

Retirement at the *Tipping* Point: The Year That Changed Everything™

New Fears, New Hopes, and a New Purpose for Retirement



A National Study Exploring
How Four Generations Are Rethinking Retirement

By Age Wave
Conducted By Harris Interactive



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Retirement at the *Tipping Point*

For many, the past year has been a time of struggle and worry. Falling stock prices and housing values have wiped out savings that took years or even decades to build. On top of this, a growing number of Americans have lost their jobs, which has thrown lives into disarray and left many families with mounting bills and no easy answers. Even those fortunate enough to still have jobs confront threats of downsizing and limited career paths. At this point, most of us are now taking a deep breath, assessing the damage, and trying to figure out how to move forward.

Beyond our daily financial challenges, many of us are beginning to rethink our long-term plans. What has changed? Will we be able to live the lives we thought we would? How can we go about rebuilding our savings? And for many, there is one looming issue: What does this mean for my retirement? Will I be able to retire when I planned to? Will I be able to retire at all? Will I be able to live the retirement I always dreamed of? Or do I need to create a new vision for what retirement might be?

The current economic reckoning has come upon us at a unique moment in time. The baby boom generation—the largest generation in history—is now at the threshold of retirement. This year, the oldest boomers are in their early 60s. Some have retired already. Many had plans to retire in the next several months or years. Even before the financial crisis, the enormity of this event had begun to sink in. What happens when 77 million baby boomers begin to retire? Can our nation afford to support millions of new retirees every year? What happens to our productivity and innovation as some of the most skilled, knowledgeable, and hardworking employees permanently disappear from the workforce? Do we need to rethink retirement?

The vast financial losses and uncertainty during the last year have forced all generations to reassess the funding, timing, and purpose of retirement. At this pivotal moment, Age Wave launched *Retirement at the Tipping Point: The Year That Changed Everything™*, a landmark national study conducted by leading research firm Harris Interactive. This study examines the new retirement fears, hopes, attitudes, advice, and plans among four generations of Americans. In addition, we examine several major changes over the past year by comparing insights from this survey with results from *Rethinking Retirement™*, a survey Age Wave conducted in collaboration with Charles Schwab Corporation and Harris Interactive exactly one year earlier.¹

The following report summarizes the key findings of our latest study. We discovered anxiety and uncertainty, and shifting plans and lives, but also a renewed focus on what is most important, and a surprisingly optimistic outlook as the purpose of retirement is re-visioned.

Ken Dychtwald, PhD
Founder and CEO
Age Wave



About the Survey

METHODOLOGY

This survey was conducted online by Harris Interactive from March 30–March 31, 2009. In total, 2,082 interviews were conducted among 21–84 year olds spanning four generations of adults: the Silent Generation (ages 64 to 84), the Baby Boomers (ages 45 to 63), Generation X (ages 33 to 44), and Millennials (ages 21 to 32).

- All interviews were conducted online from March 30–31, 2009.
- 2,082 total interviews were conducted from participants in the multimillion-member panel of cooperative online respondents maintained by Harris Poll Online.
- The sample is representative by age, gender, race, income, investable assets, education, and region for each of the four generations studied.

	Age	N Size	Sampling Error (in 95 out of 100 cases)
Total Sample	21–84	2,082	
Millennials	21–32	421	+/- 4.8%
Generation X	33–44	577	+/- 4.1%
Boomers	45–63	691	+/- 3.7%
Younger Boomers	45–54	312	+/- 5.6%
Older Boomers	55–63	379	+/- 5.0%
Silent Generation	64–84	393	+/- 4.9%

FROM HARRIS INTERACTIVE'S PERSPECTIVE

Every survey provides a snapshot of what people are doing or thinking at one moment in time. In the case of *Retirement at the Tipping Point: The Year That Changed Everything™*, we have much more than a snapshot. Exactly one year ago—before the stock market crashed—we conducted a survey, *Rethinking Retirement™* by Age Wave and the Charles Schwab Corporation. By asking some of the same questions again, we have been able to measure changes since last year's snapshot, and to assess the impact of the economic and financial crisis. This year's timely in-depth snapshot was striking for both the fear and the optimism it detected in Americans regarding their economic well-being and their plans for retirement.

Humphrey Taylor
Chairman, Harris Poll®
Harris Interactive



Finding #1

Resetting the Retirement Clock



Today's pre-retirees say they will need to postpone their retirement 4.2 years on average, which would be the first time in history that retirement age significantly increased in America. The uninsured costs of healthcare are now considered the biggest potential financial wildcard in retirement.



SEVEN-YEAR MONEY SETBACK

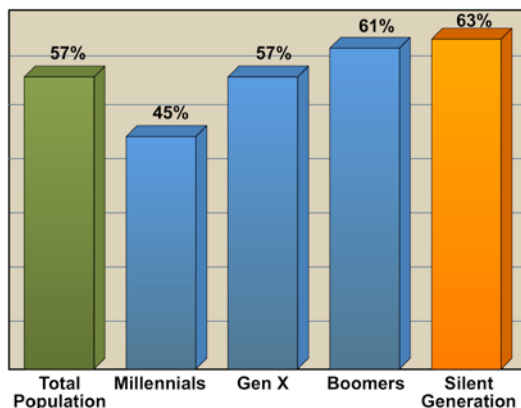
Almost 60% of Americans say they have lost money in mutual funds, 401(k) plans, or the stock market in the last twelve months (FIG 1). Men and women in or near retirement suffered the greatest losses. On average, Americans think it will take seven years for their investments to be what they were worth one year ago (FIG 2).

