

# Millennial Workers: An Emerging Generation of Super Savers

*15<sup>th</sup> Annual Transamerica Retirement Survey*

*July 2014*

**TRANSAMERICA CENTER**  
FOR RETIREMENT STUDIES®



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# About the Author

**Catherine Collinson** serves as President of the Transamerica Institute<sup>SM</sup> and Transamerica Center for Retirement Studies<sup>®</sup>, 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 Institute<sup>SM</sup> (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](http://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 15<sup>th</sup> 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](http://www.nielsen.com).

# Terminology

*This report uses the following terminology:*

## Workers by 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:
  - Millennials (n= 1,021)
  - Generation X (n= 1,120)
  - Baby Boomers (n= 1,805)
  - Workers born prior to 1946 (n= 197)

# Foreword

Millennials, who gained their moniker for coming of age around the year 2000, are today's youngest generation in the workforce. They were born in 1979 and later. No end date has yet been set for their generation.

Millennials have witnessed profound events during their young lives: the irrational exuberance of the 1990s, the bursting of the dot-com bubble, the tragic events of September 11, the mania of the real estate market and its collapse, and rapid technological developments and advances.

Many Millennials began entering the workforce coincident with the Great Recession, which economists indicate lasted from 2007 to 2009, and whose effects are still being felt today. The economic downturn made it difficult for Millennials to find work. In 2013, the unemployment rate was higher among workers age 25 to 34 (7.4 percent) compared to workers 35 and older (less than 6 percent).<sup>1</sup>

Millennials have also been entering the workforce with higher levels of student debt than older generations. Two-thirds of recent bachelor's degree recipients have student debt, averaging about \$27,000.<sup>2</sup>

With such a dizzying and terrifying array of societal and economic challenges experienced especially at such a young age, it might be easy to conclude that Millennials' prospects for achieving a financially secure retirement are iffy at best, if not outright impossible. Quite the contrary.

As part of its **15<sup>th</sup> Annual Retirement Survey**, Transamerica Center for Retirement Studies® (TCRS) is pleased to share **Millennial Workers: An Emerging Generation of Super Savers**. The Millennials in our survey are currently employed. Our research found that they are not only recovering from the Great Recession, they are getting an impressive head start in saving and planning for their future retirement.

I hope you will find this research to be inspiring and join me on spreading the word about how Millennials can do even more to improve their long-term retirement security.

Sincerely,

Catherine Collinson

President, Transamerica Institute and Transamerica Center for Retirement Studies

<sup>1</sup> Bureau of Labor Statistics, Current Population Survey, Annual Tables, 2013.

<sup>2</sup> Sandy Baum, "How much do students really pay for college?" Urban Institute, December 5, 2013.

# Key Highlights

Millennial workers are an emerging generation of retirement super savers. Unlike their parents' generation, most expect their primary source of income in retirement to be self-funded through retirement accounts (e.g., 401(k)s, 403(b)s, IRAs) or other savings and investments. The good news is that they are getting an early start with their savings and are taking advantage of the latest innovations that their employer-sponsored retirement plans have to offer. And they are hungry for more information on how to achieve their retirement goals, especially if it's digitally available. Employers should take note: Two-thirds of Millennials say they would be likely to switch companies for a similar job if it comes with better retirement benefits.

Millennials surveyed were born between 1979 and 1996 and are age 18 to 34. The majority are working full-time (74 percent) and two-thirds have either undertaken or finished college. Most are single (57 percent). Their annual household income is \$47,000 (estimated median). They are more ethnically diverse compared to older generations in the workforce (see page 47).

Much has been reported in the news about the challenges that Millennials have faced through the Great Recession, including unprecedented levels of student debt and difficulties finding employment. Among Millennials in the workforce, four out of five (79 percent) say that they are either recovering from the Great Recession (58 percent) or say they were not impacted by it (21 percent). Millennials are more likely to be fully recovered than Generation X and Baby Boomers.

Two-thirds (68 percent) of Millennial workers are “very” or “somewhat” confident that they will be able to someday fully retire with a comfortable lifestyle, demonstrating higher levels of confidence than Generation X or Baby Boomers.

Sixty percent of Millennial workers plan to retire at age 65 or sooner, including 26 percent who plan to retire at age 65 and 34 percent who plan to do so even sooner. Millennials' aspirations are in stark contrast to those of the majorities of Baby Boomers (65 percent) and Generation X (54 percent) who plan to work past age 65 or do not plan to retire.

Most Millennial 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 23 percent of Millennials expect to immediately stop working when they retire. Generation X and Baby Boomers share similar expectations.

# Key Highlights

Fifty percent of Millennial workers plan to continue working after they retire, including 37 percent who plan to work part-time and 13 percent full-time. Only 29 percent of Millennials do not plan to work after they retire, and 21 percent are not sure. Millennials, Generation X, and Baby Boomers are strikingly similar in these expectations.

Nearly half (47 percent) of Millennial workers who plan to work in retirement and/or past age 65 want to do so because they want to stay involved (27 percent) or enjoy what they do (20 percent). Slightly more (49 percent) plan to do so for reasons of income and benefits. Millennials are significantly more likely to plan to work for reasons of enjoyment compared to Generation X and Baby Boomers.

Three out of four (76 percent) Millennial workers are discussing saving, investing, and planning for retirement with family and friends. Surprisingly, Millennials (18 percent) are twice as likely to “frequently” discuss the topic compared to Baby Boomers (9 percent).

Many Millennial workers (41 percent) expect that they will need to financially support their aging parents (29 percent) and/or other family members (20 percent) when they are retired. Another 23 percent of Millennials are “not sure.” Generation X and Baby Boomers are less likely to share expectations regarding this need to provide financial support for their parents or others.

Sixty-six percent of Millennial workers expect their primary source of income in retirement to be self-funded through retirement accounts (48 percent) or other savings and investments (18 percent). In this regard, Millennials and Generation X share similar expectations, while Baby Boomers (36 percent) are most likely to cite Social Security.

The vast majority of Millennial workers (81 percent) are concerned that Social Security will not be there for them when they are ready to retire. A similar percentage of Generation X (83 percent) shares this concern, while Baby Boomers (67 percent) are less likely to be concerned. Nevertheless, sizeable majorities among all three generations are concerned that Social Security will not be there for them when they are ready to retire.

Seventy percent of Millennial workers are already 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 an unprecedented age of 22 (median). Millennials are getting a tremendous head start compared to older generations: Generation X started saving at age 27 (median) and Baby Boomers at 35 (median).

# Key Highlights

Employers should take note: Millennial workers as well as older generations highly value retirement benefits. Ninety percent of Millennials value a 401(k) or similar plan as an important benefit. Three out of four (76 percent) Millennials say that retirement benefits offered by a prospective employer will be a major factor in their decision on whether to accept a future job offer. Two-thirds of Millennials (67 percent) say they would be likely to switch employers for a nearly identical job with a similar employer that offered better retirement benefits.

Sixty-nine percent of Millennial workers who are working full-time at their current employer are offered a 401(k) or similar retirement plan. This is a significantly smaller percentage than Generation X (79 percent) and Baby Boomers (78 percent). Far fewer (42 percent) Millennials working part-time are offered benefits. This steep disparity in access to benefits between full-time and part-time workers is also found among Generation X and Baby Boomers.

Seventy-one percent of Millennials who are offered a 401(k) or similar plan participate in that plan. Although a strong participation rate, it is nevertheless lower than Generation X (84 percent) and Baby Boomers (81 percent). Among those currently participating in such plans, Millennials are contributing eight percent (median) of their annual salary into their plans. Their contribution rate is higher than that of Generation X at seven percent (median) but lower than Baby Boomers at 10 percent (median).

An employer's offering of a matching contribution increases both plan participation and contribution rates. The most profound differences are found among Millennials. Among Millennials whose employer offers a match, plan participation rates are 80 percent compared to only 65 percent for those who are not offered a match. Moreover, the annual salary contribution rate for Millennials whose employers offer a match is 10 percent (median) compared to only five percent (median) of those not offered a match.

The majority of Millennials (62 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 Boomers are more likely (50 percent) to set their own asset allocation percentages among available funds in the plan.

# Key Highlights

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

Among Millennials who are currently participating in a plan, 20 percent have taken some form of loan and/or early withdrawal from a 401(k) or similar plan or IRA, including:

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

Fewer Millennials have taken a loan or early withdrawal compared to Generation X and Baby Boomers.

Despite the confidence-shaking events of the Great Recession, Millennial workers’ household retirement savings dramatically increased from \$9,000 in 2007 to \$32,000 in 2014 (estimated medians). This may be attributable to timing of Millennials’ entry into the workforce, access to employer benefits, strong savings rates, and dollar-cost averaging of 401(k) contributions throughout the stock market’s decline and subsequent recovery. Unlike older generations, Millennials would have been less likely to have suffered steep declines in their accounts because they had not yet been in the workforce long enough to have large retirement plan balances.

Millennial workers estimate they will need to save \$800,000 (median) for retirement. Forty-seven percent believe that they need to save \$1,000,000 or more, while 38 percent of Millennials believe they need to save less than \$500,000. Millennials’ median estimates are similar to those of Baby Boomers. However, it should be noted that Millennials’ time horizons before retirement are much longer, and thus, the amounts needed less predictable.

Half of those Millennial workers (52 percent) who provided an estimate indicate they have guessed their retirement savings needs, and 20 percent have estimated their goals based on their current living expenses. Only one in 10 have used a retirement calculator or completed a worksheet. Responses are consistent among Millennials, Generation X, and Baby Boomers – presenting an important opportunity for all three generations to create savings goals so they can save and plan accordingly.

# Key Highlights

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 Millennial workers (59 percent) have a retirement strategy, but only 13 percent have a written plan (the other 46 percent have a plan but it is not written down). Response rates are strikingly similar among Baby Boomers, Generation X, and Millennials.

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. Among those with a strategy, just over half (52 percent) of Millennials have factored total retirement savings and income needs. However, fewer than half of these Millennials have taken healthcare costs (47%), government benefits (39%), investment returns (31%), tax planning (28%), and contingency plans (19%) into account. Over the course of Millennials' working lives, the retirement landscape will inevitably change; therefore, it's important for them to begin planning now and update those plans over the coming decades.

Seventy-three percent of those Millennials offered a retirement plan would like more education and advice from their employers on how to reach their retirement goals. These Millennials are more likely to want this type of information than their Generation X (65 percent) and Baby Boomers (57 percent) counterparts.

Workers participating in a 401(k) or similar plan (and who responded to the question) find many of the resources and tools offered through the plan to be helpful. Generally among the three generations, there are similar levels of agreement on the helpfulness of tools offered. However, Millennials are notably most likely to find technology-based tools to be helpful – especially mobile app tools. A dramatic example: 71 percent of Millennials find mobile apps to manage their accounts to be helpful compared to just 47 percent of Baby Boomers.

Three in five Millennial workers (61 percent) say they want some level of advice when saving and investing for retirement, including 46 percent seeking education and advice but ultimately making their own decisions, and 15 percent wanting someone to make decisions on their behalf. In contrast to their desire for advice, only 32 percent of Millennials who are now saving and investing for retirement actually use a professional financial advisor to help them. Of the three generations, Millennials are least likely to use a financial advisor.

# Key Highlights

Millennials have already gained first-hand experience with how quickly the world, economy, and technology can change. As they progress through their careers, they will likely face many more challenges and opportunities. However, timeless tactics to help prepare for retirement can serve them well throughout their working lives.

Seven tips toward achieving retirement readiness:

1. **Save for retirement.** Start saving as early as possible – and as much as possible. Save consistently over time. Avoid taking loans and early withdrawals from retirement accounts.
2. **Consider retirement benefits as part of total compensation.** Ask an employer for a plan if they don't offer one.
3. **Participate in employer-sponsored retirement plans, if available.** Take full advantage of matching employer contributions, and defer as much as possible.
4. **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 future retirement and have a backup plan in case retirement comes early due to an unforeseen circumstance.
5. **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.
6. **Seek assistance from a professional financial advisor**, if needed.
7. **Be proactive about staying competitive in the ever-changing job market.** Be proactive about keeping job skills up-to-date, performing well on the job, staying current on employment trends and marketplace needs, and even going back to school to learn new skills if necessary.

Employers play a vital role in helping their employees plan and save for retirement. The survey found that Millennials, more than older generations, value retirement benefits and would even consider changing employers for better benefits. Employers should take note and consider offering competitive retirement benefits as well as providing education on the importance of starting early and saving consistently over time. Meaningful steps for employers include extending eligibility to join a 401(k) or similar plan to both full-time and part-time employees, as well as making it easy for employees to join and increase savings in the plan vis-à-vis automatic enrollment with an annual automatic escalation.

