



# **A Tale of Two Retirements: The Importance of 401(k) or Similar Employee-Funded Retirement Plans in the Workplace**

**TRANSAMERICA CENTER**  
FOR RETIREMENT STUDIES®

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# 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](http://www.transamericacenter.org).
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- Although care has been taken in preparing this material and presenting it accurately, The Center 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 1999, 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 Eleventh Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.

# Methodology

- **A 21-minute, online survey was conducted between December 3, 2009 – January 18, 2010 among a nationally representative sample of 3,598 for-profit workers using the Harris online panel. Respondents met the following criteria:**
  - All U.S. residents, age 18 or older
  - Full-time workers 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**

# A TALE OF TWO RETIREMENTS: The Importance of 401(k) or Similar Employee-Funded Retirement Plans in the Workplace

# Introduction

- The 11<sup>th</sup> Annual Transamerica Retirement Survey contrasts the retirement outlook and level of preparedness enjoyed by those workers who are offered an employee-funded (such as a 401(k) or similar) retirement plan compared to the challenges faced by workers who are not offered a plan.
- While many workers are at risk of not achieving a financially secure retirement, those workers with an employee-funded plan are in a better position to manage and reduce their risk when compared to workers without an employee-funded plan.
- In addition to having the opportunity to save for retirement in the workplace, workers with an employee-funded plan are:
  - More likely to be saving for retirement outside of work.
  - More confident in their ability to retire with a comfortable lifestyle and more likely to agree that they are building a large enough retirement nest egg.
  - More knowledgeable about retirement investing.
  - More likely to plan out a retirement strategy.
  - More aware of the “Saver’s Credit” and Catch-Up contributions.
  - Less likely to expect to rely on Social Security as their primary source of income when they retire.

# Introduction

- In order to help improve the retirement outlook among American workers, it is important to increase access to employee-funded plans for many private sector workers who do not have access to a retirement plan at work.
- The Transamerica survey uncovered specific demographic segments who are less likely to have access to an employee-funded plan in the workplace. These segments include:
  - Part-time workers
  - Small business workers
  - Younger workers
  - Women
  - Lower Income



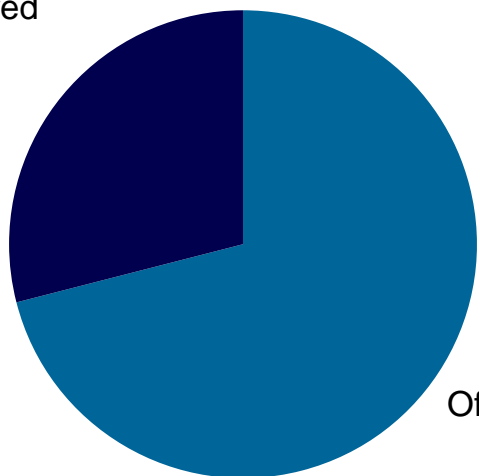
**DETAILED FINDINGS:  
Workers with 401(k) or Similar  
Employee-funded Retirement Plans  
Compared to Workers without Plans**

# Workers with Employee-Funded Plans

About 71 percent of workers have access to an employee-funded plan (such as a 401(k) or similar plan) at work, of which 77 percent currently contribute or have money invested in the plan. Workers with a plan also report saving for retirement at an earlier age.

Q580. Which of the following retirement benefits does your company currently offer to you, personally? (Offer an Employee-Funded Plan)

Not offered  
a plan  
29%

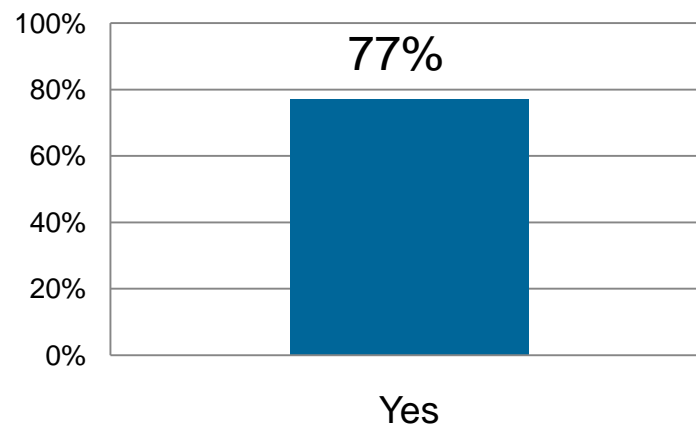


Offered a  
plan  
71%



<u>Median Age Started Saving</u>	
With a plan	28
Without a plan	30

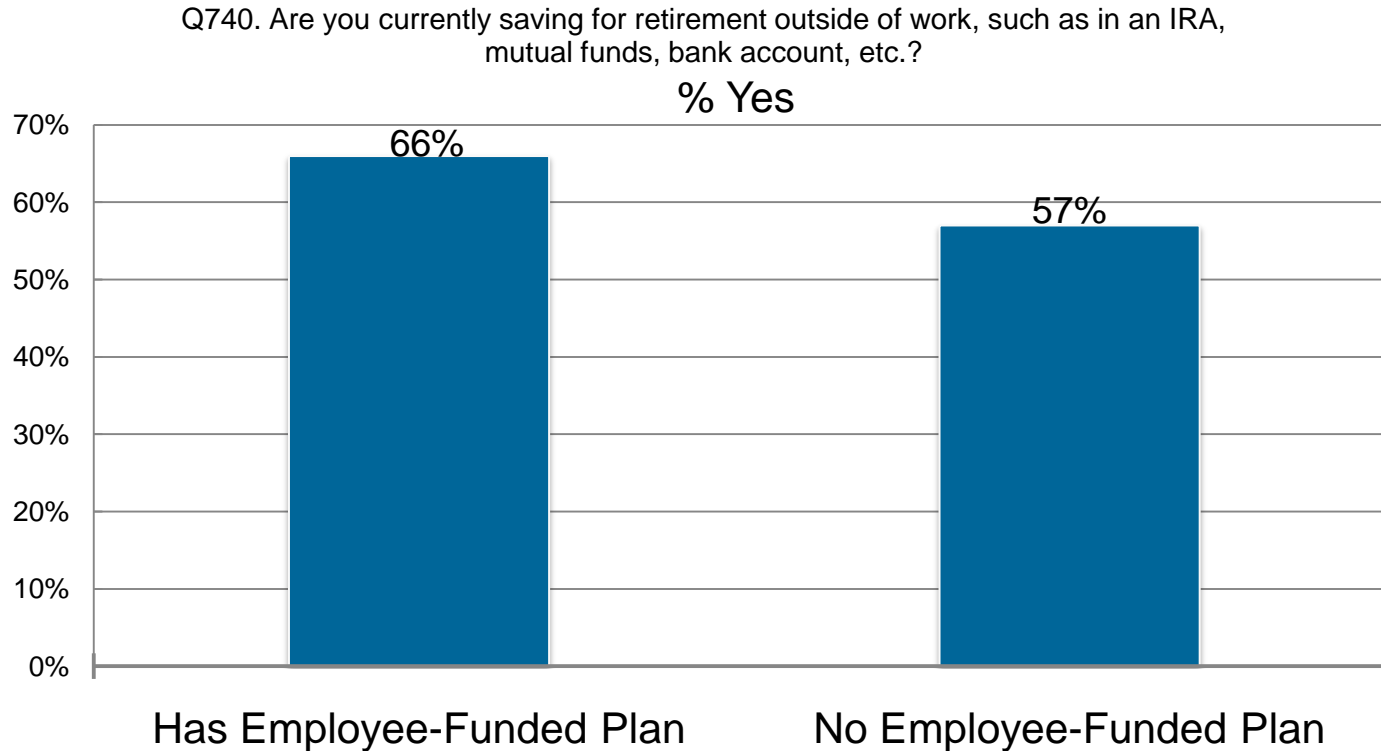
Q590. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?



For profit, full & part-time, company has at least 10 employees. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Saving for Retirement Outside of Work

Workers with an employee-funded plan are also more likely to be saving for retirement outside of work.

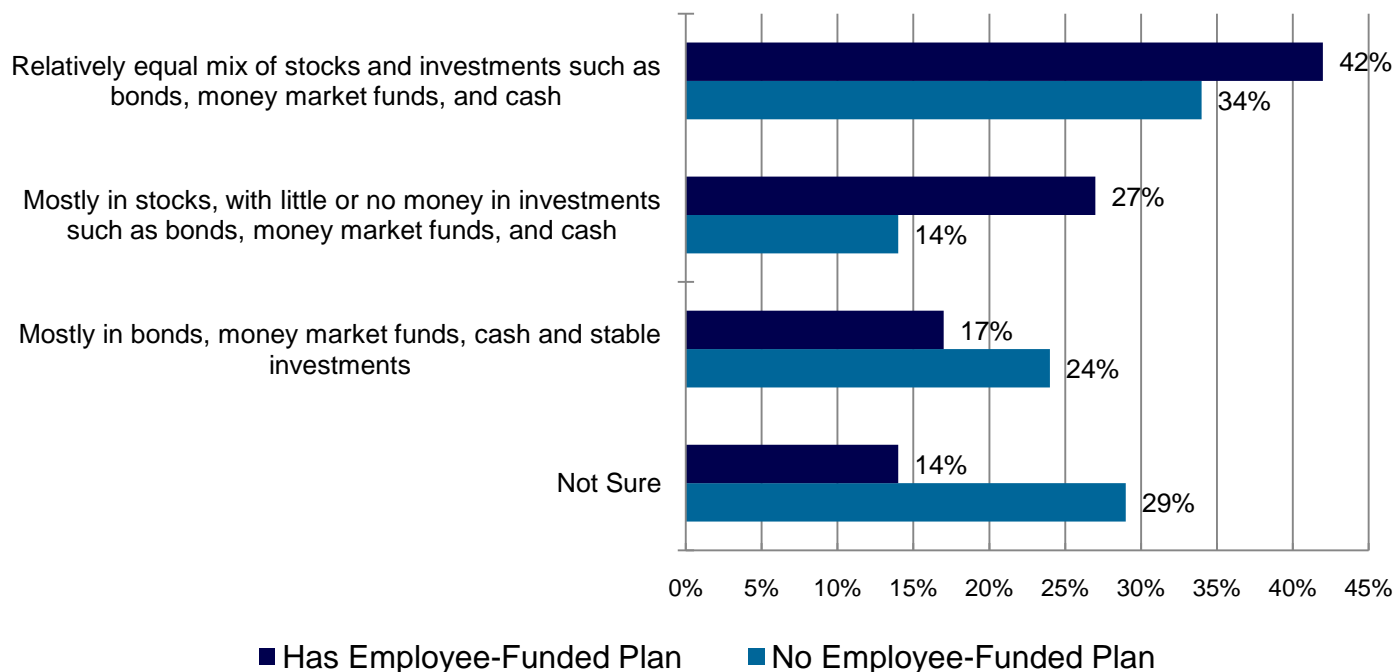


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# How is Retirement Savings Invested?

