

A Survey of the Retirement Landscape

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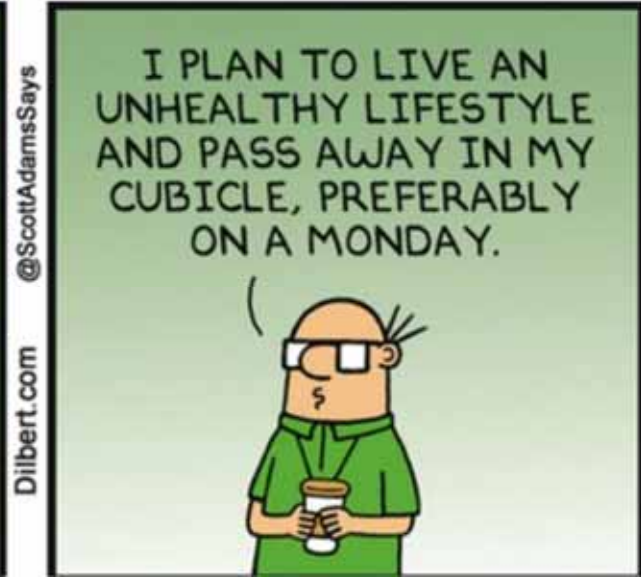
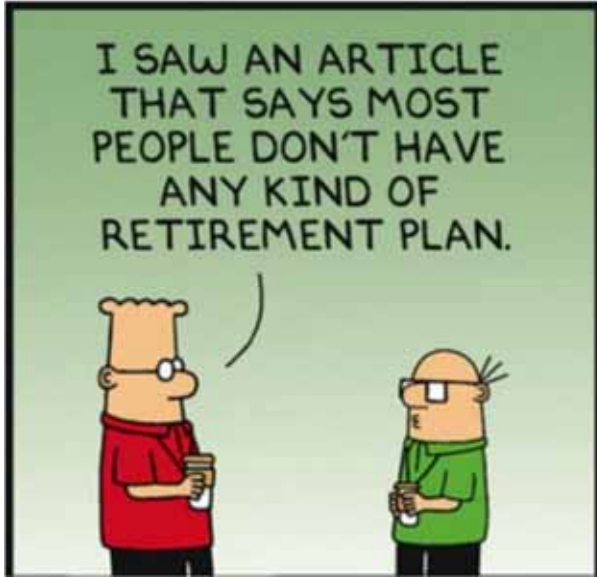
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Purpose

- Define and highlight the impact of longevity risk on retirement
- Outline the different ways each generational cohort views/approaches retirement
- Discuss the economic challenges facing current and future retirees

Agenda

- **Part I:** Retirement, Longevity and Generational Differences
- **Part II:** The Economic Stability of the “Three-Legged Stool”
 - Government Benefits
 - Employer Sponsored Plans
 - Personal Savings
- **Part III:** Key Takeaways
- **Part IV:** Questions/Discussion

Part I—Retirement, Longevity and Generational Differences

Polling Question

How many years from today do you expect to retire?

- A. Less than 5 years
- B. Between 5 and 15 years
- C. Between 15 and 25 years
- D. More than 25 years

Societal Role of Retirement

- Retirement serves a critical societal purpose
 - Allows older generations a chance to pursue other less-strenuous activities/hobbies
 - Allows younger generations an opportunity for growth
- Retirement is one of the main phases of a working lifetime

Birth → Enter Workforce → Work/Save → Retire → Haunt the Living

What Is Longevity Risk?

- Increased life expectancy = Greater longevity
- How is this a risk?
- Who bears this risk? Payer vs. Payee
- Defined benefits vs. Defined contributions

How Is This a Problem?

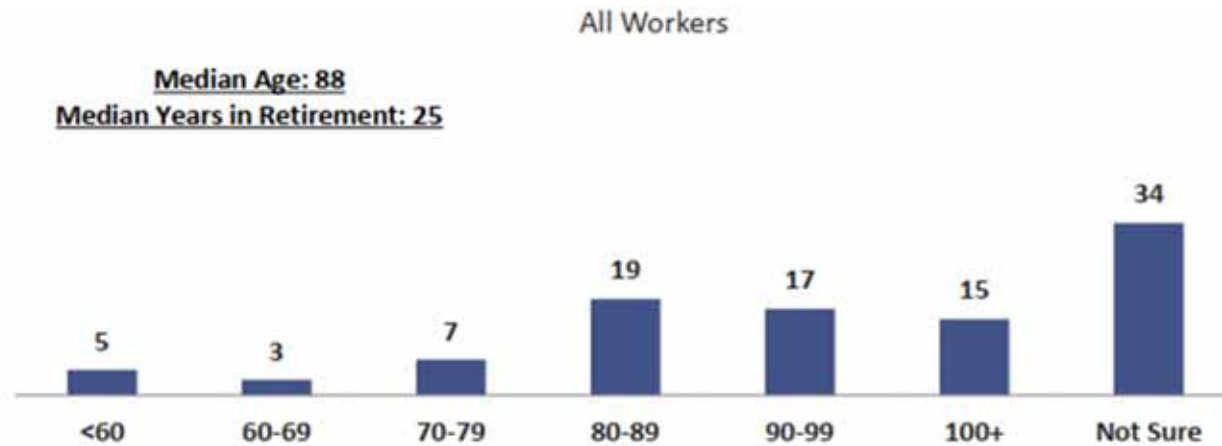
- Longer periods in retirement
 - Incur costs over a longer period
 - Need money to last longer
- Increased costs
 - Need money for more reasons at higher costs
 - Inflation
- Downstream effects
 - Can delay retirement (disrupt the conveyor belt)
 - Caregiving for elderly parents/grandparents

Polling Question

How many years do you expect to spend in retirement?

- A. Less than 10 years
- B. Between 10 and 20 years
- C. Between 20 and 30 years
- D. More than 30 years

What Age Are You Planning to Live to? (%)



Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers

Longevity Improvements and Retirement Trends

- People living longer today on average than at any time in history
- Requires people plan for a longer retirement
- Retirement Savings must last longer
- Increases the popularity of phased retirements, which has a downstream effect on future retiree cohorts

Polling Question

Which generation do you belong to?

- A. Born 1928 to 1945 (Silent Generation)
- B. Born 1946 to 1964 (Baby Boomers)
- C. Born 1965 to 1980 (Gen X)
- D. Born 1981 to 1996 (Millennials)
- E. Born 1997 to 2012 (Gen Z)
- F. Born after 2012 (Gen Alpha)

Boomers

- Nearing traditional retirement ages as the Great Recession was beginning
- Were mid-career when the retirement landscape began shifting from DB towards DC plans
- Began saving for retirement at 35 (median)
- 9% believe they will live to be 100 or older
- On average expect to spend 20 years in retirement

Generation X

- DC plans were still relatively new when they entered the workforce
- Contribute 10% (median) of wages to 401(k)
- Began saving for retirement at 30 (median)
- 12% believe they will live to be 100 or older
- On average expect to spend 24 years in retirement

Millennials

- Entered the workforce in the lead up to the Great Recession of 2008/09
- Contribute 10% (median) of wages to 401(k)
- Began saving for retirement at 25 (median)
- 18% believe they will live to be 100 or older
- On average expect to spend 25 years in retirement

