

Consumer Attitudes To Rollovers and Retirement Planning

Presentation of The American College's Rollover and Consumer Attitude Survey



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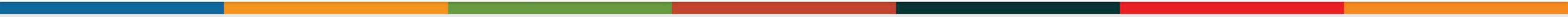
AE Consumer Retirement Survey

Overview

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Executive Summary

Executive Summary – Rollover Decision

- 1. Rollover Decision Viewed As Important Retirement Planning Decision:**
 - 96% stated the decision to rollover or keep money in 401(k) was important to their retirement security
- 2. People Have A Lot Of Confidence In Their Rollover Decision:**
 - 97% were satisfied with their decision to rollover or leave the money
 - 92% stated they would make the same decision over again
- 3. Perceived Investment Performance Was Important Factor In Decision To Rollover**
 - 88% who rolled over believed they could get better investments after rollover
 - 78% who did not rollover believed their 401(k) assets were performing better than investment options outside of their plan

Executive Summary – Advisor Value Add

4. Perceived Convenience Was An Important Factor For Rollover Decision:

- 79% of those that rolled over believed it would make their investment management easier
- 72% of those that left money in 401(k) believed it was easier to leave things alone

5. Rollover Decision Not Done In Isolation:

- Over 90% had a plan for where income would come from in retirement
- 83% consulted a financial advisor during the rollover decision and process
- 75% stated that they had a dynamic budget and income plan that changed over time
- 70% reported updating their plan in the past three years

6. Advisors Still Seen as Adding Value To Plan and Rollover:

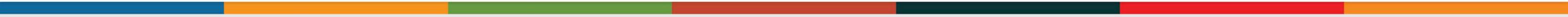
- 82% were confident about making their own savings and investment decisions
- 80% believed advisors could identify gaps and add value to their retirement plans



Purpose and Background

Background and Purpose

- **The American College's 2017 Rollover and Consumer Attitude Survey (Rollover and Retirement Survey)** was conducted by Greenwald & Associates in conjunction with The New York Life Center for Retirement Income at The American College of Financial Services.
- The Rollover and Retirement Survey was conducted to gauge how newly retired individuals were making decisions about their retirement savings accounts. The study focused on important decisions surrounding retirement such as the decision to rollover or retain a 401(k) and when to collect Social Security.
- The goal was to produce research results that could help improve advisor services and client outcomes by better understanding consumer behavior surrounding rollovers and other retirement decisions.



Methodology

Methodology

- Information for this study was gathered through 15-minute online interviews conducted between October 8-26, 2015. Respondents were recruited through the Research Now online panel, and a total of 1,002 Americans were interviewed. To qualify for participation in the study, respondents had to be at least 60 years old, retired from full-time employment within the past three years, and have had at least \$75,000 invested in their former employer's 401(k) or 403(b) plan at the time of their retirement. The term 401(k) will be used herein for both 401(k) and 403(b) plans.
- The asset parameters were picked to ensure respondents had sufficient assets at retirement to make decisions about 401(k) assets important for their retirement security.
- Quotas were established for three groups to ensure sufficient representation for analysis: rollover with assistance from a financial advisor, rollover without assistance from an advisor, and left money in the 401(k). The final data set was weighted by quota group and current relationship with an advisor to reflect the distribution of these characteristics among all incoming respondents to the survey.



Demographics

Demographics

- Respondents were all age 60 and over
- Roughly 63 percent were male and 37 percent were female
- 80 percent were married
- 91 percent had some college level or higher education
- 93 percent were fully retired and 7 percent were working part time in retirement
- All respondents had retired from full-time employment in the past three years (2013-15)
- Accumulated 401(k) Wealth:
 - \$75,000 to \$149,999 - 21%
 - \$150,000 to \$299,999 - 26%
 - \$300,000 to \$499,999 - 21%
 - \$500,000 to \$749,999 - 16%
 - \$750,000 to \$999,999 - 8%
 - \$1 million or more - 8%

Demographics

Gender		Total	Education		Total
Male		63%	High school graduate or less		6%
Female		37%	Trade or vocational school		3%
Age			Some college		19%
60 to 61 years old		12%	College graduate (4-year degree)		39%
62 to 63 years old		20%	Graduate or professional degree		33%
64 to 65 years old		22%	Employment Status		
66 or older		47%	Employed part time for pay		7%
Marital Status			Not employed for pay		93%
Married		80%	Primary Financial Decision Maker		
Divorced or separated		8%	You		52%
Widowed		4%	Your spouse		2%
Single, never married		5%	Both you and your spouse equally		46%
Not married, but living with partner		3%			

Demographics

When Retired from Full-Time Employment		Total	2015 Total Household Income		Total
In 2015		22%	Under \$35,000		4%
In 2014		37%	\$35,000 to \$49,999		8%
In 2015		42%	\$50,000 to \$74,999		21%
Employer			\$75,000 to \$99,999		24%
For-profit business or corporation		78%	\$100,000 to \$149,999		26%
Not-for-profit organization		22%	\$150,000 or more		14%
Own or Rent Primary Home			Prefer not to say		1%
Own		96%			
Rent		3%			
Have another arrangement		1%			



Research Highlights

Rollovers

Retirees Recognize Importance Of 401(k) Rollover Decision

Rollover Decision Tied To Retiree's Long-Term Financial Security:

- 96% of respondents stated the decision to rollover or keep their money in their employer sponsored plan was important to their long-term financial security.

