A Source of Inspiration: Future Early Retirees

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# Table of Contents

- About The Center: Page 3
- About The Survey: Page 4
- Methodology: Page 5
- Terminology: Page 6

- *A Source of Inspiration: Future Early Retirees*  
  - Foreword: Page 7
  - Executive Summary: Page 8
  - Spotlight on Future Early Retirees: Page 12
  - Opportunities for Future Early Retirees & All Workers: Page 31
  - Conclusions & Recommendations: Page 41

- Appendix: Page 46
About The Center

• The Transamerica Center for Retirement Studies® ("The Center") is a non-profit private foundation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center’s research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes.

• The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center, please refer to www.transamericacenter.org.

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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 Twelfth Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.
Methodology: Worker Survey

- A 25-minute, online survey was conducted between January 31, 2011 – March 10, 2011 among a nationally representative sample of 4,080 workers using the Harris online panel. Respondents met the following criteria:
  - All U.S. residents, age 18 or older
  - Full-time or part-time workers in a for-profit company employing 10 or more people
- Data were weighted as follows:
  - To account for differences between the population available via the Internet versus by telephone.
  - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- This report focuses on full-time and part-time workers combined.
Terminology

This report uses the following terminology:

- Echo Boomer: a person born after 1978
- Generation Xer: Born 1965 - 1978
- Baby Boomer: Born 1946 - 1964
- Mature: Born before 1946
The New Retirement: Working, a report published from the 12th Annual Transamerica Retirement survey, found that for many Americans, the foundation of their retirement strategy is simply not to retire, to work considerably longer than the traditional retirement age, or work in retirement:
  – 39 percent of workers plan to work past age 70 or do not plan to retire
  – 54 percent of workers expect to plan to continue working when they retire
  – 40 percent expect to work longer and retire at an older age because of the recession

Workers’ greatest fears about retirement include “outliving my savings and investments” and “not being able to meet the financial needs of my family.”

Over half of workers (56 percent) indicate that they have a retirement strategy; however, only 10 percent said that they have a written plan, compared to 46 percent who said that they have a plan but it is not written down.

Of all workers, fewer than one in five (19 percent) have a backup plan for retirement income in the event they are unable to work before their planned retirement.

Relatively few workers have a good understanding of government retirement-related benefits such as Social Security (40 percent), Medicare (28 percent), and Medicaid (23 percent).
Executive Summary: Meet the Future Early Retirees

- A Source of Inspiration: Future Early Retirees, based on findings from the 12th Annual Transamerica Retirement Survey, explores the defining characteristics of workers who plan to retire before age 65 in order to highlight their success factors, identify vulnerabilities, and assess their retirement readiness.

- Despite the gloomy retirement outlook for many American workers, the 12th Annual Transamerica Retirement survey uncovered that over one in five (21 percent) workers expect to retire before age 65. They are “Future Early Retirees” and should be considered a source of inspiration for all.

- The secrets of Future Early Retirees’ success is not necessarily born out of privilege or ultra-affluence – they are more likely to be everyday people. Demographically speaking:
  - Slightly more than half (52 percent) have a college degree
  - Nearly half (49 percent) are over the age of forty
  - Nearly half (49 percent) report an annual household income of less than $100,000 per year

- The defining success factors for Future Early Retirees are that they more likely to:
  - Be offered a 401(k)or similar plan (75 percent) and/or defined benefit (25 percent) plan by their employer
  - Start saving for retirement at a younger age (age 25 - median)
  - Defer a higher percentage of their annual salary into their 401(k) or similar plan (10 percent - median)
  - Save for retirement outside of work (69 percent)
  - Have a retirement strategy (71 percent)
  - Be very involved in managing and monitoring their retirement accounts (71 percent)
  - Are saving the same or more since the recession began (71 percent)
Executive Summary: Realistic or Optimistic?

- Realistic or optimistic? It's hard to say, but we've created a hypothetical model of their savings patterns based on the 12th Annual Retirement survey data. The model suggests that Future Early Retirees are quite possibly on track. [Note: the model cannot and does not account for any gaps in employment, gaps in consistently saving, and any early withdrawals from their retirement account]. See page 30.

- It is important to underscore that life offers no guarantees and unforeseen circumstances may arise (e.g., health issues, job loss, extraordinary expenses, poor investment performance, etc.) that could derail their plans for retirement and expected retirement age.

- Future Early Retirees also have some important opportunities for improvement, including:
  - Calculating a retirement savings goal (41 percent “guessed”)
  - Learning the basic principles of asset allocation and retirement investing (34 percent know “a great deal” or “quite a bit”)
  - Knowing about government benefits such as Social Security (46 percent know “a great deal” or “quite a bit”)
  - Having a backup plan if forced into retirement sooner than expected (29 percent)
Executive Summary: Secrets for Success

• Future Early Retirees are a source of inspiration.