*A full set of recommendations for employers with the help of their benefits advisors as well as policymakers can be found on pages 43 to 45.*



# Millennial Workers: An Emerging Generation of Super Savers

*Detailed Findings*

# Millennials: The Digital DIY Generation of Super Savers

Millennial workers are a digital do-it-yourself generation of retirement savers. Unlike their parents' generation, most expect their primary source of income in retirement to be self-funded through retirement accounts (e.g., 401(k)s, 403(b)s, IRAs) or other savings and investments. The good news is that they are getting an early start with their savings and are taking advantage of the latest innovations that their employer-sponsored retirement plans have to offer. And they are hungry for more information on how to achieve their retirement goals especially if it's digitally available. Employers should take note: Two-thirds of Millennials say they would be likely to switch companies for a similar job if it comes with better retirement benefits.

**Two-Thirds**

expect to self-fund their primary source of income in retirement through retirement accounts or other outside savings.

*p. 26*

**4 in 5**

(81 percent) are concerned that Social Security will not be there for them when they retire

*p. 27*

**22**

is the age (median) that Millennial investors started saving for retirement

*p. 28*

**3 in 5**

expect to retire at age 65 or sooner.

*p. 20*

**18%**

frequently discuss saving and planning for retirement with family and friends.

*p. 24*

**29%**

expect that they will need to financially support their aging parents when they retire.

*p. 25*

**71%**

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

*p. 31*

**Eight**

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

*p. 31*

**71%**

of plan participants find mobile applications offered by their plan provider to be helpful.

*p. 41*

**Two-Thirds**

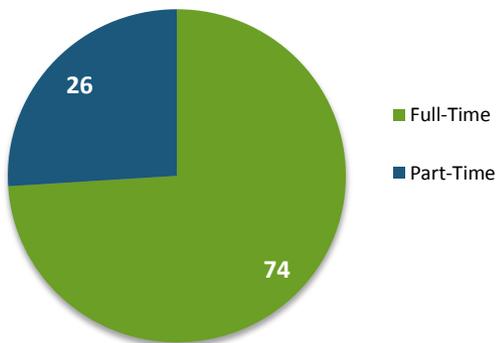
(67 percent) say they would be likely to leave their current employer for a similar job offering better retirement benefits.

*p. 29*

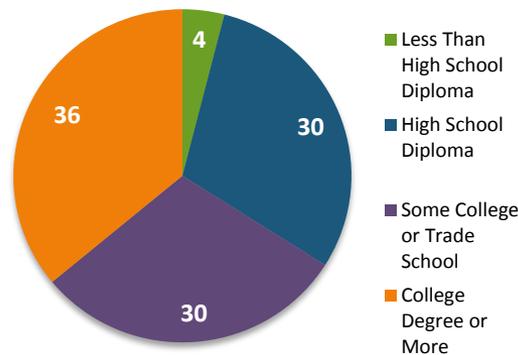
# A Portrait of Today's Millennials in the Workforce

Millennials surveyed were born between 1979 and 1996 and are ages 18 to 34. The majority are working full-time (74 percent) and two-thirds have either undertaken or finished college. Most are single (57 percent). Their annual household income is \$47,000 (estimated median). They are more ethnically diverse compared to older generations of workers (see page 47). The youngest Millennials have yet to reach age 18 and no chronological endpoint has been set yet for this generation.

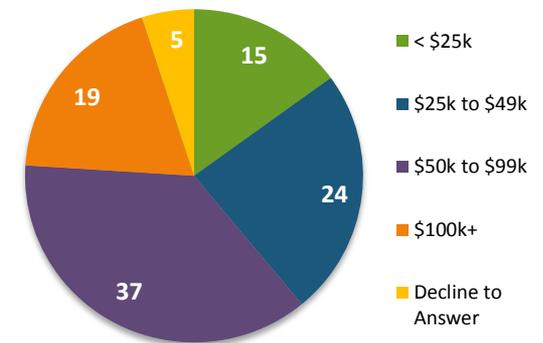
**Work Status (%)**



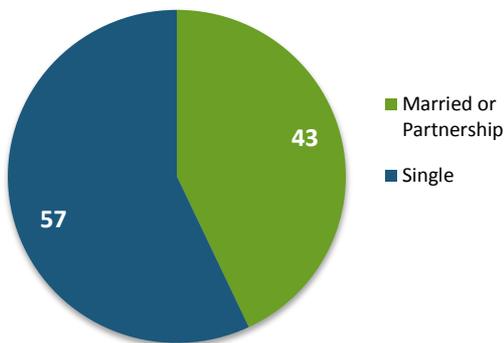
**Level of Education (%)**



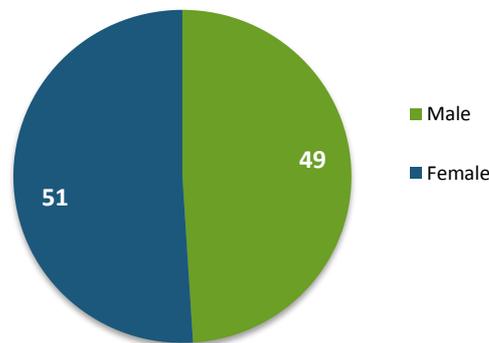
**Household Income (%)**



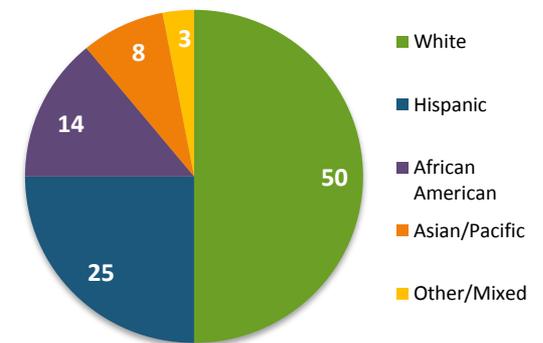
**Marital Status (%)**



**Gender (%)**



**Ethnicity (%)**

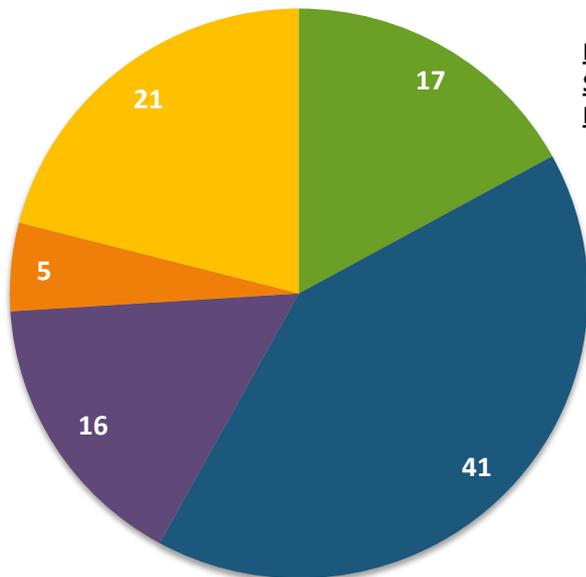


# Most Millennials Are Recovering From the Great Recession

Much has been reported in the news about the challenges that Millennials have faced through the Great Recession including unprecedented levels of student debt and difficulties finding employment. Among Millennials in the workforce, four out of five (79 percent) say that they are either recovering from the Great Recession (58 percent) or say they were not impacted by it (21 percent). Millennials are more likely to be fully recovered than Generation X and Baby Boomers.

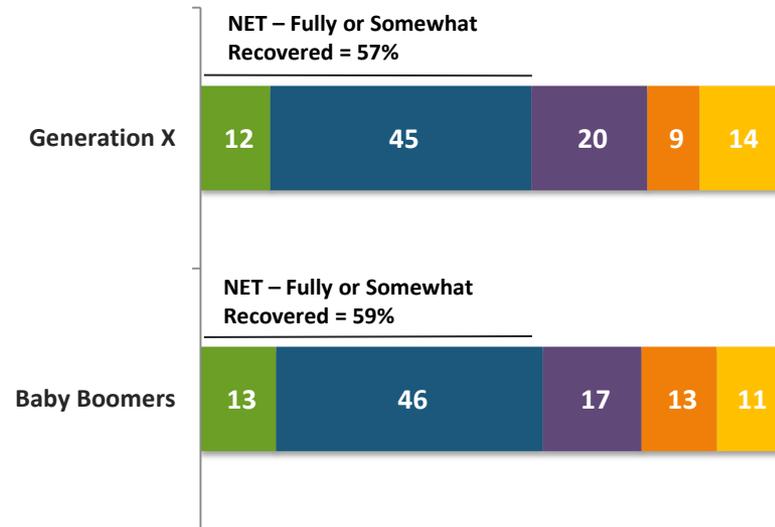
## How would you describe your financial recovery from the Great Recession?

Millennials (%)



**NET – Fully or Somewhat Recovered = 58%**

Older Generations (%)

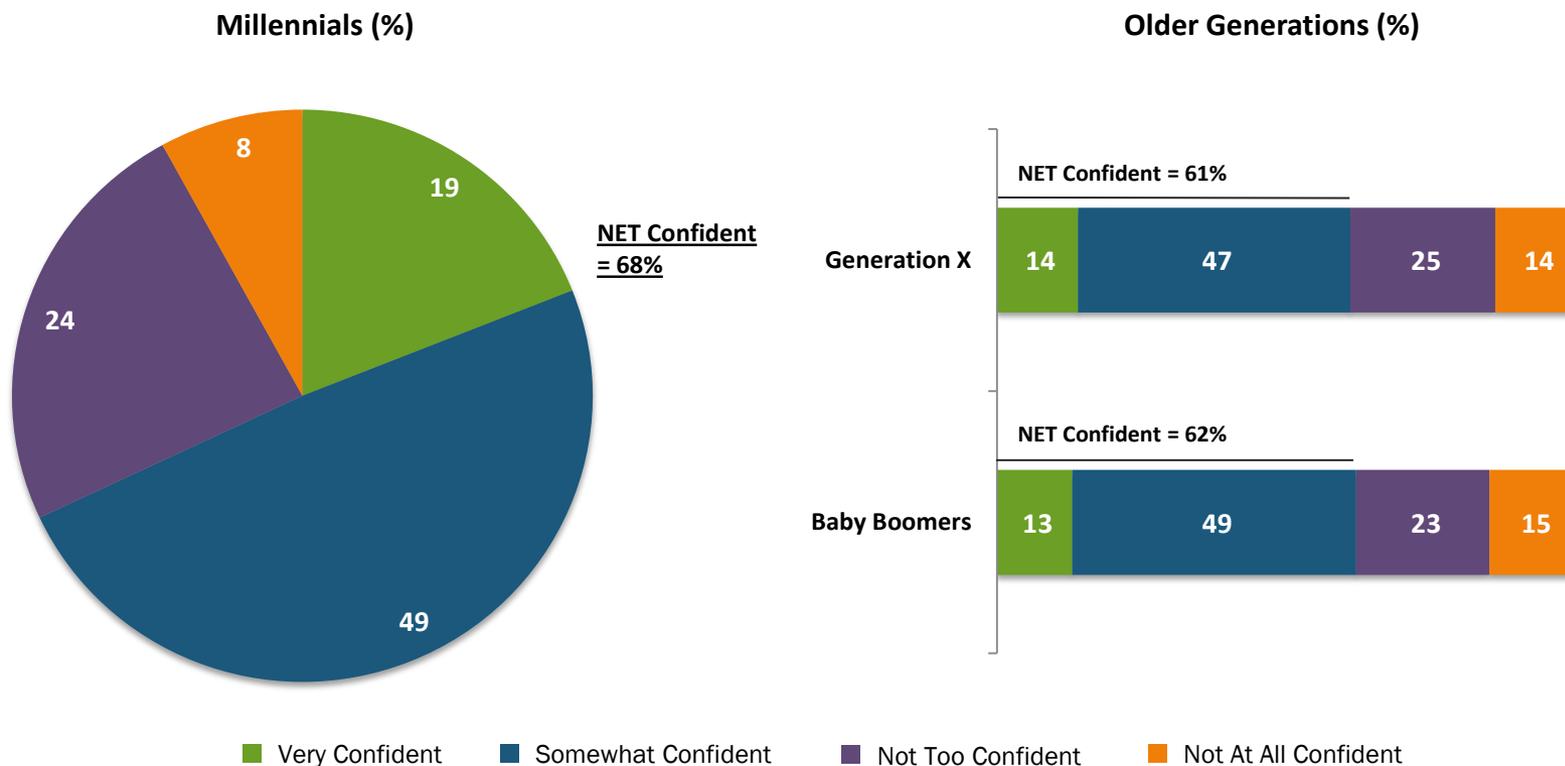


■ I have fully recovered    
 ■ I have somewhat recovered    
 ■ I have not yet begun to recover    
 ■ I may never recover    
 ■ I was not impacted

# Millennials Are Upbeat About Their Retirement Outlook

Two-thirds (68 percent) of Millennial workers are “very” or “somewhat” confident that they will be able to someday fully retire with a comfortable lifestyle, demonstrating higher levels of confidence than Generation X or Baby Boomers.

