Sowing the Seeds for Retirement: Gen X and Gen Y Markets

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Executive Summary

Changes to retirement are not only being driven by demographic shifts and medical advances that extend life spans, but also by the financial vehicles Americans draw on to fund their retirements. Generations (Gen) X and Y will be the first generations to face a radically different retirement landscape. Despite the plethora of information and resources available to them, Gen X and Y are currently ill-prepared, and need the retirement industry's help to grow savings and plan for sustainable retirements.

Not only do few Gen X and Y consumers have access to defined benefit (DB) pension plans, but also they will likely have a smaller proportion of their retirement income replaced by Social Security than previous generations. Since defined contribution (DC) plans will be their primary saving vehicles, these generations need to maximize the workplace and retail retirement savings vehicles available to them. However, at present, workplace DC plan savings opportunities are not being maximized and IRA ownership is limited.

At this point in their working lives, most Gen X and Gen Y consumers do not work with financial advisors. Yet, low usage of professional assistance does not mean they are not making important financial decisions. Unfortunately, without guidance, the financial harvest ahead of these generations may not be as bountiful as they expect. Despite their current confidence in obtaining their desired retirement lifestyles, most Gen X and Gen Y consumers have not achieved even modest savings levels.

It is important for your company to better understand these generations, their size and composition, household and individual savings, use of financial advice, and product ownership as well as their attitudes toward saving and retirement. With this information in hand you will be better prepared to assist these generations in sowing the seeds for a secure retirement, and to realize the market opportunities of younger generations.

Key Findings and Insights

- **The market opportunity for Gen X and Gen Y households is growing.** Most Gen X and Gen Y consumers are still over a decade or more away from retirement and have yet to reach their peak earning potential.
  - The approximately 116 million consumers aged 20 to 47 already hold $6.8 trillion in household net worth.
  - Almost 6 in 10 Gen X households and 4 in 10 Gen Y households have incomes of $50,000 or more.

  While financial assets for these generations are somewhat limited at present, building relationships with them early in their retirement savings accumulation phases could help consolidation of assets with your company along the way to retirement. As Gen X and Gen Y consumers accumulate more assets they are likely to become more engaged and more important for your company to retain.

- **Younger workers need to prioritize saving for retirement.** Although many retirement education efforts have focused on starting to saving early for retirement; in general, Gen X and Gen Y consumers are not getting the message.
  - Fewer than half of Gen X consumers (46 percent) and fewer than one third (31 percent) of Gen Y consumers cite retirement as an important reason for saving.

  As a likely result of the varied spending and saving demands they confront, neither of these generations embrace retirement as an overwhelming saving priority. Not only are they not prioritizing retirement saving, but also many are actually leaving money on the table by not contributing to DC plans which include matching contributions.

Key Findings and Insights

- **DC plan deferral rates need to be improved for Gen X and Gen Y consumers.** As the DC plan saving model has evolved, the retirement industry's definition of success has shifted. Plan success is not only dependent on increasing participation, but also now includes whether savings amounts are adequate.
  - **Median DC plan deferral rates are identical for Gen X and Gen Y consumers.** Although most retirement savings models expect savings levels to rise with age, Gen X and Gen Y consumers have identical median deferral rates of 6 percent.
  - **Gen X consumers with DC plan access are more likely to be contributing than Gen Y consumers.** Seventy-seven percent of Gen X consumers, and 69 percent of Gen Y consumers currently contribute to their employers' DC plans.

Gen X and Gen Y consumers need to save more; however, getting consumers to save more is easier said than done. Plan designs using automatic features as well as tweaks to matching formulas to encourage higher saving rates are all elements that can increase enrollment and savings rates. Consider which are the most effective education tools and guidance your company can offer, as well as the preferred modes of delivery to reach Gen X and Gen Y consumers.

Based on academic research on saving behaviors, methods to leverage the positive influence of peer behavior and age-advancement visualization should be considered. Finally, women in general need to be encouraged to save more than their male counterparts to compensate for the likelihood of extended longevity and fewer working years.

Key Findings and Insights

- **The long-term effect of automatic features in DC plans is still unclear.** Features such as automatic enrollment have increased the number of Americans saving for retirement. Workers with traditionally lower DC plan participation rates, like younger and low-income workers, have particularly benefited from automatic features and investment selection.
  - One in three Gen Y consumers had their DC plan investment mix automatically selected for them.

Yet, the same programs that have helped consumers save may have reduced their plan engagement because so few actions are now required of them. It is yet unknown how auto-features will affect workers' lifetime engagement and financial literacy. While most of the effects of auto-features are positive, the value of engagement should not be overlooked. Engagement can include personal interest in a plan, saving, or even a desire to learn more about financial matters. Plan designs that incorporate auto-features as well as engagement incentives could improve the long-term value of workplace retirement savings plans.

Key Findings and Insights

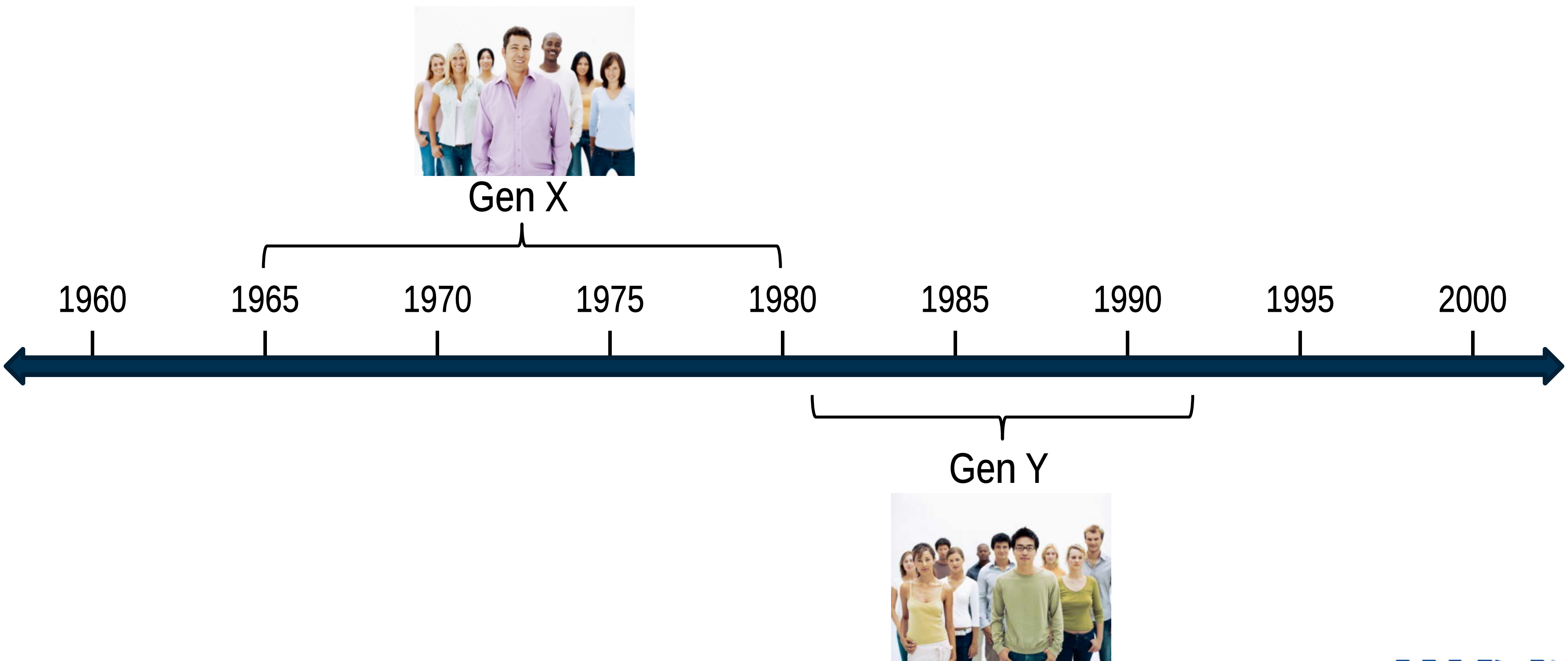
- **The conservative nature of Gen X and Gen Y consumers make them good candidates for retirement risk management.** The combination of few guaranteed income sources and low risk tolerance make Gen X and especially Gen Y consumers ideal customers for risk management products targeted at retirement.
  - Nearly half (47 percent) of Gen Y consumers have little or no tolerance for investment risk.
  - Gen Y women are especially risk averse: Fifty-two percent of Gen Y women have little or no risk tolerance compared with 43 percent of Gen X women.
  - Gen X and Gen Y consumers working with financial professionals to make at least some investment decisions are less likely than those not working with financial professionals to have little or no tolerance for investment risk, 33 percent versus 45 percent, respectively

Some of this risk aversion may be a lingering effect of the recent economic turmoil and slow recovery, but some may resonate over the course of their working lives. Women in these generations tend to be especially risk averse and thus may be even stronger prospects for risk management. However, saving levels, especially for women, need to be improved in order to provide adequate savings to secure their retirements.

Gen X and Gen Y Market Overview

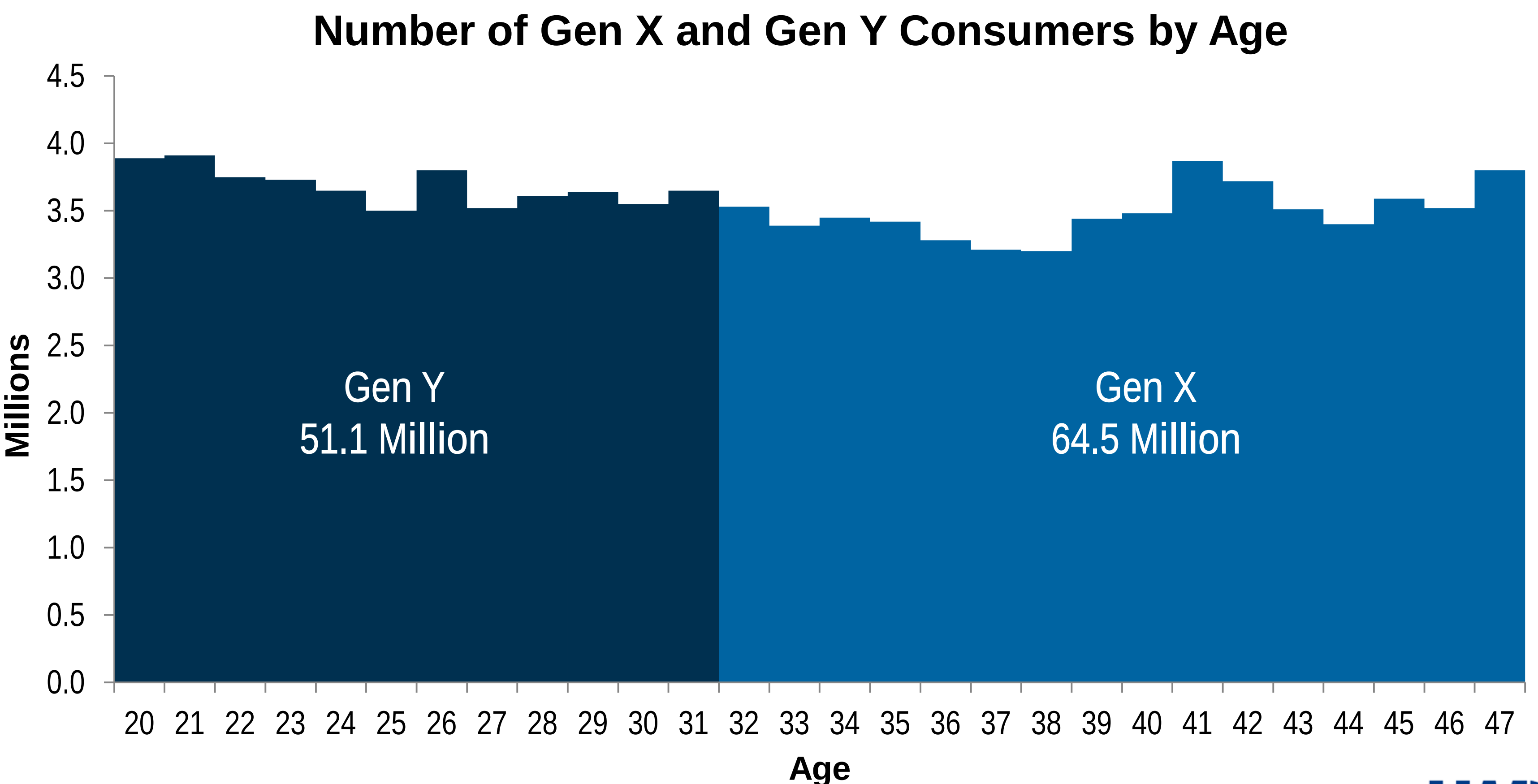
Defining Generations

Demographic generations are convenient means of examining populations groups; however, there are a variety of ways to split the population and numerous names are used to refer to the same cohort. For instance, the generation following Gen X is referred to nearly interchangeable as Gen Y, Millennials, and Echo Boomers. For the purposes of this report Generation X refers to consumers born between 1965 and 1980. Generation Y refers to consumers born between 1981 and 1992. These age boundaries cover the vast majority of the adult population of these generations as well as those consumers most likely to have started thinking about and saving for retirement.



There are nearly 116 million Americans aged 20 to 47.

- Generations X and Y represent a sizeable portion of the U.S. population. Gen X includes over 64 million individuals and Gen Y 51 million individuals.
- Although they do not reach the same peak levels as the Baby Boom generation, Gen X and Gen Y represent a substantial current and future market opportunity for the financial services industry.



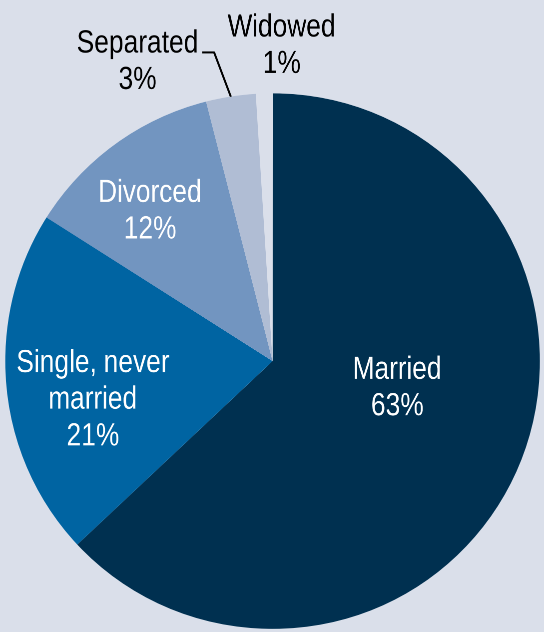
Source: LIMRA analysis of U.S. Census Bureau's Current Population Survey, March 2012 Supplement. Analyses based on households in which reference person is age 20 to 47.

Most Gen X consumers are married and the majority of Gen Y consumers have never married.

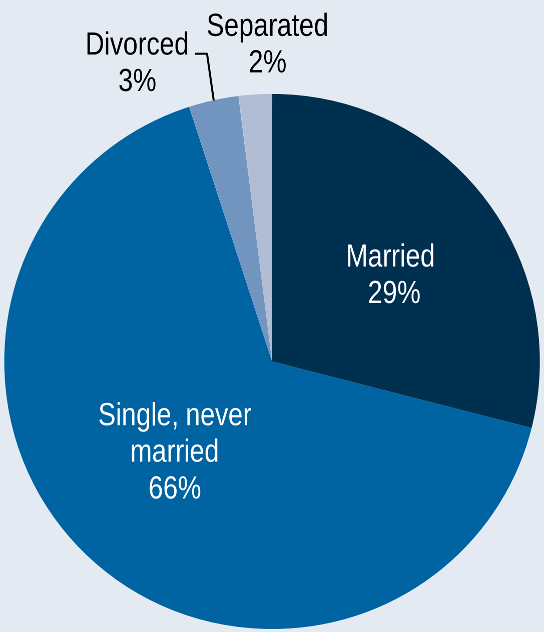
- As demonstrated by marital status, in general, Gen X and Y are at two different stages in their lives. While the majority of Gen X consumers (63 percent) are married, nearly the same proportion of Gen Y consumers (66 percent) have never married.
- As they age and enter into other life stages, more Gen Y consumers will marry. Along with progressing life stages will come more varied financial needs. In fact, the oldest members of Gen X may already be at the brink of significant retirement planning efforts.

Marital Status

Gen X



Gen Y



Note: Less than 1 percent of Gen Y widowed.

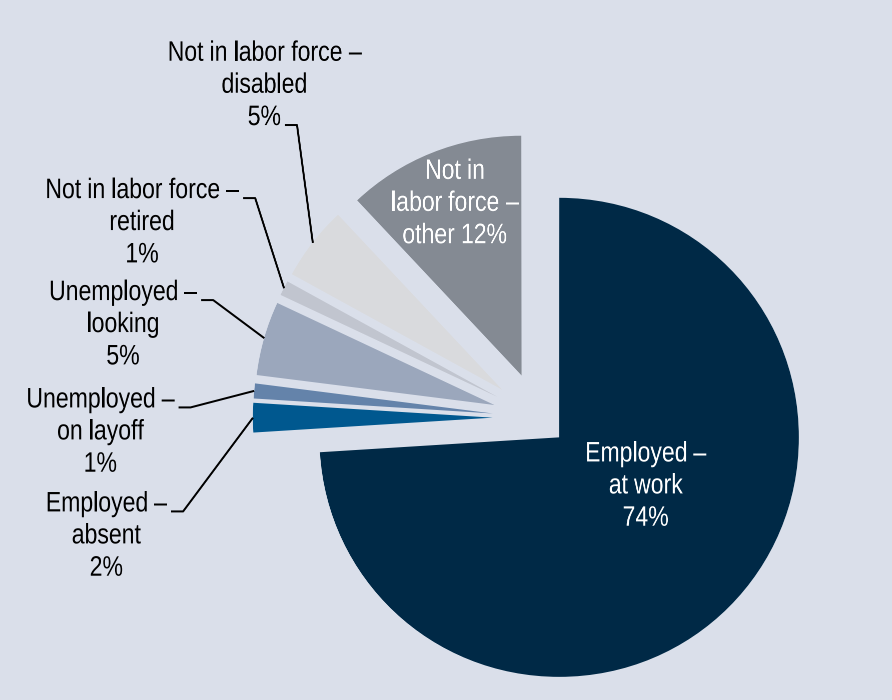
Source: LIMRA analysis of U.S. Census Bureau's Current Population Survey, March 2012 Supplement. Analyses based on households in which reference person is age 20 to 47.

A majority of Gen X and Y consumers are employed.

