



The Retirement Planning Disconnect

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Prepared by
greenwald
research

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About the Study

Objectives



Building upon quantitative research, the main goal of this survey is to better understand retirement planning, specifically around the extent people plan, how decision are made, barriers to planning, and financial concerns.

Topics and objectives explored:

- When and how people started planning for retirement
- Evaluation of their own planning
- Help and important areas in planning
- Attitudes around retirement planning
- Views on messaging to promote more retirement planning

Methodology



- Online survey conducted from January 21 to February 3, 2022
- 18-minute survey
- 2,000 respondents:
 - 50 to 74 years old
 - Either already retired or employed full-time/unemployed and plan on retiring
 - Take part in financial decisions in their household
- Data was weighted by age, gender, income, education, working status, and race/ethnicity.

Key Findings

Top Findings



There is a wide range in how workers and retirees rate their current financial situation. **Only one in ten say they are very comfortable** and over half (55%) are either fragile or only able to get by.



The majority are very concerned about a variety of issues in retirement including **inflation, health care expenses, and a reduction in Social Security**. Fewer express a great deal of concern about environmental and political disruption or a major stock market downturn.



Just a quarter started saving for retirement before age 30, despite recommendations from financial professionals. At age 50, four in 10 workers do not have a good idea of what they need in retirement and only two in 10 have a very good idea. Almost half determined the amount they would save for retirement based on what they **believed they could afford rather than talking to an advisor, analyzing their expenses in retirement, or using an online tool**.



While **half of workers plan to stop working gradually**, only one quarter of retirees did so. Among workers, close to half plan to retire when they reach a specific age compared to far fewer who will do so when they hit their savings targets (16%). Another 30% don't have plans at all.



Workers and retirees find retirement planning to be important with 84% **saying it is more of a necessity than a luxury**. Large majorities find various aspects of planning to be important, including saving, reducing debt, determining when to claim Social Security, planning for unexpected health events, and estimating savings. **Only about a quarter see major barriers to planning** with individuals having unique circumstances, uncertainty, and anxiety being the most common.

Top Findings



Most workers and retirees do not give themselves high marks on retirement planning and over six in ten feel they should have done more planning than they did. Most have put at least some effort into planning, with about four in ten having put a **great deal of effort into managing debt, saving for retirement, and determining when to collect Social Security**. Fewer have put this amount of effort into determining an investment strategy, the role family would play in providing care, or estimating life expectancy.



Most recognize the various advantages of retirement planning, especially peace of mind, knowing how much to save, knowing how much they really need so they spend correctly, and feeling more confident. However, it appears that while many value planning for retirement, **about half say they live one stage at a time and don't plan for the future**. Six in 10 also agree that if they keep their spending in line, there is nothing to worry about with retirement finances



While only a third currently work with an advisor, over half feel that **a financial advisor would be very or extremely helpful with investment strategies, withdrawal strategies, retirement savings, and when to start Social Security**.



Most workers and retirees find messages that encourage planning to be very effective, including having **peace of mind, control over one's life, having flexibility, and not running out of money**. When given taglines, "peace of mind" is selected most often as favorable (57%). Taglines with negative connotations were the least likely to be seen as effective for encouraging retirement planning, including "facing uncertainties" and "less regret."



A majority find all four strategies useful in encouraging someone to do more to plan for retirement, with the most effective being **education with useful information and providing a step-by-step approach**.

Key retirement decisions are made based on gut instinct rather than the planning process.

Most workers and retirees don't adequately plan

When workers save, the amount they put away is more often based on what they can currently afford rather than what they feel they need.

- Most do not give serious thought to what they need in retirement and do not really think about it until they are 50 years old, on average. Even at this age, a plurality don't know what they need to save for retirement and only about a quarter have a very good idea.

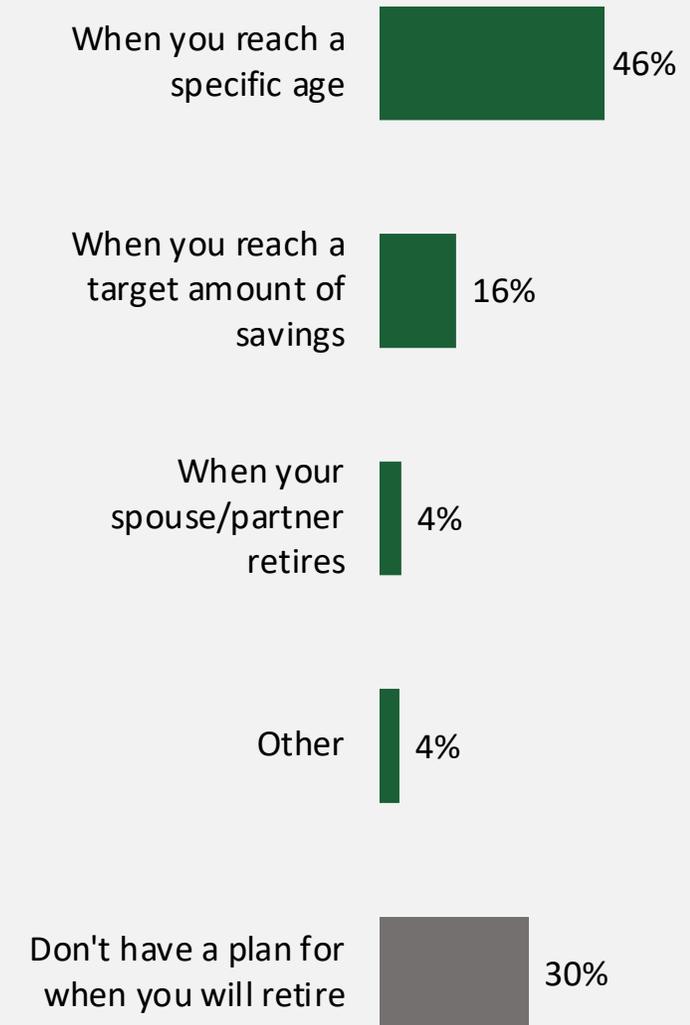
The lack of true planning is underscored by how people decide when to retire—just 16% base this on reaching a target amount of savings while 46% pick the age that they want to retire.

- Current workers are also anticipating spending more years thinking about retirement than retirees did. However, workers may have an unrealistic belief that they will gradually stop working. While half plan to do this, far fewer retirees actually did so.
- Furthermore, the most common way that workers and retirees make the retirement decision is based on their own instincts rather than using an advisor or retirement tools. Encouragingly, workers use other sources more often than retirees.

Most workers and retirees are very concerned about a variety of risks in retirement, especially outside events such as health care, long-term care, inflation, and cutbacks in Social Security.

- Perhaps planning causes too much anxiety for some, but it is clearly needed.
- One factor that may impede planning is that over half rate their financial situation as “fragile” or “just getting by” and perhaps don't believe they can achieve adequately affording retirement.

Decision on when to retire *Among non-retirees*

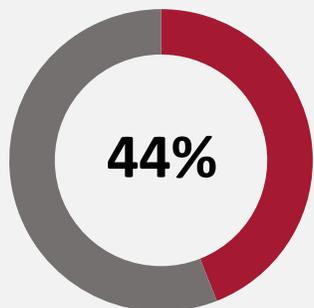


Many understand they should be doing more to plan for retirement.

Despite not planning enough, workers and retirees see the value of doing more

While worker and retirees clearly don't base their retirement decision on financial readiness and seem to do "back of the envelope" planning, it appears they may be receptive to efforts to plan more.

- First, they at least have enough self-awareness to give themselves low grades on planning with over half rating themselves as "fair" or "poor."
- Second, most believe that they should do more planning and value it.
 - They are far more apt to find planning to be a necessity rather than a luxury and find the various facets of planning to be very important, including issues relating to saving, deciding on when to start Social Security, determining income, and preparing for unexpected expenses.
 - A large majority want to do more planning in the future, even if they are constrained financially.

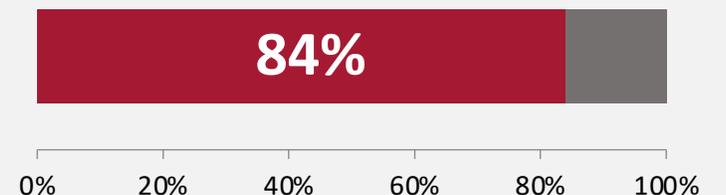


Rate the job the did planning for retirement as "very good" or "good"



Almost two in three say they should have put more thought into retirement planning

Most view retirement planning as more of a necessity than a luxury



What are the reasons for the disconnect between the value placed on retirement planning and people's actual behaviors?

Key gaps with planning include a present-orientation, financial behaviors vs. actual planning, and working with professionals

While most disagree that they don't have to plan because their expenses will drop and that they don't have to plan for the next stage of life, most agree that if you keep spending in line, there is nothing to worry about.

- This is consistent with what we have seen in the qualitative work and elsewhere.
- While workers and retirees may think about the next stage of life, most focus their efforts on their day-to-day balancing of finances.

The most common activities attributed to retirement planning are saving and reducing debt.

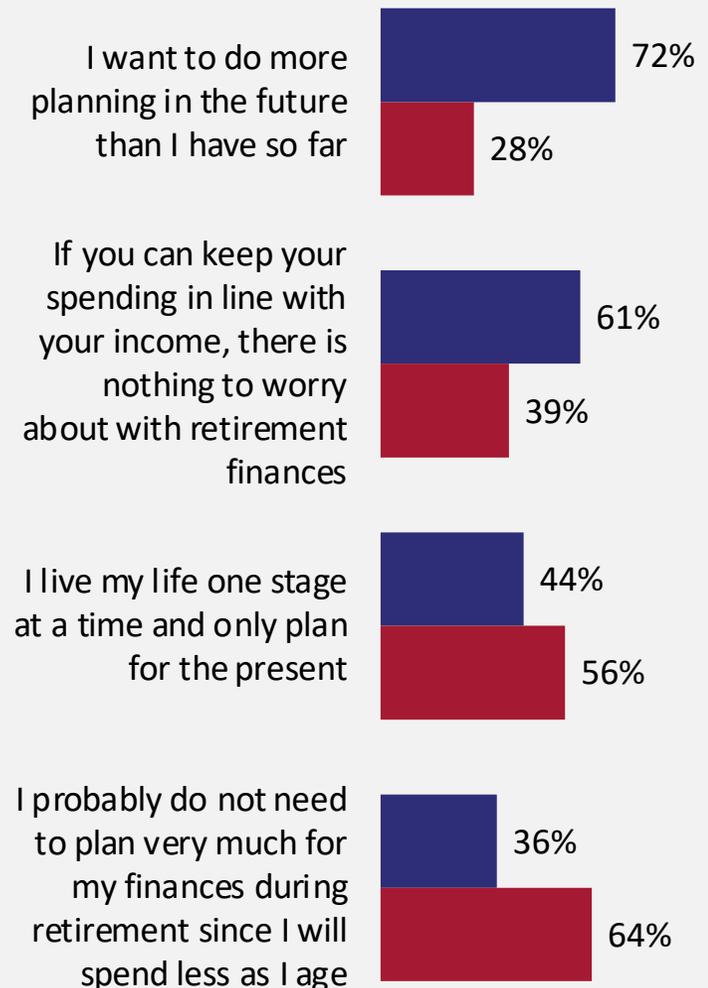
- While these activities are important, they are more financial behaviors than actual planning.
- Many workers and retirees have also put effort into the Social Security claiming option, also more of a behavioral activity since it is often linked to the decision to retire and involves receiving money.
- Only a quarter put a great deal of effort into other areas such as estimating spending, life expectancy, or health needs.

