
Transamerica Small Business Retirement Survey

Summary of Findings

November 11, 2002

TRANSAMERICA CENTER
FOR RETIREMENT STUDIESSM



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Background and Objectives

- The Transamerica Center for Retirement Studies (The Center) has been established by Transamerica Life and Annuity Company to promote knowledge and understanding of retirement issues, particularly those facing employers and workers in small to mid-sized companies.
- Transamerica commissioned Harris Interactive to conduct surveys in Fall, 2002 among employers and workers in these companies. The surveys were designed to meet two of the Center's goals:
 - Monitor and report on emerging retirement trends, *and*
 - Analyze employer and employee-related retirement issues.
- Transamerica commissioned three previous surveys of workers and employers in 1998, 2000, and 2001. Findings from each of these surveys were also publicly released.
 - Analyses of previous survey results regarding workers focused on Baby Boomers and Gen Xers. The current study continues that focus.
 - The 2002 study was designed to explore new and timely issues concerning retirement planning and security and to revisit key questions asked in prior waves.

Methodology

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Study Statistics

- Telephone interviewing was used for both employer and worker segments.
 - RDD (random digit dial) worker sample was purchased from Survey Sampling.
 - Qualified respondents reside in the dialed household and currently are employed full time in a company with 10-500 employees. Employees of public/government agencies were excluded.
 - Minimum age for participation was 18 years.
 - *Screening criteria for previous waves are included in the Appendix.*
 - Employer sample stratified by employee size was purchased from Dun & Bradstreet.
 - Qualified respondents work at companies with 10-500 employees and have a role in decisions about employee benefits.
 - The sample excluded government, public administration, schools and religious organizations.
 - *Screening criteria for previous waves are included in the Appendix.*
 - Telephone interviewing began 10/1/02 and continued through 10/8/02 for employers and through 10/17/02 for workers.
 - Final sample sizes and related precision levels (90% confidence) are:
 - 300 Employers, $\pm 4.7\%$
 - 765 Workers, $\pm 3.0\%$
 - The Worker survey averaged 16 minutes; the Employer survey averaged 13 minutes. These statistics include screening time.



Reporting the Data

- This report uses the following terminology for types of retirement plans:
 - **An Employee-funded Plan** is a ‘401(k) or other employee self-funded plan in which the employee contributes to their retirement accounts and that may include company matching funds. These include 401(k)’s, 403(b)’s, SIMPLE, SEP, or some other type of plan.’
 - **A Company-funded Plan** is a ‘Company-funded pension plan, that is a retirement plan in which retirees are provided a set benefit at retirement or receive regular contributions to a retirement plan, such as a profit-sharing plan.’
- Significance testing was performed at the 90% confidence level.
 - All differences noted are statistically significant. A indicates a significant difference.
- Proportions may not add to 100% due to rounding or where ‘don’t know/refused’ responses are not explicitly shown or where multiple responses were allowed.
- All findings (means, medians, and proportions) are reported weighted; sample sizes are reported unweighted.
 - Employer data were weighted based on employee size distributions reported by Dun & Bradstreet within the 10-500 employee size range.
 - Worker data were weighted using the Harris Interactive demographic targets that are standard for the Harris Poll surveys. These include gender, age, education, ethnicity, region, household size, and number of phone lines. In addition, the worker sample was weighted to reflect the distribution of employees in 10-500 employee businesses.
 - Where sample sizes are extremely small, number of mentions are reported.

Key Findings - 2002

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Workers Have a Positive Economic Outlook for Themselves

- Workers in U.S. small businesses in Fall, 2002 are engaged with news about the economy. Nearly all (84%) pay some attention to news about the economy and more than one-third pay a great deal of attention (37%).
- Workers believe that they personally fared better financially than the national economy in the year after September 11 and they believe they will prosper more in the next twelve months than they did in the last year.
 - Few workers (only 8%) believe the U.S. economy improved in the last year but more than three times as many (28%) say their own financial situation improved. Going forward, a substantial 40% believe the national economy will improve, closer to the one-half (53%) who forecast improvements for themselves.
- This personal optimism is also reflected in workers' confidence that they can achieve a comfortable retirement lifestyle - nearly three-fourths (70%) are at least somewhat confident they can meet this goal.
 - Worker optimism is not shared by their employers, however, with only half (48%) of employers believing their workers are this confident about their financial future.
- Although substantial majorities of both employers (80%) and workers (74%) agree that smaller companies today are at least somewhat concerned with helping their workers attain a financially secure retirement, there is a significant difference in the level of agreement.
 - Workers and employers both report significant increases in concern about worker security over the past year. This is not encouraging given the economic uncertainties and fluctuations of the past year. Employers are taking some responsibility for the long-term financial situation of their workers.



Retirement Plans Are a Key Factor in Hiring and Retaining Workers

- As a result of the economic downturn, many small businesses have faced difficult decisions. Although downsizing and reducing salaries/bonuses have been necessary, very few companies (6%) have reduced or eliminated retirement plans for their workers. One reason for the stability of the plans may be the recognition of their importance to employees and their key role in attracting and retaining workers. The study paints a positive picture for the continued success of employee-funded retirement plans in meeting the needs of both workers and employers.
- The large majority of employers know that these retirement plans are important in attracting and retaining workers (67% very/somewhat important in attracting workers and 72% with that rating for retaining workers). Additional findings include:
 - More than half (55%) of employees who do not currently have a plan are at least somewhat likely to search for other employment that does offer a plan.
 - But, in spite of their recognition of the importance of plans to workers, only one-fourth (27%) of employers who do not now offer a plan are at least somewhat likely to begin to offer a plan in the next two years.
- As they have in previous Transamerica studies, when given a choice between two jobs - one with a lower salary than expected but excellent retirement benefits and the other with a higher salary but poor retirement benefits – workers continue to prefer the lower salary/better benefits option. The margin of preference is narrower in 2002 than in previous years, but still clear with 53% choosing better benefits and 44% choosing the higher salary.



Retirement Plans Are a Key Factor in Hiring and Retaining Workers, cont'd.

- Employers believe workers will choose differently - two-thirds (65%) believe workers will choose the higher salary and less than half that number (29%) believe they will choose better benefits.
 - Employer responses are likely based on what they hear from job applicants and departing employees. To the extent that workers state their real reasons for employment decisions to the hiring company or in the exit interview, employer perceptions may be more predictive of actual behavior.
- In contrast, workers and employers agree on worker preferences between employee-funded and company-funded plans.
 - When given a choice between two jobs - one with an employee-funded company-matched 401(k) plan and the other with a company-funded plan, workers prefer the employee-funded plan. The margin of preference is more than three-fold, with 73% choosing the employee-funded plan over just 21% who choose the company-funded plan.
 - Employers believe workers will choose similarly – more than two-thirds (71%) believe workers will choose the employee-matched company-funded plan while one-fourth (24%) believe they will choose the company-funded plan.
- It is clear that to be competitive in the marketplace for talented workers, companies must offer a retirement plan, preferably an employee-funded plan with a company match included.
 - Offering this type of plan benefits both parties: workers can save for their retirement and maintain ownership and control of their savings; at the same time, employers can reduce their costs, transfer the investment risk from themselves to their employees, and likely increase worker satisfaction and loyalty.



Employee-Funded Retirement Plans Continue to Be Important to Workers

- Workers clearly attach high importance to employee-funded retirement plans, with nearly all (90%) rating them very/somewhat important. Employers underestimate the importance of these plans to their workers, estimating that just three-fourths (74%) rate the importance so highly.
 - The ‘very important’ ratings differ by a factor of two: 51% of employees give this rating but employers believe only 27% feel this strongly.
- The existence of an employee-funded plan is associated with greater confidence in a worker’s ability to achieve a comfortable retirement, regardless of whether the employee participates or not. Three-fourths of those with a plan are very/somewhat confident about their retirement compared to two-thirds of those with no plan.
- Workers also highly value a company match with nearly as many (88%) rating a match very/somewhat important (half (52%) rate it very important).
- Consistent with their job choice preferences, workers rate employee-funded plans more important than company-funded plans (51% vs. 41% very important, 90% vs. 83% very/somewhat important).
 - A smaller proportion of small businesses offers a company-funded plan, just one-fourth (27%). For the employer, an employee-funded plan is likely to be less expensive.
 - For the worker, a self-funded plan offers more control over the investments. It also offers portability when changing jobs, a key consideration in an uncertain economy.
- Currently about 7-in-10 (67%) small businesses offer an employee-funded plan to their employees and about the same proportion (69%) of workers participate. A majority of employers offer a match to participants (66% reported by employers). The average percentage of salary contributed is 9%.



Attitudes Differ Between Workers and Employers

- Workers and employers were asked their agreement with several statements about worker retirement planning in general and about management of the company plan. Several areas emerged where the two groups hold very different views. In general, employers have a less favorable view of their employees financial interests and activities.
- In general, workers themselves are more positive about their retirement planning than their employers are about the perceptions and status of their workers.
 - Workers recognize they need more education about investing and would like their employer to take a role in this education. Employers see a greater need for education and are less aware that workers would like them to provide the education
 - Don't know enough – workers 76% agree strongly/somewhat vs. 91% of employers
 - Want employer to take a role – workers 32% agree strongly vs. employers 20%
 - Fewer workers say they are inclined to postpone preparations for retirement than their employers think. Less than one-third of workers (29% strongly/somewhat) admit a preference for postponing retirement planning but 72% of employers see workers with this mindset.
 - Even though over half (56% strongly/somewhat) of workers think they cannot meet their retirement needs by age 65, a larger proportion of employers (84%) feel this way.
 - Employers underestimate the level of involvement of their workers with managing their investments. More workers (67%) than employers (56%) strongly/somewhat agree that they are very involved in these activities.
 - Twice as many workers as employers disagree with the statement that they prefer outside experts to monitor and manage their retirement accounts (38% workers vs. 20% employers).



Attitudes Differ Between Workers and Employers, cont'd.

- Not surprisingly, workers see a larger role for government in governing retirement plans to safeguard worker interests (47% of workers vs. 31% of employers. Workers also more strongly believe that government should ban the use of company stock in the plan match (14% of workers vs. 8% of employers). Employers are naturally resistant to additional regulation.
- On topics related to the existing employee-funded plan, workers are more negative than their employers.
 - Nearly all employers (96%) believe they have the best interests of employees in mind, but fewer workers (87%) agree.
 - Most employers (75%) believe they give out accurate plan information but only 62% of workers agree.
 - But, both groups agree concerning whether the plan exposes workers to significant financial risk (about 30-32%) and concerning accurate disclosure of administrative costs (about 65-67%).

Key Trends - 1998 to 2002

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Key Trends - 1998 to 2002

- All four surveys explored attitudes about retirement, the role of employer retirement plans in retirement planning, and financial preparedness.
 - Although each year the sample design and qualification criteria were modified, several key themes have emerged..
- When offered the choice between a job offering a better salary but less favorable retirement benefits and one with a lower salary but better retirement benefits, workers consistently prefer the lower salary/better benefits option.*
 - In 2002, workers' preference for the lower salary job was less extreme than in earlier studies with 53% choosing the lower salary and 44% choosing the higher salary.
 - In all previous waves, workers preferred the lower salary job by a wider margin (approximately 60% to 40% in 1998 and 2000 and 57%-36% in 2001). The change in preference from from 2001 to 2002 is not statistically significant however.
 - The decrease in preference for better benefits this year is likely related to market performance. Workers are no longer seeing double-digit increases in plan balances; this finding may reflect disillusionment with the market.
- Employers continue to recognize the importance of retirement benefits to their workers.* In 2002 over half (51%) rated an employee-funded plan as very important to their workers, while in 2001 about the same proportion (46%) gave this importance to pension/retirement plans. Again, this is not a significant change.

*Please refer to the Appendix for comparisons of study methodologies.



Key Trends - 1998 to 2002, cont'd.

- Employers' perceptions of their workers financial preparedness for retirement became slightly more positive during the last turbulent year.*
 - In 2002, about two-fifths (44%) of employers are very/somewhat confident that their workers will be able to achieve a comfortable lifestyle in retirement; another one-tenth (9%) are not at all confident.
 - In 2001, two-fifths (40%) of employers reported their workers were very/somewhat prepared for retirement; a significantly higher proportion (15%) were pessimistic and reported their workers were not at all prepared.
- Despite the uncertain and difficult economic times, an equal proportion of workers continues to say they are saving for retirement outside any work-related retirement plan - 59% in 2002 and 61% in 2001.

*2002: Asked confidence that workers can achieve comfortable retirement lifestyle, Top 2 Box % (strongly/somewhat confident) shown.

2001: Asked how well prepared employees are for retirement, Top 2 Box (% very/somewhat well) shown.

Please refer to the Appendix for comparisons of study methodologies.



Key Trends - 1998 to 2002, cont'd.

- Workers rated themselves on several statements about financial planning and management.*
 - Two statements showed significant shifts from 2001 to 2002 that reflect the recent economic downturn and market fluctuations. Workers appear to be less confident of their knowledge about investing and their ability to manage their retirement investments.
 - *'I do not know as much as I should about retirement investing'* - 76% agreement in 2002 vs. 65% in 2001.
 - *'I would prefer to rely on outside experts to monitor and manage my retirement planning'* - 61% agreement in 2002 vs. 45% in 2001.
 - Workers' attitudes on a number of issues have not changed in the last year. These include:
 - *'I currently am very involved in monitoring and managing my retirement savings.'* - 67% in 2002 vs. 71% in 2001.
 - *'I could work until age 65 and still not save enough to meet my retirement needs.'* - 56% in 2002 vs. 54% in 2001.
 - *'I prefer not to think about or concern myself with retirement investing until I get closer to retirement age.'* - 29% in 2002 vs. 25% in 2001.

*2002: Asked agreement/disagreement with statements, Top 2 Box % (strongly/somewhat agree) shown.

2001: Asked how well each statement describes self, Top 2 Box (% describes very/somewhat well) shown.

Please refer to the Appendix for comparisons of study methodologies.

Detailed Findings - 2002

Retirement Benefits

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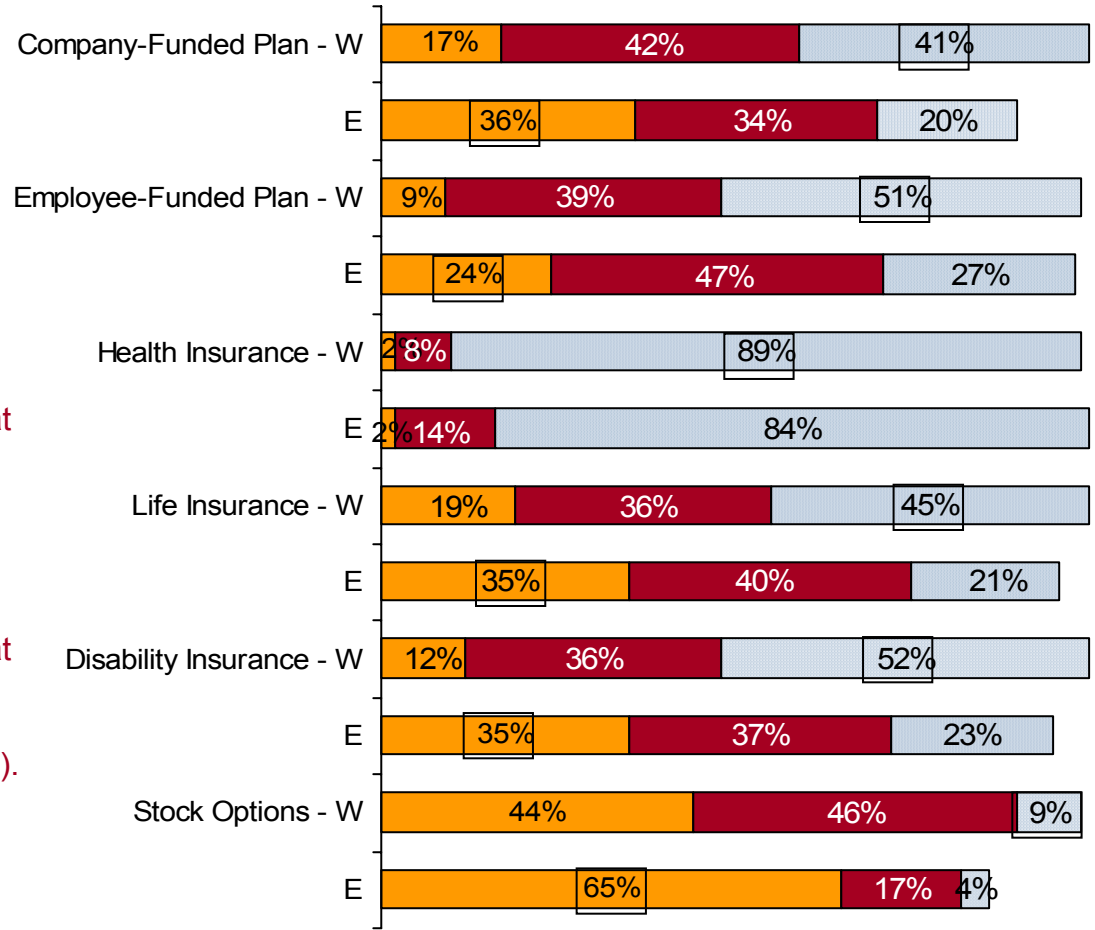
Importance of Retirement Plans

- While health insurance is the most important benefit to workers, retirement plans are rated very/somewhat important nearly as often (health 97% vs. employee-funded plan 90%).
 - Health insurance however is rated very important much more often - 89% vs. 41%.
- Employee-funded plans have a significant edge in importance over company-funded plans among workers.
 - Employee-funded: 51% very important, 90% very/somewhat important.
 - These plans are equally important to Baby Boomers and to Gen Xers (54% very important).
 - They are more important to those who save outside of work (57% vs. 44%).
 - Higher-income workers attach more importance to employee-funded plans as well (60% with \$50K+ income vs. 44% with lower income).
 - Company-funded: 41% very important, 83% very/somewhat important.
 - These plans are more important to Baby Boomers than to Gen Xers (49% very important vs. 33%).
- Employers underestimate the importance of these benefits to their employees.
 - Employee-funded: employers say only 27% of employees would say very important, 74% very/somewhat important.
 - Company-funded: employers say only 20% of employees would say very important, 54% very/somewhat important.



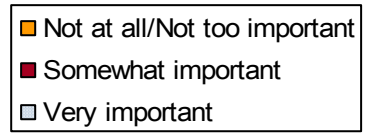
Importance of Benefits to Workers

Larger employers perceive that their workers attach more importance to retirement plans: 87-88% very/somewhat important for employee-funded plans (50+ workers) and 69% very/somewhat for company-funded plans (100+ workers).



W - Workers
E - Employers

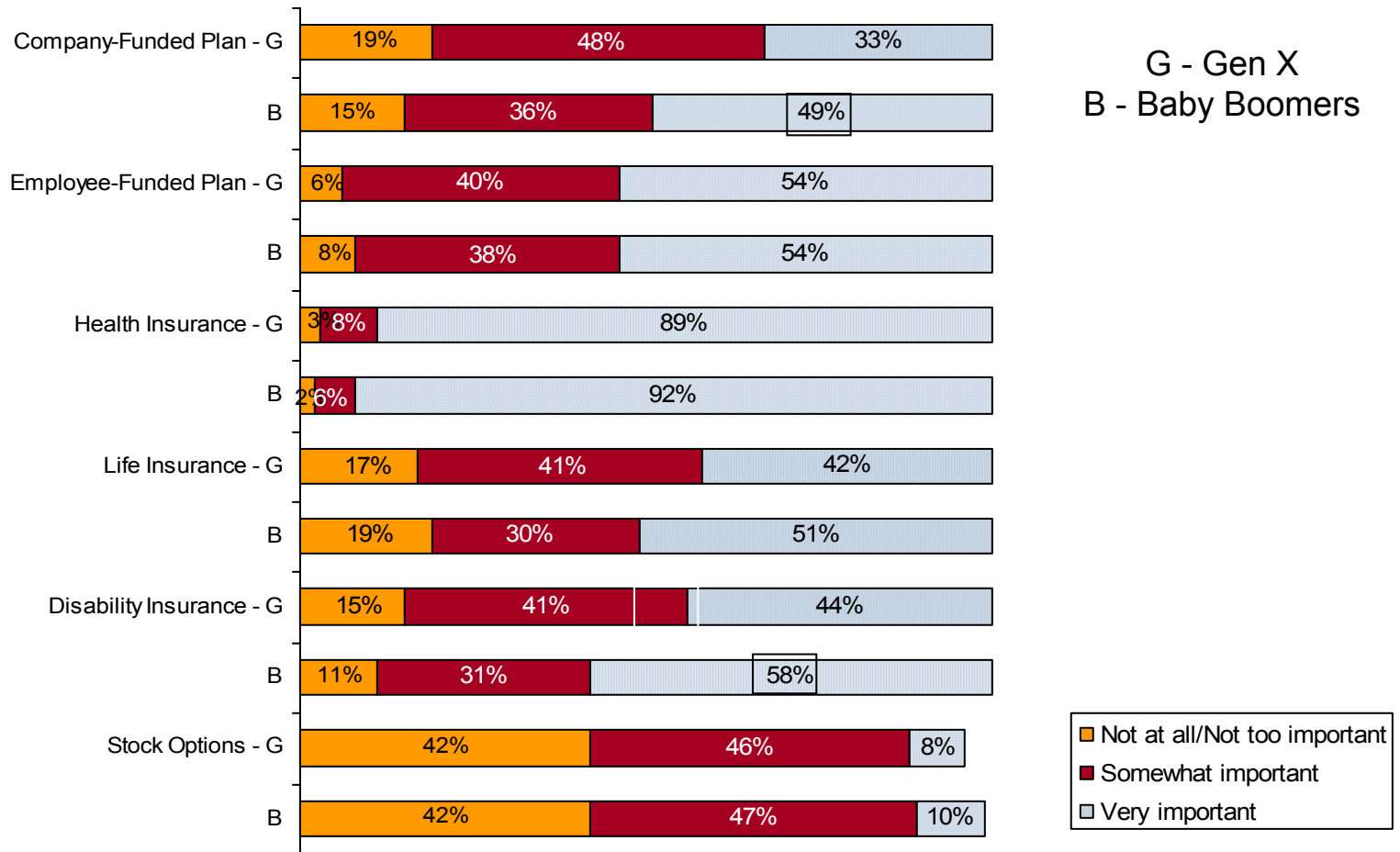
Health insurance is clearly most important to workers. Both life insurance and disability insurance are rated about as important to workers as retirement plans.



W Q26 Please tell me how important each benefit is to you. Base: All respondents (n=765)
E Q5 Please tell me how important you think that benefit is to your employees. Base: All respondents (n=300)



Importance of Benefits to Workers, cont'd.



W Q26 Please tell me how important each benefit is to you. Base: All respondents G: n=320; B: n=351)



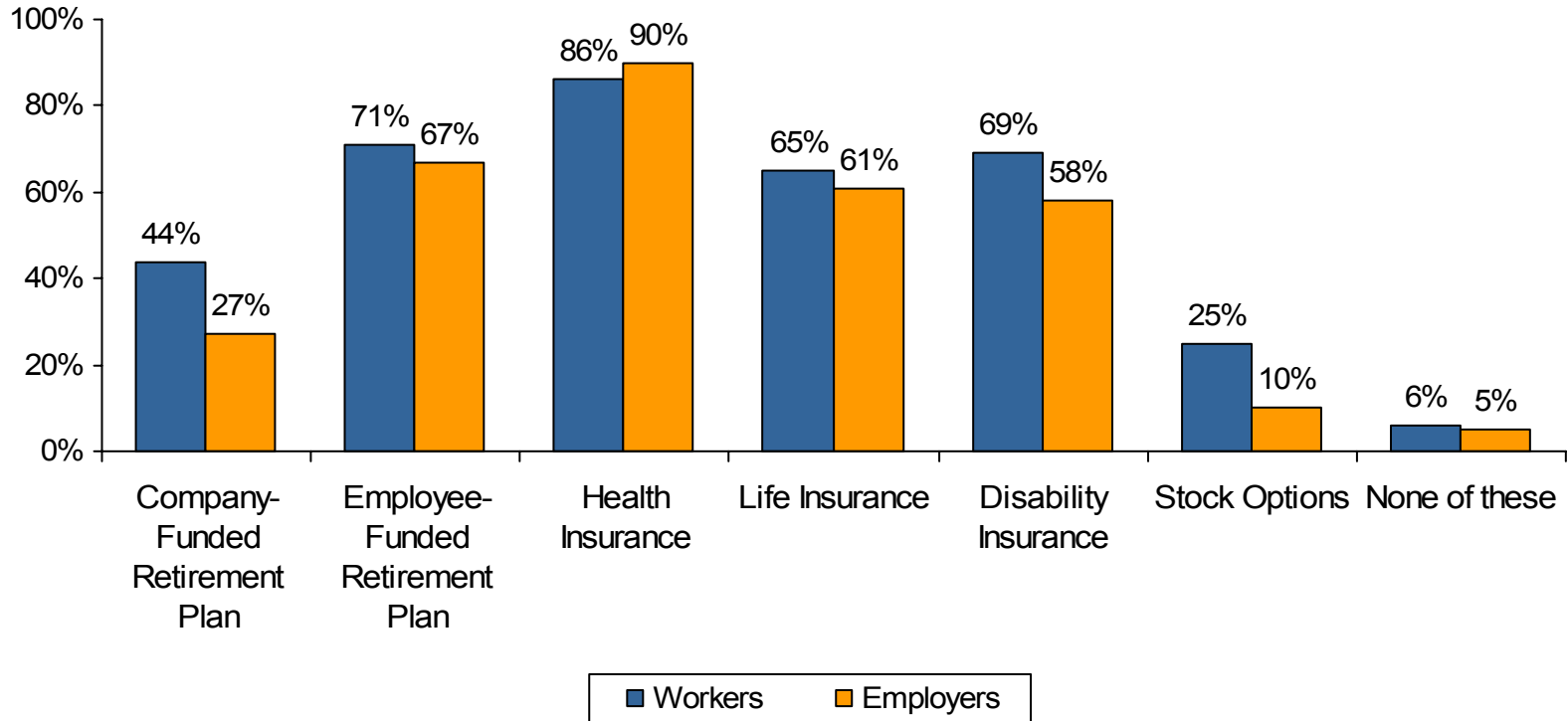
Retirement Plans Offered

- Many more small businesses offer employee-funded plans than company-funded plans.
 - 71% of workers in 2002 report availability of an employee-funded plan compared to 44% who have access to a company-funded plan.
 - Among employer respondents, two-thirds (67%) now report offering an employee-funded plan while one-fourth (27%) report offering a company-funded plan.
 - Likelihood of offering an employee-funded plan increases with company size, from 50% of the smallest companies (10-19 workers) up to 78% for slightly larger companies (20-49 workers) up to 89%-91% for the larger companies studied (50-500 workers).
 - Four employee benefits tend to be offered together by the larger companies: employee-funded retirement plan, health insurance, life insurance and disability insurance.
- Company-funded plans appear to provide a sense of security to workers.
 - A larger proportion of those who believe their financial situation has improved in the last year work for companies that offer these plans (52% vs. 41% of those whose situation has stayed the same or declined).
 - A larger proportion of those who will choose benefits over salary when making a job choice also work for these companies (49% vs. 39% of those motivated by higher salary).



