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Where They Stand, Where They Are Headed: Can You Help Employees Save (or Save More)?

How realistic are employees about the true state of their retirement savings? While many among the three primary generations that make up today's workforce are feeling pretty good about the future, all three are definitely seeing things a little too optimistically. However, there are things employers can do that may make a difference in retirement savings for Millennials, Generation Xers, and Baby Boomers alike. Recently, Natixis Investment Managers checked in on about 1,000 U.S. workers spread across the three generations to find out how they are feeling about their savings habits and their future financial prospects. These workers were also asked what incentives would help them start saving, or to save more.

A quick summary, by generation:

Millennials, the eldest of whom are now 38 and the youngest 23, have a great start on saving for the future. Forty-three percent of them express cautious optimism about being comfortable in retirement, although they admit they will need to be careful with their money. On average, Millennials began saving at age 25, and have saved about \$80,000 already. They estimate they will need a little over \$980,000 to fund retirement, a figure the report cautions is a little low.

This group should factor in their targeted retirement age of 61 to make sure their savings last long enough. Also, many among this group have already taken money out of their plan balances: 30% have taken a loan, and 26% took a withdrawal.

Generation X is more financially worried than their younger coworkers. This group now ranges from 39-54, and only 18% of them believe they will have saved enough money to fund the retirement they want. Alarming, almost one-quarter (23%) of them believe they will never be able to retire. This group appreciates auto-escalation, the feature in their 401(k) plans which automatically increases an employee's contribution amount, taking advantage of it at higher rates than their older and younger coworkers do. But, their belief that they will need \$988,000 to retire is likely too low, especially considering they have fewer years to increase their current average savings of a little over \$166,000.

Baby Boomers may be in trouble. While they have a more realistic retirement savings goal, at \$1,018,488, they have much less time to reach it from their current point of under \$307,000. Currently 55 to 73 years old, their average contribution rate is 8.5%, and they are targeting, on average, a retirement age of 69. However, it will take about \$142,000 in annual savings to reach their goal, on average – which is clearly not realistic for most.



401(K) BUZZ

The South Florida Resource for Qualified Retirement Plans

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Who is participating (or not) in plans available to them, and why:

Among the 1,000 people participating in the 2019 Defined Contribution Plan Participant Survey, 700 participated in the plan available to them.

When asked why they aren't saving more, daily expenses were cited by 65% as the major barrier, followed by general debt at 43%.

One troubling response to the question was "I'd rather spend money to enjoy life now," cited by 25%.

Of the 300 respondents who are not participating in their available plan, about one third said their employer doesn't offer a match or that the match isn't enough. **The match seems to be an important factor for those who are participating, too.**

Overall, 56% of respondents report that their employer's matching contribution is the top reason they are saving in the plan.

Learn more about the actions employers can take that employees say would encourage them to join the plan or save more by viewing the full report at <https://tinyurl.com/Natixis-2019-DC>.

If you have any questions or would like further guidance on this topic, please don't hesitate to contact us.

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