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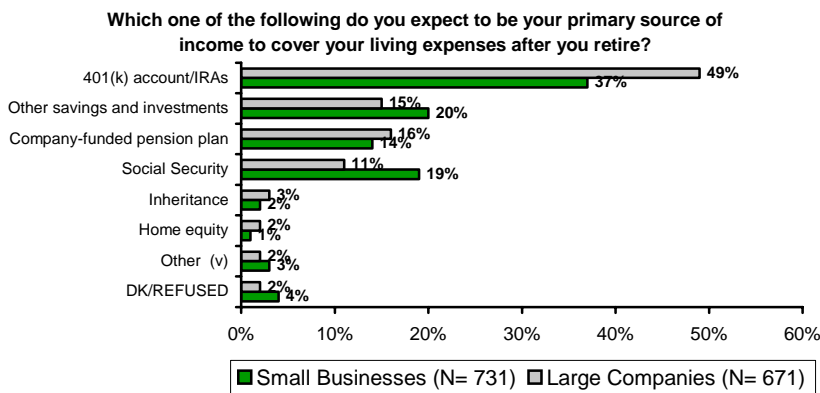
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**Small Business Employees Significantly Trail Their Large Company Counterparts in Retirement Savings and Preparedness**

*Annual Transamerica Retirement Survey Highlights Major Difference in How Large and Small Employers and Employees Treat Retirement Benefits*

LOS ANGELES – April 30, 2007 – Small business employees are at a disadvantage when it comes to retirement savings, according to the results from the Eighth Annual Transamerica Retirement Survey.<sup>1</sup> When compared to employees at large companies, small business employees are less likely to have access to a 401(k) or employee-funded retirement plan, and are less active than their large company counterparts in saving for a comfortable retirement. For small business employees, this translates to lower household retirement savings and a greater number who expect to rely on Social Security as their primary form of income in retirement.

According to the results, only 18 percent of small business employees reported having saved \$100,000 or more in all household retirement accounts, while 29 percent of employees at large companies reported having saved that much. Similarly, only 37 percent of small business employees believe that their employer-sponsored retirement plan will be their primary source for income during retirement, while 49 percent still expect to rely on Social Security as their primary source. This is a stark contrast to the 19 percent of large company employees who expect their retirement plan to be the primary source, compared to only 11 percent who still expect to rely on Social Security.



<sup>1</sup> For the purposes of this study, small businesses are defined as having 10 to 499 employees and large companies are defined as having more than 500 employees.

“Not enough is being done to help small business employees prepare for a comfortable and secure retirement,” says Catherine Collinson, retirement and market trends expert for the Transamerica Center for Retirement Studies. “Lower savings rates ultimately lead to a reliance on the future of Social Security, which underscores the need for a wake-up call among employers and employees alike.”

### **Employers and Employees Both at Fault**

One major reason for this gap has to do with access to a retirement plan. Data from the survey found that only 65 percent of small business employees report being offered an employee-funded retirement plan, compared to 84 percent of employees at large companies. Meanwhile, 20 percent of small business employees reported not receiving *any* form of retirement benefit from their employer. Furthermore, among those with access to a plan, only 69 percent of small business employees reported being offered an employer matching contribution, while 86 percent of large company employees are offered one.

Employers are not entirely to blame, however. When offered a plan, small business employees are less likely than employees of large companies to participate or have money invested in the company’s plan (70 percent vs. 76 percent), while also contributing a slightly lower percentage of their salary (based on median). Moreover, small business employees are also less likely to be saving outside of work (52 percent, compared to 61 percent of large company employees). Of those small business employees that aren’t currently participating, 31 percent don’t plan to in the future.

One contributing factor to this discrepancy is that small business employees tend to earn less than employees at larger companies. However, small business employees are slightly less likely than large company employees to cite being “financially stretched” as a reason for not participating in their company’s retirement plan (26 percent vs. 29 percent).

