

**THE RETIREMENT
READINESS OF
GENERATION X**
**THE LASTING
EFFECTS OF THE
“GREAT RECESSION”
ON GEN-XERS’
RETIREMENT OUTLOOK**



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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.

IRI exists to vigorously promote consumer confidence in the value and viability of insured retirement strategies, bringing together the interests of the industry, financial advisors and consumers under one umbrella. IRI's mission is to: encourage industry adherence to highest ethical principles; promote better understanding of the insured retirement value proposition; develop and promote best practice standards to improve value delivery; and advocate before public policymakers on critical issues affecting insured retirement strategies and the consumers that rely on their guarantees.

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OVERVIEW: WHO ARE GEN-XERS?

After the Baby Boomers, the next generation approaching retirement age will be the Generation X (GenX) population. The front end of GenX has now entered their 50s. GenXers grew up at a time when technology was on the cusp of major change. The desktop computer became commonplace during their formative years. Video games were second nature, and the speed of communications became almost instantaneous. The use of faxes and later email and cell phones was a given. The number of households with two earners grew during their lifetimes, and GenXers were often on their own. As a result, unlike their parents, this generation was more autonomous and self-reliant, according to Mays Business School at Texas A&M University.

They grew up with a growing economy, and the Cold War ended when the leaders of the generation were in their 20s; the younger ones were less than 10 years old. The 1990s saw rapid economic growth – the longest period of economic growth in the United States. After a brief and shallow recession, attributed mostly to the collapse of the “dot-com bubble” and the terrorist attacks on September 11, 2001 – the U.S. economy returned to growth. Then came the “Great Recession” in 2007. While lasting only 18 months, it exposed GenXers to unfamiliar economic conditions. The economic impacts continue to affect GenXers in their financial behaviors and their attitudes toward financial matters.

REAL HOUSEHOLD INCOME DECLINES FROM PEAK YEAR

Household Segment	Peak Year	Peak Income	2012 Income	Percent Change
Top 5%	2006	\$338,686	\$318,052	-6.1%
Top Quintile	2006	\$191,513	\$181,905	-5.0%
2nd Quintile	2007	\$87,607	\$82,098	-6.3%
Middle Quintile	2000	\$56,311	\$51,179	-9.1%
4th Quintile	2000	\$33,815	\$29,696	-12.2%
Bottom Quintile	1999	\$13,663	\$11,490	-15.9%

Source: Census Bureau, chained in 2012 dollars

Since achieving their peaks, household incomes have declined for all quintiles, by between 5.0% for the top quintile to a drop of 15.9% for the bottom quintile.

The Insured Retirement Institute (IRI) conducts research of GenXers on a biennial basis. This report builds upon IRI’s initial study conducted two years ago – examining GenXers’ retirement savings behaviors, impact of the economy on GenXers’ retirement planning and other financial behaviors, and how using a financial planner can affect GenXers’ retirement confidence and overall retirement savings.

KEY FINDINGS

- GenXers' median savings for retirement has dropped 15% in the last two years, from \$70,400 in 2012 to \$59,800 today. Currently, of those that have money saved for retirement, 42% of GenXers have less than \$50,000 saved for retirement, up from 30% two years ago.
- Only two-thirds (65%) of GenXers have money saved for retirement, down from 72% two years ago.
- GenXers' lack of confidence in attaining a financially secure retirement doubled over the past two years. More than four out of 10 (42%) respondents are not confident that they will have enough money to live comfortably in retirement, up from 20% two years ago.
- GenXers continue to have difficulties paying their mortgage or rent as indicated by 36% of respondents, a slight increase of three percentage points from two years ago. Since housing costs generally account for one-quarter to one-third of budgeted costs, according to the National Association of Home Builders, this difficulty hinders many from saving for retirement.
- The median amount saved for retirement by GenXers who work with a financial planner is \$90,400, which is twice the amount saved by GenXers who do not work with a financial planner.
- Fewer GenXers are working with financial planners than two years ago. Currently, 77% of GenXers say they are not consulting a financial planner to help them plan for their retirement, compared to 63% two years ago.
- Only one-third (30%) of GenXers rate themselves as being highly knowledgeable on financial matters, and just one in nine GenXers (11%) stated that they have high levels of knowledge about investing.
- For GenXers working with a financial planner, the top reason for consulting with a professional is to verify that the right decisions are being made and to get a second opinion (40%).
- One quarter of GenXers do not know when they plan retire. This has remained consistent since the 2012 study.