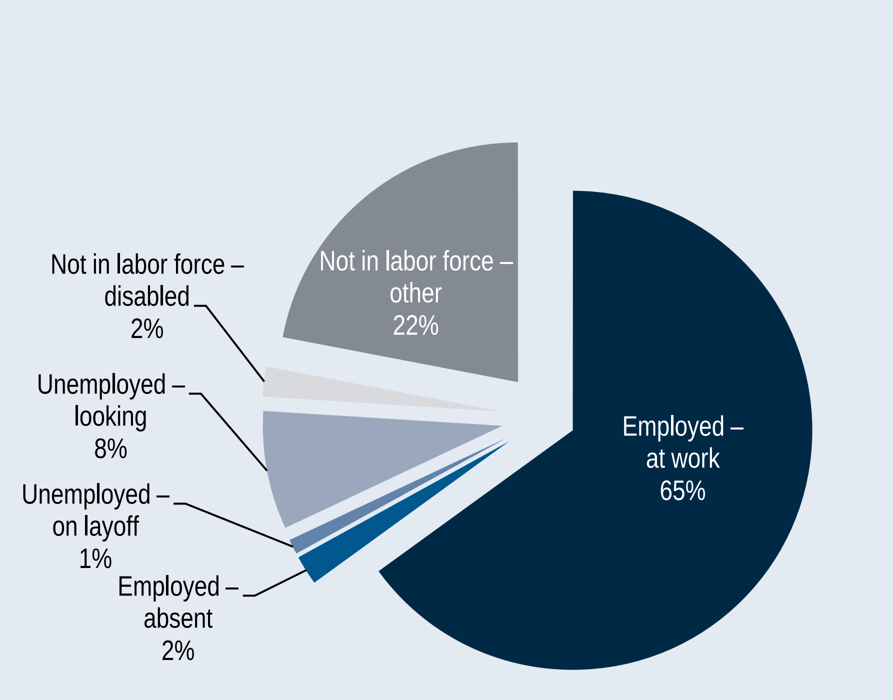
- A majority of both Gen X and Gen Y are currently working, 74 percent and 65 percent, respectively. However, a significant percentage of both Gen X and Gen Y consumers are not in the workforce for reasons other than disability or retirement (12 percent of Gen X and 21 percent of Gen Y). The higher percentage of Gen Y consumers with this employment status likely results from the large percentage of those still pursuing higher education degrees.
- Most Gen Y consumers will be entering the full-time labor force over the next few years. With this change in work status will likely come the means to save for retirement as well as access to workplace retirement vehicles.

Employment Status

Gen X



Gen Y



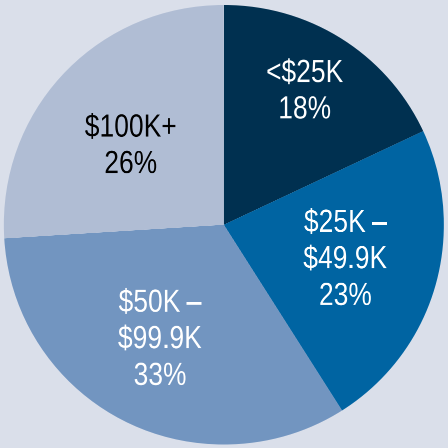
Source: LIMRA analysis of U.S. Census Bureau's Current Population Survey, March 2012 Supplement. Analyses based on households in which reference person is age 20 to 47.

Almost 6 in 10 Gen X households have incomes of $50,000 or more.

- A difference of $20,000 separates the median household incomes of Gen X and Gen Y consumers. Household earning potential will likely continue to increase for both Gen X and Y consumers until it reaches its peak around their mid-50s.
- Almost 6 in 10 Gen X households have incomes of $50,000 or more while 60 percent of Gen Y consumers have household incomes of under $50,000. However, since the majority of Gen Y consumers are not yet married, those household incomes are more likely to reflect single-earner households than their Gen X counterparts.

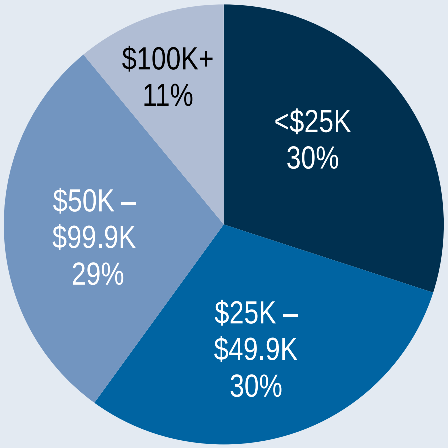
Household Income

Gen X



Median Household Income	
32 to 34	= $54,000
35 to 39	= $57,000
40 to 44	= $64,001
45 to 47	= $62,250
All Gen X	**= $60,000**

Gen Y



Median Household Income	
20 to 24	= $29,500
25 to 29	= $42,870
30 to 31	= $52,000
All Gen Y	**= $40,000**

Source: LIMRA analysis of U.S. Census Bureau's Current Population Survey, March 2012 Supplement. Analyses based on households in which reference person is age 20 to 47.

Gen X and Gen Y consumers hold nearly $7 trillion in household net worth.

- The median net worth of Gen X and Gen Y households is under $19,000. Even Gen X households only have a median net worth of $32,000.
- Gen X and Gen Y consumers hold nearly $7 trillion in household net worth. Seventy-three percent of Gen X and Gen Y assets are nonfinancial. While Gen Y consumers' debt is only a fraction of Gen X consumers', their assets are also significantly smaller.
- The Gen X households' assets are larger not only because they constitute a larger proportion of the analysis population, but also because these consumers have had more time to in the workforce to accumulate assets.
- Nonfinancial assets include ownership of primary residence, business equity, investment property, vehicles, other residential real estate, and other nonfinancial assets. Among Gen X and Gen Y households with nonfinancial assets, primary residence equity represents the largest component of those assets (61 percent and 62 percent, respectively).

Gen X and Gen Y Household Wealth by Age

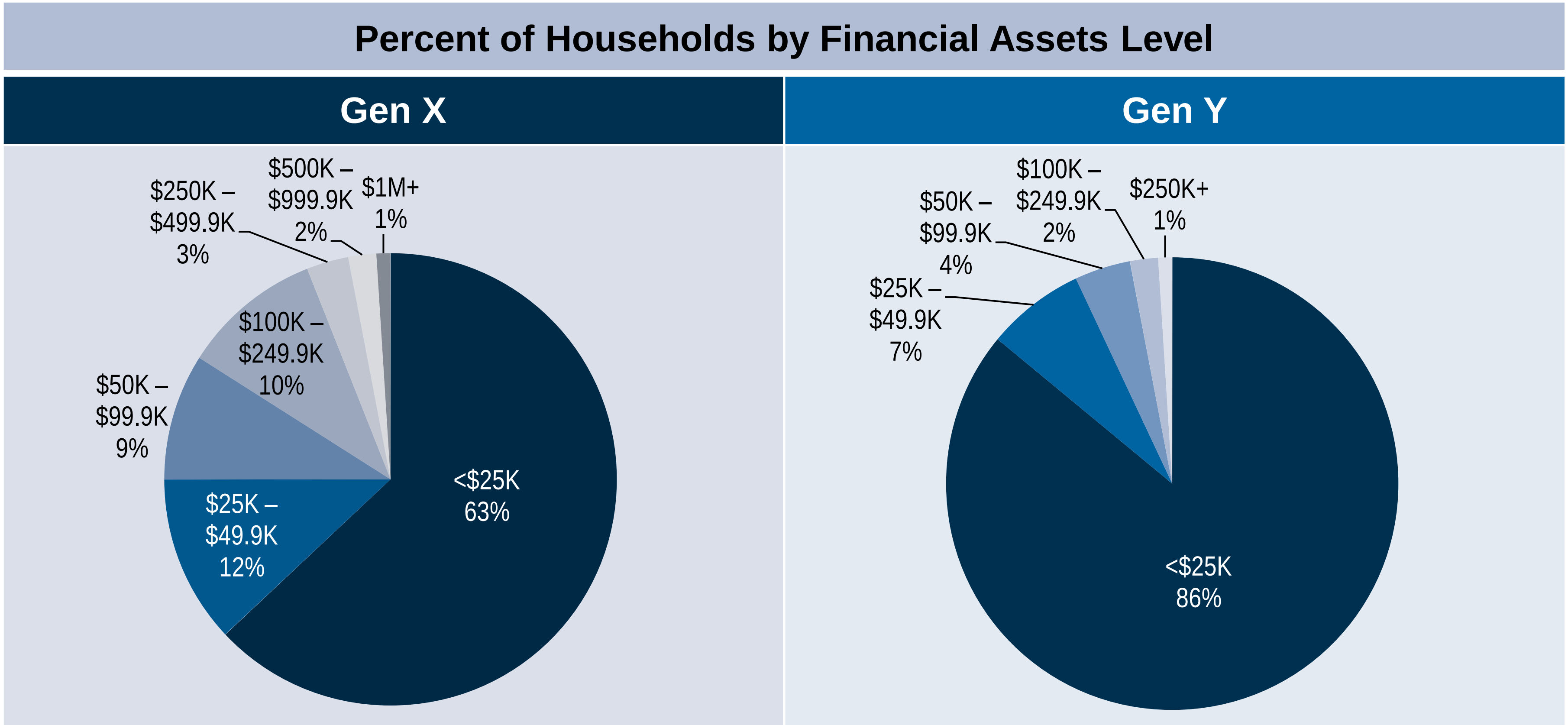
(trillions)

	Gen X	Gen Y	Gen X and Gen Y
Financial	$2.9	$0.2	$3.1
Nonfinancial	7.5	0.9	8.4
Total assets	10.4	1.1	11.5
Less: debt	(4.1)	(0.6)	(4.7)
Net worth	6.3	0.5	6.8
Median net worth	$32,000	$6,150	$18,600

Source: LIMRA analysis of 2010 Survey of Consumer Finances, Federal Reserve Board. Analyses based on households in which reference person was age 18 to 45 as of 2010. Debt figures include mortgage debt. Except for median net worth, figures are in trillions.

One in four Gen X households have $50,000 or more in financial assets.

- Gen X households have more varied levels of financial assets than Gen Y households. Yet, only 1 percent of Gen X households have $1 million or more in household assets.
- One in four (24 percent) of Gen X households have $50,000 or more in financial assets. However, those figures are contrasted by the fact that 86 percent of Gen Y households have under $25,000 in household financial assets. As is the case with household income, Gen Y household assets will increase as Gen Y consumers marry and combine assets with their spouse.



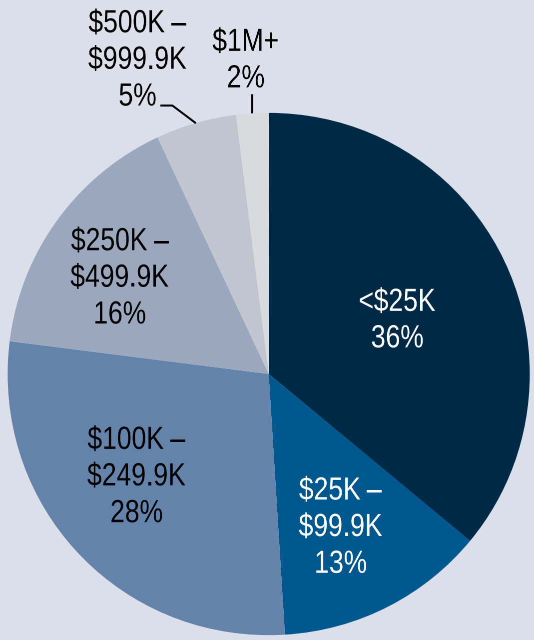
Source: LIMRA analysis of 2010 Survey of Consumer Finances, Federal Reserve Board. Analyses based on households in which reference person was age 18 to 45 as of 2010.

Gen X households have $7.5 trillion in total nonfinancial assets.

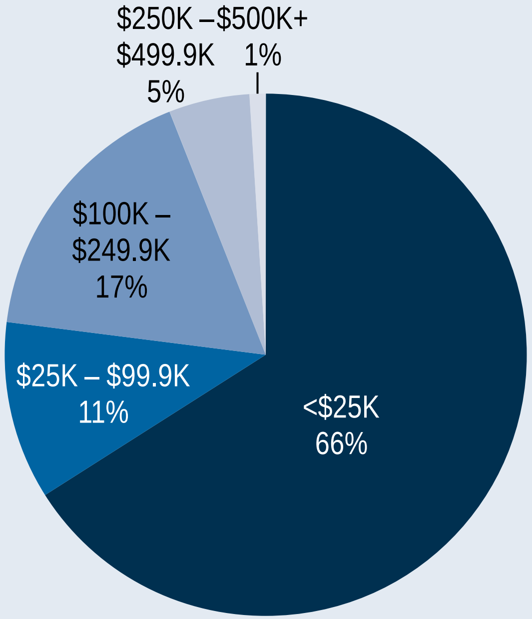
- Nonfinancial assets represent a larger portion of Gen X and Gen Y total household assets. Fifty-nine percent of Gen X households and 27 percent of Gen Y households report primary residence equity.
- Gen X households have $7.5 trillion in total nonfinancial assets and half of those households have more than $100,000 in nonfinancial assets.
- With less than $300 billion in total nonfinancial assets, it should come as no surprise that two-thirds of Gen Y consumers have under $25,000 in nonfinancial household assets. As more Gen Y consumers purchase houses or condos their nonfinancial household assets will increase significantly, as will their debt levels.

Percent of Households by Nonfinancial Assets Level

Gen X



Gen Y

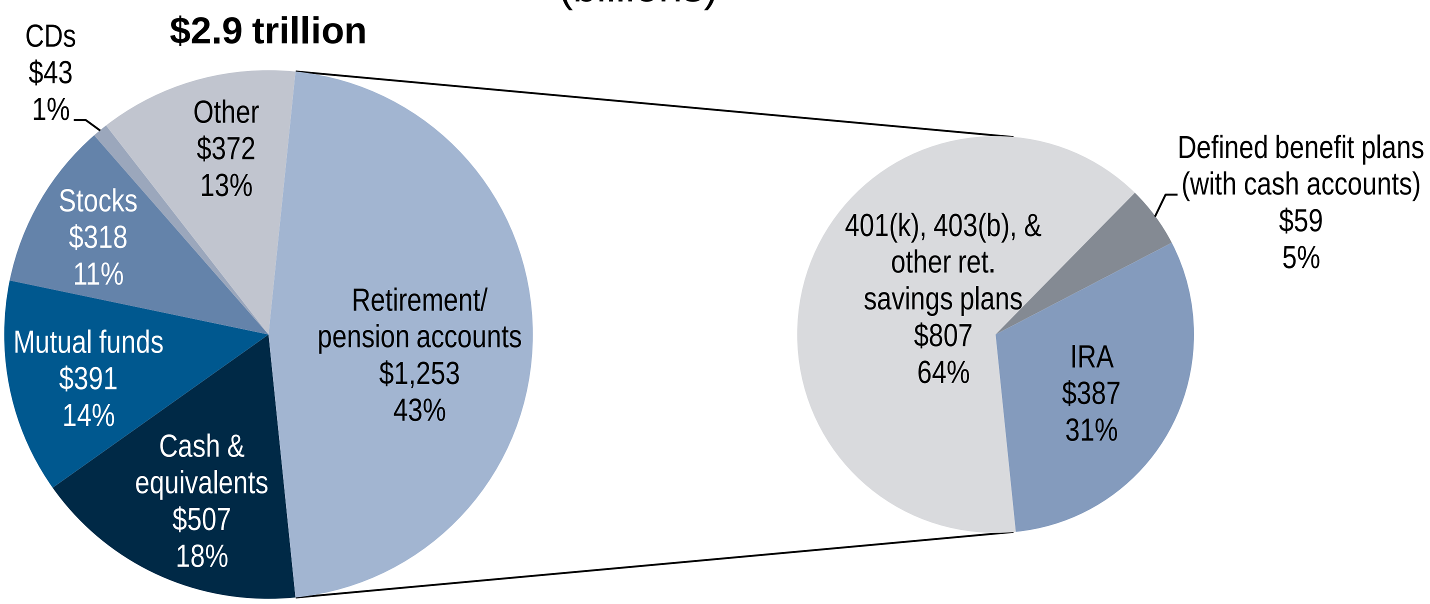


Source: LIMRA analysis of 2010 Survey of Consumer Finances, Federal Reserve Board. Analyses based on households in which reference person was age 18 to 45 as of 2010.

Forty-three percent of Gen X household financial assets are invested in retirement accounts.

- Of the nearly $3 trillion in Gen X household financial assets, 43 percent is invested in retirement and pension accounts.
- Among retirement and pension accounts, two thirds of assets are held in DC savings plans and 30 percent are in IRA accounts.
- Both DC and IRA plans are suitable vehicles for accumulating assets, but they are limited in their ability to provide a guaranteed source of income for consumers once they reach retirement age. To a greater extent than previous generations, Gen X consumers will be making significant decisions on how to disburse the majority of their retirement savings. This means there is greater opportunity for the financial services industry to provide value and products to these consumers at retirement.

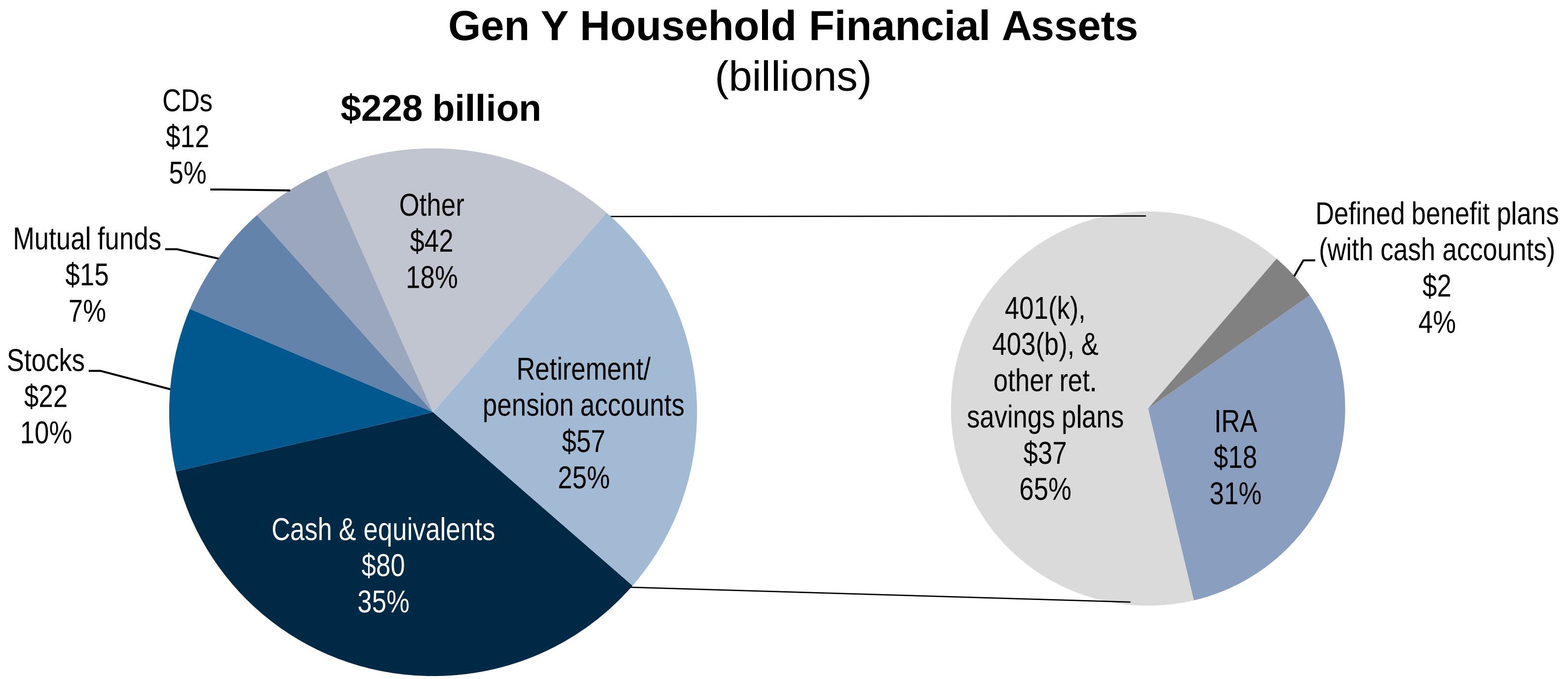
Gen X Household Financial Assets
(billions)



Source: LIMRA analysis of 2010 Survey of Consumer Finances, Federal Reserve Board. Analyses based on households in which reference person was age 30 to 45 as of 2010.
Note: "Other" category includes individual bonds, life insurance, annuities, and other.