Benefits Offered

% Yes



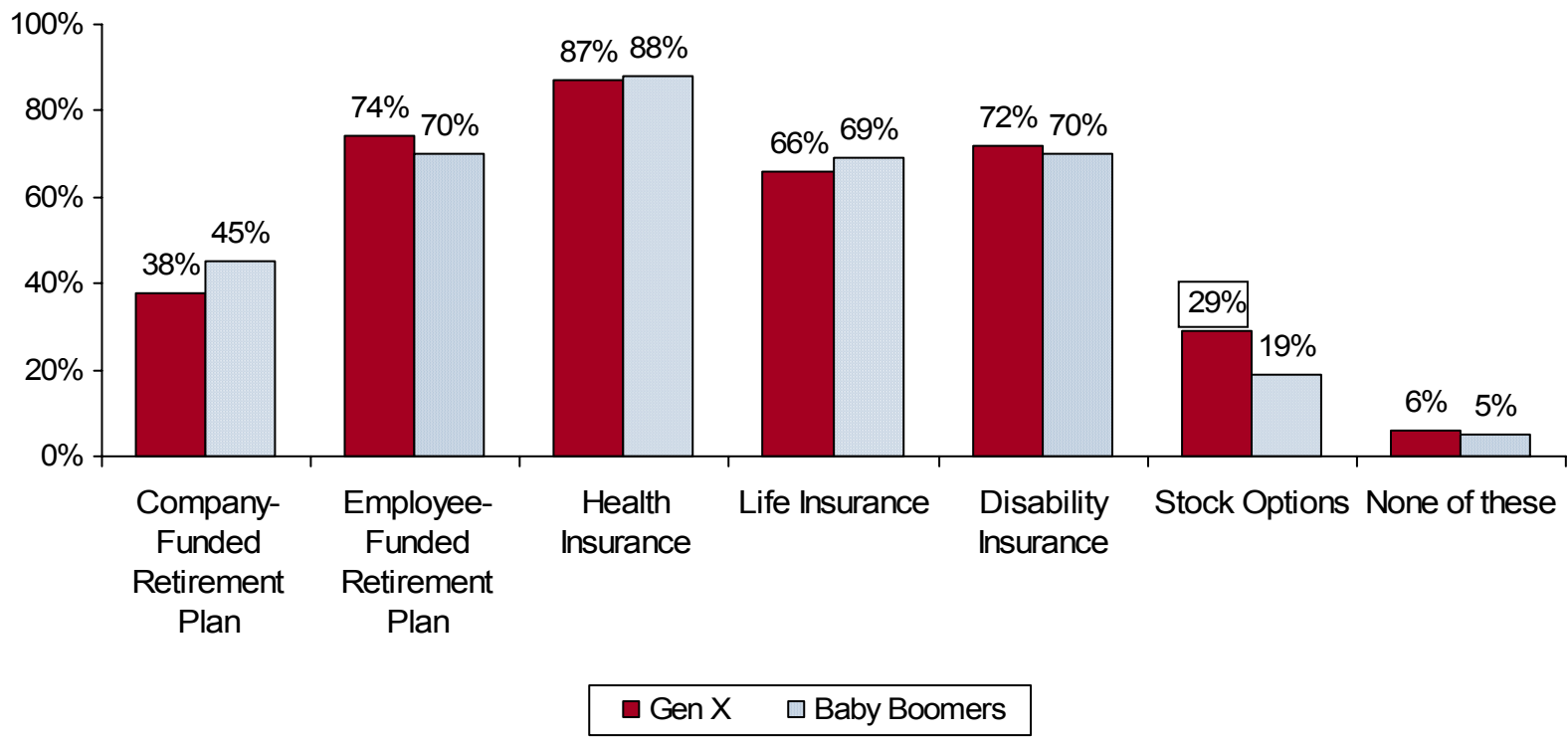
W Q7 Which of the following benefits does your company offer? Base: All respondents (n=765)

E Q1 Which of the following benefits does your company offer? Base: All respondents (n=300)



Benefits Offered, cont'd.

% Yes



W Q7 Which of the following benefits does your company offer? Base: All respondents (G: n=320; B; n=351)

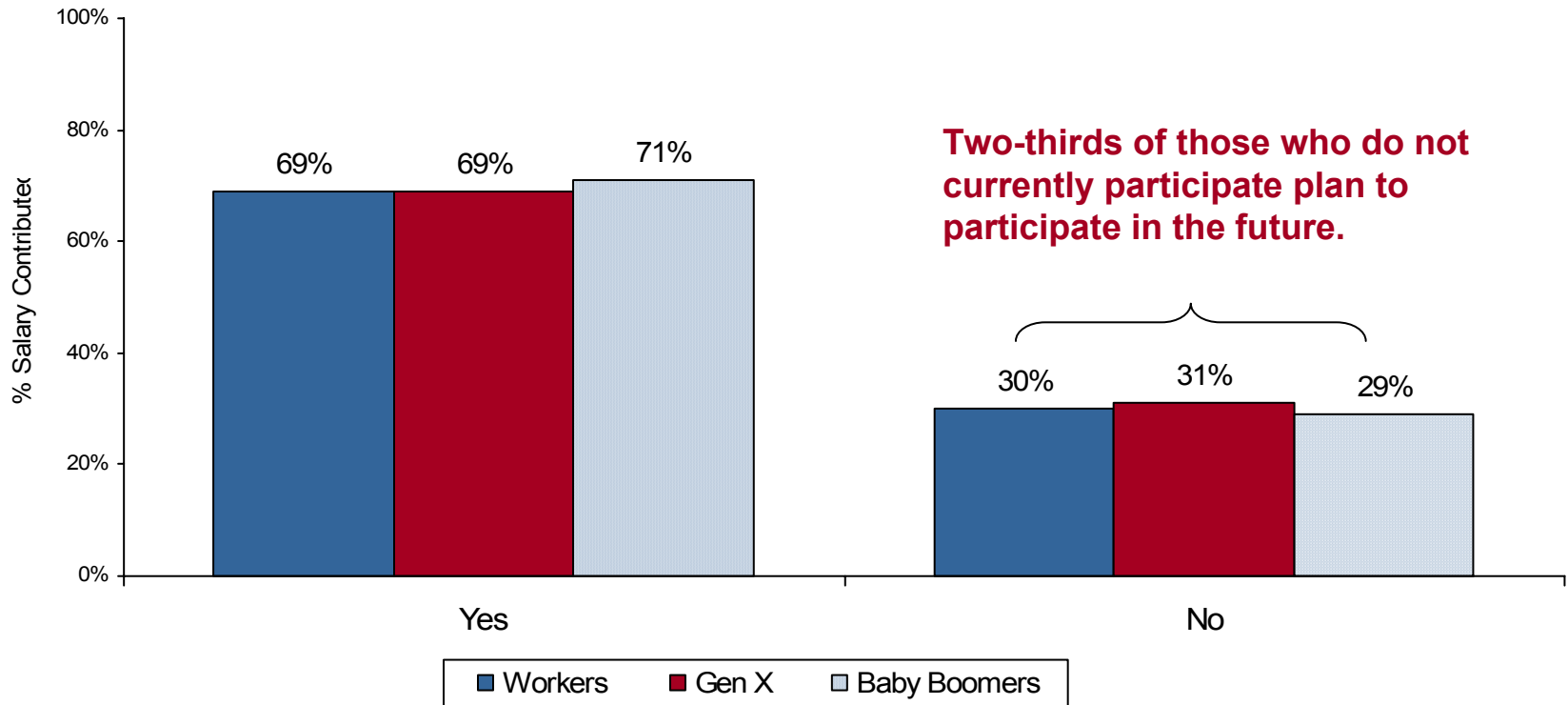


Participation in Employee-Funded Retirement Plan

- Of workers who have the opportunity to participate in an employee-funded retirement plan, nearly 7-in-10 participate (69%).
 - Of those who are offered a plan but do not currently participate, two-thirds (64%) say they plan to participate in the future.
- Gen Xers and Baby Boomers participate at equal rates, with 69% of Gen Xers and 71% of Baby Boomers participating.
- Other factors that are associated with increased participation rates are
 - Marital status: 73% of married workers vs. 62% of not married.
 - Higher household income: about four-fifths (78%) for \$50K+ vs. three-fifths (58%) under \$50K.
 - Higher assets in retirement accounts: 87% with \$100K+ vs. 72% with less than \$25K.
 - Longer tenure at the employer: 81% with 5+ years vs. about 60% with less tenure.



Participation in Employee-Funded Retirement Plan



W Q9 Do you currently participate in your company's employee-funded retirement savings plan? Base: Company offers 401(k) type plan (n=569; G: n=244; B: n=259)

W Q13c Do you think you will participate in your company's retirement savings plan in the future? Base: Do not currently participate in offered plan ((n=153; G: n=66; B: n=70)

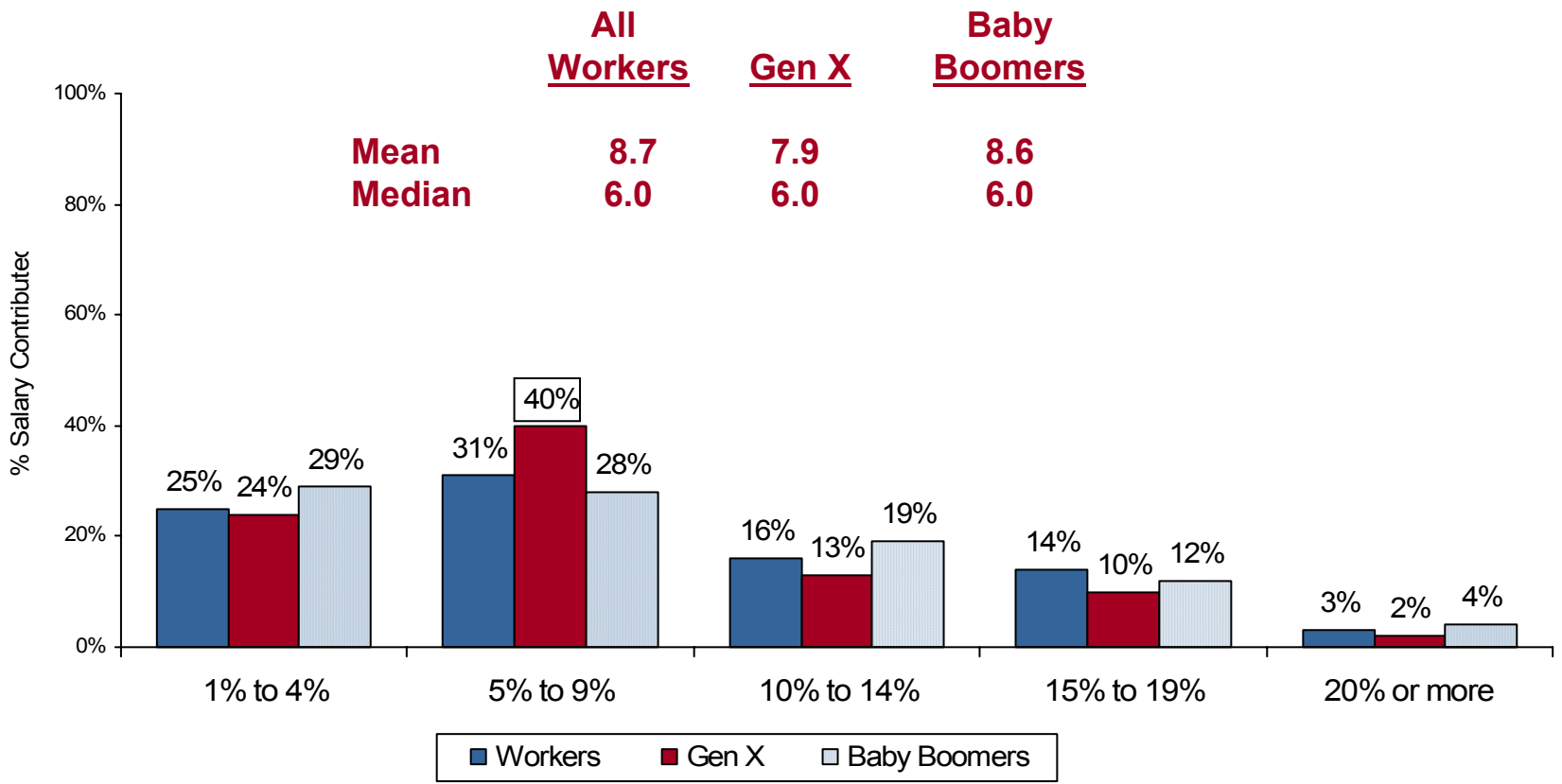


Contribution to Employee-Funded Retirement Plans

- Among participants in employee-funded retirement plans, the average contribution rate is just under 9% of salary (8.6%). Most commonly, participants contribute 5-9% of their salary.
 - The median contribution rate for both segments is 6%.
 - More Gen Xers contribute at the 5-9% rate than contribute only 1-4%, but among Baby Boomers about equal proportions contribute at each rate (29% 1-4% and 28% 5-9%).
 - Overall, one-third contribute 10% or more of their salary - just under 1-in-5 (17%) contributes 15% or more and a similar proportion (16%) contributes 10-14%.
 - Small proportions of workers reported reducing contributions (4%) or ceasing contributions (5%) over the past 12 months.
- Contribution rates are higher for:
 - Males than for females: mean 9.2% vs. 7.6%
 - Those who believe their financial situation worsened over the last year: 10.4% vs. 8.0-8.1% for those who believe their situation stayed the same or improved.
- Contribution rates increase with a number of positive financial behaviors:
 - Those who are currently saving for retirement outside of work contribute at a higher rate (9.2% vs. 7.7% for those who do not currently save).
 - Those whose company does not offer a match contribute at a higher rate (11.6% vs. 7.8% for those who do get a match).
 - Those who have more in their retirement accounts have reached that status by contributing at a higher rate (10.2% with over \$100K and 9.4% \$24K-99.9K vs. 7.6% under \$25K)
 - Those who pay their credit card bills in full contribute at a higher rate (9.9% vs. 7.6%).



Contribution to Employee-Funded Retirement Plans



W Q10 What percentage of your salary are you saving for retirement through your company-sponsored plan this year? Base: Participate in Employee-Funded Retirement Plan ((n=431; G: n=184; B: n=196)

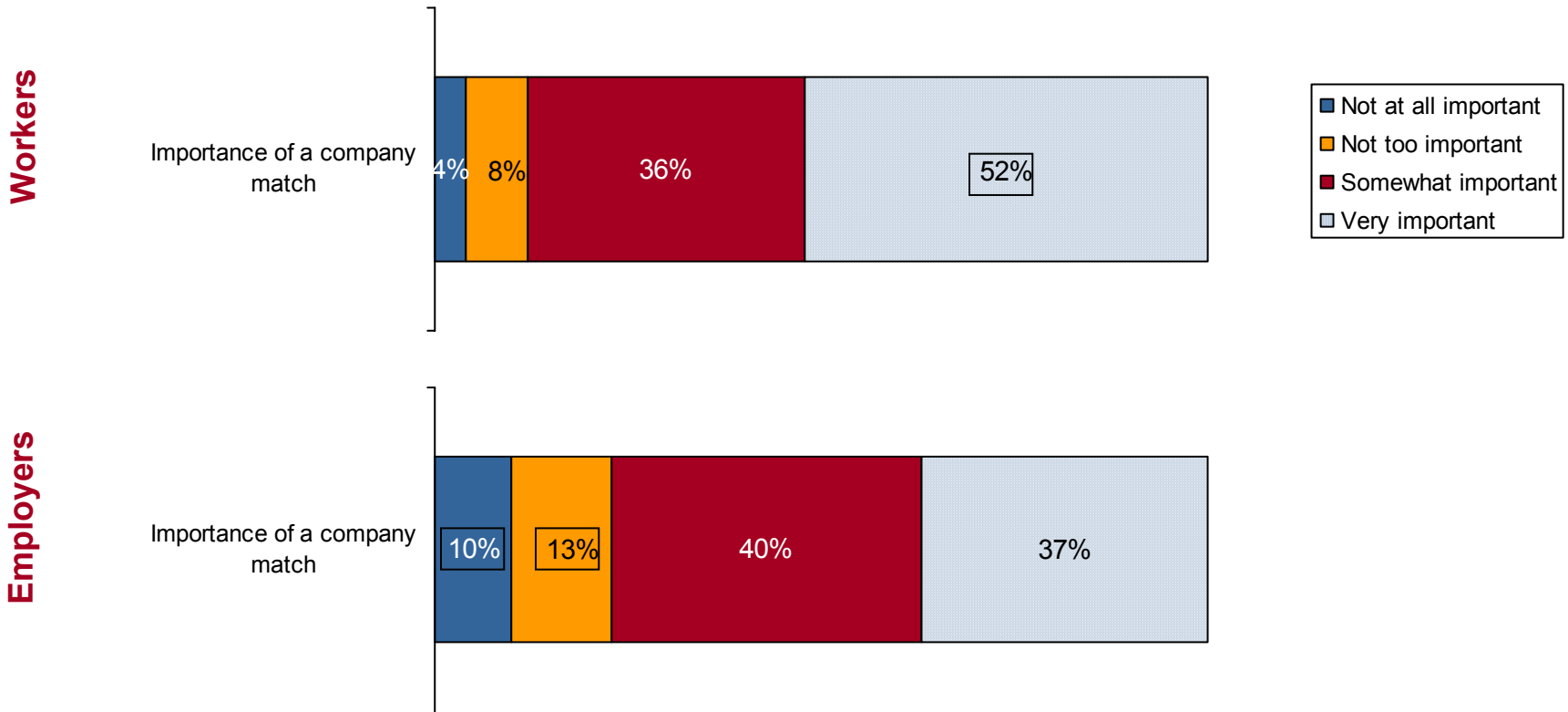


Importance of Company Match

- Workers place high importance on a company match of their retirement fund contributions, with nearly 9-in-10 (87%) stating a match is very/somewhat important. More than half (52%) rate the presence of a match very important.
 - Importance of a match is equally important to those who participate in their company's plan as to those who work for a company that offers a plan but who are not currently participating in the plan; 91% of both groups rate a match very/somewhat important.
 - A match is more important to workers at lower income levels (89% very/somewhat under \$100K vs. 80% with \$100K+).
 - Not surprisingly, a match is more important to those who believe their financial situation got worse last year than for those whose situation improved (92% very/somewhat % vs. 84% for those whose situation improved).
 - Importance of a match is highest among workers at larger companies (94% very/somewhat vs. 77%-84% at companies with 10-50 employees).
- Employers recognize workers' sentiments on the match but attribute less importance to it overall. Three-fourths (77%) rate a match very/somewhat important to their workers with about one-third (37%) rating it very important.
 - Not surprisingly, employers who offer a match believe their workers attach more importance to the match – 83% very/somewhat important vs. 64% among employers who do not offer a match.



Importance of Plan with Company Match

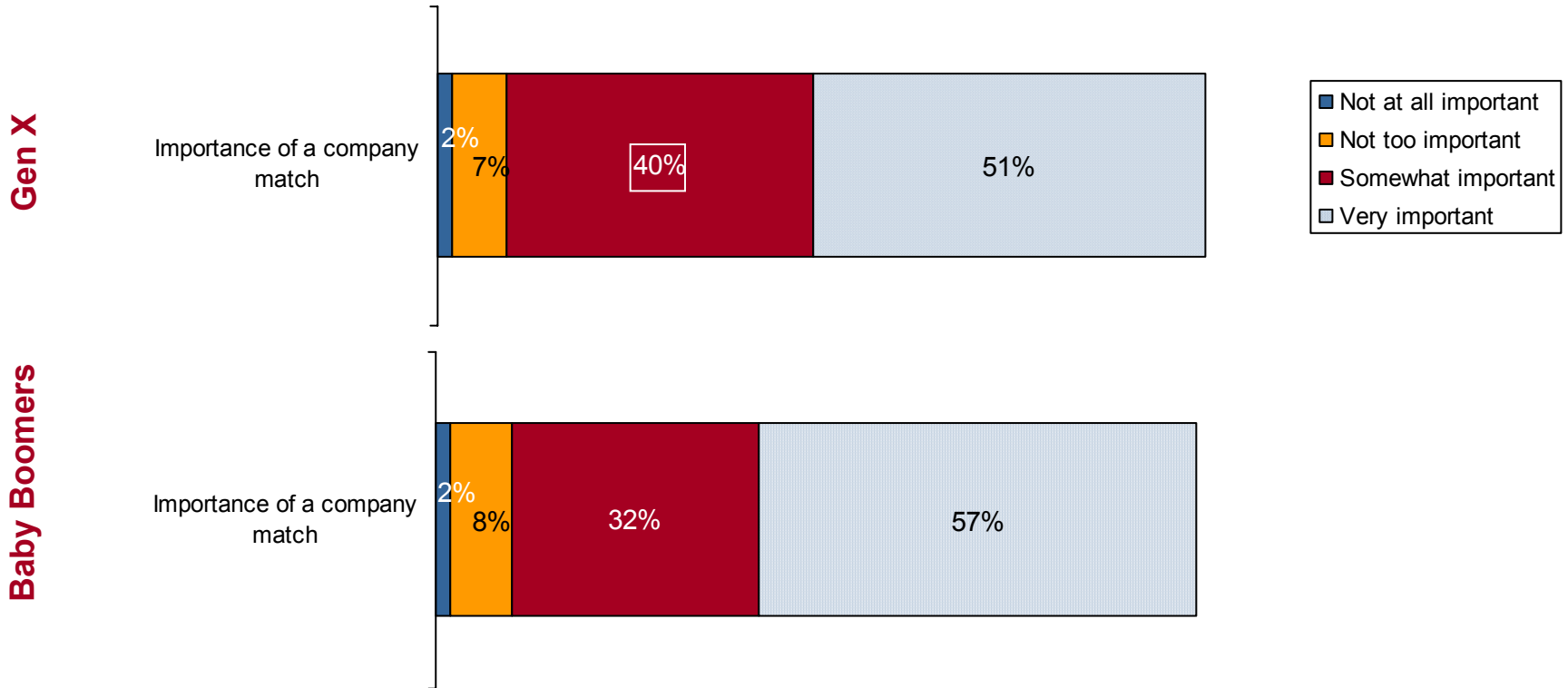


W Q27 How important is it to you that the company you work for provides a retirement savings plan in which the company matches a portion of your contributions to the plan rather than just offering the plan alone? Base: All respondents (n=765)

E Q8 How important is it to your employees that their company provides a retirement savings plan in which the company matches a portion of their contributions to the plan rather than just offering the plan alone? Would you say it is very important, somewhat important, not very important or not at all important? Base: All respondents (n=300)



Importance of Plan with Company Match, cont'd.



W Q27 How important is it to you that the company you work for provides a retirement savings plan in which the company matches a portion of your contributions to the plan rather than just offering the plan alone? Base: All respondents (G n=320; B: n=351)



Likelihood to Offer Employee-Funded Retirement Plan

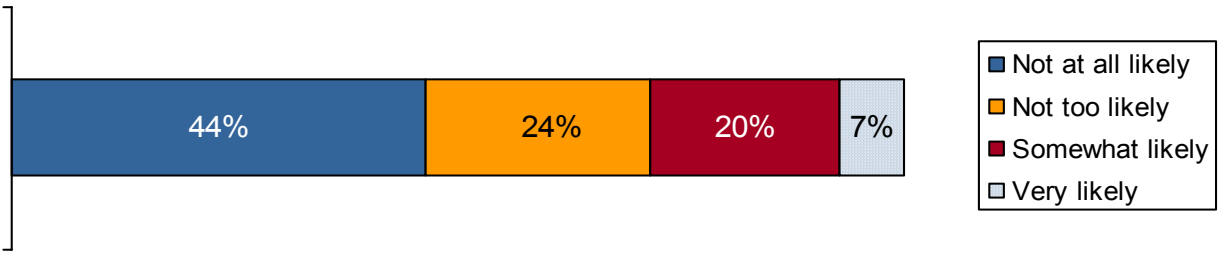
- Despite workers' preference for retirement plans, especially plans that include a company match, and employer recognition of that preference, only about one-fourth (27%) of employers who do not currently offer a plan are very/somewhat likely to begin offering one. Nearly half (44%) are not at all likely to offer a plan in the next two years.
 - Reasons cited include cost, small size of business and lack of interest.



Likelihood to Offer Employee-Funded Retirement Plan

Employers

Likelihood of company offering an employee-funded retirement plan in the next 2 years



Reasons Why Unlikely To Offer Employee-Funded Retirement Plan

Reason	# Mentions
Too expensive/cost	17
Our business is not big enough	15
Just not interested	10
Employees prefer higher salaries	7
Poor economy	6
Too complicated	5

Only a very small proportion (6%) of employers who do not offer a retirement plan for all workers do offer a retirement program for senior executives.

- E Q4a How likely is your company to begin offering an employee funded retirement plan package like a 401(K) to its employees in the next 2 years. Base: Company does not offer plan (n=62)
- E Q4b Why not? Base: Company not likely to offer 401(k) (n=45)
- E Q4c Does your firm have a retirement program other than a 401(k) for its most senior executives? Base: Do not offer employee-funded or company-funded plan (n=48)



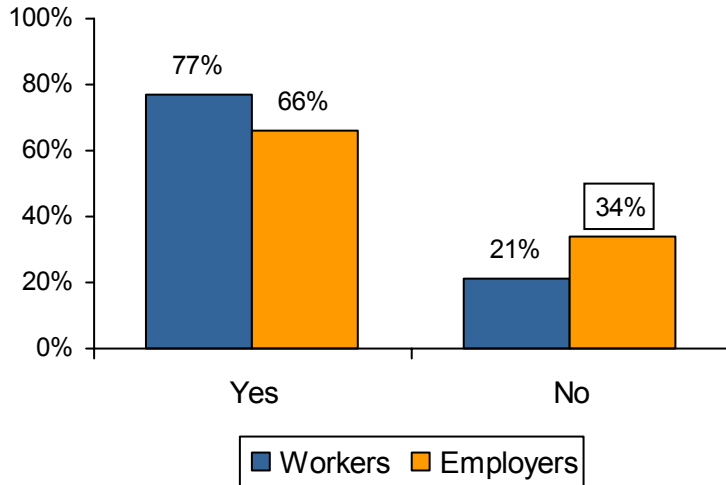
Matching Contributions

- Of those companies that offer an employee-funded retirement plan,
 - Workers whose companies offer a plan report that three-fourths (77%) of their companies offer a matching contribution, but only about 1-in-10 report receiving the match in the form of company stock.
 - Baby Boomers are nearly twice as likely to report their employer does not offer a company match (24% vs. 13%).
 - Workers with lower contribution rates more often report receiving a match (87% of those who contribute under 10% vs. 62% of those who contribute more). It appears that workers factor in the match when they decide on their contribution rate and attempt to make up for the lack of a match when they can.
 - Workers with less saved in their retirement accounts more often report receiving a match (87% with less than \$25K vs. 71% with higher assets). The presence of a match is a likely motivator for participation so workers can begin to contribute and build assets.
- Two-thirds (66%) of employers who offer a plan also report matching worker contributions; only a very small number of those report matching with company stock.

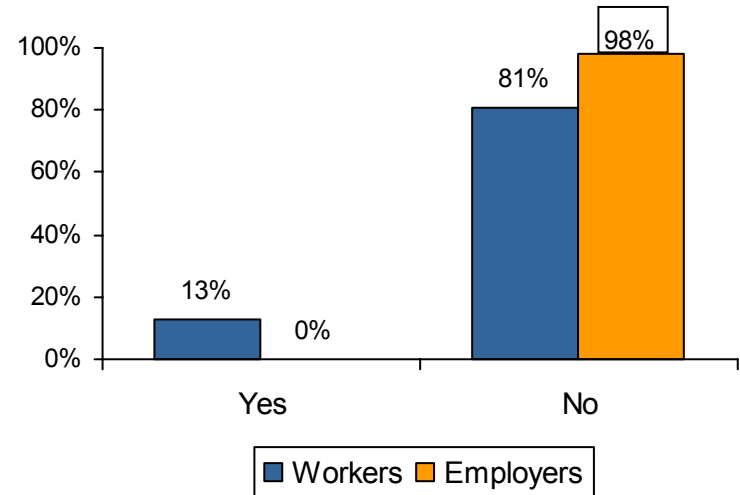


Company Matching

Offer Match



Match in Company Stock



W Q11a Does your company offer a matching contribution as part of its 401(k) company-sponsored plan? Base: Company offers plan (n=431)

W Q11b Is any of the matching contribution in the form of company stock? Base: Company offers match (n=322)

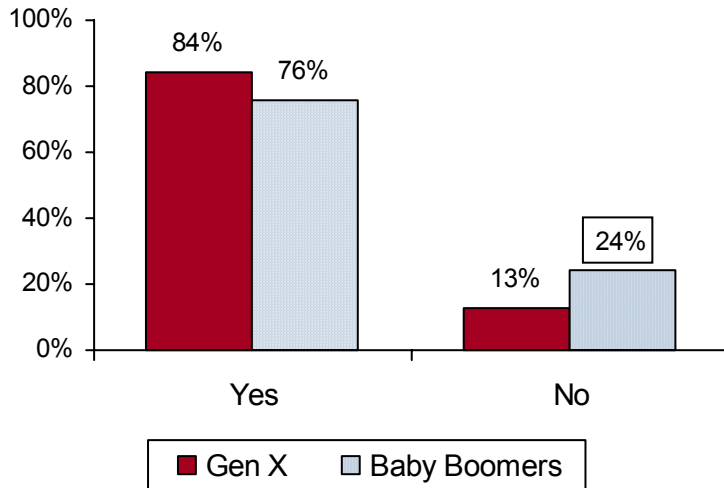
E Q2a Does your company offer a matching contribution as part of its 401(k) company-sponsored plan? Base: Company offers plan (n=238)

E Q2b Is any of the matching contribution in the form of company stock? Base: Company offers match (n=170)

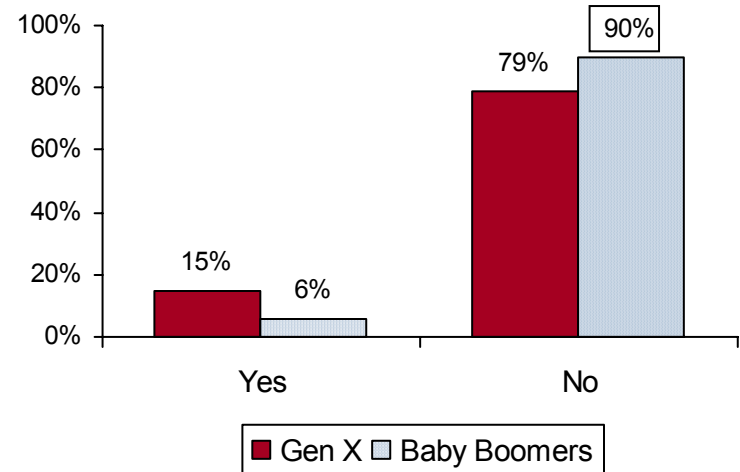


Company Matching, cont'd.

