Retirement Planning and Decision-Making Among Early Middle-Aged Adults

Aging and Retirement

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TABLE OF CONTENTS

I. Introduction

OVERVIEW

The objective of this study was to gain insights into the savings and retirement planning of 35- to 45-year-olds and the attitudes, beliefs, life experiences, pressures, and other factors that influence their savings and planning. Toward that end, eight focus groups of men and women ages 35 to 45 were convened in January and February 2023 to discuss with an experienced focus group moderator what they are doing to prepare for their retirement.

Americans ages 35 to 45 have been identified as a major inflection point in financial preparation for retirement. This is a period in which most Americans are fully established in adult roles, and by which point retirement has become close enough that most should have undertaken some significant saving and planning. This stage of life does present challenges in decision-making regarding how much to save for retirement and how to plan. There are important knowledge gaps on how to help people at this stage of life save and plan most effectively for retirement. This research aims to reduce that gap.

This research was conducted for and supervised by The Aging and Retirement Strategic Research Program of the Society of Actuaries' Research Institute. This body has long sought to provide insights to the Society's members and other stakeholders on key issues pertaining to preparing for retirement and maintaining financial security and dignity throughout retirement. A core element of the Program's efforts has been the Risk and Process of Retirement Survey, which has been conducted biennially since 2001. Additionally, the program has examined issues ranging from the financial lives and relationships of the old-old to a study of financial attitudes of four generations of Americans, going from Millennials to the Silent generation. An important focus of this work has been to gain insight into how Americans are preparing financially and in other ways for retirement, what their perceptions and beliefs are about this process and what can be done to help them enhance their efforts.

FOCUS OF THE RESEARCH

This research focused on a number of key issues, including:

- Expectations about and aspirations for retirement
- Expectations about factors that can affect the financial situation of those preparing for retirement
- Behavior around savings and retirement planning and what influences that behavior, including obstacles and factors that encourage or discourage saving and planning
- Interest in tools and resources that can support decisions about how much to save and how to plan for retirement

DESIGN OF THIS RESEARCH

It was understood going into the research that household income has a major impact on how people prepare financially for retirement, perhaps especially on how much people can afford to save. Household income also affects the extent to which people can focus on retirement because lesser-paid people more often have to work at more than one job, which allows less time for planning. Lower-paid workers often are raised by lower-paid parents for whom managing paycheck to paycheck takes precedence over teaching or modeling long-range financial planning or who are less able to provide an inheritance at the end of life. Hence, the groups were divided into three sets of income groups. Because marital status and the presence of children can affect retirement preparation, married and not-married participants were placed in separate groups as were those with or without children.

STRENGTHS AND LIMITATIONS OF FOCUS GROUP RESEARCH

Focus groups, by their very nature, have specific strengths and limitations. They are an excellent vehicle for gaining insight because they generate discussions that can be quite revealing and allow participants to react to and comment on the views expressed by other participants. Because of their flexibility, focus groups often bring forward new ideas and hypotheses not initially imagined by the researchers. However, caution must be taken when it comes to generalizing focus group findings to the larger population because:

- The number of participants tends to be small: for example, relatively few people participated in each of the eight groups in this study.
- Participants tend not to be drawn randomly from the overall population; in this study, they had to volunteer and some people for personal reasons are unlikely to do that.
- The comments of some participants in a group can influence the views and statements of others.
- Some participants may be unwilling to reveal certain viewpoints and behaviors in the presence of peers or people they have just met.

Even with these limitations, we believe these focus groups generated important and valuable insights and observations that provide a strong foundation for further research to address in a more systematic fashion some of the issues and concerns expressed by these participants.

DESIGN OF THE REPORT

This report has four major sections:

- An executive summary
- A description of the methodology and the demographic composition of each group
- A description of the findings of the research
- The conclusions of the researchers and their views on implications for next steps
- Suggestions for further research

HOW TO READ THIS REPORT

This report was designed to accommodate a range of potential readers. For those primarily interested in the study's highlights, the report has an Executive Summary that describes key findings concisely. For those who want greater detail, each major section of the report begins with an Overview that summarizes the findings in that area. The Overview is followed with more detail, including a number of verbatim comments made by the participants.

Finally, to provide even more "color" and insight, an Appendix was compiled with a large number of verbatim comments made on each topic covered in the research.

II. EXECUTIVE SUMMARY

DEMOGRAPHICS

- Income and family status, including marital status and presence of children, have a major impact on retirement planning and related issues.
  - Those with higher incomes are more confident about being financially secure in retirement. The higher-income participants plan to prepare financially for retirement with standard investments in mutual funds and fixed investments.
  - Those with lower incomes are much less confident. They are more likely to plan to make use of riskier instruments that they hope will provide strong growth, such as cryptocurrency and rental property, which they also hope will produce income in retirement.
  - Single parents feel especially concerned about being able to retire. They tend to be very stressed financially and find it difficult to save. This is especially true of those who were divorced and had to divide marital assets. Divorce can have a very negative impact on finances, especially for parents of young children.
  - The interruption of income due to loss of job or disability causes a feeling of being behind schedule in retirement planning with less hope of catching up.

THE JOB AND EMPLOYER RETIREMENT PLANS

- About two in three participants feel their jobs are stable. Those who believe their jobs are not stable tend to say it is because they work for a small business or start-up, or because this is a time of rapid change. Job stability is important because those who feel their jobs are stable are better able to focus on preparing for the future and saving for retirement.
- The employer offering a defined contribution plan or a pension plan is often a minor factor in a person accepting a job and then continuing to work for a company.
  - There are diverse responses on this. For a few, a company offering a retirement plan or pension plan was very important in their decision to work for the company. In a number of other cases, it was not important at all.
  - Pension plans appear to be more impactful than defined contribution plans on creating a feeling of financial security.
- Almost all plan participants eligible for a defined contribution plan participate. Those who receive a match most often contribute to their defined contribution plan at a sufficient level to meet the match. Some who are not eligible for a plan are not saving for retirement.
- Some pension plans have rich benefits and also provide useful planning tools. Such plans tend to add a great deal to feelings of confidence in having a financially secure retirement.
- Most participating in a retirement plan appear to be investing in a Target Date Fund. Very few feel comfortable making investment decisions.
  - There is almost no knowledge on how much they should save or should have accumulated by this point in time.

THOUGHTS ABOUT RETIREMENT

- When asked to identify their most important long-range goal, almost half referred to an early or financially comfortable retirement. Retirement is often seen as a reward for working hard and most want to get that reward at a young age in order to enjoy it fully.

- Expectations about the financial ability to retire without having to earn money after retirement are dependent on current income levels.
  - Some lower-income participants (with household income under $75,000) fear they will not be able to retire and if they do retire believe they will have to earn income after retirement. A few expect to have to work until old age. Some lower income participants have no desire to work in retirement because they work very hard to pay bills now.
  - Those with incomes of $75,000 to $124,999 are mixed in their expectations of retirement. There is a fairly even split between those who expect to retire, those who do not expect to retire, and those who say their ability to retire will depend on future factors.
  - Almost everyone with a household income of $125,000 or more expects to retire from their primary occupation, but many want to work in some capacity after retirement to combat boredom or retain an income stream. The financial uncertainty and concerns about being able to afford to retire, which are pronounced among lower income participants, are almost non-existent in the higher income group.
- Across all groups there is a notable desire to work after retirement. Many want to supplement income and/or do work that is interesting or important to them. To some, the definition of retirement is different. It's no longer "I'll stop working entirely and only work to make additional income." Rather, it is "I'll work on what I want, when I want."
- However, beyond those perspectives on continuing to work, participants have put little thought into retirement. They do not have a clear idea of what retirement will be like.
  - Many say they expect to travel during retirement. Another oft-mentioned goal is to relax and be stress-free. Some are concerned about needing something to do in retirement and that leads to a feeling they will seek work.
- Most believe that their life after age 65 will be a good time of life.
- Asked if it is better to retire when you want or work longer and be more financially secure, most choose the latter.
- There is a range of expectations of when people expect to retire, with most saying some time in their 60s. The two groups with household incomes of at least $125,000 are most likely to say they will retire early with a number stating they will retire in their 50s or early 60s.
- Many have given some thought to saving for retirement.
  - There are two main stimuli for thinking about saving for retirement:
    - The influence of parents: parents motivate thinking about planning for retirement by either 1) urging their children to start planning for retirement early in life or 2) doing a poor job of planning financially for retirement and being financially insecure in retirement, which leads their children to want to avoid that negative outcome.
    - A defined contribution plan at work which motivates saving and decisions about the amount of saving for retirement.
  - Work colleagues have motivated a few to start saving for retirement.
  - Peers are a source of advice and viewpoints on retirement saving for some.

SAVING

- People save to meet a wide variety of goals: an emergency fund or house-related expenses are mentioned most often.
- Interestingly, when asked what they are saving for, virtually none of the participants mentioned saving for retirement.
  - Putting money aside for retirement is considered different from “saving” because it is a passive activity. Money is simply taken out of a paycheck, compared to having to make an

active decision to withdraw funds from one account and put them into another and because there is no plan to access the money for a long period of time.

- Most saving is done in a retirement plan.
  - The match is often influential in terms of how much to contribute to the retirement plan.
  - Little thought is given to how much to defer into a retirement plan.
  - Virtually no one knows if he or she is saving "enough" for retirement, and most believe, without a basis, that they are not saving "enough" for retirement.
    - No one knows of a measure that would help them assess if they are saving at a sufficient level.
    - However, a few have used a tool provided by a retirement plan provider that projects how much they would accumulate by the time of retirement if they kept saving at the same rate. That tool is considered useful but does not seem to have influenced a change in saving level or an assessment of the adequacy of their saving.
- The key obstacles to saving for retirement are the basic cost of living and the stresses of everyday life, which do not allow many to take the time necessary to think about long range issues, including retirement.
  - Many participants have student debt, which is an impediment to saving for retirement for some.
- Many make a major effort to curtail spending, but this is unrelated to decisions about how much to save for retirement. The efforts to curtail spending help foster saving for things like housing and emergency saving.
- Very few know whether or not they have accumulated as much as they should have for retirement, given their age, income, target age for retirement, and other factors. Almost all believe they are "behind schedule" but they have no real basis for that assessment. Those who feel behind schedule typically make that assessment because they believe they did not start saving for retirement when they should have.
  - A few with a financial advisor have gotten an assessment from the advisor on whether they are on track to save enough for retirement.

INVESTING FOR RETIREMENT

- Only about one in five uses a financial advisor.
- There is a very low level of knowledge about investing. However, some have researched or are starting to research how to invest.
- Many participants with a retirement plan at work contribute to the plan at the level defined by the default used for auto enrollment.

PLANNING FOR RETIREMENT

- Almost all think of planning as a more organized and comprehensive effort than simply saving. Interestingly, by their own definition, only a couple of participants are doing any retirement planning at all.
- Beyond merely saving, there is virtually no other planning for retirement.
  - Virtually no one has set goals.
  - Very few have made projections, and no other tools have been used.
  - A couple have looked into what Social Security projects their level of Social Security retirement benefit will be.
  - No one has a written retirement plan.

- Only a few have gotten the advice –or plan to get the advice– of a financial professional specifically about retirement planning.
- The main obstacles to retirement planning are the expenses and problems of life, not knowing what to do, and a feeling that there is too much uncertainty about the future to plan.
  - Some believe there is too much uncertainty to plan for retirement: they feel a number of important factors could change, rendering any planning or projections worthless.
  - Conversely, uncertainty is seen by many as the main reason to save and plan, fueled by the belief that they can only control themselves and try to be as ready as possible for whatever comes.
- Many expect a variety of sources of income in retirement, including employment, equity in their residence, savings they have accumulated, and, in a few cases, pension income.
- Several hope to have a stream of income at retirement through ownership of a home rental property.
  - Most own their residence now. Almost all who are renting expect to buy a home. Most hope to have their mortgage paid off by the time they retire.
  - A number expect to downsize and be able to derive income from their home to help fund their retirement.
- Very few went to the Social Security website for a projection of their Social Security retirement benefit at retirement age.
- Very few have obtained a projection of accumulation of retirement benefit from a retirement plan provider.
- There is interest in a couple of tools for retirement planning.
  - Many like the idea of getting advice on an accumulation level goal for three to five years (most prefer five years) based on their current level of accumulation, their income, their target age for retirement, and other factors. They feel this would give them a good measure of where they stand and help them get their retirement savings on track.
  - Many like the idea of a tool or process that would help them think through how they would want to live their lives in retirement. One approach would be to describe several pertinent lifestyles or activities in retirement that might give them ideas about which possibilities are most appealing.

