2016 Wells Fargo Retirement Study

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Harris Poll conducted the survey via 1,250 phone interviews, roughly 1,000 with active workers age 30 or older, and the rest with retirees.

68% of workers are saving for retirement. With a workplace retirement plan, **91%** are saving.

Overview

The 2016 Wells Fargo Retirement Study was designed to gain insight into the American workers' views on retirement plans and their specific progress toward reaching their retirement goals. In addition, current retirees were surveyed to uncover their experiences in saving for and reaching retirement. The survey was conducted via 1,250 phone interviews, roughly 1,000 with active workers age 30 or older and the rest with retirees.

The study revealed that while 68% of workers have begun to save for retirement, the number skyrockets to 91% when considering only those workers with access to a workplace retirement plan. Despite the fact the majority of workers are saving for retirement, there is still much that needs to be done to improve retirement outcomes for future generations. Low account balances and the tendencies of savers to invest too conservatively point to areas to gain a better understanding of.

Those exhibiting the best behaviors are the consistent savers — those that say they have been saving consistently since the day they started working. They have saved more, feel better about where they are at, and have given more thought to what their retirement may look like. They also typically have had the benefit of a workplace savings plan, higher incomes, and higher education levels. Challenges lie in reaching workers who do not have a 401(k)-type plan or who have a hard time putting money toward retirement despite their best efforts to save more and spend less.

Workers recognize the challenges they face and are eager for help. One shocking statistic shows 82% of workers believe that retirement in America is in a crisis state. As a result, participants would welcome help with investing their 401(k) savings and also think the next president should do more to help every American have a plan in place.

There are bright spots in the survey as well. Younger workers are starting out their careers with a better grasp of what it means to take control of their future. Among all respondents, 30-somethings started saving the earliest (at age 26) and have hopes of retiring at a younger age. About two-thirds of this group think they will be financially prepared for retirement. Clearly, the retirement savings message is getting through as more workers take early, proactive steps to prepare for their future.

Overall, our study revealed ongoing progress toward retirement goals and pockets of opportunity for improvement. While the need to save is commonly acknowledged, it also illustrates the need to expand retirement plan access to more workers and to focus attention on more advanced retirement planning topics.

Current saving status reinforces need to start early and save consistently

Consistency is key

Based on our survey, workers age 30 or older have saved a median of $40,000 for retirement. However, for those who identified as consistent savers — agreeing to the statement "I have consistently saved for retirement since the day I started working" — the retirement picture brightens considerably. These consistent savers, who represent 34% of overall workers, have saved a median of $150,000 for retirement compared to a $20,000 median retirement balance for those who have not been consistent savers.

Overall, consistent savers feel better about their ability to meet their financial goals (see "Are you in good shape?" chart) than those not saving consistently, for both immediate and future financial needs. However, the contrast between consistent savers and those not consistently saving is much starker when you look at their confidence in fulfilling future financial goals. In other words, most workers can get by and meet immediate financial obligations but, for some, the long-term saving picture is suffering.

A key factor could be the age at which these consistent savers started saving. On average, consistent savers started at age 25 versus a starting age of 33 for those who haven't been consistent savers. Even to those who haven't saved consistently, it's fairly universal that they know they should have started saving earlier. Of this group, 87% admit they should have started saving at a younger age. Why then, do so many delay saving for retirement? In many respects, these non-consistent savers have many factors working against them. These include:

- **Access to a 401(k) plan:** Far more consistent savers had access to a plan than those who were not consistent — 70% compared to 51%.
- **Income:** Consistent savers had higher median household incomes — $100,000 compared to $76,000.
- **Education level:** Close to 60% of consistent savers have a college degree with only 37% of inconsistent savers attaining college-level education.

Americans recognize the challenge ahead

Approximately one in three (35%) workers feel they will not have enough money to survive in retirement (and retirees feel the same way). As a result, almost half (48%) of workers expect their standard of living will go down in retirement.

Starting the savings journey too late is a big factor, an attitude consistent across all age groups. Seventy-four percent of those in the workforce agree they should have started saving more for retirement earlier than they did. Even a majority of retirees (68%) feel this way. It is worth noting that this attitude is highest for 30-somethings — 79% of whom agree they should have started saving earlier.