Generation Z

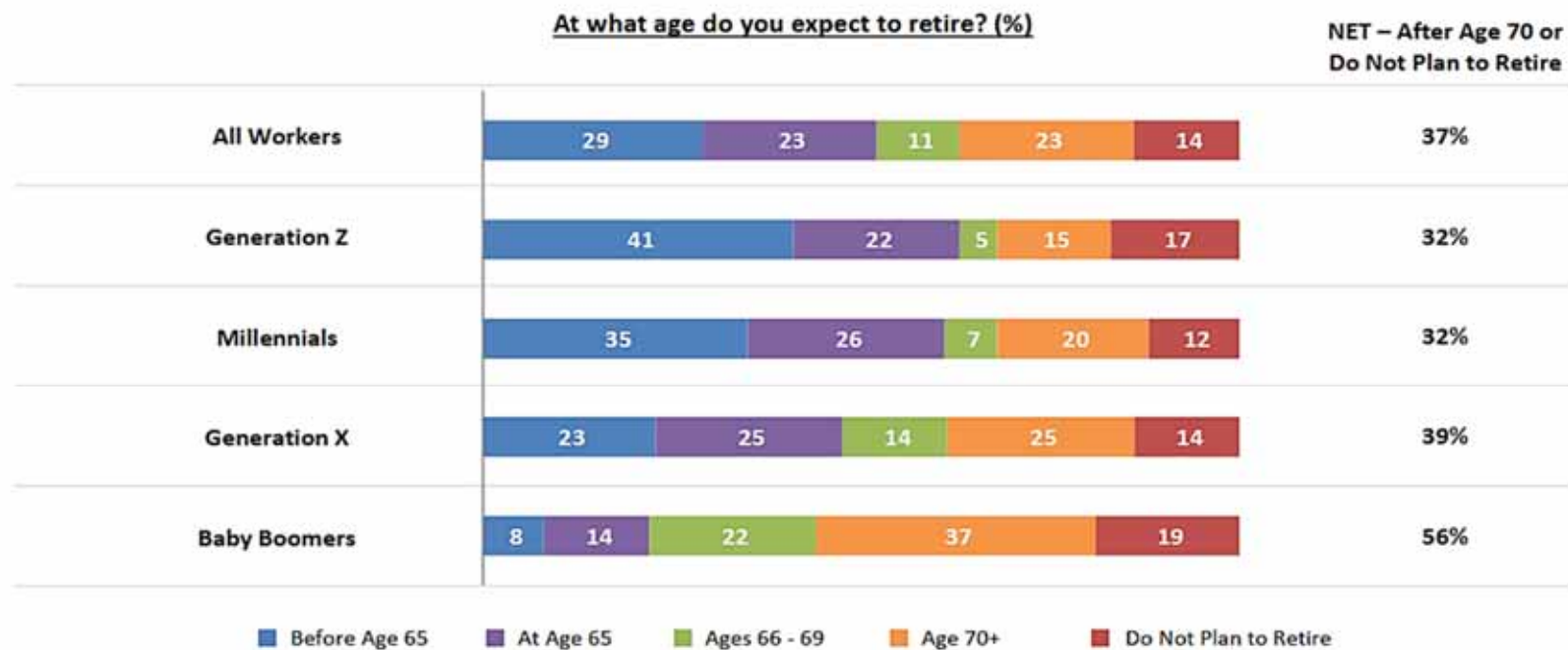
- Began entering workforce right before a global pandemic (COVID-19)
- Decades away from retirement
- Contribute 15% (median) of wages to 401(k)
- Began saving for retirement at 20 (median)
- 18% believe they will live to be 100 or older
- On average expect to spend 30 years in retirement

Polling Question

At what age do you expect to retire?

- A. Before Age 65
- B. At Age 65
- C. Ages 66-69
- D. Age 70+
- E. Do not plan on retiring

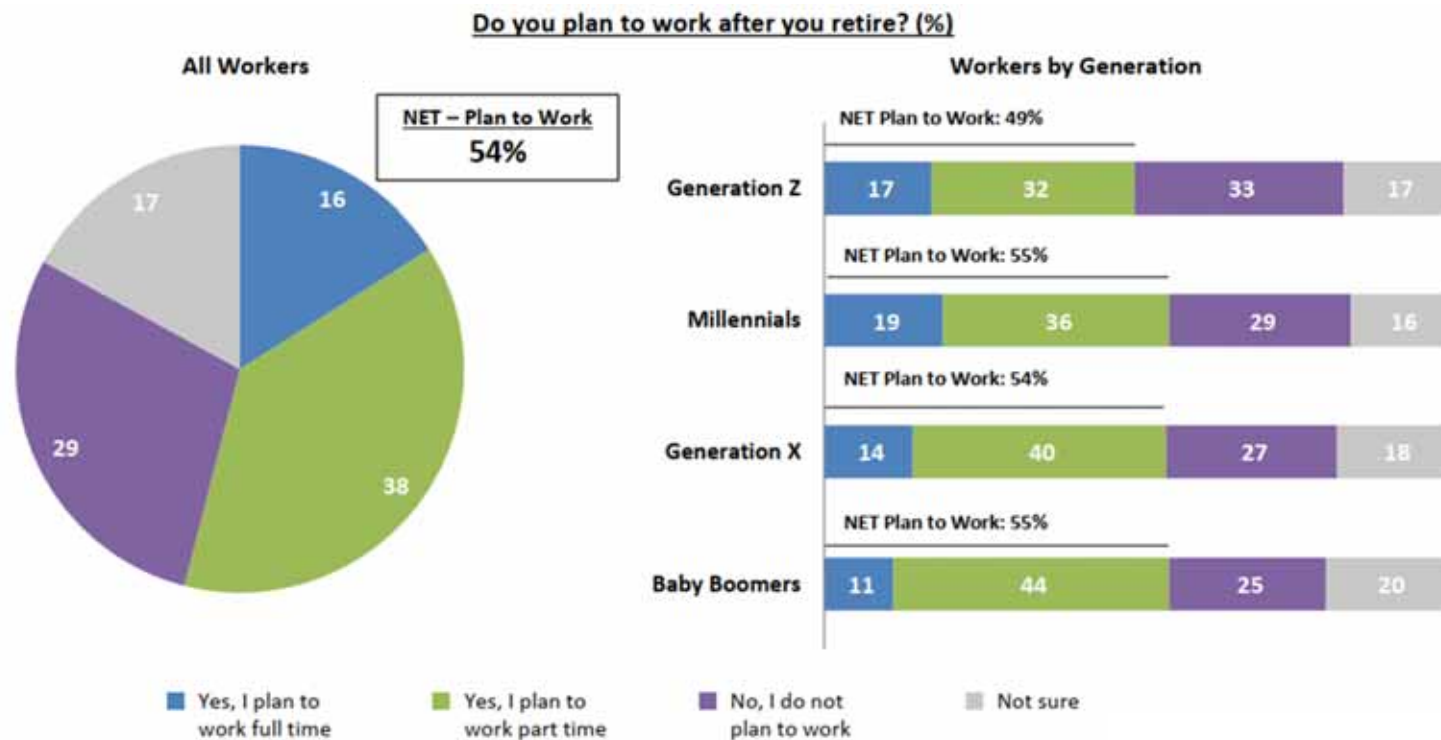
At What Age Do You Expect to Retire? (%)



Note: Results may not total 100% due to rounding.

Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers

Do You Plan to Work After You Retire? (%)



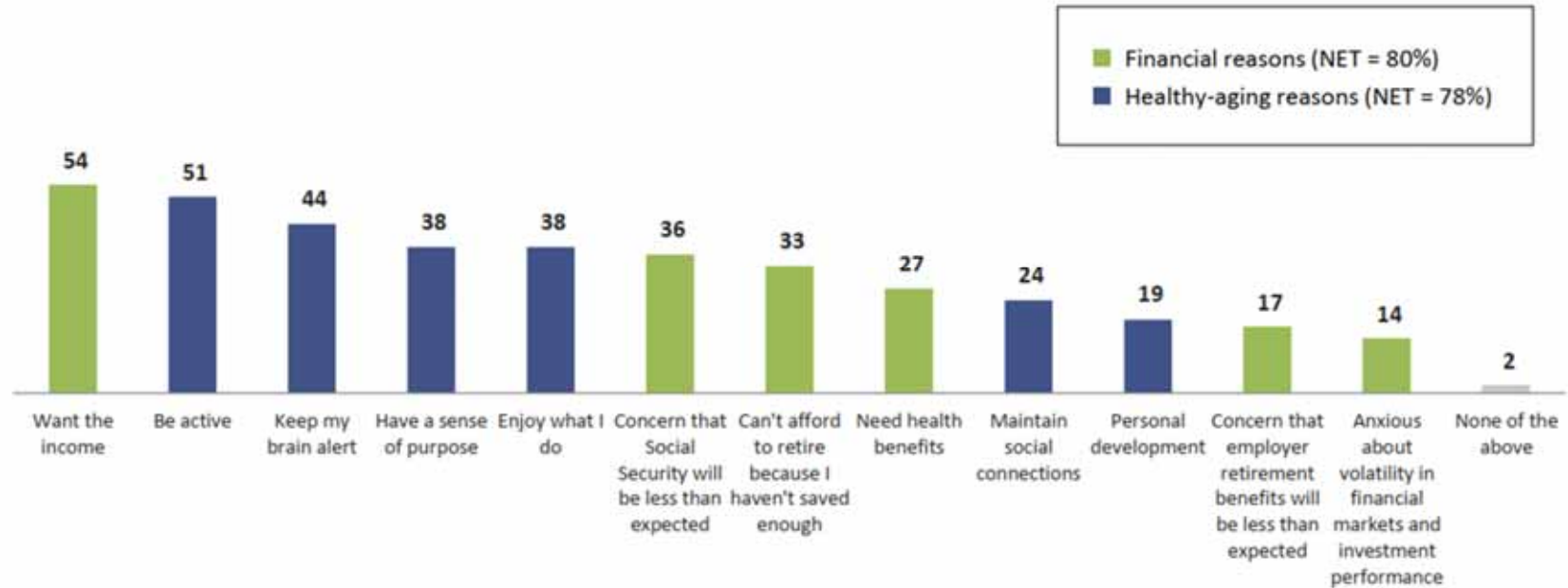
Note: Results may not total 100% due to rounding.

Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers

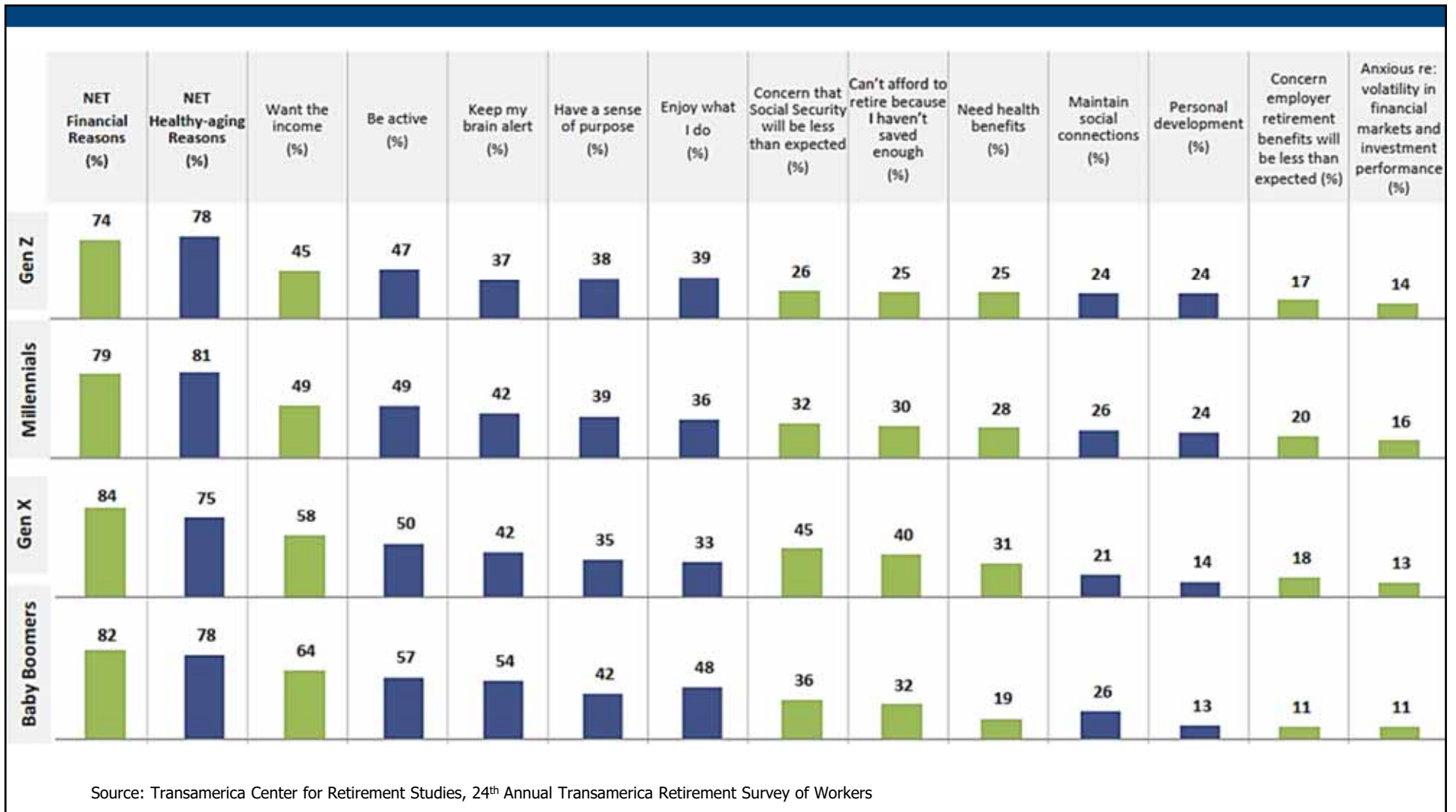
What Are Your Reason(s) for Working in Retirement or Past Age 65?

What are your reason(s) for working in retirement or past age 65? Select all. (%)

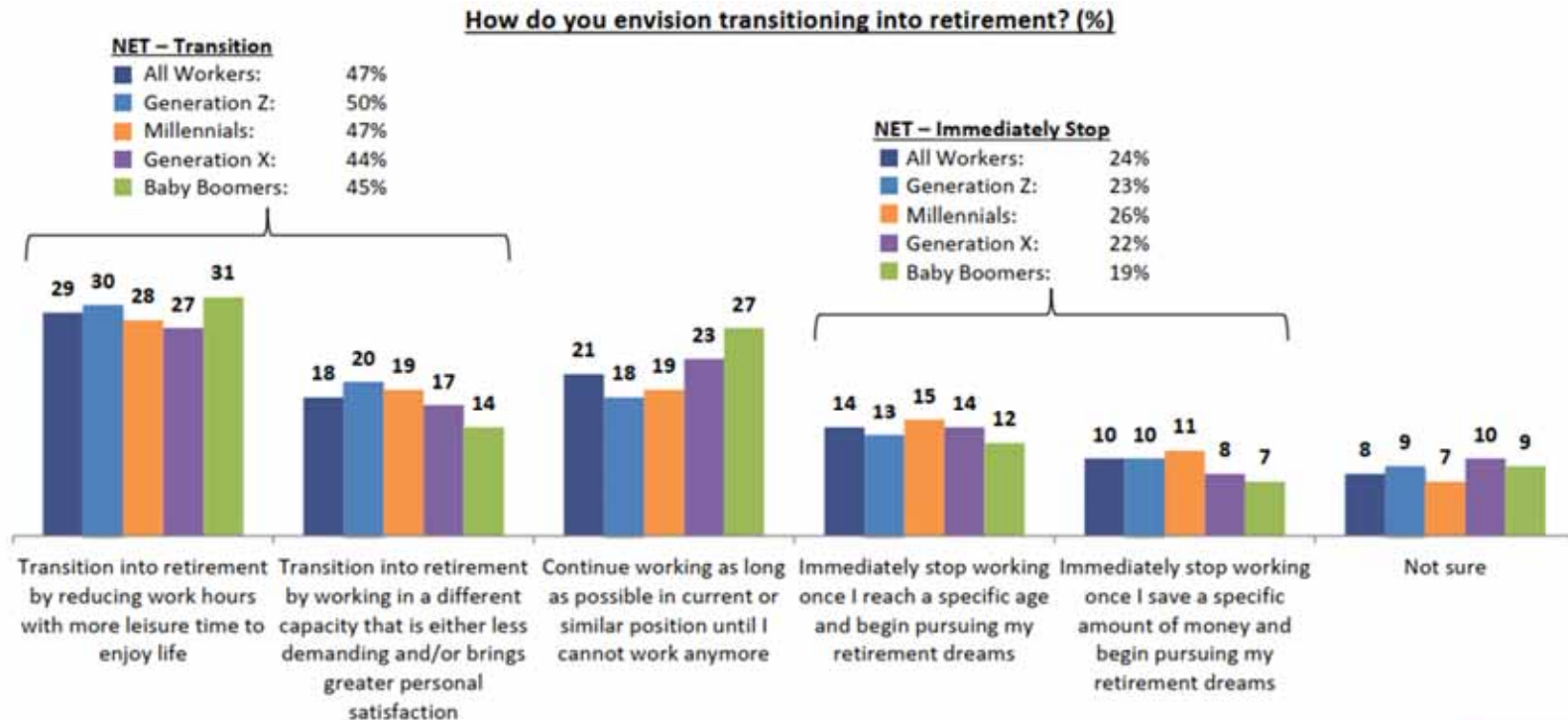
All Workers



Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers



How Do You Envision Transitioning Into Retirement? (%)



