LINCOLN
RETIREMENT POWER®
PARTICIPANT
INSIGHTS

Lincoln Financial Group®

Struggling to Juggle

Competing financial priorities squeeze retirement savers

Key findings from the **2017 Lincoln Retirement Power® Participant Study**

White Paper

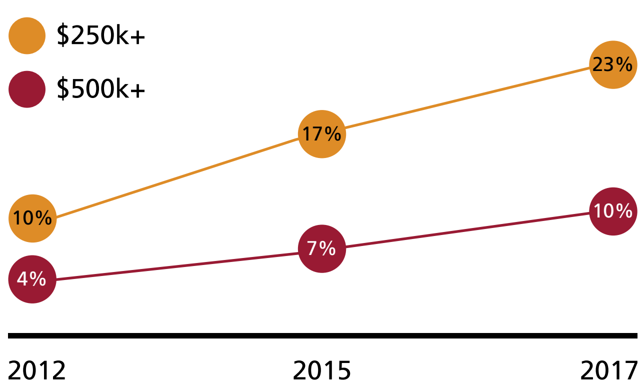
Retirement plan participants think they should be saving more, but day-to-day expenses, debts, and other savings priorities get in the way.

Since 2012, Lincoln has conducted the Retirement Power® Participant Study to learn more about how workplace retirement plan participants are thinking and feeling. Much has changed in the past five years, but one thing has remained constant: across income level, industry, age, and location, most participants struggle to strike a balance between the needs and wants of today and the desire to save for the future.

Spirits and savings are up since 2012

Over the past five years, we've seen a rise in the value of participant retirement accounts. Nearly one in four have $250,000 or more saved in their workplace retirement plan, a figure that has more than doubled since 2012. Higher account values are due in part to favorable market conditions, but that's not the sole reason for improvement—participants are saving more, too. 48% of participants said they increased the amount they contribute to their retirement plan during the past year, and more and more retirement savers are "maxing out"—contributing the maximum allowed by their plan. In 2017, 22% of savers say they're contributing the maximum amount allowed by their plan, up from just 16% in 2012.

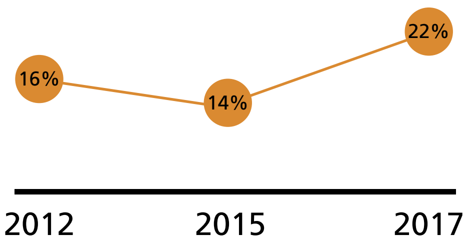
Retirement plan account value



Question: Which of the following best describes the account value of your retirement plan at work?

COMPETING FINANCIAL PRIORITIES SQUEEZE RETIREMENT SAVERS

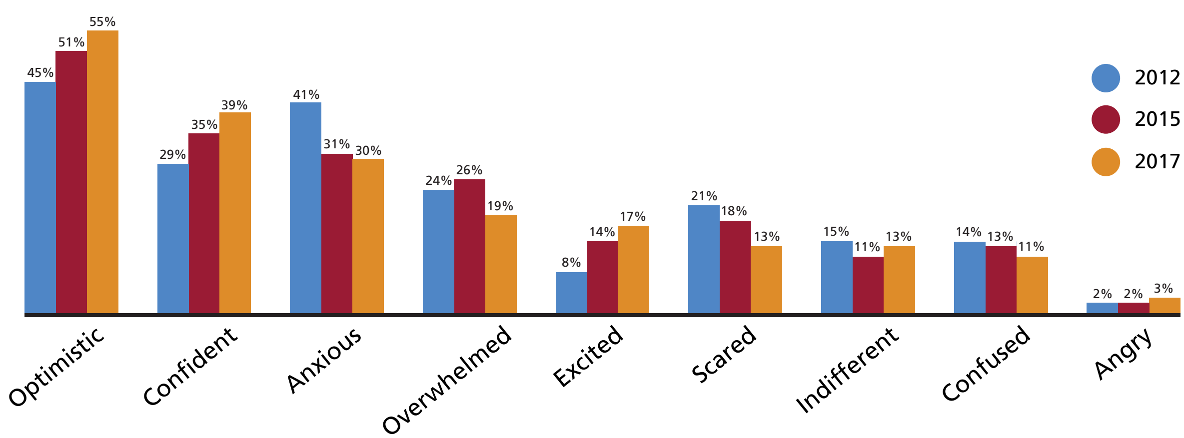
Participants saving the maximum amount allowed by their plan



Question: Which one of the following best describes the amount you contribute to the plan?