SOCIAL SECURITY

- A large proportion of participants do not expect to get any income from Social Security and many others think they will get a lot less than scheduled benefits.
- None are aware that in 2033, when the Social Security Trust Fund is expected to be depleted about 80% of the funds needed to pay Social Security retirement benefits will be provided by income from Social Security taxes. Being informed of that makes some feel a little more confident that they will get something from Social Security, but a number feel that this level of support from taxation will be reduced because of declines in the size of the workforce or other issues.

EXPECTATIONS

- Most participants regard their jobs as stable and expect their income from work to grow.
- Most with children do not expect the financial needs produced by their children to grow.
  - Participants have no desire to receive financial support from their children in their old age.
- There are very divergent views about the financial impact of parents and in-laws on their financial status. Some expect their parents and in-laws to provide them money mainly in the form of an

inheritance. Some have parents or in-laws who already require financial support from them or think they will in the future. Some think their parents and in-laws on balance will neither provide them money nor need any money from them.

- There are different expectations about the future of Medicare than there are about the future of Social Security. While none expect Social Security to pay them retirement benefits, all think Medicare will continue and some think it will provide more support in the future than it is providing now.

IMPACT OF GROUP DISCUSSION

- Many participants report that the group discussions had a positive impact on them. The main comment was the groups encouraged them to think more about planning for retirement. Many also feel they benefitted from listening to others discuss the issues raised in the group, either because they learned something or because it feels good to learn that others are struggling with the same issues they are.

III. Demographics of Focus Group Participants

OVERVIEW

Eight focus groups of people ages 35 to 45 were conducted from January 11 to February 1, 2023. Six to eight people attended each group. The groups were conducted online, and each lasted two hours. In all, fifty-nine people participated in these groups. Each group was tactically differentiated by household income, marital status, and presence of children.

LOWER INCOME

Three groups (Groups 1, 2, and 3) consisted of people with household incomes of $50,000-$74,999.

Group 1 had one male and seven females. Five participants identify as white and three as Black/African American. All are single; half never married, and the others are divorced or separated. Five have children. Six contribute to retirement plans, and two have pensions.

Group 2 had six participants, with an equal distribution of males and females. Four participants are white, one Asian/Asian American, and one Black/African American. Five are married, and one is living with a partner. None have children. Five contribute to retirement plans, and one is covered by a pension.

Group 3 had eight participants equally split between men and women. Four are white, three are Black/African American, and one is Hispanic/Latino. All are married with children. Five have retirement plans, and none are covered by a pension plan.

Occupations within this income bracket vary. Five report having roles as managers or directors. Three work in health or social care in roles like "therapist" or "personal support worker." Two work in education, and one is a student. Other roles include bookkeeper, IT, bartender, and photographer. Interestingly, five report having multiple jobs. Those who work multiple jobs are usually in more creative roles such as "voice actor/comedian" and "seamstress/fashion designer."

The vast majority say their jobs are stable, with only three declaring otherwise. Lack of stability is attributed to the nature of small businesses and uncertainty of the economy.

> *"My work as a student and my work as a budding small businessperson are all kind of involved in luxury retail, and that can be kind of seasonal. So, the economy affects it a lot as well, as any retail business." -female, lower income, married, no children*

MIDDLE INCOME

Three groups (Groups 4, 5, and 6) consisted of people with household incomes of $75,000-$124,999.

Group 4 had seven participants: two males and five females. Five are white, one is Black/African American, and one is Hispanic/Latino. None are married: five have never married and two are divorced or separated. Three have children. All participants contribute to retirement plans, and one has a pension.

Group 5 had seven participants: four males and three females. Five are white, one is Black/African American, and one is Hispanic/Latino. Five are married, and two are living with partners. None have children. Five contribute to retirement plans, and one has a pension.

Group 6 had eight participants, equally represented by males and females. Six are white, and two are Black/African American. All are married with children. Seven contribute to retirement plans, and one has a pension.

Participants in this income bracket also report various professions. Five work in education and three in insurance. Two work in the visual arts as a fashion designer and graphic designer, respectively. Others work in manufacturing, marketing, finance, and accounting. There is one bus operator, one librarian, and one homemaker. Only one person in this income bracket reports having multiple jobs.

Notably, all participants in this income bracket report that their jobs are stable or very stable.

HIGHER INCOME

Two groups (Groups 7 and 8) had participants with household incomes of $125,000-$250,000.

Group 7 had eight participants with an even split of men and women. Five are white, two are Asian/Asian American, and one is Black/African American. Six are married, and two are living with a partner. None have children. Seven contribute to retirement plans, and none have a pension.

Group 8 had seven participants. All are white, with four males and three females. All participants are married with children. Six have retirement plans, and none have pensions.

Half of participants in this income bracket report having titles as "manager" or "director." Among the other participants, two are analysts, two are in education, one is an engineer, and one is a small business owner.

Participants in this income bracket are generally more hesitant to say their jobs are stable. Three say their job is somewhat stable, and three assert their job is not stable. Reasons for citing a lack of job stability include working for a start-up or small company or having a lack of trust in the economy.

"It is a start-up too so you never know with that type of stuff and especially with how things have been going." -male, higher income, married, no children

"I don't think so. Not with the way the economy is going right now."-female, higher income, married, with children

OVERVIEW OF GROUPS

Group	Household Income	Married or partner	With children
1	$50,000-$74,999	No	4 Yes, 4 No
2		Yes	No
3		Yes	Yes
4	$75,000-$124,999	No	4 Yes, 4 No
5		Yes	No
6		Yes	Yes
7	$125,000-$250,000	Yes	No
8		Yes	Yes

IV. Influence of Retirement Plan on Employment Decisions

OVERVIEW

Most feel comfortable that they will be able to continue in their job. The retirement plan tends to have a minor role in attracting these participants to work at or continue with an employer.

About two in three report that their jobs are stable. The exceptions tend to be people in start-ups or very small businesses. A few others refer to the pace of change as leading to their feeling of job instability.

Responses vary when groups were asked if being offered a retirement plan was a major factor in choosing to work at their current employer. Only a few say that a retirement plan or pension plan was very important when choosing to work at their company. Many assert that being offered a plan did not influence their decision at all. Some contend that it was a contributing factor but certainly not the most important aspect in their decision.

> *"Not a main factor, but it was one of the contributing factors." -female, lower income, married, no children*

A few note that it wasn't an influence because they were young at the time and not yet thinking about retirement. Consequently, they clarify that it would be a factor for them now.

> *"It was a small factor in the beginning. Because I was at such a younger age, I wasn't quite thinking of that. But the fact that they offered that amongst other perks was kind of the whole package deal. Now it is a big factor as I'm getting older." -female, lower income, single, no children*

It is also interesting that two participants who say it was not a factor, both among the highest income bracket, describe having a retirement plan as an expectation when considering jobs and therefore not a differentiating factor.

> *"It didn't influence me to take the job but if they didn't offer one, then I may not have taken it. It was expected that there would be a 401(k). I would never consider anyone not offering it." -male, higher income, married, with children*

Similarly, most state that their retirement plan does not influence them to remain with their employer. Some explain they would be able to retain their current savings should they move on to a new employer.

> *"Probably not, because I would be able to take it with me, because I have been here long enough. I would be able to use it in the future I guess is the right way to say it." -female, middle income, single, no children*

V. Plans to Retire and Aspirations for Retirement

OVERVIEW

Participants have the long-term goals of retiring and being financially independent. Many project that they will retire from their primary occupations in their 60s. However, there is a desire to continue working in retirement, either to stave off boredom, earn income, or work in desired fields on their own schedule. A few feel that they will have to work in retirement to maintain their lifestyles or that they will not work at all.

Most expect their retirement to be comfortable, but certainly not extravagant. They anticipate lower stress and more freedom to travel and spend time with family but believe their experience in retirement largely depends on their health.

Many have given at least some thought to retirement, though those with higher incomes are more likely to have given it a lot of thought. Certain life events are a catalyst for participants to start thinking about retirement, such as marriage or the birth of a child, but observing parents in their own retirement is the largest motivator of all.

MAJOR LONG-TERM GOALS

The most important long-range goal of many who participated in the focus groups is to simply retire. A few in the high-income groups want to retire early. Many want to be able to afford to work less than full-time. Some mention wanting to live comfortably in retirement and to know they have saved enough money to not worry about finances.

> *"I'd like to retire and not have to go back to work, want to pay off my house, just be financially independent." –male, middle income, married/partner, with children*

Another frequently mentioned major long-term goal across all income groups is being able to achieve financial stability or a feeling of financial independence. A few aim to be debt-free, start a business, pursue more education, advance their careers, or to simply "have more money."

> *"Probably just continue to grow in my field of work and eventually become independent from the corporation side, start a consulting firm along with a home purchase." –male, middle income, not married, some have children*

Eventual home ownership is a goal for renters, while some want to pay off the home they have purchased. A number of participants say they want to buy land or rental properties to bring in additional income.

TARGET RETIREMENT AGE AND PLANS TO WORK

A majority of participants have a target retirement age in their 60s, while some are even looking to retire in their 50s. A good number say that they are uncertain about what the future holds or what life will look like when they get closer to the traditional age of retirement.

High-income groups overall skew slightly younger in the age they see themselves retiring (early 50s to early 60s), though a few do say it depends on the healthcare climate. Some lower-income participants doubt they will ever be financially able to stop working.

Those who do not project a target retirement age say they want to make sure they will have the ability to retire, that they will continue to work because they want to stay active, or that they live more in the moment than for the future. One predicts he will gradually taper off the amount of time he works between 60 and 70.

> *"As for me, I'm turning 40 this year. So, I can say 65, but who is to say what happens in 25 years. I'm just planning shooting for the stars for 25 years. But I am going to say 65, and then when that comes, there is no telling what else I'll say by then." –female, lower income, married, with children*

Though most indicate that they will retire from their primary occupation, a large majority anticipate working in some capacity during retirement, at least part-time. Some participants believe that they will have trouble not having enough to do without work, so they will need to do some sort of work to combat boredom. A few say that while they will not necessarily work for money: they will want to volunteer to stay busy or contribute to their communities.

> *"If I could make money for fun then sure, otherwise the school that I went to, my kids went to, and that's the school I want to go and volunteer in, have fun with the kids that are there." –male, middle income, married/partner, with children*

Very few indicate that they will not work at all after retirement.

The sentiment of working at least part-time in retirement permeates all income groups, though interestingly enough, lower- and middle-income groups ($50,000 to $124,999) more often say they would want to work in retirement on something that they are more passionate about, while higher-income participants would want to continue to generate income as the primary goal. It is important to note that for a number of participants, the definition of retirement has changed, and now means being able to work when they want on something they are more passionate about instead of having to work a set schedule to make money.

> *"To me, the 9:00-5:00, that is done where I need to answer to someone and be on time. Retirement ends when I am done answering to the man, but I am still doing stuff on the side…I am probably not coaching sports but I am still going to generate income somehow and it is going to be on my time." –male, high income, married, with children*

When asked whether it is more important to retire when they want, or to work a little longer to be more financially secure, twice as many participants assert that working longer is more important. More lower-income participants say that they would rather retire when they want, citing reasons like having spent most of their lives working hard to pay bills or wanting to enjoy retirement while they are younger before health issues kick in. It appears that lower-income participants find work more arduous or difficult and that renders them more likely to value an exit from having to work to pay the bills.

EXPECTATIONS ABOUT LIFE IN RETIREMENT

Most expect, or at least hope, that retirement will be leisurely and comfortable. They envision being able to rest more, go on more vacations, move around as they wish, and live modestly on their savings or other income sources. Some now define retirement as more of a transition to easier or more meaningful work instead of a complete stop to working. The ability to work remotely coupled with the need to stay busy, perhaps even fueled by lasting effects of the "hustle culture," may influence this shift in thinking.

A few indicate they are "scared" of retirement due to the fear of not having enough money at retirement. A couple of other participants simply have a difficult time envisioning what their retirement will look like.