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



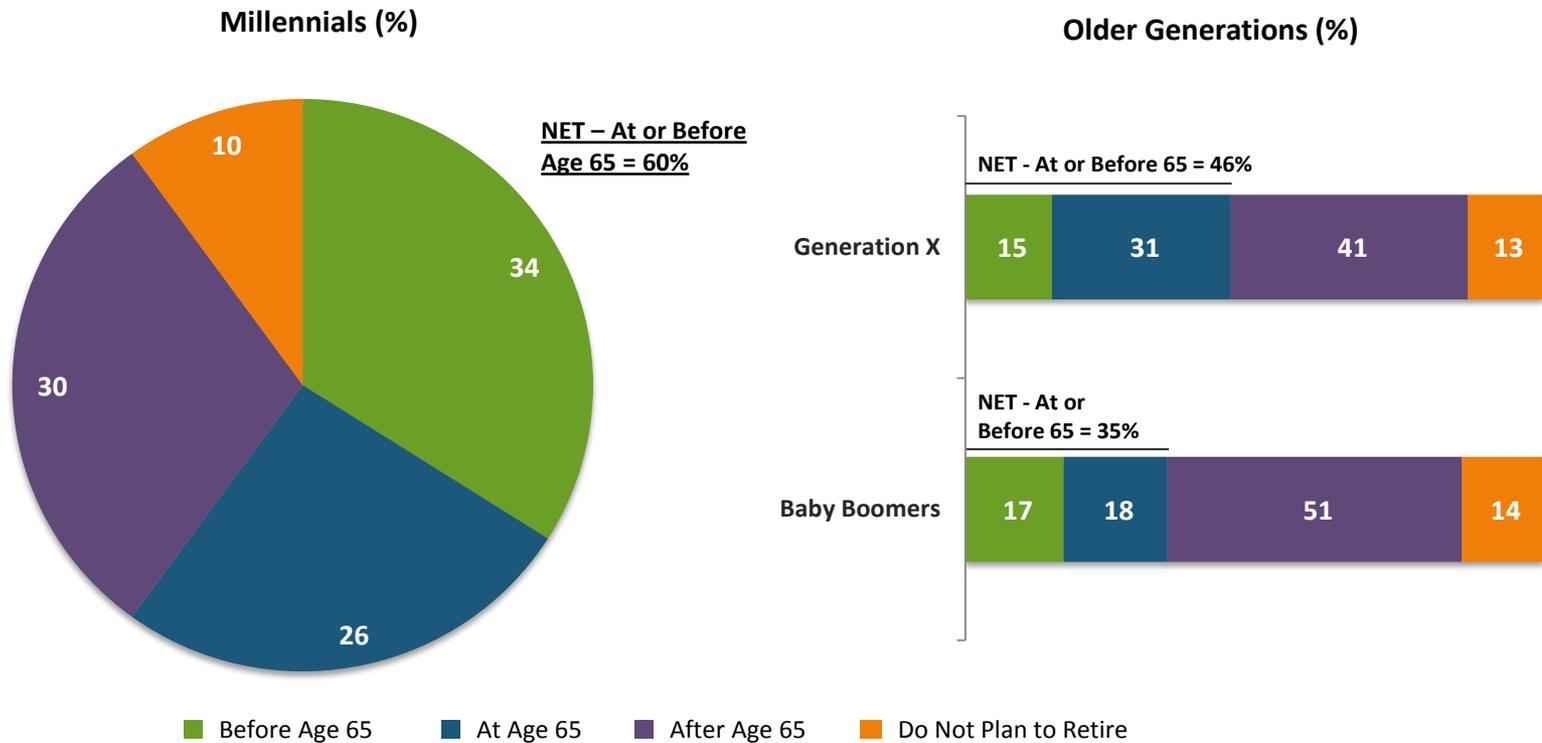
BASE: ALL QUALIFIED RESPONDENTS

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

# Three in Five Millennials Plan to Retire at 65 or Sooner

Sixty percent of Millennial workers plan to retire at age 65 or sooner, including 26 percent who plan to retire at age 65 and 34 percent who plan to do so even sooner. Millennials' aspirations are in stark contrast to those of the majorities of Baby Boomers (65 percent) and Generation X (54 percent) who plan to work past age 65 or do not plan to retire.

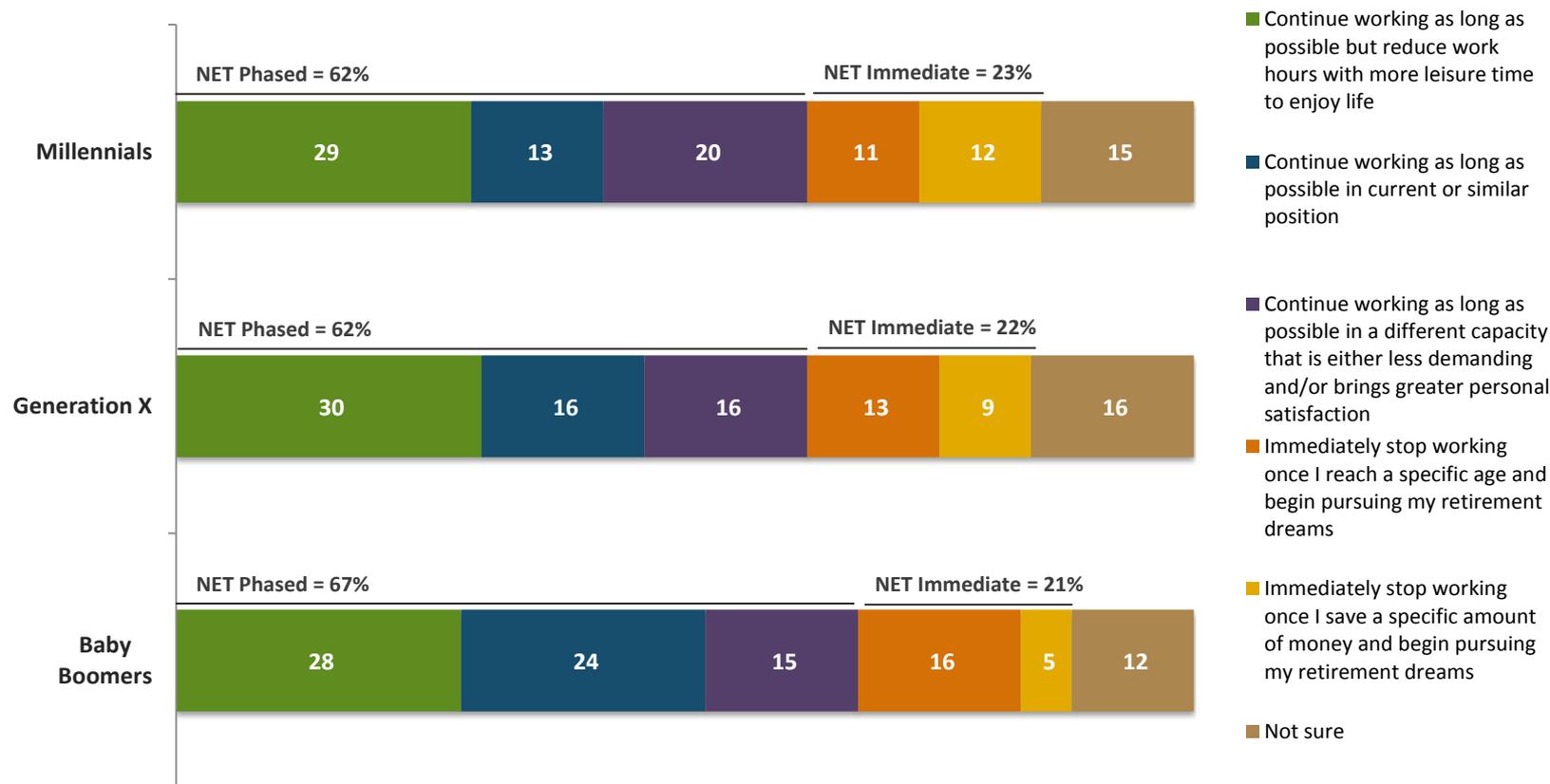
At what age do you expect to retire? (%)



# Majority of Millennials Envision a Phased Retirement

Most Millennial 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 23 percent of Millennials expect to immediately stop working when they retire. Generation X and Baby Boomers share similar expectations.

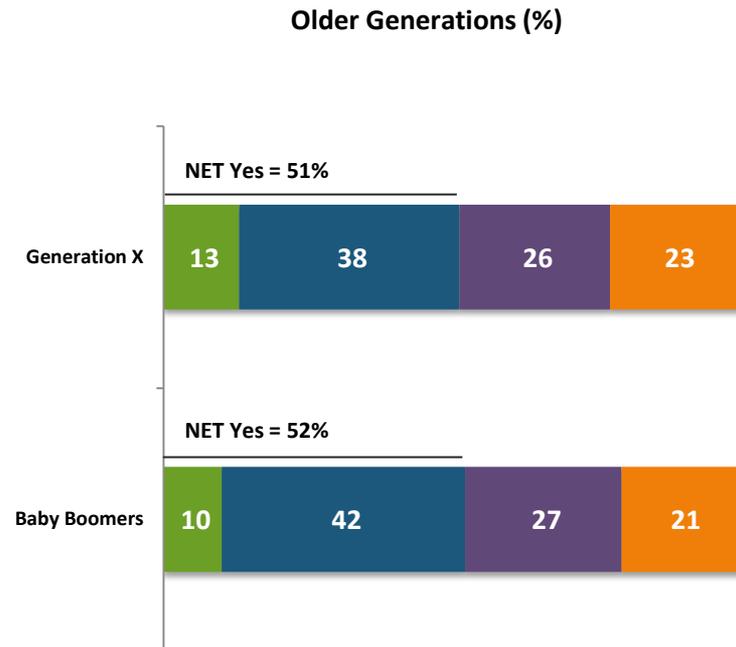
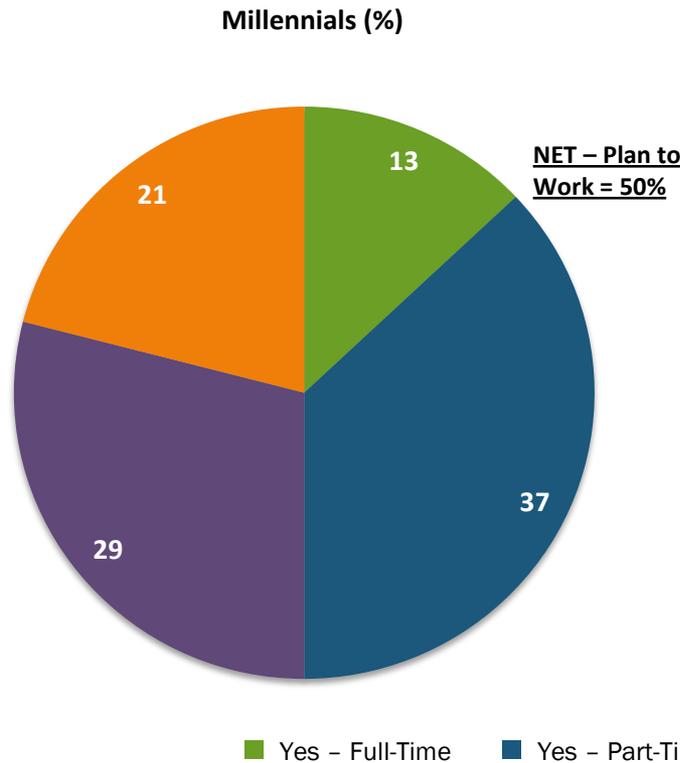
How do you envision transitioning into retirement? (%)



# One-Half of Millennials Plan to Work in Retirement

Fifty percent of Millennial workers plan to continue working after they retire, including 37 percent who plan to work part-time and 13 percent full-time. Only 29 percent of Millennials do not plan to work after they retire, and 21 percent are not sure. Millennials, Generation X, and Baby Boomers are strikingly similar in these expectations.