DEFINING GENERATION X – A DEMOGRAPHIC PROFILE

There are various accepted boundaries that define the age group dubbed GenX. IRI recognizes GenX as the 85 million Americans born from 1962 through 1981, inclusive, a population that turned ages 32 to 51 in 2013.

For this report, we segmented GenXers into three groups, by age, as follows:

- Older GenXers: Those born during the five-year period from 1962 through 1966. In 2013, they were between the ages of 47 and 51. This group may overlap with the youngest Baby Boomers.
- Core GenXers: Those born during the ten-year period from 1967 through 1976, inclusive, who were between the ages of 37 and 46 in 2013.
- Young GenXers: Those born during the five-year period from 1977 through 1981, who were between the ages of 32 and 36 in 2013. The year 1977 is used by some demographers to differentiate between Generations X and Y.

For ease of presentation, this report refers to all three groups collectively as Generation X.

GENERATION X SEGMENTATION

	Birth Years	Age in 2013	Population (millions)
Older GenXers	1962-1966	47-51	22.8
Core GenXers	1967-1976	37-46	42.3
Young GenXers	1977-1981	32-36	19.5

Source: United States Census, Population Division, 2012 US Resident Population Estimates using 2010 Census data, Insured Retirement Institute

The following chart shows the demographic profile of the GenX respondents included in this study. A general summary shows that more than half are married, genders are evenly split, 82% are working, nearly half (46%) have a bachelor's degree or higher, and nearly one quarter (23%) have household income in the \$50,000 to \$74,999 range.

Demographics: Generation X Respondents

Marital Status

Married	55%
Single, never married	21%
Not married, living with partner/significant other	9%
Divorced	12%
Separated	1%
Widowed	1%

Gender

Male	50%
Female	50%

Employment Status

Employed or self-employed:	
Full-time	75%
Part-time	7%
Looking for work	6%
Disabled	2%
Not in labor force, other	4%
Retired, not working	2%
Student	2%

Education

Did not complete high school	<1%
High school or GED	10%
Associate's degree	14%
Bachelor's degree	28%
Master's or doctorate degree	18%
Vocational/technical training	4%
Some college	18%
Post-graduate study	6%
Don't know/refused	1%

Annual Household Income

Less than \$20,000	1%
\$20,000 - \$29,999	8%
\$30,000 - \$39,999	13%
\$40,000 - \$49,999	17%
\$50,000 - \$74,999	23%
\$75,000 - \$99,999	16%
\$100,000 or more	17%
Don't know/Refused	6%

ECONOMY'S IMPACT

The economy has had a negative impact on GenXers over the past two years. Their level of satisfaction with the way things are going plummeted from 83% being satisfied two years ago to 64% of respondents being satisfied today. Currently the most satisfied are the Young GenXers (70%), females (68%), those with incomes of \$75,000 and above (78%), married (70%), and the employed (67%).

The University of Michigan conducts a monthly survey called the Consumer Sentiment Index. The December 2013 number of 82.5 matches the level the index saw in the late 1970s when the economy was experiencing double-digit inflation and unemployment. While current economic conditions are better than at that time, and have improved since the "Great Recession," apparently some of the recessionary effects are lingering in the minds of GenX Americans.

Likewise, the sluggishness in some parts of the economy and a sustained, higher-than-expected unemployment rate seems to have affected GenXers' financial situations, which do not reflect the general economic trend upward. Currently 36% of respondents found it more difficult to pay their mortgage or rent, a slight uptick from 2012. Similarly retirement savings behaviors have not improved along with advances in the economy. The number of GenXers who have stopped contributing to their retirement plans and those who have prematurely withdrew retirement funds has stayed relatively constant from 2012. The table below shows the impact of the economy on the financial condition and retirement savings behaviors of GenXers.

IMPACT OF ECONOMY ON GEN-XERS (PERCENTAGE OF RESPONDENTS)

	2014	2012
Found it more difficult to pay mortgage or rent	36%	33%
Stopped putting money into a 401(k), IRA, or other retirement account	21%	23%
Postponed plans to retire	20%	17%
Prematurely withdrew funds from 401(k), IRA, or other investments	14%	15%

PLANNED RETIREMENT AGE

One quarter (25%) of GenXers do not know at what age they plan to stop working, virtually the same as two years ago (27%). Given their proximity to conventional retirement ages, it is not surprising that Young GenXers are less likely to know when they plan to stop working (29%) than Older GenXers (20%). Respondents from low-income households are twice as likely not to know when they plan to retire (36%) compared to respondents from high-income households (18%).