"I certainly hope to retire, but when you look at it, it's a little scary." –female, middle income, married/partner, no children

Nearly all expect, or at least hope, that life after age 65 will be good due to having more freedom, less stress, and being able to spend time with family. There is an awareness that much of the experience will depend on health. A few recount stories of people in their lives who either started to have health issues in retirement and can no longer enjoy it as much as they wanted or who passed away soon after retiring. The higher risk of poor health in older ages deters one participant from predicting when she will retire, as she is acutely aware of the high cost of assisted living and healthcare. Another says life after age 65 will average out – a decline in health could be offset by increased financial security.

"I am hoping it would be the best time in my life. I would hope to be retired by then and living my best life on my terms, doing what I want to do and going where I want to go when I want to go. I have been trying health wise to improve like losing weight and getting healthier and being active so when I do get to that point I am not falling apart." –male, high income, most married, no children

THOUGHT GIVEN TO RETIREMENT PREPARATION

A majority have given at least some thought to preparing financially for their own retirement, with some having had the lesson to think about retirement early in life instilled in them from childhood. High-income participants, more often than those with lower incomes, think about retirement planning "a lot."

Some experienced a catalyst event that stimulated them to think about retirement planning, such as:

- Birth of a child
- Marriage
- Obtaining job that offers a DB/DC, some that also offer a matching contribution
- Comparing against a spouse, peers, or work colleagues
- Observing parents in retirement

Regardless of income, many point out that seeing their parents' version of retirement in real time is a wake-up call to start thinking about their own retirement planning. Some want to emulate parents who prepared well for retirement, while others, more often than not, see their parents struggling with finances in older age and want to do the exact opposite.

"My parents didn't really think about their retirement. I think it is that little bit of anxiety. They never thought about it and now I have to support them in their older age as well as my own retirement." -female, high income, most married, no children

Those who have given no thought to retirement planning say they are too young at the moment or that other priorities and financial setbacks take precedence. One participant was able to navigate financially past a setback from job loss to start thinking about planning for retirement again.

"A little thought. I haven't thought too much. I am 43. I still have plenty of time to work. I don't think too much about it, but I do think a little bit." –female, high income, married, with children

VI. Expectations for the Future

OVERVIEW

Looking to the future, most participants say they expect their income to increase. However, some participants plan, through their own volition, to earn the same or less in order to work less. Generally, most have optimistic outlooks towards their future income, although current inflation raises concerns for several regarding their prospective earning power.

Participants with children acknowledge their children's impact on their current and near-term future expenses, but generally expect their children to be financially independent in the future. Few want or expect financial help from their children in their retirement years. Those who expect some help tend to be in the lower income group.

The expected financial impact of parents and in-laws varies among participants, with a mix saying they expect a gain, loss, or to break even. Finally, although several mention that it's flawed and in need of reform, nearly all say they expect Medicare to provide some financial relief to them in the future.

EXPECTATIONS OF FUTURE INCOME

When asked about their career expectations, most say they expect their income to grow due to annual raises and upward mobility to more senior positions.

> *"I expect to make more money in the future, just given my current job … I get a raise anyway every single year. But being an assistant principal, when I would move into that principal role, that is going to come with a significant pay raise, and then every year there would be a significant pay raise. That I anticipate happening." -female, middle income, single, no children*

A few say they expect to have fluctuating incomes, with one describing her prospective income as a rollercoaster. A couple of people anticipating fluctuating incomes state they will go back to school or start their own business or practice. They expect a loss of income in the short-term and an increase in the long term.

> *"I know mine is going to kind of rollercoaster, because I'm going to start going into private practice and that's going to require me to put out more, during that time where my current job is not going up." -female, lower income, single, no children*

A few expect to earn the same or less than they are making now. A couple plan to transition from multiple jobs to one, hoping that they can increase income enough at one job to afford to stop working at the other.

> *"I expect mine to stay the same but be able to work less. I'm a first-generation college student, so I've had to work really hard, and I still work multiple jobs in addition to my full time job. So, I am hoping to eventually make more money with the one job, in the one career and then be able to kind of let the other things fall off." -female, middle income, married, no children*

One expects to earn less income than he is making now, citing the desire to work less as he grows older.

While most say they expect to earn more, several are concerned about the potential impact of inflation on their incomes. Some anticipate that inflation will impact their industry and thus reduce their potential for salary increases. Others believe that while their incomes may continue to steadily increase, when adjusted for inflation, their earning power will likely remain the same.

"I expect them to go up, but with inflation and that, I'm not sure it will keep up unless you were to completely change your job from company to company." -female, lower income, single, with children

One makes the observation that regardless of increasing income, they anticipate being able to retain more of that income in the future, because debt and other expenses will decrease.

EXPECTATIONS OF FINANCIAL IMPACT OF CHILDREN

In the short term, many parents anticipate their children's expenses to go up, due to educational cost, extracurricular activities, and life events, such as marriages. However, in the long term, most are optimistic that their children will be self-sufficient in adulthood and will not cause further costs for them.

"Yeah, she is going to start driving next year so that'll be an expense. Insurance will go up and then she is going to go to college. After that, maybe she will want to get married. That will be a big expense. After that, we can be done." -male, higher income, married, with children

A few offer a contrasting opinion, expressing concern that their children may continue to need help in adulthood. A couple offer anecdotal examples of adult children moving back home due to high rent prices. These participants say they will always help their children, especially in an economic climate that has proven challenging.

"I love my kids and yeah, this, we live in a hard country and hard time these days and I don't know what the future will be and the way things are, I would not expect anything now." -male, middle income, married, with children

Most parents express no desire to receive financial support from their children when they enter old age. A few say they hope to never need their children's financial support. One says she wouldn't want her children to ever worry about her, prioritizing their children's ability to build a positive financial situation for themselves.

"I don't want to think about it. I don't want to think about my children taking care of me. But I do contemplate it." -female, middle income, single, with children

However, a number, especially those in the middle-income groups, state that if they did need financial help in old age, they believe their children would provide it.

A few participants, most often in the lower income bracket, say their children will help them in the future or already do. One participant says her child recently bought her a laptop and offered financial support. Another says her child intends to establish a financial plan for her. A couple of participants, also within the lower-income bracket, express skepticism whether their children will provide financial support in the future, saying they are self-centered or immature.

"My sons will definitely help for sure. They help now. They're very mindful now. I believe one of them, he's headed to college this year at the end of the year, and part of his plan is establishing some kind of help for the future to make sure that I'm okay." -female, lower income, single, with children

EXPECTATIONS OF FINANCIAL IMPACT OF PARENTS AND IN-LAWS

Regarding the financial impact of parents and in-laws, there are a variety of expectations. Some think their parents or in-laws will add to their financial well-being, some think they will have to support parents and/or in-laws, and others think they will neither receive money nor have to give money to parents and in-laws or the exchange of money will balance out.

Several say their parents or in-laws are financially self-sufficient, often due to pensions, savings, and Social Security. Among those who say their parents are in comfortable financial situations, many say their parents are or will be a source of financial help to them. A few are optimistic that they will eventually get an inheritance.

> *"My mom literally gives everybody money, and I just wish that she would pull back some because she is like the freaking designated ATM machine at this point. But yeah, if we need anything, she'll do for us before she does for herself." -female, lower income, single, with children*

Several others say that their parents or in-laws will have a negative impact on their finances. A few suggest that despite their parents' or in-laws' efforts to save for retirement, unexpected health conditions, medical emergencies, and nursing care and other factors left them without sufficient financial resources. Those in the lower- and middle-income brackets are especially likely to report that parents or in-laws need or soon will need financial support from them.

> *"I think it all depends on what happens, because as it sits right now it could be a very big plus. But if they have to go into a home or something, that could completely deplete everything." -male, lower income, married, no children*

Alternatively, a number say the economic impact of parents and in-laws will be neutral. A few participants explain that although their parents will be able to provide for themselves, there likely will not be much left in the way of inheritance. Others explain that the negative financial impact of one parent or in-law will offset the positive financial impact of another. Participants within the highest income bracket most often say that their parents' or in-laws' financial impact will be neutral.

> *"I already have a set of parents that we help quite often. But then I have another set of parents who are doing well, and they're like, 'When I pass away, our house is yours.' It may be a wash." -female, middle income, married, no children*

EXPECTATIONS OF MEDICARE

All participants believe that Medicare will provide them, after they become eligible for benefits, the basic level of support it is providing now. Many feel that Medicare, and health insurance in general, needs improvement and reform. Some expect Medicare to be changed and improved by the time they become eligible.

> *"I agree that it will exist in some form. I think there could be some improvements. There will have to be improvements. But I think that is healthcare in general, but I think that is part of that discussion. So, I think for it to continue, there has got to be some big changes." -male, middle income, married, no children*

VII. Expected Sources of Income in Retirement

OVERVIEW

With regard to future sources of income in retirement, participants plan to glean a livelihood from a mix of different avenues. Social Security is viewed with pessimism by nearly all participants, with most saying they do not plan to receive much, if any, income from it.

Home equity is mostly met with more optimism, with nearly all reporting that they currently own homes or that they plan to by the time they retire. Many plan to downsize or relocate in retirement, using the extra funds to supplement their savings. Others plan to use their home equity to invest in additional properties. Several say they currently use or plan to invest in rental properties as a means of income.

Of the handful of participants who have one, pensions are viewed as an important part of their retirement income, although a couple say they don't rely on it entirely.

A considerable number of participants intend to work in retirement, with income level serving as a differentiating factor in motivation. Most higher- and middle-income participants plan to work by choice, whereas those with lower incomes more often say they will need the additional income.

SOCIAL SECURITY

Nearly all participants say they are not relying on Social Security to pay scheduled benefits and many state they do not expect to receive any retirement benefits at all from Social Security. A few believe that more money is coming out of Social Security than going in and they expect inflation and a declining workforce to bankrupt Social Security in the future or severely limit Social Security benefits. One participant even views Social Security as a scheme, citing the imbalance of generations as fewer people have children. Those who expect no Social Security income reflect that sentiment in their retirement planning, with no allowance for the possibility of supplemental income from the program.

"It's costing more and more to keep up with the cost of living and all that for the people who are retired now, than people who are still paying in, are paying in. So, there's more money going out than there is coming in." -female, lower income, married/partner, no children

"I think circumstance is we're going to get the bare minimum the government can give us without having a revolution of angry retirees." female, lower income, married, no children

I think it might be around in some form. But we don't consider it to be something to live on. It would be nice, but I don't think it's realistic that it would cover everything or go that far or even be there in some form. - male, middle income, married, no children

I guess it is something that has always been mentioned that by the time I reach that age, there is going to be nothing left. I always have that expectation to not bank on that. That notion or mentality that I can even rely on that." -male, higher income, married, no children

"I am literally assuming there is not going to be any Social Security. I am just removing that. It does impact me. If I was thinking I was going to get some kind of Social Security then I might save less." -male, higher income, married, with children

Those who expect reduced Social Security say they do not plan to rely on Social Security as a main source of income in retirement, but rather envision it as supplemental income at best. While they anticipate some level of return, all of those expecting income are confident that they won't receive as much as they contributed. Participants intend to rely on other savings, viewing Social Security as an added bonus.

"The way I was taught about it was that you would never get what you give for Social Security, and never to solely depend on it. So, I guess that's why that's my frame of thought on it. I look forward to it, but I don't look at it as the end all, be all." -female, lower income, married, no children

Despite the views toward Social Security noted above, a couple offer contrasting views. One says he is definitely expecting income from Social Security, and another mentions that although he is concerned about Social Security, he is still planning on getting income from the program.

"I think there's definitely some concern. Just because, again, you don't know what the future is going to hold. I'm obviously still kind of banking on getting Social Security, so if that for some reason goes away, that's a big blow." -male, lower income, married, no children

Prior to the focus group discussions, no participants were aware that the taxes paid for Social Security retirement benefits paid by working people will cover, over the very long term, about 75% of the total retirement benefits from the program that participants are scheduled to receive.[1] The moderator provided that information to some of the groups, stating that even if the Social Security Trust Fund is depleted, the program will still be able to pay 75% of scheduled benefits. While learning this information provides lukewarm optimism, saying it "somewhat helps" or makes them "feel a little better", most participants are still wary of the program's ability to provide benefits. Some say this does inspire confidence in them that they can count on at least some Social Security benefits, if not to the degree they would hope.

