

ACLI Retirement Choices Study

Report on an Online Survey with Near-Retiree Defined
Contribution Plan Participants

Prepared for



Financial Security. For Life.

Prepared by

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Introduction & Methodology

- In an effort to gauge retirement plan participants' interest in (1) having their employers offer additional options for what they can do with their retirement plan accumulations after they retire and (2) being able to see an illustration of how much guaranteed lifetime income they may be able to get using the money in the plan, the American Council of Life Insurers (ACLI) commissioned independent research firm, Mathew Greenwald & Associates, to conduct a study of plan participants nearing retirement.
- An online survey was conducted with 750 workers ages 45 to 65, who are participating in a defined contribution plan available through their current employer. Respondents were also screened to ensure that they had a minimum retirement plan account balance of at least \$40,000 and were not expecting any retirement income from a defined benefit pension plan.
 - Potential respondents for this study were selected from among members of eRewards Consumer Research Panel.
 - The survey fielded between March 26 and March 31, 2010.
- The survey data were weighted by gender, age, and education to reflect the composition of retirement plan participants ages 45 to 65 with account balances of at least \$40,000. Population statistics were based on data from the 2007 Survey of Income and Program Participation (SIPP).
- A similarly-sized random sample of 750 respondents would have a margin of error at the 95% confidence level of plus or minus 3.7 percentage points.
- Key Findings and a detailed discussion of the survey findings follow this section. Results are reported for each question. Percentages in the tables and charts may not total to 100 due to rounding and/or missing categories.



KEY FINDINGS



Key Findings

Seeing an illustration of how much guaranteed monthly income they could get for life may prompt many plan participants to save more.

- Just over nine in ten respondents say that it would be valuable to have their employer show them an illustration of how much monthly income they could get guaranteed for life based on the value of their retirement plan account, including more than half who feel that it would be very valuable.
- Three out of five say that if this illustration showed that the monthly income that could be generated would not be enough to meet their needs, they would start saving more immediately. Another one-third say that, after seeing this illustration, they would monitor how their savings affected the illustration and consider saving more later.
- Eighty-five percent express an interest in having this information available in their regular retirement statement or on a secure website hosted by either their employer or their plan provider.

An overwhelming majority support the idea of having employers offer an option in their retirement plans that would use some of their retirement plan savings to provide employees with guaranteed monthly income for the rest of their lives once they retire.

- Nearly nine out of ten plan participants surveyed report that they favor a proposal to have employers offer an option that would use their plan savings to generate a guaranteed stream of income for life.
- A similar share – fully 90% – say they favor the idea of their employer offering them this type of option, and would be interested in learning more about it, if it were available.



Key Findings

Given the overall favorable impression of this option, it's not surprising that positive statements about why such an option should be made available resonate more than arguments against it.

- More than nine in ten agree that employers should be encouraged to offer choices to help employees attain financial security, and nearly all agree that an option that offers to guarantee income for life can help accomplish this.
- Although a large majority of respondents say they feel at least somewhat confident about their ability to personally manage their finances after they retire, this confidence may be an overstatement, since more than nine in ten agree that it is difficult for “many workers” to know how to manage their money after they retire, and feel it would be helpful if employers offered an option to help with this.
- Likewise, seven in ten *disagree* that employees know how to use their savings to generate a retirement income for themselves and don't need an option from their employer to do it for them.
- Half *disagree* with the statement that “employers have no responsibility for helping employees determine what to do with their retirement plan savings after they retire.”

Respondents' confidence in being able to manage savings and investments after retirement is lower than their confidence about managing money prior to retirement.

- Currently, eight in ten plan participants feel at least somewhat knowledgeable when it comes to selecting the savings and investment options within their plan that are best for them.
- Yet, fewer seem as optimistic about their ability to manage their assets after they retire – including being able to pick the appropriate savings and investment products, determine the right withdrawal amounts, and making their money last for the rest of their lives. While about one-quarter strongly agree that they are knowledgeable about selecting their investments right now, half as many describe themselves as being very confident in their ability to manage their money after they retire.
- Moreover, just 7% feel very confident in their ability to make savings and investment decisions once they reach their 80s or 90s.
- Perhaps as a result, three out of four plan participants indicate that they are concerned about not having enough money in retirement to meet their needs.