Offer Match



Match in Company Stock



W Q11a Does your company offer a matching contribution as part of its 401(k) company-sponsored plan? Base: Company offers plan (n=431)

W Q11b Is any of the matching contribution in the form of stock? Base: Company offers match (G: n=143; B: n=141)

Detailed Findings - 2002

Attracting and Retaining Workers

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Factors in Job Choice

Salary vs. Retirement Plan

- When given a choice between job offers, workers in 2002 continue to prefer better retirement benefits over higher salaries.
 - Just over half of all workers (53%) favor excellent retirement benefits at the minimum acceptable salary compared to 44% who choose a higher salary and poorer retirement benefits. Employers who do not offer a plan are at a competitive disadvantage.
 - The margin of difference is less this year than in 2001, when the differential was 21 percentage points (57% vs. 36%) but the proportion choosing benefits is not significantly lower.
 - Gen Xers and Baby Boomers have different preferences, with 62% of Baby Boomers choosing benefits over salary, compared to a bare majority (51%) of Gen Xers. Among Gen Xers, 47% choose salary over benefits, compared to 35% of Baby Boomers who do so.
 - Those who currently participate in a plan are more likely to choose the job with better benefits (60% vs. 46%-47% for those who either do not participate in an available plan or are not offered a plan).



Factors in Job Choice, cont'd.

Salary vs. Retirement Plan, cont'd.

- Employer perceptions on this topic are very different from those of their workers.
 - The majority of employers believe that salary is the stronger employee motivator, with two-thirds (65%) stating that potential employees will prefer a higher salary with a less favorable retirement plan, compared to 3-in-10 (29%) who believe workers prefer excellent retirement benefits over salary.
 - A higher proportion of employers who offer a 401(k) plan believe employees will choose a higher salary given the choice – 70% vs. 55% of those who do not offer a plan.

Employee-Funded vs. Company-Funded Retirement Plans

- When given a choice, workers express a strong preference for employee-funded (defined contribution) plans over company-funded (defined benefit) pension plans with 73% selecting a job with a company-matched employee-funded plan over one with a company-funded plan, compared to only 21% who prefer a job with a company-funded plan.
 - This preference may reflect a desire by workers to have more control over their financial future. In the current environment where job changes are frequent the portability of 401(k)-type plans is appealing.



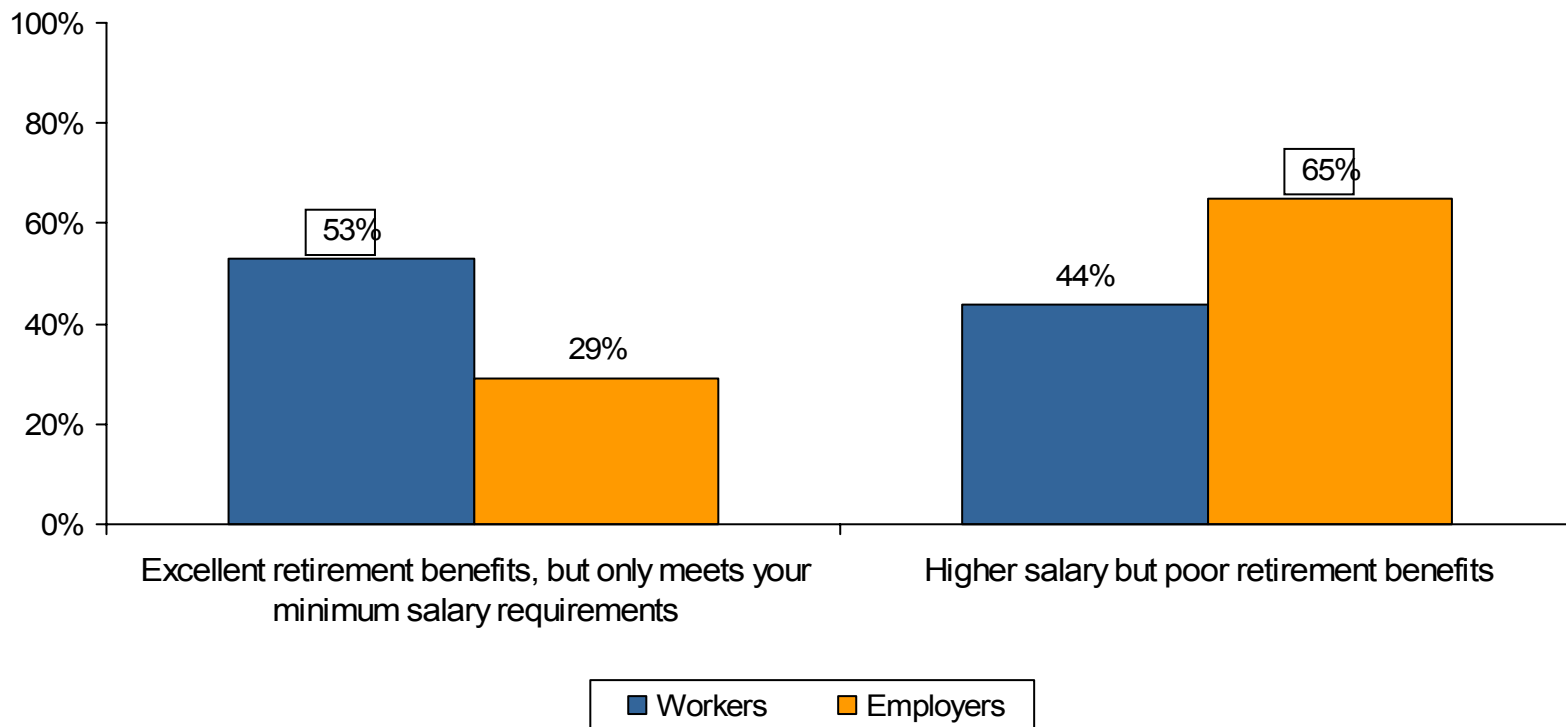
Factors in Job Choice, cont'd.

Employee-Funded vs. Company-Funded Retirement Plans, cont'd.

- The company-funded plan is preferred more by those who believe their financial situation has worsened (28% vs. 14% for those whose situation improved) and by those who are not currently saving for retirement outside of work (26% vs. 18% for those who are saving outside of work). These segments may recognize that they are not preparing themselves for retirement and would opt for a company that would take this responsibility.
- Employers agree with workers on this question, with 71% stating that employees prefer the employee-funded plan vs. 24% for the company-funded plan.



Trade-offs in Job Choice: Salary vs. Retirement Benefits

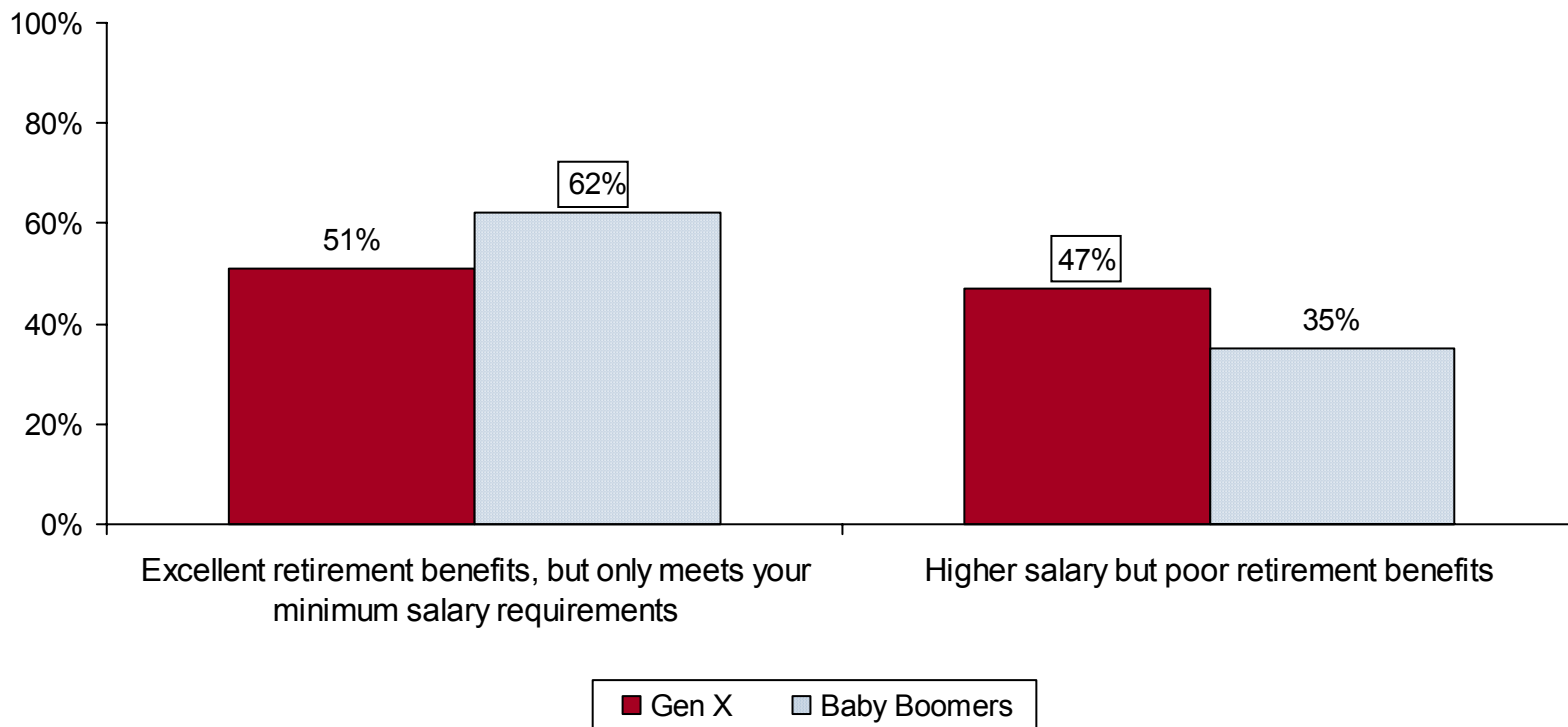


W Q24 Suppose for a moment that two job offers come your way. The jobs are nearly identical, except the first offer meets your minimum salary requirements and has excellent retirement benefits, while the second offer provides a higher salary than you expected but the retirement benefits are poor. Which of these two job offers would you be more likely to choose? Base: All respondents (n=765)

E Q6 Suppose you could offer the following two choices surrounding a job offer to a potential employee, which one do you feel would be of more interest to the potential employee? Base: All respondents (n=300)



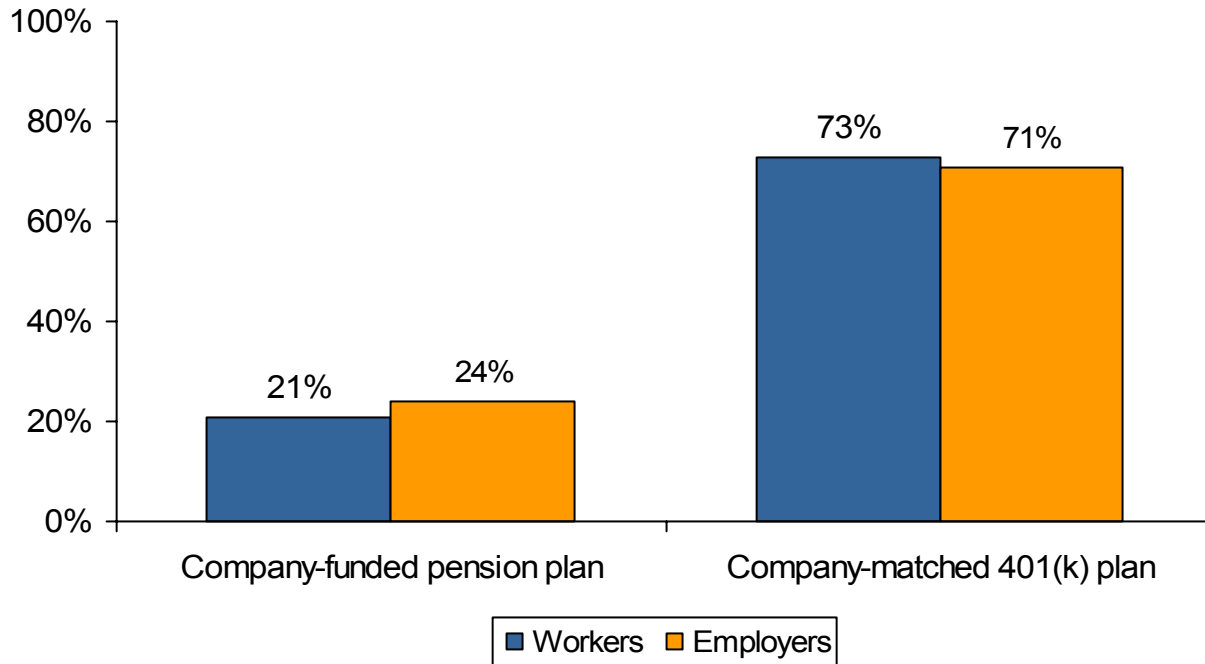
Trade-offs in Job Choice: Salary vs. Retirement Benefits, cont'd.



W Q24 Suppose for a moment that two job offers come your way. The jobs are nearly identical, except the first offer meets your minimum salary requirements and has excellent retirement benefits, while the second offer provides a higher salary than you expected but the retirement benefits are poor. Which of these two job offers would you be more likely to choose? Base: All respondents (G: n=320; B: n=351)



Trade-offs in Job Choice: Company-Funded vs. Company-Matched Employee-Funded Plan

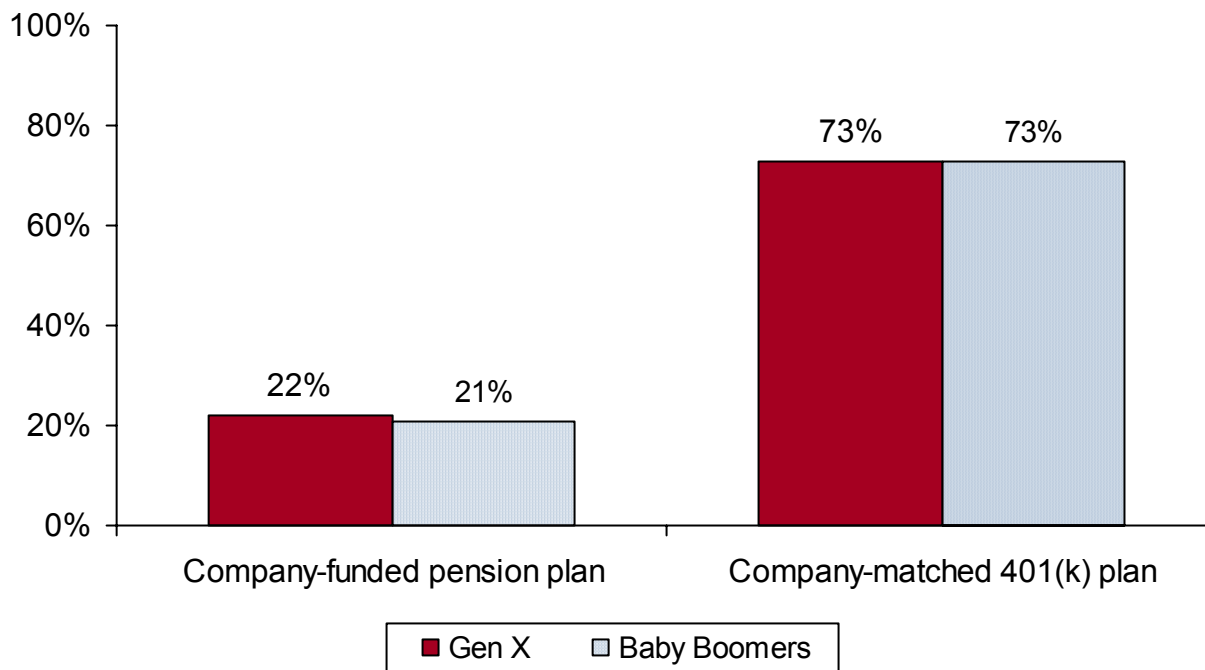


W Q25 Now suppose two nearly identical job offers came along in which one company offered a company funded pension plan for employees and the other company offered a self funded, but company matched, 401(k) plan, which job offer would you be more likely to choose? Base: All respondents (n=765)

E Q7 Which retirement benefits plan do you think would be more preferred by an employee of your company, a company funded pension plan or a self funded, but company matched, 401k plan? Base: All respondents n=300



Trade-offs in Job Choice: Company-Funded vs. Company-Matched Employee-Funded Plan, cont'd.



W Q25 Now suppose two nearly identical job offers came along in which one company offered a company funded pension plan for employees and the other company offered a self funded, but company matched, 401(k) plan, which job offer would you be more likely to choose? Base: All respondents (G: n=320; B: n=351)



Attracting and Retaining Workers

- Employers do recognize the importance of offering employee-funded retirement packages.
 - Two-thirds (67%) believe employee-funded retirement packages are very/somewhat important in attracting new workers (23% very important) and three-fourths (72%) believe employee-funded retirement packages are very/somewhat important in retaining workers (23% very important).
 - The proportion saying that offering a plan is very/somewhat important in attracting workers is higher among those who offer a match – 75% vs. only 53% among those who do not offer a match in their plan.
 - Similarly, the proportion saying that offering a plan is very/somewhat important in retaining workers is higher among those who offer a match – 78% vs. only 60% among those who do not offer a match in their plan. These perceptions are likely motivators for offering the match.
 - Also, employers who recognize the importance of retirement plans to their workers are more likely to believe retirement packages are important in recruiting and retention
 - 83% of those who believe a match is very important to workers also believe a match is very/somewhat important in attracting workers compared to 68% of those who believe a match is only somewhat important.
 - 85% of those who believe a match is somewhat important to workers also believe a match is very/somewhat important in retaining workers compared to 72% of those who believe a match is only somewhat important.



Attracting and Retaining Workers, cont'd.

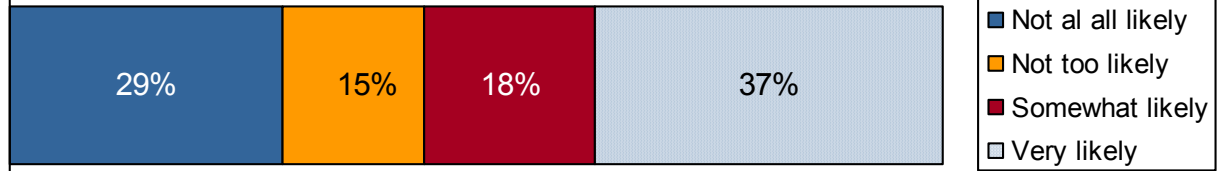
- Workers further confirm the importance of offering retirement plans, with slightly over half (55%) of those who work for a company without a retirement plan stating that they would be very/somewhat likely to leave their current company for one that does offer a retirement plan (37% very likely).
 - Males are more likely to leave the current job for one with a retirement plan (62% very/somewhat likely vs. 43% of females). Nearly half (45%) of the males are very likely to leave the current job.
 - Those with lower income are also more likely to be attracted to a position with a plan (65% under \$50K vs. 42% with higher income).
 - Workers who are unable to pay their credit card bills in full each month will leave for a job with a plan at a much higher rate than those who can pay in full each month (63% vs. 42%). These workers may recognize their need for financial discipline and believe plan participation will address that need.



Worker Retention and Acquisition

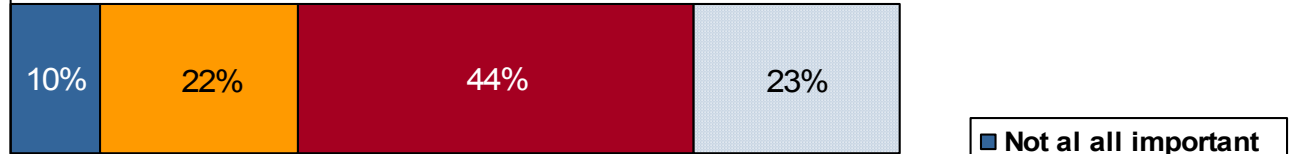
Workers

Likelihood to leave company for same job which offers a retirement plan

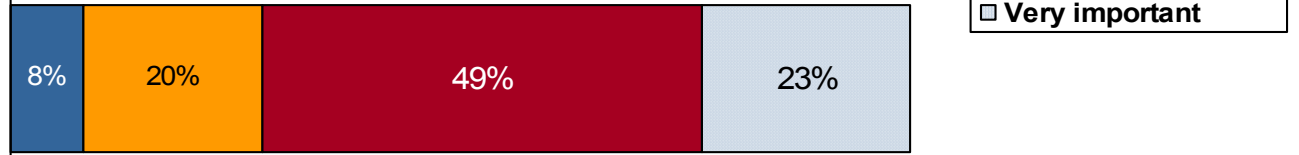


Employers

Importance of employee funded retirement package in attracting new employees



Importance of employee funded retirement package in retaining employees



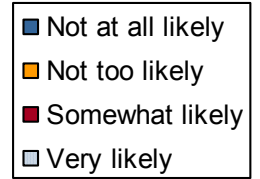
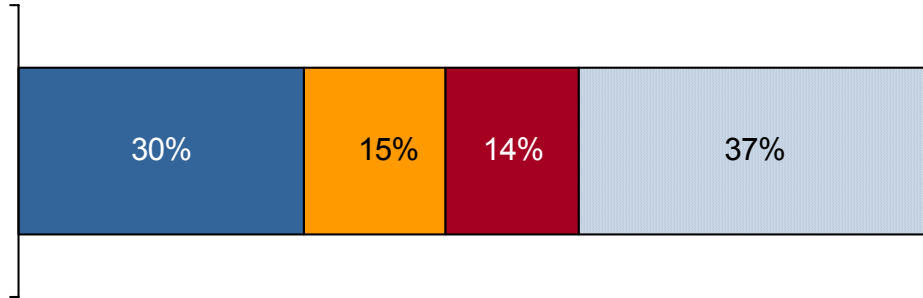
- W Q8 How likely would you be to leave the company you currently work for in order to take a nearly identical job for a similar type of company that does offer a retirement plan? Base: Work for a company without retirement plan. (n=150)
- E Q3a In general, how important would you say your company's employee funded retirement plan package (401k) is to your ability to attract new employees? Base: Company offers plan (n=238)
- E Q3b In general, how important would you say your company's employee funded retirement plan package (401k) is to your ability to retain the employees you already have? Base: Company offers plan (n=238)



Worker Retention and Acquisition, cont'd

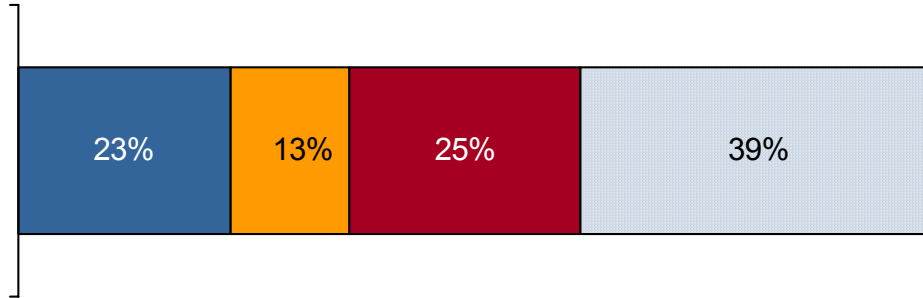
Gen X

Likelihood to leave company for same job which offers a retirement plan



Baby Boomers

Likelihood to leave company for same job which offers a retirement plan



W Q8 How likely would you be to leave the company you currently work for in order to take a nearly identical job for a similar type of company that does offer a retirement plan? Base: Work for a company without retirement plan. (G: n=62; B: n=66) **Caution: Small Base**

Detailed Findings - 2002

Evaluating and Changing Retirement Benefits

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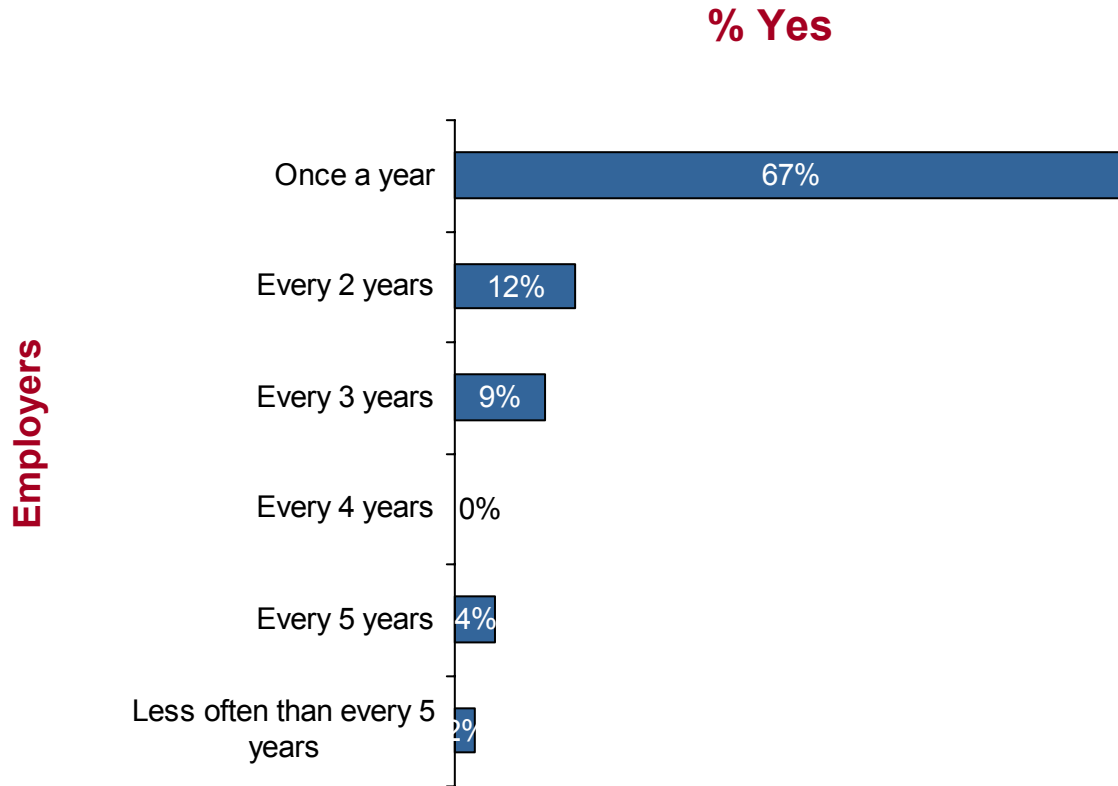


Changes in Retirement Benefits

- Retirement plans have remained fairly stable over the past year in spite of the difficult choices companies have been forced to make.
- Among employers who offer retirement plans, fewer than one-fifth (18%) report changing their employee-funded plan; only one-tenth (11%) report making a change in their company-funded plan.
 - Two-thirds of employers (67%) evaluate their plans once a year, with another 2-in-10 (21%) evaluating every 2-3 years.
 - Employers who encourage employee input evaluate their plans more frequently, with three-fourths (77%) evaluating yearly, compared to 63% of those who do not encourage input.
 - Among employers who evaluate the plan annually, the proportion who made a change rises to one-fourth (24%) compared to only 6% for those who evaluate less often.
- Fewer than one-fifth (18%) of workers whose employers offer retirement benefits report that their employers have made a change in those benefits in the past 12 months.
 - For Baby Boomers, the proportion rises to 24%, compared to 15% for Gen Xers.
 - Workers who spend more time reviewing their retirement accounts are more likely to report a change in their benefit plan (25% of those who spend 6+ hours vs. 11% of those who spend just one hour). A portion of this additional time may be required to understand the changes to the plan.



