



Generation X Workers: 15 Alarming Facts About Retirement Readiness and 7 Steps for Improving It

Select Findings from the 15th Annual Transamerica Retirement Survey of Workers

TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

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“But the question remains... what are we going to do now? How can we repair all the damage we inherited? Fellow graduates, the answer is simple. The answer is... The answer is... I don’t know.”

- **Lelaina Pierce, *Reality Bites*, 1994**

Generation X (born between 1965 and 1978) are facing formidable uncertainties about their future retirement in the aftermath of the Great Recession.

Generation X is the 401(k) generation. Gen Xers entered the workforce coincident with the introduction of 401(k) plans and the decline of defined benefit plans. They started saving at a younger age than previous generations; however, 401(k) plans were new at the time and lacked the innovative features, education, and investment guidance that are standard today.

Since joining the workforce and starting to save, Generation X has endured the roller coaster of the financial markets. Gen Xers have enjoyed the irrational exuberance in the late '90s, followed by the dot-com bust and post-September 11 market declines. They rode the equity markets up in the recovery through 2007 -- and suffered steep declines as the markets spiraled into the worst recession from the Great Depression. Many lost their jobs, some lost their homes.

In 2015, the first Gen Xers will begin turning age 50. Most are saving for retirement but many have not saved enough. Questions about the future of Social Security loom for them. The first Gen Xers will start becoming eligible for full benefits at age 67 in the year 2032, just one year before the Social Security Trust Fund’s forecasted depletion.

Unlike in the movie *Reality Bites* 20 years ago, the answer to the question, “How do we repair the damage?” cannot be “I don’t know.” Individuals, families, employers, policymakers, and the retirement industry must work together to help Generation X achieve a financially secure retirement. With concerted efforts now, much progress can still be made before they reach retirement age.

As part of its **15th Annual Transamerica Retirement Survey**, Transamerica Center for Retirement Studies® (TCRS) is pleased to share this fact sheet about Generation X workers who are currently employed. This research sheds light on the current state of retirement preparedness among Generation X at a time when they are at great risk, but often overshadowed by Baby Boomers and Millennials in news headlines. Our objective is to raise awareness and help affect positive change.

15 Alarming Facts About Retirement Readiness

- 1 The vast majority of Gen X workers (85 percent) believe that their generation will have a much harder time in achieving financial security than their parents' generation.
- 2 Eighty-three percent of Gen X workers are concerned that Social Security will not be there for them when they are ready to retire.
- 3 Most Generation X workers are recovering (57 percent) from the Great Recession (2007 to 2009), but only 12 percent say they have fully recovered. A minority (14 percent) were not impacted by the Great Recession.
- 4 Sixty-one percent of Generation X workers are confident that they will be able to someday fully retire with a comfortable lifestyle; however, among them, only 14 percent are "very confident."
- 5 Thirty-four percent of Gen X workers expect their standard of living to decrease when they retire.
- 6 The majority of Generation X workers (54 percent) plan to work past age 65 or do not plan to retire. Most Generation X 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.
- 7 Two-thirds of Generation X workers (66 percent) expect their primary source of income in retirement to be self-funded through retirement accounts (52 percent) or other savings and investments (14 percent).
- 8 Eighty-four percent of Gen X workers who are offered a 401(k) or similar plan participate in that plan at an annual contribution rate of seven percent (median).
- 9 Among Gen X workers who are currently participating in a 401(k) or similar plan, 27 percent have taken some form of loan and/or early withdrawal.
- 10 Generation X workers estimate they will need to save \$1,000,000 (median) for retirement yet currently report only \$70,000 (estimated median) in total household retirement accounts.
- 11 However, 51 percent of Generation X workers who provided an estimate of their retirement savings needs indicate that they guessed what that number should be.
- 12 The majority of Generation X workers (61 percent) have a retirement strategy, but only 14 percent have a written plan (the other 47 percent have a plan but it is not written down).
- 13 Sixty-five percent of Gen X workers would like more education and advice from their employers on how to reach their retirement goals.
- 14 Thirty-five percent of Gen X workers who are now investing for retirement actually use a professional financial advisor.
- 15 Only 13 percent of Generation X workers frequently discuss saving, investing and planning for retirement with family and friends.

7 Steps for Improving It

Generation X is in danger of not achieving a financially secure retirement. However, they still have time on their side to improve their retirement outlook in the coming years. Seven tips toward achieving retirement readiness include:

- 1 Evaluate your financial situation.** Do a full financial assessment of current levels of retirement savings and other components of your personal balance sheet including other assets and debts. Know where you stand.
- 2 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.
- 3 Consider participating in employer-sponsored retirement plans, if available** and taking full advantage of matching employer contributions. Consider deferring even more, if possible. Avoid taking loans and early withdrawals. When eligible (at age 50), consider Catch-Up Contributions.
- 4 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.
- 5 Seek assistance from a professional financial advisor,** if needed.
- 6 Be proactive about staying competitive in the ever-changing job market.** Be proactive about keeping job skills up-to-date, performing well at your current job, keeping abreast of employment trends and marketplace needs, and even going back to school to learn new skills if necessary.
- 7 Start a conversation with family and close friends.** Share an open dialogue about retirement preparedness, risks, and expectations.

Learn more about the retirement readiness of Generation X, as well as saving and investing for retirement, at www.transamericacenter.org.

About the Author



Catherine Collinson serves as President of the Transamerica Center for Retirement Studies[®], and is a retirement and market trends expert and champion for Americans who are at risk for 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 businesses, highlighting 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, and The Huffington Post. Catherine speaks at major industry conferences each year, having appeared at events hosted by organizations including PSCA, LIMRA, SVIA and PLANSPPONSOR. She also authors articles published in leading industry journals, such as ASPPA, SPARK and PSCA.

Catherine also serves as President of the Transamerica Institute[™]. She is currently employed by Transamerica Retirement Solutions and serves 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 Transamerica Center for Retirement Studies[®]

The Transamerica Center for Retirement Studies (TCRS) is a division of the Transamerica Institute[™], a nonprofit, private foundation. TCRS is dedicated to conducting research and educating the American public on trends, issues, and opportunities related to saving, planning for, and achieving financial security in retirement.

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About the 15th Annual Retirement Survey

This survey was conducted online within the United States by Harris Poll on behalf of Transamerica Center for Retirement Studies between February 21 – March 17, 2014, among a nationally representative sample of 4,143 workers including 1,021 Millennials, 1,120 Generation X, 1,805 Baby Boomers, and 197 who were born prior to 1946. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full-time workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted to account for differences between the population available via the Internet versus by telephone, and to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.

About this Fact Sheet

This fact sheet was derived from a report entitled, *Generation X Workers: Retirement Reality Bites Unless Answers Are Implemented* at www.transamericacenter.org.

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