"It makes me feel a little better too. 75% is better than nothing. I will take what I can get." -male, higher income, married, no children

Others continue to believe that they will derive no income from Social Security, or at the very least, not the amount projected for them. Participants of this mindset cite lack of trust in the government, a bad economy, and the general belief that Social Security will not have the ability to meet its commitments.

HOME EQUITY

The majority of participants currently own their residence, although many are still paying off their mortgage. All homeowners express the desire to have their mortgages paid-off in time for retirement, with many confident they can achieve this goal.

"Mine will be paid by the time I retire. That is a definite. You can mark that down." -male, higher income, married, with children

Of those who do not yet own a home, most say they expect to buy before they retire, with a couple citing goals to buy within the next one to five years. Nearly all who want to buy a home aspire to have it paid-off in time for retirement.

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[1] Summary: Actuarial Status of the Social Security Trust Funds, March 2023, Social Security Administration

"I'm hoping to. I am kind of looking, maybe in the next five years, look to make my final permanent move and then buy a house at that point. Right now I am just renting, so I don't plan on staying around where I am." -male, lower income, married, with children

However, a few say buying a home may not be feasible for them, despite their desire and prior efforts to do so. These participants explain that the increase in housing prices, the economy, inflation, and the effects of COVID are hindering their ability to buy. Although still a goal, these participants express doubt if homeownership is achievable.

"I don't know. House prices where I am after COVID, they tripled to quadrupled. So, we were close to maybe buying a home, and then everything just went … so there is no way we are going to invest in a home right now when they are so inflated. Then if it crashes, and there has been projections, then you would be out of a home. So, buying right now isn't feasible for us." -female, lower income, married, with children

Looking ahead to retirement, several seek to leverage the equity from their home. A number of homeowners say they intend to downsize or relocate, rationalizing they can enjoy retirement at a lower cost of living. Several mention, most often those in the middle- and lower-income brackets, transitioning to a more practical living situation in retirement, such as moving to areas with more affordable housing or choosing homes with smaller square footage and fewer stairs. In exchange, the income from the sale of their current home can help fund or supplement their expenses in retirement.

"Ideally downsize and hopefully make a decent amount of return on our investment." -female, middle income, married, no children

Among those looking to sell their homes for income, many consider their home equity a major asset that helps solidify their retirement security. A couple of others say that although it will help to downsize, they don't expect the income from that sale to provide a large contribution toward retirement savings, citing that relocating will only somewhat offset their current expenses.

"Our house is not big. We will see. I really don't know but not counting on it. Maybe a little bit if we downsize and buy a condo and sell the house. It will be a little bit of help, but we still need a place to live." -female, higher income, married, with children

In contrast, one participant says he does not plan to derive income from downsizing or relocating. Instead, he plans to remain there throughout retirement, with equity from the home being passed on to children.

"I am not counting on it. I want to die in my house. Maybe when I am really, really old I will sell it but until then, my family is here." -male, higher income, married, with children

A few mention plans to buy rental properties from the equity in their homes and use the income from these properties to supplement their income in retirement.

PENSION

A handful of participants mention that income from pensions will be an important source of income in retirement. A couple of participants say this expectation gives them confidence that they can retire. For a couple, their pension is considered the primary source of income in retirement.

"Right now, as far as the pension so far, I looked at everything, spoke with an advisor. So far, with the pension, I will be okay." -female, lower income, married, with children

However, a few others say they are not heavily relying on the income from their pension. One participant explains that unplanned future events or conditions, such as major health issues, may influence her to stop working earlier than expected, resulting in a smaller pension. Although pensions may contribute to their financial security in retirement, many of those with pensions acknowledge the need for other forms of savings.

"I think I'm doing good with retirement. I think it's just the unknowns of hopefully I will be able to retire within my pension system. Hopefully, I won't have any major health issues that require me to retire early and have to take a lower percentage of the pension. So, it's kind of the unknowns of the future." -female, middle income, married, no children

RENTAL PROPERTY

Several participants say they aspire to produce income in retirement from investment in rental properties. While participants among all levels of income express interest in this endeavor, those in the lower income bracket most often cite rental properties as a current means of income as well as a prospective source of cashflow in retirement.

A few participants already have rental properties or rent out spaces in their homes, using the income as an immediate source of income and presumably as continued income down the road. One participant says he uses it to pay his mortgage.

"I am renting some of the rooms in the home that I own. It's a rental property and my home. Two in one." -male, middle income, single, no children

Others plan to purchase rental properties in the future, viewing such property as an investment they can profit from in the long-term. These participants aspire to maintain passive income in retirement.

"I'm potentially in the planning phases of purchasing my first property with my partner. He already has four others. Two are outside of the country, two are here in the United States. So, I'm hoping over the course of the next 10-15 years, definitely by the time I retire, that those are things that I will be able to derive an income from, some money from." -male, middle income, married, no children

WORK AFTER RETIREMENT

Most participants say they intend to work in some capacity in retirement, although the motivation behind this expectation varies. While some wish to work for the sake of staying active or avoiding boredom, others say they will work out of necessity: they expect to need income from work during their "retirement years."

Specifically, a few lower-income participants worry about their ability to retire, expecting they will need supplemental sources of income in retirement. Retirement for these individuals often means transitioning to part-time work or focusing on streams of passive income by means of investing.

"I'm sure that we will have some type of side jobs in order to help facilitate bills going on, but we'll have that small little nest egg. That retirement plan that we have, it probably won't be enough. So, we will have to do part-time somewhere, if not just to

keep us busy, at least to supplement our income. That is what I think that it will realistically look like." -male, lower income, married, with children

For other participants, primarily in the middle- and higher-income brackets, the decision to work in the retirement years is a choice based on the preference to stay busy and have purpose. A few mention the desire to volunteer and hoping to make a difference with their volunteer activities. One mentions looking to continue the job that she loves, but doing so with a lower level of responsibility. Others articulate discomfort with the idea of not feeling useful. For these participants, working after retirement is motivated by fulfillment rather than financial need.

"Mine is pretty similar. I get stir crazy. So, I'm sure I will have a little something job that I feel like I am helping people and making a difference. I hope to retire someday, but who knows when?" -female, lower income, married, with children

Regardless of motivation for working, many clarify that the money they make in retirement will be used as a supplemental and major source of income, but in their current view, probably not their main source of income.

EXPECTED EXPENSE LEVEL IN RETIREMENT

When asked about their largest expense in retirement, participants in all income brackets mention healthcare and related medical expenses. Many acknowledge the likely possibility of future health issues, fearing that unforeseen medical bills have the potential to "bankrupt their savings." Others say that Medicare provides insufficient coverage, leaving retirees with the burden of paying large out-of-pocket costs or the need for supplemental health insurance coverage. One participant provides an anecdotal example of her parents having to pay for Medicare in addition to supplemental insurance for healthcare.

"You know what actually, my parents, they have Medicare and they have to pay into it every month and then they have to get a supplemental insurance and pay into that. I was really shocked to find out you have to pay twice [for] the insurance for healthcare." -female, middle income, married, with children

Another participant says that supporting their children and grandchildren financially will be the biggest expense in their retirement.

"Probably the biggest expense will be …., grandkids and kids, supporting them and helping them get their legs up." -male, middle income, married, with children

VIII. Savings

OVERVIEW

Saving is considered very important and most save for retirement and other goals. Saving for retirement is considered different from other saving because it is often done automatically and is checked less often. Saving for an emergency is the most mentioned non-retirement savings goal. Those most likely not to save for retirement are lower income people, especially unmarried people raising children. The biggest obstacle to saving is the pressures, both on time and on budget, of daily living. Most do not think they are saving enough for retirement, although they have no real basis for that judgment.

THE DIFFERENCE BETWEEN GENERAL SAVING AND SAVING FOR RETIREMENT

Saving is a very important goal for almost all participants. All strive to save and most save both for retirement and for other purposes. Interestingly, when asked what they are saving for, most who are indeed saving for retirement (usually contributing to their defined contribution plan at work) do not state that they are saving for retirement. The main explanation given is that saving for retirement is considered different than other types of saving for two main reasons:

- Saving for retirement is a more passive activity; money is taken out of a paycheck by the employer rather than being an active decision to set money aside.
- Retirement savings are for the very long term and are not closely tracked.

WHY PEOPLE SAVE

While people save for many reasons, two are clearly mentioned most often by focus group participants. The most frequent reason is to save for emergencies. This is sometimes expressed in different ways, such as “save for a rainy day,” “save to save,” and “save for a safety net.”

To an extent, saving for emergencies is demographically driven. Lower-income participants, especially those with children, are much more likely to mention this as a goal for saving. Emergency saving is mentioned much less frequently among middle-income participants and hardly at all among those with household incomes of $125,000 or more.

“I’m saving for emergencies. I’ve got like a stash for emergencies, that’s the cash. And everything else I save, I diversify in all kinds of interesting things I can invest in for long, long term. It’s all for the long term.” -male, lower income, married/partner, no children

Saving for college is mentioned as a goal among almost all higher-income parents, but rarely among lower-income parents.

“For my kids’ futures.” -male, middle income, married/partner, with children

Other reasons for saving include saving for a car, for travel, and to pay down debt.

The second most cited reason is home-related. Those who do not own a home tend to save for a down payment. A number save for home improvement, such as furniture. Interestingly, a number of the emergencies that people save for are home-related, such as for a new roof.

“I’d say for a house. Our goal is to buy a house so we have been saving for that on top of retirement too.” -male, high income, most married, no children

SAVING FOR RETIREMENT

A strong majority save for retirement. The exceptions are lower-income participants who are not married and have children. Only half of them are saving for retirement. A key motivator to save for retirement is having a retirement plan at work. For a number of people, the amount the employer matches provides a signal about how much they feel they should save. Clearly, default levels provide a powerful signal of how much to save for retirement.

Parents’ advice or experiences are some of the main motivators to save for retirement. This motivation occurs in two very different ways. Some participants report that their parents stressed saving for retirement at the start of the participant's work life, if not before. In their families, saving for retirement and planning for retirement were emphasized.

> *"My parents were really financially responsible and retired early. So it was kind of instilled in me as a non-negotiable to put away 10% since you enter the workforce. So I've been doing 10% since I was 19 years-old." -female, middle income, married/partner, no children*

Other participants observed that their parents were not able to retire or were financially stressed in retirement. This has motivated them to save in order to avoid the financial problems that their parents have faced later in life. Another motivator to save, mentioned by a number of people but far less than a majority, is co-workers, especially older co-workers, who stress the importance of participating in the company's retirement plan or saving in general for retirement.

OBSTACLES TO SAVING

The main obstacles to saving are everyday expenses and student debt. A few participants had a major problem earlier in life, such as loss of job or a divorce, which substantially hurt their finances and from which they have not recovered. A divorce that leads to the loss of half of assets can be financially devastating, especially for participants with children.

> *"Once the student debt is gone, we are going to pour rocket fuel on it." -female, high income, married, with children*

> *"I think about it more now, because as finalizing a divorce, everything that I had ever saved for that I was quite proud of, my spouse never saved a dime, and he got half of everything. So, all that I had saved, I almost feel like I'm back at square one. I wouldn't have enough to last even half a year at this point in time, because he got quite a bit out of it. So now I'm more in a panic, what am I going to do?" female, low income, divorced, with children*

Most participants try to limit their expenses and spend carefully, even frugally. However, very few have a fixed budget that they adhere to, and almost all who commented say that they have the ability to save more for retirement.

> *"I just spend as little as possible, because I'm thinking more long term, I always have. I've always worked as much as I can, spent as little as I can, and what's left over, save and invest." -male, lower income, married/partner, no children*

THE ADEQUACY OF SAVING FOR RETIREMENT

Very few of the participants believe they are saving enough for retirement, even those who are saving more than 8% of their salary. This assessment of inadequacy is most often not based on any metric or projection. It is a feeling that people have that appears to be based, to some extent, on the belief that a very large amount of money needs to be accumulated to have a financially secure retirement. Those who do not think they are saving enough for retirement tend to say that they do not know how much they should be saving or simply do not know if they are saving enough. The group most likely to say they are saving enough are the middle-income participants who do not have children.

Interestingly, those with higher incomes are most likely to state they are trying to cut back on their spending or trying to be frugal. This may be related to their feeling they have a greater range of choices and more agency than lower income participants.

