



Generation X Workers:

Retirement Reality Bites Unless Answers Are Implemented

*15th Annual Transamerica
Retirement Survey of Workers*

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TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

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About the Author

Catherine Collinson serves as President of the Transamerica InstituteSM and 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 and also authors articles published in leading industry journals.

She is currently employed by Transamerica Retirement Solutions Corporation 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.

About the Transamerica Center for Retirement Studies®

- The Transamerica Center for Retirement Studies® (TCRS) is a division of Transamerica InstituteSM (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.
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- 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. It has grown to be one of the longest running and largest national surveys of its kind.
- Harris Poll conducted the 15th Annual Retirement Survey on behalf of Transamerica Center for Retirement Studies. Transamerica Center for Retirement Studies is not affiliated with Harris Poll.
- On February 3, 2014, Nielsen acquired Harris Interactive and Harris Poll. Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands. For more information, visit www.nielsen.com.

Terminology

This report uses the following terminology:

Generation

Millennial: Born 1979 – 1996

Generation X: Born 1965 – 1978

Baby Boomer: Born 1946 – 1964

All Workers

Refers to all workers aged 18 and older

Methodology: Worker Survey

- A 22-minute, online survey was conducted between February 21 – March 17, 2014 among a nationally representative sample of 4,143 workers by Harris Poll for Transamerica Center for Retirement Studies. 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 included 1,021 Millennials, 1,120 Generation X, 1,805 Baby Boomers, and 197 who were born prior to 1946.

Foreword

“But the question remains... what are we going to do now? How can we repair all the damage we inherited? Fellow graduates, the answer is simple. The answer is... The answer is... I don't know.” - Lelaina Pierce, *Reality Bites*, 1994

Generation X (born between 1965 and 1978) are facing formidable uncertainties about their future retirement in the aftermath of the Great Recession.

Generation X is the 401(k) generation. Gen Xers entered the workforce coincident with the introduction of 401(k) plans and the decline of defined benefit plans. They started saving at a younger age than previous generations; however, 401(k) plans were new at the time and lacked the innovative features, education, and investment guidance that are standard today.

Since joining the workforce and starting to save, Generation X has endured the roller coaster of the financial markets. Gen Xers have enjoyed the irrational exuberance in the late '90s followed by the dot-com bust and post-September 11 market declines. They rode the equity markets up in the recovery through 2007 – and suffered steep declines as the markets spiraled into the worst recession since the Great Depression. Many lost their jobs, some lost their homes.

In 2015, the first Gen Xers will begin turning age 50. Most are saving for retirement but many have not saved enough. Questions about the future of Social Security loom for them. The first Gen Xers will start becoming eligible for full benefits at age 67 in the year 2032, just one year before the Social Security Trust Fund's forecasted depletion.

Unlike in the movie *Reality Bites* 20 years ago, the answer to the question, “How do we repair the damage?” cannot be “I don't know.” Individuals, families, employers, policymakers, and the retirement industry must work together to help Generation X achieve a financially secure retirement. With concerted efforts now, much progress can still be made before they reach retirement age.

As part of its *15th Annual Transamerica Retirement Survey*, Transamerica Center for Retirement Studies® (TCRS) is pleased to share *Generation X Workers: Retirement Reality Bites Unless Answers Are Implemented*. This research sheds light on the current state of retirement preparedness among Generation X at a time when they are at great risk, but often overshadowed by Baby Boomers and Millennials in news headlines. Our objective is to raise awareness and help affect positive change.

Sincerely,

Catherine Collinson

President, Transamerica Institute and Transamerica Center for Retirement Studies

Key Highlights

The *15th Annual Transamerica Retirement Survey*, conducted by Transamerica Center for Retirement Studies, found that Generation X workers (born between 1965 and 1978) are in danger of not achieving a financially secure retirement. The vast majority of Generation X workers (85 percent) believe that their generation will have a much harder time in achieving financial security than their parents' generation. However, they still have time to change their retirement destiny and improve their long-term financial outlook.

In the Aftermath of the Great Recession

Most Generation X workers are recovering (57 percent) from the Great Recession (2007 to 2009), but only 12 percent say they have fully recovered. A minority (14 percent) were not impacted by the Great Recession.

Generation X was hit hard by the Great Recession. Three out of four (74 percent) Generation X workers say they were negatively affected by it. Twelve percent were laid off. Twenty-five percent had their work hours and/or wage/salary reduced. Even higher percentages say their home values declined (35 percent) or values of investments declined (37 percent). Four percent lost their homes.

Despite the fact that the first Gen Xers will start turning 50 in 2015, just one in four (24 percent) Generation X workers say that saving for retirement is their greatest financial priority right now. In the aftermath of the recession, almost half (48 percent) are focused on current needs such as "paying off debt" (27 percent) or "just getting by/covering basic living expenses" (21 percent) as their top priorities right now.

Sixty-one percent of Generation X workers are confident that they will be able to someday fully retire with a comfortable lifestyle; however, among them, only 14 percent are "very confident." Fifty percent of Generation X workers agree that they are building a large enough retirement nest egg; however, only 15 percent "strongly agree."

Thirty-four percent of Generation X workers expect their standard of living to decrease when they retire.

Eighty-three percent of Generation X workers are concerned that Social Security will not be there for them when they are ready to retire.

Key Highlights

Generation X's Expectations of Retirement

The majority of Generation X workers (54 percent) plan to work past age 65 or do not plan to retire. Most Generation X workers (62 percent) envision a phased transition into retirement during which they will continue working, reduce hours with more leisure time to enjoy life, or work in a different capacity that is less demanding and/or brings greater personal satisfaction.

Many Generation X workers (51 percent) plan to continue working after they retire, including 38 percent who plan to work part-time and 13 percent full-time. Only 26 percent of Generation X workers do not plan to work after they retire, and 23 percent are not sure. Most Generation X workers (62 percent) who plan to work in retirement and/or past age 65 want to do so for reasons of income (53 percent) or benefits (9 percent). One-third say they want to stay involved (20 percent) or enjoy what they do (13 percent).

Aspirations of working past age 65 require that workers remain healthy enough to do so and have access to employment opportunities. The vast majority of Generation X workers have taken one or more steps to help ensure their continued working past age 65, with staying healthy (60 percent) the most common step, followed by performing well at their current job (46 percent) and keeping job skills up-to-date (44 percent). However, far fewer are networking (18 percent), scoping out the employment market (17 percent), and going back to school (13 percent).

Unemployment rates during the Great Recession revealed how it is more difficult for older workers to find a job. Generation X should take heed and extra proactive steps to improve their chances of remaining employed, given their plans to work past age 65 and in retirement.

Savings Rates Among Generation X Workers

Sixty-six percent of Generation X workers expect their primary source of income in retirement to be self-funded through retirement accounts (52 percent) or other savings and investments (14 percent). Eighty-three percent of Generation X workers are saving for retirement either through employer-sponsored plans, such as 401(k)s or similar plans, or outside the workplace, and they began saving for retirement at the age of 27 (median).

Key Highlights

Seventy-four percent of Generation X workers have access to a 401(k) or similar employee-funded retirement plan in the workplace. Seventy-nine percent of Generation X workers who work full-time at their current employer are offered a 401(k) or similar retirement plan — more than double the percentage of Gen Xers working part-time who are offered such a plan (39 percent). (Note: This dramatic disparity in access to benefits between full-time and part-time workers is also found among Millennials and Baby Boomers.)

Among Generation X workers who are offered a 401(k) or similar plan, 84 percent participate in that plan at a contribution rate of seven percent (median) of their annual salary – suggesting that many are not saving enough. Increasing savings rates is a critical opportunity for Gen Xers to build their nest eggs and improve their long-term retirement security.

The majority of Generation X workers (56 percent) who participate in their 401(k) or similar plans are using some form of professionally managed account in those plans, such as a managed account service, strategic allocation funds, and/or target date funds.

“Leakage” from retirement plans in the form of loans and withdrawals can severely inhibit the growth of participants’ long-term retirement savings. Among Generation X workers who are currently participating in a 401(k) or similar plan, 27 percent have taken some form of loan and/or early withdrawal, including:

- Eighteen percent who have taken a loan; and
- Ten percent who have taken an early withdrawal (e.g., hardship withdrawal, cash out when changing jobs, unable to repay plan loan).

Lower savings rates combined with loans and early withdrawals are negatively affecting Generation X workers’ long-term retirement savings.

Generation X workers have saved \$70,000 (estimated median) in household retirement accounts compared to \$32,000 in 2007. Savings shortfalls are prompting many to foresee working past age 65 and needing to continue to work in retirement.

Retirement Planning Habits

Thirty-nine percent of Generation X workers prefer not to think about or concern themselves with retirement investing until they get closer to their retirement date. As Generation X begins turning age 50 in 2015, now is the time to step up focus on saving and planning for retirement.

Key Highlights

Who wants to be a millionaire? Generation X workers estimate they will need to save \$1,000,000 (median) for retirement. Thirty-one percent of Generation X workers believe that they will need to save \$2,000,000 or more.

Half of Generation X workers (51 percent) who provided an estimate of their retirement savings needs indicate they guessed what that number should be. Approximately one in five (21 percent) have estimated this goal based on his/her current living expenses. Just 12 percent used a retirement calculator or completed a worksheet.

Achieving retirement readiness is more than just saving enough; it involves planning for both the expected and, moreover, the unexpected. One of the most important secrets to attaining retirement readiness is having a well-defined written strategy about retirement income needs, costs and expenses, and risk factors. The majority of Generation X workers (61 percent) have a retirement strategy, but only 14 percent have a written plan (the other 47 percent have a plan but it is not written down).

A worker's retirement strategy must consider a broad range of factors that could impact his/her retirement savings, ability to generate income in retirement, and protection of savings. Most Generation X workers with a strategy have factored in total retirement savings and income needs (56 percent), on-going living expenses (56 percent), and a retirement budget (50 percent). However, fewer than half of these Generation X workers have considered healthcare costs, government benefits, investment returns, tax planning, and contingency plans. Only 22 percent of Generation X workers have factored pursuing their retirement dreams into their strategies.

Almost two-thirds (65 percent) of Generation X workers agree that they don't know as much as they should about retirement investing. When asked what would motivate them to learn more about saving and investing for retirement, 51 percent of Generation X workers would like it to be made easier to understand. Thirty-eight percent want larger tax breaks. A small but startling minority (10 percent) say nothing - they're just not interested.

Catch-Up Contributions are a noteworthy incentive that only 51 percent of Generation X workers are aware of. Catch-Up Contributions allow workers age 50 and older to contribute to a qualified plan an additional amount over and above the plan- or IRA-contribution limit. Generation X will start to turn 50 in 2015.

Sixty-five percent of Generation X workers would like more education and advice from their employers on how to reach their retirement goals. The majority (58 percent) also say they want some level of advice when saving and investing for retirement, including 44 percent seeking education and advice but ultimately making their own decisions, and 14 percent wanting someone to make decisions on their behalf. In contrast to their desire for advice, only 35 percent of Generation X workers who are now investing for retirement actually use a professional financial advisor.

Key Highlights

Only 13 percent of Generation X workers frequently discuss saving and planning for retirement with family and friends. At a period in life that involves juggling careers, raising children and potentially caring for aging parents, it is paramount that Generation X takes time to have conversations about retirement to strategize how to bridge savings shortfalls, and set expectations regarding the need to receive or provide financial support to a loved on.

Answers for Improving Retirement Readiness for Generation X

Generation X is in danger of not achieving a financially secure retirement. However, they still have time on their side to improve their retirement outlook in the coming years. Seven tips toward achieving retirement readiness include:

- 1. Evaluation your financial situation.** Do a full financial assessment of current levels of retirement savings and other components of your personal balance sheet including other assets and debts. Know where you stand.
- 2. Calculate retirement savings needs, develop a retirement strategy, and write it down.** Factor in living expenses, healthcare needs, government benefits and long-term care. Envision your future retirement and have a backup plan in case retirement comes early due to an unforeseen circumstance.
- 3. Consider participating in employer-sponsored retirement plans, if available,** and taking full advantage of matching employer contributions. Consider deferring even more, if possible. Avoid taking loans and early withdrawals. When eligible, consider Catch-Up Contributions.
- 4. Get educated about retirement investing.** Whether relying on the expertise of professional advisors or taking a more do-it-yourself approach, gain the knowledge to ask questions and make informed decisions. Learn about Social Security and government benefits, keeping in mind that benefits may change over time.
- 5. Seek assistance from a professional financial advisor,** if needed.
- 6. Be proactive about staying competitive in the ever-changing job market.** Be proactive about keeping job skills up-to-date, performing well at your current job, keeping abreast of employment trends and marketplace needs, and even going back to school to learn new skills if necessary.
- 7. Start a conversation with family and close friends.** Share an open dialogue about retirement preparedness, risks, and expectations.

A full set of recommendations for employers with the help of their benefits advisors as well as policymakers can be found on pages 50 and 51.



Generation X Workers:

**Retirement
Reality Bites Unless
Answers Are
Implemented**

Detailed Findings

Generation X: The 401(k) Generation

Who wants to be a millionaire? Generation X workers estimate their retirement savings needs to be \$1 million (median). This generation entered the workforce in the late 1980s just as 401(k)s were making their first appearance and defined benefit plans were beginning to disappear. Generation X is the first generation to have access to 401(k)s for the majority of their working careers; they highly value them as an important benefit, have high plan participation rates, and, for better or worse, some have taken loans and early withdrawals. They are behind on their savings, but they still have time to catch up.

\$1 Million

is the estimated retirement savings needs (median) of Generation X workers.

p.38

2 in 3

expect their primary source of income in retirement to be self-funded accounts such as 401(k)s, 403(b)s, IRAs, or other outside savings.

p.24

27

is the age (median) that Generation X workers started saving for retirement.

p.25

83%

are concerned that Social Security will not be there for them when they are ready to retire.

p.20

84%

who are offered a 401(k) or similar plan by their employers participate in the plan.

p.33

Seven

is the percentage of their annual salaries (median) that Generation X participants are contributing to 401(k) or similar plans.

p.33

27%

of 401(k) or similar plan participants have taken a loan or early withdrawal from their retirement savings.

p.36

\$70,000

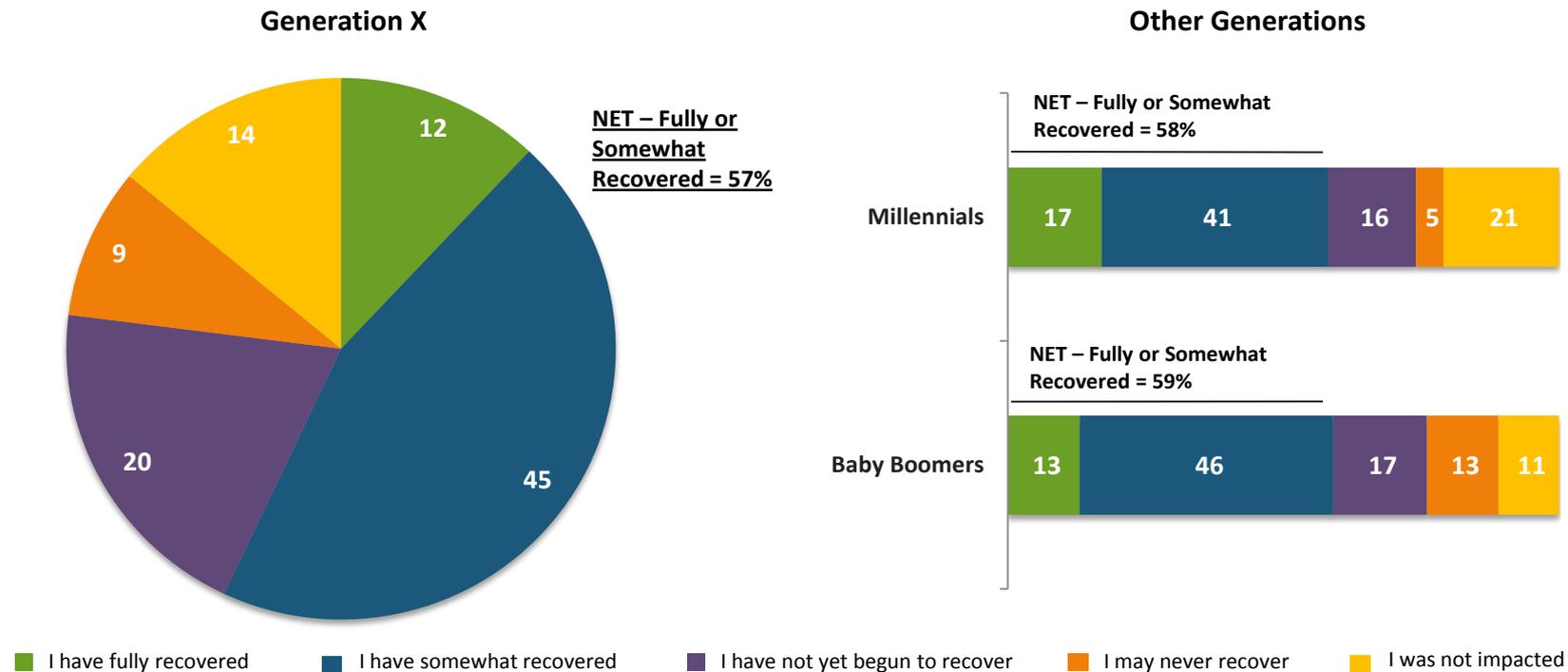
is the amount saved in all household retirement accounts (median).

p.37

Most Gen Xers Are Recovering from the Great Recession

The majority of Generation X workers are recovering (57 percent) from the Great Recession, but only 12 percent say they have fully recovered. A minority (14 percent) were not impacted by the Great Recession.