• How each worker plans on spending their retirement is unique, but the tools to help attain retirement readiness are common to everyone.

• Seven tactics can help workers improve their retirement readiness and possibly become Future Early Retirees are:

1. Calculate your retirement savings needs.
2. Develop a retirement strategy and write it down. Envision your future retirement, formulate a goal for how much you will need to save each year (be sure to include employer-sponsored retirement plans and outside savings), and be sure to factor living expenses, healthcare needs, long-term care, and government benefits.
3. Get educated about retirement investing. Seek professional assistance if needed.
4. If your employer offers a plan, participate. Be sure that your annual salary deferral takes full advantage of employer matching contributions, if available. Defer as much as you can. If you decide against maximizing annual salary deferrals in the plan, be sure to save for retirement outside of work.
5. Consider retirement benefits as part of your total compensation. If your employer doesn’t offer you a plan, ask for one.
6. Take advantage of the Saver’s Credit if eligible. Make catch-up contributions if eligible.
7. Have a back-up plan in the event you are unable to work before your planned retirement.

• And, workers should get the conversation going by talking about retirement with family and close friends.
Executive Summary: Societal Recommendations

- Employers play a vital role in facilitating workers’ retirement readiness. Important opportunities in which employers, working with their retirement plan providers, can help their employees improve their retirement readiness include:
  - Offering a retirement plan and proactively encouraging participation
  - Adding, increasing and/or reinstating matching contributions to 401(k) plans
  - Promoting the educational resources offered by the company’s retirement plan provider
  - Offering pre-retirees greater levels of assistance in planning their transition into retirement
  - Promoting awareness of the Saver’s Credit and Catch-Up Contributions.

- The retirement industry and media should continue to raise awareness and increase education on the need to plan and save – as well as the need for a back-up plan in the event of being forced into retirement sooner than expected due to unforeseen circumstances.

- Policymakers should consider the following to help employers and their employees to increase retirement readiness:
  - Expanding retirement coverage to more workers by expanding the tax credit for employers to start a plan and facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans.
  - Expanding the Saver’s Credit by raising the income eligibility limits so that more tax filers are eligible.
  - Expanding Catch-Up Contributions by raising limits and lowering the eligible age.
  - Extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals.
  - Requiring retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum.
A Source of Inspiration: Future Early Retirees
Spotlight on Future Early Retirees
Who Are the Future Early Retirees?

One in five (21 percent) workers are Future Early Retirees who expect to retire before age 65.
Who Are the Future Early Retirees?

Future Early Retirees are not limited to the privileged or ultra-affluent. They are everyday people. Fifty-three percent are men, 52 percent have a college degree, 50 percent are under age 40, and 49 percent earn less than $100k per year.

Expected Retirement Age: Before Age 65 (Future Early Retiree)

- Gender:
  - Men: 47%
  - Women: 53%

- Level of Education:
  - High School Grad: 15%
  - Some College or Trade School: 37%
  - College Grad: 29%
  - Some Grad School or Grad Degree: 18%

- Household Income:
  - Under $100k / Year: 49%
  - Over $100k / Year: 41%

- Current Age:
  - Under Thirty: 10%
  - Thirties: 23%
  - Forties: 20%
  - Fifties: 30%
  - Sixty to Sixty-Four: 20%
Retirement Confidence

Future Early Retirees express the highest levels of retirement confidence at 74 percent. Retirement confidence declines as expected retirement age increases. Only 26 percent of those who do not plan to retire are confident.

How Confident are You that You Will be Able to Fully Retire with a Comfortable Lifestyle?

- **Before Age 65 (Future Early Retiree)**
  - Very Confident: 19%
  - Somewhat Confident: 55%
  - Not too Confident: 21%
  - Not at all Confident: 5%
  - Net Confident = 74%

- **At 65**
  - Very Confident: 9%
  - Somewhat Confident: 48%
  - Not too Confident: 31%
  - Not at all Confident: 12%
  - Net Confident = 57%

- **After Age 65**
  - Very Confident: 7%
  - Somewhat Confident: 38%
  - Not too Confident: 35%
  - Not at all Confident: 19%
  - Net Confident = 45%

- **Do Not Plan to Retire**
  - Very Confident: 6%
  - Somewhat Confident: 20%
  - Not too Confident: 38%
  - Not at all Confident: 36%
  - Net Confident = 26%

*BASE: All Qualified Respondents
Q880: How confident are you that you will be able to retire with a lifestyle you consider comfortable?*
Retirement Dreams

Future Early Retirees have a vision. Along with workers who plan on retiring at age 65, they most frequently cite “traveling” as how they dream of spending retirement.

