

# **Out of Work in America: Helping Improve the Retirement Outlook for the Unemployed**

12th Annual Transamerica Retirement Survey

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## About The Center

- The Transamerica Center for Retirement Studies® (“The Center”) is a non-profit private foundation dedicated to educating the public on 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.
- The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).
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- Although care has been taken in preparing this material and presenting it accurately, The Center disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

## About The Survey

- Since 1999, the Transamerica Center for Retirement Studies® has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public.
- Harris Interactive was commissioned to conduct the Twelfth Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.
- This is the first year the study has looked at retirement planning among those who are underemployed or unemployed.

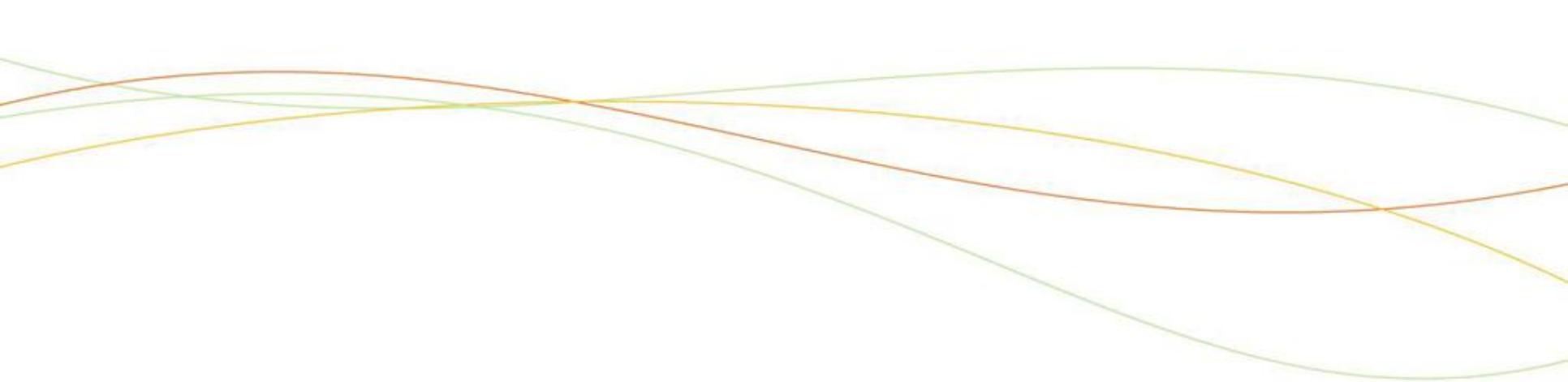
# Methodology

- A 10-minute, online survey was conducted between February 2, 2011 – February 23, 2011 among a nationally representative sample of 668 unemployed or underemployed people using the Harris online panel. Respondents met the following criteria:
  - All 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
- Data were weighted as follows:
  - To ensure that each quota group had a representative sample based on the length of time people were underemployed or unemployed.
  - To account for differences between the population available via the Internet versus by telephone.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- Significance is tested at 95% confidence and is indicated throughout the report in the following ways:
  - Significance between sub-groups is identified by the letters A, B, C, D, E, F, G, etc. next to the significantly higher number for that corresponding sub-group.
- This report focuses on unemployed and underemployed combined.

# Terminology

*This report uses the following terminology:*

- Unemployed includes:
  - Unemployed but looking for work
  - Unemployed and not looking for work because unable to find
  - Retired and not looking for work because unable to find
- Underemployed includes:
  - Working part-time, only because unable to find full-time employment
  - Working full-time, but self reporting they consider him or herself underemployed
- Married: married or in a civil union or domestic partnership
- Single: single, never married or divorced/ widowed/ separated
- HS or some college: Age 25+ and a high school graduate or some college or trade school
- College grad or more: Age 25+ and a college graduate, some graduate school or graduate degree



# Executive Summary

## Executive Summary

The Great Recession has witnessed high levels of unemployment. According to the Bureau of Labor Statistics, in 2010, there were nearly 15,000,000 who were unemployed representing an unemployment rate of 9.6 percent.

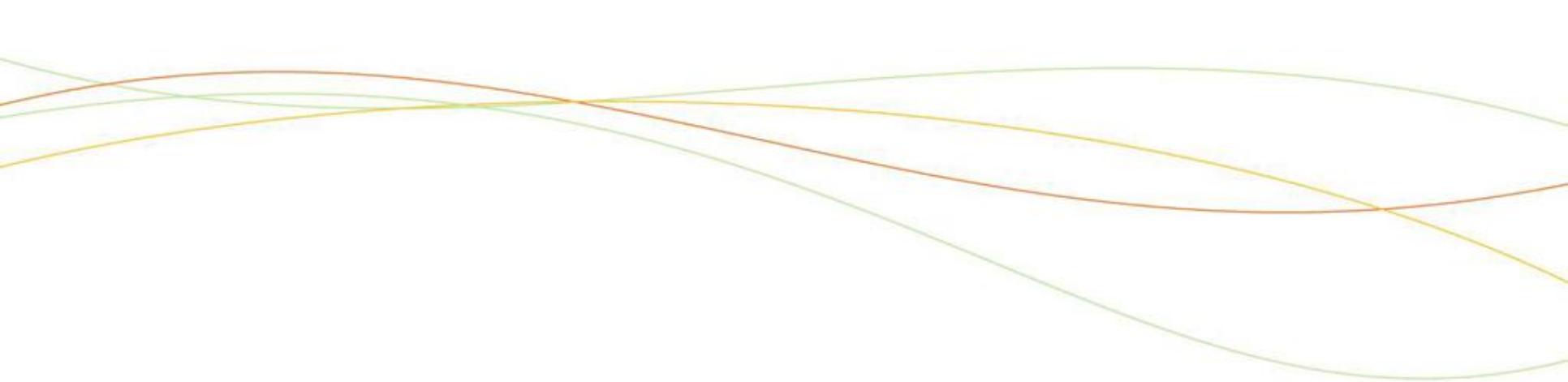
In order to gauge the impact on the retirement outlook on these displaced workers, the 12<sup>th</sup> Annual Transamerica Retirement Survey conducted a survey among 668 Americans who are either unemployed or underemployed (e.g., accepting a job requiring lesser skills and/or pay to generate income).

Not surprising, two-thirds (67 percent) of these un/underemployed workers are less confident in their ability to achieve a financially secure retirement since the recession began.

Moreover, the survey found that the unemployment or underemployment of these workers may severely impact on their retirement outlook. Many have tapped their savings, gone into debt, and taken withdrawals from their retirement accounts to cover expenses during their unemployment or underemployment.

Of these un/underemployed workers, over one-third (36 percent) report that they have less than \$10,000 in total household retirement accounts.

The survey also yielded important insights on how un/underemployed workers can improve their retirement outlook as well as recommendations for the retirement services industry, media, employers/plan sponsors, and policymakers to help them.



## **Out of Work in America**

### Profiling the Unemployed and Underemployed

# The Passage of Time on Un/Underemployment Status

- Workers who have been unemployed or underemployed for less than a year are more likely to be unemployed but looking for work.
- After one year, those who have been unemployed become more likely to stop looking for work, to retire or to find full-time underemployment.



