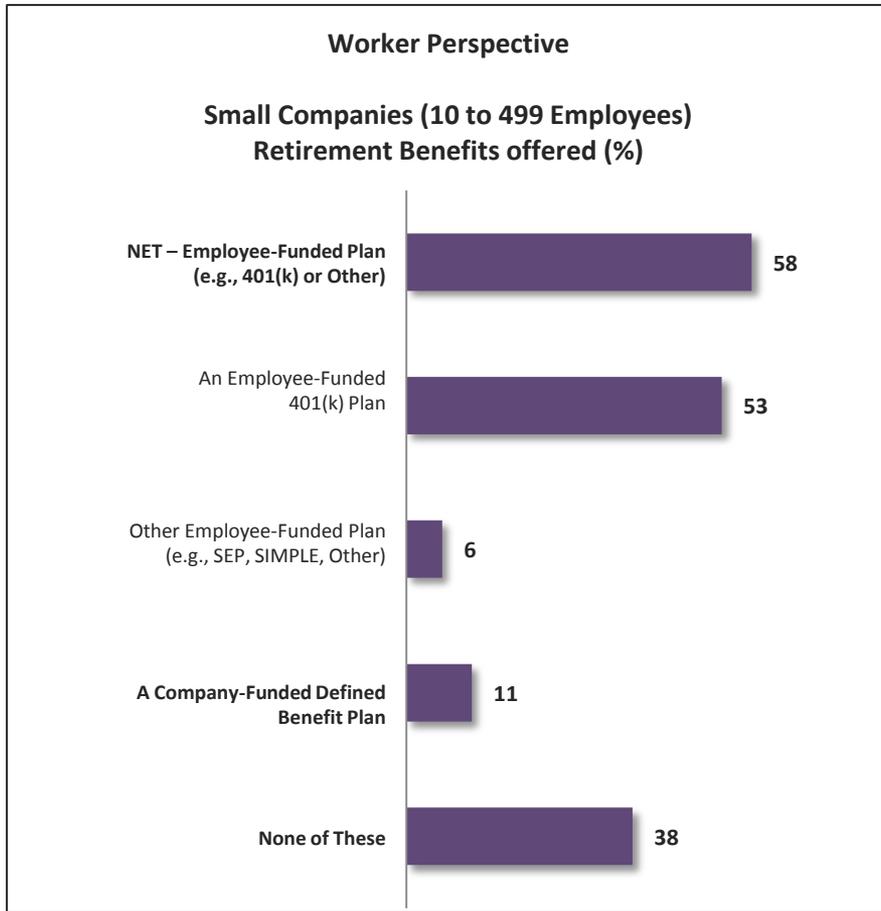
# Most Expect to Self Fund their Retirement

Most small-company workers expect personal savings to be their primary source of income when they retire, including 36 percent who expect to rely on 401(k), 403(b), or IRAs and 20 percent who expect to rely on other savings and investments. Of note, 31 percent of micro company workers expect to rely on Social Security compared to only 24 percent of small non-micro company and 26 percent of large-company workers.



# Workers' Stated Access to Retirement Benefits

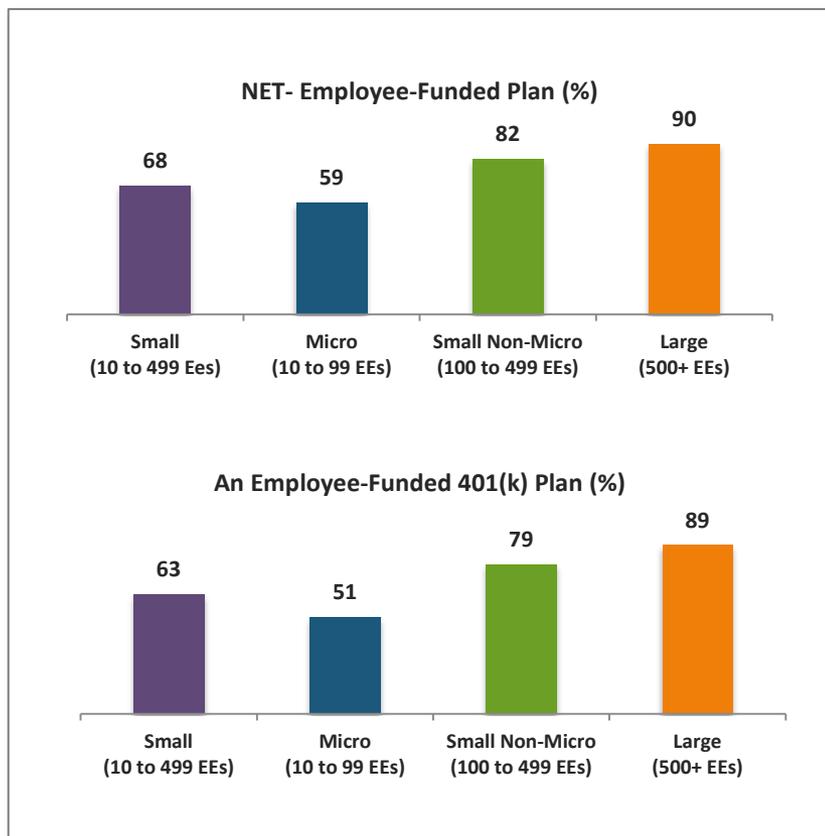
While 72 percent of employers indicate they offer a 401(k) or similar plan (page 25), only 58 percent of workers say that they are offered such a plan. Much of this disparity can be attributed to part-time workers (see page 41). Many employers who offer plans do not extend eligibility to their part-time workers.