ILLNESS: THE FINANCIAL WILDCARD

Today, the biggest financial worry among the age 55+ population is being unable to afford uninsured medical expenses during retirement. In fact, older Americans are 2.5 times as likely to say they are worried about paying for uninsured medical expenses in retirement as they are about a lack of personal savings (FIG 3).

Loss of health is the unpredictable and often financially devastating wildcard in retirement. Long-term care, which is largely not covered by traditional health insurance or Medicare, can be particularly devastating. Almost seven in 10 people will need some long-term care, such as home care, assisted living, or nursing home care, after age 65. In 2008, the average annual cost for a private nursing home room was \$76,460 a year.²

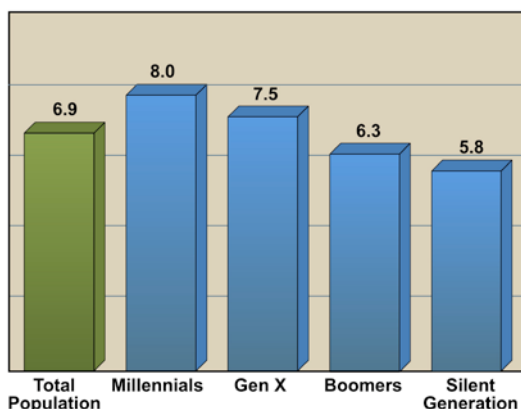
Percent who have lost money in mutual funds, 401(k) plans, or the stock market in the past year



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents

FIG 1

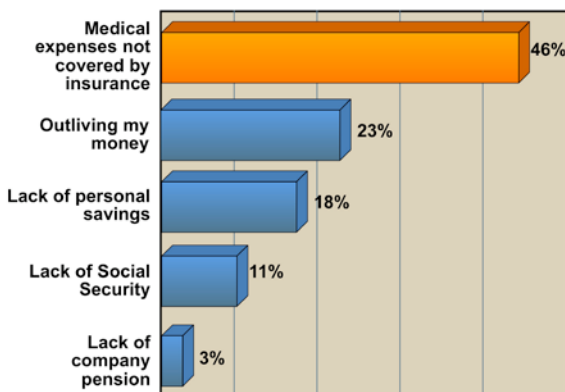
Estimated years to recover from stock market losses



Source: Age Wave Retirement at the Tipping Point 2009
Base: Respondents who lost money in the stock market

FIG 2

Top retirement financial worries among the 55+ population



Source: Age Wave Retirement at the Tipping Point 2009
Base: Age 55+ respondents, does not total to 100% due to rounding errors

FIG 3



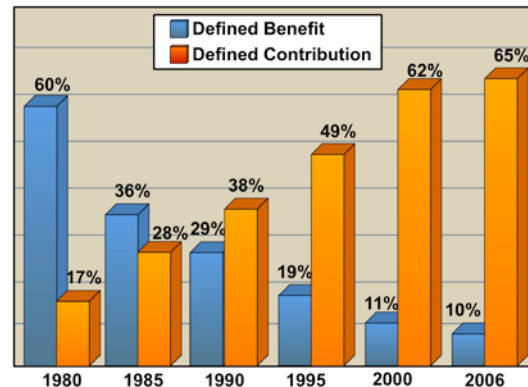
TODAY'S ECONOMIC CRISIS = TOMORROW'S RETIREMENT CRISIS

In the last several decades, defined benefit (DB) pensions have largely been replaced by defined contribution (DC) plans, such as 401(k) plans (FIG 4). Unlike DB pensions, which guarantee a certain income regardless of economic conditions, equity values in DC plans are tied to the ups and downs of stock prices.

Faced with today's uncertain economy and stock market volatility, only 18% of Americans now say they have actively planned enough and are confident about their retirement future.³ Even among the Silent Generation, most of whom are already retired, just 36% say they have actively planned and are confident they are adequately prepared (FIG 5).

Although men and women across all income levels have been damaged, lower income families are the most worried about their retirement. But even among families with incomes over \$75,000, just 27% say they have planned appropriately and are confident they will be able to afford the retirement they have dreamed about (FIG 6).

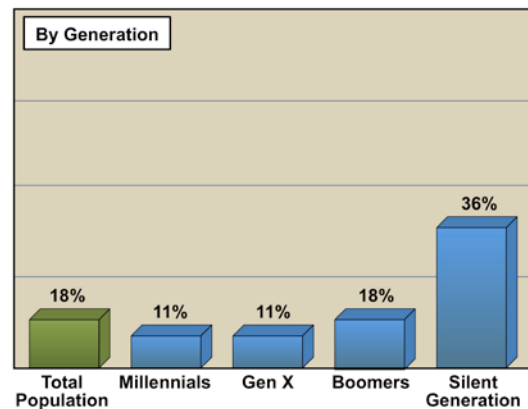
Shifts in pension plans



Source: Center for Retirement Research.
Percent private sector workers with only DB and only DC pensions.

