

Boomer Expectations for Retirement 2014:

Fourth Annual Report on
the Retirement Preparedness
of the Boomer Generation



April 2014

About the Insured Retirement Institute:

The Insured Retirement Institute (IRI) is the leading association for the retirement income industry. IRI proudly leads a national consumer coalition of more than 20 organizations, and is the only association that represents the entire supply chain of insured retirement strategies. IRI members are the major insurers, asset managers, broker-dealers/distributors, and 150,000 financial professionals. As a not-for-profit organization, IRI provides an objective forum for communication and education, and advocates for the sustainable retirement solutions Americans need to help achieve a secure and dignified retirement. Learn more at www.irionline.org.



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OVERVIEW

Beginning in 2011, the Insured Retirement Institute (IRI) has conducted an annual survey to measure the retirement expectations and preparedness of the Baby Boomer generation. This report, the fourth installment, summarizes and analyzes the results of the 2014 survey, highlighting key changes and trends that have developed since the inception of this research series.

KEY FINDINGS

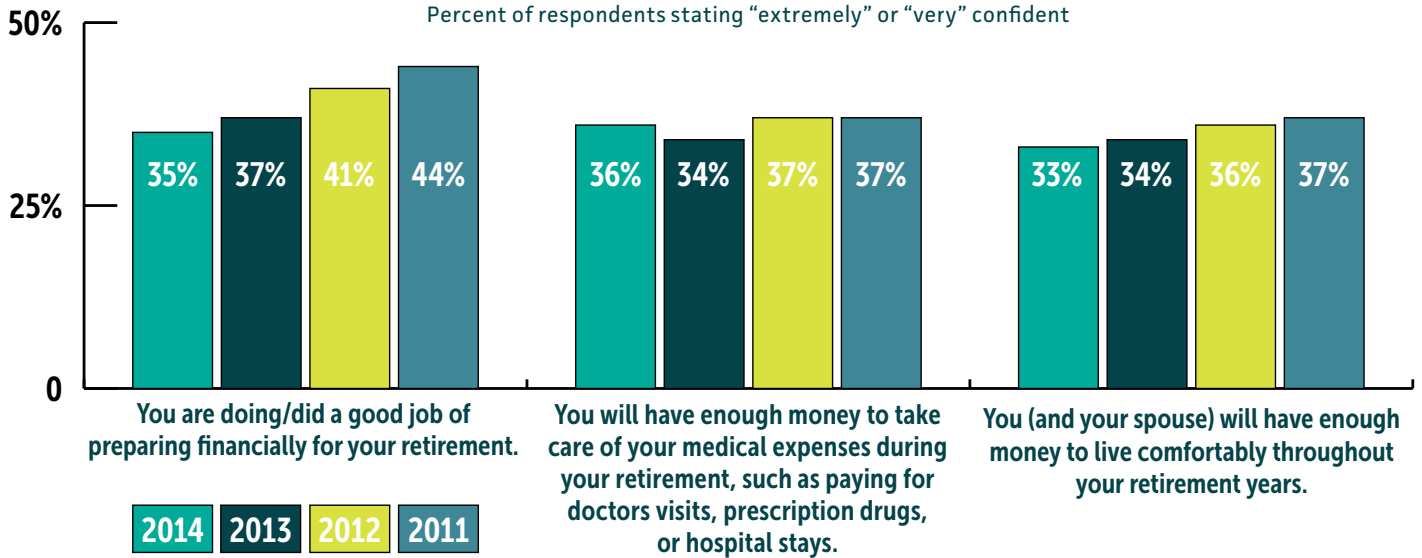
- The number of Boomers who are confident in their efforts to prepare financially for retirement has dropped nine percentage points, from 44% in 2011 to 35% in 2014.
- The percentage of Boomers who are confident they will have enough money to live comfortably throughout their retirement years has dropped from 37% in 2011 to 33% in 2014.
- From an economic standpoint, in 2013, 77% of Boomers reported being satisfied with the way things were going, while 19% stated they were dissatisfied. A year later, only 65% are satisfied, while 32% indicate they are dissatisfied.
- Boomers are beginning to show tempered optimism regarding their longer-term financial futures, with 42% expecting their financial outlook to improve in five years. The bulk of these Boomers, however, only expect their financial condition to be “somewhat improved.”
- During the past 12 months, 20% of Boomers reported experiencing difficulties with paying the rent or mortgage; 21% indicated they stopped contributing to their retirement plans; and 10% said they prematurely withdrew assets from a retirement plan.
- During the past year, a quarter of not-yet-retired Boomers postponed their plans to retire – the highest percentage since this research series began in 2011.
- As Boomers age, they continue to gain clarity on when they plan to stop working and retire. In 2011, 35% did not know when they would retire. Today only 17% are uncertain.
- The percentage of not-yet-retired Boomers who are planning to retire at age 70 or later has increased each year, rising from 17% in 2011 to 28% in 2014.
- Boomers are slightly more likely to have savings for retirement than in prior years. In 2014, 80% of Boomers reported having retirement savings. Among those with savings, about half have \$250,000 or more saved.
- In 2014, 55% of Boomers said they calculated a retirement savings goal, compared to 50% in 2013. Of those who have determined a savings goal, 76% said this calculation factors in estimated costs for health care expenses.
- In prior years, around two-thirds of Boomers believed leaving an inheritance to loved ones was important, but only 46% of Boomers shared this view in 2014.
- If tax incentives for retirement savings – such as tax deferral – were reduced or eliminated, nearly 40% of Boomers say they would be less likely to save for retirement. Overall, 75% of Boomers say tax deferral is an important trait of a retirement investment.
- The percentage of Boomers working with a financial advisor who are highly confident in having sufficient savings to live comfortably throughout their retirement years is more than double those who are planning for retirement on their own.
- Marital status has an effect on retirement confidence and retirement savings. While 86% of married Boomers had savings for retirement, only 70% of unmarried Boomers had savings for retirement.

