

News

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Repairing the Damaged Retirement Nest Eggs of America’s Unemployed Workers
Transamerica Study Quantifies Retirement Savings Setbacks and Identifies Opportunities

LOS ANGELES – August 7, 2013 – Today, nonprofit [Transamerica Center for Retirement Studies®](#) (“TCRS”) released a [study](#) evaluating the state of retirement readiness among unemployed and underemployed workers. This study, part of the 14th Annual Transamerica Retirement Survey, found that 62 percent of displaced workers are “not too” or “not at all” confident about their retirement prospects.

“Amid signs of economic recovery and an improving unemployment rate, millions of Americans are still unemployed or underemployed,” said Catherine Collinson, president of TCRS. “Many displaced workers have raided their retirement accounts to make ends meet, and many may be overlooking the importance of retirement benefits as they seek meaningful employment. It’s critical that we raise awareness of the issues and identify opportunities to help them rebuild their long-term financial futures.”

The Damaged Nest Egg: Leakage from Retirement Accounts

Fifty-nine percent of displaced workers report having a retirement savings account of any kind. Despite a widespread familiarity of the taxes and potential penalties that may apply, their financial predicament is such that more than one-third (36 percent) of displaced workers who have retirement accounts have taken a withdrawal from those accounts.

“The passage of time out of work, especially the one-year mark, can have a detrimental effect on retirement accounts,” said Collinson. “Forty-two percent of those displaced for a year or more took a withdrawal compared to only 23 percent of those displaced for less than a year.”

Of those who participated in a 401(k) plan at their most recent employer where they were fully employed, 43 percent indicate they have taken a withdrawal from their accounts, including 53 percent of the unemployed and 38 percent of the underemployed.

Among all displaced workers, the estimated median household savings in retirement accounts is approximately \$7,500. The estimated median savings by age range follows:

Age Range	Total Household Savings in Retirement Accounts (Estimated Median)
All Ages	\$7,500
Twenties/Thirties	\$5,800
Forties	\$1,900
Fifties	\$16,400
Sixties	\$93,000

Displaced workers in their forties, the age range that reports the lowest level of household retirement savings, had the highest level of retirement account withdrawal activity at 55 percent, which helps explain the savings differential.

“A college education can open employment doors and offer higher pay – and lead to substantially more retirement savings,” said Collinson. “Displaced workers with a college degree have saved an estimated median of \$60,300, versus those with a high school diploma or some college who have saved \$3,300.”

The underemployed report higher levels of retirement savings at an estimated median of \$8,600 compared to the unemployed at \$6,500. The study also found that the underemployed are faring better than the unemployed in terms of income, health care benefits, and general outlook.

The Risk of Overlooking the Importance of Retirement Benefits

“Many displaced workers may be overlooking the importance of retirement benefits when seeking employment opportunities, which could put them at a greater disadvantage in terms of rebuilding their retirement savings,” said Collinson.

Only 17 percent of displaced workers cite generous retirement benefits as one of their top three most important characteristics of a future employer. The majority (56 percent) say competitive pay, followed by company stability (33 percent) and a convenient commute (31 percent) are most important to them.

Fifty-five percent of respondents prefer a job with higher pay but poor retirement benefits. In making this trade-off, they are placing a higher priority on immediate financial goals but may be overlooking retirement benefits, which can be a meaningful part of their compensation package to build a more secure long-term financial future.

Rebuilding the Damaged Nest Egg: A Starting Point

The economy is recovering and the job market is improving; nevertheless, gaining full-time employment can be quite challenging. The following actions can help the unemployed and underemployed prepare for retirement and keep a positive outlook, now and when they regain meaningful employment:

- Budget carefully. Identify ways to reduce or share the burden of living expenses. Move to a home that offers a lower mortgage or rent, or consider temporarily moving in with family.
- Look for new opportunities as early as possible, even if it means underemployment, to avoid the negative effects of time out of work.
- Take on a part-time job to help cover expenses while seeking full-time employment, which may alleviate the need to take on debt or pull from savings. Although it may not be the ideal career path, it will help bridge the gap between unemployment and gainful, full-time employment.
- Seek opportunities to update and improve professional skills to match the needs of potential employers. Look for free or affordable classes and trainings at local educational centers or community colleges. Pursue a practical area of interest that can help build on-the-job skills.
- Consider retirement benefits packages in addition to salary when evaluating job opportunities.

“Staying positive and focused, improving job prospects when possible and earning part-time income are crucial to reducing dependence on retirement funds to cover expenses,” said Collinson.

Recommendations for Employers, Retirement Industry, and Policymakers

Employers, along with their retirement plan advisors and providers, can take these steps to help their employees:

- Provide counseling and transition assistance to employees who are laid off to educate them on ways to avoid taking early withdrawals from retirement accounts.
- Offer competitive retirement benefits – and encourage plan participation by adopting automatic enrollment and automatic escalation to facilitate workers’ rebuilding their savings as soon as possible.

Policymakers should consider the following:

- Extend the 401(k) loan repayment period for terminated plan participants and explore incentives for individuals not to withdraw retirement funds during periods of unemployment or underemployment.
- Pursue legislative and regulatory initiatives to expand retirement plan coverage for workers including part-time workers, such as:
 - Expand the tax credit for employers to start a plan.
 - Facilitate the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans.
 - Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing
- Implement reforms to automatic features to increase employer adoption rates as well as plan participation and contribution rates.

“From a public policy perspective, our current retirement system is largely predicated on the assumption that workers have access to meaningful employment so that they can self-fund a substantial portion of their retirement,” said Collinson. “If displaced workers fail to overcome retirement savings setbacks due to unemployment or underemployment, society may ultimately bear the cost when future generations of senior citizens run out of savings.”

Please visit www.transamericacenter.org to view the full report and to find resources about retirement planning.

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About Transamerica Center for Retirement Studies®

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About the Unemployed and Underemployed Report

This survey was conducted online within the United States by Harris Interactive on behalf of the Transamerica Center for Retirement Studies® March 5 - 19, 2013 among a nationally representative sample of 610 unemployed or underemployed people using the Harris online panel. Respondents met the following criteria: U.S. residents, age 18 or older; people who were fully employed in a for-profit company employing 10 or more people and are currently unemployed or underemployed. Results were weighted to ensure that each quota group had a representative sample based on the length of time people were underemployed or unemployed. In this report, “underemployed” workers are those who are working part-time only because they are unable to find full-time employment, or working full-time but self report they consider him or herself underemployed. The median total household savings in retirement accounts is estimated based on the approximate midpoint of the range of each response category (e.g., less than \$5,000, \$5,000 to \$10,000, etc.) and does not factor non-responses (i.e., not sure, declined to answer).

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