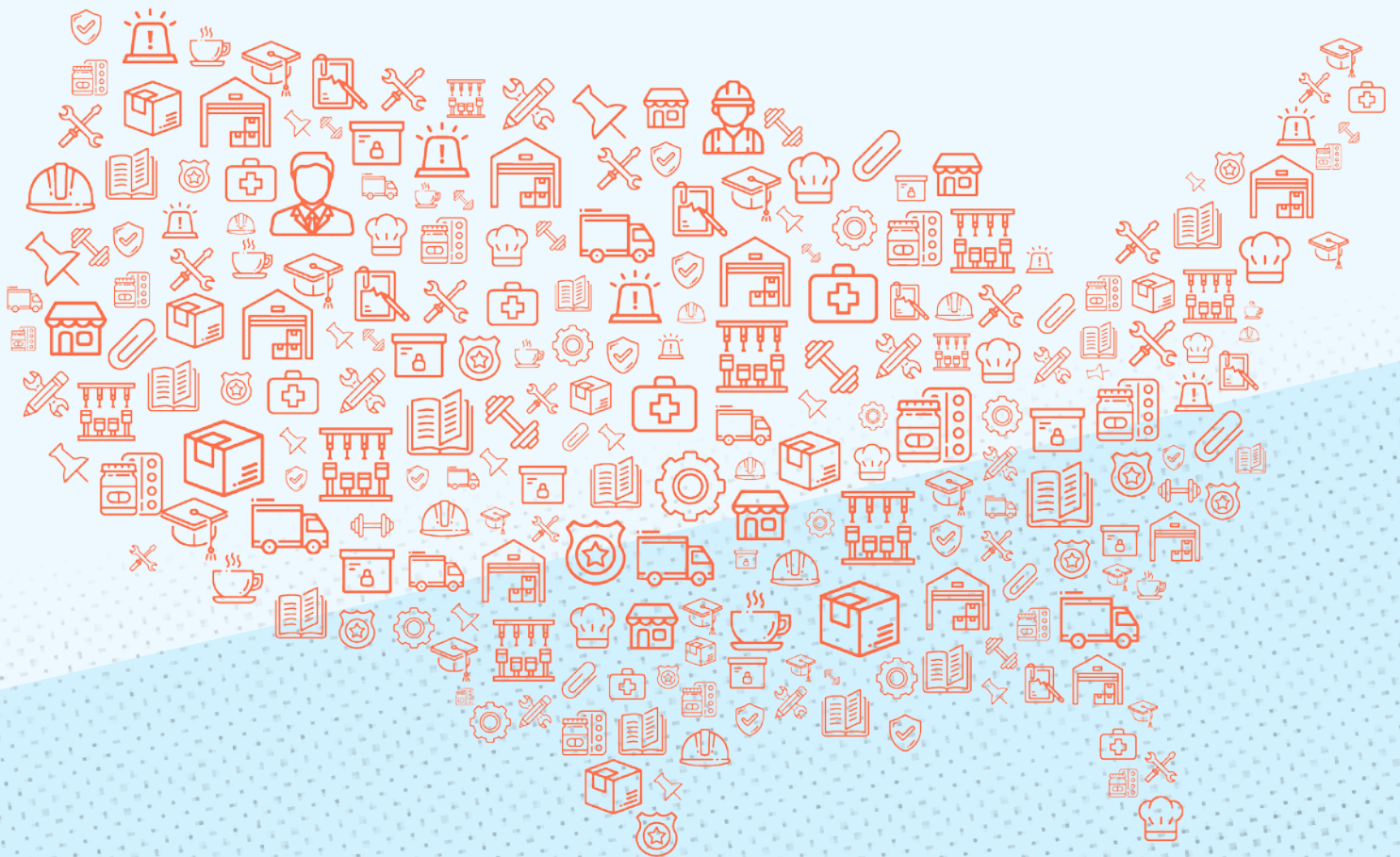


APRIL 2018

The State of America's Workforce:

THE REALITY OF RETIREMENT READINESS



A White Paper From the Indexed Annuity Leadership Council (IALC)

Foreword

What a beautiful image: a weeklong dream cruise along the Caribbean, with three generations of family laughing and enjoying the trip. There's only one thing missing from this picture: the tens of millions of Americans who have little to no retirement savings. But preparing these Americans for their golden years is not an insurmountable task.

The State of America's Workforce study of more than 2,000 adults indicates that nearly half of Americans approaching retirement are not ready for their golden years. In contrast, a significant portion of individuals feel very ready for retirement and express great excitement for what is ahead. Why the disparity?

To understand this, let's think about how individuals accumulate retirement savings. Do we wake up one day and proclaim: "Today is the day I will find and contribute to a retirement plan!"? No. We think about our retirement plan when we start a new job and our employer enrolls us in the benefit plan. This system has potential, but it systematically requires employers to play a large role in offering access to financial products. When employers don't do this, the burden shifts to the individual. *The State of America's Workforce* shows us that more than 10 percent of workers do not have access to any type of retirement savings plans from their current employer. While the traditional employer-sponsored retirement savings model is changing, it is opening up opportunities for both the individual and the employer.

For employers, costless nudges like defaults and automatic-enrollment have shown promise and continue to be the shining star within retirement research. For individuals, the story is more about going beyond the employer-sponsored savings options and being inspired to take control of one's retirement destiny. America's workforce will need to design a retirement that fits their needs, with or without access to employer-sponsored plans. To feel comfortable and secure about what lies ahead, individuals should explore several retirement savings options, including those offering a guaranteed lifetime income stream. To help ensure time doesn't slip away, they should also set deadlines for themselves to avoid further procrastination in the journey to a happy retirement.