Over half think an advisor would be very or extremely helpful in several areas, including investment strategies, retirement savings, when to claim Social Security, and determining a withdrawal strategy.

- Roughly eight in ten would find an advisor to be at least somewhat useful.
- Considering there are only one third currently working with a financial advisor, there could be an opportunity to get more workers and retirees to use an advisor.

Sentiment around retirement planning

■ Agree ■ Disagree



Despite not doing a lot of in-depth planning, most see the advantages and are receptive to messages about planning.

Peace of mind and control are key advantages and motivators to planning

When asked about the possible advantages of planning, a majority see a large list of benefits.

- Peace of mind is most often cited, followed by knowing how much one needs and having confidence.
- There is less receptivity to negative taglines such as “less regret” and “facing uncertainty.”

Only about a quarter see major barriers to planning, with the most common being everyone facing unique circumstance and life’s uncertainty.

- The least cited barrier is the potential to create conflict or disagreements between their spouse or partner.

Two-thirds to three quarters find a variety of messaging to be very effective in getting people like you to do more planning for retirement.

- The top messages focus on control, peace of mind, and reducing chances of running out of money.
- Similarly, “peace of mind,” “taking charge,” and “control” are seen as favorable terms to be used in these messages.
- A majority find various strategies to be effective in encouraging more retirement planning, especially education with useful information/strategies and a step-by-step approach or guide.



74% say this is a major advantage to retirement planning



86% say this is a favorable phrase to encourage them to plan for retirement



75% rate “Planning now will give you more peace of mind in retirement” as an effective message to get people to plan more

Conclusions

Despite needing to plan and valuing planning, workers and retirees simply do not do enough of it. There is a “ready, fire, aim” approach to planning where workers put away what they can, and retirees don’t consider financial readiness when they retire. As we saw in the qualitative part of this study, workers conflate putting money away for retirement with planning for retirement. At the same time, workers and retirees value planning and many feel they can do better. Most messaging appeals to workers and retirees, but the big question is: Will this messaging break through and change behavior?

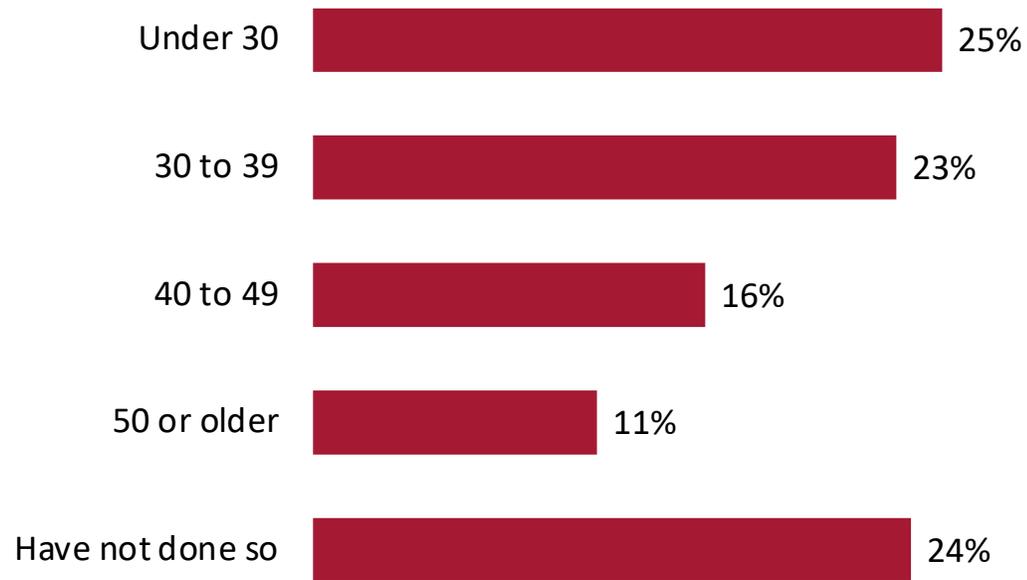
Based on this research, we see potential actions for Stanford to take:

- 1** The findings of the research themselves can help the planning and plan sponsor community by providing data that sheds light on the inconsistencies in planning behavior and the potential consequences of it. The industry has preached for the need to retire for a long time, but perhaps the gaps found between attitudes and behavior can be educational.
- 2** Retirement needs to be viewed as the start of a process rather than something which is given passing thought. Perhaps there can be a charting tool that can show the process and where the person is falling short. Part of the process is to better identify the follow-through that needs to happen and concrete actions that must be taken.
- 3** One shortcoming that needs to be addressed based on this and other research we have seen is the dissociation between present and future self. As this study shows, workers and retirees feel that if they keep their spending under control, they will be okay. However, there needs to be a more long-term focus on how things will change and what future challenges need to be addressed.

Retirement Savings and Planning

The median age for saving for retirement is 32, while serious planning does not typically begin until age 50.

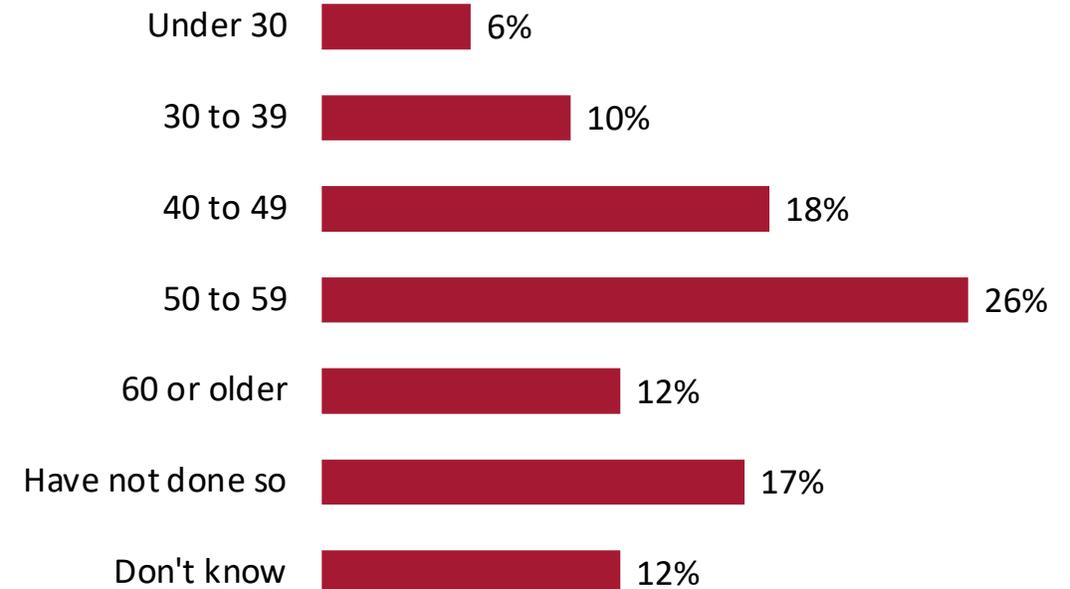
Started saving in a retirement account



Median: 32 years old

Workers plan on saving for a median of 35 years compared to retirees who only saved for 26 years.

Started serious thought to retirement planning

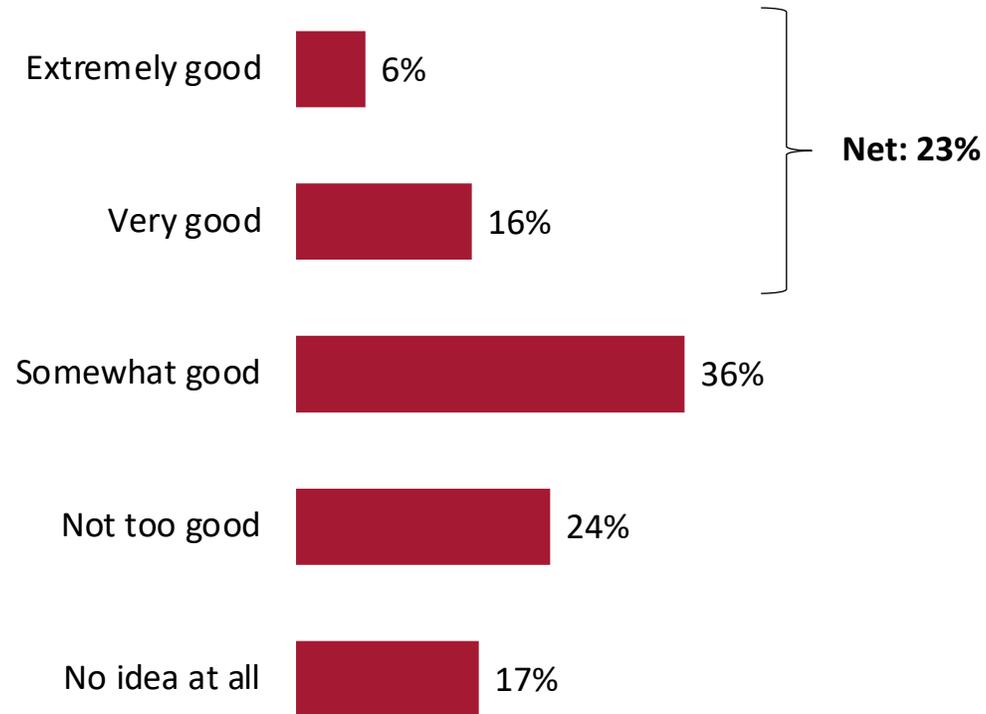


Median: 50 years old

Workers plan on saving for a median of 19 years compared to retirees who only planned for 12 years.

