

National Retirement Security Month Fact Sheet, 2021

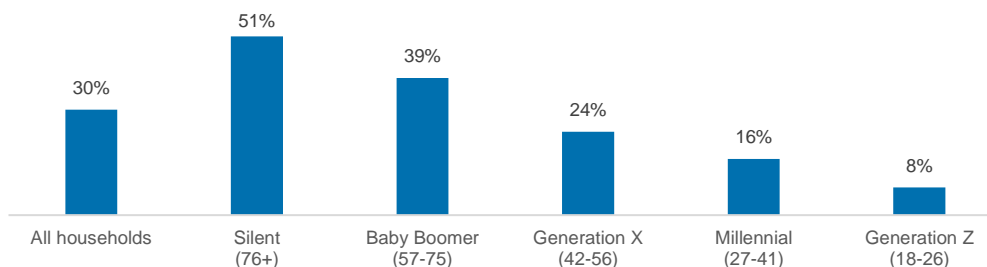
October is National Retirement Security Month, an awareness campaign designed to bring attention to the importance of saving and planning for retirement. The mission of Secure Retirement Institute® is to improve retirement readiness and promote retirement security.

Below are some facts that about the state of retirement preparedness in United States.

State of the Retirement Market

- The retirement market is growing at a rapid pace. Today there are 55 million retirees in the United States, representing 19% of the current U.S. population. By 2030, there will be 71 million retirees, making up 20% of the total U.S. population.
- Retired or partially retired Americans hold 48% of all investable assets in the U.S., amounting to more than \$22 trillion.
- Among retirees and pre-retirees, average savings in retirement accounts were nearly \$400,000.
- Today's retirees derive 60% of their income from Social Security and pensions. Future retirees, who are less likely to have pensions, will need to rely on savings and investments to generate income.

Percentage of Americans Who Have a Defined Benefit Plan or Pension



Source: SRI analysis of the 2019 Survey of Consumer Finances, Federal Reserve Board, 2020. Age is the age of head of household in 2019. Percent of households having access to a DB plan denotes either survey respondent or spouse a) has DB pension at current job; b) had accrued a DB pension benefit from a former job but has not yet claimed benefits; or c) currently receiving benefits from DB pension.

- More than half (55%) of non-retirees ages 40 to 54 expect their 401(k)s, IRAs, and other personal savings will be their primary sources of retirement income. These assets represent approximately 20% of current retirees' income.

Majority of Workers Are Saving for Retirement

- In total, 83% of U.S. workers report saving for retirement. Men were more likely to say they were saving for retirement than women (87% versus 78%).
- Today, 71% of U.S. workers (99 million) have access to workplace retirement saving plans. Approximately 55% of U.S. workers (77 million) participate in their workplace retirement plans.

- Just half of American households own a retirement plan balance in an IRA and/or a DC plan.
- Having access to an employer-sponsored retirement plan significantly improves the likelihood of workers saving for retirement. The top five reasons workers give for why they began saving for retirement:
 - Employer offered a retirement saving plan — 37%
 - Employer offered to match my savings — 28%
 - Started my first job — 22%
 - Employer automatically enrolled me in a retirement savings plan — 20%
 - Started a family — 15%
- For working Generation Xers and Baby Boomers (ages 42-75), 26% say they have less than \$50,000 saved for retirement. Two thirds of this group save less than 10% in their employer-sponsored retirement plan and 37% save less than 5%.
- Only 55% of U.S. workers are confident they know how much they should be saving for retirement. Confidence levels decline for women and younger workers.
- Among those with any savings, the median retirement savings amount is \$64,000.