Yet, as *The State of America's Workforce* shows, the story on retirement savings goes much deeper. While there are significant differences and surprising similarities across the occupations and industries of America's workforce, there is great hope for bettering financial futures. Read on to discover more about the current state of America's long-term savings outlook and ideas for collectively improving retirement readiness.



BY KRISTEN BERMAN
DUKE UNIVERSITY

Kristen Berman is co-founder and principal at Common Cents Lab, a Duke University initiative dedicated to improving the financial well-being for low- to middle-income Americans.

HERE'S WHO WE SURVEYED

The information contained in this white paper, *The State of America's Workforce*, is based on a large-scale, quantitative survey of working Americans conducted during March 2018 by Research Now on behalf of the Indexed Annuity Leadership Council (IALC).

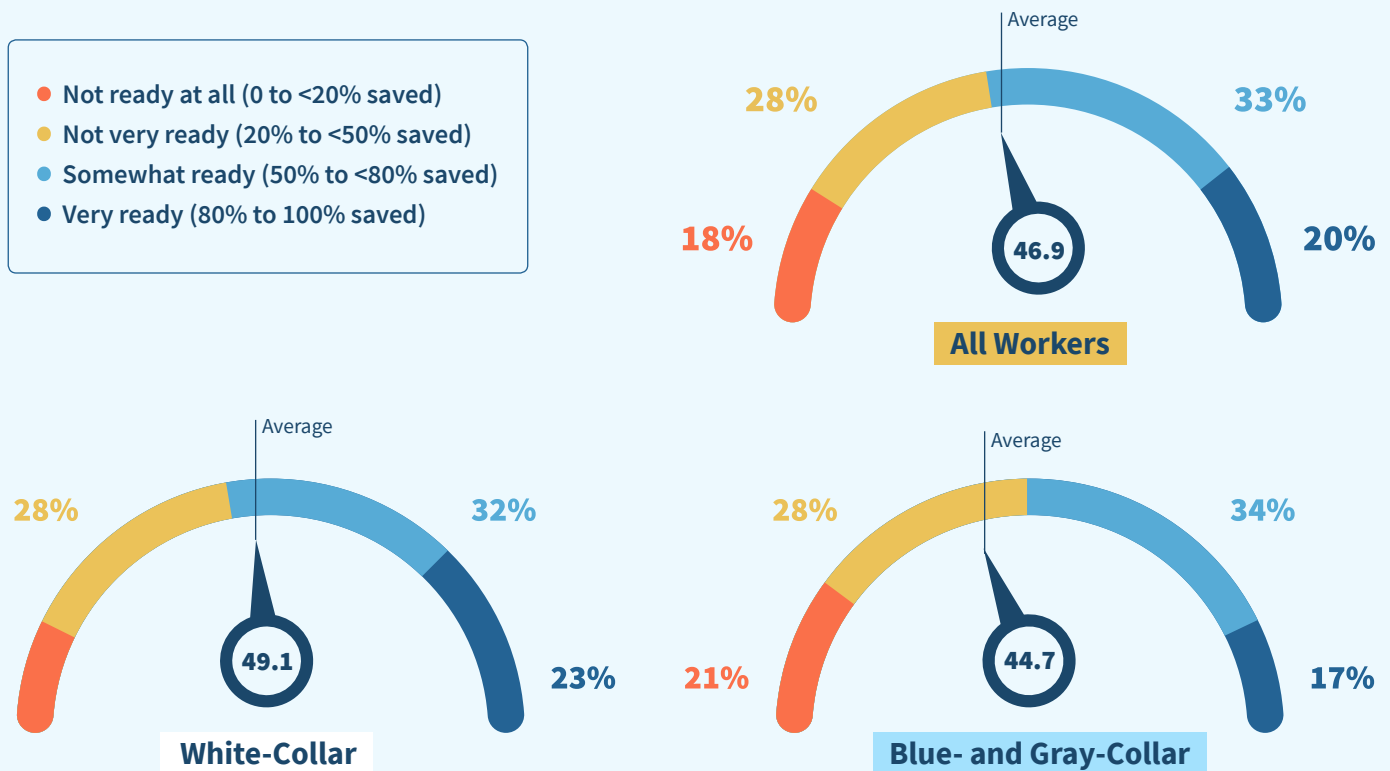
Our study included a total of 2,103 U.S. respondents aged 40–70 years old who are working full time. Consistent with the classifications and definitions used by the Bureau of Labor Statistics, white-, blue- and gray-collar workers in a wide cross-section of the most populous industries (11) were included in the survey population. The goal was to determine how these Americans are approaching retirement planning and preparedness, including their level of retirement readiness, associated emotions, challenges, barriers and opportunities. More information on our methodology can be found by visiting www.FIAinsights.org/americasworkforce.

The statistics and numbers presented throughout this paper are based only on the results of the study described above, unless otherwise stated.

Retirement Readiness at a Glance

Almost one-fifth of all Americans approaching retirement are at the low end of the readiness spectrum

(not ready at all), having saved 20 percent or less of the money they will need for retirement. In general, workers in blue- (e.g., precision production, craft and repair occupations; machine operators and inspectors; transportation and moving occupations; handlers, equipment cleaners, helpers and laborers) and gray-collar occupations (e.g., skilled technicians or paraprofessionals such as administrative workers and clerks) are less prepared for retirement than their white-collar counterparts (49 percent versus 44 percent for white-collar workers “not ready at all” or “not very ready”).