As participants are saving more and seeing their accounts grow, we see a corresponding increase in positive sentiment. Since 2012, participants are more likely to feel confident, optimistic, or even excited when they think about retirement; they're less likely to feel anxious, overwhelmed, or scared.

Retirement savings emotions



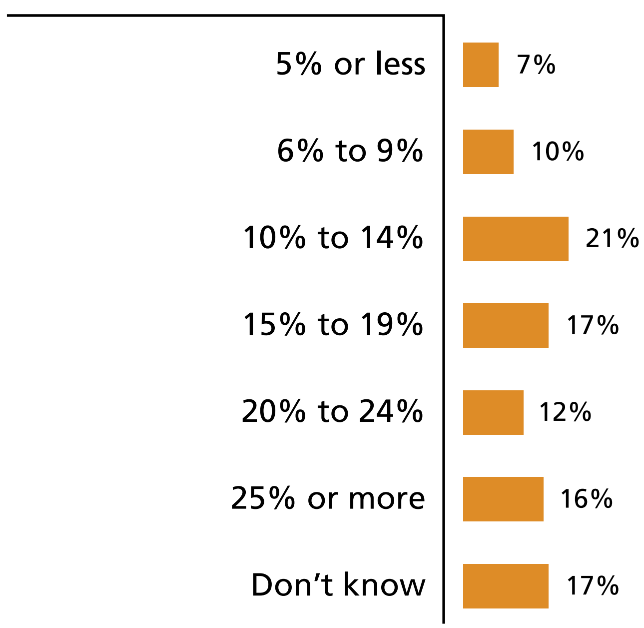
Question: Which of the following best describes the way you feel when you think about your retirement savings? Please select the TWO that describe you best.

Participants still aren't saving enough (and they know it!)

Despite the fact that savings behaviors, balances, and spirits have improved during the past five years, the majority of participants still aren't saving enough for retirement—and they know it. We asked each retirement plan participant how much he or she would need to save to be on track for retirement and compared that figure to the amount he or she is actually saving. The result: 60% of participants aren't saving as much as they think they need to save. Unfortunately, many participants are more than just a percentage or two behind: 40% of participants would have to increase their savings by 5% or more in order to save what they think they need.

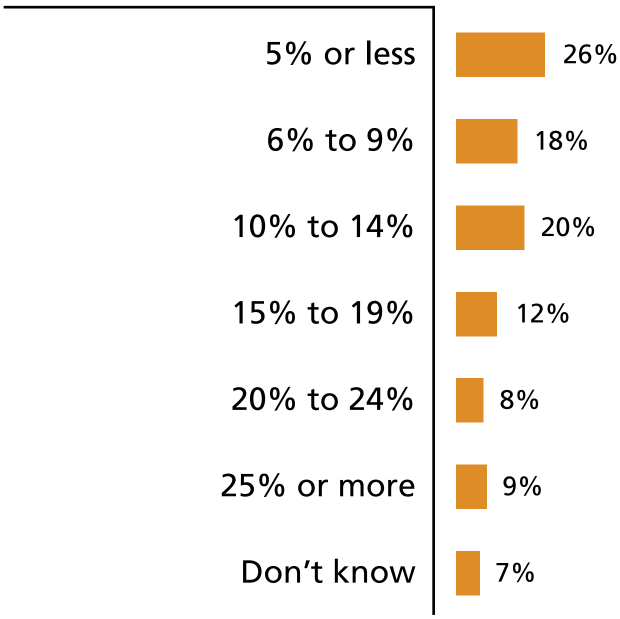
The good news is that when asked to estimate the amount they need to save for retirement, most participants aren't underestimating. The median percentage participants feel they need to save to be on track for retirement is 15%. Two-thirds of participants say that they need to save 10% or more, and 45% say they need to save 15% or more. These estimates are in line with general industry recommendations to save at least 10-15% of income.

Deferral rate participants think is needed to be on track



Question: What percentage of your salary do you think you need to save in your workplace retirement plan in order to be on track with saving for retirement?