The slowness of the economic recovery appears to have delayed many GenXers' plans to retire. Of those that have an expected age as to when they will stop working, fewer plan to retire before age 65. In 2012, 42% expected to retire before age 65, but now only 33% of GenXers expect to retire at that time. Today, more GenXers, 38%, plan to retire between ages 65 and 69, compared to only 30% in 2012. The number of GenXers planning to work to 70 and beyond has been virtually constant between the 2012 and 2014 studies. The following table shows how GenXers have changed their expected retirement age.

EXPECTED RETIREMENT AGE OF GEN-XERS, 2014 AND 2012 (PERCENTAGE OF RESPONDENTS WITH PLANNED RETIREMENT AGE)

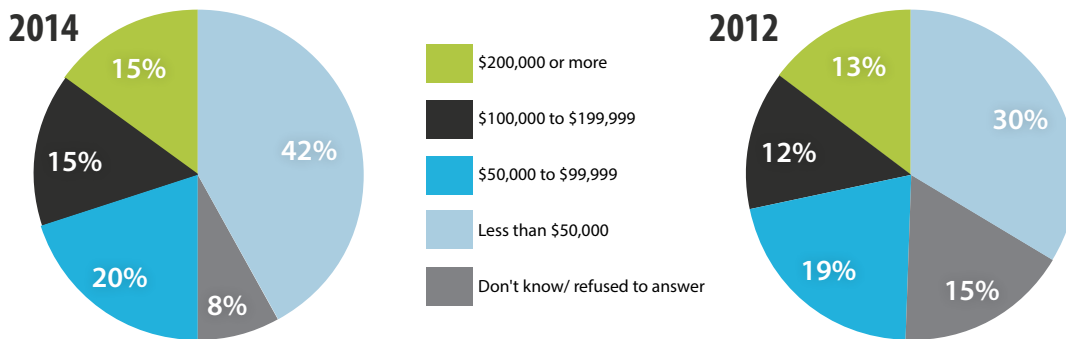
	2014	2012
Before 65 years of age	33%	42%
65 to 69 years of age	38%	30%
70 years and older	29%	28%

RETIREMENT SAVINGS

The lingering effects of the “Great Recession” appear to have caught up with GenXers retirement savings as well. GenX households have less saved currently than they indicated two years ago. As seen in the chart below, of those GenXers with retirement savings, currently 42% have less than \$50,000 saved. In 2012, 30% of GenX savers had savings at this level. The median amount saved is \$59,800, down from \$70,400 two years ago.

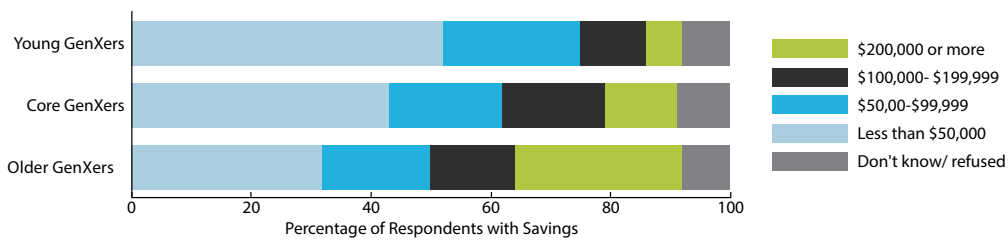
Overall, fewer GenXers have money saved for retirement. While 72% of GenXers had savings for retirement in 2012, only 65% of GenXers reported having money saved for retirement. As one might expect, and in-line with broader research findings on retirement savings, the GenXers most likely to currently have retirement savings are Older GenXers (73%), those with income of \$75,000 and above (85%), those who are married (70%), and those who are employed (69%).

