The Happiness Formula
Expectations, Realities and Drivers of Retirement Satisfaction

Catherine Reilly, CFA®
Global Head of Research, Defined Contribution

Michelle Connelly
Head of Participant Engagement, Defined Contribution

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Survey Objectives

Gain understanding of the retirement landscape from several different angles

Anticipated level of income in retirement

Expectations on:
- Savings
- Spending
- Sacrifices

Challenges to changing work patterns and an extended work life:
- Retire later
- Part-time work

Differences between age groups & between countries
**Survey Methodology**

15 minute online survey

<table>
<thead>
<tr>
<th>Questionnaire Topics</th>
<th>Sample Groups</th>
<th>Key Criteria</th>
<th>Countries covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Overall attitudes to retirement</td>
<td>• (WP) Working Population</td>
<td>• All primary decision makers for financial services</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>• Preparing/advice/support for retirement</td>
<td>Working and not planning to retire in the next 5 years</td>
<td>• All 25+ years old</td>
<td>USA</td>
</tr>
<tr>
<td>• Funding Retirement</td>
<td>• (AR) Approaching Retirement</td>
<td>• All have DC pension except for Ireland, Italy, Netherlands and Germany</td>
<td>Ireland</td>
</tr>
<tr>
<td>• Expectations and Reality of Retirement Life and Income</td>
<td>Working and planning to retire in the next 5 years</td>
<td></td>
<td>Australia</td>
</tr>
<tr>
<td>• Hindsight, advice</td>
<td>• (RR) Recently Retired</td>
<td></td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td>Recently retired within the last 5 years</td>
<td></td>
<td>Netherlands</td>
</tr>
<tr>
<td></td>
<td>• (LR) Later in Retirement</td>
<td></td>
<td>Sweden</td>
</tr>
<tr>
<td></td>
<td>Retired more than 5 years ago</td>
<td></td>
<td>Germany</td>
</tr>
</tbody>
</table>

Source: YouGov, Global Retirement Research, Key Findings
Source: SSGA Global Retirement Reality Report 2018 Chapter One
# Higher Assets Don’t Buy Happiness

<table>
<thead>
<tr>
<th>Assets/ GDP</th>
<th>Mercer Ranking</th>
<th>Retirement Optimism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>Netherlands</td>
<td>US</td>
</tr>
<tr>
<td>US</td>
<td>Australia</td>
<td>Australia</td>
</tr>
<tr>
<td>Australia</td>
<td>Ireland</td>
<td>Sweden</td>
</tr>
<tr>
<td>Sweden</td>
<td>Sweden</td>
<td>Germany</td>
</tr>
<tr>
<td>UK</td>
<td>UK</td>
<td>Ireland</td>
</tr>
<tr>
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<td>Germany</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Italy</td>
<td>Italy</td>
<td>UK</td>
</tr>
<tr>
<td>Germany</td>
<td>US</td>
<td>Italy</td>
</tr>
</tbody>
</table>

Source: SSGA Global Retirement Reality Report 2018
The Happiness Formula

trust +

ownership +

preparedness =
Trust in the systems that provide and govern the savings experience.

Do you trust the system? Is it predictable and sustainable?

1. Degree of recent pension reform
2. Increase in future retirement ages
3. Projected increase in public spending on retirement
A Stable System Fosters Trust

Stability of Retirement System

- Ireland
- Germany
- Australia
- Sweden
- United States
- UK
- Italy
- Netherlands

more stable =>

Source: SSGA
Confidence is Higher in Established DC Systems

Share of respondents who are confident that they would be able to afford their desired lifestyle in retirement

US: 37%
Sweden: 35%
Australia: 31%
Germany: 26%
UK: 22%
Ireland: 13%
Netherlands: 12%
Italy: 9%

Source: SSGA
Current State of Trust in the US
Increasing Trust in the DC System

Within DC Plans
• Automatic enrollment at 6% or higher
• QDIA in a TDF
• Company match program
• Auto escalation
• Re-enrollment
• Retirement Income

Outside DC Plans
• Expand coverage

Source: SSGA
Ownership of the individuals who participate in retirement savings

Do You Understand the System and Embrace Your Personal Responsibility?