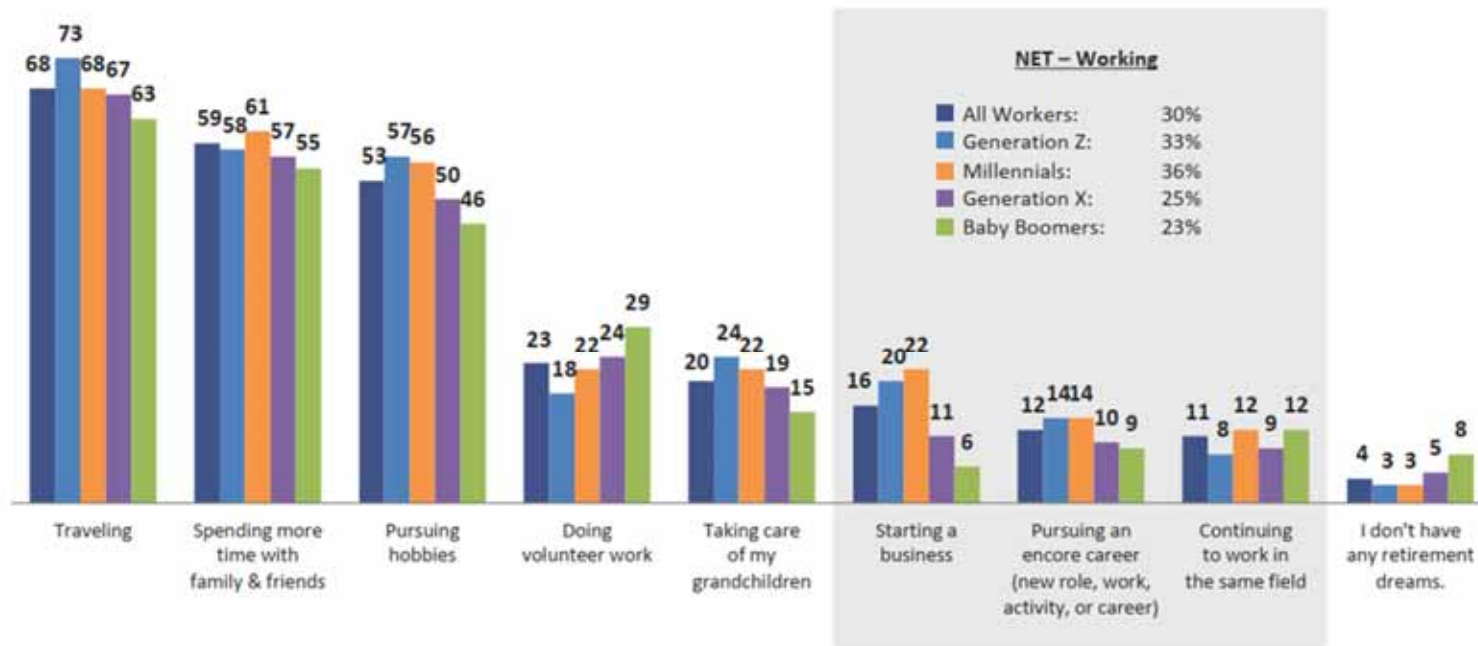
Note: Results may not total 100% due to rounding.

WORKER BASE: 24TH ANNUAL SURVEY - ALL QUALIFIED RESPONDENTS
 Q1545. How do you envision transitioning into retirement?

Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers

How Do You Dream of Spending Your Retirement? Select All. (%)

How do you dream of spending your retirement? Select all. (%)

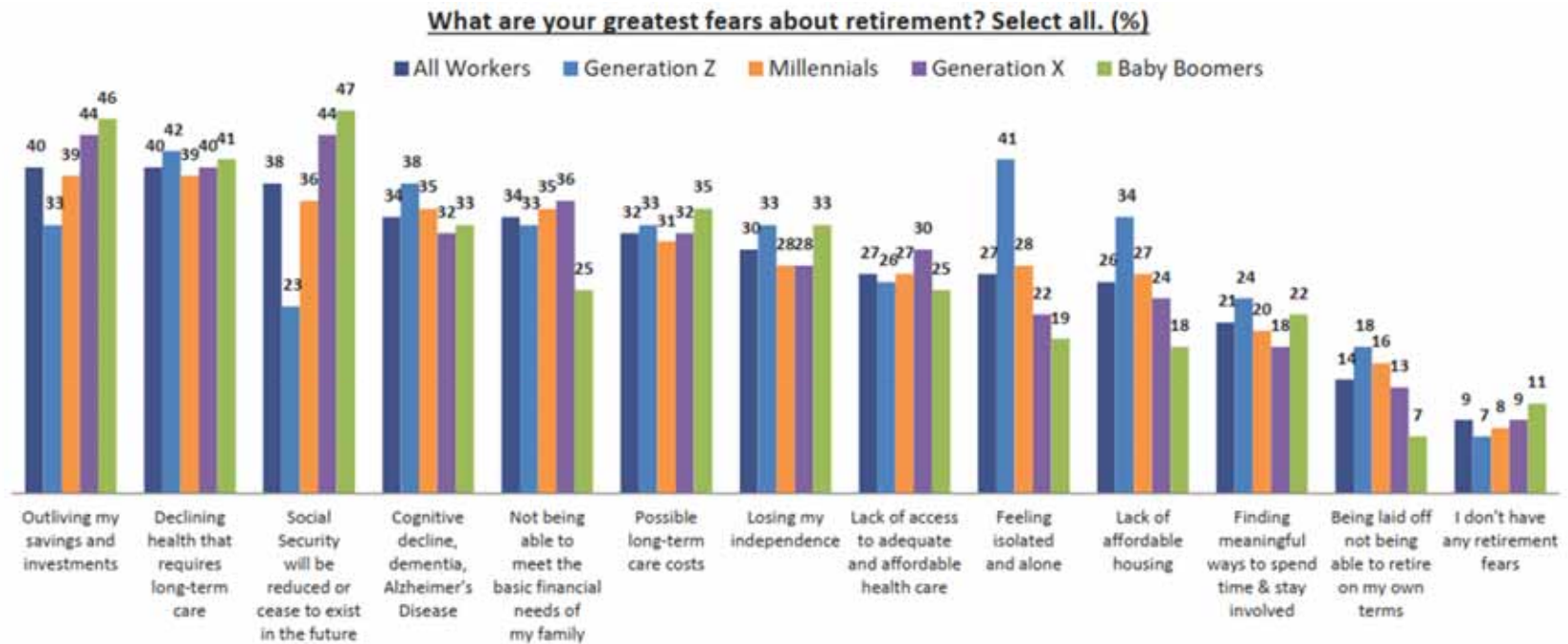


Note: Responses not shown for "Other" (All Workers: 1%, Generation Z: 1%, Millennials: 1%, Generation X: 2%, Baby Boomers: 2%).

WORKER BASE: 24TH ANNUAL SURVEY - ALL QUALIFIED RESPONDENTS
 Q1418. How do you dream of spending your retirement? Select all.

Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers

What Are Your Greatest Fears About Retirement? Select All. (%)



Note: Responses not shown for "Other" (All Workers: <1%, Generation Z: <1%, Millennials: <1%, Generation X: <1%, Baby Boomers: 1%).

WORKER BASE: 24TH ANNUAL SURVEY - ALL QUALIFIED RESPONDENTS

Q1422. What are your greatest fears about retirement? Select all.