How Do You Dream of Spending Your Retirement?

Expected Retirement Age

- Before Age 65 (Future Early Retiree)
  - Traveling: 45%
  - Spending time w/ family: 22%
  - Pursuing Hobbies: 19%
  - Continue Working in Same Field: 4%
  - Getting Involved in Community: 4%
  - Switching Careers /Starting a Business: 2%
  - None of the Above: 2%

- At Age 65
  - Traveling: 46%
  - Spending time w/ family: 24%
  - Pursuing Hobbies: 16%
  - Continue Working in Same Field: 5%
  - Getting Involved in Community: 3%

- After Age 65
  - Traveling: 38%
  - Spending time w/ family: 23%
  - Pursuing Hobbies: 17%
  - Continue Working in Same Field: 6%
  - Getting Involved in Community: 6%
  - Switching Careers /Starting a Business: 5%

- Do Not Plan to Retire
  - Traveling: 24%
  - Spending time w/ family: 17%
  - Pursuing Hobbies: 13%
  - Continue Working in Same Field: 19%
  - Getting Involved in Community: 5%
  - Switching Careers /Starting a Business: 8%
  - None of the Above: 13%

[BASE: All Qualified Respondents]
Q1419. Which one of the following best describes how you dream of spending your retirement?
Greatest Financial Priority

Nearly one-third (32 percent) of Future Early Retirees indicate that their greatest financial priority is “saving for retirement.”

What is Your Greatest Financial Priority Right Now?

**Before Age 65 (Future Early Retiree)**
- Saving for Retirement: 32%
- Paying Off Debt: 22%
- Just Getting By: 19%
- Paying Off Mortgage: 14%
- Other: 14%

**At Age 65**
- Saving for Retirement: 20%
- Paying Off Debt: 28%
- Just Getting By: 27%
- Paying Off Mortgage: 11%
- Other: 15%

**After Age 65**
- Saving for Retirement: 23%
- Paying Off Debt: 27%
- Just Getting By: 26%
- Paying Off Mortgage: 12%
- Other: 13%

**Do Not Plan to Retire**
- Saving for Retirement: 10%
- Paying Off Debt: 28%
- Just Getting By: 35%
- Paying Off Mortgage: 11%
- Other: 16%

BASE: All Qualified Respondents

Q2640: Which one of the following is your greatest financial priority right now?
Primary Source of Income in Retirement

Future Early Retirees and workers who plan to retire at age 65 are most likely to cite self-funded retirement accounts (401(k), 403(b), IRAs, outside savings & investments) as their primary source of income in retirement. Compared to others, relatively few Future Early Retirees expect their primary source of income to be Social Security.
Changes in Savings Habits Since the Recession Began

Future Early Retirees and workers who plan to retire at age 65 are more likely to be saving the same or more since the recession began.

How Have Your Savings Habits Changed Since the Recession Began?

Before Age 65 (Future Early Retiree)
- Saving Less: 29%
- Saving the Same: 45%
- Saving More: 26%

Net Saving the Same or More = 71%

At Age 65
- Saving Less: 35%
- Saving the Same: 40%
- Saving More: 25%

Net Saving the Same or More = 65%

After Age 65
- Saving Less: 38%
- Saving the Same: 39%
- Saving More: 22%

Net Saving the Same or More = 61%

Do Not Plan to Retire
- Saving Less: 48%
- Saving the Same: 37%
- Saving More: 16%

Net Saving the Same or More = 53%

*BASE: All Qualified Respondents
Q2060: How have your savings habits changed since the recession began?
Age Started Saving for Retirement

Future Early Retirees started saving at younger ages than other workers. To illustrate, comparing the median ages, Future Early Retirees started saving six years earlier (at age 25) than those who do not plan to retire (age 31).
Employer-Sponsored Retirement Benefits

Future Early Retirees are mostly likely to be offered a 401(k) plan (73 percent) and/or a defined benefit plan (25 percent).

Which of the Following Retirement Benefits Does Your Employer Offer?

- **Before Age 65 (Future Early Retiree)**
  - Net 401(k), EE-Funded Plan = 75%: 22%
  - Net 401(k), EE-Funded Plan = 69%: 26%

- **At Age 65**
  - Net 401(k), EE-Funded Plan = 74%: 24%

- **After Age 65**
  - Net 401(k), EE-Funded Plan = 63%: 26%

- **Do Not Plan to Retire**
  - Net 401(k), EE-Funded Plan = 60%: 22%
Plan Participation & Salary Deferral Rates

Future Early Retirees report the highest annual salary deferrals into the plan (10 percent median). Workers who do not plan to retire report the lowest level of participation and annual deferral rates (6 percent median).