FIG 4

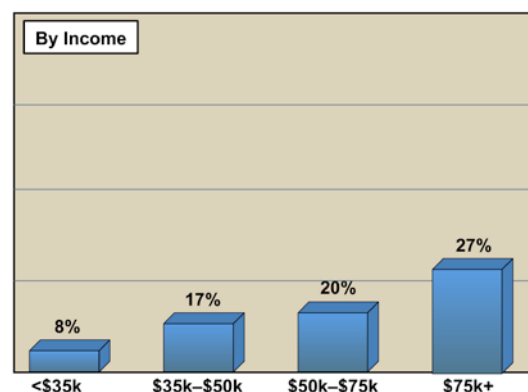
Percent who have actively planned and are confident about their retirement future



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents

FIG 5

Percent who have actively planned and are confident about their retirement future



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents

FIG 6



RETIREMENT POSTPONED

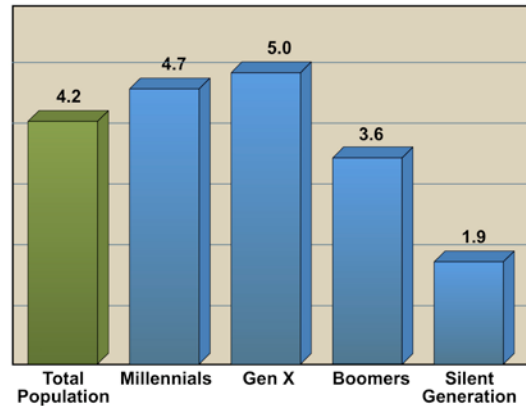
On average, pre-retirees say they now intend to postpone their retirement by 4.2 years, triggered by today's economic crisis (FIG 7). Although many are disappointed to be retiring later than they expected, the silver lining is that a shortened retirement can be far more affordable and secure.⁴

ADJUSTING THE WORK-TO-RETIREMENT RATIO

Retirement used to be a brief respite enjoyed by those few who lived long enough. During the 20th century, with the combined effects of entitlement programs and healthcare improvements, people began retiring earlier and living longer (FIG 8). As a result, the "work-to-retirement ratio," the ratio of years working to years spent in retirement, has steadily fallen (FIG 9). Today, people spend just 2.2 years working for every year of retirement.⁵

Is it sustainable for the work span to continue to shrink as life expectancy increases? In the mid-1970s, for example, a "work-to-retirement ratio" of 3:1 (i.e. spending three years working for every year of retirement) was the norm. If we use the same formula of a "work-to-retirement ratio" of 3:1 today, our average retirement age would be 67 instead of 63.

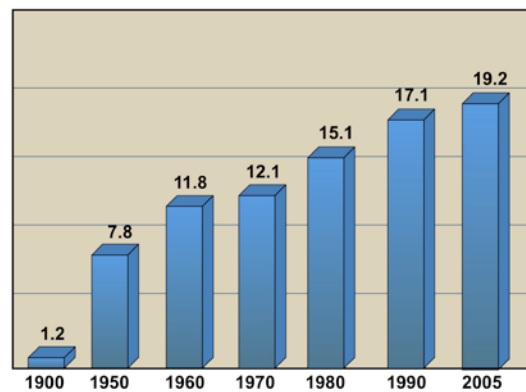
Average number of years retirement will need to be postponed



Source: Age Wave Retirement at the Tipping Point 2009
Base: Not retired

FIG 7

Years spent in retirement



Source: Burtless, Gary, and JF Quinn, "Retirement Trends and Policies to Encourage Work Among Older Americans"; CDC

FIG 8

Work-to-retirement ratio

	1900	1950	1960	1970	1980	1990	2005
Average retirement age	74	70	66	66	64	63	63
Working years	53	49	45	45	43	42	42
Retirement years	1.2	7.8	11.8	12.1	15.1	17.1	19.2
Work-to-retirement ratio	54:1	6.3:1	3.8:1	3.7:1	2.8:1	2.5:1	2.2:1

Source: Burtless, Gary, and JF Quinn "Retirement Trends and Policies to Encourage Work Among Older Americans"; CDC

FIG 9

Finding #2

Needed: Financial Rehab



After decades of out-of-control spending, Americans have been jolted into realizing that they must get back to basics and learn to live within their means in order to find financial peace of mind.

LESSONS LEARNED

Four out of five Americans told us they have learned valuable lessons regarding financial responsibility during this recession that will help them in the future. When asked what financial lessons should be passed on to the next generation, they told us the most important advice and guidance is to “live within your means” and “begin saving at an early age” (FIG 10). The percent of Americans citing “live within your means” as the most important lesson increased from 69% to 81% during the past year.