Decisions Regarding 401(k) Rollover Creates Anxiety:

- 42% of respondents expressed anxiety around making the correct decision to rollover or keep their money in their 401(k) plan

Advisors Play A Role In Rollovers

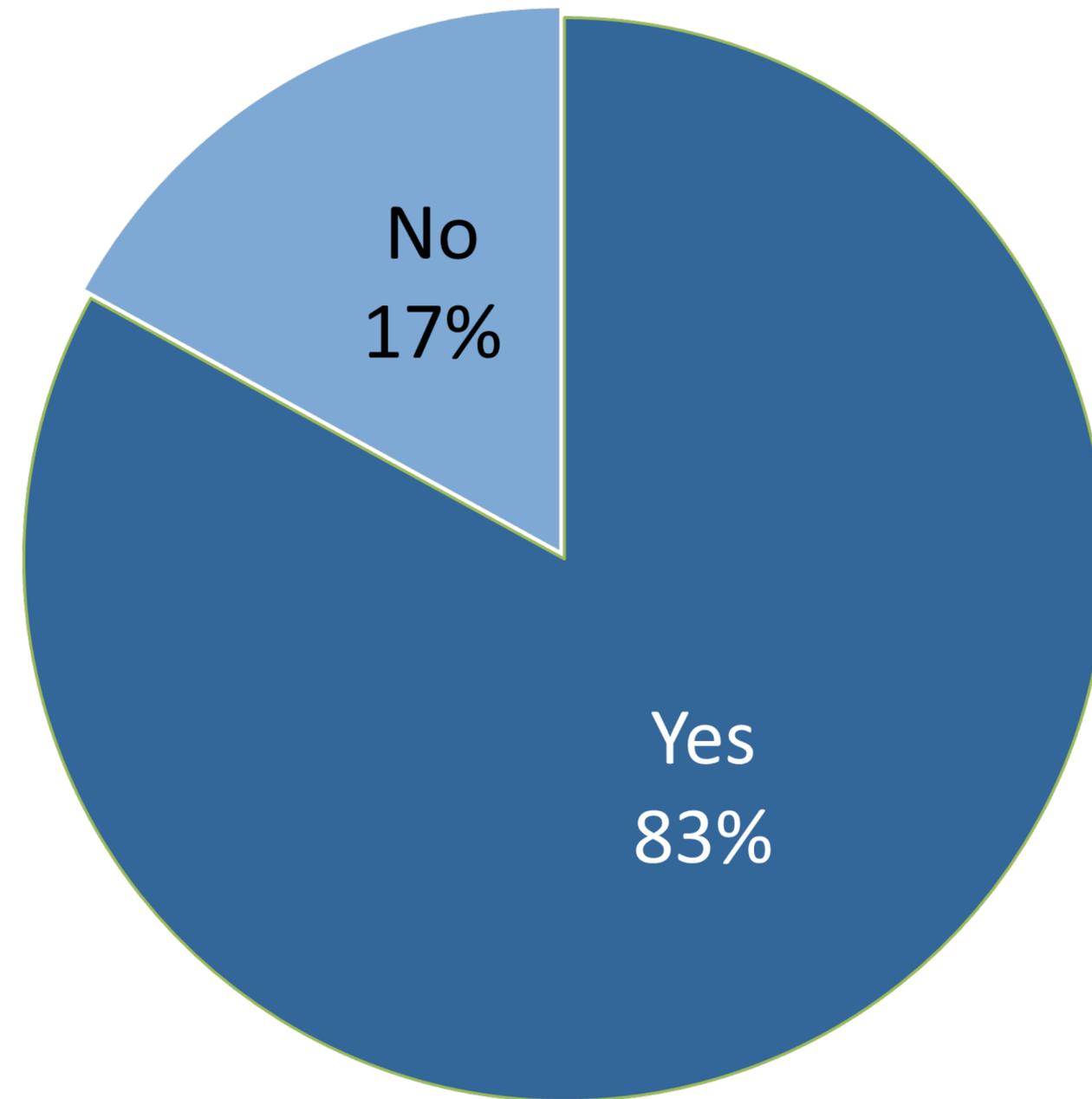
Majority of Rollovers Occurred With Advisor Advice:

- 83% of respondents that rolled over their 401(k) consulted with a financial advisor about the decision
- 65% received advice to do a rollover

Existing Financial Service Relationships Played A Role:

- 69% stated a previous relationship with a financial services company was a factor in their rollover decision

8 in 10 Rolling Over Consulted An Advisor



What Retirees Do With 401(k) At Retirement

Majority Roll Over 401(k) Assets At Retirement:

- 62 percent of respondents reported that they rolled over their 401(k) when they left their previous employer

However, Many Leave 401(k) Assets Alone At Retirement:

- 38 percent reported leaving the money in their 401(k) at retirement

Complete Cash-Outs Are Rare:

- No one reported spending the majority of their 401(k) immediately at retirement

Factors Considered With Rollover Decision

What did respondents see as important when considering a rollover of their 401(k)?

- 88% felt they could improve their investment performance outside the plan
- 82% felt they could get better investment choices outside the plan
- 80% felt they could get more investment choices outside the plan
- 80% stated consolidating assets was a factor
- 79% felt it would be easier to manage their investments by rolling over
- 65% felt it would be easier to withdrawal money after a rollover
- 55% stated that lower fees outside a plan were a factor
- 39% wanted to purchase an annuity or another product not available in 401(k)

Why Stay in 401(k)?

Why did respondents leave their money in the 401(k)?

- 49% of those that left money in the plan never considered doing a rollover
- 12% of those that left money in the plan were unsure about how to do a rollover
- 8% of those that left money in the plan were unaware they could even do a rollover
- 39% of those that left money in the plan received advice to stay in plan
- 32% of those that left money in the plan were worried about making a bad decision by rolling the money out of the plan

Important Factors To Stay in 401(k)?

Why factors did retirees see as important for staying in the plan?

