

**The Cracked Nest Egg: The Retirement Outlook of Unemployed American Workers**

*Transamerica Study Reveals a Severe Long-Term Impact Unless Action is Taken*

**LOS ANGELES – July 18, 2012** – A new study released by the non-profit Transamerica Center for Retirement Studies® (“The Center”) illuminates the severe effect of what is commonly referred to as the Great Recession on the retirement outlook of displaced American workers who are unemployed or underemployed. This study, part of the 13<sup>th</sup> Annual Transamerica Retirement Survey, found that only 10 percent of displaced workers are very confident in their ability to retire comfortably.

“The Great Recession has led to a potentially devastating impact on the retirement outlook of American workers who have become unemployed or underemployed,” said Catherine Collinson, president of the Transamerica Center for Retirement Studies. “Many have raided retirement accounts to make ends meet – and it will be difficult for them to overcome these savings setbacks once they regain employment. So, it’s vitally important to identify opportunities that may help improve their long-term retirement prospects.”

**The Fate of Retirement Accounts**

The majority (61 percent) of displaced workers reported having a retirement savings account of any kind. Despite the vast majority’s familiarity (87 percent) with taxes and penalties that may apply, current financial challenges are such that more than one-third (35 percent) of respondents who have retirement accounts have taken a withdrawal from those accounts.

Of those who participated in a 401(k) plan at their most recent employer where they were fully employed, 45 percent indicated they have taken a withdrawal from these accounts, including 63 percent of the unemployed compared to 34 percent of the underemployed.

Among the displaced workers, including those with or without retirement accounts of their own, the estimated median household savings in retirement accounts was approximately \$5,800. The estimated median savings by age range follows:

Age Range	Total Household Savings in Retirement Accounts (Estimated Median)
Twenties / Thirties	\$10,000
Forties	\$2,300
Fifties	\$2,300
Sixties+	\$47,000

“Older workers have been hit hard by unemployment or underemployment and they are at greatest risk,” said Collinson. “Many face challenges finding employment and, when they do, they will have much less time than younger workers to rebuild their savings before they reach retirement age.”

### **A Further Examination of Financial Challenges**

The survey found that many displaced workers have relied on personal savings and/or gone into debt since becoming unemployed or underemployed, including:

- **Saving Accounts:** More than half (51 percent) have tapped into savings accounts
- **Credit Card Usage:** Nearly one-third (31 percent) have used credit cards, suggesting an increased likelihood of future carry-over balances
- **Friends and Family:** One in four (24 percent) have turned to family and friends for loans

Three in ten (30 percent) do not have healthcare insurance, broken into 34 percent of the unemployed and 27 percent of the underemployed.

### **Hidden Advantages of Underemployment versus Unemployment**

The study shows that underemployed workers are faring better than the unemployed, most notably through opportunities to earn income, gain access to employer health coverage, and help alleviate the need to take withdrawals from retirement accounts. Although total household savings in retirement accounts is low among all displaced workers, the estimated median retirement savings of the underemployed (approximately \$7,400) is more than triple that of the unemployed (approximately \$2,400).

Underemployed workers also exhibit more proactive approaches for improving their financial situation. They are significantly more likely than the unemployed to be considering making work-related changes, such as switching industries or professions, seeking additional education, or making lifestyle changes. Surprisingly, more than one-third of unemployed workers (34 percent) are not considering any of these changes.

“The number of unemployed who are not considering proactive approaches to improve their financial outlook is alarming and suggests that many feel overwhelmed or discouraged,” said Collinson. “An important first step toward finding employment is regaining confidence and realigning skills with prospective employers’ needs. Any form of employment, including part-time or underemployment, has the potential to increase access to healthcare benefits, improve saving power, make a candidate more attractive for future career opportunities – and, ultimately, prevent early withdrawals from retirement accounts.”

### **How Displaced Workers Can Improve Their Retirement Outlook**

The best opportunity for unemployed and underemployed workers to improve their retirement outlook, which may seem obvious, is to regain meaningful full-time employment. In the meantime, the following recommendations may help mitigate financial consequences and improve their long-term retirement outlook:

- Taking on a part-time job while seeking full-time employment will help cover expenses and can help alleviate the need to take on debt or tap into retirement savings.
- Continually updating job skills to stay current with prospective employers' needs.
- Seeking additional education and vocational training.
- Identifying ways to cut costs and reduce living expenses.
- Considering retirement benefits as part of a total compensation package when evaluating job offers.

## **How Society Can Help**

The retirement services industry, media, and employers can help displaced American workers improve their retirement prospects. The survey report provides specific recommendations, including: increasing outreach efforts and education about the available retirement planning tools and resources, and promoting awareness of tax incentives for saving for retirement such as the Saver's Credit and Catch-Up Contributions.

From a public policy perspective, in order to help avoid further strains on Social Security, Medicare, and Medicaid, policymakers should consider extending the 401(k) loan repayment period for terminated participants, expanding current tax incentives such as the Saver's Credit and Catch-Up Contributions, offering tax incentives for job training and retraining, and stimulating jobs creation.

"Our retirement system is by and large predicated on the assumption that workers must self-fund a substantial portion of their retirement," said Collinson. "If displaced workers fail to overcome retirement savings setbacks, due to unemployment or underemployment, society may ultimately bear the cost when future generations of senior citizens run out of savings. "

For the full survey results, additional policy recommendations and 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 13th Annual Retirement Survey**

This survey was conducted online within the United States by Harris Interactive on behalf of the Transamerica Center for Retirement Studies February 2 - 10, 2012 among a nationally representative sample of 621 unemployed or underemployed people using the Harris online panel. Respondents met the following criteria: 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. 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. The median total household savings

in retirement accounts is estimated based on the approximate midpoint of the range of each response category (e.g., less than \$5,000, \$5,000 to \$10,000, etc.) and does not factor non- responses (i.e., not sure, declined to answer). No estimates of theoretical sampling error can be calculated; a full methodology is available.