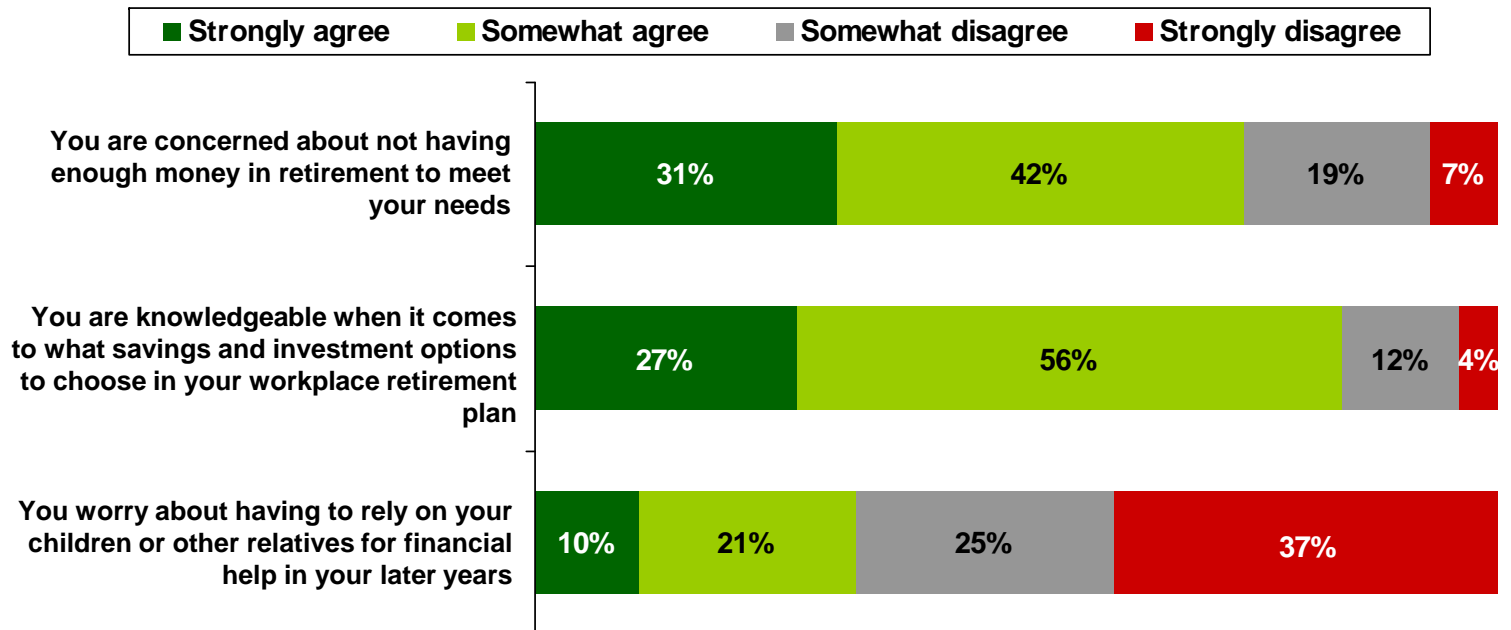
RETIREMENT OUTLOOK



Eight in ten plan participants say they are knowledgeable when it comes to selecting investment options inside their workplace retirement plan.

- Most plan participants (83%) describe themselves as knowledgeable when it comes to selecting savings and investment options within their employer-sponsored retirement plan, though just one-quarter strongly agree that they are knowledgeable in this area (27%).
 - Men are more likely to feel knowledgeable about selecting retirement plan investment options (86% v. 78% women).
- At the same time, nearly one-third (31%) *strongly* agree that not having enough money in retirement is a concern, and another four in ten (42%) suggest they are at least *somewhat* concerned about running out of money.
- In fact, one out of three (31%) agree that they are worried about having to rely on their children or other relatives for financial help in their later years. Women are especially likely to worry about this (38% v. 27% men).

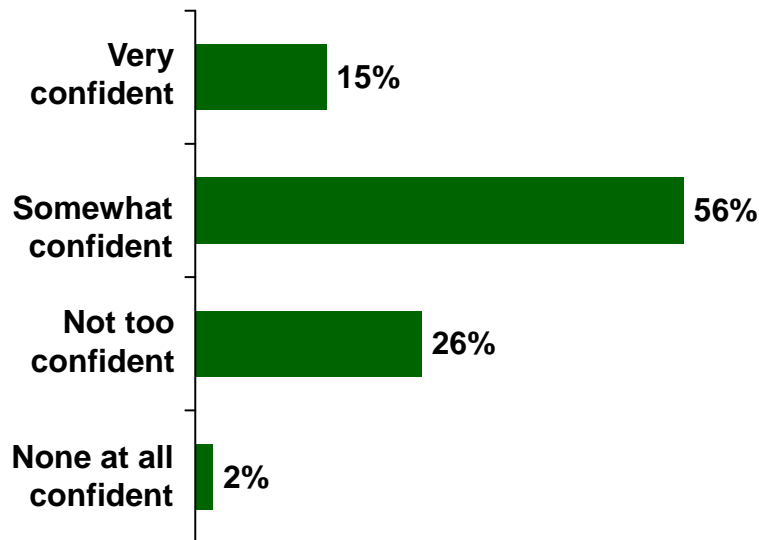
To what extent do you agree or disagree with the following statements? (n=750)



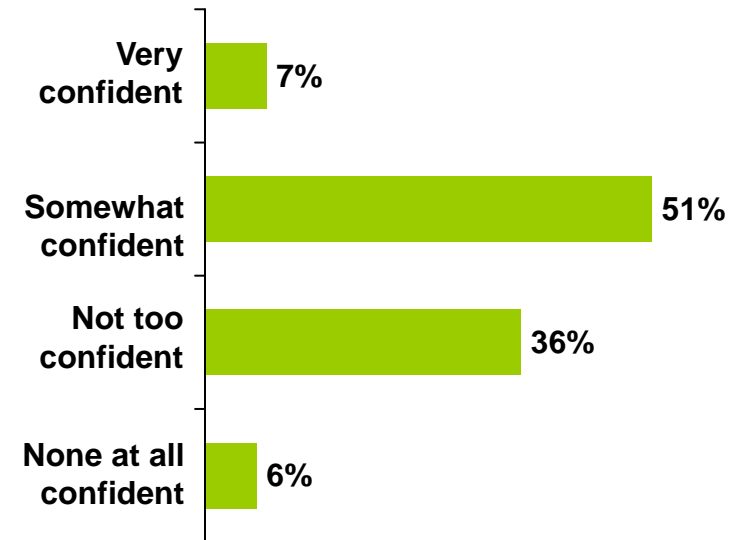
Fewer feel confident that they will be able to pick the appropriate products, determine withdrawal amounts, and make their money last after they retire.