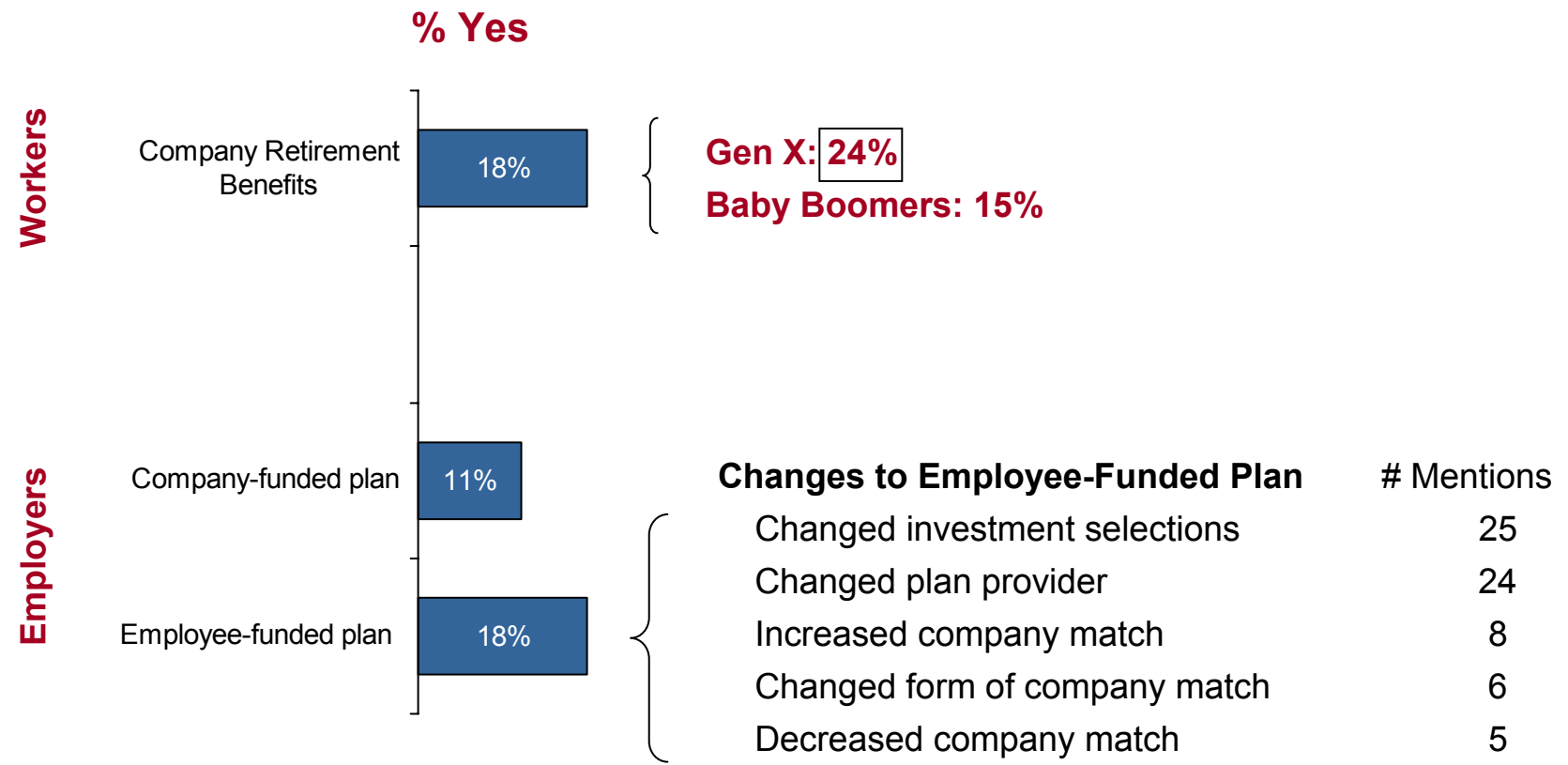
Frequency of Evaluation of Retirement Plans



E Q13 How frequently does your company evaluate the retirement plans offered to its employees? Base: All Respondents (n=300)



Changes in Retirement Benefits



W Q30 Have there been any changes in your company's retirement benefits over the past 12 months? Have there been any changes in your company's retirement benefits over the past 12 months? Base: Offer any plan (G: n=258; B: n=285)

E Q11 In the past 12 months, has your company changed... Base: Offer plan (Company-funded; n=238, Employee-funded)

E Q12 What was changed in this plan? Base: (401(k) plan has been changed in the past 12 months (n=45) **Caution: Small Base**

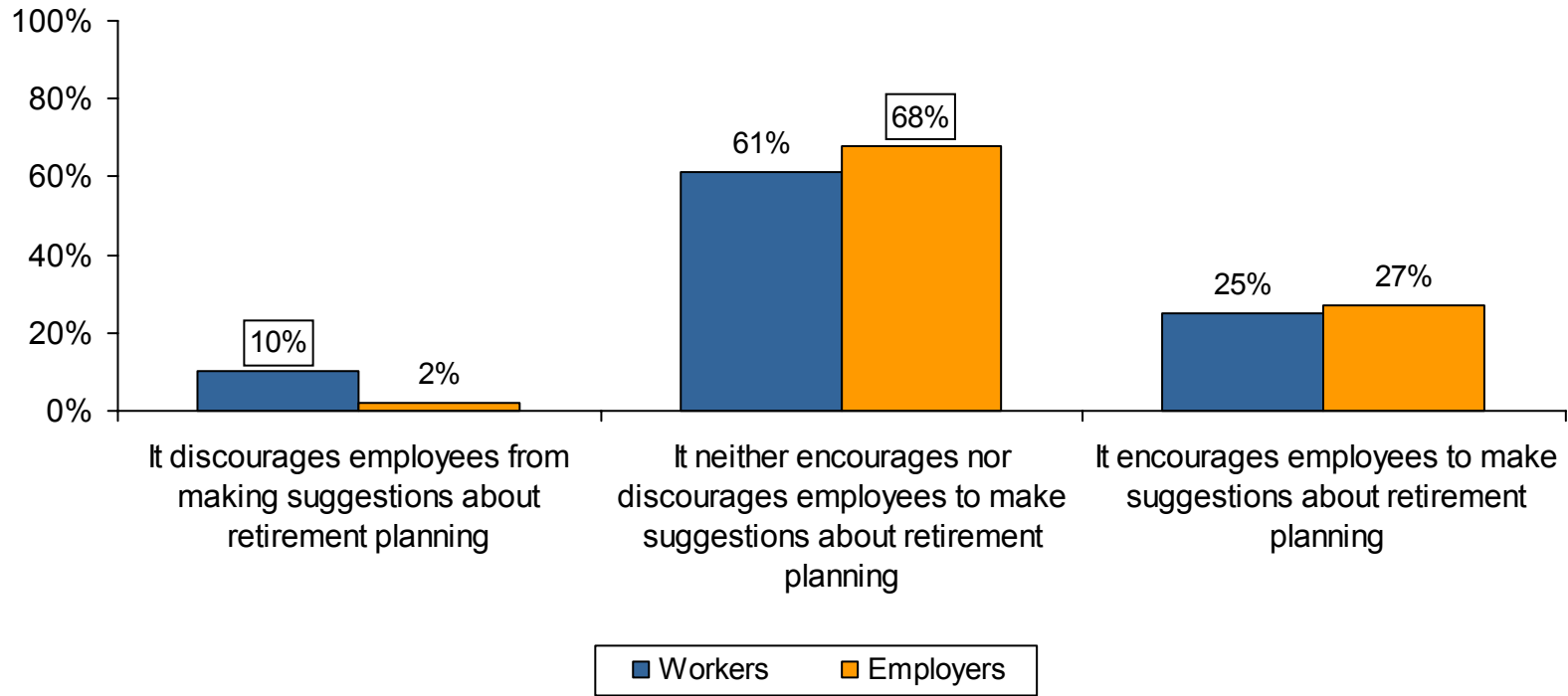


Openness to Worker Input into Retirement Plans

- The majority of workers (61%) see their employer as neutral regarding employee input on retirement plans. Only 1-in-10 (10%) say their employer discourages such input and 1-in-4 (25%) say their employer encourages input.
 - Baby Boomers are more likely to sense that their employer discourages input (13% vs. 4% for Gen Xers). The two segments are equally likely to sense that their employer encourages input.
 - Workers at smaller companies are more likely to feel that their employer discourages their input (14% under 50 employees vs. 5% with 50+).
 - The presence alone of a company plan is important in creating a climate of openness to employee input. One-fifth (22%) of those whose companies do not offer a plan feel discouraged from offering input, compared to 4% of workers who have access to a plan, regardless of whether they participate in the plan or not.
- Employers have a slightly more favorable view of their openness with only 2% reporting they discourage employee input and two-thirds (68%) claiming to be neutral. The same proportion reported by workers (27%) say they encourage workers.
 - Those employers who offer a plan are nearly twice as likely to say they encourage employee input as those who do not offer a plan (32% vs. 18%).
 - Those who evaluate retirement benefits once a year are also more open to input with 35% encouraging input compared to only 14% of those who evaluate their plans less frequently.



Openness to Worker Input

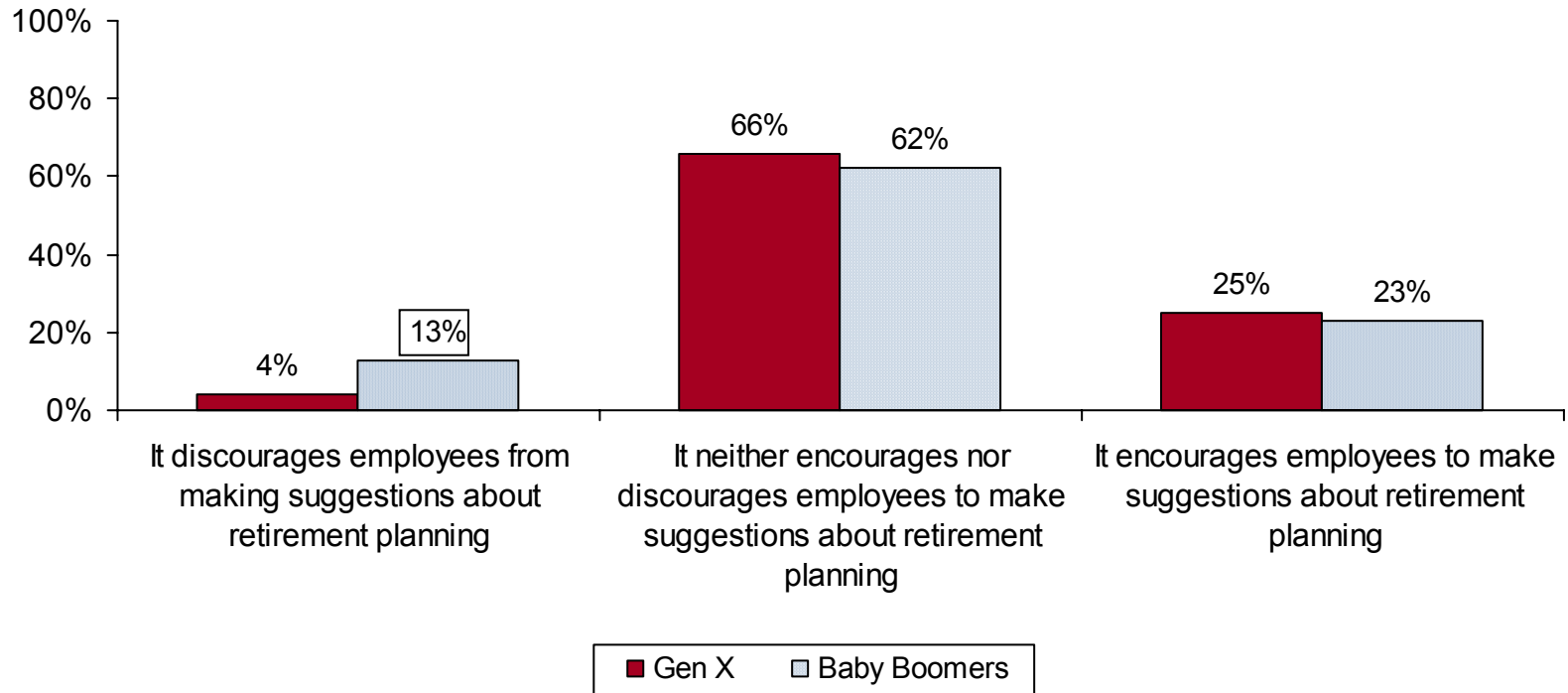


W Q33 Which of the following best describes your company? Base: All respondents (n=765)

E Q16 Which of the following best describes your company? Base: All respondents (n=300)



Openness to Worker Input, cont'd.



W Q33 Which of the following best describes your company? Base: All respondents (G: n=320; B: n=351)

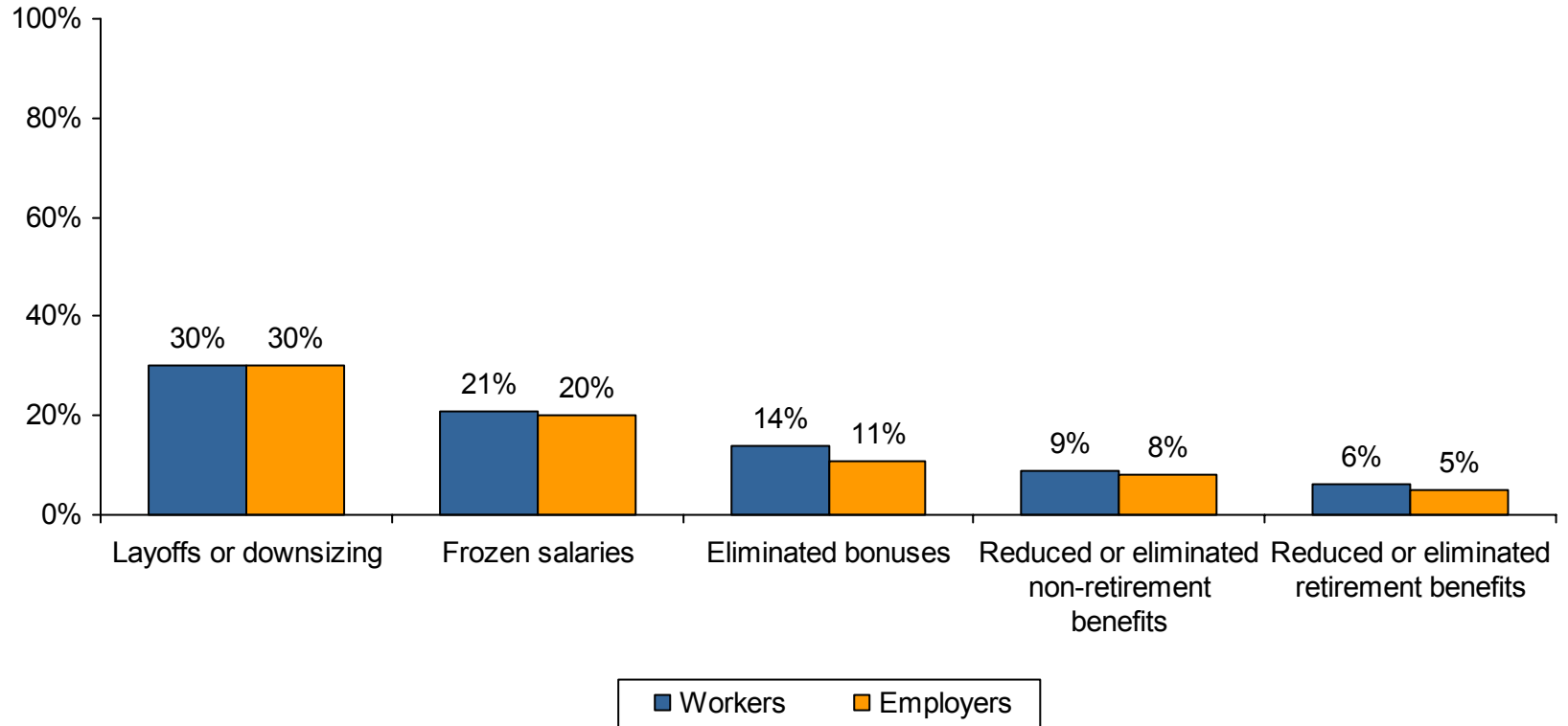


Company Changes

- Workers reported that their employers have taken a number of actions in response to the economic slowdown in the past 12 months.
 - Most commonly, companies have gone through layoffs/downsizing (30%) or frozen salaries (21%).
 - Less-frequent actions were eliminating bonuses (14%) and reducing/eliminating benefits (9% non-retirement, 6% retirement).
 - Baby Boomers more often reported reduction/elimination of non-retirement benefits (11% vs. 6% for Gen Xers).
 - Those in larger companies, 100-500 employees, more often reported cuts in retirement benefits (11% vs. 3% in smaller companies).
 - Among those with no current plan who are likely to leave for another job that offers a retirement plan, about 1-in-8 (13%, twice the overall proportion) report that their current company cut retirement benefits in the last year.
- Employers reported these actions with similar frequencies.
 - Layoffs/downsizing, 30%; frozen salaries, 20%; eliminated bonuses, 11%, reducing/eliminating benefits (8% non-retirement, 5% retirement).
 - Despite the economic downturn and the necessity to downsize, freeze salaries and eliminate bonuses, employers have been reluctant to decrease workers' benefits.



Company Changes

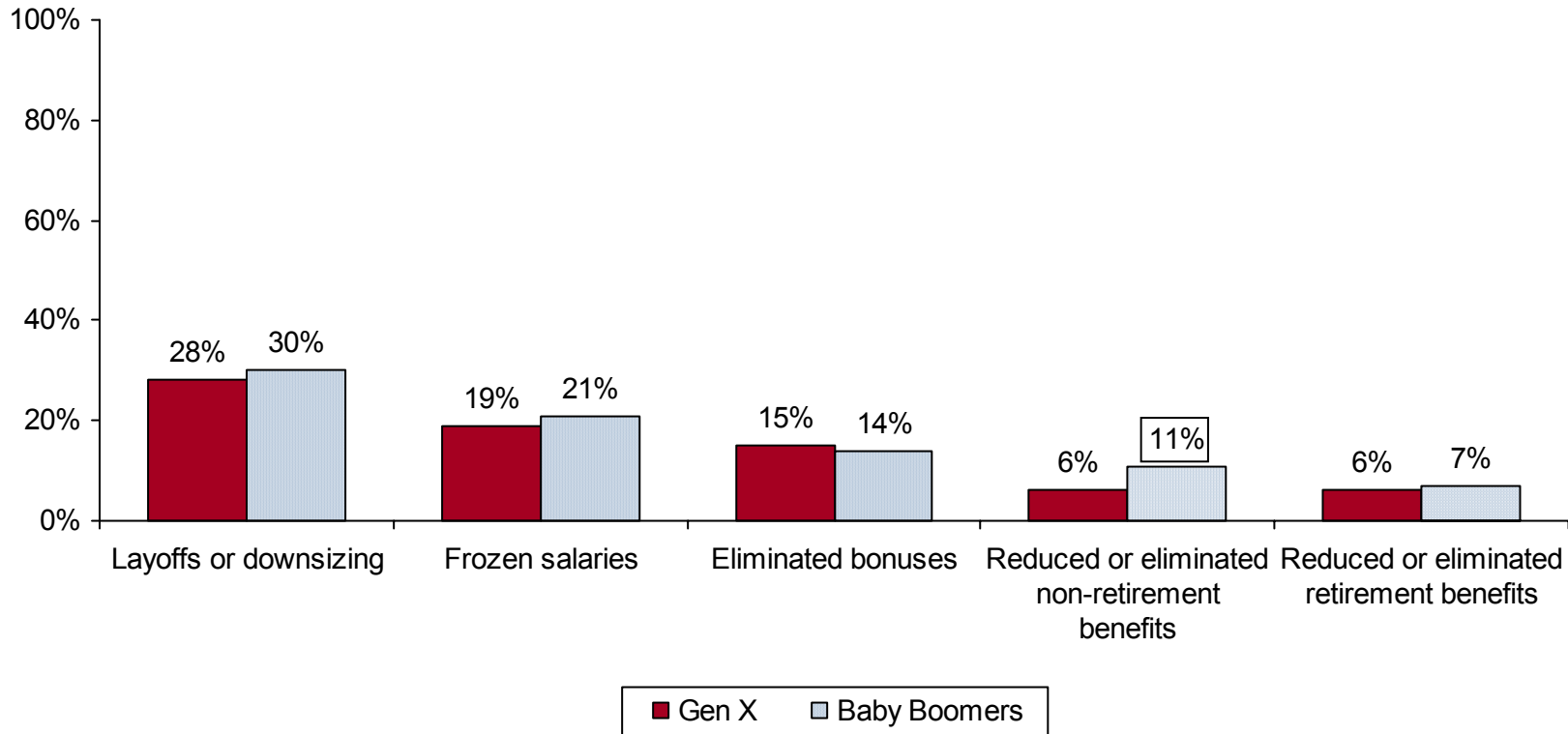


W Q31 Has the company you work for implemented any of the following measures over the past 12 months? Base: All respondents (n=765)

E Q15 Has your company implemented any of the following measures over the past 12 months? Base: All respondents (n=300)



Company Changes, cont'd.



W Q31 Has the company you work for implemented any of the following measures over the past 12 months? Base: All respondents (n=765)

Detailed Findings - 2002

Worker Financial Security

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Company Concern for Workers' Financial Security

- The large majority of workers (74%) believe their employer is very/somewhat concerned with helping its employees attain a financially secure retirement - 35% very concerned, 39% somewhat concerned.
 - Only 1-in-10 (10%) perceive that the company is 'not at all' concerned.
 - Gen X and Baby Boomer respondents share these perceptions equally.
 - Simply offering an employee-funded retirement plan conveys employer concern. While only half (52%) of workers whose companies do not offer a plan rate their employer as very/somewhat concerned, four-fifths (82%) of those whose company offers a plan give this rating, regardless of their participation status.
 - And, one-fifth (21%) of those with no plan see their employer as not at all concerned, compared to just 5% of those with a plan.
 - Workers who perceive that their own financial situation has stayed the same or improved are more likely to rate their employer as very/somewhat concerned than those who perceive that their situation has worsened (78% vs. 62%).

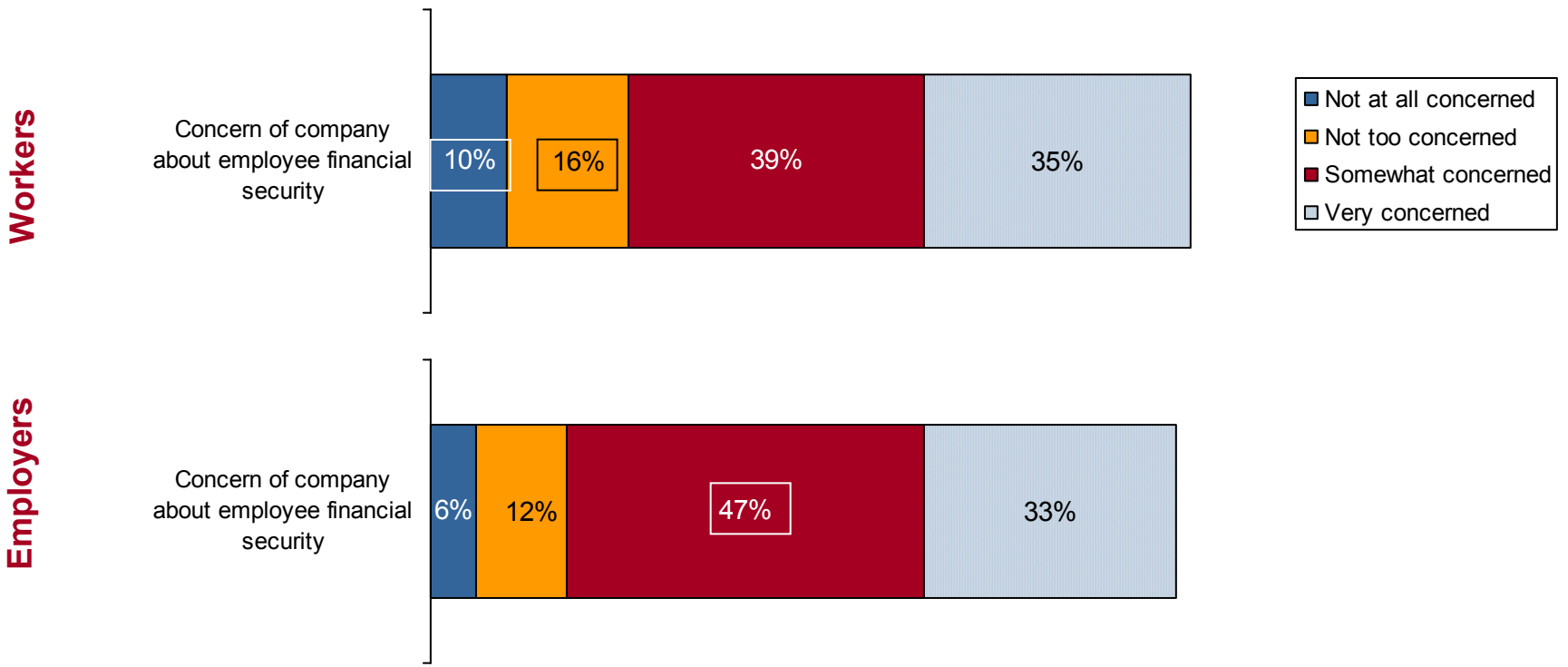


Company Concern for Workers' Financial Security

- Employer perceptions are remarkably similar with 8-in-10 (80%) reporting they are very/somewhat concerned with assisting their workers towards this goal - 33% very concerned, 47% somewhat concerned. Only 6% admit to being not at all concerned.
- Employer concern increases with:
 - Size of company: 93% very/somewhat concerned with 100-500 workers vs. 78%-81% for smaller firms.
 - Offering an employee-funded plan: 88% who offer vs. 64% who do not.
 - Interestingly, one-fifth (22%) who choose not to offer a plan still claim to be very concerned.
 - Frequency of evaluating the retirement plan: 91% among those who evaluate yearly vs. 69% who evaluate less often.
 - Openness to employee input on retirement plans: 91% who encourage input vs. 78% who are neutral to input.
 - Belief that employees can be confident they can achieve financial security: 89% who believe so vs. 72% who do not.