Workers without a plan are about twice as likely as workers with a plan to state “not sure” when asked how their retirement savings is invested.

Q770. How is your retirement savings invested?

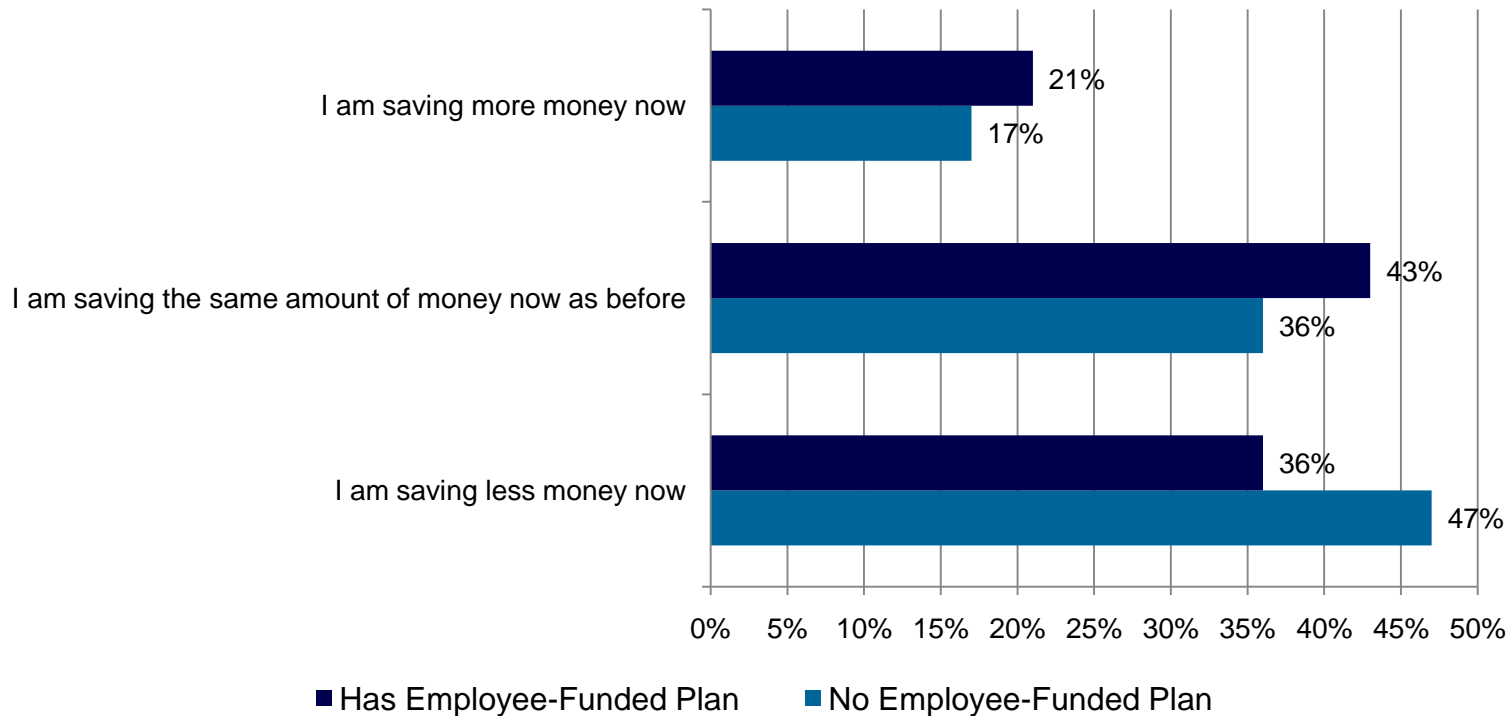


For profit, full & part-time, investing for retirement. Has Employee-Funded Plan n=2220; No Employee-Funded Plan n=532  
All investments involve risk, including loss of principal and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance and time horizon before investing.

# Saving Habits Since the Recession Began

Interestingly, workers with a plan are more likely to have maintained or increased their savings levels since the recession began. Conversely, nearly half of workers without an employee-funded plan are saving less.

Q2060. How have your saving habits changed since the recession began?

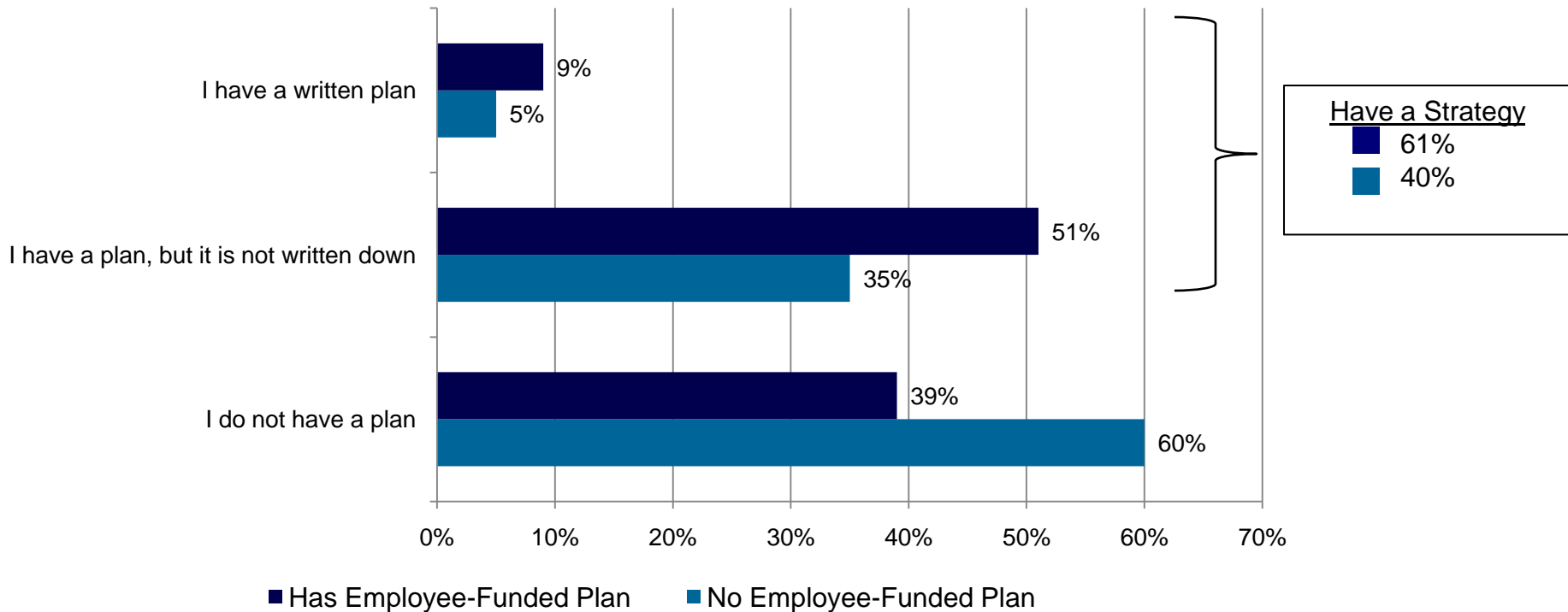


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Retirement Strategy

About six-in-ten workers with an employee-funded plan state they have some type of retirement strategy. In stark contrast, six-in-ten workers without an employee-funded plan state they do not have a plan for their retirement strategy.

Q555. Which of the following best describes your retirement strategy?

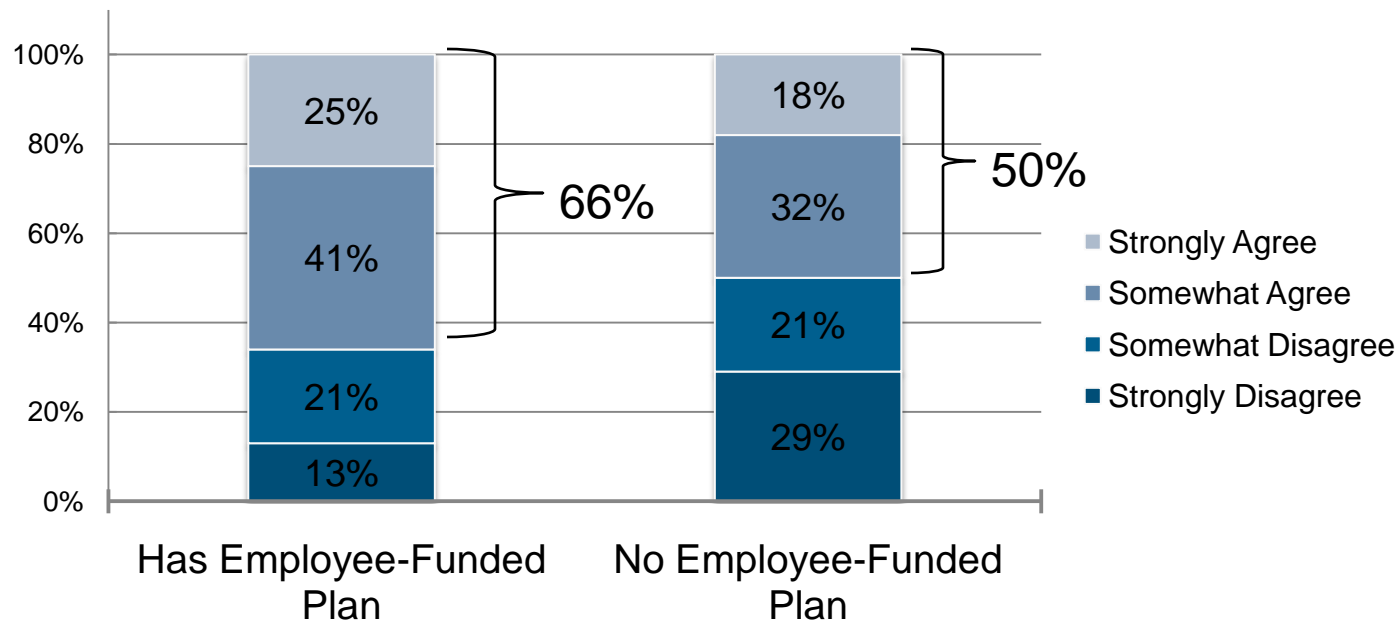


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Involvement with Retirement Savings

Workers with an employee-funded plan are more likely to agree that they are currently very involved in monitoring and managing their retirement savings.

