

# **Retirement Outlook and Policy Priorities**

*How the New President and Congress May Help Increase Retirement Confidence*

## **About Transamerica Center for Retirement Studies**

The Transamerica Center for Retirement Studies® (“The Center”) is a non-profit corporation and private operating foundation. The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates. It may be funded by unaffiliated third-parties. For more information about The Center, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).

The Center cannot give tax or legal advice. This material is presented for informational purposes only and should not be construed as advice. Interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here. Although care has been taken in preparing this material, The Center disclaims any express or implied warranty as to its accuracy and any liability with respect to it.

## **Background/Objectives**

With the Presidential election around the corner and current changes in the economy, Transamerica Center for Retirement Studies is interested in exploring the financial and political pulse among U.S. adults. Specifically,

- What are the financial priorities for Americans?
- How do Americans feel about their ability to retire comfortably?
- What policy initiatives are important to Americans with a new Presidential and Congress in 2009?

The Transamerica Center for Retirement Studies commissioned an online omnibus study to explore these issues.

## **Methodology**

Harris Interactive® fielded the study on behalf of the Transamerica Center for Retirement Studies from September 5-9, 2008 via its QuickQuery<sup>SM</sup> online omnibus service, interviewing a nationwide sample of 3,258 U.S. adults aged 18 years and older. Data were weighted using propensity score weighting to be representative of the total U.S. adult population on the basis of region, age within gender, education, household income, race/ethnicity, and propensity to be online. No estimates of theoretical sampling error can be calculated; a full methodology is available.

## **Executive Summary**

Politics and financial comfort are currently hot topics across America. As a country, how comfortable are we financially and how will this play into November’s election?

Though financial priorities vary by generation, household income, and work status, the greatest financial priorities for Americans overall are “just getting by,” followed by, “paying off debt.” Saving for retirement is third on the list even though almost half the population expects qualified company plans or other savings and investments to be their primary source of income during retirement, and only a third of the employed population even receives qualified retirement plans from their employers. Not surprisingly, only about half the total population feels confident they will be able to retire comfortably.

Similarly, to the variation in financial priorities and confidence in retirement, political attitudes also vary across groups.

## **Financial Priorities**

One third of the total population list “covering basic expenses” as the greatest financial priority and one quarter of Americans list “paying off debt” as the financial priority. However, these priorities vary by generation, income and work status.

Middle-aged generations, such as Generation X and Baby Boomers prioritize “paying off debt” first. This makes sense considering Generation X and Baby Boomers have had time, not only to acquire debt, but to also establish an income substantial enough to be able to work towards paying off some of that debt.

Logically, the younger and older generations (Echo Boomers and Matures) list “just getting by” among their top three financial priorities. Echo Boomers are just starting out and might not have the extra income to put toward savings, and other financial responsibilities, such as mortgages, and the need to support family may not have occurred yet. Similarly, the more senior Matures, may have finished saving for retirement or paying off their debt, making “just getting by” a logical priority. Unfortunately, either due to greater healthcare needs as they age, or loss of healthcare coverage, Matures also experience the task of “paying healthcare expenses” as a financial priority more than any other generation.

Financial priorities also vary by income. Households with incomes less than \$50,000 prioritize “just getting by” as a top financial concern, while those with \$50,000 or more prioritize “paying off debt.” Surprisingly, among households with incomes of \$100,000 or more, only one quarter are “saving for retirement” as a top priority.

Work status also affects financial priorities. Part-time workers, the unemployed, and those without a qualified plan most often report “just getting by” as a top financial priority. Meanwhile, full-time workers and Americans with qualified retirement plans through their employers are most likely to report “paying off debt” as a top priority.

**TABLE 1**  
**Financial Priority**

“Which one of the following is your greatest financial priority right now?”

	Total	Generation				Household Income			Work Status		Retirement Plan	
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K-\$99,999	\$100K plus	Part-time, For-profit Workers	Full-time, For-profit Workers	Employed with plan	Employed without plan
Base: All Respondents	3258	618	740	1146	641	1445	859	379	295	957	1261	723
	%	%	%	%	%	%	%	%	%	%	%	%
Just getting by – covering basic living expenses	32	41	29	26	34	47	23	12	36	23	21	36
Paying off debt (consumer debt, i.e. credit card)	26	24	33	29	17	23	33	29	22	35	34	28
Saving for retirement	12	6	10	20	9	5	14	25	11	17	20	10
Paying off mortgage	8	2	10	9	11	7	10	8	6	8	9	5
Supporting children and/or parents	6	6	10	6	1	6	5	7	4	7	8	4
Paying healthcare expenses	5	3	3	3	12	5	5	3	4	3	3	3
Other	12	18	5	7	16	7	11	15	16	7	5	13

Note: Percentages may not add up to exactly 100% due to rounding

## Retirement Planning

Americans equally expect to rely on Social Security and retirement accounts, such as 401(k)'s and IRA's, for income during retirement. However, expectations vary by age and income.