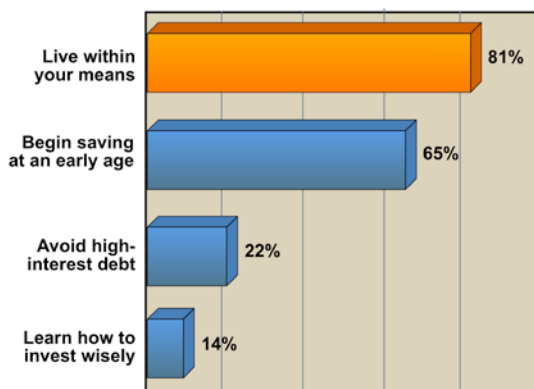
SEEKING FINANCIAL PEACE OF MIND

We also asked what the best thing is about having money. Although in prior years people may have said “independence” and “freedom,” today, all generations agree the best thing about having money is “feeling secure” (FIG 11).

WOMEN WORRY MORE ABOUT SECURITY

Women are more likely than men to value the security money and savings can bring (62% women versus 49% men), while men are more likely than women to say the best thing about money is “having freedom and choices” (41% men versus 33% women) (FIG 12). Prior Age Wave studies showed that nearly half of women, regardless of income, say they worry about losing all their money and possibly becoming a “bag lady.”⁶

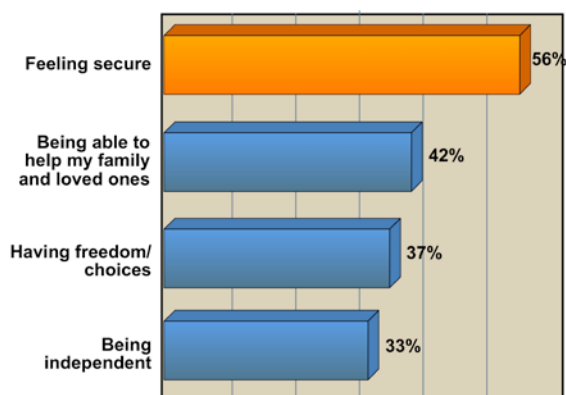
Most important financial advice for parents to pass to their children



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total Respondents; selected up to two responses

FIG 10

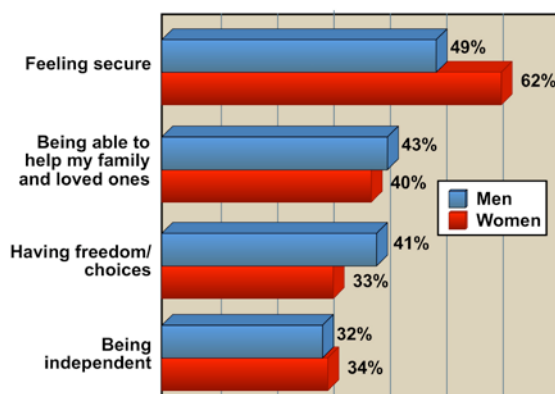
Best thing about money



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents; selected top two responses

FIG 11

Best thing about money by gender



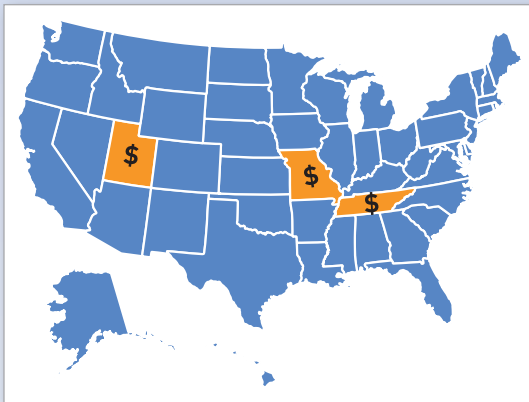
Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents; selected top two responses

FIG 12

A CALL FOR FINANCIAL FITNESS

Only 4% of respondents strongly agree that we are “a financially responsible population.” Americans believe that in order to become more financially responsible we must become far more financially knowledgeable at every age. An overwhelming 95% say “financial management should be a standard part of the education curriculum in high school” (FIG 13). Although 35 states mandate sex education, only three states have made personal finance courses a requirement in high school.⁷

ONLY THREE STATES REQUIRE FINANCIAL EDUCATION

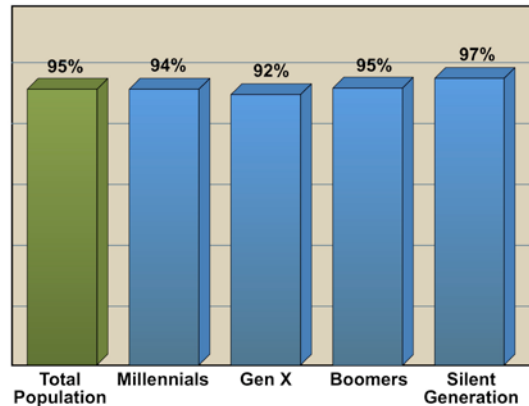


States in orange—Utah, Tennessee, and Missouri—represent the only states that require personal finance courses in high school.

SIGNS OF A COURSE CORRECTION IN PROGRESS

Recent economic data shows that Americans may be beginning to try to live within their means. Recent Federal Reserve data reveals personal savings rates exceeded 4% in the first three months of 2009—twice our savings rate of the past decade (FIG 14). And in February 2009, household credit card debt dropped almost 10% from the year prior (FIG 15).

