

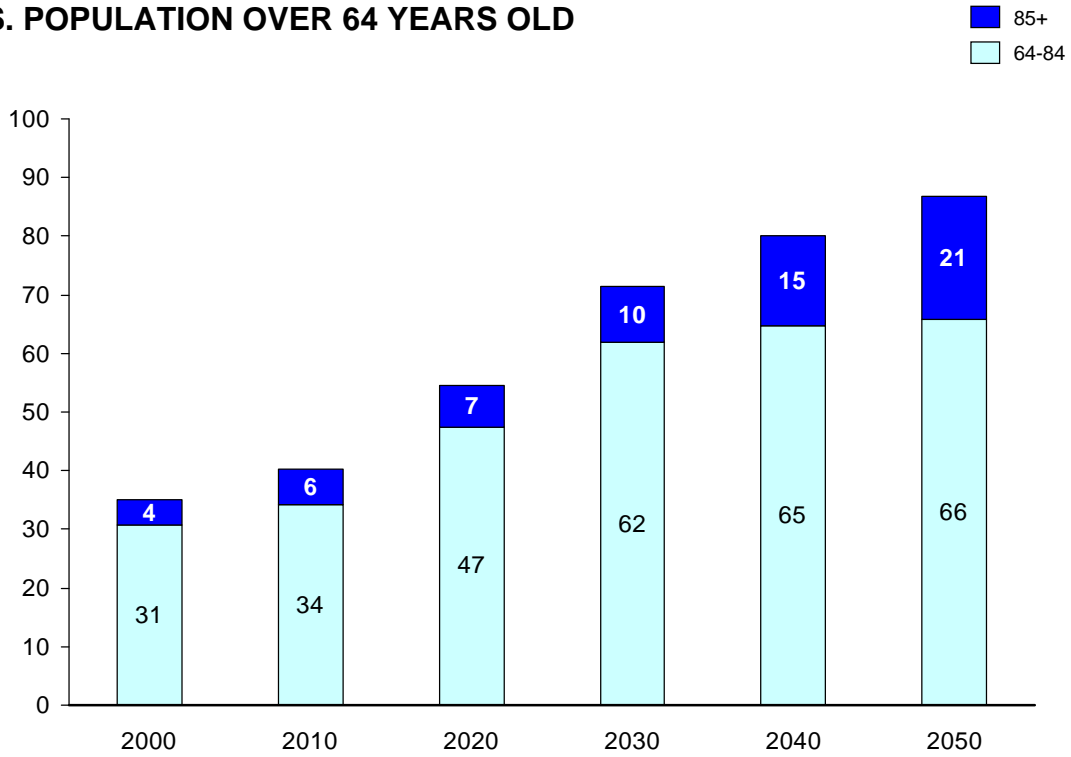
# Retirement Savings: Data and Trends

April 9, 2008

### The Baby Boomers are reaching retirement.

- Over the next 40 years, the number of Americans over age 64 will increase by more than 125%
- Resulting stress on the federal budget could ultimately further shift the responsibility for funding retirement to the individual and/or their employer.

