

# **2018 Global Retirement Reality Report US Snapshot**

---

# Rising to the Challenge

## The Expectations and Reality of Retirement

---

When it comes to retirement, Americans are refreshingly optimistic—though there is room for enhanced financial fitness, with a little help from their employers.

The relative optimism of Americans with respect to their retirement may be a result of their familiarity with the defined contribution (DC) system. Having gained traction in the 1980s, the DC savings construct is well-established in the United States. While most individuals report using multiple sources of income to fund their retirement, such as Social Security and defined benefit (DB) plans, our survey found that over half (53%) of the US respondents expect DC savings will play a significant role in funding their retirement.

However, DC familiarity and dependence only paint a partial picture. Two critical issues cloud the horizon: 1) most people participating in DC plans aren't saving enough and 2) plans are not available to everyone. In fact, only about half of US employees have access to an employer-sponsored retirement plan. Because all survey respondents participate in a DC or private savings plan, this means that our survey is capturing the viewpoints of a population that is better paid and has more retirement savings options available to them than the general workforce.

In this report, we'll examine both the sanguine view of this population and the savings shortfall—and recommend actionable tips on how employers can provide support.

## Survey Methodology

During the first quarter of 2018<sup>1</sup>, State Street conducted an online survey, in conjunction with YouGov, across eight countries representing a range of retirement systems.

We interviewed 9,451 people at every stage of the retirement saving journey, from those new to the workforce to those later in retirement, to better understand the milestones and inflection points across the whole savings journey. All respondents participate(d) at some level in a DC or private savings plan.

### Sample Groups

<b>WP:</b> Working Population	Working and not planning to retire in the next 5 years
<b>AR:</b> Approaching Retirement	Working and planning to retire in the next 5 years
<b>RR:</b> Recently Retired	Retired within the last 5 years
<b>LR:</b> Later in Retirement	Retired more than 5 years ago

<b>Australia</b>		<b>Germany</b>		<b>Ireland</b>	
WP	400	WP	423	WP	400
AR	400	AR	398	AR	148
RR	228	RR	152	RR	54
LR	195	LR	54	LR	2
Total	1,223	Total	1,027	Total	602

<b>Italy</b>		<b>Netherlands</b>		<b>Sweden</b>	
WP	420	WP	410	WP	542
AR	300	AR	250	AR	149
RR	263	RR	164	RR	233
LR	154	LR	203	LR	251
Total	1,137	Total	1,027	Total	1,175

<b>UK</b>		<b>US</b>	
WP	415	WP	419
AR	384	AR	407
RR	403	RR	415
LR	401	LR	416
Total	1,603	Total	1,657

---

# Key Findings from the US

## Finding 1 Americans see themselves in the DC driver's seat

Americans embrace the view that they themselves, rather than the state or their employer, are responsible for making sure they have adequate income in retirement. More than 86% of working Americans see themselves as responsible for ensuring an adequately funded retirement—the highest of all countries surveyed. They also have a realistic idea of what level of income they are likely to require in retirement. In fact, pre-retirees' expected income replacement ratio (65% of income) closely mirrors actual ratios cited by retirees (64% of income).

Given the tenure and centrality of the DC system, it's not surprising that a high proportion of Americans expect DC savings to be their primary source of income in retirement. Only in Australia does DC play an even larger role in retirement income. Further reflecting this sense of responsibility, over 92% of respondents in all age groups assign a high level of importance to being financially prepared for retirement, more than in any other country.

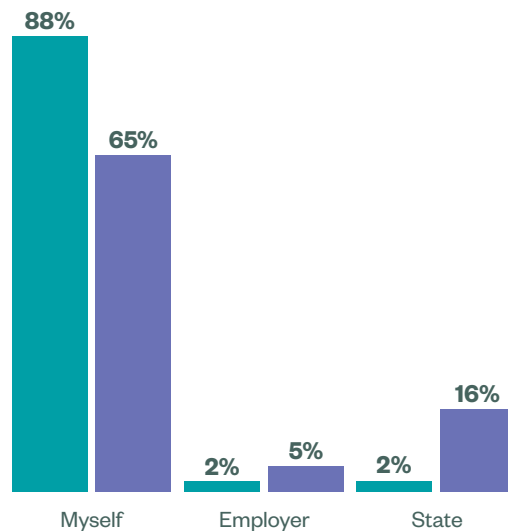
So it makes sense that Americans are actively engaged in DC planning.