How would you describe your financial recovery from the Great Recession? (%)



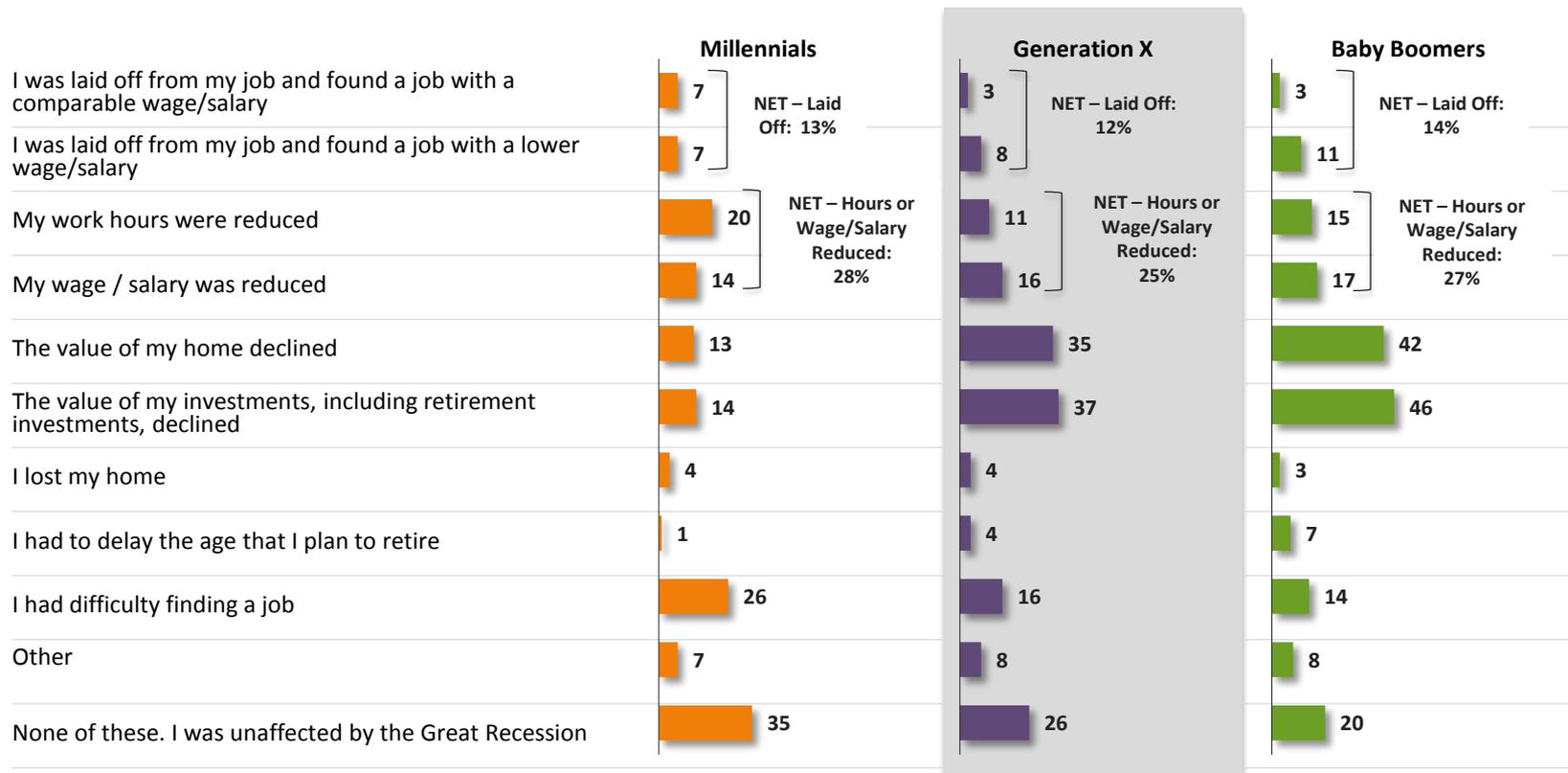
BASE: ALL QUALIFIED RESPONDENTS

Q2655. Regardless if you think the Great Recession has ended or not, how would you describe your financial recovery from the Great Recession?

Vast Majority of Gen Xers Hit Hard by Great Recession

Three out of four (74 percent) Generation X workers were negatively affected by the Great Recession in one way or another. Twelve percent said they were laid off. Twenty-five percent said their work hours and/or wage or salary was reduced. Even higher percentages say their home values declined (35 percent) or values of investments declined (37 percent). Yet these financial blows suffered by Generation X workers have been overshadowed by the even greater setbacks encountered by Baby Boomer workers.

In what ways were you personally affected by the Great Recession? (%)



Gen Xers Face Competing Financial Priorities

Almost half (48 percent) of Generation X workers are most focused on current financial priorities such as “paying off debt” (27 percent) or “just getting by/covering basic living expenses” (21 percent). Just one in four (24 percent) say that saving for retirement is their greatest financial priority right now. This helps further illustrate the challenges Generation X workers are facing post-Great Recession and how they’re affecting their short-term priorities and long-term retirement security.

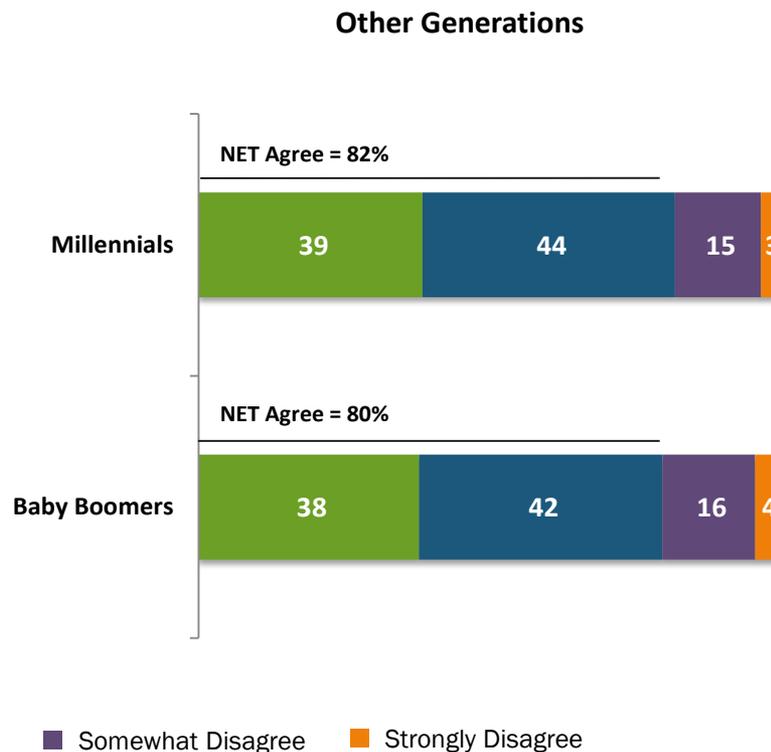
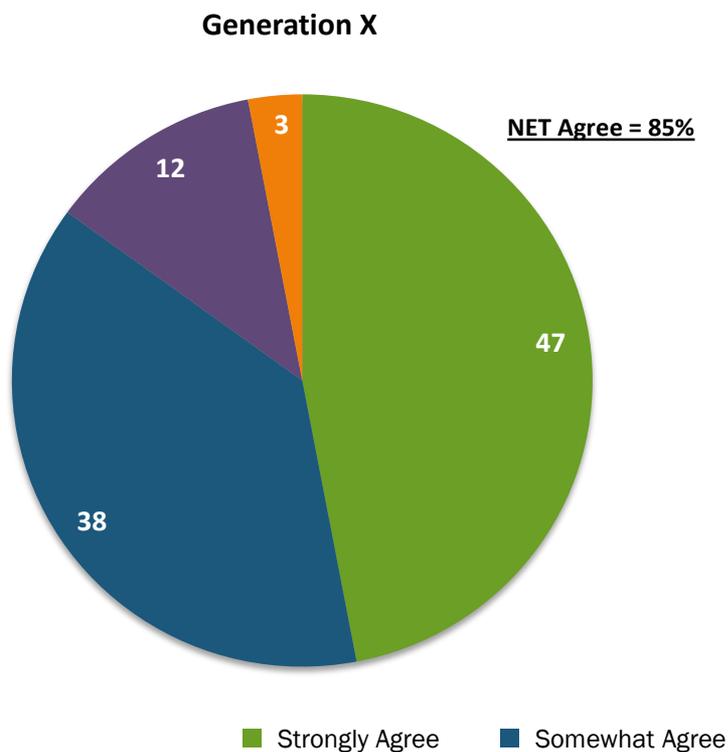
Which one of the following is your greatest financial priority right now? (%)



Gen Xers Face Harder Time Than Their Parents' Generation

The vast majority of Generation X workers (85 percent) believe that their generation will have a much harder time in achieving financial security than their parents' generation. Millennial (82 percent) and Baby Boomer (80 percent) workers also share this sentiment.

“Compared to my parents’ generation, people in my generation will have a much harder time in achieving financial security” (% Agree)



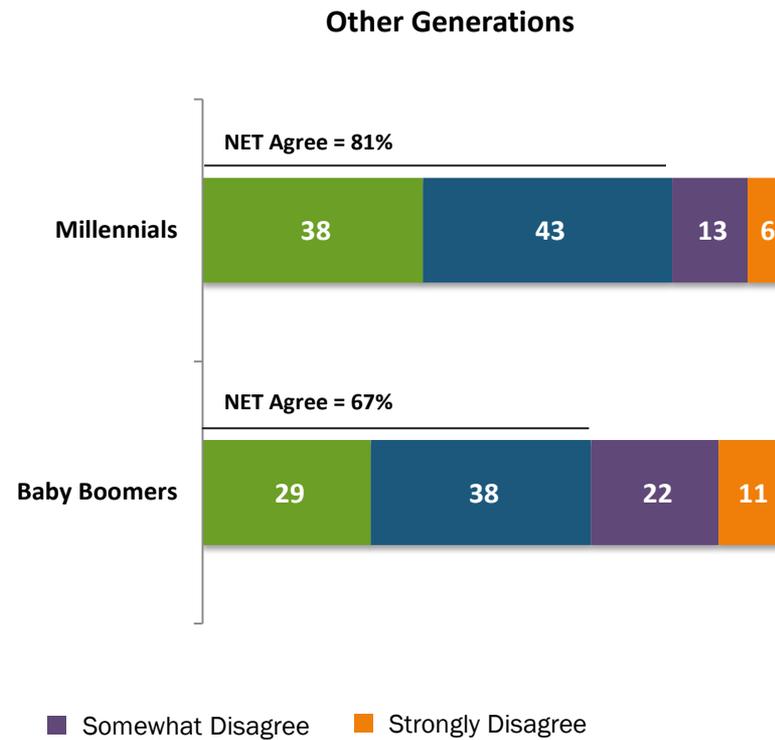
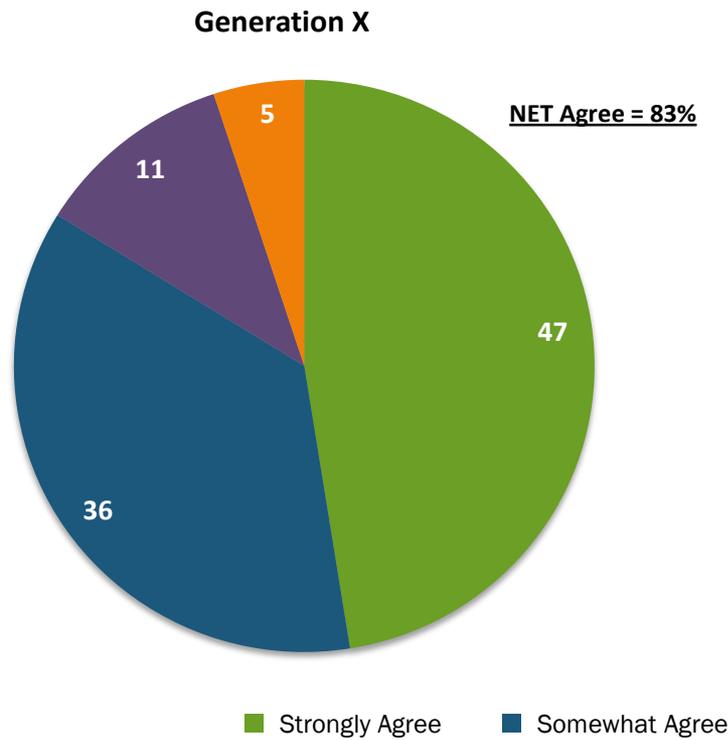
BASE: ALL QUALIFIED RESPONDENTS

Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? Compared to my parents' generation, people in my generation will have a much harder time in achieving financial security

Gen Xers Doubtful About Future of Social Security

The vast majority of Generation X workers (83 percent) are concerned that Social Security will not be there for them when they are ready to retire. A similar percentage of Millennial workers (81 percent) shares this concern, while Baby Boomer workers (67 percent) are least likely to be concerned.

“I am concerned that when I am ready to retire, Social Security will not be there for me” (% Agree)



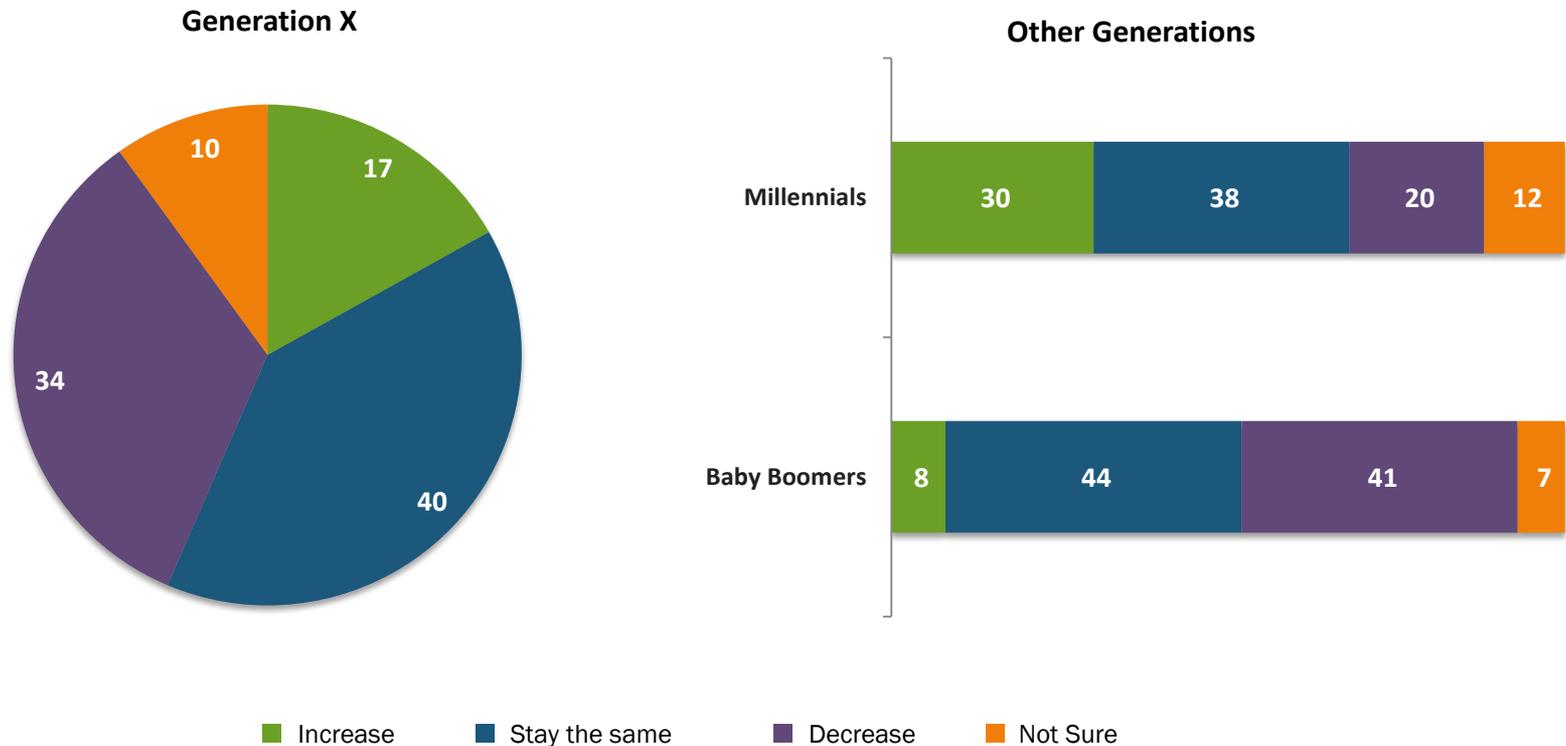
BASE: ALL QUALIFIED RESPONDENTS

Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? I am concerned that when I am ready to retire, Social Security will not be there for me.