Company Concern for Workers' Financial Security



W Q28 How concerned do you feel your company is with helping its employees have a financially secure retirement? Base: All respondents (n=765)

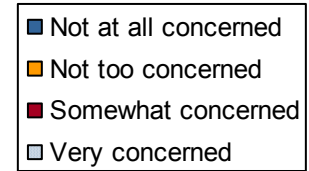
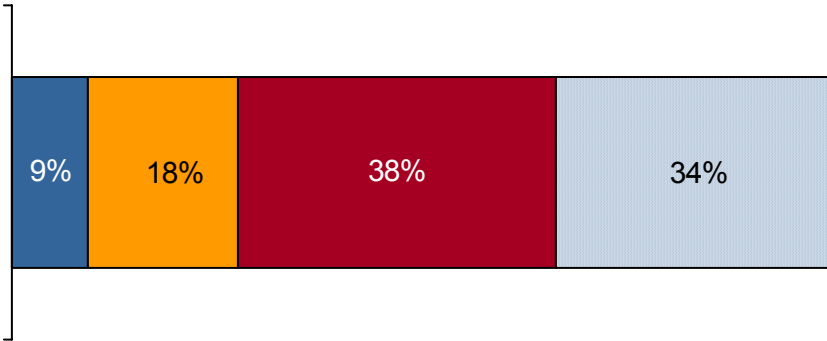
E Q9 How concerned do you feel your company is with helping its employees have a financially secure retirement? Base: All respondents (n=300)



Company Concern for Workers' Financial Security, cont'd.

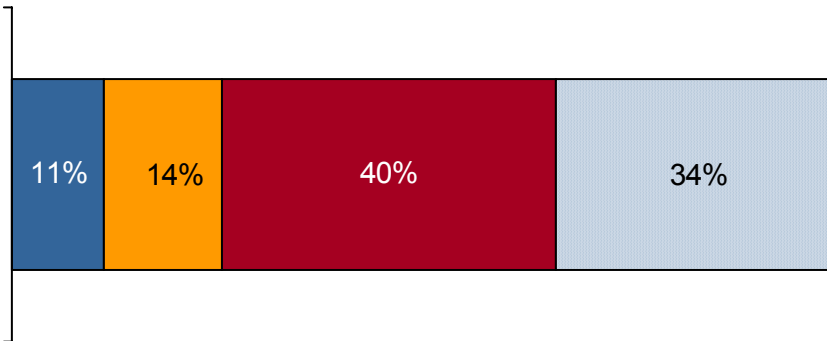
Gen X

Concern of company about employee financial security



Baby Boomers

Concern of company about employee financial security



W Q28 How concerned do you feel your company is with helping its employees have a financially secure retirement? Base: All respondents (G: n=320; B: n=351)

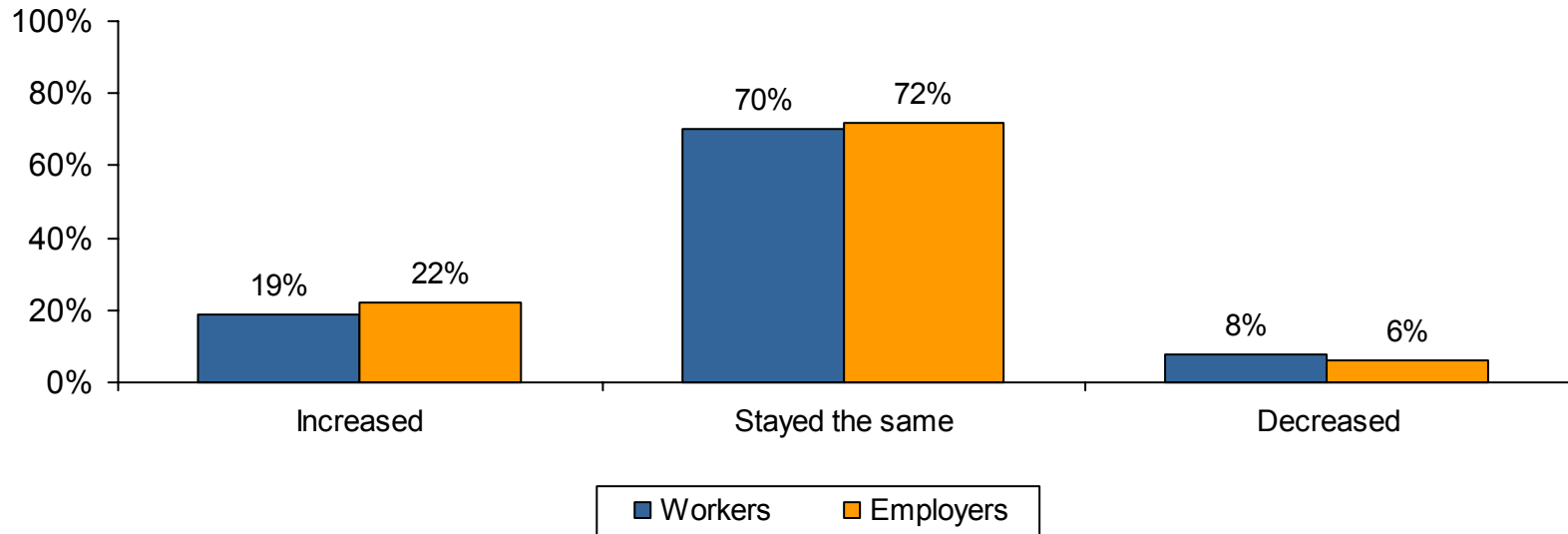


Changes in Company Concern for Workers' Financial Security

- More workers report that company concern has increased (19%) than decreased (8%) in the turbulent year after 9/11.
 - Workers who believe their financial situation has improved are more likely to report that their employer is now more concerned (29% vs. 15% for those with static or declining situations). Conversely, workers whose situations have declined are more likely to report their employer's concern has decreased (14% vs. 6%).
 - Workers who receive a match to their plan contribution are more likely to report increased concern compared to those with no match (23% vs. 6%).
 - Workers at smaller companies are twice as likely to report increased concern (25% under 50 workers vs. 13% 50+).
- Changes in employers' concern mirror workers' sentiments, with 22% of employers reporting increased concern and 6% reporting decreased concern.
 - Employers who evaluate retirement plans more often and who encourage worker input into retirement plans are more likely to report increased concern (29% who evaluate annually vs. 15% who do not; 39% who encourage input vs. 17% who do not).
 - In contrast to the workers' perceptions, employers at larger companies more often report increased concern (33% for 100-500 workers vs. 19% for 10-19 workers).



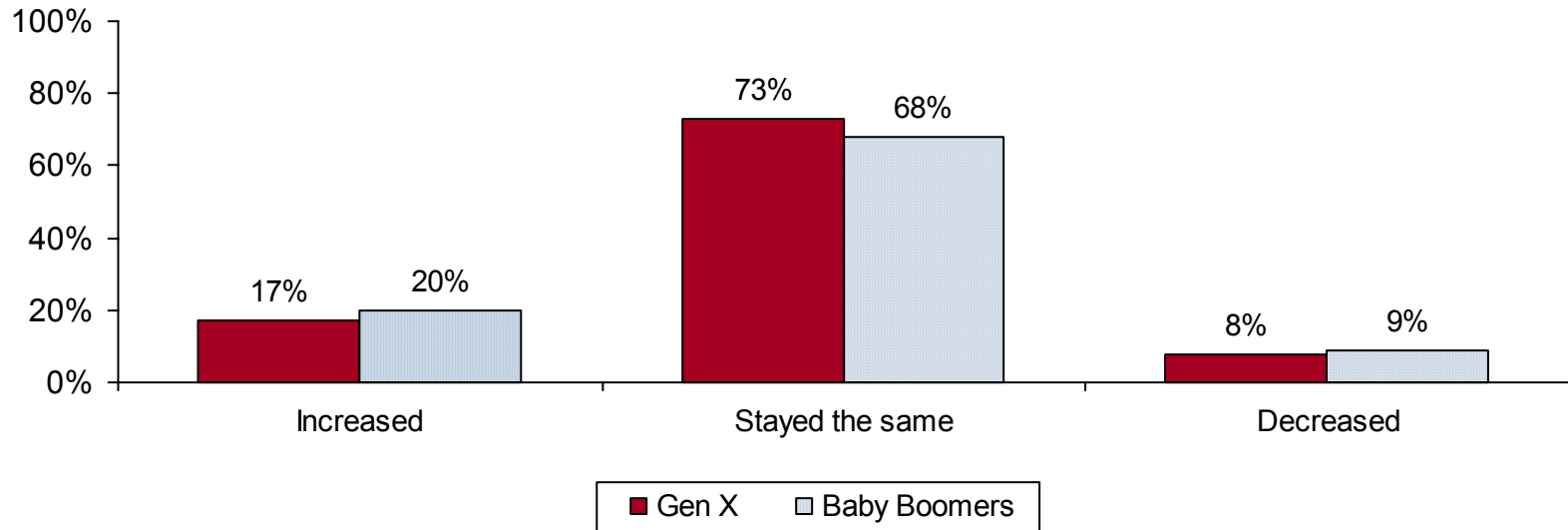
Changes in Company Concern



W Q29 Do you feel this concern has increased, decreased or stayed the same over the past 12 months? Base: All respondents (n=765)
E Q10 Has this concern increased, decreased or stayed the same over the past 12 months? Base: All respondents (n=300)



Changes in Company Concern, cont'd.



W Q29 Do you feel this concern has increased, decreased or stayed the same over the past 12 months? Base: All respondents (G: n=320; B: n=351)



Worker Confidence in Achieving a Comfortable Retirement Lifestyle

- Just under three-fourths of workers (70%) are at least somewhat confident that they will achieve a comfortable lifestyle in retirement - 23% very confident and 47% somewhat confident. Only 7% are not at all confident.
 - Gen Xers are twice as likely to be very confident as Baby Boomers – 32% vs. 16%.
 - Baby Boomers are more likely to be not too confident – 24% vs. 17%. Equal proportions are somewhat confident and not at all confident.
 - Baby Boomers may have more realistic expectations as they are faced with a shorter time horizon until retirement.
- Workers who participate in an employee-funded plan are more likely to feel confident than those who are not offered a plan (74% very/somewhat vs. 64%) but are not more confident than those who choose not to participate in an available plan (72%).
- Not surprisingly, those who have higher income and/or higher retirement assets, save for retirement outside of work, pay credit card bills in full, manage a household budget, and believe their financial situation has changed for the better are more confident in their ability to achieve a comfortable retirement.

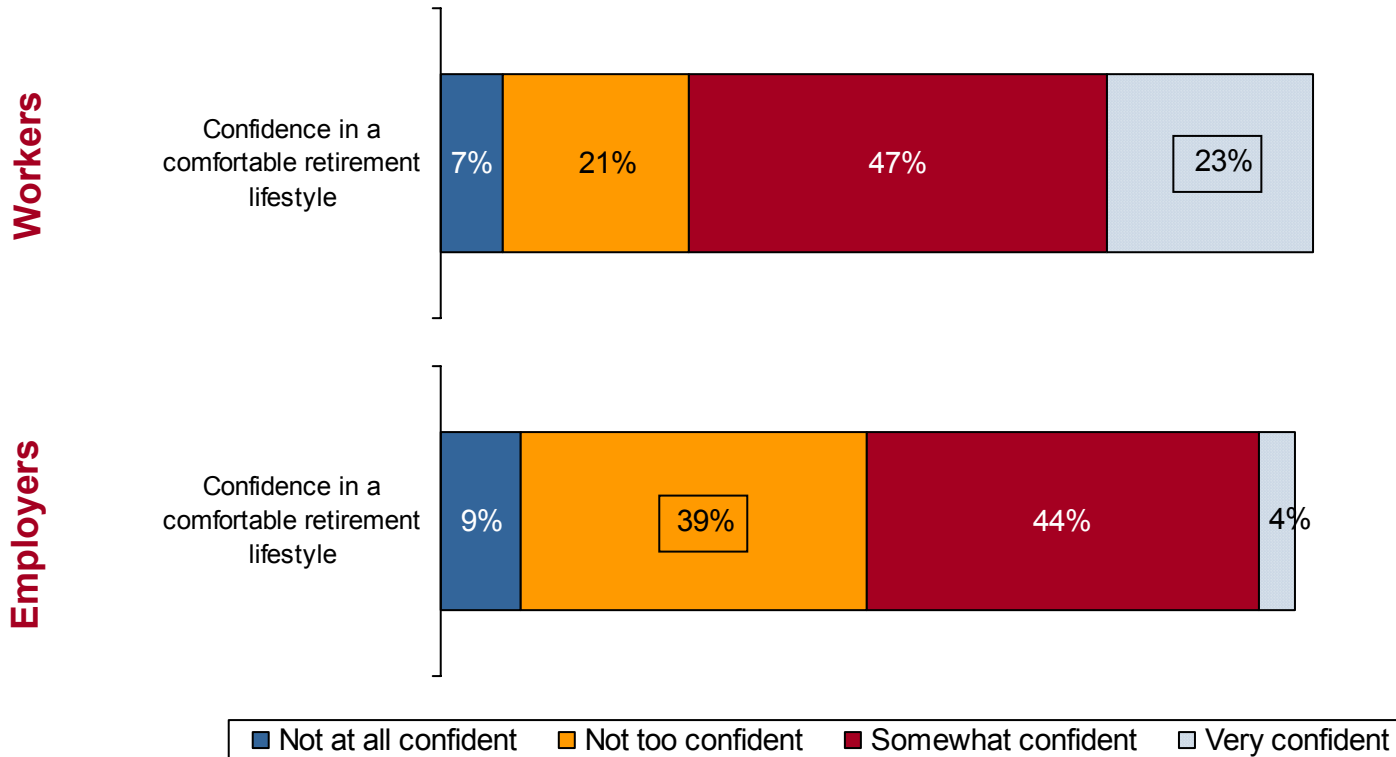


Worker Confidence in Achieving a Comfortable Retirement Lifestyle, cont'd.

- Employers are much less optimistic about their workers' confidence levels. Just under half (48%) of employers believe their workers are very/somewhat confident, with only 4% very confident and 44% somewhat confident. About the same proportion as seen among workers (9%) is truly pessimistic with a rating of not at all confident.
 - In 2001, 4-in-10 employers (40%) stated their workers were very (7%) or somewhat (33%) well prepared for retirement. More (15%) said workers were not at all prepared.
 - Surprisingly, there are no significant differences between employers who offer an employee-funded retirement plan and those who do not.
 - Employers who believe benefits are a stronger job-choice motivator for their workers than salary are more likely to believe their workers are very/somewhat confident (60% benefits vs. 41% salary).



Worker Confidence in Achieving a Comfortable Retirement Lifestyle



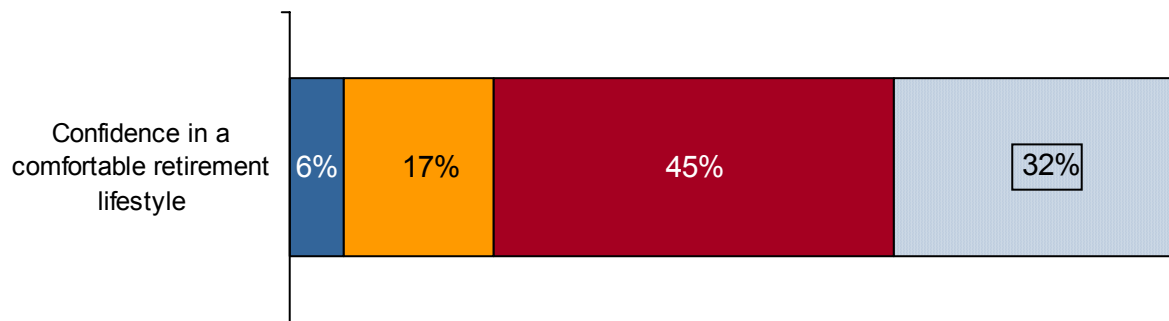
W Q19 How confident are you that you will be able to retire in a lifestyle you would consider comfortable? Base: All respondents (n=765)

E Q14 Following the recent economic downturn, how confident do you feel your employees are that they will be able to achieve a comfortable lifestyle in their retirement? Would you say they are... Base: All respondents (n=300)

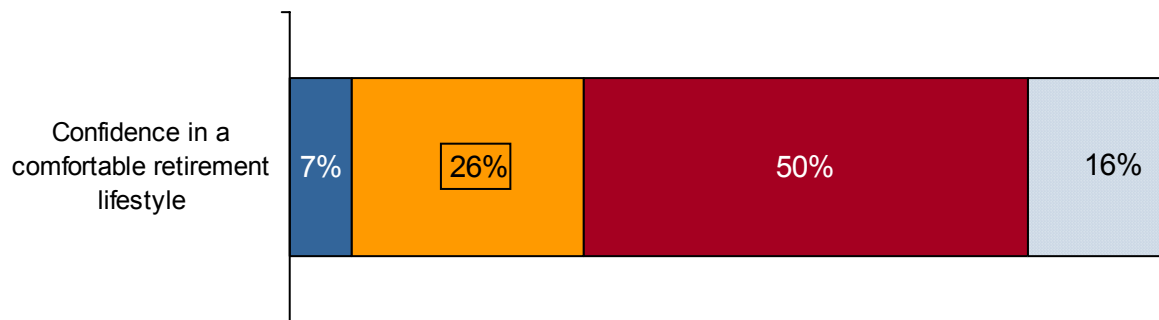


Worker Confidence in Achieving a Comfortable Retirement Lifestyle, cont'd.

Gen X



Baby Boomers



■ Not at all confident ■ Not too confident ■ Somewhat confident □ Very confident

W Q19 How confident are you that you will be able to retire in a lifestyle you would consider comfortable? Base: All respondents (G: n=320; B: n=351)

Detailed Findings - 2002

Attitudes toward Retirement Issues and the Retirement Plan

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Attitudes towards Retirement Issues

- Workers and employers were asked their level of agreement with a battery of statements about retirement planning and about the role of their employer and the government in financing retirement. Employers were asked their level of agreement with the same battery of statements with reference to their employees.
- In general, workers are more optimistic about their retirement planning than their employers are.
 - Only 3-in-10 (29%) of workers agree strongly/somewhat that they ‘prefer not to think about or concern myself with retirement investing until I get closer to my retirement date.’ More than twice as many, 72%, of employers believe their employees will respond this way.
 - Just over half of workers (56%) agree strongly/somewhat that they ‘could work until age 65 and still not save enough to meet my retirement needs,’ but over 8-in-10 (84%) of employers believe their employees will not have saved enough by age 65.
 - However, three-fourths of workers (76%) believe strongly/somewhat that they ‘do not know as much about investing as they should,’ a view held even more strongly by employers with 9-in-10 (91%) believing their workers are not as well educated about investing as they should be.
 - And, workers agree more strongly that they would like their employer to take an active role by providing ‘information and advice ... on how to reach my retirement goals’ (32% workers vs. 20% employers).



Attitudes towards Retirement Issues, cont'd.

- Workers are more involved in managing their investments than employers believe they are.
 - Twice as many workers as employers agree strongly that they are ‘very involved in monitoring and managing my retirement savings’ (29% workers vs. 16% employers).
 - Twice as many workers as employers disagree with the statement that they ‘would prefer to rely on outside experts to monitor and manage my retirement savings’ (38% workers vs. 20% employers).
- Not surprisingly, workers more often strongly agree that the government should take a more active role in retirement plan governance.
 - Nearly half (47%) of workers but only one-third (31%) of employers agree strongly that ‘the government needs to become more involved in setting guidelines and creating programs aimed at helping safeguard employees’ retirement benefits.’
 - Nearly twice as many workers as employers (14% vs. 8%) agree strongly that ‘the government should make it illegal for companies to match employee retirement benefits with company stock.’

Attitudes towards Retirement Issues

Workers	Agree strongly		Agree somewhat		Disagree somewhat/strongly		Employers
	W	E	W	E	W	E	
I currently am very involved in monitoring and managing my retirement savings	29%	16%	38%	40%	32%	42%	Most company employees are generally very involved in monitoring and managing their retirement savings.
I do not know as much as I should about retirement investing	40%	62%	36%	29%	23%	8%	Most company employees do not know as much as they should about retirement investing
I would prefer to rely on outside experts to monitor and manage my retirement savings	26%	30%	35%	49%	38%	20%	Most company employees would prefer to rely on outside experts to monitor and manage their retirement savings
I prefer not to think about or concern myself with retirement investing until I get closer to my retirement date	10%	37%	19%	35%	70%	26%	Most company employees prefer not to think about or concern themselves with retirement investing until they get closer to their retirement date
I could work until age 65 and still not save enough to meet my retirement needs	33%	53%	23%	31%	43%	13%	Most company employees could work until age 65 and still not save enough to meet their retirement needs
The government needs to become more involved in setting guidelines and creating programs aimed at helping to safeguard employees' retirement benefits	47%	31%	28%	31%	23%	36%	The government needs to become more involved in setting guidelines and creating programs aimed at helping to safeguard employees' retirement benefits
The government should make it illegal for companies to match employee retirement benefits in company stock	14%	8%	11%	13%	71%	73%	The government should make it illegal for companies to match employee retirement benefits in company stock
I want more options available to me when it comes to selecting the different investment funds offered within my retirement plan	40%	22%	34%	37%	24%	38%	Most company employees would like more options available to them when it comes to selecting among the different investment funds offered within their retirement plan
It is always better to manage your own retirement savings rather than have it managed by your company or some other outside financial company	28%	25%	30%	38%	39%	33%	Most company employees feel it is better to manage their own retirement savings rather than have it managed by their company or some other outside financial company
I would like to receive more information and advice from my company on how to reach my retirement goals	32%	20%	35%	48%	30%	31%	Most company employees would like to receive more information and advice from the company on how to reach their retirement goals

W Q34, E Q17 People have different opinions and preferences when it comes to saving and investing for retirement. As I read each statement, please tell me how much you agree or disagree with the statement. Base: All respondents W (n=765); E (n=300)

Attitudes towards Retirement Issues

Workers	Agree strongly		Agree somewhat		Disagree somewhat/strongly	
	G	B	G	B	G	B
I currently am very involved in monitoring and managing my retirement savings	24%	35%	41%	34%	35%	31%
I do not know as much as I should about retirement investing	34%	43%	40%	34%	25%	23%
I would prefer to rely on outside experts to monitor and manage my retirement savings	26%	26%	37%	39%	36%	34%
I prefer not to think about or concern myself with retirement investing until I get closer to my retirement date	9%	5%	24%	17%	67%	78%
I could work until age 65 and still not save enough to meet my retirement needs	30%	33%	18%	28%	51%	38%
The government needs to become more involved in setting guidelines and creating programs aimed at helping to safeguard employees' retirement benefits	40%	50%	35%	26%	23%	23%
The government should make it illegal for companies to match employee retirement benefits in company stock	11%	13%	13%	12%	73%	71%
I want more options available to me when it comes to selecting the different investment funds offered within my retirement plan	39%	37%	36%	34%	24%	26%
It is always better to manage your own retirement savings rather than have it managed by your company or some other outside financial company	26%	26%	31%	32%	40%	41%
I would like to receive more information and advice from my company on how to reach my retirement goals	31%	31%	34%	39%	33%	29%

G - Gen X
B - Baby Boomers

W Q34, People have different opinions and preferences when it comes to saving and investing for retirement. As I read each statement, please tell me how much you agree or disagree with the statement. Base: All respondents (G: n=320; B: n=351)



Attitudes towards Employee-Funded Plan

- On attributes related to an employee-funded retirement plan, workers are more cynical about their employers' actions.
 - While most (87%) of workers agree strongly/somewhat that 'my company manages its 401(k) program with the best interests of its employees in mind,' nearly all (96%) of employers claim to do so.
 - The difference is larger for the 'agree strongly' response - 52% of workers vs. 70% of employers.
 - Gen Xers are more positive on this statement with 91% agreeing strongly/somewhat compared to 83% of Baby Boomers.
 - Those who believe their financial situation has improved or stayed the same more often see their plan administered with their best interests in mind (91% vs. 78% with a declining situation).
 - Workers are less likely to agree strongly that their 'company gives out accurate information about how the 401(k) plan is doing' - 62% of workers vs. 75% of employers.
 - Workers and employers agree similarly with statements about risk and disclosure of administrative costs within 401(k) plans.
 - Just under one-third agree strongly/somewhat that the 401(k) plan 'exposes employees to significant financial risk' - 32% of workers and 30% of employers. Worker agreement is stronger among males (39% vs. 20% females), those with income below \$100K (35% vs. 13% \$100K+) and among those with lower retirement assets (36% under \$100K vs. 18% \$100K+).
 - About two-thirds of both groups agree strongly/somewhat that the company discloses administrative costs annually - 67% of workers and 65% of employers.



Attitudes towards Employee-Funded Plan

Workers	Agree strongly		Agree somewhat		Disagree somewhat/strongly		Employers
	W	E	W	E	W	E	
My company manages its 401(k) program with the best interests of employees in mind	52%	70%	35%	26%	10%	3%	Our company manages its 401k program with the best interests of employees in mind
My company's 401(k) program exposes employees to significant financial risk	9%	7%	23%	23%	65%	65%	Our company's 401k program exposes employees to significant financial risk
My company gives out accurate information about how the 401(k) plan is doing	62%	75%	27%	18%	9%	4%	Our company gives out accurate information about how the 401k plan is doing
My company tells me how much each of my plan selections charge in administrative costs each year	38%	40%	29%	25%	27%	24%	Our company tells employees how much each of their plan selections charges in administrative costs each year

W Q34, E Q17 People have different opinions and preferences when it comes to saving and investing for retirement. As I read each statement, please tell me how much you agree or disagree with the statement. Base: W: Participate in plan (n=238); E: Offer plan (n=238)



Attitudes towards Employee-Funded Plan

Workers	Agree strongly		Agree somewhat		Disagree somewhat/strongly	
	G	B	G	B	G	B
My company manages its 401(k) program with the best interests of employees in mind	46%	50%	45%	33%	7%	13%
My company's 401(k) program exposes employees to significant financial risk	4%	11%	22%	20%	73%	64%
My company gives out accurate information about how the 401(k) plan is doing	62%	65%	25%	26%	11%	7%
My company tells me how much each of my plan selections charge in administrative costs each year	36%	37%	31%	26%	29%	27%

G - Gen X
B - Baby Boomers

W Q34 People have different opinions and preferences when it comes to saving and investing for retirement. As I read each statement, please tell me how much you agree or disagree with the statement. Base: Participate in plan (G: n=184; B: n=196)

Detailed Findings - 2002

Worker Retirement Planning: Sources of Funds and Management

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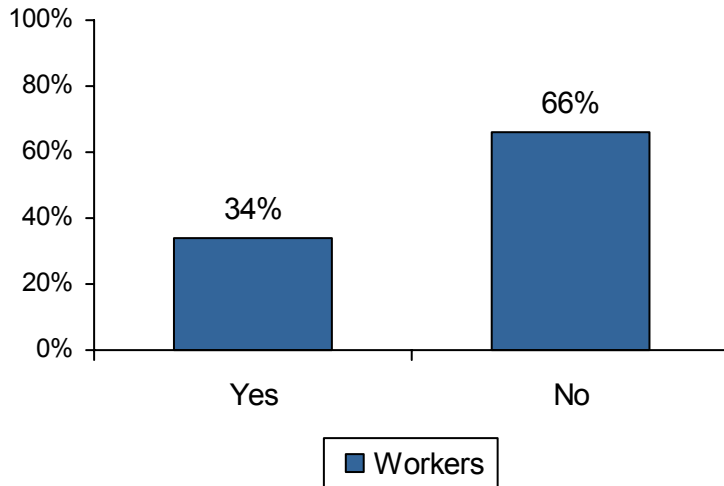
Other Sources of Retirement Funds

- About one-third (34%) of workers have participated in a retirement plan at another employer.
 - The previous participation rate is higher with higher income – from 27% with under \$50K to 50% at \$100K+.
- Of those who do not currently participate in their employer's plan, about 1-in-5 (17%) have previously participated in the plan.
- The majority of workers (59%) are also saving for retirement outside of any plan offered by their employer.
 - For Baby Boomers, the proportion rises to 70%, compared to 53% for Gen Xers. This is certainly due to the relative immediacy of retirement for Baby Boomers.
 - Not surprisingly, the proportion of workers saving outside a plan rises for those who have higher income and/or higher retirement assets, contribute 10% or more to their current plan, spend more time reviewing retirement accounts, pay credit card bills on time and manage the household budget.
 - More males and married workers (63% of each segment) are saving outside of work than are females or unmarried workers (52% of each segment).
- If married, almost two-thirds (64%) report that their spouse is currently participating in a retirement plan of his/her own.
- However, of the small number of worker respondents who have never participated in a company plan and are not currently saving for retirement, fewer than 1-in-10 report having any funds saved towards retirement.