Source: Transamerica Center for Retirement Studies, 24th Annual Transamerica Retirement Survey of Workers

Generational Differences (Big Picture)

- Desires remarkably similar, circumstances are different
- Each generation faces different immediate challenges
- No generation better or worse than others
- Signs for hope; progress being made

Economic Impacts

- Maturity Ratio—Ratio of the number of retirees per active workers supporting those retirees
- Phased retirement
 - Longer working lives contribute to economic growth and extra tax revenue
 - Strains on social safety nets and less room for lower-level employees to “move up the ladder”

Economic Impacts

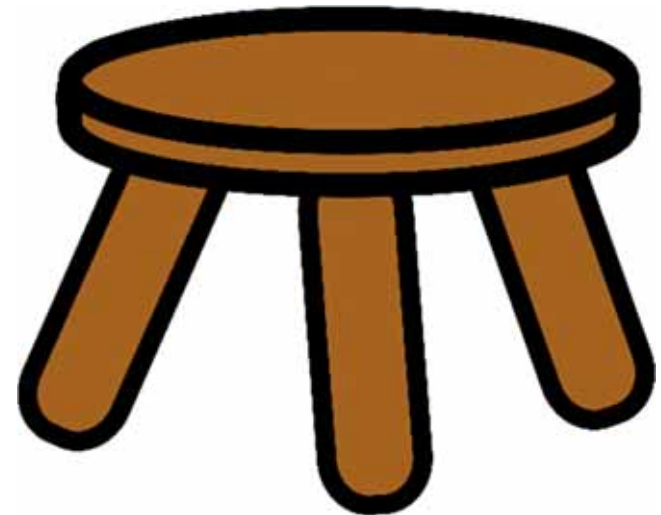
Country	Percent Employed by Age			
	Ages 55–59	Ages 60–64	Ages 65–69	Ages 70+
United States	66%	43%	20%	5%
Denmark	77%	35%	9%	3%
United Kingdom	69%	40%	10%	2%
Switzerland	77%	46%	7%	2%
Norway	74%	33%	7%	1%
Greece	65%	18%	4%	0%
Germany	61%	23%	3%	0%
Netherlands	53%	22%	3%	0%
France	51%	12%	1%	0%
Spain	46%	22%	0%	0%

Source: Organisation for Economic Co-operation and Development (OECD)

Part II—The Economic Stability of the “Three-Legged Stool”

The 3-Legged Stool

- Income sources during retirement
 - Government benefits (US social security)
 - Employer sponsored plans
 - Personal savings



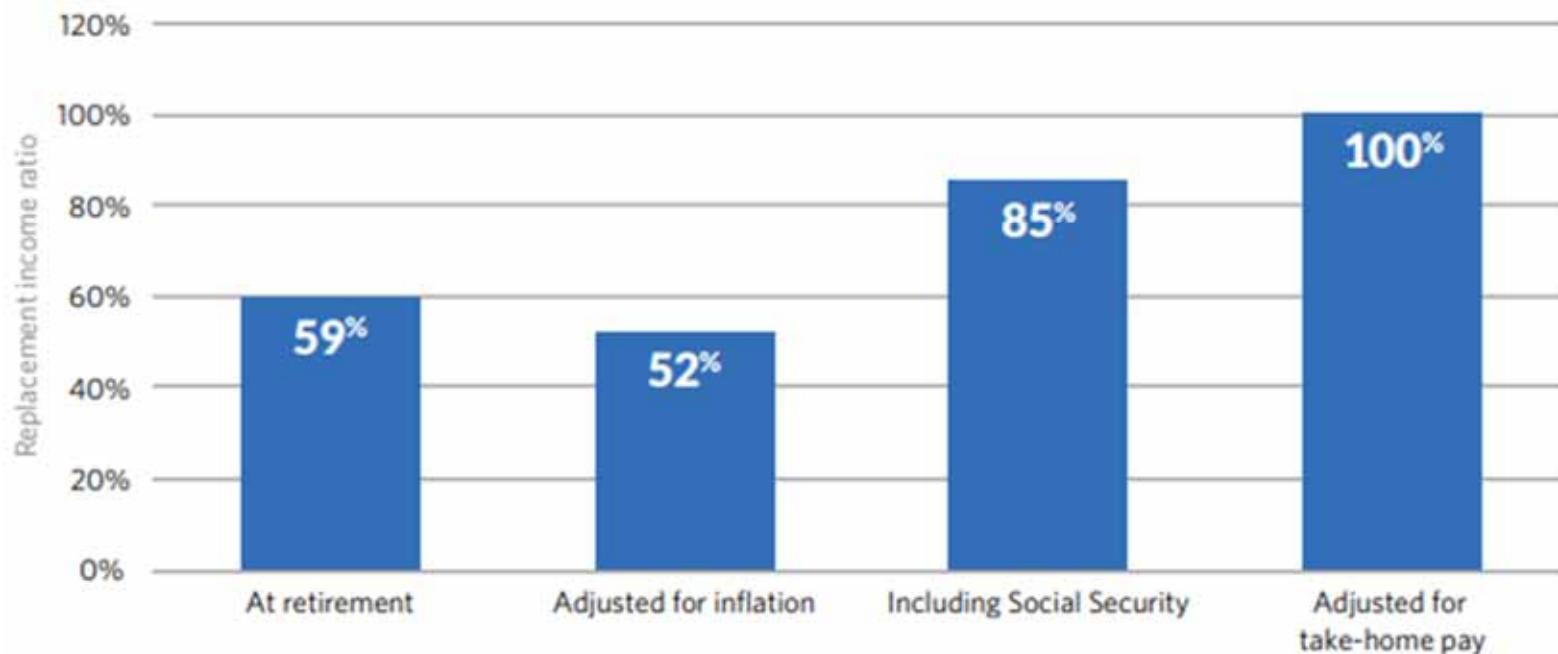
Replacement Ratio

- Percentage of pre-retirement income needed from 3 legs
- General goal: 75-85%
 - Lower expenses
 - Children grown
 - No debt
 - No longer saving for retirement
 - Total vs. Take-home pay

Sample Replacement Ratio—DB

Expected Replacement Income for a Career Worker Under a Sample Defined Benefit Plan

Retirement benefit exceeds worker's take-home pay



Replacement Ratio—Considerations

- Rising medical costs
- Increased health premiums
- Future tax increases
- Standard of living

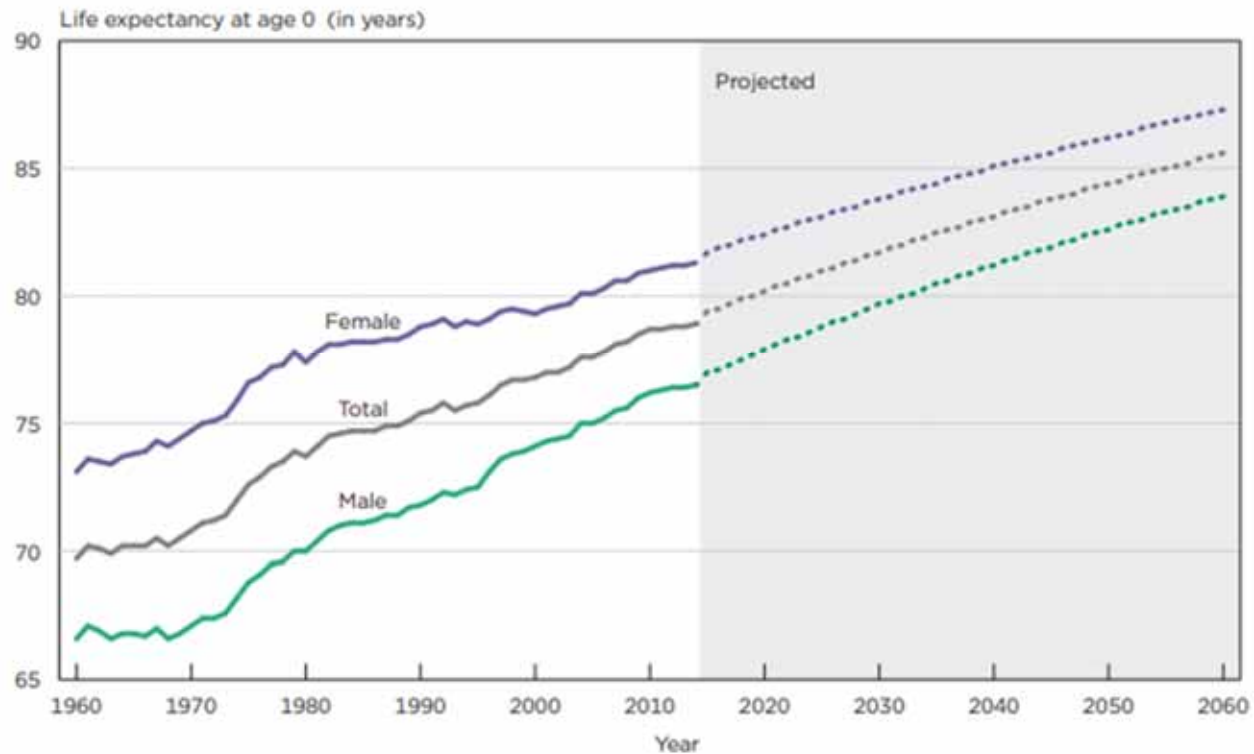
Leg 1—US Social Security

- Established in 1935
 - Retirement Age of 65
 - Life expectancy*: 78 for men, 80 for women
- 1983—law passed to gradually increase retirement age to 67
 - Fully phased in 2027
 - Life expectancy today*: 85 for men, 88 for women