Gen Xers Expect Lower Standard of Living in Retirement

Thirty-four percent of Generation X workers expect their standard of living to decrease when they retire. This concern is even higher among Baby Boomer workers (41 percent). In contrast, 20 percent of Millennial workers expect their standard of living to decrease when they retire.

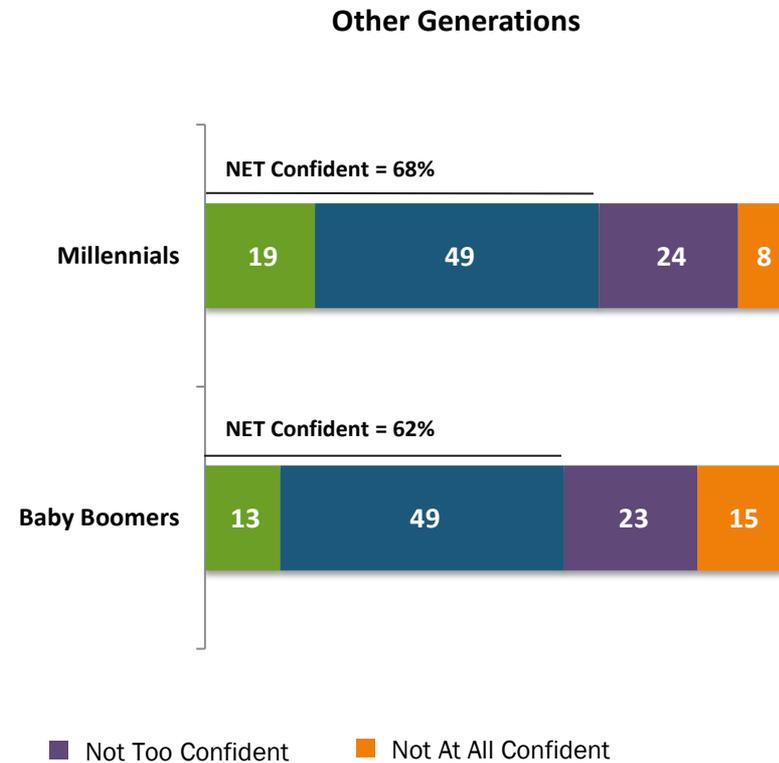
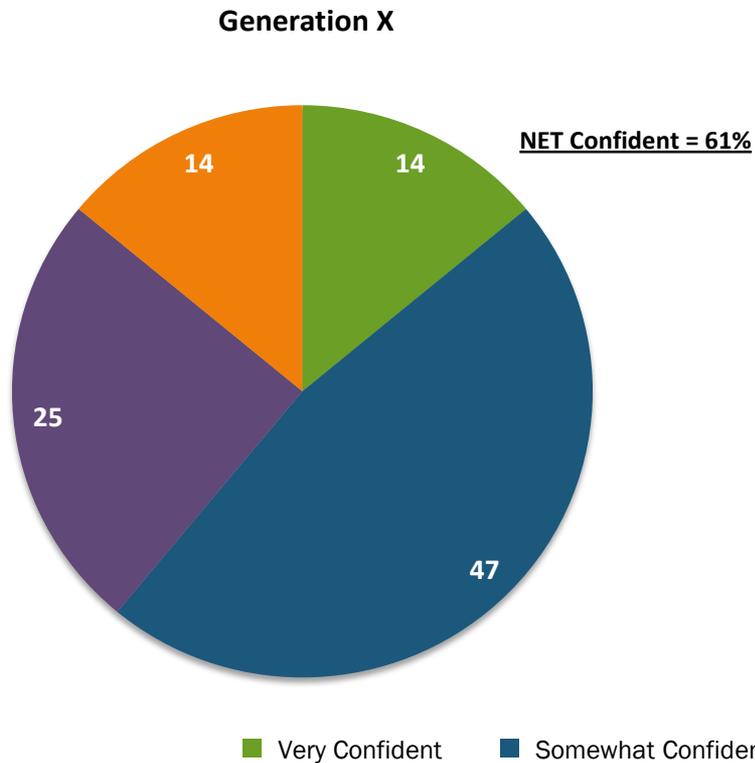
Do you expect your standard of living to increase, decrease, or stay the same when you retire? (%)



Most Gen Xers Confident About Retirement Yet Few “Very” Confident

Sixty-one percent of Generation X workers are confident that they will be able to someday fully retire with a comfortable lifestyle; however, among them, only 14 percent are “very confident.” Generation X and their Baby Boomer counterparts share similar level of confidence, while Millennial workers are generally more upbeat about their prospects.

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

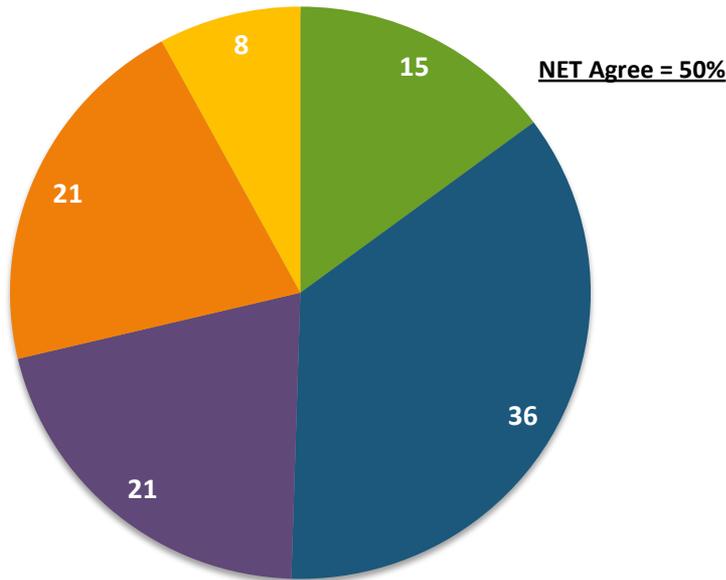


Will Gen Xers Nest Eggs Be Large Enough?

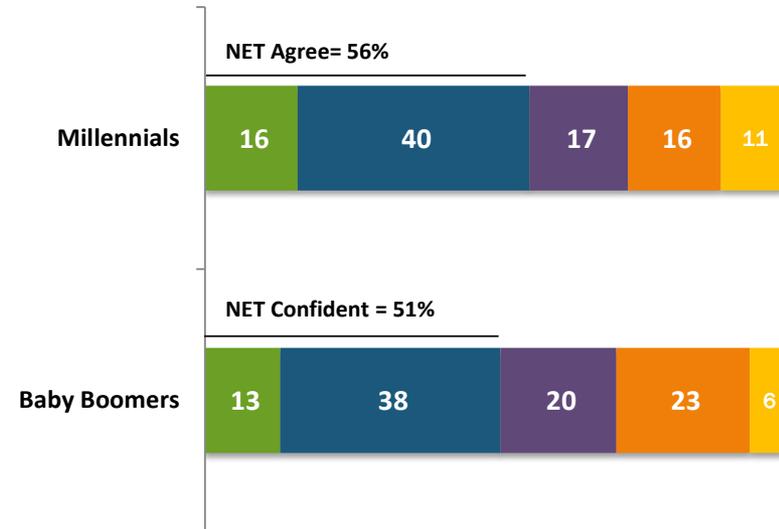
Fifty percent of Generation X workers agree that they are building a large enough retirement nest egg; however, only 15 percent “strongly agree.” Baby Boomer workers share similar views, while Millennial workers are somewhat likely to believe their nest eggs will be adequate.

Are you currently building a large enough retirement nest egg? (%)

Generation X



Other Generations

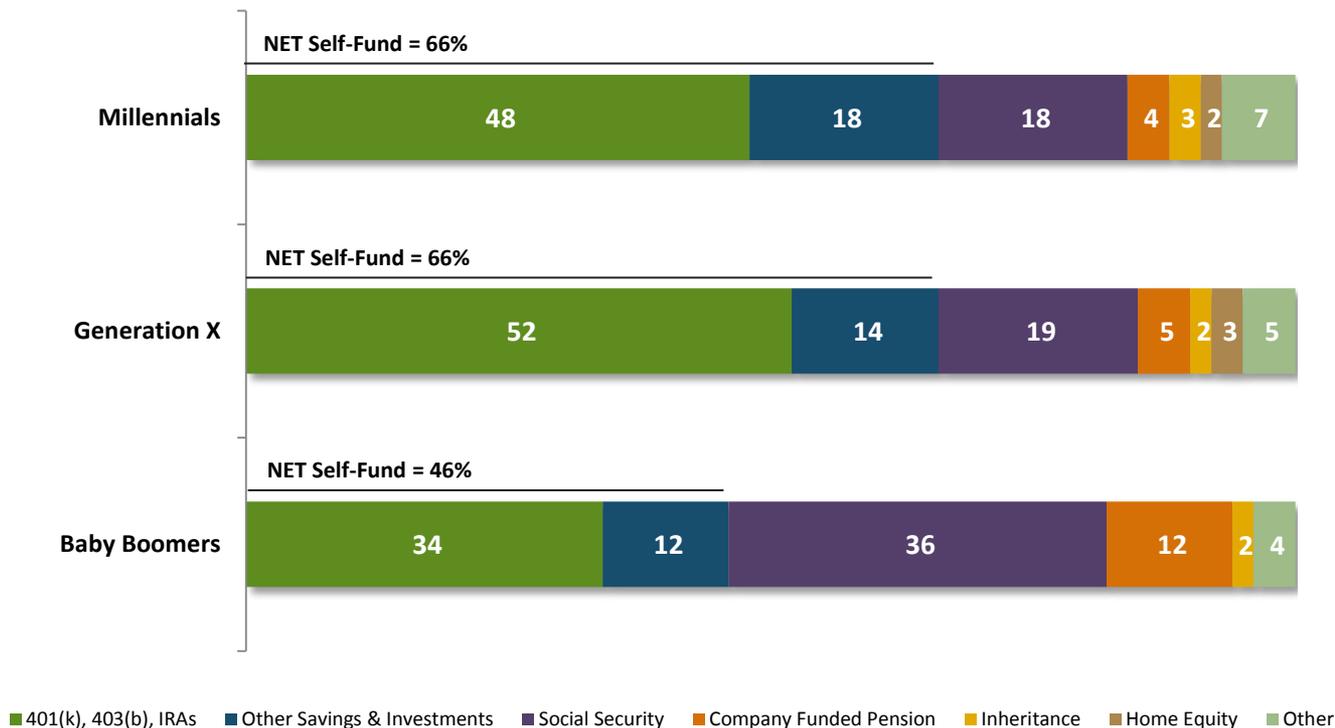


■ Strongly Agree
 ■ Somewhat Agree
 ■ Somewhat Disagree
 ■ Strongly Disagree
 ■ Not Sure

Gen Xers Expect to Self-Fund Their Retirement

Two-thirds of Generation X workers (66 percent) expect their primary source of income in retirement to be self-funded through retirement accounts (52 percent) or other savings and investments (14 percent). In this regard, Generation X workers and their Millennial counterparts share similar expectations, while Baby Boomer workers (36 percent) are most likely to cite Social Security as their expected primary source of income in retirement.

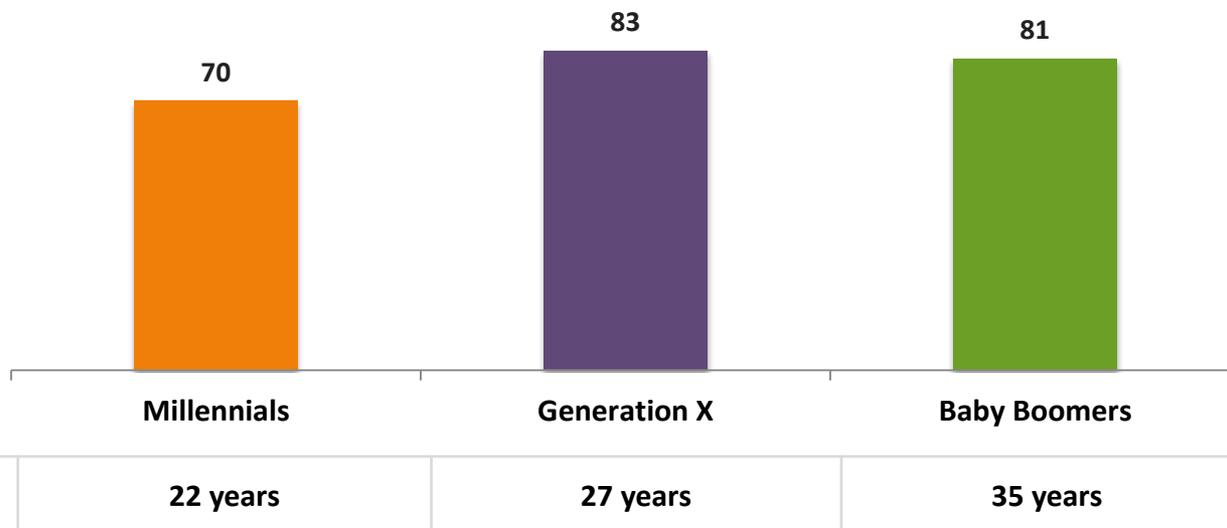
What do you expect to be your primary source of income in retirement? (%)



Gen Xers Started Saving for Retirement at 27

Eighty-three percent of Generation X workers are saving for retirement either through employer-sponsored plans, such as 401(k)s or similar plans, or outside the workplace, and they began saving at the age of 27 (median). Baby Boomers who are saving for retirement started doing so much later—at age 35 (median), while Millennial savers are getting a tremendous head start, having started saving for retirement at 22 (median).

Workers Who Are Saving for Retirement Through an Employer-Sponsored Retirement Plan And/Or Outside of Work (%)



BASE: CURRENTLY OFFERED A COMPANY EMPLOYEE-FUNDED RETIREMENT PLAN

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

BASE: ALL QUALIFIED RESPONDENTS

Q740. Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.?

