
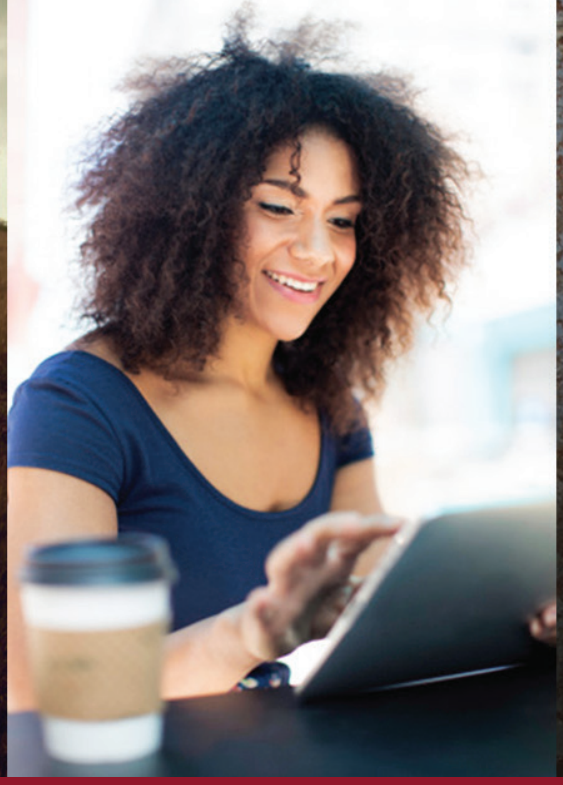


Three Unique Generations with Very Different Retirements Ahead of Them:

Baby Boomers, Generation X, and Millennials

A White Paper by **Catherine Collinson**

TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

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The year 2014 represents a confluence of economic and demographic occurrences. As the U.S. economy and American workers are still recovering from the Great Recession, 2014 marks the year that the last of the Baby Boomers will be turning 50 and the eve of Generation X's midcentury milestone birthday.

As part of the 15th Annual Transamerica Retirement Survey, one of the largest and longest-running national surveys of its kind, this white paper examines current trends among American workers and compares the retirement outlooks of three unique generations: Baby Boomers, Generation X, and Millennials.

2%

of workers believe that the Great Recession has ended with a full economic recovery.

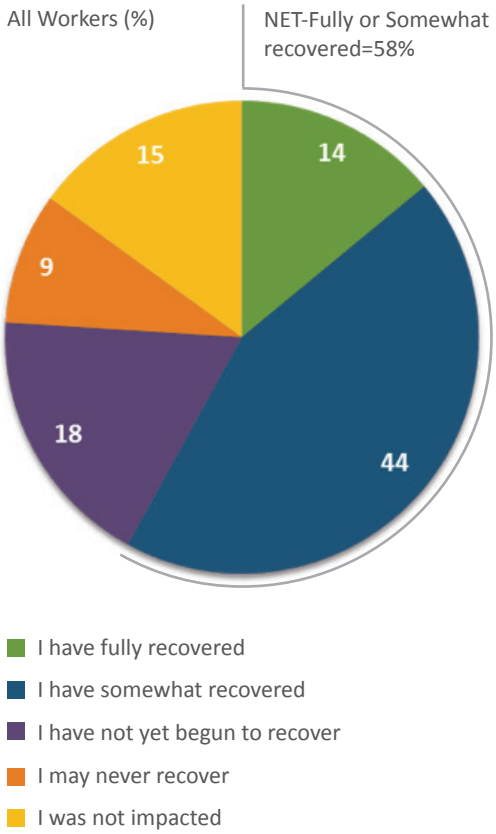
After the Storm: American Workers' Recovery from the Economic Downturn

Economists have pinpointed the Great Recession as lasting from December 2007 through mid-2009 when the recovery began. In 2014, American workers have their own opinions about the state of the recovery:

- Only two percent of workers believe that the Great Recession has ended with a full economic recovery;
- Sixty-five percent of workers believe that it has ended but with mixed views about the current state of the recovery; and
- Thirty-five percent of workers believe the Great Recession has not yet ended. An even higher percentage of Baby Boomers (40 percent) believe that it has not ended.

Few workers were unscathed by the Great Recession. However, the majority of workers (58 percent) now say that they are financially recovering: 14 percent have fully recovered and 44 percent have somewhat recovered. Another 15 percent say they were not impacted.

How would you describe your financial recovery from the Great Recession?