Gen Y household financial assets are limited.

- Gen Y household financial assets are limited. As of 2010, Gen Y household financial assets only totaled $229 billion.
- Gen Y households have a larger portion of their financial assets in cash and equivalents than Gen X households (35 percent versus 18 percent). This may be because those assets are more limited and they need more ready access to their money.
- Of the 25 percent of Gen Y household financial assets invested in retirement and pension accounts, only 4 percent are held in DB plans. This is not unexpected since a limited number of Gen Y consumers have access to DB plans. Depending on their union or employer, active DB plans may also be less generous for current than former employees.



Source: LIMRA analysis of 2010 Survey of Consumer Finances, Federal Reserve Board. Analyses based on households in which reference person was age 18 to 29 as of 2010.
Note: "Other" category includes individual bonds, life insurance, annuities, and other.

Gen X and Gen Y Survey Results

Survey Methodology

As part of the multi-phase LIMRA Retirement Study, in May 2012, LIMRA surveyed 5,296 Americans aged 20 to 84 who were: **a) working full-time or part-time; b) unemployed (for less than 12 months); or c) retired**. These individuals answered a broad range of questions about their retirement savings behavior, participation in worksite retirement plans, IRAs, use of financial advisors, product ownership, and attitudes regarding various retirement topics.

Of this group, **884 respondents were categorized as Gen X** if they met the following criteria*:

1. **Were age 32 to 47** (as if 2012)
2. **Were not retired**

Of this group, **720 respondents were categorized as Gen Y** if they met the following criteria*:

1. **Were age 20 to 31** (as if 2012)
2. **Were not retired**

*Most of the results presented in the previous section of this report are based on Current Population Survey and Survey of Consumer Finances data, selecting for individuals or households in which the reference person is age 20 to 47. It is important to note that compared with CPS Gen X and Gen Y consumers, surveyed consumers were more likely to be categorized as coupled or married. Since the CPS does not have categories for civil unions or living with partners it will understate the number of "couples." The household basis of CPS/SCF data also under represents the number of Gen Y households because fewer of these consumers make up the heads of households/reference person or couples because of multi-generational households.

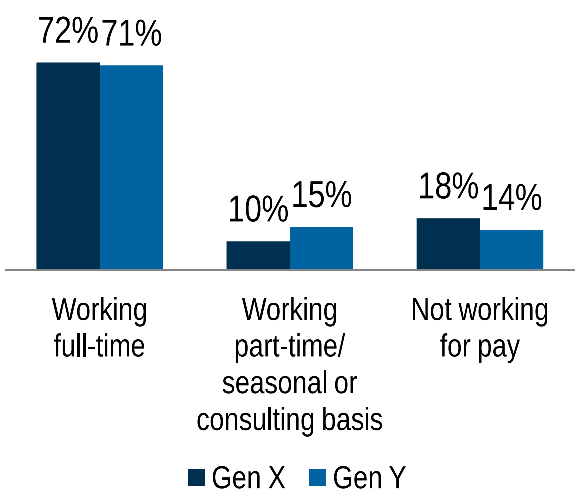
Gen X and Gen Y consumers vary considerably in terms of household and individual characteristics.

- While they have a similar education level, Gen X and Gen Y consumers do vary considerably in terms of household and individual characteristics because of their different life stages.
- Given the age difference between these generations, it is not unexpected that Gen X consumers are more likely than Gen Y consumers to be married, in a civil union, or living with a partner (72 percent versus 59 percent). The spouses of married or partnered Gen X and Gen Y consumers are most likely working for pay full-time.
- Gen X households are more affluent than Gen Y households with more than twice as many having household incomes above $100,000 (30 percent versus 14 percent) and investable assets of $250,000 or more (19 percent versus 8 percent).
- Additional demographic data on surveyed Gen X and Gen Y consumer characteristics are available in the Appendix of this report.

Respondent Characteristics

	Gen X	Gen Y
Female	47%	47%
Average age	40 years old	27 years old
Married/civil union/living with partner	72%	59%
Household income above $100,000	30%	14%
Household investable assets of $250,000 or more	19%	8%
College degree or more	64%	65%

Spouse/Partner Work Status

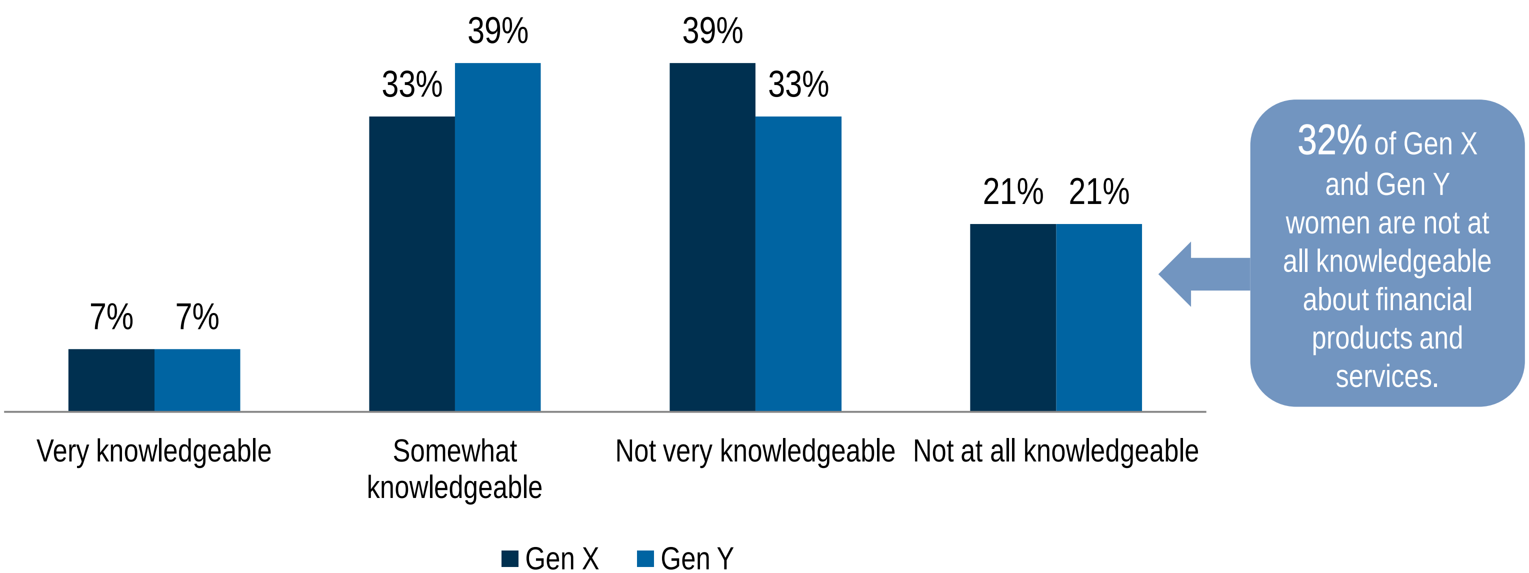


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y).

Over half of Gen X and Gen Y consumers are not very or not at all knowledgeable about investments and financial products.

- Gen X and Gen Y consumers self-report similar financial literacy levels. Forty percent of Gen X and 46 percent Gen Y consumers rate themselves as “very” or “somewhat” knowledgeable about investments and financial products.
- Gen X and Gen Y consumers who work with a financial professional to make at least some investment decisions are more likely than those who do not, to be very knowledgeable about investments and financial products (14 percent versus 6 percent). The increased knowledge levels could be related to education efforts on the part of the financial professional or the fact that more knowledgeable Gen X and Gen Y consumers work with a financial professional.
- Among Gen X and Gen Y consumers with access to a DC plan through their employer, those who have never made contributions are more likely than those currently contributing to be “not at all knowledgeable” about investments and financial products (34 percent versus 12 percent). If financial literacy could be improved for these consumers, the likelihood of participating in their employers’ DC plans may rise.

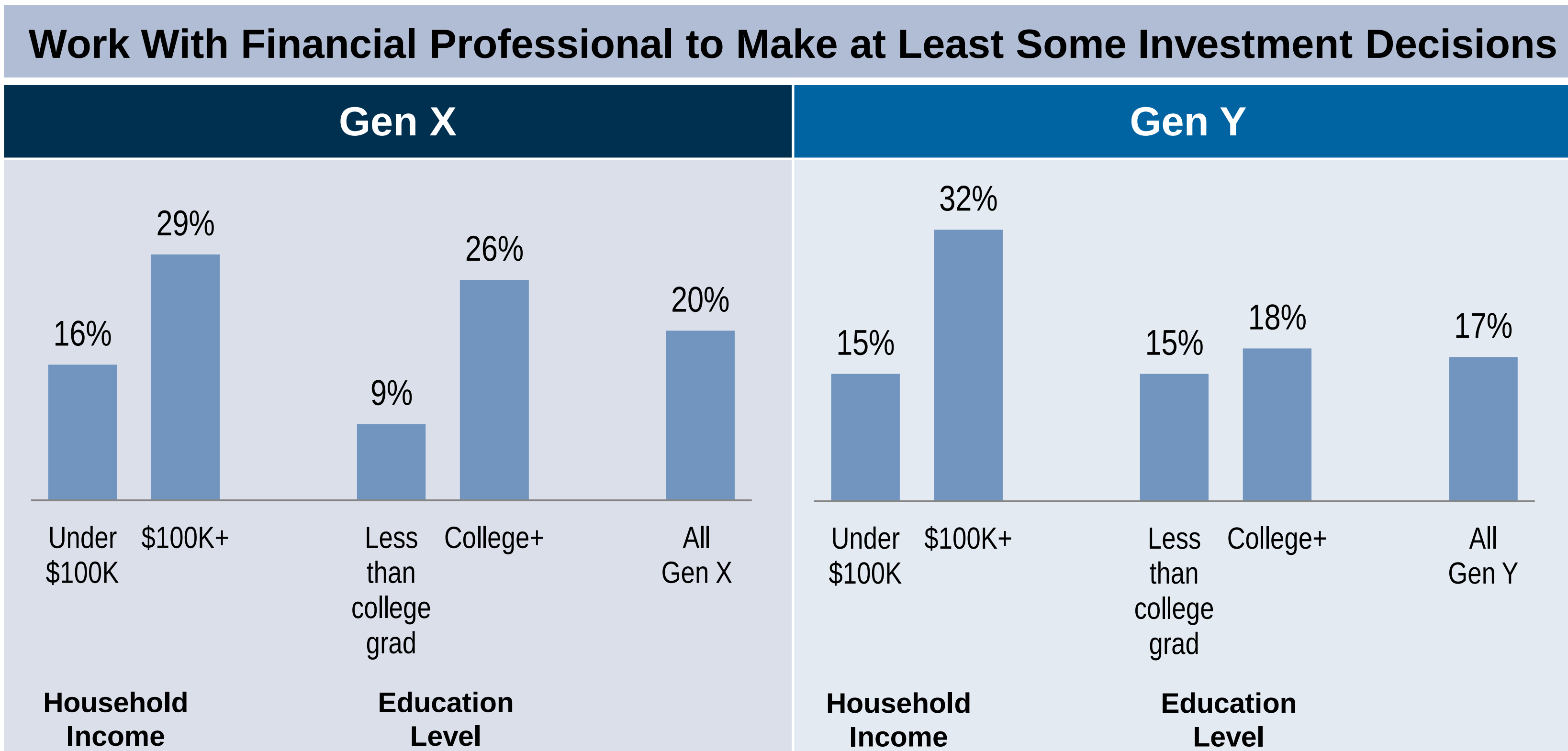
Knowledge of Investments and Financial Products



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 597 non-retired consumers aged 32 to 47 (Gen X) and 483 non-retired consumers aged 20 to 31 (Gen Y) who were randomly assigned to answer questions on investment and product knowledge.

One in five Gen X and Gen Y consumers work with a financial professional on investment decisions.

- At present, the financial advice needs of Gen X and Gen Y households are likely to focus on basic investments, life insurance, tax advice, and other kinds of insurance (e.g., property and casualty, disability) rather than retirement planning. As Gen X and Gen Y household financial investments needs become more complicated it is likely an even larger percentage of Gen X and Y consumers will turn to a financial advisor or planner.
- One in five Gen X and Gen Y consumers work with a financial professional to make at least some investment decisions. Among those who work with a professional, most work with a financial advisor or planner (69 percent of Gen X and 56 percent of Gen Y). Gen X and Gen Y households with $100,000 or more in household income are twice as likely as those with under $100,000 in household income to work with a financial professional to make at least some investment decisions, 15 percent and 30 percent, respectively.

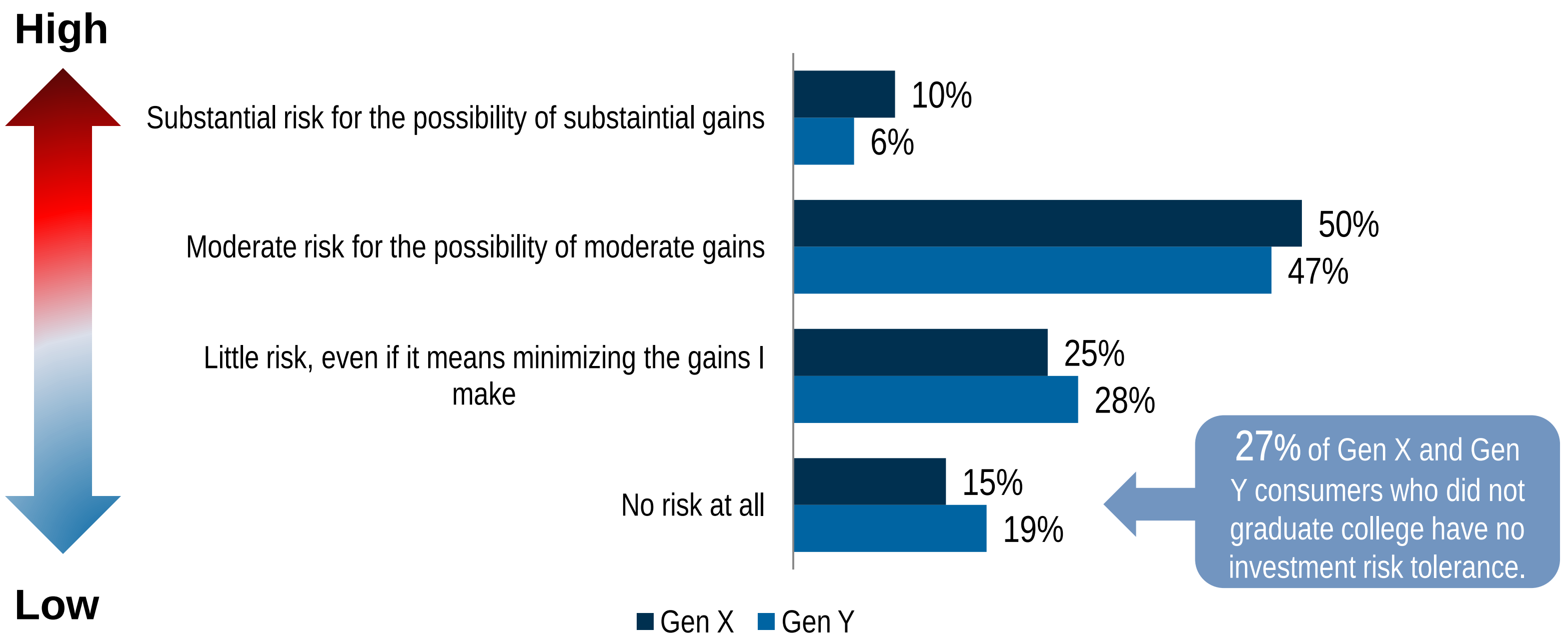


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y).

Nearly half of Gen Y consumers have little or no tolerance for investment risk.

- Despite being younger than Gen X consumers, Gen Y consumers have lower investment risk tolerance levels. In fact, nearly half (47 percent) of Gen Y consumers indicate they have little or no tolerance for investment risk. Gen Y consumers are at a life stage when it makes sense to invest aggressively, but they have never experienced sustained market growth. Given their low tolerance for investment risk, Gen Y may be more receptive to products with “floors” or other guarantees.
- Gen Y women are especially risk averse. Fifty-two percent of Gen Y women have little or no investment risk tolerance compared with 43 percent of Gen X women.
- Gen X and Gen Y consumers working with financial professionals to make at least some investment decisions are less likely than those not working with financial professionals to have little or no tolerance for investment risk, 33 percent versus 45 percent, respectively. Relationships with financial professionals may increase understanding of investment risk and confidence in decisions involving risk.