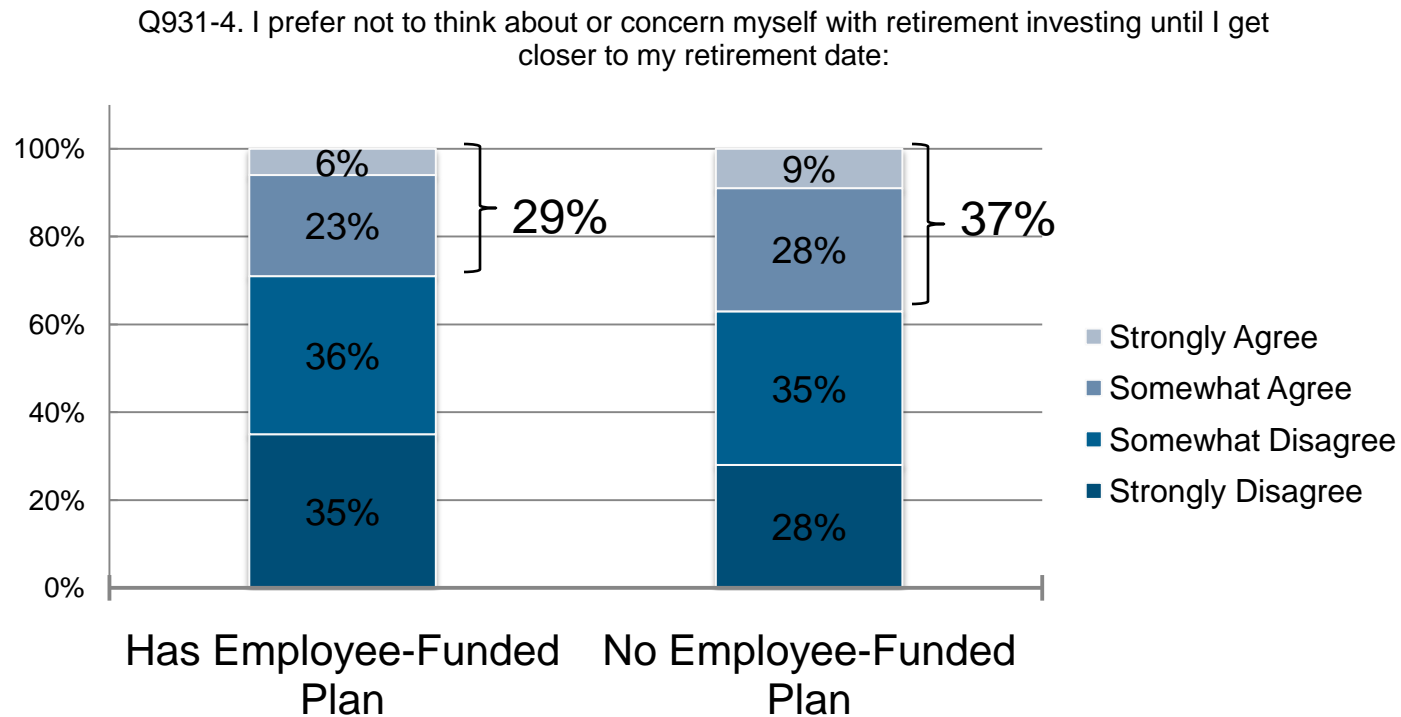
Q931-1. I am currently very involved in monitoring and managing my retirement savings:



For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Concerns About Retirement Investing

Twenty-nine percent of workers with an employee-funded plan agree that they prefer not to think or concern themselves with retirement investing until they get closer to retirement. This is in contrast to workers without a plan, where 37 percent agree. This may put workers without a plan at even greater risk.



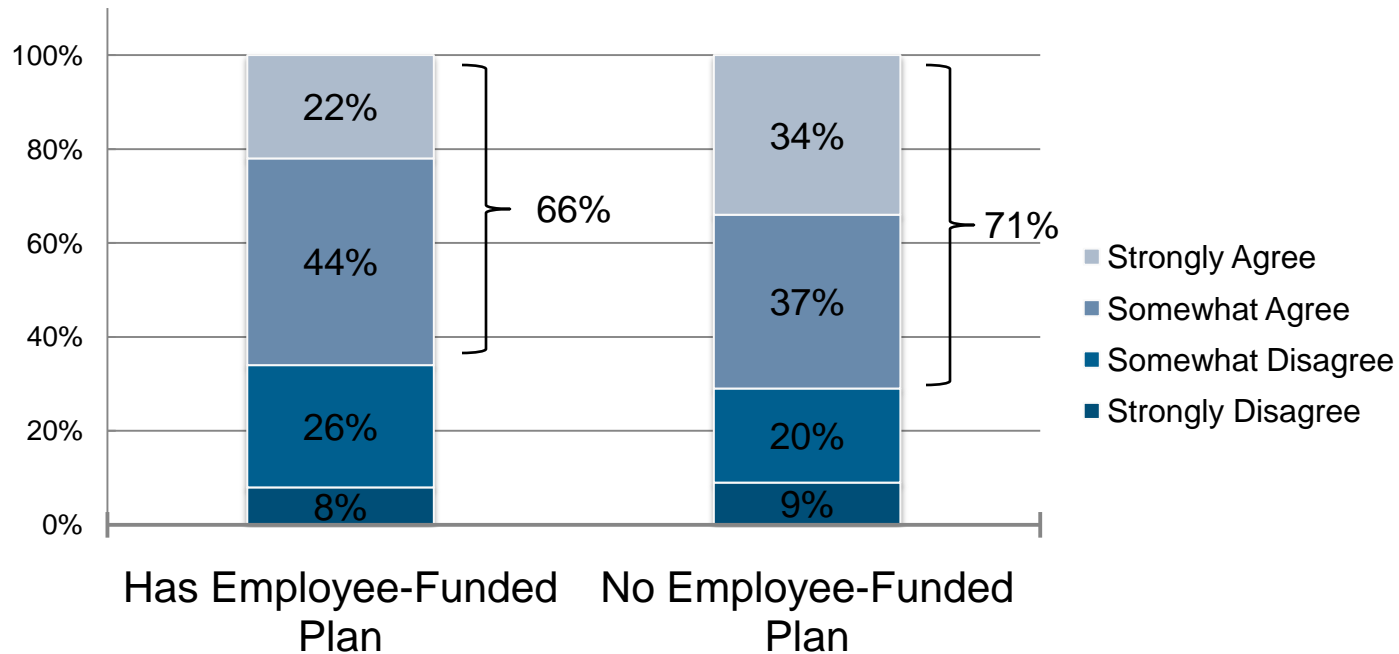
For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059



# Knowledge About Retirement Investing

Workers with plans are more active savers and are also more knowledgeable. While most workers agree they do not know as much as they should about retirement investing, more than one-third of workers without a plan “strongly agree” compared to about one-in-five workers with a plan.

Q931-2. I do not know as much as I should about retirement investing:

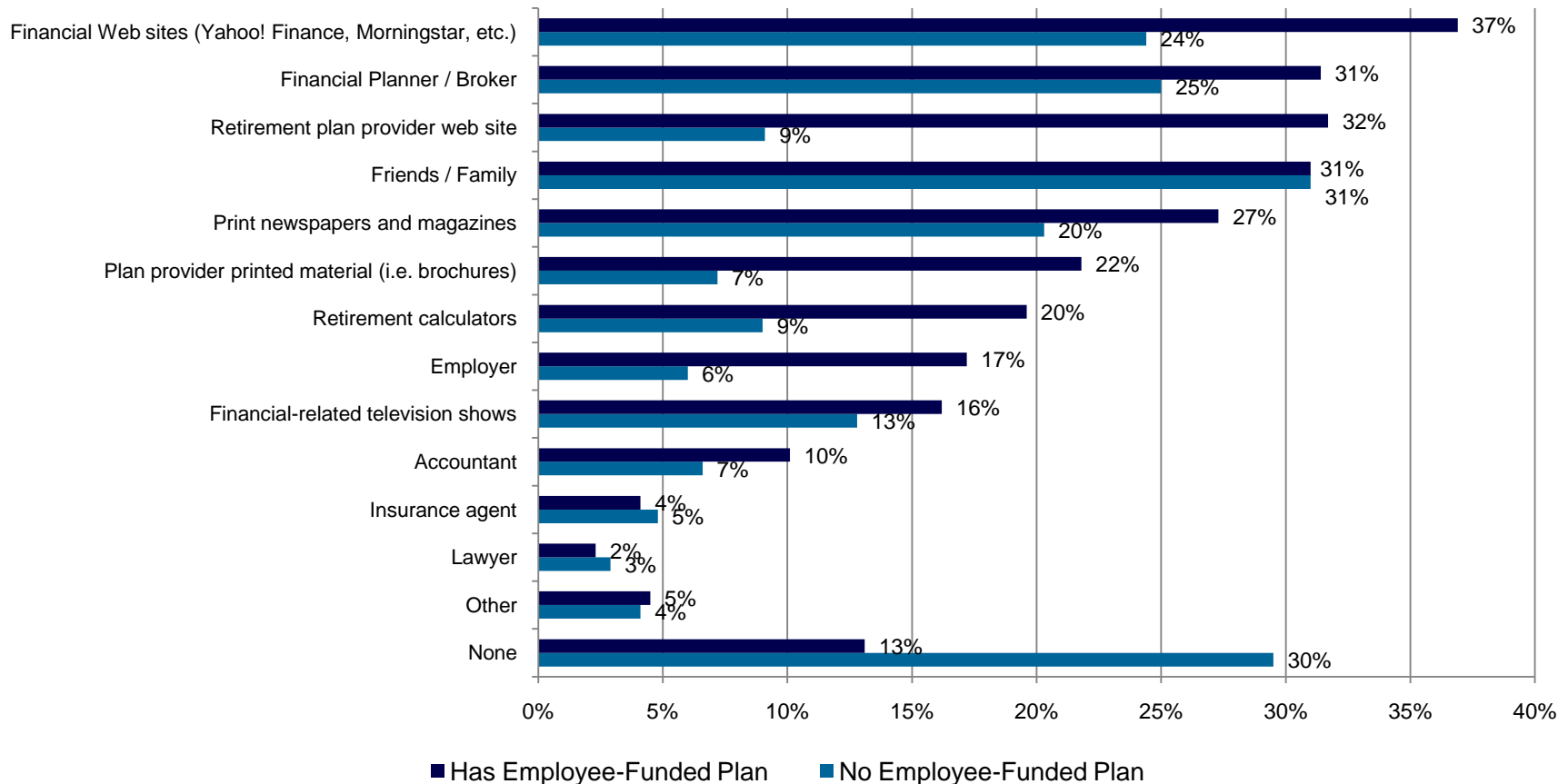


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Sources of Information

Workers with plans are also more likely to seek and use a variety of sources to help them plan and invest for retirement. Almost one-third of workers without a plan state “none.”

Q825. What sources of information do you rely on for retirement planning and investing? (Select all that apply)

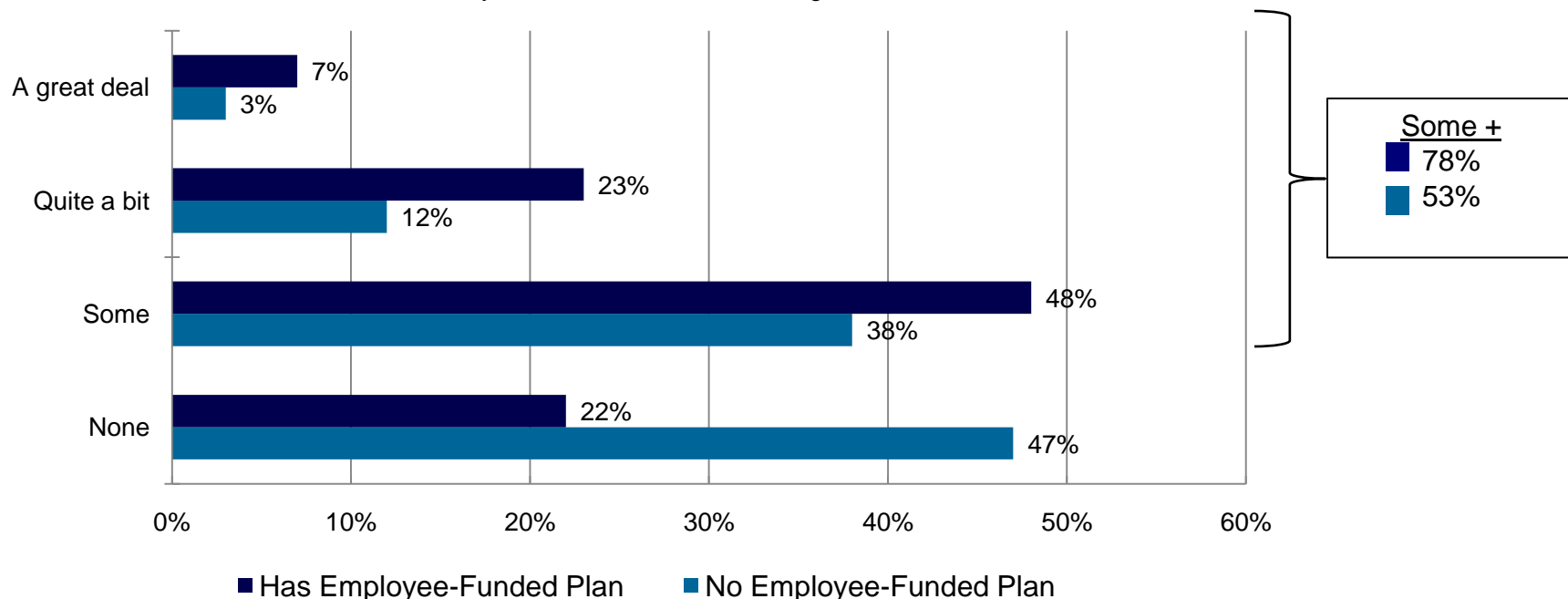


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Understanding Asset Allocation

Few workers indicated knowing “a great deal” about asset allocation principles. Those with a plan are more likely to have some or more knowledge. Nearly half of those without a plan have none.

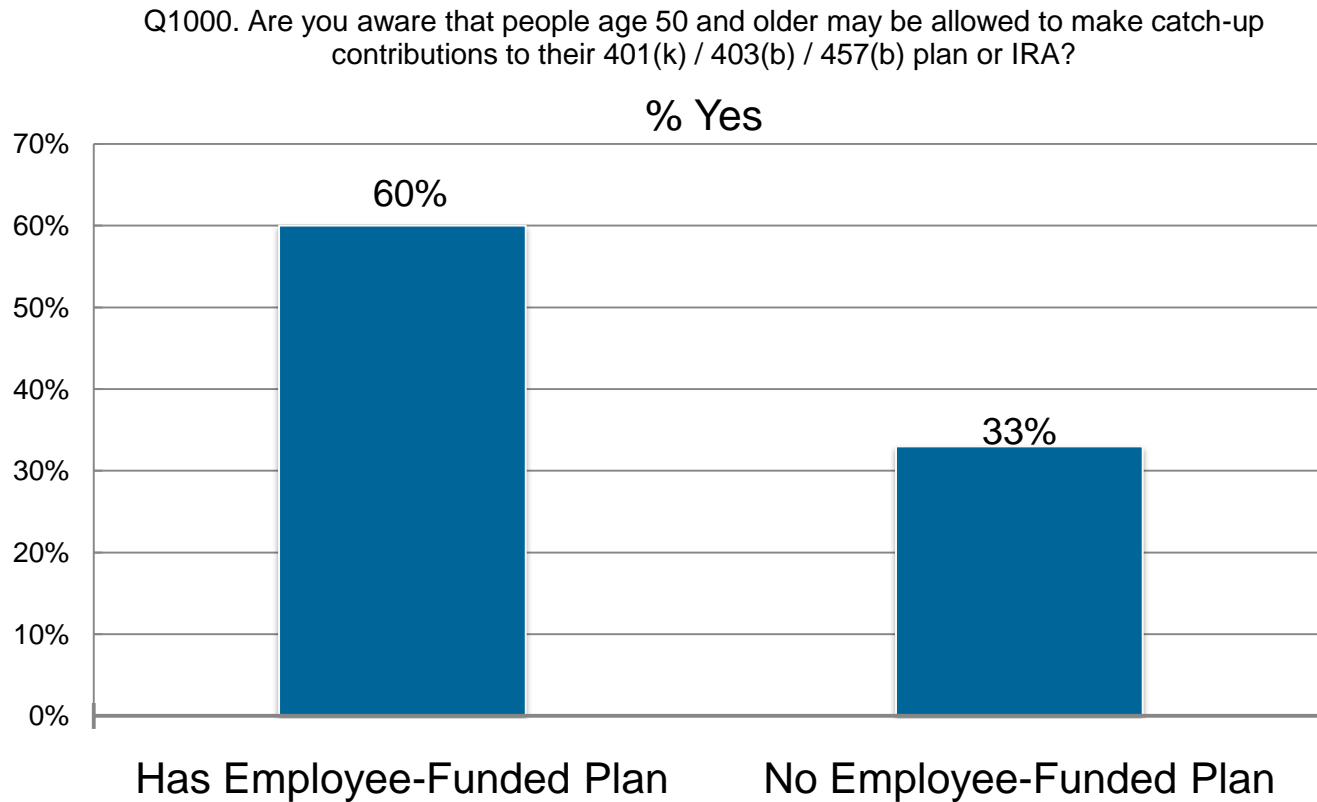
Q760. How good of an understanding do you have regarding asset allocation principles as they relate to retirement investing?