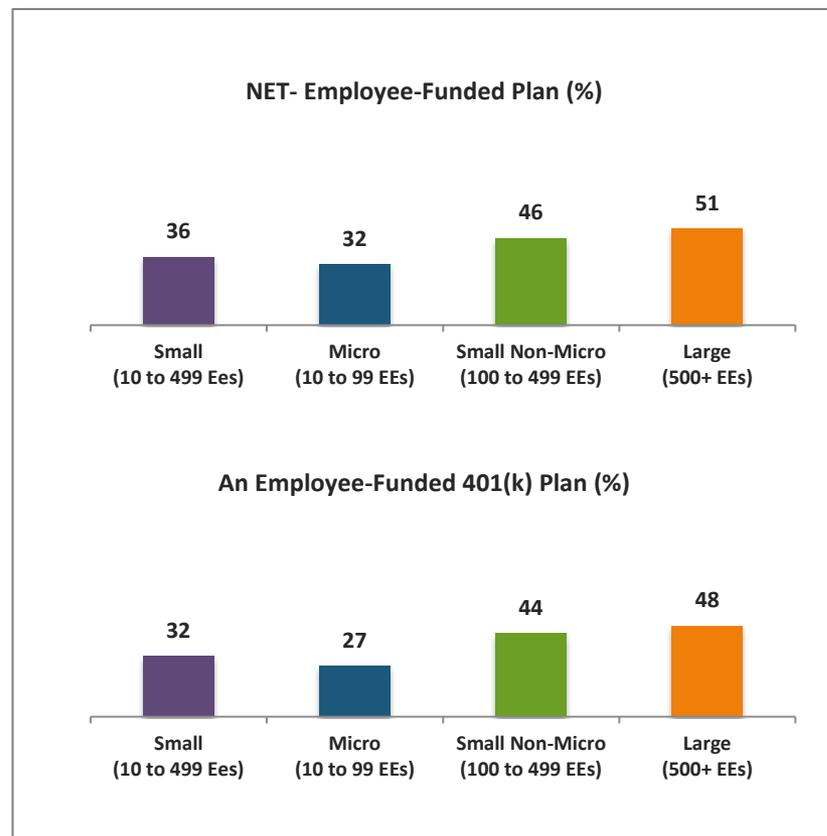
# Worker Access to 401(k) or Similar Retirement Plans

Worker access to 401(k) or similar plans increases with company size. Among full-time workers, 68 percent of small company workers, including 59 percent of micro company workers and 82 percent of small non-micro, cite access to a plan compared to 90 percent of large company workers. The same applies to part-time workers. It should be highlighted that among workers of all company sizes, part-time workers are far less likely to have access to a plan compared to full-time workers.