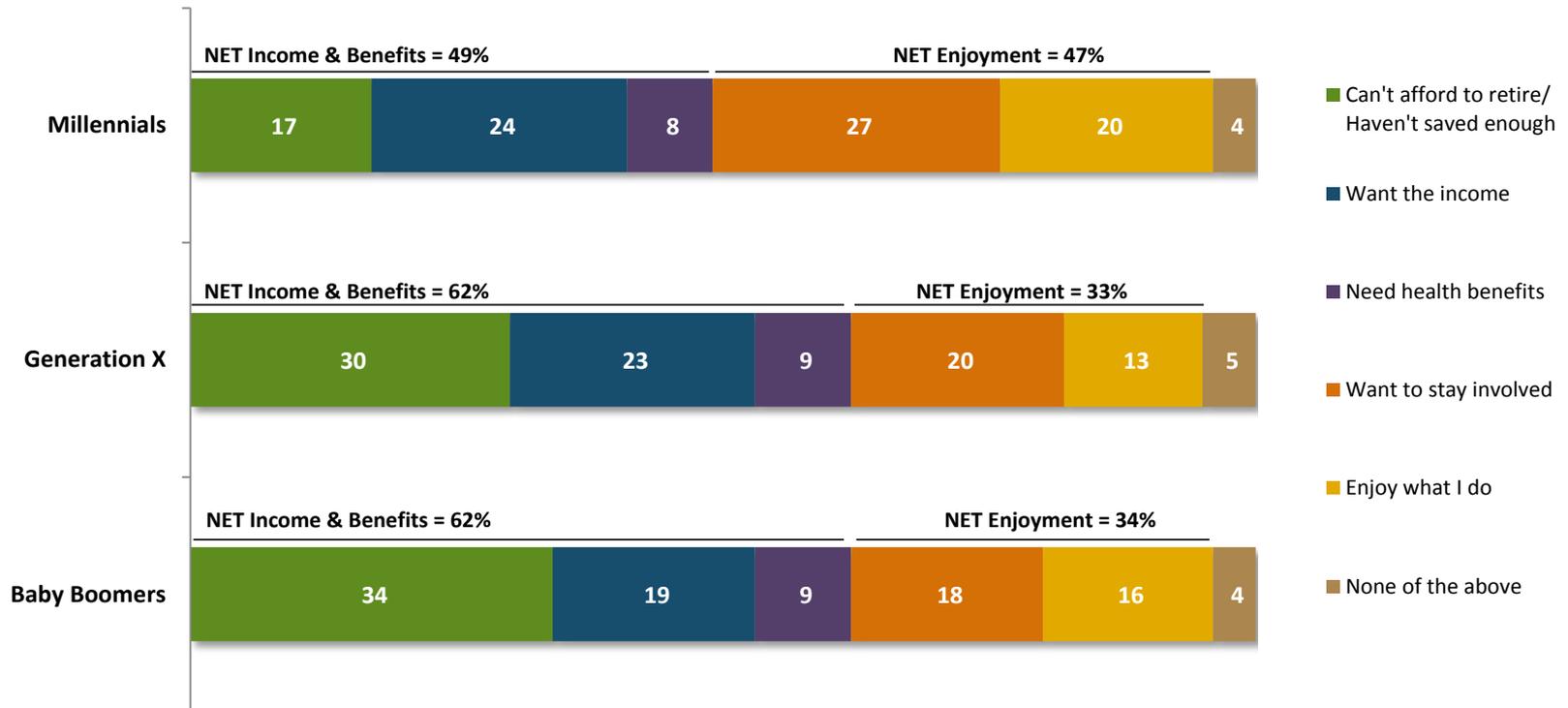
Do you plan to work after you retire? (%)



# Many Millennials Plan to Work in Retirement For Enjoyment

Nearly half (47 percent) of Millennial workers who plan to work in retirement and/or past age 65 want to do so because they want to stay involved (27 percent) or enjoy what they do (20 percent). Slightly more (49 percent) plan to do so for reasons of income and benefits. Millennials are significantly more likely to plan to work for reasons of enjoyment compared to Generation X and Baby Boomers.

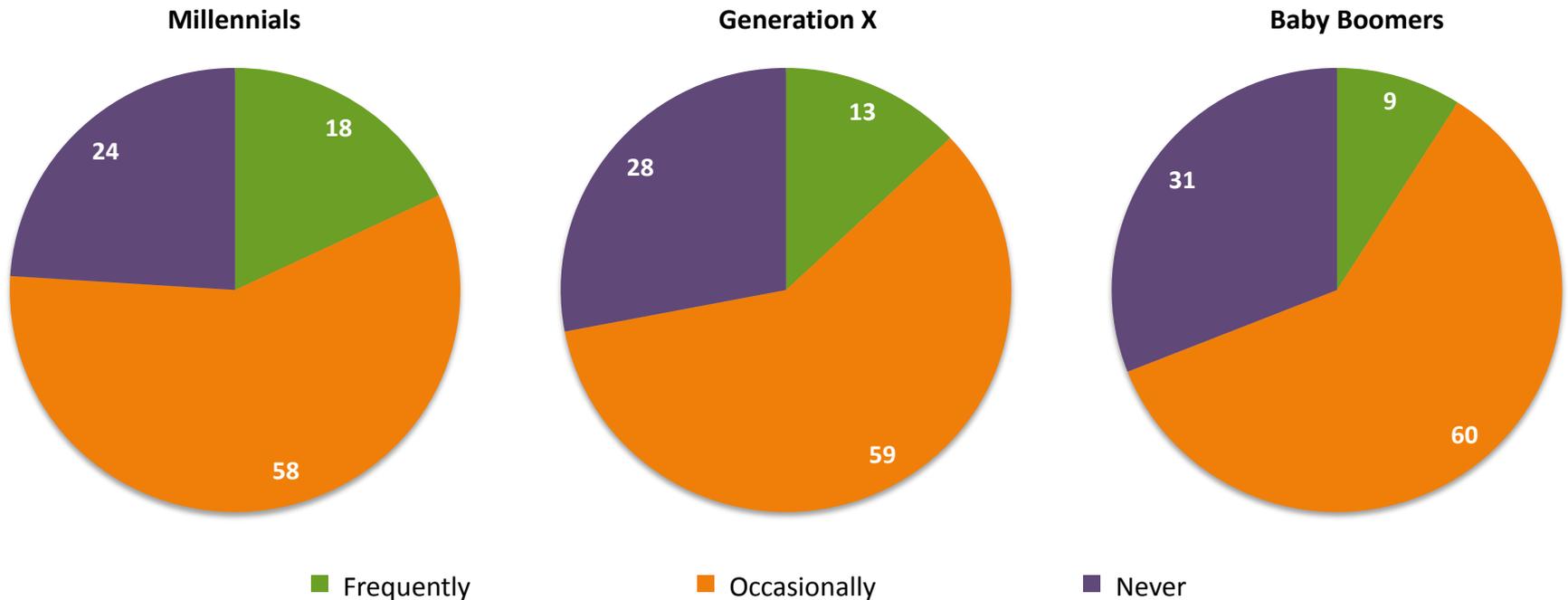
**Main Reason for Working Past Age 65 and/or After Retirement (%)**



# Millennials Are Talking About Retirement

Three out of four (76 percent) Millennial workers are discussing saving, investing, and planning for retirement with family and friends. Surprisingly, Millennials (18 percent) are twice as likely to “frequently” discuss the topic compared to Baby Boomers (9 percent).

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



# Three in Ten Millennials Expect to Support Aging Parents

Many Millennial workers (41 percent) expect they will need to financially support their aging parents (29 percent) and/or other family members (20 percent) when they are retired. Another 23 percent of Millennials are “not sure.” Generation X and Baby Boomers are less likely to share expectations regarding this need to provide financial support for their parents or others.

**Do you expect that you will need to provide financial support for your family (other than your spouse/partner) while you are retired? (%)**

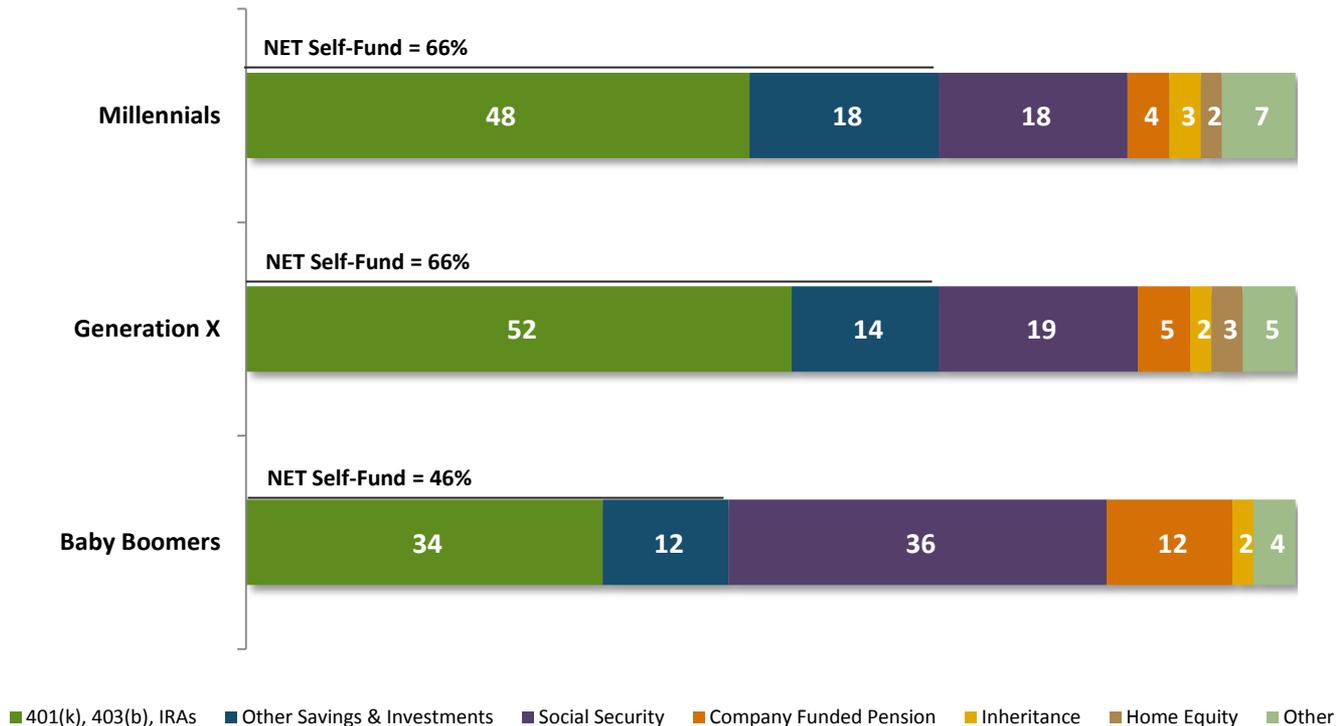


\* Note: The “NET Yes” reflects the percentage of unique respondents who answered “Yes” to “Aging Parents” and/or “Other Family Members (Excluding Spouse or Partner).”

# Two-Thirds of Millennials Expect to Self-Fund Their Retirement

Sixty-six percent of Millennial workers expect their primary source of income in retirement to be self-funded through retirement accounts (48 percent) or other savings and investments (18 percent). In this regard, Millennials and Generation X share similar expectations, while Baby Boomers (36 percent) are most likely to cite Social Security.

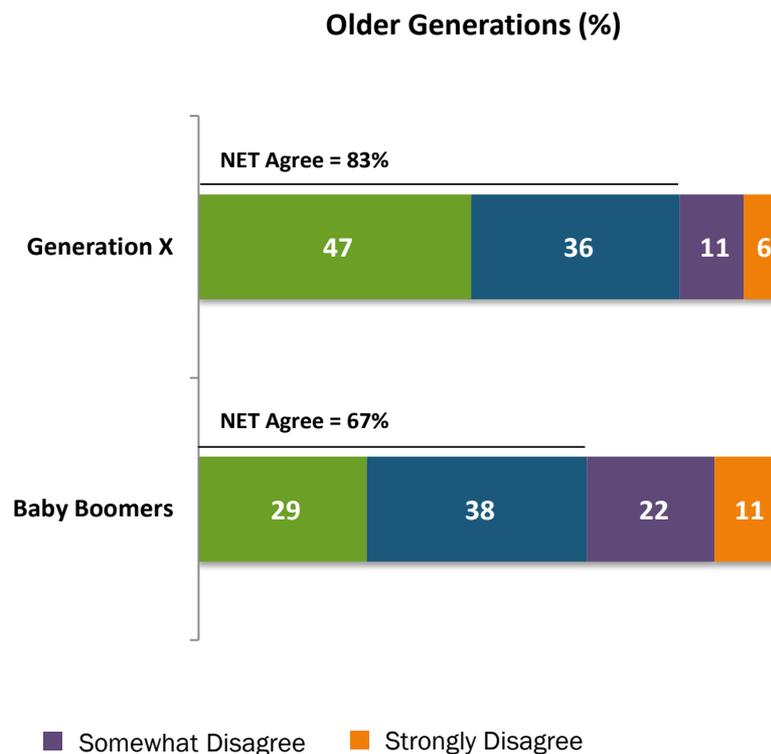
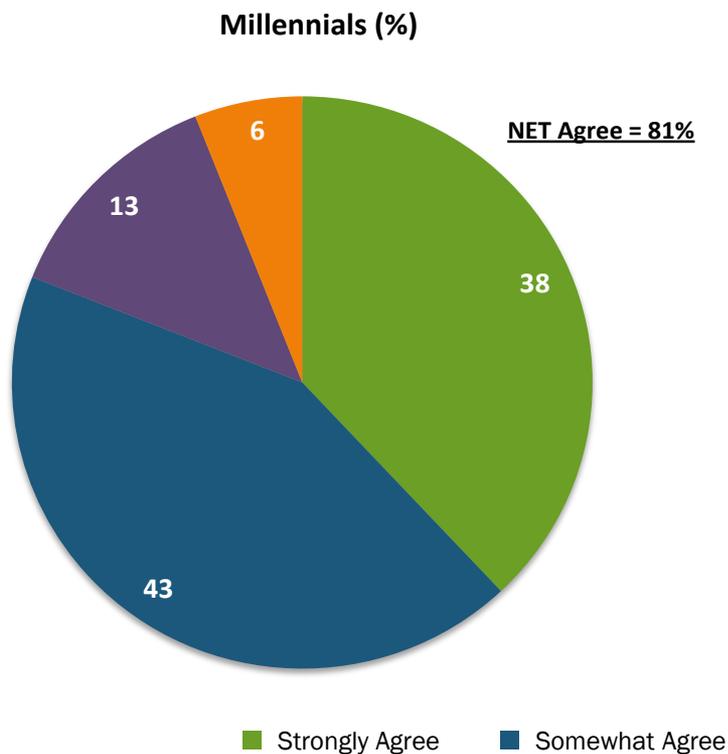
**What Do You Expect to be Your Primary Source of Income in Retirement? (%)**



# Millennials Are Concerned About Future of Social Security

The vast majority of Millennial workers (81 percent) are concerned that Social Security will not be there for them when they are ready to retire. A similar percentage of Generation X (83 percent) shares this concern, while Baby Boomers (67 percent) are less likely to be concerned. Nevertheless, sizeable majorities among all three generations are concerned that Social Security will not be there for them when they are ready to retire.

