

A changing outlook on retirement and retirement plans

Top 10 learnings from the 2020 TIAA Retirement Insights Survey



2020 was a year of unprecedented disruption for plan sponsors and their constituents. Market fluctuations, employment disruptions, and other challenges to both physical and financial wellness created widespread uncertainty causing both plan sponsors and plan participants to rethink the objectives, purposes, and uses of their retirement plans. Through our *2020 TIAA Retirement Insights Survey*, we found that attitudes and outlooks among plan sponsors and plan participants have changed since our 2018 study, in some cases dramatically.

A focus on wellness: health and financial

More than 1,500 plan participants and plan sponsors shared their views on retirement, saving, planning for their financial future, and how our changed world is impacting their views. We'll explore the top 10 learnings from the *2020 TIAA Retirement Insights Survey*—including the continuing importance of lifetime income in retirement—along with opportunities you may consider for enhancing plan design and employee engagement.

- 1. Plan sponsors tend to think plan participants are more knowledgeable** about retirement planning than they really may be—which could result in fewer resources for communications and education. In 2020, plan sponsors were less concerned about a lack of financial education (54% in 2020 vs. 61% in 2018). Nearly half (47%) of plan sponsors consider plan participants to be above average in their ability to plan for retirement, yet only 24% of employees would say the same. If plan sponsors tend to inflate the financial and investing knowledge of their own employees, especially regarding retirement planning, this can lead to under-serving on resources, education, and the guidance employees are seeking to build knowledge and confidence.

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Among those who have in-plan guaranteed annuities, plan sponsors and plan participants value access to guaranteed income in retirement through in-plan options.



Plan sponsors



Plan participants

- 2. Concern among plan sponsors is shifting** about specific areas of retirement planning—away from longer-term concerns to shorter-term concerns—highlighting worries specific to the past year in crisis. Weighing most heavily on the minds of plan sponsors was the concern for those plan participants who took early withdrawals and loans for emergency funding last year, with 61% concerned about the corresponding tax penalties (up from 42% in 2018). Half of the plan sponsors surveyed were concerned about insufficient diversification, up from 27%. These actions among plan participants were likely a reaction to the market volatility that resulted from the impact of COVID-19 on global economies. A sustained focus on short-term concerns may distract plan sponsors from important longer-term issues such as financial education and whether plan participants are saving enough or might outlive their savings.
- 3. Saving for retirement is important to all, but priorities vary based on age.** While 64% of all plan participants consider saving for retirement a major financial goal, only about half of plan participants under age 30 feel it is a priority. Plan participants aged 25-39 are more concerned about paying off debt and managing day-to-day expenses. The role age plays in prioritizing retirement savings speaks to the need for diversified messaging to improve engagement and education on issues of concern that distract from retirement planning.
- 4. Plan sponsors and employees have different perceptions of plan sponsor commitment to caring for financial wellness.** The COVID-19 crisis has shifted the focus of plan sponsors and employees alike. Nearly three-quarters of plan sponsors feel highly responsible for both employee financial wellness and employee retirement preparedness. However, only about one in five plan participants are registering that from their plan sponsors, feeling the focus is mainly on physical, not financial, wellness.
- 5. COVID-19 has increased plan sponsors' focus on health/safety, financial wellness, and retirement preparedness.** Among plan sponsors, 82% have an increased focus on the health and safety of employees, 69% have a greater focus on improving financial wellness, and 60% have a greater focus on retirement preparedness. Plan participants primarily see only the effort on health. While 75% say their employer has increased focus on their health and safety, only 32% say their employer has a greater focus on improving financial wellness, and only 25% say their employer has a greater focus on retirement preparedness. This gap may leave plan participants feeling adrift at a time when they are seeking guidance and education.
- 6. Retirement savings is by far the most common area that companies are working on to help employees.** Three-quarters of plan sponsor respondents said they are actively working to help employees improve their retirement savings, with 401(k) plan sponsors more likely than 403(b) plan sponsors (78% vs. 60%) to be currently working toward this goal. Plan sponsors could still use help: 44% consider it an area they could use the most assistance with to better help plan participants improve their financial wellness. And debt management/debt counseling ranks equally high in terms of areas of needed help, despite being a less common area of attention currently.



Only 2 in 5 plan participants are financially planning beyond one year.