“As the numbers of small businesses and small business employees in the U.S. continue to grow, it becomes increasingly vital that these employees receive the tools they need to prepare for a comfortable retirement,” says Collinson. “Under the current circumstances however, there are ample opportunities for employers and employees alike to help improve the status of retirement preparedness among small businesses.”

### **Small Business Employers Showing Little Signs of Future Improvement**

In light of this difference between small and large companies offering plans, there is equally disconcerting data to suggest little progress is on the horizon: nearly three-quarters (73 percent) of small businesses that don’t currently offer a retirement plan indicated that they weren’t likely to in the near future. In fact, only three percent of small business surveyed stated that they were “very likely” to offer one in the near future.

The four most common reasons given by employers for not likely offering a plan in the next two years were: company is not big enough (43 percent), lack of management or employee interest (41 percent and 34 percent, respectively), and cost concerns (34 percent).

“While these reasons might be valid, it’s possible that they may too be misconceptions,” says Collinson. For example, 90 percent of small business employees consider a 401(k) or other employee self-funded plan to be important, while 61 percent said they would likely leave their

job for one that does offer retirement benefits. Added Collinson, “Employers need to weigh these reasons against the costs of not offering a plan – such as a dissatisfied or shrinking staff.”

### **Taking Steps to Close the Gap**

According to the survey results, small business employees are less likely than large business employees to feel that they are building a large enough retirement nest egg (60 percent vs. 70 percent) and are also more likely to believe that they won’t have saved enough by age 65, with one-quarter expecting to retire after age 65 or never.

Small business employers share their sentiment: 83 percent agree that their employees could work until age 65 and still not save enough and are much more likely than large company employers to be “not at all confident” in their employees ability to have a comfortable retirement lifestyle (12 percent vs. 4 percent, respectively).

“The bright spot is that there are plenty of things that small business employers and employees can do to help remedy this,” says Collinson. “Thanks to new legislation and innovative improvements to the retirement space, there are a number of tools available that meet the needs of both employers and employees to help pave the way for a more secure retirement.

- **Some steps that employers** can take to better communicate with their employees and provide a retirement plan that helps them prepare for the future include:
  - Read the need. If a plan is offered, make sure it’s meeting the needs of your business and employees. There are many provisions within last year’s Pension Protection Act that may help enhance your current plan. If a plan isn’t currently offered, evaluate how that is affecting employee satisfaction and examine ways to implement one.
  - Consider all the options. The IRS has favorable tax rules for small businesses to help their employees save. Maybe a traditional 401(k) isn’t the best option – look at other options like a SEP or SIMPLE-IRA.
  - Initiate ongoing dialogue with employees on the importance of preparing for retirement. Even if offering a plan is not an option at this stage, help direct employees in the right direction with information on investment options like traditional or Roth IRAs.
- **Some steps for employees** that will help them take better control of their retirement security include:
  - Start by enrolling in a plan. Your company-sponsored plan is one of the simplest and most convenient ways to save. It’s also a tax efficient way to make sure you’re keeping more of your own money.
  - If you’re already participating in your employer’s plan, consider contributing more. Most people saving for retirement don’t max out their contribution limits, and a large number don’t even contribute up to their company match. By not contributing at least that much you are literally turning down free money.

- If you don't have access to a plan through your employer, let your employer know that you would like to have one. Also, consider contributing to a traditional or Roth IRA.

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#### **About Transamerica Center for Retirement Studies**

The Transamerica Center for Retirement Studies ("The Center") is a collaboration of experts assembled by Transamerica Retirement Services to promote public awareness of emerging trends surrounding retirement security in the United States. The Center's research emphasizes employer-sponsored retirement plans, issues faced by small- to mid-sized companies and their employees, and the implications of legislative and regulatory changes. For more information about The Center, please refer to [www.TA-Retirement.com/TheCenter](http://www.TA-Retirement.com/TheCenter).