- Although 27% *strongly* agree that they are knowledgeable about selecting current retirement plan options, only 15% of plan participants feel *very* confident that – when they retire – they will be able to pick the appropriate savings and investment products, determine the right withdrawal amounts, and be able to make their money last for the rest of their of lives.
- A far larger share (56%) feel *somewhat* confident, and one-quarter (28%) say they are *not too* or *not at all* confident in their ability to manage their money in retirement.
- Even fewer feel very confident (7%) that they will maintain their financial decision-making ability into their 80s or 90s, though most (51%) remain at least *somewhat* confident that they will be able to make sound savings and investment decisions in their later years.

How confident are you that, when you retire, you will be able to pick the appropriate savings and investment products, determine the right withdrawal amounts, and make sure your money lasts for the rest of your life? (n=750)



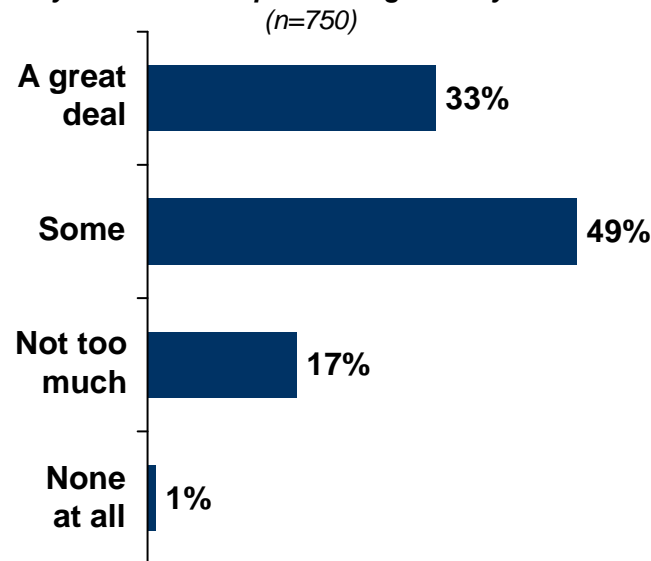
How confident are you that, once you reach your 80s or 90s, you will be able to maintain your ability to make savings and investment decisions? (n=750)



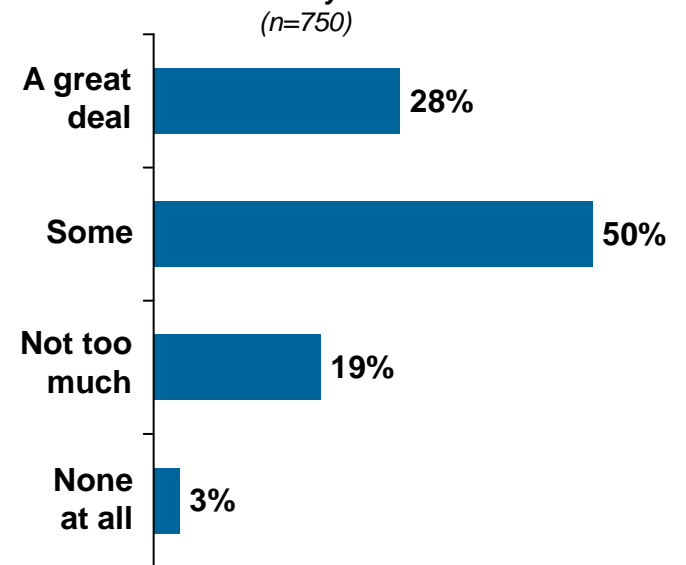
A majority have given at least some thought to what they will do with their retirement plan assets when they retire and how much they can withdraw each month.

- More than eight in ten retirement plan participants (82%) say they have given at least *some thought* to what they will do with their retirement plan assets once they retire. Still, only one-third have given this a *great deal* of thought, and two in ten (18%) indicate that they haven't given it too much thought at all.
 - Not too surprisingly, the likelihood of having thought this issue through increases with age (and proximity to retirement), such that 92% of those ages 60 to 65 say they have given at least *some thought* to what they will do with their plan assets, compared to 73% of those ages 45 to 49.
- Nearly as many say they have given at least *some thought* to how much they will need to withdraw each month from their retirement savings in order to meet their financial needs, though half (50%) say they have given this just *some thought*.
 - Those who are older (and closer to retirement) (88% of those age 60-65) are more likely than younger plan participants (72% of those age 45-49) to say they have thought about this to at least some extent.

How much thought have you given to what you will do with your retirement plan savings once you retire?



