



RETIREMENT SERVICES

Financial realities of mid-to-late career workers

Addressing financial challenges to meet retirement income needs



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Methodology

ADP commissioned Retirement Insights, LLC to develop and conduct a survey to gain insight and report the perspective of mid- to later-career workers regarding their retirement preparations and financial well-being. The survey was completed in December 2019, and included a national sample of 500 full-time employees, ages 45 through 65, with a minimum household income of \$50,000.

Objective

The goal of the study was to better understand employee perspectives of critical benefits issues as well as their planning for income replacement once retired. Key focus areas included:

- How much workers are saving for retirement.
- Assessment of current expenses and perspectives on post retirement expenses.
- Anticipated lifestyle in retirement.
- Level of understanding of income replacement to fund years in retirement.



Introduction

Employers play an important role in supporting employees' financial well-being. Though many workplaces make financial and retirement benefits available today, a survey of mid-to-late career employees age 45 through 65 finds them to be highly concerned about their retirement savings and how to manage those funds once in retirement. The survey also finds:

- Half identify retirement saving as the biggest threat to their financial well-being.
- Housing costs and non-essential spending prevent them from saving more for the future.
- Most engage in retirement planning activities often. However, they consider estimating future expenses, saving enough to last their lifetime, and deciding how much to save for retirement to be challenging calculations to figure out.
- Personalized investment advice, assistance in developing a custom retirement savings strategy, and post-retirement education are retirement plan features named that would help them improve savings.



Engagement in retirement planning is high

60%+

take action
at least regularly

... but **HALF** say low
retirement savings hurts
their financial well-being

Reasons respondents report why retirement planning is complicated...



29% Estimating
future expenses



29% Running out
of money



28% Setting a
savings goal

Personalized
assistance
would help...

40%

indicate that investment advice
and personalized savings
strategies are top requests



Key insights and actions:

- **Evaluate your current plan design** to maximize utilization by participants.
- **Break down complexity** by tapping into services and technology available through your plan provider.
- **Design a customized education experience** that includes personalized assistance and relevant financial resources.
- **Inventory existing communications for missed opportunities** to engage and educate participants to help drive action.

Low retirement savings threatens financial well-being

Planning and saving in the pre-retirement years are critical for employees to achieve successful retirement outcomes. However, for workers to prioritize saving for tomorrow, they first need to build financial stability today. This is especially important as the majority of middle age and older workers say saving for retirement is the biggest concern for their financial well-being.

Though worried about the impact of retirement saving on financial wellness, approximately 37 percent of those surveyed say housing expenses, including rent or mortgage costs, prevent them from stepping up their retirement saving. Spending on non-essentials (19.2%), credit card debt (14.8%), and medical expenses (13%) also deter additional retirement saving. Credit card debt keeps more women (17.8%) from increasing savings than men (10.3%), and workers age 60 and up closing in on retirement place medical costs as the biggest obstacle to saving more often (19%) than those in their 40s (7.8%) and 50s (13%).

What prevents retirement saving?



37% Housing expenses



19% Non-essential spending



15% Credit card debt



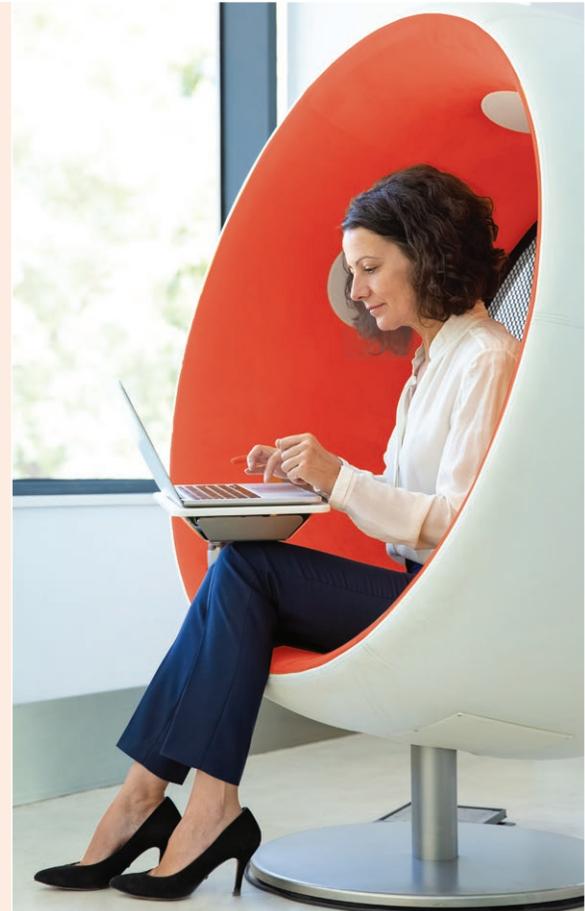
13% Medical expenses



6% Education expenses



4% Parental caregiving



Key insights and actions:

- **Capitalize on plan design** that automatically enrolls workers in the retirement plan to help increase deferral rates annually and discourage plan leakage. Plus, consider a streamlined investment lineup structured with diverse choice and share classes that can help set the foundation for building future financial security. Research and behavioral finance have found streamlining processes and choices are best practices in plan design.
- **Financial education** that includes topics which focus on understanding the components of debt, managing spending, expanding investment knowledge, and exploring ways to save more can benefit workers nearing retirement. The best programs also leverage technology to use a customized approach and deliver the topics and information that are most relevant to the individual's situation.

Retirement planning is difficult to navigate

Survey respondents agree that retirement planning is complex. It involves many unknowns that complicate calculating future financial needs. Such variables include life expectancies, healthcare costs, future taxes and investment returns, the economy, viability of Social Security and Medicare as well as expectations regarding health, employment, and everyday expenses. Workers age 45 through 65 rate projecting future monthly expenses (29.3%), running out of money in retirement (28.7%), and determining how much to save for a comfortable retirement (27.5%) statistically equal in terms of difficulty. Fourteen percent also say understanding how to generate income to replace their salary in retirement is a challenge.

Top challenges in preparing for retirement:

| | |
|-----|--|
| 29% | Estimating future expenses |
| 29% | Running out of money |
| 28% | Determining how much to save |
| 14% | Understanding how to generate income in retirement to replace salary |

Approximately **1 in 3** women find it difficult to decide the right amount to save for a comfortable retirement.

Men experience similar struggles with **1 in 3** having difficulty projecting future monthly expenses.



1/4 Women
find it very challenging to project future monthly expenses

1/4 Men

Find it complicated to decide on a savings goal



Key insights and actions:

- **Break down the complexity of planning for retirement.** Educational resources, tools, and personalized projections can help employees consider future needs, and set attainable goals with the help of step-by-step guidance. Making it easy to set plans in motion is crucial to getting workers to act.
- **Tap into technology to provide a better education experience.** A guided, personalized and actionable retirement education approach can simplify planning, help workers avoid mistakes, and better use their benefits such as:
 - Employee education experiences that break down plan enrollment into a short, step-by-step module that encourages higher deferral rates and retirement age investment options.
 - Completing a personal profile to determine a retirement savings goal estimate and the deferral rate needed to reach it.
 - Ongoing engagement programs to leverage data collection to build individual profiles using personal characteristics and preferences to present personalized messaging and to curate a needs-based learning experience.



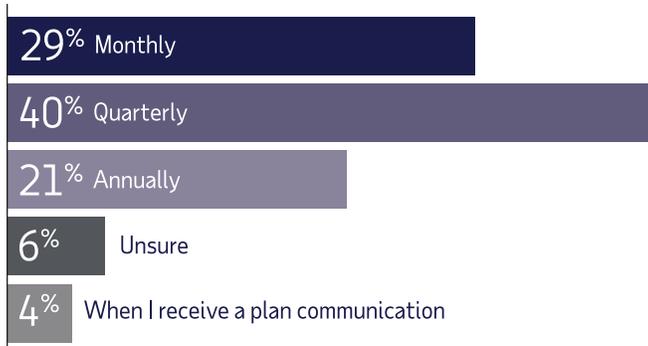
Engagement and plan improvements

Mid-to-late career workers are highly concerned—and engaged—in planning for retirement. Nearly 70 percent review their retirement plan investment choices quarterly to monthly, and 60 percent spend time planning their retirement at least quarterly.

Women review their investment choices quarterly (44.9%), while men are more likely to check in monthly (35.8%). Men also more frequently spend time on retirement planning. Nearly 30 percent of men plan each month compared to just 21 percent of women. Respondents over age 60 prioritize retirement planning. Thirty-seven percent take time monthly to plan their retirement, compared to workers over 45 (10%) and in their 50's (26%).

How often respondents...

REVIEW RETIREMENT PLAN INVESTMENT CHOICES



REVIEW RETIREMENT GOALS



Workers become more focused and motivated to make plans and take action to save for the future as they near retirement age. The preparations that take place during these years are critical to their retirement readiness. Asked to evaluate their current workplace retirement plan, most choose services like personalized financial advice to help them better prepare. Personalized investment advice (22.2%) and help with developing a detailed plan for increasing retirement savings (18%) were named most often as ways their plan could be of more help. General financial education and tools are viewed as about equally beneficial, including post-retirement education (16.4%), expense management tools (14.4%), and investment education to improve self-guided investment decision making (14%). Workers under 50 want to improve their knowledge about investing (22%). These employees are nearly twice as interested in getting help with making better investing decisions than those over age 50.