When asked how a judgement was made about the adequacy of their savings, a couple of people referred to the "4% rule," which states a common recommendation of the proportion of assets that can be prudently withdrawn at the start of retirement and adjusted for inflation thereafter. A few people stated they used a projection tool provided by their retirement plan provider.

Similarly, a very strong majority believe what they have saved so far puts them "behind schedule" for being able to afford to retire when they want. The main reason for that assessment is the judgement that they did not start saving for retirement as early in their career as they should have. A couple of people felt forced, for one reason or another, to withdraw funds from a retirement account and cite that as a reason for being behind schedule. Higher-income participants are most likely to feel they are on schedule, but even a slight majority of these people feel they are behind schedule.

"I would say [that I have saved] less than I think I will need. I think because I started later in life and then with the student loans and everything like that, it is taking more than I could put in towards retirement. I would say less than right now." -male, high income, most married, no children

IX. Investing for Retirement

OVERVIEW

Nearly all with a defined contribution retirement plan are contributing to the plan, but most tend to use Target Date Funds (TDF) in order to "set and forget" their savings, and don't take an active role in choosing retirement investments. Those without a DC plan use a variety of other vehicles to save, including traditional savings accounts. Lower-income participants more often use riskier investments such as cryptocurrency, physical assets and are also more likely to report using savings apps.

A small minority work with a financial advisor: those with higher incomes are more likely to indicate this. Those working with a financial advisor normally just follow the advice given to them and trust their advisor. Those not working with an advisor cite the cost as a reason, as well as simply inertia: they have just not gotten around to finding an advisor to work with.

About a third have looked for information about investing, most often conducting their own research through digital means like blogs, podcasts, and financial experts. Some talk with people in their lives and a few get investing information through their advisors.

INVESTMENTS

Almost all who are eligible for a defined contribution plan are contributing to the plan. For these respondents, most investments for retirement are chosen from within the investment options in defined contribution plans.

There is considerable use of Target Date Funds. Also, there is some tendency for other retirement savings to be invested conservatively.

> *"I have a mix. With my 401(k) through the employer, I play it safe and I'm not really taking any risks in investments. But I have an IRA and I let the financial advisor do what he thinks is best. So it's a little bit more risky on that side in terms of the stocks that he chooses to invest in with my money." –female, middle income, married/partner, with children*

Most of these investors tend to "set and forget" their retirement savings, especially those invested in TDFs. Very few go into their accounts and update investments. They set their contributions and hope for the best. Some lower-income participants cite not feeling educated about their investments as a reason they rely on the plan provider's allocations.

> *"I let Fidelity throw it in and pick the ones that they want to pick. For me, it seems like that's been a better choice, because I'm not as educated as I would like to be, to know where I should split the money into what stocks and what bonds." –female, lower income, not married, some have children*

Most who are not eligible for a defined contribution plan do save for retirement and use a wide variety of investment vehicles.

Lower-income participants are more likely than those with higher incomes to choose speculative investment vehicles that have a higher potential than mutual funds and bonds for very high growth. A few lower-income participants have invested in cryptocurrency. Mention was also made of investments in physical assets, such as metals, purchases of "shares" of a painting, and sealed Lego sets. One participant mentioned using the Acorn app to save. It may be that lower income participants feel they need a higher rate of return to accumulate enough for retirement and are relatedly more willing to take risks to meet that need.

> *"Stocks, so shares in individual companies, and also ETFs. Bonds. I have some physical bonds, physical assets such as metals and other items of physical value. I could go on. Lots of different things lately. I've been speculating in – this is a strange tip – sealed Lego sets. They have a fantastic return historically. So just a little bit of everything." – male, lower income, married/partner, no children*

> *"I have a crypto IRA where I can save my crypto until retirement, and all those gains, the Roth IRA, aren't taxed... My most recent investment is art. There's a company that lets you buy a fraction of a painting. So, you've got these multimillion-dollar paintings. I own a Banksy, but I own 1/1000th of a Banksy, 1/1000th of a Bestia, and so you buy a painting like buying shares in a company." –male, lower income, married/partner, no children*

A couple of lower-income participants have invested in indexed universal life insurance, seeing it as an effective vehicle for saving for retirement.

> *"Have you heard of IUL, indexed universal life insurance? Which is more than life insurance, but if I got really sick, if I got deathly ill, they would let me cash out a large sum from my life insurance and use it for my medical bills. That's also because I'm very insecure about the cost of healthcare and my health…And then if I don't get sick and I retire, then I get to take out money from that that's been earning interest, because it's like a tax-free savings account and insurance in one." –male, lower income, married/partner, no children*

Interestingly, for additional savings, one lower-income participant believes that her employer partnered with Fidelity to offer an emergency savings fund that requires a deposit of $250 and some educational webinars that will unlock a match of $750.

WORKING WITH FINANCIAL ADVISORS

Few participants work to at least some extent with a financial advisor, and most of those who do are middle- and higher-income. The advisors are most often individually selected and not associated with a company retirement plan. The advisors tend to give direction on investments, though not always for retirement savings. Some advisors have projected their clients' accumulations for retirement and commented on whether retirement savings and accumulations are on schedule for a financially secure retirement. Very few focus group participants, however, say they have received this type of advice.

Only a couple of participants have had any contact with a retirement plan provider. There has been very limited use of retirement plan provider tools and support. Projections or support from the retirement plan provider, when used, have always been perceived to be valuable.

Trust is high between advisors and their clients. Participants tend to follow recommendations they receive and let their advisor handle everything in the background regarding participants' assets.

> *"I have a financial advisor…I leave it all to him." –male, lower income, married, with children*

"I had my contribution, but … I didn't think about it but that got the ball rolling in the back of my head, maybe I should take a look at what I'm investing in instead of just allowing for my financial advisor to pick for me." –female, middle income, married/partner, with children

Participants who are not working with a financial advisor cite various reasons for not doing so. A few mention the high cost of these services or that the fees are confusing. Some also say that there is so much information out there that they can do their own research and choose their own investments without having to pay someone or feel like they're locked into consistent meetings.

"I think the fees are confusing. That is the first thing…Reading a little bit and looking at online blogs and things, you keep hearing that you can do this yourself…Also to me, when I have talked or looked into getting one, I have been turned off by it is such an ongoing thing. I would maybe benefit from a one-time tune up or check up to see how we are doing. I do not want an every-six-month meeting that I may or may not need that I am buying into or signing myself up for. Locking myself into." –male, high income, most married, no children

Opposite those who do work with an advisor are a couple who do not work with an advisor due to lack of trust or hearing "horror stories" about people being given bad advice.

"I know so many people who their advisors give them terrible advice…And so many financial advisors say stay away from crypto. But it just takes a little bit of research to do well in crypto…I really believe in doing your own research and judging for yourself. So, I pay with my time, and I trust myself. I don't have to trust someone else." –male, lower income, married/partner, no children

"It just seems like they are out to get you." –female, high income, most married, no children

A few talk to people in their lives such as friends, family, or other acquaintances who are financial advisors by trade, though there is no professional relationship with the focus group participants, who do not pay for their advice.

Inertia seems to be another reason for not working with an advisor. A few say there is either no concrete reason for not working with an advisor, they don't think they need one, or they are not ready to work with someone yet. Some participants, however, are open to using a professional advisor and have even researched whom they would like to partner with, although they have not had that first meeting.

"Truthfully, I guess there is no reason. If one was to ever maybe introduce themselves or if I was to ever come by one, I would probably have one. It's something that I don't know that I need." –female, lower income, married, with children

"I consider myself fairly responsible and we discussed, I am fairly on track and moving on the right path. So, I hadn't really felt the need to be like 'I'm not saving' or 'I'm trying to save, and I'm not reaching these goals. Something is not right.' Yes, that would drive me to make that sort of appointment. Because my financial situation isn't in sort of jeopardy or shambles, I haven't felt an immediate need." –male, middle income, married/partner, no children

SOURCES OF INFORMATION ON INVESTING

A little over one in three indicate that they have sought out information on investing, either through an advisor or their own research. Participants use different sources of information on investing for retirement, most often relying on individual research through online forums, blogs, podcasts, or books by financial experts. Some talk to friends, family, or mentors.

> *"As far as advice, we don't pay for a financial advisor. I am into personal finance books and blogs. My main influences for that, for me it is Ramit Sethi, 'I Will Teach You to Be Rich,' Tori Dunlap, 'Financial Feminist,' 'Bogleheads,' 'The Simple Dollar,' 'Mr. Money Mustache.' The greatest hits of the personal finance blogosphere." –female, high income, most married, no children*

X. Planning for Retirement

OVERVIEW

Participants believe that planning is more involved and intentional than saving and that they should be taking steps to plan for retirement. However, not much thought has been given to when and how to go about planning. Many agree that retirement planning should be done more than ten years in advance, and that having a long-range end goal is more effective than only planning three to five years out due to uncertainty.

Very few are actively planning for retirement, but some do mention planning to talk with an advisor. The large majority are in their accumulation phase and trying to maximize their income and pay down debts. Many, especially lower-income participants, are focusing on their current financial demands.

Some feel that there is so much uncertainty in the long range that planning for retirement cannot be effective.

Not many tools are used to aid in retirement planning, but some use calculators to project how much they will have saved by a particular retirement date. These are normally from sources like participants' banks or selected financial information websites, but rarely from their retirement plan provider websites. Participants who use them find the calculators helpful in finding out how much they need to save, which is highly important.

Retirement plan provider resources are indeed used more to determine how much to save for retirement. Outside of having an advisor, participants do their own research to learn about retirement planning and other financial literacy topics.

THE DIFFERENCE BETWEEN SAVING AND PLANNING

These participants tend to believe there is a difference between saving for retirement and planning for retirement. Planning requires thought and intention, which saving does not always involve. By this definition, most indicate they are not engaged in active planning.

However, many believe that they should be planning for retirement. There is a belief that working with a financial advisor and having a well-designed investment portfolio are important steps to take. But almost no thought has been given to how retirement planning should be conducted, what steps should be taken, or when.

> *"Plan for the absolute worst. Whatever scenario you can think of that is the most horrible, worst possible future, plan for that and just keeping hoping for the best. So, whether you live in a flood zone, a hurricane zone, a tornado zone, a fire zone, we all live in something that can be hit by climate or it can be maybe a nuke is going to go off, a war. Think of the worst possible scenario. Start planning for that the best as you can. Let's just all hope for the best." –male, lower income, not married, some have children*

> *"I feel that saving is a part of planning. So, saving is here, and planning is the bigger thing. Not only save, but you also plan on how to use that wisely… you also plan how to spend your retirement overall, which is saving a certain amount of money is part of it, but not all of it." –male, middle income, not married, some have children*

HOW FAR OUT TO START PLANNING

Most say that their families encourage them to start *saving* early for retirement, but not exactly to make a *plan* early for retirement. There are mixed views on how far out to plan, but consensus is that it is dependent on the goal or activity.

To participants, it's reasonable to start planning at least ten years ahead for a child's college education, a career trajectory, or for buying a home. For a vacation or wedding, the amount of planning time decreases to two to five years, on average.

A few participants were asked whether they agree more with the statement that "it's only useful to plan three to five years at a time because of uncertainty," or that "they should have a long-range end goal". All of those asked express that having a long-range goal is the better choice.

CURRENT RETIREMENT PLANNING ACTIVITIES

Aside from saving and investing for retirement through various methods, only a small number of participants are taking active steps to plan for retirement. Almost none of the participants have a written financial plan in place. Nor do any have a goal for asset level at retirement or any other point in time. Very few have sought information on what their Social Security benefits will be or thought about expenses in retirement.

Most are just focused on the accumulation phase and want to secure as much as possible in terms of income and assets. Some of these activities include paying down debt before retirement, buying rental properties that will provide income to support retirement, and cutting expenses in order to save or invest more.

"Most of the planning is in the finding ways to max out investing tax deferred or otherwise." –female, high income, most married, no children

"I feel like I'm trying to pay down my debt in order to prepare for retirement." – female, middle income, married/partner, with children

Only a couple of participants say they meet or plan to meet with a financial advisor specifically about retirement planning. One with an advisor is receiving long-term investment advice according to risk tolerance. Another says she never would have thought about what to do with her money in retirement had she not spoken with her advisor.