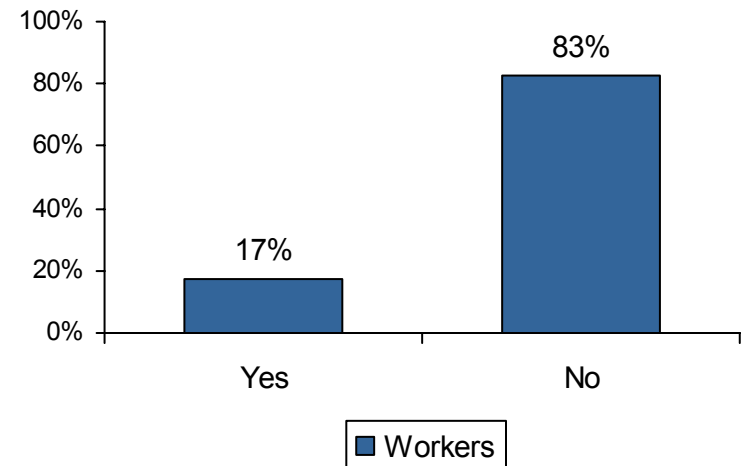


Previous Retirement Plan Participation

Ever Participated In A Plan



Ever Participated In Plan of Current Company



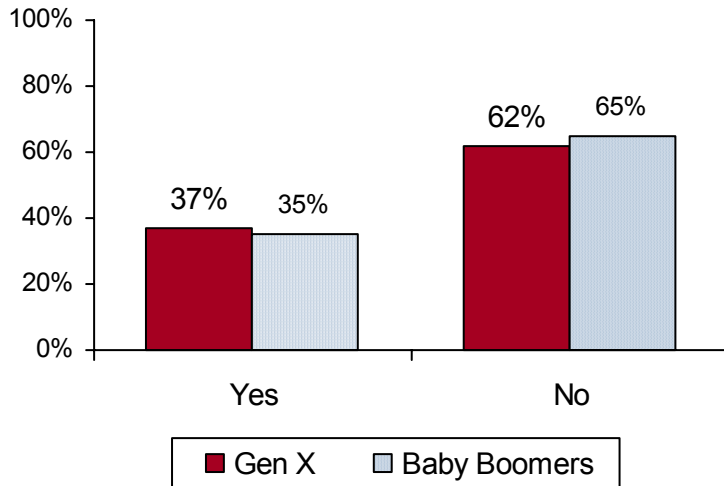
W Q15a Have you ever participated in another company's retirement savings plan? Base: All Respondents (n=765)

W Q15b Have you ever participated in the retirement savings plan of your current company? Base: Not Currently Participating In Retirement Plan (n=135)

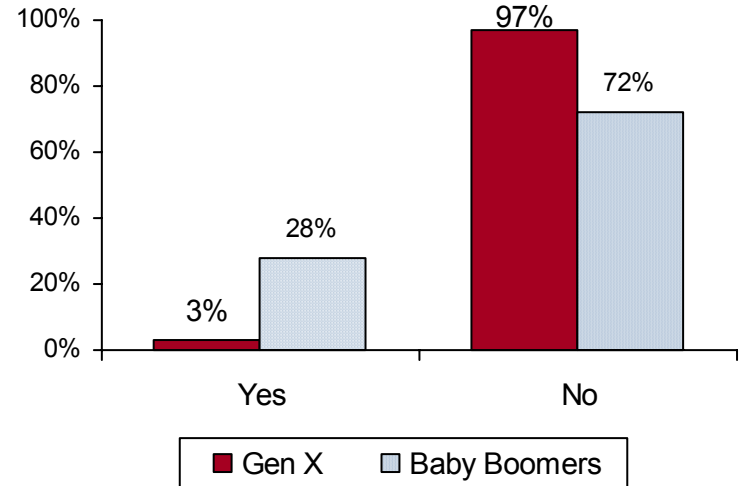


Previous Retirement Plan Participation, cont'd.

Ever Participated In A Plan



Ever Participated In Plan of Current Company



W Q15a Have you ever participated in another company's retirement savings plan? Base: All Respondents (G: n=320; B: n=351)

W Q15b Have you ever participated in the retirement savings plan of your current company? Base: Not Currently Participating In Retirement Plan

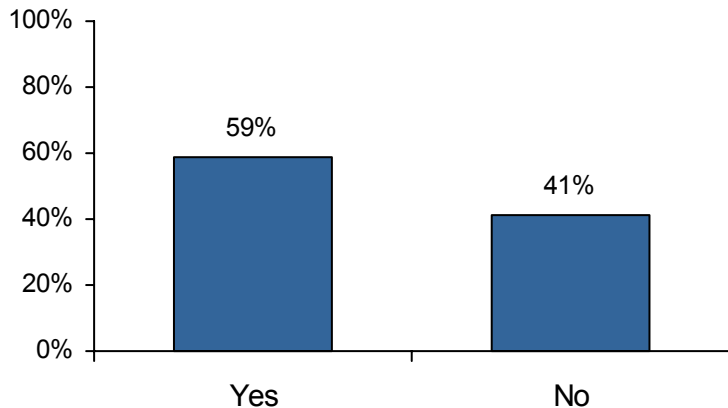
(G: n=58; B: n=62)

Caution: Small Base

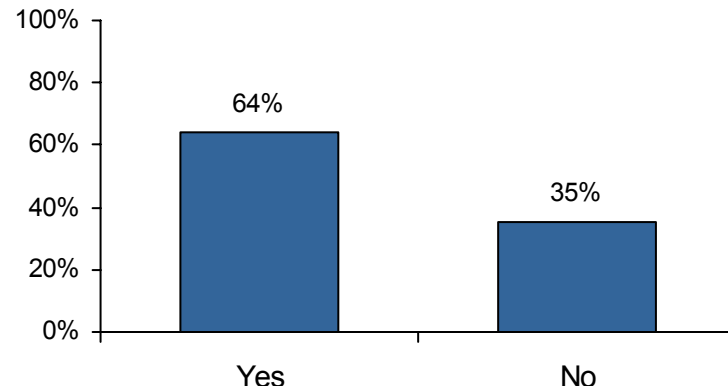


Other Savings For Retirement

Currently Saving Outside of Work



Spouse Currently Saving Money



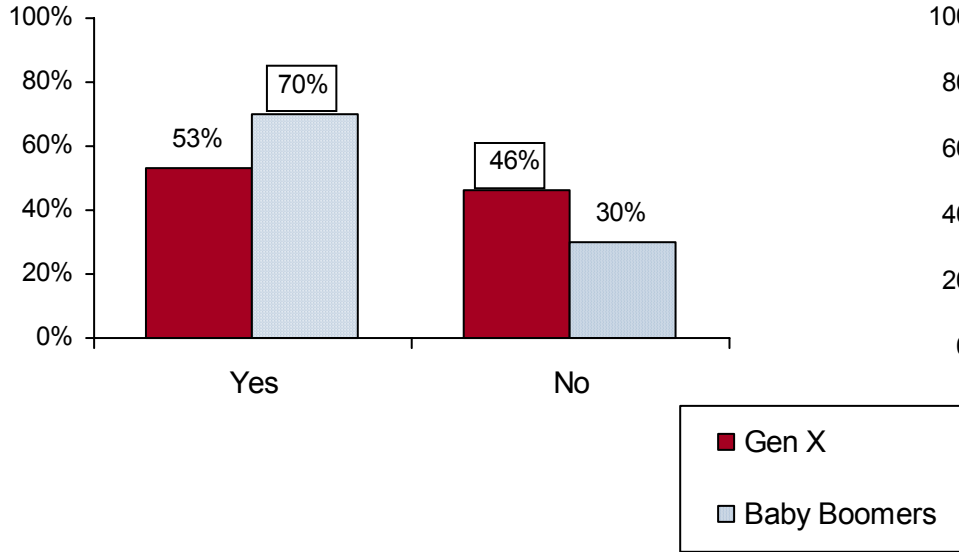
Of the very small number of respondents who have never participated in a company plan and are not currently saving for retirement, fewer than 1-in-10 report having any money saved specifically for retirement.

W Q16 Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.? Base: All Respondents (n=765)
W Q17b Is your spouse currently putting money aside in a retirement plan of his or her own? Base: Married (n=491)
W Q18 Do you currently have any money saved specifically for your retirement? Base: Never Contributed to A Company Sponsored Retirement Plan and Not Currently Saving for Retirement Outside Work (n=59) **Caution: Small Base**

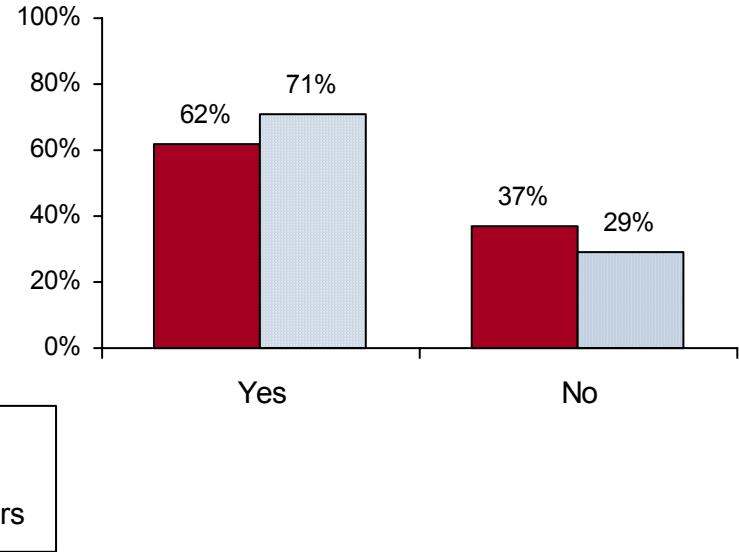


Other Savings For Retirement, cont'd.

Currently Saving Outside of Work



Spouse Currently Saving Money



Of the very small number of Gen X and Baby Boomer respondents who have never participated in a company plan, none report having any money saved specifically for retirement.

W Q16 Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.? Base: All Respondents (G: n=320; B: n=351)

W Q17b Is your spouse currently putting money aside in a retirement plan of his or her own? Base: Married (G: n=210; B: n=235)

W Q18 Do you currently have any money saved specifically for your retirement? Base: Never Contributed to A Company Sponsored Retirement Plan and Not Currently Saving for Retirement Outside Work (G: n=31; B: n=14) **Caution: Extremely Small Base**



Retirement Timelines

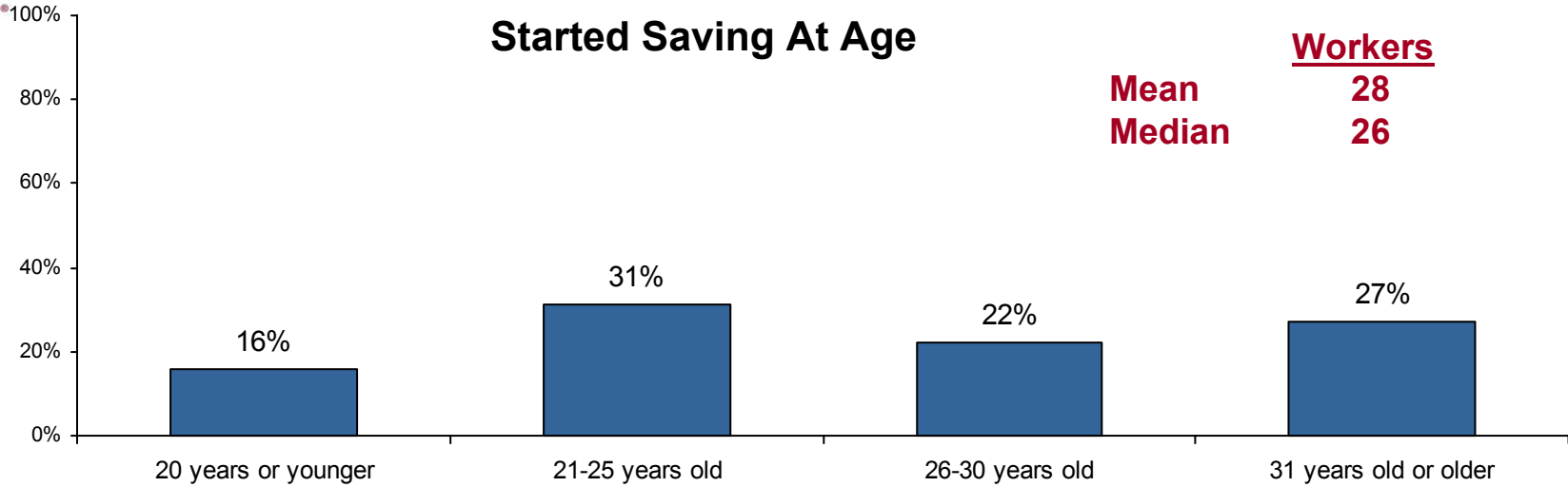
- On average, workers who are saving for retirement started saving at a young age, with an mean age of 28 years. Half (47%) claim to have started saving at age 25 or younger.
 - Gen Xers are getting a head start compared to Baby Boomers with an average starting age of 25 years compared to age 30 for Baby Boomers. The incremental five year period represents a significant advantage for Gen Xers, as their funds will grow tax-deferred for a longer period.
 - Twice as many Gen Xers claim to have begun retirement savings before age 25 as Baby Boomers (65% vs. 33%).
 - One-third (37%) of Baby Boomers did not begin saving for retirement until age 31 years or older.
- Workers who believe their financial situation is worse than a year ago started saving for retirement later than those who believe their situation improved (average ages 30 years vs. 27 years).
- Those who contribute more to their retirement plans may be trying to make up for having started to save for retirement later - average age of 30 years for those who contribute 10%+ vs. 27 years for those who contribute 6-9%.



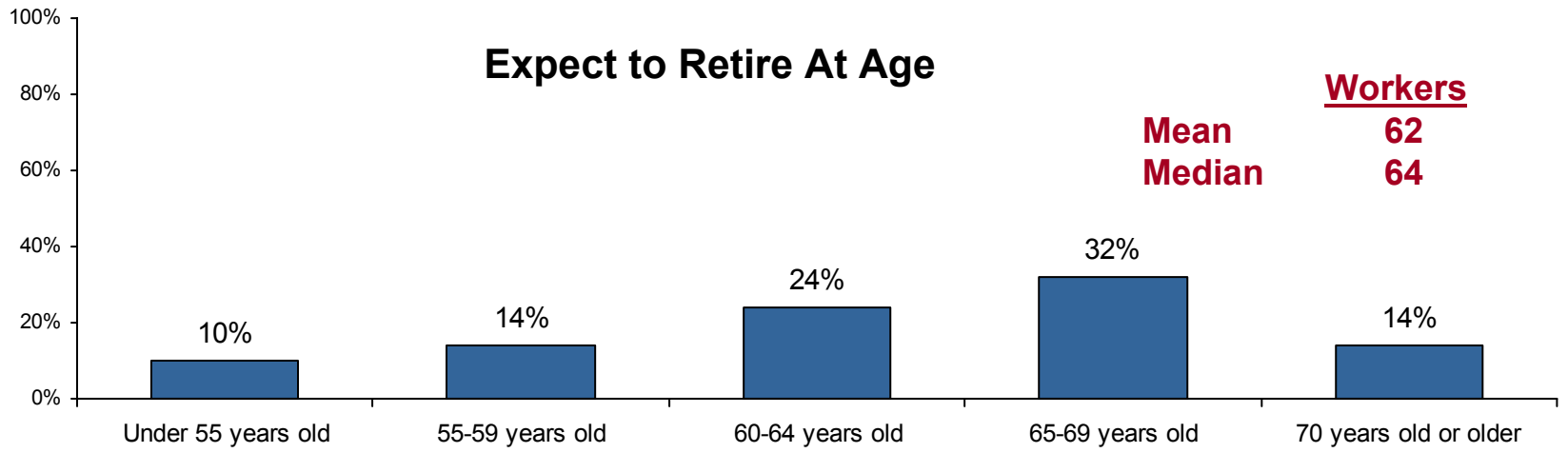
Retirement Timelines, cont'd.

- Workers hope to retire before the traditional age of 65, at an average age of 62 years. As the age for receiving Social Security benefits is increased for these workers, they face a substantial gap before they are eligible for full Social Security benefits.
 - One-fourth (24%) plan to retire before age 60. Another 1-in-7 plan to work past age 70.
 - Gen Xers are even more optimistic about being able to retire early with an average expected retirement age of only 61 years compared to 63 years for Baby Boomers. Baby Boomers may be more realistic with retirement closer at hand.
 - Other findings include:
 - On average, males expect to retire at age 61 compared to females who expect to retire at 63.
 - Those who believe their financial situation has improved expect to retire at an average age of 59 compared to those whose situation has stayed the same or worsened (62 and 64 years).
 - Contributing more to the plan leads to an earlier expected retirement (61 years at 10%+ vs. 63-64 years with lower contribution rates).
- The recent economic downturn has had a significant impact on retirement planning, with one-third (33%) now expecting their retirement date to be further away than it was two years ago. Only 3% think they can accelerate retirement.
 - Baby Boomers are more likely to see a delay in their retirement date with nearly 2-in-5 (39%) seeing retirement further away. This compares to 30% of Gen Xers. This disparity is likely due to Baby Boomers having less time to rebuild assets after losses due to the downturn.
 - Fully half (52%) of those whose financial situation has declined now see retirement further away.

Retirement Timelines



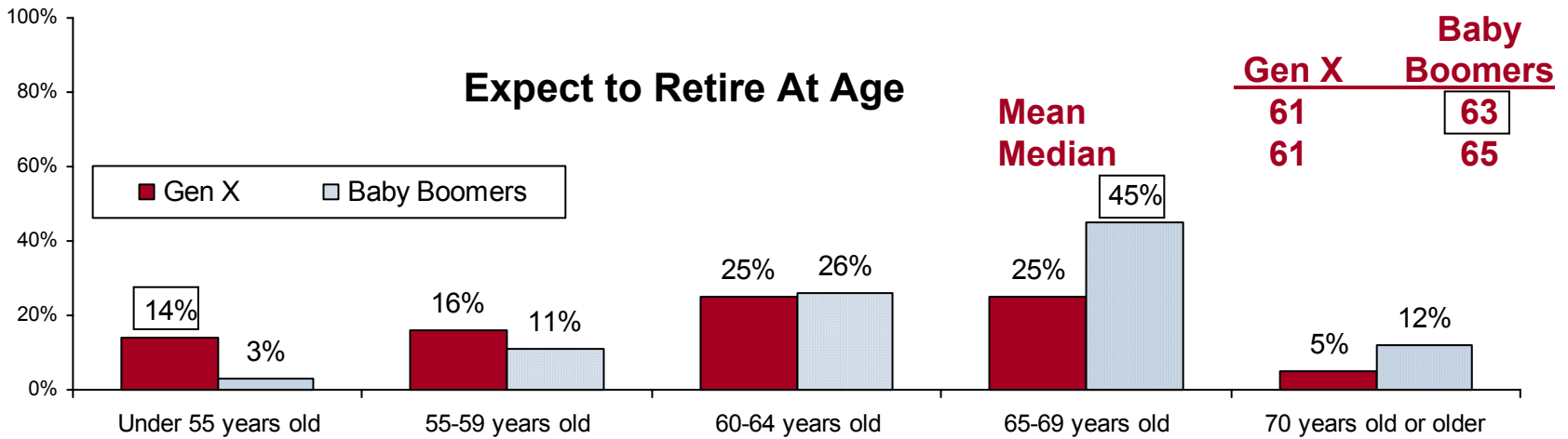
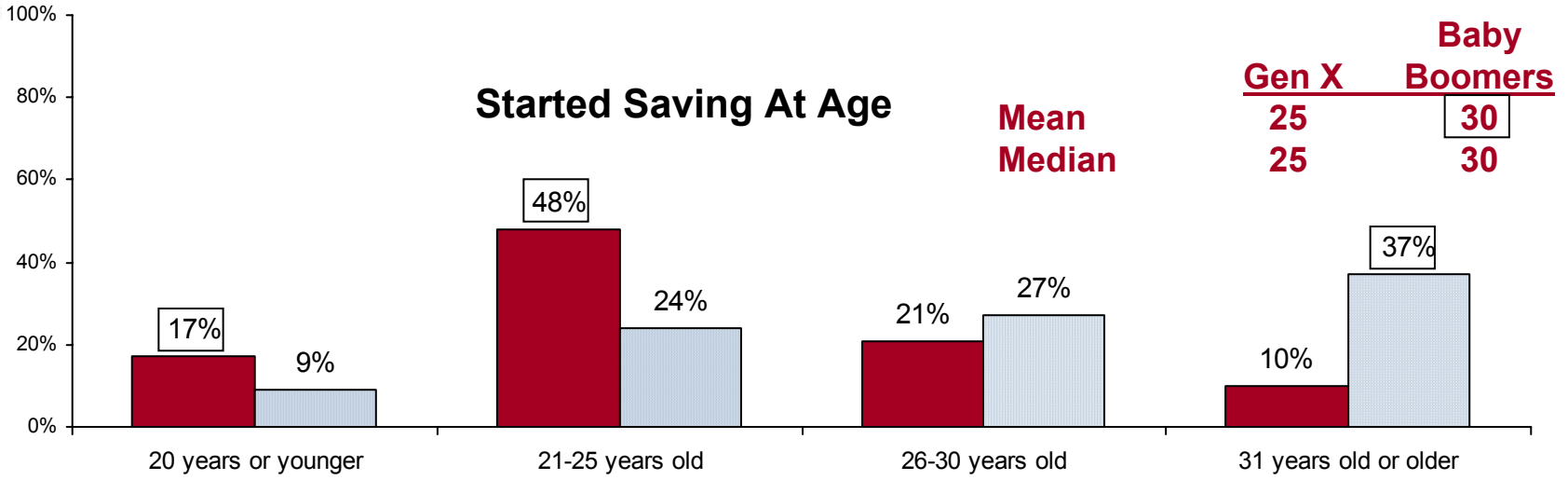
Workers
Mean 28
Median 26



Workers
Mean 62
Median 64

W Q20 At what age did you first start saving for retirement? Base: Currently Saving For Retirement (n=685)
 W Q21 At what age do you think you will retire? Base: All Respondents (n=765)

Retirement Timelines, cont'd.



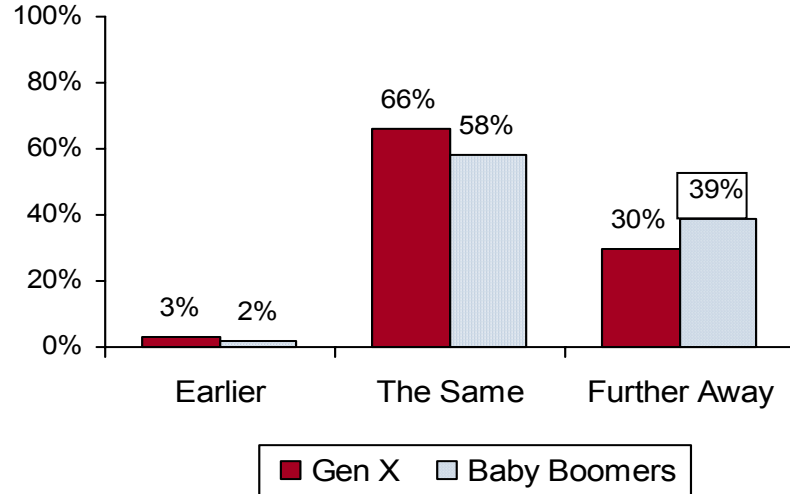
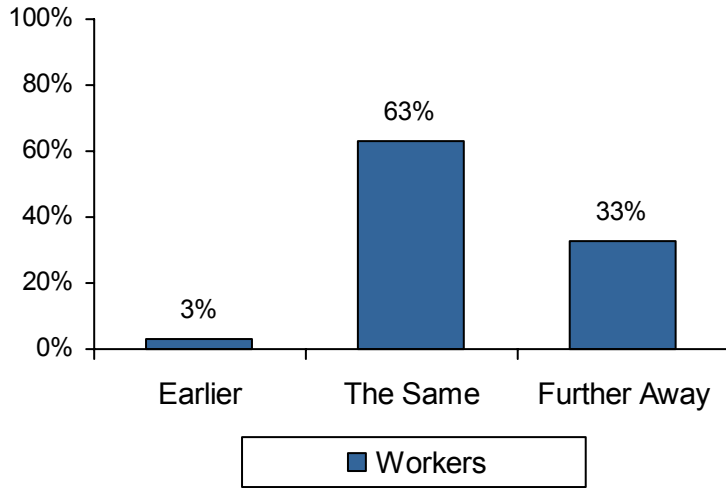
W Q20 At what age did you first start saving for retirement? Base: Currently Saving For Retirement (G: n=284; B: n=334)

W Q21 At what age do you think you will retire? Base: All Respondents (G: n=320; B: n=351)



Changes in Expected Retirement Date

Change In Expected Retirement Date



W Q22a Due to the recent economic downturn, do you expect your retirement date to be further away, earlier, or to be about the same as you thought 2 years ago? Base: All Respondents (n=765)

W Q22b Approximately how many additional years do you now see yourself working until your retirement? Base: Retirement Date Now Further Away (n=243)



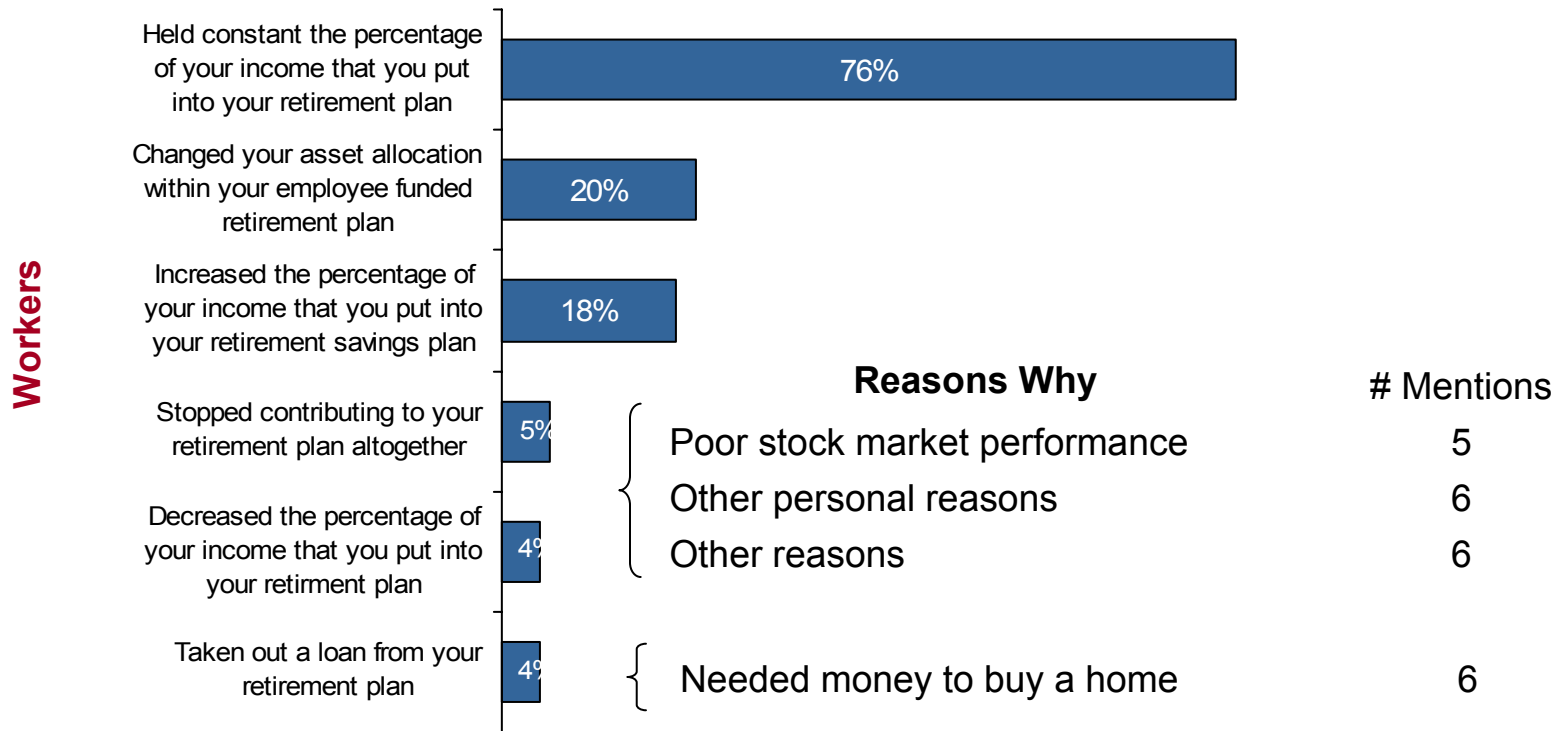
Managing the Retirement Account

- In spite of the economic downturn, three-fourths (76%) of workers held constant their contributions to their retirement plans over the last year. One-fifth (20%) did change their asset allocation and about the same proportion (18%) increased the percentage of salary they contribute to their plan.
 - Those who changed their asset allocation are more likely to have higher income and/or retirement assets and to be saving for retirement outside of work.
- Only small numbers stopped contributing altogether (5%) or reduced their contribution (4%). A similar small proportion (4%) took out a loan.
 - Those who continue to participate but who have decreased their contribution are more likely to believe their financial situation has declined (13% vs. 1-2% for others).
- Of those who changed asset allocations over the last year, two-thirds (66%) moved dollars into lower risk funds. A surprising one-third (35%) moved dollars to higher risk funds, perhaps in an attempt to recoup market losses.
 - Twice as many workers moved dollars out of company stock compared to the proportion who moved money into company stock (28% vs. 15%). This is certainly an effect of the Enron debacle and other corporate scandals.
- Workers most often (43%) monitor their retirement plans quarterly, likely using their regular quarterly statements. About one-fourth (23%) monitor once a month and fewer than 1-in-10 (8%) monitor more frequently.
 - On average, workers spend 14 hours per year monitoring their accounts, but the median time spent is just 5 hours.