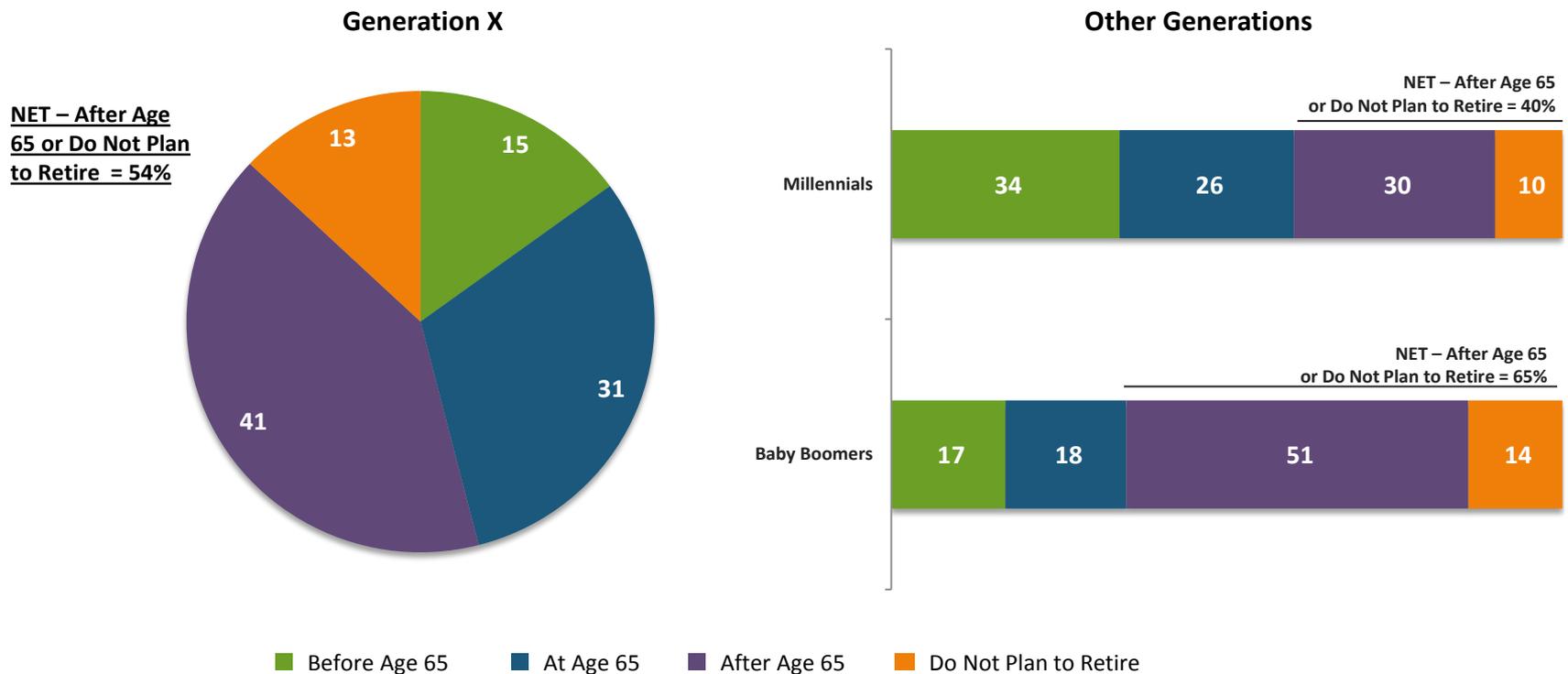
BASE: INVESTING FOR RETIREMENT

Q790. At what age did you first start saving for retirement?

Majority of Generation X Workers Plan to Work Past 65

The majority of Generation X workers (54 percent) plan to work past age 65 or do not plan to retire. However, expectations are quite different among generations. Sixty-five percent of Baby Boomer workers plan to continue working past age 65 or do not plan to retire. In stark contrast, the majority of Millennial (60 percent) workers plan to retire at 65 or sooner.

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



BASE: ALL QUALIFIED RESPONDENTS

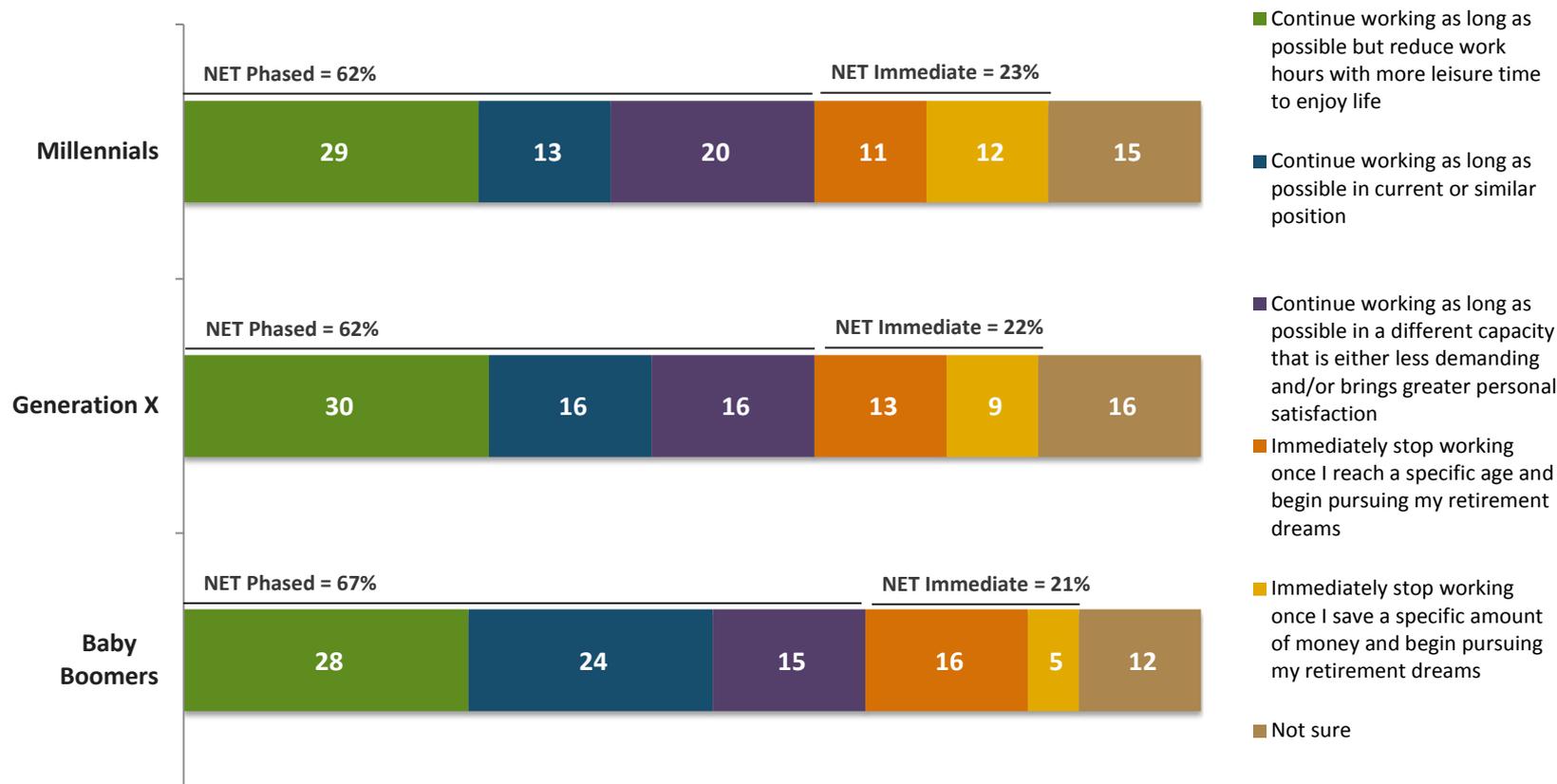
Q910. At what age do you expect to retire?

NOTE: Differences in the sums of combined categories/answers are due to rounding.

Majority of Gen Xers Envision a Phased Retirement

Most Generation X workers (62 percent) envision a phased transition into retirement during which they will continue working, reduce hours with more leisure time to enjoy life, or work in a different capacity that is less demanding and/or brings greater personal satisfaction. Only 22 percent of Generation X workers expect to immediately stop working when they retire. Baby Boomer and Millennial workers share similar expectations.

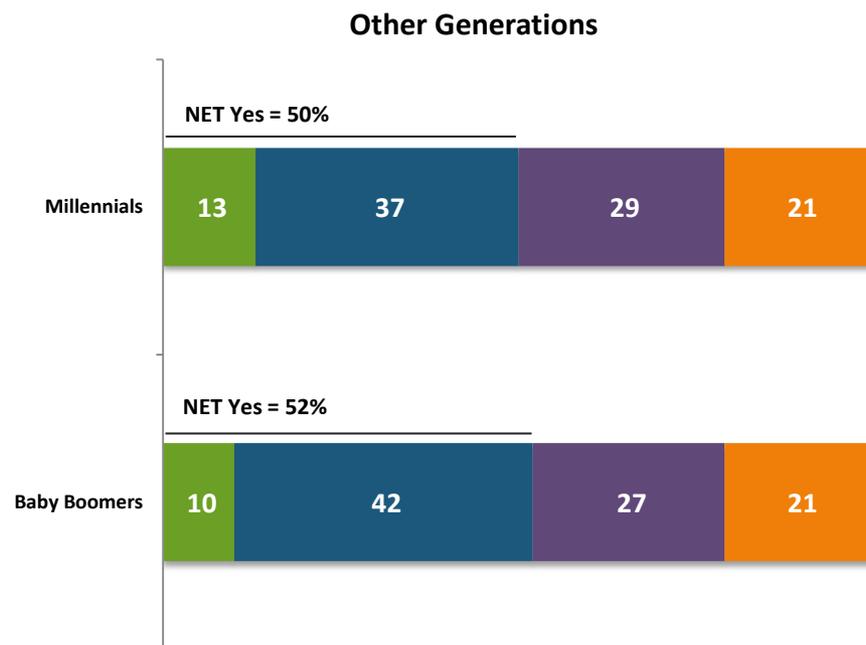
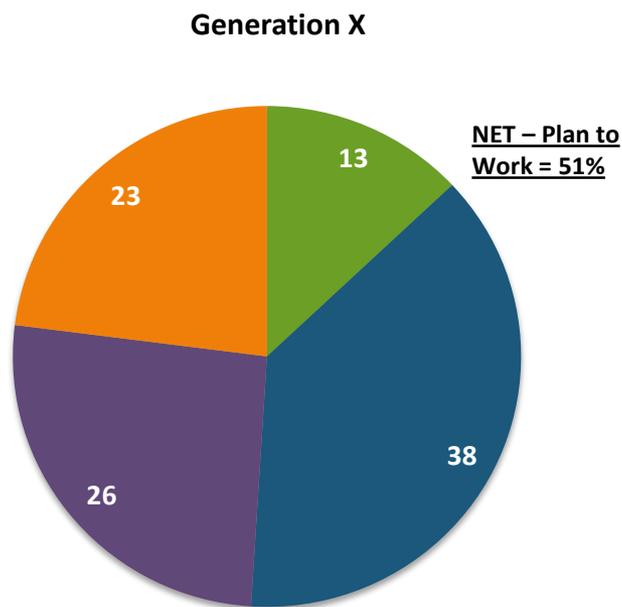
How do you envision transitioning into retirement? (%)



Most Gen Xers Plan to Work in Retirement

Many Generation X workers (51 percent) plan to continue working after they retire, including 38 percent who plan to work part-time and 13 percent full-time. Only 26 percent of Generation X workers do not plan to work after they retire, and 23 percent are not sure. Generation X, Baby Boomer, and Millennial workers are strikingly similar in their expectations.

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

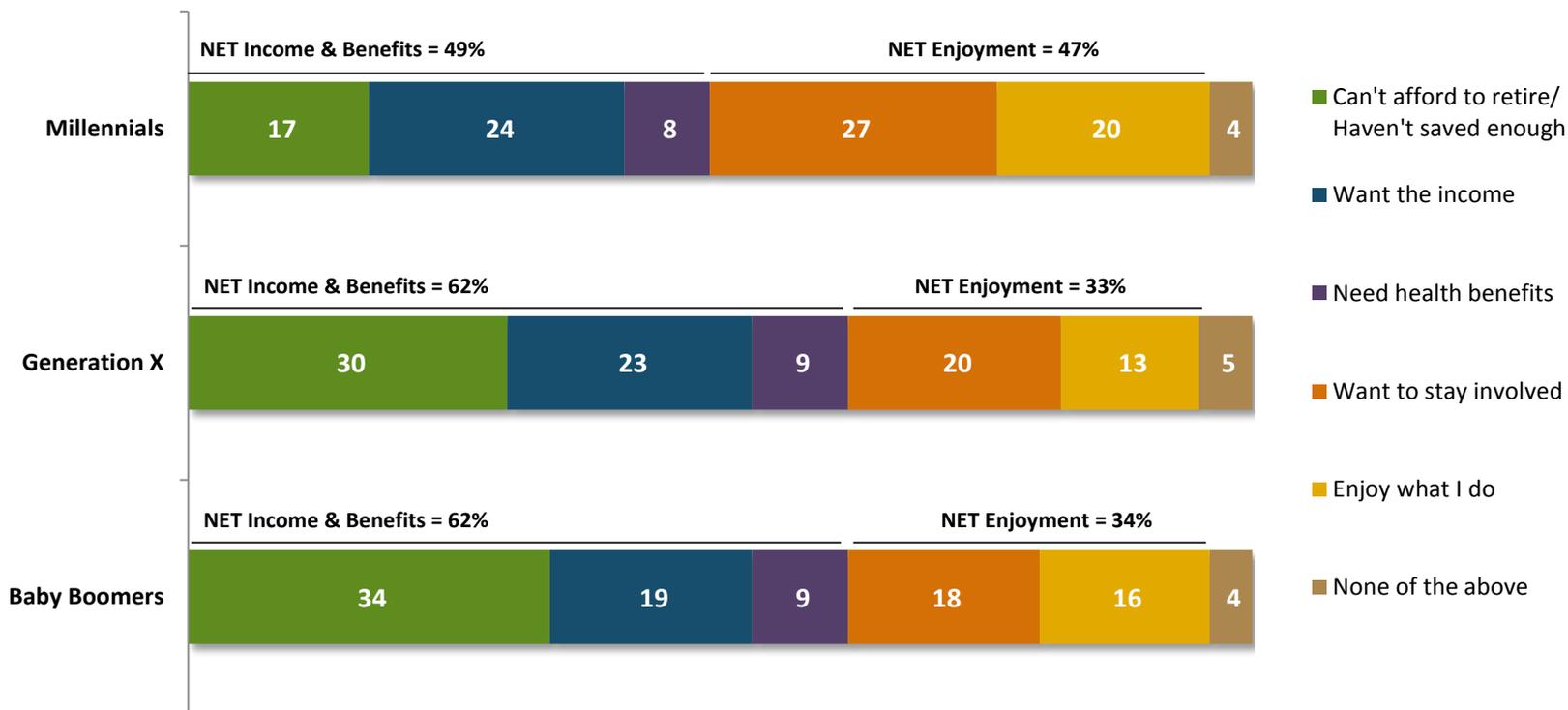


■ Yes - Full-Time ■ Yes - Part-Time ■ No - Do Not Plan to Work ■ Not Sure

Majority of Gen Xers Plan to Work for Income or Benefits

Most Generation X workers (62 percent) who plan to work in retirement and/or past age 65 plan to do so for reasons of income (53 percent) or benefits (9 percent). One-third say they want to stay involved (20 percent) or enjoy what they do (13 percent). Generation X and Baby Boomer workers planning to work past retirement are significantly less likely to plan to work for reasons of enjoyment compared to their Millennial counterparts.