- 89% liked the investment options inside the plan
- 78% believed their 401(k) investments were performing better than investments outside of their plan
- 72% felt it was just easier to keep things as they were already
- 61% of respondents believed that fees were higher outside of their 401(k)

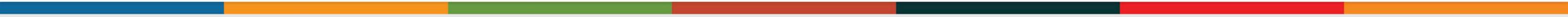
Retirees Believe In Their Choices

Retirees Satisfied With Their Rollover Decision:

- 97 percent of respondents were satisfied with their 401(k) decision whether they rolled over or stayed in the plan.
- 92 percent of respondents stated they would make the same decision again

Belief That Rollover Decision Improved Situation:

- Whether respondents left money in plan or rolled over, both groups believed their decision would improve their investment performance
- 88% of those that considered rolling the money out of the plan thought they would get better investment performance by leaving 401(k)
- 75% of those that left money in the plan believed they were receiving better investment performance in their 401(k) plan than outside investments offered



Retirement Planning Highlights

Overall Retirement Planning

Most Have Income Plan For Retirement:

- Over 90% had a plan for where income would come from and a budget

Most Plans Income Plans Are Dynamic

- 75% stated they had a dynamic budget and income plan that changes over time
- 25% stated they had a static budget and income plan that stays the same for each year in retirement

Many Had a Comprehensive Retirement Plan In Place

- 82% reported having a comprehensive retirement plan in place

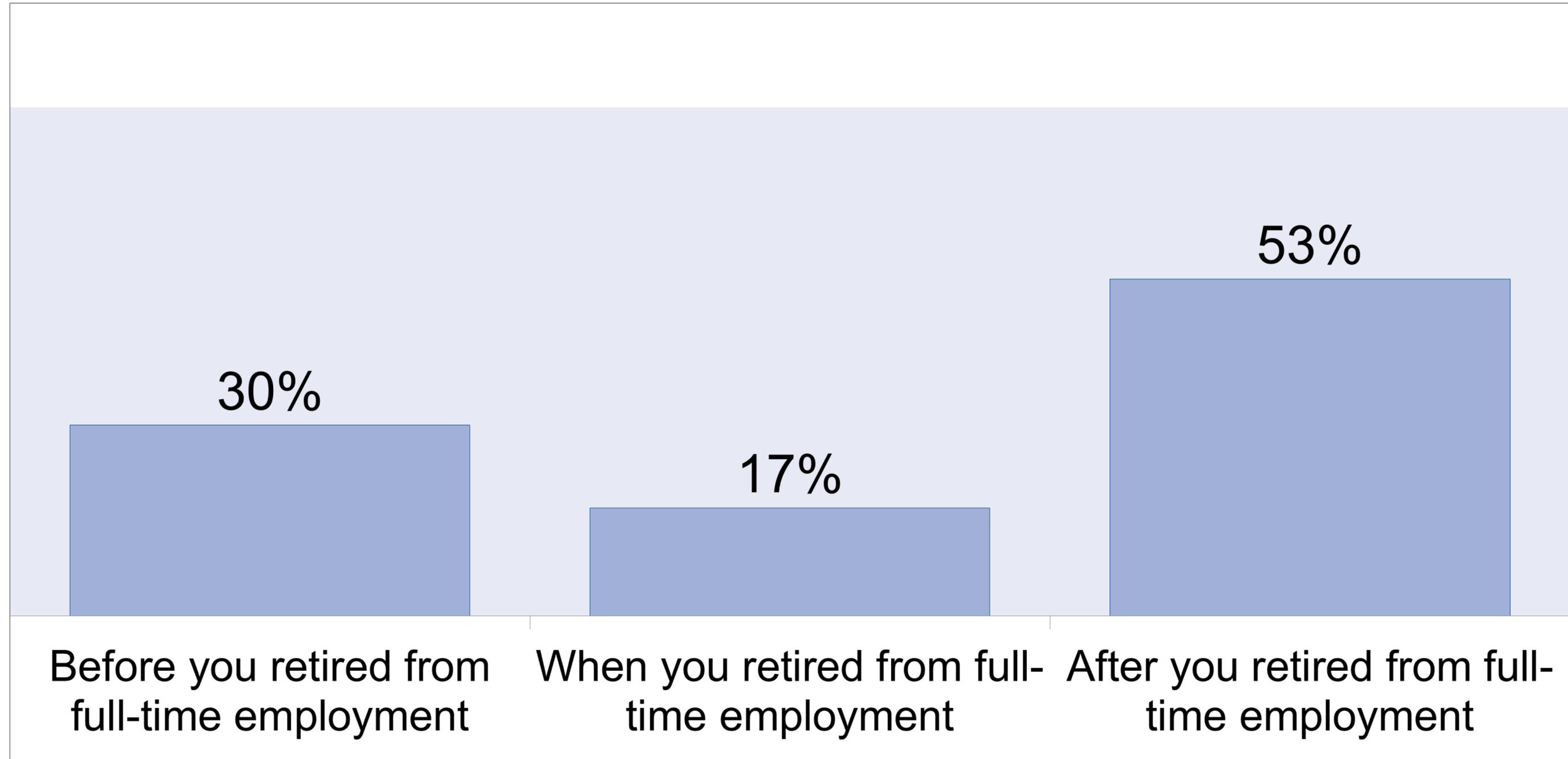
Written Retirement Plans Were Less Common But Still Majority

- 63% reported having a written retirement plan

Retirement Spurred Updates To Plans:

- 70% reported having updated their plan at or in first three years of retirement

When was your retirement plan last updated?



Topline Results – Retirement Planning

Areas for improvement in retirement plans:

- Only 59% of those with a plan said it dealt with long-term care planning
- Only 84% of those with a plan said it dealt with health care planning
- Only 55% of those with a plan said it dealt with any legacy planning
- Only 78% of those with a plan said it dealt with the death of a spouse

Topline Results – Retirement Planning

Factors considered when retiring:

- 42% did not factor in their ability to pay off outstanding debts when they decided to retire
- 30% did not factor in the impact of a death of a spouse on their retirement when they decided to retire
- 28% did not factor in the impact of inflation when they decided to retire
- 19% did not factor in how long they would live when they decided to retire
- 13% did not factor in when they would claim social security when they decided to retire
- 13% did not factor in how they would pay for health care when they decided to retire

Topline Results – Social Security

Social Security:

- Those with higher levels of total assets were more likely to defer S.S. claiming