CONFIDENCE IN RETIREMENT

Measurements of Boomer confidence regarding their retirement preparations and expectations have declined since 2011. Most notably, the number of Boomers who are confident in their efforts to prepare financially for retirement has dropped nine percentage points, with declines reported each year. In 2011, 44% of Boomers were confident with their retirement preparations. Today, only 35% share that same level of confidence. Similarly, confidence that they will enough money to live comfortably throughout their entire retirement has dropped each year – although to a slightly lesser extent – from 37% in 2011 to 33% in 2014.

Confidence in Retirement Expectations

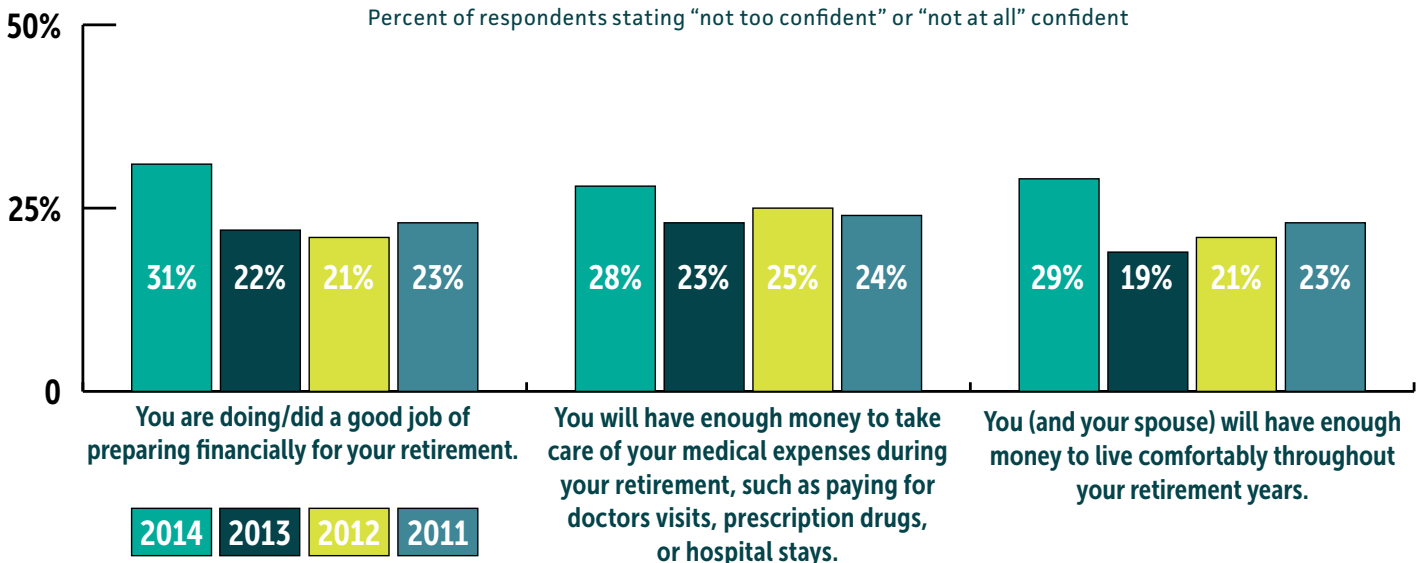
Percent of respondents stating “extremely” or “very” confident



Furthermore, it is not only a decline in those showing high levels of confidence that has emerged. This year’s study measured a noticeable increase among those showing little-to-no confidence at all regarding their retirement plans and outlook. Those with little-to-no confidence that they will have sufficient assets to live comfortably in retirement surged to 29% in 2014 from 19% in 2013, while those with little-to-no confidence in their retirement preparations jumped to 31% in 2014 from 22% in 2013.