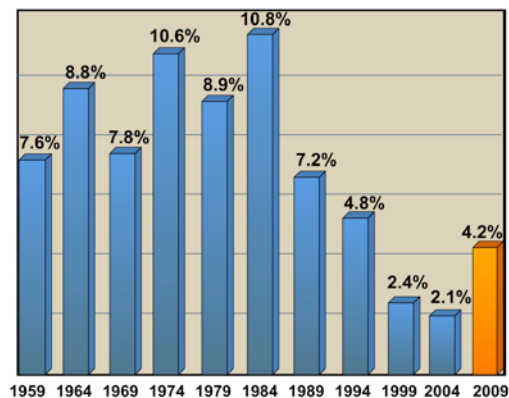
Percent who say basic financial management should be a standard part of our high school curriculum



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents

FIG 13

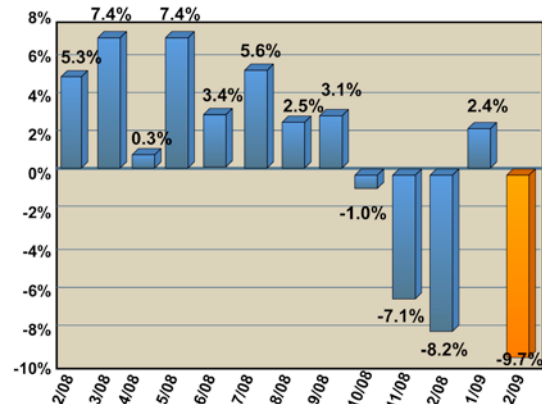
U.S. savings rate



Source: Bureau of Economic Analysis; data through March 2009

FIG 14

Annualized change in revolving debt



Source: Federal Reserve Statistical Releases, Consumer Credit. Available at <http://www.federalreserve.gov/releases/g19/Current>.

FIG 15

Finding #3

Am I My Brother's Keeper?



Above all else, Americans define success as having loving family and friends. But with these relationships and connections come significant responsibilities to provide care and support for parents, children, and even siblings.

WHAT WE VALUE MOST

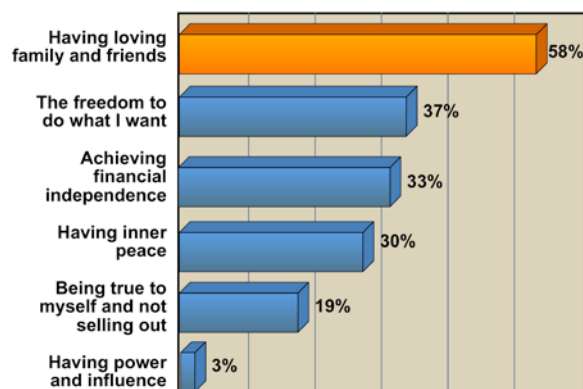
Family and relationships—not money and power—are at the heart of what Americans most value. We are almost twice as likely to define success as “having loving family and friends,” than by having wealth. And having strong relationships has become twenty times more important than wielding “power and influence” (FIG 16).



THE EMERGENCE OF MULTIGENERATIONAL “RUBIK” FAMILIES

The sandwich generation, with its primary concern for parents and children, has turned into multigenerational “Rubik” families. Four out of 10 respondents now worry they will have to financially support their parents or in-laws, with Millennials feeling the greatest burden (FIG 17). This growing interdependence now extends to siblings, with nearly a quarter of millennials worrying they will need to provide care and support for siblings as well (FIG 18).

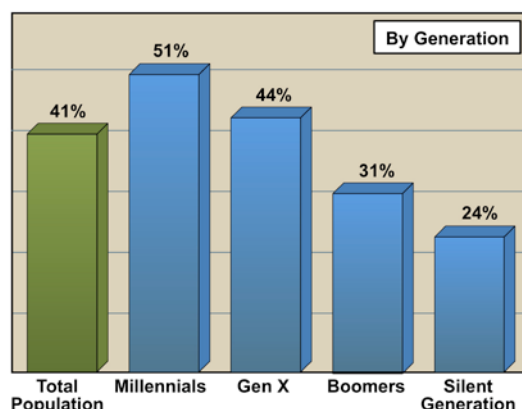
How Americans define success



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents; selected top two responses

FIG 16

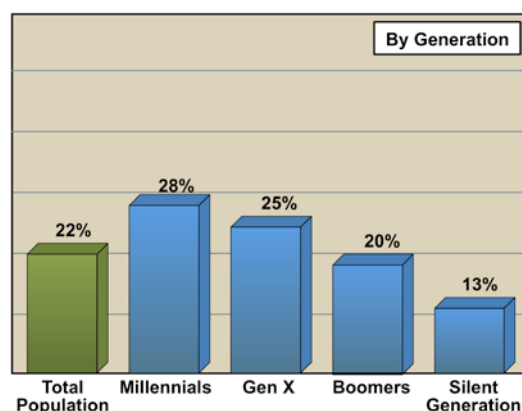
Percent who worry they will need to support a parent/parent-in-law



Source: Age Wave Retirement at the Tipping Point 2009
Base: Respondents answering “yes” to having a living parent or parent-in-law

FIG 17

Percent who worry they will need to support a sibling/sibling-in-law



Source: Age Wave Retirement at the Tipping Point 2009
Base: Respondents answering “yes” to having a living sibling or sibling-in-law

FIG 18

Finding #4

Retirement Finds a New Purpose



In the midst of today's crisis, Americans are beginning to re-vision retirement as a time of new purpose, new priorities, new careers, and new opportunities to give back to the world.