*Based on remaining life expectancy assuming survival to SS Ret Age

US Life Historical and Projected Life Expectancy

Historical and Projected Life Expectancy for the Total U.S. Population at Birth: 1960-2060



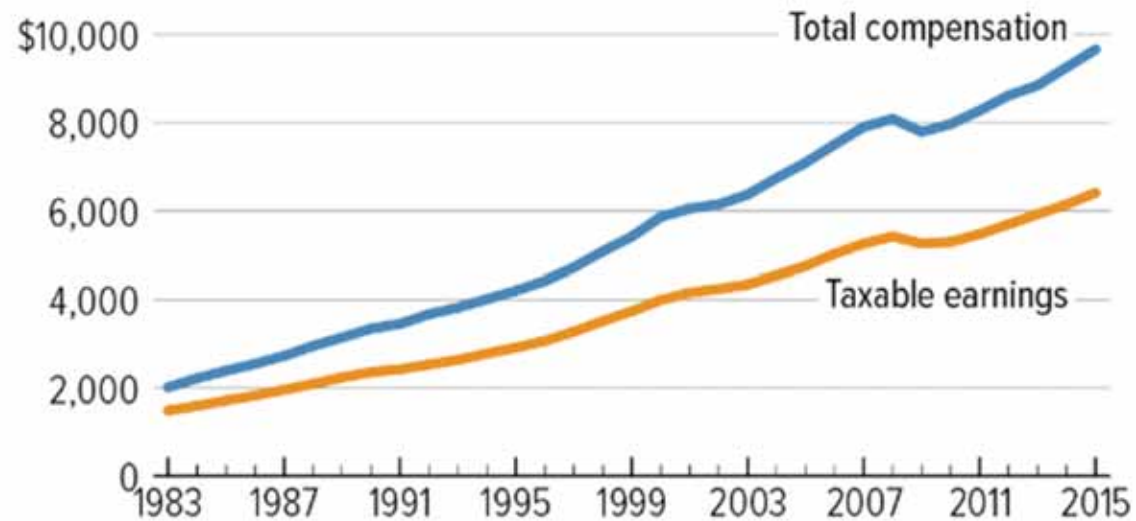
How Are Other Countries Approaching This Same Problem?

- France
 - Increase from 62 to 64 in 2023
- China
 - Increase from 60 to 63 for men, from 50 to 55-58 for women
 - Phase in over 15 years starting in 2030
- Netherlands
 - Gradual increase from 65 to 67 by 2024, 69 by 2057

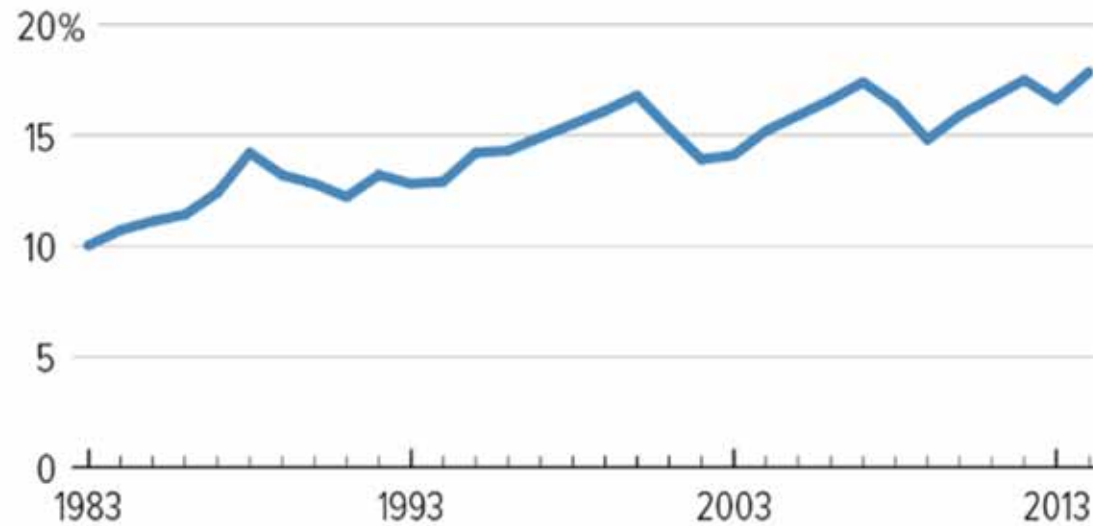
Challenges Facing US Social Security

- Maturity Ratio: 3.4 in 2000, 2.4 by 2033
- Trust fund projected to run out in 2035
- 83% of scheduled benefits payable in 2035, shrinking to 73% by 2098
- SS beneficiaries living in poverty projected to increase by 50% in 2035
- Taxable earnings has not grown proportionately to total compensation

Social Security Tax Base vs. Total Compensation



Percentage of Earnings Above SS Payroll Tax Cap

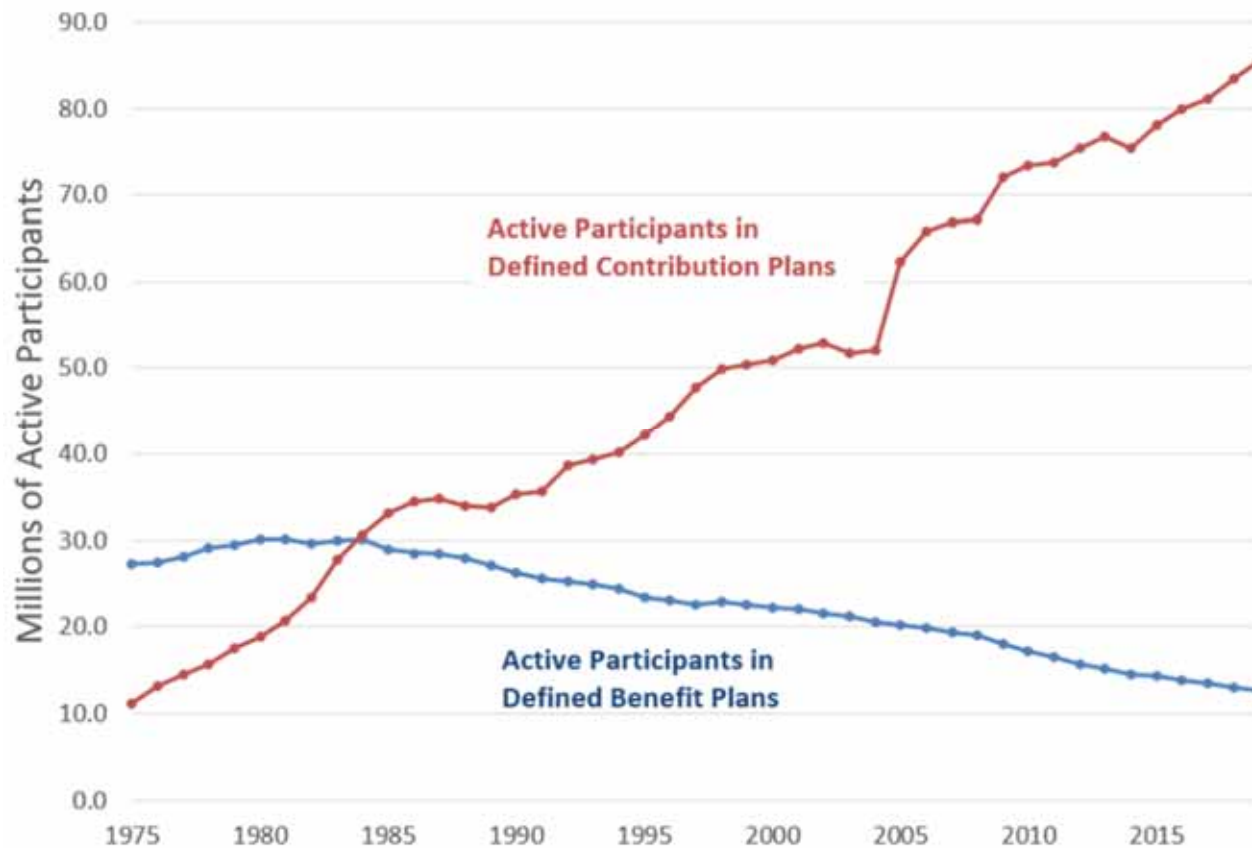


Leg 2—US Private Plans—Shift From DB to DC

- Number of U.S. workers with a defined benefit plan
 - 1975—88% of all workers
 - 2018—17% of all workers
- 2018 details