Implications: Employers should emphasize the importance of starting to save early and encourage participants to continue to save throughout their career. Plan design can be built around implementing features such as automatic enrollment and automatic increases. Employees are open to automatic enrollment: Our survey revealed 69% agreed that employers should be required to automatically enroll employees in their 401(k) retirement savings plan as long as employees have the ability to opt out.

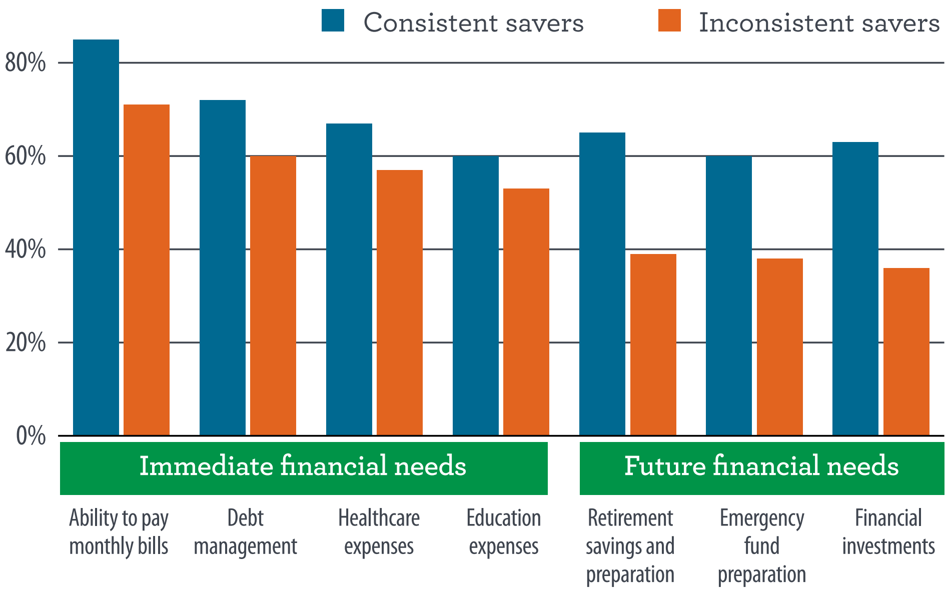
Based on the results, other actions for plan sponsors to take to encourage early and consistent saving include providing projections that show how the time value of money can have a significant impact for employees in their 20s and 30s. In addition, the on-boarding process for new employees should include a strong case for starting to contribute as soon as possible (and in the case of automatic enrollment to avoid opting out). It will be easier to get an employee to contribute at the start of their employment compared to breaking through the clutter and other financial priorities later in the employment cycle.

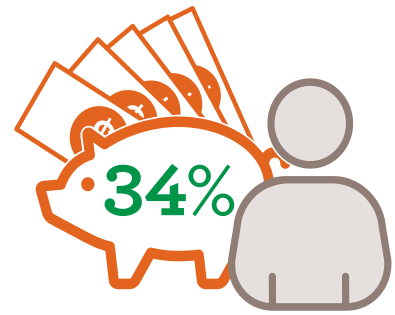
Workplace savings plans make a difference

The power of the plan

There is a glaring difference in the amount saved between those workers with a 401(k)-type plan and those without. For those with access to a plan, the median amount saved is $87,000 vs. $10,000 for those without access to a workplace plan. We found that middle-income workers (those with less than $75,000 in household income) with access to a 401(k) plan have saved 30 times more than their peers without access to a retirement plan. This suggests that the power of automated, systematic saving through payroll deduction works, and the outcomes for those Americans with access to a plan are vastly improved.

Are you in good shape related to your financial goals?





of workers have consistently saved for retirement since the day they started working

Workers themselves acknowledge the importance that a 401(k) plan plays in terms of being able to save more for retirement. For those with access to a workplace plan, 86% are enrolled and contributing to their account. Of these, 81% feel more secure because they're contributing to the plan.