AMOUNT SAVED FOR RETIREMENT, PERCENTAGE OF RESPONDENTS



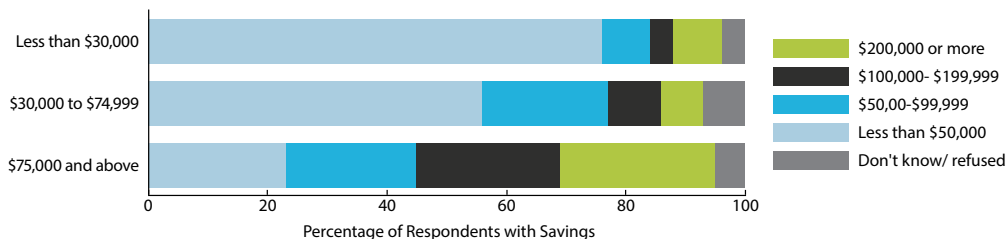
The amount of money saved for retirement increases with the age of the individual. Of Older GenXers with retirement savings, more than one-quarter (28%) have accumulated \$200,000 or more. This percentage is nearly five times more than the 6% of Young GenXer savers that accumulated this amount. Still, one-half of Older GenXer savers have less than \$100,000. Of Core GenXer savers, 62% have less than \$100,000, and even more, 75%, of Young GenXer savers have under \$100,000.

AMOUNT SAVED FOR RETIREMENT IN 2014, BY GEN-X AGE GROUPS



As with most groups, for GenXers, the higher the household income, the higher the amount saved for retirement. GenX households with income of \$75,000 or more have the highest amount of savings, with one-half of households reporting retirement savings of \$100,000 or more. However, nearly one quarter (23%) of GenX high-income households only have retirement savings of \$50,000 or less.

AMOUNT SAVED FOR RETIREMENT IN 2014, BY HOUSEHOLD INCOME



When it comes to calculating a retirement savings goal, few GenXers are taking this important retirement planning step as only one-third (35%) reported that they have tried to determine how much money they will need to live comfortably in retirement.

FINANCIAL PLANNER ENGAGEMENT

More than three quarters (77%) of GenXers are not consulting a financial planner to help them plan for their retirement, up from 63% of respondents two years ago. Even among higher-income GenX households with \$75,000 or more in income, 65% are currently not working with a financial planner.

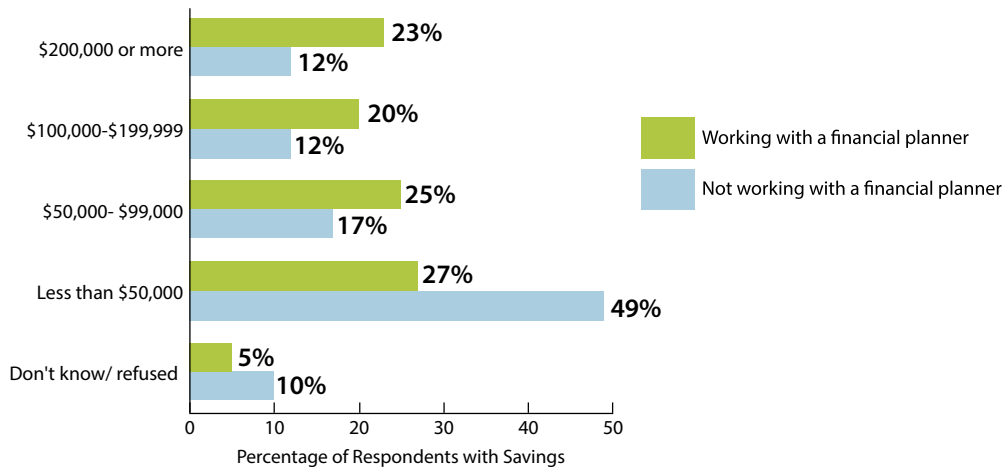
For those not working with a financial planner, their top reason is because they feel that their savings need to be higher before consulting a planner (25%). Other reasons why GenXers are not working with financial professionals include: that they are too young to use one (10%), that they do not need to use one (10%), and that they do their own financial planning (10%).

On the other hand, the top reason why a GenXer works with a financial planner is they want to ensure that they are making the right decisions and to get a second opinion (40%). The second most cited reason is because they want someone who is an expert and can serve as a resource (26%).

Two-thirds (67%) of GenXers with money saved for retirement are not working with a financial planner, yet it could be in their best interest to as savings are higher for those who work with a financial professional. For those that do work with a financial planner, their median amount saved for retirement is \$90,400, twice the amount, \$45,500, for those that are working on their own.

As the chart below shows, nearly twice as many GenXers who work with a financial planner have retirement savings of \$200,000 or more.