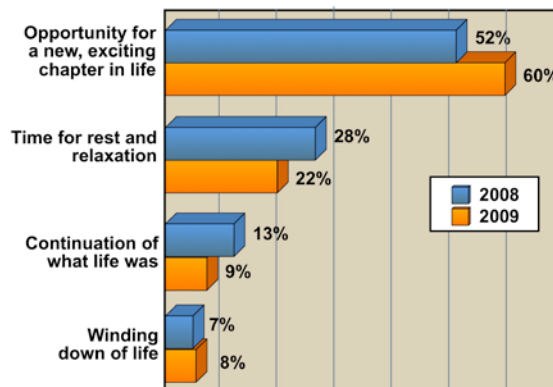
OUT OF THE ASHES, NEW POSSIBILITIES

We asked all generations to describe their vision of retirement, 60% of Americans describe retirement as an “opportunity for a new, exciting chapter in life.” In fact, the number of Americans describing retirement this way increased significantly from 52% a year ago (FIG 19). When we asked Americans what their ideal plan would be for balancing work, leisure, and money in retirement, 70% told us they wanted to include work in their retirement (FIG 20).

A NEW VISION FOR WORK IN RETIREMENT

What does this mean? For many, it means that they would rather think of retirement as an opportunity to continue learning, contributing, and remaining productive, not as a time of retreat and withdrawal. A longer life span now means a longer work span. In response, it is likely that a growing number of companies will introduce new policies and strategies to recruit, retain, and engage talented, experienced, and knowledgeable older workers.⁸ In prior Age Wave studies, pre-retirees told us that what they most seek from their retirement work experiences are flexible schedules, the opportunity to continue learning, and the ability to teach younger workers (FIG 21).

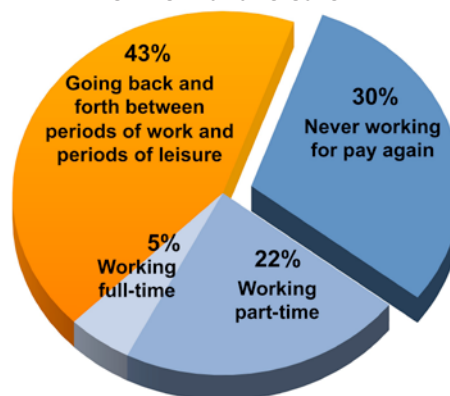
How Americans define retirement: 2008/2009



Source: Age Wave Retirement at the Tipping Point 2009 and Charles Schwab Rethinking Retirement 2008
Base: Total respondents; does not total to 100% due to rounding errors

FIG 19

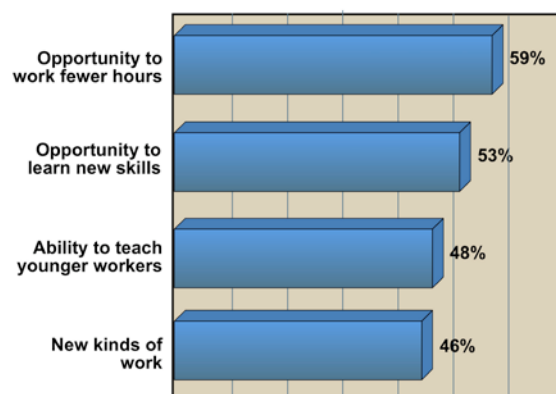
How Americans envision the balance of work and leisure



Source: Age Wave Retirement at the Tipping Point 2009
Base: Preretirees who are not homemakers

FIG 20

What Americans want in their retirement careers



Source: Age Wave / HSBC The Future of Retirement 2005
Base: Preretirees

FIG 21



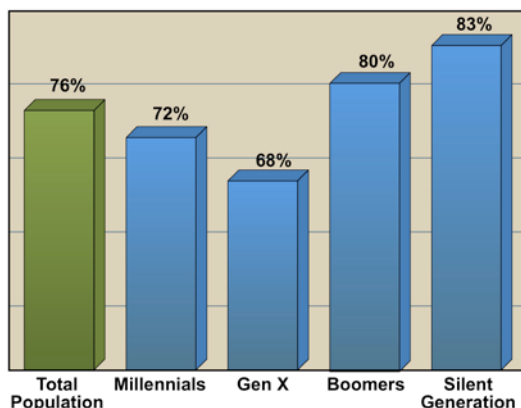
SAGE ELDERS NEEDED

Three-quarters of Americans say our country “would benefit significantly if retirees were to contribute more of their time, skills, and experience to community and civic life,” with the most enthusiastic response coming from retirees themselves (FIG 22). Yet, even though they have the greatest amount of discretionary time (FIG 23), today’s retirees have lower volunteer rates than younger generations (FIG 24). It would appear that the level of civic engagement in retirement is about to multiply.