Before Age 65 (Future Early Retiree) Plan Participation %

- **YES** 80%
- **NO** 20%

Retire After 65 Plan Participation %

- **YES** 81%
- **NO** 19%

Retire At Age 65 Plan Participant %

- **YES** 80%
- **NO** 20%

Do Not Plan to Retire Plan Participation %

- **YES** 65%
- **NO** 35%

Annual Deferral %

- Before Age 65 (Future Early Retiree):
  - **YES**: 12% (mean), 10% (median)
  - **NO**: 9% (mean), 6% (median)

- Retire At Age 65:
  - **YES**: 10% (mean), 7% (median)
  - **NO**: 8% (mean), 6% (median)

**BASE:** Those with qualified plans offered to them. Q1190. Do you currently participate in, or have money invested in your company’s employee-funded retirement plan?

**BASE:** Those currently participating in their qualified plan. Q601. What percentage of your salary are you saving for retirement through your company-sponsored plan this year?
Currently Saving Outside of Work

Nearly seven in ten (69 percent) of Future Early Retirees are saving for retirement outside of work – compared to only 49 percent of those who do not plan to retire.

Saving for Retirement Outside of Work

- **Retire Before Age 65 (Future Early Retiree)**
  - Yes: 69%
  - No: 31%

- **Retire at Age 65**
  - Yes: 63%
  - No: 37%

- **Retire After 65**
  - Yes: 60%
  - No: 40%

- **Do Not Plan to Retire**
  - Yes: 49%
  - No: 51%
Personal Decision-Making

Regardless of expected retirement age, workers prefer to be educated and make their own decisions about saving and investing for retirement. Relatively few indicated that they would prefer someone to make decisions for them.

<table>
<thead>
<tr>
<th>How Would You Describe Yourself When it Comes to Saving and Investing for Retirement?</th>
<th>Before Age 65 (Future Early Retiree)</th>
<th>At Age 65</th>
<th>After Age 65</th>
<th>Do Not Plan to Retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educate me: I seek advice but make my own final decisions</td>
<td>48%</td>
<td>53%</td>
<td>54%</td>
<td>50%</td>
</tr>
<tr>
<td>Do it myself: I do my own research and make my own decisions</td>
<td>38%</td>
<td>32%</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td>Just do it for me: I want someone else to make the decisions on my behalf</td>
<td>14%</td>
<td>16%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Net DIY = 86% for Before Age 65 (Future Early Retiree)
Net DIY = 84% for At Age 65
Net DIY = 85% for After Age 65
Net DIY = 88% for Do Not Plan to Retire

BASE: All Qualified Respondents
Q705. How would you describe yourself when it comes to saving and investing for retirement?
Retirement Strategy

Over two-thirds (71 percent) of Future Early Retirees have a retirement strategy, far more than other workers who plan to work to 65 or longer.

Which of the Following Best Describes Your Retirement Strategy?

Before Age 65 (Future Early Retiree)
- Net Have a Plan = 71%
  - I have a written plan: 16%
  - I have a plan but it is not written down: 55%
  - I do not have a plan: 29%

At Age 65
- Net Have a Plan = 56%
  - I have a written plan: 10%
  - I have a plan but it is not written down: 47%
  - I do not have a plan: 44%

After Age 65
- Net Have a Plan = 56%
  - I have a written plan: 9%
  - I have a plan but it is not written down: 47%
  - I do not have a plan: 44%

Do Not Plan to Retire
- Net Have a Plan = 33%
  - I have a written plan: 6%
  - I have a plan but it is not written down: 27%
  - I do not have a plan: 67%
Involvement With Retirement Savings

Future Early Retirees are most likely to agree that they are very involved in monitoring and managing their retirement savings.

"I am currently very involved in monitoring and managing my retirement savings."

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Strongly Agree</th>
<th>Somewhat Agree</th>
<th>Somewhat Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before Age 65 (Future Early Retiree)</td>
<td>29%</td>
<td>42%</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>At Age 65</td>
<td>17%</td>
<td>41%</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>After Age 65</td>
<td>19%</td>
<td>43%</td>
<td>22%</td>
<td>16%</td>
</tr>
<tr>
<td>Do Not Plan to Retire</td>
<td>12%</td>
<td>33%</td>
<td>27%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Net Agree:
- Before Age 65: 71%
- At Age 65: 58%
- After Age 65: 62%
- Do Not Plan to Retire: 45%

BASE: All Qualified Respondents
NOT: State level of agreement: "I am currently very involved in monitoring and managing my retirement savings."
Go-To Sources of Information

Future Early Retirees are more engaged, across the board, with sources of information about retirement investing. Of those who do not plan to retire, 29 percent indicated “none.”