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

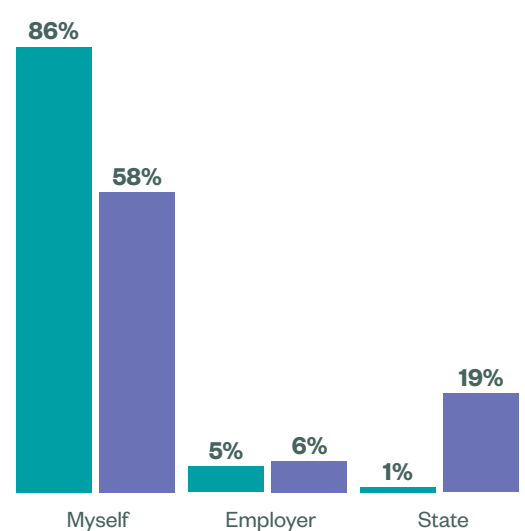
Please rank the following in order of high to low responsibility.

■ US  
■ Global ex US (Avg.)

#### Working Population (WP/AR Avg.)



#### Retired Population (RR/LR Avg.)



## Finding 2 They understand what's "under the hood"

Americans report the greatest level of investment awareness of the savers we surveyed. What's more, American retirees appear to be sincerely satisfied with the control they exercise over their DC plans; nearly 60% report that they are extremely happy with the options they chose in funding their retirement while 80% saw themselves as having significant choice in selecting how they would use their retirement savings. These insights suggest an important connection between awareness, choice, and satisfaction.

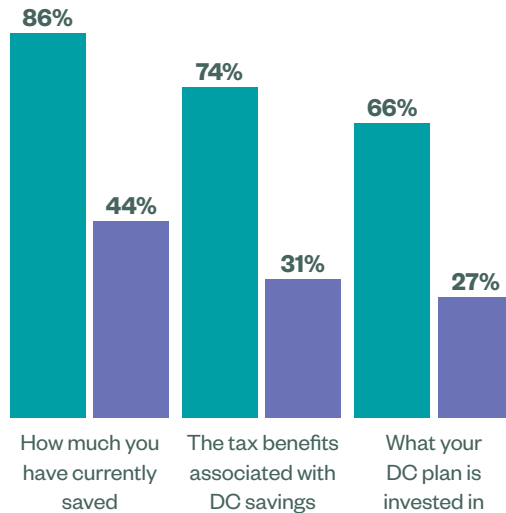
Of the retirees who reported not being satisfied with their choice of solution for funding their retirement, 60% said they would have preferred a spending solution that offered more security. We'll take a closer look at retirement income solutions, both respondents' preference and employers' roles, later in this report.

### How aware are you of...?

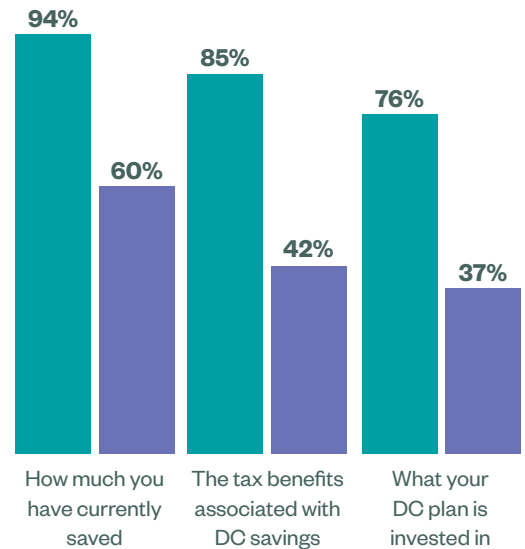
■ US  
■ Global ex US (Avg.)