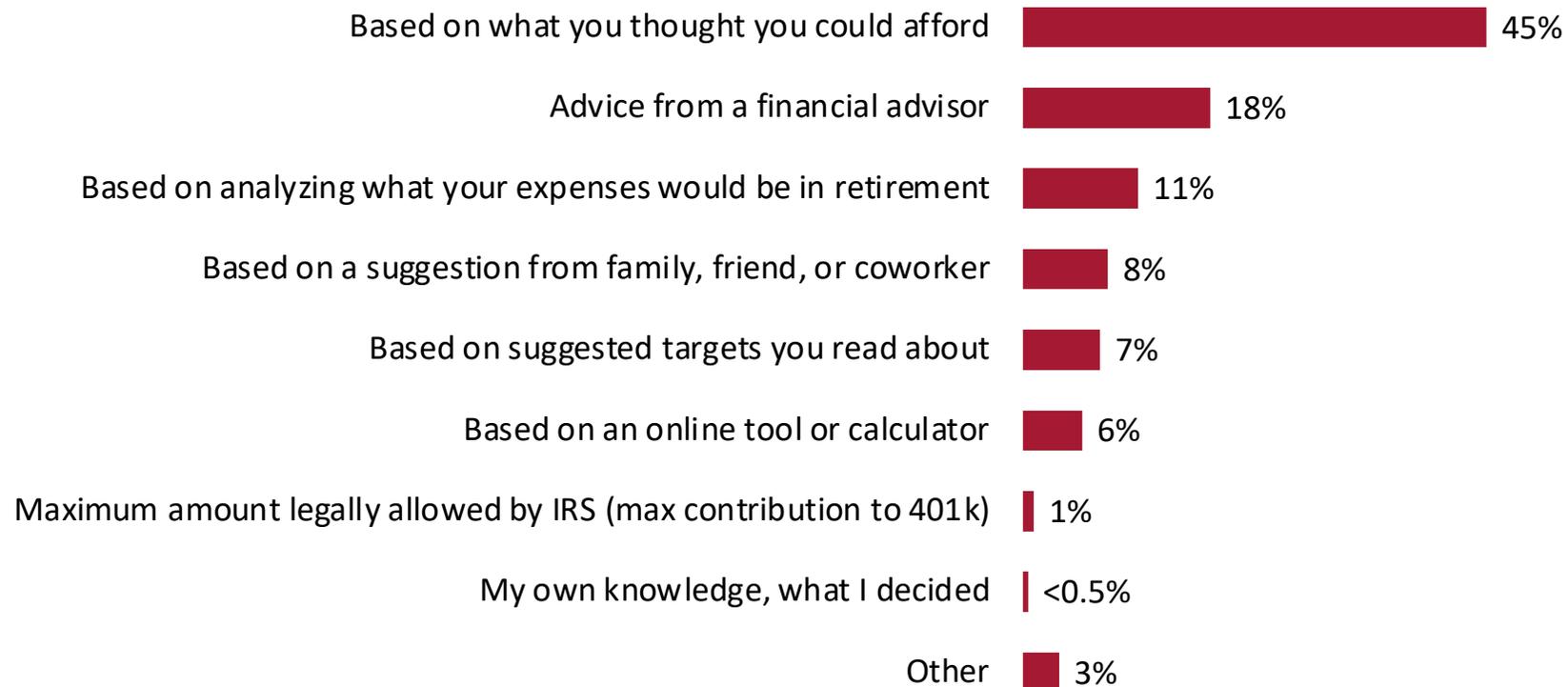
By age 50, less than a quarter have a very or extremely good idea of how much they need to save for retirement.

At age 50, idea of how much needs to be saved



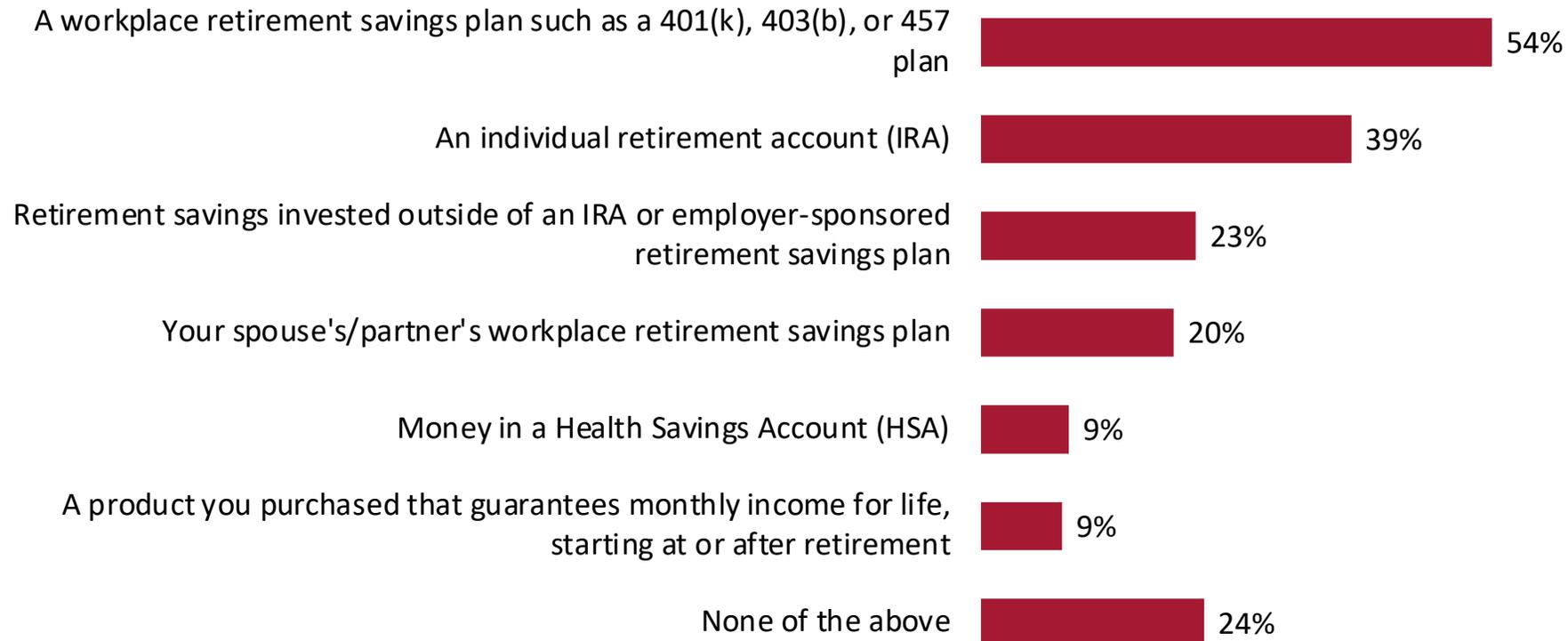
The most common way people decide how much to save for retirement is based on what they think they can afford.

Factors used to determine current retirement savings amount *Among those who have started saving for retirement*



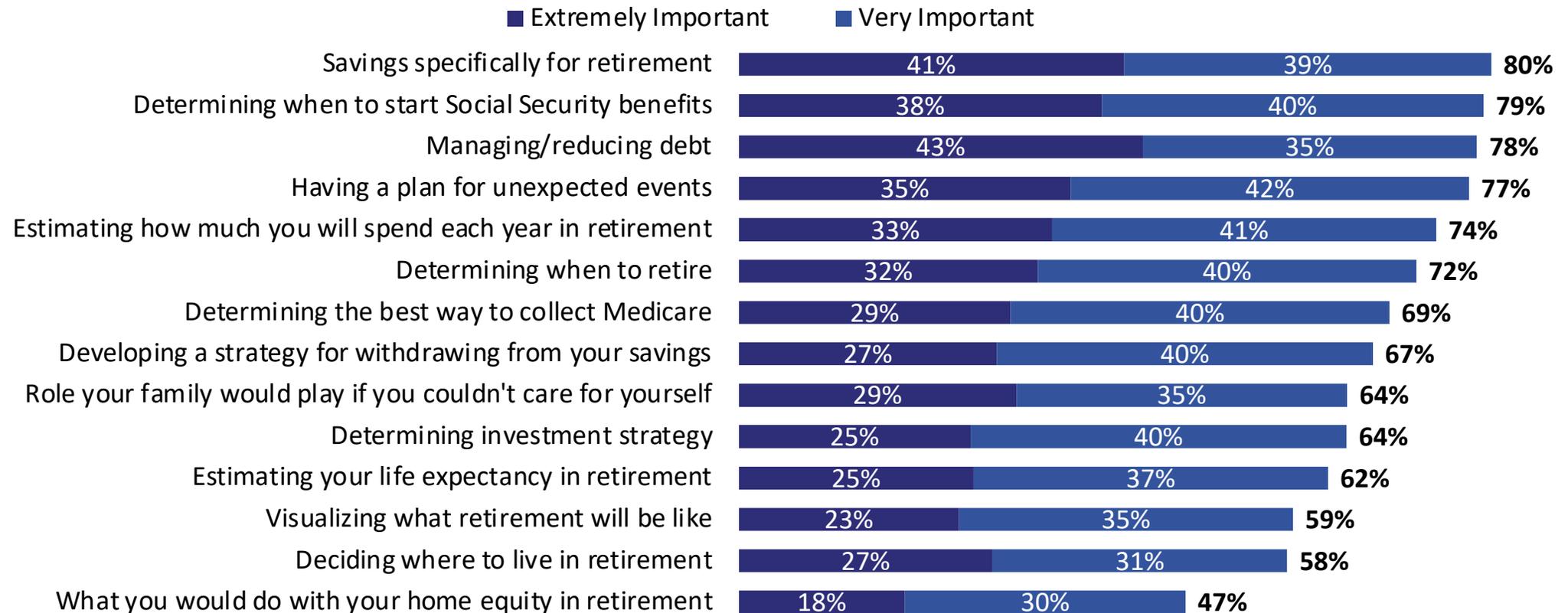
Over half currently have a workplace retirement plan and 39% own IRAs. Importantly, a quarter have no retirement accounts.

Types of retirement accounts owned



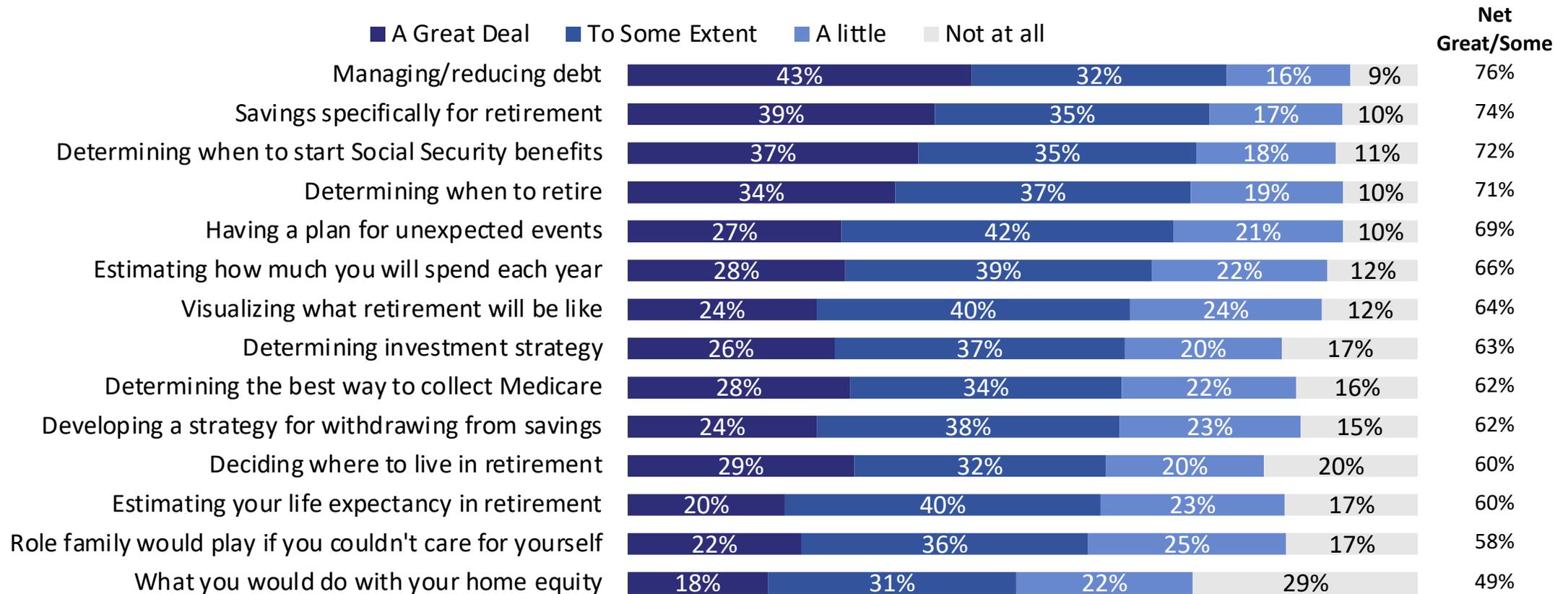
Over 75% say saving for retirement, Social Security timing, managing debt, and having a plan for unexpected events are highly important for retirement planning.