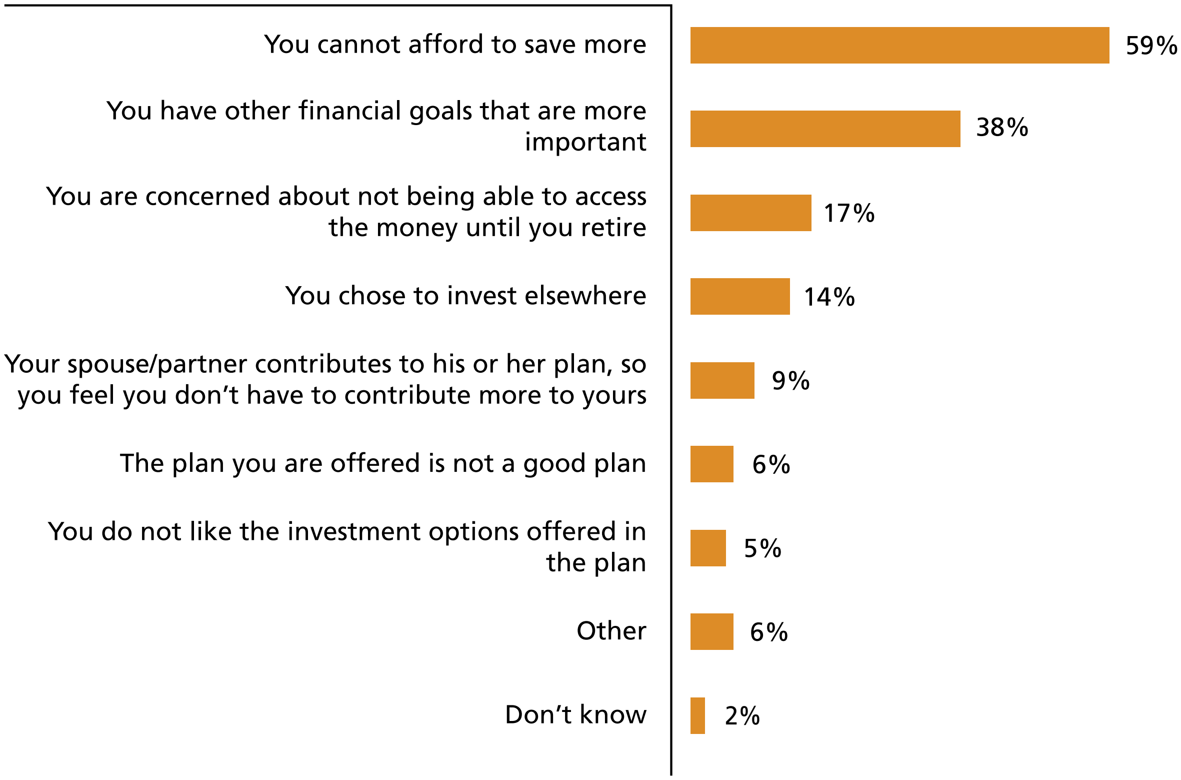
Participant deferral rates



Question: Approximately what percentage of your salary did you contribute to the plan last year?

Among participants who are saving less than they think they need, the top two reasons they aren't saving more are "can't afford to save more" and "have other financial goals that are more important." These findings highlight a need for education that not only addresses how much to save (which many participants already understand), but also how to save more while also meeting day-to-day financial responsibilities and working toward other financial priorities.