Level of Risk Tolerance

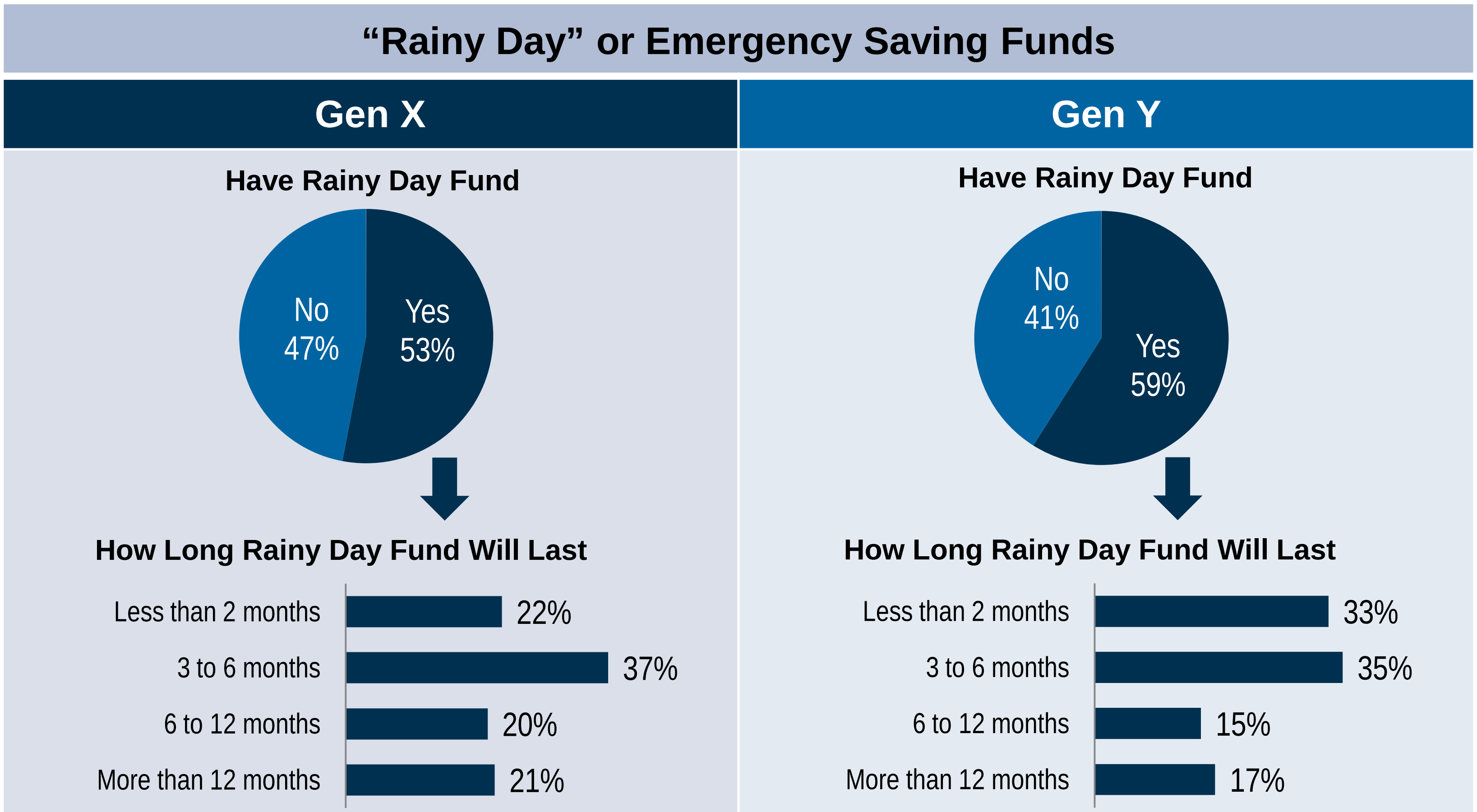


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 597 non-retired consumers aged 32 to 47 (Gen X) and 483 non-retired consumers aged 20 to 31 (Gen Y) who were randomly assigned to answer questions on investment risk tolerance.

Gen X and Gen Y Survey Results: Household and Individual Saving

More than half of Gen X and Gen Y households have a “rainy day” or emergency saving fund.

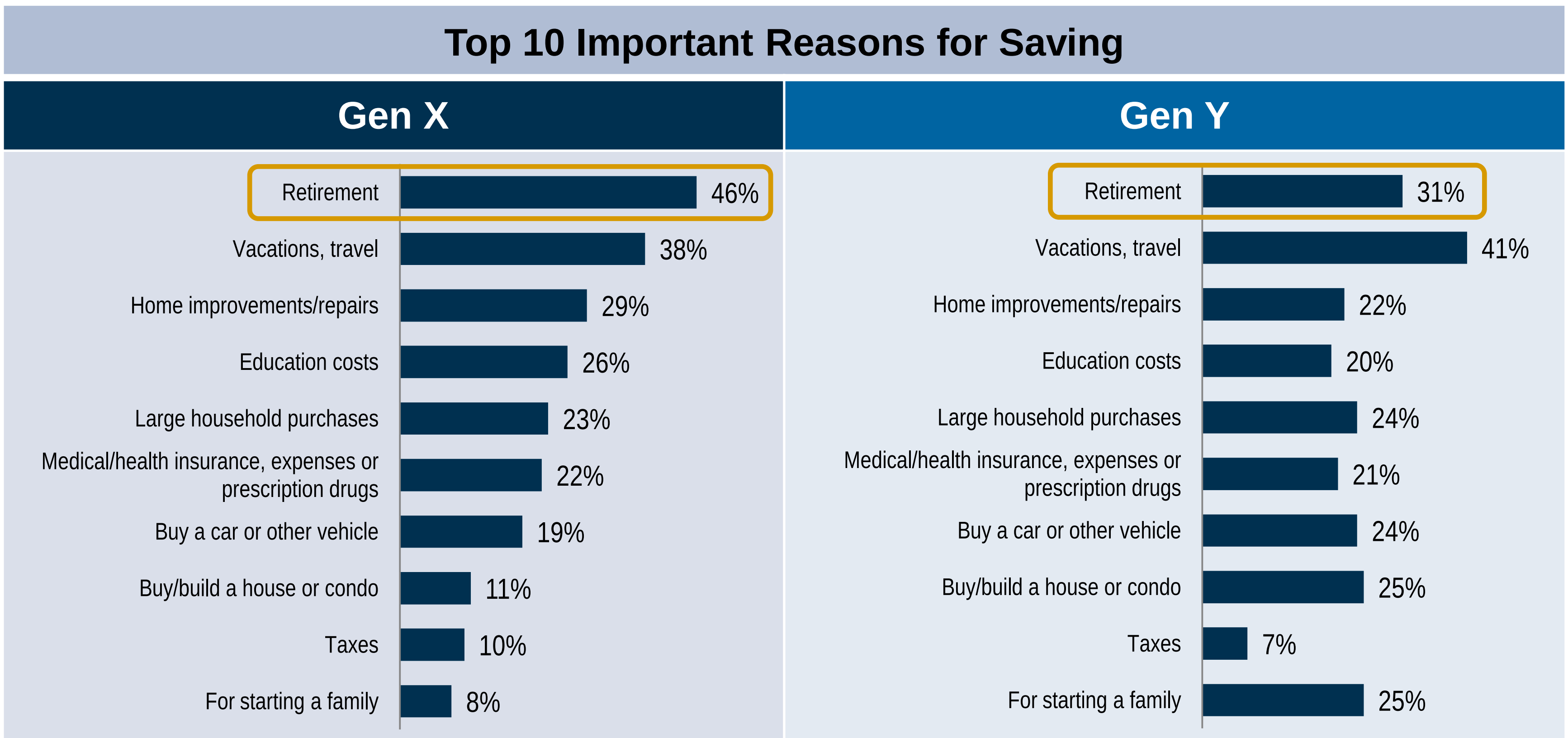
- Fifty-three percent of Gen X consumers and 59 percent of Gen Y consumers have a “rainy day” or emergency saving fund. Although it is surprising that a larger percentage of Gen Y than Gen X consumers have a rainy day fund, Gen X expects their emergency funds to last longer. Given their life stage, it is likely that Gen X consumers have more financial obligations than their Gen Y counterparts and thus may have less discretionary income to save for a “rainy day.” According to *Survey of Consumer Finances* data, Gen Y consumers are more likely than Gen X consumers to hold cash or liquid assets.



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 854 consumers aged 32 to 47 (Gen X) and 698 consumers aged 20 to 31 (Gen Y) currently working for pay.

Gen X consumers are more likely than Gen Y consumers to cite retirement as an important reason for saving.

- Gen X consumers are not only more likely than Gen Y consumers to cite retirement as an important reason for saving (46 percent versus 31 percent), they are twice as likely to rank retirement as their number one reason for saving (26 percent versus 13 percent). Immediate and near-term spending obligations appear to be taking precedence over long-term needs for Gen Y consumers.
- Gen X and Gen Y women are less likely than men to select retirement as a one of their top reasons for savings. In fact, only 27 percent of Gen Y and 43 percent of Gen X women selected it as one of their top three reasons for saving.

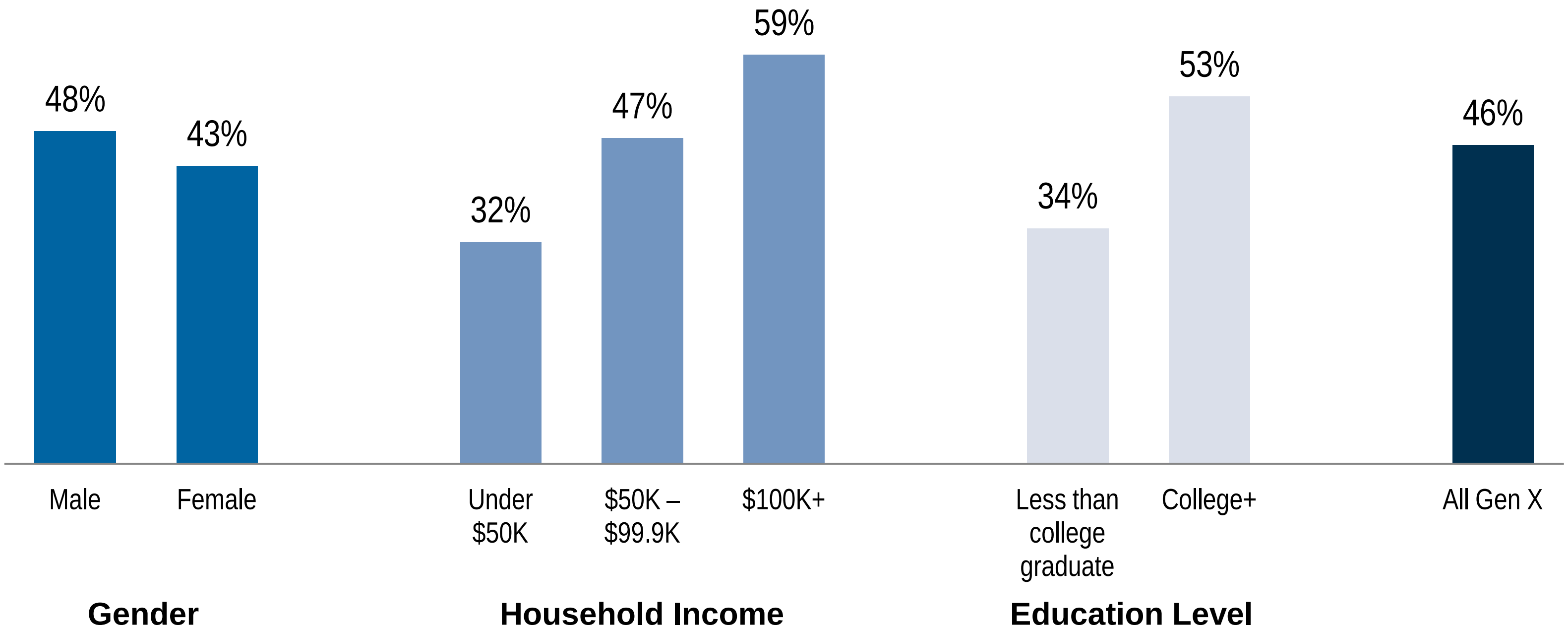


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 854 consumers aged 32 to 47 (Gen X) and 698 consumers aged 20 to 31 (Gen Y) currently working for pay. Top 10 based on the percent of consumers that ranked each reason as one of their household's three most important reasons for saving (besides emergencies and unemployment).
Other reasons for Gen X saving include: Buy/invest in a business (5%), buy/build a second or vacation home (4%), other reason (5%).
Other reasons for Gen Y saving include: Buy/invest in a business (9%), buy/build a second or vacation home (7%), other reason (5%).

The likelihood of Gen X consumers choosing retirement as an important reason for saving increases with household income.

- Less than half of Gen X consumers (46 percent) select retirement as one of their household's top three most important reasons for saving.
- Men and college graduates are more likely to cite saving for retirement as important than Gen X consumers in general. Given their lower average incomes, lack of retirement savings prioritization may put women and those with no college degree at even more risk of savings shortfalls in retirement.
- The likelihood of Gen X choosing retirement as an important reason for saving increases with household income. This prioritization could result from the availability of more discretionary income.

Percent Selecting Retirement as Important Reason for Saving

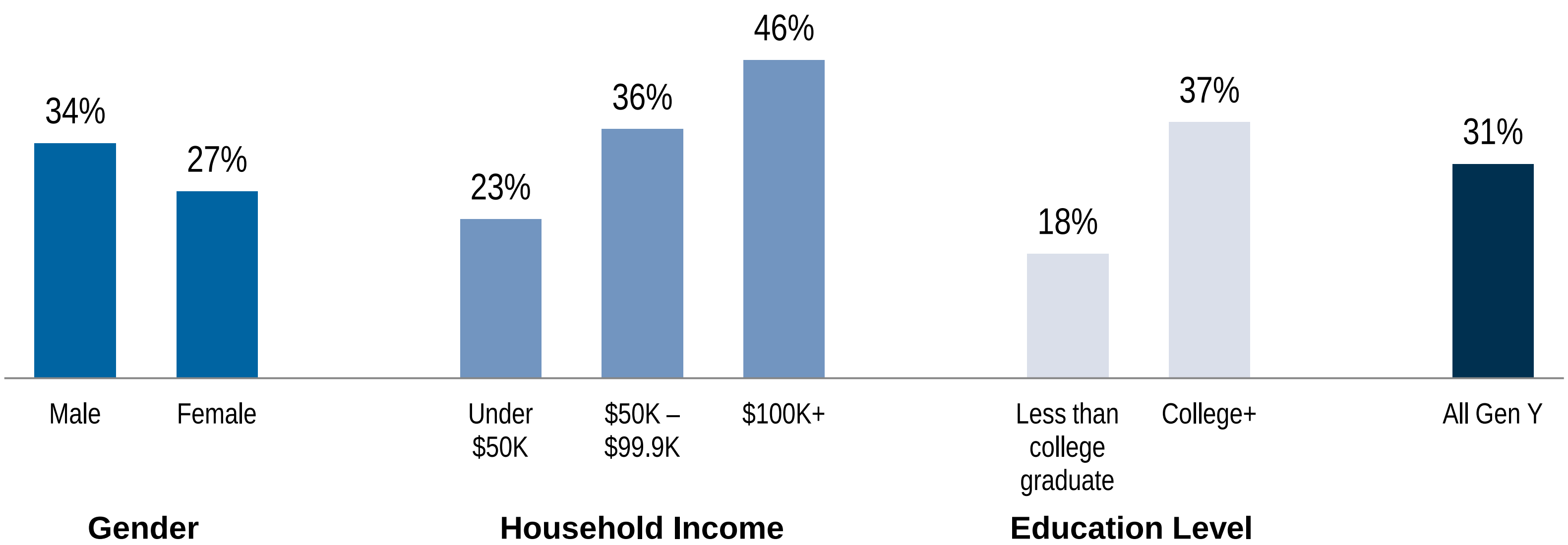


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 854 consumers aged 32 to 47 (Gen X) currently working for pay.

Less than half of Gen Y consumers with $100,000 or more in household income select retirement as an important reason for saving.

- Only 1 in 3 Gen Y consumers choose retirement as an important reason for saving. This lack of prioritization may result from a lengthy retirement horizon. As they age and a larger percentage enter the full-time workforce, retirement will likely become more important to Gen Y.
- As is the case with Gen X consumers, men and college graduates are more likely to cite saving for retirement as important than Gen Y consumers in general.
- Selection of retirement as an important reason for saving increases with household income. However, less than half (46 percent) of Gen Y consumers with household incomes of $100,000 or more in household income select retirement as an important reason for saving. These consumers should be prime Gen Y candidates saving for retirement, but they are probably being sidetracked by other spending and saving demands.

Percent Selecting Retirement as Important Reason for Saving

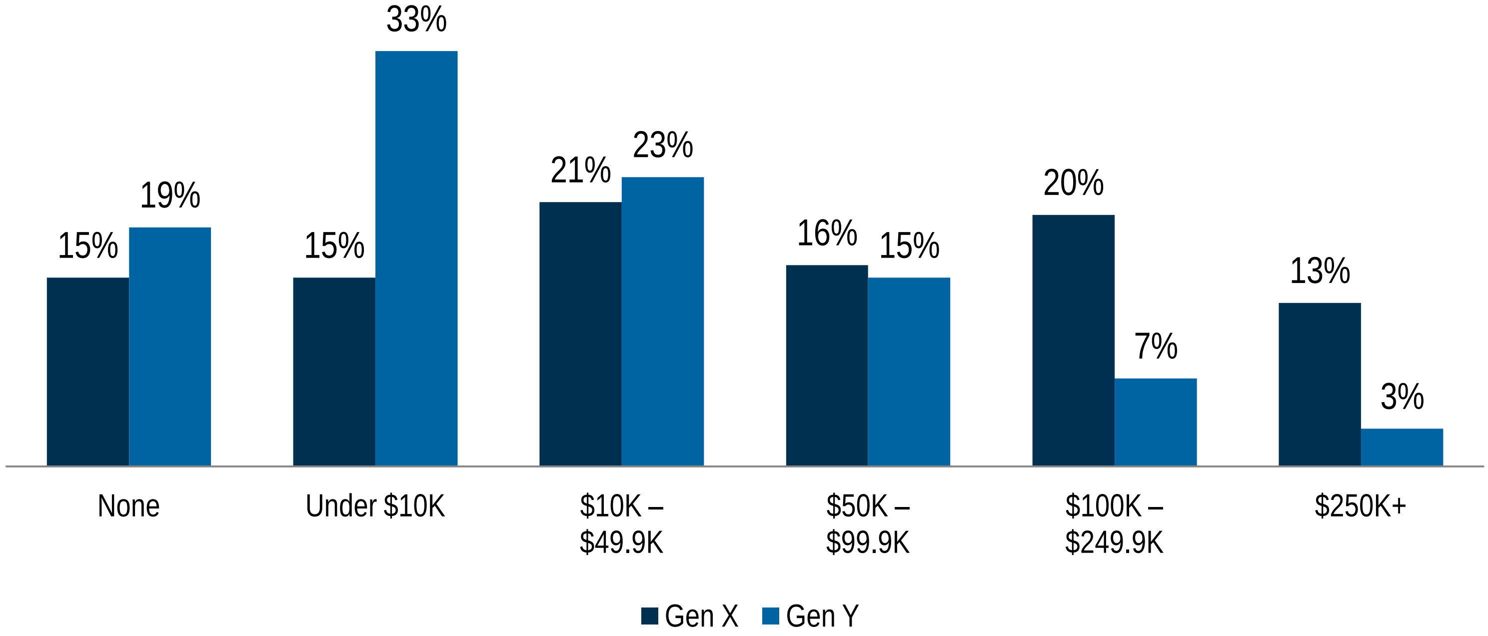


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 698 consumers aged 20 to 31 (Gen Y) currently working for pay.

