News
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Economy Casts Dark Shadow Over Retirement Confidence

Ninth Annual Transamerica Retirement Survey reveals the economy's impact on Americans' ability to save for retirement

LOS ANGELES – February 28, 2008 – Volatile market conditions, credit crises and economic uncertainty are not only taking a toll on Americans' investments, but they are also negatively impacting the way Americans prioritize their retirement savings. Working Americans' confidence in their ability to retire comfortably declined significantly in the past year, according to the Ninth Annual Transamerica Retirement Survey, a study of retirement-related attitudes and behaviors among the American workforce.

According to the study, only 59 percent of the full-time workers surveyed claim to be confident in a comfortable retirement (down from 75 percent a year prior), while 60 percent believe they could work until age 65 and still not have enough saved for retirement – up from 48 percent. Less than half (48 percent) of the survey respondents agree that they are building a large enough retirement nest egg, down from nearly two-thirds (65 percent) the previous year.

"In past years, our annual retirement study has found that people often face competing financial priorities that prevent them from saving more for retirement, but the economic climate this year is noticeably worse," said Catherine Collinson, market and trends expert for the Transamerica Center for Retirement Studies. "A loss of confidence during economic uncertainty is often expected, but it is troubling that so many people may feel the need to put their long-term retirement security on the back burner in favor of the current malaise."

Day-to-Day Financial Stress Causing People to Reprioritize

Since last year's survey, the number of workers citing "paying off debt" as their greatest financial priority has increased to 32 percent, up from 18 percent. Workers whose top priority is "just getting by – covering basic living expenses" has remained relatively the same at 17 percent this year (16 percent last year).

When posed with the question of what one factor was preventing them from saving more for retirement, the most frequently cited response, "already stretched – need to cover basic living expenses," remained relatively unchanged since last year; however, the number who cited "too much debt – need to pay it off" jumped to 25 percent from 16 percent last year. Seventy percent of this year's respondents cited "excessive credit card debt," a significant jump from 48 percent last year.

The economic climate may also be impacting how people view employment decisions. Nearly half (49 percent) of this year's respondents indicated that when faced with nearly identical job offers, they would choose a higher salary over excellent retirement benefits – a significant increase from only 34 percent in 2006.

Household Debt Threatens Retirement Accounts

The economy isn't just preventing employees from saving more for retirement – the study shows that it is also starting to affect what they've already put away. This year's survey revealed a noticeable jump in employees taking out a loan from their retirement plans: nearly one in five (18 percent) in 2007, up from only 11 percent in

2006. Nearly half (49 percent) of those who took out a loan cited the need to pay off debt – a significant increase from 27 percent in 2006.

"While a loan from your 401(k) plan seems like an obvious choice when you're in need of money, many are unaware that this short-term solution can often create more problems," said Collinson. "Once you terminate employment, most retirement plans require that you repay the loan in full or it will be considered a taxable distribution in which regular income tax applies and, if you are under age 59 ½, an additional 10 percent penalty applies."

Staying Focused on Future Retirement
While the survey revealed the extent to which economic conditions are creating financial pressures for American workers, it also found that 401(k) plan participation rates are high, contribution rates are holding steady, and very few respondents have decreased or stopped their contributions. Twenty-seven percent of this year's respondents indicated that saving for retirement is their top priority (up from 23 percent last year).

"The fact that people are continuing to participate and contribute to their company-sponsored retirement plans is encouraging news – especially given that nearly half of the survey respondents indicated that they plan on relying on their 401(k), 403(b), and IRAs as their primary source of income when they retire," says Collinson. "Now more than ever, Americans must stay focused on achieving future retirement security while balancing their short-term needs."

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About Transamerica Center for Retirement Studies
The Transamerica Center for Retirement Studies ("The Center") is a non-profit corporation and private operating foundation. The Center may be funded by contributions from Transamerica Life Insurance Company and its affiliates or other unaffiliated third parties. For more information about The Center, please refer to **www.transamericainstitute.org**.

About the Survey
2007. This 9th Annual Transamerica Retirement Survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement Studies between October 11 and November 21, 2007 among 2,011 full-time workers using the Harris online panel. Potential respondents were targeted based on job title and full-time status. Respondents met the following criteria: All U.S. residents, age 18 or older, full-time workers in for-profit, and employer size of 10 or more. Results were weighted as needed for ensuring each quota group had a representative sample based on the number of employees at companies in each employee size range and an omnibus phone survey was utilized to adjust for respondents' propensity to be online versus the telephone as in the previous years' waves of the survey. No estimates of theoretical sampling error can be calculated; a full methodology is available.

2006. The Center commissioned Harris Interactive to conduct a telephone study among 1,402 American workers, using a nationally representative random sample meeting the following criteria: U.S. residents; work full-time for pay at a company with at least 10 employees; 18 or older; and exclude government workers and not-for-profit organizations. 20 minute telephone interviews were conducted between July 27 and October 7, 2006. Data were weighted to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. Margin of error at the 95% confidence level is +/- 2.6%.

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