Understanding and comparing retirement-readiness scores industry by industry shows there are important differences and surprising similarities across the occupations and industries of America’s workforce. There is significant variation among specific blue- and gray-collar industries, with Food Preparation and Serving workers, as well as Personal Care workers, indicating the lowest levels of retirement readiness. **Conversely, those working in Engineering and Protective Services are performing above the norm of all workers when it comes to retirement readiness.** This indicates upward mobility for the blue- and gray-collar industry, signaling the potential for more workers to take greater control of their financial futures. **Read on to discover specific retirement-readiness scores. ►**

RETIREMENT-READINESS SCORE BY INDUSTRY



Engineering

57.6



Protective Services

50.5

White-Collar Workers

49.1



Education, Training and Library

48.6

All Workers

46.9



Healthcare Practitioners and Technical

46.1

Blue- and Gray-Collar Workers

44.7



Transportation and Material Moving

44.2



Production

43.5



Installation, Maintenance and Repair;
Building and Grounds Cleaning and Maintenance

42.1



Office and Administrative Support

40.9



Construction and Extraction

40.9



Food Preparation and Serving

28.5



Personal Care

27.5

Retirement readiness is calculated based on the percent of the money needed for retirement that respondents reported already saved.

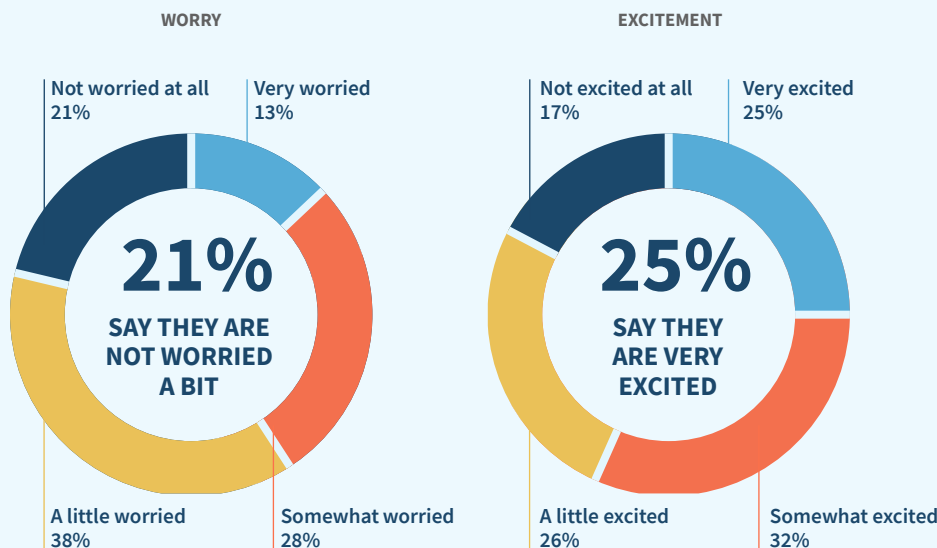
Excitement Abounds

Everyone's idea of retirement is different. The travel plans we imagined earlier could just as well be a visit to grandchildren or a European adventure. What the dream is doesn't matter so much as how workers feel about the possibility of making it real.

For the most part, America's workforce is looking forward to having more time for family and their favorite activities, with more than half (57 percent) excited about retirement. In examining blue- and gray-collar industries, those employed in the Protective Services and Healthcare fields report the highest levels of excitement when thinking ahead.

Retirement also stirs feelings of anxiety. More than 40 percent of those surveyed report they are worried, with a slightly higher percentage of anxiety among blue- and gray-collar workers, especially those employed in the Food Preparation and Serving industry. In comparison, blue- and gray-collar workers in Engineering are among the least worried about their financial future. Overall, across all industries and workers, a very optimistic 21 percent say they are not worried a bit.

RETIREMENT FEELINGS



Industry isn't the only determining factor when it comes to retirement expectations and emotions. The company size also makes a difference. The larger the company size, the more likely an employee is to be very excited about his or her future retirement.

"Travel, visit friends, catch up on all the things I never have time to do"

Elementary School Teacher,
61 years old, Maryland

"I would like to enjoy my hobbies and not have to rush"

Commercial Real Estate Specialist,
52 years old, Texas

"Relax, travel, more relax"

Buyer,
52 years old, Arkansas

"... spend time with my kids and grandchild and relax with my husband and dogs"

VP Operations,
54 years old, Missouri

The Disparity Among Workers

Across all industries, employers have a significant impact on workforce retirement readiness. We can expect some disparity between white-collar workers and those in the blue- and gray-collar professions, simply based on income levels and access to savings plans. However, almost half of blue- and gray-collar workers report not being ready for retirement. The numbers are even higher for those employed in certain industries and/or at smaller-sized companies.

DISPARITY BY INDUSTRY



Two blue- and gray-collar industries (Protective Services and Engineering) are better prepared for retirement than the entire white-collar industry.

Eight of 11 blue- and gray-collar industries perform below the overall average for America's workforce when comparing the retirement-readiness scores across occupational classifications.

Food Preparation and Serving and Personal Care are the least prepared of all blue- and gray-collar industries, according to retirement-readiness scores.

Smaller companies with fewer than 50 employees are less apt to deliver on retirement planning options.

The larger the company size, the more that employees feel informed about retirement planning.

