

2015 RETIREMENT READINESS SURVEY



PENTEGRA
RETIREMENT SERVICES

Pentegra 2015 Retirement Readiness Survey Results

As an industry provider, we are keenly interested in the continued national dialogue around retirement readiness. As part of our commitment to helping participants achieve that goal, we recently conducted our annual 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 this year's survey with you and to provide our insights on this important issue.

The survey showed that those who plan to retire expect they will need a little over \$3,000 per month once retirement officially begins. Perhaps in part propelled by a higher standard of living today, Americans with higher income (\$100,000+) and higher education have a loftier monthly financial goal in mind for retirement, exceeding \$3,500 and occasionally surpassing \$4,000 for most of these groups. That said, there appears to be some lack of knowledge (or at least action) with respect to planning for needed finances in retirement. More than half of those with current retirement assets have not yet created a distribution plan for these assets.

As a retirement plan provider, one of the key ways that we can seek to ensure successful retirement outcomes is to help participants by providing them with the tools they need to develop an accumulation strategy. To that end, we have created

a new thought leadership piece designed to move the needle on this increasingly important subject.

The Pentegra Participant SmartPath™ offers simple, yet essential tips for building a strategy that can put participants on the path toward a more successful outcome.

We invite you to learn more about our current thought leadership by visiting our website, www.pentegra.com, where you can view our current thinking—including articles, blogs, and research, as well as tap into expertise as showcased in our Talk to an Expert feature.

Sincerely,

A handwritten signature in black ink that reads "Richard W. Rausser". The signature is fluid and cursive, with "Richard" on top, "W." in the middle, and "Rausser" on the bottom.

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



Our difference.
Your advantage.

Survey Highlights

Retirement Age Still Expected in Mid 60s

Most working Americans plan to retire at age 65 or later (on average around age 66). However, notably a significant minority (about 1 in 5) don't plan to retire at all, more so in the lower income and education brackets, conceivably driven out of necessity.

- On average, working Americans plan to retire around age 66.
- About 1 in 10 (10%) expect to retire before age 60 and one-quarter (25%) after age 70.
- Nearly 1 in 5 (18%) don't ever plan to retire.
- Nearly a quarter (24%) of those with household income of under \$50,000 don't ever plan to retire and approximately one fifth of those with some college or less education never plan to retire (21%)

Average Financial Need in Retirement = \$3,000

When thinking about their financial future, those who plan to retire expect they will need a little over \$3,000 per month once retirement officially begins. Perhaps in part propelled by a higher standard of living today, Americans with higher income (\$100,000+), higher education, Westerners and men (especially senior men) have a loftier monthly financial goal in mind for retirement, exceeding \$3,500 and occasionally surpassing \$4,000 for most of these groups.

- On average, Americans who plan to retire think they will need approximately \$3,200 per month when they retire.
- Nearly 1 in 5 (19%) say they will need at least \$5,000.
- Those with household income of \$100,000+ estimate they'll need almost double per month in retirement (\$4,200) than those with household income of less than \$50,000 (\$2,400).
- Men estimate needing more monthly income in retirement than women (\$3,600 vs. \$2,700).

Social Security Still a Retirement Staple, Except for the Young

Soon after retirement starts, the majority of Americans plan to rely on Social Security benefits, along with retirement-specific savings and pensions. Among those who view Social Security as a key financial resource, most believe these benefits will kick in between ages 63 and 69 (on average at age 67). Those under age 35 are much less likely than their older peers to believe Social Security will be a viable financial option for them in retirement.

- During their retirement, the majority of adults expect to receive/use Social Security benefits (81%) and retirement-specific savings or pensions (79%).
- Only very few (9%) plan to rely on family members.
- Only 67% of 18-34 year old adults who plan to retire will rely on Social Security; instead the majority (79%) plan to rely on retirement-specific savings/pension
- Among those who think they will receive Social Security benefits during retirement, about half (51%) believe they will begin collecting these benefits between ages 62 and 65.
- The average age to start receiving benefits is expected to be 67.

Little Action Taken on Distribution

That said, there appears to be some lack of knowledge (or at least action) with respect to planning for needed finances in retirement. More than half of those with current retirement assets to consider right now have not yet created a distribution plan for these assets. A significant minority (about 1 in 5) haven't thought about it at all. Action with respect to distribution varies significantly by demographics – men, seniors, those with higher assets and education, married couples and those with children in their household are much more likely to have developed a distribution plan already compared to their counterparts.

- More than half of those who have retirement assets (55%) do not yet have a distribution plan (i.e., how/when they will receive money) when they retire.
- Almost 1 in 5 of those who have retirement assets (18%) have given no thought to a distribution plan at all.

More Education Needed on Options, Especially Annuities

As further evidence of the lack of planning and perhaps understanding, only a slight majority have even modest familiarity (and far fewer have a great deal of familiarity) with various options for distribution – lump sum payouts, installment payments, or annuities. Awareness about annuities appears especially low compared to the alternatives.

Among those who plan to retire and have retirement assets, most are somewhat/very familiar that they can:

- Receive regular monthly or quarterly installment payments until their money runs out (65%; 29% very familiar)
- Take one lump sum cash payout (60%; 24% very familiar)
- Get an annuity for themselves (guaranteed monthly payment payable over their lifetime) (56%; 23% very familiar)
- Get an annuity for themselves for life and the life of their beneficiaries (50%; 17% very familiar)
- Among those who plan to retire and have retirement assets, 1 in 4 (24%) have never heard of the option of getting an annuity for themselves for life and the life of their beneficiaries, and 1 in 5 (20%) were not aware that they could get an annuity for themselves (guaranteed monthly payment payable over their lifetime)

Survey Methodology

This survey was conducted online within the United States from April 14-16, 2015 among 2,095 adults ages 18 and older (among whom 1,063 were currently working and not already retired) by Harris Poll on behalf of Pentegra Retirement Services via its Quick Query omnibus product. Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error that are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Poll avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. The data has been weighted to reflect the composition of the adult population. Because the sample is based on those who agreed to participate in the Harris Poll panel, no estimates of theoretical sampling error can be calculated.

For complete survey results, visit <http://www.pentegra.com/upload/harrispoll2015.pdf>



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