Three Unique Generations with Very Different Retirements Ahead of Them

Experts have long written about the changing retirement landscape over the past century. Times are changing so rapidly that the retirements of Baby Boomers, Generation X, and Millennials will not only be a radical departure from their parents' generations but from each other as well.

Baby Boomers: Pioneers of a New Retirement Paradigm

Baby Boomers (born between 1946 and 1964) are pioneering a new retirement paradigm and are proving that working in retirement and taking time for leisure are not mutually exclusive. Many Baby Boomers were already mid-career when the retirement landscape shifted from defined benefit plans to 401(k) or similar plans. They have not had a full 40-year time horizon to save in 401(k)s and experience the full effects of long-term compounding of their investments.

Many Baby Boomers were hit hard during the Great Recession and, unlike younger generations, they have less time to financially recover before they retire. TCRS found Baby Boomers to have total household retirement savings of $127,000 (estimated median), an increase from $75,000 in 2007, however, not enough to meet retirement needs for many. This savings shortfall helps to explain the sharp increase in Baby Boomers who expect to rely on Social Security as their primary source of income when they retire – now 36 percent, up from 26 percent in 2007.

Sixty-five percent of Baby Boomers plan to work past age 65 or do not plan to retire -- and most (52 percent) expect to continue working, at least on a part-time basis (42 percent), when they retire. Only 21 percent plan to immediately stop working when they retire.

Most of those who plan to continue working say it's for reasons of income or health benefits.

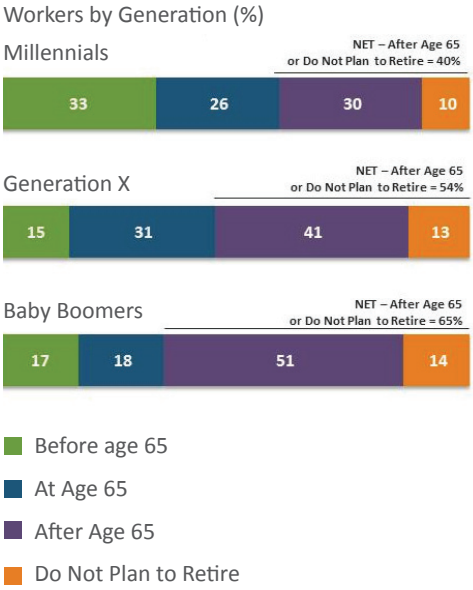
The best of intentions to continue working and fully retire at an older age can be easily derailed with a lack of planning. Baby Boomers are not being sufficiently proactive about taking important steps to help ensure that they continue working beyond 65 or have a Plan B if retirement happens unexpectedly.

Among Baby Boomers, the survey found:

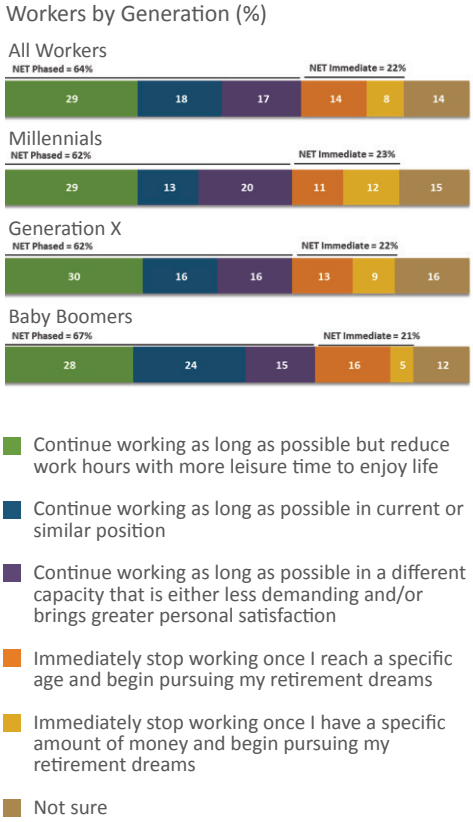
- Many (65 percent) are staying healthy so they can continue working;
- Fifty-four percent are focused on performing well at their current job;
- Forty-one percent are keeping their job skills up to date;
- Sixteen percent are networking and meeting new people;
- Fourteen percent are scoping out the employment market and possible opportunities; and
- Only five percent are going back to school and learning new skills.

Just 26 percent have a backup plan if forced into full retirement sooner than expected due health issues, job loss, or other unforeseen circumstances.

What age do you expect to retire?



How do you envision transitioning into retirement?