2018 Access	DB plans Only	DB + DC	DC Plans Only	No Access
All workers	4%	13%	51%	32%
Union workers	34%	34%	24%	8%

Active Participants in Private-Sector Pension Plans



Shift From DB to DC—Effect on Participants

- Advantages
 - Control over funding, investing and withdrawing
 - Portable
- Challenges
 - Longevity and investment risk with participant
 - Cost to annuitize

DB Plans With DC Characteristics— Cash Balance Plans

- Hypothetical account balance
- Balance increases
 - Pay credit
 - Interest credit
- 22,657 in US in 2020—15x increase from 2000

DB Plans With DC Characteristics— Variable Annuity Pension Plans

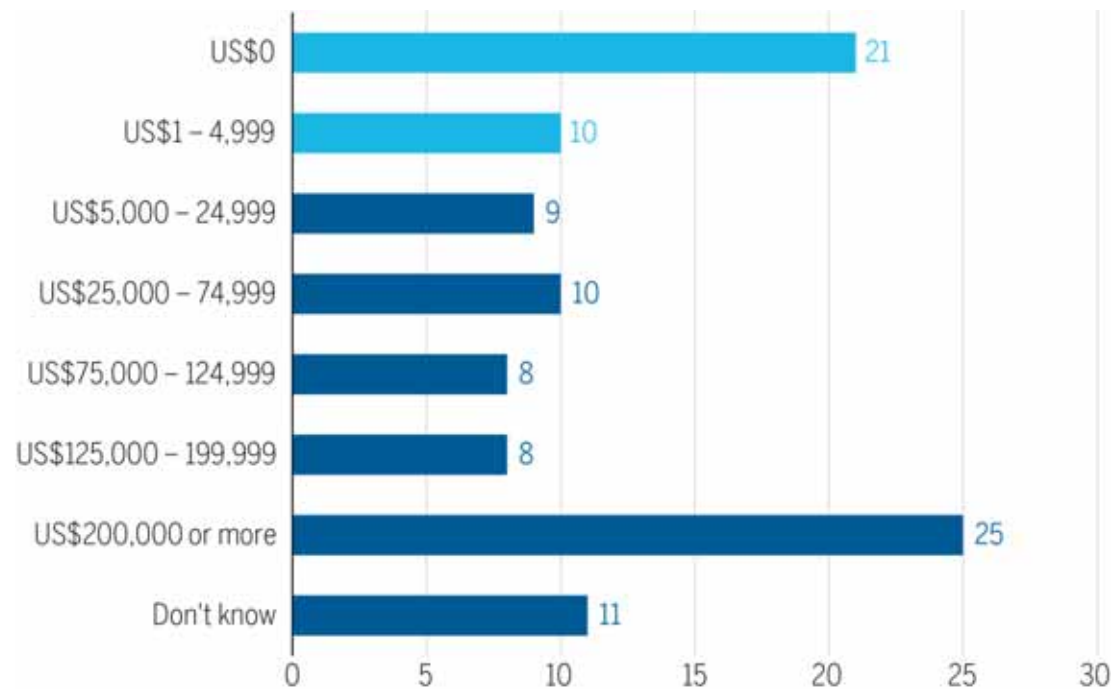
- Benefit increases or decreases based on Plan's investment performance
- Still relatively uncommon but gaining popularity

DB Plans With DC Characteristics— Effect on Participants

- Advantages
 - Provides annuity at retirement
 - Cash Balance—Behaves like DC, familiar to younger generations
- Challenges
 - Difficult to predict retirement income
 - VAPPs—Investment risk shifted to participants
 - Cash Balance—Interest credit typically lower than long-term market return in a DC plan

Leg 3—Personal Savings

2018 Survey—Retirement Savings for US adults: (%)



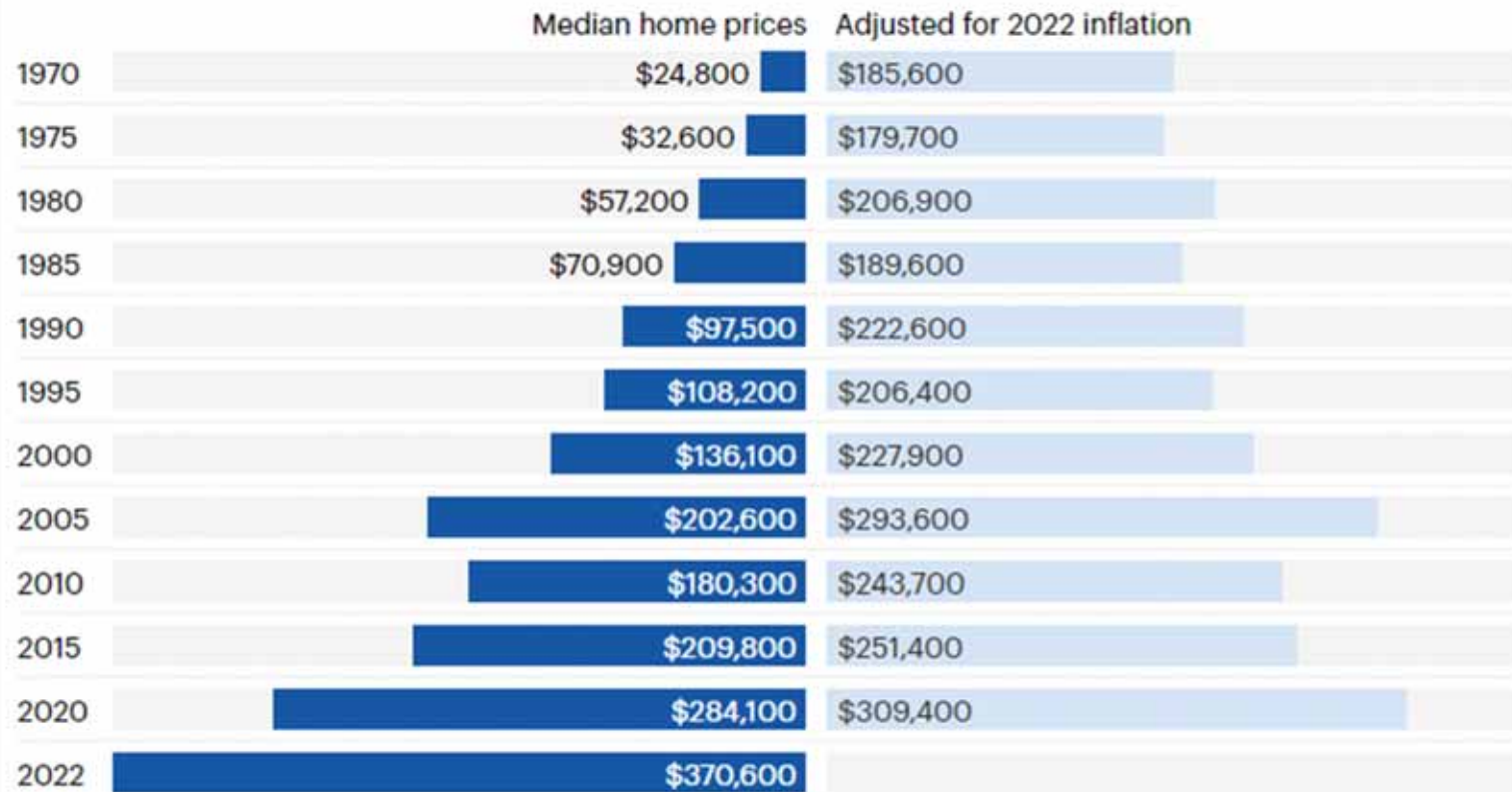
Base: All qualified respondents—General population: (n = 1979) Q1825. How much money do you have saved for retirement (from all sources including 401(k), IRA, pension, bank accounts, etc.)? | Source: Northwestern Mutual 2018 Planning & Progress Study