### U.S. POPULATION OVER 64 YEARS OLD

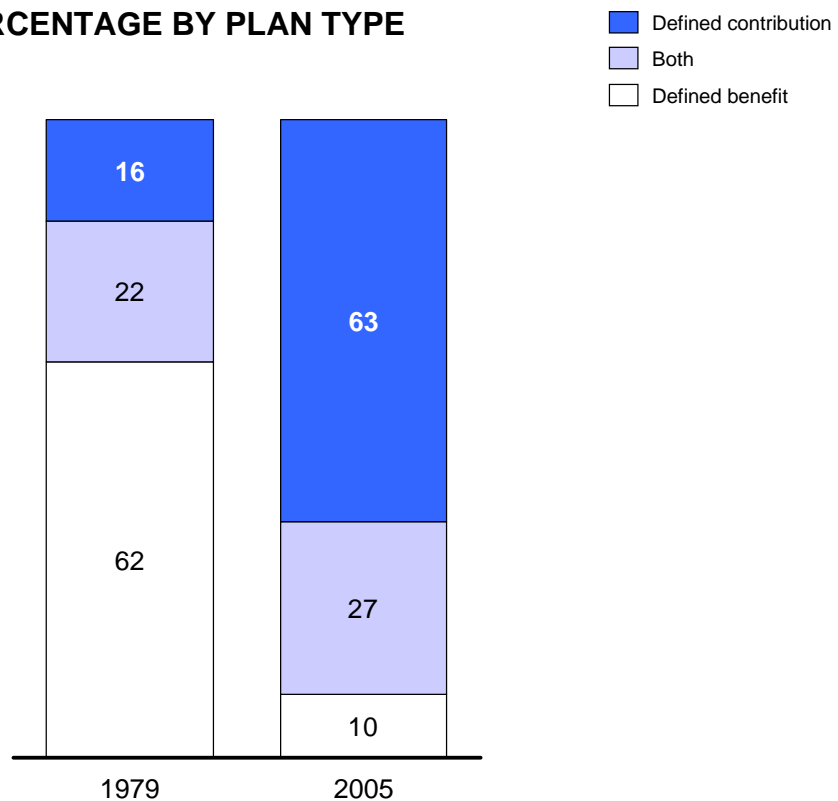


Source: U.S. Census Bureau, 2004

## Employer-sponsored retirement plans are moving away from defined benefit plans and toward defined contribution plans.<sup>1</sup>

- In 1979, the vast majority of employer-sponsored retirement plan participants were covered by defined benefit plans.
- In 2005, the opposite was true, with nearly 2/3 of participants covered by only defined contribution plans, and 10% covered entirely by defined benefit plans.
- As defined contribution plans become the primary source of retirement funds, employers need to support employees in making informed decisions for their financial future.

### PARTICIPATION PERCENTAGE BY PLAN TYPE



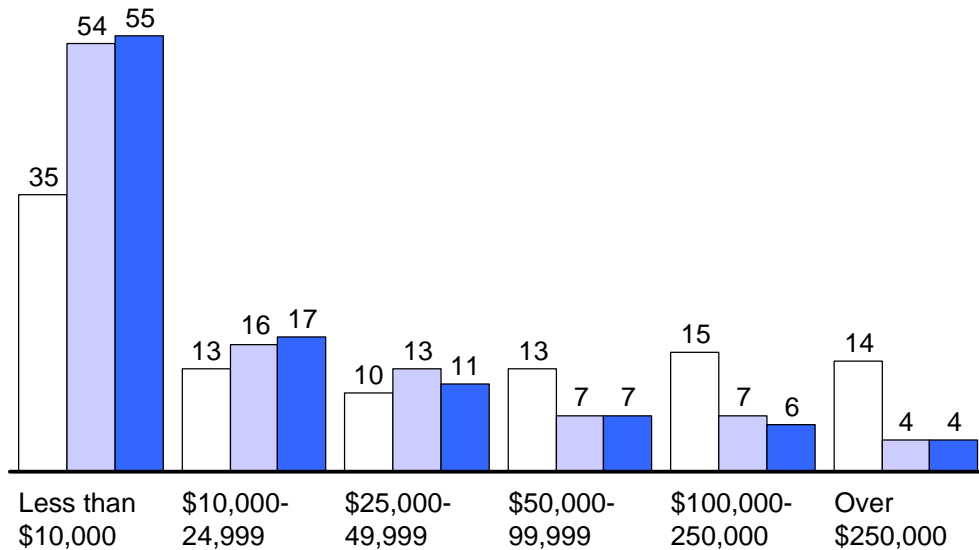
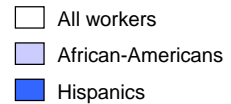
Source: U.S. Department of Labor, Form 5500 Summary Report (Summer 2004); EBRI estimate for 2005

**Many individuals are not saving enough for retirement.**

- Nearly 45% of households are “at risk” of not being able to maintain their current standard of living after they retire.<sup>2</sup>
- The average life expectancy post-retirement has continued to increase from only 8 years in 1950 to nearly 20 years today.<sup>3</sup>
- 48% of U.S. workers have less than \$25,000 in total savings and investments.
- 70% of African-Americans and 72% of Hispanics have less than \$25,000 of savings.<sup>4</sup>
- Only 14% of all workers and 4% of minority workers have more than \$250,000 in total savings and investments.<sup>4</sup>

**SAVINGS AND INVESTMENTS**

Percent



Source: *How Much Do Minority Workers Have in Savings, Investments?*, Fast Facts From EBRI, June 2007