## Full-Time Workers



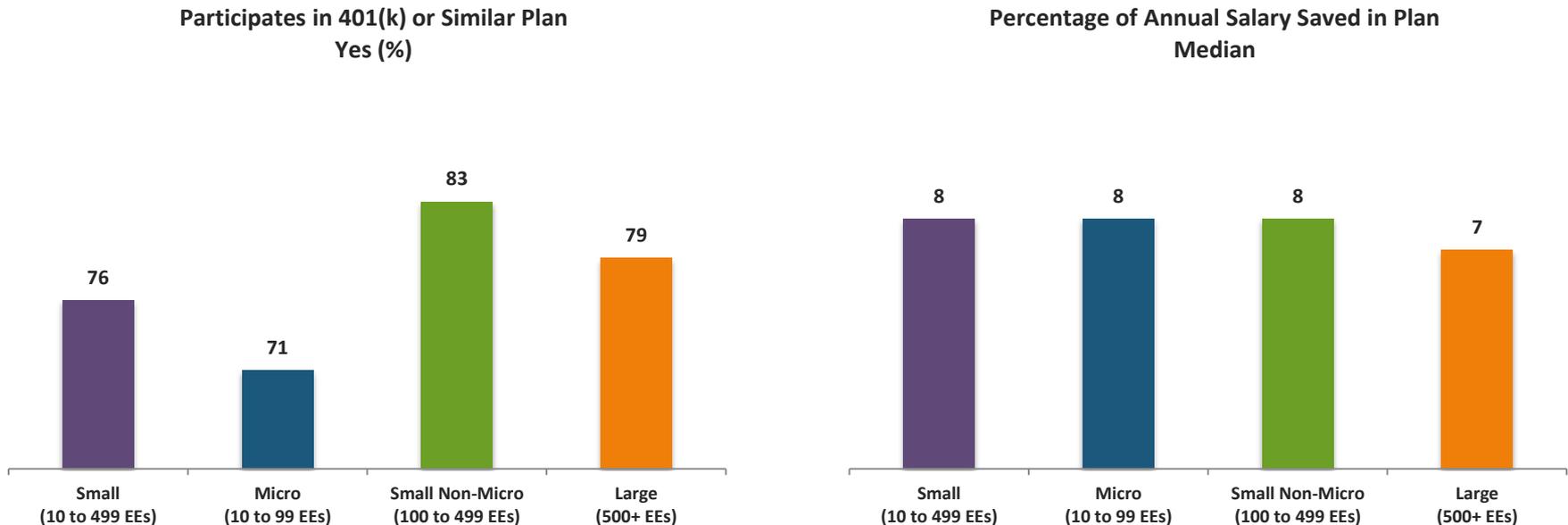
## Part-Time Workers



# Plan Participation and Salary Deferral Rates

Among workers who are offered a plan, plan participation rates among small company workers (76 percent) are slightly less than large company workers (79 percent). However, there is a wide disparity between micro company (71 percent) and small non-micro company workers (83 percent). The disparity in participation rates among workers of different company sizes may be explained, in part, by whether their employer offers automatic enrollment. Larger companies are far more likely to automatically enroll employees than micro companies. The median annual salary deferral rate is slightly higher among small company (8 percent) and large company workers (7 percent).

## Worker Perspective



WORKER BASE: QUALIFIED PLAN CURRENTLY OFFERED

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

WORKER BASE: CURRENTLY PARTICIPATING IN THEIR QUALIFIED PLAN

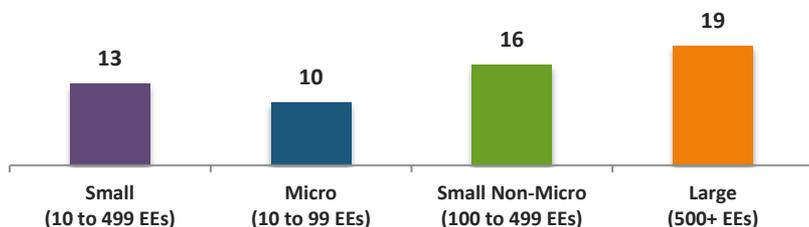
Q601. What percentage of your salary are you saving for through your company-sponsored plan this year?

# Retirement Plan Leakage: Loans and Withdrawals

“Leakage” from retirement plans in the form of loans and withdrawals continue to be topic of focus given that they can inhibit the growth of workers’ long-term retirement savings. Small-company workers (13 percent) are less likely than large-company workers (19 percent) to have taken a loan. Of the small-company workers who did so, 41 percent cited paying off debt as the reason. Only four percent of workers of all company sizes took a hardship withdrawal in the past 12 months, with the most frequently cited reason to prevent eviction from primary residence (31 percent). Among the unemployed and underemployed who had a 401(k) or similar plan at their most recent employer, 42 percent of small-company workers and 44 percent of large-company workers have taken withdrawals from their accounts to cover living expenses.