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



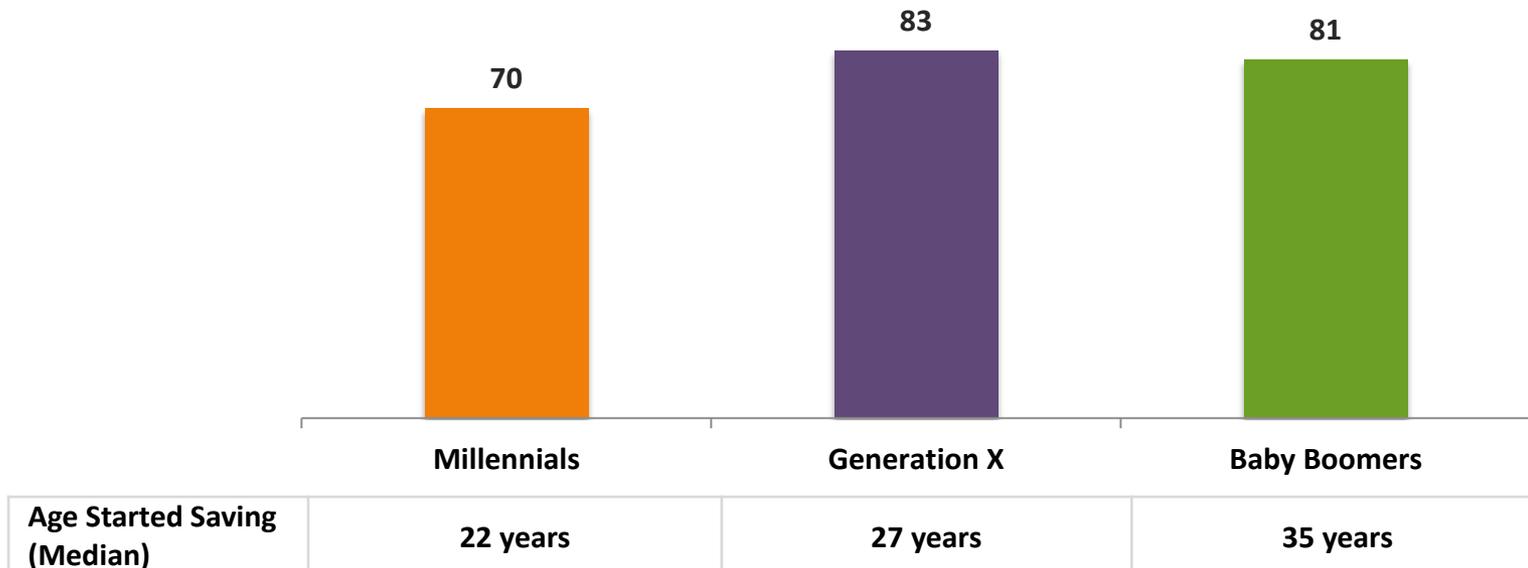
BASE: ALL QUALIFIED RESPONDENTS

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.

# Millennials Are Starting to Save for Retirement at a Young Age

Seventy percent of Millennial workers are already 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 an unprecedented age of 22 (median). Millennials are getting a tremendous head start compared to older generations: Generation X started saving at age 27 (median) and Baby Boomers at 35 (median).

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



BASE: CURRENTLY OFFERED QUALIFIED 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

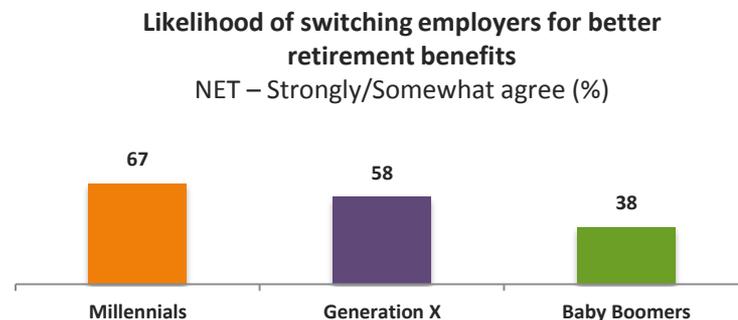
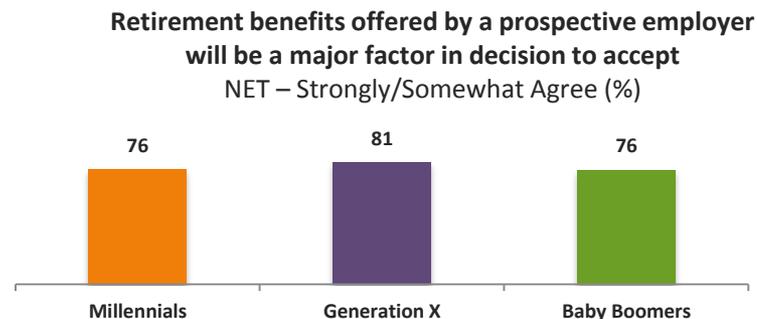
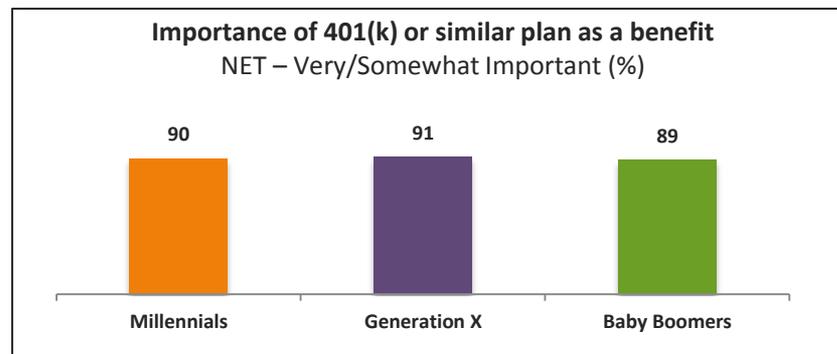
Q790. At what age did you first start saving for retirement?

# Millennials Take Retirement Benefits Very Seriously

## Employers take note:

Millennial workers as well as older generations highly value retirement benefits.

- Ninety percent of Millennials value a 401(k) or similar plan as an important benefit.
- Three out of four (76 percent) Millennials say that retirement benefits offered by a prospective employer will be a major factor in their decision on whether to accept a potential job offer.
- Two-thirds of Millennials (67 percent) say they would be likely to switch employers for a nearly identical job with a similar employer that offered better retirement benefits.



BASE: ALL QUALIFIED RESPONDENTS

Q1171. Please tell us how important that benefit is to you, personally. A 401(k)/403(b)/457(b) or other employee self-funded plan.

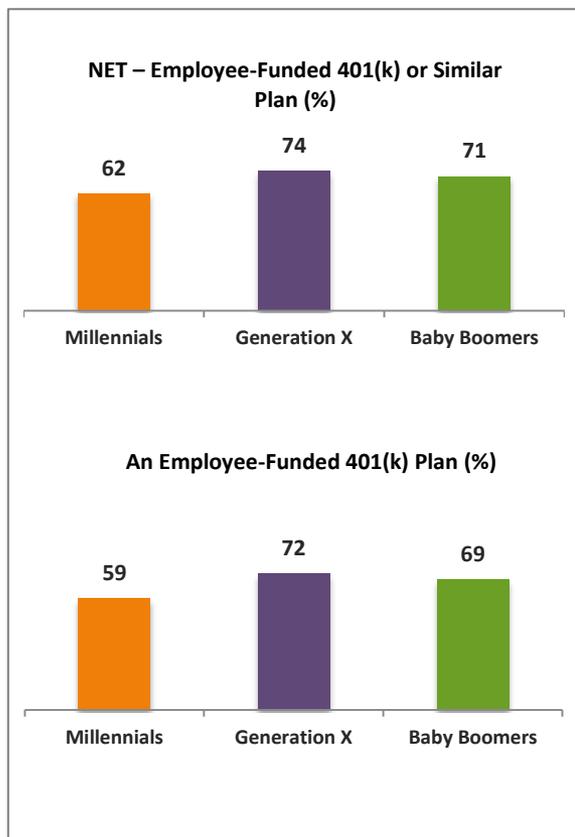
Q831. How much do you agree or disagree with the following statement? The next time I look for a job, all things being equal, the retirement savings program offered by the prospective employer will be a major factor in my final decision.

Q730. How likely would you be to leave your current employer to take a nearly identical job, with a similar employer, if that employer offered you a (better) retirement plan (than offered by your current employer)?

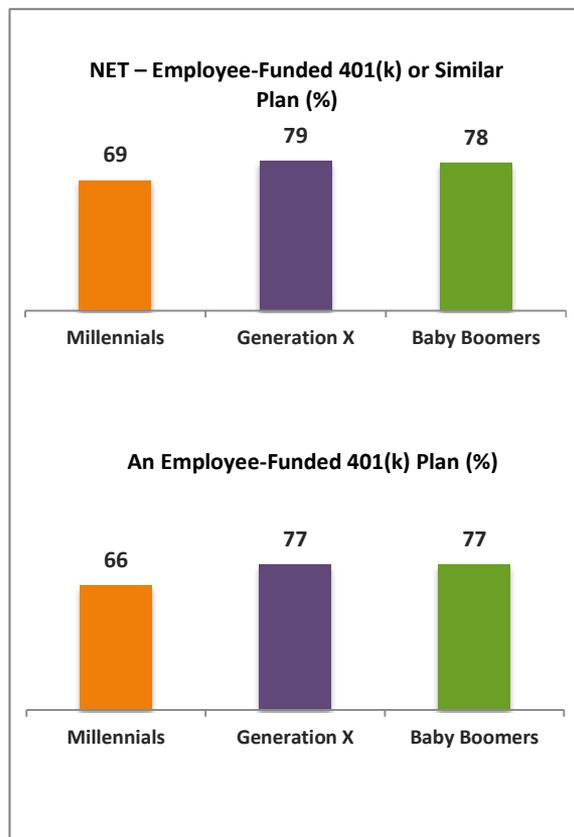
# Millennials Working Full-Time Are More Likely to Have a 401(k)

Sixty-nine percent of Millennial workers who are working full-time at their current employer are offered a 401(k) or similar retirement plan. This is a significantly smaller percentage than Generation X (79 percent) and Baby Boomers (78 percent). Far fewer (42 percent) Millennials working part-time are offered benefits. This steep disparity in access to benefits between full-time and part-time workers is also found among Generation X and Baby Boomers.