<table>
<thead>
<tr>
<th>What sources of information do you rely on for retirement planning and investing?</th>
<th>Before Age 65 (Future Early Retiree)</th>
<th>At 65</th>
<th>After Age 65</th>
<th>Do Not Plan to Retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial websites (Yahoo! Finance, Morningstar, etc.)</td>
<td>41%</td>
<td>33%</td>
<td>34%</td>
<td>23%</td>
</tr>
<tr>
<td>Friends / Family</td>
<td>38%</td>
<td>38%</td>
<td>31%</td>
<td>27%</td>
</tr>
<tr>
<td>Retirement plan provider website</td>
<td>36%</td>
<td>32%</td>
<td>31%</td>
<td>15%</td>
</tr>
<tr>
<td>Financial Planner / Broker</td>
<td>32%</td>
<td>28%</td>
<td>35%</td>
<td>19%</td>
</tr>
<tr>
<td>Print newspapers and magazines</td>
<td>25%</td>
<td>21%</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Retirement calculators</td>
<td>23%</td>
<td>17%</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>Employer</td>
<td>21%</td>
<td>18%</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Plan provider printed material (i.e., brochures)</td>
<td>20%</td>
<td>20%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Financial-related television shows</td>
<td>18%</td>
<td>12%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Accountant</td>
<td>11%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>None</td>
<td>11%</td>
<td>15%</td>
<td>13%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Note: Chart excludes de minimus responses (i.e., insurance agent, lawyer, other)
Note: Sources of information selected by 20% or more of the subgroup are highlighted

BASE: All Qualified Respondents
BASE: What sources of information do you rely on for retirement planning and investing?
Working in Retirement

Many workers plan to work part-time after they retire, including workers who plan to retire before or at age 65.

Do You Plan to Work After You Retire?

Before Age 65 (Future Early Retiree)

- Net Plan to Work = 46%
  - Yes - I Plan to Work Full-Time: 6%
  - Yes - I Plan to Work Part-Time: 40%
  - No, I Do Not Plan to Work: 31%
  - Not Sure: 23%

At 65

- Net Plan to Work = 41%
  - Yes - I Plan to Work Full-Time: 4%
  - Yes - I Plan to Work Part-Time: 37%
  - No, I Do Not Plan to Work: 25%
  - Not Sure: 34%

After Age 65

- Net Plan to Work = 59%
  - Yes - I Plan to Work Full-Time: 6%
  - Yes - I Plan to Work Part-Time: 53%
  - No, I Do Not Plan to Work: 15%
  - Not Sure: 27%
Reasons for Working in Retirement

The majority of Future Early Retirees who expect to work when they retire will do so for enjoyment-related reasons.

What is Your Main Reason for Working After You Retire or After 65?

Before Age 65 (Future Early Retiree)

- Net Need = 25%
- 14% Can't Afford to Retire / Haven't Saved Enough
- 11% Need Health Benefits
- 33% Want to Stay Involved
- 20% Enjoy What I Do
- 19% Want the Income
- 3% None of the Above

At 65

- Net Need = 35%
- 23% Can't Afford to Retire / Haven't Saved Enough
- 13% Need Health Benefits
- 23% Want to Stay Involved
- 20% Enjoy What I Do
- 21% Want the Income

After Age 65

- Net Need = 50%
- 42% Can't Afford to Retire / Haven't Saved Enough
- 8% Need Health Benefits
- 14% Want to Stay Involved
- 14% Enjoy What I Do
- 18% Want the Income
- 4% None of the Above
Are Future Early Retirees Really On Track? Quite Possibly

This hypothetical illustration incorporates some of the Future Early Retiree data from the survey, including: the age started saving (25 median), plan contribution rate (10% of annual pay), expected retirement age (60 median) . . . It also assumes outside savings (excluding 401(k) account) and working part-time in retirement . . . Although life offers no guarantees, barring unforeseen circumstances (including job loss, health issues, extraordinary expenses, poor investment performance, etc.), many future early retirees are quite possibly on track to retire before age 65.

**Basic Assumptions:**
- Single
- Current age – 25 years old
- Current savings - $0
- Annual pay - $50,000 salary
- Retirement income replacement ratio - 80%
- Annual salary increase – 3%
- Annual inflation rate – 3%
- Participates in 401(k) plan
- 401(k) pre-tax contribution rate - 10% of salary
- Company match – 3%
- Outside savings at retirement age: $100k
- Work part-time in retirement: 5 years @ $25,000 / year
- Investment growth rate (pre-retirement) – 8%
- Investment growth rate (in retirement) – 4%
- Retirement age – 60 years old
- Life expectancy – 90 years old

**Additional Assumptions:**
- No breaks or gaps in employment
- No breaks in savings
- No hardship withdrawals
- No early distributions from 401(k)
- Expectations of receiving Social Security benefits

**Estimated Target Retirement Goal:**

- $1,006,519
- Less: Income from outside sources including Social Security, income earned from working part-time in retirement: $447,576
- Less: Projected value of 401(k) account and outside savings: $653,081
- Surplus $94,138
A Source of Inspiration: Future Early Retirees
Opportunities for Future Early Retirees and All Workers
Retirement Savings Goal

Future Early Retirees estimate a higher level of retirement savings needs at $750,000 (median). Estimated needs decline with expected retirement age.
Basis of Estimating Retirement Savings Needs

However, workers’ most frequently cited basis of their retirement savings needs is: **guessed**. Future Early Retirees are less likely to have guessed.