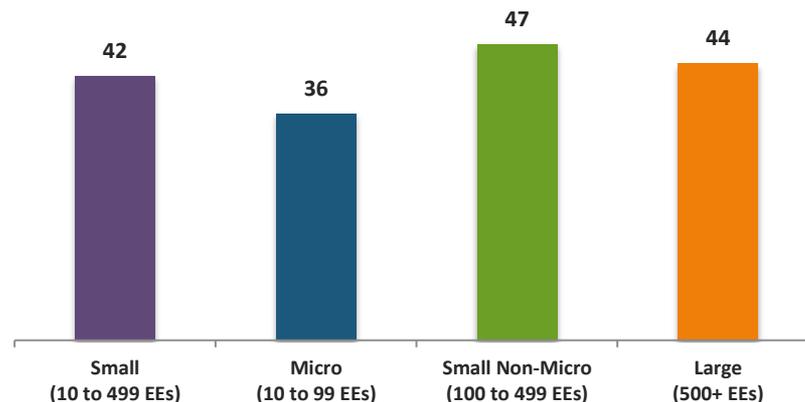
## Worker Perspective

Have Taken A Loan From 401(k) Plan  
Yes (%)



## Unemployed/ Underemployed Perspective

Have Taken a Withdrawal from 401(k) Account at Prior Employer Since Becoming Unemployed or Underemployed  
Yes (%)



WORKER BASE: CURRENTLY PARTICIPATING IN THEIR QUALIFIED PLAN

Q650. Have you taken out a loan from your retirement plan?

Q1460. Have you taken a hardship withdrawal from your employee-funded plan in the last 12 months?

WORKER BASE: HAVE TAKEN OUT LOAN

Q660. For what primary reason did you take our a loan?

WORKER BASE: THOSE WHO HAVE TAKEN A HARDSHIP WITHDRAWAL

Q1465. What is the primary reason you have taken a hardship withdrawal from your employee-funded retirement savings plan?

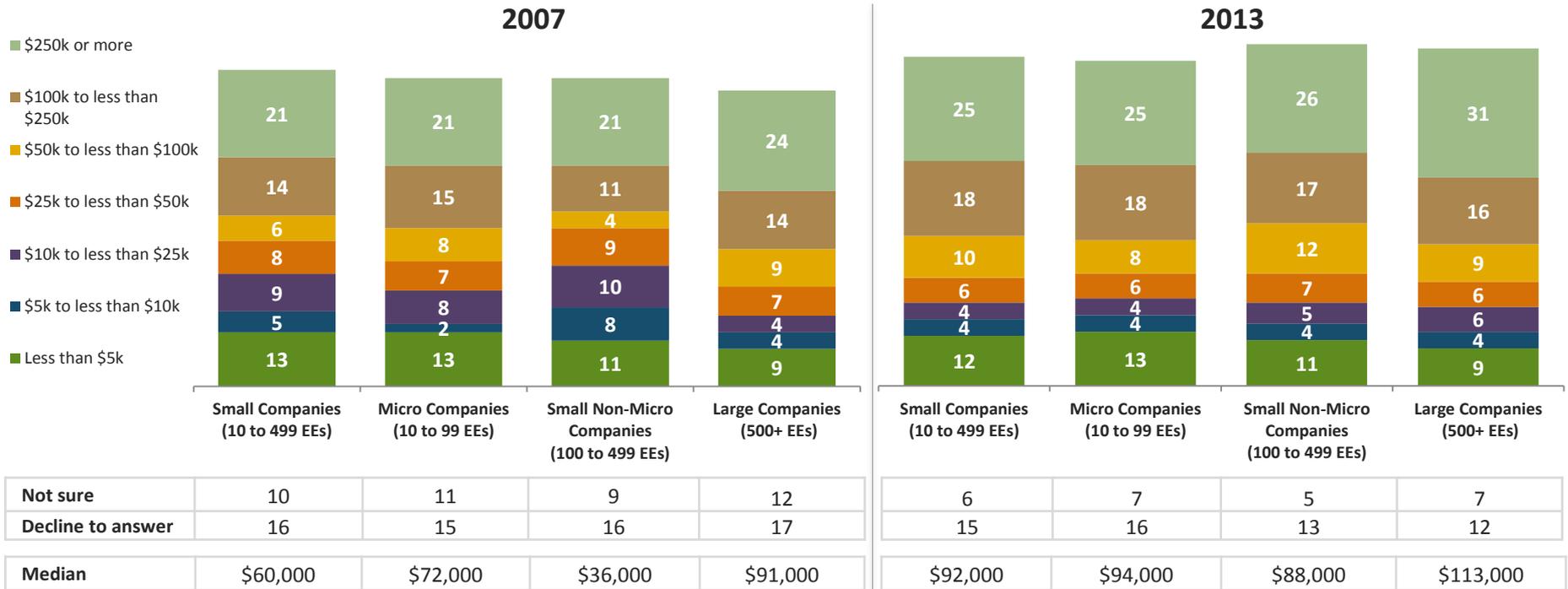
UN/UNDEREMPLOYED BASE: PARTICIPATED IN A 401(K) OR SIMILAR PLAN AT MOST RECENT EMPLOYER