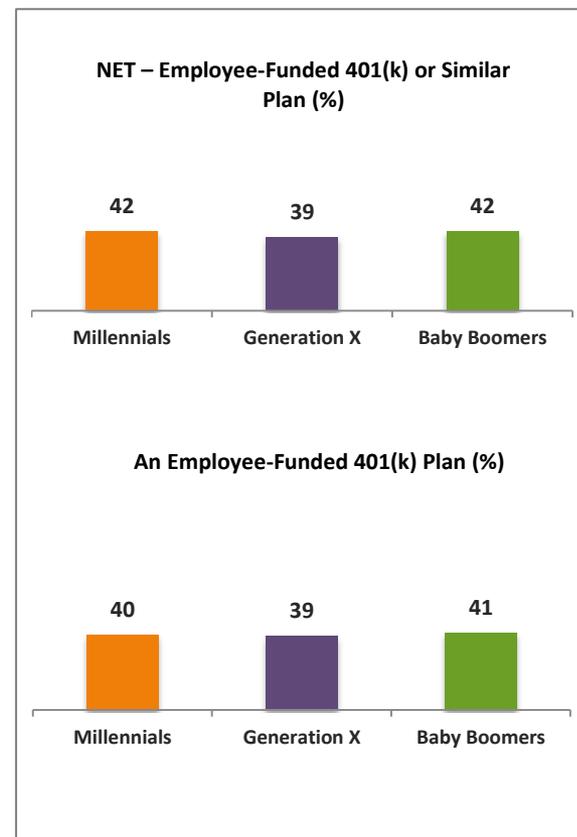
Workers (Full-Time & Part-Time)



Full-Time Workers



Part-Time Workers



BASE: ALL QUALIFIED RESPONDENTS

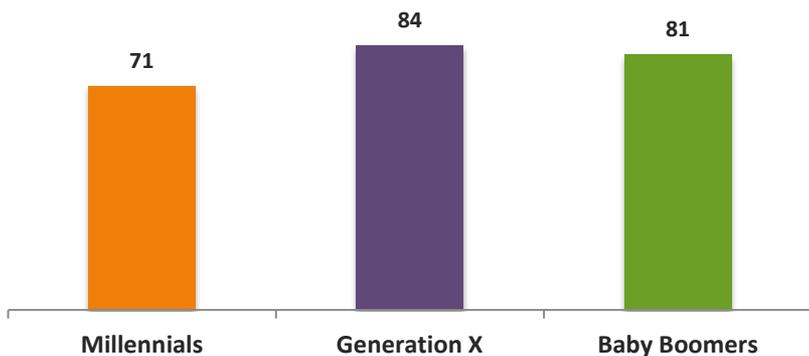
Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

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)

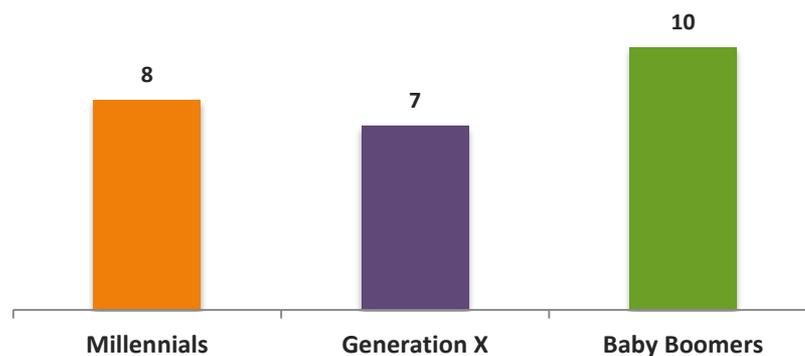
# Millennials Have Strong Plan Participation and Contribution Rates

Seventy-one percent of Millennials who are offered a 401(k) or similar plan participate in that plan. Although this is a strong participation rate, it is nevertheless lower than Generation X (84 percent) and Baby Boomers (81 percent). Among those currently participating in such plans, Millennials are contributing eight percent (median) of their annual salary into their plans. Their contribution rate is higher than that of Generation X at seven percent (median), but lower than Baby Boomers at 10 percent (median).

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



**Percentage of Annual Salary Saved in Plan**  
Median (%)



BASE: CURRENTLY OFFERED QUALIFIED PLAN

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

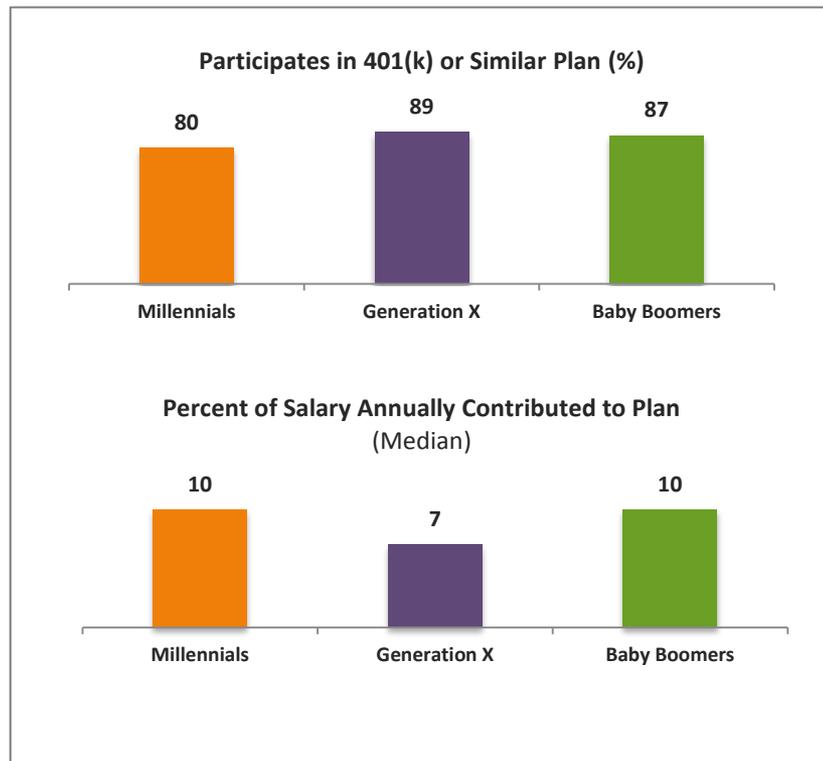
BASE: CURRENTLY PARTICIPATES IN QUALIFIED PLAN

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

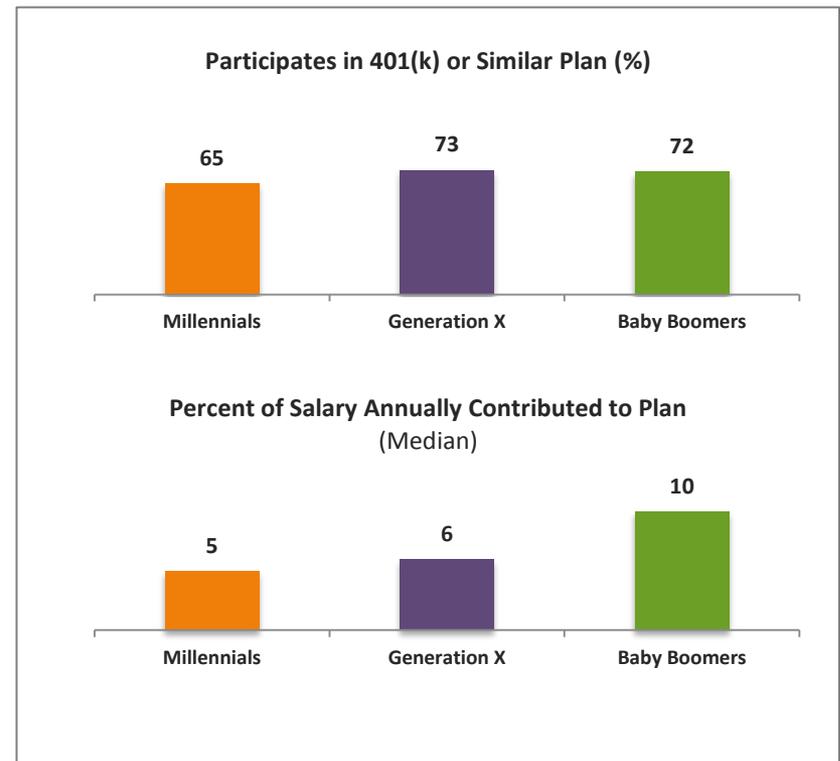
# Employer Matches Drive Up Participation and Savings

An employer's offering of a matching contribution increases both plan participation and contribution rates. The most profound differences were found among Millennials. Among Millennials whose employer offers a match, plan participation rates were 80 percent compared to only 65 percent for those who are not offered a match. Moreover, the annual salary contribution rate for Millennials whose employers offer a match was 10 percent (median) compared to only five percent (median) of those not offered a match.

## Offered Matching Contribution



## Not Offered Matching Contribution

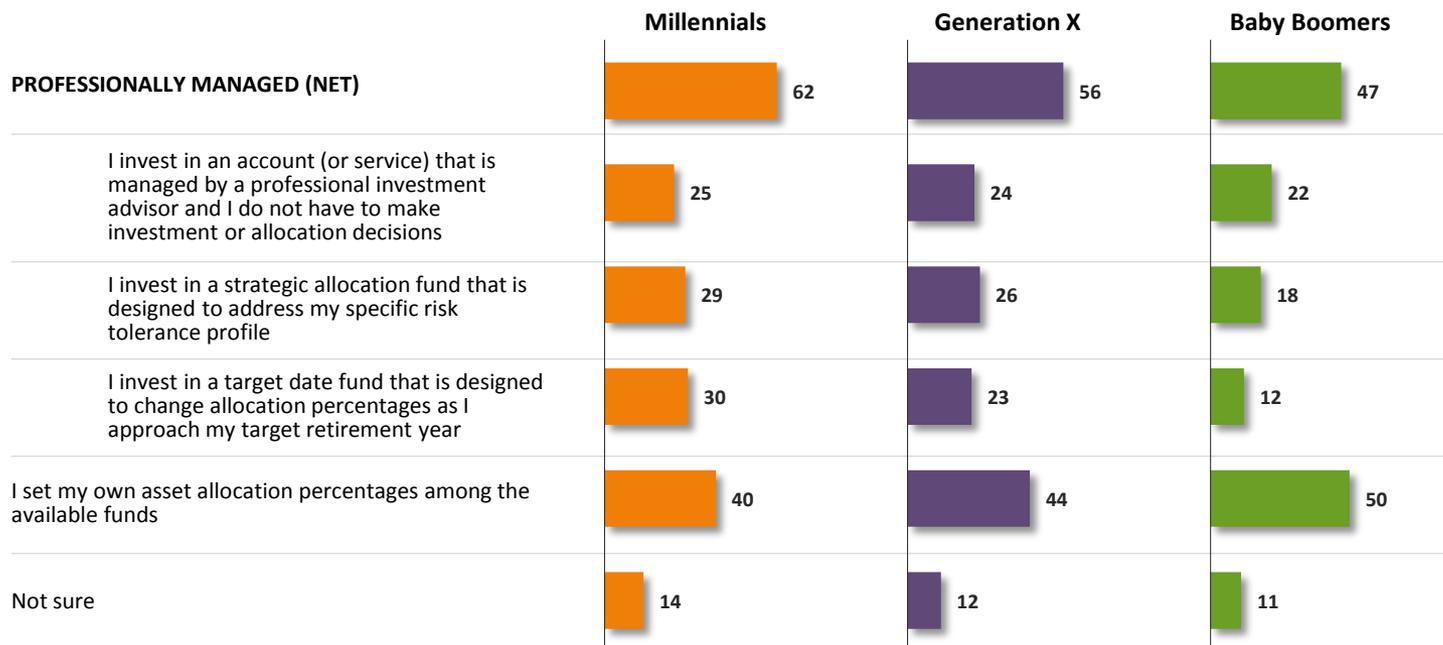


BASE: EMPLOYER PROVIDES MATCH/ EMPLOYER DOES NOT PROVIDE MATCH  
 Q1190. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?  
 BASE: CURRENTLY PARTICIPATES IN QUALIFIED PLAN. EMPLOYER PROVIDES MATCH/ EMPLOYER DOES NOT PROVIDE MATCH  
 Q601. What percentage of your salary are you saving for retirement through your company-sponsored plan this year?

# Majority of Millennials Use Professionally Managed Accounts

The majority of Millennials (62 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 Boomers are more likely (50 percent) 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? (%)



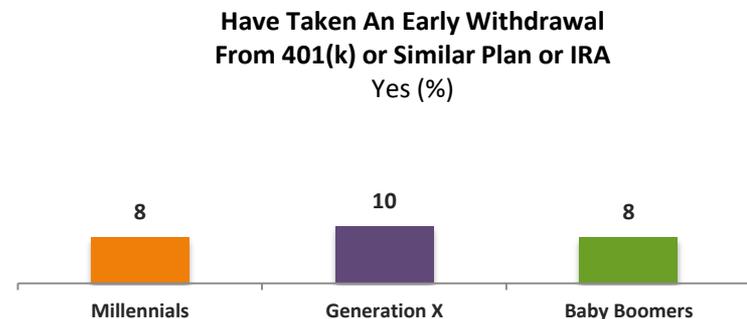
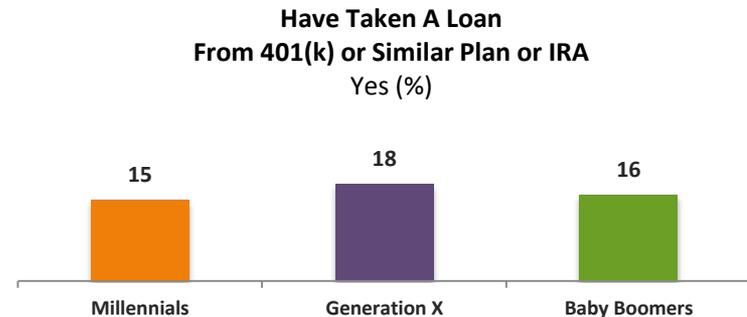
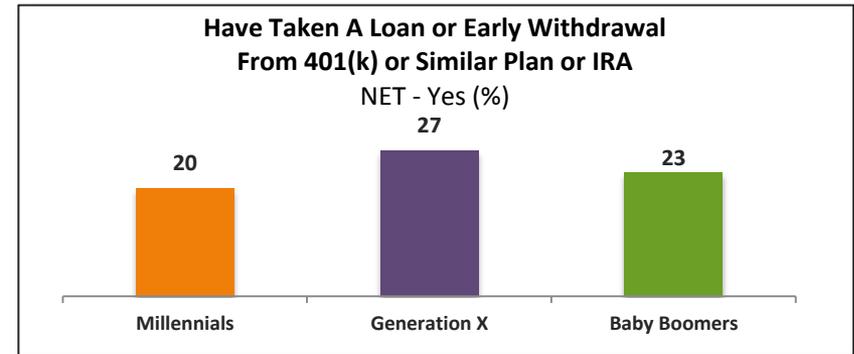
# Retirement Plan Leakage: Loans and Withdrawals

