TRANSAMERICA CENTER FOR RETIREMENT STUDIES®

News
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After the Storm: Three Unique Generations with Very Different Retirements Ahead of Them

New research examines current trends among Baby Boomers, Generation X, and Millennials

LOS ANGELES –April 30, 2014 – Today, nonprofit Transamerica Center for Retirement Studies® ("TCRS") released new research evaluating the effects of what is commonly referred to as the Great Recession on American workers and their retirement outlook. "2014 represents a confluence of economic and demographic occurrences," said Catherine Collinson, president of TCRS. "As the U.S. economy and American workers are still recovering from the Great Recession, 2014 marks the year that the last of the Baby Boomers will be turning 50 and the eve of Generation X's midcentury milestone birthday."

As the lead release from the 15th Annual Transamerica Retirement Survey, one of the largest and longest-running national surveys of its kind, this new research examines current trends among American workers and compares the retirement outlooks of Baby Boomers, Generation X, and Millennials.

After the Storm: American Workers' Recovery from the Economic Downturn

Economists have pinpointed the Great Recession as lasting from December 2007 through mid-2009, when the recovery began. In 2014, American workers have their own opinions about the state of the recovery:

- Only two percent of workers believe that the Great Recession has ended with a full economic recovery;
- Sixty-five percent of workers believe that the Great Recession has ended but with mixed views about the current state of the recovery; and
- Thirty-five percent of workers believe the Great Recession has not yet ended. An even higher percentage of Baby Boomers (40 percent) believe that it has not ended.

Few workers were unscathed by the Great Recession. However, the majority of workers (58 percent) now say that they are financially recovering: 14 percent have fully recovered and 44 percent have somewhat recovered. Another 15 percent say they were not impacted.

Three Unique Generations with Very Different Retirements Ahead of Them

"Experts have long written about the changing retirement landscape over the past century," said Collinson. "Times are changing so rapidly that the retirements of Baby Boomers, Generation X, and Millennials will not only be a radical departure from their parents' generations but from each other as well."

Baby Boomers: Pioneers of a New Retirement Paradigm

Baby Boomers (born between 1946 and 1964) are pioneering a new retirement paradigm and are proving that working in retirement and taking time for leisure are not mutually exclusive. Many Baby Boomers were already mid-career when the retirement landscape shifted from defined benefit plans to 401(k) or similar plans. They have not had a full 40-year time horizon to save in 401(k)s and experience the full effects of long-term compounding of their investments.

"Many Baby Boomers were hit hard during the Great Recession and, unlike younger generations, they have less time to financially recover before they retire," said Collinson. TCRS found Baby Boomers to have total household retirement savings of $127,000 (estimated median), an increase from $75,000 in 2007, however, not enough to meet retirement needs for many.

This savings shortfall helps to explain the sharp increase in Baby Boomers who expect to rely on Social Security as their primary form of income when they retire – now 36 percent, up from 26 percent in 2007.

Sixty-five percent of Baby Boomers plan to work past age 65 or do not plan to retire – and most (52 percent) expect to continue working, at least on a part-time basis (42 percent), when they retire. Only 21 percent plan to immediately stop working when they retire. Most of those who plan to continue working say it's for reasons of income or health benefits.

"The best of intentions to continue working and fully retire at an older age can be easily derailed with a lack of planning," said Collinson. "Baby Boomers are not being sufficiently proactive about taking important steps to help ensure that they continue working beyond 65 or have a Plan B if retirement happens unexpectedly."

Among Baby Boomers, the survey found:

- Many (65 percent) are staying healthy so they can continue working;
- Forty-one percent are keeping their job skills up to date;
- Sixteen percent are networking and meeting new people;
- Fourteen percent are scoping out the employment market and possible opportunities; and
- Twenty-six percent have a backup plan if forced into full retirement sooner than expected due health issues, job loss, or other unforeseen circumstances.

The survey also revealed a pervasive disconnect between Baby Boomers and their employers. While many Baby Boomers have intentions of shifting from full-time to part-time as they transition into retirement, only 21 percent say their employers have programs in place to accommodate such a shift.