Q2140. What have you done with your account in your former employer’s 401(k) or similar retirement savings plan since you left your most recent job?

# Small Company Workers Have Saved Less

Perhaps the ultimate measures of worker's retirement outlook is his/her level of household savings in all retirement accounts. The 2013 estimated median household retirement savings among Baby Boomers, the generation closest to retirement, is lower among small-company workers (\$92,000), including \$94,000 among micro company and \$88,000 among small non-micro company workers. Baby boomers employed by large-company workers have saved more (\$113,000). These 2013 savings levels represent a significant increase from 2007, when the estimated median household retirement savings was just \$60,000 for small-company workers and \$91,000 for large-company workers.

**Total Household Retirement Savings (%)**



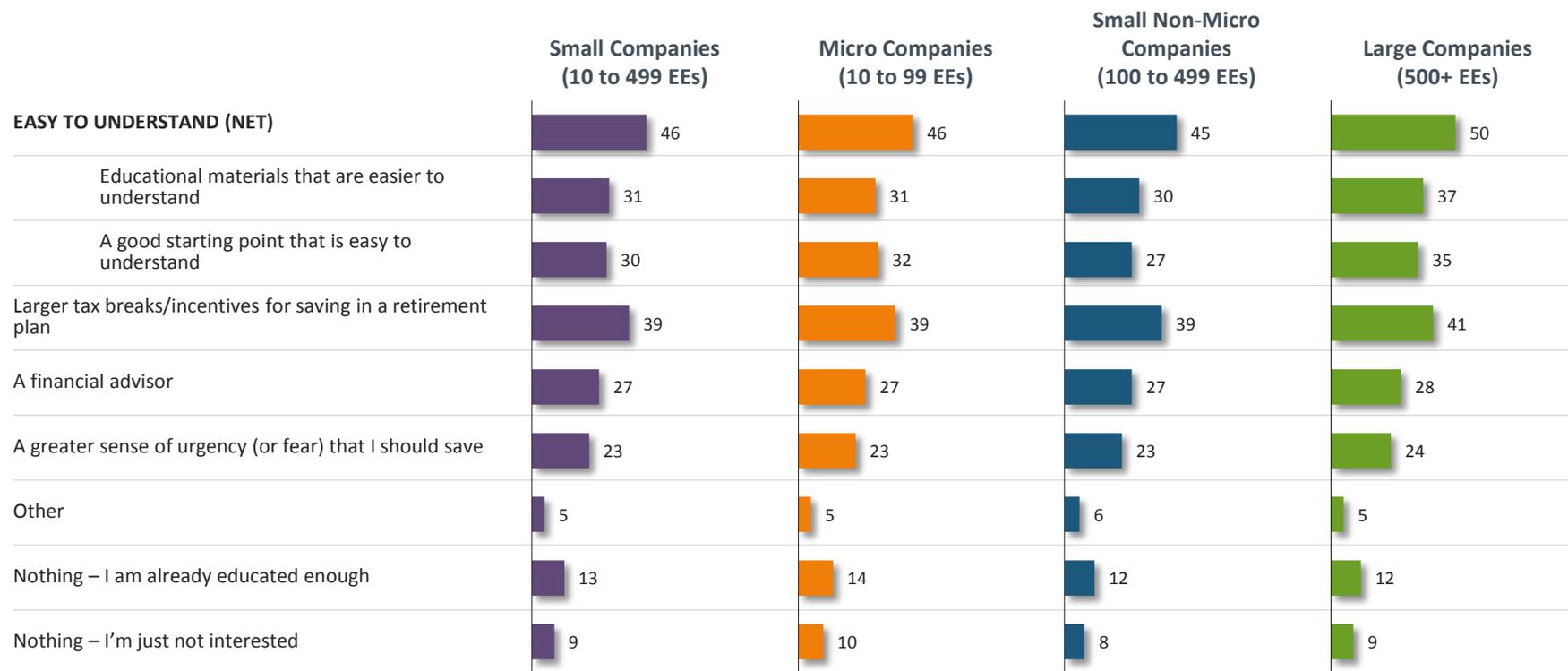
Note: The median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