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

Among Millennials who are currently participating in a plan, 20 percent have taken some form of loan and/or early withdrawal from a 401(k) or similar plan or IRA, including:

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

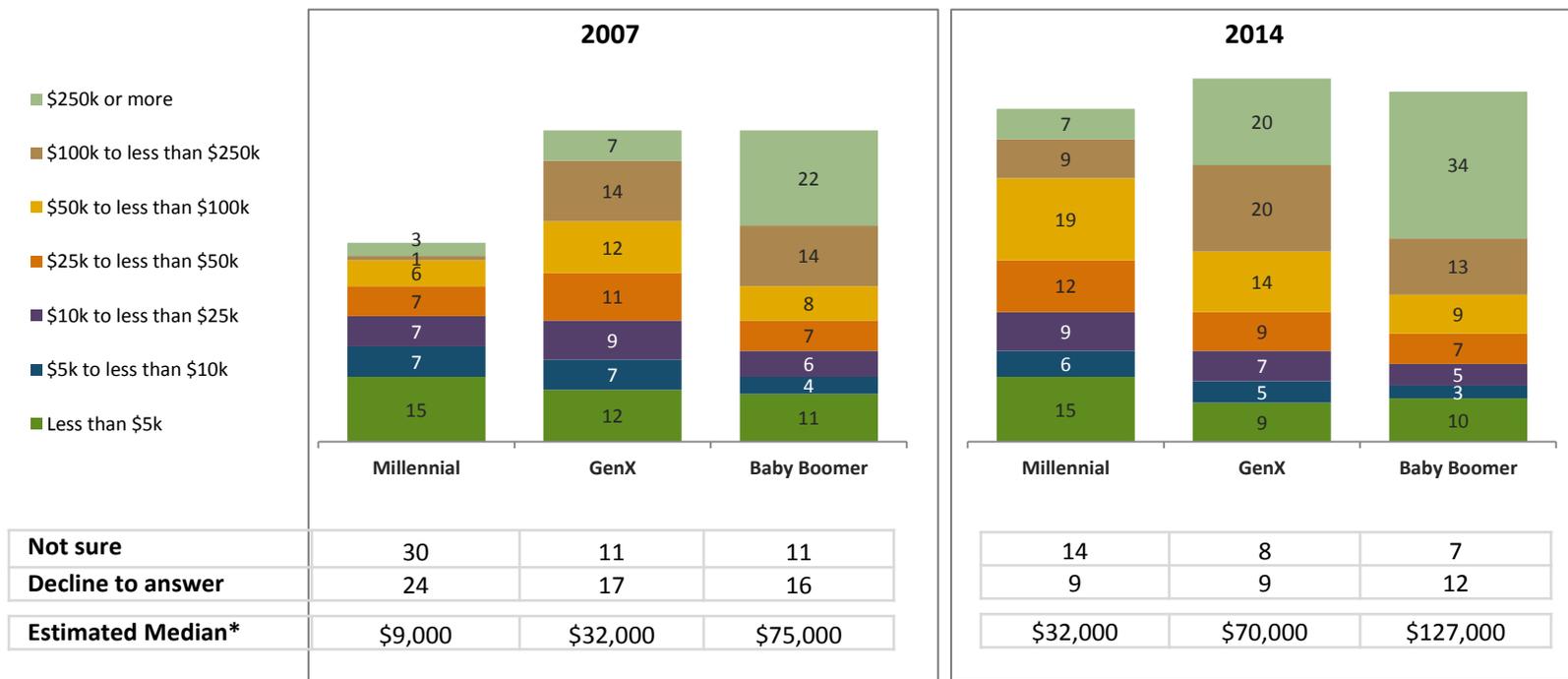
Fewer Millennials have taken a loan or early withdrawal compared to Generation X and Baby Boomers.



# Millennials' Household Retirement Savings Have Sky-Rocketed

Despite the confidence-shaking events of the Great Recession, Millennial workers' household retirement savings dramatically increased from \$9,000 in 2007 to \$32,000 in 2014 (estimated medians). This may be attributable to timing of Millennials' entry into the workforce, access to employer benefits, strong savings rates, and dollar-cost averaging of 401(k) contributions throughout the stock market's decline and subsequent recovery. Unlike older generations, Millennials would have been less likely to have suffered steep declines in their accounts because they had not yet been in the workforce long enough to have large retirement plan balances.

### 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.

# Estimated Retirement Savings Needs

Millennial workers estimate they will need to save \$800,000 (median) for retirement. Forty-seven percent believe that they will need to save \$1,000,000 or more, while 38 percent of Millennials believe they will need to save less than \$500,000. Millennials' median estimates are similar to those of Baby Boomers. However, it should be noted that Millennials' time horizons before retirement are much longer, and thus, the amounts needed less predictable.

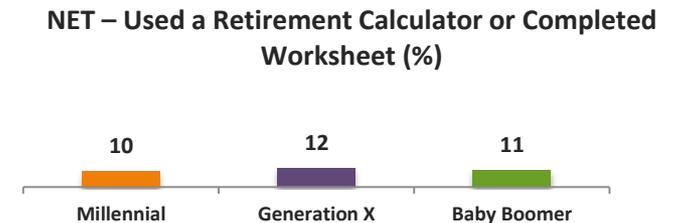
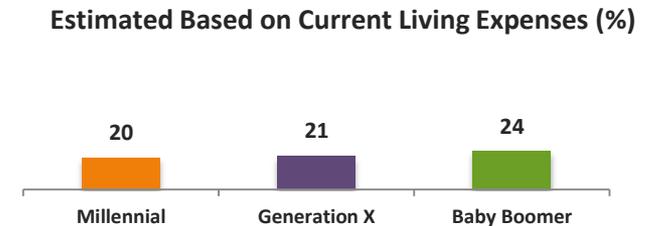
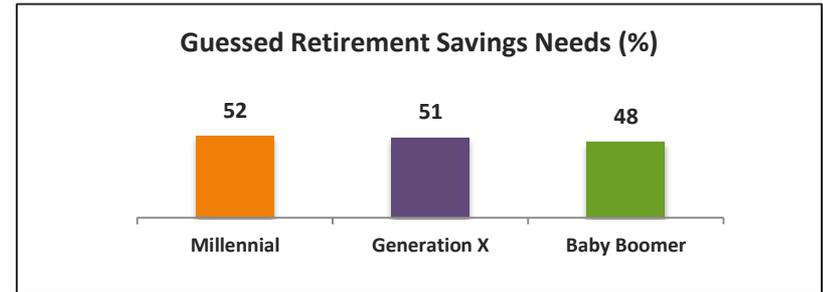
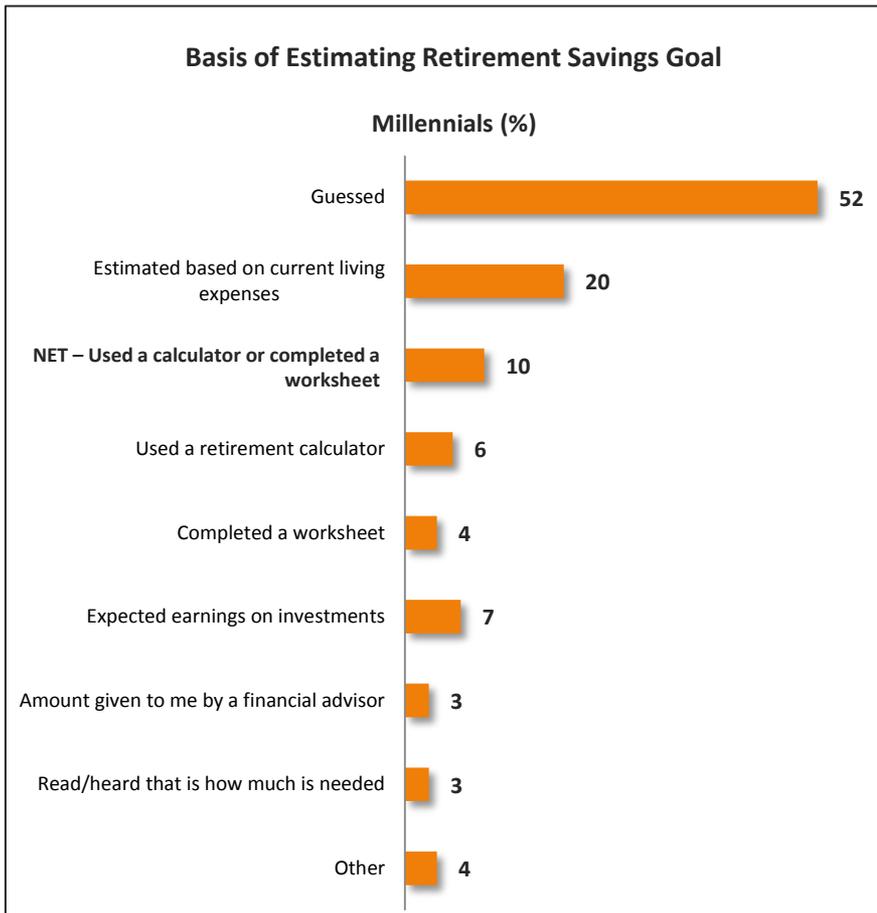
Estimated Retirement Savings Needs	Millennials	Generation X	Baby Boomers
< \$500k	38%	24%	28%
\$500k to \$1m	15%	20%	25%
\$1m to \$2m	18%	25%	24%
\$2m or More	29%	31%	23%
Median	\$800,000	\$1,000,000	\$800,000

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?

# Millennials Are Guessing Their Savings Needs

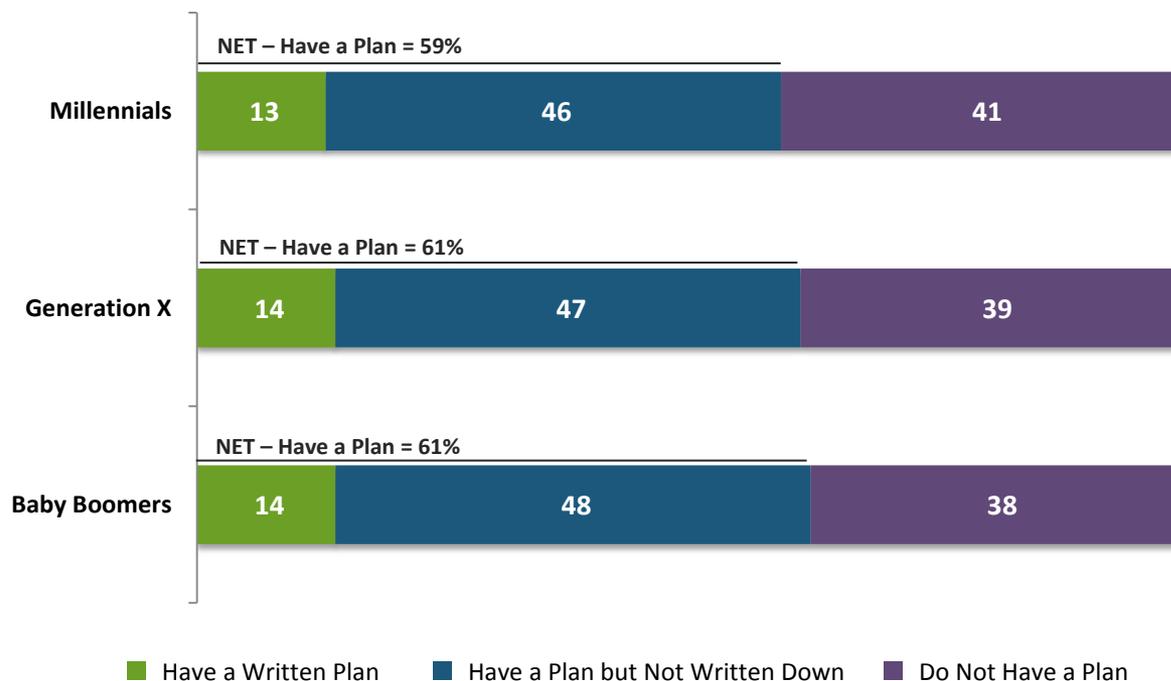
Half of those Millennial workers (52 percent) who provided an estimate indicate they have guessed their retirement savings needs, and 20 percent have estimated their goals based on their current living expenses. Only one in 10 have used a retirement calculator or completed a worksheet. Responses are consistent among Millennials, Generation X, and Baby Boomers – presenting an important opportunity for all three generations to create savings goals so they can save and plan accordingly.



# Few Millennials 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 about retirement income needs, costs and expenses, and risk factors. The majority of Millennial workers (59 percent) have a retirement strategy, but only 13 percent have a written plan (the other 46 percent have a plan but it is not written down). Responses are strikingly similar among Baby Boomers, Generation X, and Millennials.