One third of Gen X households have saved $100,000 or more for retirement.

- One third of Gen X households have saved $100,000 or more for retirement. However, 15 percent of Gen X consumers haven't saved for retirement. Nearly all (97 percent) Gen X consumers who have no household retirement savings do not have access to a DB plan through their current employer. These consumers should be encouraged to save for retirement through IRAs.
- Half of all Gen Y consumers and 81 percent of Gen Y consumers aged 20 to 24 have less than $10,000 in household retirement savings.
- While it is difficult to state exactly how much Gen X and Gen Y households should have saved at this point in their lives, by almost any measure these results with regard to total household retirement savings levels are low.

Total Household Retirement Savings

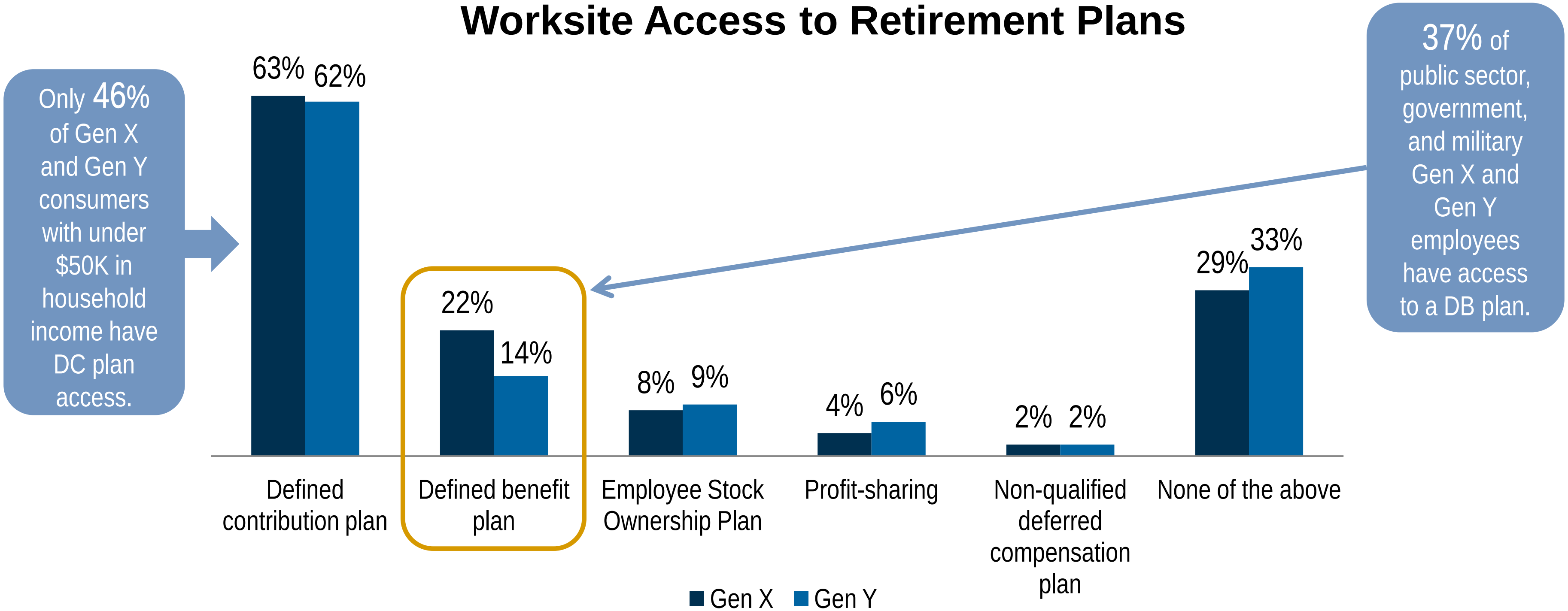


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 723 non-retired consumers aged 32 to 47 (Gen X) and 599 non-retired consumers aged 20 to 31 (Gen Y). Excludes consumers who didn't know or refused to answer question.

Gen X and Gen Y consumers have similar access levels to most workplace retirement plans.

- Overall, Gen X and Gen Y consumers have similar access levels to most workplace retirement plans. However, Gen X consumers are more likely than Gen Y consumers to have access to DB plans (22 percent versus 14 percent).
- Gen X and Gen Y employees working for public sector, government, or military employers are the more likely than any other employee type to have access to a DB plan (37 percent versus 16 percent). Although 22 percent of education employees have DB plan access and women are more likely to work in that segment, men and women in these generations have similar DB plan access levels, 22 percent and 21 percent, respectively.
- More than 6 in 10 Gen X and Gen Y consumers have access to a DC plan through their current employers. Even if Gen X and Gen Y consumers cannot always save for retirement in their workplace, they can contribute to an IRA.
- Gen X and Gen Y part-time workers and Gen Y women are the most likely to have no access to worksite retirement plans in the survey, 65 percent and 36 percent, respectively.

Worksite Access to Retirement Plans



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 854 consumers aged 32 to 47 (Gen X) and 698 consumers aged 20 to 31 (Gen Y) currently working for pay. Multiple responses allowed.

Gen X consumers with DC plan access are more likely to be contributing than Gen Y consumers.

- Consistent with their higher prioritization of retirement savings, it is not surprising that Gen X consumers with access through their employer are more likely to be currently contributing to a DC plan than Gen Y consumers, 77 percent versus 69 percent. Gen Y public sector, government, or military employees have lower DC plan participation rates than their Gen X equivalents (66 percent versus 85 percent).
- Although most retirement savings models expect savings levels to rise with age, Gen X and Gen Y consumers have identical median deferral rates of 6 percent. However, Gen X consumers over the age of 45 and with $50,000 or more in household income have median DC plan deferral rates of 8 percent.

Gen X

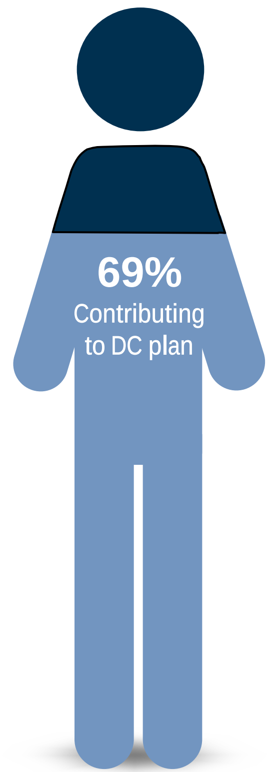
74%
have employer match

$69,763
average DC plan balance

6%
median deferral rate

9 years
average DC plan tenure

Gen Y



78%
have employer match

$25,817
average DC plan balance

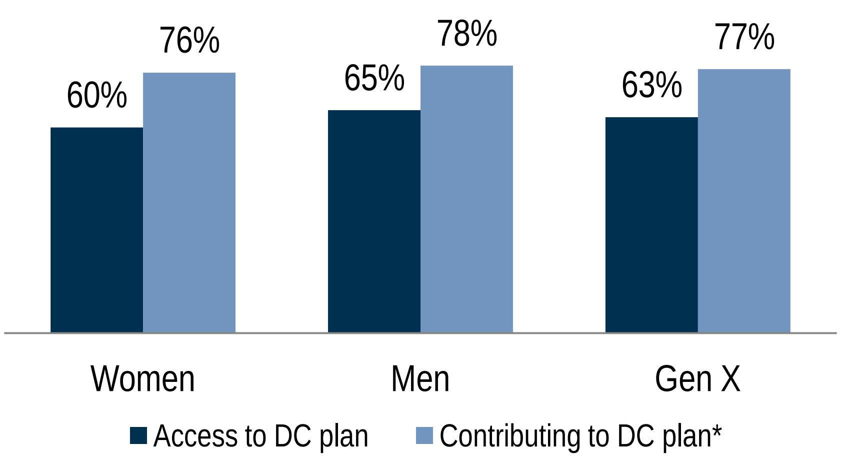
6%
median deferral rate

4 years
average DC plan tenure

Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 527 consumers aged 32 to 47 (Gen X) and 427 consumers aged 20 to 31 (Gen Y) currently working for pay and with access to a DC plan through their current employers.

Gen X men are more likely than Gen X women to have DC plan access.

Gen X Workplace Retirement Savings Characteristics



Gen X Worksite Retirement Savings Characteristics	Women	Men	All
With employer match*	71%	76%	74%
Average tenure in DC plan	9 years	9 years	9 years

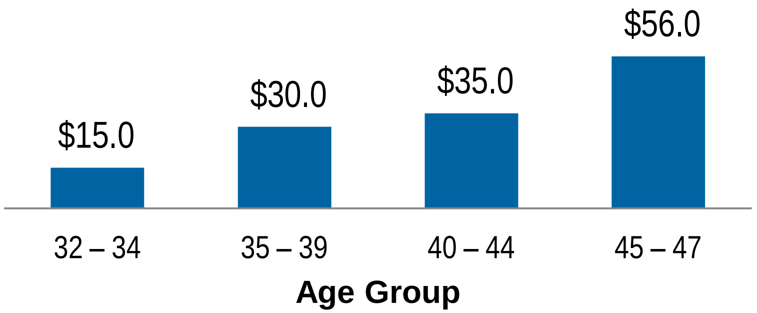
- A majority of Gen X consumers have access to a DC plan through their current employers. However, among Gen X consumers, men are more likely to have DC plan access (65 percent versus 60 percent).
- Male Gen X consumers are also slightly more likely than their female counterparts to be currently contributing to the DC plan at their current employer (78 percent versus 76 percent).
- Enhancing Gen X consumer savings efforts is the fact that nearly three quarters of their employers offer matching contributions. Yet, Gen X women are less likely than men to have an employer match available to them, 71 percent versus 76 percent, respectively.
- Gen X men are more likely than Gen X women to be contributing an amount greater than their employers' match (44 percent versus 33 percent).

Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 854 consumers aged 32 to 47 (Gen X) currently working for pay.
*Based on 527 consumers aged 32 to 47 (Gen X) currently working for pay and with access to a DC plan through their current employers.

On average, Gen X consumers have accumulated nearly $70,000 in their current employers' plans.

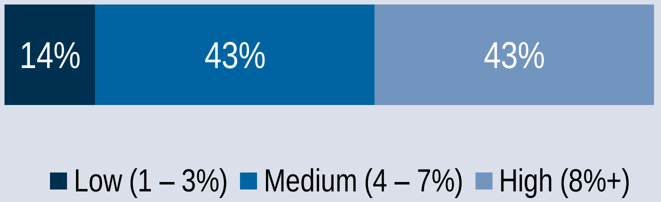
- On average, Gen X consumers have accumulated nearly $70,000 over the course of an average 9 years contributing to their current employers' DC plans. The median deferral rate is 6 percent for all Gen X consumers, but slightly higher for men (7 percent).
- Gen X women trail behind their male counterparts in average DC plan balance by $30,000. Women's median DC plan balances are less than half of those of men.
- Given that all Gen X consumers are over the age of 30, their deferral rates are typically recommended to be above 10 percent. However, less than half (43 percent) are contributing 8 percent or more.

Median Gen X DC Plan Balance By Age Group (thousands)



Gen X Worksite Retirement Savings Characteristics	Women	Men	All
Median DC plan deferral rate	6%	7%	6%
Average DC plan balance	$53,151	$83,112	$69,763
Median DC plan balance	$15,000	$38,095	$33,776

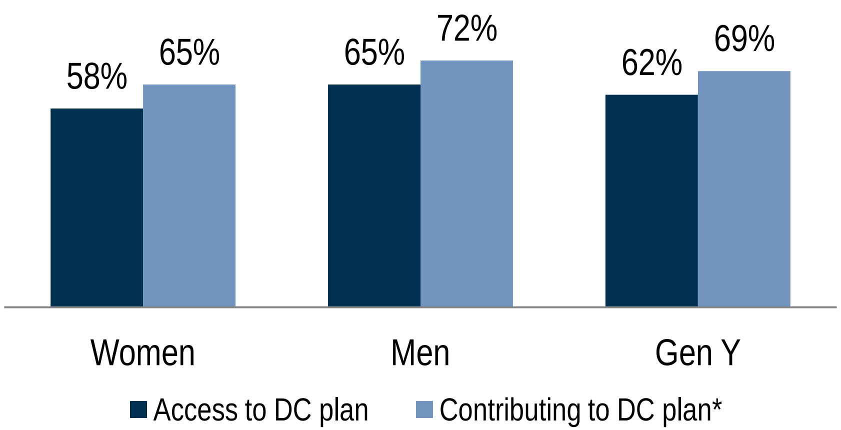
Gen X DC Plan Deferral Rates by Level



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 455 consumers aged 32 to 47 (Gen X) currently working for pay and who have ever participated in their current employers' DC plans.

Nearly 8 in 10 Gen Y consumers with DC plan access work for employers that offer matching funds.

Gen Y Workplace Retirement Savings Characteristics



Gen Y Worksite Retirement Savings Characteristics	Women	Men	All
With employer match*	73%	81%	78%
Average tenure in DC plan	4 years	4 years	4 years

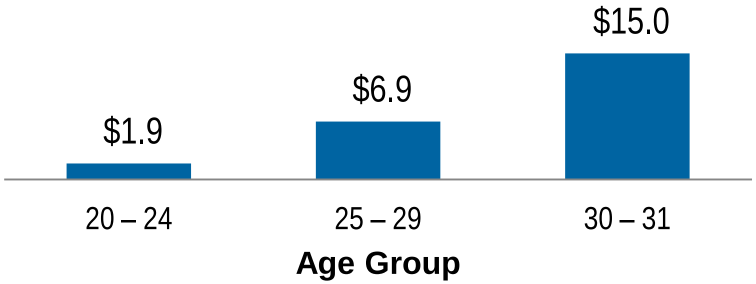
- Gen Y men are more likely than Gen Y women to have access to a DC plan through their current employer (65 percent versus 58 percent). Gen Y men are also more likely to be currently contributing to a DC plan, 72 percent and 65 percent, respectively.
- As is the case with Gen X consumers, Gen Y consumers are aided in savings efforts by employer matching contributions. Nearly 8 in 10 Gen Y consumers work for an employer that offers matching contributions.
- The trend of lower access, participation rates, employer match incidence, and plan balances for Gen Y women when compared to Gen Y men is troubling. Not only are women more likely to live longer than men, they are more likely to have work disruptions for caregiving. Women should be encouraged to save more than their male counterparts to compensate for the likelihood of extended longevity and fewer working years.

Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 698 consumers aged 20 to 31 (Gen Y) currently working for pay.
*Based on 427 consumers aged 20 to 31 (Gen Y) currently working for pay and with access to a DC plan through their current employers.

One in five Gen Y consumers contributes 3 percent or less to their current employer’s DC plan.

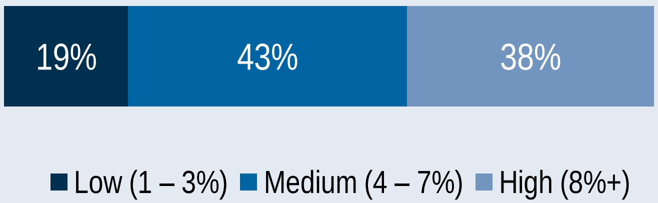
- On average, Gen Y consumers have accumulated slightly less than $26,000 over the course of 4 years contributing to their current employers’ DC plans. The median deferral rate is 6 percent for all Gen Y consumers.
- An important element of getting and keeping Gen Y consumers on track for a secure retirement is ensuring the money they save remains set aside for retirement. Plan cash outs or withdrawals, also known as plan leakage, can have a significant impact on retirement income adequacy.
- The median DC plan balance for Gen Y consumers is only $10,000. However, it is under $2,000 for Gen Y consumers age 20 to 24.
- One in five Gen Y consumers is contributing 3 percent or less to their current employer’s DC plan.

Median Gen Y DC Plan Balance By Age Group (thousands)



Gen Y Worksite Retirement Savings Characteristics	Women	Men	All
Median DC plan deferral rate	6%	6%	6%
Average DC plan balance	$23,147	$27,690	$25,817
Median DC plan balance	$6,000	$15,000	$10,000

Gen Y DC Plan Deferral Rates by Level

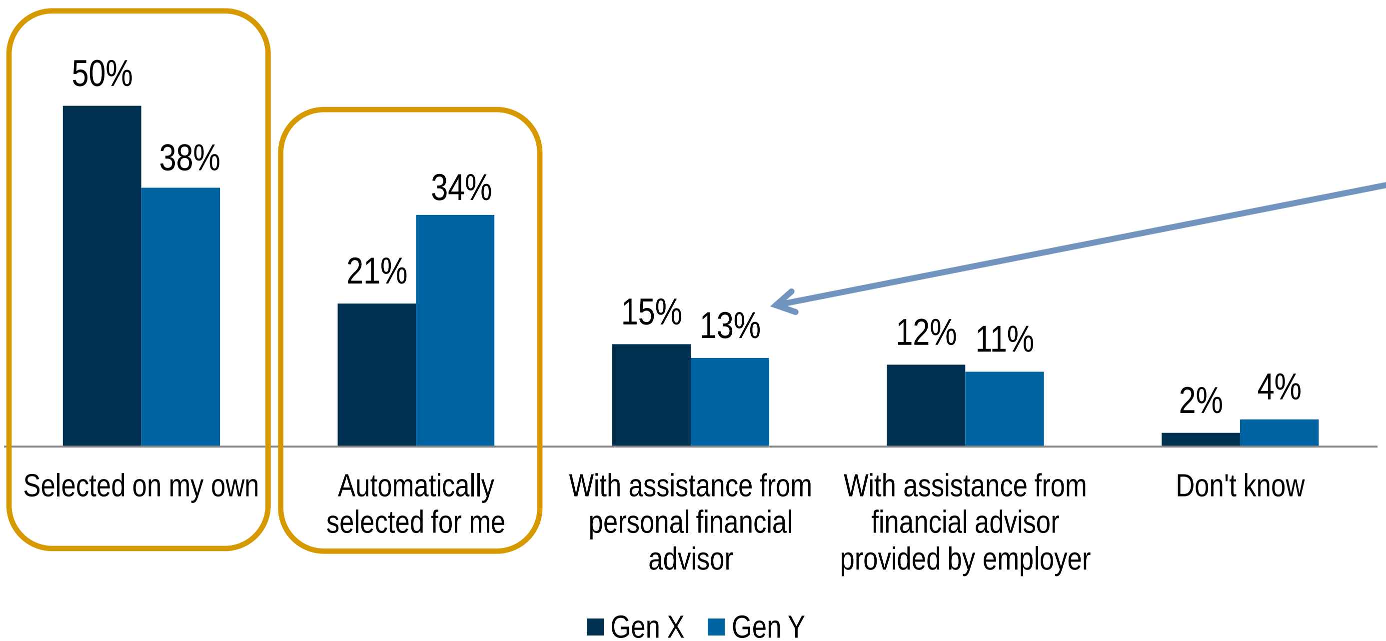


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 316 consumers aged 20 to 31 (Gen Y) currently working for pay and who have ever participated in their current employers’ DC plans.