Reasons for not contributing more

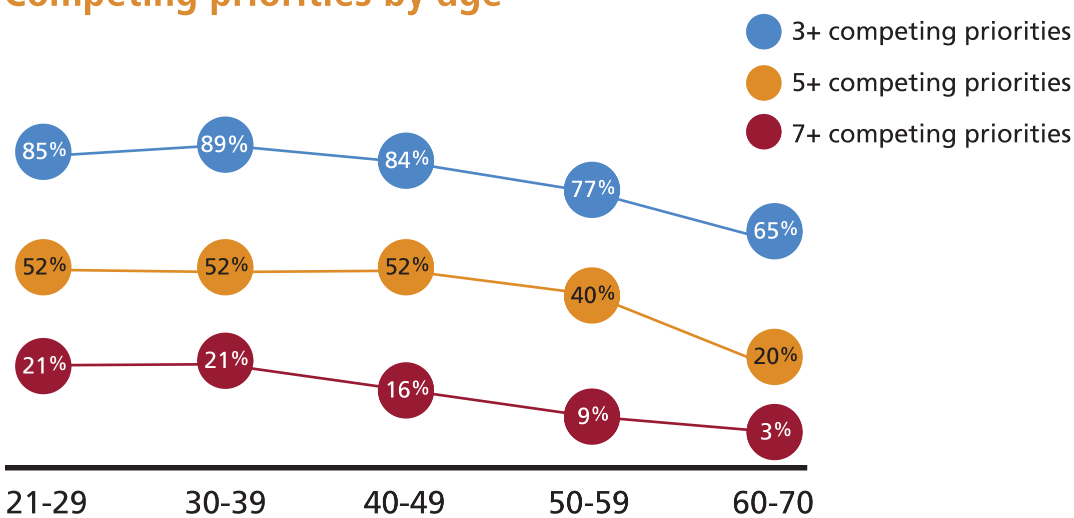


Question: Which of the following are reasons why you do not contribute more to your workplace retirement plan? (Question was posed to those whose deferral rate is less than the percentage they think they need to save to be on track.)

Struggling to juggle competing priorities

Participants are being pulled in multiple directions—they're managing day-to-day expenses, paying down debts, and working toward savings priorities other than retirement. These competing priorities impact participants across life stages and income levels but are especially burdensome for younger savers. 52% of savers under the age of 50 have five or more competing priorities, compared to 40% of savers in their 50s and 20% of savers in their 60s.

Competing priorities by age

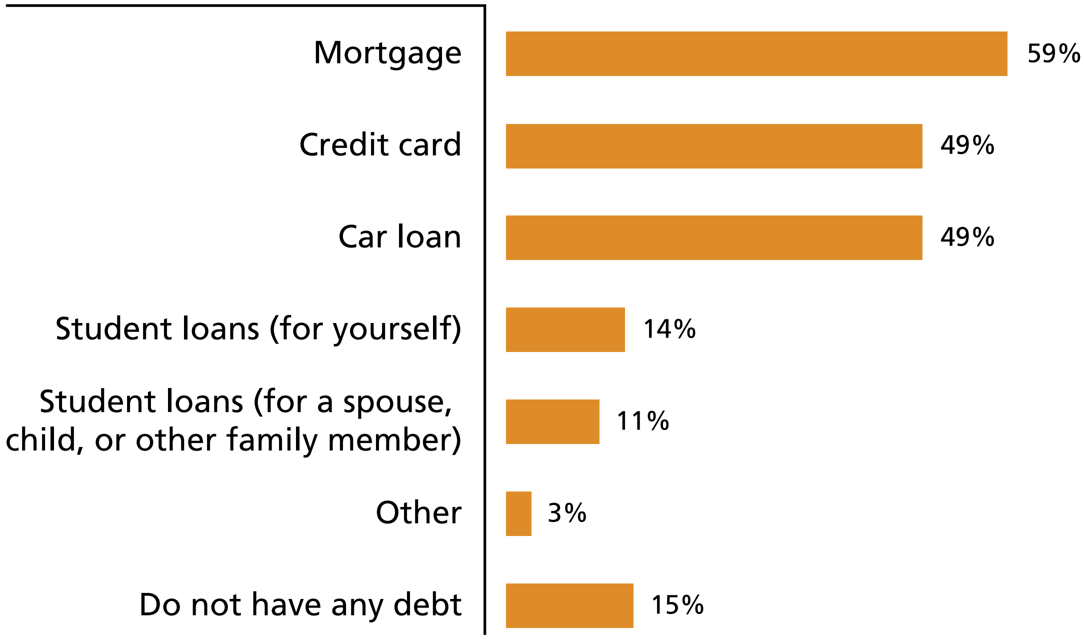


Question: Which of the following types of debt do you have?
Question: Besides retirement, which of the following are you currently saving towards?

The vast majority of participants (85%) have debt of some kind. That debt is significant cause for concern for many savers: 58% of participants with debt see their debt as a problem, including 13% who say it is a major problem.

