More Participants Are Delaying Retirement

Even With An Optimistic Economic Outlook
Participants Are Delaying Retirement

The Voice of the Defined Contribution Participant Study, an annual survey of defined contribution plan participants, finds that despite a more optimistic view of the overall economy and job security, more retirement plan participants say they plan to delay retirement.¹

Over the last 12 months, 38 percent of workers have considered delaying retirement beyond their original target age – an increase of 5 percent since 2012 (Figure 1). The survey found a +15 percent change for those age 18-34 and a +7 percent change for those age 35-49 since 2010. There was a decrease in those planning to push their retirement date back in the over 50 group however: down 10 percent in the 50-64 age group and down 33 percent of those age 65 and up.

When household income is considered, participants at all compensation levels plan to push retirement to a later than originally chosen date. The highest percentage planning for a later retirement age is for individuals who earned $50,000 - $100,000. According to the data from the survey, 40 percent of participants in that category are considering delaying retirement, an increase from 33 percent recorded in 2010. However, the study finds those earning less than $50,000 had the biggest change in pushing out their retirement date: a 9 percent jump from 28 percent in 2010 to 37 percent in 2015. Earners of $100,000 plus reported the smallest percentage change in extending the date they plan to retire – up just 2 percent to 37 percent in 2015.

The study finds the overall expected retirement age to be 65 for retirement plan participants of all ages. However, workers of different ages have different retirement age expectations. Younger workers – those under age 50 – target an earlier retirement age of 64, compared to workers age 50 and over who see themselves retiring at age 67. This difference is most likely attributable to the fact that employees closer to retirement are more focused on planning for it. These older workers may have a better understanding of their financial outlook in retirement based on their current savings and know solutions they can use for closing a savings gap, such as working – and saving – longer.

The economy is better in the next year...

Expect it to grow (vs 71% in 2010)

11% Fewer are very concerned about losing their job

By far, the Voice of the Defined Contribution Participant Study finds the biggest reason for postponing retirement is “I need to save more.” More than half (52 percent) of those surveyed cited financial necessity as the cause for the delay. Other reasons for planning to retire later than the original anticipated age include:

- the weak economy (31 percent),
- not confident Social Security benefits will be available (31 percent), and
- some feel it’s just too early to retire (31 percent).

Figure 2 – Top Reasons Given for Delaying Retirement

- 52% Need to save more
- 31% Economy is too weak
- 31% Social Security may go bankrupt
- 31% Just too early to retire
- 30% Not sure how you’ll pay for health care costs in retirement

Implications for Employers

The survey findings indicate that more workers plan to delay their retirement age as a solution for inadequate planning and saving. While this trend applies to workers of all ages, those over age 50 and nearing retirement plan to work the longest. Employees staying in the workforce longer out of necessity, rather than choice, can have broad implications for employers, including low engagement and productivity due to anxiety over financial pressures.

To address these retirement saving challenges, employers may consider offering employer-sponsored financial wellness education programs. These programs can benefit workers of all ages -- especially younger workers -- by helping them build a foundation of solid financial skills they will use throughout their lifetimes. Employees who are financially well have the potential to get better retirement outcomes by using learned skills to plan better for today and into the future.

Many also find personal debt to be getting in the way – 28 percent are planning for a later retirement because they need to pay down their debt. And other money challenges play a role: 30 percent have concerns about how they will pay for healthcare while 18 percent are concerned about funding their long-term care costs, if needed, during retirement.

Eight out of ten survey respondents say their top source of retirement income will be a 401(k) or other type of tax-deferred defined contribution plan available through their workplace. Two-thirds of those surveyed say retirement is a major saving objective. As Figure 3 demonstrates, it becomes more important as participants age.

As a result, anxiety around saving enough for retirement has also increased. Of those surveyed, 21 percent say saving enough for retirement is their biggest financial worry. Anxiety over retirement saving also grew with participant age – just 18 percent of those under age 50 name it as their biggest worry, compared to 31 percent of those age 50 plus.

Figure 3 – Retirement is a Major Saving Objective

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