

# Sun Life Financial U.S. Unretirement Index – Fall 2010

October 19, 2010

SLPC 22535 (10/10)  
Exp. (04/11)





# Unretirement Index: Goals & Objectives

This study was designed to answer a series of questions about the retirement plans and prospects of today's workforce:

- Do today's workers plan to work or retire at the age of 67?
- Why do some workers plan to work at the age of 67?
- How confident are today's workers in their planning for a traditional retirement age?
- How confident are today's workers that benefits will be available from the government or employers that are comparable to today's benefits?
- What do workers plan to do to improve their retirement prospects?
- Opinion indexes: What are consumer opinions towards key aspects of life which impact retirement?

# Key Themes from 2010 Unretirement Index

**Rebuilding:** 82% of working Americans believe they will need at least three years to rebuild their retirement savings (up from 64% last year)

**Work Longer:** 52% of respondents believe they will have to work at least three years longer than expected before they retire; 29% believe they will have to work at least five years longer

- As many people believe they will retire at age 70 as believe they will retire at 65:
- Top reasons people believe they will still be working at age 67 are:
  1. To earn enough money to live well (33%)
  2. To stay mentally engaged (16%)
  3. Don't believe social security will be available (16%)

**Vanishing Retirement Nest Egg:** Nearly 20% of those polled believe they will never rebuild their savings to pre-crisis levels

- Over 70% of Americans saw their retirement savings lose money or stay the same in the last two years
- 81% of those with HH income less than \$50,000 have lost money or stayed the same
- 47% of those with HH incomes of \$125,000 or greater have more retirement savings today

**No Easy Answers:** 41% of respondents are 'not at all confident' social security benefits will be available when they retire at levels comparable to today's benefits

- 46% of respondents age 40 - 49 are 'not at all confident'
  - 60% of respondents age 30 - 39 feel this way
- Lack of confidence not significantly impacted by gender or even HH income



# Key Themes from 2010 Unretirement Index

**Impact of College Debt Burdens:** Of those Americans polled with college debt, 62% are ‘somewhat/very concerned’ that paying off this debt is keeping them from saving enough for retirement

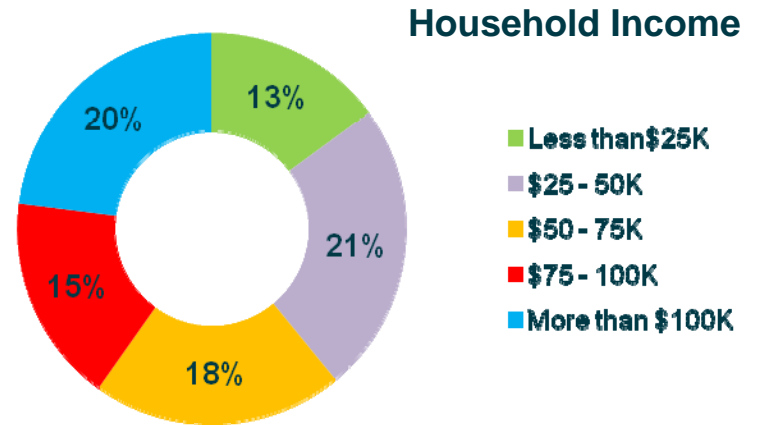
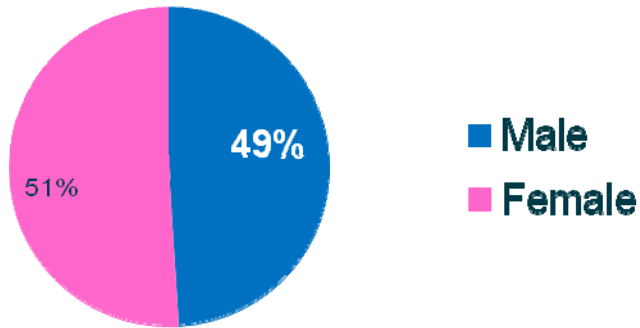
**Saving for Retirement - Or Not:** 42% of working Americans polled are ‘not at all satisfied’ with how much they are currently saving for their retirement years

- Almost a quarter (23%) are currently not saving for retirement AT ALL
- Only 26% are ‘very confident’ they have done a good job preparing for retirement, a new low for the study and down from 32% before the economic crisis in 2008

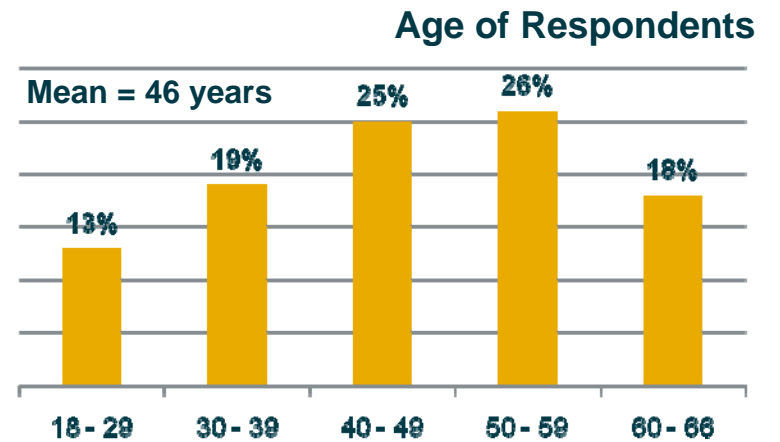
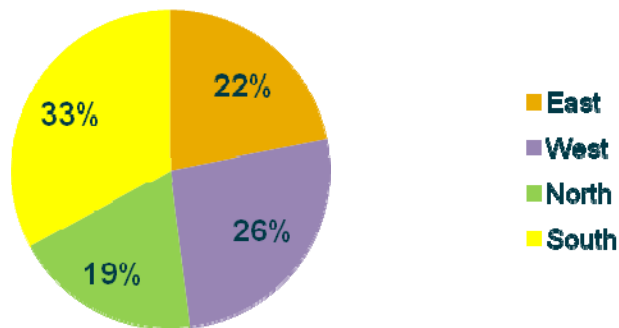
**Crisis of Confidence:** Less than half (42%) of American workers polled are ‘very confident’ they will have enough money to take care of basic living expenses in retirement

