

68%

Workers over 40 who regret not saving for retirement earlier

1 in 4

Workers over 40 who plan to work until too sick to continue

27%

Workers over 40 who need to win the lottery to survive in retirement

Half

Retirees forced to retire earlier than planned

# 2015 Wells Fargo retirement study

Highlights from a survey of attitudes about retirement

## Key insights

Wells Fargo commissioned a survey in 2015 of workers aged 40 and older and retirees to assess their attitudes and behaviors around planning, saving, and investing for retirement. Unsurprisingly, the survey found that people continue to struggle with saving for retirement, both setting aside enough money and starting their saving early enough.

Overall, many have not saved adequately for their retirement, leading to anxiety and pessimism about when they will be able to retire and the standard of living they will have.

### Some highlights of this report include:

- Many plan to bridge the gap between their retirement goals and their actual savings by working later into their 70s or increasing their savings rate later.
- Unfortunately, that catch-up strategy has risks: 49% of retirees were forced to retire earlier than planned.
- Saving for retirement was the highest priority for workers over 40, although actually sacrificing indulgences in favor of contributing proved difficult.
- People with a 401(k) tended to contribute and optimize their company match, which increased both their savings and their confidence about retirement.
- There is an opportunity to further educate 401(k) participants about saving and provide guidance on investing.

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## Retirement readiness

### Preparation varied among older workers

Working Americans nearing retirement differed widely in how much they had saved and how much they thought they needed for retirement. This was especially true of those aged 55 to 59 compared with those aged 60 and older. With an average of eight years apart, workers in their late 50s were better prepared for retirement than their older peers, having saved three times more.

Additionally, younger workers had higher—and perhaps more realistic—estimates of the amount needed for retirement and had saved a higher percentage of that goal. The workers in their late 50s began saving for retirement earlier than those over 60, perhaps a contributing factor to their higher retirement savings.

### Attitude also varied

Attitudes toward retirement also differed across these two age groups. Workers aged 55 to 59 were more optimistic: More believed they would have saved enough to live comfortably in retirement than those in the older group. In addition, those in their late 50s expected to retire earlier.

**3x more**

Workers aged 55 to 59 saved earlier and three times more

Chart 1: Retirement savings and attitudes

Saving profile	55–59	60+
Average age started saving (mean)	31	37
Expected retirement age (mean)	65	71
Amount saved for retirement (median)	\$150,000	\$50,000
Amount needed for retirement (median)	\$500,000	\$300,000
Savings toward retirement goal	30%	16.7%
Household investable assets (median*)	\$82,900	\$40,200
Beliefs (%)		
I will have enough savings to retire comfortably	62	51
I will need to work until I am at least 70	40	54
I can't pay my bills now and still save for retirement	28	41
I would need to win the lottery to retire	21	34
I'll never be able to retire—I'll be working until I die or am too sick to work	19	33

\*Median calculated from range selected by respondents

## All groups were anxious

There was anxiety around retirement, with some survey respondents believing they would need to win the lottery to survive and some believing their standard of living would decline. Attitudes were particularly pessimistic for the oldest workers.

Chart 2: Attitudes toward retirement (%)

	Workers age 40+					All retirees
	40-49	50-54	55-59	60+	All	
I will have enough savings to retire comfortably	63	52	62	51	58	61
My standard of living will go/went down	56	44	40	55	50	39
I'm afraid of outliving my assets	35	41	36	31	36	38
I need to win the lottery to retire	23	32	21	34	27	31
I won't have enough money to retire	26	26	23	35	27	30
I'll never be able to retire	24	29	19	33	26	20
I'd rather die early than not retire comfortably	18	15	25	23	19	27

33%

Workers over 60 who believe they will never be able to retire

## Saving challenges

### Retirement was a top priority

Despite anxiety surrounding retirement, or perhaps as a way to combat this anxiety, saving for retirement emerged as the top priority for this group. Other goals included paying student loan and credit card debts.

Chart 3: Biggest financial priority (%)

	Workers age 40+					All retirees
	40-49	50-54	55-59	60+	All	
Saving for retirement	29	37	49	39	36	4
Paying loans or credit cards	21	16	19	16	18	9
Supporting family members	16	14	11	12	14	8
Building an emergency fund	7	9	3	6	7	14
Saving for my home	6	6	2	5	6	5
Saving for education	5	5	3	–	5	2
Paying health care debts	4	3	3	7	4	13
Other	6	7	6	5	6	19
None	3	1	4	7	3	24
Not sure/refused	1	1	–	4	1	3

### But saving wasn't easy

While workers said saving for retirement was their top priority, 62% found saving harder than anticipated. More than one-third said they could not pay bills and save for retirement at the same time. Common reasons for not saving more included current expenses, debt, and not making enough money to save.

Despite wanting to save for retirement, few workers sacrificed much to do so. Similarly, few retirees gave up a lot to save for retirement despite both groups agreeing that sacrifices were worth making.