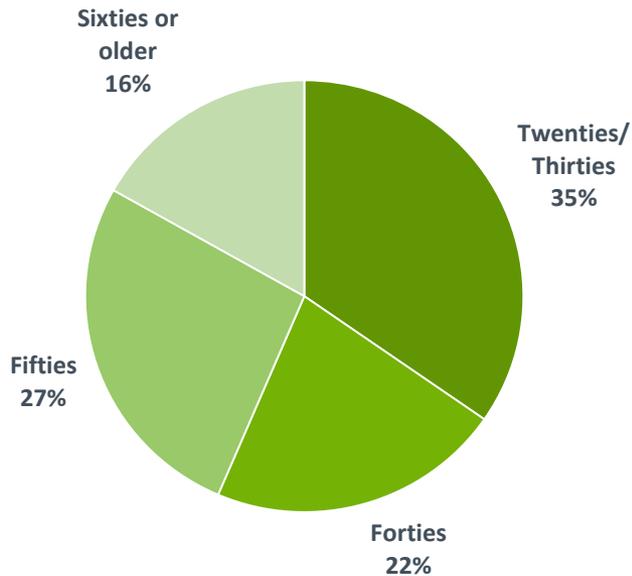
□ Indicates significantly higher at 95% confidence level

BASE: Unemployed or Underemployed  
Q2115. Unemployment status.

# Profiling the Un/Underemployed

- Those who are un/underemployed are most likely to be over age 40 and to be un/underemployed for more than one year.
- Further, those in their 40s are more likely to be underemployed while those in their 50s and 60s are more likely to be unemployed.

**Un/Underemployed Percentage by Age**



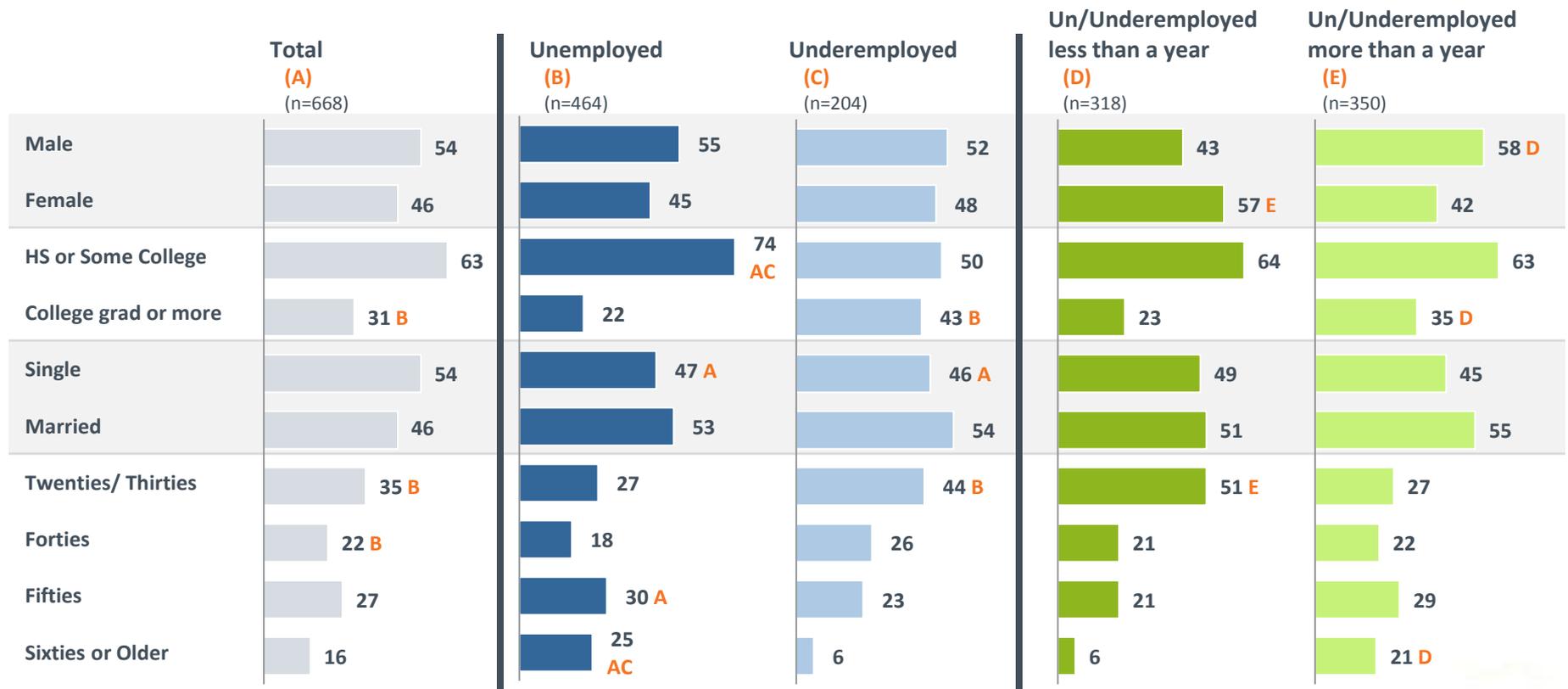
**Status for Each Age Range**

	Twenties/ Thirties <b>(A)</b> (n=150)	Forties <b>(B)</b> (n=132)	Fifties <b>(C)</b> (n=233)	Sixties+ <b>(D)</b> (n=151)
Unemployed	44%	46%	62% <b>A</b>	84% <b>ABC</b>
Underemployed	56 <b>CD</b>	54 <b>D</b>	38 <b>D</b>	16
Un/Underemployed less than a year	44 <b>CD</b>	29 <b>D</b>	24	10
Un/Underemployed more than a year	56%	71	76 <b>A</b>	90 <b>AB</b>

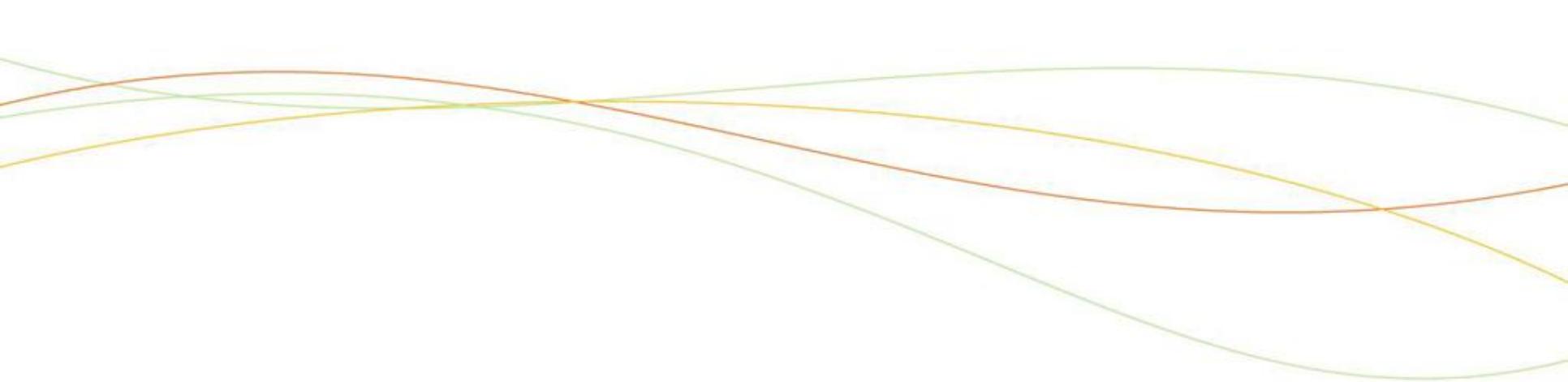
BASE: Unemployed or Underemployed  
Q280. Age

# Profiling the Un/Underemployed

- Those most likely to be unemployed or underemployed are: over 40, do not have a college degree, are men, and single.