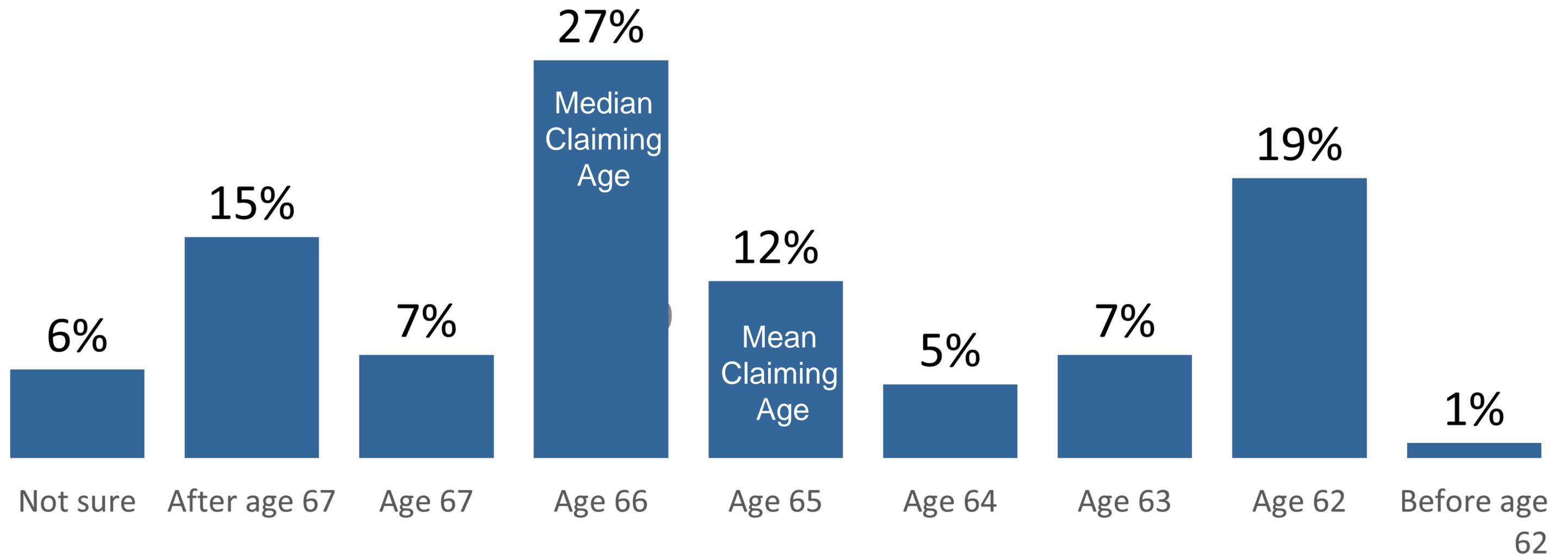
<u>Total Assets at Retirement</u>	<u>Mean</u>
<\$500,000 (n=290)	64
\$500,000-\$999,999 (n=310)	65
\$1 million + (n=378)	66

- Only 22% of respondents stated that they would claim Social Security after their full retirement age
- Only 46% of respondents stated spending more than 4 hours on their Social Security claiming decision
- 21% spent an hour or less on when to claim Social Security
- 98% were confident about their claiming decision and only 2% were not confident
- 59% of respondents received advice about when to claim S.S. benefits, but 41% did not receive any advice on the decision

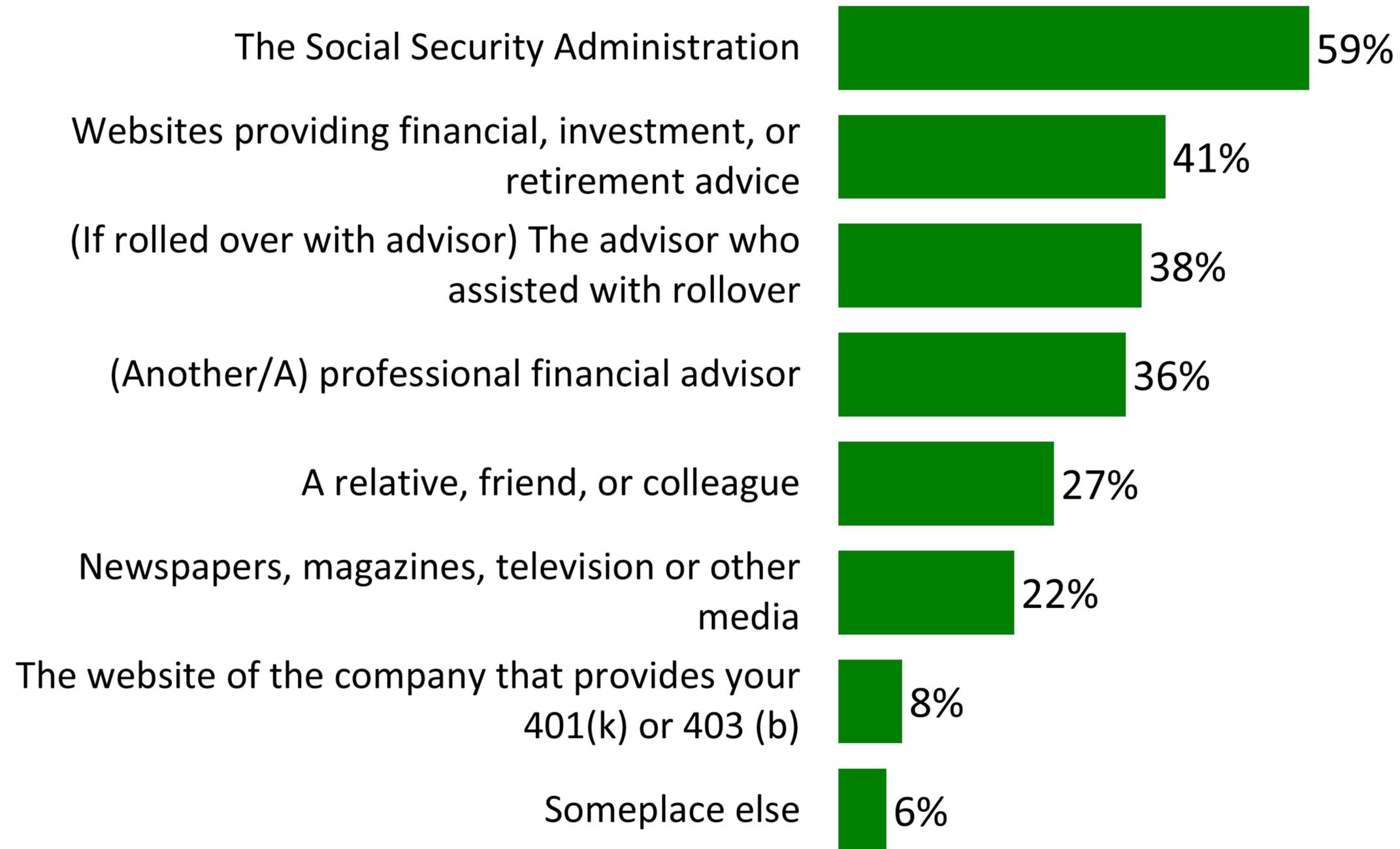
Topline Results – Social Security Decision