"I think when I sat with the financial planner, that was huge because I don't know all of the things that are entailed with when retirement hits. What is going to happen with my money? I know we have our days, if we don't use them, we will get to cash out our days. I have so many sick days that I have accumulated. You will get a check on that. The financial planner said, 'What would you like to do with that big sum?' We were projecting it as if with the days I have now how much it would be mean in cash value and he was like, 'What are some thoughts on investing that money?' You are going to get that check at the end of 25 years or let's project it for 30 years. I wouldn't have known what to do without the guidance of having somebody sit with me." – female, high income, married, with children

A small number are thinking about where they want to live in retirement: whether they want to downsize or which geographic area that would be financially best for them to live in. Although not formally planning, one is having discussions with his spouse about the future and how to deal with future health care issues.

"One of the things too that we really consider is where we want to be geographically. In certain places will our money go further, things like that. Just where we think we might enjoy and are we doing things along the way to get there. It is not completely in focus but as we get closer it is starting to. In focus enough that we are kind of going in a direction." –male, high income, married, with children

"I guess not formally, but just deep discussions with the spouse about healthcare situations that other family members have gone through. Long-term care, long-term health, ideas of locations and how. Just deep, deep discussions on ideas and how to accomplish that or what could come up." –male, middle income, married/partner, no children

Though some are taking some steps to plan for retirement, as stated, a majority are not actively planning and are just focused on saving in this phase. Many participants, especially in the lower-income groups, say they need their money right now for bills and present needs or they don't have the extra money to put toward retirement. A few others cite being young and not concerned with retirement or indicate that not having the financial education to start saving early is another reason they are not planning.

"I am saving for retirement, but I am not planning for retirement. I am putting money away, but I don't really pay enough attention to it. I haven't sat down with a financial advisor. I think I am being responsible in the sense that I am doing something. I don't really have a plan. I am not really sure where the money is. I know I can do a better job with that." –male, high income, married, with children

"For me, it's the life now. It's paying off my credit card debt, making sure that I have food in my house and my rent is paid. Maybe if I had a partner, then things would be different. But for now, it's just me and taking care of a household by myself." –female, lower income, not married, some have children

INFLUENCE OF UNCERTAINTY ON RETIREMENT PLANNING

The current economic and political climate in the country, plus market downturns and volatility have created a feeling of uncertainty that has made some participants hesitant to plan for the future. One makes a point that even if someone does everything "right" in terms of planning, things can still go wrong, which is demotivating. The COVID-19 pandemic has also discouraged planning in two ways. First, it has disrupted the lives of many, mainly by causing unemployment. Second, it has increased the sense of vulnerability and the potential for major and unexpected change that can derail plans.

"Uncertainty…You can do everything right and still get screwed over. Even if you are maxing out all your stuff, if you get cancer or Alzheimer's, the hospital is taking it all. That sucks. It can undermine motivation a little bit because there is that knowledge that even if I do everything right and deprive myself and invest and do all these things, some greedy hospital corporation is just going to take it all." -female, high income, most married, no children

However, while a feeling of greater uncertainty in the world has discouraged some from long-range planning, others believe the increase in uncertainty has increased the need for planning. To them, uncertainty means one cannot count on some things promised for the future and that planning for alternatives provides a higher level of protection against uncertainty.

"I think the uncertainty, you almost plan for uncertainty. That is kind of why you save and why you invest and plan for retirement. If everything was certain, then you wouldn't really need to put aside stuff, and you could just plan on Social Security, which would be great. But uncertainty there drives me a little bit." –male, lower income, married, with children

"I have to plan for my future. Things will happen and they will happen all the time. It was the pandemic but now it is over. We are kind of moving on. You have to plan and think for and hope for the best. Maybe there will be another war after Ukraine is done. There is always something. The United States has been in war for many, many years. It is not just Ukraine. We have to keep planning and hoping for the best." –female, high income, married, with children

CURRENT USE OF TOOLS IN PLANNING

There is very little use of tools for retirement planning. The tool used the most is a projection tool which calculates, based on savings rate and accumulation level, how much will be accumulated by a target date.

"Whenever I log into my 401(k), the website, there is a calculator estimator that asks me, 'When do you plan to retire, and how much do you think you need a month?' It will let me know if I'm on target or if I'm not. It's kind of handy. I look at it every now and then." -female, middle income, not married, some have children

"I have state teachers' retirement in the state that I live in, so I have the ability to go in, and it generates it for you. Like it says if you retire at this age, this age, this age. But you can also go in yourself…I can go in and I can put my current salary. I can put what my raise percentage is each year, and then I can put a date that I would like to possibly retire by, and it will generate how much my yearly state teachers' retirement will be. So, I have used that and kind of trying to see if I can retire earlier or not." – female, middle income, not married, some have children

One who uses a tool through her employer says they offer incentives to use the tool. Another is using an app offered through the company retirement plan that allows users to enter their information, and the app will calculate the amount they "should" have accumulated to retire.

"I'm using them now. Like I said, they're offering incentives if you use them, and this year my work is even putting money into your HSA account if you go in and use them. So, it's incentive enough to take the time to do it. But before I didn't, because there were just so many I didn't know where to begin." –female, lower income, not married, some have children

"My company does it. They have an app for us and it's a really cute, animated app. It's called Alex. And you put in all of your information. It asks you a lot of questions like you're asking and inserts the information, and it comes up with what it feels you should have." –female, lower income, married/partner, no children

Participants who use calculators get them from a variety of sources, such as their banks' websites (Wells Fargo, Capital One), financial information websites (Credit Karma, NerdWallet). One creates their own projection with Excel spreadsheets. Only a few mention using a calculator from their retirement plan or pension provider's websites.

"Capital One has one. I think I've used like a couple of the different financial information websites like NerdWallet or whatever. I think I've used theirs. My former 401(k) plan administrator had one on there." –male, lower income, married/partner, no children

"I use Excel to keep track of things, and I've learned just enough how to use formulas to keep track of things for taxes, and then naturally I use that data to project where I'm headed." –male, lower income, married/partner, no children

A couple have used projection tools from websites that will calculate the amount of retirement income they will have at age 65 or the time they retire.

"You can find different websites that will either teach you how to do the equation yourself, or you can just plug in numbers, and it will give you a projection. Say I'm going to invest 'X' over this amount of time, and I try to be conservative with it. Expect 6% year over year, whatever the case might be, and it pops out a number…It added in like an expected contribution rate, which kind of makes me nervous now because that's not the reality anymore." –male, lower income, married/partner, no children

These calculators and projections are considered helpful in planning, even as just a starting point. Participants like that they can toggle the different aspects of certain tools to see the result of changes they can make today. The more information they can get, the better a tool can help them plan.

However, a couple of people are afraid that even when the calculators they use have said that what they've been saving is enough, they still don't trust it. Some don't feel like any amount of saving is enough.

"I feel like even if I look at the calculators and say this is a fine amount, I think I will still feel insecure and there will never be enough." –female, high income, most married, no children

"I looked at a calculator and it says enough but for me I don't think it is enough if I were to live in this country. But if I were to move overseas where the cost of living is lower and healthcare costs are either free or lower, then it would be enough." – female, high income, most married, no children

The outcomes of seeing the projections have had an impact on thoughts about savings levels. Some are happy with the amount of projected retirement income; others are not happy with the amount of money they would have to work with and see it as the jolt they need to start saving more.

"It was useful for me. It wasn't fun, but it was useful." –female, lower income, married/partner, no children

"This is kind of when I first started thinking about retirement, and I projected that I was going to be working as a greeter at Walmart until I was dead. So that kind of started the shift in my outlook as prioritizing the golden years of my life…At the time, I was working for a company and making contributions. I was maxed out on my company matching and my 401(k). So based on the amount I was saving, the amount my employer was contributing, and average out my income over the next 35 years…[I projected] to 65, and it wasn't going to be enough for me to comfortably retire at 65." –female, lower income, married/partner, no children

"Through the financial advisor…Yeah, it was [helpful]. It made me go from thinking am I doing enough? I don't know what this will ever actually look like to okay, we're good." –female, lower income, married, with children

There is some skepticism about long-term projections because of all the unpredictable factors that can influence invested money. One participant points out that it would be useful to include inflation rates in the projections. One states that there are limitations on what can be controlled even when there is the ability to enter a large amount of information into a projection tool.

"It's valuable but also very variable [when it comes to investment returns]…So, you project it but it doesn't mean that it's going to happen. We have market volatility, you have all sorts of things, what you need versus what the return is. It's great to have that as a tool but it shouldn't be the end-all be-all." –male, middle income, married/partner, with children

"I don't think it is that useful. It is a long ways off. I might be the youngest one here. I don't know. I get a packet through my 403(b) with some projections and stuff. I don't really look at it because it is so far off, and I am going to keep putting the money in regardless. I don't pay as much attention to it right now. That is what I was saying before about saving versus planning. I am saving, but I don't know that I have a plan. I probably should have a better one. I don't know how useful it is at this point." –male, high income, married, with children

"I don't know how useful it can be though with the market being so volatile. It is not like you are guaranteed this. Unless you have an employee sponsored 401(k) where you know you are getting matched and you know that money is coming out of your paycheck, what good is the projection if the market crashes or a war in Ukraine breaks out and something happens globally where supply chains? How can you project what is going to happen two months from now? I am on the fence on projections. I think your best thing to do would be to bet on yourself and work as hard as you can" –male, high income, married, with children

"I appreciate that. Algorithms are just that. I think they give you an idea as far as you are going to be generally here, or you know you are probably going to be way short, or you are probably going to be above. To say you will hit a normal range, I think you can project out fairly good on historical and some forward-looking assumptions. I do think it is helpful." –male, high income, married, with children

There is mixed sentiment about including Social Security in a projection tool. A couple of participants have gone to the Social Security website and found the projections helpful. But many are unsure if it would be useful. Some do not believe Social Security will pay scheduled benefits when they retire, and some others are unsure. So, many don't want to plan on that income.

"I have checked it many times. I know if you go on the website, it will tell you if you continue to work for the next 20 years and make this salary how much you will end up getting when you are 65 and when you are 70. There is a calculator that tells you… It will have all of the money that you made throughout your career. It is a very helpful tool that they have on the website. I already know how much I will be receiving if I continue to work." –female, high income, married, with children

"I don't think so, because I don't even want to know. I mean I want to know what Social Security is going to do, but I don't want to actually factor in if everybody is saying it's not even going to be there." -female, lower income, married, with children

"Yeah, I'm not planning on it either, but seeing a calculation could be helpful. But, yeah, I'm not planning on it." –male, middle income, married/partner, with children

SOURCES OF RETIREMENT PLANNING INFORMATION

A small number of participants get some information on retirement planning from their retirement plan provider. One attended a class that is offered through her employer once per year that goes over "retirement specs and projections." Another participant in education receives targeted updates and reminders from her employer in pamphlet form according to the number of years from retirement.

"Our district gives us each updates on a little booklet and it kind of gives us an update of where we are [according to] how many years you are at. They also give it to us if we didn't reach out to a financial advisor, they kind of give you an overview as your year progresses. It is like a pamphlet of information." –female, high income, married, with children

The bulk of research on retirement *planning* is being done by participants on their own and not through the retirement plan. A few participants use online research to get information on finances, such as YouTube channels that put out weekly content, financial blogs, podcasts, social media influencers, and groups on social media. These sources are more on investing than retirement planning. Topics of interest include cryptocurrency, real estate, and personal finance. Participants feel they get good tips on financial literacy. One in a higher-income group follows what the country's high-profile CEOs, billionaires, and millionaires are doing financially and tries to incorporate that in his life.

"I actually joined a Facebook group for women that invest in different stocks and bonds and discuss what they have, what may be potentially beneficial in the long run, which stocks, which cryptos and stuff like that. But it's an all-women's group that discusses their thoughts on it." –female, lower income, not married, some have children

XI. Interest in New Tools to Assist in Retirement Planning

OVERVIEW

About half of participants think that setting five-year goalposts for retirement would be appealing, saying that it would make goals more realistic, adjustable, and achievable. This can allow for addressing unexpected events in a timely fashion. This method is preferred over a simple projection.

Visualizing what participants want for themselves in retirement is widely seen as a helpful starting point to creating goals for savings and income, making them more tangible. Some would like to receive scenarios about how others in their asset level spend time in their retirement to jumpstart their own visualization.

