



RETIREMENT SERVICES

Employee retirement readiness

Workers push retirement into the distance and look to their employers for financial help



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Methodology

Retirement Insights, LLC conducted a study to better understand employee retirement preparations and outlook. The study included a national sample of employees currently participating in their employer retirement plan between the ages of 25 and 65 with an annual household income of at least \$30,000. The study was completed in January 2019.

Objective

ADP Retirement Services commissioned Retirement Insights, LLC to conduct a study to:

- Gain insight about retirement plan participant retirement readiness.
- Survey and report the employee perspective regarding their retirement readiness.

Research findings

- Over half of workers plan to remain in the workforce until at least age 65, and say they anticipate postponing retirement to a later date than originally planned.
- In addition to identifying a preferred retirement lifestyle, workers find it difficult to define a secure future for reasons that include their current spending, their health, and the economy.
- About half save less than \$5,000 per year for their retirement and nearly 1 in 4 have borrowed from their retirement account.
- Many believe their employer can help solve their financial difficulties through increased compensation and better benefits.



Introduction

Workers are planning to remain in the workforce longer, and many are counting on their employer to help them solve their financial challenges through increased pay and better employee benefits. Due in large part to uncertainty and lack of savings, over half of today's employees plan to work until age 65 and beyond — according to research ADP commissioned Retirement Insights to conduct in May of 2018 of retirement plan participants. Although saving for retirement was the top financial concern that nearly all workers cited in the research, most respondents reported they knew how much savings they needed to secure their future — yet about half indicated saving under \$5,000 per year. A sizeable proportion of workers were also unsure of their ability to meet their goal.

Workers who extend their employment into their senior years out of necessity can have a real impact on the health of a business. While mature workers offer attractive qualities like experience and mentoring skills, they can also bring increased healthcare costs and sluggish employee turnover. In addition, employees who are financially stressed and working out of economic necessity can negatively impact workplace productivity. Relying on employment income into the senior years may also be a risky plan for workers, as some find themselves retiring sooner than planned due to family member, or their own, health issues.



Employees who are financially stressed and working out of economic necessity
can negatively impact workplace productivity.

Working longer and considering a delay

Today's employees plan to stay in the workforce longer — just over half (51%) are planning to retire at or beyond age 65. Many also consider delaying their retirement to a later date — or believe they are likely to retire later than planned (53%). This trend is found for all ages, especially those under 35. Sixty-two percent of workers ages 25 through 34 believe a postponed retirement is likely.

Uncertainty and lack of savings drive workers to postpone retirement

Of the workers who have considered delaying their retirement, 39 percent worry they will be unable to meet their savings goal, while another 19 percent say a better understanding of their retirement expenses is needed to decide. It appears most have a savings target and believe they know how much they need for their retirement, with just 9 percent citing uncertainty about their target as a reason to postpone retirement.



Workers of all ages consider postponing retirement



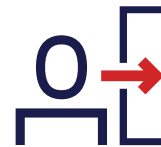
APPROXIMATELY HALF OF WORKERS:



Save less than \$5,000 annually



Think they may delay retiring even further



Plan to retire at 65 or beyond



About 1 in 4 say it's **difficult to define a secure future** due to uncertainty about their current spending, the economy, or their health.

Unprepared for the future

Defining their preferred retirement lifestyle is a top challenge cited by workers (26%). General uncertainty about defining a "secure future" causes another 24 percent to find it difficult to take steps to prepare. Reasons like their current spending (38%), the economy (34%), and their loved ones' health (28%) make them unsure of how to define their future financial security.

Reasons individuals struggle with defining a secure future

Concerns with how much I or family members spend	38%
Concerns with the economy and its outlook	34%
Concerns over my health or the health of family members	28%

Other factors that make retirement planning difficult include healthcare costs (19%), current income (14%), current expenses (10%), and uncertainty about how to prepare for a secure future (8%).