Chart 4: Sacrifices to save for retirement (%)

	Workers age 40+				All	All retirees
	40-49	50-54	55-59	60+		
I will/did sacrifice a lot	38	44	36	34	38	40
<b>Given up to extend saving</b>						
Big purchases, like cars or computers	51	36	26	34	40	32
Treats, like spas, golf, and jewelry	43	38	36	37	39	34
Eating out as often	36	31	23	29	31	33
Going on vacation	35	31	27	24	30	32
Going to special events	32	26	34	28	30	24
Nothing	25	38	39	49	35	38
Cutting expenses	55	61	56	33	53	46

### Playing catch-up

#### Many planned to work and save longer

Many people hoped to play catch-up to make up for not saving earlier for retirement. Some hoped to earn more in the future, some planned to save later, and some planned to work until age 70.

Chart 5: Plans to close the savings gap

Retirement savings profile (years)	Workers age 40+				All	All retirees
	40-49	50-54	55-59	60+		
Age started saving for retirement (mean)	27	30	31	37	30	36
Age of planned/actual retirement (mean)	64	66	65	71	66	61
Years of saving for retirement (difference)	37	36	34	34	36	25
<b>Agree (%)</b>						
I will earn more later	78	71	63	49	68	67
I will save later to catch up	47	44	33	21	39	NA
I will work in my 70s to stay active	51	52	53	61	54	71
I will work until I'm 70 out of need	52	52	40	54	51	51

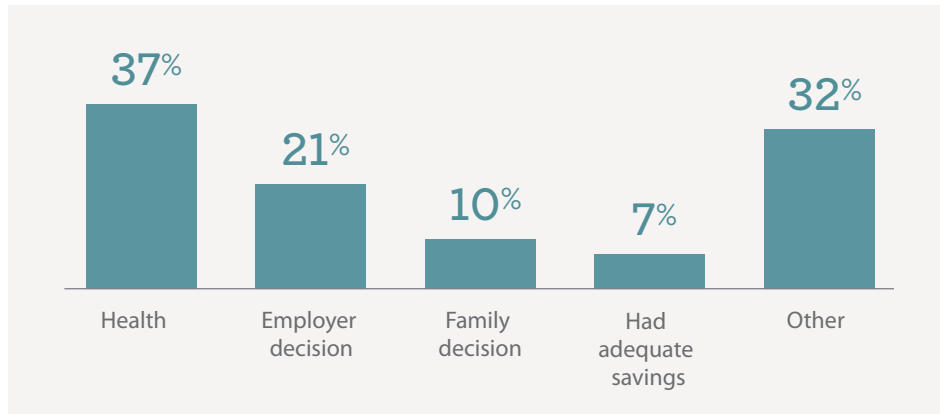
More than 50%

Workers over 40 who think they will need to work into their 70s

## But reality often intervened

Relying on working longer and saving later has risks: 49% of retirees stopped working sooner than expected due largely to reasons beyond their control, and 51% of retirees spent more on health care in retirement than anticipated.

Chart 6: Reasons for retirement when not by choice



Total exceeds 100% because survey respondents could select more than one answer.

## How to boost retirement savings

### An early start made a difference

When asked, 68% of workers over 40 wished they had started saving earlier for retirement. Further, only 45% saved consistently from when they started working, which made a significant difference. Those early, consistent savers had median savings 2.5 times those who did not save consistently.

Interestingly, household income level did not matter: 31% of those earning less than \$50,000 saved consistently since they began working.

### Automatic savings and tools help

Good intentions often give way to procrastination and inconsistent saving. Setting up automatic contributions to retirement accounts and providing access to calculators and budgeting tools could encourage consistent saving.

### Having a written plan is an advantage

Only 40% of workers over 40 and 44% of retirees had a written plan for retirement. For most workers, a retirement plan consisted of participating in a 401(k) or other employer-sponsored plan (38%) or working with a financial professional (30%). Given the correlation between a written plan and successful saving, having a plan could help close the savings gap.

**2.5x more**

Median assets  
amassed by  
consistent savers

Late savers	\$60,000
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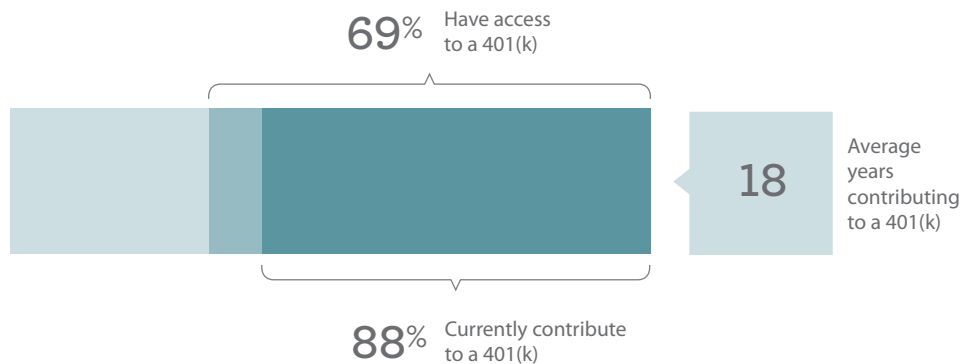
Consistent savers	\$160,000
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## 401(k) power

### Access was widespread and participation long-lived

Most of those surveyed with access to a 401(k) or other employer-sponsored retirement plan were contributing to their plan. Only 31% lacked access to an employer plan. Those who were contributing to a 401(k) had done so for a significant length of time.