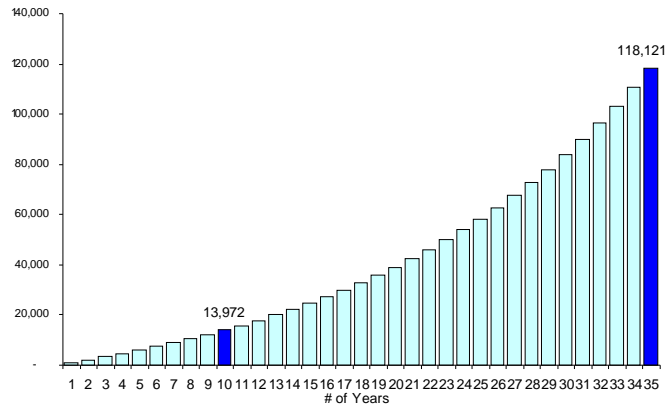
**The earlier individuals begin saving, the better.**

- Achieving a retirement fund target depends on the amount invested, the rate of return and time period.

- If \$1,000 is invested each year for 10 years at an average return of 6%, the ending balance will be less than \$14,000 (40% more than the invested amount).
- If \$1,000 is invested each year for 35 years at 6%, the ending balance will be over \$118,000 (237% more than the invested amount).

### VALUE OF \$1,000 INVESTED ANNUALLY AT 6% RETURN

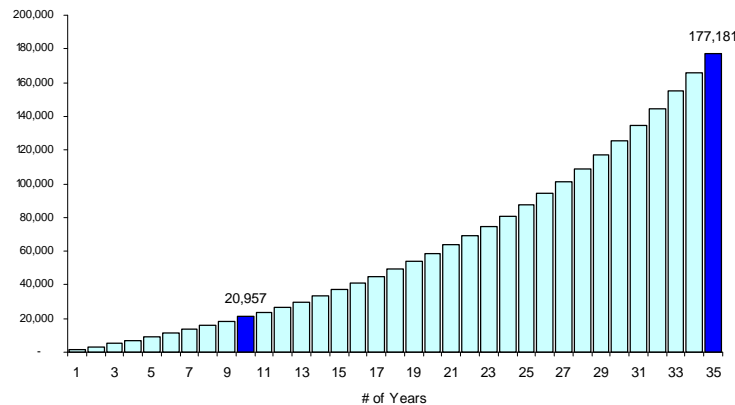
Balance in dollars



- The same \$1,000 annual investment matched by an employer at 50% each year would grow to \$21,000 at year 10 and over \$177,000 at year 35.

### VALUE OF \$1,000 INVESTED ANNUALLY WITH 50% EMPLOYER MATCH AND 6% RETURN

Balance in dollars



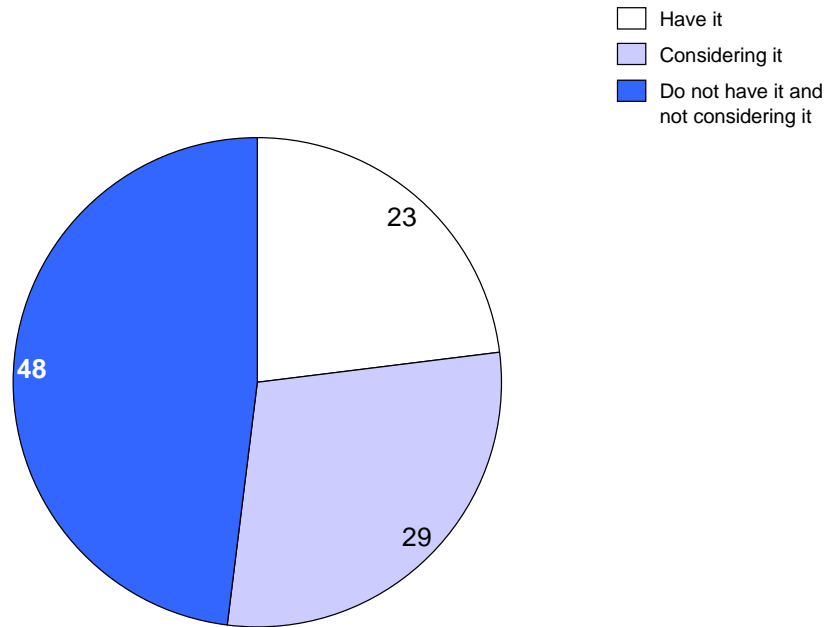
### Employee personal financial stress is expensive for employers.<sup>5</sup>

- An estimated 15-20% of U.S. workers are experiencing personal financial stress that impacts their productivity.
- This can result in lower levels of pay satisfaction, lower productivity, and absenteeism.