Importance for retirement planning



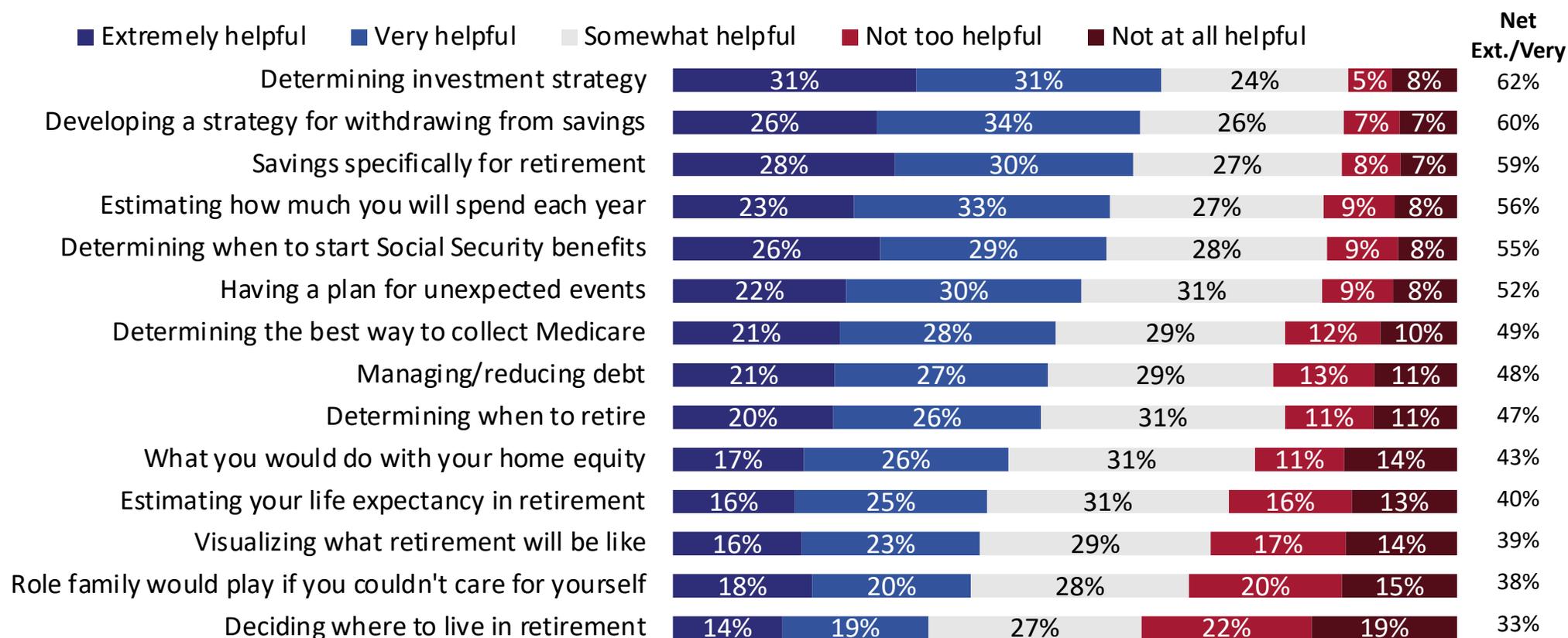
Similarly, debt, retirement savings, and Social Security timing are the top areas workers and retirees have put effort into. Less than half have put thought into home equity.

Effort put into in retirement planning areas



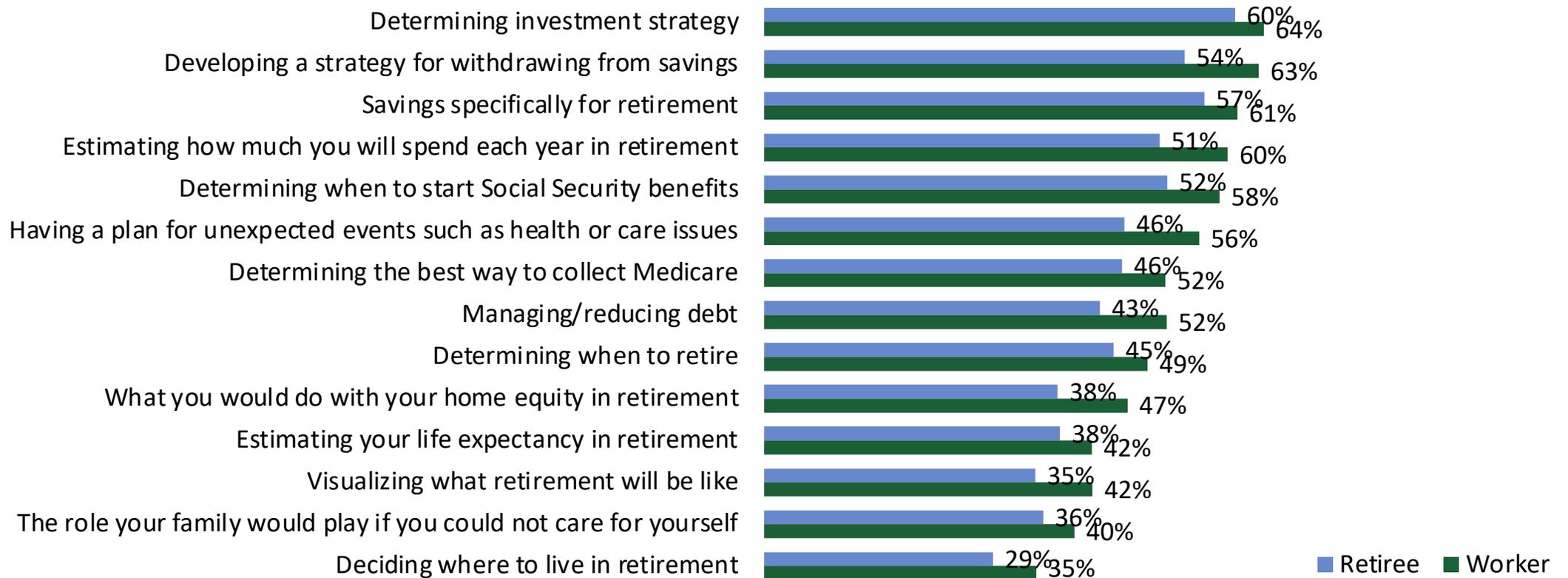
Workers and retirees would find it helpful to received professional advice with investment strategies and withdrawing from savings in retirement.

Usefulness of a financial professional's advice



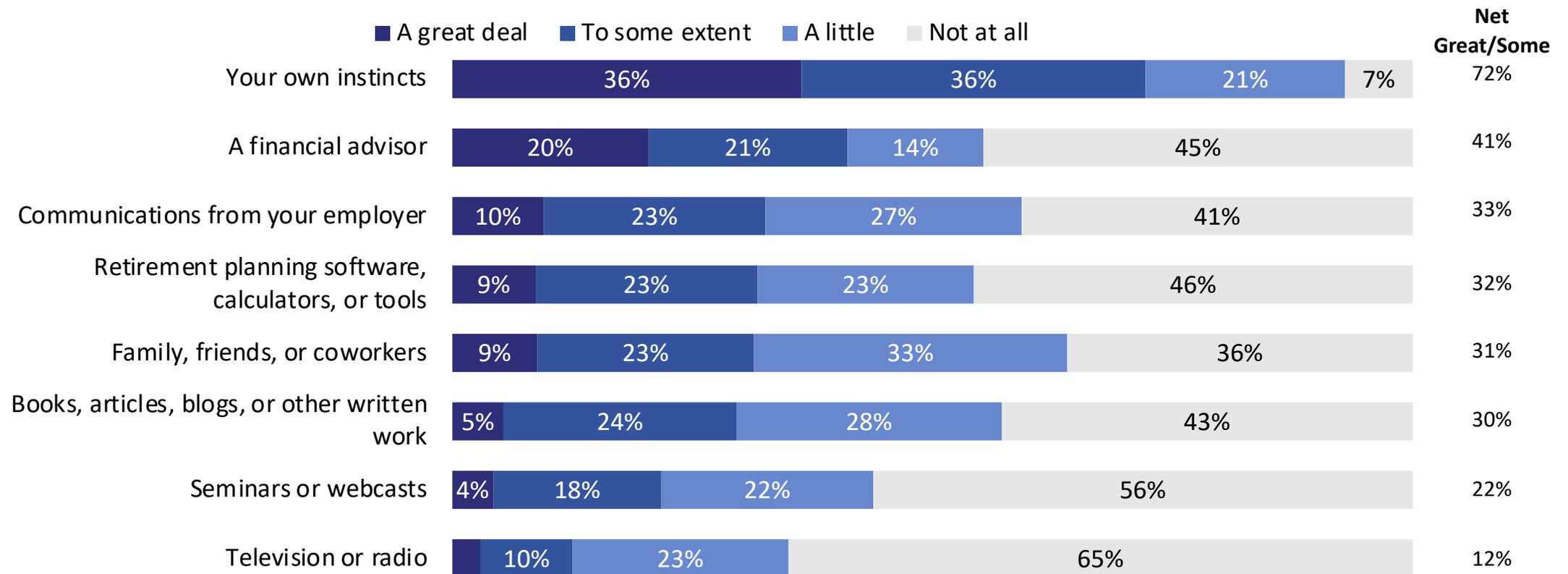
Across the board, workers would be more interested in help from a financial professional.

Usefulness of a financial professional's advice *Extremely Helpful or Very Helpful*



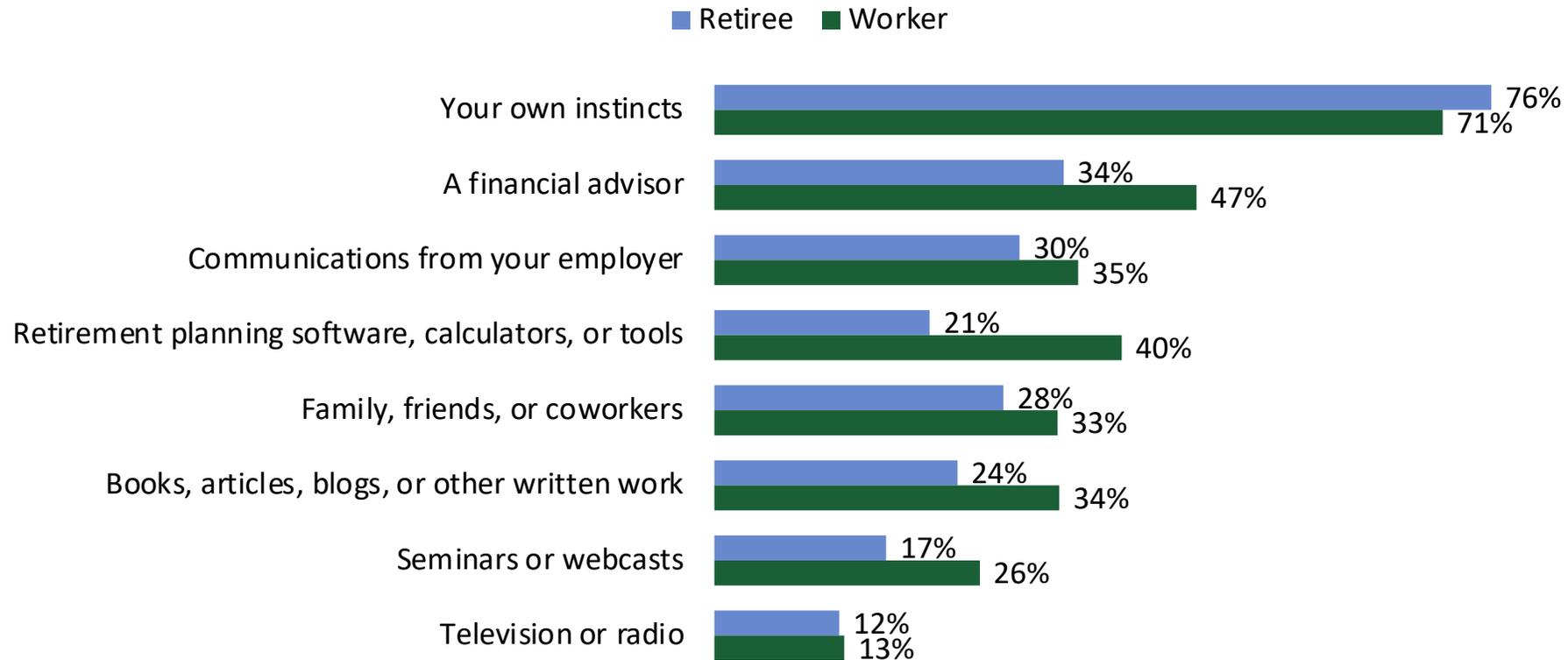
Almost all rely on their own instincts for retirement planning. Financial advisors and employers are the most common outside sources but are not used frequently.

