

2014 RETIREMENT READINESS SURVEY



Pentegra 2014 Retirement Readiness Survey Results

As an industry provider, we are keenly interested in the national dialogue around retirement readiness. As part of our continued commitment to helping you and your employees achieve that goal, we recently conducted a survey on retirement readiness in conjunction with Harris Poll, one of the leading polling organizations in the nation. We are pleased to be able to share the results of our survey with you and to provide our insights on this important issue.

The survey showed 65% of adults do not believe or are not sure that their 401(k) plan will provide enough money for them to be able to retire when they want/plan to. Yet, 75% of U.S. employees who are currently enrolled in a 401(k) plan think that 401(k) plans are the most important source of a person's retirement income.

One of the key ways that we can ensure successful retirement outcomes is by starting with effective plan design. Ensuring successful retirement outcomes for participants begins with the right plan features—automatic features—that better meet the needs of plan participants and plan sponsors, and automatically employ the behaviors needed to ensure that participants reach their retirement goals. Participants benefit as they experience higher levels of retirement success and retirement readiness. Plan sponsors benefit as participants become more engaged with their plan and are better prepared for the long term prospect of saving for retirement.

Automatic features can include automatic enrollment, automatic escalation of salary deferrals, auto rebalancing and utilization of qualified default investment vehicles that are model portfolios—managed by investment professionals. Employing these features can help plan participants set a reasonable level of salary savings, increase their contributions over time, achieve proper investment diversification, and make better use of the plan's investment alternatives. Even by doing nothing, these features help participants ensure better outcomes. Progressive redesign of the 401(k) plan is a win-win for participants as well as for plan sponsors.

To learn more about our thoughts on progressive plan design, we invite you to read the enclosed white paper and to visit our comprehensive website, www.pentegra.com, where you can review our current thinking—including articles, blogs, and research, as well as tap into thought leadership as showcased in our Talk to a Retirement Specialist feature.

Sincerely,



Richard W. Rausser, CPC, QPA, QKA
Senior Vice President, Client Services



Survey Highlights

The survey revealed that among U.S. adults currently employed full or part-time, and enrolled in and making regular contributions to their 401(k) plan, 45% are only contributing 6% or less. However, 42% of U.S. employees enrolled in a 401(k) plan have an understanding that you don't have to pay taxes on contributions made to the plan.

Three-in-ten (31%) U.S. employees who are currently enrolled in a 401(k) plan admit they have no understanding of where or how their 401(k) contributions are being invested. Furthermore, 37% U.S. employees who are currently enrolled in a 401(k) plan admit that as long their 401(k) funds are there for them when they want them, they are not concerned with how they are invested in the meantime.

On an encouraging note, 63% of U.S. employees who are currently enrolled in a 401(k) plan have increased their contribution(s) at some point. Only 19% of U.S. employees who are currently enrolled in a 401(k) plan have never increased their 401(k) contribution(s).

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Other highlights of the Pentegra survey include:

- On average, the last time U.S. employees who are currently enrolled in a 401(k) plan increased their contribution was 2.4 years ago.
- For those with household income of \$50k-\$74.9k, they most recently increased their contributions on average 2.6 years ago. Those with household income of \$100k or more, on average, increased their contribution most recently 2.5 years ago. Both are significantly longer ago than the average of 1.2 years when those with household income of less than \$50k most recently increased their contributions.
- Respondents who contribute more than 10% of their salary to their 401(k) most recently increased their contribution on average 3.3 years ago, significantly longer than the average of 2.1 years ago that those who contribute 10% or less of their salary say they increased their contribution.
- Over two-thirds (68%) of U.S. employees who are currently enrolled in a 401(k) plan do not expect to use their 401(k) until they are required to take the mandatory minimum distribution (at age 70 ½).
- Nearly two-in-five (37%) U.S. employees who are currently enrolled in a 401(k) plan admit that as long their 401(k) funds are there for them when they want them, they are not really concerned with how they are invested in the meantime.
- About one-third (32%) of U.S. employees who are currently enrolled in a 401(k) plan believe that starting a 401(k) later in life with larger contributions will yield the same results as if you had started at a younger age with smaller contributions.

Survey Methodology

This survey was conducted online within the United States by Harris Poll on behalf of Pentegra Retirement Services from February 10-12, 2014 among 2,059 U.S. adults ages 18 and older, among whom 446 are employed full-time/part-time and are currently enrolled in a 401(k) plan. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, visit <http://www.pentegra.com/announcements/HarrisInteractiveQuickQuery.pdf>

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