Low-to-No Confidence in Retirement

Percent of respondents stating “not too confident” or “not at all” confident

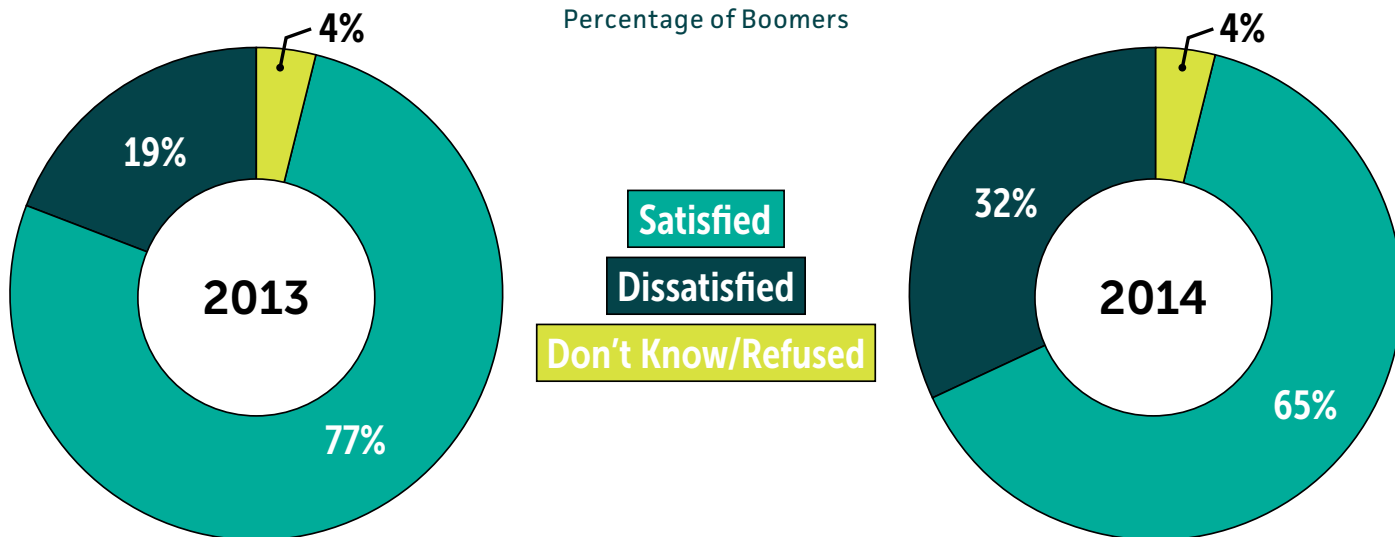


FINANCIAL OUTLOOK

Boomer satisfaction – from an economic standpoint – dropped noticeably during the past year. In 2013, 77% of Boomers reported being satisfied with the way things were going, while 19% stated they were dissatisfied. A year later, only 65% are satisfied, while 32% indicate they are dissatisfied.