Respondents were asked to rate their level of awareness based on a 3-point scale ranging from Not Aware, Somewhat Aware, to Aware. Percentages represent the concentration of 'Aware' responses.

### Working Population Reporting to be Aware of Plan Details



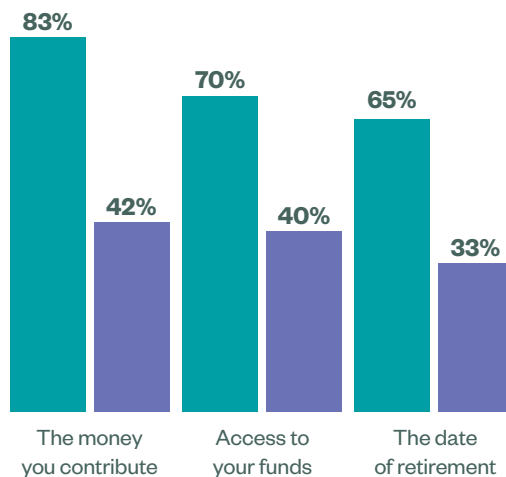
### Approaching Retirement Reporting to be Aware of Plan Details



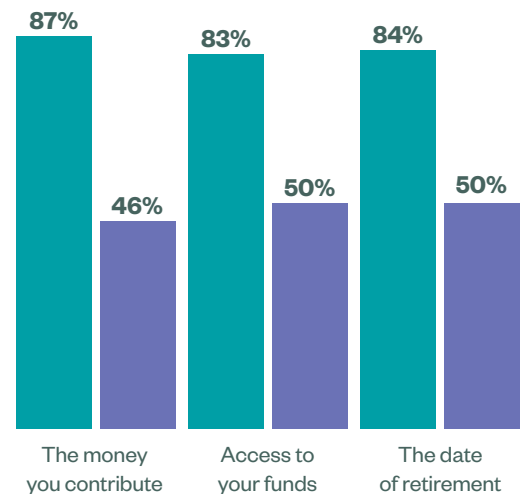
### How much choice have you had when deciding...?

■ US  
■ Global ex US (Avg.)

### Working Population



### Approaching Retirement



### Finding 3 A savings shortfall persists

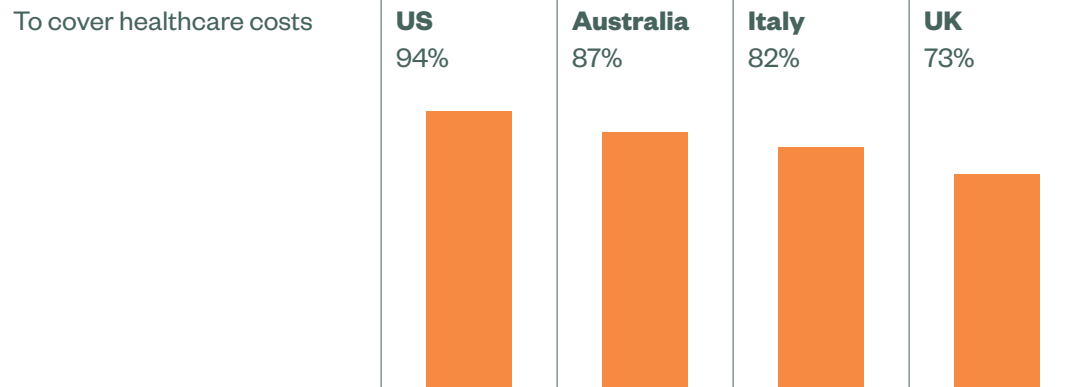
Despite Americans' optimism and awareness surrounding retirement issues, many still have savings shortfalls. Approximately 1 in 4 actively working respondents is concerned about not saving enough. Indeed, less than half of US workers surveyed reported saving 10% or more in a retirement plan.