At what age (did you/do you plan to) claiming Social Security retirement benefits?

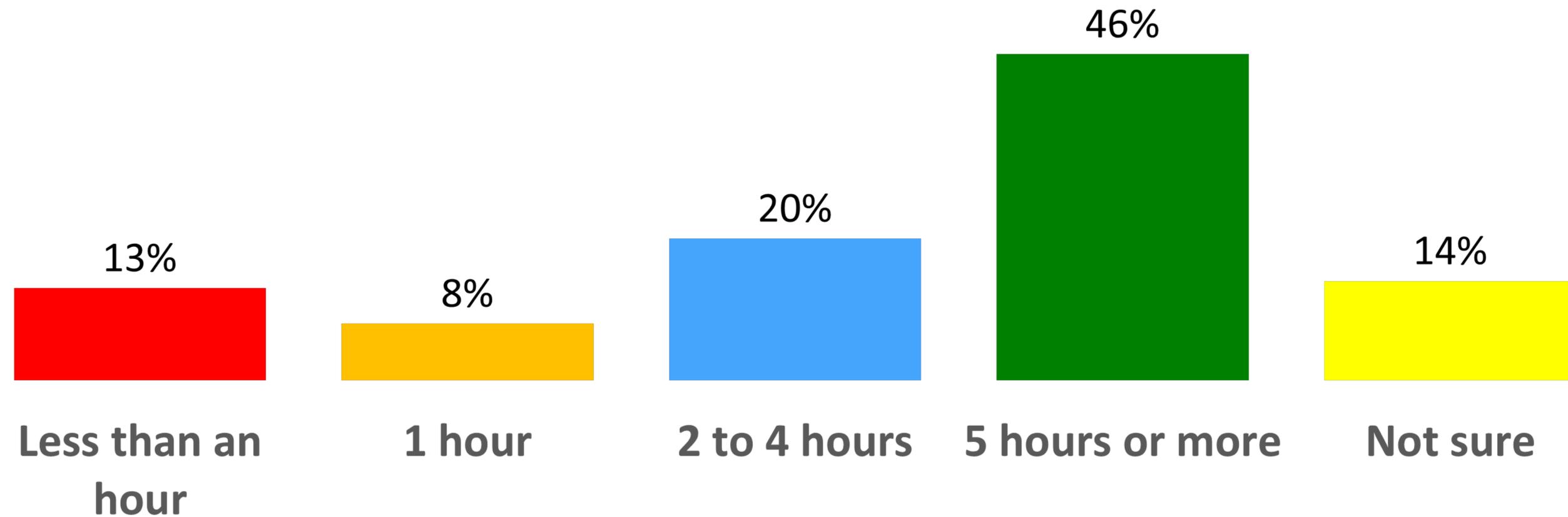
Total (n=1,002)



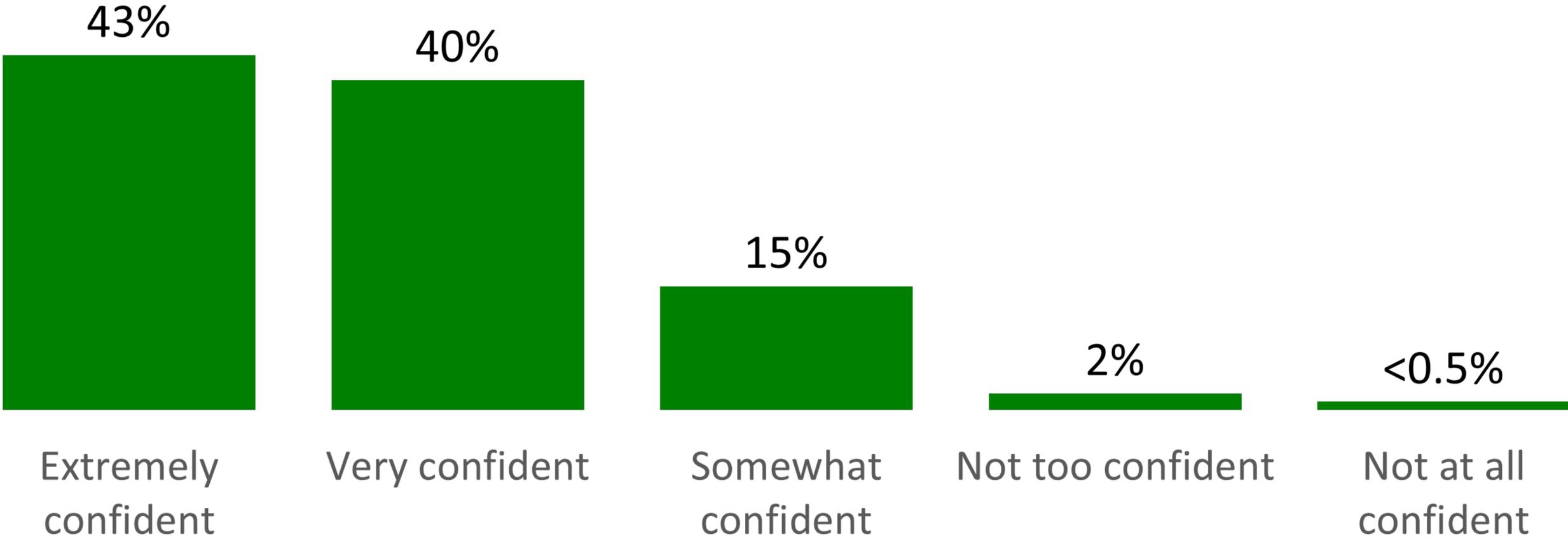
Where did you get S.S. Claiming Advice?