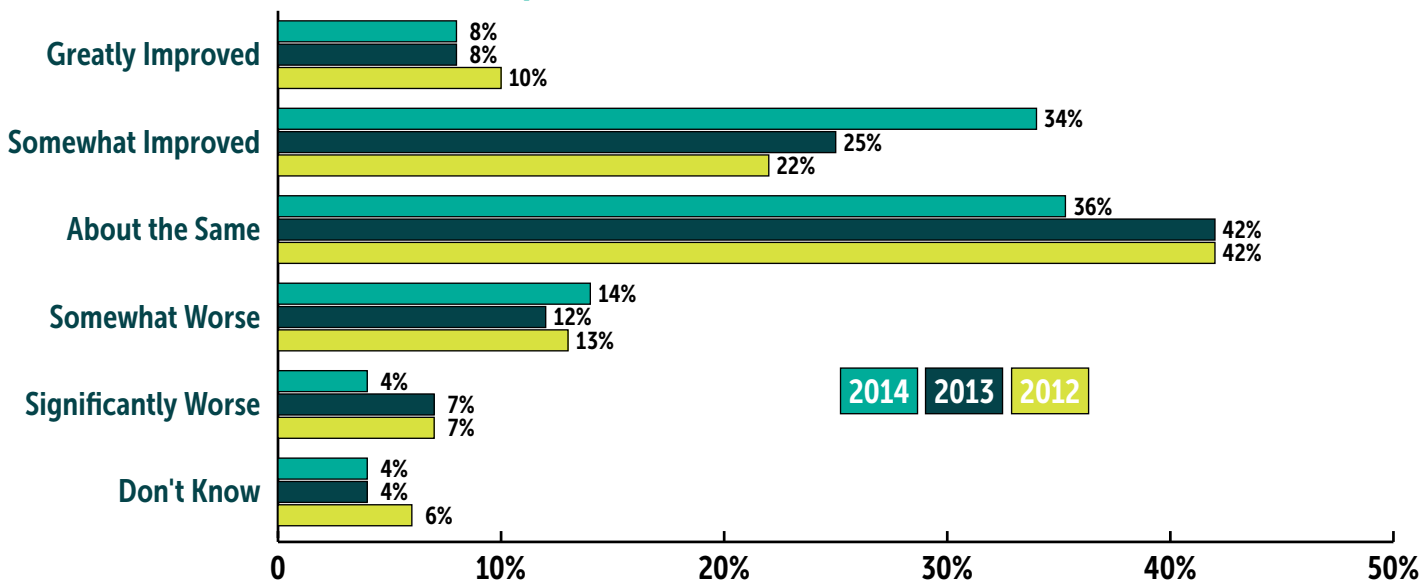
Satisfaction, From an Economic Standpoint

Percentage of Boomers



While current satisfaction dropped and confidence in retirement continues to diminish, Boomers are beginning to show some tempered optimism that their financial situation may improve during the next five years. In this year's study, 42% of Boomers expect their financial outlook to improve in five years, while 18% believe things will be worse. This compares to 33% and 19%, respectively, from the 2013 study. The increase in optimism seen in this year's study was entirely within the "somewhat improved" category, so this seeming increase in optimism is still somewhat muted.

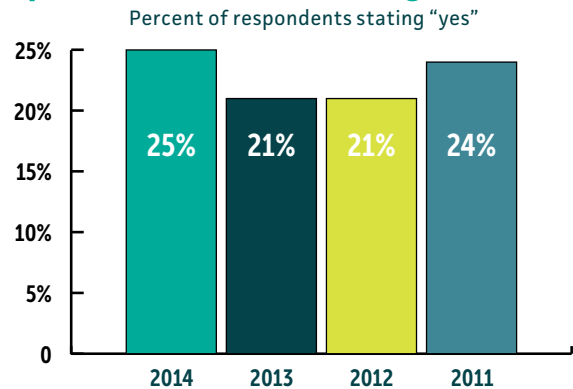
Boomers' Expected Financial Situation in Five Years



POCKETBOOK ISSUES

The 2014 study shows that many Boomers continue to face financial challenges. During the past 12 months, 20% of Boomers reported experiencing difficulties with paying the rent or mortgage; 21% indicated they stopped contributing to their retirement plans; and 10% said they prematurely withdrew assets from a retirement plan. Moreover, during the past year, 25% of not-yet-retired Boomers said they postponed their plans to retire – the highest percentage since this research series began in 2011.