The survey also revealed a pervasive disconnect between Baby Boomers and their employers. While many Baby Boomers have intentions of shifting from full-time to part-time as they transition into retirement, only 21 percent say their employers have programs in place to accommodate such a shift.

Baby Boomers who are envisioning a transition into retirement that involves working should do a reality check whether their current employers will support them. If not, they may need to consider alternatives, such as seeking new employment opportunities or pursuing something entrepreneurial. All of these scenarios require being proactive and strategic.

Generation X: The 401(k) Generation

Generation X (born between 1965 and 1978) entered the workforce in the mid- to late-1980s just as 401(k)s were being implemented and defined benefit plans were beginning to disappear. It is the first generation to have access to 401(k)s for most of their working careers.

Generation X is the 401(k) generation. The survey found that among Generation Xers:

- More than half (52 percent) expect to self-fund their retirement with 401(k)s, 403(b)s, and/or IRAs;
- Ninety-one percent highly value 401(k) or similar plans as an important benefit;
- Among those offered a plan, 84 percent participate in the plan and participants contribute 7 percent (median) of their annual salary.

Unfortunately, Generation X has been more likely than other generations to take advantage of 401(k) features such as loans and early withdrawals, which when initially introduced were thought to incent plan participation, but are now also viewed as a double-edged sword which can be destructive of long-term growth of retirement nest eggs. Twenty-seven percent of current 401(k) participants have taken a loan and/or early withdrawal.

Generation X workers estimate that they will need to save $1,000,000 (median) to retire with a comfortable lifestyle; however, their total household retirement savings is $70,000 (estimated median), an increase from $32,000 reported in 2007. This profound gap between what they estimate they will need and what they have saved to date helps explain why the majority of Generation X (54 percent) plans to work past age 65 or does not plan to retire.

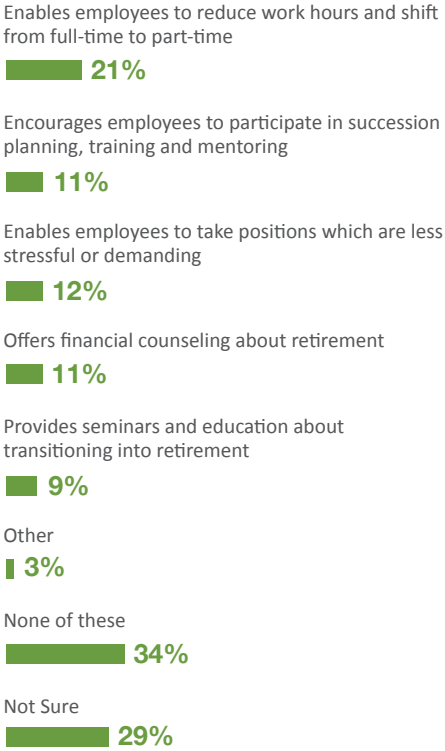
Generation X will begin turning 50 next year, a loud wakeup call for them to get laser-focused on planning, saving, and investing for retirement. Their clock is ticking but they still have time to substantially improve their retirement prospects. The future is now.

Have you taken any steps to ensure that you'll be able to continue working past 65 or in retirement if needed?

Baby Boomers (%)

Workers' Perceptions on Employers Helping Their Employees Transition into Retirement

Baby Boomers (%)



Millennials: The Digital DIY Generation of Super Savers

Millennials (born after 1978) have lofty aspirations about their future retirement. The majority (60 percent) plan to retire either before or at age 65. Most plan to continue working when they retire, with many intending to do so for enjoyment.
Millennials are a digital do-it-yourself generation of super savers. They've heard and responded to the message they need to start early and save as much as possible. The survey found that 70 percent of Millennials are already saving for retirement and started at an unprecedented age of 22 (median).

Two out of three (66 percent) Millennials expect to self-fund their retirement through retirement accounts (e.g., 401(k)s, 403(b)s, IRAs) or other types of savings and investments. Among Millennials who are offered a 401(k) or similar plan, 71 percent are participating in the plan and participants contribute 8 percent (median) of their annual salary. Even more impressive, among Millennials currently participating in their plan whose employer offers a matching contribution to the plan, the salary contribution rate increases to 10 percent (median).

Millennials are early adopters of digital technologies to assist with their savings:

- Seventy-one percent say mobile apps to manage their accounts are helpful (compared to just 47 percent of Baby Boomers);
- Sixty-eight percent say that mobile apps from their plan provider including tools and calculators are helpful (compared to just 49 percent of Baby Boomers); and
- Sixty-one percent say information on social media (e.g., Twitter, Facebook) from their plan provider is helpful (compared to only 28 percent of Baby Boomers).