How Did You Arrive at Your Estimate?

- **Before Age 65 (Future Early Retiree)**:
  - Guessed: 41%
  - Estimated Based on Current Living Expenses: 26%
  - Completed a Worksheet / Did a Calculation: 11%
  - Expected Earnings on Investments: 9%
  - Read/Heard How Much is Needed: 3%
  - Amount Given by a Financial Advisor: 5%
  - Other: 5%

- **At 65**:
  - Guessed: 53%
  - Estimated Based on Current Living Expenses: 27%
  - Completed a Worksheet / Did a Calculation: 7%
  - Expected Earnings on Investments: 4%
  - Read/Heard How Much is Needed: 4%
  - Amount Given by a Financial Advisor: 3%
  - Other: 3%

- **After Age 65**:
  - Guessed: 50%
  - Estimated Based on Current Living Expenses: 25%
  - Completed a Worksheet / Did a Calculation: 11%
  - Expected Earnings on Investments: 4%
  - Read/Heard How Much is Needed: 5%
  - Amount Given by a Financial Advisor: 2%
  - Other: 2%

- **Do Not Plan to Retire**:
  - Guessed: 59%
  - Estimated Based on Current Living Expenses: 25%
  - Completed a Worksheet / Did a Calculation: 3%
  - Expected Earnings on Investments: 4%
  - Read/Heard How Much is Needed: 5%
  - Amount Given by a Financial Advisor: 1%
  - Other: 5%
Knowledge of Asset Allocation Principles

Few workers have “a great deal” of knowledge regarding asset allocation principles related to retirement investing. Future Early Retirees are more likely to have at least some knowledge.

How Good of an Understanding Do You Have Regarding Asset Allocation Principles ...?

Before Age 65 (Future Early Retiree)
- Net Knowledge = 79%
- 8% A Great Deal
- 26% Quite a Bit
- 45% Some
- 21% None

At 65
- Net Knowledge = 68%
- 6% A Great Deal
- 15% Quite a Bit
- 47% Some
- 32% None

After Age 65
- Net Knowledge = 74%
- 7% A Great Deal
- 16% Quite a Bit
- 51% Some
- 26% None

Do Not Plan to Retire
- Net Knowledge = 56%
- 4% A Great Deal
- 10% Quite a Bit
- 42% Some
- 44% None
Knowledge of Government Benefits
Relatively few workers know “a great deal” about the Social Security benefits that they may receive.

Level of Understanding re: Social Security Benefits

Before Age 65 (Future Early Retiree)
- A Great Deal: 7%
- Quite a Bit: 15%
- Some: 31%
- None: 47%

Retire at 65
- A Great Deal: 10%
- Quite a Bit: 24%
- Some: 56%

Retire After 65
- A Great Deal: 7%
- Quite a Bit: 29%
- Some: 50%

Do Not Plan To Retire
- A Great Deal: 16%
- Quite a Bit: 11%
- Some: 52%
- None: 22%
A Back-Up Plan?

Very few workers have a back-up plan in the event that they are unable to work before their planned retirement. Future Early Retirees are most likely to have a back-up plan (29 percent). Those who do not plan to retire are least likely to have a back-up plan (12 percent).

Have a Back-Up Plan if Retire Sooner than Expected

- **Before Age 65 (Future Early Retiree)**
  - Yes: 18%
  - No: 53%
  - Not Sure: 29%

- **Retire at 65**
  - Yes: 14%
  - No: 69%
  - Not Sure: 17%

- **Retire After 65**
  - Yes: 16%
  - No: 68%
  - Not Sure: 16%

- **Do Not Plan to Retire**
  - Yes: 14%
  - No: 74%
  - Not Sure: 12%

**BASE:** All Qualified Respondents

**Q1535:** In the event you are unable to work before your planned retirement, do you have a backup plan for retirement income?
## Motivators to Learn More

Many workers cite larger tax breaks and savings incentives as the greatest motivator to learn more about saving and investing. However, nearly as many would like education/information that is easier to understand.