Postponed Plans to Retire During Past 12 Months



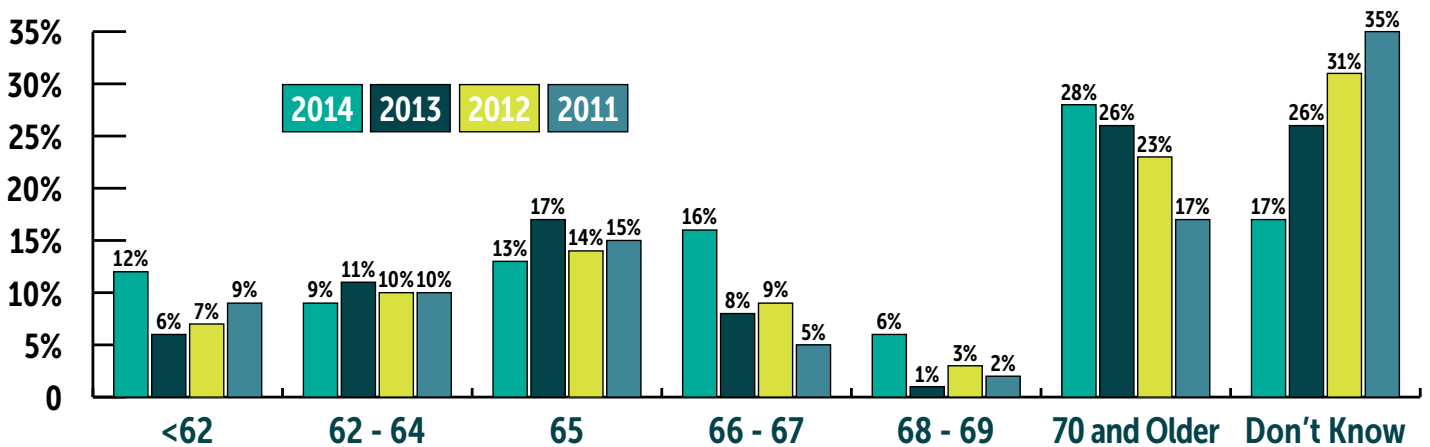
PLANNED RETIREMENT AGE

As Boomers age, they continue to gain clarity on when they plan to stop working and retire. The number of Boomers who are unsure of their retirement age has dropped each year since the first installment of this series. In 2011, 35% did not know when they would retire. Today only 17% are uncertain. Among those who are uncertain, 20% pinpointed their level of savings as an issue, 16% said they still enjoy working, and 12% stated that the economy was the reason for the uncertainty.

As many Boomers have gained clarity on their planned retirement age, they also have been more likely to decide on a more advanced age for retirement. The percentages of Boomers planning to retire between the ages of 62 and 64 and at age 65 were lower in 2014 than in any prior year, while the percentages of Boomers planning to retire between the ages of 66 and 67, between the ages of 68 and 69, and at age 70 or later were never higher. Among the latter group, the percentage has steadily increased each year, rising from 17% in 2011 to 28% in 2014. The one exception to the trend of retiring later is the uptick in those deciding to retire before age 62. In 2013, the percentage of Boomers planning to retire before age 62 was 6%, today it is 12%

Boomers' Anticipated Age of Retirement

Boomers not yet retired

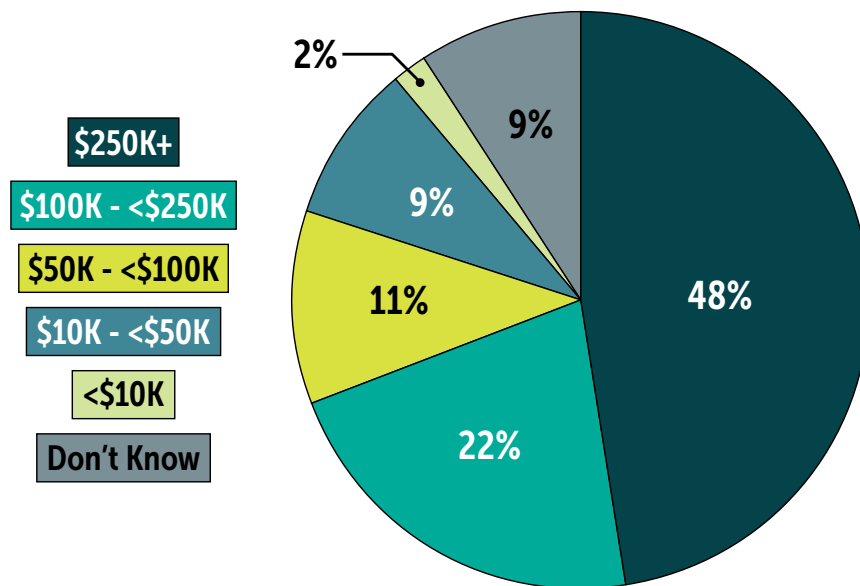


RETIREMENT SAVINGS, PLANNING BEHAVIORS AND OTHER CONSIDERATIONS

Compared to prior years, Boomers in 2014 are slightly more likely to have savings for retirement, though still within the margin of error. In 2014, 80% of Boomers had retirement savings, while only 77% to 78% of Boomers had savings in earlier years. During the past year, 64% of Boomers added to their retirement savings. This is consistent with prior years in which 64% to 67% of Boomers added to their retirement savings. While one in five Boomers in 2014 do not have savings for retirement, among those who do have savings, nearly half have \$250,000 or more. On the other end of the spectrum, 11% have less than \$50,000 saved. After accounting for those who did not report their amount of retirement savings, Boomers' savings for retirement trended higher in 2014. Among Boomers with savings who reported a savings amount, the percentage of Boomers with \$250,000 or more saved was higher in 2014 – 53% compared to 35% in 2013. Similarly, fewer Boomers had less than \$50,000 saved – 12% compared to 23% in 2013.