"Baby Boomers who are envisioning a transition into retirement that involves working should do a reality check whether their current employers will support them. If not, they'll need to seek employment elsewhere or pursue something entrepreneurial. All of these scenarios require being proactive and strategic," said Collinson.

Generation X: The 401(k) Generation

Generation X (born between 1965 and 1978) entered the workforce in the mid- to late-1980s just as 401(k)s were being implemented and defined benefit plans were beginning to disappear. It is the first generation to have access to 401(k)s for most of their working careers.

"Generation X is the 401(k) generation," said Collinson. The survey found that among Generation Xers:

- More than half (52 percent) expect to self-fund their retirement with 401(k)s, 403(b)s, or IRAs;
- Ninety-one percent highly value 401(k) or similar plans as an important benefit;
- Among those offered a plan, 84 percent participate in the plan and participants contribute 7 percent (median) of their annual salary.

Unfortunately, Generation X has been more likely than other generations to take advantage of 401(k) features such as loans and early withdrawals, which when initially introduced were thought to incent plan participation, but are now also viewed as a double-edged sword which can be destructive of long-term growth of retirement nest eggs. Twenty-seven percent of current 401(k) participants have taken a loan and / or early withdrawal.

Generation X workers estimate that they will need to save $1,000,000 (median) to retire with a comfortable lifestyle, which reveals a profound gap compared to what they have saved to date. The total household retirement savings for Generation X is $70,000 (estimated median), an increase from $32,000 reported in 2007. This savings gap helps explain why the majority of Generation X (54 percent) plan to work past age 65 or do not plan to retire.

"Generation X will begin turning 50 next year, a loud wakeup call for them to get laser-focused on planning, saving, and investing for retirement. Their clock is ticking but they still have time to substantially improve their retirement prospects," said Collinson. "The future is now."

Millennials: The Digital DIY Generation of Super Savers
Millennials (born after 1978) have lofty aspirations about their future retirement. The majority (60 percent) plans to retire either before or at age 65. Most plan to continue working when they retire, with many intending to do so for enjoyment.

"Millennials are a digital do-it-yourself generation of super savers," said Collinson. "They've heard and responded to the message they need to start early and save as much as possible." The survey found that 70 percent of Millennials are already saving for retirement, and started at an unprecedented age of 22 (median).

Two out of three (66 percent) Millennials expect to self-fund their retirement through retirement accounts (e.g., 401(k)s, 403(b)s, IRAs) or other types of savings and investments. Among Millennials who are offered a 401(k) or similar plan, 71 percent are participating in the plan and participants contribute 8 percent (median) of their annual salary. Even more impressive, among Millennials currently participating in their plan whose employer offers a matching contribution to the plan, the salary contribution rate increases to 10 percent (median).

Millennials are early adopters of digital technologies to assist with their savings:

- Seventy-one percent say mobile apps to manage their accounts are helpful (compared to just 47 percent of Baby Boomers);
- Sixty-eight percent say that mobile apps from their plan provider including tools and calculators are helpful (compared to just 49 percent of Baby Boomers); and
- Sixty-one percent say information on social media (e.g., Twitter, Facebook) from their plan provider is helpful (compared to only 28 percent of Baby Boomers).

Hungry for more education, nearly three in four (73 percent) say they would like more information and advice from their employers on how to achieve their retirement goals.

"Millennials take their retirement benefits very seriously," said Collinson. "Our research found that two out of three Millennials say they would likely switch employers for a similar job that offered better retirement benefits."

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

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About the 15th Annual Transamerica Retirement Survey
The survey was conducted online within the United States by Harris Poll on behalf of Transamerica Center for Retirement Studies between February 21 – March 17, 2014 among a nationally representative sample of 4,143 full-time and part-time workers, including 1,021 Millennials, 1,120 Generation X, 1,805 Baby Boomers, and 197 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 workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted to account for differences between the population available via the Internet versus by telephone, and to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. No estimates of theoretical sampling error can be calculated.

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