FIVE-YEAR GOAL METHOD

Participants were asked about the appeal of having a tool that would collect information on their assets and income and target age for retirement and then have a five-year goal set for them in terms of how much they should save. Views are generally positive for this method of retirement planning, as roughly half of participants say that it would be helpful or appealing. Many agree that it makes retirement planning more realistic and that it provides motivation to actually follow through on meeting those goals.

> *"I think it would be helpful to see a more realistic approach. The only number that I look at fairly frequently, and only again because it's in my face, is on our 401(k) app, it says, 'If you continue at this rate, this is how much you would have by the time you were 60-whatever.' But to me it's not super realistic, because it's based on my salary today. So, something that would be a little bit more realistic or probably more attainable. Five years is attainable. When I think about another 30 years from now, it's not as easy to see how you can plan that out to reach that goal." –female, middle income, married/partner, no children*

Setting five-year goals allows for adjustments to be made in a timely fashion. Many acknowledge that goals should be adaptable, so re-evaluating them more often can allow wiggle room for unexpected events such as a decline in health or a large expense. They want the five-year plan as a guide, but the flexibility to adjust their targets even if the allotted time period has not ended yet.

> *"Maybe set like a goal of every five years, but if a major life situation happens then you can re-evaluate then." –female, lower income, not married, some have children*

There is also a desire for real-time tracking in order to signal the need for any changes in goal setting. A few express wanting to be able to incorporate all of their accounts, plus any information on economic and market factors so they can get a complete picture to make an informed decision.

> *"We need real-time tracking with real-time trajectory that is adaptive over time. So, if you want to plug in a five-year trajectory or ten-year or whatever else, you can see that trajectory and as it changes, it's adaptive to your current situation. There's no reason why it shouldn't be." –male, lower income, not married, some have children*

> *"I think especially if they would make it to where it would be real time to where it could read all the metrics that we could have access to necessarily without doing tons of research like the markets, economy, inflation, things like that. Real time, what would it be worth. I don't know if that makes sense, but that would be really valuable." –male, lower income, married, with children*

One participant in the lower-income groups shares that her employer's plan is implementing this method for its employees, but that it will start as a three-year plan, then move to five years.

> *"That's actually what I'm switching over to. We're going to start with a three-year plan because my job situation just changed in August. We're doing a three right now, and then every five years we look at the plan and re-evaluate it." –female, lower income, not married, some have children*

In terms of the duration of the goal setting, most prefer a five-year goal. A few feel two- or three-year goals would be better. One asserts that ten years would be a good duration for a goal for them.

> *"I think there is use in seeing progress towards a goal. I think the sooner [2 years] the better." –male, high income, married, with children*

Given the choice between a five-year goal and a simple projection to a target retirement date, many prefer the five-year goal because it would provide more effective feedback. A projection to retirement is seen as less compelling in giving valuable feedback in the short term.

VISUALIZING RETIREMENT: IS IT HELPFUL?

Encouraging participants to envision the future they want for themselves in retirement is thought to be helpful and appealing. While some do say that this is only inspirational in nature and that they would like concrete steps on how to achieve that vision attached to it, the act of visualizing helps to create the goals in the first place, then make them more personal or tangible.

> *"We always encourage teachers to do that with students. Create vision boards because it helps you to project where it is. If that financial planner knows what your vision is, then you need that reality. What will it look like to save for that or if I am not planning that, and I just want to live average and make sure I have enough to do a little extra then help me to know how to get to that point. Vision board is huge." – female, high income, married, with children*

> *"You have got to have a goal. You have got to work for something. You have got to strive for something. That is what motivates you. That is what gets you going. There has got to be something that your blood, sweat and tears and all that, you are doing it for a reason. What is that reason so that you can live comfortably when you are older? You have got to have goals and a vision I think if you really want to succeed in this country. Especially like I said in a state like New Jersey or Illinois. I am not going to tell you what my house is, but my taxes are over $13,000 a year for our house. It forces you to work hard. It forces you to do those extra steps so that you can reap the benefits of all your hard labor in your younger life." –male, high income, married, with children*

Once participants envision life in retirement, they know what they are working toward and can make decisions today that will help accomplish those goals tomorrow. A couple express that while goals may change slowly over time, it's good to at least start with a baseline set of goals, much like with the five-year plan.

> *"Even if it is just making small changes towards reaching that vision…If you know how you want to live, it is going to affect certain decisions you make now. I know it is far off, and it can change, but it is still going to have an effect on it." –male, high income, married, with children*

Some participants are very receptive to the idea of receiving scenarios about how different people spend their time in retirement. As a few suggest, it's good to get some ideas to jumpstart their own visualizations and to see what others with similar assets and interests are doing.

"One thing I would love is an actual real life case study. It is something I am going to ask my financial advisor the next time I meet with him. Tell me about some of your other clients that are retired and give me what their numbers were. Don't give me their names but let me know what numbers they hit so I can know what I need to do." –male, high income, married, with children

One mentions using an app that provides saving instructions according to what she wants to do in retirement (travel, saving for home repairs, etc.).

"I don't remember if it's with my bank, but I've used a tool like that where it says, hey, if you like to travel, this is a travel tool, if you want to save for a home repair, this is what you do. So, I think it's very helpful, and I've used that with other products." – female, middle income, married/partner, with children

A couple say they are uncertain about visualizing how much they will spend in retirement, mostly due to inflation and not knowing how much the cost of living will rise by the time they retire. Another says that incorporating possible inflation into projecting spending will at least somewhat offset that.

"I think it's useful to think about, but is it really realistic to think about now when a gallon of milk has gone up a dollar something in a year?" –female, middle income, not married, some have children

"But you know it's going to cost more. So, it is part of your calculation and all that…But let's say I spend $3,000 a month to survive today. That $3,000 I spend is probably only going to be $2,200 thirty years from now. So, I need to make that much more. Or that $3,000 is really only $2,200 in tomorrow's money…So if I am thinking 30 years from now, I do need to be sure that I'm not just using today's dollars, but adding extra for what the increases will be." –male, middle income, not married, some have children

XII. Lessons Derived by Participants from Group

OVERVIEW

The main takeaway derived from participants is that this is the right time to be thinking about planning for retirement. Nearly all participants acknowledge that, in addition to savings, they need to plan more. For many, planning more takes the form of setting short and long-term goals, utilizing more tools and other resources, and consulting with a financial advisor.

LESSONS LEARNED

At the end of each focus group, when asked what stood out to them during the discussion, the main sentiment expressed was that they felt encouraged to broaden their approach to retirement planning. Rather than just viewing preparing for retirement through the narrow lens of deciding how much to contribute to an employer retirement plan or how much to save outside of a plan; some derived the viewpoint based on the discussion that they had to do more planning.

A few say the discussion made them think that they have been too distracted by immediate pressures of everyday living and have to think more about their long-term financial security. The discussions led some to believe they need to start saving or start saving more right away, rather than waiting until later. Several acknowledge the need to contextualize their retirement plans with goals or milestones to track their progress. A few conclude that creating short-term goals, one to five years from now as benchmarks, can help them secure their financial security in the long term.

> *"I think the big takeaway for me was just kind of some of the questions were geared towards not necessarily the traditional IRAs or 401(k)s, invest and that's it. It's kind of a narrow way to look at retirement. It's like what else are you doing? What kind of planning are you doing? It made me realize we really are kind of looking at the bigger picture a little better than I thought we were, so I actually feel a little bit better about life, believe it or not." -female, lower income, married, no children*

Others say the discussion gave them new ideas on how to prepare for retirement. Many say they learned about tools and resources that they are now inspired to start utilizing, such as online calculators and investment management services.

> *"To me, it has really been the importance of diversifying. I have gotten ideas from hearing what others are doing to plan for retirement. Now once we get done with this, I am going to go look at other things of what to do." -male, high income, married, no children*

A few participants make the observation that those with financial advisors appear to have a more defined vision for their retirement. Consequently, many express the desire to confer with a financial advisor themselves.

> *"For me, the majority of people in this room has an idea, a general idea, but not a clear idea except for probably people who have financial advisors" -male, middle income, married, no children*

Although some say the discussion was stressful, a couple of participants express appreciation for the opportunity to discuss retirement, a topic they now believe they don't think enough about. Even with retirement twenty to thirty years away, many feel that now is a good time to start talking about it.

Some mention the benefit of comparing their situation to others. Despite feeling that they may be behind in saving, a few say they feel encouraged hearing from peers under similar circumstances and learning how others are preparing for retirement. One participant remarks that the discussion serves as validation for what they can accomplish in retirement if they properly prepare now.

> *"I'll probably look at the big picture differently for sure, and I think just talking with some of you guys that are already doing investing and you're well-versed in that kind of stuff, that inspires me to be like okay, there are people that are my age that are just as smart as me, that can do this. I can educate myself further and make some decisions on investing instead of just putting it into a savings account to get paltry interest at best." -female, lower income, married, no children.*

XIII. Implications of the Research and Suggestions of the Researchers

OVERVIEW

This research provides deep insights into how Americans at a key inflection point in their journey to prepare financially for retirement - ages 35 to 45 - perceive the task of retirement saving and planning, the actions they are taking, and their concerns. The research also provides information on what steps can be effectively taken to help people in this age range. Following are the researchers' views of the most significant findings of the focus group research, implications for action, and suggestions for further research that would most effectively build on what has been learned from these focus groups.

This research also highlights impediments to more effective saving and planning for retirement and demonstrates the need to deal with these impediments at three levels: 1) helping individuals do more effective saving and planning, 2) making adjustments to the design of retirement plans, such as by making more use of defaults and 3) addressing the overall retirement system more broadly to institute public policies and other actions that will promote better financial preparation for retirement.

There are several stakeholders in the retirement system and different stakeholders have the ability to implement actions that could contribute to a higher level of worker financial preparation for retirement. For example, stakeholders who can generate new ideas for helping individuals prepare for retirement include financial services companies, employer plan sponsors and parties who offer education. Making retirement plan designs more effective is the role of financial services companies and employer plan sponsors, supported by policymakers because public policy can encourage, enable and prohibit plan designs.

THE STRUGGLE TO PREPARE FINANCIALLY FOR RETIREMENT

For many, ages 35 to 45 represent a key inflection point in preparing financially for retirement. By age 35, most people are well into their work lives. They are well established in adulthood and are now in a position to think about how long they want to work and to prepare financially for retirement. For almost all, retirement is still decades away, but no longer so far away that saving and planning for it should be put off.

Indeed, a key finding of this research is that the focus group participants in this age group believe they should be saving and planning for retirement. Further, many think they should have started on these tasks earlier. However, retirement is still so far off that it is difficult for many to know enough about what they are planning for. This point, where they are close enough to have to plan and far enough away to be unclear about what they are planning for, makes this age period complex from a planning perspective.

Many of those aged 35 to 45 are struggling with their saving activities and are falling short on effective planning. Almost all are saving or trying hard to save for retirement. Indeed, many say they are saving a significant amount of money. To accomplish this, many are trying hard to be frugal in order to save adequately for retirement.

However, there is a widespread feeling that they are not saving enough and that they are behind schedule in their level of accumulation. Thus, they tend to be dissatisfied with their often-significant efforts. In terms of planning for retirement, which they perceive to be different from and more comprehensive than simply saving money, many say they are doing little and seem to not know what to do. It must also be noted that some, although a minority, are taking a lot of effective steps. These tend to be people who are working with a financial advisor or who are effectively using resources made available from a retirement plan or pension provider.

OBSTACLES

There are two key obstacles to more effective saving and planning for retirement. The first and most formidable obstacle is simply the pressures, time commitments and costs of daily living. This obstacle is most notable for those in the lower income group, especially those who are not married and raising children. There are two key aspects of this obstacle. The first is that meeting the twin challenges of work and family and social obligations takes a good deal of time and effort, which can make it difficult to focus on longer range issues, such as preparing for a retirement that may be decades away. The second is the difficulty of saving money. People ages 35 to 45 may have a number of financial obligations and goals, such as building up an emergency fund, paying off student debt, saving for a house, furniture or home improvements, paying for entertainment and travel, and, for parents, covering the costs of rearing children and saving for their education. This problem of having enough money to save has been exacerbated by the recent unexpected inflation. Nonetheless, it should be stressed that many are saving a notable proportion of their income for retirement.