Baby Boomer Retirement Savings, 2014

Percentage of Boomers with Savings



Savings goals: When it comes to planning for retirement, determining a savings goal is an important step. Boomers in 2014 are more likely to have taken this step than in prior years. In 2014, 55% of Boomers calculated a savings goal, compared to 50% in 2013.

Health care: Of those who have determined a savings goal in 2014, 76% said this calculation factors in estimated costs for health care expenses. Of those that are factoring in health costs, seven in 10 believed these expenses to be between 11% and 40% of total retirement costs, with 33% estimating between 11% and 20%, and 27% estimating between 21% and 30% of total costs.

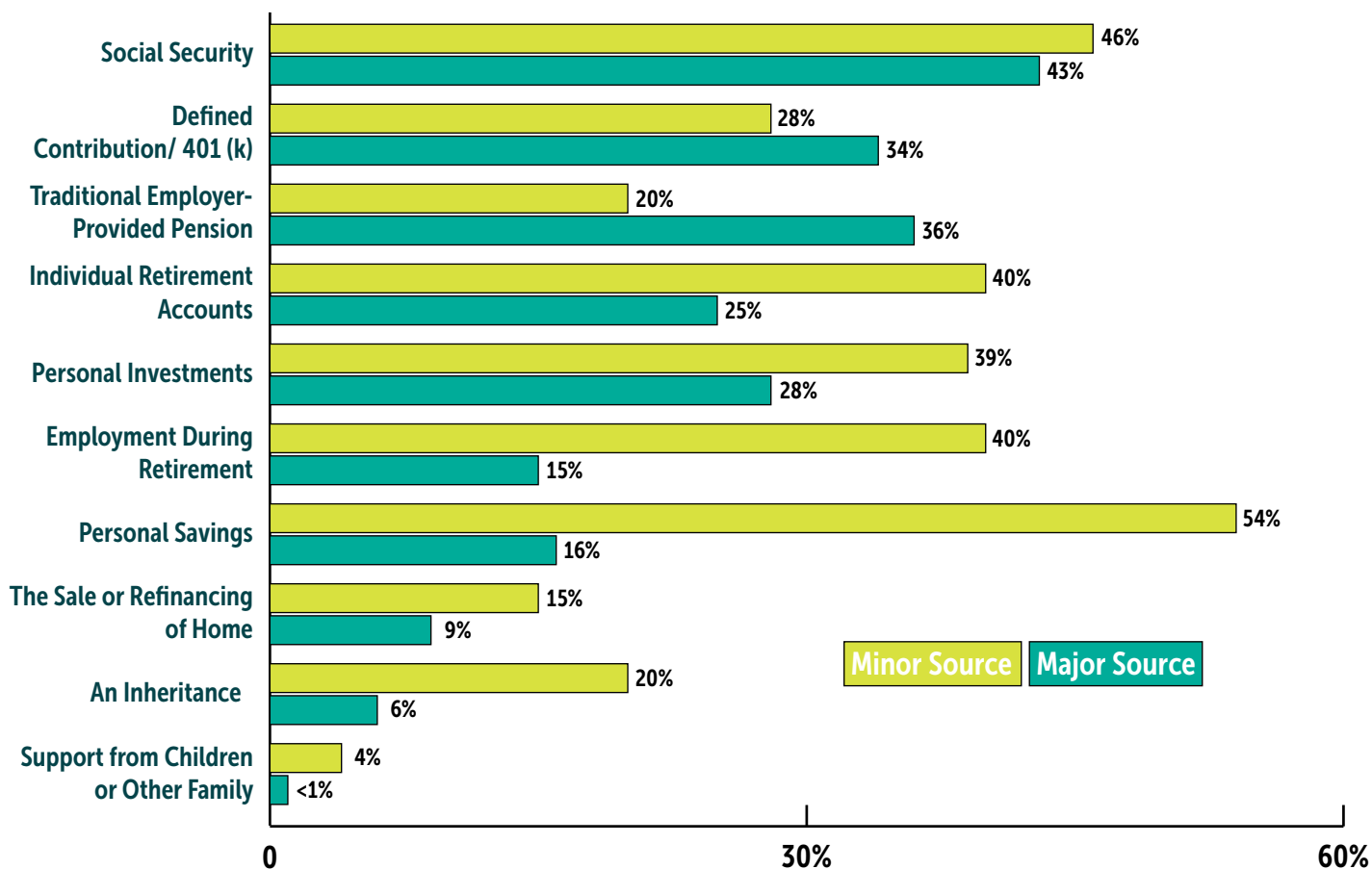
Inheritance: While more may be planning for retirement, fewer Boomers in 2014 believe leaving an inheritance to loved ones is important. In prior years, around two-thirds of Boomers believed this to be important, while only 46% of Boomers shared this opinion in 2014.