A NEW ERA OF PHILANTHROPRENEURING

A new model for volunteering is emerging. In contrast to simple service roles and tasks, people now want to be able to put all their experience, skills, and knowledge to work. The majority (57%) of Americans now say that if they were to volunteer, they would prefer an activity that “makes use of their full range of work and life skills and experience.” Many innovative organizations are beginning to respond by creating new, more productive roles and opportunities for retiree volunteers.⁹

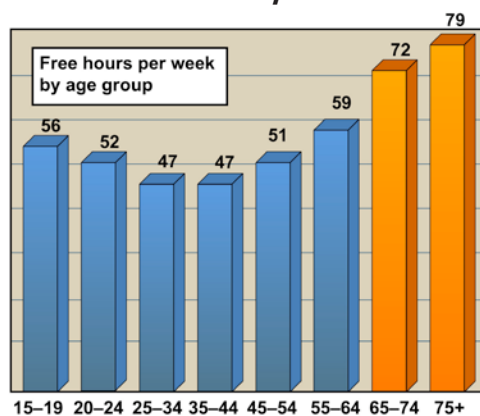
Percent who say our country would benefit from retiree volunteers and contributions



Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents

FIG 22

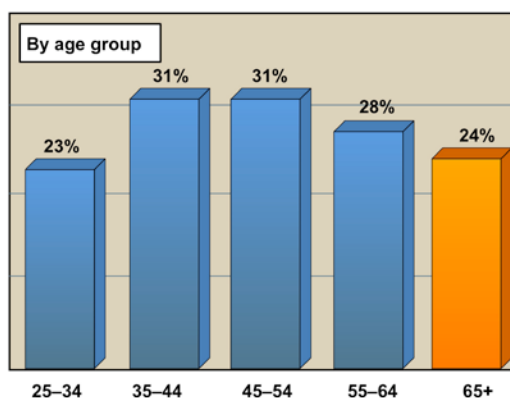
Discretionary time



Source: BLS Time Use Survey, 2007; discretionary time defined as time not spent for work, educational activities, sleeping, personal care, and caring for others

FIG 23

Current volunteer rates



Source: U.S. Bureau of Labor Statistics, 2004

FIG 24

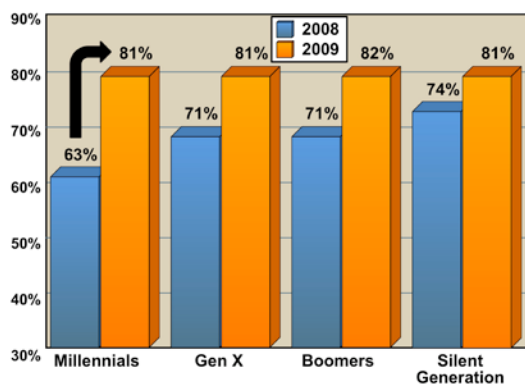
The Financial Crisis is Reshaping the Millennials

Millennials are emerging from this economic crisis a wiser, more cautious, and more responsible generation. In the 2008 *Rethinking Retirement*TM study, every generation, including Millennials themselves, voted them as the most self-indulgent and short-sighted of all generations.

Now, they are the most likely of the four generations to say they have learned valuable lessons regarding financial responsibility. They are also the most likely to have learned the importance of living within their means. A year ago, 63% said to “live within your means” was the most important lesson for parents to teach their children. Today, 81% of Millennials say to “live within your means” is the most important lesson, an 18% increase—twice the increase of other generations (FIG 25).

Millennials are also now the most likely among all generations to say the best thing about money is “feeling secure” (FIG 26). Moreover, they are the most likely to have shifted their focus and priorities to family and friends in the past year (FIG 27).

Percent who say living within your means is the most important lesson to pass to the next generation



Source: Age Wave Retirement at the Tipping Point 2009 and Charles Schwab Rethinking Retirement 2008
Base: Total respondents

FIG 25

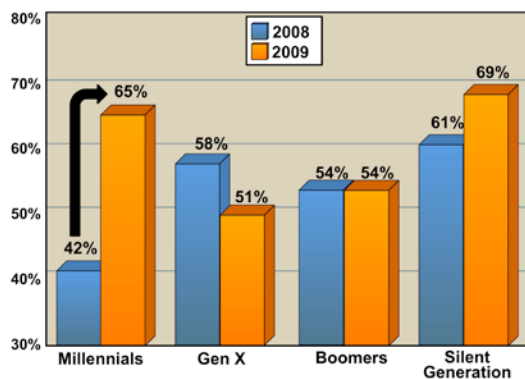
Best thing about money

	Total Population	Millennials	Gen X	Boomers	Silent Generation
Feeling secure	56%	64%	52%	53%	58%
Being able to help my family and loved ones	42%	43%	39%	43%	43%
Having freedom/choices	37%	37%	38%	39%	31%
Being independent	33%	29%	32%	31%	42%

Source: Age Wave Retirement at the Tipping Point 2009
Base: Total respondents; selected up to two responses

FIG 26

Percent who say having family and friendships defines success



Source: Age Wave Retirement at the Tipping Point 2009 and Charles Schwab Rethinking Retirement 2008
Base: Total respondents

FIG 27



A Prescription for Change: Reflections on Next Steps

These distressing times have caused many of us to rethink our retirement dreams. Millions of Americans are asking themselves what really matters in life. They're looking for new meaning, and have a great desire to make something more of their lives in the decades ahead.