The larger the company size, the more likely an employee is very excited about his or her golden years.

Workers at small companies (fewer than 50 employees) are two times more likely than employees at larger companies to feel their employer is not helpful at all in retirement planning.

DISPARITY BY EMPLOYER SIZE



Despite these gaps in readiness and lack of employer help, today's retirement landscape offers a variety of savings options for workers to create their own retirement freedom. While retirement comes in all shapes and sizes, some financial products, like fixed indexed annuities, work overtime to provide a lifetime income stream, while offering tax-deferred growth and principal protection from market swings.

Information Is Key

Overall, American workers are satisfied with the amount of information their employer provides about retirement options. However, in comparing blue- and gray-collar industries, more than half of Personal Care workers are not satisfied at all with the information provided and 45 percent of Food Preparation and Serving workers feel the same.

Access to planning information correlates with retirement readiness. Compared to workers who feel very ready for retirement, unprepared workers show disappointment with the retirement information provided by their employers.

Among blue- and gray-collar workers, 26 percent describe themselves as not at all informed or only a little informed about retirement planning (compared to 20 percent of white-collar workers). Again, we see disparity by industry when it comes to access to sources of financial information.

Construction and Extraction workers, as well as those in the Engineering field, are most likely to be very informed about retirement. Construction and Extraction workers also reported the highest levels of “helpfulness” from their employer in planning for retirement. On the contrary, Food Preparation and Serving and Personal Care workers were most likely to feel uninformed, with half of Food Preparation and Serving workers stating their employer is “not helpful at all.”

When it comes to seeking out information, employees of mid-sized companies (250 to 1,499 employees) are most likely to look to human resources for financial planning assistance. Meanwhile, employees of companies with fewer than 50 people will frequently turn to family and insurance agents for advice. This pattern is consistent with additional data from the survey, which shows that more than one-third of workers from companies with fewer than 50 employees say their employer is “not helpful at all” in terms of retirement planning support.

What’s the most common source to receive information or advice about retirement planning cited across all white-, blue- and gray-collar workers at companies of all sizes? A financial advisor. Still, less than half of workers have consulted with an advisor, with blue- and gray-collar workers slightly less likely to do so.



Talking with a financial professional, like an insurance agent or even a bank representative, is a simple first step in achieving long-term financial goals for workers across industries. Qualified voices can uncover savings strategies and financial products otherwise unknown to workers. It’s interesting to note workers who describe themselves as “very ready for retirement” report significantly higher levels of consulting a financial advisor compared to unprepared workers.

Access Matters

ACCESS TO EMPLOYER-SPONSORED PLANS, LIKE 401(K)S AND PENSIONS, CORRELATES DIRECTLY TO RETIREMENT READINESS.

Those pre-retirees who feel most prepared for retirement are almost three times as likely as unprepared workers to have access to pensions. Fifty-nine percent of those prepared have access to a 401(k) plan, compared with 39 percent of unprepared workers. Further, pre-retirees who feel most prepared are five times as likely to have individual retirement accounts (IRAs), eight times as likely to have mutual funds and 10 times as likely to have an annuity. Owners of annuities, particularly fixed indexed annuities, may feel prepared given the insurance product is one of the few that offers principal protection from market swings and lifetime income.

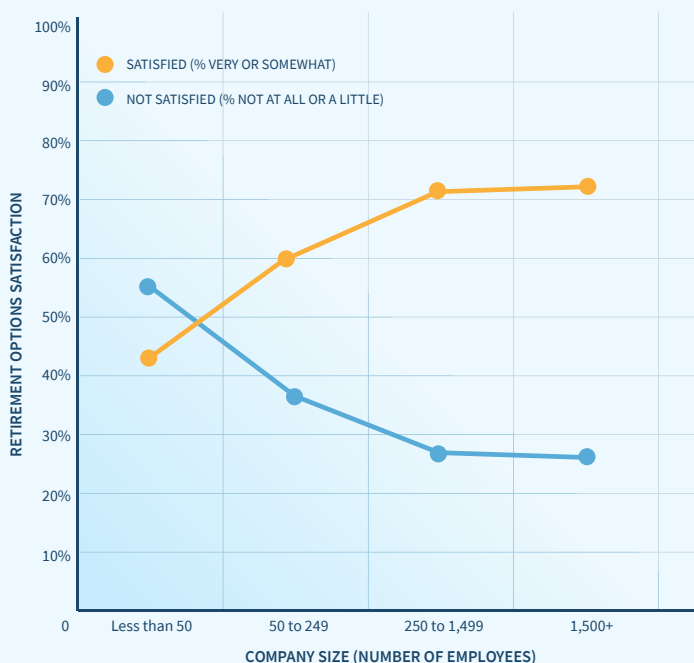
Overall, 64 percent of workers feel satisfied with retirement options provided by their employers. It is no surprise those in larger companies tend to have higher satisfaction rates regarding the retirement options provided by their employers than those at smaller companies.

More than half of all of America's workforce reports their access to retirement plans and products has either stayed the same or decreased in the past 10 years. White-collar workers are more likely than blue- and gray-collar workers to have seen an increase in access in the last decade (53 percent versus 44 percent). Workers in the Construction and Extraction and Healthcare industries report the highest instance of significantly improving access to retirement plans and products over the last decade. Yet again, Food Preparation and Serving workers have seen the most notable decrease in availability.

Less than half of blue- and gray-collar employers offer access to 401(k) plans — much lower than for white-collar workers. Exceptions to this include Production, Engineering, Transportation, and Office and Administrative workers.