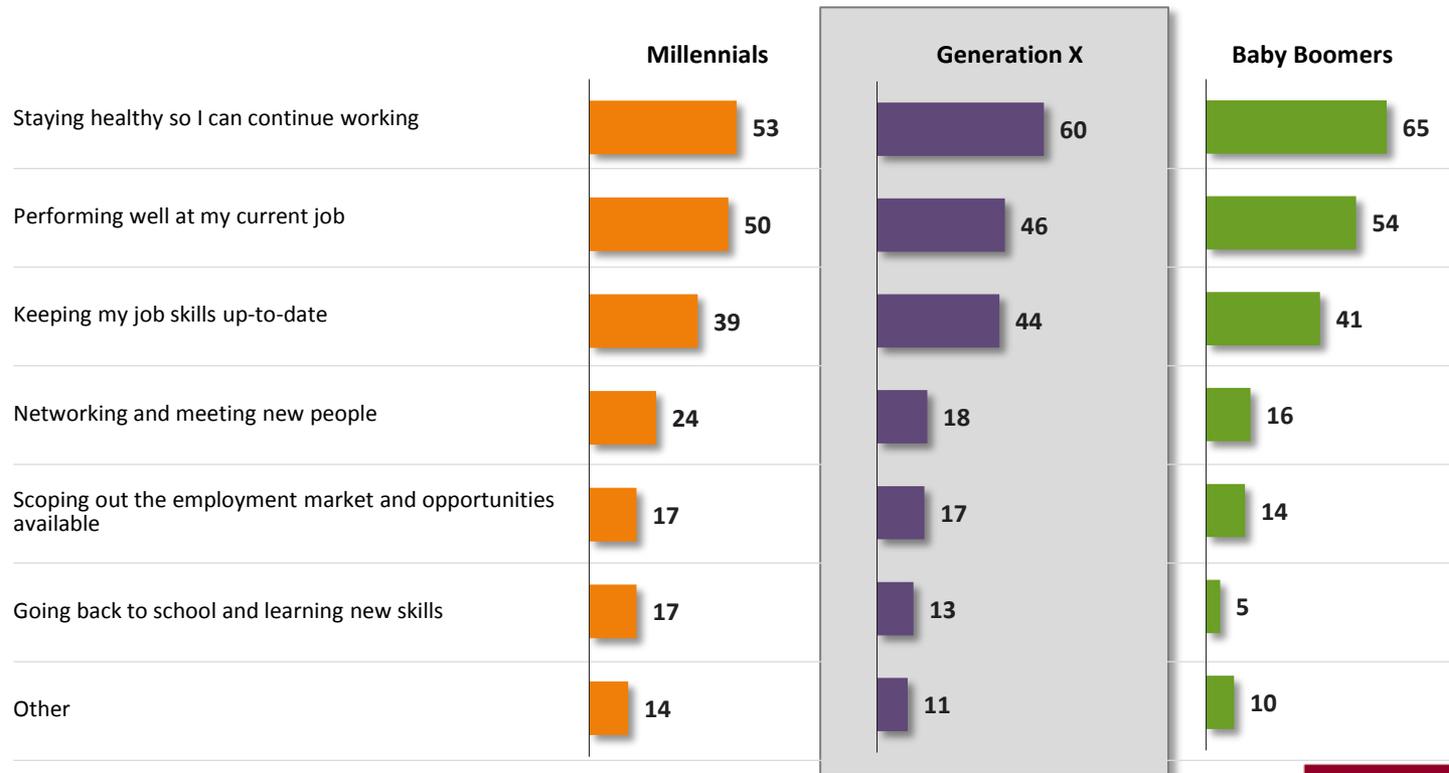
Main Reason for Working Past Age 65 and/or After Retirement (%)



Gen Xers: Be More Proactive to Improve Long-Term Job Prospects

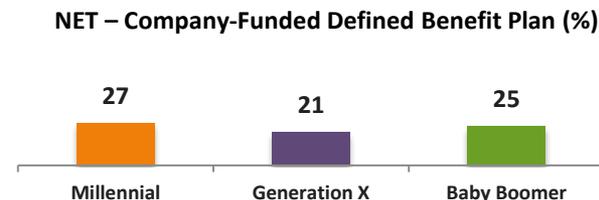
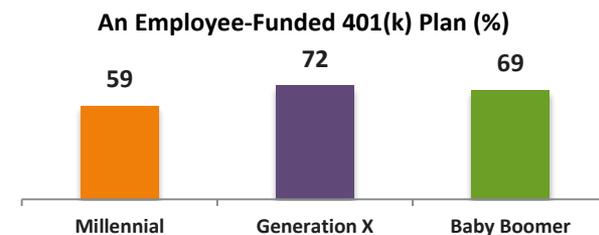
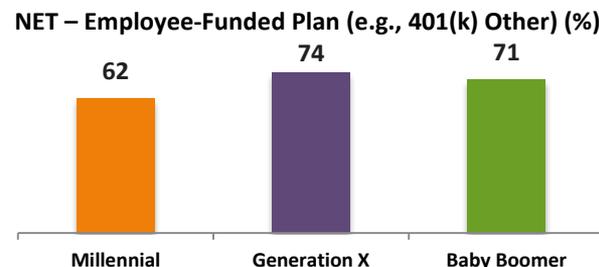
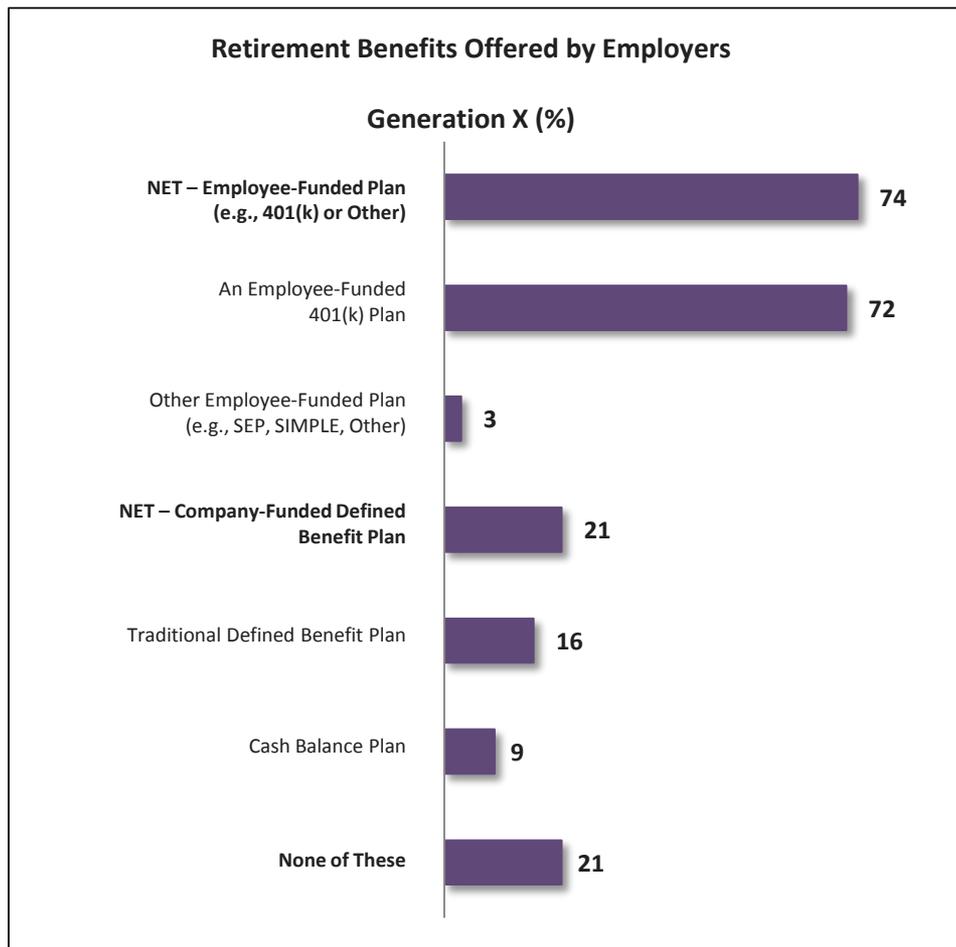
Aspirations of working past age 65 require that workers remain healthy enough to do so and have access to employment opportunities. The vast majority of Generation X workers have taken one or more steps to help ensure their continued working past age 65, with staying healthy (60 percent) the most common step, followed by performing well at their current job (46 percent) and keeping job skills up-to-date (44 percent). However, far fewer are networking (18 percent), scoping out the employment market (17 percent), and going back to school (13 percent). Unemployment rates during the Great Recession revealed how it is even more difficult for older workers to find a job. Generation X should take heed and extra proactive steps to improve their chances of remaining employed given their plans to work past age 65 and in retirement.

Have you taken any steps to ensure that you'll be able to continue working past 65 or in retirement, if needed? (%)



Gen Xers' Access to Retirement Benefits

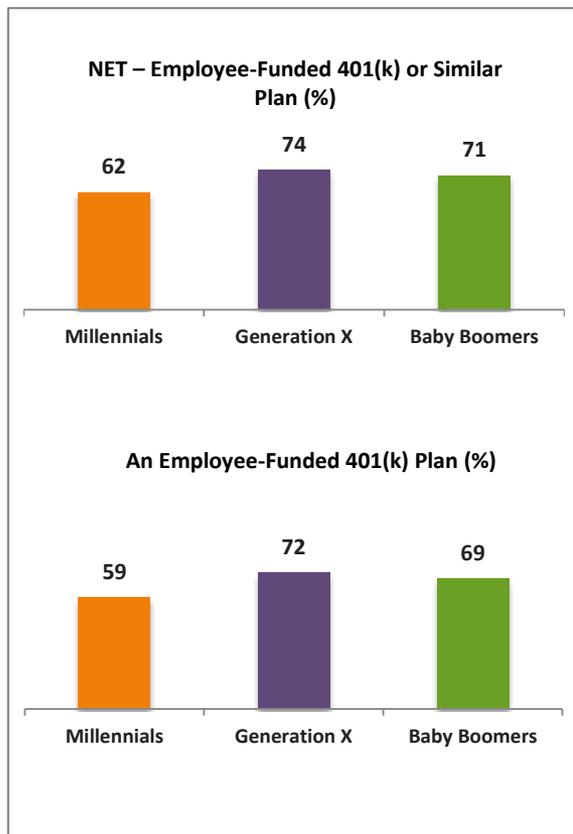
Seventy-four percent of Generation X workers have access to a 401(k) or similar employee-funded retirement plan through their workplace, making them most likely to have a plan compared to Millennial (62 percent) and Baby Boomer (71 percent) workers.



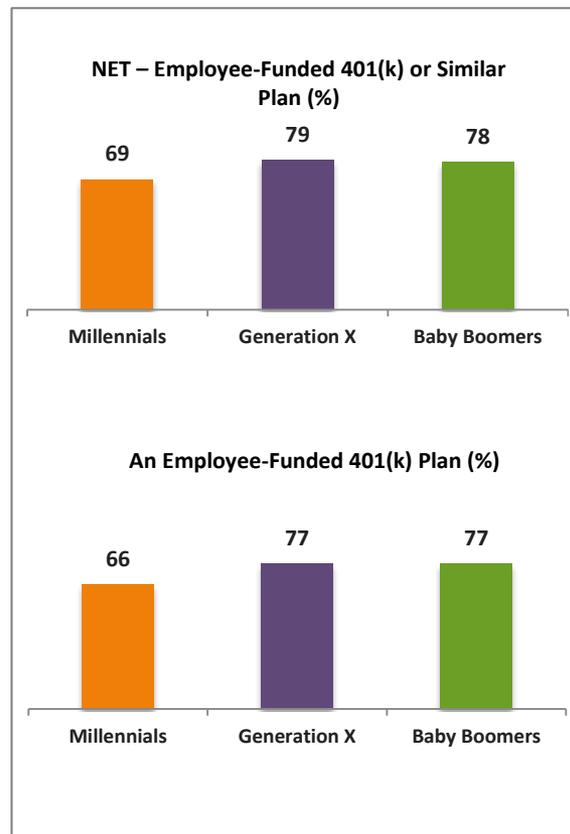
Full-Time Workers Are More Likely to Have a 401(k) Plan

Seventy-nine percent of Generation X workers who are working full-time at their current employer are offered a 401(k) or similar retirement plan – more than double the percentage of Gen Xers working part-time who are offered such benefits (39 percent). This steep disparity between full-time and part-time workers is also found among Millennials and Baby Boomers.

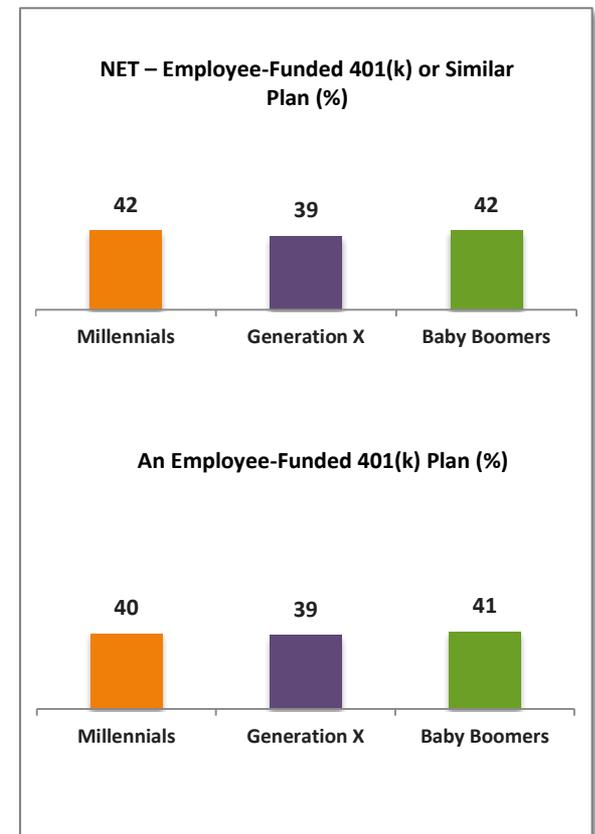
Workers (Full-Time & Part-Time)



Full-Time Workers



Part-Time Workers



BASE: ALL QUALIFIED RESPONDENTS

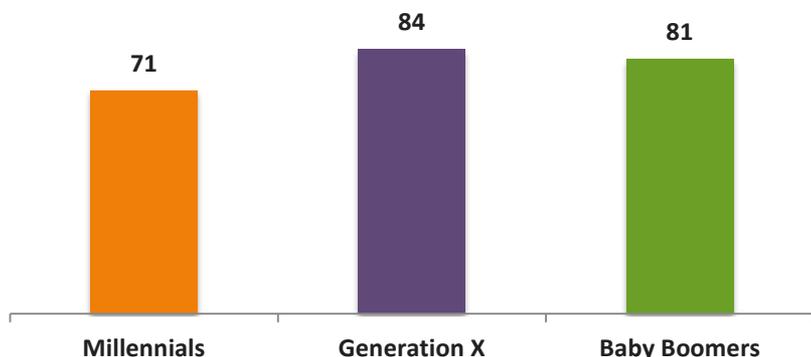
Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

Millennial: 765 (full-time) and 256 (part-time); Generation X: 935 (full-time) and 185 (part-time); Baby Boomer: 1,271 (full-time) and 534 (part-time)

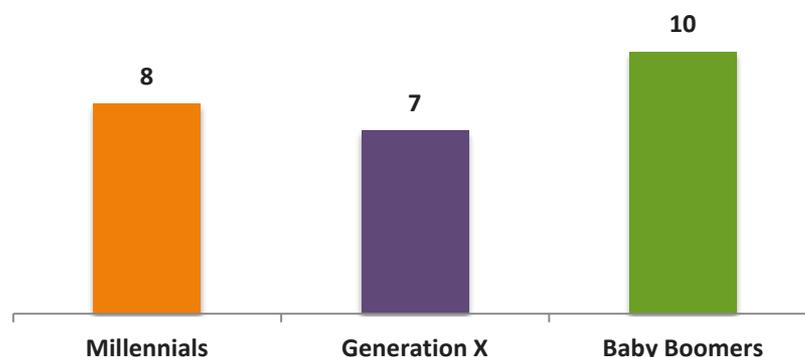
Gen Xers: Strong Plan Participant Rate, Low Contribution Rate

Eighty-four percent of Generation X workers who are offered a 401(k) or similar plan participate in that plan; a rate which is higher than that of their Baby Boomer (81 percent) and Millennial (71 percent) counterparts. However, despite high participation rates, Gen X contributors report the lowest level of annual salary contributions to the plan at seven percent (median). Millennial contributors are contributing at eight percent (median) and Baby Boomers at 10 percent (median). Increasing savings rates is a critical opportunity for Gen Xers to build their nest eggs and improve their long-term retirement security.