BASE: Unemployed or Underemployed

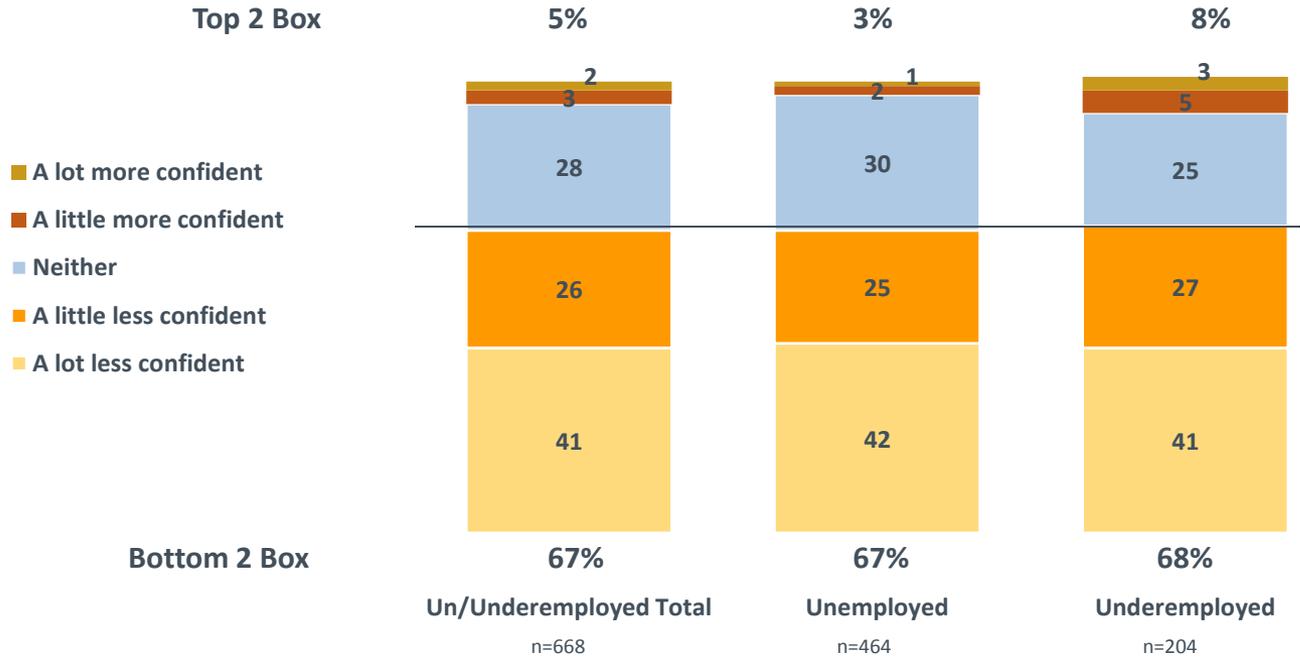


# **Insights into the Retirement Outlook of the Unemployed**

## Detailed Findings

# Decline in Retirement Confidence

- Two-thirds of those who are un/underemployed indicated that they are less confident in their ability to achieve a financially secure retirement since the recession began.

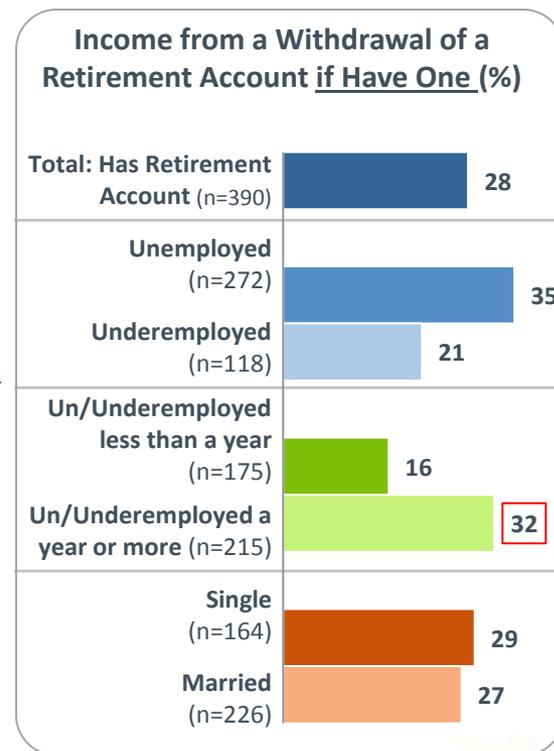


BASE: Unemployed or Underemployed (n=668)  
 Q1435. Since the recession began, how has your confidence in your ability to achieve a financially secure retirement changed?

# Sources of Funds Used So Far During Un/Underemployment

- Savings and unemployment benefits are most commonly cited sources of funds.
- Those who are unemployed are more likely to have taken a withdrawal from a retirement account than those who are underemployed.
- As length of un/underemployment exceeds a year, people are more likely to rely on credit cards and withdrawals from retirement accounts.

		Less Than a Year (A) (n=318)	A Year or More (B) (n=350)
Savings	50	52	49
Unemployment benefits	50	48	50
Credit cards	32	23	36 <b>A</b>
Significant other or spouse's income	32	30	33
Withdrawal from a retirement account such as a 401(k), 403(b) or IRA	22	12	26 <b>A</b>
Severance pay	20	15	22
Loan from a friend or family member	19	16	20
Pay from job/part time job	6	2	8
Social Security/Government Programs	5	4	6
Loan from a bank including home equity loan	5	2	6



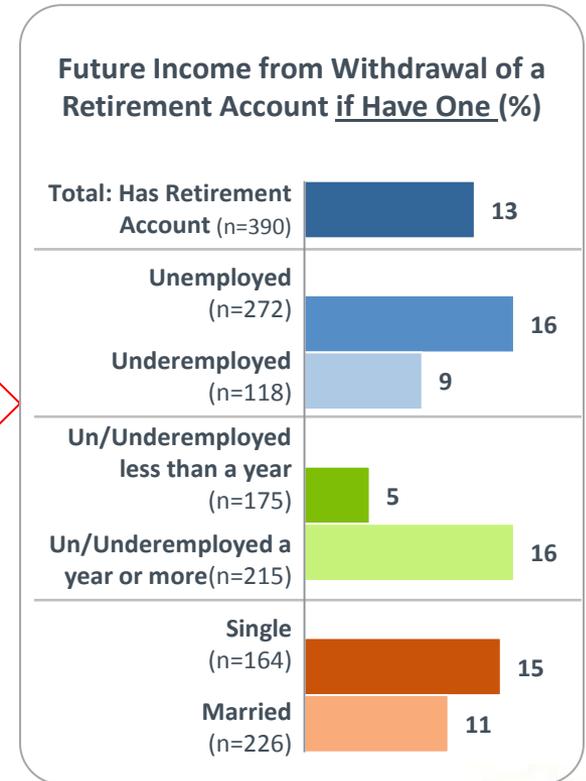
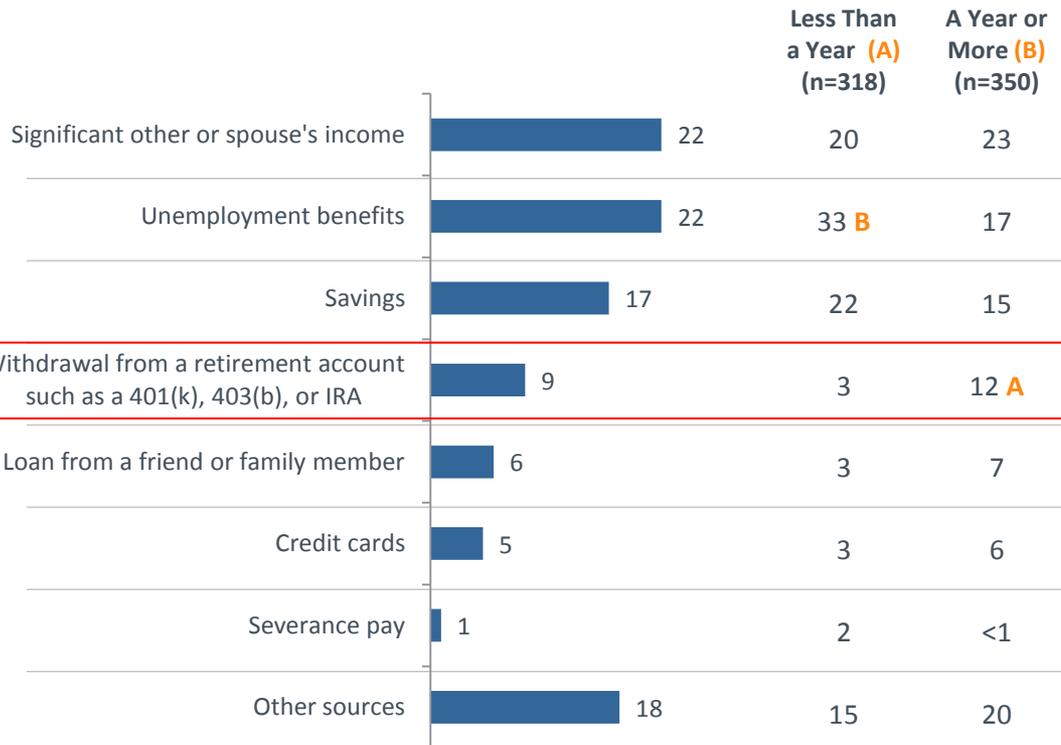
BASE: Unemployed or Underemployed