Respondents recognize the savings gap and are taking a number of pragmatic approaches to bridging it, including:

- 60% or more of workers approaching retirement who expect to have a retirement shortfall plan to bridge this by working part-time in retirement.
- 40% of workers approaching retirement expect to retire later.
- Savings levels tend to increase as people near retirement—likely since they have both more disposable income and a greater sense of urgency.

Savings shortfalls don't only relate to how money is saved, but also how it is spent in retirement. In the US, higher out-of-pocket healthcare costs can quickly devour savings, as echoed by a recent Consumer Bankruptcy Project study focusing on people 65 to 74 years of age.<sup>3</sup> Over half of the Americans surveyed cite healthcare as a top retirement spending priority, particularly in the later years of life:

#### Why will you need more money later [in retirement]?



Base sizes too low to show Netherlands, Ireland, Germany and Sweden

As the costs and complexity of retirement increase, Americans are trying to take the right steps to anticipate areas of significant spending. Increasingly, they are also looking to their employers to offer advice and solutions.

## Finding 4 Employees look to employers as a retirement resource, but are often disappointed

Given that DC plans in the US are employer-sponsored, it's natural that Americans would look to their plan for help preparing for retirement. Nearly half of workers expect help from their employers. Yet Americans often report having a subpar experience when seeking help. In fact, only 1% of retirees say their employer offered useful advice. There is a clear gap here between employee expectations and what employers are currently providing. This is also an opportunity for employers to provide employees with a valuable service.

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

US  
Global ex US (Avg.)

### Working Population (WP/AR Avg.)





---

Beyond advice, Americans have an appetite for employer-sponsored solutions to the very real challenge of creating an income stream in retirement. In fact, 75% of American workers say they would value a retirement income solution provided by their employer, ideally one that combines flexibility and security features:

- 28% workers prioritize flexibility
- 20% workers value security
- 40% workers value a combination

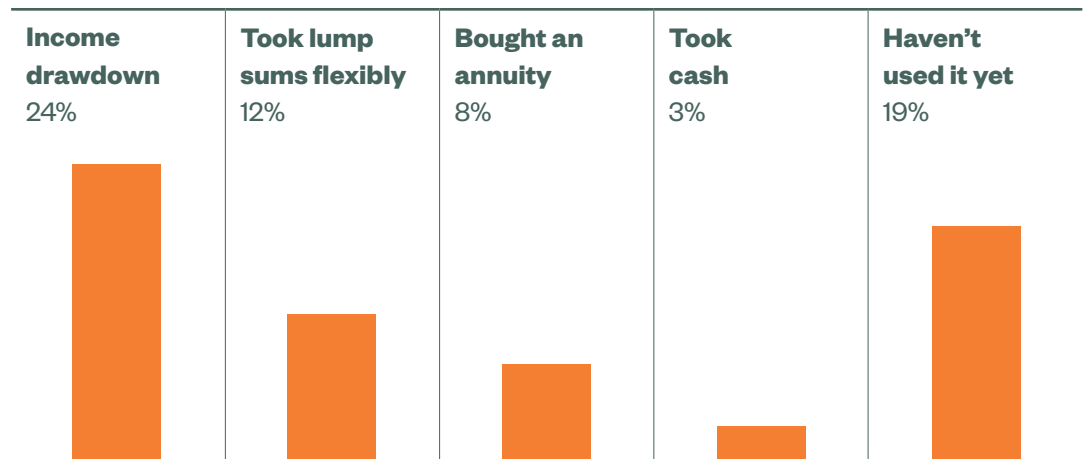
As employers build solutions, they can look to how retirees actually use their DC assets:

---

**How are you currently using your DC savings?**

---

**Retired Population (RR/LR Avg.)**



---

## What can employers learn from participants?

While American workers have relatively high levels of retirement confidence compared to their global counterparts and they also embrace the personal responsibility for preparing for retirement, their actions don't always lead to full retirement readiness. Employers have an opportunity to help them bridge the gap, as workers look to their employers to provide both useful advice and effective solutions.

Three actionable steps for employers that follow the saving life of a participant are:

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 (addressing the issue of security raised in Finding 2) and support more financially secure retirement outcomes.