AMOUNT OF RETIREMENT SAVINGS BY WHETHER A FINANCIAL PLANNER IS USED OR NOT, 2014



CONFIDENCE

GenXers show high levels of concern regarding their ability to have sufficient savings to meet financial obligations in retirement. With GenXers reporting lower levels of savings than in 2012, it is not surprising that they are lacking confidence in meeting future cost obligations. More than four out of 10 (42%) are not confident that they will have enough money to live comfortably in retirement, and the same amount said that they are not confident that they will have sufficient savings to cover medical expenses during retirement.

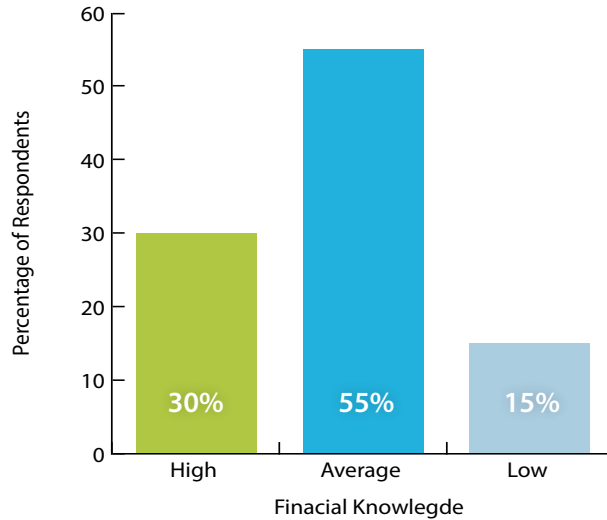
By gender, females were less confident than males in their ability to meet the various cost obligations in retirement. For example, 45% of female GenXers are not confident they will have sufficient savings to cover their medical expenses in retirement, compared to 38% of male GenXers who are not confident.

Single GenXers are more likely to lack confidence in having enough money to live comfortably in retirement, 48%, compared to 38% of married GenXers. Conversely, 20% of married GenXers have full confidence that they will have enough money to live comfortably in retirement, compared to only 13% of single GenXers.

FINANCIAL KNOWLEDGE

When it comes to financial knowledge, less than one-third (30%) of respondents rate themselves as being highly knowledgeable about financial matters. This is an opportunity for the financial planning community to help the other 70% of GenXers that lack this financial acuity. The groups with lower levels of financial knowledge also mirror those that appear to lack confidence in having sufficient savings for retirement. These groups are female GenXers (80%), GenXers in middle-income households (76%), single GenXers (71%) and Core GenXers (73%). The table below shows GenXers self-assessment of financial knowledge.

