

**Transamerica Study Illuminates Severe Impact of Unemployment on Displaced Workers’ Retirement Outlook**

*Offers Recommendations to Improve Long-Term Prospects*

**LOS ANGELES – June 22, 2011** – A new study released today by the non-profit Transamerica Center for Retirement Studies® (“The Center”) illuminates how unemployment and underemployment can impact the retirement outlook of displaced American workers. The study of 668 displaced workers who are either unemployed or underemployed—part of the 12<sup>th</sup> Annual Transamerica Retirement Survey—found that the majority (67 percent) of these displaced workers are less confident in their ability to achieve a financially secure retirement since the recession began. However, the survey report also identifies steps that can be taken to improve their long-term prospects.

Many displaced workers, according to the survey report, have tapped their savings (50 percent), used credit cards (32 percent), and taken withdrawals from their retirement accounts (22 percent) to cover expenses. Over one-third (36 percent) of these displaced workers reported having less than \$10,000 in total household retirement accounts.

“Unemployment and underemployment has severely impacted the retirement outlook of many American workers,” said Catherine Collinson, president of the Transamerica Center for Retirement Studies. “Yet there are many important opportunities that can help them to overcome setbacks and improve their prospects.”

**Fate of 401(k) Accounts**

The survey’s findings illustrate the impact on the retirement outlook of un/underemployed workers. Just over half (53 percent) of those who are unemployed or underemployed were offered a 401(k) or similar plan by their most recent employer; and, of those who participated in the plan, over one-third (35 percent) indicated they have taken a partial or full withdrawal since becoming unemployed or underemployed.

Unemployed workers (42 percent) are more likely to have taken a withdrawal than underemployed workers (28 percent). As length of un/underemployment extends to beyond one year so does the likelihood of taking a withdrawal from a 401(k) or similar retirement plan account: nearly four in ten (39 percent) who have been un/underemployed for over one year reported taking a withdrawal compared to one-fifth (20 percent) of those who have been un/underemployed for less than one year.

“Taking early withdrawals from qualified retirement savings plans, incurring the associated taxes and penalties, and missing out on compounded growth over a long-term savings horizon can have a devastating impact on a worker’s retirement security,” said Collinson. “It is vital for workers to do all they can to help avoid tapping into their retirement savings.”

### **Characteristics of the Un/Underemployed: Over 40, No College Degree**

The survey report offers insights about members of the workforce who are most likely to be unemployed or underemployed, including: over 40 years old (65 percent); without a college degree (63 percent); male (54 percent); and single (54 percent).

Additionally, workers who have been un/underemployed for less than a year are more likely to be unemployed but looking for work (59 percent), while after one year, those who have been unemployed become more likely to stop looking for work (7 percent), to retire (14 percent), or to find full-time underemployment (39 percent).

### **What can displaced workers do to improve their individual retirement outlook?**

While the single greatest opportunity for unemployed and underemployed workers is to regain meaningful full-time employment, the survey report suggests tips that may help to improve their retirement outlook, including: taking on a part-time job; updating job skills; considering obtaining a college degree; avoiding taking withdrawals from qualified savings accounts; and weighing retirement benefits as part of their total compensation package.

### **What role can society play in helping these displaced workers improve their retirement prospects?**

The retirement services industry, media, employers, plan sponsors, and policymakers also have an important opportunity to help unemployed and underemployed Americans improve their retirement prospects. The survey report gives specific recommendations, which include:

#### *Retirement Services Industry and the Media*

- Expand outreach efforts and promote available savings and retirement planning tools and resources;
- Promote awareness of tax incentives for savings, including the Saver's Credit and Catch-Up Contributions; and
- Promote awareness of the financial penalties of taking withdrawals from 401(k) and other retirement savings plans.

#### *Employers and Plan Sponsors*

- Offer competitive retirement benefits and encourage participation;
- Add, increase and/or reinstate matching contributions to 401(k)s or similar plans; and
- Encourage employees to use the educational resources offered by their retirement plan providers.

#### *Policymakers*

- Expand the Saver's Credit by raising income eligibility requirements so more filers are eligible;
- Expand Catch-Up Contributions by raising limits and lowering the eligible age;
- Extend the 401(k) loan repayment period for terminated plan participants and eliminate the six-month suspension period following hardship withdrawals;
- Require retirement plan statements to state participant account balances in terms of a lifetime income as well as a lump sum; and
- Expand retirement plan coverage to more workers by 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.

“Today’s workers are expected to self-fund a substantial portion of their retirement income,” noted Collinson. “If displaced workers fail to overcome their retirement savings setbacks, due to unemployment or underemployment, society may ultimately bear the cost when future generations of senior citizens run out of savings. This will only add further strain on Social Security, Medicare, Medicaid and other social services programs for the elderly.”

For the full survey results and for resources about retirement planning, visit [www.transamericainstitute.org](http://www.transamericainstitute.org).

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***About Transamerica Center for Retirement Studies®***

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***About the 12th Annual Retirement Survey***

This survey was conducted online within the United States by Harris Interactive on behalf of the Transamerica Center for Retirement Studies® between February 2, 2011 and February 23, 2011 among a nationally representative sample of 668 unemployed or underemployed people using the Harris online panel. Respondents met the following criteria: All U.S. residents, age 18 or older; people who were fully employed in a for-profit company employing 10 or more people and are currently unemployed or underemployed. Results were weighted to ensure that each quota group had a representative sample based on the length of time people were underemployed or unemployed. A full methodology is available. In this report “underemployed” workers are those who are working part-time only because they are unable to find full-time employment, or working full-time but self report they consider him or herself underemployed.

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