News
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Retirement Insecurity: A Multi-Generational View

New study reveals retirement fears and challenges faced by Baby Boomers, Generation X, and Millennials

LOS ANGELES – August 23, 2016 – Today, nonprofit Transamerica Center for Retirement Studies® ("TCRS") released new research evaluating the retirement outlook of American workers by generation. "Today's workers are grappling with retirement security and challenged by the wobbly three-legged stool comprising Social Security, employer-sponsored retirement benefits and personal savings," said Catherine Collinson, president of TCRS.

The 17th Annual Transamerica Retirement Survey, one of the largest and longest running national surveys of its kind, found that among the generations surveyed, 40 percent of Baby Boomer workers are expecting a decrease in their standard of living when they retire. Eighty-three percent of Generation X workers believe that their generation will have a harder time achieving financial security than their parents' generation. And among Millennial workers, the youngest generation in the workforce, only 18 percent are very confident about their future retirement.

"Although the Great Recession ended years ago, millions of Americans are still regaining their financial footing," said Collinson. "As each year passes, people's fears about our current retirement system come more sharply into focus."

Key findings from the survey report titled *Perspectives on Retirement: Baby Boomers, Generation X, and Millennials* raise questions about the stability of the U.S. retirement system's three-legged stool:

- Sixty-one percent of workers have not fully recovered from the Great Recession, including 41 percent who have somewhat recovered, 13 percent who have not yet begun to recover, and seven percent who may never recover;
- Seventy-seven percent of workers are concerned Social Security won't be there when they are ready to retire;
- Only 51 percent of workers agree that they are building a large enough retirement nest egg, including only 16 percent who strongly agree; and
- Sixty-five percent believe that they could work until age 65 and not save enough to meet their needs.

"Amid retirement savings shortfalls, American workers are attempting to prop up our system's three-legged stool by adding a fourth leg: working during retirement," said Collinson. The survey found that 38 percent of workers are expecting income from continued work during their retirement – and 15 percent are expecting it to be their primary source of income in retirement.

Baby Boomers (Born 1946 to 1964): Trailblazers of the New Retirement

"Baby Boomers are the generation that has re-written societal rules at every stage of their life," said Collinson. "Now, Baby Boomer workers are redefining retirement by planning to work until an older age than previous generations." Sixty-six percent plan to or already are working past age 65 or do not plan to retire at all – and many expect to continue working in retirement, at least on a part-time basis. Most of those who plan to continue working say it's due to income or health benefits. However, Baby Boomers' vision of a flexible transition into retirement may prove difficult since many employers do not have business practices in place to accommodate a flexible transition into retirement.

Most Baby Boomers (87 percent) are expecting Social Security to be a source of their retirement income and one in three (34 percent) expects it to be their primary source of income. One-third (33 percent) are expecting income from a traditional pension plan, while most (78 percent) from retirement accounts (e.g., 401(k)s, 403(b)s, IRAs) and other savings and investments.

The current household savings in all retirement accounts among Baby Boomer workers is $147,000 (estimated median). It should be noted that many Baby Boomers were already mid-career when 401(k) plans were first introduced. Therefore, they have not had a full 40-year time horizon to save in 401(k) plans.

"Working longer and fully retiring at an older age is a common sense solution for mitigating retirement savings shortfalls. Baby Boomers' vision can only be achieved if they are proactive about staying employable and if employment opportunities are available to them," said Collinson. "As part of their retirement planning, Baby Boomers should create a Plan B if retirement happens unexpectedly due to job loss, health issues, or other intervening circumstances."

Generation X (Born 1965 to 1978): The Struggling Retirement Savers

"Generation X entered the workforce in the late 1980s and is the first generation to have access to 401(k) plans for the majority of their working careers," said Collinson. "As such, they are early adapters who had to learn from their own experience without precedents to help guide their way."

Seventy-seven percent of Generation X workers are saving for retirement and they started at age 28 (median). Among those participating in a 401(k) or similar plan, they contribute seven percent (median) of their annual pay.

Unfortunately, 30 percent of Generation X retirement plan participants have taken a plan loan or early withdrawal, with commonly cited reasons relating to paying off debt or unplanned major expenses. This may be partly explained by low levels of emergency savings. Generation X workers have saved just $5,000 (estimated median) to cover the cost of unexpected financial setbacks. Twenty-four percent have saved less than $1,000 for such emergencies.

The total household retirement savings for Generation X is $69,000 (estimated median). Just 12 percent are very confident that they will be able to fully retire with a comfortable lifestyle.

"Generation X has entered its sandwich years with many in the middle of raising children and looking after aging parents – while juggling their jobs. They may feel that they cannot afford to invest in their own retirement. On the contrary, they have now reached the age at which they cannot afford not to save for retirement," said Collinson. "Generation X has fallen behind on their retirement savings, but they still have time to catch up and improve their retirement outlook if they begin focusing on it right now."

Millennials (Born 1979 to 2000): The Digital DIY Generation of Retirement Savers

"Millennials are the youngest and largest generation in the workforce. They've heard the word that they need to save for retirement," said Collinson.

Seventy-two percent of Millennial workers have started saving – and at the young age of 22 (median). Among those who are offered a 401(k) or similar plan, 72 percent participate in the plan and contribute seven percent (median) of their annual pay. An impressive 30 percent contribute more than 10 percent of annual pay. The total household retirement savings among Millennials is $31,000 (estimated median).

Millennials can do more to improve their retirement outlook by learning about investing. Seventy-two percent agree that they do not know as much as they should about retirement investing. Among those currently participating in a 401(k) or similar plan, one in four are "not sure" how their retirement savings are invested. Another 22 percent indicate their retirement savings are invested mostly in bonds, money market funds, cash, and other stable investments, thereby suggesting that they may be investing too conservatively given their long-term investing horizon until retirement.

Hungry for more education, most Millennials (75 percent) say they would like more information and advice from their employers on how to achieve their retirement goals. Of the three generations, Millennials are most likely to find digital technologies offered by their retirement plan providers to be helpful, including 80 percent who find mobile apps for managing their accounts to be helpful (compared to just 48 percent of Baby Boomers).

"Millennials are doing a great job saving for retirement. By learning about investments and through careful planning, many can be well-positioned to achieve a comfortable retirement," said Collinson.

Please visit TCRS at www.transamericacenter.org to view the full survey results, infographics and additional materials. Follow TCRS on Twitter @TCRStudies.

CORRECTION: Please note that this press release has been corrected to state that 40 percent of Baby Boomer workers are expecting a decrease in their standard of living when they retire (not 45 percent as was previously stated).

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About Transamerica Center for Retirement Studies
The Transamerica Center for Retirement Studies® (TCRS) is a division of Transamerica Institute®, a nonprofit, private foundation. The Transamerica Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties. For more information please refer to www.transamericacenter.org and follow TCRS on Twitter at @TCRStudies.

About the 17th Annual Transamerica Retirement Survey
The analysis contained in *Perspectives on Retirement: Baby Boomers, Generation X, and Millennials* was prepared internally by the research team at TCRS. The online survey was conducted within the U.S. by Harris Poll on behalf of TCRS between April 11 and May 12, 2016 among a nationally representative sample of 4,161 full-time and part-time workers, including 1,353 Millennials, 1,232 Generation X, 1,462 Baby Boomers and 114 workers who were born prior to 1946. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full-time or part-time workers in for-profit

companies, and employer size of 10 or more. Results were weighted where necessary to bring them into line with the population of US residents age 18+, employed full-time or part-time in a for-profit company with 10+ employees, and to adjust for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who responded to this survey versus those who did not. No estimates of theoretical sampling error can be calculated.

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