Participates in 401(k) or Similar Plan
Yes (%)



Percentage of Annual Salary Saved in Plan
Median (%)



BASE: CURRENTLY OFFERED A COMPANY EMPLOYEE-FUNDED RETIREMENT PLAN

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

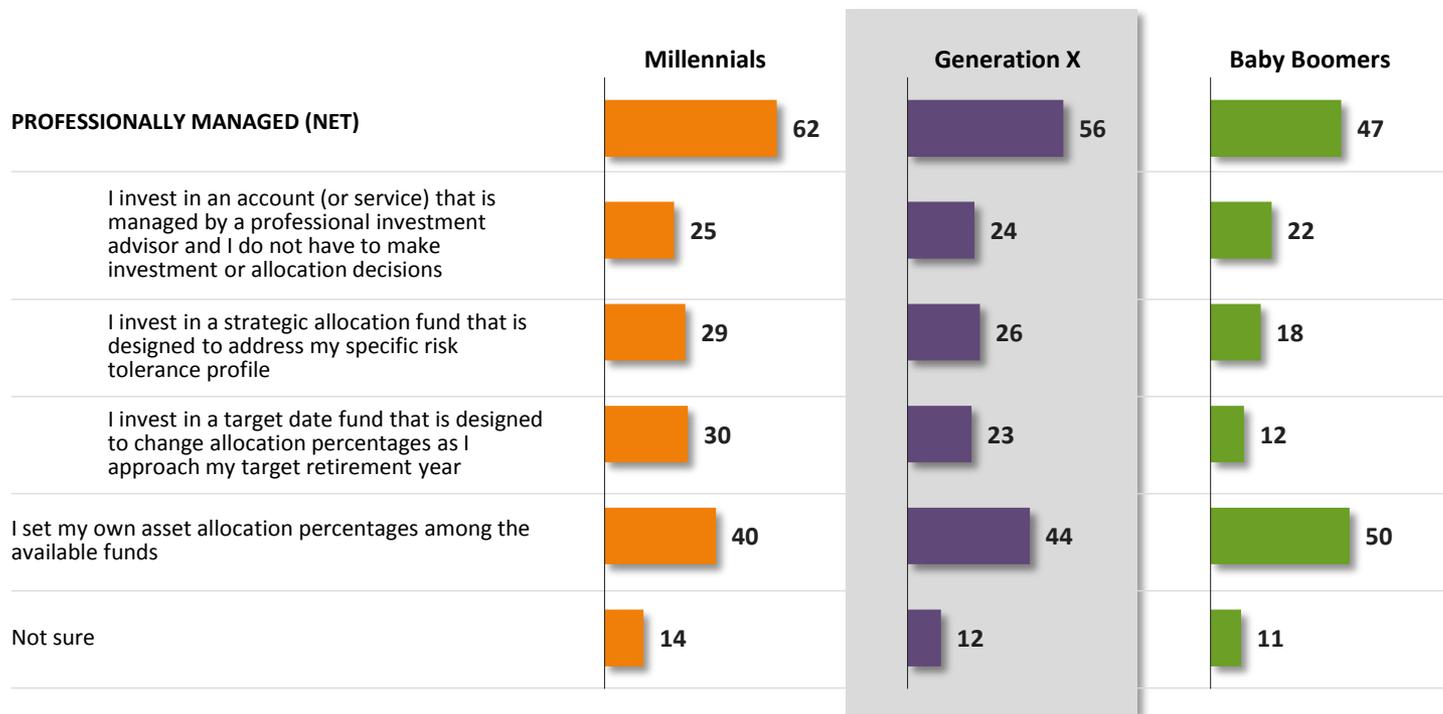
BASE: CURRENTLY PARTICIPATES IN COMPANY'S EMPLOYEE-FUNDED RETIREMENT PLAN

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

Majority of Gen Xers Use Professionally Managed Accounts

The majority of Generation X workers (56 percent) who participate in their 401(k) or similar plans are using some form of professionally managed account in those plans. “Professionally managed” accounts refer to a managed account service, strategic allocation funds, and/or target date funds. In contrast, Baby Boomer participants are more likely (50 percent) than the younger generations to set their own asset allocation percentages among available funds in the plan.

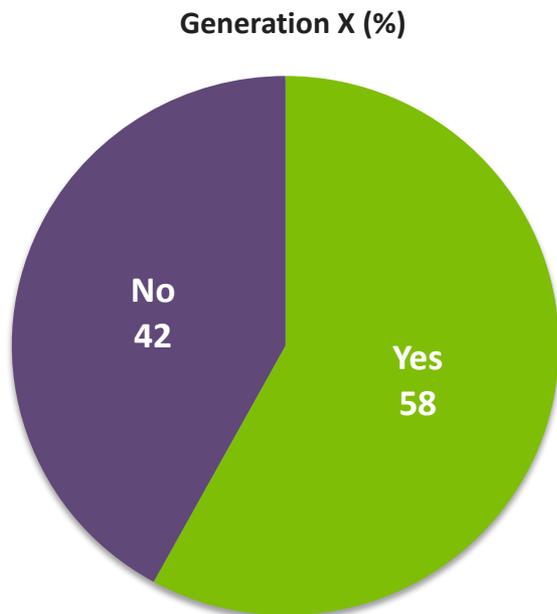
What is your current approach to investing in your employer-sponsored retirement plan? (%)



Majority of Gen X Workers Currently Saving Outside of Work

Nearly six in 10 Generation X workers (58 percent) are saving for retirement outside of work. Baby Boomer workers (64 percent) are most likely to do so, with Millennial workers (56 percent) being somewhat less likely to be saving outside of work.

Saving for Retirement Outside of Work (%)



Generation	Saving Outside of Work (Yes %)
Millennials	56%
Baby Boomers	64%

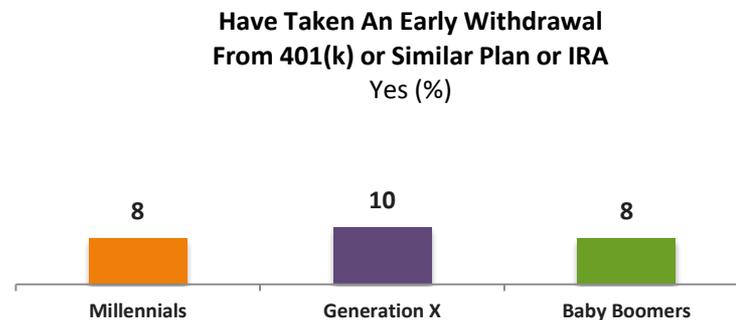
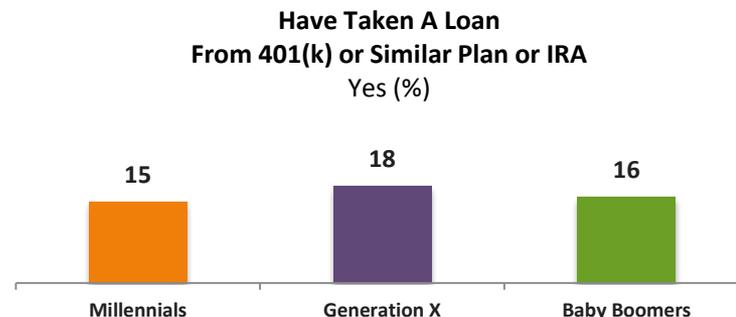
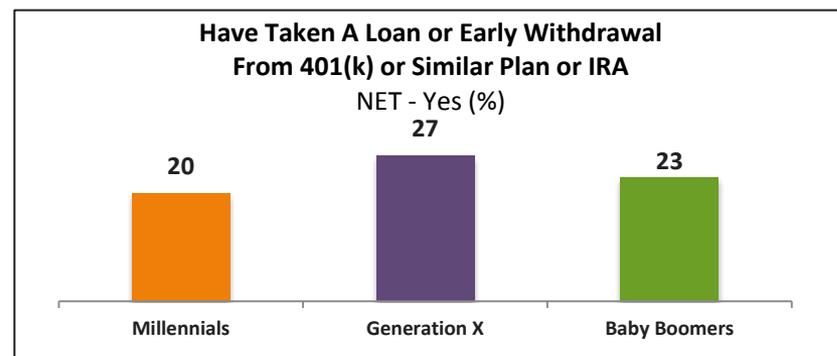
Gen Xers Have Been Raiding Their Retirement Accounts

“Leakage” from retirement plans in the form of loans and withdrawals can severely inhibit the growth of participants’ long-term retirement savings.

Among Generation X workers who are currently participating in a plan, 27 percent have taken some form of loan and/or early withdrawal, including:

- Eighteen percent who have taken a loan; and
- Ten percent who have taken an early withdrawal (e.g., hardship withdrawal, cash out when changing jobs, unable to repay plan loan).

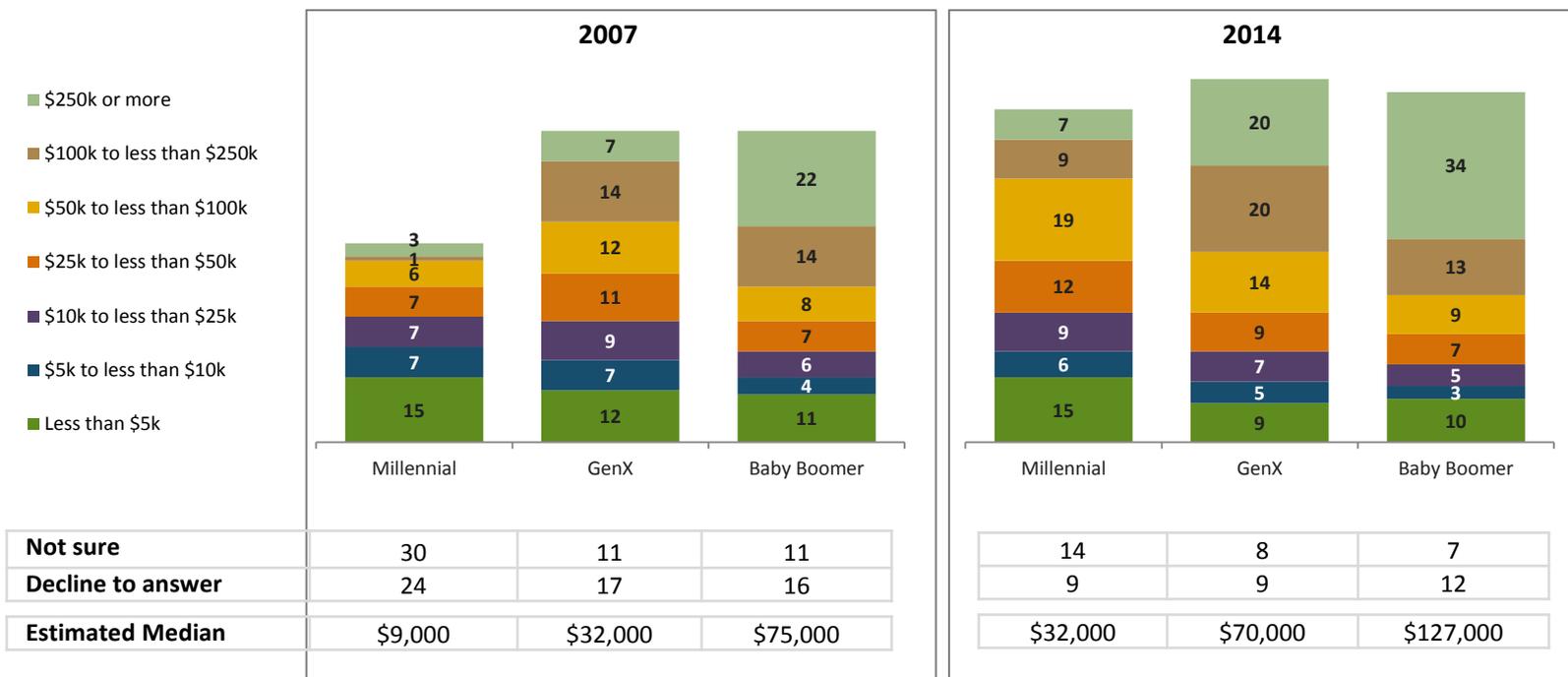
Lower savings rates combined with loans and early withdrawals are negatively affecting Gen Xers’ long-term retirement savings.



Household Retirement Savings Have Increased Since 2007

Despite the confidence-shaking events during the economic turbulence in recent years, household retirement savings increased from 2007 to 2014. However, in many instances, this growth in savings is still inadequate to fully fund an individual's or family's retirement income needs. Generation X workers have saved \$70,000 (estimated median) in household retirement accounts compared to \$32,000 in 2007. Savings shortfalls are prompting many to foresee working past age 65 and needing to continue to work in retirement.

Total Household Retirement Savings by Generation (%)



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

Who Wants to Be a Millionaire? Gen Xers

Generation X workers estimate they will need to save \$1,000,000 (median) for retirement. Thirty-one percent of Generation X workers believe that they will need to save \$2,000,000 or more. In comparison, Millennial and Baby Boomer workers estimate they will need \$800,000 (median).

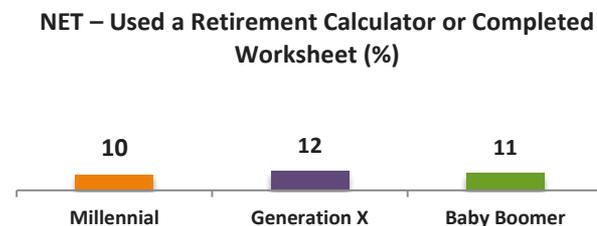
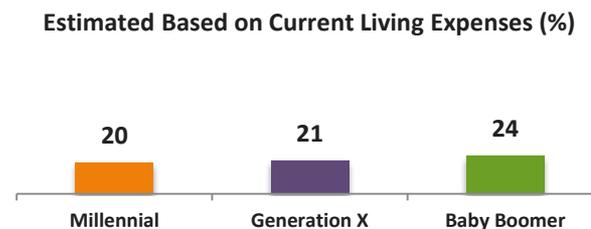
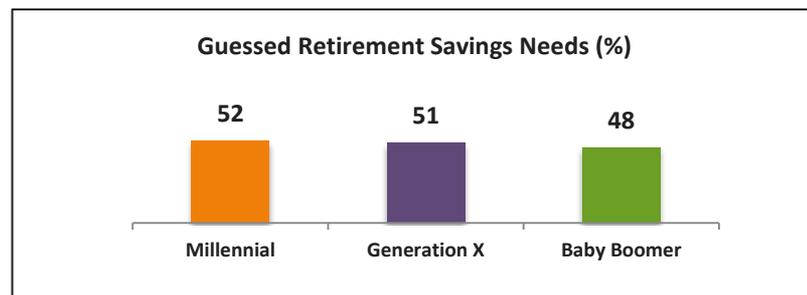
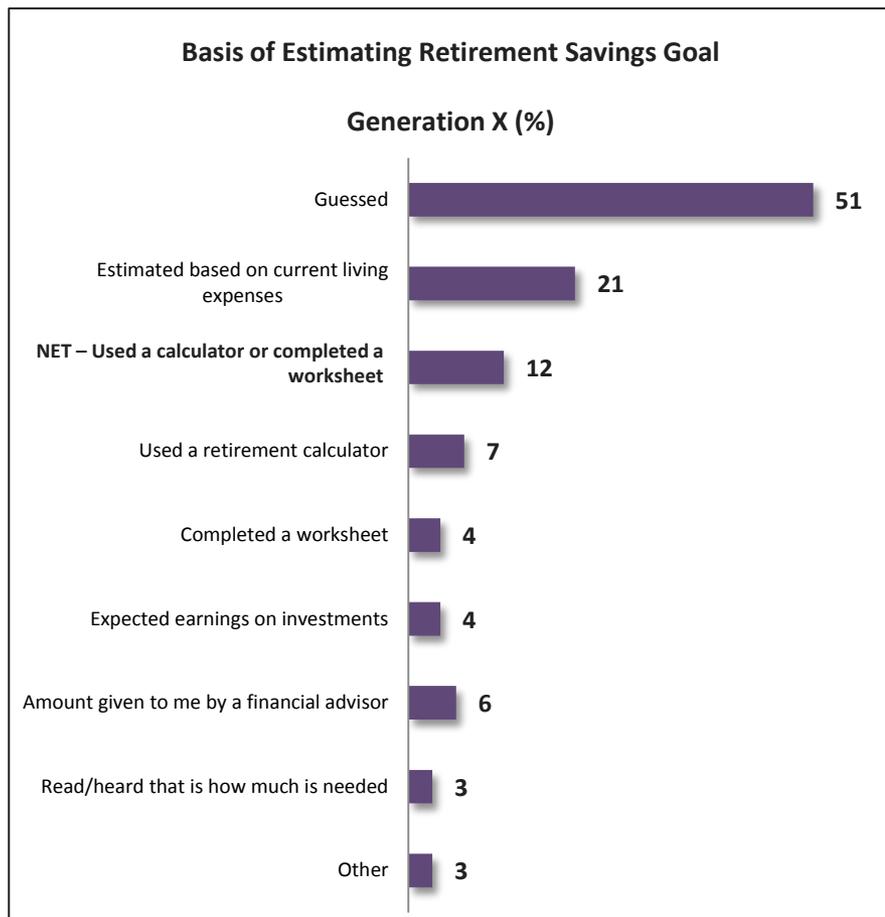
Estimated Retirement Savings Needs	Millennials	Generation X	Baby Boomers
< \$500k	38%	24%	28%
\$500k to \$1m	15%	20%	25%
\$1m to \$2m	18%	25%	24%
\$2m or More	29%	31%	23%
Median	\$800,000	\$1,000,000	\$800,000

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?