**As a result of the Pension Protection Act of 2006, many employers are redesigning their defined contribution plans and implementing automatic enrollment.**

- Potential safe harbor protections provide incentives for employers to implement auto-enrollment, matching contributions, and age-based auto-rebalancing of investments.
- 53% of employers report that they have or will be implementing auto-enrollment by the end of 2007.<sup>6</sup>
- Employee participation in retirement savings often increases to 90% after auto-enrollment is implemented.

**PERCENT OF EMPLOYERS WITH AUTO-ENROLL FEATURES IN THEIR DEFINED CONTRIBUTION RETIREMENT PLANS**



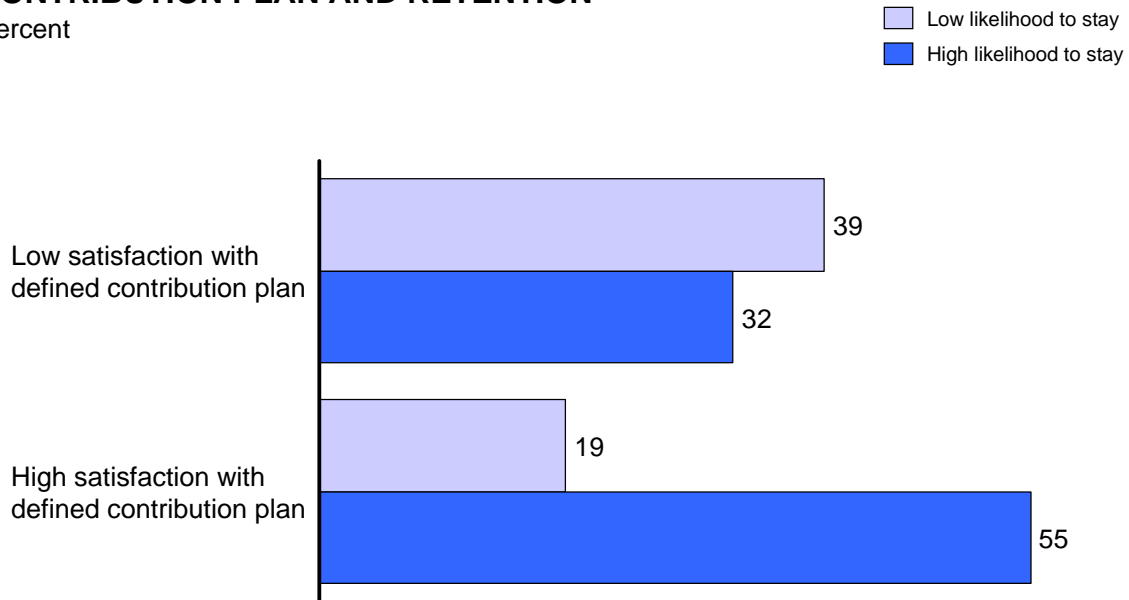
Source: Annual 401(k) Benchmarking Survey, Deloitte Consulting, 2005/2006 edition

## Employee satisfaction with their employer sponsored retirement plan may impact recruitment and retention.

- Satisfied employees are more than 2.5 times more likely to stay with their employer.<sup>7</sup>
- The cost of employee turnover to the employer can easily reach 150 to 200% of the annual compensation cost of the individual employee.<sup>8</sup>

### RELATIONSHIP OF EMPLOYEE SATISFACTION WITH DEFINED CONTRIBUTION PLAN AND RETENTION

Percent



Source: How Do Retirement Plans Affect Employees Behavior?, Watson Wyatt Insider, April 2005

#### Sources:

- 1 Retirement Trends in the United States Over the Past Quarter Century, Employee Benefit Research Institute, June 2007.
- 2 Center For Retirement Research at Boston College, June 6, 2006 Press Release.
- 3 Retirement Period of Males, 1950-2050, Center For Retirement Research at Boston College, September 2006.
- 4 How Much Do Minority Workers Have in Savings, Investments?, Employee Benefit Research Institute, June 19, 2007
- 5 Financial Stress, Pay Satisfaction and Workplace Performance, Jinhee Kim Ph.D. and E. Thomas Garmin.
- 6 Annual 401(k) Benchmarking Survey, Deloitte Consulting, 2005/2006 Edition.
- 7 How Do Retirement Plans Affect Employee Behavior?, Watson Wyatt Insider, April 2005.
- 8 Cost of Employee Turnover, Wm. G. Bliss, Bliss and Associates