Reliance for retirement planning



Workers are more likely to use almost all outside resources, especially planning software, calculators, or tools.

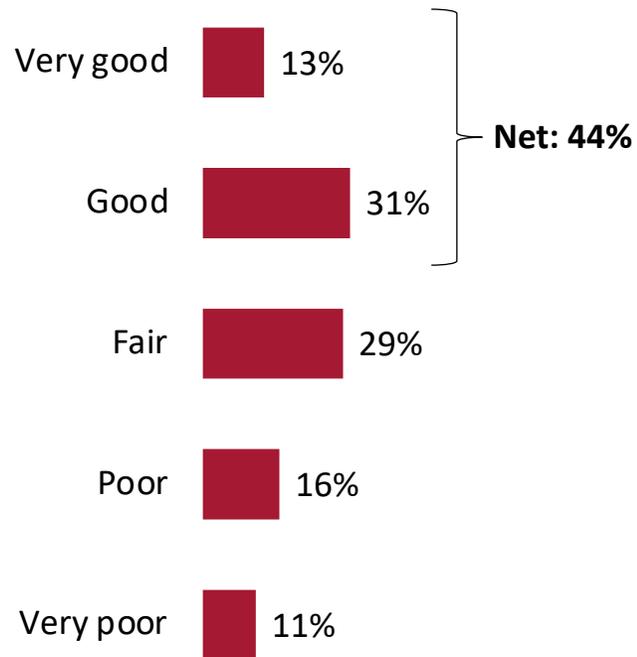
Information source for retirement planning *A great deal or To some extent*



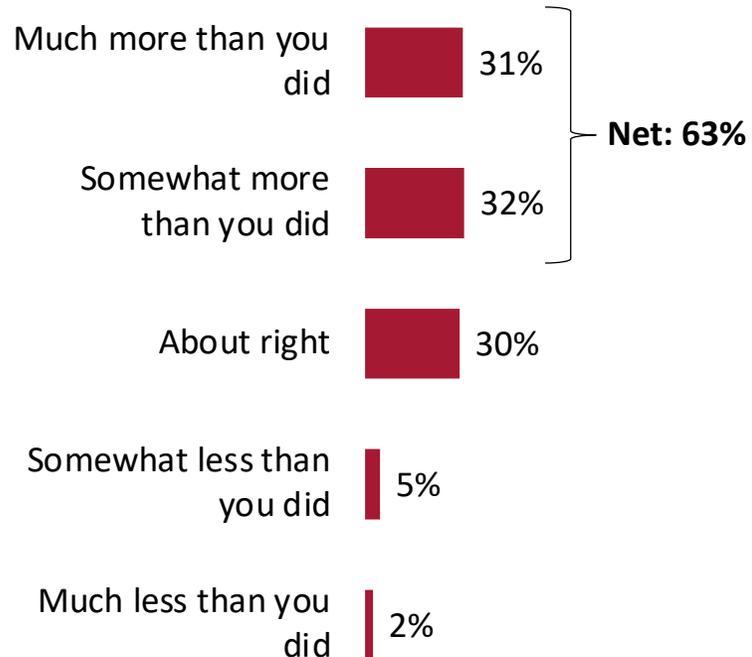
Only 44% think they have done a good job retirement planning and 63% think they should have given it more thought.

Evaluation of retirement planning

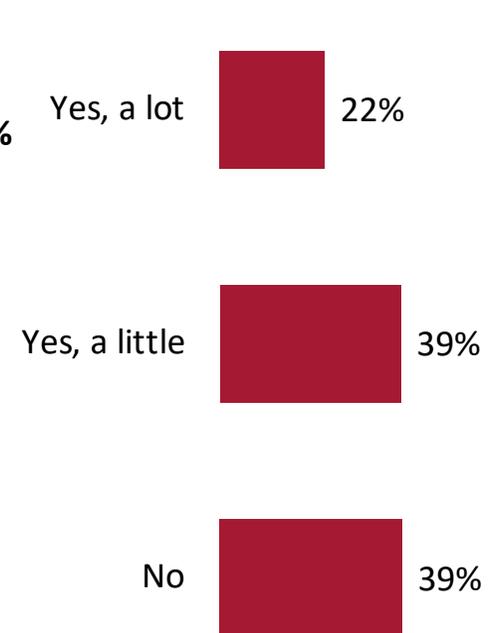
Rating of own planning



Level of thought given



Survey changed views on planning



Q32. Looking back, how would you rate the job you have done in planning for retirement? Total=1,999

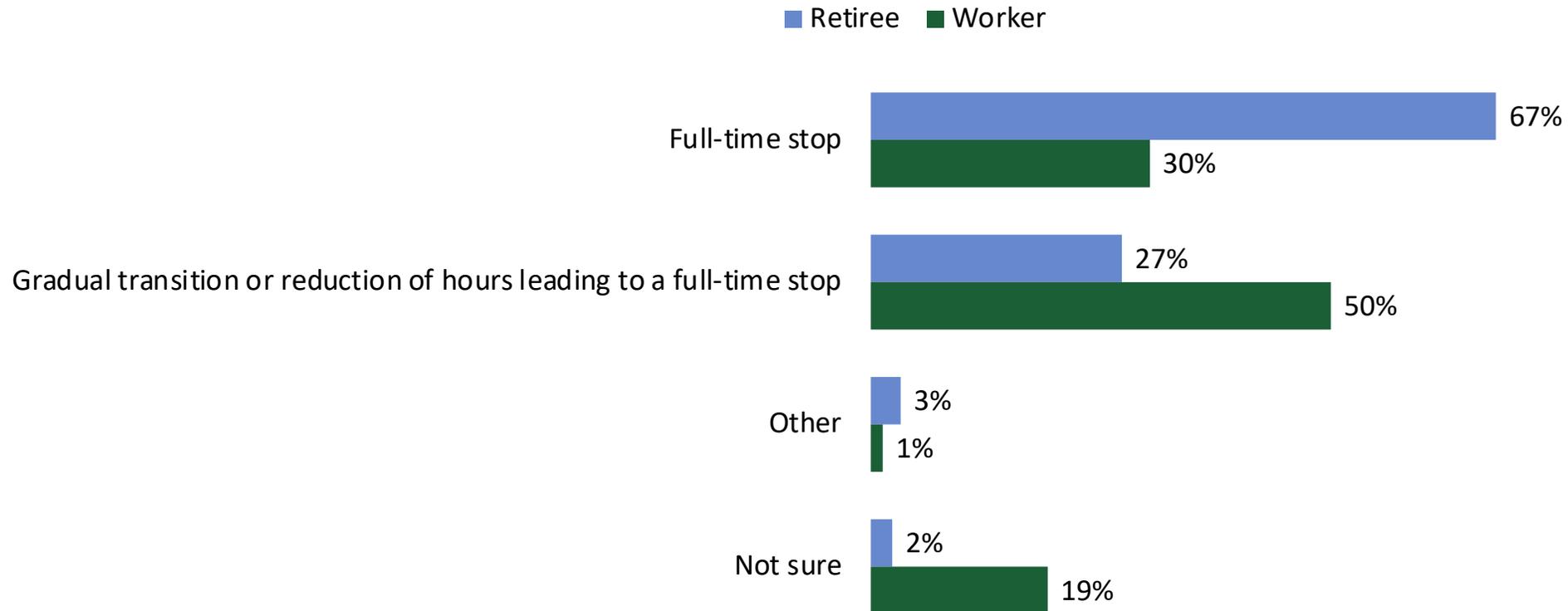
Q33. Looking back, how much thought do you think you should have given to planning for retirement? Total=1,987

Q41. Have any of the questions or concepts in the survey caused you to think differently about your retirement planning? Total=1,995

Retirement Timing, Importance, and Concerns

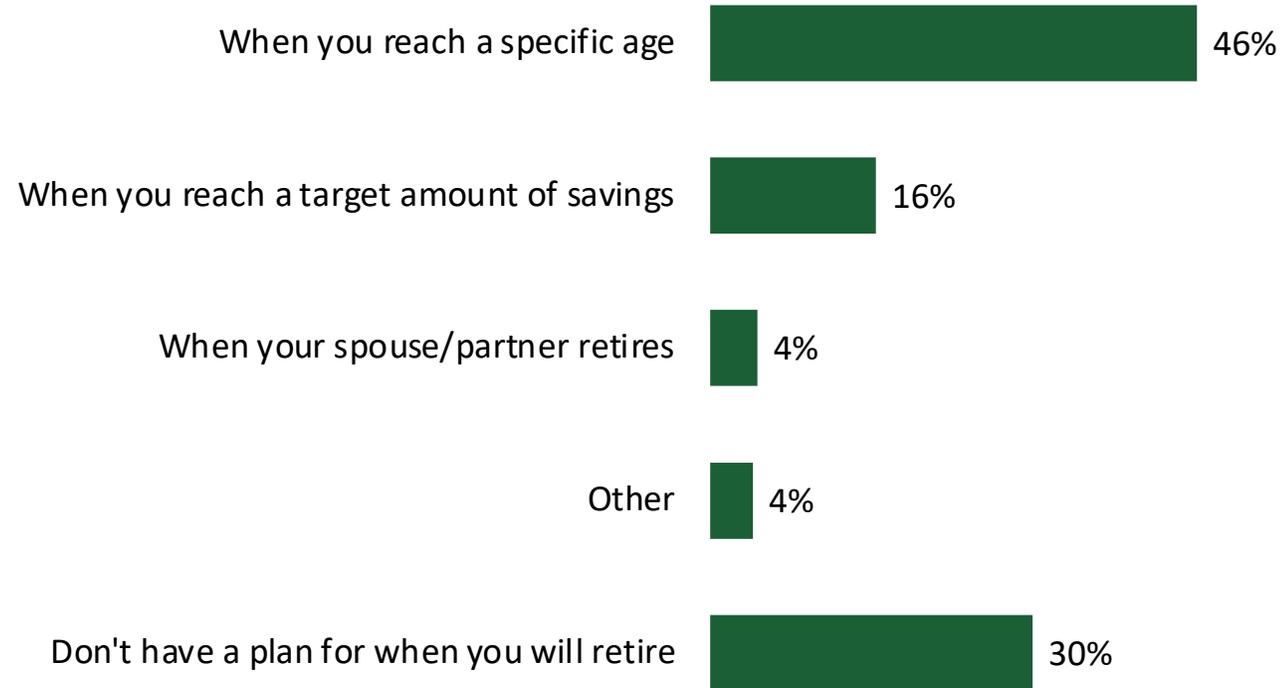
While two-thirds of retirees stopped working all at once, just 30% of workers think this is how they will transition into retirement.

