American Workers Are Changing the U.S. Retirement Landscape

New research examines plans and preparations of workers in their 20s, 30s, 40s, 50s, 60s and older

LOS ANGELES – May 5, 2015 – Today, nonprofit Transamerica Center for Retirement Studies® ("TCRS") released new research evaluating the retirement preparedness of American workers, Retirement Throughout the Ages: Expectations and Preparations of American Workers. "Today’s workers recognize they need to save and self-fund a greater portion of their retirement income. In response, they are transforming the United States retirement system from a three-legged stool into a table by creating a fourth leg: working," said Catherine Collinson, president of TCRS.

As the lead release from the 16th Annual Transamerica Retirement Survey, one of the largest and longest-running national surveys of its kind, this new research examines current expectations and preparations among American workers in their twenties, thirties, forties, fifties, and sixties and older.

What Is Retirement?

"The long-held view that retirement is a moment in time when people reach a certain age, immediately stop working, fully retire, and begin pursuing their dreams is more myth than reality," said Collinson. "Retirement has become a transition that may be phased over time or happen abruptly due to intervening circumstances."

In exploring the retirement expectations of workers, the TCRS survey found:

- One in five (20 percent) expects to continue working as long as possible in their current or similar position until they cannot work anymore;
- Forty-one percent envision transitioning into retirement by reducing their hours to allow for more leisure time to enjoy life (26 percent) or by working in a different capacity that is less demanding or brings greater personal satisfaction (15 percent);
- Just 21 percent expect to immediately stop working and fully retire when they reach a certain age (14 percent) or savings goal (7 percent); and,
- Eighteen percent are not sure how they envision transitioning into retirement.

Thirty-seven percent of workers expect working to be a source of income in retirement. Other expected sources of retirement income include: Social Security (69 percent); retirement accounts, e.g. 401(k)s, 403(b)s, IRAs (68 percent); other savings and investments (45 percent); defined benefit plans (23 percent); home equity (13 percent); and, inheritance (11 percent).

“American workers’ vision of transitioning into and working in retirement sounds like a practical approach that can bring income and benefits, address savings shortfalls and provide opportunities for staying active and involved. However, the implications for lawmakers and employers are profound and require updating public policy and employment practices,” said Collinson.

Retirement Expectations and Preparations by Age Range

Workers of all ages share similar visions of retirement including dreams, fears and expectations of working. Yet they also face specific opportunities and challenges based on their age and time horizon to save, plan and prepare for retirement.
Twentysomethings: Committed, Cautious, and Concerned

"Today's workers in their twenties are embarking on their careers and juggling financial priorities, yet many are already saving for retirement,” said Collinson. “By starting to save at a young age and investing wisely, they can grow their nest eggs over four to five decades and enjoy the compounding of their investments over time.”

The survey found that 67 percent of workers in their twenties are already saving for retirement, despite competing financial priorities such as credit card debt and student loans. They are starting to save for retirement at an impressively young age of 22 (median). However, a concerning 37 percent know “nothing” about asset allocation principles, which are fundamental to retirement investing. Some (24 percent) are investing in low-risk, low-return investments, which may be too conservative given their time horizon, while others (27 percent) are “not sure” how their savings are invested.

“Twentysomethings are concerned about the future of Social Security and thus are setting expectations accordingly,” said Collinson. Eighty-one percent are concerned that Social Security will not be there for them when they are ready to retire. Only 45 percent are expecting Social Security to be a source of their retirement income.

Thirtysomethings: Strong Savers but Weak Planners

“Thirtysomething workers are now well into their careers, albeit with the major disruption of the Great Recession. The good news is many are saving for retirement,” said Collinson. “For those who are not yet saving, now is the time for them to get started. For those who are saving, now is the time to save even more and expand their efforts to include building knowledge and planning.”

Three out of four (76 percent) workers in their thirties are saving for retirement – and they began at age 25 (median). Among those participating in a 401(k) or similar plan, an impressive 30 percent are contributing more than 10 percent of their annual pay.

Eighty-seven percent of thirtysomethings prefer to make their own decisions about their retirement investments, either after doing their own research or seeking advice, yet two-thirds (68 percent) say they don’t know as much as they should about retirement investing. Fifty-seven percent say they “guessed” their retirement savings needs.