Q2130. Which of the following sources of funds have you used during the time you have been unemployed, retired, or employed less than full-time?

   Indicates significantly higher at 95% confidence level

# Anticipated Sources of Funds in the Future

- As length of un/underemployment extends to beyond a year, fewer displaced workers expect to rely on unemployment benefits and savings and the likelihood to take a withdrawal from a retirement account increases.



BASE: Unemployed or Underemployed

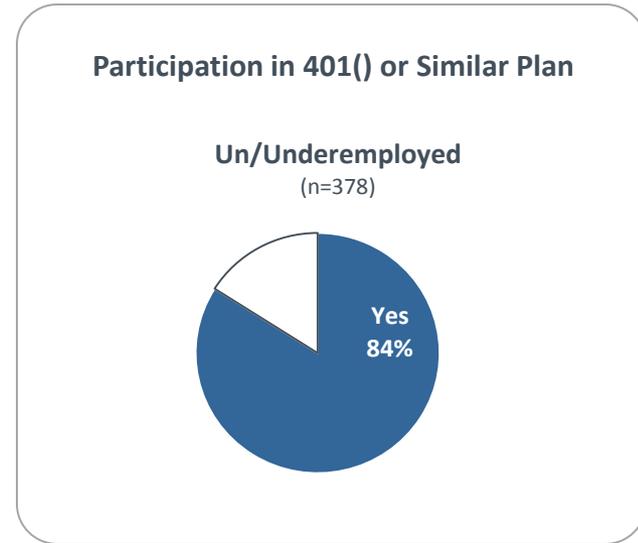
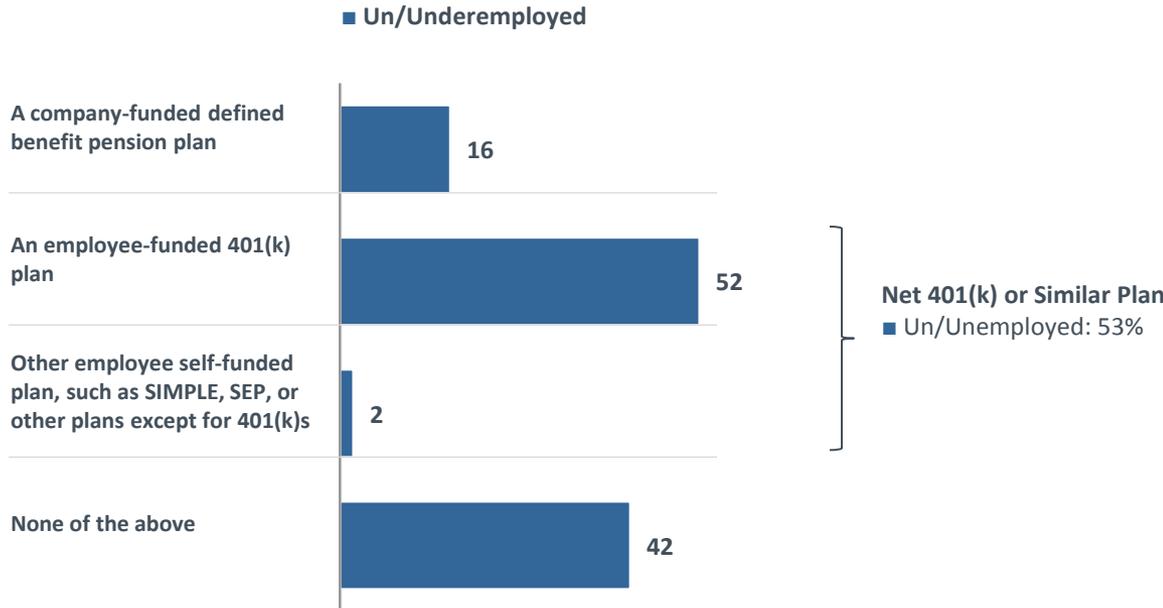
Q2135. Going forward which one of the following sources of funds do you think you'll rely on the most during your unemployment or underemployment?

Responses with less than 1% have been omitted

# Retirement Benefits Offered By Most Recent Employer

- Only 53 percent of the un/underemployed were offered a 401(k) or similar plan at their most recent employer.

Retirement Benefits Offered at Most Recent Employer



BASE: Unemployed or Underemployed

Q1180. Which of the following retirement benefits did the company offer to you, personally? Select all that apply.

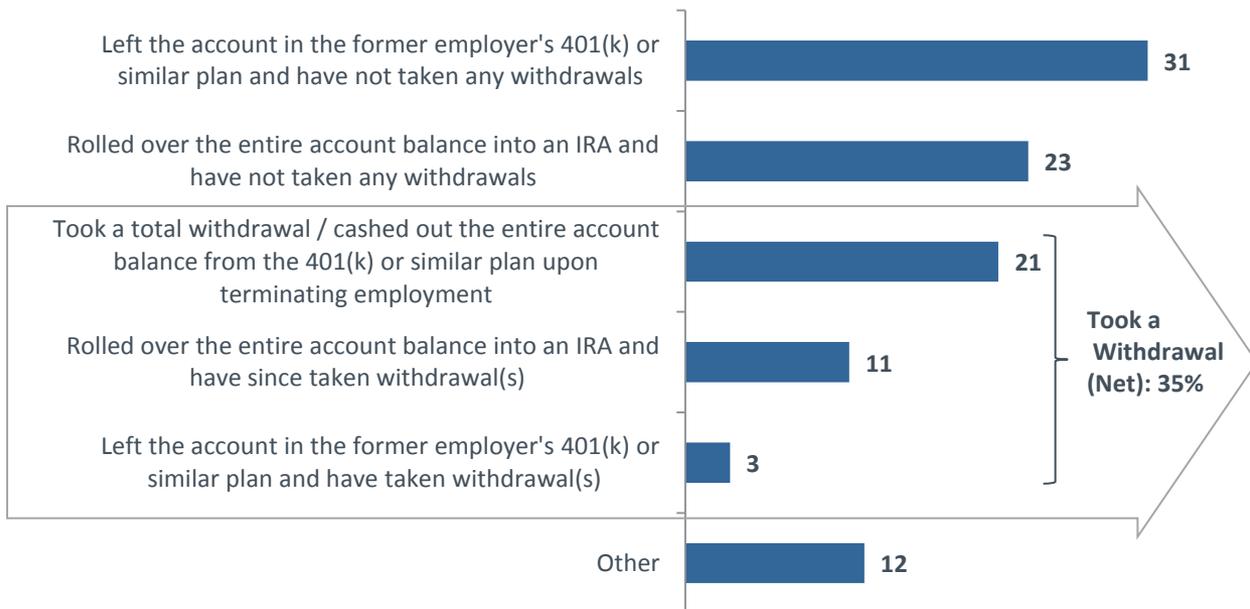
BASE: Those With Qualified Plans Offered To Them at Most Recent Employer

Q1190. Did you participate in, or have money invested in the company's employee-funded retirement savings plan such as a 401(k) or similar plan?