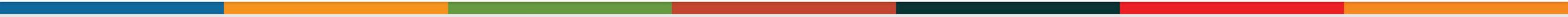


Time Spent On S.S. Claiming Decision



Confidence About S.S. Claiming Decision





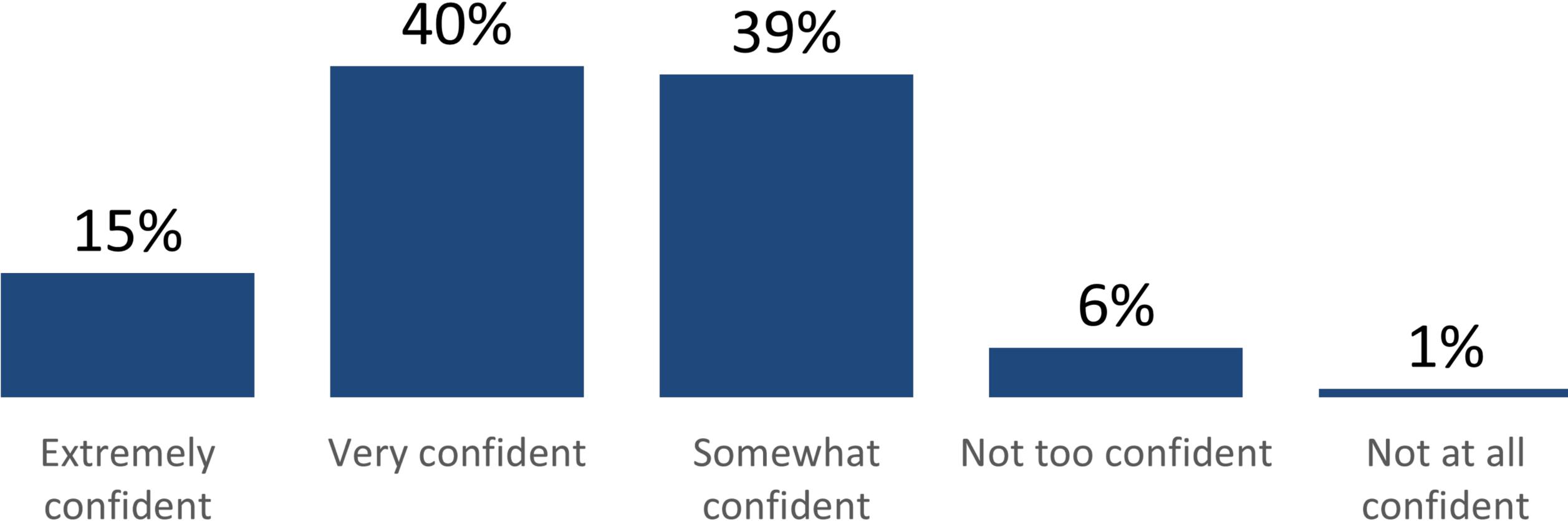
Investment Management Highlights

Topline Results – Investment Management

- 93% of respondents were confident that they could accurately describe their current investment allocation
- 35% did not know how much someone their age should be invested in stocks
- 82% were confident about making their own savings and investment decisions
- 85% believed they were knowledgeable about investing and investments
- 85% of respondents stated they made investment adjustments in the past year, with 25% making adjustments more than 4 times in the past year
- 89% state they have put thought into their current asset allocation
- 11% of respondents stated they had no equity investments
- 29% state they had no bond investments

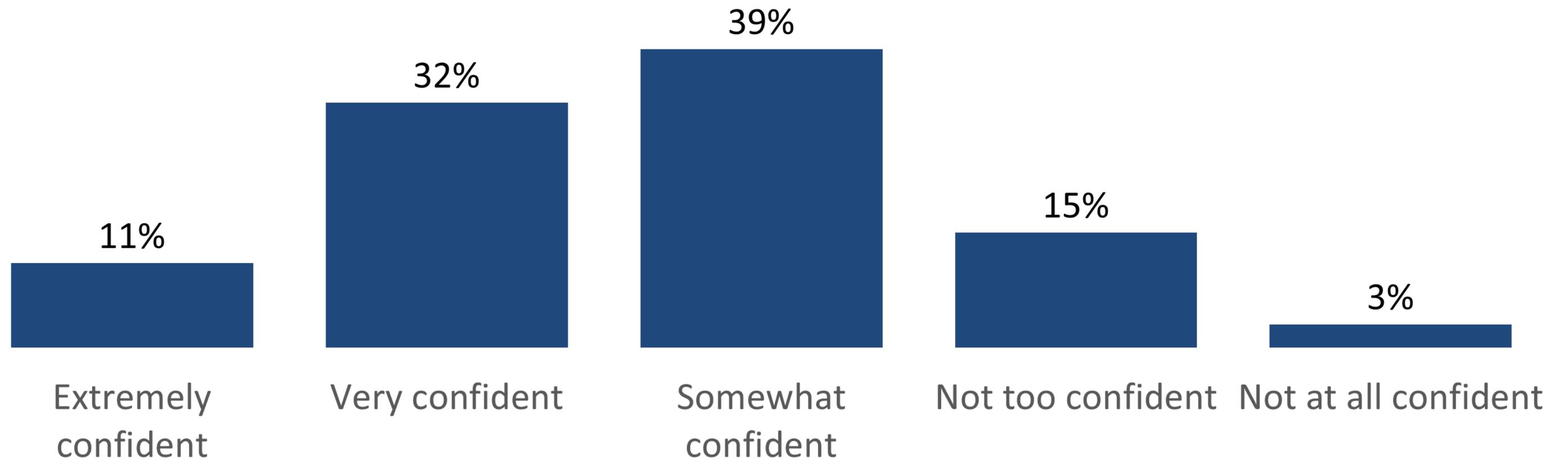
Confident You Can Describe Current Investment Allocation