Transition into retirement



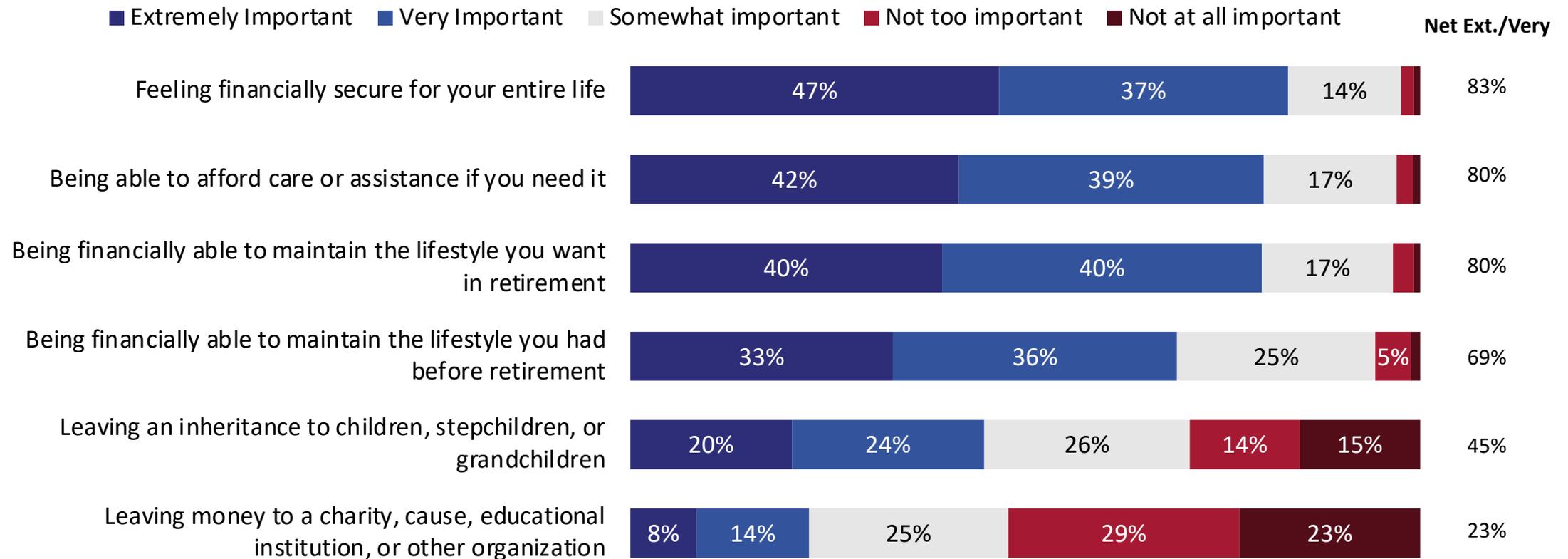
While almost half plan to retire when they reach a certain age, 30% do not have a plan for when they will retire.

Decision on when to retire *Among non-retirees*



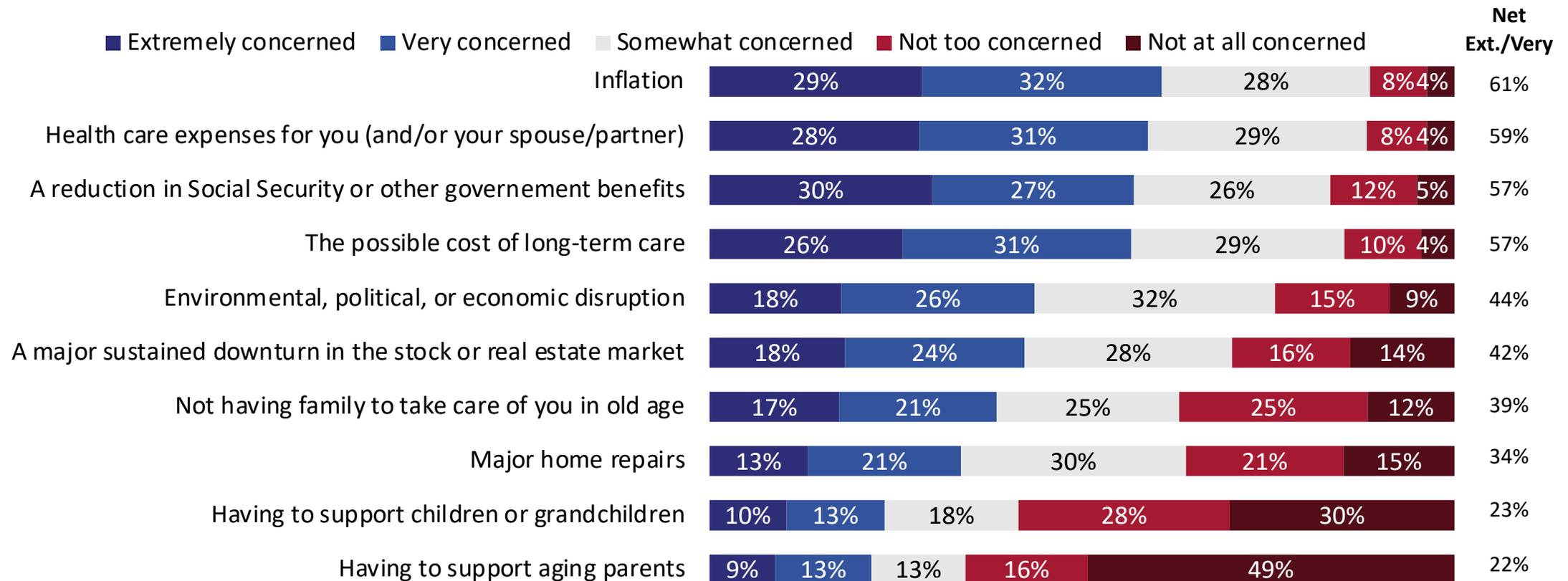
Financial security, affording care, and affording their lifestyle are highly important to the majority of people.

Financial goals in retirement



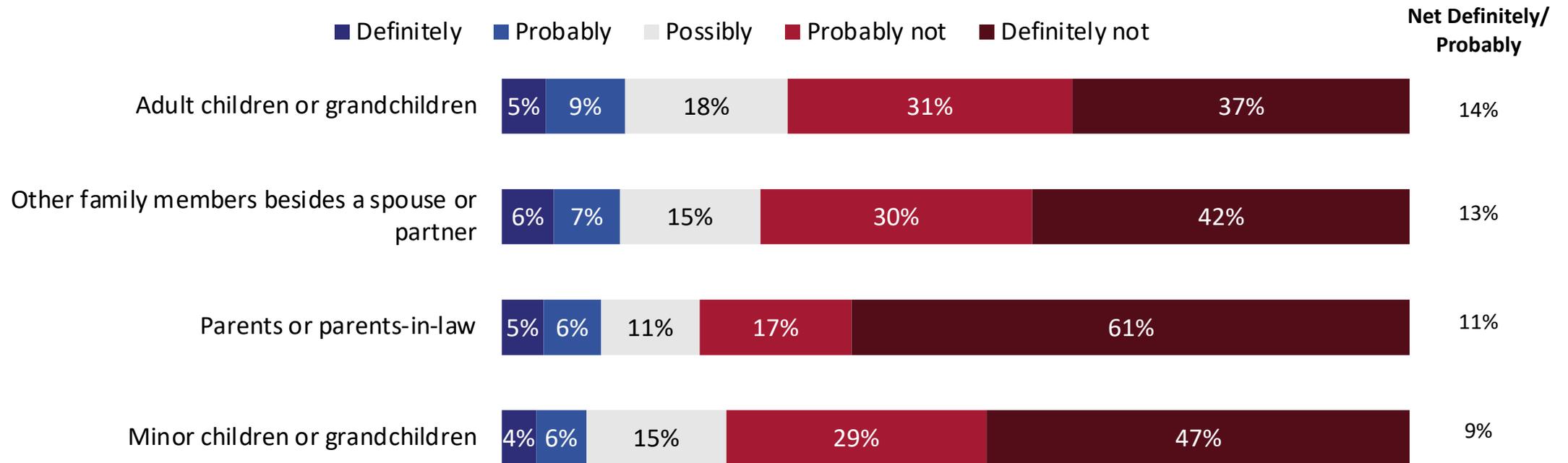
Inflation, healthcare expenses, a reduction in social security, and LTC costs are the biggest financial concerns in retirement.

Financial concerns in retirement



Few think they will have to financial support family members during their own retirement.

Likelihood of supporting family in retirement



In total, **20%** think it is definite or probable they will be financially supporting a family member.

Planning Views

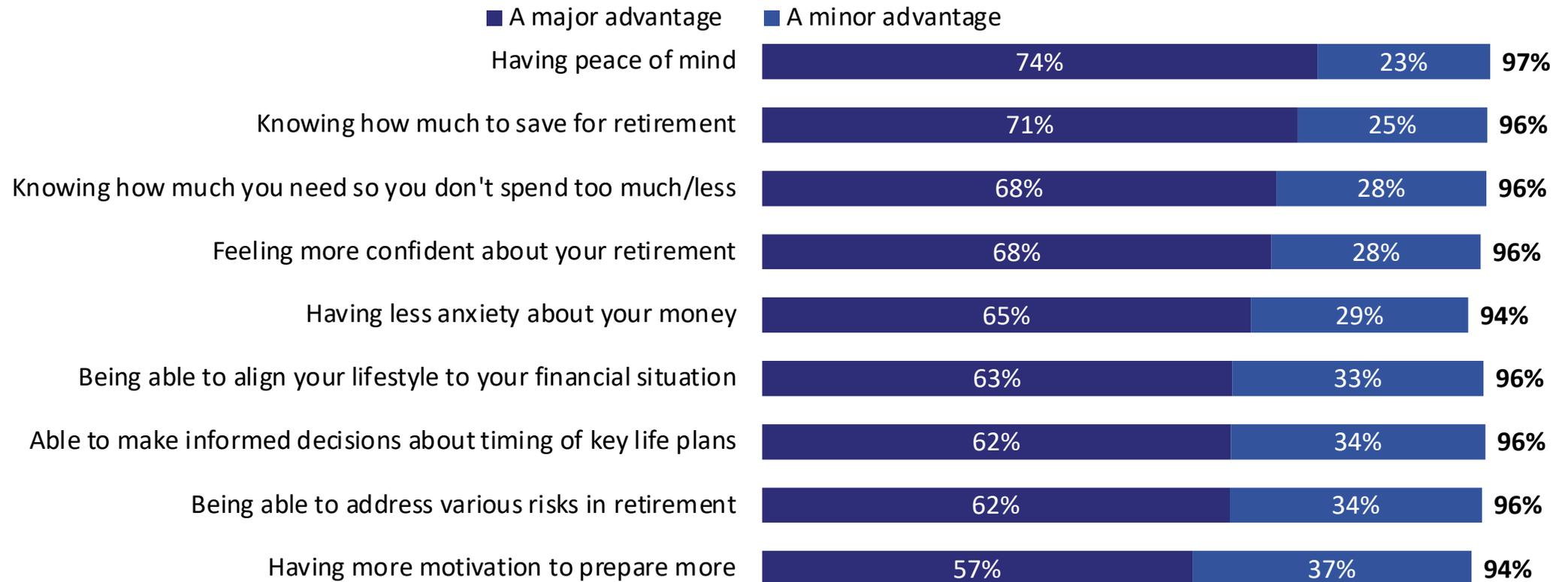
For most, retirement planning is viewed as more of a necessity rather than a luxury.