1. Who is responsible for retirement?
2. How much choice do people have?
3. Do they understand the value of advice?
Higher Degrees of Ownership Correlate with Higher Satisfaction

Source: SSGA
Each country was scored on a scale of 1 to 5 on each dimension then the average of the scores was calculate to obtain the overall score.
Americans See Themselves in the DC Driver’s Seat

Who is most responsible for making sure that you have adequate income in retirement?

- Myself: 88%
- Employer: 65%
- State: 16%

Source: SSGA
Americans Understand What’s “Under the Hood”

How aware are you of…?

<table>
<thead>
<tr>
<th>How much you currently have saved</th>
<th>The tax benefit associated with DC savings</th>
<th>What your DC plan is invested in</th>
</tr>
</thead>
<tbody>
<tr>
<td>US 86%</td>
<td>Global ex US (Avg.) 44%</td>
<td>74%</td>
</tr>
<tr>
<td>US 74%</td>
<td>Global ex US (Avg.) 31%</td>
<td>66%</td>
</tr>
<tr>
<td>US 66%</td>
<td>Global ex US (Avg.) 27%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: SSGA
Americans Are Use to Making Choices

How much choice have you had when deciding…?

<table>
<thead>
<tr>
<th>Working Population</th>
<th>The money you contribute</th>
<th>Access to your funds</th>
<th>The date of retirement</th>
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<td>27%</td>
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Source: SSGA
Employees Look to Employers

What do you expect from your employer regarding retirement readiness support?

- Being made aware of options: 86% US, 71% Global ex US (Avg.)
- Receiving consultation and advice: 67% US, 58% Global ex US (Avg.)
- Receiving recommendations for a solution that is specific to my needs: 49% US, 44% Global ex US (Avg.)

Source: SSGA
US Participants Want More Advice from Employers

Source: SSGA
Create a Strong Sense of Ownership

1. Evaluate participant behavior
   Use plan data to understand your employees’ participation, savings and asset allocation as indicators of levels of ownership.

2. Connect problems to solutions
   Drive accountability for financial-decision making. Illustrate the real impact of financial decisions on employee’s lives.

3. Focus participants on their next best step
   Approach your communications strategy by focusing in on the one thing you want a participant to do.
Case Study: Company Match

Objective
› Correct savings behavior so participants who contribute benefit from the full company match
› Help employees understand how their match program works

Considerations
› Complex plan design communicated simply so participants clearly understand

Program
› Developed infographics within communications to illustrate different behaviors

Here are a few examples:

Example 1 – Pre-Tax Contributions Spread Evenly Over the Year

Jane earns $10,000 per month and contributes 16% or $1,600 per month to the 401(k) Plan. She reaches the IRS $18,500 pre-tax limit at the last pay period of 2018. Each pay period she gets a 5% Company match of her base earnings – $500/month. In 2018, her total 401(k) savings are $24,500 ($18,500 of contributions and $6,000 in Company match).

Jane: Base salary: $10,000 per month
Contribution rate = 16% of $1,600 per month
Company match: 5% of $1,600
Reaches IRS limit at last pay period of 2018
Total annual savings: $24,500

Example 2 – Pre-Tax Contributions are Accelerated (“Front-Loaded”) Early in the Year

John earns $10,000 per month and wants to save the $18,500 annual pre-tax maximum as soon as possible. He contributes 25% of pay and reaches the 401(k) limit in early August. His 401(k) match is $500 per month or $4,000 for the year. Both his pre-tax contributions and Company match stop in August. In 2018, his total 401(k) savings are $22,500 ($18,500 of contributions and $4,000 in Company match).