Personal Savings— Challenges for Younger Generations

- More needed for a longer retirement period
- Higher cost of living—Housing, gas, childcare
- Wages not keeping up

Median home prices

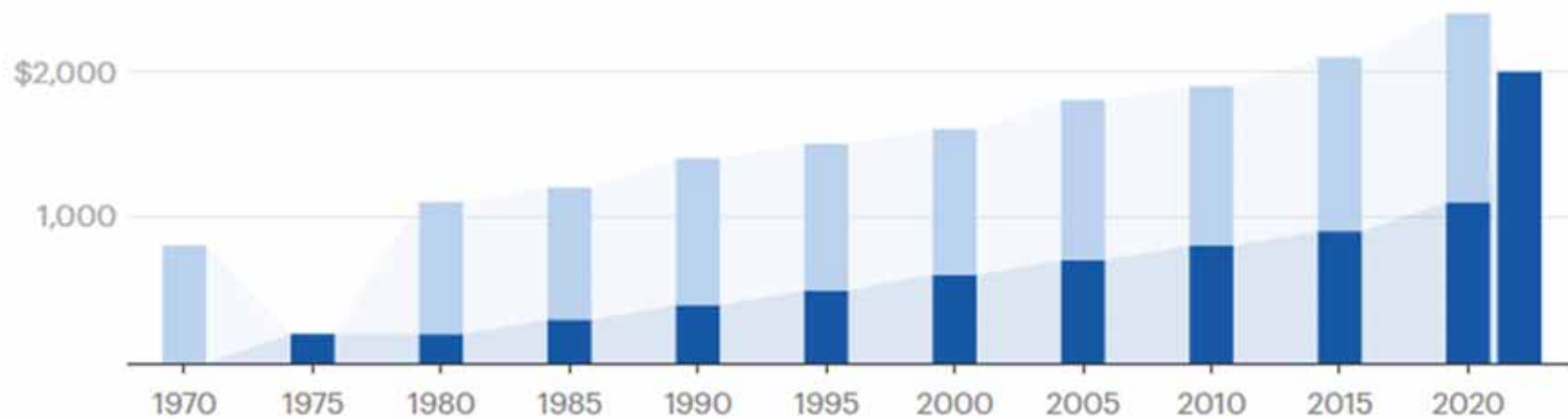
1970-2022



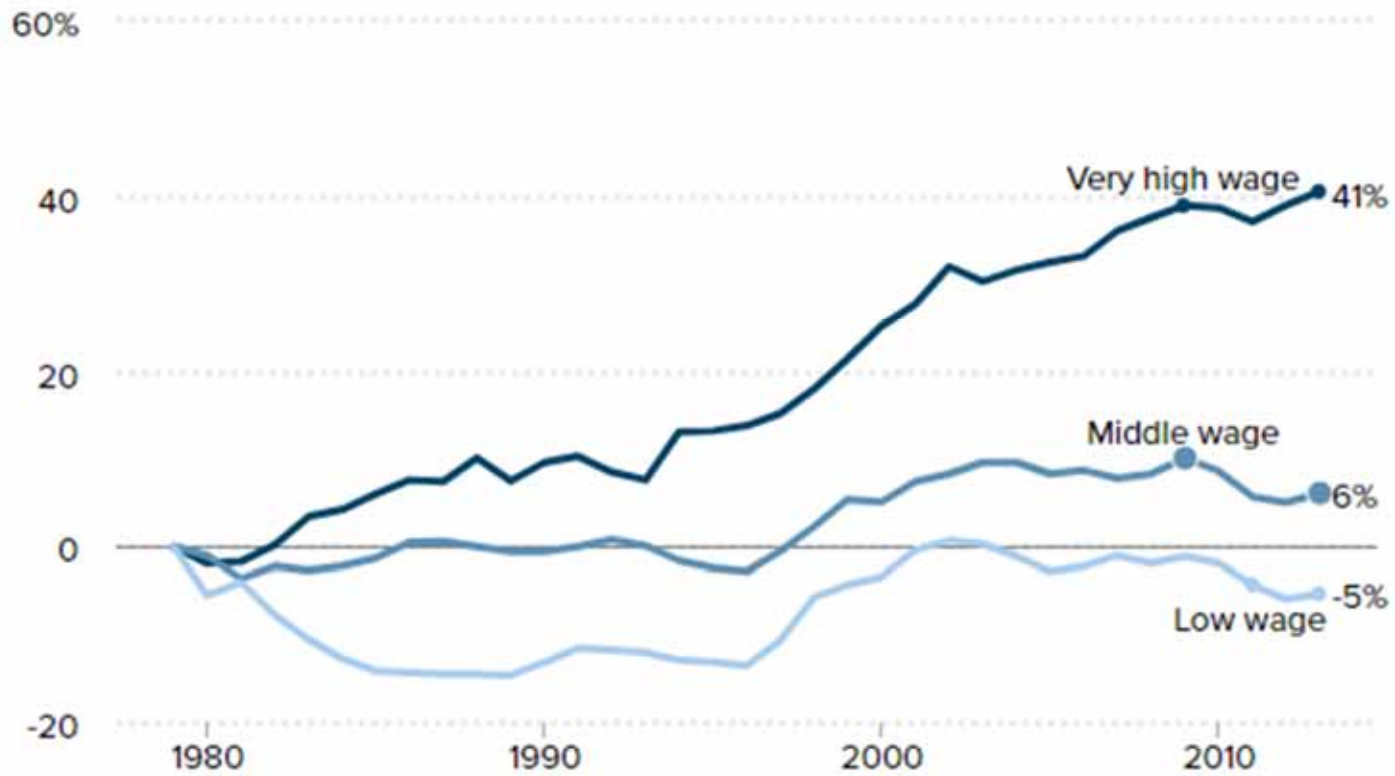
Median monthly rent

1970-2022

■ Median monthly rent ■ Adjusted for 2022 inflation



Cumulative change in real hourly wages of all workers, by wage percentile,*
1979–2013



Personal Savings— Challenges for Older Generations

- Unlikely older retirees can return to work
- Increasing healthcare costs
- Rising cost of education for college-age children

The Personal Savings Gap

2024	All	Gen Z	Millennials	Gen X	Boomers+	HNW (\$1M+)
Amount expected to need to retire comfortably	\$1.46M	\$1.63M	\$1.65M	\$1.56M	\$990K	\$3.93M
Amount saved for retirement currently	\$88,400	\$22,800	\$62,600	\$108,600	\$120,300	\$172,100
Gap between retirement goal and current savings	\$1.37M	\$1.61M	\$1.59M	\$1.45M	\$870K	\$3.76M

Average Age Americans Started Saving

	Mean Age
All	31
Gen Z	22
Millennials	27
Gen X	31
Boomers+	37

Final Thoughts—3-Legged Stool



- Leg 1—Government Benefits
 - May receive less than promised and start later
 - Importance of funding the other 2 legs
- Leg 2—Employer-Sponsored Benefits
 - DC or DC-like Plans
 - Annuitize if possible
- Leg 3—Personal Savings
 - More time to save if working longer
 - Consider amount of time retired

**All 3 Legs:
Stay
educated
and involved
throughout
working
lifetime**

Part III—Key Takeaways

Key Takeaways

- Workers: Encourage financial planning throughout life
- Employers: Adapt to multigenerational workforce needs
- Policymakers: Strengthen retirement systems
- All: Adapt to constantly evolving retirement landscape

Your Feedback
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Session Evaluation



Sources

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Happy Retirement