- Only one in four American workers polled are ‘very confident’ they will be able to take care of medical expenses in retirement
- The number of American workers polled who are ‘very confident’ that they will receive benefits comparable to today’s retirees reached a new low:
  - 14% are ‘very confident’ in future of Social Security
  - 16% are ‘very confident’ in future of Medicaid
  - 22% are ‘very confident’ in future of medical benefits from employers
  - 11% are ‘very confident’ in future of prescription drug benefits from government

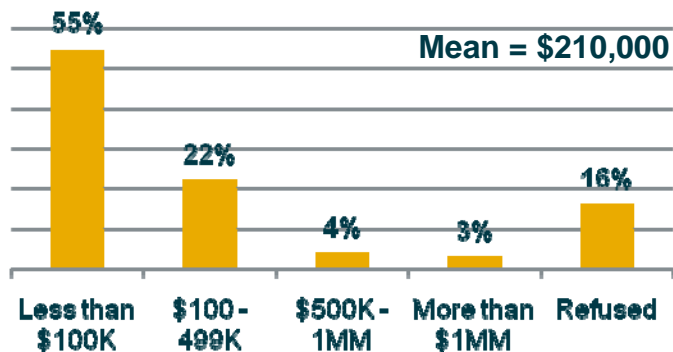
# Respondent Profile (1,200 Survey Respondents)



Mean = \$73K; Median = \$63K

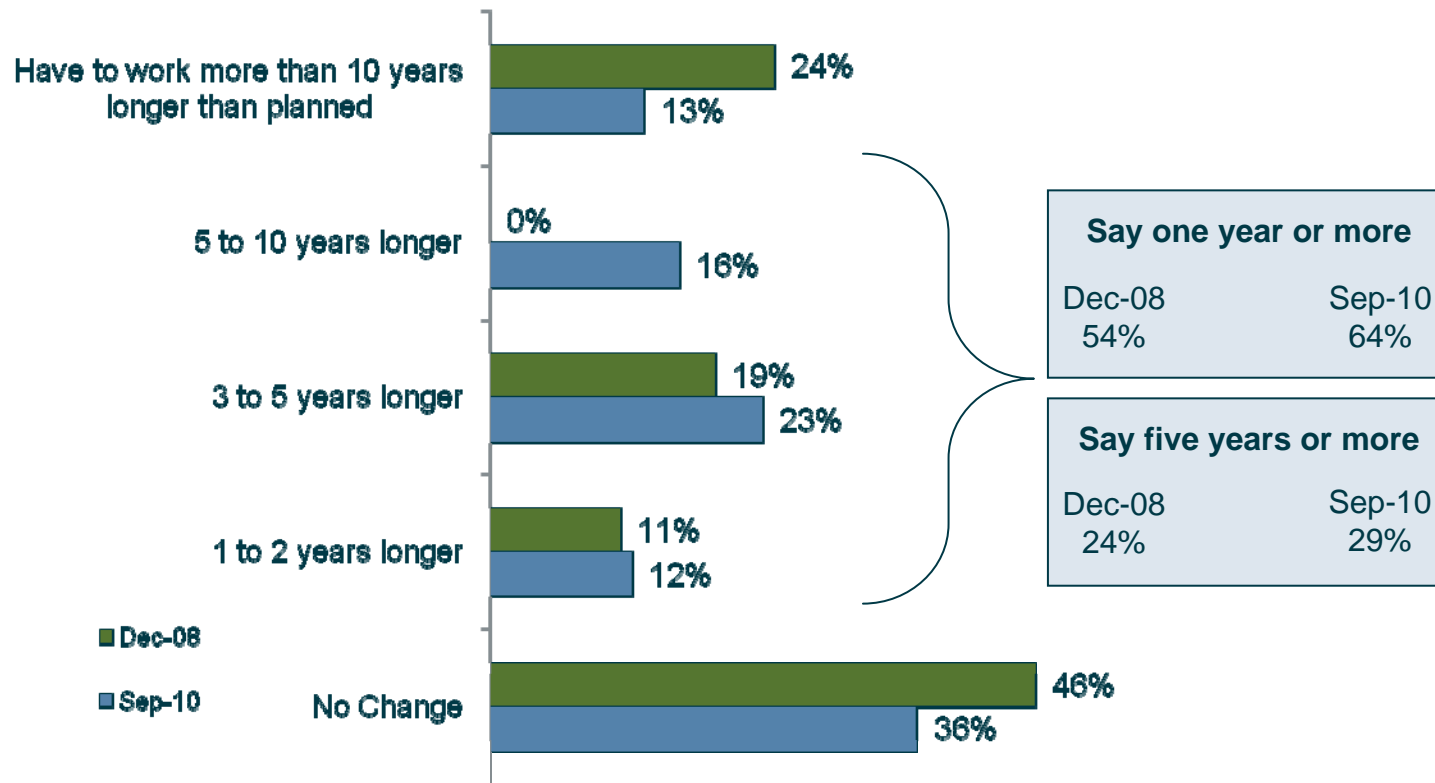


### Invested Assets



# Has the current economic situation delayed their planned retirement?

As of September 2010, 64% of Americans say the current economic crisis will delay their retirement plans by one year or more. This is a large increase from 54% in December 2008.