Younger generations are most likely to rely on themselves, using the money they have invested in their employer-funded retirement plans and other retirement accounts, such as IRA's, and are not expecting to rely on company-funded pension plans. Meanwhile Baby Boomers and Matures mostly expect to rely on Social Security.

Almost half of households with incomes less than \$50,000 expect to rely on Social Security as a primary source of income during retirement. As household incomes increase, the expectations to rely on Social Security decrease and more Americans begin to rely on employer-funded retirement plans and other retirement accounts instead.

Full-time workers are likely to rely on their qualified retirement plans for income during retirement. Meanwhile, part-time workers will rely equally on Social Security and their qualified plans. Not surprisingly, Americans without qualified retirement plans and those not working are more likely to rely on Social Security for income during retirement than are those employed with qualified retirement plans. Reliance on other savings and investments during retirement is expected among workers without qualified retirement plans from their employers.

**TABLE 2**  
**Income during Retirement**

“Which of the following do you expect to be your primary source of income to cover your living expenses after you retire?”

	Total	Generation				Household Income			Work Status		Retirement Plans	
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K - \$99,999	\$100K plus	Part-time, For-profit Workers	Full-time, For-profit Workers	Employed with plan	Employed without plan
Base: All Respondents	3258	618	740	1146	641	1445	859	379	295	957	1261	723
	%	%	%	%	%	%	%	%	%	%	%	%
Social Security	27	17	20	30	45	46	17	8	27	19	16	28
401(k)/403(b) accounts/IRA	27	35	34	28	7	17	31	44	27	43	44	17
Other savings and investments	18	27	17	13	20	12	20	22	23	15	13	27
Company-funded pension plan	13	4	9	18	20	10	20	17	6	10	17	3
Inheritance	2	2	4	2	1	1	2	2	1	3	2	5
Home equity	1	1	3	1	<1	1	2	1	0	2	1	2
Other	11	14	14	8	7	12	9	5	16	8	6	18

Note: Percentages may not add up to exactly 100% due to rounding

### Retirement Benefits

One third of employed Americans do not receive qualified retirement plans from their current employer. Among those who do, 25 percent do not have money invested in the plan, and this number increases among the Echo Generation and those with household incomes of less than \$50,000.

**TABLE 3**  
**Retirement Benefits**

“Which of the following retirement benefits does your company currently offer to you, personally?”

	Total
Base: Employed	1984
	%
<b>Qualified Plans Currently Offered (NET)</b>	<b>59</b>
An employee-funded 401(k) plan	48
An employee-funded 403(b) plan	7
Other employee self-funded plan, such as SIMPLE, SEP, or other plans except for 401(k)s	7
<b>A company-funded defined benefit pension plan</b>	<b>19</b>
<b>None of the above</b>	<b>34</b>

Note: Multiple response question

**TABLE 4**  
**Retirement Saving**

“Do you currently participate in, or have money invested in your company’s employee-funded retirement savings plan?”

	Total	Generation				Household Income		
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K - \$99,999	\$100K plus
Base: Have Qualified Plans Currently Offered to Them	1127	201	376	489	54	375	388	217
	%	%	%	%	%	%	%	%
Yes	75	56	78	81	73	64	76	84
No	25	44	22	19	27	36	24	16

Note: Percentages may not add up to exactly 100% due to rounding

**Confidence in Retirement**

Just more than half the total population is very or somewhat confident they will be able to retire with a lifestyle they consider comfortable. However, Americans in households with incomes of less than \$50,000 per year are not as confident.

Generation X and Baby Boomers are also not as confident as Matures or Echo Boomers that they will retire with a comfortable lifestyle. In addition, Baby Boomers are more likely than other generations to be less confident than they were one year ago in their ability to achieve a financially secure retirement.

**TABLE 5**  
**Confidence in Retirement**

“How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?”

	Total	Generation				Household Income		
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K- \$99,999	\$100K plus
Base: All Respondents	3258	618	740	1146	641	1445	859	379
	%	%	%	%	%	%	%	%
<b>Very/Somewhat Confident</b>	<b>55</b>	<b>56</b>	<b>50</b>	<b>49</b>	<b>63</b>	<b>41</b>	<b>62</b>	<b>70</b>
Very confident	15	17	8	12	24	10	18	21
Somewhat confident	40	40	42	37	40	31	44	49
<b>Not At All/Not Too Confident</b>	<b>45</b>	<b>44</b>	<b>50</b>	<b>51</b>	<b>37</b>	<b>59</b>	<b>38</b>	<b>30</b>
Not too confident	26	29	27	27	23	29	23	20
Not at all confident	19	15	23	24	14	30	15	10

Note: Percentages may not add up to exactly 100% due to rounding

**TABLE 6**  
**Confidence in Retirement**

“In the last 12 months, how has your confidence in your ability to achieve a financially secure retirement changed?”