Credit card debt and student loan debt, in particular, place stress on retirement plan participants' minds and wallets. 49% of retirement savers are facing credit card debt, which can be particularly problematic if high interest rates are being charged. Student loan debt has a notable impact on retirement savings, especially for younger savers, who are most likely to be paying off student loans. Among Millennials, 37% are paying down student loans for themselves or others, compared to 19% of Gen Xers and 10% of Boomers. Across all ages, six out of ten people with student loan debt said they aren't saving as much for retirement as they'd like to because of student loan debt.

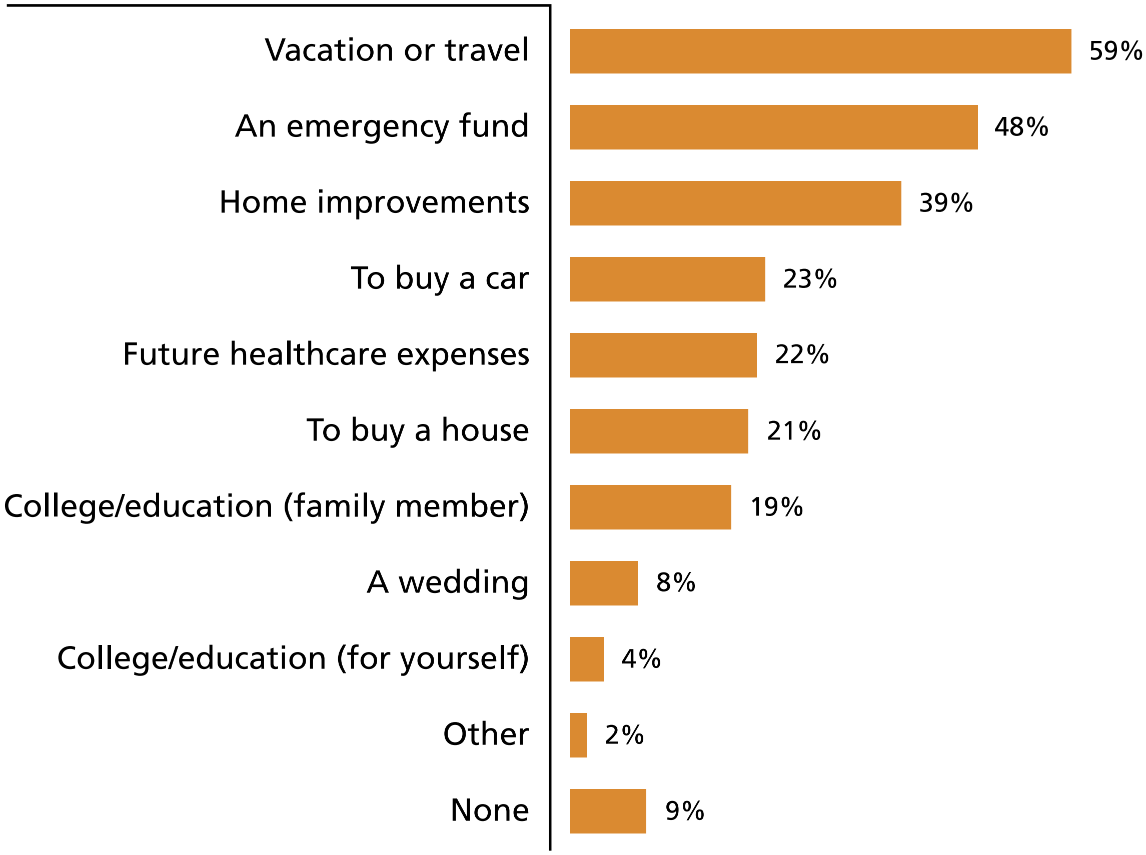
Types of participant debt



Question: Which of the following types of debt do you have?

In addition to saving for retirement and paying down debt, many participants are setting aside money for other priorities. About six in ten are saving up for vacations or travel, the most frequently-cited savings goal. Saving money for an emergency fund is also very common among participants, with just under half doing so. Participants are saving up for a variety of other reasons, including home improvements, buying a car, future healthcare expenses, buying a house, and education expenses.