Our survey revealed that retirement plan access is one area where a majority of Americans welcome some presidential perspective, with 63% of workers and 73% of retirees agreeing that the president needs to define a retirement policy for everyday Americans. Here's one reason for this perspective: 82% of workers and 73% of retirees agree that retirement in America is in a crisis state.

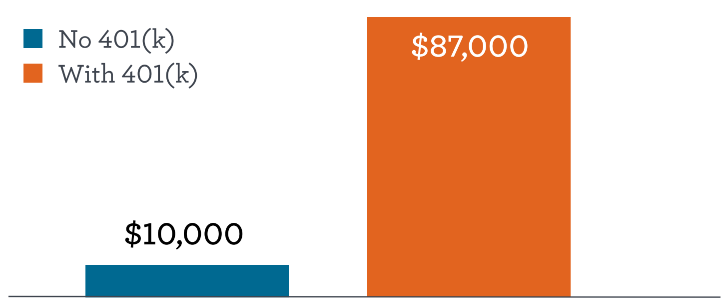
Employee insight on 401(k) plans

The 2016 Retirement Study researched worker attitudes about 401(k) plans and their importance in helping employees save for the future:

- A majority of workers (57%) have a 401(k) plan or equivalent available from their current employer, while 41% are on their own to proactively save for retirement outside of work.
- Nearly three out of four workers (73%) indicate they wouldn't have saved as much for retirement if they didn't have a 401(k) plan or would have saved more for retirement if they had a 401(k) plan.
- Among workers who do not have access to a 401(k) plan and who have not saved for retirement, two-thirds (66%) believe they would save for retirement if they had access to a 401(k).
- A majority (64%) of workers are in favor of requiring employers to provide a retirement plan for all employees.

Does having access to a 401(k) make a difference?

Median amount saved for retirement



82% of workers and 73% of retirees agree that retirement in America is in a crisis state

Workers want help with investing

Nearly six in 10 (58%) people who have a 401(k) plan available would like more help making investment choices for their retirement.

Nearly **six in 10** workers with 401(k) plans want help with their investment choices

Implications: The findings from the study strongly suggest that having a 401(k) helps workers prepare for retirement. The next conversation is how to expand access to 401(k) plans to include more workers. Our findings suggest that a majority of workers are open to mandates for employers regarding making a plan available. For many Americans, the hurdle of moving from a workplace with the pensions of earlier generations to a workplace with the savings plans of today has been successfully overcome; however, those left in the middle without a 401(k) plan are the ones that are farther behind in the race to retirement.

Survey results demonstrate that workers may have an investment strategy that's too conservative. Almost six in 10 (59%) workers focus more on avoiding loss than maximizing the growth of their investments for retirement. Interestingly, this does not vary much across ages: 59% of 30-somethings, 62% of 40-somethings, 58% of 50-somethings, and 52% of those 60+ agree with that approach.

Implications: Even with the prevalence of target date funds, plan sponsors need to take action to make sure employees have the basic education needed to make solid investment decisions. Too many make emotional reactions to day-to-day market volatility. The trend toward use of target date fund choices that are diversified and invested according to time to retirement helps a great deal, but our survey shows there is still a large participant audience who may be emphasizing safety over growth and making it more difficult to reach their retirement goals.

To address this ongoing issue, it may be time for a plan sponsor to explore whether a managed account approach is necessary given the employee demographics and plan results. A managed account option puts investing decisions in the hands of professionals, and can also help a participant define goals and adjust contribution amounts or retirement age as needed. Younger participants especially could benefit from professional guidance to take advantage of their long runway to retirement and to accelerate their savings growth potential with a structured, sound investment approach.

Are 30-somethings *missing opportunities for growth potential?*

43% **Do not think the U.S. stock market** is a good place to invest their retirement savings

72% **Would like more help from the 401(k) plan** to make sure they are making the best choices for retirement

Retirement age is a moving target

While the amount of retirement savings should be directly related to when people plan to retire, most people have an idea of when they want to retire that may not be specifically tied to the amount of money they have or will need. Those surveyed who are still in the workforce plan to retire at age 66, on average. Notably, the average retirement age increases with age: 30-somethings report an average expected retirement age of 64 compared to an average retirement age of 70 for those age 60+ and still working. Also of note, among retirees, almost half retired sooner than they had planned (46%).