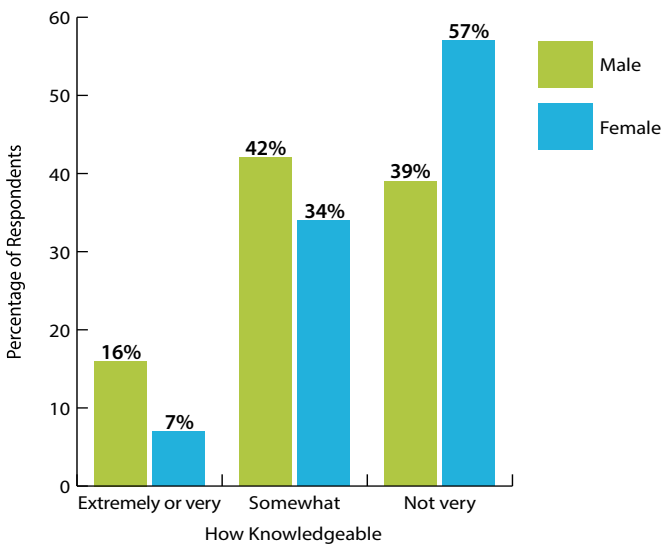
GEN-XERS' SELF-ASSESSMENT OF FINANCIAL KNOWLEDGE, 2014



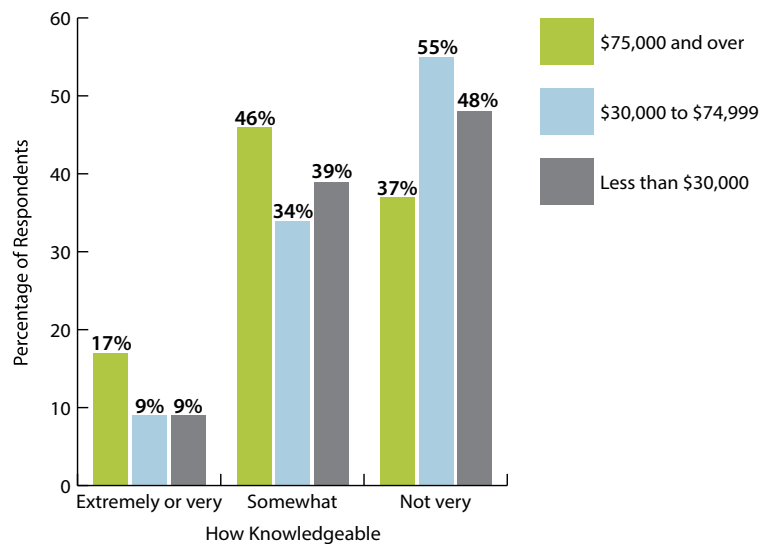
When it comes to making financial investments in securities, such as stocks, bonds, mutual funds and similar products, only 11% said they were very knowledgeable, indicating that most GenXers could benefit from professional financial assistance. Based on their self-assessed levels of knowledge regarding investing, the groups that could benefit immensely from using a financial planner are Core GenXers (90%), female GenXers (92%), GenXers in households with income between \$30,000 and \$74,999 (89%), and single GenXers (87%).

GEN-XERS' KNOWLEDGE ABOUT INVESTING

BY GENDER



BY HOUSEHOLD INCOME



[SUMMARY]

The economy has improved over the last few years, however, the slow growth and lasting effects of the “Great Recession” appear to have an enduring negative impact on GenXers’ financial condition. More are finding it difficult to pay their mortgage or rent, and more expect to retire at an older age. The effects also appear to have hit GenXers’ retirement savings. GenXers’ median savings for retirement has dropped 15% in the last two years, from \$70,400 in 2012 to \$59,800 today. Currently, of those that have money saved for retirement, 42% of GenXers have less than \$50,000 saved for retirement, up from 30% two years ago. Overall only two-thirds (65%) of GenXers have money saved for retirement, down slightly from 72% two years ago. As savings have decreased, so has confidence in attaining a financially secure retirement. GenXers’ lack of confidence in attaining a financially secure retirement doubled over the past two years. More than four out of 10 (42%) respondents have no confidence that they will have enough money to live comfortably in retirement, up from 20% two years ago.

Yet, some groups within the broader GenX population are better situated than others, namely Older GenXers, married GenXers, and GenXers with household incomes of \$75,000 or more. For example, 28% of Older GenXers with retirement savings, have \$200,000 or more saved, compared to only 6% of their Young GenXer counterparts.

This study also shows that while 67% of GenXers with money saved for retirement are not working with a financial planner, it could be in their best interest to begin working with a financial professional. GenXers who are working with a financial planner show higher levels of savings. Their median amount saved for retirement is \$90,400, twice the amount saved, \$45,500, for those that are working on their own. Furthermore, few GenXers proclaim to have high levels of knowledge on financial matters (30%), and even fewer, 11%, consider themselves to be highly knowledgeable about investing in securities. This indicates that most GenXers could benefit from professional financial assistance. Given that many GenXers are not yet working with a financial professional but can benefit from their assistance, this presents an opportunity for financial advisors. Financial professionals looking to capitalize on this opportunity will need to communicate and demonstrate the value in working with an advisor to overcome some of GenXers’ rationale for going it alone, such as being too young or not seeing the need.

As the economy continues to improve and more distance is put between GenXers and the “Great Recession,” time will tell if its lasting effects will continue to hamper the savings and retirement outlook for GenX. Fortunately, for the moment, time is on the side of GenXers. Core GenXers are still about two decades from their full retirement age under Social Security, providing ample time to adjust their retirement plans, develop sufficient savings, and attain a financially secure retirement.

[METHODOLOGY]

The Insured Retirement Institute (IRI) commissioned Woelfel Research, Inc. to conduct a survey of Generation X, people born between 1962 and 1981. For this study, referred to within as the 2014 study, a total of 800 interviews were completed via the Internet with adults between the ages of 32 to 51. The data were weighted by age and gender to the 2010 U.S. Census data. The interviews were conducted December 21 and 22, 2013. The margin of error for this study is +/- 3.5%. Data comparisons, referred to within as the 2012 study, were collected in November 2011 and analyzed in December 2011. The results were then reported in a study by IRI, “The Retirement Readiness of Generation X,” published in January 2012.



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