Question:

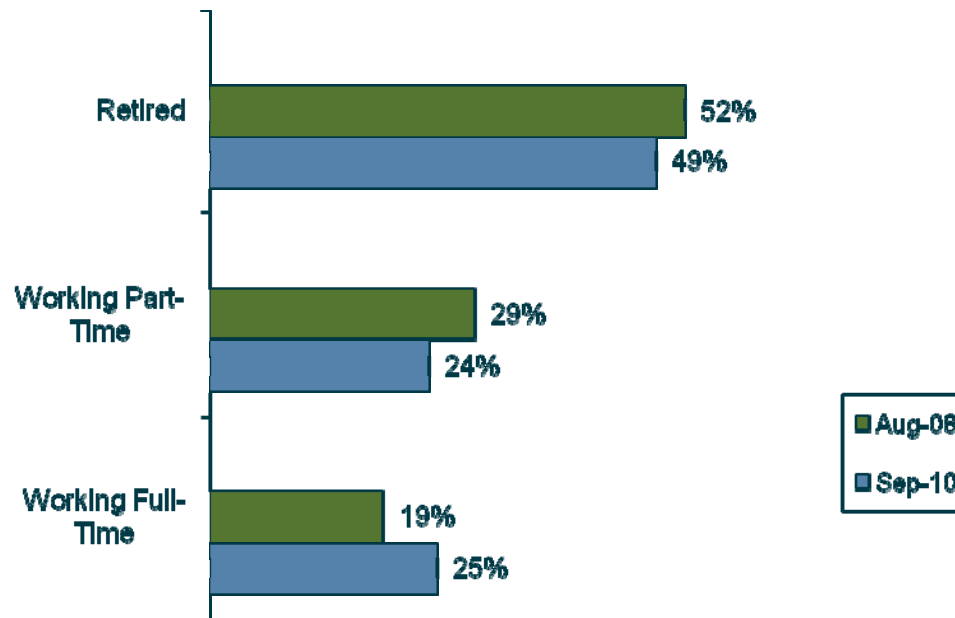
Q10. Because of the current economic environment, do you think you will be working longer than you had planned?

6 Note: Dec '08 results do not include 18-29 year olds and 5-10 years was not an option in the survey.

# Do today's workers plan to work at age 67?

There was a slight decrease from August 2008 to September 2010 in the percentage of Americans who intend to be retired by age 67. And, of those who plan to be working, it is split almost evenly between part-time and full-time, signaling a shift between full-time and part-time plans since 2008.

## What do workers believe they will be doing at the age of 67?



Questions:

Q5. Thinking about the future, which of these describes what you think you will be doing at the age of 67?

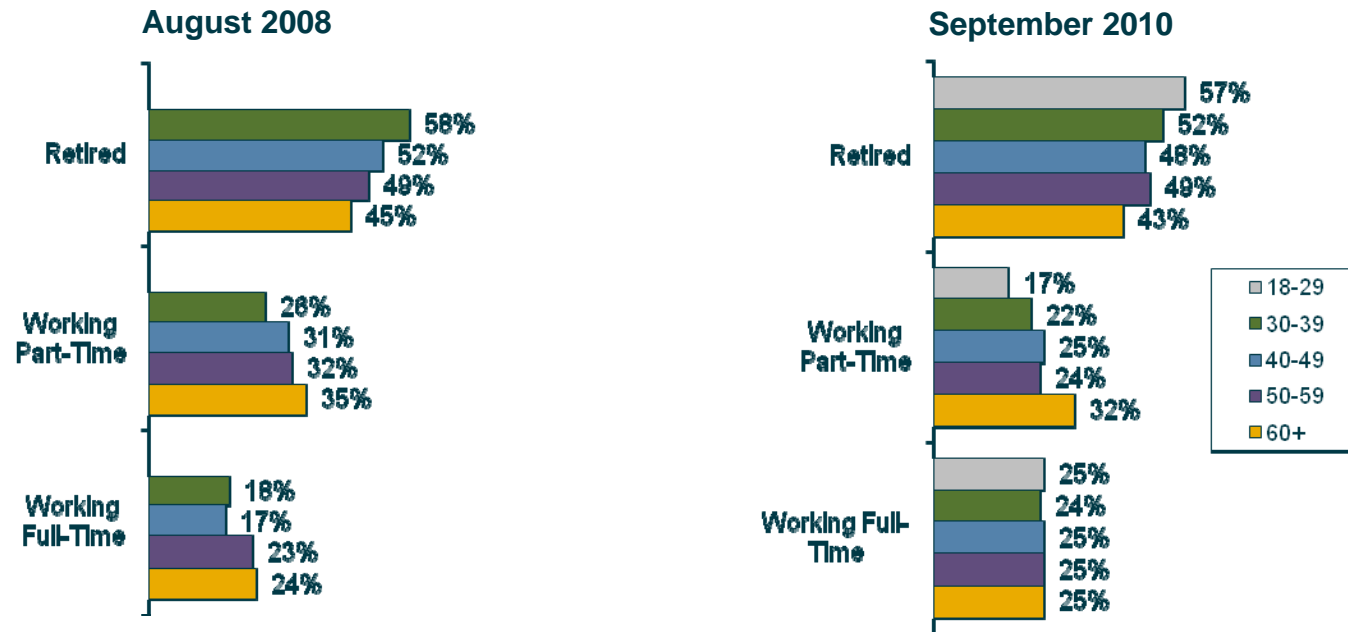
Q6. Since you plan to keep working at the age of 67, which of these best describes your planned work plans?

7 Note: Dec '08 results do not include 18-29 year olds and 5-10 years was not an option in the survey.

# Do today's workers plan to work at age 67? (Differences by age)

In almost all age categories, less Americans now believe they will be retired at age 67 and more believe they will be working full-time at age 67.

## What do workers believe they will be doing at the age of 67?



Questions:

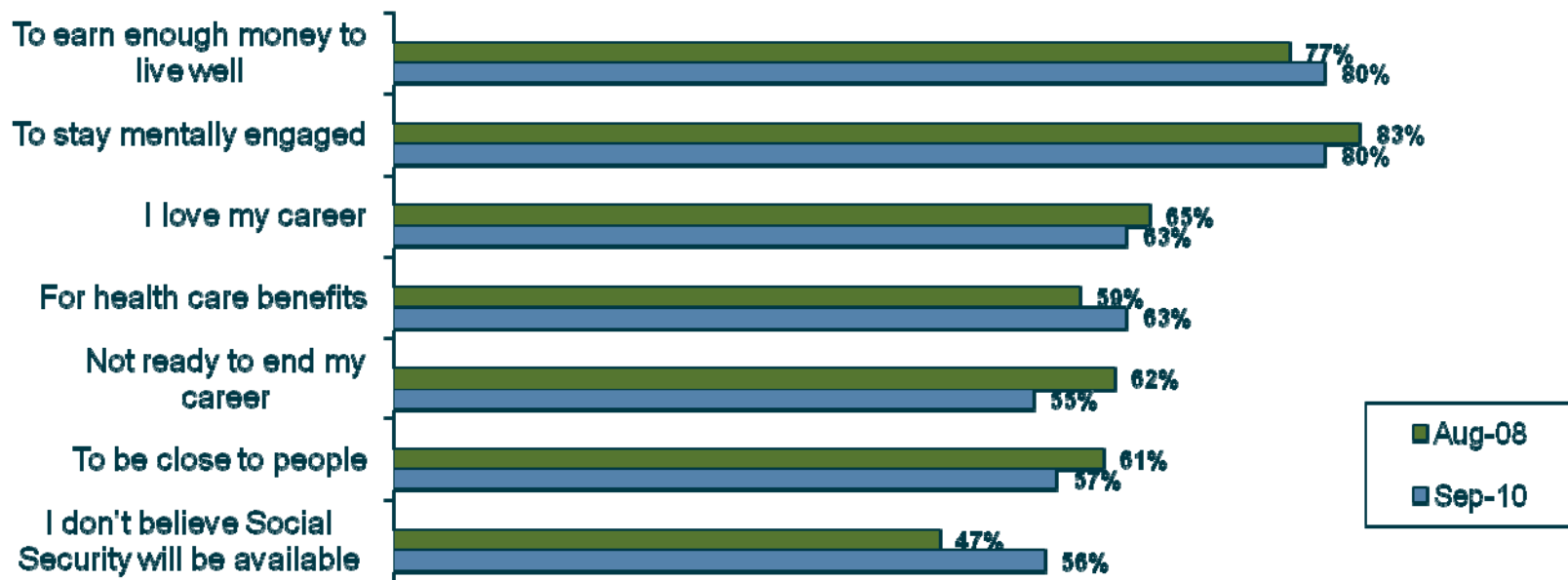
8 Q8. Thinking about the future, which of these describes what you think you will be doing at the age of 67?

# Why do today's workers plan to work at age 67?

Before the economic crisis, the most popular reason why Americans planned to be working at age 67 was to *stay mentally engaged*. Now, the reason to *earn enough money to live well* is just as popular of an answer and fewer Americans are working because they *love their careers*.

Compared to 2008, there is an increase in the number of Americans who plan to continue working at 67 *for health care benefits* and because they *don't believe social security will be available*.

## Why do some of today's workers plan to be working at the age of 67?



Questions:

Q8. Thinking about the future, which of these describes what you think you will be doing at the age of 67?

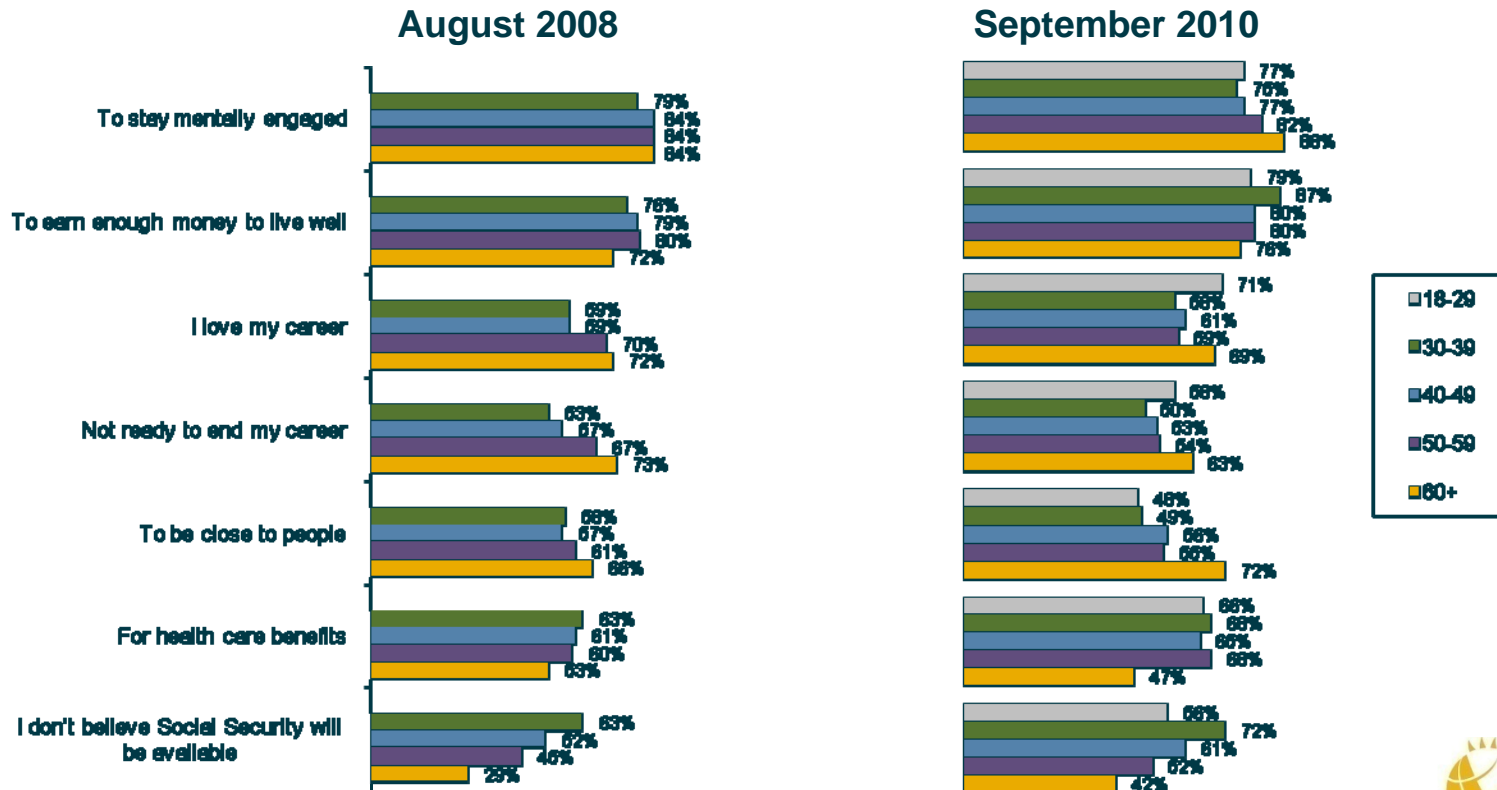
Q9B. For which of the following reasons do you think you will be working at the age of 67? For each one I read, just indicate yes or no.