One in three Gen Y consumers had their DC plan investment mix automatically selected for them.

- The advent of automatic enrollment in DC plans has led to asset and allocation decisions being made for plan participants without their direct input. While half of Gen X consumers selected their DC investment mix on their own only 38 percent of Gen Y consumers selected their investment mix.
- One in five Gen X consumers and 1 in 3 Gen Y consumers had their DC plan investment mix automatically selected for them. This lack of action may signal a lower level of overall engagement. Among the potential implications of lower engagement could be that Gen Y consumers will be even less likely to make changes to their deferral rates and investment selection over the long-term. Auto-deferral increases and automatic rebalancing can correct for some inaction, but only if consumers are with their employers long enough to benefit from those programs.
- Few Gen X and Gen Y consumers use financial professionals, personal or provided by their employer, to select their current DC plan investment mix. However, a significant portion of Gen X and Gen Y consumers express interest in their employer making more comprehensive information and advice on retirement planning available.

How Investment Mix in DC Plan Selected

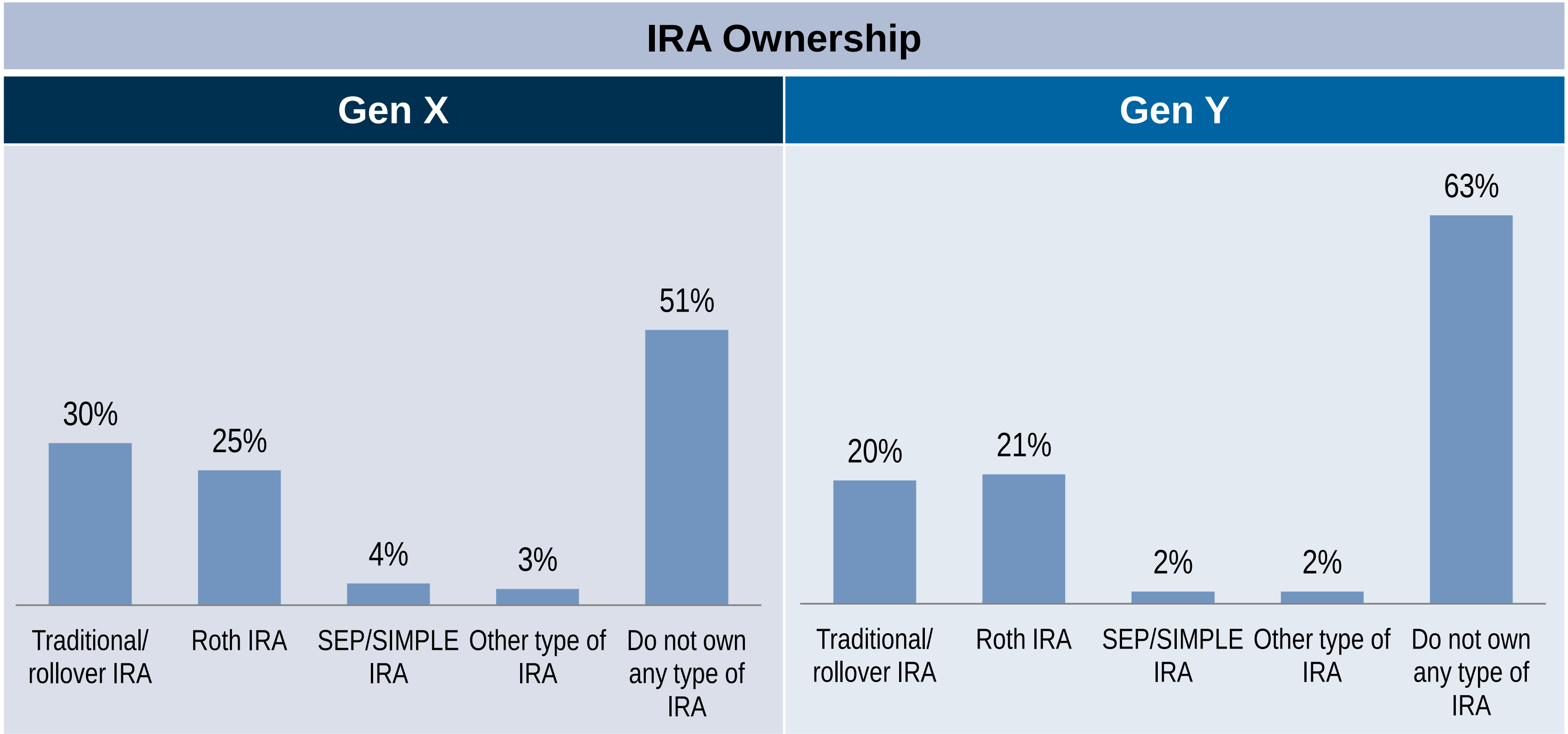


43% of Gen X consumers and 51% of Gen Y consumers "strongly" or "somewhat" agree that they would like their employer to make available more comprehensive information and advice on retirement planning.

Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 406 consumers aged 32 to 47 (Gen X) and 282 consumers aged 20 to 31 (Gen Y) who are working for pay and currently contributing to their employers' DC plans.

More than half of Gen X and Gen Y consumers do not own an IRA.

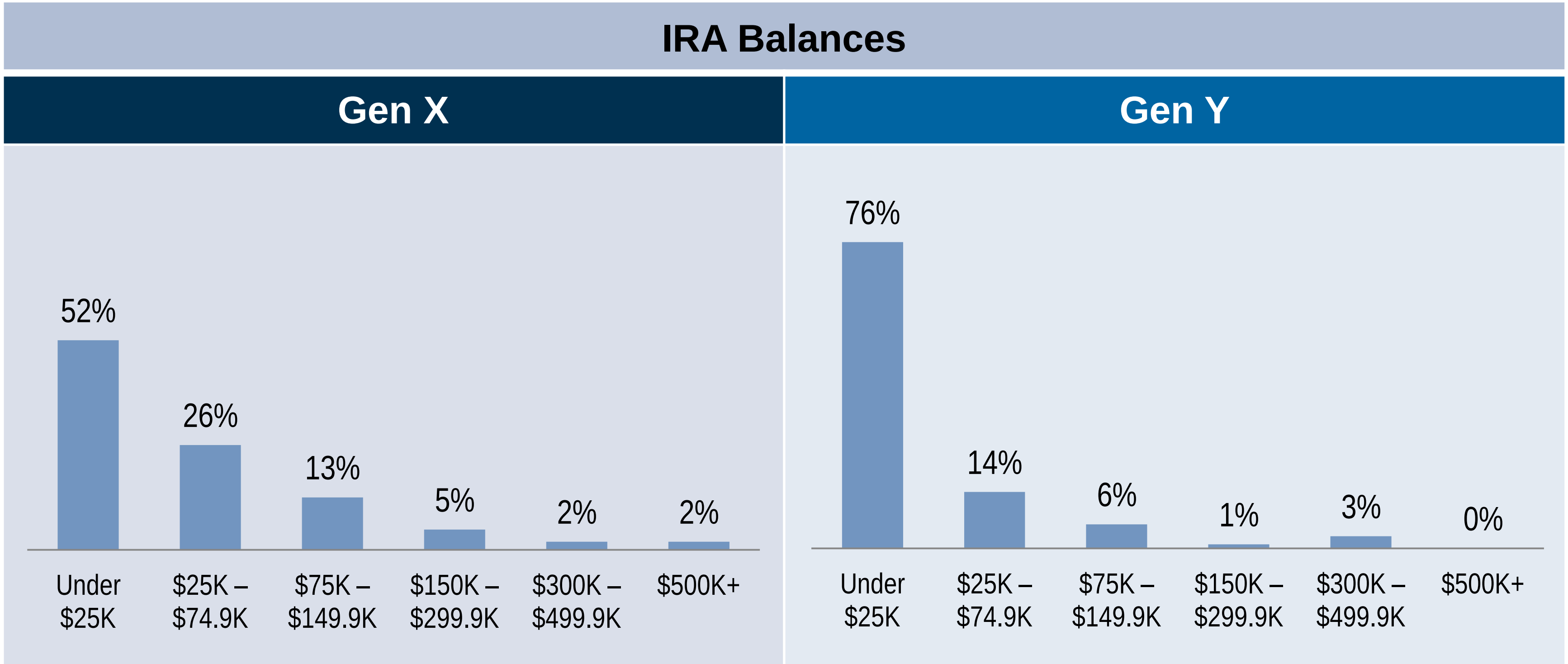
- Gen X consumers are more likely than Gen Y consumers to own an IRA, 49 percent versus 37 percent. However, among consumers who own an IRA, Gen Y are more likely than Gen X to have contributed in the past 12 months (67 percent versus 58 percent) as well as to have rolled money from an employer sponsored plan into an IRA (32 percent versus 15 percent).
- Among non-IRA owners, Gen Y consumers are more likely than Gen X consumers to be considering contributing a portion of their income to an IRA in the next 12 months, 25 percent versus 15 percent.
- Although Roth IRAs are particularly attractive for Gen Y consumers since they are likely at their lowest lifetime income levels and thus the lowest tax rates, Roth IRA ownership is still somewhat limited.



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y).

Most Gen X and Gen Y consumers' IRA balances are under $25,000.

- While 49 percent of Gen X consumers own IRAs, only 30 percent of Gen X consumers have $50,000 or more saved in those accounts. Only 37 percent of Gen Y consumers own IRAs and the vast majority of Gen Y IRA balances (76 percent) are under $25,000.
- Gen X and Gen Y consumer IRA balances will increase with the need to consolidate assets from multiple DC plans that often occurs when workers change jobs or approach retirement. As IRA balances grow, it will become more important for your company to retain these customers and already having a retail relationship may form the foundation for a strong future relationship. Previous LIMRA research shows that consolidation, control, and convenience are the top reasons for moving money away from the plan provider. Consumers that had existing IRA accounts, investment products, or brokerage accounts with their plan provider are more likely than other individuals to roll their money to a retail product with the provider.[1]

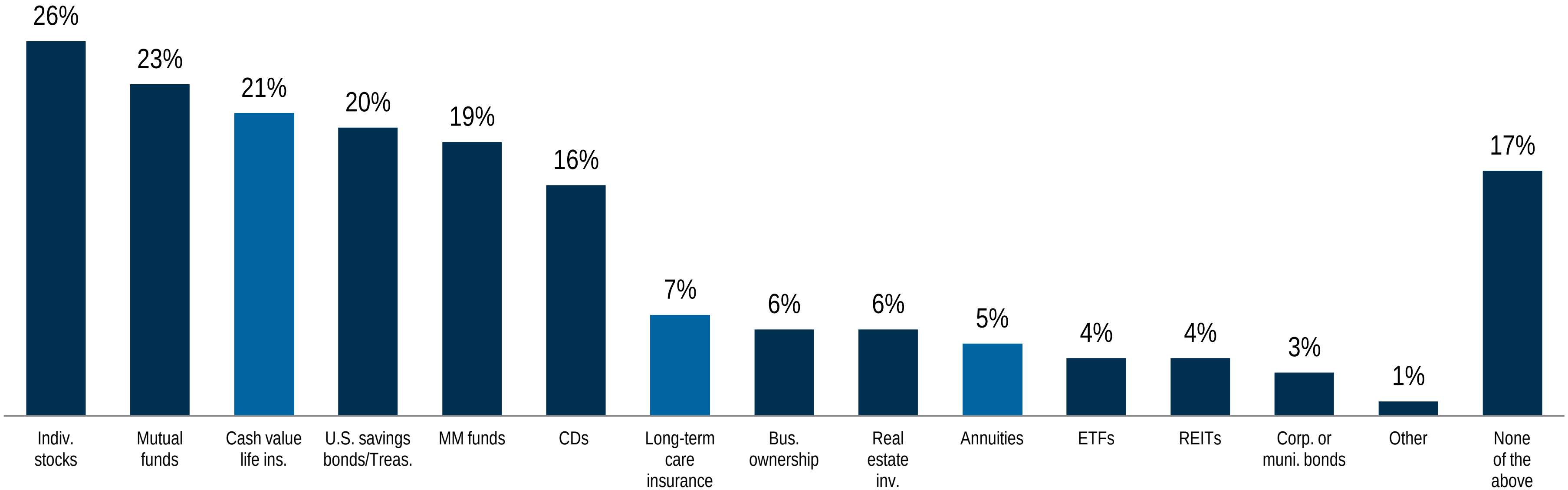


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 421 non-retired consumers aged 32 to 47 (Gen X) and 246 non-retired consumers aged 20 to 31 (Gen Y) who currently own an IRA.
[1] *Asset Retention: Keys to Success in the Rollover Market*, LIMRA, 2011.

Most Gen X consumers own a variety of financial and insurance products.

- Although most Gen X consumers own a variety of financial and insurance products, only 1 in 5 own cash value life insurance. With a majority of Gen X consumers being married and owning a home, life insurance ownership could help protect their families against hardship if something were to happen to them. Although not included in the surveyed product, these households may have term life insurance which is another means of protecting their loved ones against risk.
- Gen X annuity owners are slightly more likely than non-owners to be male, have household incomes above $100,000, and to be married. At their current life stage, Gen X consumers need rationale for annuity ownership, such as the ability to lock in growth of future guaranteed retirement income or to obtain downside protection. Depending on the age of Gen X consumers' spouses, the relative attractiveness of annuities will vary.

Gen X Ownership of Financial and Insurance Products



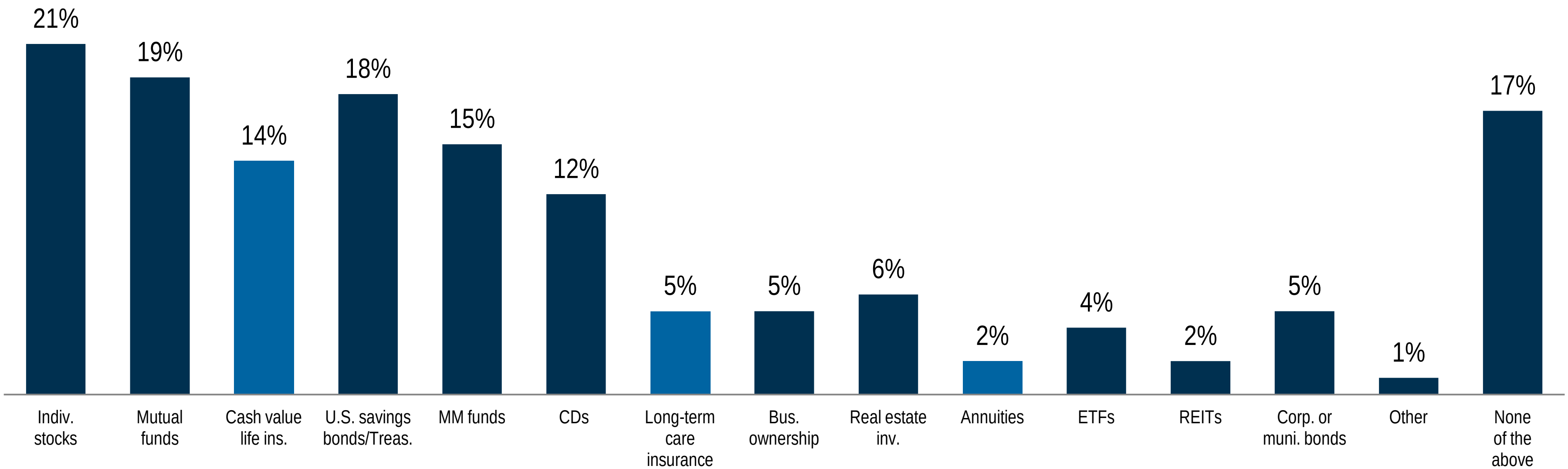
Note: Mutual funds exclude money market funds. Annuities only include those with account balances. Corporate and municipal bonds exclude bond funds. Real estate investments exclude primary residence. REITs=Real estate investment trusts ETFs=Exchange traded funds. Savings/checking account excluded from chart, but included in list of products provided to respondents.

Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 597 non-retired consumers aged 32 to 47 (Gen X) who were randomly assigned to answer questions on product ownership.

Annuity ownership is low among Gen Y consumers.

- Less than 15 percent of Gen Y consumers own cash value life insurance. However, once they enter into their next life stage, life insurance could help protect the families they start from risk. Given the low relative ages of Gen Y consumers, life insurance could likely be purchased at a reasonable price.
- Based on the limited financial assets currently owned by Gen Y consumers, it is probable that only limited assets are currently invested in the products listed below. However, previous research has demonstrated that the more comfortable consumers are with financial and insurance products, the more likely they are to use them. Thus, even limited investing at a young age can better position those products for future use among Gen Y consumers.

Gen Y Ownership of Financial and Insurance Products



Note: Mutual funds exclude money market funds. Annuities only include those with account balances. Corporate and municipal bonds exclude bond funds. Real estate investments exclude primary residence. REITs=Real estate investment trusts ETFs=Exchange traded funds. Savings/checking account excluded from chart, but included in list of products provided to respondents.

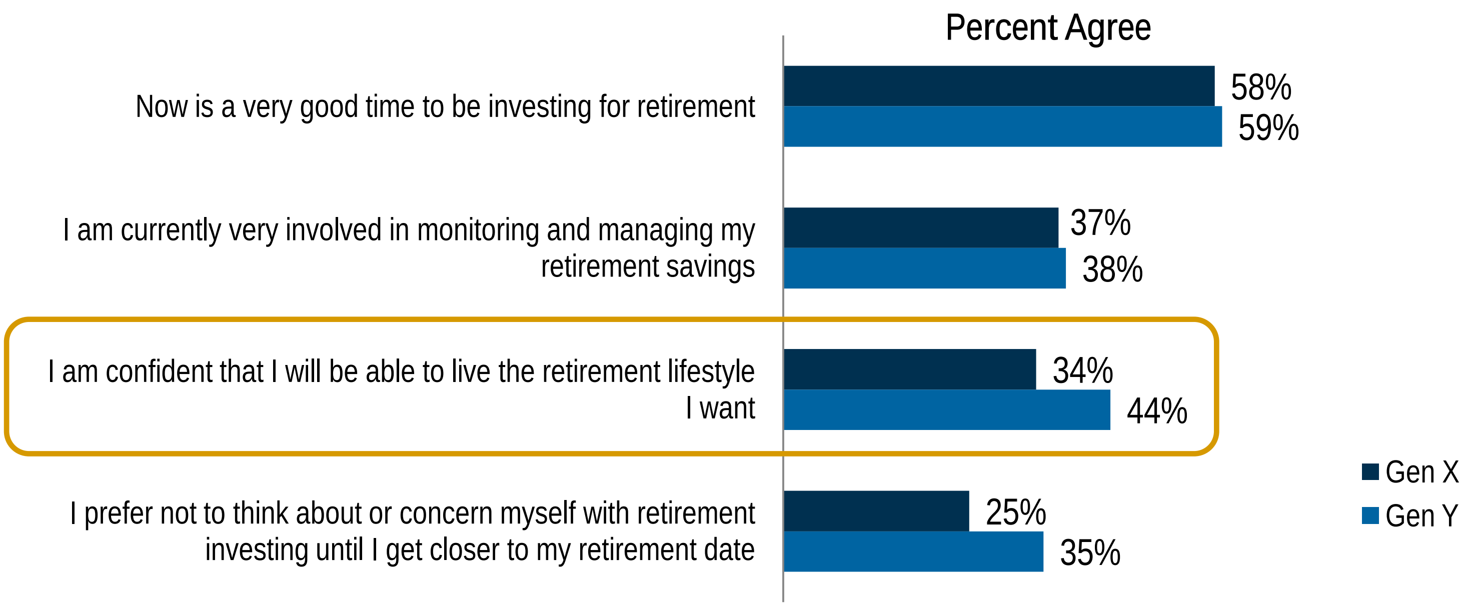
Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 483 non-retired consumers aged 20 to 31 (Gen Y) who were randomly assigned to answer questions on product ownership.