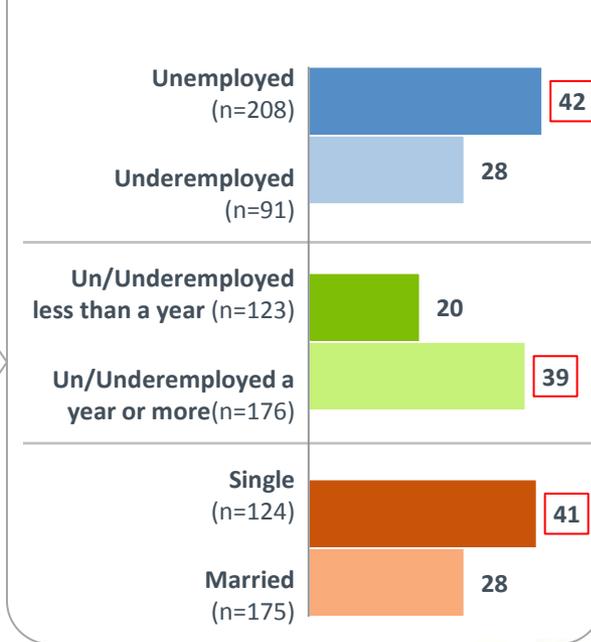
## Status of Account at Prior Employer's 401(k) or Similar Plan

- Over one-third (35 percent) of those who participated in their most recent employer's 401(k) or similar plan have taken a partial or full withdrawal.
- Those who reported taking a withdrawal were more likely to be unemployed, un/underemployed for over one year, and single.

**Account Status of Former Employer's 401(k) or Similar Plan (%)**  
(n=299)



**Took a Withdrawal from Previous Employer's Self-funded Plan (%)**



   Indicates significantly higher at 95% confidence level

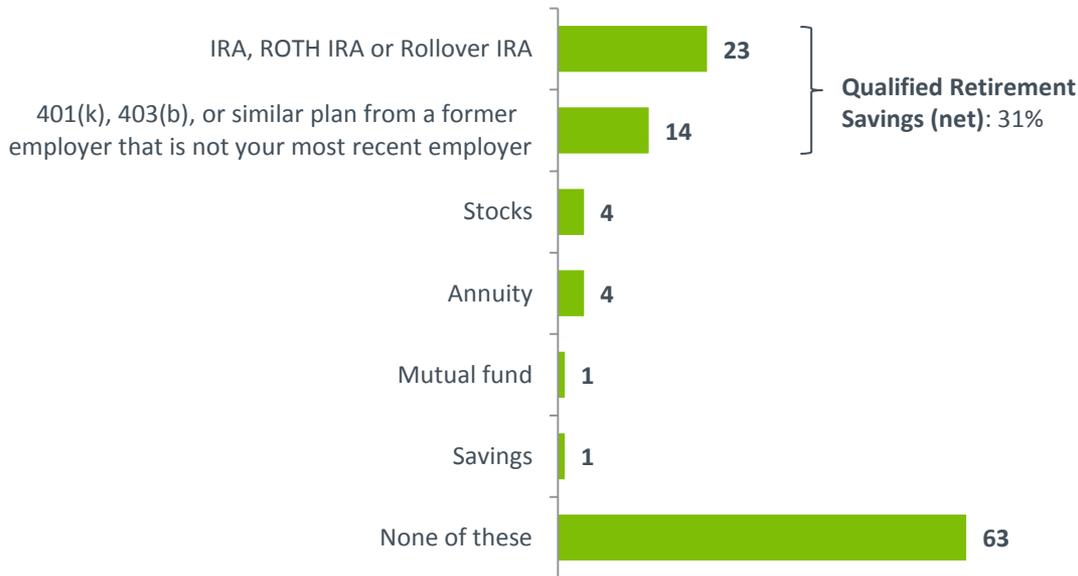
Base: Those Who Participated in Their Previous Employer's Self-funded Plan

Q2140. What have you done with your account in your former employer's 401(k) or similar retirement savings plan since you left your most recent job?

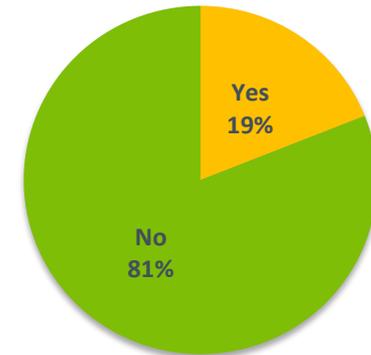
# Other Retirement Investment Accounts

- Almost a third of the un/underemployed have a qualified retirement account that is not attributable to their most recent employer.
- 19 percent indicated they have taken a withdrawal from their other retirement investment accounts since they stopped working.

**Other Retirement Investment Accounts**



**Have taken a withdrawal since stopped working**



BASE: Unemployed or Underemployed (n=668)

Q2150. Do you have any other retirement investment accounts? Do not include your most recent employer's 401(k) or similar account if you had one?

Responses with less than 1% have been omitted

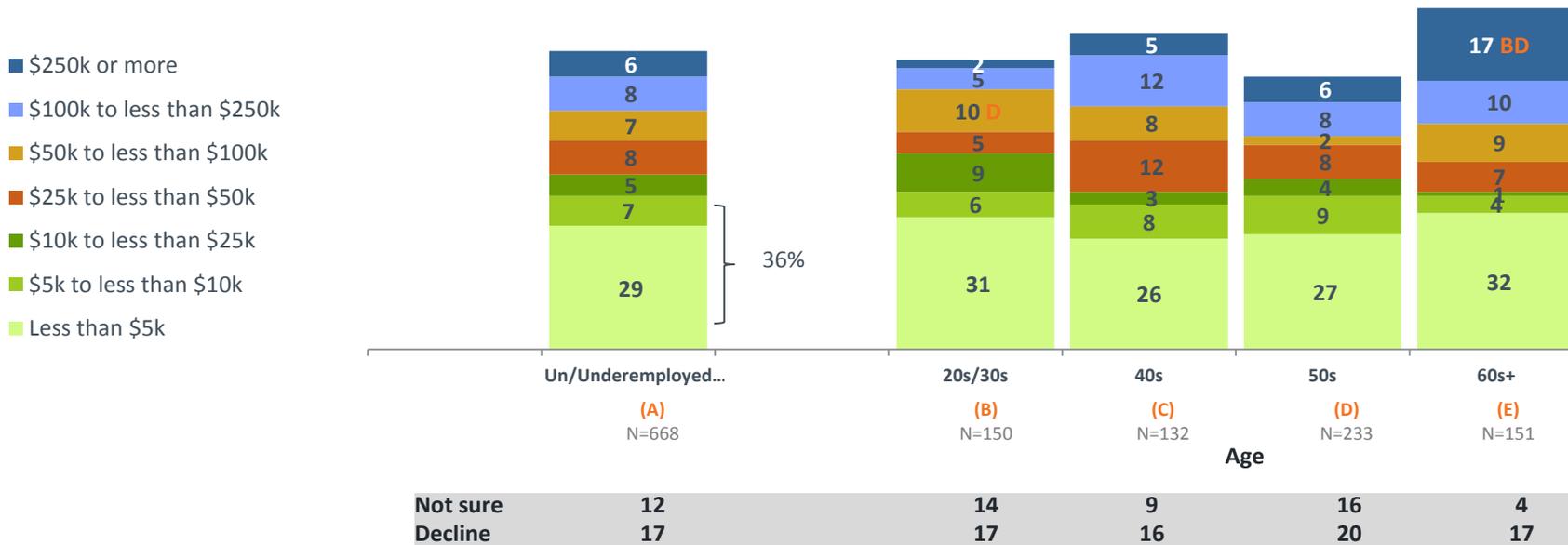
BASE: Currently Saving for Retirement Outside of Work (n=254)

Q2155. Have you taken withdrawals from your retirement investment accounts outside of work since you stopped working?