How much thought have you given to how much money you will need to withdraw from your retirement savings each month in order to meet your needs in retirement?



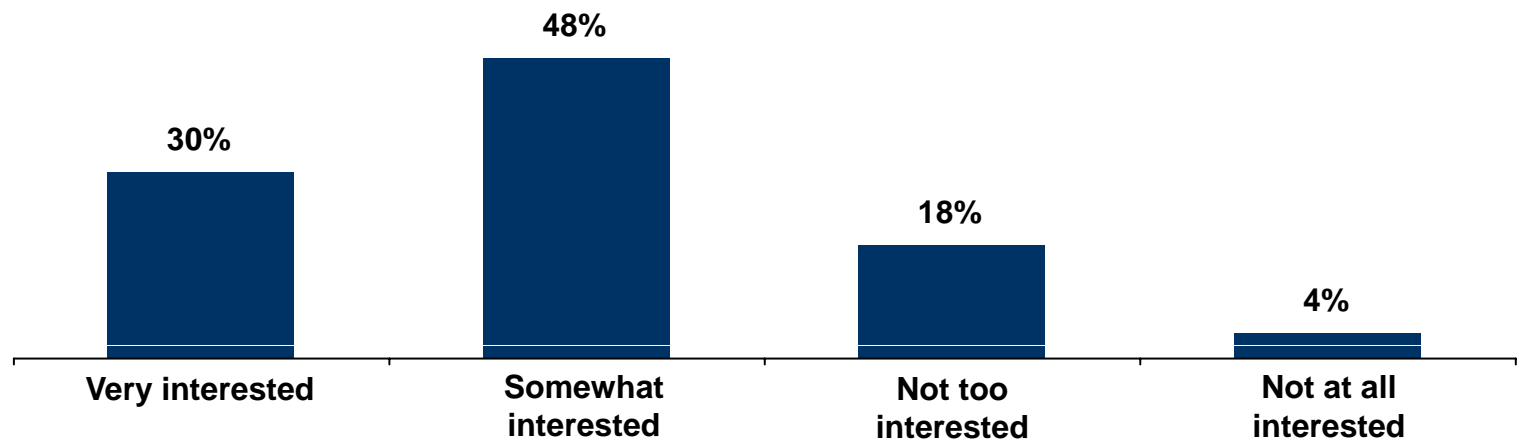
INTEREST IN INFORMATION ON AND OPTIONS FOR GUARANTEED LIFETIME INCOME



Almost eight in ten would be interested in having their employer tell them more about what they can do with their retirement plan assets once they retire.

- Nearly eight out of ten (78%) express an interest in having their employer provide them with more information about what they can do with their retirement plan savings once they retire, including three in ten (30%) who would be *very* interested.

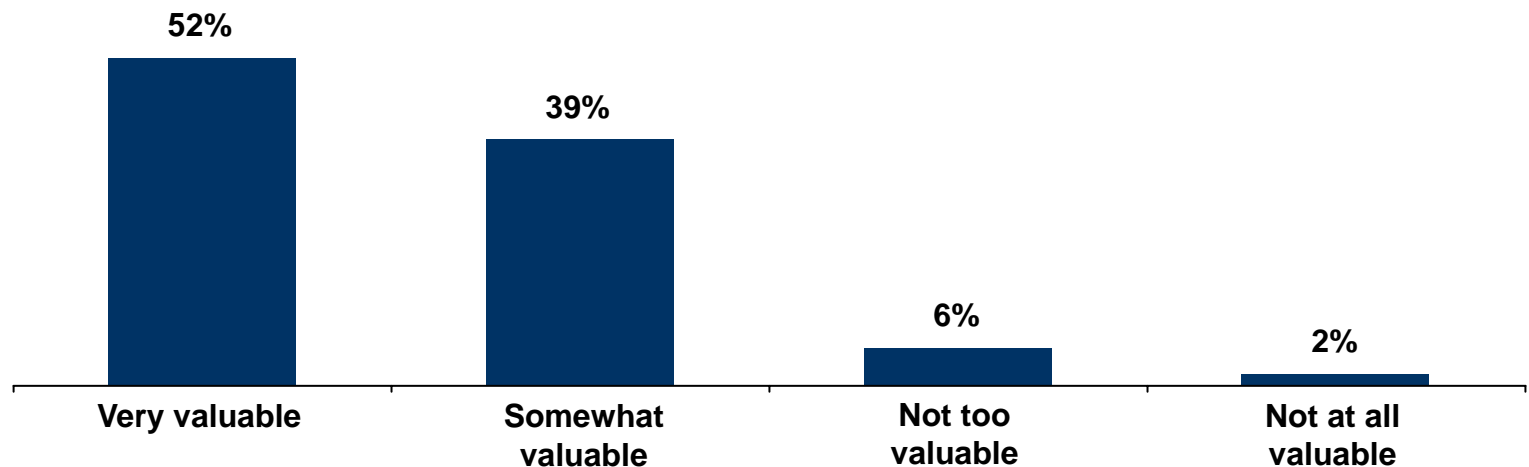
How interested would you be in having your employer provide you with more information about what you can do with your retirement plan savings once you retire? (n=750)



An overwhelming majority feel it would be valuable to see how much guaranteed lifetime income they could get using their retirement plan savings.