When asked specifically about which retirement plans and products they already have, more than half of workers (57 percent) say they have a 401(k) plan, one-third have IRAs, 30 percent have pension plans and one-fourth own Roth IRAs.

White-collar workers are more likely than blue- and gray-collar workers to have 401(k) plans, mutual funds, employee stock ownership plans (ESOP), fixed indexed annuities (FIAs) and



money purchase plans. Blue- and gray-collar workers, on the other hand, are more likely to have pensions and 403(b) plans.

Only one-third of workers who say they are unprepared for retirement have 401(k) plans, 11 percent have IRAs and 14 percent have pensions. Another one-third report not having any investments at all. This includes the one in eight American workers who are not offered any type of retirement plan from their employer. For these individuals, planning and saving is a “do-it-yourself” endeavor.



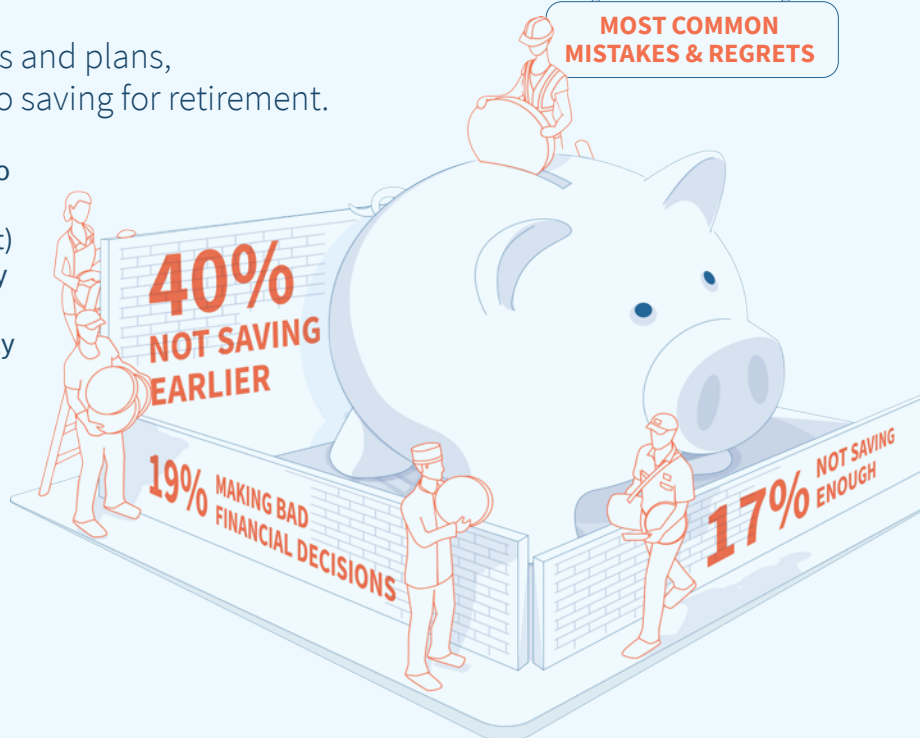
With the “do-it-yourself” retirement reality comes empowerment. America's workforce has what it takes to guarantee a retirement that fits their needs, even without access to employer-sponsored plans. In fact, not putting all your eggs in an employer-sponsored basket is key for successful retirement planning. Americans have more savings options than ever before to design the retirement they want and to ensure diversification.

It's Complicated

In addition to access to information, products and plans, there are other factors that present barriers to saving for retirement.

The most common mistakes and regrets are related to not saving earlier (40 percent), making bad financial decisions (19 percent), not saving enough (17 percent) and having personal issues that impacted their ability to save (eight percent). Personal issues often cited include divorce, marital choice, career path and family illnesses. Ongoing challenges like high daily living expenses (26 percent) and elevated debt level (24 percent) also hinder the ability to save.

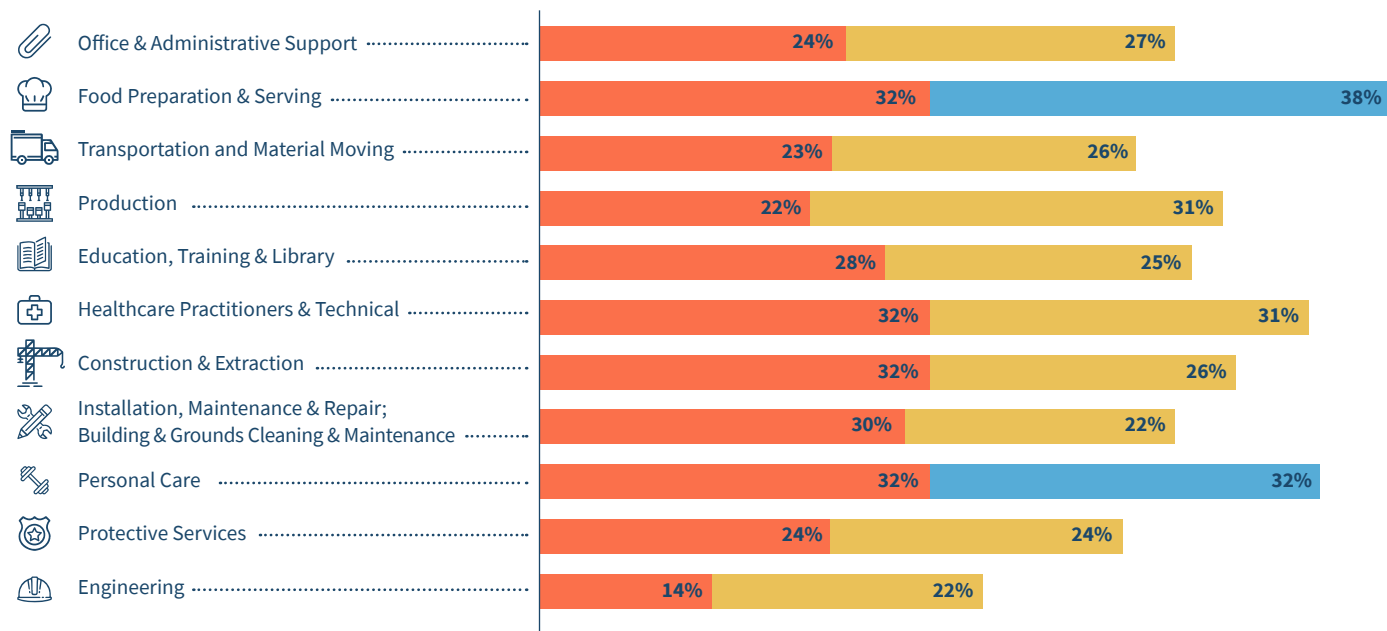
Workers who are unprepared for retirement are five times as likely as those who are prepared to cite high living expenses as a barrier to retirement planning. They are also seven times as likely to have too much debt. In contrast, 71 percent of prepared workers don't face any of these barriers.