<table>
<thead>
<tr>
<th>Q2040. Motivators to Learn More about Saving &amp; Investing for Retirement</th>
<th>Before Age 65 (Future Early Retiree)</th>
<th>At 65</th>
<th>After Age 65</th>
<th>Do Not Plan to Retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larger tax breaks/incentives for saving in a retirement plan</td>
<td>28%</td>
<td>27%</td>
<td>30%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Net: Easier to Understand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• A good starting point that is easy to understand</td>
<td>10%</td>
<td>15%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>• Educational materials that are easier to understand</td>
<td>14%</td>
<td>13%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>A financial advisor</td>
<td>14%</td>
<td>13%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>A greater sense of urgency (or fear) that I need to save</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Nothing – I am already educated enough</td>
<td>14%</td>
<td>10%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Nothing – I am just not that interested</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Note: Motivators selected by 10% or more of the subgroup are highlighted.

**BASE:** All Qualified Respondents

Q2041. Which one of the following would motivate you to learn the most about saving and investing for retirement?
Awareness of Saver’s Credit & Catch-Up Contributions

Saver’s Credit awareness is low among all workers. Although awareness of the ability to make Catch-Up Contributions is higher, it too presents an opportunity for increasing awareness.
Helpfulness of Employer-Based Education

Future Early Retirees are most likely to find employer and retirement plan provider educational offerings to be helpful. Perceived helpfulness declines among workers who expect to work past age 65. Employers and retirement plan providers have an opportunity to assess and help make offerings “easier to understand.”

<table>
<thead>
<tr>
<th>Q2036. How helpful do you find the following in assisting you to plan, save, and invest for retirement? Net Helpful</th>
<th>Before Age 65 (Future Early Retiree)</th>
<th>At 65</th>
<th>After Age 65</th>
<th>Do Not Plan to Retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information on the retirement plan provider's website</td>
<td>74%</td>
<td>70%</td>
<td>68%</td>
<td>52%</td>
</tr>
<tr>
<td>Brochures and information received in the mail and/or with statements from the retirement plan provider</td>
<td>60%</td>
<td>57%</td>
<td>56%</td>
<td>46%</td>
</tr>
<tr>
<td>Informative emails sent to my work and/or my personal address from the retirement plan provider</td>
<td>55%</td>
<td>52%</td>
<td>44%</td>
<td>43%</td>
</tr>
<tr>
<td>Brochures and fliers received from my employer</td>
<td>48%</td>
<td>45%</td>
<td>42%</td>
<td>34%</td>
</tr>
<tr>
<td>Information on my employer's website</td>
<td>46%</td>
<td>45%</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td>Informational seminars, meetings, and/or workshops by the retirement plan provider</td>
<td>44%</td>
<td>43%</td>
<td>37%</td>
<td>29%</td>
</tr>
<tr>
<td>Informative emails sent to my work and/or personal address from my employer</td>
<td>43%</td>
<td>42%</td>
<td>35%</td>
<td>32%</td>
</tr>
<tr>
<td>Informational seminars, meetings, and/or workshops by my employer</td>
<td>44%</td>
<td>40%</td>
<td>37%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Note: Educational materials with 40% or more of the subgroup are highlighted
Frequency of Dialogue with Family & Friends

Let’s get the conversation started. While Future Early Retirees are most likely to discuss saving and planning for retirement with family and friends, 39 percent of those workers who do not plan to retire never talk about it.

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

- **Before Age 65 (Future Early Retiree)**
  - Frequently: 16%
  - Occasionally: 65%
  - Never: 19%
  - Net Discuss: 81%

- **At 65**
  - Frequently: 8%
  - Occasionally: 64%
  - Never: 28%
  - Net Discuss: 72%

- **After Age 65**
  - Frequently: 8%
  - Occasionally: 65%
  - Never: 27%
  - Net Discuss: 73%

- **Do Not Plan to Retire**
  - Frequently: 4%
  - Occasionally: 57%
  - Never: 39%
  - Net Discuss: 61%

**BASE:** All Qualified Respondents

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A Source of Inspiration: Future Early Retirees
Conclusions & Recommendations
Conclusions & Recommendations

Future Early Retirees and All Workers

• Future Early Retirees are a source of inspiration – and they, too, have opportunities to improve their retirement outlook.

• How each worker plans on spending their retirement is unique, but the tools to help attain retirement readiness are common to everyone.