9 Note: Dec '08 results do not include 18-29 year olds and 5-10 years was not an option in the survey.

# Why do today's workers plan to work at age 67? (Differences by age)

Reasons for planning to work at age 67 have remained similar among all age groups since 2008, with a few notable exceptions: the 50 – 59 group places a higher value on *health care benefits*, while respondents age 60+ who believe that *Social Security will not be available* has risen from 29% before the economic crisis to 42% today.

## Why do some of today's workers plan to be working at the age of 67?

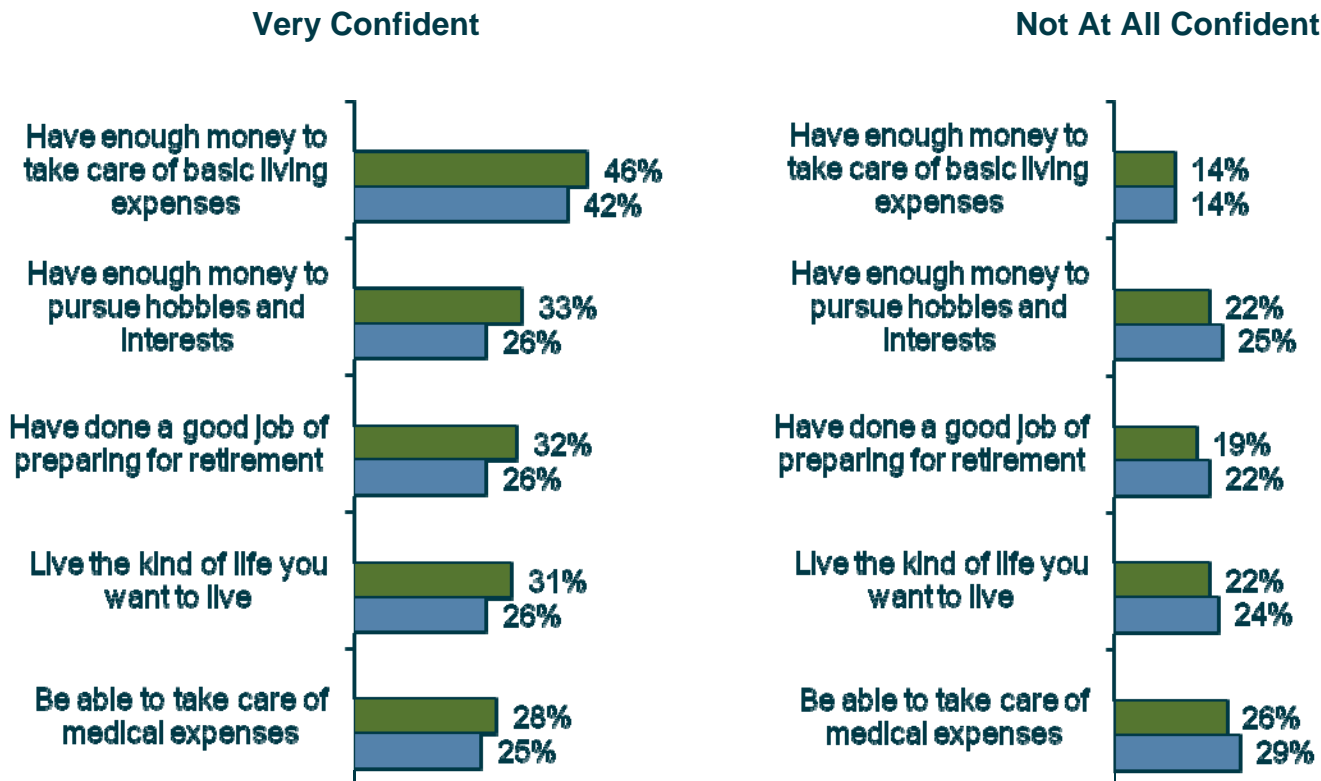


Questions:

10 Q9B. For which of the following reasons do you think you will be working at the age of 67? For each one I read, just indicate yes or no.

# How confident are today's workers in their planning for retirement?

Overall confidence has dropped since 2008, with fewer working Americans *very confident* about retirement planning, and more workers expressing they are *not at all confident* about retirement planning