How confident are you that you described your current asset allocation correctly?



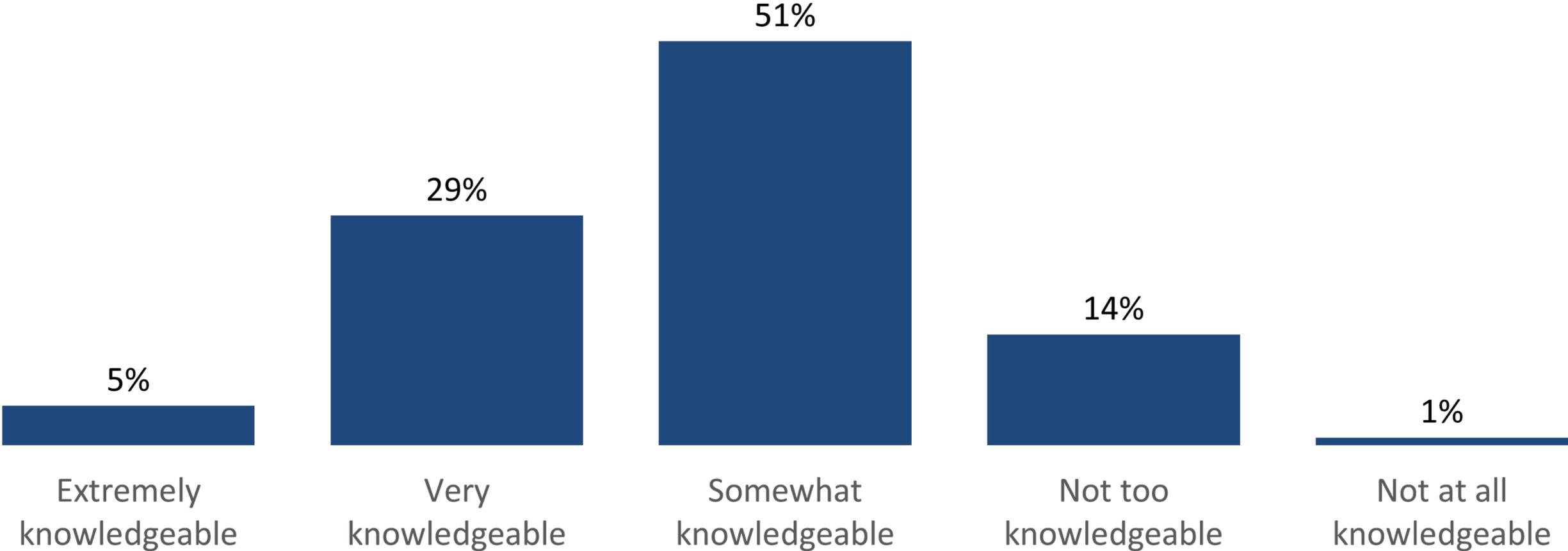
Investment Confidence

Overall, how confident do you feel when it comes to making decisions about your savings and investments on your own?



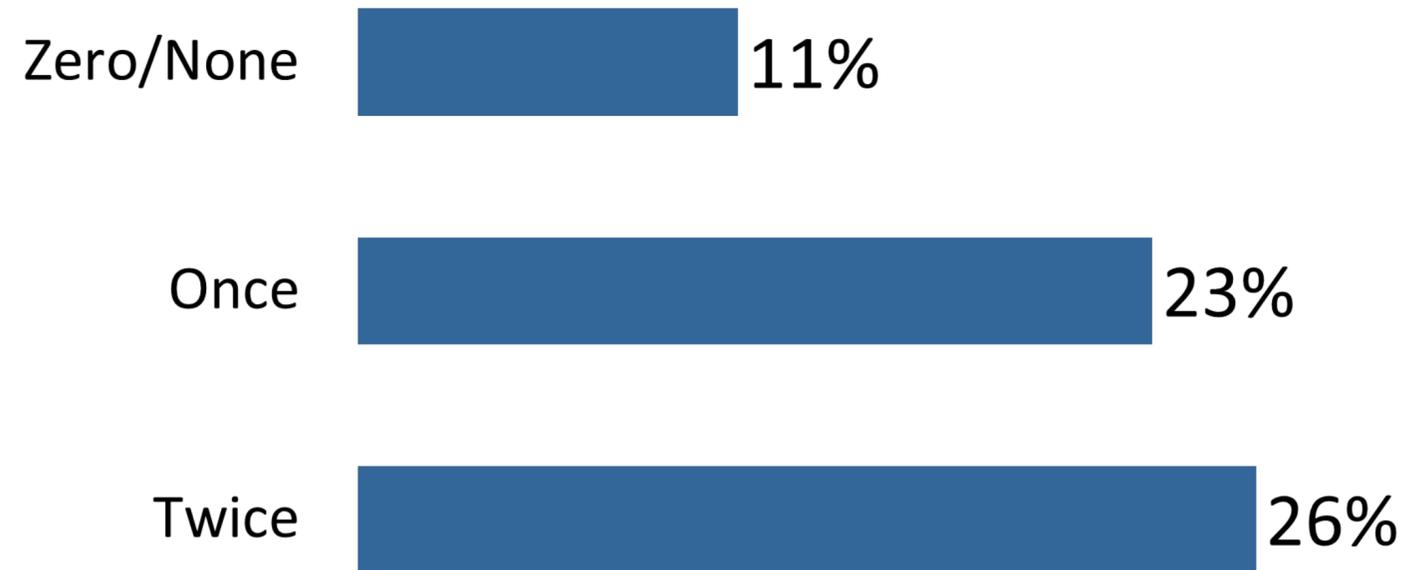
Topline Results – Perceived Investment Knowledge

Overall, how knowledgeable do you feel you are about investing and investments?