Chart 7: 401(k) profile for workers over 40



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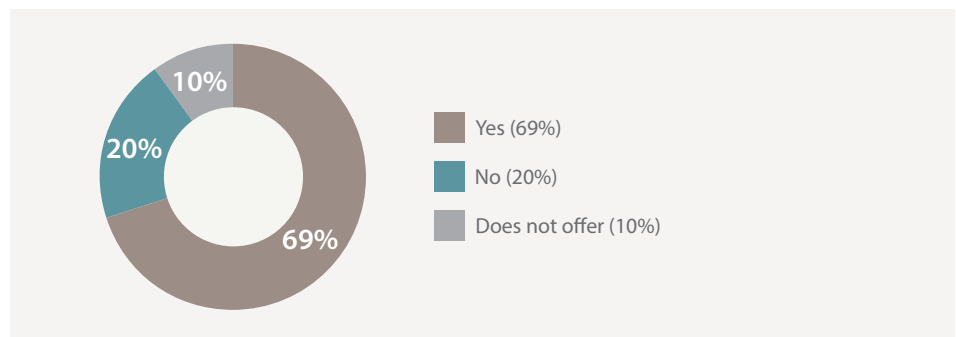
*Employers could consider targeting communications to this audience to encourage participation.*

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### A company match was encouraging

Among workers who contributed to a 401(k), the median contribution amount was 10% of their salary. Unfortunately, 20% were not taking full advantage of their company's matching contribution and leaving free retirement dollars on the table.

Chart 8: Maximizing company match



### 401(k) participants were confident and grateful

Workers over 40 who participated had highly favorable sentiment toward their 401(k). The majority felt more secure about retirement, and many noted that they would not have saved for retirement without a 401(k).

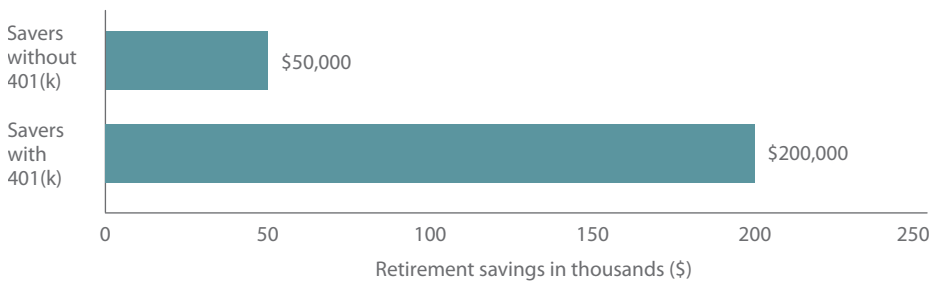
Chart 9: Attitudes about 401(k) investing (%)

	Workers age 40+				All retirees
	40-49	50-54	55-59	60+	
Feel secure about retirement due to 401(k)	92	76	79	82	NA
Wouldn't have saved much without 401(k)	78	76	72	71	63
Satisfied with 401(k) for saving	78	71	72	61	59
Think 401(k) fees are worth it	75	75	65	60	56
Saved enough in 401(k) for retirement	63	59	63	59	56
Think 401(k) fees are not worth it	33	42	41	36	47
Would save if had access to 401(k)	59	75	60	37	57

### 401(k) participants saved more

Consistent savers with a 401(k) saved four times more for retirement than consistent savers without access to a plan.

Chart 10: Workers with a 401(k) save more than those without



4x more

Amount saved by workers with a 401(k)

### The big opportunity is education

Despite high satisfaction levels with 401(k) plans, there is an opportunity to provide guidance on saving and investing. In fact, 53% of those over 40 and 66% of retirees would have liked more help from their 401(k) plan. Employers and plan sponsors may consider providing tools and resources to educate participants about saving behaviors and investment choices.

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## About the survey

On behalf of Wells Fargo, Harris Interactive, an opinion polling firm known for the Harris Poll, conducted a telephone survey of 851 working Americans (aged 40 and older) and 400 retirees to gauge attitudes and behaviors related to retirement. The surveys were completed between July 13, 2015, and August 10, 2015. Workers were employed full time or at least 20 hours if working part time or self-employed. Retirees self-identified. The median annual household incomes were \$87,000 for those aged 40 to 49; \$91,000 for those aged 50 to 54; \$100,000 for those aged 55 to 59; and \$70,000 for those over 60.

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