

2002 Transamerica Small Business Retirement Survey Key Findings

The 2002 Transamerica Small Business Retirement Survey is the first survey released by the Transamerica Center for Retirement Studies as part of its ongoing mission to monitor and understand retirement issues facing the small business community. The survey was conducted by telephone by Harris Interactive® between October 1 and October 17, 2002 and included 300 small business executives and 765 full-time small business employees (ages 18+)¹. The companies varied in size from 10 to 500 employees. Full results of the survey are available through the Transamerica Center for Retirement Studies, at <http://www.ta-retirement.com/thecenter>.

The Importance of Retirement Plans: Recruitment and Retention

- **67%** of employers feel employee-funded retirement benefits are very/somewhat important in attracting employees
 - However, of those employers that do not offer a plan now, **nearly half (44%)** say they are not at all likely to offer a plan in the next two years
- Among employees, retirement benefits rank second in importance behind health benefits
 - **90%** of the employees say a 401(k) or other employee-funded retirement plan is very/somewhat important to them, compared to **97%** for health insurance coverage
- **55%** of employees whose current job does not offer a retirement plan report they would be very/somewhat likely to leave their company for a job in a similar company that does offer a plan.

67% of employers offer 401(k) plans or other employee-funded retirement savings plans to their employees

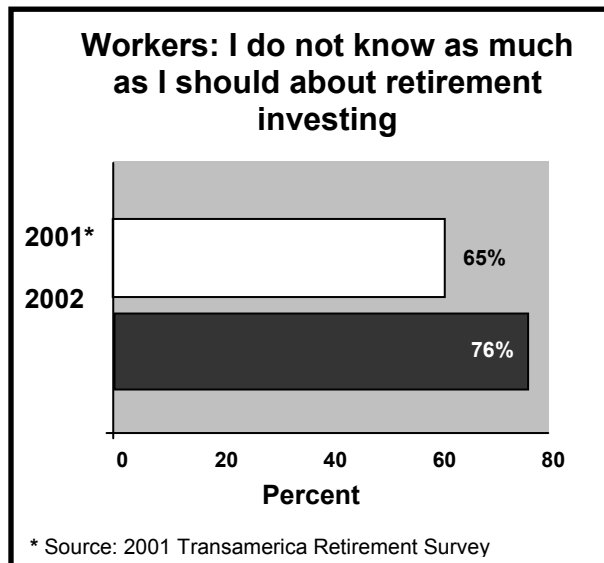
69% of employees participate in an employee-funded retirement savings plan

90% of employees ranked employee-funded retirement plans as very/somewhat important

Average percent of salary contributed to a 401(k) is 9%

¹ With a probability sample of this size, one can say with 90 percent certainty that the results have a statistical precision of plus or minus 4.7 percentage points for the employer sample of what they would be if the entire small business employer population had been polled with complete accuracy. For the employee sample, at 90 percent certainty, the statistical precision is plus or minus 3.0 percentage points.

Retirement Education and the Perception Gap



- **Three-fourths (76%)** of employees agree that they don't know enough about retirement investing, versus **65%** in 2001
 - **Nine out of ten (91%)** employers suspect that their employees don't know enough about retirement investing
- **61%** of employees stated that they would prefer to rely on an outside expert to manage their investments, versus **45%** in 2001
- **One-third (32%)** of employees strongly agree that they want to receive more information or advice about reaching their retirement goals from their employer
 - Just 20% of employers recognize this strong preference
- **84%** of employers suspect their employees won't be able to meet their financial retirement goals by age 65
 - Yet little more than half of employees (**56%**) believe this of themselves

Reaction to Current Events

- Despite the market downturn, **nearly three-fourths (73%)** of employees would choose an employee-funded plan with a company match like a 401(k) over a company-funded pension plan.
- In response to the economic slowdown in the past 12 months, employers have:
 - downsized (**30%**)
 - frozen salaries (**20%**)
 - eliminated bonuses (**11%**)
 - reduced or eliminated non-retirement benefits (**8%**)
 - reduced or eliminated retirement benefits (**5%**)
- More Baby Boomers than Gen Xers (**39% vs. 30%**) think their retirement age will be further away because of the economic downturn
- **76%** of employees did not change their retirement plan contributions at all during the last year, while **18%** increased their contribution
- In the past year, **20%** of employees changed asset allocation; of those:
 - **66%** moved dollars into lower risk funds
 - **35%** moved dollars into higher risk funds
 - **31%** moved dollars into similar risk funds
 - **28%** moved dollars out of company stock

**Employees more often strongly agree than employers that there should be increasing government regulation of retirement plans:
47% versus 31%**

- **15%** moved dollars into company stock