WORKER BASE: ALL QUALIFIED RESPONDENTS

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.

# Motivators to Inspire Learning: Make it Easier to Understand

When workers were asked what would motivate them to learn more about saving and investing for retirement, the most frequently cited reasons among workers of all company sizes related to making it easier to understand. Larger tax breaks and incentives for saving in a retirement plan and a financial advisor were also frequently cited motivators among workers of all company sizes.



# A Good Starting Point: A Retirement Savings Goal

Small-company workers estimate similar retirement savings needs as large-company workers (\$500,000 median for both). However, estimates vary between part-time and full-time workers. Approximately half of small-company workers (50 percent) ‘guessed’ their needs, a similar percentage to large company workers.

Company Size	Retirement Savings Goal (Median)			% Who Guessed
	All Workers	Full-time	Part-time	Total
Small Companies (10 to 499 EEs)	\$500,000	\$500,000	\$425,000	50%
Micro Companies (10 to 99 EEs)	500,000	500,000	500,000	51%
Small Non-Micro Companies (100 to 499 EEs)	500,000	600,000	300,000	47%
Large Companies (500+ EEs)	500,000	750,000	250,000	49%

WORKER BASE: ALL QUALIFIED RESPONDENTS.

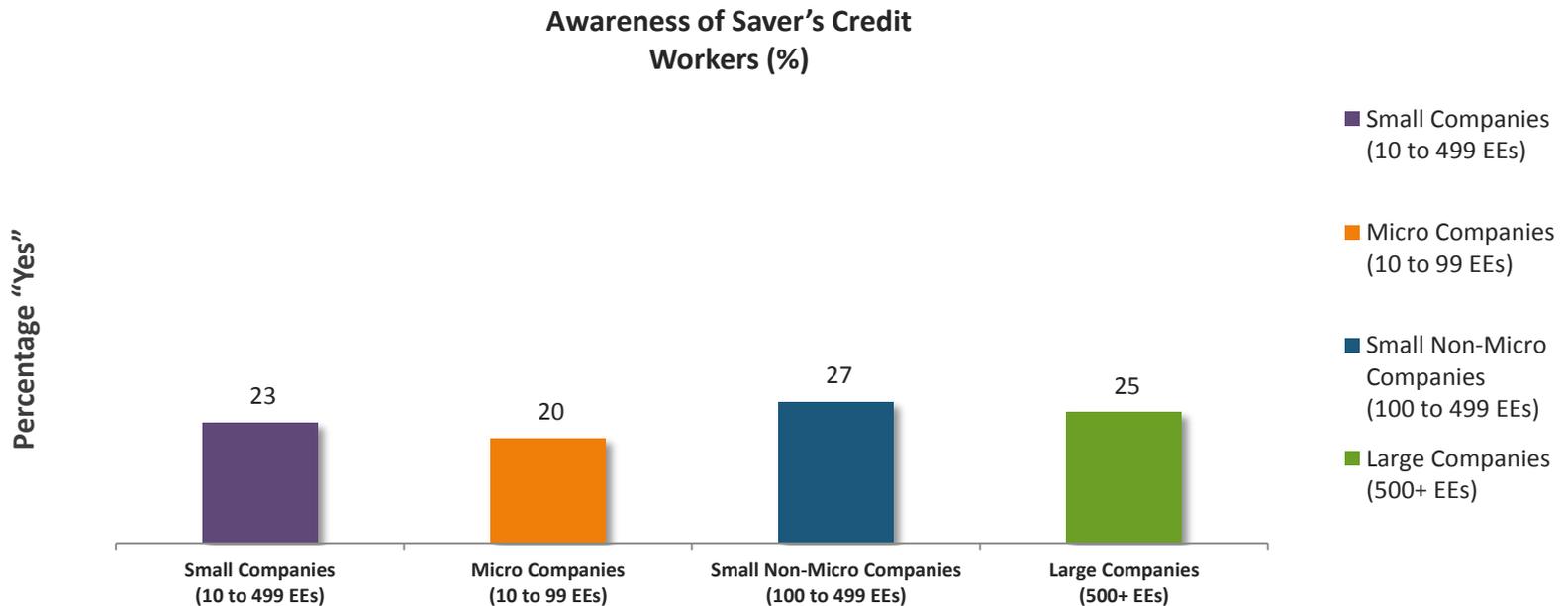
Q890. Thinking in terms of what money can buy today, how much money do you believe you will need to have saved by the time you retire in order to feel financially secure?