For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Catch-Up Contributions

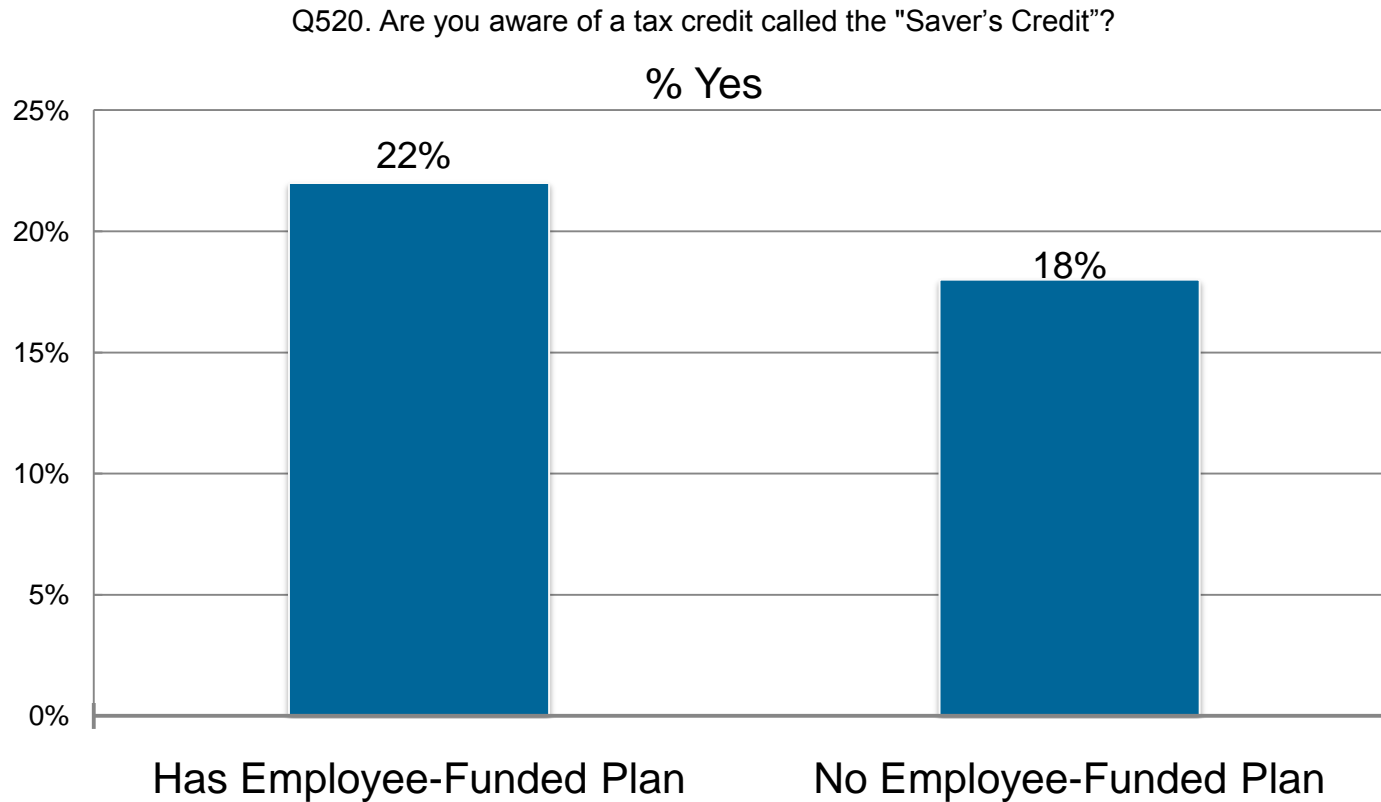
Workers with an employee-funded plan are almost twice as likely as workers without a plan to be aware of catch-up contributions.



For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Saver's Credit

Workers with an employee-funded plan are slightly more aware of the “Saver’s Credit.”

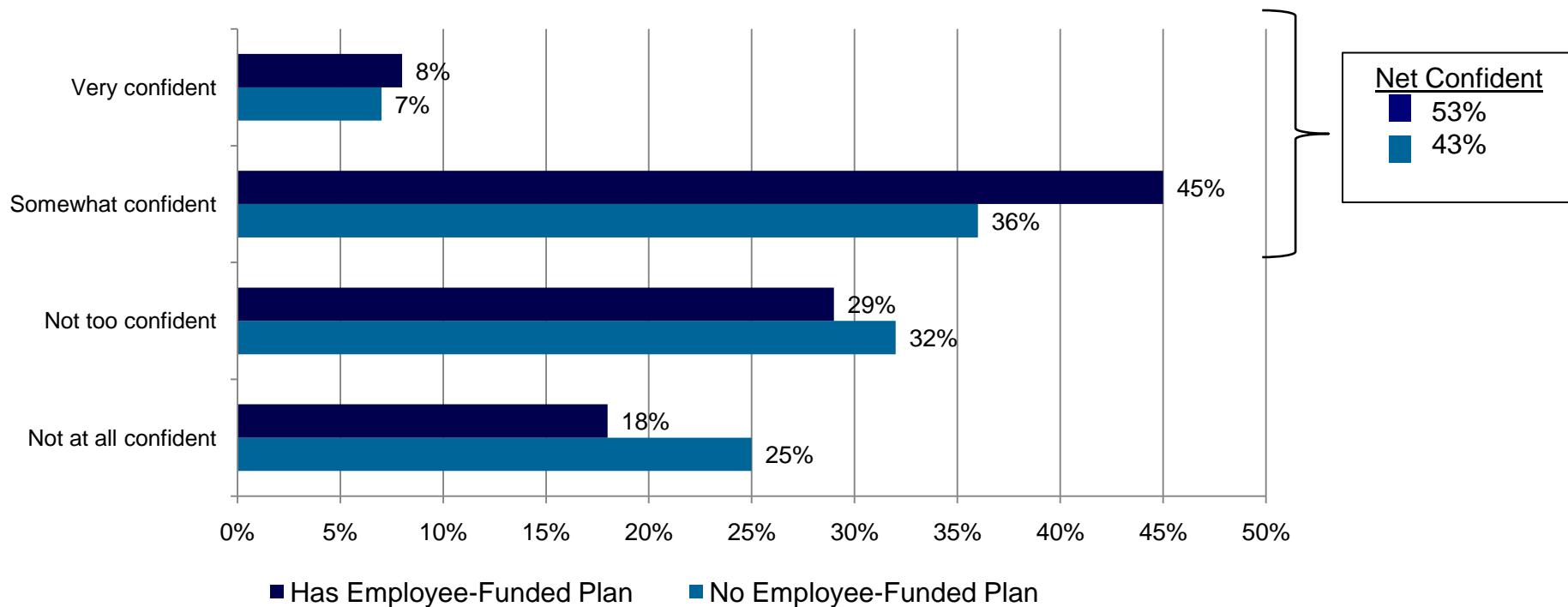


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Confidence in Retiring with a Comfortable Lifestyle

Workers with plans are better engaged with their retirement savings and also have more confidence. Over half of workers with an employee-funded plan are confident in being able to retire with a lifestyle they consider comfortable. One-in-four workers without a plan are “not at all confident.”

Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?

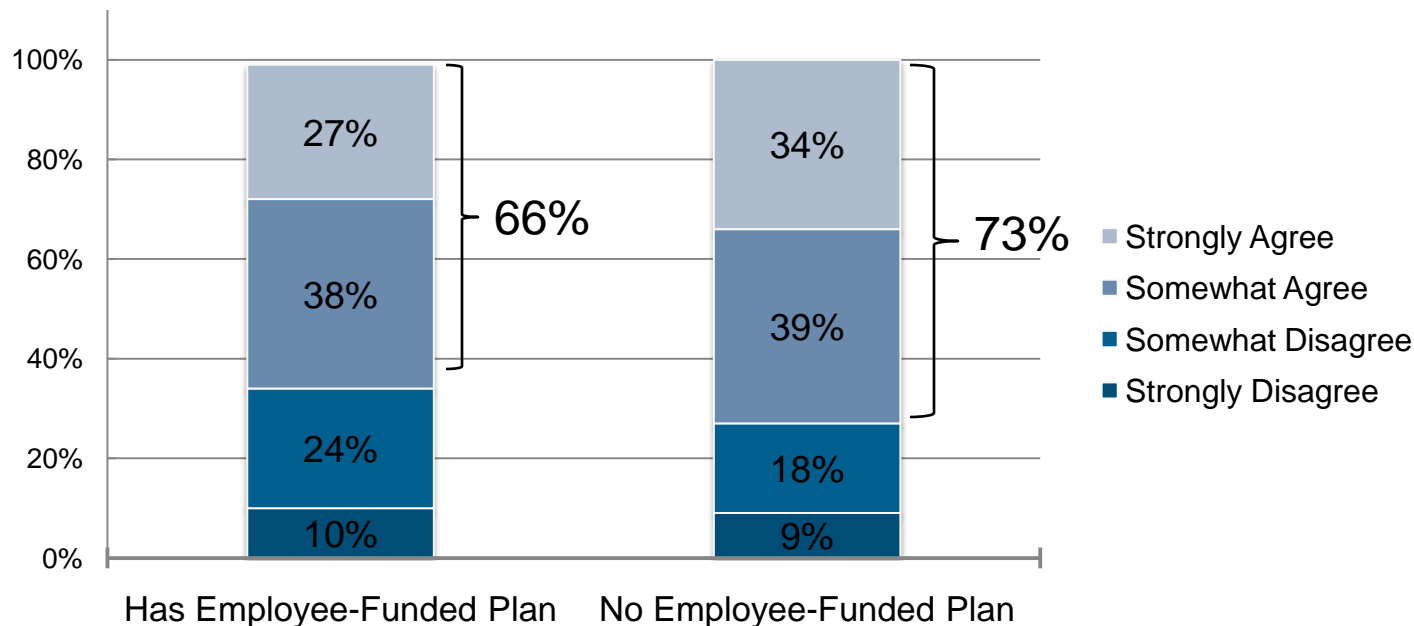


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Save Enough by Age 65?

Most workers agree that they could work until age 65 and still not have enough money saved to meet their retirement needs. Workers without an employee-funded plan are more likely to agree than those with a plan.

Q931-5. I could work until age 65 and still not have enough money saved to meet my retirement needs:



For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Estimated Savings Needed to Feel Financially Secure

Workers with an employee-funded plan estimate needing a greater amount saved by the time they retire in order to feel financially secure.