This is particularly true within the 22-39 age group. Plan participants in their 30s are especially interested in financial/retirement resources, expressing an interest in tools, education and support that would help them visualize the retirement lifestyle they would want, develop a strategy, and plan to pursue those goals.

- 7. The volatility of the year has likely driven plan participant activity and engagement.** Even in the midst of such unprecedented volatility, plan participants continued to increase plan contributions: 3 in 10 increased their contribution in 2020. Likely driven by the same volatility, more than 3 in 4 plan participants have checked on their account balance in 2020. Their feedback demonstrates that employee engagement is more than enrollment: resources, education, and consultation move employees to action. There are opportunities, then, to amplify engagement with tools and information. In general, plan participants found retirement income projections to be valuable resources: 48% said an income projection or calculator motivated them to increase their contribution. Among those who saw a projection, 61% considered it helpful.
- 8. More plan sponsors see retirement plans going beyond simply accumulation.** The shift in perspective continues as more embrace the plan as a vehicle that should provide income throughout retirement. Among plan sponsors, three times as many—38% vs. 12%—say the purpose of their plan is to provide secure income throughout retirement, rather than serve only as an accumulation vehicle. Half view it as both a savings and an income vehicle. In fact, plan sponsors identified “enabling adequate income replacement” as the biggest influence on overall plan design—a view more likely to be held by 403(b) plan sponsors than 401(k) plan sponsors (46% vs. 30%).
- 9. A program offering ways to obtain guaranteed income would be highly valued by both plan sponsors and plan participants.** Among both plan sponsors and plan participants, 7 in 10 see the greatest value in programs that offer opportunities for guaranteed income in retirement. Plan sponsors also see value in guidance for plan participants on how much to save, preretirement planning programs, and educational resources about personal finance. The majority of plan participants (nearly 75%) say they’d like more information about their plan or retirement savings in general, and nearly half expressed a desire for more personalization in the education, information, and advice they get.
- 10. Guaranteed lifetime income is considered critical to financial wellness.** 403(b) plan sponsors outpace 401(k) plan sponsors in perception and implementation of lifetime income. They are more likely to be familiar with in-plan guaranteed lifetime income (GLI) annuities and retail annuities (73% vs. 59% and 68% vs 50%, respectively); more likely to offer in-plan GLI annuities (79% vs 44%); and more likely to consider retirement income as a top reason for offering the plan (53% vs. 35%). Of the plan sponsors who offer GLI options, 86% consider them to be highly valuable for plan participants and 71% think the average plan participant would be interested in them. While plan participants aren’t quite as enthusiastic, 51% say they would be interested in an in-plan GLI annuity. Plan sponsors feel that a lack of interest in GLI annuities may reflect a lack of understanding. Nearly half of plan sponsors who do not offer GLI annuities say the SECURE Act increased their interest in offering them.

Summary

The pandemic had a clear and measurable impact on the perceptions and values of both plan sponsors and plan participants. The trajectory and duration of these shifts in perceptions, engagement, and opportunity remain to be seen. One thing is certain: This is a unique moment for plan sponsors to harness the increased awareness and engagement triggered by COVID-19 to advance participation, improve outcomes, and communicate the value of guaranteed lifetime income in their plan design.

Learn more about what's on the minds of plan sponsors and employees, and get more insights on how this may affect your retirement plan. Please contact the TIAA 401(k) Income Solutions team: TIAA_DCIO_Support@TIAA.org.



Methodology

The 2020 TIAA Retirement Insights Survey was an online survey of:

- 1,005 plan employees, between the ages of 25 to 70, employed full-time at a company that has at least 50 employees, and currently contributing to a 401(k) or 403(b) plan. The survey included 204 403(b) employees and 801 401(k) employees.
- 502 plan employers who are employed full-time at a company that has at least 50 employees and offers a 401(k) or 403(b) plan. The survey included 251 403(b) plan employers and 251 401(k) plan employers.

The survey was conducted by Greenwald Research on behalf of TIAA.

The participant survey was fielded from October 26 to November 2, 2020. These results are weighted by gender, age, personal income, education, company size, race/ethnicity, and 401(k)/403(b) plan type to reflect the distribution of American plan employees in this segment.

The sponsor survey was fielded from October 26 to November 5, 2020. These results are weighted by company size and 401(k)/403(b) plan type.

Any guarantees are backed by the claims-paying ability of the issuing company.

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