GREATEST BARRIERS TO RETIREMENT SAVINGS BY INDUSTRY

The below indicates the top-two barriers by industry. Data is based on a multiple-choice question.

- TOO MUCH DEBT
- HIGH DAILY LIVING EXPENSES
- EMPLOYER DOES NOT OFFER A RETIREMENT PLAN



Retirement 2030 (and Beyond)

People are living longer and healthier lives, changing careers more frequently and experiencing the freedom and flexibility of less conventional career paths. The retirement scenario of the future is far removed from the world in which baby boomers grew up, which often included an employer-sponsored retirement plan and full benefits after a lifetime career at a single place of employment.

Yet, a changing retirement model brings opportunity and more control of retirement income planning. American workers can harness the shift by creating customized retirement plans that better align with individual needs and retirement goals. For those seeking diversity, fixed indexed annuities can provide balance, offering potential gains and minimizing risks.

WORKING MORE, WORKING LONGER: TODAY'S REALITY



Almost **4 in 10** will likely work part time in their retirement years, either by choice or necessity.



3 in 5 are very likely to work longer than they'd like to meet their personal retirement goals.



On average, they expect to push back retirement by **2** years.

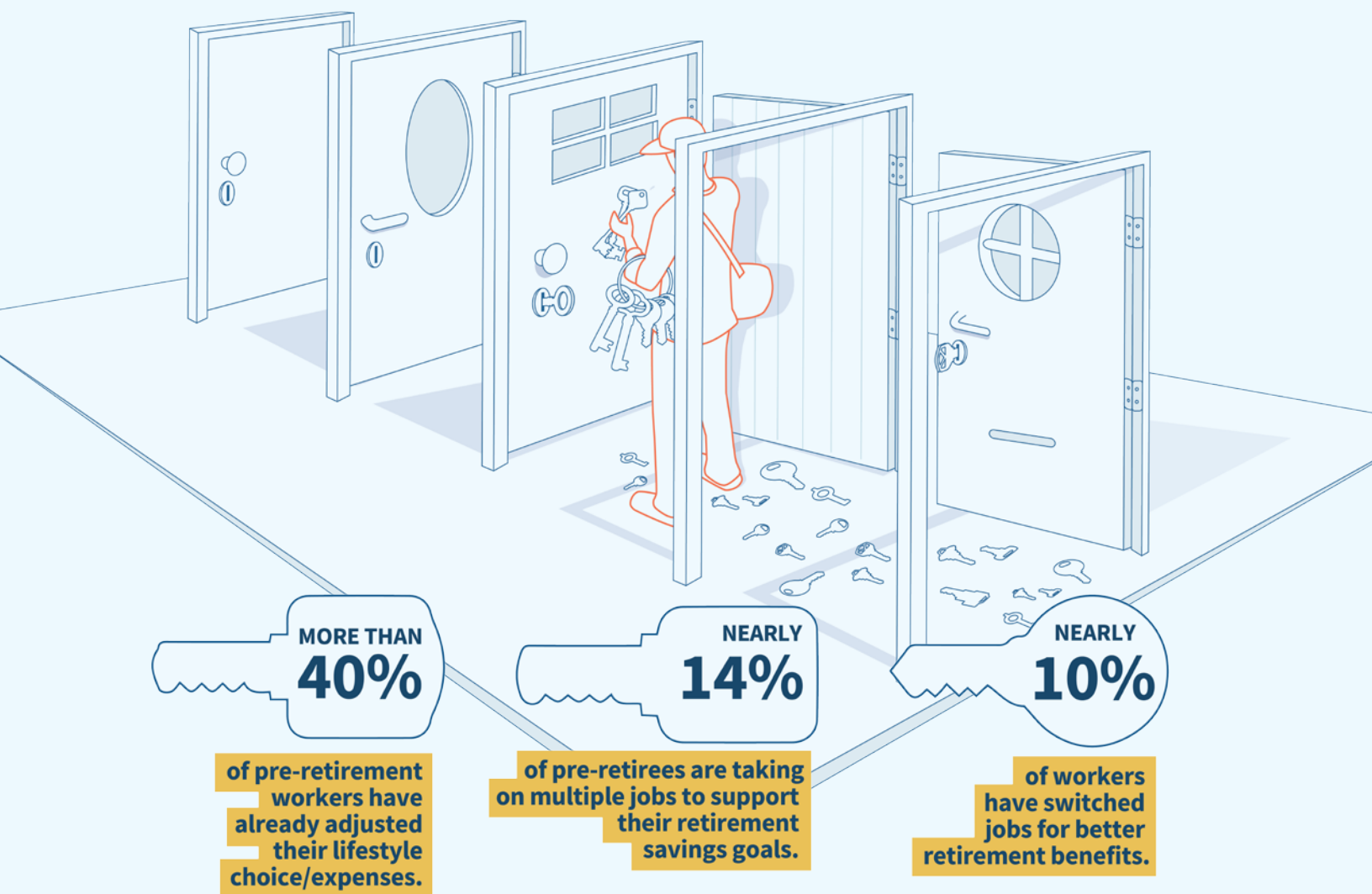
THE GIG ECONOMY

The emerging “gig economy” helps to support this trend by offering a greater number of freelance and independent contractor positions. Whether it's driving for a ride-sharing service or serving as a consultant, future retirees will see more opportunities to continue working part time if they so choose. **A portion of workers (nearly 14 percent) are taking on a “side hustle” with the explicit goal of saving for retirement.** Personal Care and Protective Services workers are most likely to work multiple jobs, as compared to those in other blue- and gray-collar industries.

More than ever, people are earning a living from a mix of short-term work or longer-term contracted jobs. The freedom of this workplace model attracts entrepreneurial spirits who don't want a traditional full-time role. For others, however, it is a function of necessity from post-recessional underemployment that isn't always reflected in monthly job data reports. Both scenarios — choice and necessity — present challenges and opportunities when it comes to access to employer-sponsored retirement plans.

How to Get There

No one knows how long their retirement will last or exactly how much they will need for future expenses. Although not ideal options, we can examine the current “keys” pre-retirees are employing to unlock a manageable financial future.



But a real understanding of retirement goals is the linchpin to every successful retirement plan. We must know what we are trying to achieve in the first place.

Planning for Retirement Income