# Total Household Savings for Retirement by Age Range

- Over one-third (36 percent) indicated that they have less than \$10,000 in total household retirement savings. Nearly one in three (29 percent) reported a total household retirement savings of less than \$5,000.
- For those under age 60, savings rates do not vary substantially by age.

Household Savings for Retirement (%)



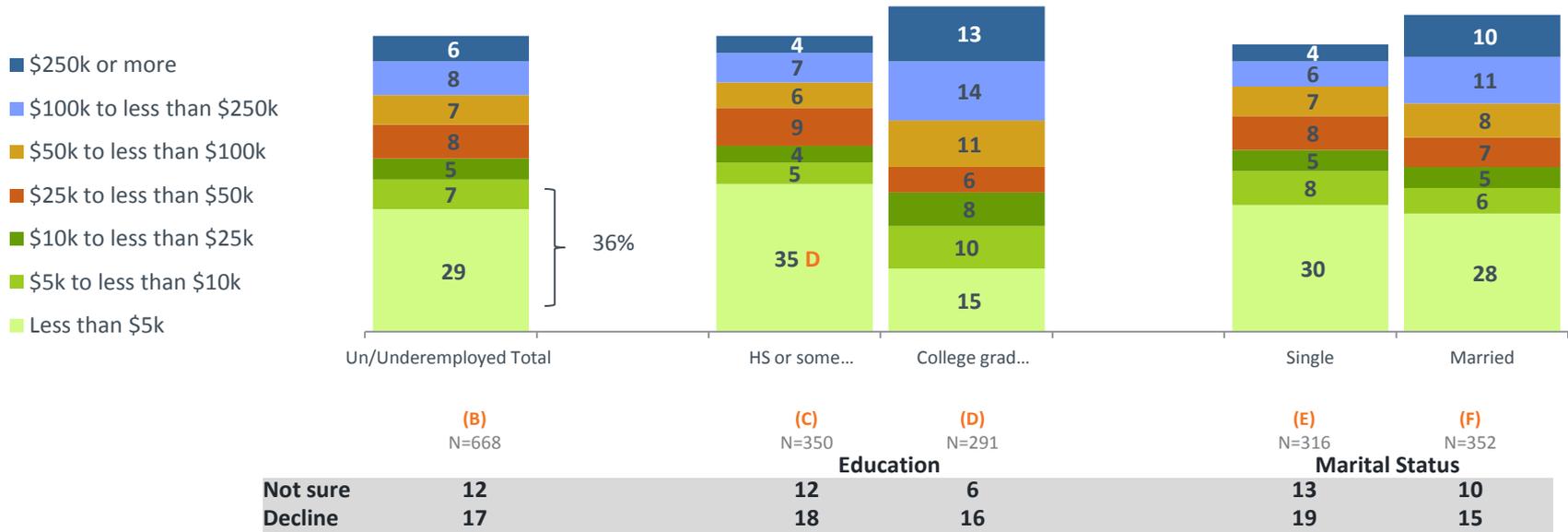
BASE: Unemployed or Underemployed

Q1300. Approximately how much money does your household have saved in all of your retirement accounts?

# Total Household Savings for Retirement by Other Demographics

- College graduates and those who are married reported higher levels of household retirement savings.

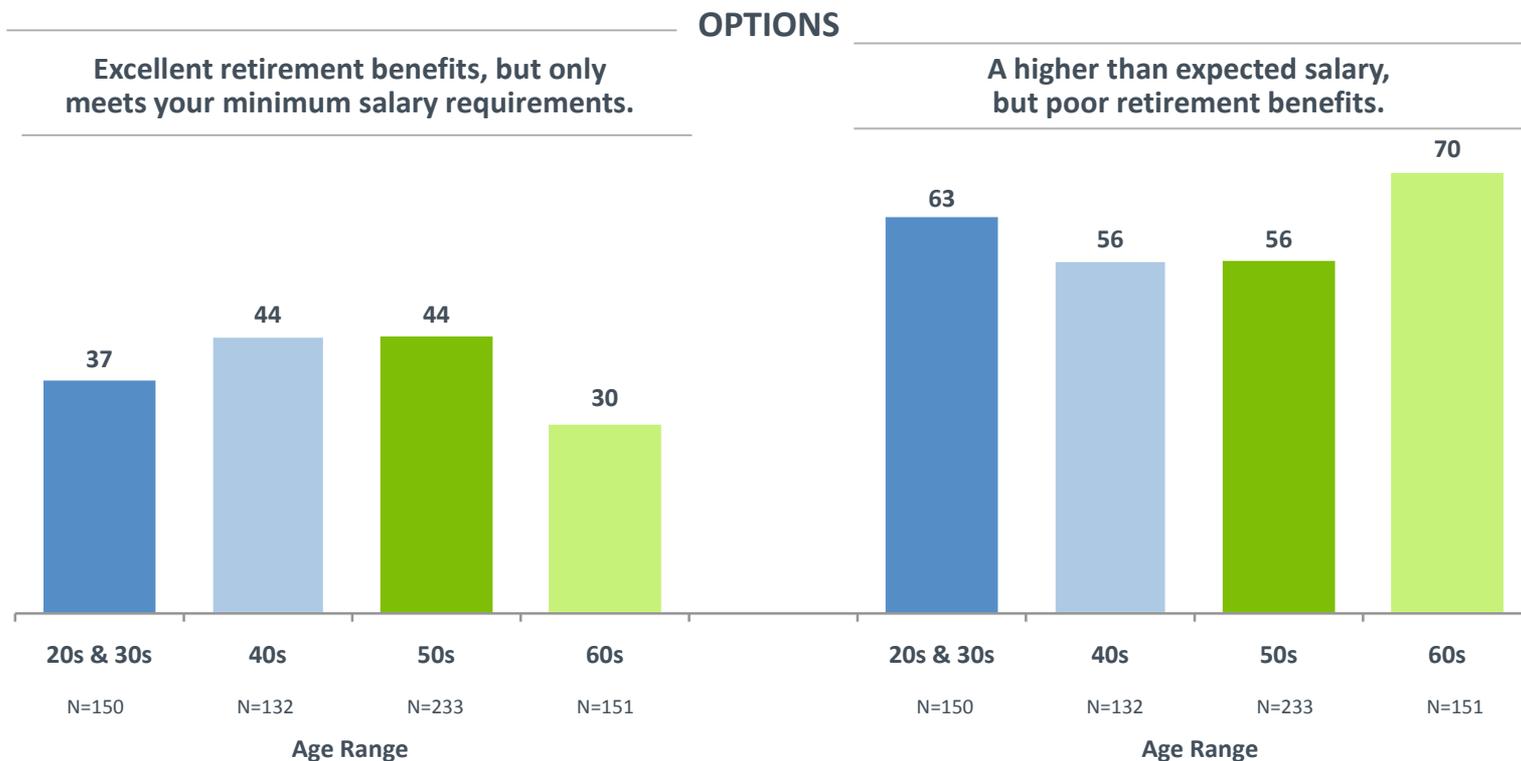
Household Savings for Retirement (%)



BASE: Unemployed or Underemployed  
Q1300. Approximately how much money does your household have saved in all of your retirement accounts?