View of Retirement Planning



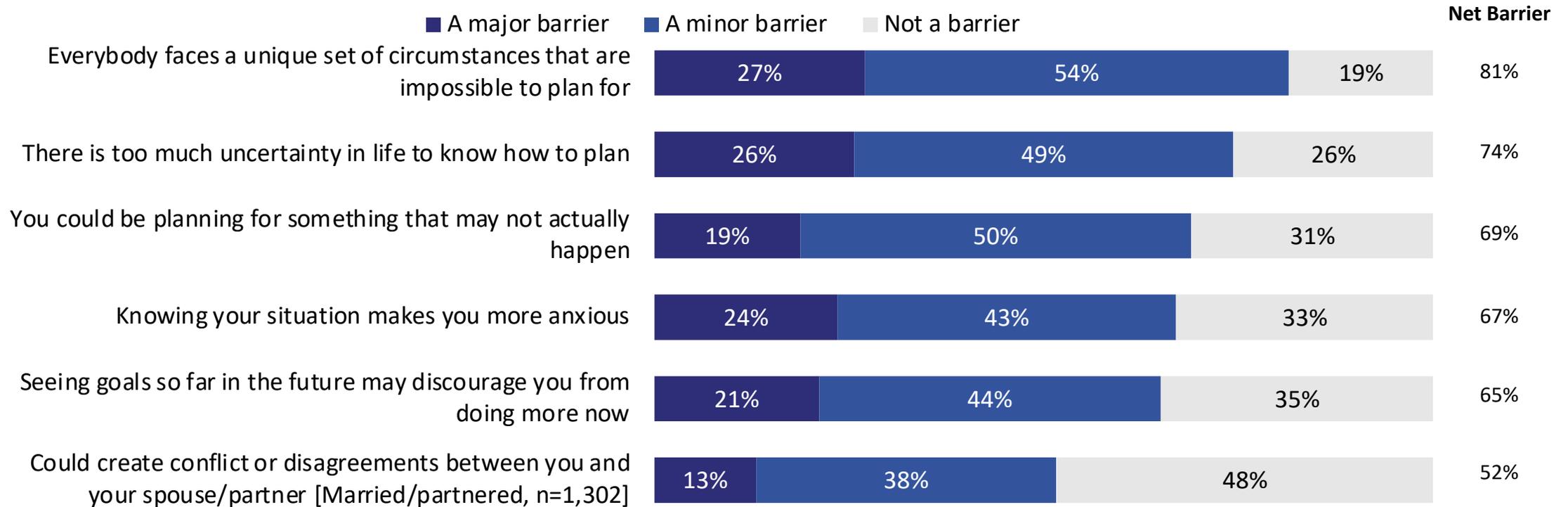
Survey respondents see many advantages in retirement planning with over seven in 10 saying peace of mind and knowing how much to save are “major advantages.”

Advantages of retirement planning



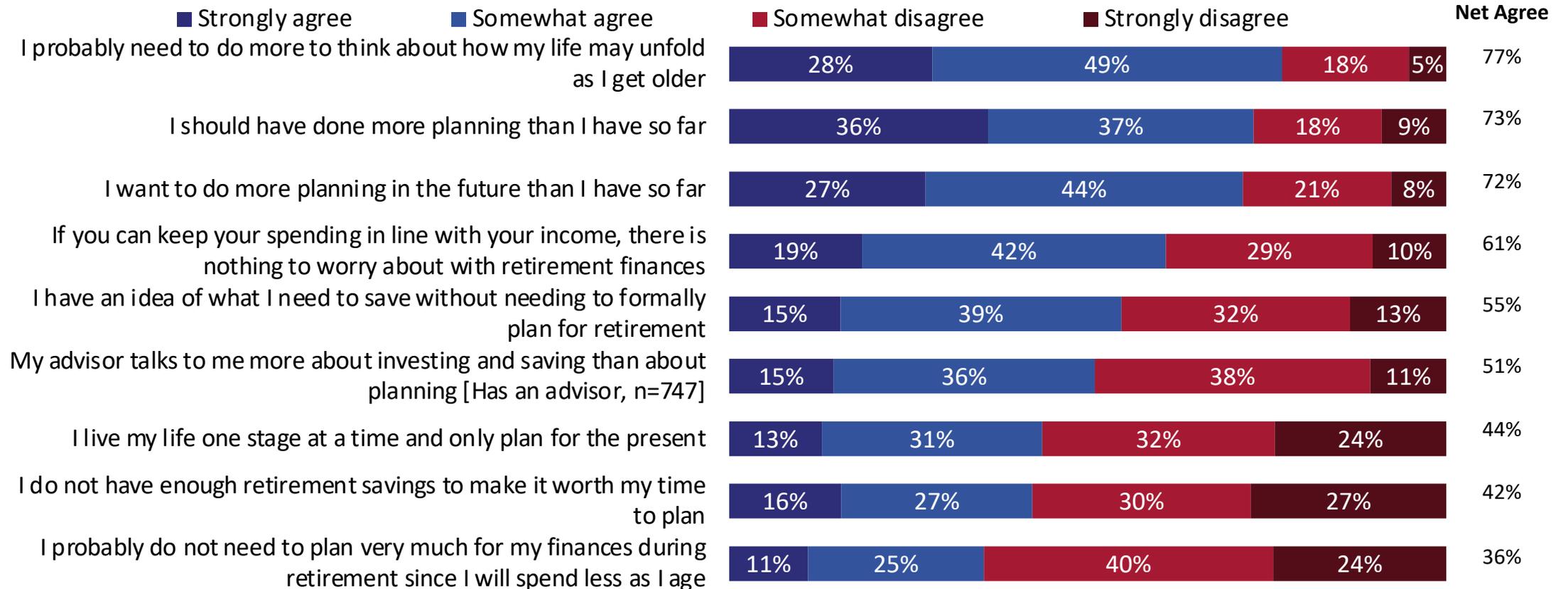
The biggest barriers to retirement planning are everyone having unique circumstances and life's uncertainty.

Barriers of retirement planning



Most agree they should do more retirement planning.

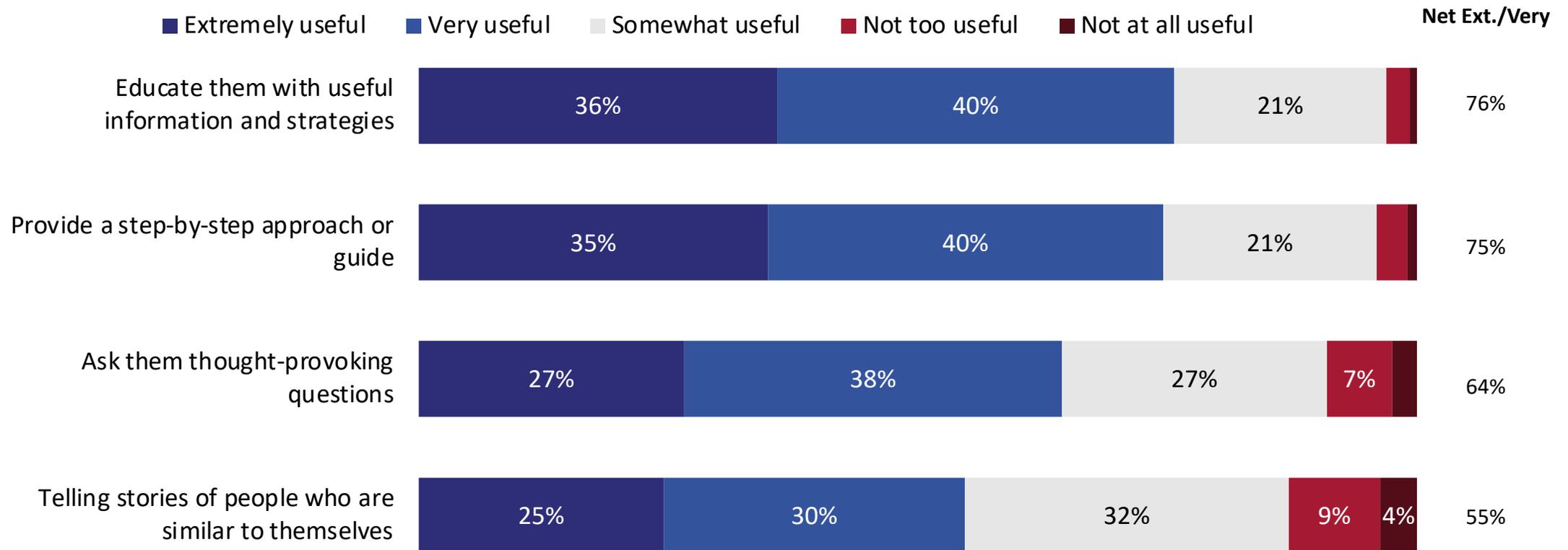
Sentiment around retirement planning



Messaging

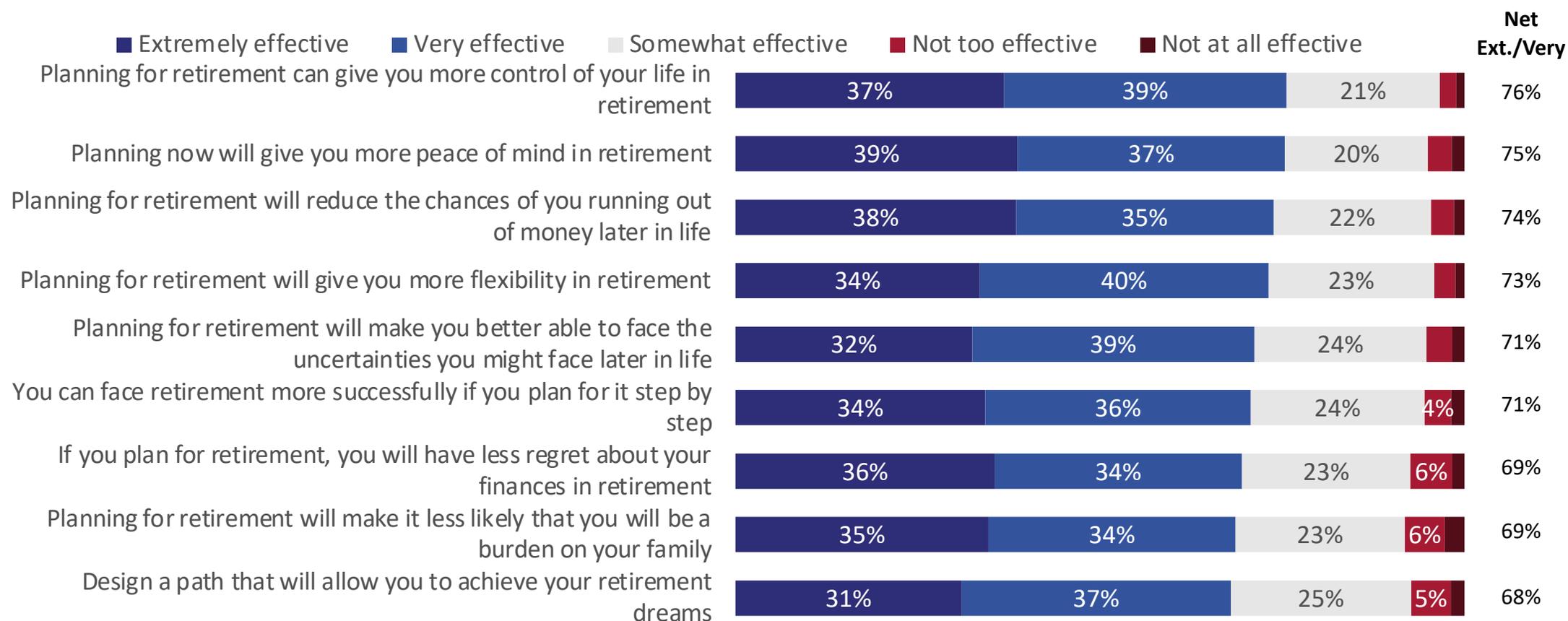
Education and step-by-step guides are seen as highly useful in encouraging more retirement planning for three-quarters of workers and retirees.