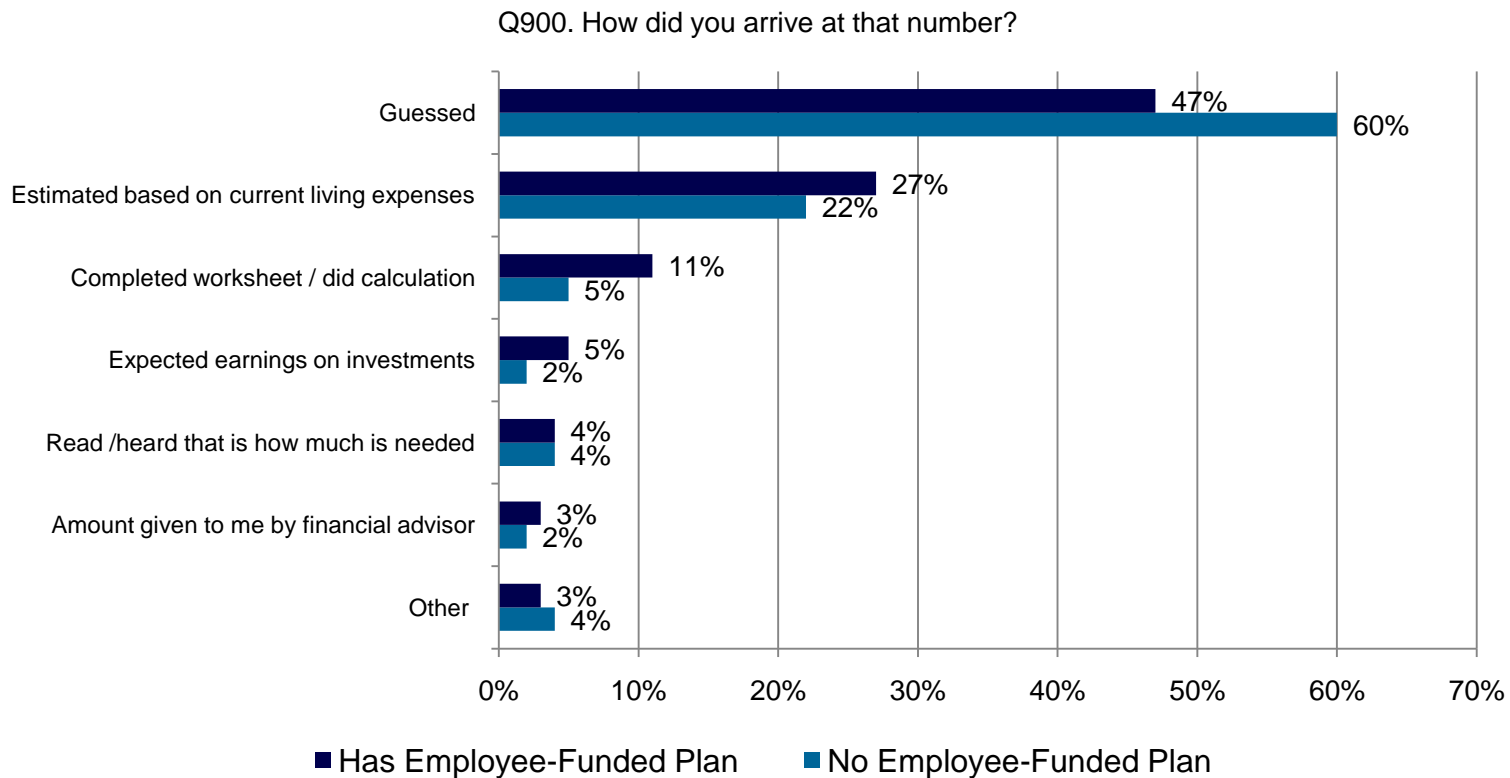
Q890. Thinking in terms of what money can buy today, how much money do you believe you will need to have saved by the time you retire in order to feel financially secure?	Median
Has Employee-Funded Plan	\$800K
No Employee-Funded Plan	\$500K

For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059



# Basis of Estimate

Many workers guess at their retirement needs. Yet, workers with a plan are more likely to have based their estimates on current living expenses or a calculation, compared to workers without a plan who are more likely to have guessed.

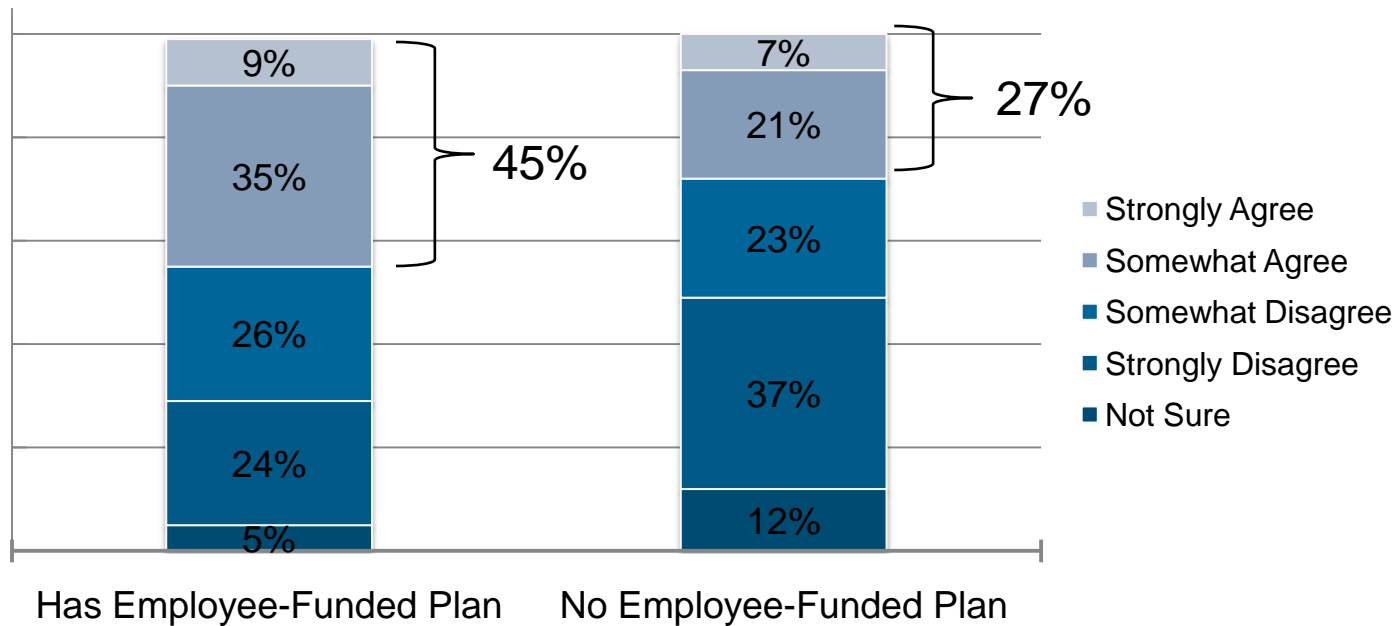


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Building A Large Enough Retirement Nest Egg?

While most workers disagree that they are building a large enough retirement nest egg, those with an employee-funded plan are much more likely than workers without a plan to agree.

Q800. How much do you agree or disagree that you are currently building a large enough retirement nest egg?

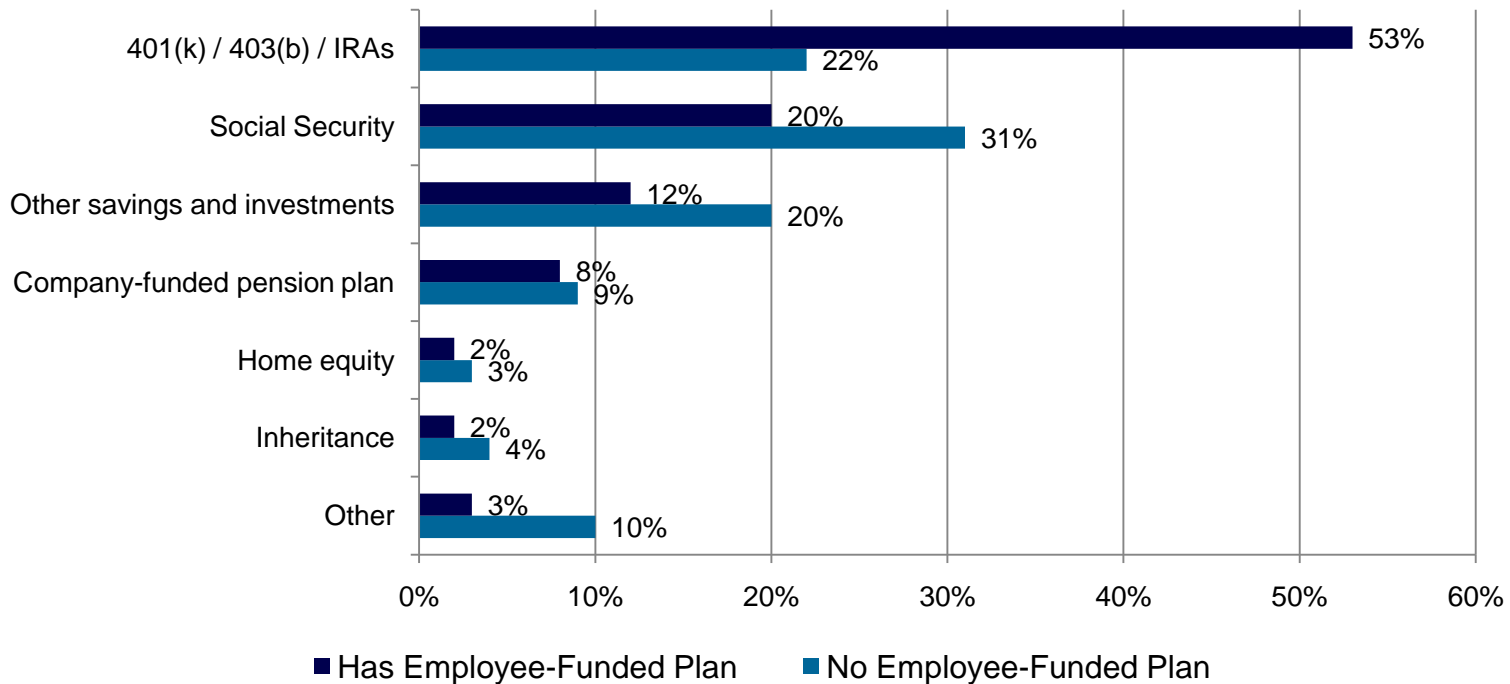


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Expected Primary Source of Income in Retirement

Workers with an employee-funded plan are more likely to expect 401(k), 403(b), and IRA accounts to be their primary source of income during retirement, while workers without a plan are more likely to expect Social Security to be their primary source.