# Comparing Job Offers: Salary vs. Retirement Benefits

- When evaluating job offers, the majority (61 percent) of those who are un / underemployed indicated that they would choose a job with higher pay but poor retirement benefits. This majority applies to all age ranges.

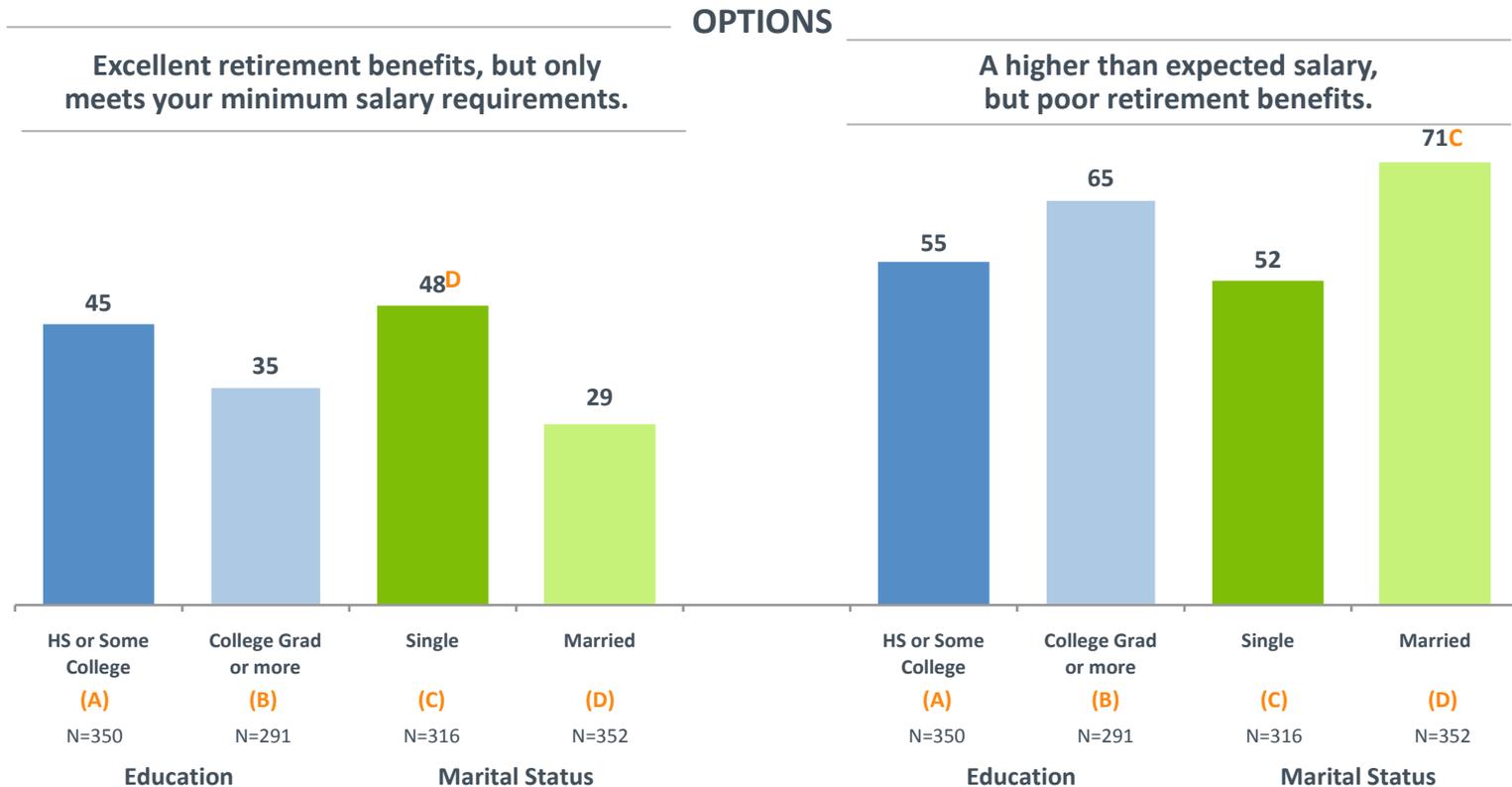


BASE: Unemployed or Underemployed

Q830. Suppose that two job offers come your way. Which of the following job offers would you select?

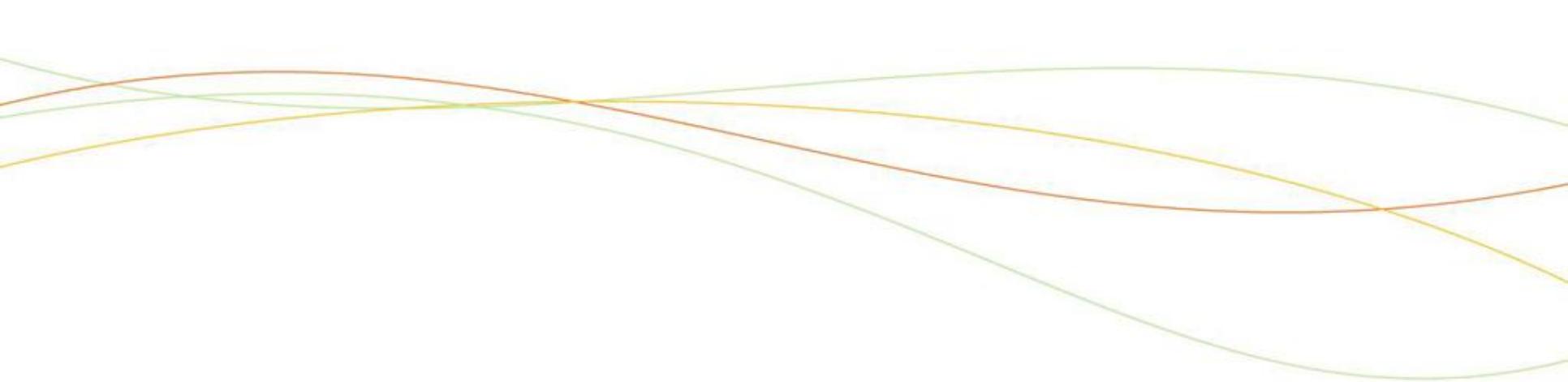
# Higher Salary vs. Better Retirement Benefits

- While the majority of workers prefer a higher salary, single people are most likely to prefer excellent retirement benefits.



BASE: Unemployed or Underemployed

Q830. Suppose that two job offers come your way. Which of the following job offers would you select?



# Conclusions & Recommendations

## Conclusions

The 12<sup>th</sup> Annual Transamerica Retirement Survey found that unemployment and underemployment of displaced workers can have a severe impact on their retirement outlook. Among these displaced workers, the survey found that over one-third (36 percent) report that they have less than \$10,000 in total household retirement accounts.

Many displaced workers have tapped their savings, gone into debt, and taken withdrawals from their retirement accounts to cover expenses during their unemployment or underemployment.

Over half (53 percent ) of displaced workers reported having access to a 401(k) or similar retirement plan at their most recent employer -- of which 84 percent participated. Since leaving their most recent employer, 35 percent of them indicated that they had taken a withdrawal from their retirement plan account, including:

- Took a total withdrawal / cashed out the entire account (21 percent)
- Rolled over the account into an IRA and have since taken withdrawals (11 percent)
- Left the account in the former employer's plan and have taken withdrawals (3 percent)

Those who are significantly more likely to be unemployed or underemployed are over age forty (65 percent) or lack a college degree (63 percent). Also, after year of unemployment, those who are unemployed become more likely to stop looking for work, retire or find full-time underemployment.

Importantly, the survey results yielded opportunities for un / underemployed workers can improve their retirement outlook -- as well as recommendations for the retirement services industry, media, employers & plan sponsors, and policymakers to help them.