Current savings goals besides retirement



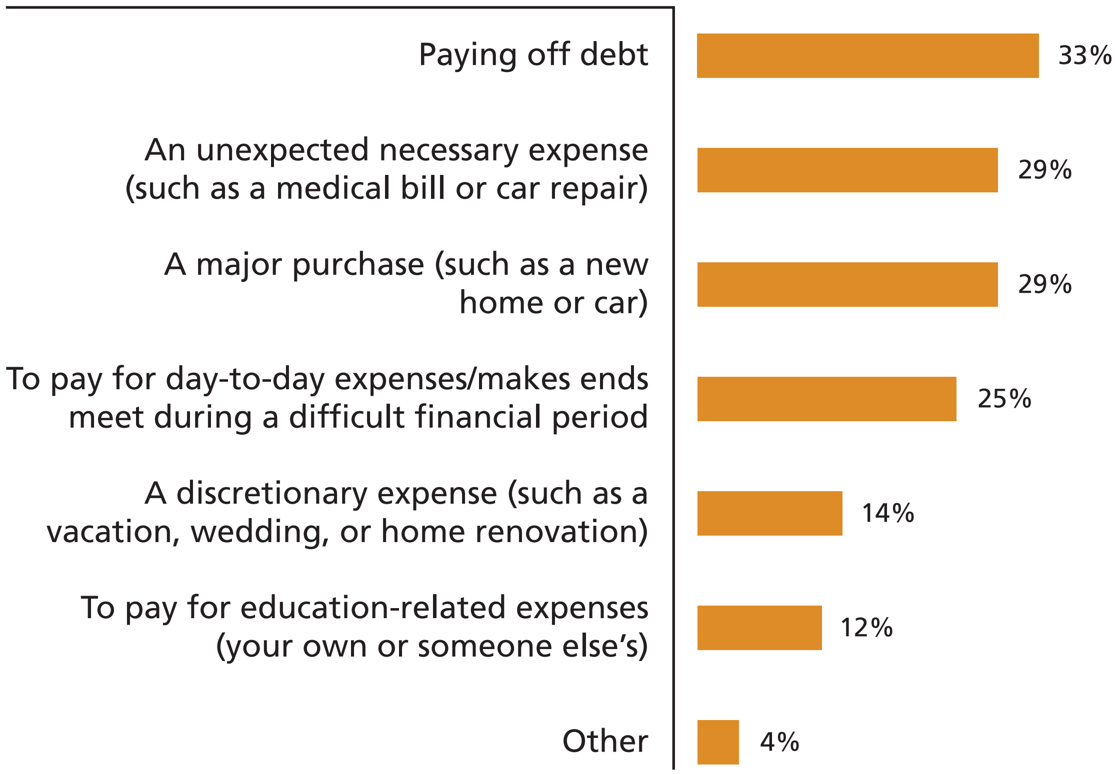
Question: Besides retirement, which of the following are you currently saving towards?

In addition to debts and savings, some participants have costly family obligations. 11% of participants are providing financial support for an adult family member.

The more competing priorities a person has, the less likely that participant is to save as much as he or she thinks is needed to be on track for retirement. Compared to participants with eight or more competing priorities, participants with two or fewer competing priorities are twice as likely to save 15% or more in their workplace retirement plans.

For some participants, the impact of competing financial priorities goes beyond making saving and spending tradeoffs. 24% of retirement plan participants have taken a loan from their retirement plan at some point, and an additional 12% have considered it. For many, the reason for taking the loan is often related to competing priorities.

