

Institutional Retirement and Trust

2017 Wells Fargo retirement study

Highlights from a survey of workers and retirees

With positive market returns, the number of working Americans age 30 and older who think the U.S. stock market is a good place to invest for retirement increased considerably over the past year. But a significant portion of investors have concerns, particularly around health care. Meanwhile, 38% don't feel it's possible to reach their retirement savings goal, and nearly half of all workers expect their standard of living to decline when they retire.

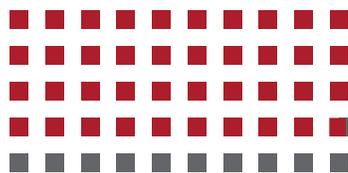
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89%

with a 401(k) plan say they wouldn't have saved as much without it



29%

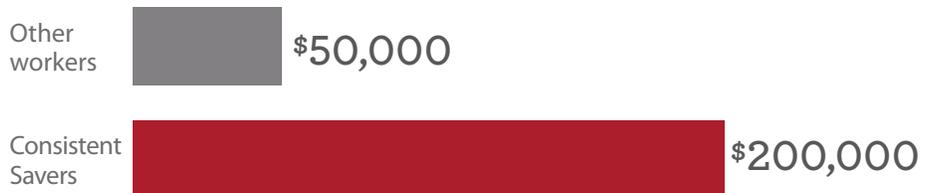
want health care planning help

What's the biggest savings threat?

40%

rising health care costs and fear of catastrophic illness

Four in 10 workers are **Consistent Savers** who start younger, plan earlier, and save way more



A third of workers are sandwiched, caring for both kids & parents

Rising markets prompt greater optimism, but...

Against a background of positive market returns, working Americans are feeling more optimistic about retirement. Sixty five percent felt the U.S. stock market is a good place for growing retirement savings in the Wells Fargo poll, compared to just 45% who felt that way a year ago. Two thirds of workers age 30+ say they are prepared for retirement (68%), and six in 10 retirees say they were financially prepared. Most people, whether workers (62%) or retirees (66%), feel they'll have enough savings to live comfortably through retirement, and more than a third say saving for retirement is their top financial priority after paying essential monthly expenses.

68%
say they feel prepared.

65%	68%	60%	66%	34%
positive about the stock market	feeling prepared for retirement	of retirees say they were prepared	of retirees say they'll be comfortable	of workers cite retirement as top priority

But other responses paint a more nuanced picture...

But nearly $\frac{1}{3}$ of workers say they won't have enough.

30%	27%	72%	25%	9%
of workers say they won't have enough	of retirees say they won't have enough	of workers wish they'd started saving earlier	of workers are not contributing to a plan	have not even started saving

Nearly a third of workers (30%) feel they won't have enough money to *survive* on in retirement, and 27% of retirees feel they won't have enough savings to live comfortably through retirement. Seventy two percent of workers and 65% of retirees say they should have started saving earlier than they did; 25% of workers are not contributing to retirement savings through 401(k)s, IRAs, or another retirement savings plan; and 9% of workers (fairly consistently across age groups) have not even started saving for retirement.

✓ **Implications:** Short-term market returns periodically inspire overconfidence, complacency, or despair. It's important to keep participants focused on central issues. Are you taking advantage of your employer plan? Are you saving enough? Are your investments appropriately diversified? America's retirement picture has issues of concern, but by saving consistently over time and planning carefully, many of retirement's worst insecurities can be addressed.

Health care: The big wild card

Health care costs and the potential for catastrophic illness are two of the biggest worries U.S. workers have about retirement, the study found. Nearly one in four workers (22%) cite rising health care costs as the greatest threat to their retirement savings, and among 50-somethings, that figure rises to 29%. Catastrophic illness is tied with “losing your job” as the next-greatest threat (18% for each).