Usefulness of approaches to encourage more retirement planning



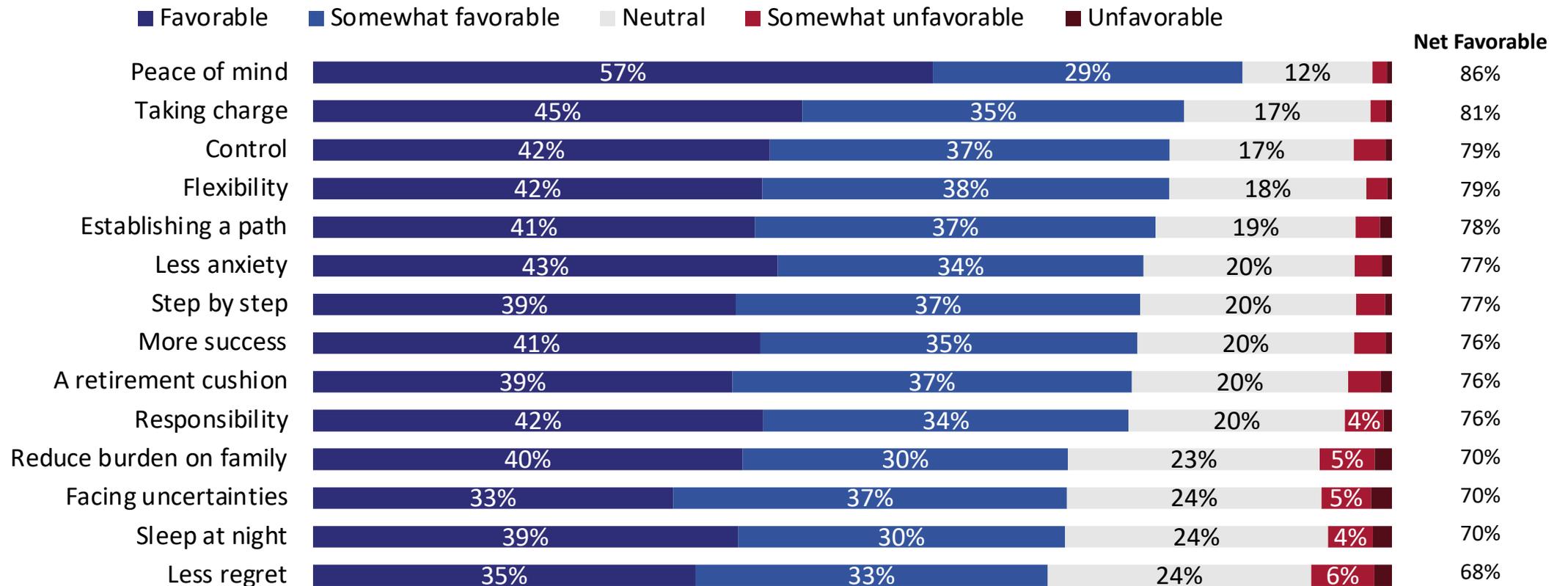
Almost all tested messaging around more planning for retirement seem to resonate with the survey respondents.

Messages to encourage retirement planning



Peace of mind, taking charge, control, and flexibility are the top words in potential messaging.

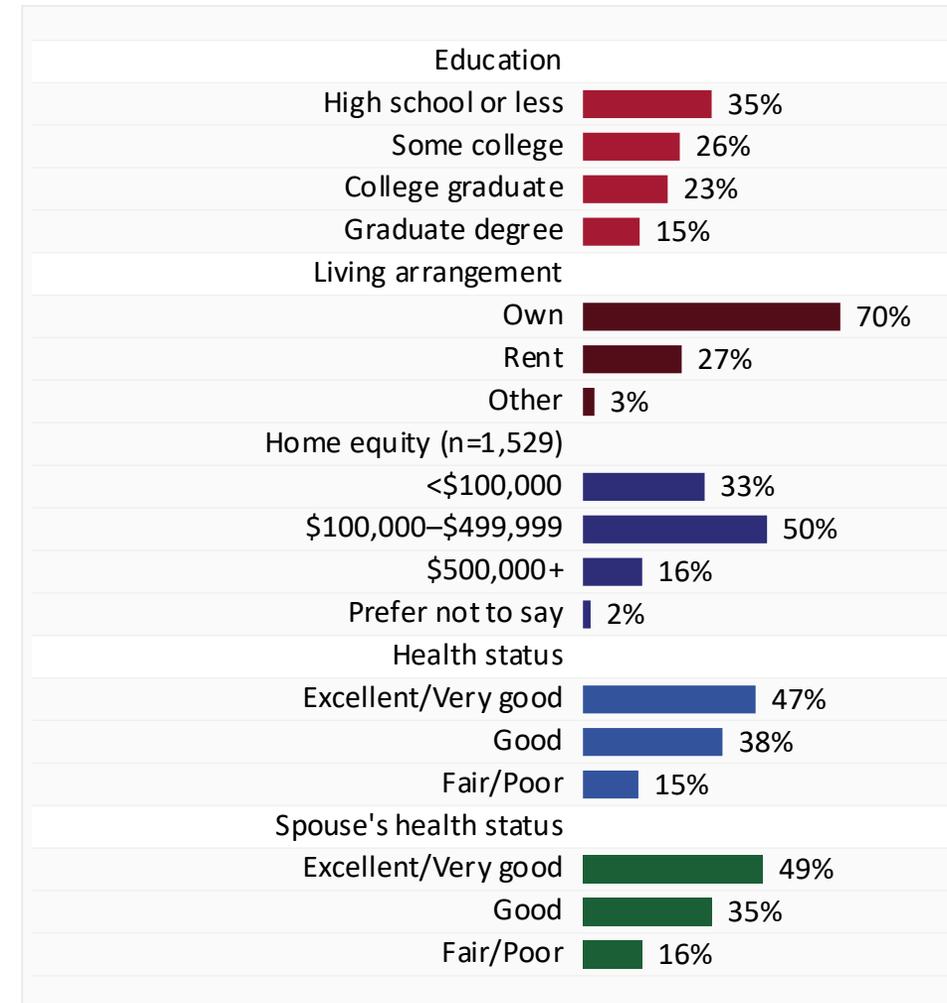
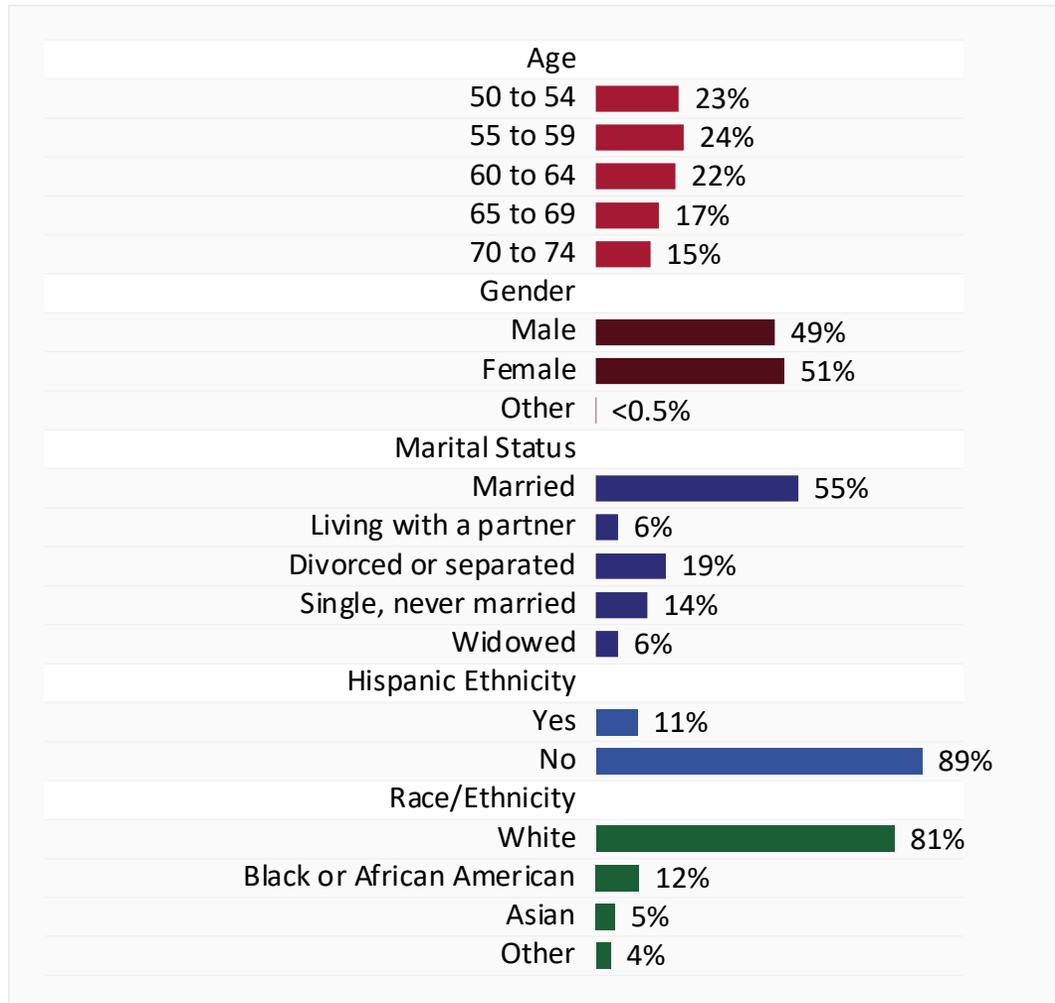
Favorability of messaging around retirement planning



Q40. If someone were to construct a message to encourage you to plan for retirement, including estimating expenses in retirement and calculating your needs, how would you view the following words or phrases when being used in that message? Total, n=2,000; individual n-sizes vary due to non-response

Demographics

Demographics



Demographics