Retirement plan improvements

22% Personalized Investing advice

18% Help to develop a strategy to save more

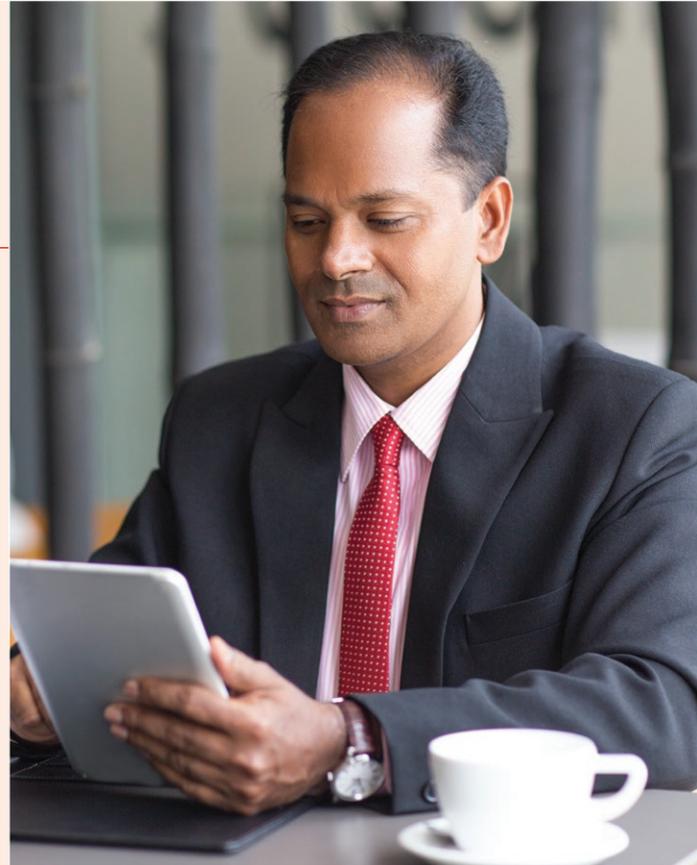
16% Post-retirement education

15% Other

14% Expense management tools

14% Investment education to improve investment decisions

Workers want financial coaching and general financial education



Key insights and actions:

- **Implement retirement plan financial wellness services** to motivate employees to take the steps necessary to become financially successful today and in retirement. It's especially essential that employees at mid-career and beyond get financially focused during the pivotal saving years prior to retirement. Workers need financial education that assists them with managing spending, planning and saving for their retirement, and investing to manage risk and meet their goals. Personalized advice, guidance and education resources can help solve retirement planning challenges like accurately calculating retirement needs, developing a plan for accelerating savings, and planning strategies for making assets last a lifetime.
- **Review existing communications tools and programs for missed opportunities** to add or improve messaging that addresses specific retirement savings concerns and directs employees to helpful resources that encourages action.
- **Build engagement** to drive action with regular, relevant messaging and a retirement planning experience customized for individual needs.

A workplace financial wellness program that is easily accessible can help employees manage their finances and enhance retirement planning.



Conclusion

Workers say saving for retirement is unaffordable given their current financial circumstances, and it's putting retirement further out of reach. Rather than taking action themselves to improve their financial position, many look to their employer to help them achieve current and future financial security. Employers who already have a retirement plan and financial wellness program in place can help workers gain better financial footing. These programs can help workers learn financial skills, analyze spending and manage debt, which can help reduce financial stress. In addition to helping workers build financial stability, they can also help them find money to save for retirement and reduce their uncertainties about retirement planning. To encourage program use, it's important employers keep these programs in employees' sight through easy access, mobile capabilities, and regular promotion.



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About Retirement Insights, LLC

Since 1996, Retirement Insights, LLC has been assisting financial services companies to competitively position their products in the marketplace and achieve their goals. We offer powerful competitive intelligence tools, reporting and consulting services specialized in the retirement and financial industries. Our expertise lies in connecting our innovative research and information with insights that help our clients make better decisions and bring practical, actionable solutions into view.

This white paper is based on a study of full-time employees conducted by Retirement Insights, LLC to understand workers' perspectives on their retirement preparations. Retirement Insights, LLC developed a survey to be completed by a sample of 500 full-time employees nationwide, ages 45 through 65, with a minimum household income of \$50,000. The research was completed in December 2019.

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