John: Base salary: $10,000 per month
Contribution rate = 25% of $2,500 per month
Company match: 5% of $2,500
Reaches IRS limit in early August
Total annual savings: $22,500
Preparedness as expressed by individuals’ confidence regarding their level of retirement readiness

Do You Have Enough?
1. Do people feel prepared?
2. Do they expect to make sacrifices?
3. Are they confident that they can afford their desired lifestyle?
4. Are they confident that their money will last?
The Savings Shortfall

Approximately 1 in 4 actively working respondents is concerned about not saving enough.

Less than half of US workers surveyed reported saving 10% or more in a retirement plan.

Source: SSGA
Retirement Savings Confidence

Bridging the Gap Between Savings and Spending Needs

Slightly more than half of those approaching retirement are confident that their savings will cover some to all retirement expense

% of workers who believe their savings will be close to covering expenses in retirement

Source: SSGA Global Retirement Reality Report 2018 Chapter One
Spending Expectations Meet Reality
Retirees are less adventurous than they think they will be!

Retirees spend more on comforts and family

Retirees spend less on adventure and new experiences

Source: SSGA Global Retirement Reality Report 2018 Chapter One
Pre-retirees: the average of WP and AR in all the countries.
Post-retirees: the average of RR and LR in all the countries.
Modified Behaviors to Better Fund Retirement

**Retiring Later**
Young workers expect to retire later

**Part-time work**
People approaching retirement increasingly expect to work part-time

**Downsize Homes**
Many workers expect to downsize their homes, but few retirees do

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Source: SSGA Global Retirement Reality Report 2018 Chapter One
Increase Preparedness by Leaning on Best Practices

1. **Build programs that engage and matter**
   Create a more holistic strategy to increase efficacy

2. **Segment programs and communications**
   Use data to organize employees into groups based on demographics, behaviors and psychographics; tailor programs to meet each segment’s particular needs

3. **Create awareness by communicating year-round**
   Provide ongoing education that engages employees to better understand and use their benefits
Create Programs that Matter

Retirement 101
Build a program that explains the basics of retirement planning, the importance of saving and investing for retirement.

Savings Boot Camp
Create a program with savings targets and spending reductions that helps employees experiment with better savings and spending habits.

Roll It In
Help new hires consolidate qualified retirement accounts from previous employers into your DC plan.
Changing Working Patterns Lead to Need for Flexibility and Security

The majority of workers see themselves as responsible for retirement income. Most workers would value an employer-provided retirement income solution.

34% Security
A stable retirement income that lasts for all of my life, even if it means I lose flexibility and cannot change the amount I receive from month to month

42% Flexibility + Security
Flexible access to part of my retirement savings in the early years of retirement and use of the remaining portion for stable income in later years

24% Flexibility
Flexible access to my retirement savings even if that means the savings might run out before I die

Source: SSGA Global Retirement Reality Report 2018 Chapter One
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What can Employers Learn from Participants?

1. Develop ongoing and relevant communications to help employees understand their degree of retirement readiness and motivate them to stay engaged.

2. Give participants additional access to advice, either through human or robo-advisor channels.

3. Offer retirement income solutions to enhance employees’ confidence and support more financially secure retirement outcomes.

Source: SSGA Global Retirement Reality Report 2018
How to Boost Retirement Happiness
What Can Employers and Policymakers Do?

**Build trust**
- Keep the system stable, transparent and predictable
- Provide easily comprehensible illustrations of the impact of changes

**Foster ownership**
- Help people to understand the impact of the decisions that they can make

**Empower preparedness**
- Translate savings balances into meaningful metrics (income projections)
- Offer appropriate investment solutions for the saving and spending phases

Source: SSGA Global Retirement Reality Report 2018
Conclusion

• Expectations regarding spending patterns and income needs in retirement are broadly consistent

• There is an increasing realization among the younger generations that they will have to modify their behavior compared to previous generations in regards to retirement

• Young workers intend to keep working to an older age or engage in part-time work – the retirement offering will need to evolve accordingly

Source: SSGA Global Retirement Reality Report 2018 Chapter One
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