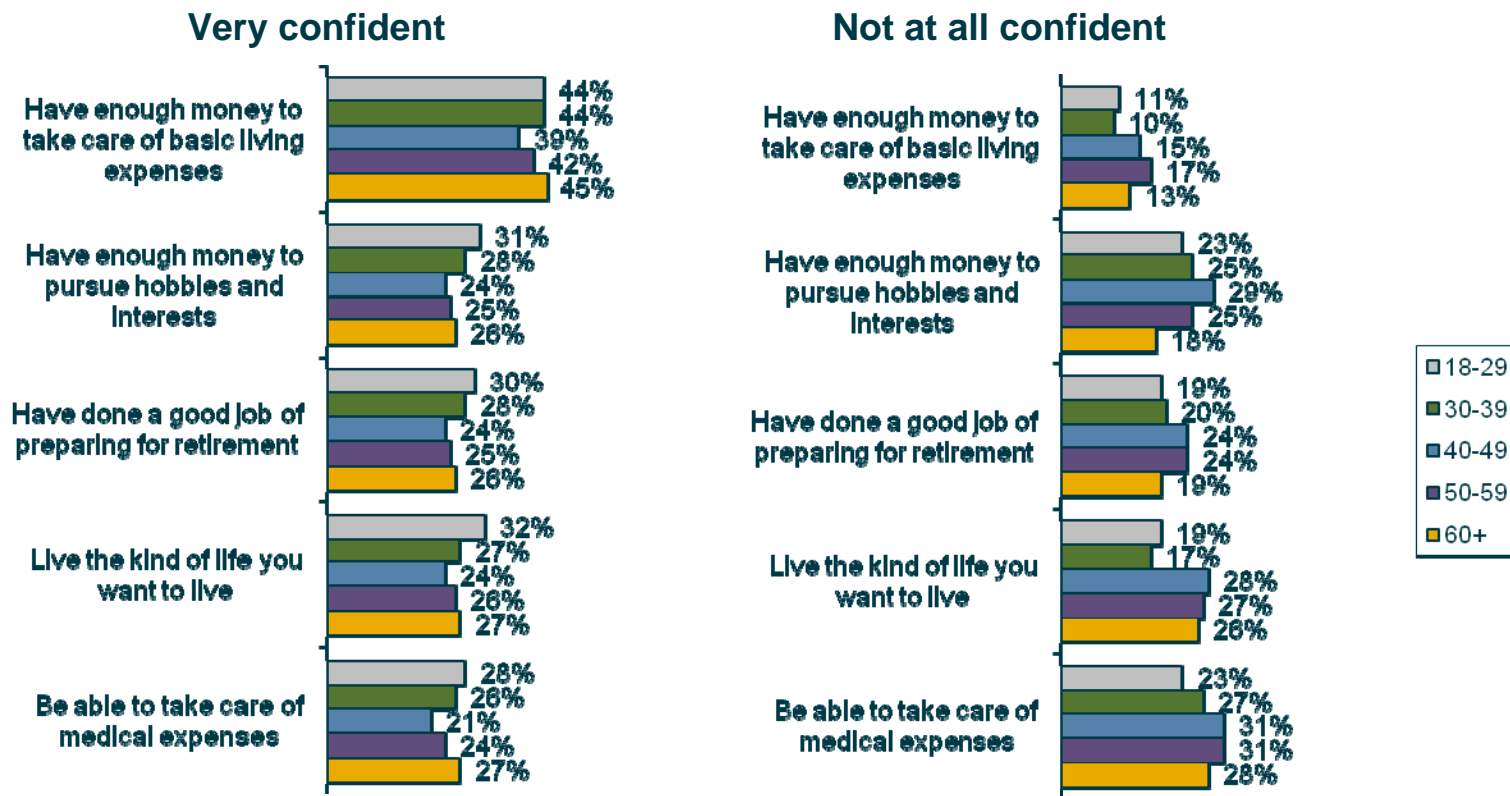
Questions:

Q16. Thinking about the age at which you should receive full social security benefits, at that age would you say you are very confident, somewhat confident or not at all confident that you will...

11 Note: Dec '08 results do not include 18-29 year olds and 5-10 years was not an option in the survey.

# How confident are today's workers in their planning for retirement? *(Differences by age)*

None of the answers in "Very Confident" topped 46% in any age group or category, but the category where Americans have the most confidence is *having enough money to take care of basic living expenses*

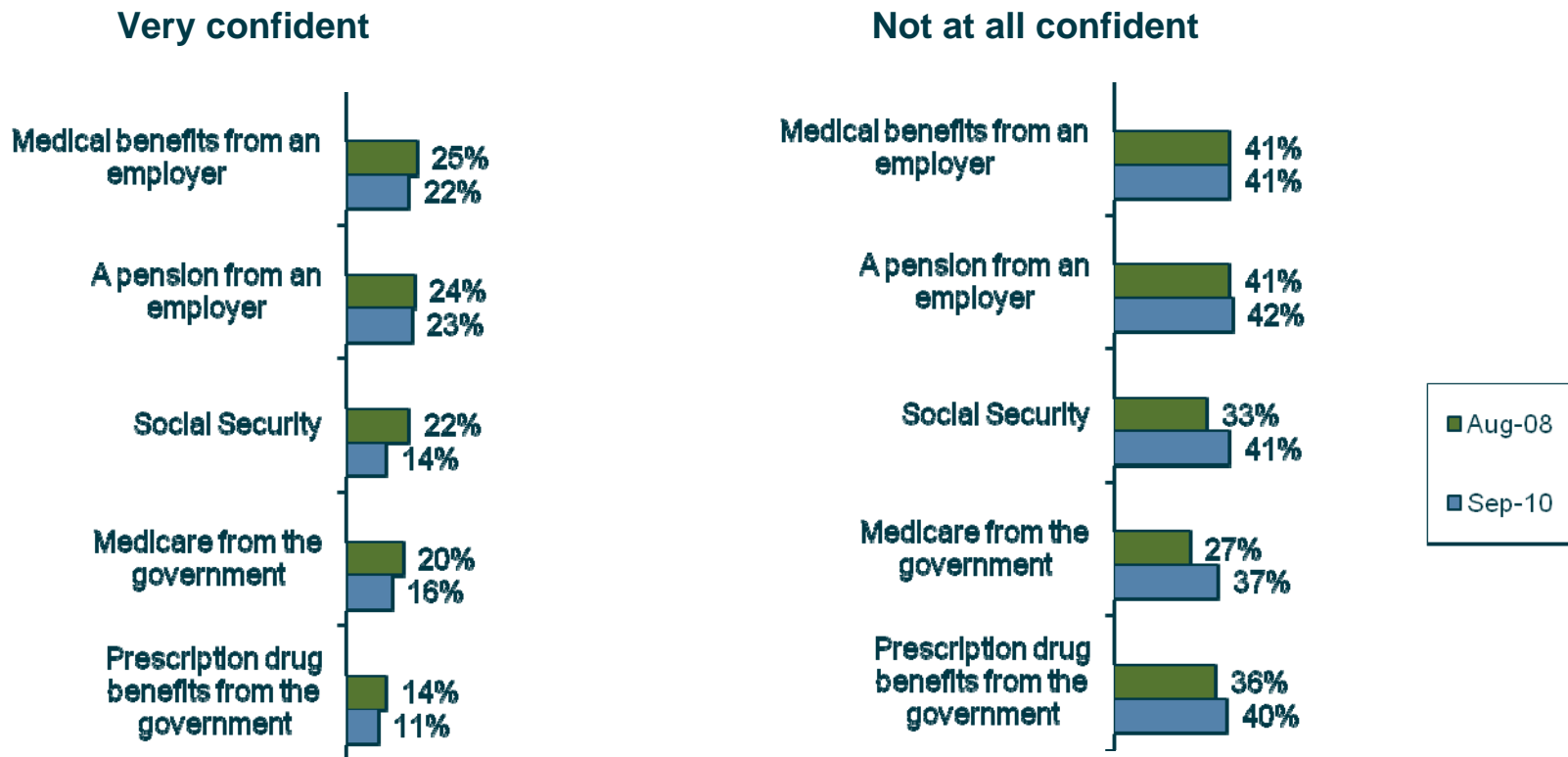


Questions:

Q16. Thinking about the age at which you should receive full social security benefits, at that age would you say you are very confident, somewhat confident or not at all confident that you will...