Retirement Risks

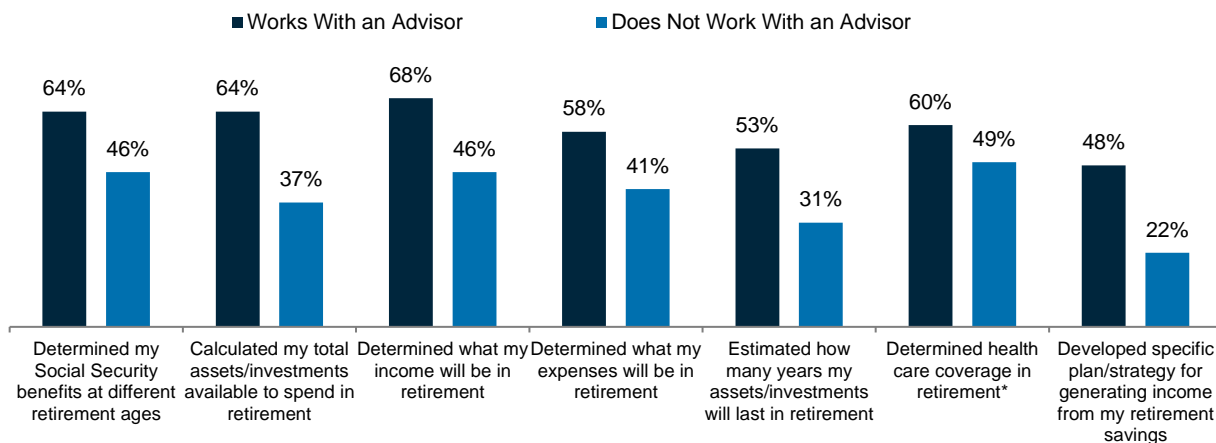
- Longevity remains a considerable risk in retirement. SRI projects 25% of 65-year-old men of average health will live to age 89 and 25% of 65-year-old-women will live to age 92 — more than a decade longer than the overall U.S. population life expectancy of 77.3 in 2021.
- According to SRI research, 57% of all American workers expressed concern about outliving their assets in retirement. This concern is growing among retirees as well. A third of retirees (32%) indicated that they had major concerns about longevity risk in 2020; 12 percentage points higher than in 2006.
- Consumers (retired or not) say they are most concerned about reduced Social Security and Medicare benefits. Four in 10 also have heightened concern about costs associated with long term care and health care expenses not covered by Medicare.
- Other factors that retirees think could undermine their retirement security include increased taxes (36%), inflation (35%), and market volatility (24%).

Confidence in Retirement Security

- Overall, 6 in 10 Americans (57%) feel at least somewhat confident that they will be able to live their desired lifestyle in retirement. This confidence is lower for women (48%) and those with under \$100,000 in household assets.
- Working with a financial professional is associated with increased confidence. While 72% of people who work with a financial professional feel confident they will be able to live their desired lifestyle, just 48% of people who go it alone feel the same.
- Those with a formal written retirement plan are twice as likely as those with no retirement plan to be confident that they can live their desired lifestyle (79% versus 38%).
- Americans who work with an advisor are nearly twice as likely as those who don't work with an advisor to feel "very prepared" for retirement (44% versus 23%).

- Overall, those who work with an advisor are more likely to have completed basic retirement planning activities, such as calculating retirement assets and investment, calculating retirement expenses and income, and developing an income strategy to generate retirement income.

Percentage of Pre-retirees Who Completed Planning Activities, by Use of Advisor



*Medicare options and/or private insurance

Source: 2021 SRI Consumer Pulse W1, Secure Retirement Institute, 2021. Based on 2,007 consumers between the ages of 50 and 80.

- Among pre-retirees who work with advisors, those with a formal written retirement plan are more likely than those without a plan to feel “very prepared” for retirement, 68% versus 41%, respectively.

Impact and Interest in Annuities

- Today, SRI estimates that 12% of Americans own a deferred income annuity. One in five retirees own an annuity and about 10% of non-retirees own one.
- Annuity ownership is linked to retirees’ confidence — 73% of retirees who own an annuity say they are confident they will be able to live their desired lifestyle, compared with 46% who do not own an annuity.
- Around 4 in 10 pre-retirees (41%) say they would be willing to convert a portion of their assets into annuity income. Men are more interested than women (48% versus 39%).
- Six in 10 adults under age 40 — who are least likely to have access to a pension/DB plan – say they would be willing to convert a portion of their assets into annuity income.
- Having a formal written retirement plan (66%) and working with an advisor (51%) increases the likelihood that a consumer would be interested in buying an annuity.

**All facts are from Secure Retirement Institute studies.
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