- Just over nine out of ten plan participants (91%) suggest that it would be valuable to have their employer show them an illustration of how much guaranteed monthly income they could get for life, starting at age 65, based on the current value of their retirement plan account. This includes more than half (52%) who feel such an illustration would be *very* valuable.
 - Plan participants who presumably still have more time to plan for retirement (92% of 45-59 year olds) are more likely than those who are older (86% of 60-65 year olds) to feel that this illustration would be at least *somewhat* valuable.
 - Those with incomes under \$100,000 (95%) are also more likely than their counterparts (89% of those with \$100k+) to feel an illustration of how much guaranteed monthly income they could get would be valuable.
 - Interestingly, those who have *not* given a lot of thought to what they will do with their retirement plan savings after retirement (96%) are especially apt to say this type of illustration would be valuable, compared to those who have already thought about what they will do (90%). This suggests that showing plan participants this type of illustration may help some begin thinking about how to use their retirement savings who haven't previously given it much thought.

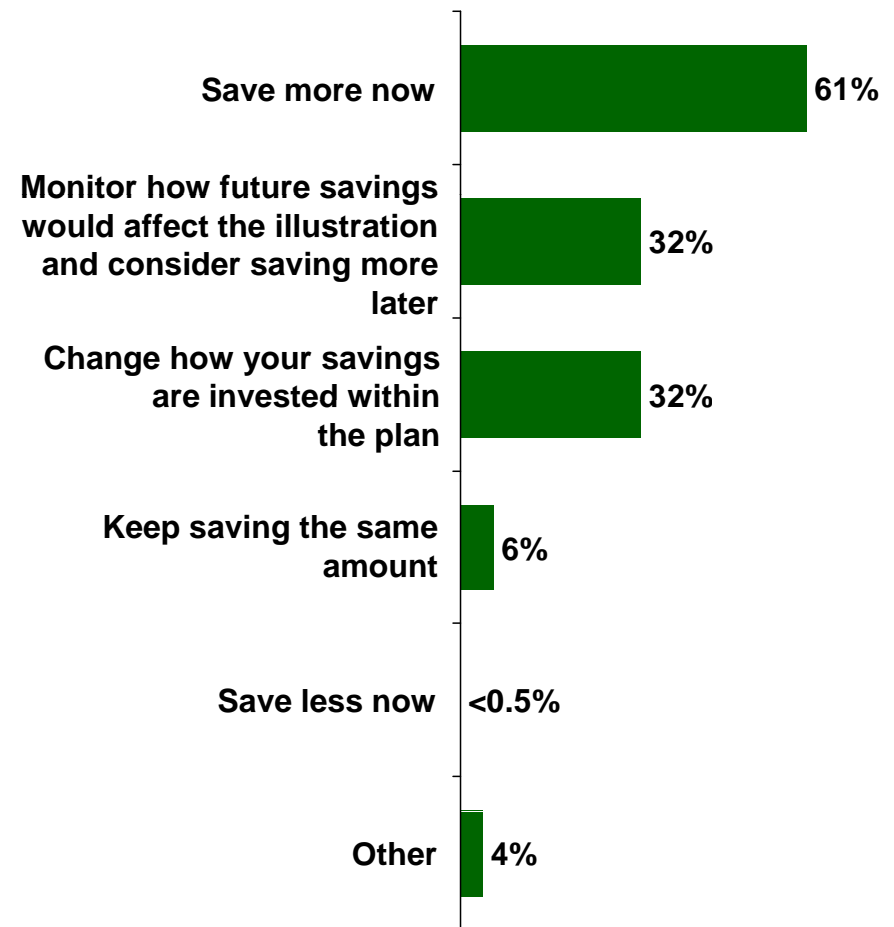
How valuable would it be to have your employer show you an illustration of how much monthly income you could get, guaranteed for life, starting at age 65, based on the current value of your retirement plan account? (n=750)



An illustration of how much guaranteed monthly income could be generated would prompt many to save more, if the current amount seemed insufficient.

- Six in ten plan participants (61%) say that if they saw an illustration that suggested the amount of guaranteed monthly income that could be generated by their retirement plan account would not be enough to meet their needs, it would prompt them to start saving more.
 - Plan participants between the ages of 45 and 49 (68%) are particularly likely to suggest they would start saving more (v. 58% of those ages 50-65).
 - Those with incomes of \$100,000 or more (69%) are more apt than those with lower household incomes (55%) to react by saving more.
- One-third (32%) say they would continue to monitor how their savings affected the illustration and would consider saving more later.
- Others (32%) indicate that seeing an illustration like this would cause them to re-evaluate and change their asset allocation.
- Only 6% say they would continue saving the same amount and less than 1% would save less as a result of seeing the illustration.