Gen Xers Making Guesses About Their Savings Needs

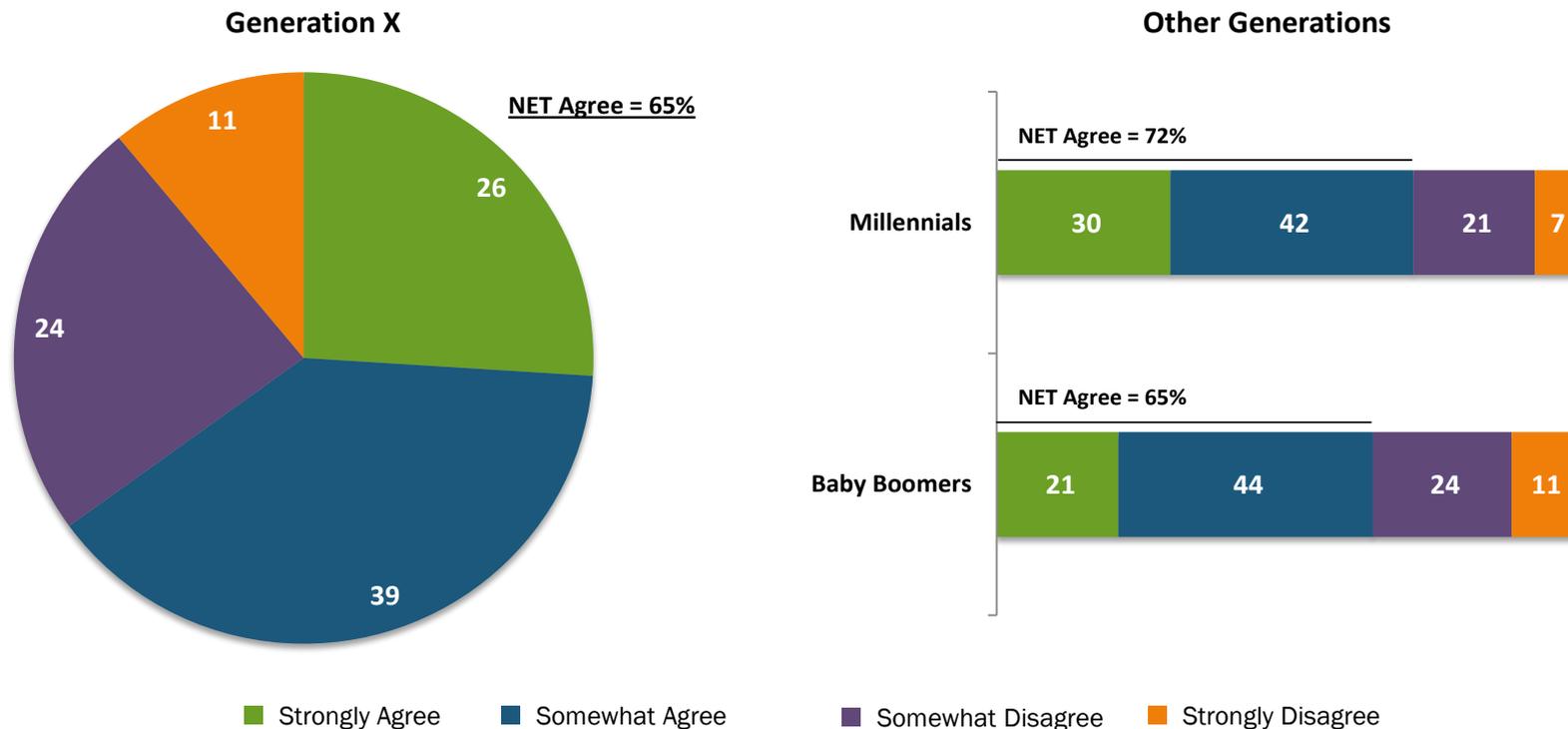
Fifty-one percent of Generation X workers who provided an estimate of their retirement savings needs indicate that they guessed what that number should be. Approximately one in five (21 percent) have estimated this goal based on his/her current living expenses. Just 12 percent used a retirement calculator or completed a worksheet. Responses are consistent among all generations.



Gen Xers Don't Know As Much As They Should About Investing

Almost two-thirds (65 percent) of Generation X workers agree that they don't know as much as they should about retirement investing. This is similar for Baby Boomer workers (65 percent), while Millennial workers are more likely to not know enough. For all three generations, getting educated is a key ingredient for saving and investing wisely.

"I do not know as much as I should about retirement investing" (% Agree)



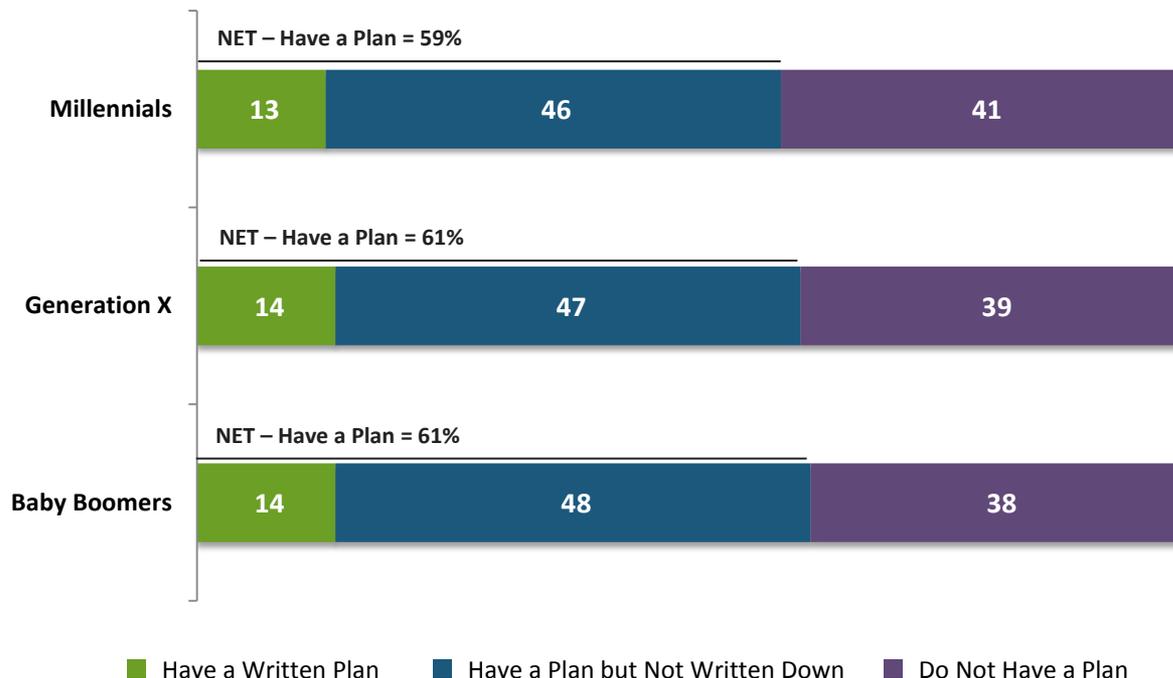
BASE: ALL QUALIFIED RESPONDENTS

Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? I do not know as much as I should about retirement investing

Few Gen Xers Have a Written Strategy for Retirement

Achieving retirement readiness is more than just saving enough; it involves planning for both the expected and, moreover, the unexpected. One of the most important secrets to attaining retirement readiness is having a well-defined written strategy that factors in retirement income needs, costs and expenses, and risk factors. The majority of Generation X workers (61 percent) have a retirement strategy, but only 14 percent have a written plan (the other 47 percent have a plan but it is not written down). Responses are strikingly similar among all generations.

How would you describe your retirement strategy? (%)



Retirement Strategies Overlooking Key Factors

A worker's retirement strategy must consider a broad range of factors that could impact his/her retirement savings, ability to generate income in retirement, and protection of savings. Most Generation X workers with a strategy have factored in total retirement savings and income needs (56 percent), on-going living expenses (56 percent), and a retirement budget (50 percent). However, fewer than half of these Gen Xers have considered healthcare costs, government benefits, investment returns, tax planning, and contingency plans. Only 22 percent of Gen Xers have factored pursuing their retirement dreams into their strategies.

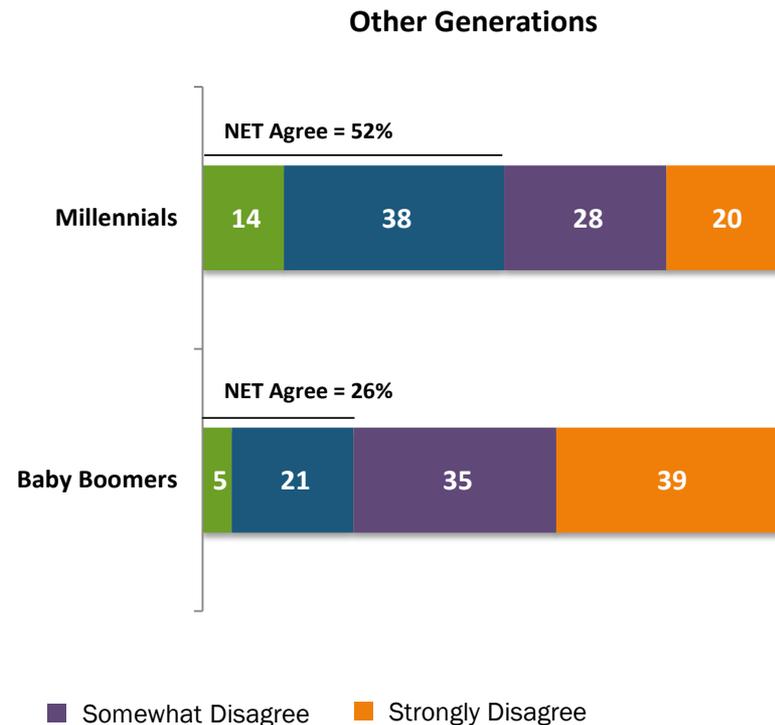
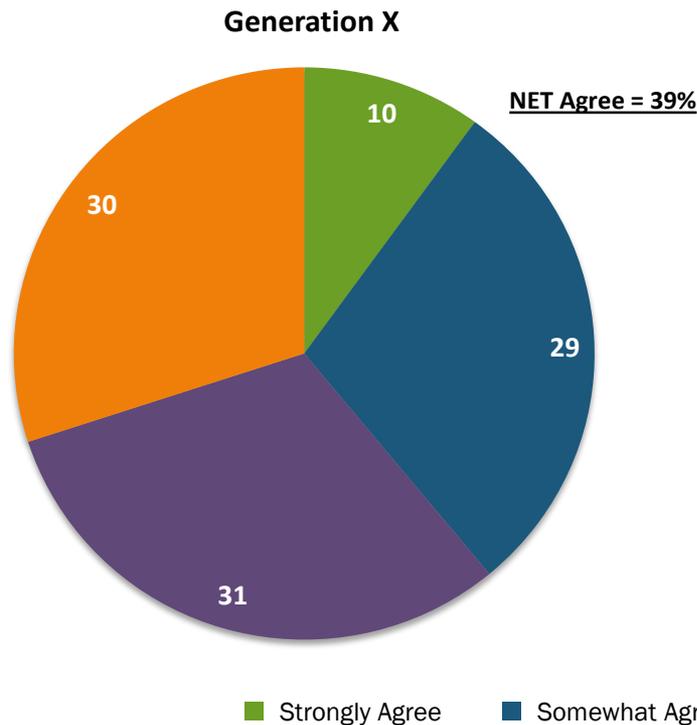
Components of Strategy	Millennials	Generation X	Baby Boomers
Total retirement savings & income needs	52%	56%	61%
On-going living expenses	48%	56%	66%
Healthcare costs	47%	46%	60%
Retirement budget that includes basic living expenses	46%	50%	61%
Social Security & Medicare benefits	39%	48%	74%
Pursuing retirement dreams	37%	22%	27%
Investment returns	31%	43%	50%
Tax planning	28%	24%	24%
Inflation	26%	39%	35%
Long-term care insurance	22%	30%	23%
Estate planning	19%	18%	22%
Contingency plans for retiring sooner than expected and/or savings shortfalls	19%	19%	14%
Other	3%	2%	6%
Not sure	7%	9%	4%

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

Many Gen Xers Are Procrastinators

Thirty-nine percent of Generation X workers prefer not to think about or concern themselves with retirement investing until they get closer to their retirement date. As Generation X begins turning age 50 in 2015, now is the time to increase focus on saving and planning for retirement.

“I prefer not to think about or concern myself with retirement investing until I get closer to my retirement date” (% Agree)



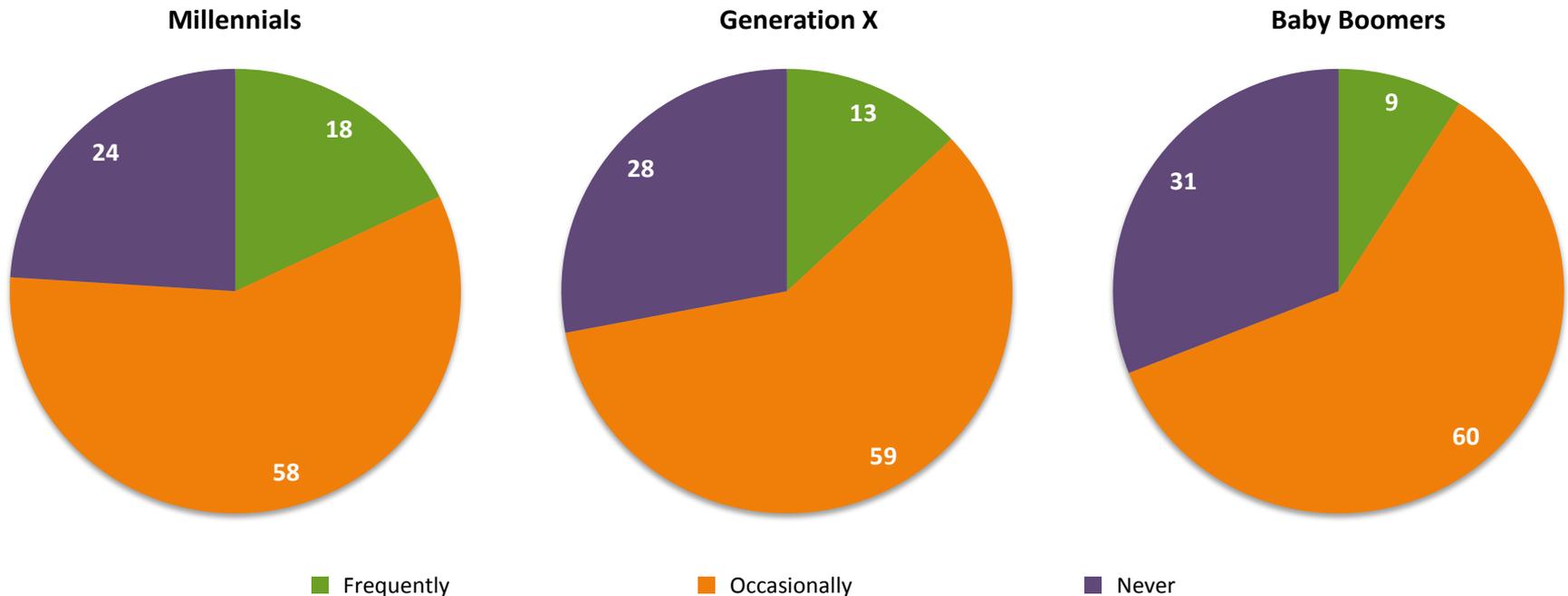
BASE: ALL QUALIFIED RESPONDENTS

Q931. How much do you agree or disagree with each of the following statements regarding retirement investing? I prefer not to think about or concern myself with retirement investing until I get closer to my retirement date.

Gen Xers Aren't Talking Enough About Retirement

Only 13 percent of Generation X workers frequently discuss saving, investing and planning for retirement with family and friends. At a period in life that involves juggling careers, raising children and potentially caring for aging parents, it is paramount that Generation X takes time to have conversations about retirement to identify needs, strategize how to bridge savings shortfalls, and set expectations regarding the need to receive or provide financial support to a loved one.