Retirement Plan Activities

% Yes



W Q12 In the past 12 months have you...? Base: Participate in Employee-Funded Retirement Plan (n=431)

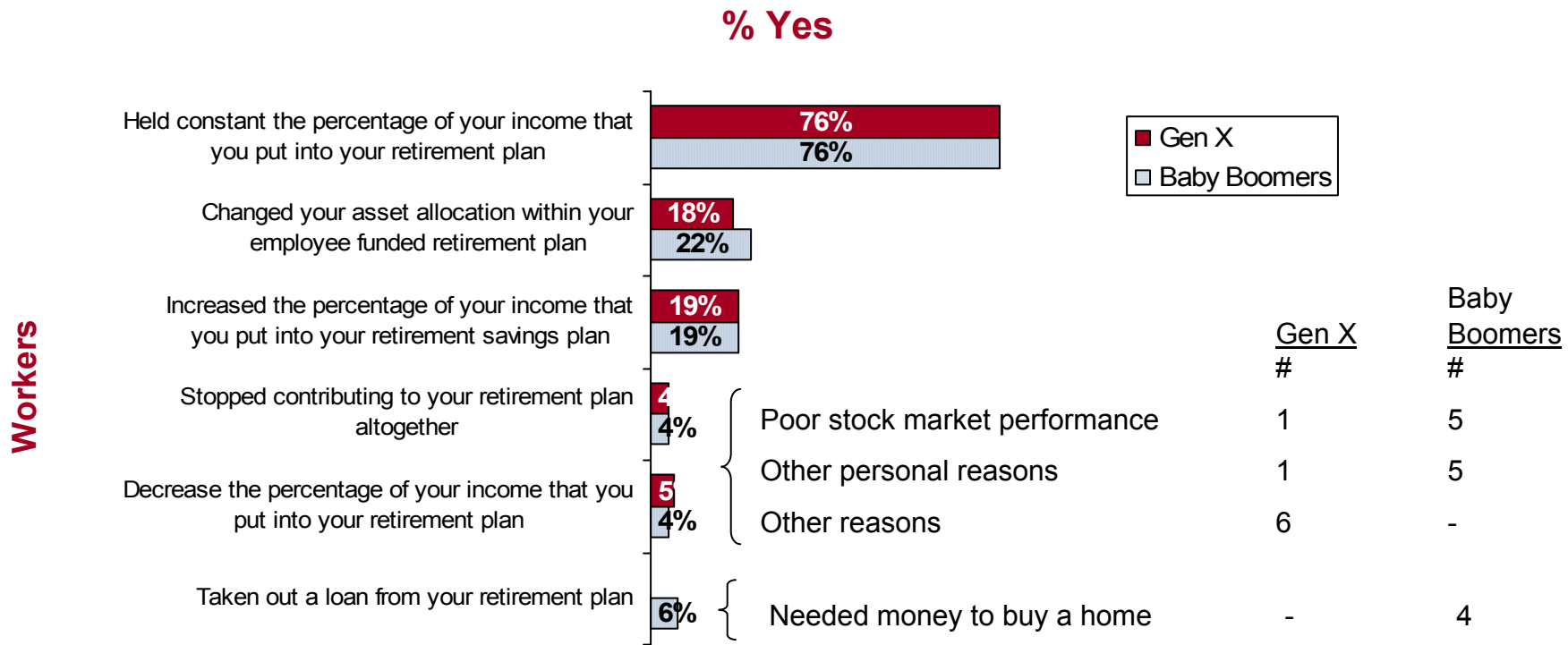
W Q13b Why did you reduce or eliminate your contribution to your retirement plan? Base: Reduced or stopped contributing to retirement plan (n=35)

Caution: Extremely Small Bases

W Q14 What was the reason for taking a loan from your retirement plan this year? Base: Took out loan (n=13)



Retirement Plan Activities, cont'd.



W Q12 In the past 12 months have you...? Base: Participate in Employee-Funded Retirement Plan G: n=184; B: n=196)

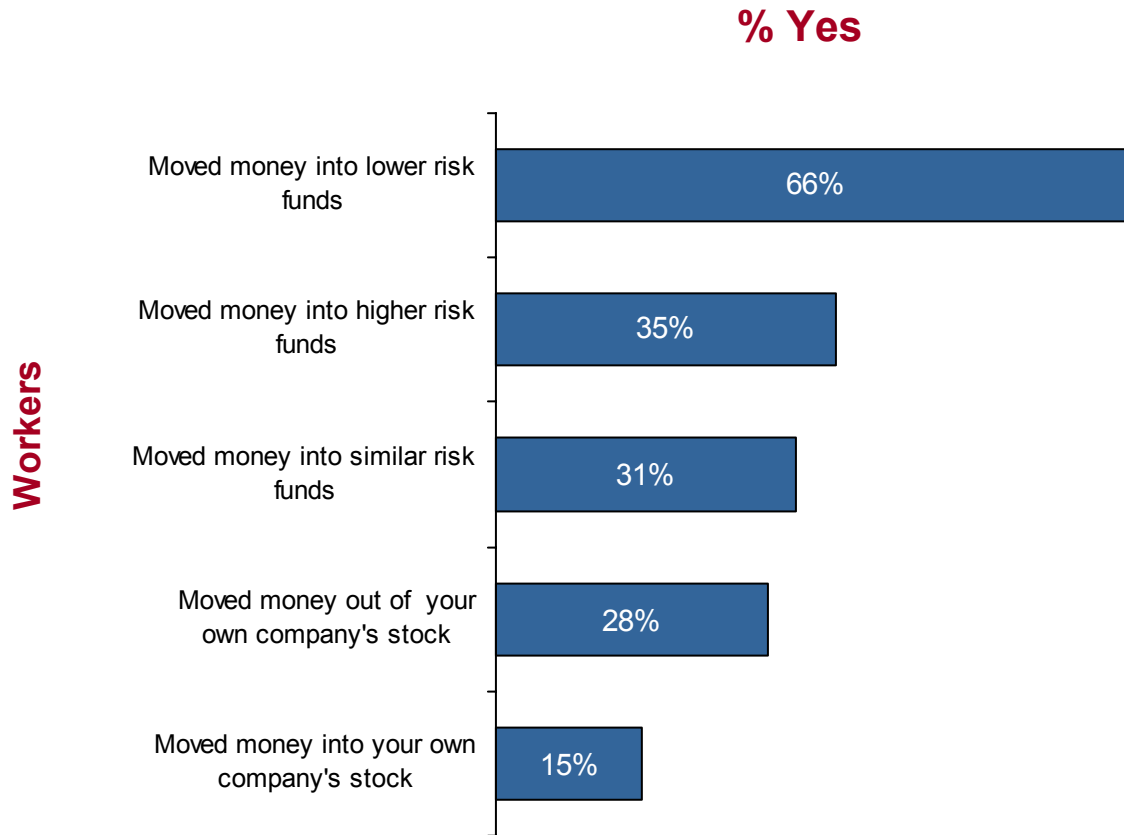
W Q13b Why did you reduce or eliminate your contribution to your retirement plan? Base: Reduced or stopped contributing to retirement plan (G: n=14; B: n=17)

Caution: Extremely Small Bases

W Q14 What was the reason for taking a loan from your retirement plan this year? Base: Took out loan G: n=2; B: n=9)



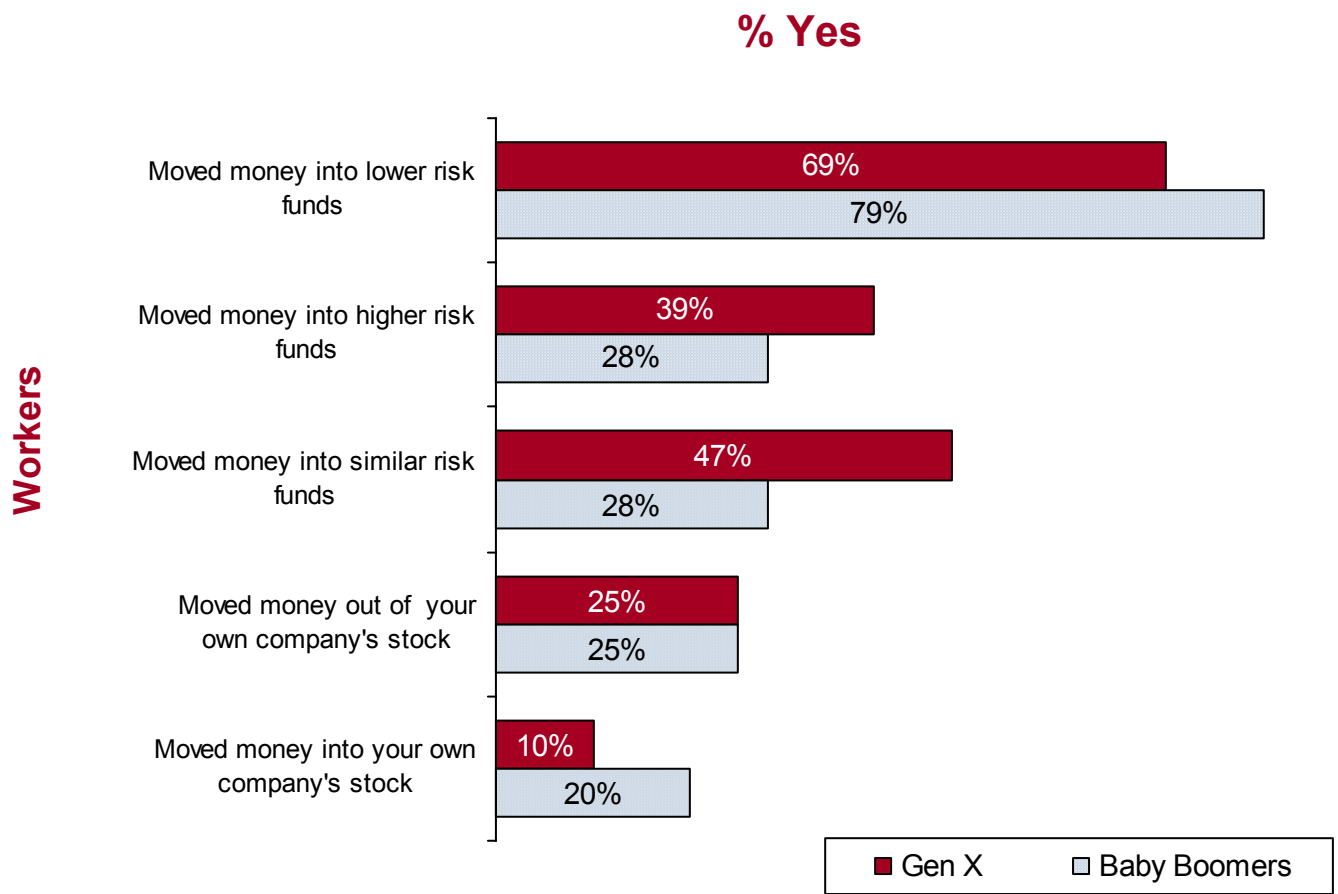
Changes in Allocation of Retirement Plan Balances



W Q13a In general, how did you change your asset allocation? Base: Changed Asset Allocation in Retirement Plan (n=104)



Changes in Allocation of Retirement Plan Balances, cont'd.



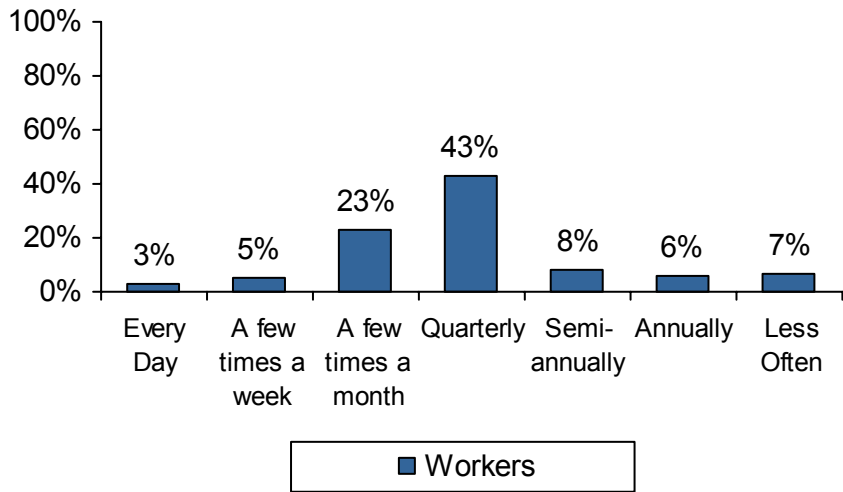
Caution: Small Base

W Q13a In general, how did you change your asset allocation? Base: Changed Asset Allocation in Retirement Plan (G: n=46; B: n=48)

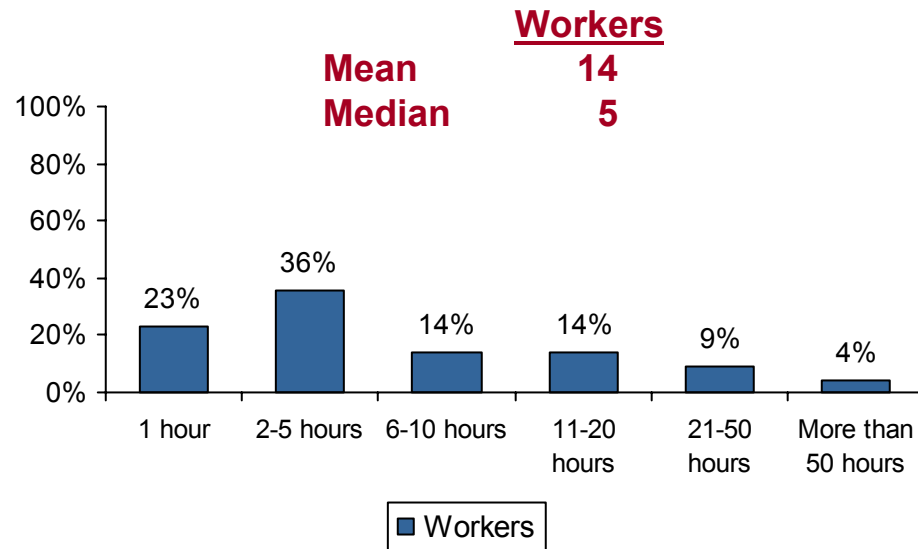


Monitoring Retirement Accounts

Frequency of Monitoring Retirement Accounts



Hours Spent Reviewing Retirement Accounts

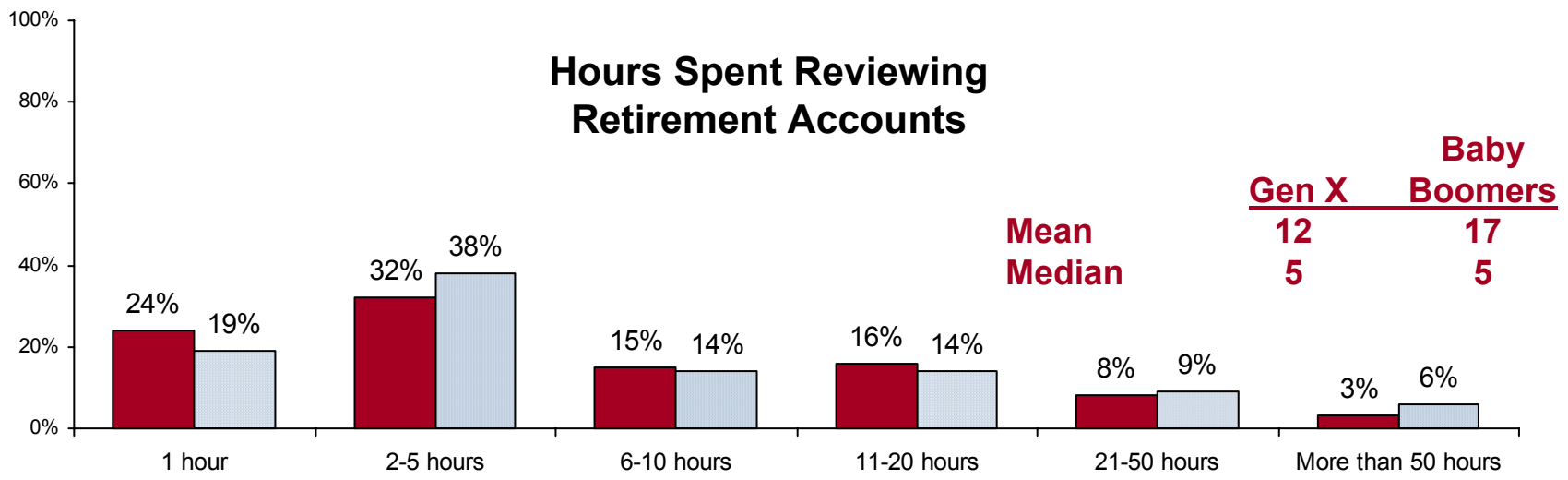
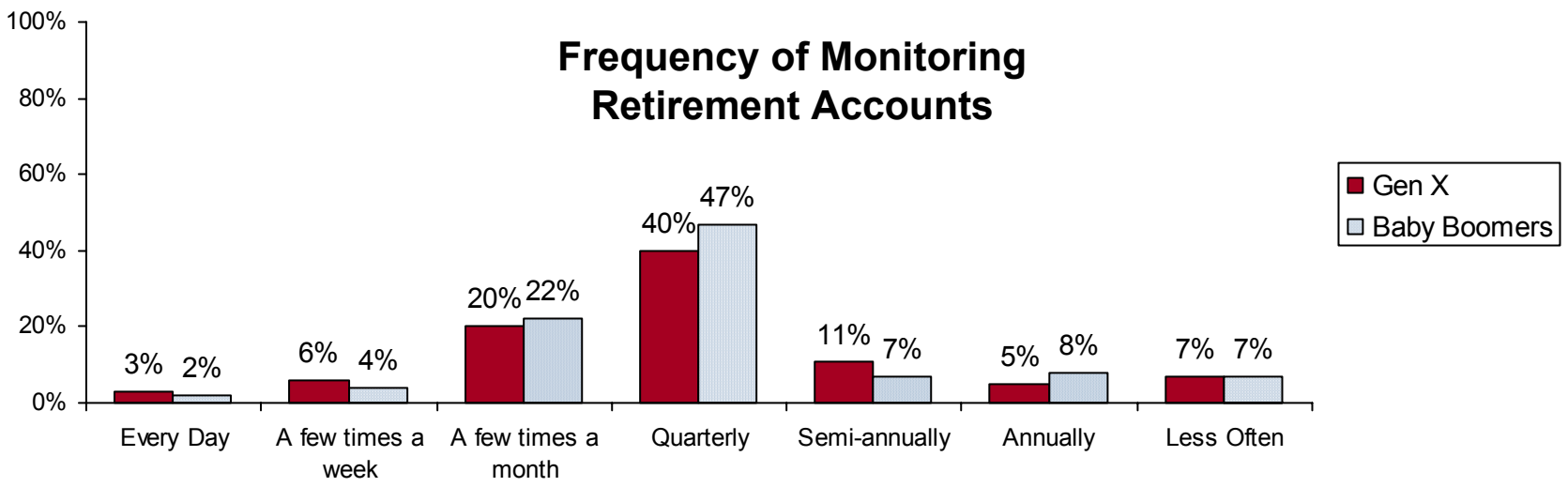


W Q23a How often do you monitor your retirement accounts? Base: Have Money in Retirement Accounts (n=685)

W Q23b About how many hours a year do you spend reviewing and making decisions about your retirement accounts? Base: Have Money in Retirement Accounts (n=685)



Monitoring Retirement Plan



W Q23a How often do you monitor your retirement accounts? Base: Have Money in Retirement Accounts (G: n=279; B: n=331)

Detailed Findings - 2002

Financial Attitudes and Behaviors

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General Attitudes about the Economy

- A large majority of workers (84%) pay at least some attention to news about the economy in these uncertain times. One-third (37%) pay a great deal of attention and about half (47%) pay some attention.
 - Baby Boomers are more engaged with economic news with nearly half (45%) paying a great deal of attention compared to only 28% of Gen Xers.
 - Workers who see their personal financial situation as worse than last year are more likely to pay a great deal of attention to news about the economy (50% vs. 31-35% for others).
 - Other segments who pay more attention are those who have higher income and/or retirement assets, are male and/or married, participate in their company's employee-funded plan, save for retirement outside of work, or contribute a higher percentage of their salary to their plan.



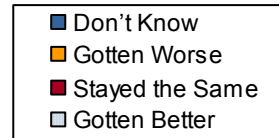
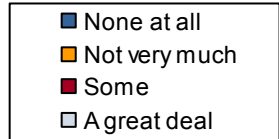
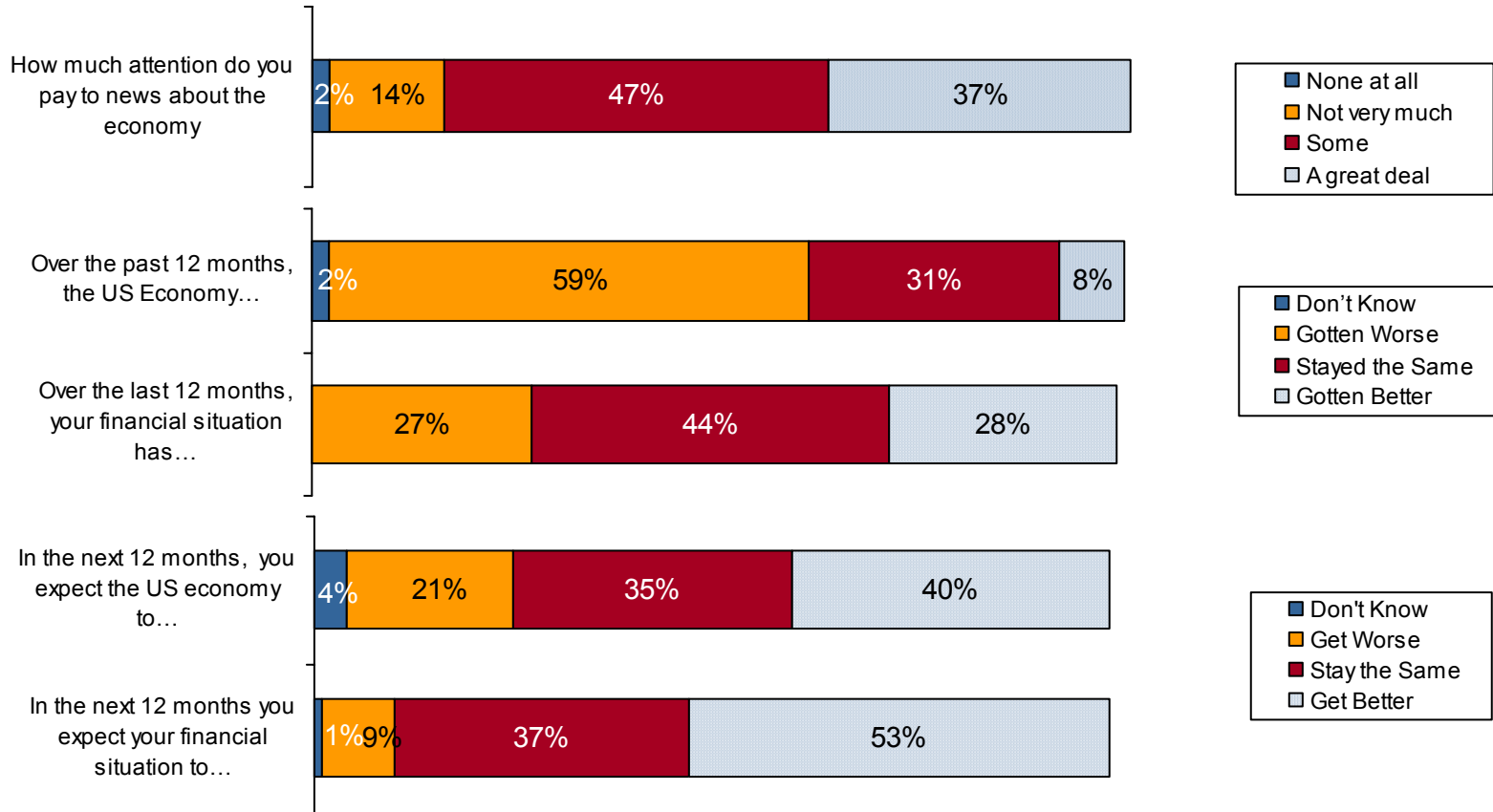
General Attitudes about the Economy

- Workers believe they have personally fared better than the economy overall with over one-fourth (28%) saying their personal financial situation has improved but less than 1-in-10 (8%) believing the U.S. economy has improved.
 - Half as many see their own situation as worse compared to the proportion who believe the U.S. economy has gotten worse (27% vs. 59%).
 - Gen Xers are more optimistic about their experience in the last year with one-third (33%) believing their situation has improved. Only one-fourth (24%) of Baby Boomers agree. Conversely, one-third (33%) of Baby Boomers have seen their situation decline compared to just one-fifth (20%) of Gen Xers.
 - Those with higher retirement assets are more likely to say their situation has declined (32-34% over \$25K vs. 19% under \$25K). This is perhaps because they have seen a greater absolute decrease in value of their portfolios with the market decline.
 - However, those with lower incomes also are more likely to see their financial situation worsening over the past year (30% under \$50K vs. 16% 100K+).
- Workers are also more optimistic about their personal financial future than about the country's economic future - 53% believe their situation will improve compared to 40% who believe the country's situation will improve.
 - And, again, only half as many see their personal situation worsening compared to the proportion who fear the U.S. economic situation will worsen (9% vs. 21%).
 - Baby Boomers and Gen Xers have very similar outlooks over the next 12 months.
 - Workers who saw their situation improve in the last year are more optimistic about the future with 72% saying their situation will improve compared to 46% of others. Half (51%) of this group expects the national economy to improve compared to just one-third (36%) of those whose personal situation did not improve.