Hungry for more education, nearly three in four (73 percent) say they would like more information and advice from their employers on how to achieve their retirement goals. Millennials take their retirement benefits very seriously. Our research found that two out of three Millennials say they would likely switch employers for a similar job that offered better retirement benefits.

Please visit TCRS www.transamericacenter.org to view the full survey report and additional materials. Follow TCRS on Twitter @TCRStudies.

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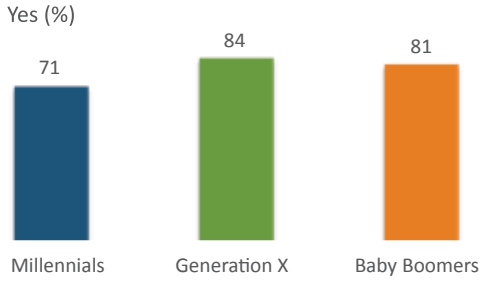
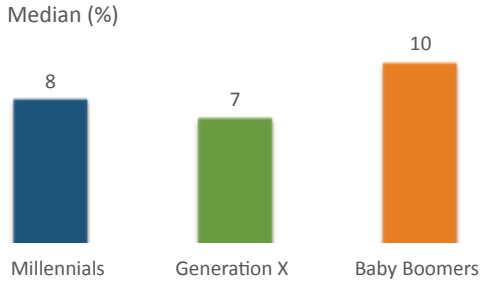
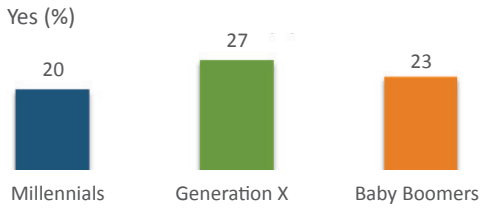
Participates in 401(k) or Similar Plan



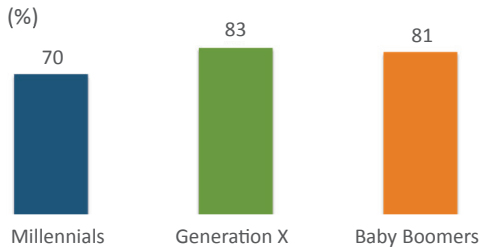
Percentage of Annual Salary Saved in Plan (among those participating)



Have Taken a Loan or Early Withdrawal From 401(k) or Similar Plan or IRA (among those participating)



Workers Who Are Saving For Retirement Through an Employer-Sponsored Retirement Plan and/or Outside of Work



Age Started Saving for Retirement (Median)

22 years **27 years** **35 years**

About the Author

Catherine Collinson serves as President of the Transamerica Institute℠ and Transamerica Center for Retirement Studies,® and is a retirement and market trends expert and champion for Americans who are at risk of not achieving a financially secure retirement. Catherine oversees all research and outreach initiatives, including the Annual Transamerica Retirement Survey.

With over 15 years of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small business, which featured the need to raise awareness of the Saver's Credit among those who would benefit most from the important tax credit. Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: The Wall Street Journal, U.S. News & World Report, USA Today, Money, The New York Times, The Huffington Post, Kiplinger's, CBS MoneyWatch, Los Angeles Times, Chicago Tribune, Employee Benefits News and HR Magazine. She has also appeared on PBS' "Nightly Business Report," NPR's "Marketplace" and CBS affiliates throughout the country. Catherine speaks at major industry conferences each year and also authors articles published in leading industry journals.

She is currently employed by Transamerica Retirement Solutions Corporation as Senior Vice President of Strategic Planning. Since joining the organization in 1995, she has been instrumental in identifying and evaluating short- and long-term strategic growth initiatives, developing business plans and building infrastructure to support the company's high-growth strategy.

About Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies (TCRS) is a division of the Transamerica Institute,℠ a nonprofit, private foundation. TCRS is dedicated to conducting research and educating the American public on trends, issues, and opportunities related to saving, planning for, and achieving financial security in retirement.

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About the 15th Annual Transamerica Retirement Survey

The survey was conducted online within the United States by Harris Poll on behalf of Transamerica Center for Retirement Studies between February 21 – March 17, 2014 among a nationally representative sample of 4,143 full-time and part-time workers, including 1,805 Baby Boomers, 1,120 Generation X and 1,021 Millennials. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full-time workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted to account for differences between the population available via the Internet versus by telephone, and to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. No estimates of theoretical sampling error can be calculated.

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