How frequently do you discuss saving, investing, and planning for retirement with family and friends? (%)



■ Frequently

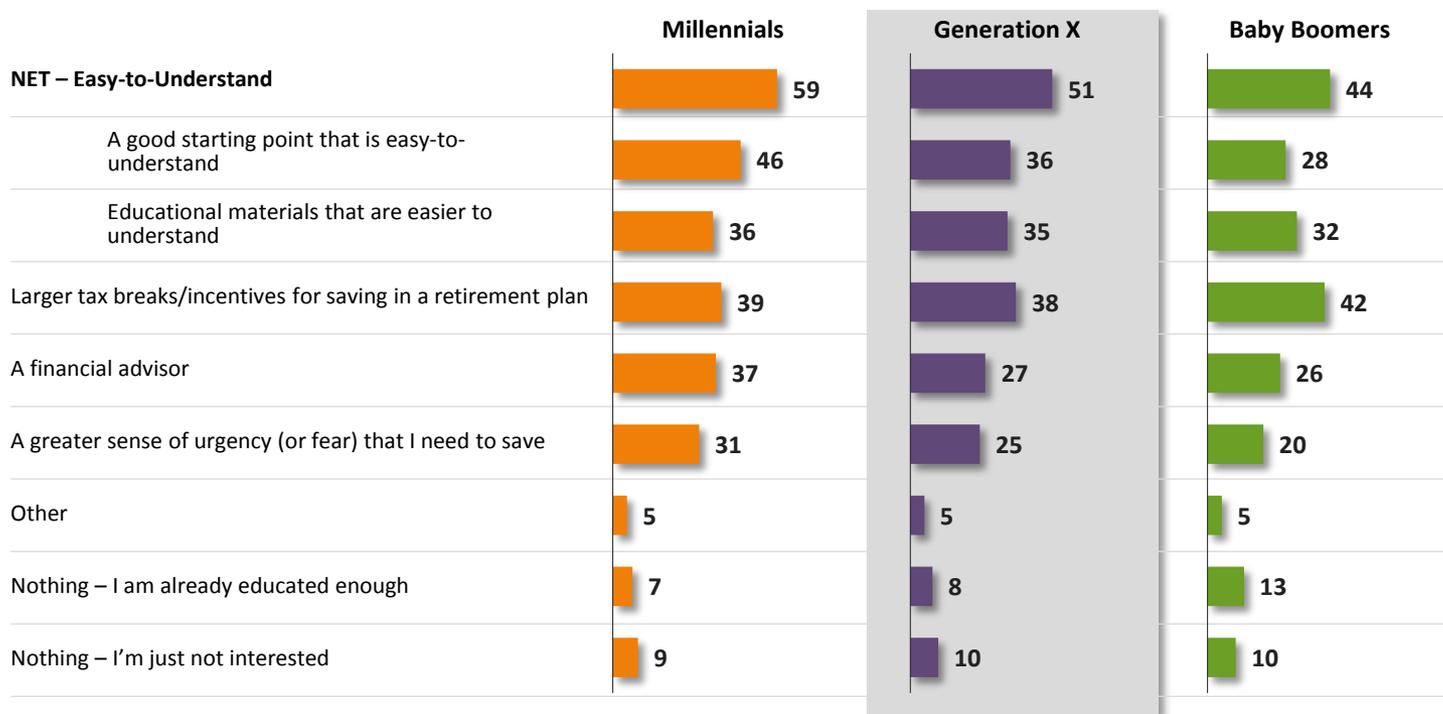
■ Occasionally

■ Never

Motivators to Inspire Learning: Make It Easier to Understand

When asked what would motivate them to learn more about saving and investing for retirement, the most frequently cited motivators among workers of all generations are related to making it easier to understand. Just over half of Generation X workers (51 percent) want saving and investing to be made easier to understand compared to only 38 percent who want larger tax breaks. A small but startling minority (10 percent) say “nothing – I’m just not interested.”

What would motivate you to learn more about saving and investing for retirement? (%)

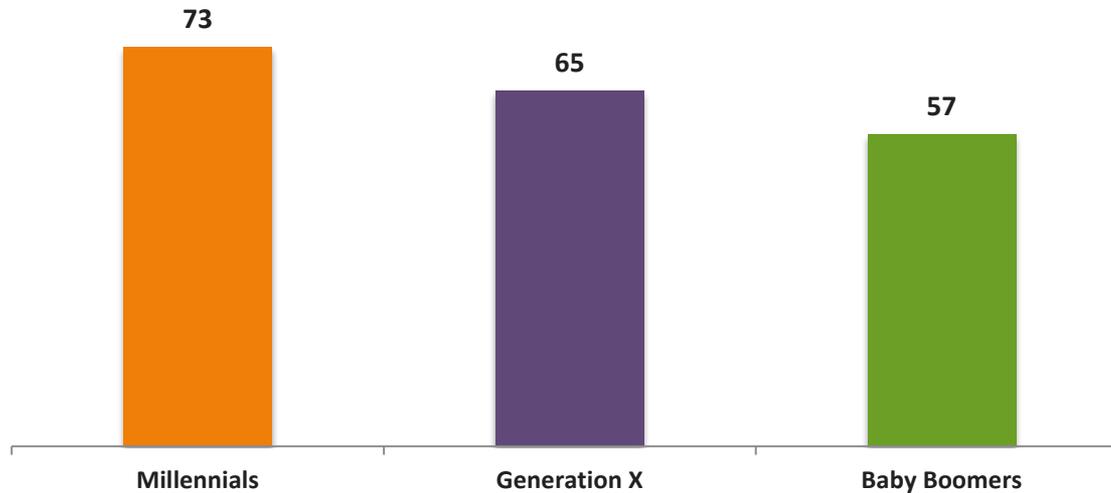


Gen Xers Want More Retirement Education and Advice

Sixty-five percent of Generation X workers would like more education and advice from their employers on how to reach their retirement goals. Millennial workers (73 percent) are most likely to want this type of information and their Baby Boomer counterparts somewhat less likely (57 percent).

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

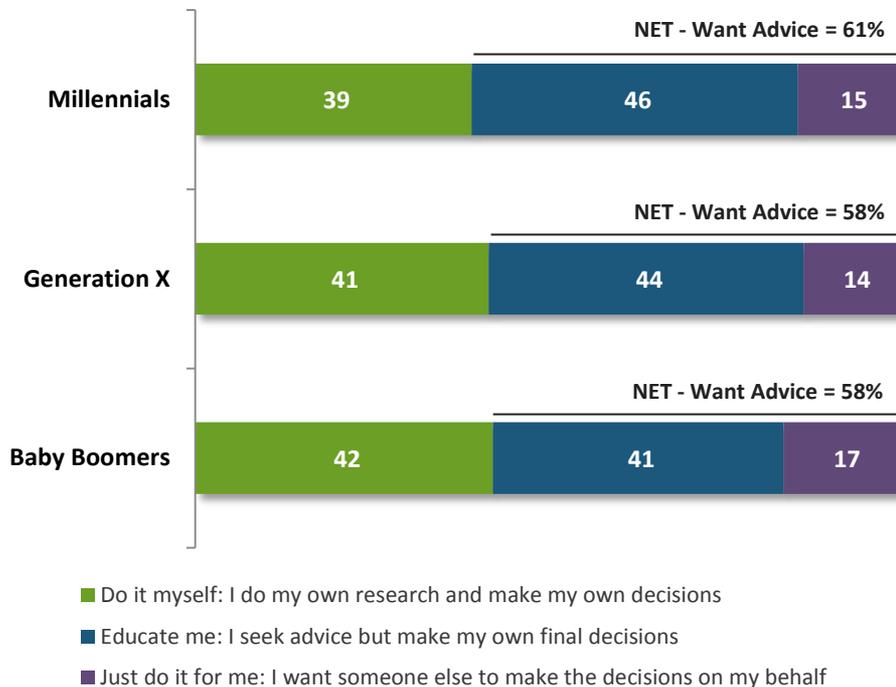
NET – Strongly/Somewhat Agree (%)



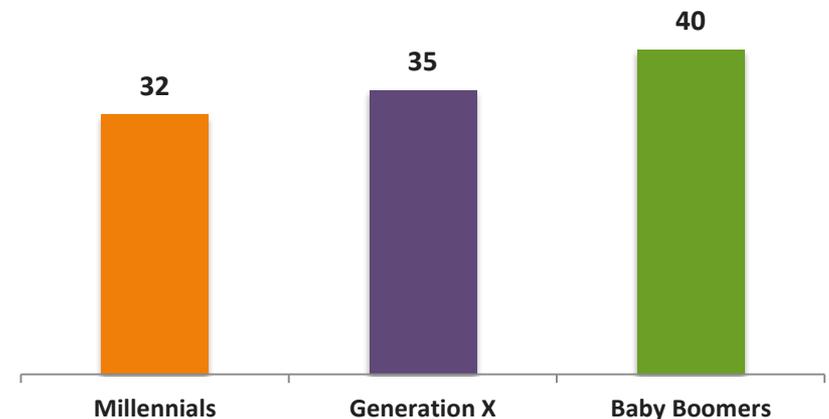
Gen Xers Want Some Form of Advice Yet Few Have an Advisor

The majority of Generation X workers (58 percent) say they want some level of advice when saving and investing for retirement, including 44 percent seeking education and advice but ultimately making their own decisions, and 14 percent wanting someone to make decisions on their behalf. In contrast to their desire for advice, only 35 percent of Gen Xers who are now saving and investing for retirement actually use a professional financial advisor to help them.

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



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



BASE: ALL QUALIFIED RESPONDENTS

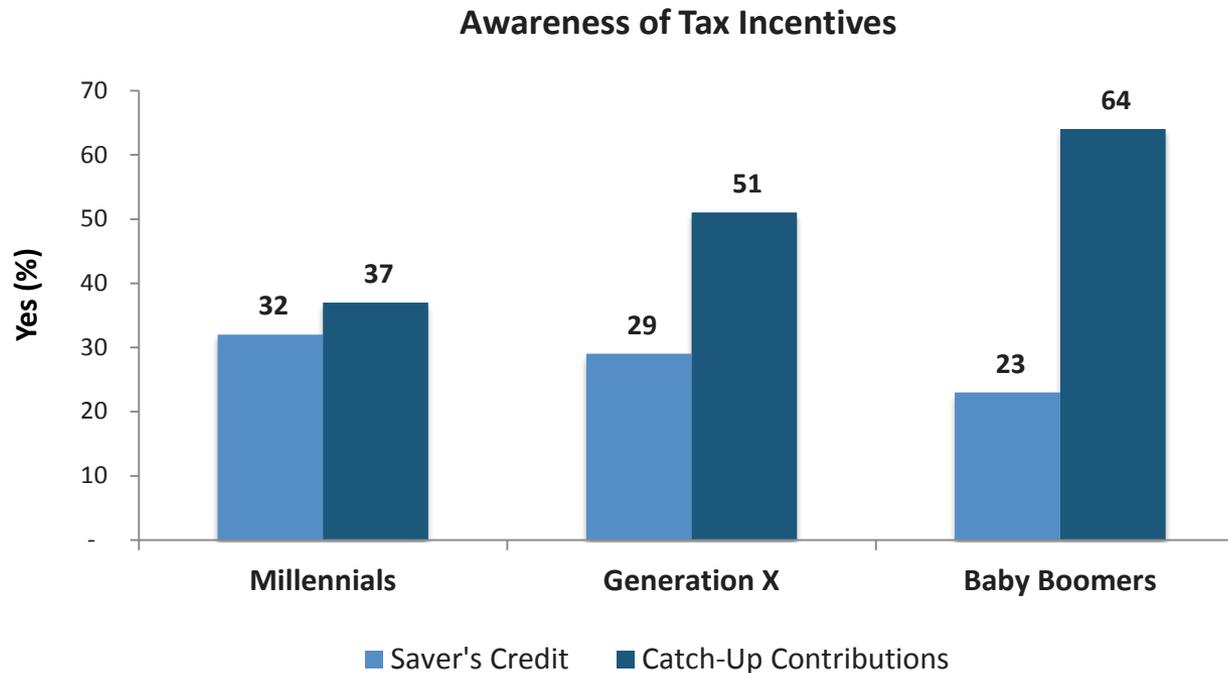
Q705. How would you describe yourself when it comes to saving and investing for retirement?

BASE: INVESTING FOR RETIREMENT

Q860. Do you use a professional financial advisor to help manage your retirement savings or investments?

Incentives: Catch-Up Contributions & Saver's Credit

Thirty-eight percent of Generation X workers indicate that greater tax breaks and incentives would be a motivator for them to learn more about saving and investing for retirement (see page 45). Two meaningful incentives include: the Saver's Credit, a tax credit for low- to moderate-income workers who save for retirement in a qualified retirement plan or IRA; and Catch-Up Contributions, which allow workers age 50 and older to contribute to a qualified plan an additional amount over and above the plan- or IRA-contribution limit. Generation X will start to turn 50 in 2015. Catch-Up Contributions are a noteworthy and relevant incentive; however, only 51 percent of Generation X workers know about this opportunity.



BASE: ALL QUALIFIED RESPONDENTS

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

Q1000. Are you aware that people age 50 and older may be allowed to make catch-up contributions to their 401(k)/403(b)/457(b) plan or IRA?

Recommendations for Gen Xers

Generation X is in danger of not achieving a financially secure retirement. However, they still have time on their side to improve their retirement outlook in the coming years.

Seven tips toward achieving retirement readiness include:

1. **Evaluate your financial situation.** Do a full financial assessment of current levels of retirement savings and other components of your personal balance sheet including other assets and debts. Know where you stand.
2. **Calculate retirement savings needs, develop a retirement strategy, and write it down.** Factor in living expenses, healthcare needs, government benefits and long-term care. Envision your future retirement and have a backup plan in case retirement comes early due to an unforeseen circumstance.
3. **Consider participating in employer-sponsored retirement plans, if available,** and taking full advantage of matching employer contributions. Consider deferring even more, if possible. Avoid taking loans and early withdrawals. When eligible, consider Catch-Up Contributions.
4. **Get educated about retirement investing.** Whether relying on the expertise of professional advisors or taking a more do-it-yourself approach, gain the knowledge to ask questions and make informed decisions. Learn about Social Security and government benefits, keeping in mind that benefits may change over time.
5. **Seek assistance from a professional financial advisor,** if needed.
6. **Be proactive about staying competitive in the ever-changing job market.** Be proactive about keeping job skills up-to-date, performing well at your current job, keeping abreast of employment trends and marketplace needs, and even going back to school to learn new skills if necessary.
7. **Start a conversation with family and close friends.** Share an open dialogue about retirement preparedness, risks, and expectations.

Recommendations for Employers

Working with their retirement plan professionals and providers, employers can help improve their employees' retirement outlook through these 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. **Consider structuring matching contribution formulas 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 or even 25 percent of the first 12 percent of deferrals).
6. **Ensure educational offerings are easy-to-understand and meet 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 education about 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 incentives to save, including the Saver's Credit and Catch-Up Contributions.**

Recommendations for Policymakers

Workplace retirement benefits play a vital role in helping Millennials and workers of all ages 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 to improve the current system. Recommendations for policymakers include:

1. **Preserve existing incentives for workers to save for retirement** including tax-deferred savings, existing contribution limits to qualified retirement plans and IRAs, and the Saver's Credit.
2. **Expand retirement plan coverage for all workers including part-time workers by:**
 - a. 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.
 - b. Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing.
3. **Increase default contribution rates in plans using automatic enrollment.** The current minimum default contribution rate in the safe harbor, which ranges from three percent to six percent, sends a misleading message to plan participants that saving at those levels is 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. **Reduce leakage from retirement accounts** by extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals.
5. **Illustrate savings as retirement income on retirement plan account statements.** Require retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum to help educate savings needs.
6. **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.
7. **Expand the Saver's Credit** by making it refundable and/or raising the income eligibility requirements so that more tax filers are eligible.

Appendix

Demographics: A Portrait of Three Generations of Workers

Characteristics	Millennials (%)	Generation X (%)	Baby Boomers (%)
Work Status			
• Full-Time	74	87	80
• Part-Time	26	13	20
Level of Education			
• Less Than High School Diploma	4	2	-
• High School Diploma	30	21	30
• Some College or Trade School	30	32	38
• College Graduate or More	36	45	32
Marital Status			
• Married or Partnership	43	67	72
• Single	57	33	28
Gender			
• Male	49	54	53
• Female	51	46	47
Ethnicity			
• White	50	63	75
• Hispanic	25	18	10
• African American	14	11	8
• Asian/Pacific	8	7	4
• Other/Mixed	3	1	2
Annual Household Income			
• Less than \$25,000	15	5	6
• \$25,000 to \$49,999	24	18	17
• \$50,000 to \$99,999	37	38	36
• \$100,000+	19	35	37
• Decline to Answer	5	4	4
• Estimated Median	\$47,000	\$69,000	\$69,000

BASE: ALL QUALIFIED RESPONDENTS

Q1600, Q437, Q1280, Q1665, Q268, Q1240. Which of the following best describes/represents ...?

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