Greatest threat to retirement savings	Workers 30+	Age 30-39	Age 40-49	Age 50-59	Age 60+	Retirees
Rising health care costs	22%	19%	22%	29%	16%	16%
Catastrophic illness	18%	14%	20%	16%	25%	27%
Losing your job	18%	21%	17%	19%	12%	1%
Not saving enough	16%	23%	16%	10%	15%	14%

Twenty-nine percent of workers said understanding health care expenses was the area where they needed the most help in planning for retirement. Nearly half of workers (45%) have not actively considered health care expenses for retirement planning, and even among workers age 60+ nearly a quarter (23%) have failed to take health care expenses into account. The majority of workers (61%) agree that higher health care costs have prevented them from saving more for retirement. And among retirees, half (50%) indicate they are spending more than they expected on health care, with women nearly twice as likely to agree with that statement than men (60% vs. 36%, respectively). Not saving enough? That worry is fourth.

Two greatest threats: rising health care costs and catastrophic illness

Help wanted

When asked where they need the most help in retirement planning, 29% of workers chose health care expenses. Other areas selected include developing a budget for living in retirement (22%) and the age by which they should start taking Social Security to maximize their benefits (15%). Still other areas for retirement education included the age at which a person can afford to retire (14%) and developing monthly income from investments (11%).

✓ **Implications:** Health care expenses are significant and rising at an alarming rate. On top of that, no one can say specifically what each individual's retirement health care needs will be. This adds uncertainty to everyone's retirement planning, and, while there are no universal answers, it makes sense to budget for anticipated expenses and to entertain — and plan for — a variety of retirement health scenarios. Plan sponsors should address the issue to be sure their employees are aware and offer additional education to address anxiety and take the best steps to prepare.

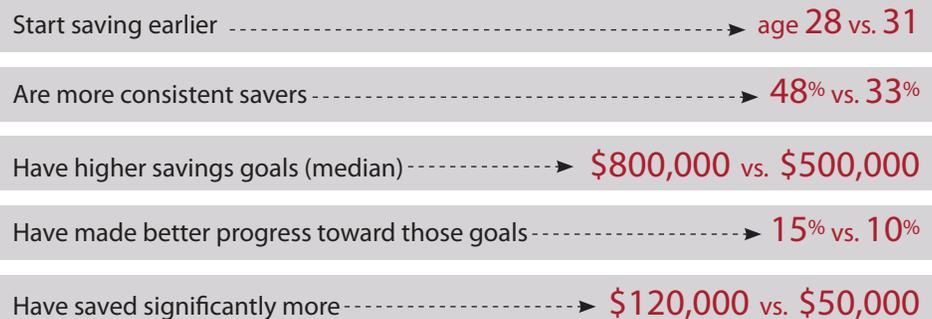
Employer plans: a path forward

89%
of workers age 30+ said they wouldn't have saved as much without a 401(k) plan.

Savers tell us it's working

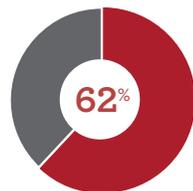
There is ample evidence now that the 401(k) system, when used properly, is a major inducement for retirement saving. In our current study, 89% of workers age 30+ who have access to a 401(k) plan indicated they wouldn't have saved as much for retirement without that access. Employees with 401(k)s start saving earlier (at age 28 vs. 31), are more consistent savers (48% vs. 33%), have higher savings goals (median \$800,000 vs. \$500,000), and have made better progress toward those goals (15% vs. 10%) than those without 401(k) access. Perhaps most importantly, 401(k) participants have saved significantly more (median \$120,000 vs. \$50,000) and are less likely to rely upon Social Security as a primary funding source in retirement (8% vs. 33%).

Employees with 401(k) plans vs. those without

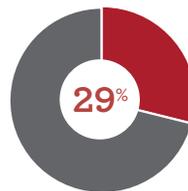


In its 2017 study of 401(k) plans across a variety of industries, Wells Fargo Institutional Retirement and Trust's *Driving Plan Health*¹ report found significant improvement in key retirement saving behaviors over the past five years: employee participation, contribution amounts, and diversification of portfolios. The combination of automatic enrollment, employer matching contributions, and investment vehicles that have diversification² characteristics contributed to those results, supported by strong education programs.

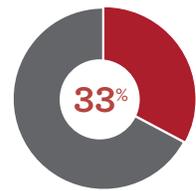
Workers without access to a 401(k) plan:



Would save more if they had one



Are unsure when they can retire vs. 13% for those with access



Say Social Security will be their primary funding source vs. those with access (8%)

62%
without a 401(k) plan would save more if they had one.

