News
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Retirement Security Has Improved Since Pre-Recession Levels But More Can and Should Be Done

New research from TCRS highlights progress and identifies areas for improvement

LOS ANGELES – September 25, 2018 – American workers are more secure in their retirement preparations now than before the Great Recession, but much more can and should be done, according to a comparative analysis of survey findings released today, ***A Retirement Security Retrospective: 2007 Versus 2017***, by nonprofit Transamerica Center for Retirement Studies (TCRS).

"American workers encountered a myriad of challenges over the past decade, including high rates of unemployment, dramatic shifts in home values and volatility in the financial markets. While many workers are still recovering from the Great Recession, the good news is that many have seen improvements in their future retirement security," said Catherine Collinson, CEO and president of Transamerica Institute and TCRS.

The new report illustrates the resilience of the U.S. retirement system, especially with regard to 401(k) or similar plans. The findings underscore that most Americans can still do more to adequately prepare themselves for retirement – even if they have recovered from the recession – and to do that successfully they need support from employers and policymakers.

Workers' Savings Have Increased yet Many Are Not Adequately Planning

Workers have made progress in achieving higher levels of retirement security according to several survey findings, yet they also have some specific areas requiring attention. Key findings include:

- **Household savings in all retirement accounts have dramatically increased since their pre-recession levels** including among Millennials ($9,000 in 2007 to $36,000 in 2017), Generation X ($32,000 to $71,000), and Baby Boomers ($75,000 to $157,000) (estimated medians).
- **401(k) plan participation rates remain strong.** Among workers who are offered a 401(k) or similar plan by their employers, approximately eight in 10 participate or have money invested in the plan. This finding remained relatively consistent between 2007 (77 percent) and 2017 (80 percent).
- **Most participants use professionally managed offerings** such as a managed account service, strategic allocation funds, and/or target date funds (net: 58 percent). Comparative data for 2007 is not available.
- **Retirement plan leakage is an issue.** Loans and early withdrawals can severely inhibit the growth of participants' long-term retirement savings. By 2017, 30 percent of workers had taken some form of loan and/or early withdrawal from a 401(k) or similar plan, or an IRA.
- **Many are still "guessing" their retirement savings needs.** In 2017, workers estimated they would need $500,000 (median) in retirement, less than the $650,000 (median) found in 2007. Almost half of workers (49 percent) who provided an estimate of their retirement savings needs in 2017 said that they "guessed" the amount needed, a finding that is only slightly lower than 2007 (51 percent).

"While the growth in workers' retirement accounts since pre-Great Recession levels is impressive, many workers may not be saving enough to meet their retirement income needs – and most could benefit from planning-related activities such as estimating savings goals and setting forth a financial plan," said Collinson.

Employers' Offering of 401(k) or Similar Plans Held Steady – And Some Have Enhanced Their Plans

It is well documented that employers' offering of retirement benefits is one of the most effective means of encouraging workers to save for retirement. While many employers faced difficult cost-cutting decisions during the Great Recession, 401(k) plan sponsorship rates remained strong, with some employers having enhanced their plans.

Key findings include:

- **401(k) or similar plan sponsorship rates hold steady.** Seventy-two percent of employers offer a 401(k) or similar plan, a survey finding that was unchanged from 2007.
- **Offering of matching contributions has modestly increased.** Among those that offer a 401(k) or similar plan, in 2017 the vast majority of employers (84 percent) offer a matching contribution to the plan, which represented a modest increase from 2007 when 80 percent indicated that they offered a match.
- **Automatic enrollment is flat.** Automatic enrollment is a feature that eliminates the decision-making and action steps normally necessary for employees to enroll and start contributing to the plan. Instead, it automatically enrolls employees into their plan with the ability for them to opt out and stop contributing. Approximately one in five 401(k) plan sponsors offer automatic enrollment, a finding that remained relatively flat between 2007 (23 percent) and 2017 (20 percent). Among employers that offer automatic enrollment, the default contribution rate has increased from 3 percent (median) in 2007 to 5 percent (median) in 2017.
- **Increasing retirement plan access continues to be an opportunity.** Among companies that do not offer a 401(k) or similar plan in 2017, only 27 percent said they are likely to begin sponsoring a plan in the next two years. There may be cause for optimism with regard to the future, however, 25 percent of those not likely to offer a plan said that they would consider joining a multiple employer plan (MEP) offered by a reputable vendor that handles many of the fiduciary and administrative duties at a reasonable cost.

How Workers, Employers, and Policymakers Can Improve Retirement Security

"Workers, employers, and policymakers collectively play a vital role in improving retirement security. By recognizing the opportunities, each stakeholder can take appropriate action and implement solutions," said Collinson.

- **Workers ultimately "own" their future retirement but many are not yet taking action steps to increase their likelihood of success.** Specific action steps include: creating a budget and financial plan, building emergency savings, saving for retirement, learning more about retirement investing, and seeking professional advice, if needed.
- **By offering benefits, employers help employees save for retirement and protect their health and financial well-being.** If they do not already, employers should consider offering these benefits. Among those that do offer benefits, employers should periodically review their benefit offerings to ensure they are up-to-date and meeting employees' needs.
- **Policymakers must pave the way for employers by making it easier for them to offer retirement benefits**. Specific public policy recommendations include: expanding retirement plan coverage for all workers including part-time workers, encouraging employers to adopt "automatic" features to 401(k) or similar plans that make it more convenient for workers to save. Additional recommendations include promoting more accurate goal-setting among retirement plan participants by requiring retirement plan account statements to provide an illustration of savings as future retirement income.

"People now have the potential of living longer than any other time in history – which means that workers want and need to extend their working lives to fund what promises to be very long retirements. Our retirement system, including Social Security, employer benefits, and employment practices, should be modernized to embrace this new reality so that all workers have the opportunity to retire and grow old with a financial peace of mind," said Collinson.

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About Transamerica Center for Retirement Studies

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About the Annual Transamerica Retirement Survey

The Annual Transamerica Retirement Survey of workers and employers is conducted in the U.S. by The Harris Poll on behalf of TCRS. Samples are nationally representative and weighted as needed.

Worker Survey

2007

A 16-minute online survey conducted between October 11 and November 21, 2007 among 3,012 workers, including 2,048 who were offered a 401(k) or similar plan. Potential respondents were targeted based on employment status, company type, and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full- or part-time workers in for-profit or nonprofit companies with 10 or more employees. This report focuses on workers in for-profit companies.

2017

A 25-minute online survey conducted between August 9 and October 28, 2017 among 6,372 workers, including 5,619 who worked for employers with 10 or more employees, of whom, 3,820 were offered a 401(k) or similar plan. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full- or part-time workers in for-profit companies with five or more employees. This report focuses on workers of companies with 10 or more employees.

Employer Survey

2007

An 18-minute telephone study conducted between October 11 and November 21, 2007 among 652 employers, including 567 that offered a 401(k) or similar plan. Potential respondents were targeted based on job title and met the following criteria: business executives at for-profit companies that employ 10 or more employees and who make decisions about employee benefits at their company.

2017

A 21-minute online survey was conducted between November 15 and December 15, 2017 among 1,825 employers, including 1,512 with 10 or more employees, of which, 1,254 offered a 401(k) or similar plan. Potential respondents were targeted based on job title and met the following criteria: business executives at for-profit companies that employ five or more employees across all locations and who make decisions about employee benefits at their company. This report focuses on employers with 10 or more employees.

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