#### **About Transamerica Retirement Services**

Transamerica Retirement Services ("Transamerica"), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, designs customized retirement plan solutions to meet the unique needs of small- to mid-sized businesses. Transamerica Retirement Services ranked as a top-five plan provider<sup>2</sup> in a recent *PLANSPONSOR*<sup>®</sup> Magazine Defined Contribution Survey and has more than 14,500<sup>3</sup> retirement plan clients totaling more than \$14.1<sup>2</sup> billion in assets. For more information about Transamerica, please refer to [www.TA-Retirement.com](http://www.TA-Retirement.com).

### **Eighth Annual Transamerica Retirement Survey:**

#### **About the Survey**

Transamerica Retirement Services conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The research emphasizes employer-sponsored retirement plans, issues faced by small- to mid-sized companies and their employees, and the implications of legislative and regulatory changes. To this end, Harris Interactive was commissioned to conduct the Eighth Annual Retirement Survey for Transamerica Retirement Services. There are two components to the survey: Employer and Worker. Where appropriate, questions were tracked and some new questions were added to investigate new topics of interest.

#### **Employer Survey Component**

This part of the survey was conducted by Harris Interactive on behalf of Transamerica Retirement Services via telephone within the U.S. among 659 owners/heads of small businesses and benefits decision-makers in larger companies, using a nationally representative random sample. Respondents met the following criteria: business executives who make decisions about employee benefits at their company, must be at a company that employs 10 employees or more, and not work for a government, education or not-for-profit organization. Interviews averaged 18 minutes in length and were conducted between July 25 and October 10, 2006. Data were weighted to ensure that each quota group had a representative sample based on the number of companies in each employee size range. With a pure probability sample of 659, one could say with a 95 percent probability that the overall results would have a sampling error of +/- 3.8 percentage points. Sampling error for data based on sub-samples would be higher and would vary. However, that does not take other sources of error into account.

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<sup>2</sup> The November 2006 *PLANSPONSOR*<sup>®</sup> Magazine Defined Contribution Survey results place Transamerica Retirement Services as a top-five provider out of 50 for retirement plans with up to \$50 million in assets based on total number of cups won. See the November 2006 issue of *PLANSPONSOR*<sup>®</sup> Magazine for complete results.

<sup>3</sup> As of December 31, 2006.

### **Worker Survey Component**

This part of the survey was conducted by Harris Interactive on behalf of Transamerica Retirement Services via telephone within the U.S. among 1,402 workers, using a nationally representative random sample. Respondents met the following criteria: work full-time for pay at a company with at least 10 employees, are age 18 or older, and do not work for the government nor a non-profit organization. Interviews averaged 20 minutes in length and were conducted between July 27 and October 7, 2006. Data were weighted to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range. With a pure probability sample of 1,402, one could say with a 95 percent probability that the overall results would have a sampling error of +/- 2.6 percentage points. Sampling error for data based on sub-samples would be higher and would vary. However, that does not take other sources of error into account.

All surveys are subject to several sources of error. These include: sampling error (because only a sample of a population is interviewed); measurement error due to question wording and/or question order, deliberately or unintentionally inaccurate responses, nonresponse (including refusals), interviewer effects (when live interviewers are used) and weighting.

With one exception (sampling error) the magnitude of the errors that result cannot be estimated. There is, therefore, no way to calculate a finite "margin of error" for any survey and the use of these words should be avoided.

### **About Harris Interactive**

Harris Interactive is the 12<sup>th</sup> largest and fastest-growing market research firm in the world. The company provides innovative research, insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for *The Harris Poll*, one of the longest running, independent opinion polls and for pioneering online market research methods. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices, its wholly-owned subsidiary Novatris in France and through a global network of independent market research firms. The service bureau, HISB, provides its market research industry clients with mixed-mode data collection, panel development services as well as syndicated and tracking research consultation. More information about Harris Interactive may be obtained at [www.harrisinteractive.com](http://www.harrisinteractive.com).

To become a member of the Harris Poll Online and be invited to participate in online surveys, register at [www.harrispollonline.com](http://www.harrispollonline.com).