Dealing with today's problems is a challenge for all of us; to be hopeful when we've lost a lot of money and time, and to be encouraging when friends and relatives need our help or have lost their jobs. However, at our core, I believe that we are extraordinarily caring, inventive, and resilient. It's baked into our genetic code.

As we step up to meet today's times, there are some re-visioned rules for the new retirement that seem to be emerging:

It's time to start living within our means.

Not only have our corporate and government leaders made some profound blunders, but we've botched things up, too. Far too many of us have fantasized a style of life and a way of spending without matching them to a high degree of discipline and responsibility regarding the making, saving, and use of money. This new era of increasing longevity and economic restructuring calls for wiser long-term thinking and greater financial self-reliance among all of us.

Continued work may be good for both your spirit and pocketbook.

Should continued work be viewed as a failure? Absolutely not! In fact, studies consistently show that the majority of people who step to the sidelines and withdraw from a contributing life go through a period of sadness and profound disorientation. In contrast, retired people who stay productive and engaged—who reinvent themselves—are statistically happier, and healthier, and think of these as the best years of their lives.

Relationship planning is just as important as financial planning.

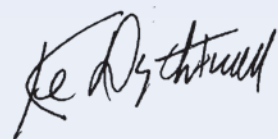
At the end of the day, it's not the things we own that nourish us, but rather the experiences and relationships we share. It's time to build deeper, stronger bonds with others, as we're rebuilding our "nest eggs." How do you create intimacies with family members who might live at a distance? How do you forge new friendships with people from different backgrounds or different generations? The art of creating purposeful relationships is something we can all benefit from.

Keep learning and growing to remain youthful.

Learning about new ideas, media and technologies; taking an interest in the lives of younger or older people; continually stretching yourself; trying new things; and growing are what will keep you on the most satisfying and most youthful path toward retirement. The fountain of youth is more likely to be found at the local community college than at the health spa.

Live your life with purpose.

In the popular media, a great deal has been said about how to live a long life, yet there's been far too little discussion about why to live longer and what to do and who to be to feel a sense of purpose and contribution. The longevity bonus we'll be receiving can be used throughout our life to provide a fantastic opportunity for volunteering, mentoring and philanthropreneuring—a time to prepare for leaving a legacy, and, perhaps even more importantly, living a legacy.



Ken Dychtwald, PhD

Founder and CEO, Age Wave

May 2009

ABOUT AGE WAVE

Age Wave is the world's leader in market analysis and innovative insights concerning the boomer and mature adult sectors. Drawing on over 30 years of experience, Age Wave has developed a unique understanding of the population's expectations, attitudes, hopes, and fears regarding retirement and maturity-related lifestyle and workstyle issues. Age Wave's Founder and CEO, Ken Dychtwald, PhD, is widely viewed as the nation's most visionary gerontologist/psychologist. He is the author of sixteen books including the just released *With Purpose: Going From Success to Significance in Work and Life* (Collins Life 3/09). For more information, please visit www.agewave.com.

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ENDNOTES

1 See <http://rethinkingretirement.schwab.com> for results from the 2008 *Rethinking Retirement*TM study.

2 Genworth Financial, *2008 Cost of Care Survey*.

3 With the combined impact of stock market losses and falling housing price values, many Americans have seen their net worth fall dramatically. According to the Center for Economic and Policy Research, for example, the leading-edge baby boomers (age 55–63), many of whom had planned to retire in the next several years, have seen their net worth fall by an astounding 47% in the past five years. For analysis see: Rosnick, David and Baker, Dean, “The Wealth of the Baby Boom Cohorts After the Collapse of the Housing Bubble,” Washington, DC: Center for Economic and Policy Research.

4 According to estimates from the Congressional Budget Office, for example, married couples who postpone their retirement from age 62 to age 66 will need over 40% less in retirement savings. See “Retirement Age and the Need for Saving,” Congressional Budget Office, May 2004, available at: <http://cbo.gov/ftpdocs/54xx/doc5419/05-12-RetireAgeSaving.pdf>.

5 For a discussion of the work-to-retirement ratio, see Alex J. Pollock, “Retirement Finance: Old Ideas, New Reality,” American Enterprise Institute, Financial Services Outlook, September 25, 2006.

6 Based on findings from *The Allianz Women, Money, and Power Study* conducted in 2006 by Age Wave in collaboration with Allianz Life Insurance Company and Harris Interactive.

7 Jump\$tart Coalition for Personal Financial Literacy. See www.jumpstart.org/state_legislation/index.cfm.

8 For an analysis of emerging best practices in recruiting, retaining, and motivating older workers, see *Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent* by Ken Dychtwald PhD, Tamara Erickson, and Robert Morison (2005).

9 For a discussion of new volunteer opportunities in later life, see *With Purpose: Going from Success to Significance in Work and Life* by Age Wave CEO Ken Dychtwald, PhD and Daniel J. Kadlec (2009).