46%

of retirees reported they ***had to retire sooner than expected***

Half of today's workers expect they will need to work until at least 70 because they will not have enough savings to be prepared for their retirement years. However, among consistent savers, only 35% expect they will work until at least 70, compared to 59% of those who are not consistent savers.

Implications: Of considerable note is the large number of retirees who retired earlier than planned. Workers who plan to save more later or work until they have enough to retire must understand that the decision of when they retire may be beyond their control and they may not pile away the money they hope to in the later years of their career. (Our survey showed nearly half (45%) of workers said they plan to save for retirement later in order to make up for not saving enough now.)

Overall financial planning can help employees prepare for unexpected financial situations. This might include educating employees about considerations if purchasing disability coverage and the importance of prioritizing savings goals, such as taking care of your retirement and putting money away for college for your children.

Younger workers plan to retire earlier

Current age	30 – 39	40 – 49	50 – 59	60+
Expected retirement age	64	65	67	70

Retirement income planning often overlooked

Given all the current financial challenges facing Americans on a daily basis, perhaps it is not surprising that many have not thought about the specifics of what their financial picture will look like in retirement.

Only* 45% *of 60-something workers **have considered how much they can withdraw each month from retirement savings**

The majority of non-consistent savers have not thought about key issues such as how long their savings would last, how much could be withdrawn on a monthly basis in retirement, or how to invest their savings during the draw-down phase in retirement (see "Preparing for life in retirement" chart). While consistent savers responded more positively to having thought about multiple issues related to retirement income, the numbers still leave much to be desired. Even among consistent savers, several of these key planning issues are being overlooked by a large percentage of workers.

Preparing for life in retirement

Considered or developed as part of a retirement plan	Consistent savers	Not consistent savers
Age they can afford to retire	73%	55%
How long retirement savings will last	65%	42%
Age they will begin taking Social Security payments	65%	54%
Monthly amount they can afford to withdraw from retirement savings	53%	35%
How to invest savings during draw-down phase in retirement	50%	34%

As one might expect, the percentages for each of these factors move up with age. For example, 38% of 30-somethings have considered the monthly amount they can afford to withdraw, compared to 45% of those ages 60+. Unfortunately, in some cases, by the time a person starts to think about specific retirement income issues, it may be too late to significantly change the outcome.

49%

of workers have not yet begun to think about how and when they will unwind their retirement investments

Implications: The responses to our survey show that many workers — especially those with access to a 401(k) plan — understand the importance of saving and investing for retirement and are doing a better job of starting earlier than their older co-workers. But across the board, the new challenge is helping participants take more responsibility for understanding how much they may have in monthly income and for planning how to unwind their retirement investments. This needs to become a greater focus for education and in online applications. The accumulation phase provides gratification by showing a balance that grows with contributions over time and may soon become the largest asset an individual owns. But when that amount is spread out over 30 years or more of retirement, it may not provide the monthly income an individual thinks it will. Changing the mindset of savers by showing the conversion to monthly income throughout their career will better serve the retirement saver.

Revealing retirement trends

Savers starting earlier

Current age	30 – 39	40 – 49	50 – 59	60+
Age saving started	26	29	32	36

- **Hindsight 20/20** 3 out of 4 (74%) workers say they should have started saving earlier than they did
- **Save more, spend less** 86% of workers are making a conscious effort to save more and spend less
- **The toughest audience** 10% of workers have not started saving for retirement — this percentage is consistent across all ages, demonstrating that some people are just not able or interested in saving

Background and methodology

About the Survey

The 2016 Wells Fargo Retirement Study was conducted by Harris Poll between July 13 and August 19, 2016. Of approximately 1,250 phone interviews, roughly 1,000 were with active workers and the rest were with self-reported retirees (no age restriction required). Working respondents were at least 30 years old and working full-time (or at least 20 hours per week if part-time) or were self-employed. Responders needed to be the primary or joint financial decision-maker and could not be employed by a financial services firm.

Data for education, age, gender, race, ethnicity, region, household income, investable assets, and number of adults in the household were weighted where necessary to bring them in line with their actual proportions in the population.

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About Harris Poll

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