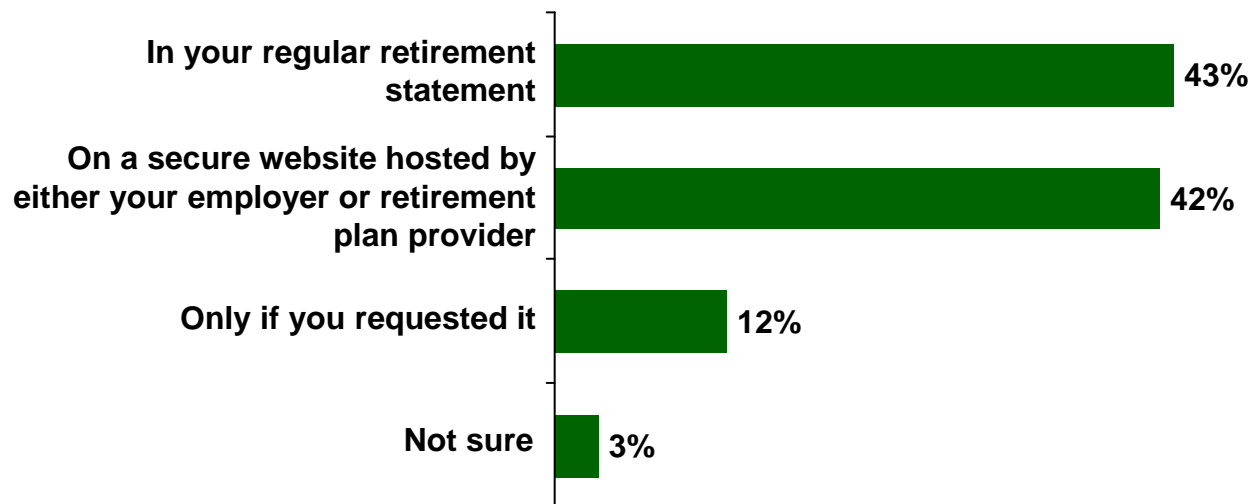
If this illustration showed that, based on your current account value, the amount of guaranteed monthly income you could get would not be enough to meet your needs in retirement, what would you do in response? (Multiple responses accepted; n=750)



Five in six (85%) want to see an illustration of how much guaranteed monthly income they could get on a regular basis, only 12% want it available only on their request .

- Eighty-five percent of plan participants indicate that the best way for them to see an illustration of how much guaranteed monthly income they could get is either in their regular retirement statements or on a secure website hosted by either their employer or their retirement plan provider.

What is the best way for your employer to show you this illustration of how much guaranteed monthly income you could get? (n=750)



Nearly nine in ten plan participants favor a proposal to have employers offer an option of receiving guaranteed income for life.

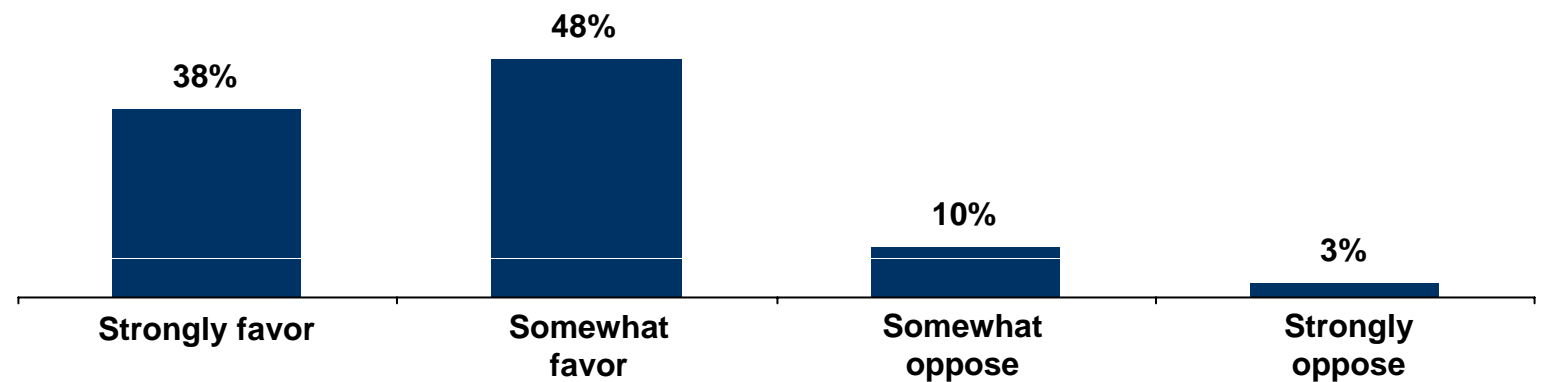
- Eighty-six percent of plan participants surveyed favor a proposal that would have employers offer their employees an option in their retirement plan that would use some of the participants' assets to generate a guaranteed stream of income for life.
 - Women (92%) are significantly more likely than men (83%) to favor this proposal.
 - This proposal is viewed especially positively by plan participants *nearing* retirement, as 48% of those ages 55 to 59 say they *strongly* favor the proposal, which is significantly higher than those older (32% of 62-65 year olds) and those younger (36% of those age 45-54).
 - Those with incomes under \$100,000 (91%) are more likely than higher earners (82%) to express their support.

Some financial planning experts believe that employers should offer an option in their retirement plans that would provide employees with guaranteed monthly income for the rest of their lives once they retire.

Employees would be able to choose whether or not to select this option. If they did choose it, they could put in any amount of money from their retirement plan that they wanted to.

The monthly income payments would never go down and it would be paid as long as the employee lives. Married employees could also have the option to have the payments last as long as either they or their spouses are alive.