---

## Conclusion

The DC system is well-established in America and workers have embraced their personal responsibility for retirement saving. People recognize that it is important to be financially prepared for retirement and are aware of their level of savings and their investment options. However, the comparatively optimistic picture painted in this report is not fully representative, as about half of the working population does not have access to an employer-sponsored retirement plan and is likely to be much less well prepared. Even those who do have a plan still risk a savings shortfall due to insufficient savings rates.

Given the central role US employers have played for decades as plan sponsors, it is not surprising that their employees increasingly look to them for advice on navigating retirement readiness and workforce transitions.

There is an opportunity for employers to gain a competitive advantage by offering benefits that help employees achieve a higher degree of retirement readiness and provide predictable income solutions in retirement. By offering solutions for the saving and spending phases of retirement, employers have the opportunity to stand out as benefits leaders, while also equipping their mature employees with the confidence to embrace their next act.

## About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with US \$2.72 trillion\* under our care.

\*AUM reflects approximately \$32.9 billion (as of June 30, 2018), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

<sup>1</sup> Survey data fielded between 8 February and 3 April 2018.

<sup>2</sup> A significant sample of respondents in later retirement could not be formed for Ireland.

<sup>3</sup> New York Times, "Too Little, Too Late: Bankruptcy Booms Among Older Americans," August 5, 2018

### ssga.com

### Marketing Communication

**Australia:** State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services Licence (AFSL Number 238276). Registered office: Level 17, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611. **Belgium:** State Street Global Advisors Belgium, Chaussée de La Hulpe 120, 1000 Brussels, Belgium. T: 32 2 663 2036. F: 32 2 672 2077. SSGA Belgium is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Canada:** State Street Global Advisors, Ltd., 770 Sherbrooke Street West, Suite 1200 Montreal, Quebec, H3A 1G1, T: +514 282 2400 and 30 Adelaide Street East Suite 500, Toronto, Ontario M5C 3G6. T: +647 775 5900. **Dubai:** State Street Bank and Trust Company (Representative Office), Boulevard Plaza 1, 17th Floor, Office 1703 Near Dubai Mall & Burj Khalifa, P.O. Box 26838, Dubai, United Arab Emirates. T: +971 (0)4-4372800. F: +971 (0)4-4372818. **France:** State Street Global Advisors Ireland Limited, Paris branch is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number

145221, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Paris Branch, is registered in France with company number RCS Nanterre 832 734 602 and whose office is at Immeuble Défense Plaza, 23-25 rue Delarivière-Lefoullon, 92084 Paris La Défense Cedex, France. T: (+33) 1 44 45 40 00. F: (+33) 1 44 45 41 92. **Germany:** State Street Global Advisors GmbH, Brienner Strasse 59, D-80333 Munich. Authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). Registered with the Register of Commerce Munich HRB 121381. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440. **Hong Kong:** State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200. **Ireland:** State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 145221. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300. **Italy:** State Street Global Advisors Limited, Milan Branch (Sede Secondaria di Milano) is a branch of State Street Global Advisors Limited, a company registered in the UK, authorised and regulated by the Financial Conduct Authority (FCA), with a capital of GBP 62'350'000.00, and whose registered office is at 20 Churchill Place, London E14 5HJ. State Street Global Advisors Limited, Milan Branch (Sede Secondaria di Milano), is registered in Italy with company number 06353340968 - R.E.A. 1887090 and VAT number 06353340968 and whose office is at Via dei Bossi, 4 - 20121 Milano,

Italy. T: 39 02 32066 100. F: 39 02 32066 155. **Japan:** State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association. **Netherlands:** State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. T: +31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. **Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501. **Switzerland:** State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16. **United Kingdom:** State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350. **United States:** State Street Global Advisors, One Iron Street, Boston, MA 02110-1641.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information.

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without State Street Global Advisors' express written consent.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

© 2018 State Street Corporation.  
All Rights Reserved.  
2199582.11.GBL.RTL  
Exp. Date 30 September 2019