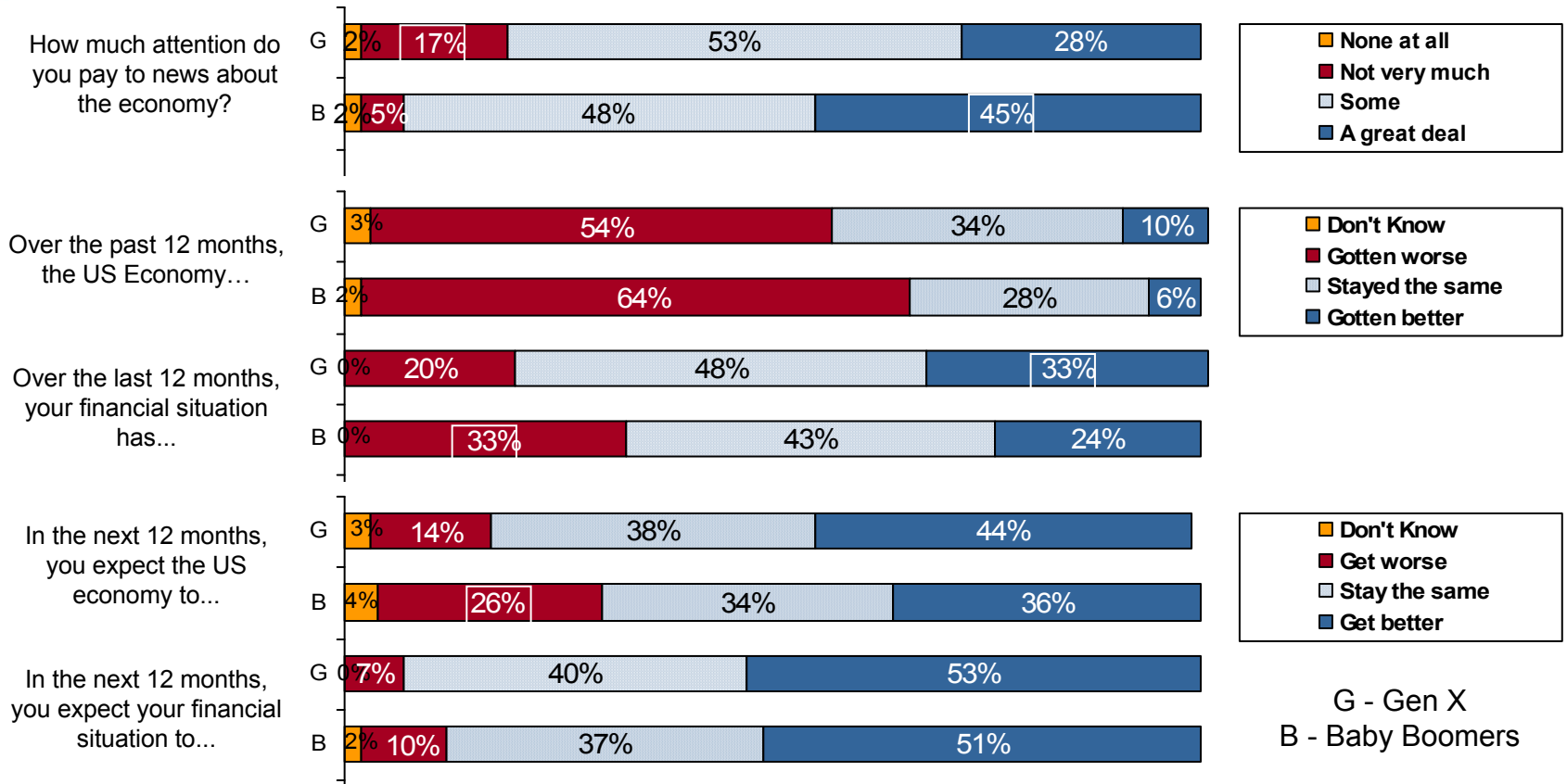
General Attitudes about the Economy

Workers



- W Q1 How much attention do you pay to news about the economy? Base: All Respondents (n=765)
- W Q2 Over the last 12 months, would you say that the US economy has gotten better, stayed about the same, or gotten worse? Base: All Respondents (n=765)
- W Q4 Over the last 12 months, would you say that your financial situation has gotten better, stayed about the same or gotten worse? Base: All Respondents (n=765)
- W Q3 In the next 12 months do you expect that the US economy will get better, stay about the same or get worse? Base: All Respondents (n=765)
- W Q5 In the next 12 months do you expect your financial situation to get better, stay about the same or get worse? Base: All Respondents (n=765)

General Attitudes about the Economy, cont'd.



- W Q1 How much attention do you pay to news about the economy? Base: All Respondents (G: n=320; B: n=351)
- W Q2 Over the last 12 months, would you say that the US economy has gotten better, stayed about the same, or gotten worse? Base: All Respondents (G: n=320; B: n=351)
- W Q4 Over the last 12 months, would you say that your financial situation has gotten better, stayed about the same or gotten worse? Base: All Respondents (G: n=320; B: n=351)
- W Q3 In the next 12 months do you expect that the US economy will get better, stay about the same or get worse? Base: All Respondents (G: n=320; B: n=351)
- W Q5 In the next 12 months do you expect your financial situation to get better, stay about the same or get worse? Base: All Respondents (G: n=320; B: n=351)

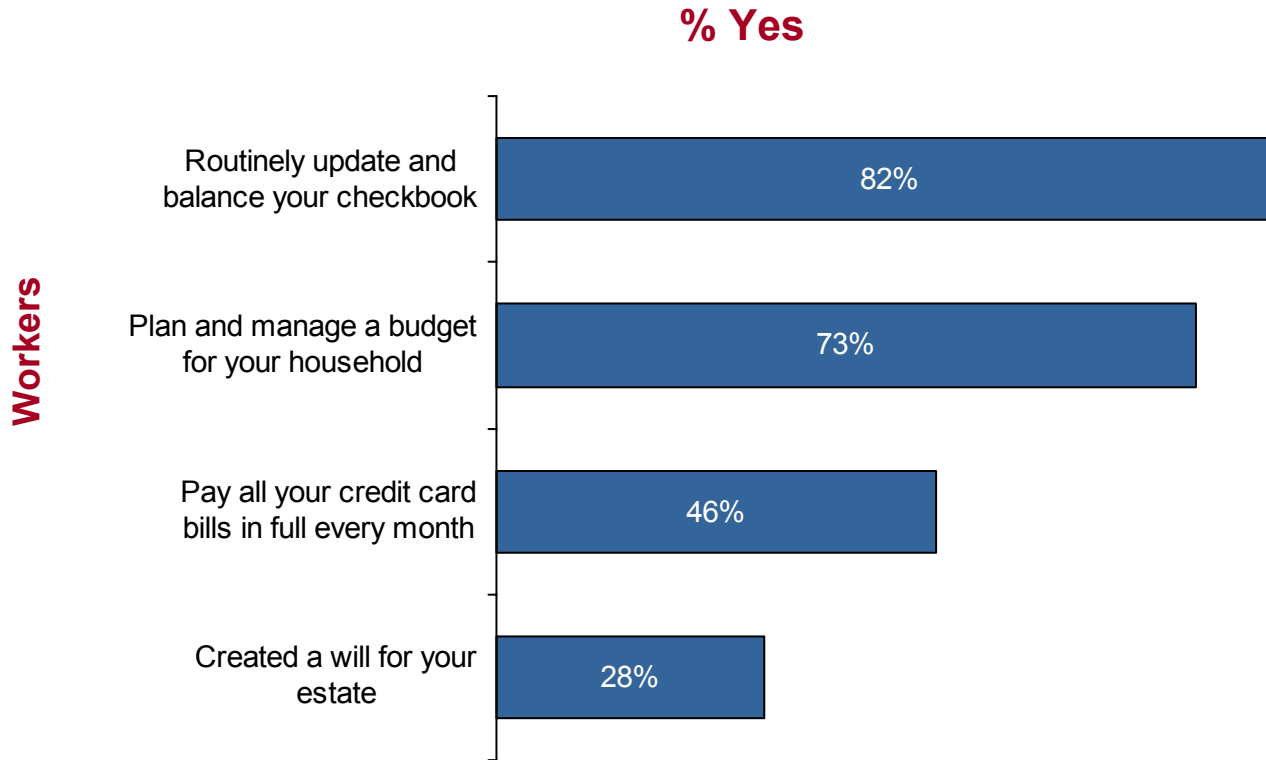


Routine Financial Behaviors

- The most routine financial management activities are done by large majorities of workers - four-fifths (82%) routinely manage their checking accounts and three-fourths (73%) plan and manage household budgets.
 - More workers who participate in a plan regularly update and balance their checkbooks than do non-participants (87% vs. 76-78%).
 - Others who more often manage their checking accounts are those who also exhibit other positive financial behaviors: manage a household budget, pay credit card bills in full, spend more time reviewing retirement accounts, and save for retirement outside of work.
- Nearly one-half (46%) claim to pay all credit card bills in full each month.
 - This behavior is positively associated with higher income, contributing a higher percentage of income to a plan, and saving for retirement outside of work.
- Overall, just over one-fourth (28%) have created a will.
 - Not surprisingly, this proportion is twice as high for Baby Boomers compared to Gen Xers - 36% vs. 19%. It is higher for married workers (33% vs. 19%) but still true for well under half of these workers.
 - The proportion who have created a will increases with income and retirement assets as well as with participation in an employee-funded plan.



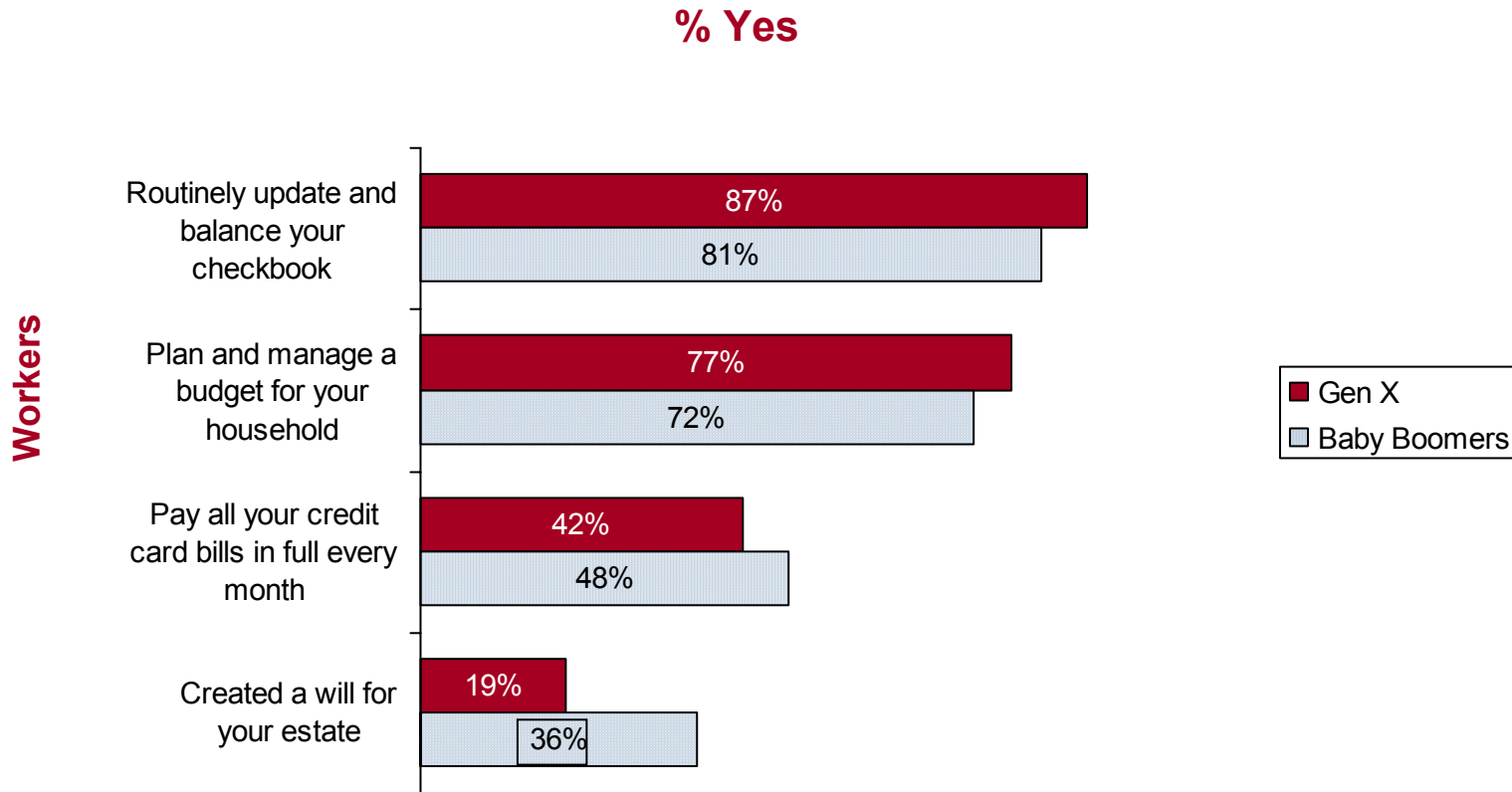
Routine Financial Behaviors



W Q6 For each of the following financial behaviors, please tell me whether or not this is something that you have done or routinely do?
Base: All Respondents (n=765)



Routine Financial Behaviors, cont'd.



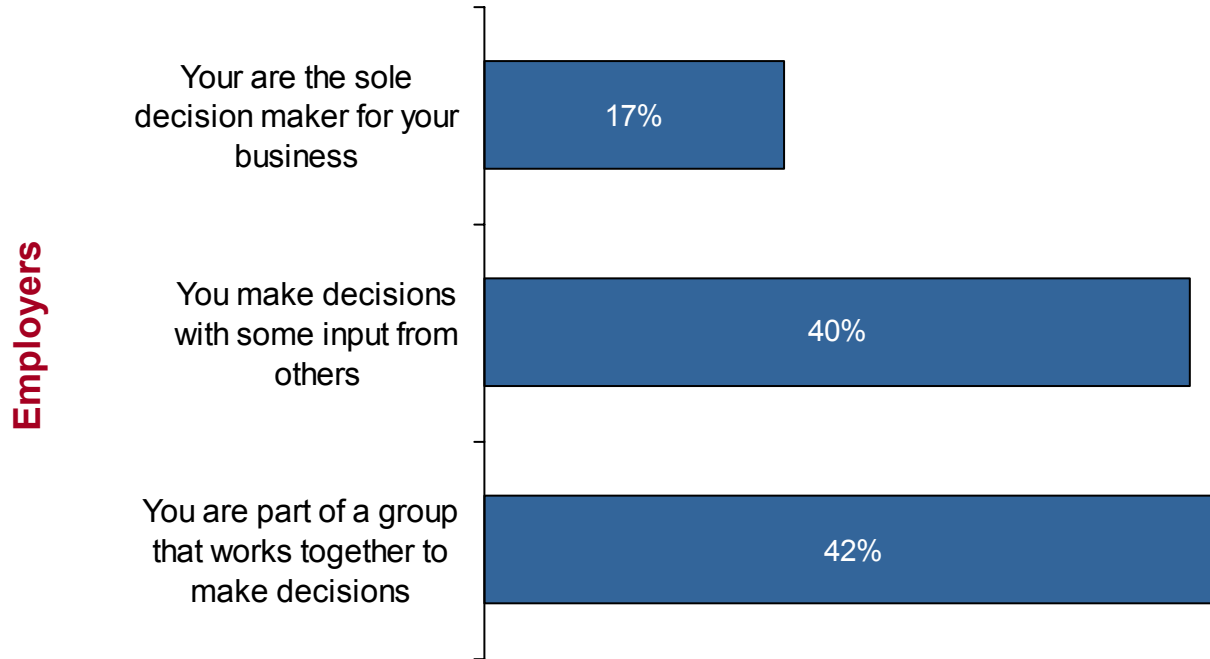
W Q6 For each of the following financial behaviors, please tell me whether or not this is something that you have done or routinely do?
Base: All Respondents (G: n=320; B: n=351)

Company Characteristics (Firmographics)

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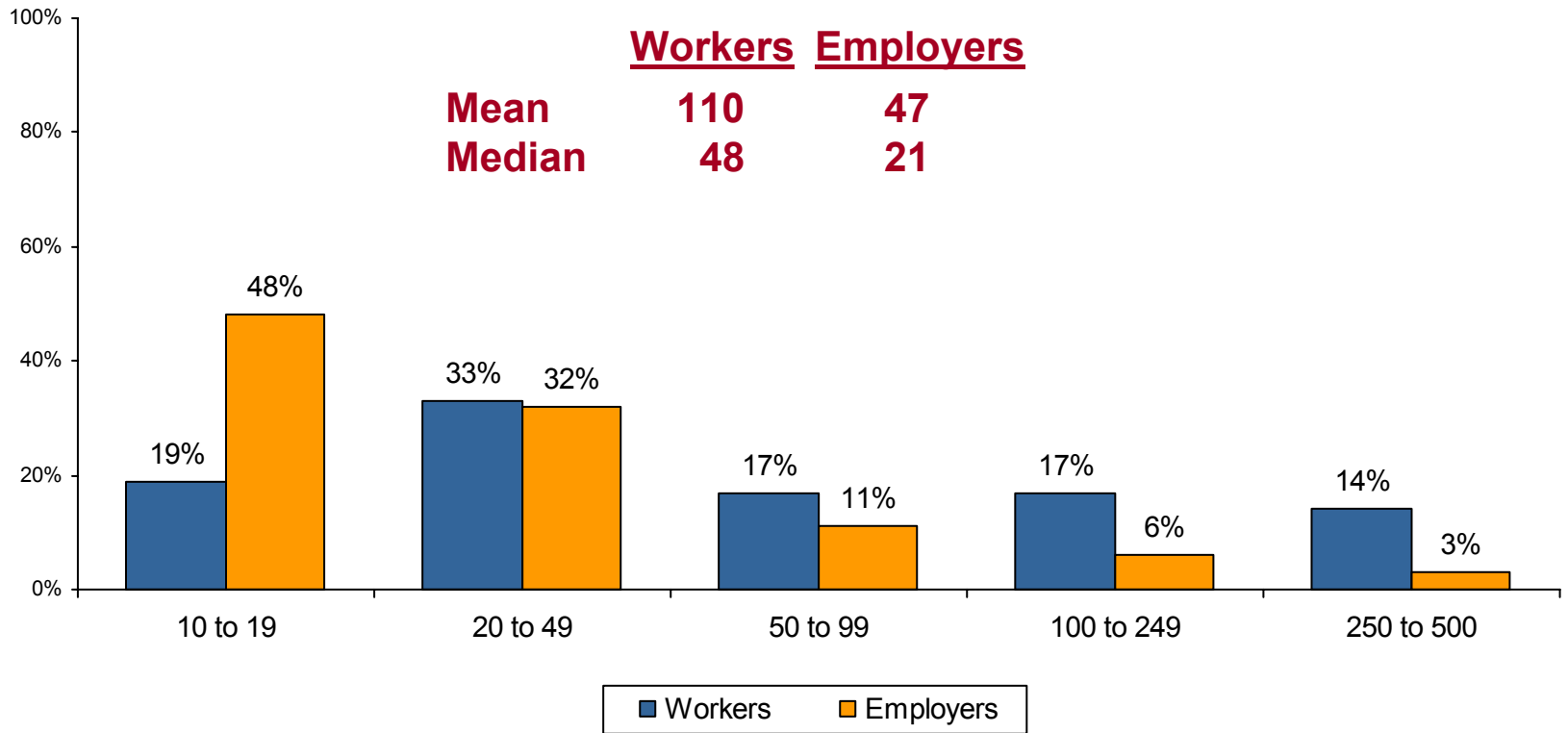
Decision Making Role



E QS2 Which of the following best describes your role in making decisions about employee benefits for your business? Base: All Respondents (n=300)



Number of Employees

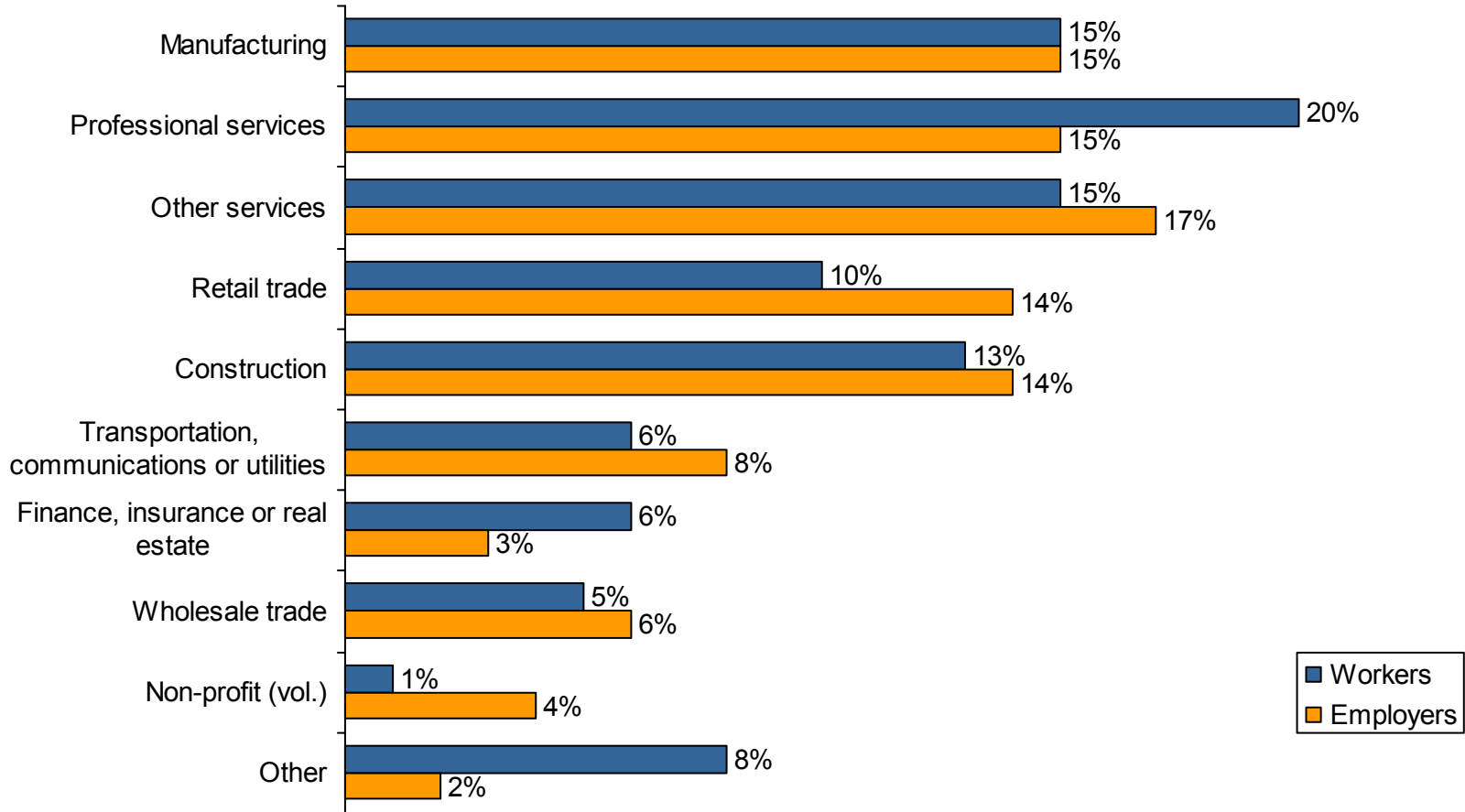


W S4 Approximately how many people, including yourself, are employed at the company you work for? Please include employees working at all locations of your company. Base: All respondents (n=765)

E S6 Including all workers at all locations and sites, approximately how many people are currently employed full-time, 35 hours or more per week, at your company? Base: All respondents (n=300)



Industry



W G Which of the following industry categories best describes your company's primary business? Base: All respondents (n=765)

E A Which of the following industry categories best describes your company's primary business? Base: All respondents (n=300)



Company Demographics

(n=300)	Employers Only
Decision Maker	
Part of a group that works together to make decisions	42%
You make decisions with some input	40%
You are the sole decision maker	17%
Title	
CEO/President/Owner	26%
Human Resources Mgr	21%
Office Manager	9%
General Manager	9%
Purchasing Dept./Controller	8%
VP	4%
Accounting	4%
Business Operations Manager	3%
Administrative Assistant	3%
Administrator/Administrative Services	3%
CFO	2%
Director	2%
Employee Benefits Mgr	1%
COO	1%
Payroll Administrator	1%
Personnel Manager	1%
Treasurer	1%
Other	2%

(n=300)	Employers Only
Total Annual Revenues	
Less than \$200,000	7%
\$200,000 - <\$500,000	7%
\$500,000 - < \$1 million	13%
\$1 million - <\$2.5 million	24%
\$2.5 million - < \$5 million	22%
\$5 million - < \$10 million	11%
\$10 million - < \$25 million	10%
\$25 million - <\$50 million	3%
\$50 million - < \$100 million	1%
\$100 million or more	1%

Worker Demographics

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Worker Demographics

(n=765)	Workers Only
Age	
18-23	9%
24-37	40%
38-56	42%
57+	8%
Gender	
Male	62%
Female	38%
Adults in Household	
1	15%
2	57%
3	20%
4	5%
5 or more	3%

(n=765)	Workers Only
Children in Household	
0	52%
1	24%
2	17%
3+	7%
Education Completed	
High school or less	38%
Trade/Vocational school	7%
1-3 years of college	28%
4 years of college	18%
Some Graduate school	3%
Graduate school degree	6%



Worker Demographics

(n=765)	Workers Only
Time of Employment	
Less than a year	16%
1 to 2 years	20%
3 to 4 years	19%
5 to 10 years	18%
Over 10 years	26%
Household Income	
\$14,999 or less	5%
\$15,000 - \$24,999	16%
\$25,000 - \$34,999	12%
\$35,000 - \$49,999	21%
\$50,000 - \$74,999	26%
\$75,000 - \$99,999	11%
\$100,000 - \$124,999	5%
\$125,000 - \$149,999	2%
\$150,000 or more	2%

(n=765)	Workers Only
Profession	
Manager or executive	21%
Professional	17%
Sales	10%
Clerical or administrative	11%
Laborer or operative	13%
Skilled worker or craftsman	13%
Business owner	2%
Semi-professional or technical	7%
Teacher/Education	1%
Other	4%



Worker Demographics

	Workers Only
Marital Status	<i>(n=765)</i>
Married	63%
Single	26%
Divorced or Separated	10%
Widowed	1%
Retirement Savings	<i>(n=685)</i>
Less than \$5,000	20%
\$5,000 - \$9,999	11%
\$10,000 - \$24,999	24%
\$25,000 - \$49,999	17%
\$50,000 - \$99,999	12%
\$100,000 - \$249,999	10%
\$250,000 - \$499,999	3%
\$500,000 or more	1%

	Workers Only
Current Employer's Plan	<i>(n=431)</i>
Less than \$5,000	31%
\$5,000 - \$9,999	22%
\$10,000 - \$24,999	20%
\$25,000 - \$49,999	15%
\$50,000 - \$99,999	6%
\$100,000 - \$249,999	4%
\$250,000 or more	2%
Ethnicity	<i>(n=765)</i>
Hispanic, Spanish, Latino	12%
White	82%
African American/Black	8%
Other	10%

Appendix

Summary of Methodologies 1998, 2000, 2001 and 2002

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Methodology for All Study Waves

Study Year (Field Period)	2002 (October)	2001 (August)	2000 (May)	1998 (November)
Workers - Telephone Interviewing				
Sample Size	765	500	500 (includes those who also qualify as employers)	500 (includes those who also qualify as employers)
Sample Description	National RDD	National RDD	National	Major MSA's
Age	18+ years	25+ years	26-54 years	25-52 years
Employment	Full-time currently	Full-time currently	Full-time currently or last 6 months	Full-time currently or last 6 months
Company Type	Excludes public and government	Excludes public and government	Excludes public sector	unknown
Company Size	10-500 employees	10-500 employees	10-500 employees	2-1500 employees
Weighting	Demographic and by company size (Harris Interactive telephone targets)	Company size (Census)	unknown	unknown
Employers - Telephone Interviewing				
Sample Size	300	200	200 (identified from worker sample based on role); also included in worker sample	45 (identified from employee sample by claimed business ownership); also included in worker sample
Sample Description	National	National	National	Major MSA's
Decision Role	Sole or joint decision maker	Sole or joint decision maker	Business owner or principal	Self-employed or one of principal owners
Company Size	10-500 employees	10-500 employees	10-500 employees	2-1500 employees
Industry	Excludes government, public administration, schools, religious organizations	unknown	Excludes public sector	unknown
Weighting	Company Size (D&B)	Company Size (Census)	unknown	unknown