1. Wells Fargo Institutional Retirement and Trust, *Driving Plan Health*, June 2017

2. Diversification does not guarantee profit or protect against loss in declining markets.

Workers want access to a retirement plan

In the less than four decades since their 1978 inception, 401(k) plans have helped Americans save nearly \$4.8 trillion in assets according to Cerulli Associates, which estimates 401(k) holdings will be worth \$5.7 trillion by the year 2020.¹ A Fortune.com² article reports 401(k)s “... have evolved into a largely successful program in helping workers save for retirement with the help of their employer.” Among key shortcomings: they’re not available to everyone. In the Wells Fargo study, 36% of the American workforce didn’t have access to what is rapidly becoming the country’s primary retirement savings vehicle. In fact, in the survey, a majority of both workers (63%) and retirees (56%) agreed that developing a mechanism to provide access to a retirement and savings plan for all Americans is essential.

63%
of workers
want access to
a retirement
savings plan to
be a national
priority.

401(k)s popular post retirement

When asked what they would do with their money if they changed jobs, 63% of respondents said they’d keep it in a 401(k) plan, with 44% rolling it over into a similar plan with their new employer and 19% leaving their money in their prior 401(k) plan. Three in ten would roll their 401(k) plan into an IRA (31%). Upon retirement, 81% of workers with access to a 401(k) plan said they’d prefer to stay in their plans if they could make withdrawals from them during retirement.

✓ **Implications:** Employer-sponsored 401(k) plans are among the nation’s most effective retirement saving vehicles, but they require thoughtful application and monitoring, in part because of recent advancements in the industry. Automatic enrollment features can boost participation and auto-escalation can help contributions build to meaningful totals over time. Ongoing education on topics such as diversification, rebalancing, and increasing contributions helps support participant planning. 401(k)s have been around for nearly four decades and there is a wealth of usage data and information about best practices to inform plan sponsors. Wells Fargo’s 2017 [Driving Plan Health](#) report is a great place to start.

1. The Cerulli Report, *U.S. Evolution of the Retirement Investor 2017*, July 2017

2. Fortune.com, *Here’s How Trump and Congress Could Make Your 401(k) Better*, April 26, 2017

Retirees who saved consistently are way ahead.

Retirement saving consistency

In retirement planning, consistency is a big plus. It's no accident that 401(k) participants and consistent savers (defined as those who have consistently saved for retirement since early in their careers) have many characteristics in common. Consistent contributions over time and a focus on long-term results are central to 401(k) plans. Like 401(k) participants, the 42% of the workforce who are consistent savers started saving earlier than other workers, (at age 25 vs. 33), and have saved more — \$200,000 vs. \$50,000 median. Among retirees, the gap grows even larger, with consistent savers at \$400,000 vs. \$50,000 median. Consistent savers also begin planning for retirement earlier.

But not all consistency is good

Amid the volumes of data resulting from the survey, two worrisome numbers did not seem to change much across generations. As stated elsewhere in this report, 38% of workers agree they won't be able to reach their retirement savings goal. What is surprising about that number is that it's fairly consistent no matter what the age group of the respondent, with the youngest workers only slightly more optimistic than their older counterparts.

Total agree	Workers	Age 30-39	Age 40-49	Age 50-59	Age 60+	Retirees
It will not be possible for you to reach your retirement savings goal	38%	33%	38%	41%	38%	38%

Equally concerning is the consistency among age groups of workers who have not started saving for retirement. This is an area where older workers might be expected to outperform given the greater length of time they've had to accumulate assets. But the reality is that older workers are only a few points ahead of those in their 30s, with 9% of workers saying they haven't begun saving for retirement pretty much across the board.

Total agree	Workers	Age 30-39	Age 40-49	Age 50-59	Age 60+
Have not started (excluded from the mean)	9%	12%	5%	9%	9%

Younger workers are saving for retirement earlier.

One encouraging trend is that some younger workers appear to be getting the message, however. While the average age they started saving for retirement was 36 for workers age 60+, it declines steadily to age 25 among those in the 30 – 39 age group, giving them more than a decade's head start.