## Recommendations

Clearly, for all un/underemployed workers, the single greatest opportunity for improving their retirement outlook is to regain meaningful full-time employment. In the meantime, the following may ultimately help them to improve their retirement outlook:

- Taking on a part-time job to help cover expenses while seeking full-time employment – which may help alleviate the need to take on credit card debt or take withdrawals from retirement savings accounts. The survey found that the underemployed are less likely to take a withdrawal from retirement accounts than those who are unemployed.
- Continually updating and improving job skills to stay current with prospective employers' needs.
- For those with only a high school diploma or some college, seeking a college education should help broaden career prospects and access to jobs with retirement benefits.
- Relentlessly identifying ways to cut costs to reduce living expenses.
- Avoiding taking withdrawals from qualified retirement savings accounts (e.g., 401(k) or similar, IRA) and the associated taxes and potential penalties.

The majority of the un/underemployed indicated they would prefer a job with higher pay but poor retirement benefits over a job that offers excellent retirement benefits but only meets their minimum pay requirements. When comparing and evaluating job offers, it is very important to factor retirement benefits, such as a 401(k) or similar plan with an employer matching contribution, as part of a total compensation package. Otherwise, it is possible to overlook these valuable benefits.

## Recommendations

The retirement services industry and the media can help un/underemployed Americans improve their retirement outlook by:

- Expanding outreach efforts and promoting available retirement planning tools and resources.
- Promoting awareness of tax incentives including the Saver's Credit and Catch-Up Contributions.
- Promoting awareness of the financial penalties of taking withdrawals from 401(k) and other retirement savings plans.

Employers and plan sponsors can help their employees by:

- Offering competitive retirement benefits and encouraging participation.
- Adding, increasing and/or reinstating matching contributions to their 401(k) or similar plans.
- Encouraging their employees to use the educational resources offered by their retirement plan providers.
- Encouraging employees to do an annual 401(k) retirement readiness check (e.g., when they do their annual healthcare benefits enrollment) .
- Offering retirement planning and counseling services.
- Promoting awareness of tax incentives including the Saver's Credit and Catch-Up Contributions.

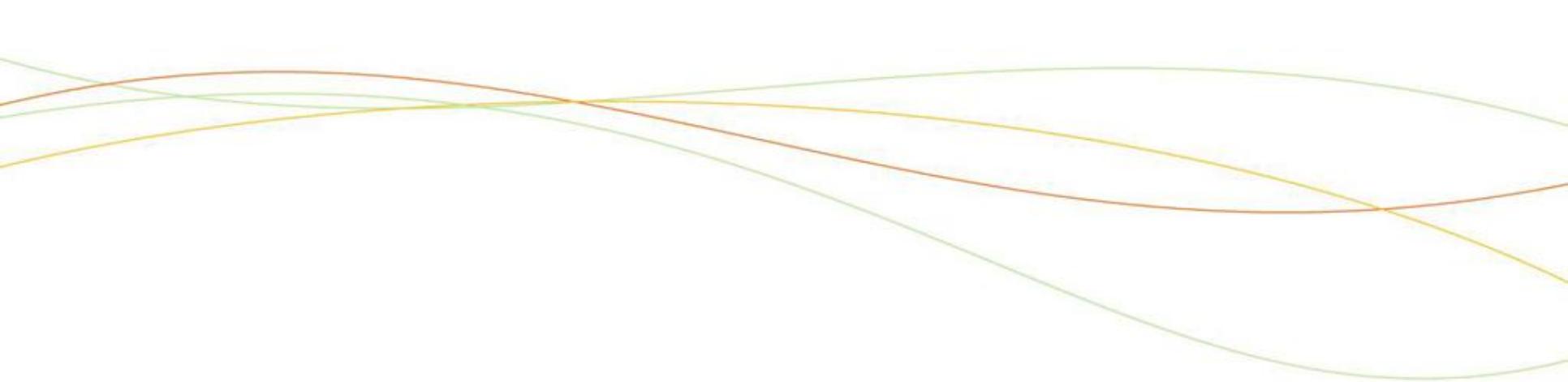
## Recommendations

From a public policy perspective, it is important to recognize that our current retirement system is by and large predicated on the assumption that workers must self-fund a substantial portion of their retirement.

A hidden cost to society is that the retirement savings setbacks encountered by these un / underemployed workers, unless overcome, will long-term result in more seniors who run out of savings thereby adding further strain on Social Security, Medicare, Medicaid and other social services programs for the elderly.

In order to help avoid such further strains on entitlement programs, policymakers should consider the following:

- Expanding the Saver's Credit by raising the income eligibility requirements so that more tax filers are eligible;
- Expanding Catch-Up Contributions by raising limits and lowering the eligible age;
- Offering tax incentives for both employers and workers for job training and retraining;
- Offering tax incentives to employers for hiring older workers in order to help keep them in the workforce longer;
- Extending the 401(k) loan repayment period for terminated plan participants and eliminating the six-month suspension period following hardship withdrawals;
- Requiring retirement plan statements to state participant account balances in terms of lifetime income as well as a lump sum; and
- Expanding retirement coverage to more workers by expanding the tax credit for employers to start a plan and facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans.



# Appendix: Sample Population

## Demographics

# Sample Population

## Key Measures by Demographic Breaks

2011	Total	Length Of Unemployment		Gender		Education		Age			
		Less than a year (A)	A year or more (B)	Women (C)	Men (D)	HS or some college (E)	College grad or more (F)	Twenties/Thirties (G)	Forties (H)	Fifties (I)	Sixties/Seventies (J)
	N=668	N=318	N=350	N=256	N=412	N=350	N=291	N=150	N=132	N=233	N=151
Unemployed Q2115	56%	62%	53%	55%	57%	65% F	40%	44%	46%	62% G	84% GHI
Underemployed Q2115	44%	38%	47%	45%	43%	35%	60% E	56% IJ	54% J	38% J	16%
Participates in plan Q1190	84%	72%	88% A	84%	84%	80%	90%	81%	81%	87%	90%
Prefer a higher salary Q830	61%	57%	62% A	58%	63%	55%	63%	63%	56%	56%	70%
Expect U.S. economy to get better in next year Q1101	25%	22%	27%	23%	27%	21%	33% E	26%	32%	18%	27%
Expect own financials to get better in next year Q1102	39%	43%	38%	44%	35%	32%	51% E	56% IJ	39%	25%	29%
Think most people save enough for retirement Q1715	3%	7% B	1%	1%	4%	4%	1%	5%	-	1%	3%

BASE: Unemployed or Underemployed

# Retirement Benefits at Most Recent Employer

- Just over half (53 percent) of those who are un/underemployed reported being offered a 401(k) or similar plan by their most recent employer.

2011	Total	Length Of Unemployment		Gender		Education		Age			
		Less than a year (A)	A year or more (B)	Women (C)	Men (D)	HS or some college (E)	College grad or more (F)	Twenties/Thirties (G)	Forties (H)	Fifties (I)	Sixties/Seventies (J)
	N=668	N=318	N=350	N=256	N=412	N=350	N=291	N=150	N=132	N=233	N=151
<b>NET</b> Employee-funded plan	53%	44%	56%	56%	52%	44%	74% E	45%	61%	55%	55%
Employee-funded <b>401(k)</b> plan	52%	43%	55%	53%	50%	42%	73% E	44%	60%	53%	54%
<b>Other</b> employee self-funded plan (ex. SIMPLE, SEP)	2%	4%	2%	3%	2%	2%	2%	4%	1%	2%	2%
Company-funded <b>defined benefit</b> pension plan	16%	13%	17%	14%	18%	11%	30% E	16%	12%	17%	21%
<b>None</b> of the above	42%	48%	39%	43%	41%	51% F	20%	46%	37%	42%	38%

BASE: Unemployed or Underemployed

Q1180. Which of the following retirement benefits did the company offer to you, personally?