Reason for a loan *(among those who took loan)*



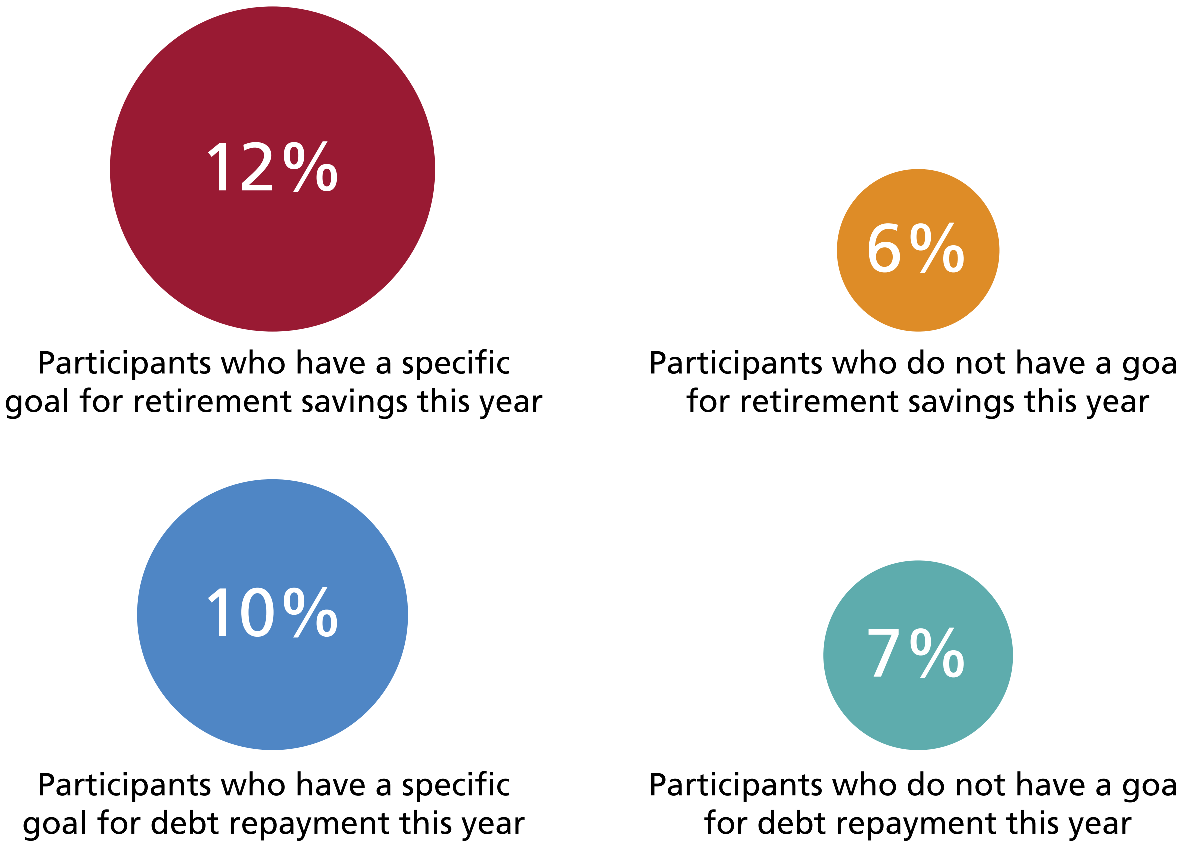
Question: What did you use the money from the loan for? (Question was posed to those who took a loan from their retirement plan.)

Go for the goals

Our research finds that participants who set goals are more likely to save more for retirement and more likely to feel confident about retirement—even in the face of competing priorities. The median deferral rate for participants who set a specific goal for how much they want to save for retirement this year is 12%, which is twice as high as the deferral rate among participants who have no goal for how much they want to save for retirement this year (6%).