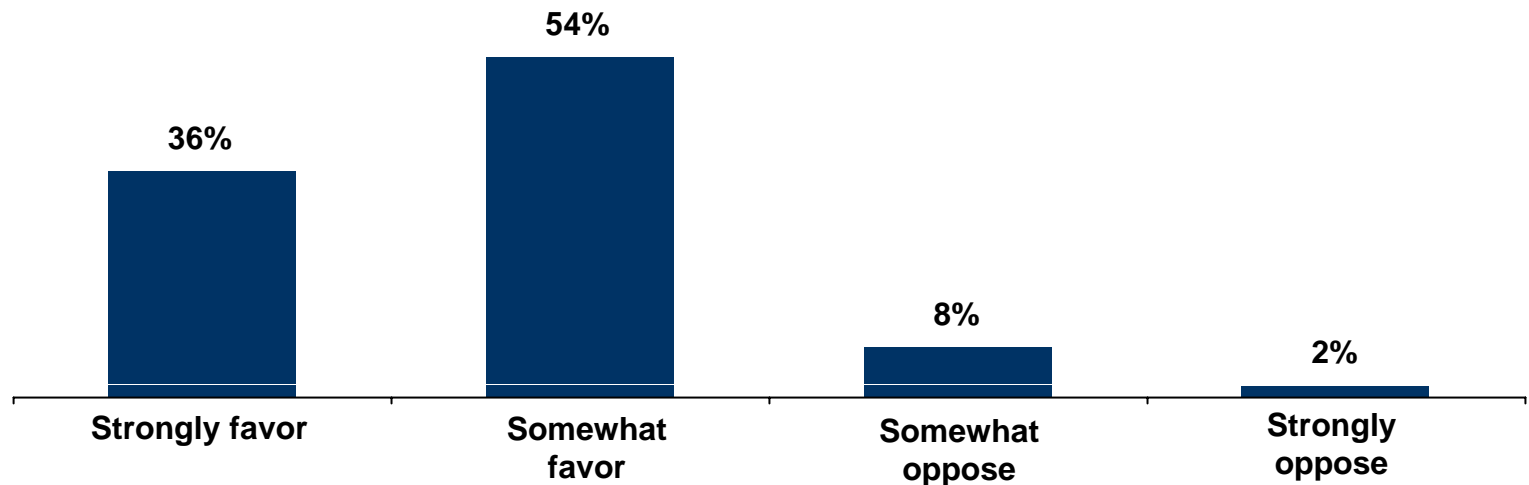
How strongly do you favor or oppose having employers offer their employees the option of getting guaranteed income for life, if they want it? (n=750)



Nine in ten favor the idea of their own employer offering them an option for guaranteed lifetime income.

- Fully ninety percent say they *strongly* (36%) or *somewhat* (54%) favor the idea of their employer offering an option that, once they retire, they could use some of their retirement plan savings to produce a guaranteed monthly income for the rest of their lives.
 - Again, women (94%) and those with household incomes under \$100,000 (93%) are more inclined than their counterparts to say they favor the idea of their employer providing this option (88% of men, 87% of those earning \$100,000 or more).
 - Plan participants who say they tend to be investment risk averse (52%) are more likely than those who are willing to take average to above average investment risk (35%) to *strongly* favor having their employer offer this option.

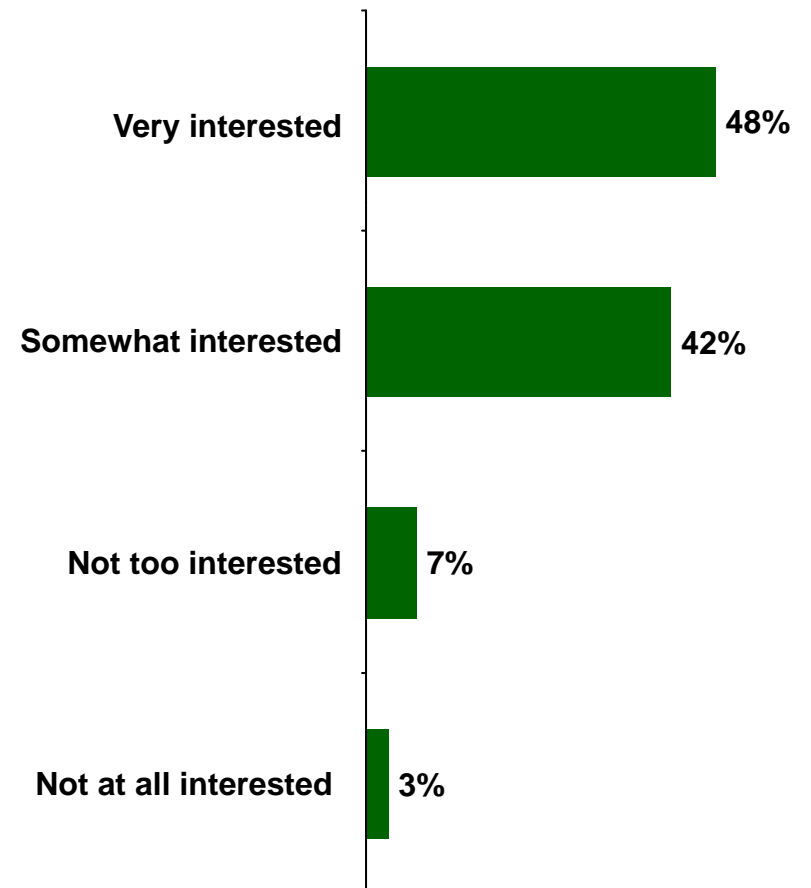
To what extent would you favor or oppose your current employer offering you an option that, once you retire, could use some of your retirement plan savings to produce a guaranteed monthly income for the rest of your life? (n=750)



Given these positive reactions, it's not surprising that nine in ten also say they'd be interested in learning more about this option, if it were available.