Fortysomethings: Financially Frazzled but Focused

“Fortysomething workers endured the Great Recession and are in their sandwich years, which can include a delicate balancing act of work, kids and possibly aging parents, and they are feeling financially frazzled,” said Collinson. “It’s important for them to remember that they can improve their long-term prospects. They still have twenty or more years to save.”

Only 10 percent of workers in their forties are “very” confident that they will be able to fully retire with a comfortable lifestyle. Twenty-two percent cite paying off credit card or consumer debt as their greatest financial priority. Nevertheless, 76 percent are saving for retirement and started at age 30 (median).

Among workers in their forties who are offered a 401(k) or similar plan, 82 percent are participating in the plan and they are contributing seven percent (median) of their annual pay, yet only 23 percent are contributing more than 10 percent. Almost one in four (24 percent) has taken a loan or early withdrawal from their plan.

Total household retirement savings of workers in their forties is $63,000 (estimated median). Just 46 percent agree that they are building a large enough retirement nest egg, including 11 percent who “strongly” agree and 35 percent who “somewhat agree.” Sixty-one percent expect to work past age 65 or do not plan to retire.

Fiftysomethings: Facing Future Retirement Realities

“Fiftysomething workers are serious about saving for retirement but can do much more in terms of planning. By doing so, they can change their retirement destiny,” said Collinson. Forty-two percent expect their standard of living to decrease when they retire.

Eighty percent of fiftysomethings are saving for retirement and they started at age 31 (median). Among those who are offered a 401(k) or similar plan, 83 percent participate in the plan. Among them, 31 percent are contributing more than 10 percent of their income to the plan.
“A major opportunity for fiftysomethings is to take an assessment of their current situation and formulate a retirement strategy,” said Collinson. While the survey found that 60 percent say that they have a retirement strategy, only 14 percent have a written plan (with the other 46 percent having an unwritten plan). Fifty-two percent say that they “guessed” their retirement savings needs.

With total household retirement savings of $117,000 (estimated median), most fiftysomething workers (59 percent) plan to work past age 65 or do not plan to retire.

**Sixtysomethings and Older: Transforming Retirement As They Retire**

“Workers in their sixties and older have cast aside long-held societal notions about fully retiring at age 65. They are literally transforming retirement as they retire,” said Collinson. Eighty-two percent expect to or are already working past age 65 – or they do not plan to retire. Among them, 56 percent are doing so because they can’t afford to or for income or health benefits.

Seventy-three percent of workers in their sixties and older believe their retirement transition, phased or otherwise, will take place at their current employer. “While most expect that their transition to retirement will happen at their current employer, few say that their employers have formal business practices in place that could accommodate them. It’s incumbent on them to do their homework and recalibrate their expectations accordingly,” said Collinson.

Fourty-seven percent expect to rely on Social Security as their primary form of income in retirement, but only 29 percent know a great deal about it.

Total household retirement savings among workers in their sixties and older is $172,000 (estimated median), with 39 percent reporting that they have saved $250,000 or more.

“It is never too soon or too late to save, invest and plan for retirement. By taking proactive steps today, workers of all ages can improve their retirement outlook,” said Collinson. “By extending our working lives and fully retiring at an older age, we can earn income, bridge savings shortfalls and stay active and involved. It’s also important to remember that life’s unforeseen circumstances, such as health issues or job loss, can derail the best laid plans. Everyone needs a Plan B for the unexpected.”

*Please visit TCRS [www.transamericacenter.org](http://www.transamericacenter.org) to view the full survey results, infographics and additional materials. Follow TCRS on Twitter [@TCRStudies](https://twitter.com/TCRStudies).*

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**About the 16th Annual Transamerica Retirement Survey**
The analysis contained in [Retirement Throughout the Ages: Expectations and Preparations of American Workers](http://www.transamericacenter.org) was prepared internally by the research team at TCRS. The online survey was conducted within the United States by Harris Poll on behalf of Transamerica Center for Retirement Studies between February 18 and March 17, 2015 among a nationally representative sample of 4,550 full-time and part-time workers, including workers in their twenties (579), thirties (853), forties (895), fifties (1,243), sixties and older (948), and 32 workers ages 18 and 19. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full-time workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted to account for differences between populations available via the Internet versus by telephone, and to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. No estimates of theoretical sampling error can be calculated.

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