Our retirement-readiness research shows that workers are, above all, looking for lifetime income (78 percent). This goal is quickly followed by having stability of income (76 percent) and principal protection (71 percent). However, what might be the most important part of retirement planning – a diversified portfolio – was only cited by less than 60 percent of workers surveyed.



Social Security still tops retirement income sources, with 78 percent of workers expecting to rely on it. Yet, **promising retirement-readiness scores open the door for more retirement income planning solutions for many Americans.**

While Americans can identify these financial needs for retirement income, only two percent of pre-retirees own a fixed indexed annuity, which can fulfill all of these objectives, in addition to offering a guaranteed rate of return and tax-deferred growth.

Retirement income often comes from many different sources. More than three-quarters of workers indicate Social Security as a source of retirement income, making it the highest-ranked source among all measured. Almost two-thirds of workers will rely on 401(k) distributions, half will use personal savings and about one-third will receive a pension. For those currently relying on Social Security and pensions to create a stream of retirement income, other savings vehicles, like fixed indexed annuities, can offer the same benefit of stability.

While there is no one right answer — or a guaranteed sure thing — having a balanced financial plan is a proven strategy for income growth and wealth protection. Diversifying can mean a mix of 401(k) funds, IRAs and Roth IRAs, fixed indexed annuities, mutual funds, stock investments and more. Thinking beyond the obvious sources of retirement income can make the difference in feeling comfortable and secure about what lies ahead. Fixed indexed annuities are a key component of a balanced financial plan and are uniquely designed to offer growth through a steady, guaranteed lifetime income stream, all while protecting the principal from the uncertainty of market volatility.

A FEW RETIREMENT SAVINGS OPTIONS

401(k) and 403(b) Plans:	Qualified employer-established plans to which eligible employees make salary deferral (salary reduction) contributions on a post-tax and/or pretax basis; 403(b) plans can invest in either annuities or mutual funds
IRAs:	Individual retirement accounts that allow individuals to direct pretax income towards investments that can grow tax deferred; no capital gains or dividend income is taxed until it is withdrawn
CDs:	Certificates of deposit are savings certificates issued by a bank with a fixed maturity rate
FIAs:	Fixed indexed annuities are contracts with insurance companies where potential interest earned is linked to an external index, with a guaranteed a minimum rate of return and tax-deferred growth
Mutual Funds:	Investment vehicles made up of a pool of monies collected from many investors for investing in securities such as stocks, bonds, money market instruments and other assets

Shaping Tomorrow's Retirement Today

Outside of requiring every individual to start planning for retirement when they first enter the workforce, there are answers to improving savings rates and retirement-readiness scores.