How would you describe your retirement strategy? (%)



# Retirement Strategy: Components

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. Just over half (52 percent) of Millennials with a strategy have factored in total retirement savings and income needs. However, fewer than half of these Millennials have considered healthcare costs, government benefits, investment returns, tax planning, and contingency plans. Over the course of Millennials' working lives, the retirement landscape will inevitably change; therefore, it's important for them to begin planning now and update those plans over the coming decades.

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%

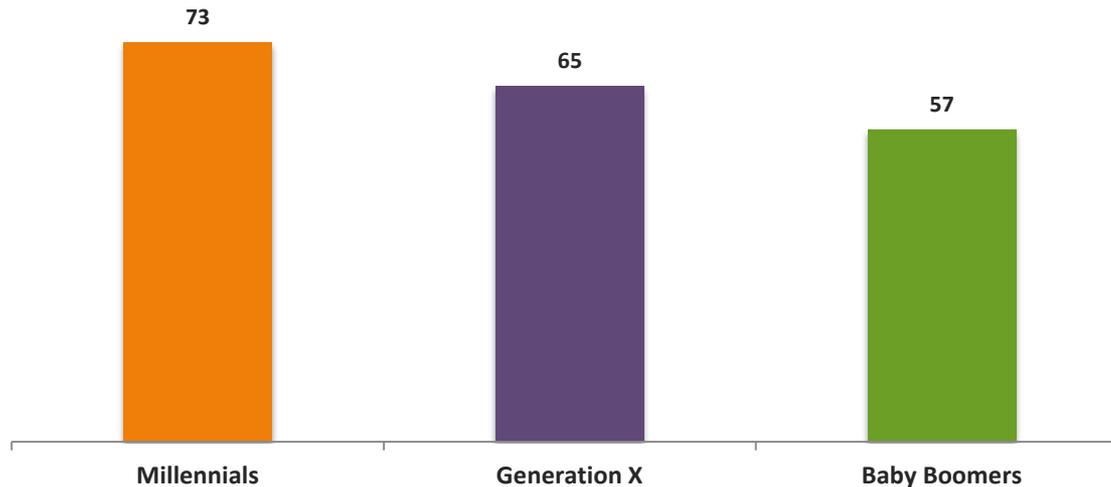
Note: Components of retirement strategy selected by 50% or more of the subgroup are highlighted

# Millennials Want More Retirement Education and Advice

Seventy-three percent of those Millennials offered a retirement plan would like more education and advice from their employers on how to reach their retirement goals. These Millennials are more likely to want this type of information than their Generation X (65 percent) and Baby Boomers (57 percent) counterpart.

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

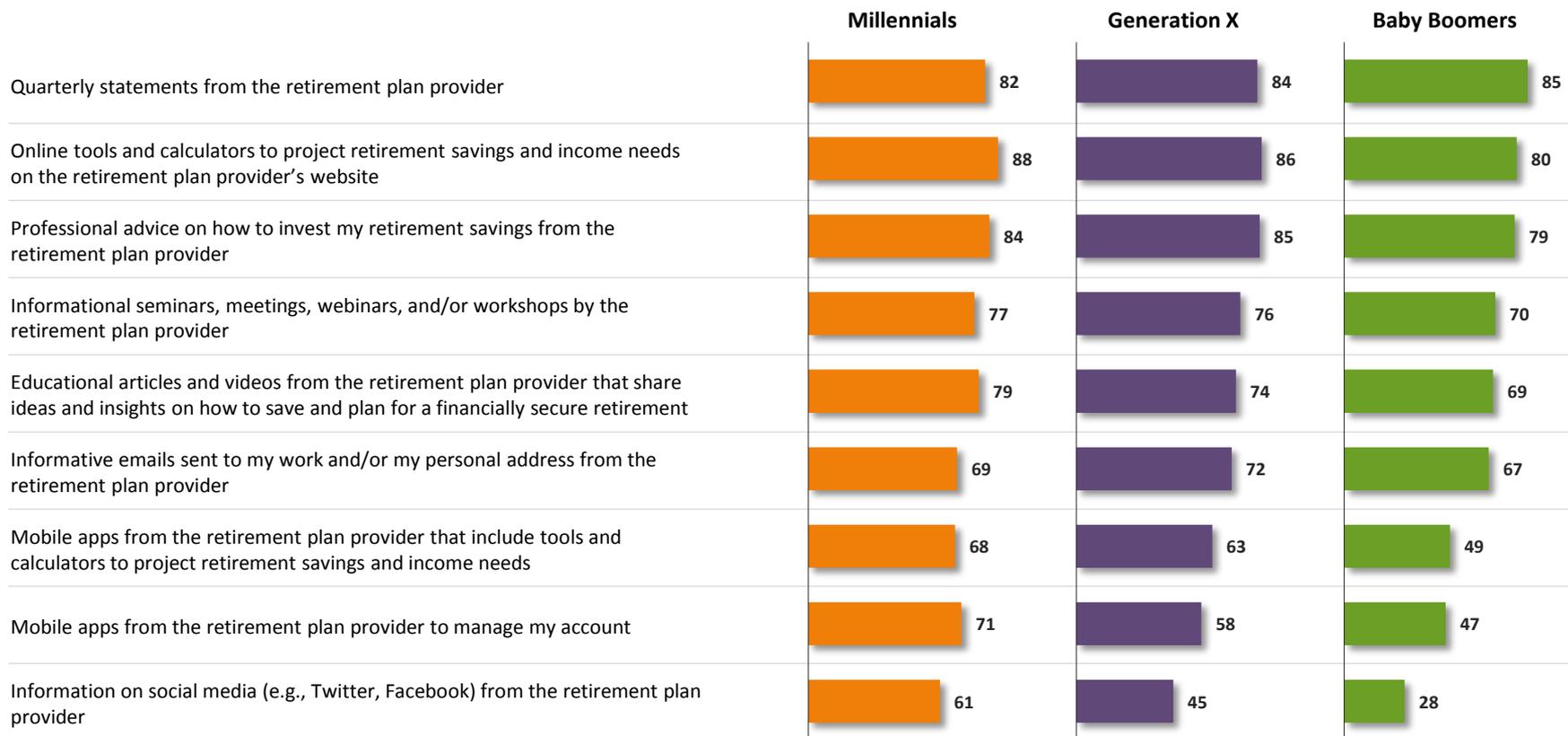
NET – Strongly/Somewhat Agree (%)



# Millennial Participants Find Digital Offerings Helpful

Workers participating in a 401(k) or similar plan (and who responded to the question) find many of the resources and tools offered through the plan to be helpful. Among generations, there are similar levels of agreement on the helpfulness of tools offered. However, Millennials are notably most likely to find technology-based tools to be helpful – especially mobile app tools. A dramatic example: 71 percent of Millennials find mobile apps to manage their accounts to be helpful compared to just 47 percent of Baby Boomers.

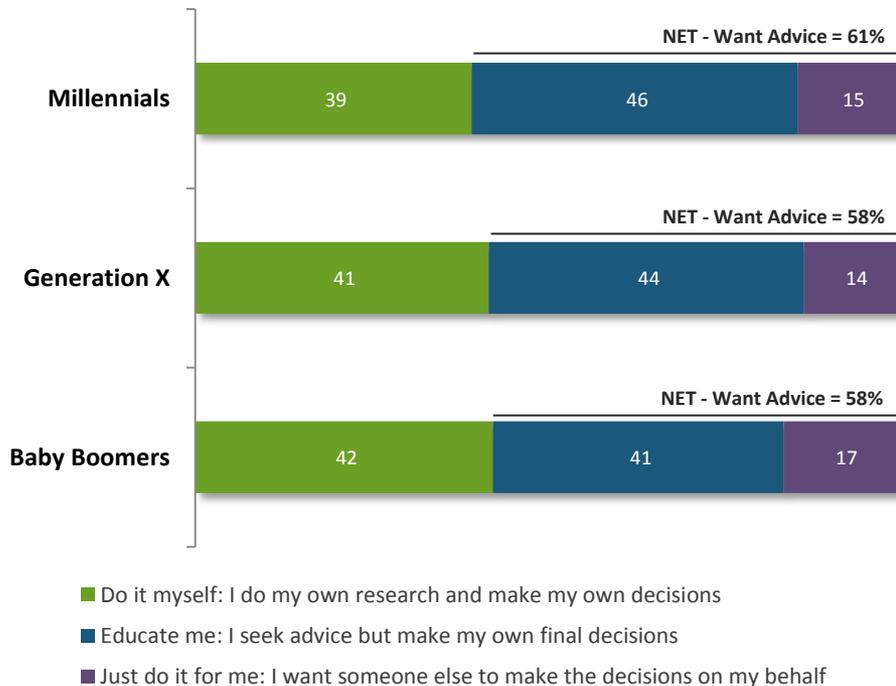
**How helpful do you find the following from your employer’s retirement plan provider?**  
NET – Very/Somewhat Helpful (%)



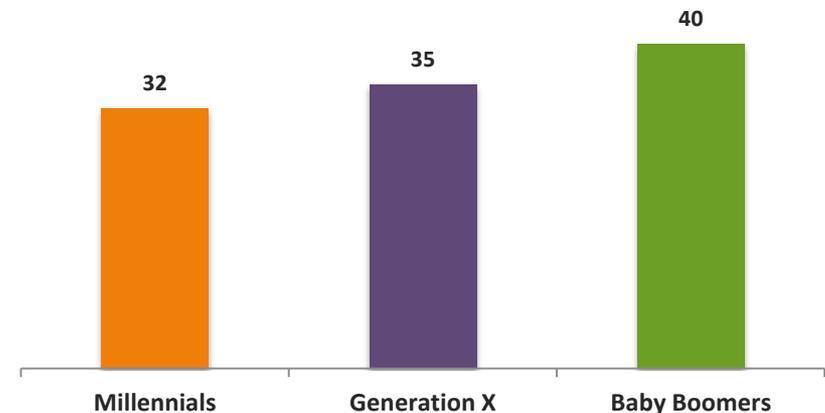
# Millennials Want Some Form of Advice Yet Few Have an Advisor

Three in five Millennial workers (61 percent) say they want some level of advice when saving and investing for retirement, including 46 percent seeking education and advice but ultimately making their own decisions, and 15 percent wanting someone to make decisions on their behalf. In contrast to their desire for advice, only 32 percent of Millennials who are now saving and investing for retirement actually use a professional financial advisor to help them. Of the three generations, Millennials are least likely to use a financial advisor.

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?

# Recommendations for Millennials

Millennials have already gained first-hand experience with how quickly the world, economy, and technology can change. As they progress through their careers, they will likely face many more challenges and opportunities. However, timeless tactics to help prepare for retirement can serve them well throughout their working lives.

Seven tips toward achieving retirement readiness:

- 1. Save for retirement.** Start saving as early as possible – and as much as possible. Save consistently over time. Avoid taking loans and early withdrawals from retirement accounts as they can severely inhibit the growth of long-term retirement savings.
- 2. Consider retirement benefits as part of total compensation.** Retirement plans, like other employer-provided benefits, are an important part of one's overall compensation, yet can be overlooked when searching for a job. When comparing job offers, ensure that you know about all benefits offered by a prospective employer. If you currently work for an employer that doesn't offer a retirement plan, ask your employer to consider setting up a plan.
- 3. Participate in employer-sponsored retirement plans, if available.** Many employers also contribute to the company-sponsored retirement plan by matching employees' contributions. Take full advantage of matching employer contributions, and defer as much as possible.
- 4. Calculate retirement savings needs, develop a retirement strategy, and write it down.** One of the most important secrets to attaining retirement readiness is having a well-defined written strategy about retirement income needs, costs, expenses and risk factors. In creating a plan, factor in living expenses, healthcare needs, government benefits and long-term care. Envision future retirement and have a backup plan in case retirement comes early due to an unforeseen circumstance. Periodically update your strategy as your circumstances and goals will inevitably change over time.
- 5. 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.
- 6. Seek assistance from a professional financial advisor, if needed.** Ask your employer whether professional advisor services are available through its company-sponsored retirement benefits. If not, ask family and friends for referrals.
- 7. Be proactive about staying competitive in the ever-changing job market.** Be proactive about keeping job skills up-to-date, performing well on the job, staying current on employment trends and marketplace needs, and even going back to school to learn new skills if necessary.

# 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

Characteristics	Millennials (%)	Generation X (%)	Baby Boomers (%)
<b>Work Status</b>			
• Full-Time	74	87	80
• Part-Time	26	13	20
<b>Level of Education</b>			
• 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
<b>Marital Status</b>			
• Married or Partnership	43	67	72
• Single	57	33	28
<b>Gender</b>			
• Male	49	54	53
• Female	51	46	47
<b>Ethnicity</b>			
• White	50	63	75
• Hispanic	25	18	10
• African American	14	11	8
• Asian/Pacific	8	7	4
• Other/Mixed	3	1	2
<b>Annual Household Income</b>			
• 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

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