Taxes: Tax reform could have a detrimental impact on Boomers' likelihood of savings for retirement. If tax incentives for retirement savings – such as tax deferral – were reduced or eliminated, nearly 40% of Boomers say they would be less likely to save for retirement. Overall, 75% of Boomers say tax deferral is an important trait of a retirement investment.

EXPECTED SOURCES OF INCOME IN RETIREMENT

Employment-based retirement plans continue to be important sources of expected income in retirement for the Boomer generation, as does Social Security and individual retirement accounts (IRAs).

Expected Sources of Income in Retirement, 2014



Age remains an influential factor when studying Boomers' expected sources of income in retirement. Some of these changes by age are a result of the shifting availability of certain workplace retirement plans over the years, others are the result of perceptions about retirement that evolve with age.

The transition during the past several decades in employer-sponsored plans – from traditional defined benefit pension plans to defined contribution plans, such as 401(k)-type plans – has been well documented. Older Boomers, aged 62 to 67, were more likely to work a considerable part of their careers in an era when the former were more prominent. As such, 44% of these older Boomers expect a traditional pension plan to be a major source of income in retirement, compared to only 29% of younger Boomers, aged 51 to 65.

Age can also influence certain perceptions about retirement. Younger Boomers may overestimate their ability to be able to work or want to work in retirement. The survey found that 62% of younger Boomers expect employment in retirement to be a source of income, but only 43% of older Boomers share that expectation. On the other hand, younger Boomers may underestimate Social Security as a source of income in retirement. While only 36% of younger Boomers expect Social Security to be a major source of retirement income, 56% of their older Boomer counterparts, who are age-eligible for Social Security benefits, share this view. In reality, according to the National Academy of Social Insurance's "Social Security: Benefits, Finances, and Policy Options: A Primer," 65% of Americans aged 65 and older receive about half or more of their retirement income from Social Security.

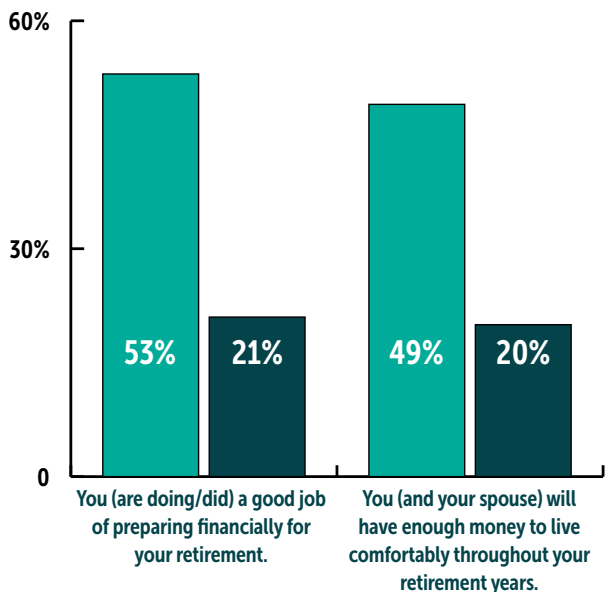
BOOMERS WORKING WITH A FINANCIAL ADVISOR: A MORE CONFIDENT DEMOGRAPHIC

When studying those who are more confident in retirement and exhibit better retirement planning behaviors, one segment quickly rises to the top: Boomers working with a financial advisor. For these Boomers, the percentage who are highly confident in having sufficient savings to live comfortably throughout their retirement years is more than twice that of Boomers who are planning for retirement on their own. Similar results are found when looking at those with high levels of confidence regarding their financial preparations for retirement.

Boomers working with financial advisors also are more likely to have savings for retirement and are more likely to have determined a retirement savings goal. Research shows that these better behaviors are the result of working with a financial advisor. In a study by the Centre for Interuniversity Research and Analysis on Organizations (CIRANO), "Econometric Models on the Value of Advice of a Financial Advisor," researchers found that professional advice has a positive and significant effect on financial assets, even after accounting for other variables. They concluded that better savings behaviors acquired through the client-advisor relationship contributed to the greater assets observed in with those working with financial advisors. Moreover, they found professional advice has a positive influence on other retirement planning behaviors including: increased usage of tax-advantaged savings vehicles, improved asset allocation, and greater portfolio diversification.