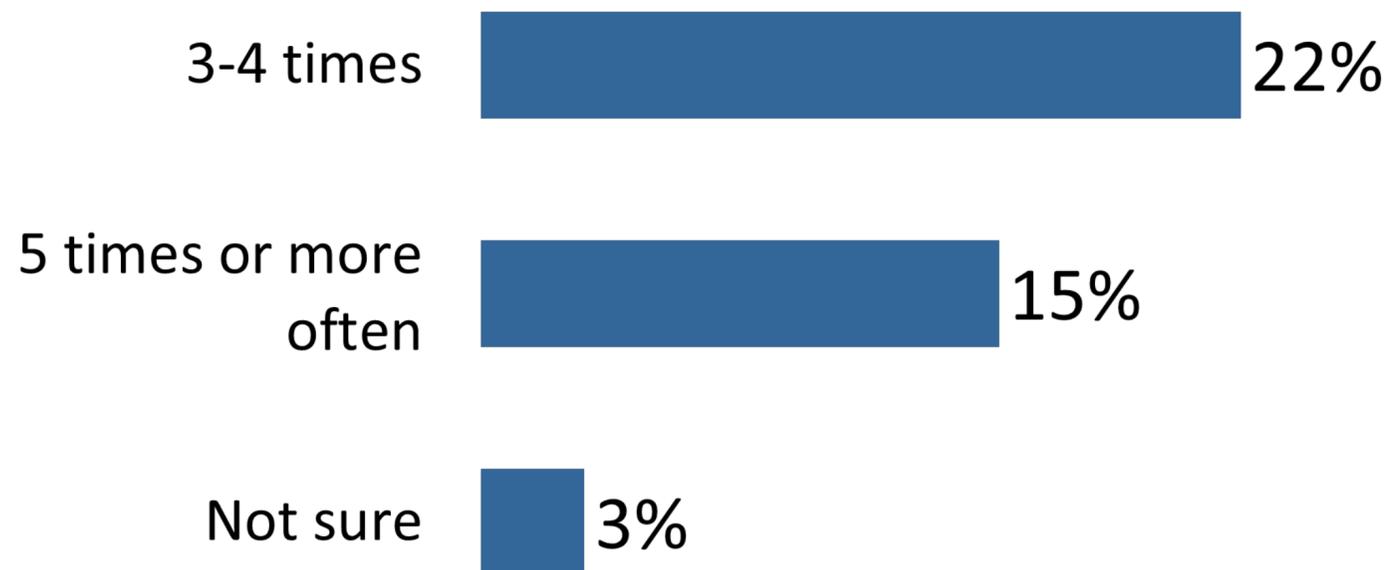


Topline Results – Rebalancing in Past Year

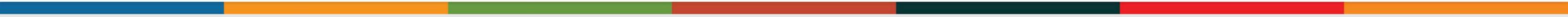
In the past 12 months, how often have adjustments to maintain your desired asset allocation?



60% twice or less



37% three or more times a year



Working With Financial Advisors



Topline Results – Financial Advisors

- 82% of respondents had been working with their current advisor before they retired
 - 8% got an advisor when they retired
 - 10% got an advisor after they retired
- Services received from financial advisor:
 - 96% received investment product and allocation advice
 - 84% receive advice on how to generate retirement income
 - Only 55% believed they received advice on how to adjust spending to match their available resources
 - Only 50% believed they received advice about how to plan for medical expenses
 - Only 47% believed they received advice about long-term care planning
 - Only 54% believed they received tax planning advice
 - Only 51% believed they received any legacy planning

Topline Results – Financial Advisors

- 44% of respondents believed that financial advisors charged too much for their services
- Only 16% of respondents believed that advisors did not act in their client's best interests
- 80% of respondents believed that financial advisors could help identify planning gaps and add value to their financial planning



Concluding Thoughts

Concluding Thoughts

- We were somewhat surprised at how serious retirees took the rollover decision
- Not only did they pay attention to the decision, for most, the decision was part of a comprehensive plan
- Also surprising was that perceived investment performance and convenience were top drivers for both the decision to rollover and the decision to leave the money in the 401(k) plan
- We also saw little differences for reasons to do a rollover between those with advisors and without, except that those with a financial advisor were more likely to rollover the 401(k)

What Did We Learn For Advisors

- While investment management is an important driver for rollovers, most respondents demonstrated high levels of belief that they could do their own investment management.
- Clients go to advisors for more than just investment management but are looking for advisors to fill in holes and gaps in their comprehensive plans.
- Advisors can look for tax benefits, help with the actual rollover, assist with investments, and coordinate the rollover into the comprehensive plan that matches the dynamic budgeting and income planning most respondents demonstrated.

Additional Information

- The American College New York Life Center for Retirement Income
 - <http://retirement.theamericancollege.edu>
- The American College Granum Center for Financial Security
 - <http://granum.theamericancollege.edu>
- Retirement Income Certified Professional® (RICP®) Designation
 - <http://ricp.theamericancollege.edu/>
- The American College of Financial Services Blog
 - <http://knowledge.theamericancollege.edu>
- Jamie Hopkins, Forbes Contributor (Twitter – @RetirementRisks)
 - <http://www.forbes.com/sites/jamiehopkins>



Thank you!

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