Just under half (49%) of employees save less than \$5,000 annually for their future needs, and many tap into their retirement assets prior to retirement. Thirty-eight percent of those surveyed considered taking a loan from their retirement account and, after considering it, 23 percent did.



Financial challenges

For over half of workers, saving for the future is simply out of reach due to their current financial circumstances. Fifty-five percent of survey respondents describe a paycheck-to-paycheck lifestyle that affords little to no leftover money for savings after paying their bills. Data from a recent Retirement Insights financial wellness survey find debt and current expenses may be costing workers their financial security. Fifty percent have recurring credit card balances, 27% have student loans, 22% have outstanding medical bills, and 10% pay for elder care expenses.

Relying on employers to solve financial challenges

Many workers take a passive approach to solving their financial challenges — and rely instead on their employer to help improve their financial health. Fifty-six percent say it's the size of their paycheck — not their day-to-day expenses — that has the biggest impact on their financial security. Men are more likely to take this view than women — 61 percent of men believe salary is a greater contributor to their financial security than their current expenses compared to 52 percent of women. While better benefits and more money certainly may help, this passive approach to solving personal financial challenges is troubling. A more effective approach is for employees to act by taking steps to reduce spending and live within their means.

Many believe their employer can improve their financial outlook — through more money in their paycheck and better employer benefits. Nearly two in three also look to their employer to help them fund their future financial security. Thirty percent said a greater employer match would incent them to save more for retirement, and another 36 percent said they would save more if they made more money. Beyond a bigger paycheck, those surveyed believe better employer benefits would help improve their financial circumstances. Specifically, employees believe less costly health benefits (23%) would help them be more financially secure.

Reducing financial stress

The majority of employees are confident about their ability to manage their finances, but they frequently worry about money. Sixty-four percent worry about money daily to several times per month. It's the number one source of stress, and most workers report feeling it at moderate to high levels.¹ In looking for solutions for reducing financial stress, nearly half of workers (47%) indicate that improving their investing knowledge would help substantially with providing relief. Also, 21 percent identified getting assistance with evaluating their finances to find opportunities to reduce costs as a way to reduce stress.

1 Financial Wellness – A roadmap for Developing a Financial Wellness Program. Retirement Insights, LLC. – May 2018.



Conclusion

Workers say saving for retirement is unaffordable given their current financial circumstances, and it's putting retirement further out of reach. Rather than taking action themselves to improve their financial position, many look to their employer to help them achieve current and future financial security. Fortunately, most employers already have a benefit in place that can help workers gain better financial footing — a financial wellness program.² These programs can help workers learn financial skills, analyze spending and manage debt, which can help reduce financial stress. In addition to helping workers build financial stability, they can also help them find money to save for retirement and reduce their uncertainties about retirement planning. To encourage program use, it's important employers keep these programs in employees' sight through easy access, mobile capabilities, and regular promotion.



Workers want bigger paychecks, a larger matching contribution, and less expensive healthcare.



Redefining retirement

For more information about ADP's financial wellness and retirement plan solutions, please contact us today at (800) 432-401K or visit www.adp.com.

² Employees Need Help Building Financial Security. Retirement Insights, LLC. – May 2018.

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About Retirement Insights, LLC

Since 1996, Retirement Insights, LLC has been assisting financial services companies to competitively position their products in the marketplace and achieve their goals. We offer powerful competitive intelligence tools, reporting and consulting services specialized in the retirement and financial industries. Our expertise lies in connecting our innovative research and information with insights that help our clients make better decisions and bring practical, actionable solutions into view.

This white paper is based on a study conducted by Retirement Insights, LLC on behalf of ADP Retirement Services. Retirement Insights, LLC developed an online survey to be completed by a national sample of employees between the age of 25 and 65 with an annual household income of at least \$30,000 who are currently participating in their employer retirement plan. The survey data included 505 completed online survey respondents. The research was completed in January 2019.

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