- Nearly half of plan participants (48%) say they would be *very* interested in learning more about this option, if their employer offered it. And another four in ten (42%) say they would be *somewhat* interested in learning more.
 - Those who favor the proposal overall (96%) are more likely than those who oppose it (56%) to say they would be interested in learning more.
 - However, plan participants who have not previously given much thought to what they will do with their retirement plan assets (97%) are especially likely to say they would want to learn more about a guaranteed lifetime income option (v. 89% of those who have already given some thought), suggesting that the very offer of this option might prompt some to think through these issues in more detail.
 - Those with retirement plan account balances between \$40,000 and \$75,000 (96%) are more apt than those with higher balances (87%) to express an interest in more information on this option.

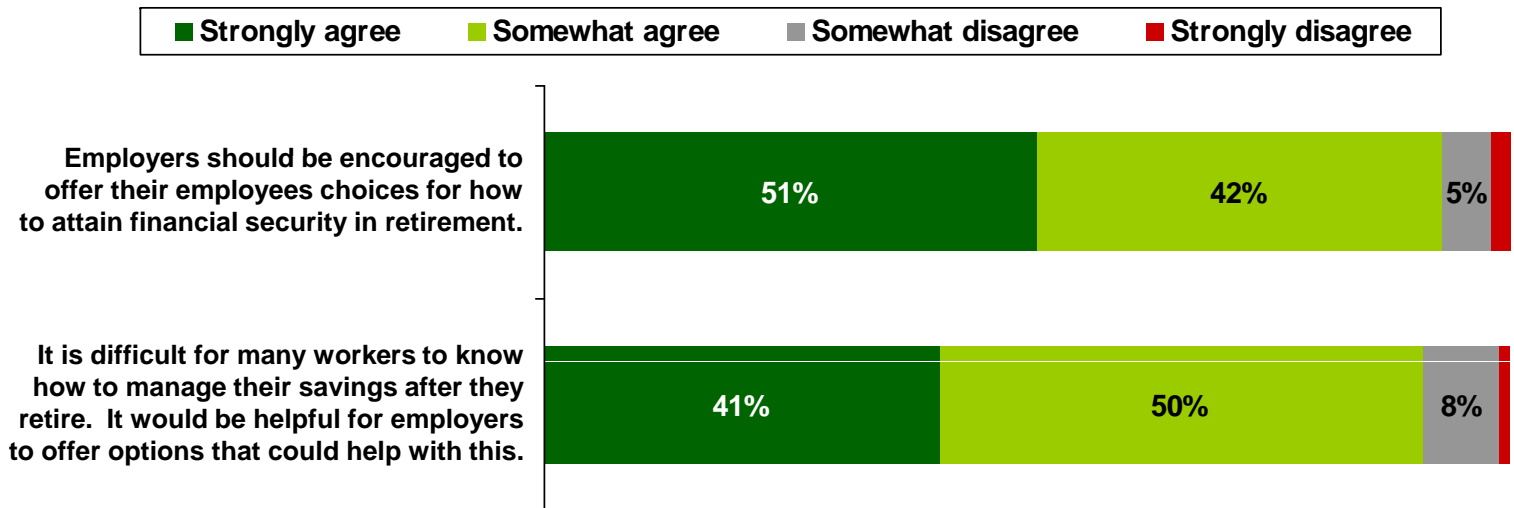
If your employer offered this type of option, how interested would you be in learning more about it?
(n=750)



Nine in ten believe that employers should offer choices to help employees attain financial security in retirement; many feel it may be difficult to do this on their own.

- Half of plan participants (51%) *strongly* agree, and more than four in ten *somewhat* agree (42%), that employers should be encouraged to offer their employees choices for how to attain financial security in retirement.
- Moreover, 91% of plan participants *strongly* or *somewhat* agree that it is difficult for many workers to know how to manage their assets after they retire and it would be helpful if employers offered options to help with this.

Below are some arguments that have been made *in favor of* having employers offer an option...Please indicate the extent to which you agree or disagree with each statement. (n=750)



Seven in ten disagree that employees know how to use their income to generate income in retirement and do not need the help of employers.

- Half (51%) *disagree* with the statement that employers have no responsibility for helping employees manage their retirement plan savings after they retire.
- Still, the vast majority – seven in ten (70%) – *disagree* that employees know how to use their retirement savings to generate retirement income for themselves and therefore do not need an option from their employer to do this.

Below are some arguments that have been made against having employers offer an option...Please indicate the extent to which you agree or disagree with each statement. (n=750)