As indicated, people with lower incomes feel the most financially insecure and are most pessimistic about being able to accumulate enough for retirement. They were most likely to take on risky investments, such as cryptocurrency, in the hope of getting a higher return. They are also most likely to plan to buy a rental home that can provide a stream of rental income in retirement. Further, they are the most likely to plan to work in retirement or feel the need to work as long as they are able, often well into the traditional retirement years.

The second obstacle is a lack of knowledge of key tasks necessary to prepare effectively for retirement. In almost all cases, the focus group participants simply did not know how much they should be saving at their age, income level, and target retirement age, and furthermore, they did not know how much they should have accumulated to be "on schedule." There are, of course, resources that can give them the information they need, including financial advisors and retirement plan providers. However, these resources are used by relatively few. Most sources of information were informal: friends, parents, co-workers, and social media. Few use financial advisors. The resources that retirement plan advisors have are often not effectively communicated to plan participants and seem to be presented in a way that doesn't convince the plan participants that these resources will meet their needs or align with the issues they are confronting. The key finding is that most focus group participants say they do not know if they are saving enough or have accumulated enough, even though this issue is clearly important to them.

QUESTIONABLE AND IMPORTANT ASSUMPTION

Most participants assume that Social Security will pay them little or no benefits. It is of interest that this assumption does not lead them to save more aggressively to make up for the income that Social Security is scheduled to pay them, but which many do not believe they will receive, at least in full. But this assumption does cause a certain degree of anxiety.

This assumption seems to be caused, in some part, by a misunderstanding of the way Social Security payments are generated. The participants are not aware that a very large proportion of retirement benefits to current retirees are funded by current Social Security taxes collected from American workers. It is largely a "a pay as you go" system. They also misunderstand the function of the Social Security OASI trust fund and seem to believe that when the trust fund is exhausted, Social Security will be bankrupt and unable to pay any benefits. However, the current Social Security Trustees Report states that in 2033, when the Trust

Fund is projected to be exhausted, 80% of scheduled benefits will be covered by Social Security taxes.[2] When the moderator informed participants in a few groups of the extent that Social Security retirement payments are funded by current taxes some participants, but far from all, felt more confident that they would receive at least some Social Security benefits.

FACTORS THAT SUPPORT RETIREMENT SAVING AND PLANNING

There are a number of factors that help and encourage people to prepare financially for retirement.

Parents can be a very important influence in two main ways. First, a number of focus group participants report being strongly motivated by parents who stressed when they were children or when they started working to save for retirement. Second, parents motivate their children to save for retirement by their own example. This works in two opposing ways. People who observe parents who prepared effectively for retirement enjoy that feeling of financial security and want to have the same experience. Parents who do not prepare effectively for retirement and therefore have to work longer or who are financially insecure in retirement provide an example that their offspring seek to avoid.

Some of the focus group participants state that co-workers were effective resources to them about participating in retirement plans, especially when they first joined the workforce. Financial advisors are effective at helping clients ages 35 to 45; a major issue is that many do not have financial advisors, Moreover, a tax-advantaged retirement plan can, and should, absorb significant retirement saving.

These results show that retirement plans can offer valuable resources but have not necessarily been effective in motivating plan participants to use them or helping them understand the implications of the resources. One intriguing technique was used by a pension plan provider who paid a covered employee to engage in retirement planning. Although this could be financially challenging to some employers, especially small ones, it could prove effective in encouraging workers to plan and save for retirement.

This research also shows the power of the default contribution level and the match level for retirement plan contributions. Many seek to defer at those levels.

IMPLICATIONS OF THE RESEARCH: SUGGESTED STEPS TO ENHANCE THE RETIREMENT PLANNING OF 35- TO 45-YEAR-OLDS

This research indicates that additional steps are needed to help those ages 35 to 45:

- Better understand how much they should be saving for retirement
- Understand what planning steps they should be undertaking at their age and how to do that planning
- Understand how to integrate projected Social Security benefits into their retirement planning

The research also clearly suggests initiatives that might be considered to help 35- to 45-year-olds achieve those objectives. Following are brief descriptions of four initiatives that the researchers of this paper suggest for consideration:

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[2] [2] Summary: Actuarial Status of the Social Security Trust Funds, March 2023, Social Security Administration

- **Develop a tool that would calculate a five-year retirement accumulation goal for people ages 35 to 45 (and others).**

The focus group participants responded very favorably to the creation of a tool that would help them develop a goal for how much to have saved over a five-year period. This tool would collect relevant information, including:

- Current retirement savings level and company match if provided (including information for spouse/partner)
- Household retirement accumulation level to date
- Target retirement age
- Desired lifestyle in retirement, including the activities the participants want to do in retirement and how they want to live their lives (which have, of course, implications for expense levels in retirement
- Level of ability to increase saving
- Desire to save consistently or to increase savings level at older ages
- Other information that may be useful

Based on that, a five-year goal would be calculated. Clearly, research could help develop this tool.

- **Develop a process to help 35- to 45-year-olds visualize their ideal retirement.**

The focus group participants had a positive reaction to a process that would help them think through an optimal lifestyle in retirement. This process could involve the development of personas, a visualization process, or a study program. This activity could motivate more to focus on retirement planning as well as help the 35- to 45-year-olds develop more effective retirement planning techniques, including valuable planning activities that range beyond financial issues. Again, research would help develop programs or tools to help the thinking through process.

There is one focus group finding that makes this visualization effort especially important. As stated elsewhere in this report, most participants say they expect to or want to work in retirement. While some feel they will have to earn money after retirement, others say their goal is to find work that is interesting or meaningful or that will make their life more interesting. Traditionally, work has not been an integrated part of retirement for most retirees. This finding suggests a "new retirement" may be emerging and if that is the case, these 35- to 45-year-olds will benefit from help planning for it. That makes the visualization tool more important.

- **Communicate to parents their key role in motivating financial preparation for retirement with advice on how to accomplish this task.**

Parents may not realize the crucial role they play in helping their children plan properly for retirement. Although people ages 35 to 45 are past their childhood years, they are not past their parental years. Communications on how parents can help their children develop saving and planning habits conducive to retirement preparation can be valuable, especially if accompanied by resource material.

- **Enhance the use and effectiveness of retirement plan projections.**

Many retirement plan providers and pension plan providers offer tools that project accumulations to a target retirement age. While these are valuable, this research suggests they are not used as often as they should be. Also, these tools are not as effective as they should be because they do not incorporate the projection of Social Security benefits. Two things should be considered to address this.

- Incent plan participants at a critical age, such as age 40, to attend a webinar and do a projection. This worked effectively with one of the focus group participants. Experimentation can be conducted to understand what type and level of incentive will work best. Time off from work can be offered to attend the webinar and do the projection if it is not feasible to do this during work hours. This is indeed a cost. However, this program is likely to generate more deferrals into the plan, which would help offset the cost and may well more than offset the cost. If increased deferrals are not expected, there are several ways to pay what is likely to be a minimal cost, including have the retirement plan, employer, or plan provider pay for it. It should be noted that most of the focus group participants said they both enjoyed and learned from the focus group discussions, indicating that there is interest in learning about how to prepare financially for retirement.
- Incorporate projections of Social Security benefits into projections. This will help participants understand that they will get Social Security benefits, help them understand the level of benefits they can expect and therefore help them do more effective retirement planning.

Communicate the extent to which current taxes cover Social Security retirement benefits.

This research indicates, but does not prove, (because one must be cautious in generalizing qualitative research), that many 35- to 45-year-olds believe they will get little or nothing from Social Security. It is evident that this belief is based on a lack of understanding of both the extent to which taxation of current workers pays toward Social Security retirement benefits and how the American political process will likely not permit deep cuts in Social Security benefits. It is clear that a lack of confidence in the future of Social Security contributes to a certain level of anxiety among 35- to 45-year-old workers. It appears that it would be helpful to the peace of mind of 35–45-year-olds if they were more informed about the extent to which current FICA taxes cover Social Security retirement benefits.

OTHER STEPS THAT COULD BE CONSIDERED

While the researchers believe the above steps could be highly beneficial in helping 35- to 45-year-old workers, among others, save and plan for retirement, this research also indicates both the limitations of what can be accomplished through these efforts and, thus, the need for other steps to enhance the retirement security of future generations of retirees. There are two additional tracks which we believe could be pursued.

First, this research indicates the power of the retirement plan default level and the match level. Because many people do not know how much they should save for retirement, they often look for cues from their retirement plan. Default contributions and match levels offer those cues, which in turn, often drive decisions about how much to save for retirement. If these levels were increased or used more, retirement savings would go up. By extension it seems clear that auto escalation could also be used more frequently. There is still need for enhancements of retirement plan design and these enhancements will clearly be effective in increasing saving for retirement. It is the authors' view, and this goes beyond the research findings, that there could be a focus on more use of auto-enrollment with escalating contributions, default options, and managed account options, which will enhance the management of retirement investments without the need for participant monitoring and review.

Second, there is a need to focus on the retirement system more broadly. About half of workers do not participate in a workplace retirement plan. Enhancing retirement plan design will not help them. However, there are steps that can be taken to help these workers save and plan for retirement, including state retirement plans and mandatory IRAs. Consideration should be given to developing other mechanisms or policy options to help workers whose companies do not give them access to a retirement plan improve their retirement security.

XIV. The Researcher's Suggestions for Future Research

OVERVIEW

The authors believe this research indicates that five specific research projects would be very productive follow-ups for organizations seeking to help workers prepare for a financially secure retirement.

SUGGESTIONS FOR FUTURE RESEARCH

1. The most important research project in the view of the authors that could stem from this research is to conduct a survey of people ages 35 to 45 to quantify these findings.

Although eight focus groups is a robust research effort, one cannot generalize the findings and it is important that these findings be quantified through the survey research process. A survey on the issues covered in these focus groups would provide important insights on how to help 35–45-year-olds do a better job of preparing financially for retirement.

2. Conduct focus groups with workers ages 21-34 on the issues covered in this focus group research.

These focus groups provided new and important findings. They revealed the struggles many in this age group are experiencing in seeking to prepare financially for retirement, and moreover, indicated steps that can be taken to help them do a better job and to feel a greater peace of mind about their efforts. Many say they wish they had started to save for retirement earlier and that it is important to start the process of saving and planning for retirement before age 35. These findings suggest that the SOA Research Institute may consider undertaking another set of focus groups with people who are employed full-time ages 21 to 34. People of that age, who are first entering the work force, often face complex financial cross-pressures as they seek to establish themselves in adulthood, pay off student debt, establish a household, save for a home, and start to participate in a retirement plan and save for retirement.

Understanding the perspectives of this younger generation and gaining insights regarding what type of support and assistance they need and value would assist employers and retirement plan providers seeking to help new workers save effectively for retirement.

3. Conduct research to develop a tool that would help people establish a five-year goal for accumulations for retirement.

This research indicates strong worker interest in a tool that would help them establish a five-year goal for saving level. Developing this type of tool is complex, but it could help retirement plan providers and companies supporting retail financial professionals better serve those preparing for retirement. Among the issues that must be addressed in building this type of tool are:

- What information should be collected? For example, how many questions should be asked?
- How should the results be portrayed? For example, should a range be provided or just a target number?
- How should the results be described? What information should accompany the projection?
- How should the tool be described?
- What inducement is necessary, if any, to motivate people to use the tool?

Research can be designed to answer those questions.

4. Conduct research to develop a process for helping 35- to 45-year-olds, and others, think through what they would ideally do during their retirement years and how they should prepare for that desired future.

The focus group participants responded positively to a process that would help them think through what their optimal retirement would be. Again, developing this type of process could be a valuable offering for retirement plan providers and companies supporting retail financial professionals. There are a number of ways of helping people think through what they would optimally do in retirement, including:

- showing them personas, which are examples of different lifestyles and activities
- a visualization process
- future self-continuity processes

5. A study to better understand saving and spending decision-making.

This research revealed that decisions about how much to save for retirement and other goals, as well as how much to spend on current needs and wants, are often not carefully considered. Many people do not make choices that are optimal for their financial futures. Indeed, many focus group respondents expressed regret about spending decisions they made in the recent past. To help people make saving and spending decisions that are well aligned with their values, long-term goals and well-being, it would be useful to understand the dynamics of decisions pertaining to spending and saving. This includes what most influences these decisions as well as what tools, information, incentives, messages and financial products would be most effective in helping people optimize their decisions.

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