Total agree	Workers	Age 30-39	Age 40-49	Age 50-59	Age 60+
Age started saving for retirement (mean)	29	25	28	31	36

Retirees: Learning from mistakes?

In the Wells Fargo survey, 65% of Americans agree that their retirement planning process focuses primarily on avoiding the mistakes they've seen others make. Some insights from those with direct experience:

36% of current retirees said their standard of living went down when they retired.

38% said they were not financially prepared when they retired, with women (44%) more likely than men (31%) to say they were unprepared.

Half of retirees had to retire earlier than they planned, which is a cautionary tale to the 43% of workers who plan to save for retirement "later".

Unfortunately, many seem to be making mistakes of their own:

Only **67%** of workers say they've considered or developed an age to start taking Social Security to maximize draw-down.

Only **63%** of workers 60+ have considered or have developed a budget for living in retirement.

And among 60+ workers who should be far along in their planning:

36% haven't considered or developed a steady monthly income from their investments.

23% haven't actively considered or developed a plan for health care expenses.

24% haven't decided upon an age they can afford to retire.

13% still haven't considered or developed a plan for when to start taking Social Security to maximize their benefits.

Half
of retirees had to
retire earlier than
they'd planned.

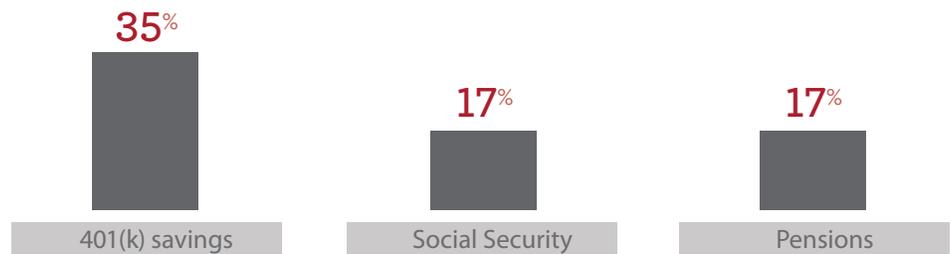


Social Security and taxes

Washington has been actively discussing both Social Security and tax reform in recent months. Workers say they plan to rely less upon Social Security (30%) than the current generations of retirees (51%), and expected reliance on Social Security declines among those who have access to a 401(k) plan (26% vs. 37% without access) and among consistent savers (23% vs. 35% who aren't consistent savers).

Top primary sources of retirement income

... among workers age 30+, are



Sixty-five percent of American workers say they consider the amount of taxes they'll pay when thinking about their retirement budget and the other 35% probably should. Fifty-nine percent of workers think their income taxes will be lower in retirement, and 35% think they'll be higher, or the same, but it seems pretty clear in the current budget discussions that taxes are not going away. When asked what they would do with extra money from a tax cut, the good news is that most people seemed to think of extra tax money as a means of dealing responsibly with existing financial obligations. Thirty-somethings were more likely to pay down debt (52% vs. 38% overall).

A third of workers would use a tax cut to save more.

If your taxes were reduced by a few thousand dollars, what would you do with the money?

Increase retirement savings -----> 32%

Pay down debt -----> 38%

Sandwich Generation making tough choices

How do you choose between your parents who may be in a nursing home and the future of your children? You can't, but that's the dilemma facing 36% of workers in the survey who care both for their children and for aging parents. Not surprisingly, many have put their own retirement futures on hold, and this "Sandwich Generation" is less likely to say they feel prepared for retirement than other workers (62% vs. 72%). They're also more likely to say that higher health care costs keep them from saving more for retirement (71% vs. 61% of workers), with women (43%) more likely than men (30%) to say they're supporting multiple generations. Of workers without access to a 401(k), Sandwich Generation workers are more likely to say they would save more if they had one (78% vs. 55% for other workers without access).

Optimism not reflected in savings realities

While nearly half of workers (48%) expect their standard of living to go down in retirement, older workers are more optimistic. Sixty-six percent of workers 55 and older feel they will have enough savings to live comfortably through retirement, though that still leaves 34% somewhat short of comfort. Workers estimate they need a median of \$750,000 to help support them through retirement, with male workers estimating the highest at \$1 million. But nearly a quarter of workers (23%) aren't sure what they'll need, or can't even estimate. And while older workers have saved more and made more progress toward their savings goals, even workers in their 60s have saved only 42% of what they think they'll need (based on median comparisons).