• Seven tactics can help Future Early Retirees and all workers improve their retirement readiness:

  1. Calculate your retirement savings needs.
  2. Develop a retirement strategy and write it down. Envision your future retirement, formulate a goal for how much you will need to save each year (be sure to include employer-sponsored retirement plans and outside savings), and be sure to factor living expenses, healthcare needs, long-term care, and government benefits.
  3. Get educated about retirement investing. Seek professional assistance if needed.
  4. If your employer offers a plan, participate. Be sure that your annual salary deferral takes full advantage of employer matching contributions, if available. Defer as much as you can. If you decide against maximizing annual salary deferrals in the plan, be sure to save for retirement outside of work.
  5. Consider retirement benefits as part of your total compensation. If your employer doesn’t offer you a plan, ask for one.
  6. Take advantage of the Saver’s Credit if eligible. Make catch-up contributions if eligible.
  7. Have a back-up plan in the event you are unable to work before your planned retirement.

• And, get the conversation going by talking about retirement with family and close friends.
Conclusions & Recommendations

Employers and Retirement Plan Providers

- Employers play a vital role in facilitating workers’ retirement readiness.
- Seven opportunities in which employers, working with their retirement plan providers, can help their employees improve their retirement readiness include:

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

The Retirement Industry and Media

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

- An important motivator for workers to learn more about saving and investing is to make educational offerings “easier to understand.” The retirement industry and media have an opportunity to further engage a much wider audience and increase public awareness on the topic through traditional media as well as new channels (e.g., social media).

- The retirement industry and media also have an important opportunity to help promote and raise awareness of the Saver’s Credit and Catch-Up Contributions.
Conclusions & Recommendations

For Policymakers

- Policymakers also should consider the following to help employers and their employees to increase retirement readiness:

  1. Expanding retirement coverage to more workers by expanding the tax credit for employers to start a plan and facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans.
  2. Expanding the Saver’s Credit by raising the income eligibility requirements so that more tax filers are eligible.
  3. Expanding Catch-Up Contributions by raising limits and lowering the eligible age.
  4. Offering tax incentives to employers for hiring older workers in order to help keep them in the workforce longer.
  5. Extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals.
  6. Requiring retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum.
Appendix

Respondent Profiles
Who Plans to Retire at Age 65?

Of those workers planning to retire at age 65, notable demographic characteristics are that they are likely to be women (52 percent) and have a total household income of less than $100k (60 percent).
Who Plans to Work Past Age 65?

Of those workers planning to retire after age 65, the notable demographic characteristics are they are likely to be over age forty (69 percent), have a total household income of less than $100k (64 percent), and are men (55 percent).

### Expected Retirement Age: After Age 65

<table>
<thead>
<tr>
<th>Gender</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td></td>
<td>55%</td>
</tr>
</tbody>
</table>

### Level of Education

<table>
<thead>
<tr>
<th>Education Level</th>
<th>High School Grad</th>
<th>Some College or Trade School</th>
<th>College Grad</th>
<th>Some Grad School or Grad Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18%</td>
<td>27%</td>
<td>33%</td>
<td></td>
</tr>
</tbody>
</table>

### Household Income

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Under $100k / Year</th>
<th>Over $100k / Year</th>
<th>Declined to Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>64%</td>
<td>27%</td>
<td>9%</td>
</tr>
</tbody>
</table>

### Current Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Under Thirty</th>
<th>Thirties</th>
<th>Forties</th>
<th>Fifties</th>
<th>Sixty to Sixty-Four</th>
<th>Sixty-Five +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>11%</td>
<td>28%</td>
<td>20%</td>
<td>11%</td>
<td>9%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Who Does Not Plan to Retire?

Of those workers who do not plan to retire, notable demographic characteristics are they are likely to be over age forty (67 percent) and have a total household income of less than $100k (69 percent). Only 35 percent have a college degree.
Profiling Retirement Readiness by Demographic Segment

<table>
<thead>
<tr>
<th>Demographic Segment</th>
<th>Expected Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sooner than 65</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>21%</td>
</tr>
<tr>
<td>Women</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Level of Education</strong></td>
<td></td>
</tr>
<tr>
<td>High School (inc. some college)</td>
<td>17%</td>
</tr>
<tr>
<td>College Graduate (inc. graduate school)</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Household Income</strong></td>
<td></td>
</tr>
<tr>
<td>Under $50k per year</td>
<td>15%</td>
</tr>
<tr>
<td>$50k to $100k per year</td>
<td>18%</td>
</tr>
<tr>
<td>Over $100k per year</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Generation</strong></td>
<td></td>
</tr>
<tr>
<td>Echo Boomer</td>
<td>29%</td>
</tr>
<tr>
<td>Generation X</td>
<td>22%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>19%</td>
</tr>
<tr>
<td>Mature</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Offered Employer Retirement Benefits</strong></td>
<td></td>
</tr>
<tr>
<td>401(k) or Similar Plan</td>
<td>22%</td>
</tr>
<tr>
<td>Defined Benefit Plan</td>
<td>31%</td>
</tr>
<tr>
<td>None</td>
<td>17%</td>
</tr>
</tbody>
</table>