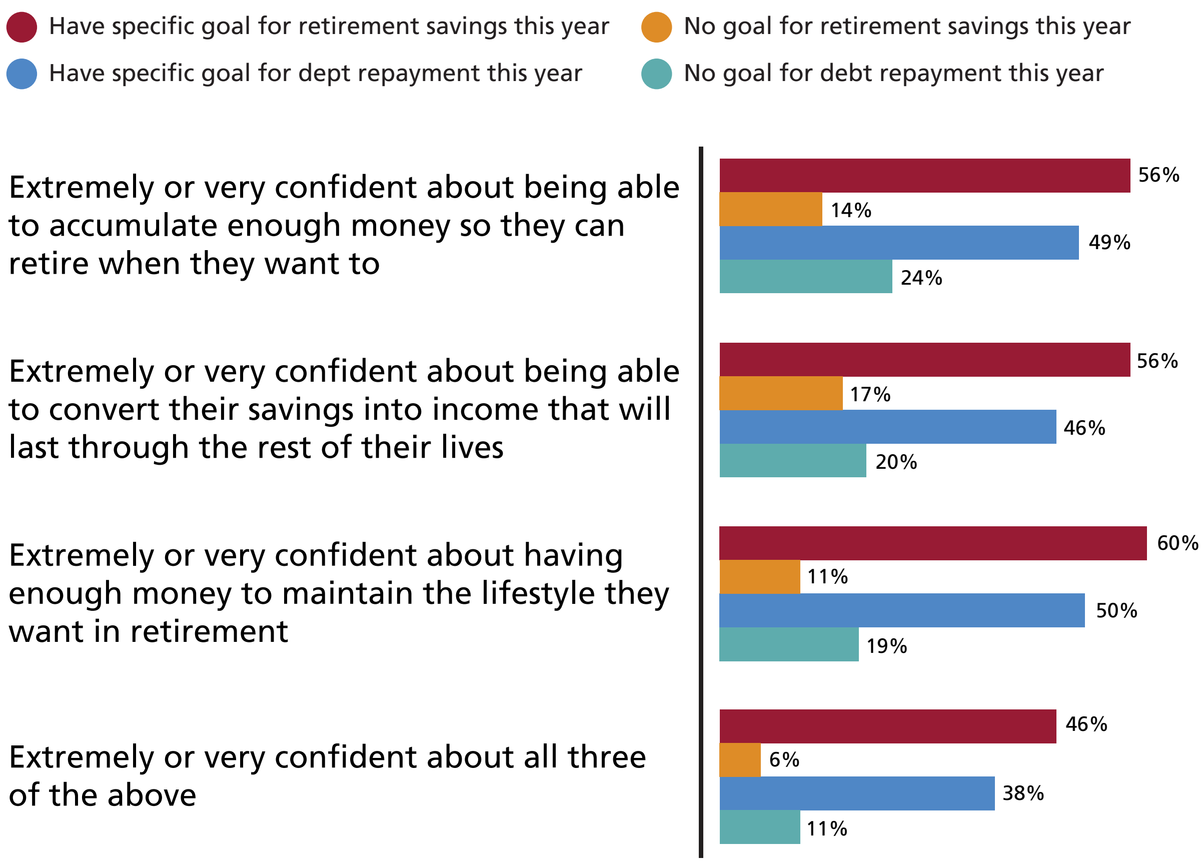
Even when participants set a goal for one of their competing priorities, we still see a connection between goal-setting and higher retirement savings rates. Among participants who set a specific goal for how much debt they want to pay off this year, the median retirement savings rate is 10%, compared to 7% among those with no goal for how much debt they want to pay off this year.

Median deferral rates among participants who set goals vs. participants who do not



Participants who set goals are also more likely to be confident, as measured by confidence on three measures: being able to save enough money to retire when they want, being able to maintain the lifestyle they want throughout retirement, and having retirement income that lasts throughout their life. Compared to participants who have no goal for how much they'll set aside for retirement this year, participants who have a specific goal for how much they'll save for retirement this year are 7.5 times more likely to be confident. Likewise, participants who have a specific goal for how much debt they'll pay off this year are 3.5 times more likely to be confident than participants who have no goal for how much debt they will pay off this year.

Participant confidence about various aspects of retirement



Despite the strong positive outcomes associated with goal-setting, less than half of participants actually do set specific goals. Only 42% of participants set a specific goal for how much they'll save this year for retirement, and only 38% set a specific goal for how much debt they'll pay off this year.

For more information about the results of this survey, click here.

What's next?

Plan sponsors, providers, and advisors spend a lot of time and effort helping participants understand the need to save more—and encouraging them to take advantage of tools and calculators that can help them determine how much they need to save to be on track. Our research suggests that these tools and messages, on the whole, are making an impact. Many participants have the right idea of what they need to save to be on track for retirement. Unfortunately, participants still aren't saving enough, in many cases because they feel they're already contributing all they can in the face of so many other expenses. Giving participants the tools to know whether or not they're on track is still important, but where they need the most help now is figuring out **how** to save more. Providing participants with education, tools, and support around managing competing priorities, setting goals, and maximizing their dollars every day can ultimately help participants meet their needs both today and in the future.

About the Lincoln Retirement Power® Participant Study

The 2017 Lincoln Retirement Power® Participant Study is based on a national survey of 2,509 full-time workers ages 21 to 70 who have been contributing to their current employer's defined contribution retirement plan for at least one year — with data weighted by demographics to mirror the total population. Established in 2010, Retirement Power is a platform for research and viewpoints on central issues related to retirement planning. The program seeks to identify forward-thinking ways to help plan sponsors, advisors, intermediaries and participants. As part of the program, Lincoln sponsors both proprietary and third party research with an emphasis on what drives better retirement outcomes.

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