# How confident are today's workers that government or employer benefits will be available at levels comparable to today?

Confidence in receiving Social Security and Medicare from the government have dropped significantly since August 2008



Questions:

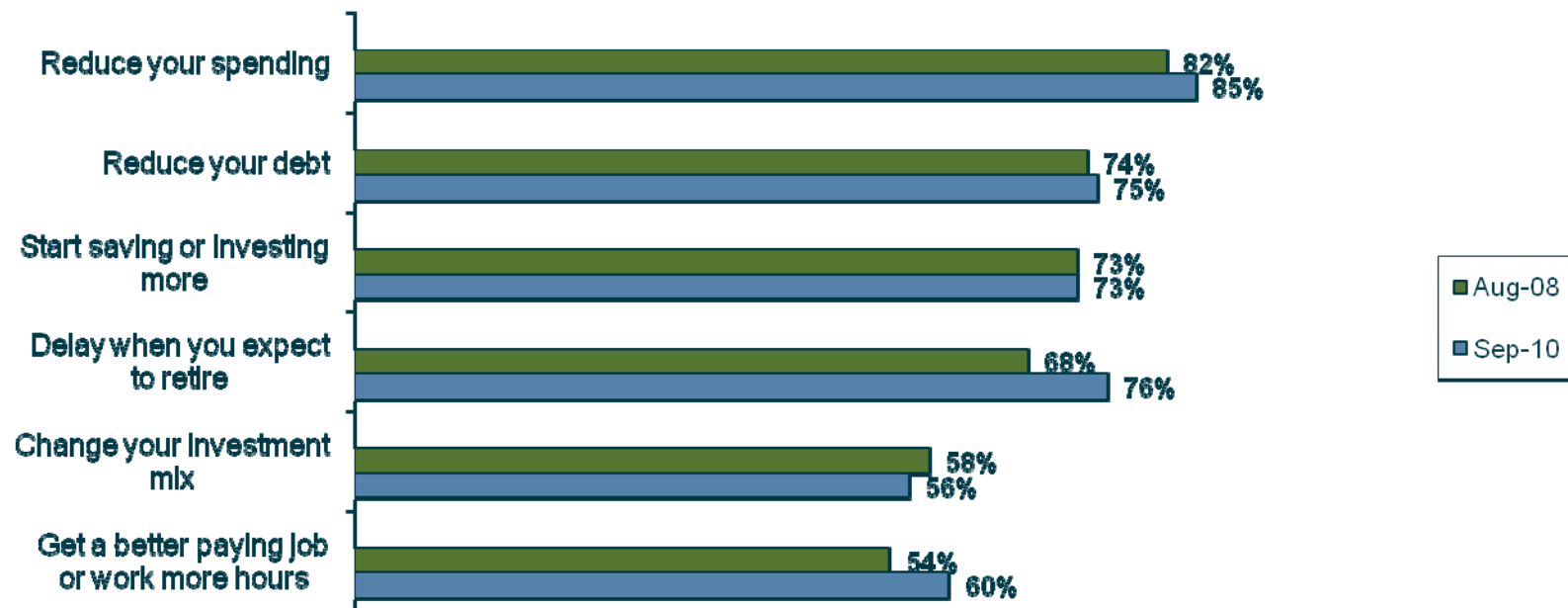
Q24. How confident are you that you will receive each of these types of benefits at a level comparable to today's retirees?

13 Note: Dec '08 results do not include 18-29 year olds and 5-10 years was not an option in the survey.

# How do workers plan to improve their retirement prospects?

Nearly 85% of workers expect to reduce their spending, with 75% planning to reduce their debt and 73% planning to save and invest more.

However, the biggest change Americans' expect to make in response to the economy is to delay retirement. The number of people who would delay retirement has increased from 68% in August 2008 to 76% in September 2010.



Questions:

Q17. In planning for your future, if you decided today that you would not have enough income from any sources to live comfortably at the age which you should receive full social security benefits, which of these would you be likely to do? Indicate yes or no.

14 Note: Dec '08 results do not include 18-29 year olds and 5-10 years was not an option in the survey.

# How have Americans changed their financial behavior since the beginning of 2009?

Nearly three in four (71%) workers have responded to the economy by reducing their spending, two in three (66%) are reducing their debt and almost half (46%) are saving and investing more.

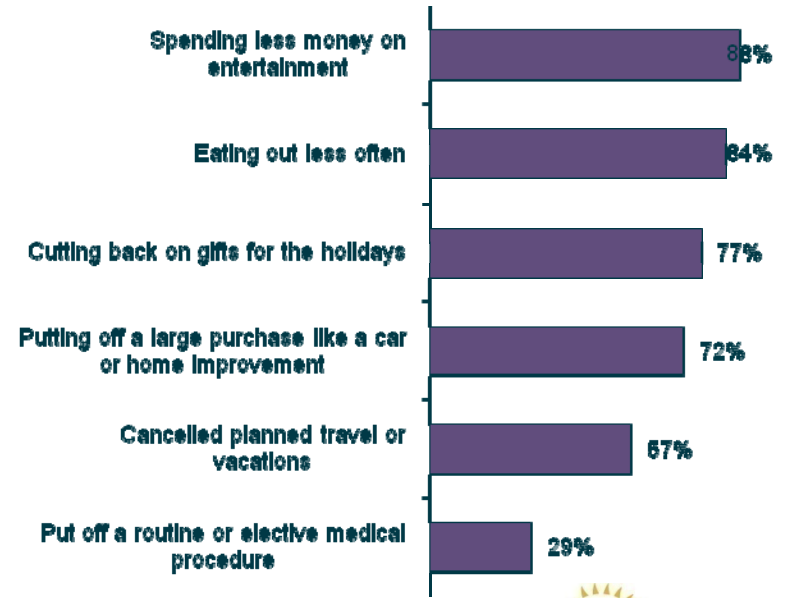
Among those who reduced their spending:

- Nearly nine in ten reduced their entertainment (88%) and more than eight in ten reduced dining expenditures (84%)
- Almost three in four (72%) put off a large purchase
- Over half (57%) cancelled planned travel or vacation

## Changes in behavior



## How did they reduce spending?



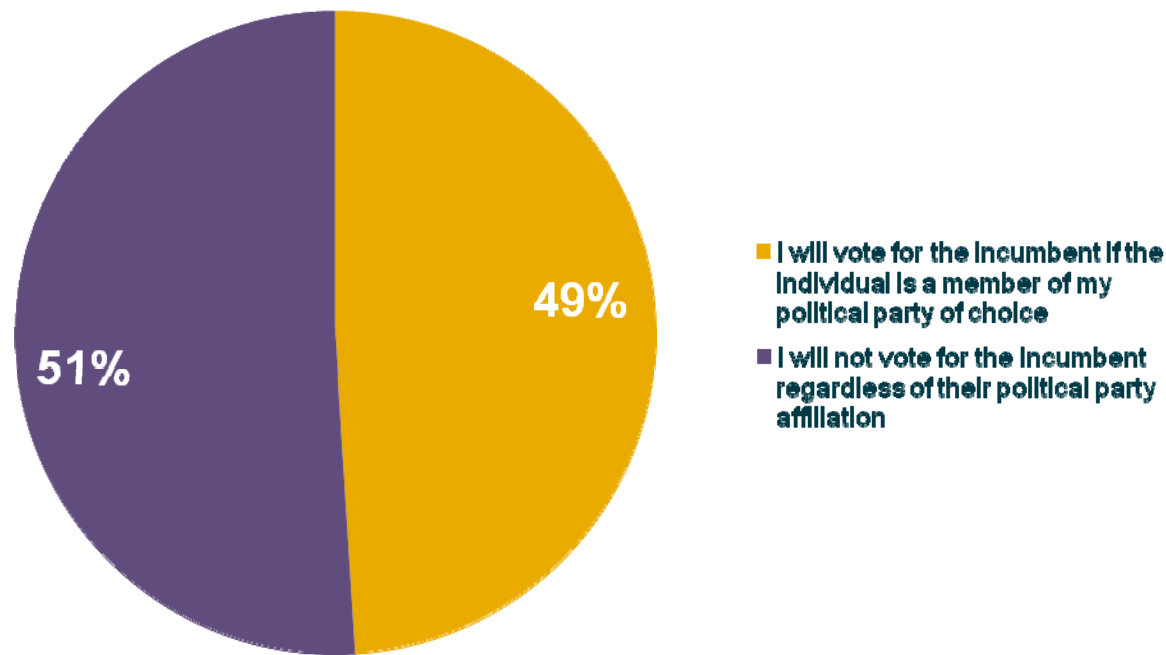
Questions:

Q18. Have you actually done any of the following since the beginning of 2009 as a result of the current economic environment facing the country?

15 Q18b. How did you reduce your spending since the beginning of the 2009?

# How will the economic outlook impact the upcoming elections?

More than half of working Americans will not vote for the incumbent regardless of party affiliation. Men are significantly more likely to feel this way than women.



Question:

Q28. In looking ahead to this year's elections, how do you feel the state of the economy and your own level of financial security will lead you to vote?

# Opinion Indexes

There are five broad indexes examined in this study, which can be divided into three categories.

		Total Index Scores		
		Aug 2008	Sep 2009	Sep 2010
Factors outside the control of the worker.	→ <b>Economic Index</b> →	30	33	32
Items for which a worker has a level of personal control.	→ <b>Personal Finance Index</b> →	48	44	43
	→ <b>Health Index</b> →	69	67	68
Confidence in the benefits needed to retire.	→ <b>Government Benefits Index</b> →	42	37	37
	→ <b>Employee Benefits Index</b> →	43	39	41
<b>Overall Index</b>		<b>46</b>	<b>44</b>	<b>44</b>

17 Note: Indexes based on summated mean scores across the attributes shown above in each section. Maximum result is 100.



# Opinion Indexes

On a scale of 0 to 100, the overall Index score remained at 44 (down from its first reading of 46 in August 2008), showing that Americans continue to be pessimistic about their retirement prospects. It also shows that the concept of Unretirement is now a realistic concept across age cohorts and that Americans will continue to work past the traditional retirement age of 67 or re-enter the workforce after retiring.

The overall Index is a composite score based on the performance of five issue-specific indices, including the “economic index” (score =32), the “personal finance index” (score = 43), the “health index” (score = 68), the “government benefits index” (score = 37), and the “employee benefits index” (score = 41). While the overall Index number remained at 44 from last year’s installment, the Index was down slightly from August 2008. It also recorded movement in the issue-specific indices, with the personal finance index and government benefits index down from pre-financial crisis levels.

# Unretirement Index Methodology

## Methodology

- The first wave was conducted in August 2008
- The second wave was conducted between December 3-14, 2008.
- The third wave was conducted between August 14 and September 14, 2009.
- The fourth wave was conducted in September 2010.
- Interviews were conducted by phone using a random-digit-dial (RDD) sampling method by an independent third party market research firm.
- There were a total of 1201 qualified\* respondents to the survey. The margin of error is +/- 2.8 at a 95% confidence level
- Analysis and construction of indexes involved the application of factor analysis. Final indexes are based on summated averages across the attributes which make up the index.

\*Working full-time, part-time or between jobs/transitioning