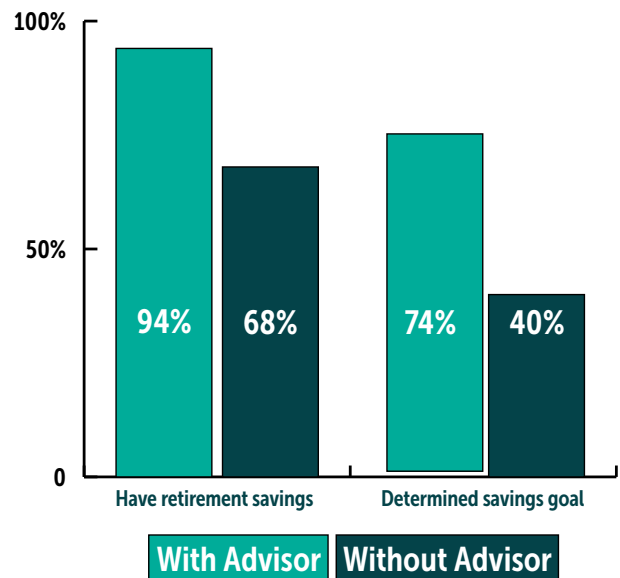
Confidence in Retirement Expectations, By Working with an Advisor, 2014

Percent of respondents stating "extremely" or "very" confident



Retirement Saving Behaviors by Working with an Advisor, 2014

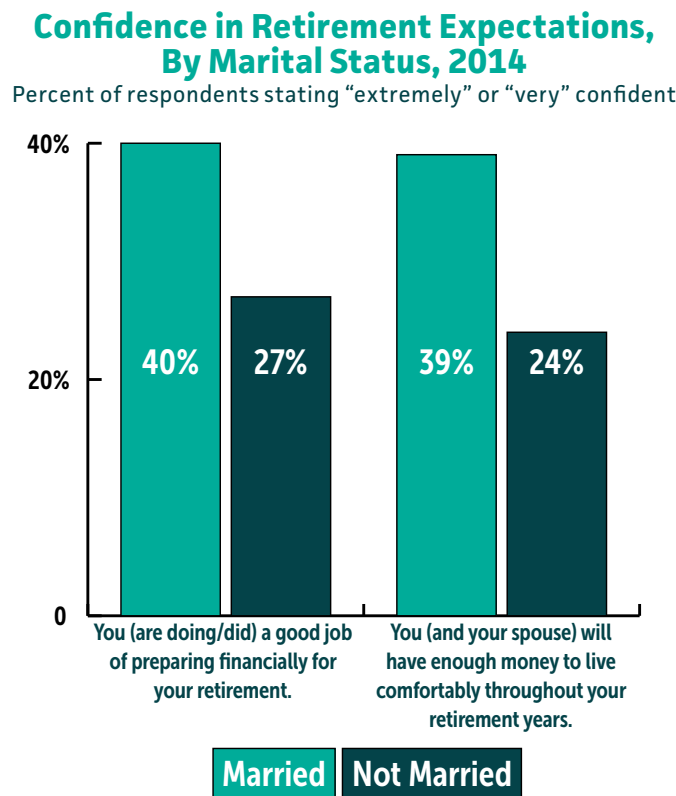
Percent of respondents stating "yes"



A VULNERABLE DEMOGRAPHIC: UNMARRIED BOOMERS

A recent report by the U.S. Government Accountability Office, "Trends in Marriage and Work Patterns May Increase Economic Vulnerability for Some Retirees," stated the institution of marriage has served to help protect the financial health of couples through pooling of resources and risks, the sharing of costs, as well as spousal and survivor income from Social Security and employer-sponsored retirement plans. But in recent decades, marriage has become less common, leaving many vulnerable as higher poverty rates are observed among unmarried individuals age 65 and older.

In light of this report, IRI evaluated the retirement confidence among Boomers by marital status. While not as pronounced as the impact of working with a financial advisor, marital status also has an effect on retirement confidence, with fewer unmarried Boomers being highly confident in their retirement.



Marital status also had an impact on savings. Unmarried Boomers were less likely to have retirement savings. While 86% of married Boomers had savings for retirement, only 70% of unmarried Boomers had savings for retirement.

METHODOLOGY

The Insured Retirement Institute commissioned Woelfel Research, Inc., to conduct a study of individuals approaching retirement, or who have recently retired. A total of 800 interviews were completed as part of this survey. Respondents were adults between the ages of 51 and 67. Survey interviews were conducted from January 17 to 20, 2014. The data were weighted by age and gender based on the 2010 U.S. Census. Percentages may not add up to 100 due to rounding. The margin of error for the sample is +/- 3.5%. Data comparisons from 2011 to 2013 are from similar surveys conducted in those years.



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