WORKER BASE: THOSE WHO PROVIDED ESTIMATES

Q900. How did you arrive at that number?

# An Opportunity to Increase Awareness of the Saver's Credit

Incentives can be powerful motivators for people to save for retirement – but only if they know about them. Among workers of all company sizes, awareness of the Saver's Credit is low. Only 23 percent of small-company workers and 25 percent of large-company workers are aware of this important tax credit for low- to moderate-income tax filers who save in a qualified retirement plan or IRA. Awareness is lowest among micro company workers at 20 percent.



WORKER BASE: ALL QUALIFIED RESPONDENTS

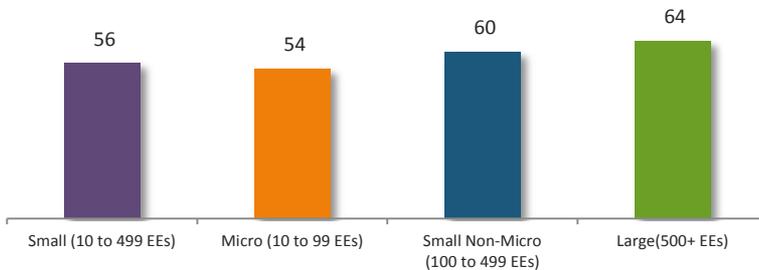
Q1120. Are you aware of a tax credit called the "Saver's Credit," which is available to individuals and households, who meet certain income requirements, for making contributions to an IRA or a company-sponsored retirement plan such as a 401(k) plan or 403(b) plan?

# Starting a Dialogue and Closing a Disconnect

The majority of small-company workers (56 percent) would like more information and advice on how to reach their retirement goals, yet only 42 percent of employers believe this to be the case. The survey found an opportunity to close this type of disconnect: only 11 percent of small-company workers had spoken to their employer about retirement benefits and only 29 percent of small-company employers had surveyed their employees on the topic.

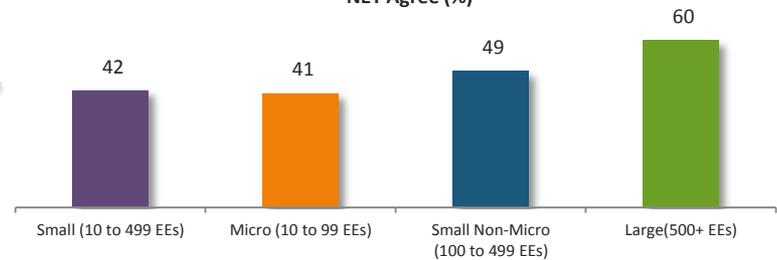
## Worker Perspective

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

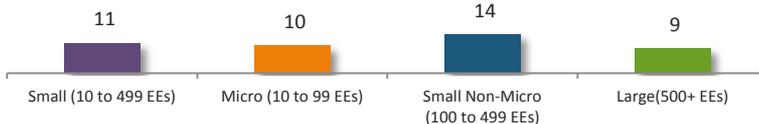


## Employer Perspective

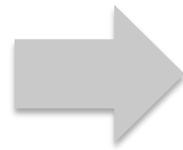
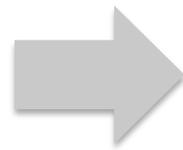
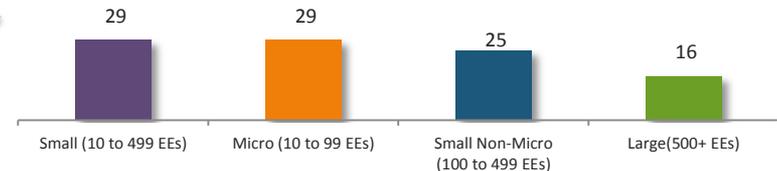
**“Most employees at my company would like to receive more information and advice from the company on how to reach their retirement goals.”**  
NET Agree (%)



**Have spoken with supervisor or HR department about retirement benefits in past 12 months.**  
Yes (%)



**Have surveyed employees about retirement plan benefits in last 12 months.**  
Yes(%)



WORKER BASE: ALL QUALIFIED RESPONDENTS

Q931. “I would like to receive more information and advice from my company on how to reach my retirement goals.”