Q550. Which one of the following do you expect to be your primary source of income to cover your living expenses after you retire?

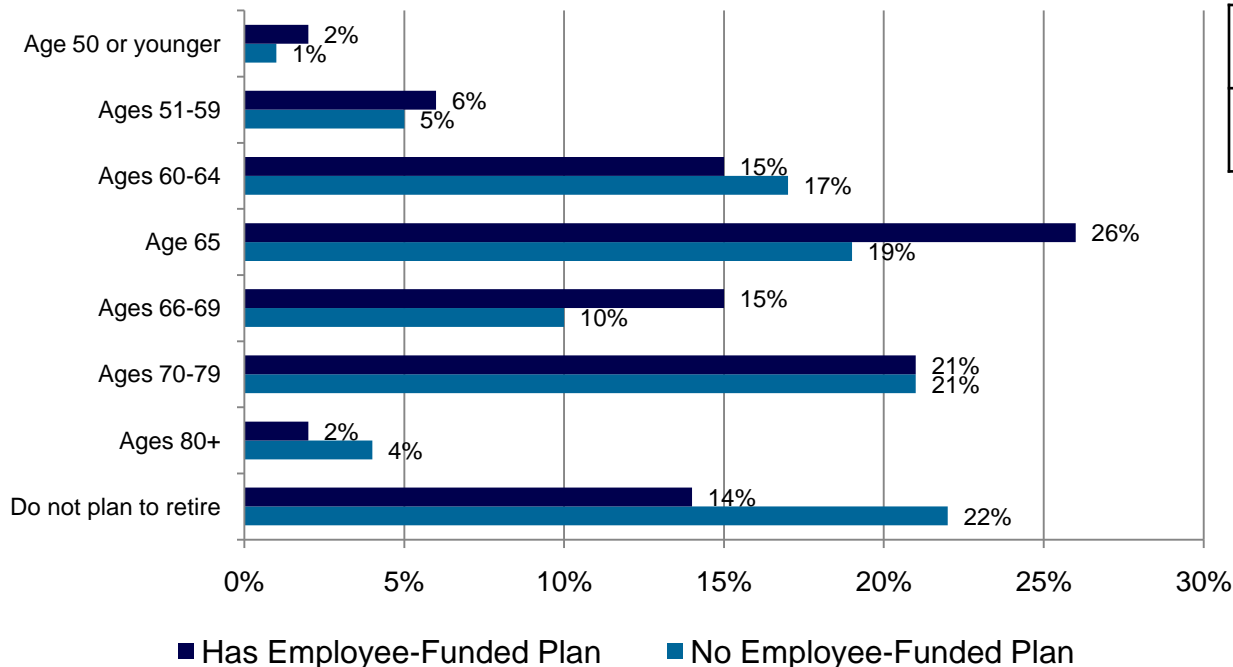


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Expected Retirement Age

Nearly half of workers who do not have an employee-funded retirement plan expect to retire after the age of 70 or do not plan to retire at all, compared to only 37 percent of workers with a plan.

Q910. At what age do you expect to retire?



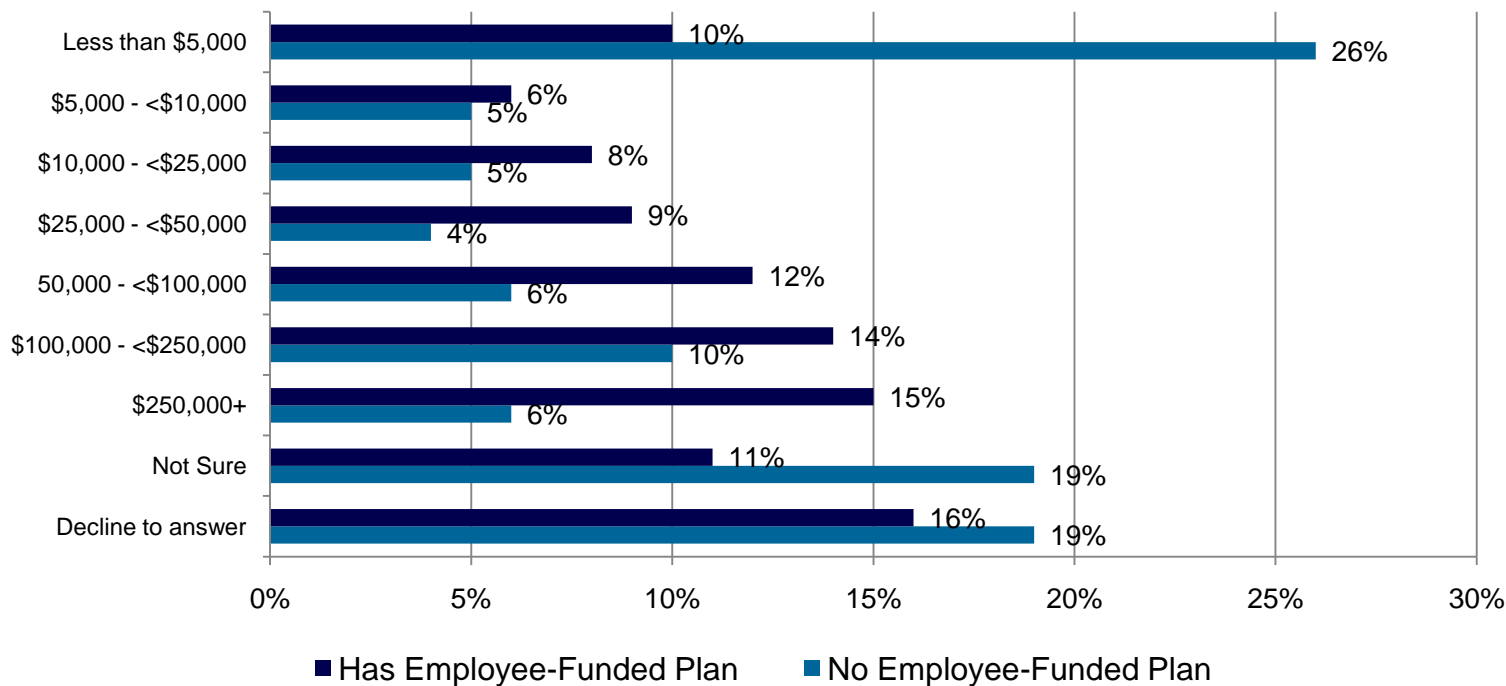
Median age of those expecting to retire	65	65
Retirement age 70+ or not planning to retire	37%	47%

For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Household Retirement Savings

Workers with an employee-funded plan are more likely to have higher household retirement savings. Twenty-six percent of workers without a plan have less than \$5,000 in their total household retirement savings while 19 percent are not sure.

Q1300. Approximately how much money does your household have saved in all of your retirement accounts?

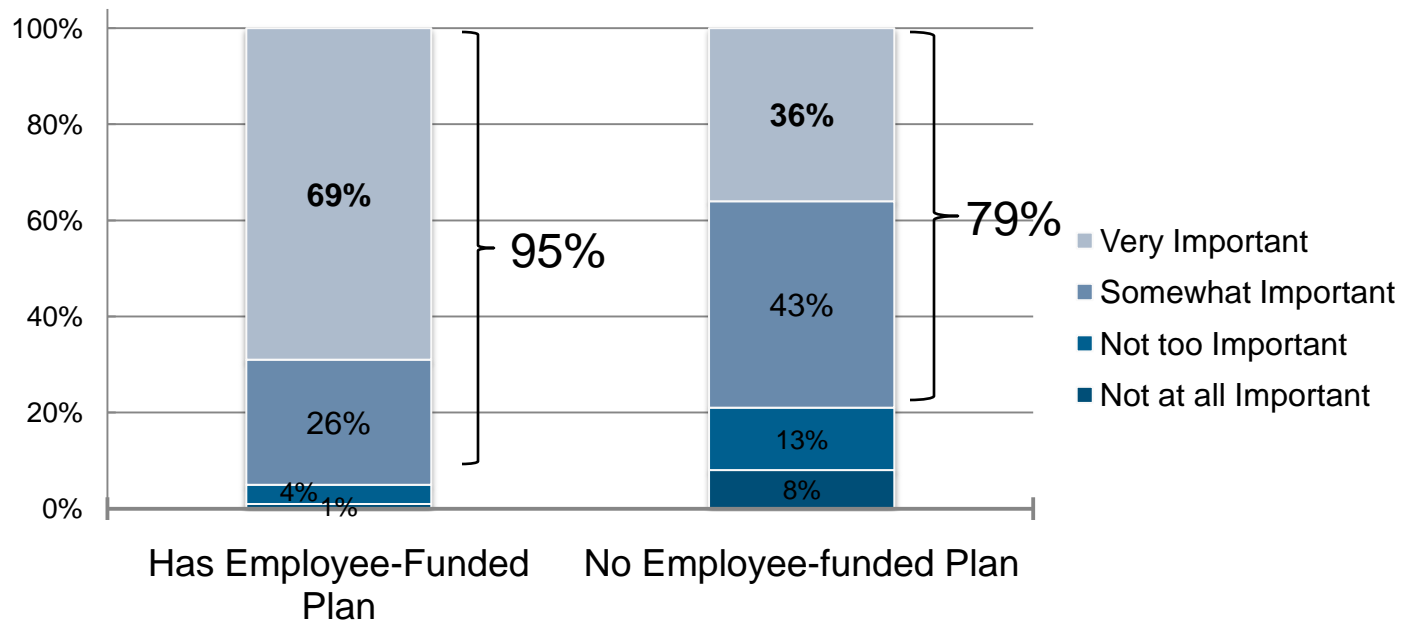


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Importance of Employee Self-funded Plans

Most workers consider 401(k) and similar plans to be important. However, a much larger percentage of workers with a plan state they are “very important.”

Q571-5. How important is a 401(k) / 403(b) / 457(b) or other employee self-funded plan?