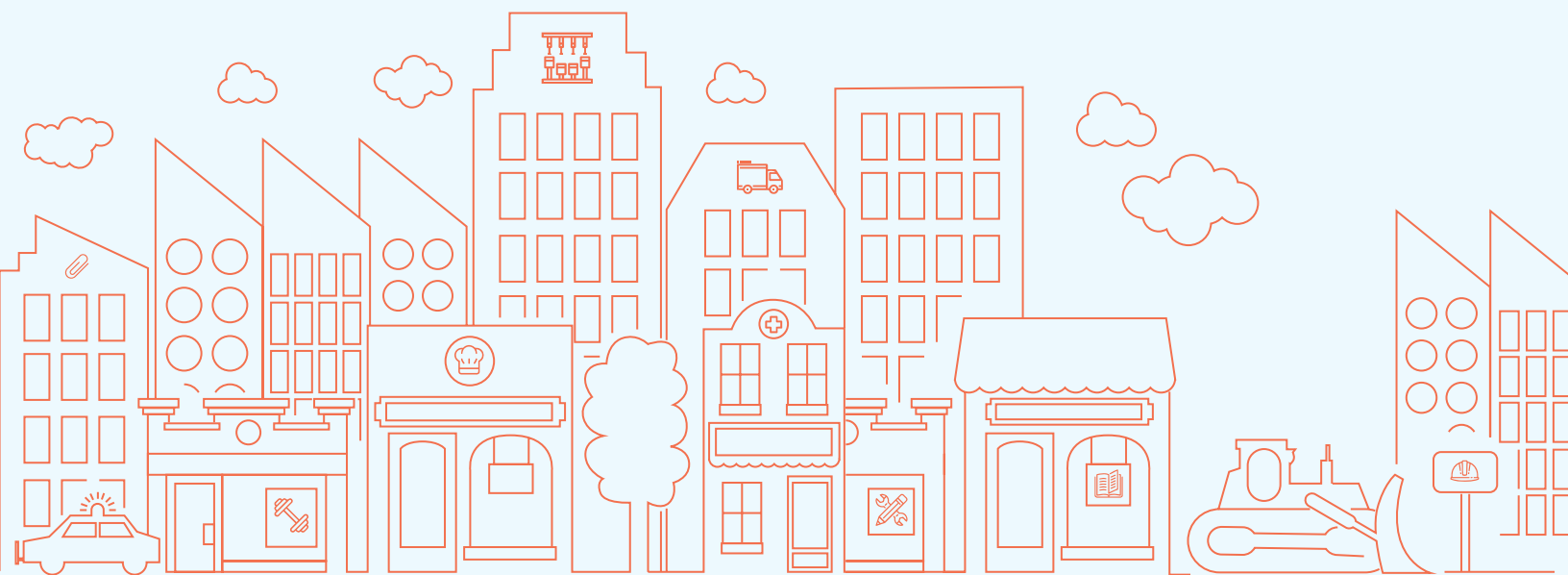
WHAT EMPLOYERS CAN DO

If we think about how people approach retirement savings, it's most often a product of a job change when new benefits are made available. It's at this point that workers choose (or decline) participation in the company's 401(k) or other offering. Employers who have either instituted automatic 401(k) enrollment plans or created automated programs for moving salary deductions to an annuity (or another saving vehicle) have seen positive results in giving their workers a boost. These are simple fixes with the potential to encourage employees who might not otherwise prioritize their future planning needs.

There is also an educational component to be addressed, as we've seen that access to information correlates to retirement readiness. Blue- and gray-collar workers say that either they don't know who to ask for advice and/or that retirement planning options are too hard

to understand. These deterrents to planning are most frequently cited by workers in the Office and Administrative Support, Food Preparation and Serving, Transportation, and Education, Training and Library industries. For these workers, employers can arrange for seminars and information fairs hosted by their 401(k) and insurance plan providers, as well as other retirement education organizations that can share information on a wide range of savings vehicles.

Small-business owners should also explore strategies to better inform their workers about options available and serve as a retirement planning partner. As the data shows, the larger the company size, the more that employees feel informed about retirement planning, and smaller companies are less apt to deliver on retirement planning options for their workers.



WHAT WORKERS CAN DO

More than one-third of workers who are unprepared for retirement say they don't have access to traditional retirement plans or products. For these individuals, and those seeking more diversity, the impetus starts with oneself.

With today's changing retirement landscape, it's now more important than ever for workers to take an active role in their future planning.

Here are three ways for workers to start taking control of their retirement destinies:

- ✓ Connect with a financial professional, like an insurance agent, who can provide qualified advice;
- ✓ Utilize financial resources, such as online calculators and budgeting tools, to estimate retirement living expenses; and
- ✓ Research all available retirement savings options as a step to diversifying portfolios; this may mean exploring fixed indexed annuities, which provide guaranteed income, principal protection from market volatility and interest rate stability in retirement.

For those fortunate to have an employer-sponsored plan, opt in to matching programs. But betting an entire retirement on a single product or product class can create extreme risk for an unstable retirement.

Additionally, there is help available through other channels, such as: banks and employee credit unions as a source of assistance, online and on-site; low-cost seminars through community-based adult education initiatives;

and Employee Assistance Programs (EAPs) for counseling on financial burdens.

Workers could also explore automatic enrollment programs, which defaults them into a retirement savings plan. Such programs may be offered by the employer, but financial institutions and state governments are initiating similar programs to help workers more effortlessly “opt in” to saving for retirement.

Getting the American workforce ready for retirement can only be achieved by working together — employer and employee.

To further the conversation on retirement readiness, visit the resources available at www.FIAinsights.org.



Inquiries@FIAinsights.org

www.FIAinsights.org



[/FIAinsights.org](https://www.facebook.com/FIAinsights.org)



[/IALCouncil](https://twitter.com/IALCouncil)



[/company/indexedannuitiesinsights](https://www.linkedin.com/company/indexedannuitiesinsights)



[/IALCouncil](https://www.youtube.com/IALCouncil)