Q920. In the past 12 months, have you spoken with your immediate supervisor or HR department about retirement benefits?

EMPLOYER BASE: ALL QUALIFIED RESPONDENTS

Q820. “Most employees at my company would like to receive more information and advice from the company on how to reach their retirement goals.”

Q1635. Have you surveyed employees about retirement plan benefits in the last 12 months?

# *Appendix*

# Participant Survey for Plan Sponsors to Use



## Retirement Plan Survey for Plan Participants

This survey has been designed for employers to assess the effectiveness of their retirement plans among their participants.

Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	Not Applicable
----------------	----------------	-------------------	-------------------	----------	----------------

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Not Sure	Not Applicable
<b>My Employer's Retirement Plan</b>						
I value my employer's retirement plan as an important benefit.						
I am satisfied with my employer's retirement plan features including matching contributions or profit sharing contributions.						
<b>Retirement Readiness Indicators</b>						
I understand my retirement income needs and have calculated my retirement savings goal.						
I have a roadmap for achieving my retirement income needs.						
I am saving enough and investing appropriately to achieve my savings goal.						
I am confident that I will be able to fully retire with a comfortable lifestyle.						
<b>Planning Tools &amp; Educational Resources</b>						
Overall I am satisfied with the planning tools and educational resources offered by the retirement plan.						
The retirement plan's online planning tools and educational resources are helpful and meet my needs.						
The educational meetings and seminars offered have been helpful for me to learn about saving, planning, and making informed decisions about the retirement plan.						
I often use the planning tools and educational resources offered by the plan.						
<b>Plan Services / Account Management</b>						
Overall I am satisfied with the retirement plan's website and customer services.						
The website is easy to navigate and obtain information and/or process my requests.						
The automated telephone system is easy to use, obtain information and process requests.						
The telephone contact center representatives are courteous, professional and provide me with the assistance that I need.						
My retirement plan account statements are timely and accurate.						
<b>Investments</b>						
Overall I am satisfied with the retirement plan's investment options.						
I am satisfied with the variety and number of investments available to meet my needs.						
I am knowledgeable about investments, risk tolerance, and asset allocation principles and prefer to manage my investment options on my own.						
I prefer investment options such as target date funds, life-cycle funds and/or professionally managed portfolios that are tailored to my savings goals, years to retirement, and risk tolerance.						

**About Transamerica Center for Retirement Studies®**

The Transamerica Center for Retirement Studies (TCRS) is a division of Transamerica Institute<sup>SM</sup> (The Institute), a nonprofit, private foundation. The Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties. For more information about TCRS, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).

TCRS 1105-0913

©2013

# Recommendations for Small-Company Workers

How a person ultimately plans on spending his or her retirement is unique, but the proactive tactics to help prepare for retirement are common to all.

Seven tips toward achieving retirement readiness:

1. Consider retirement benefits as part of total compensation.
2. Participate in employer-sponsored retirement plans, if available. Take full advantage of matching employer contributions, and defer as much as possible.
3. Formulate a retirement savings goal by calculating retirement savings and income needs. For those nearing retirement, create a retirement income plan to pay for expenses in retirement, including living expenses, healthcare needs, and long-term care.
4. Develop a retirement strategy and write it down. Envision future retirement, formulate a goal, and have a backup plan in case retirement comes early due to an unforeseen circumstance.
5. Get educated about retirement investing. Learn about asset allocation principles and the time value of money. Before considering a loan, hardship withdrawal, or early distribution from your company's retirement plan, learn about the risks, taxes, and potential penalties. Also learn about Social Security and government benefits.
6. Take advantage of the Saver's Credit if eligible.
7. Talk to your employer about your retirement benefits. Ask an employer for a plan if they don't offer one. If your employer offers a plan, be sure that you have the information that you need to take advantage of the features and benefits that it offers.

**TRANSAMERICA CENTER**  
**FOR RETIREMENT STUDIES®**