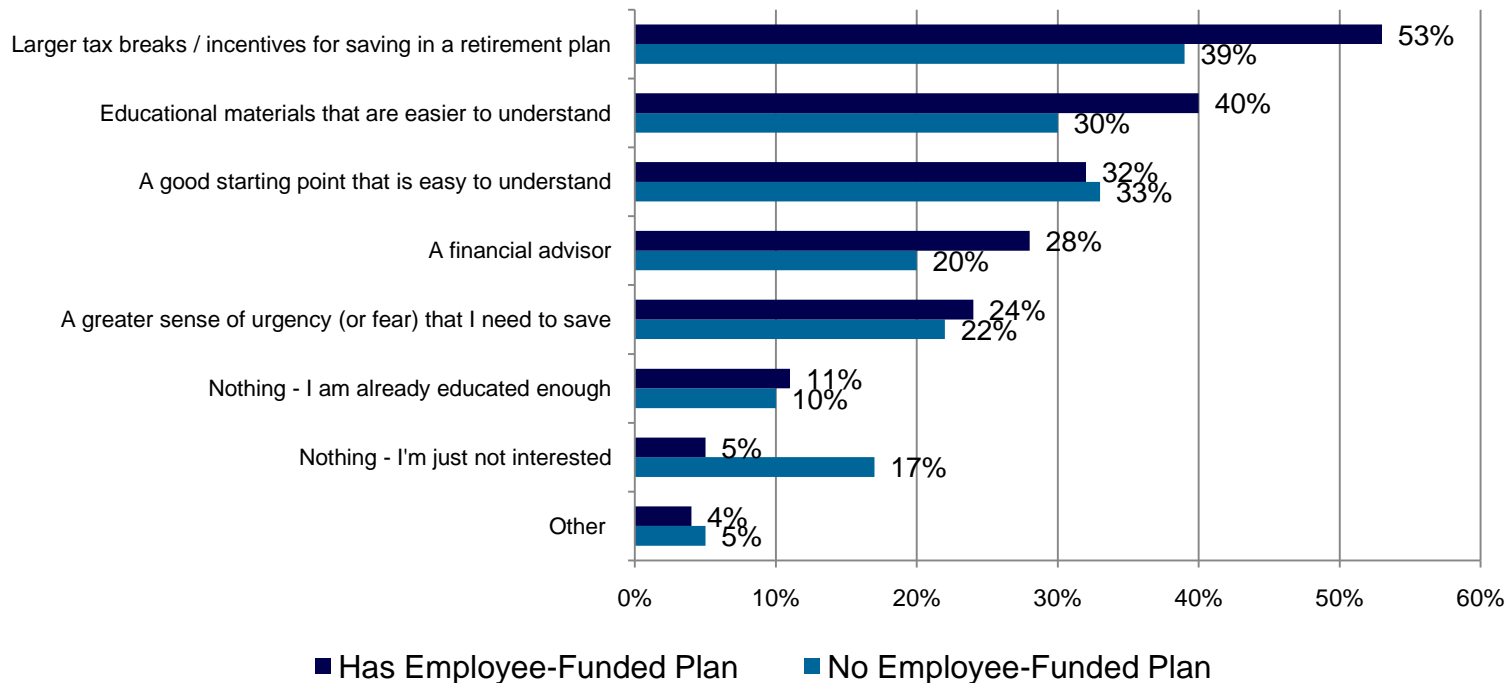


For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Motivation to Save and Invest?

Over half of workers with an employee-funded plan believe tax breaks and incentives would help motivate them to save more for retirement, while roughly four-in-ten workers without a plan feel the same. Seventeen percent of workers without a plan stated they are “just not interested.”

Q2040. What would motivate you to learn more about saving and investing for retirement? (Select all that apply)



For profit, full & part-time. Has Employee-Funded Plan n=2539; No Employee-Funded Plan n=1059

# Expanding Coverage: Small Company and Part-time Workers

The benefits of having access to an employee-funded plan are clear. It is important that coverage be expanded to those least likely to have access. Generally, part-time workers are least likely to be covered. Workers at small companies are less likely to be covered compared to workers of large companies.

**Q580. Which of the following retirement benefits does your company currently offer to you, personally? (Percentage who are offered an Employee-Funded Plan)**

<b>Status</b>	<b>Small Company (10-499 employees)</b>	<b>Large Company (500+ employees)</b>
<b>Full-Time</b>	72%	91%
<b>Part-Time</b>	33%	59%
<b>Total (FT+PT)</b>	60%	80%

Small Company, full-time n=1171, part-time n=528; Large Company, full-time n=1175, part-time=724



# Expanding Coverage: Women

Women are also less likely to have a access to a plan.

**Q580. Which of the following retirement benefits does your company currently offer to you, personally? (Percentage who are offered an Employee-Funded Plan)**

<b>Status</b>	<b>Women</b>	<b>Men</b>
<b>Full-Time</b>	81%	83%
<b>Part-Time</b>	50%	43%
<b>Total (FT+PT)</b>	67%	74%

Women, full-time n=1077, part-time n=722; Men, full-time n=1269, part-time=530

# Expanding Coverage: Lower Income Workers

Workers reporting a lower household income (“HHI”) are also less likely to be covered. Expanding coverage among them may help them save for retirement and many of those who meet the income eligibility requirements may also benefit from the Saver’s Credit.

**Q580. Which of the following retirement benefits does your company currently offer to you, personally? (Percentage who are offered an Employee-Funded Plan)**

Status	HHI < \$50k	HHI = \$50k to \$100k	HHI >\$100k
Full-Time	66%	82%	93%
Part-Time	41%	57%	55%
Total (FT+PT)	53%	75%	85%

HHI<\$50K, full-time n=541, part-time n=553; HHI -\$50K-<\$100K, full-time n=937, part-time n=379; HHI-\$100k+, full-time n=575, part-time n=144.

# Expanding Coverage: Younger Workers

Younger workers are also less likely to be covered. Expanding coverage among younger workers, who have the longest retirement savings horizon, should offer them the opportunity to begin saving earlier, afford them greater time to grow their investments – and, ultimately, help better their chances of fully funding their retirement.

**Q580. Which of the following retirement benefits does your company currently offer to you, personally? (Percentage who are offered an Employee-Funded Plan)**

<b>Status</b>	<b>Echo Boomers</b> (Born After 1978)	<b>Gen-X</b> (Born 1965-1978)	<b>Baby Boomers</b> (Born 1946-1964)	<b>Matures</b> (Born Before 1946)
<b>Full-Time</b>	75%	83%	83%	87%
<b>Part-Time</b>	50%	44%	50%	50%
<b>Total (FT+PT)</b>	63%	76%	72%	64%

Echo, full-time n=328, part-time n=224; Gen-X, full-time n=912, part-time n=203; Baby-Boomers, full-time n=967, part-time n=489; Matures, full-time n=138, part-time n=293

# Conclusion

- The 11<sup>th</sup> Annual Transamerica Retirement Survey found that employees who are offered an employee-funded retirement plan (such as a 401(k) or similar plan) demonstrate positive traits, beyond having the opportunity to save in the workplace, that should serve them well in planning and saving for retirement. These workers are:
  - More likely to be saving for retirement outside of work.
  - More likely to have planned out a retirement strategy and less likely to guess at how much they will need to have saved for retirement.
  - More likely to understand the principals of asset allocation.
  - More likely to be aware of additional features such as the “Saver’s Credit” and catch-up contributions.
  - Less likely to rely on Social Security as their expected primary source of income when they retire.
- Expanding retirement plan coverage to those who do not currently have access to an employee-funded plan will offer them the opportunity to save in the workplace and improve their outlook for retirement.
- Targeted campaigns to certain types of businesses who generally employ workers less likely to have a plan (younger, part-timers, lower-income, etc.) may yield greater initial results.

# Final Comments

- Even workers with access to plans can still do more to improve their own financial security. For example:
  - When asked how much money they think they will need to feel secure in retirement, the median response was \$800,000 – yet 45 percent report having less than \$100,000 in total household retirement savings, with an additional 11 percent being unsure how much they have saved.
  - About 47 guessed when asked about how much savings they think they will need to feel secure while 39 percent report not having a strategy for retirement.
  - Workers must continue to learn and be more active when it comes to saving and planning for their retirement.
- As policymakers and the retirement services industry contemplate solutions for expanding retirement plan coverage, more can also be done to strengthen existing 401(k) or similar employee-funded plans, including:
  - Offering additional tax incentives to encourage greater levels of savings.
  - Providing educational material that is easier to understand.
  - Expanding the “Saver’s Credit” to include more middle-income households would help workers build their retirement savings.
  - Expanding automatic enrollment and escalation of contributions.

# APPENDIX

# Demographics

Group		Has Employee-Funded Plan	No Employee-Funded Plan
Employment Status	Full-Time	82%	18%
	Part-Time	48%	52%
Company Size	Small Company (10 – 499 employees)	60%	40%
	Large Company (500+ employees)	80%	20%
Gender	Men	74%	26%
	Women	67%	33%
Marital Status	Married / Civil Union / Domestic Partnership	74%	26%
	Single, never married	64%	36%
	Divorced / widowed / separated	64%	36%
Race / Ethnic Group	White, non-Hispanic	71%	29%
	Hispanic	69%	31%
	African American	72%	28%
	Asian / Pacific Islander	73%	27%
	Other / mixed	66%	34%

# Demographics

Group		Has Employee-Funded Plan	No Employee-Funded Plan
Age	20 – 29	57%	43%
	30 – 39	77%	23%
	40 – 49	76%	24%
	50 – 59	72%	28%
	60 – 69	66%	34%
	70 +	55%	45%
	Industry	Professional, including finance, legal, engineering & healthcare	81%
Service Industry such as retail trade, hospitality or administration		55%	45%
Manufacturing		85%	15%
Transportation, communication or utilities		78%	22%
Agriculture, mining, or construction		59%	41%
Some other type of business		66%	34%
Income	Less than \$50,000	53%	47%
	\$50,000 - < \$99,999	75%	25%
	\$100,000+	85%	15%