	Gender			Age			
	Workers	Men	Women	30-39	40-49	50-59	60+
Amounts saved for retirement (median)	\$100k	\$150k	\$60k	\$40k	\$120k	\$200k	\$200k
Amount needed for retirement (median)	\$750k	\$1M	\$600k	\$1M	\$600k	\$1M	\$480k
Savings toward retirement goal	13%	15%	10%	4%	20%	20%	42%

Older workers have saved only **42%** of their goal.

By gender, men lead a savings race that may have few winners. Male workers estimate they'll need \$1 million to retire and they've saved 15% toward that goal. Women estimate they'll need a lower \$600,000 and are only 10% along. Alarming, by the time workers reach age 60+, the estimate of what they'll need has dropped to \$480,000, and they are less than halfway toward that lower mark.

Women are...

... **More likely to be caring for both aging parents and children**
(43% women workers vs. 30% male workers)

... **Nearly twice as likely to say they're spending more on health care in retirement than they expected**
(60% women retirees vs. 36% men retirees)

... **Saving toward lower retirement goals**
(\$600k women workers vs. \$1M male workers)

... **Making less progress toward those lower goals**
(10% women workers vs. 15% male workers)

Higher-income workers have made more progress toward higher goals.



	Household Income – Workers				
	<\$25k	\$25k – \$50k	\$50k – \$75k	\$75k – \$100k	>\$100k
Amount saved for retirement (median)	\$7k	\$18k	\$40k	\$60k	\$200k
Amount needed for retirement (median)	\$200k	\$250k	\$450k	\$800k	\$1M
Savings toward retirement goal	4%	7%	9%	8%	20%

As might be expected, workers with higher incomes have saved more and made more progress toward their higher goals. And because 62% of those with \$100,000+ in household income are age 49 or younger, most have time to address the 80% of assets still needed to reach their \$1 million target.

✓ Implications: A close look at retirement research helps identify issues that may not be apparent to many participants. For example, are the half of American workers who plan to work to age 70 aware that very few workers — either because of health, job-related issues, or other factors — currently work until that age? Is a decline in standard of living upon retirement a necessary evil? Is reaching 42% of your goal in your 60s good enough? Men are saving more than women, but women will live longer and have higher health care expenses. Is that okay when even men, as a whole, aren't saving enough? There is no definitive answer to the troublesome question, "How much is enough?" The response is individual, but the individual needs help to arrive at a solution that works for them.

Not enough by halves

Nearly **Half** of all workers (46%) feel they'll have to work until age 70, and that's an improvement over last year (50%)

Less than **Half** of workers (43%) agree that it's possible for the average American to reach a savings target of \$1 million

Half of retirees (50%) say they're spending more than they expected on health care

Nearly **Half** of workers (48%) expect their standard of living to go down once they retire

Less than **Half** (42%) — the median amount workers in their 60s have saved toward their goal

Half of retirees (51%) had to retire earlier than expected

Only **Half** of workers (49%) have actively considered a retirement budget

More than **Half** of retirees (56%) want a national mechanism to provide access to a retirement savings plan for all Americans

Background and methodology

About the study

On behalf of Wells Fargo, Harris Poll conducted 1,259 telephone interviews of 1,006 working Americans 30 or older and 253 retired Americans, surveying attitudes and behaviors around planning, saving and investing for retirement. The survey was conducted from July 6 – August 8, 2017. Working Americans are age 30 or older and working full-time (or at least 20 hours if they are working part-time) or are self-employed. Retired Americans self-identified as retired regardless of age. Both working and retired Americans are the primary or joint financial decision-maker for their household.

Data were weighted as needed to represent the population of those meeting the qualification criteria. Figures 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.

About Wells Fargo

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Over the last five decades, Harris Polls have become media staples. With comprehensive experience and precise technique in public opinion polling, along with a proven track record of uncovering consumers' motivations and behaviors, Harris Poll has gained strong brand recognition around the world.

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