Gen X and Gen Y Survey Results:
Retirement Attitudes and Expectations

Gen Y consumers are more confident than Gen X consumers in obtaining desired retirement lifestyle.

- Almost 6 in 10 Gen X and Gen Y consumers agree that now is a good time to be investing for retirement. Yet, only 37 percent of Gen X consumers and 38 percent of Gen Y consumers are currently very involved in monitoring and managing their retirement savings.
- Gen Y consumers are more confident than Gen X consumers in obtaining their desired retirement lifestyle (44 percent versus 34 percent). While confident Gen X consumers are saving more than Gen X consumers in general, a median deferral rate of 10 percent as compared with 6 percent, confident Gen Y consumers are saving no more than average.
- Gen Y consumers are more likely than Gen X consumers to want to put off thinking about retirement until they are closer to their retirement date, 35 percent versus 25 percent, respectively. Given that most Gen Y consumers are under the age of 30 it is expected that they would like to postpone concerns over retirement. However, an extended retirement horizon should not deter them from starting to save today. Even small amounts will grow given the longer timeline and more opportunity to recover from market downturns.

Retirement and Investment Activities

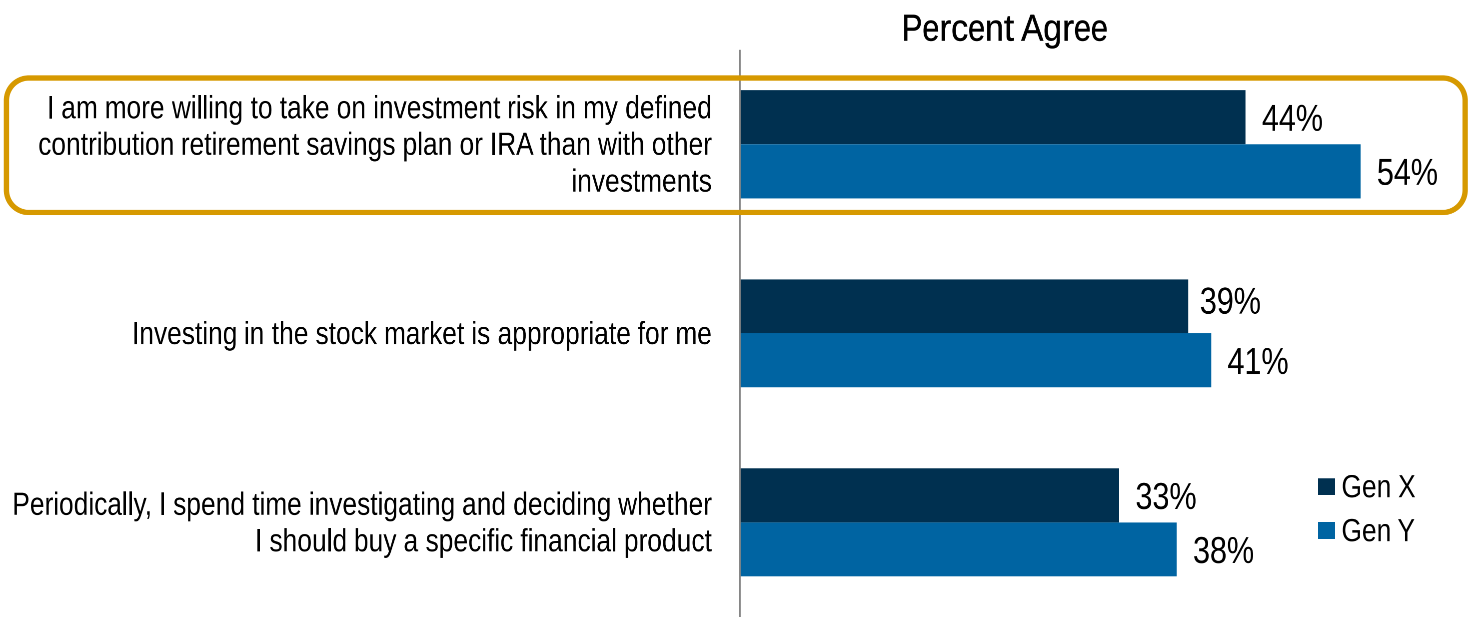


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y). Percentages based on individuals who “strongly” or “somewhat” agreed with the statement.

Gen Y consumers are more willing to take on investment risk in their retirement plans than other investments.

- As a component of plan education, participants are often told to think about retirement savings as long-term investments and that there is time to make up downturns over the course of their working lives. Despite their otherwise risk-averse natures, over half (54 percent) of Gen Y consumers are more willing to take on investment risk in their DC plans or IRAs than with other investments. At this point their other investments are limited if not non-existent. However, it is promising that their distaste for risk may not extend as much into their retirement savings at present.
- Only 4 in 10 Gen X and Gen Y consumers believe investing in the stock market is appropriate for them. Of the Gen X and Gen Y consumers who strongly disagree that the stock market investment is appropriate for them, 69 percent have little or no tolerance for investment risk.

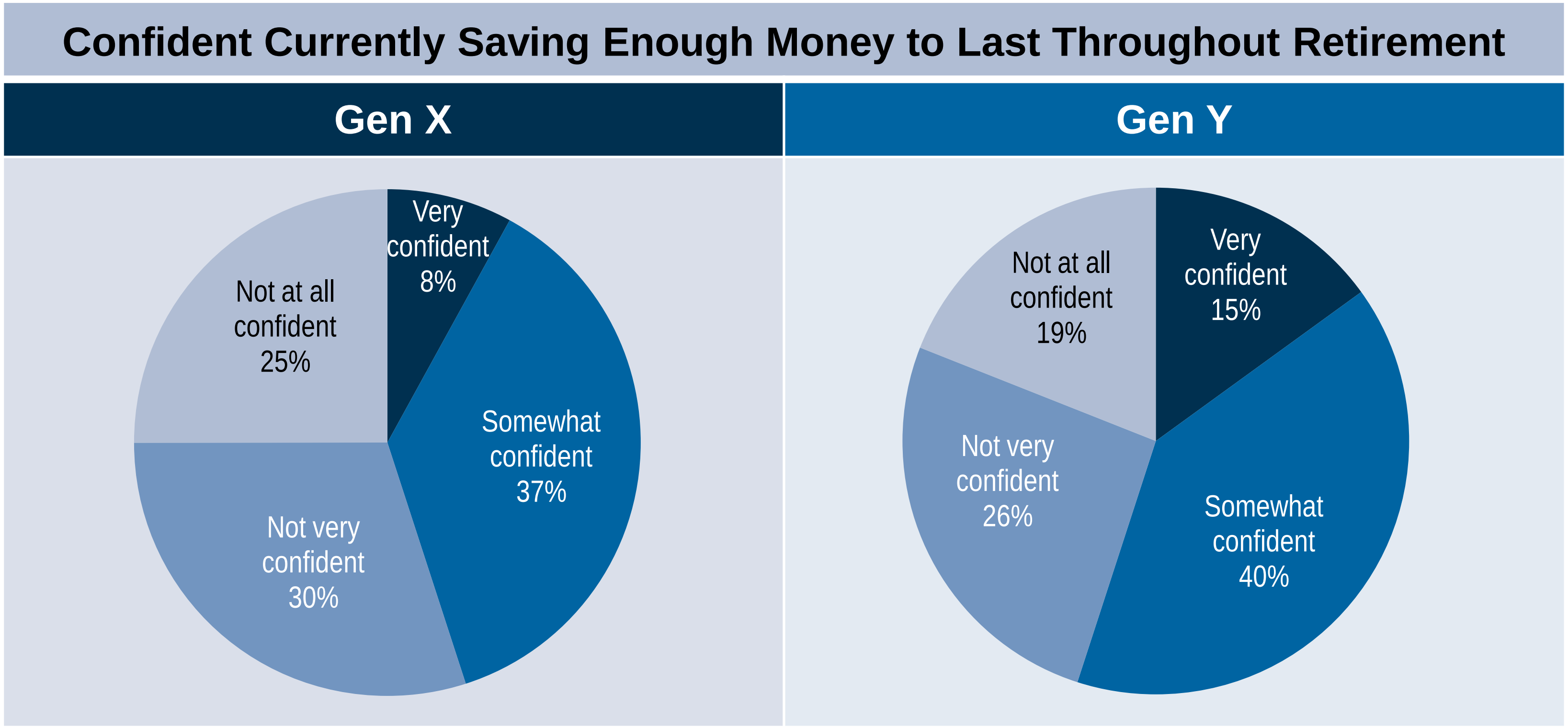
Retirement and Investment Activities



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y). Percentages based on individuals who “Strongly” or “Somewhat” agreed with the statement.

Gen Y consumers are more confident than Gen X they are saving enough to last throughout retirement.

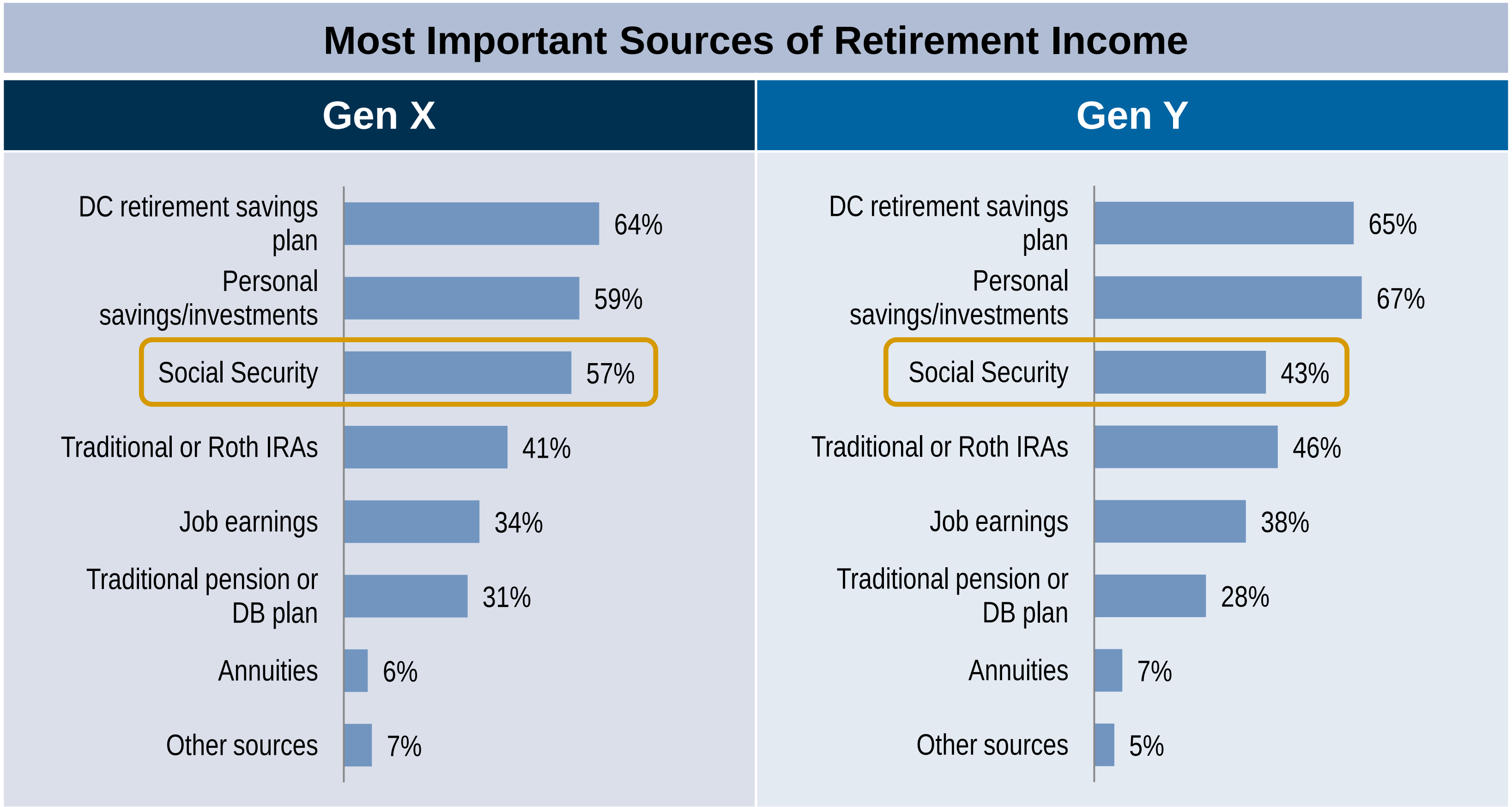
- Gen Y men are the most confident about their retirement security: 22 percent are very confident that they are currently saving enough money to last throughout retirement.
- Gen Y consumers are more confident than Gen X consumers that they are currently saving enough to last throughout retirement. Over half (55 percent) of Gen Y consumers are "very" or "somewhat" confident they are currently saving enough compared with 45 percent of Gen X consumers.
- There is a strong relationship between Gen X and Gen Y consumers' financial knowledge and their confidence in their retirement savings. Forty percent of Gen X and Gen Y consumers who are "very knowledgeable" about investments or financial products are also "very confident" they are currently saving enough to last throughout retirement.



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y).

Gen X consumers are more likely than Gen Y to expect Social Security to be an important source of retirement income.

- DC plans will be the primary funding vehicles of Gen X and Gen Y consumers’ retirements. Around two thirds of both Gen X and Gen Y consumers rank DC plans as one of their top three anticipated retirement income sources. Although it ranks third as Gen X and Gen Y consumers’ expected retirement income source, Gen X consumers are more likely than Gen Y consumers to expect Social Security to be an important source of retirement income (57 percent versus 43 percent).
- A significant proportion of Gen X and Gen Y selected personal savings or investments as an important retirement income source. However, it is unclear if these respondents were referring to personal savings outside those held in tax-deferred vehicles such as DC and IRA plans.

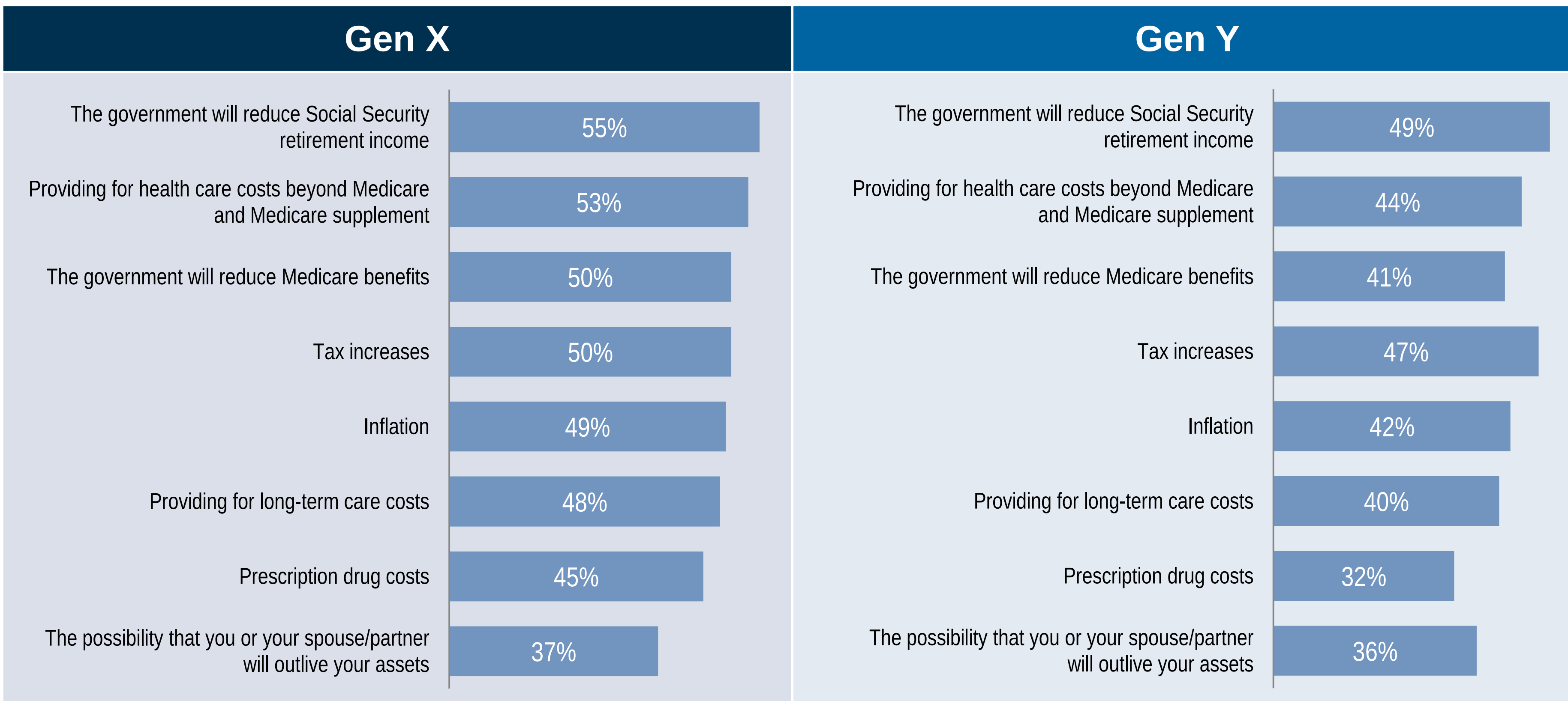


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 556 non-retired consumers aged 32 to 47 (Gen X) and 445 non-retired consumers aged 20 to 31 (Gen Y). Responses based on whether anticipated as top three most important retirement income sources.

Gen X and Gen Y consumers are most concerned with public policy retirement risks.