	Total	Generation			
		Echo Boomer	Gen X	Baby Boomer	Mature
Base: All Respondents	3258	618	740	1146	641
	%	%	%	%	%
<b>A lot/A little More Confident</b>	<b>14</b>	<b>16</b>	<b>12</b>	<b>11</b>	<b>16</b>
A lot more confident	5	5	3	4	7
A little more confident	9	10	8	7	9
Neither less nor more confident	41	53	44	33	37
<b>A lot/A little less confident</b>	<b>45</b>	<b>32</b>	<b>45</b>	<b>55</b>	<b>47</b>
A little less confident	24	19	25	27	27
A lot less confident	21	13	20	28	20

Note: Percentages may not add up to exactly 100% due to rounding

## Voter Registration

The vast majority of Americans are registered to vote, and three quarters are absolutely certain or very certain they will actually vote in the upcoming election. That said, older generations are more likely to be registered to vote than Echo Boomers or Generation Xers, and they are more likely to be absolutely certain or very certain they will vote in the upcoming election. Matures, specifically are the most likely to be registered and the most likely to vote.

Voter registration also varies by employment status. Workers in companies of 500 or more employees are more likely to be registered to vote, as are full-time workers compared to their part-time worker counterparts, especially if they work in education, government, or not-for-profit. Similarly, workers in education, government, or not-for-profit are more likely overall to be certain they will vote than their for-profit counterparts. Knowing that full-time workers are more likely to be registered to vote, it is not surprising that Americans in households with incomes of \$50,000 or more are more likely to be registered to vote, and are more certain they will vote.

Among the population as a whole, more than a third of the population consider themselves to be Democrats, while only about one quarter consider themselves to be Republicans and another quarter consider themselves to be Independents. However, Matures, who are more likely to be registered to vote as well as to be certain they will vote, are more likely to be Republican. Additionally, members of households with \$50,000 or more in income, who are also more likely to be registered and to expect to vote, more frequently consider themselves to be Republican. That said, about one-third of the population has a household income of less than \$50,000, and a larger percentage of this group than any other group consider themselves to be Democrat. More than three quarters are also certain they will vote.

**TABLE 7**  
**Voter Registration**  
"What is your current voter registration status?"

	Total	Generation				Household Income			Work Status	
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K - \$99,999	\$100K plus	Part-time, For-profit Workers	Full-time, For-profit Workers
Base: All Respondents	3258	618	740	1146	641	1445	859	379	295	957
	%	%	%	%	%	%	%	%	%	%
I am registered to vote	87	80	84	90	94	82	91	91	81	87
I am not registered to vote	10	15	12	8	5	13	7	6	14	9
I am not sure if I am currently registered to vote	3	5	4	2	1	5	2	2	5	3

Note: Percentages may not add up to exactly 100% due to rounding

**TABLE 8**  
**Likelihood to Vote**  
"The presidential election will be held on November 4<sup>th</sup>. How certain are you that you will vote?"

	Total	Generation				Household Income			Work Status	
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K - \$99,999	\$100K plus	Part-time, For-profit Workers	Full-time, For-profit Workers
Base: All Respondents	3258	618	740	1146	641	1445	859	379	295	957
	%	%	%	%	%	%	%	%	%	%
<b>At Least Probably Will Vote (Net)</b>	<b>82</b>	<b>76</b>	<b>78</b>	<b>85</b>	<b>89</b>	<b>78</b>	<b>86</b>	<b>88</b>	<b>78</b>	<b>83</b>
<b>Absolutely/Very Certain Will Vote (Sub-Net)</b>	<b>75</b>	<b>66</b>	<b>70</b>	<b>79</b>	<b>84</b>	<b>68</b>	<b>80</b>	<b>83</b>	<b>69</b>	<b>77</b>
Absolutely certain will vote	67	55	61	71	78	60	71	73	57	69
Very certain will vote	8	11	9	7	6	8	8	10	13	8
Probably will vote	7	10	8	6	4	10	7	5	9	7
<b>Certainly/Probably Will Not Vote (Net)</b>	<b>13</b>	<b>17</b>	<b>16</b>	<b>12</b>	<b>9</b>	<b>16</b>	<b>12</b>	<b>11</b>	<b>16</b>	<b>13</b>
Probably will not vote	3	5	3	4	2	5	3	2	6	4
Certainly will not vote	10	11	13	9	7	11	9	9	10	9
<b>Not sure</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>4</b>

Note: Percentages may not add up to exactly 100% due to rounding

**TABLE 9**  
**Party ID**

“Regardless of how you may vote, what do you usually consider yourself?”