- Overall, Gen X and Gen Y consumers do not clearly distinguish between many of the major retirement risks. Public policy retirement risks such as those related to Social Security, Medicare, and tax increases topped the list of issues Gen X and Y consumers are concerned about with regard to their standard of living in retirement.
- Less than 40 percent of Gen X and Gen Y consumers consider longevity risk a major concern with regard to their standard of living in retirement, 37 percent and 36 percent, respectively. Gen X and Gen Y consumers working with a paid professional are only slightly more likely to identify longevity as a major concern (42 percent versus 36 percent).

Perceived Major Concerns for Retirement Risks

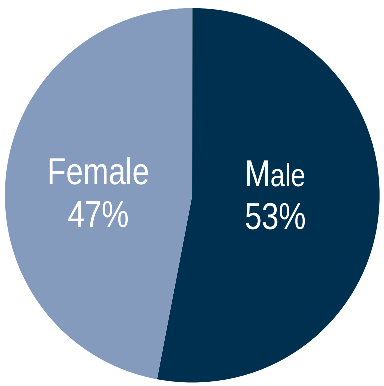


Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47 (Gen X) and 720 non-retired consumers aged 20 to 31 (Gen Y).

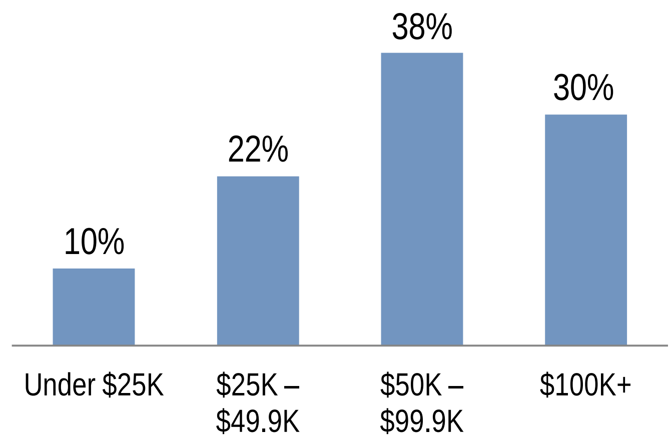
Appendix

Characteristics of surveyed Gen X consumers

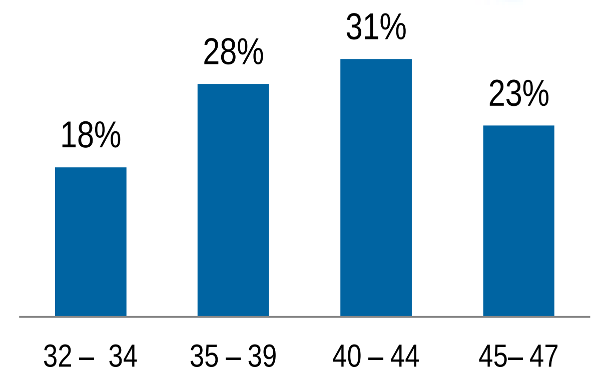
Gender



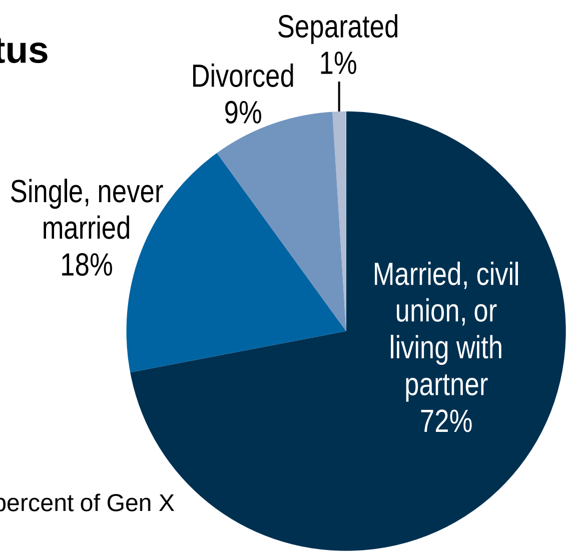
Household Income



Age

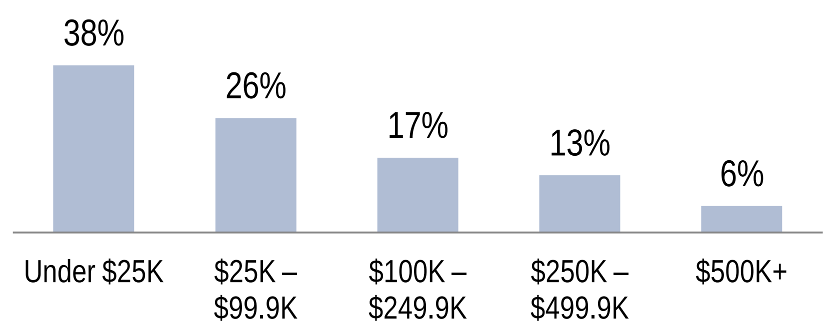


Marital Status



Note: Less than 1 percent of Gen X widowed.

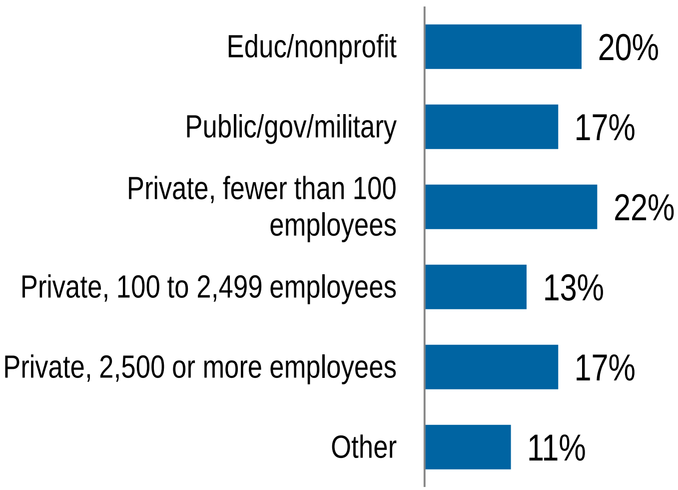
Household Assets



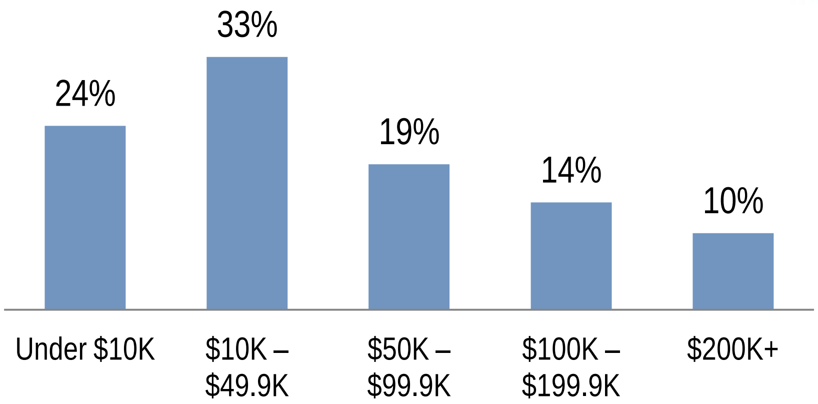
Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47.

Characteristics of surveyed Gen X consumers

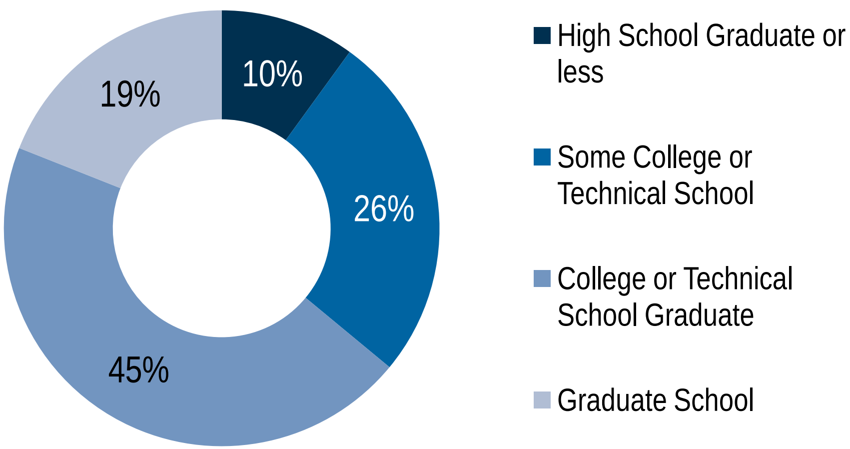
Employer Type



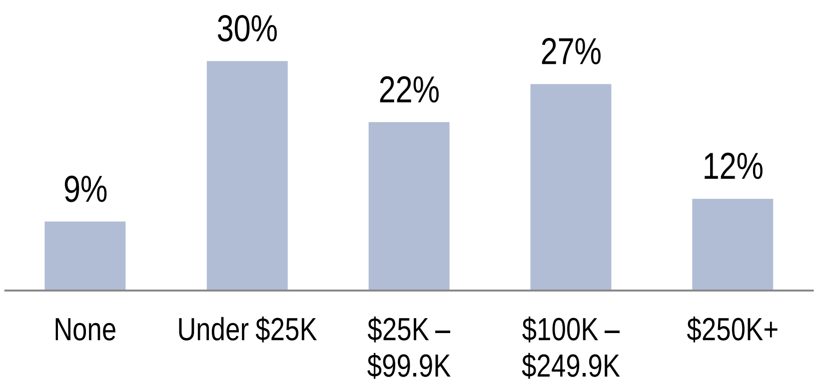
Combined DC and IRA Plan Balances



Education



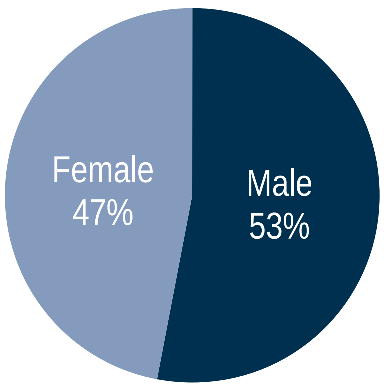
Household Debt



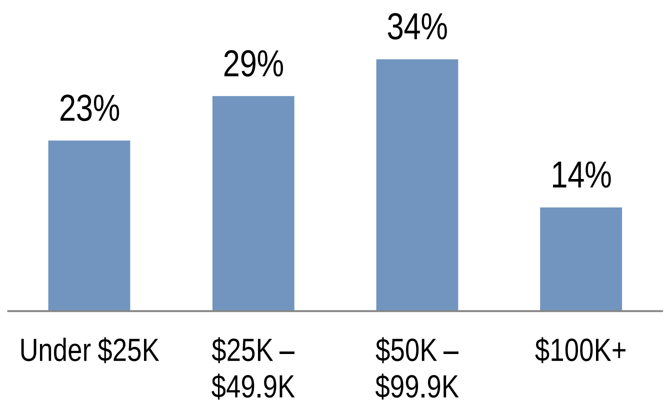
Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 884 non-retired consumers aged 32 to 47.

Characteristics of surveyed Gen Y consumers

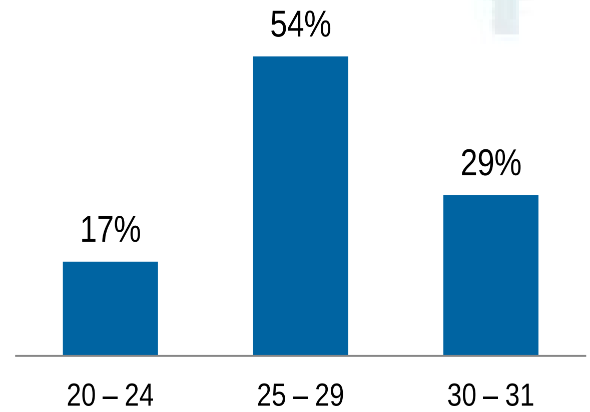
Gender



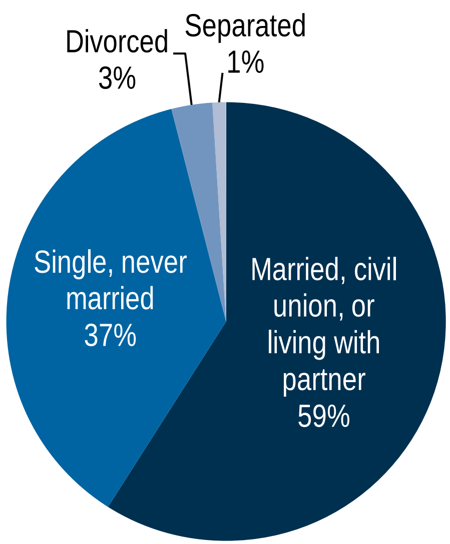
Household Income



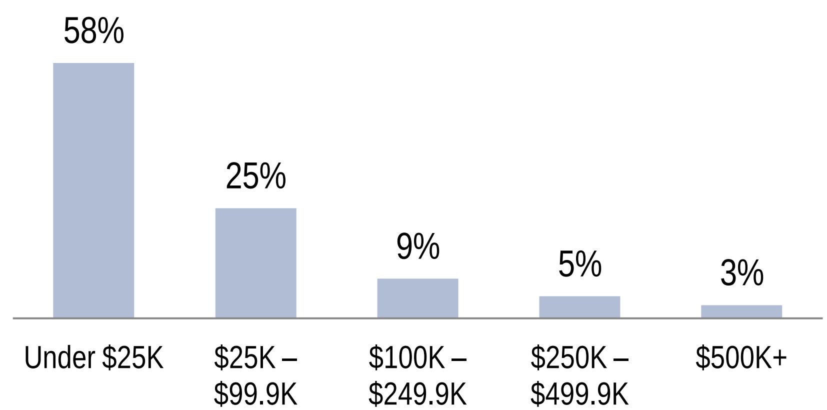
Age



Marital Status



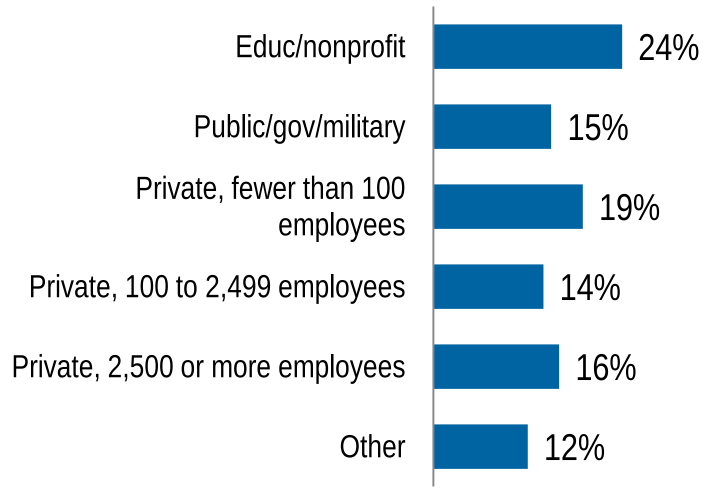
Household Assets



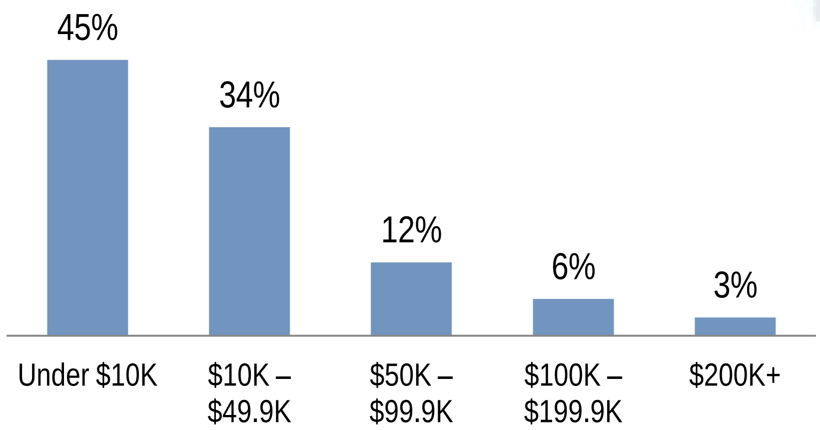
Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 720 non-retired consumers aged 20 to 31.

Characteristics of surveyed Gen Y consumers

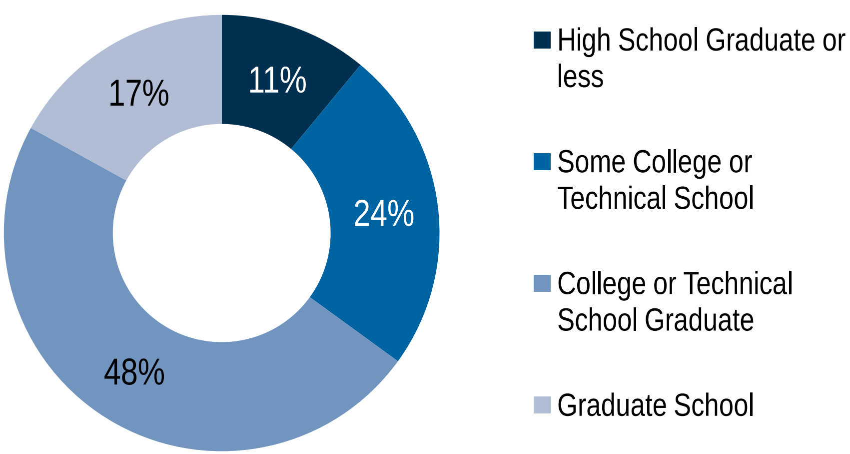
Employer Type



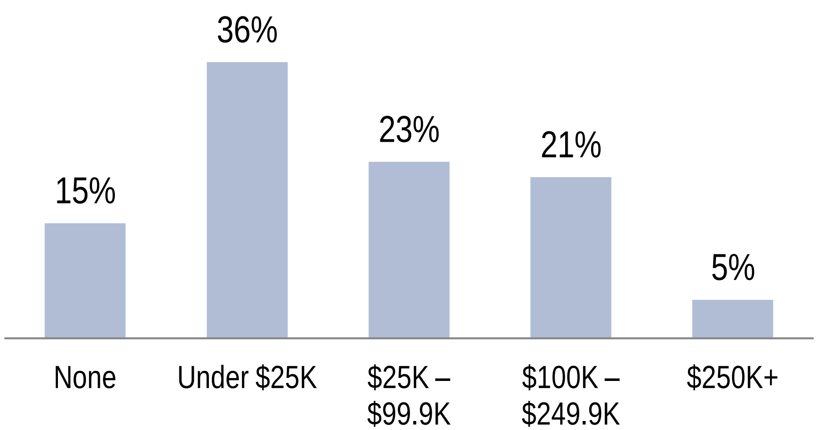
Combined DC and IRA Plan Balances



Education



Household Debt



Source: *LIMRA Retirement Study—Consumer Phase, 2012.*
Note: Based on 720 non-retired consumers aged 20 to 31.

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