	Total	Generation				Household Income			Work Status	
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K-\$99,999	\$100K plus	Part-time, For-profit Workers	Full-time, For-profit Workers
Base: All Respondents	3258	618	740	1146	641	1445	859	379	295	957
	%	%	%	%	%	%	%	%	%	%
Democrat	39	39	35	43	33	42	37	35	37	38
Republican	27	19	28	26	36	23	32	35	27	27
Independent	25	27	27	23	26	24	25	25	29	26
Other	9	14	10	8	4	11	7	5	8	8

Note: Percentages may not add up to exactly 100% due to rounding

### Policy and Legislative Priorities for the New President and Congress

More than half of Americans agree that fully-funded Social Security in its current state should be a top priority for the new President and Congress in January 2009, followed by educating Americans early by implementing a financial literacy curriculum in the schools.

Matures and people with household incomes less than \$50,000 most often feel fully-funded Social Security in its current state should be a top priority. Echo Boomers, on the other hand, feel importance is more equally split between fully funding Social Security and educating Americans early by implementing a financial literacy curriculum in schools.

Given the number of Matures who list “paying healthcare expenses” as a top priority, it is not surprising more than a third also think providing incentives for the purchase of long-term care insurance should be a top priority of the new President and Congress.

**TABLE 10**

**Policy and Legislative Priorities for the New President and Congress**

“In January, 2009 there will be a new President and Congress. What policy and legislative changes should be their top three priorities to improve Americans’ ability to achieve a financially secure retirement?”

	Total	Generation				Household Income		
		Echo Boomer	Gen X	Baby Boomer	Mature	HHI < \$50K	\$50K - \$99,999	\$100K plus
Base: All Respondents	3258	618	740	1146	641	1445	859	379
	%	%	%	%	%	%	%	%
Fully fund Social Security in its current state to ensure Americans receive their guaranteed benefits	57	37	51	64	77	61	60	50
Educate Americans early by implementing a financial literacy curriculum in the schools	34	40	28	29	37	31	32	37
Encourage 401(k) plans to offer to pay benefits in a form that guarantees retirees a set level of monthly income, regardless of how long they live	28	26	27	30	28	27	27	35
Provide tax credits to workers (earning up to \$50,000 of annual income) who make contributions to an IRA or a 401(k) plan (or a similar plan, such as a 403(b) plan)	26	27	27	29	20	26	27	29
Provide incentives for the purchase of long-term care insurance. (Long-term care insurance covers the cost of nursing home care and/or the cost of at-home care for individuals unable to fully function on a day-to-day basis.)	24	19	19	25	34	25	24	23
Ensure that all workers have the ability to contribute to a 401(k) plan (or a similar type of plan, such as a 403(b) plan)	21	22	19	23	20	20	21	29
Ensure that all workers not covered by a 401(k) plan (or similar plan) have the ability to make regular IRA contributions at the workplace through payroll deduction	20	19	18	21	24	21	20	19
Privatize Social Security by creating individual savings accounts	18	24	21	15	13	16	19	25
Encourage financial education at the workplace through employer incentives and other reforms	15	20	14	13	13	13	16	15
Other	18	21	23	15	10	18	15	11

Note: Multiple response question

**So, what does this mean for the upcoming election?**

With the low number of Americans believing they will retire comfortably and the other financial pressures Americans are feeling, it is no surprise that, among other things, more than half believe fully funded Social Security in its current state should be a top priority for the new President and Congress. However, some concerns do vary across different segments in the population, such as Matures who believe providing incentives for the purchase of long-term care insurance should also be a top priority.

Almost nine in ten people are currently registered to vote and three quarters are certain they will vote. That said, some segments are more certain they will vote than others, such as Matures, those with household incomes of \$50,000 or more, full-time workers, workers in large companies, or for government, education or not-for-profit workers.

Of these groups, Matures and households with incomes of \$50,000 or more, more often consider themselves to be Republican and are more likely to vote. There is a third of the population with household incomes under \$50,000, most of which considers themselves to be Democrats. However, fewer of these Americans expect to vote. If Democrats want to win in November, they need to call on all their registered voters to come to the polls on Election Day.

**About Harris Interactive®**

Harris Interactive is a global leader in custom market research. With a long and rich history in multimodal research that is powered by our science and technology, we assist clients in achieving business results. Harris Interactive serves clients globally through our North American, European and Asian offices and a network of independent market research firms. For more information, please visit [www.harrisinteractive.com](http://www.harrisinteractive.com)

TCRS 1012-1008