



## Important Finding

2017 Study

Analysis of Gen X participants reveals important considerations for plan sponsors and advisors

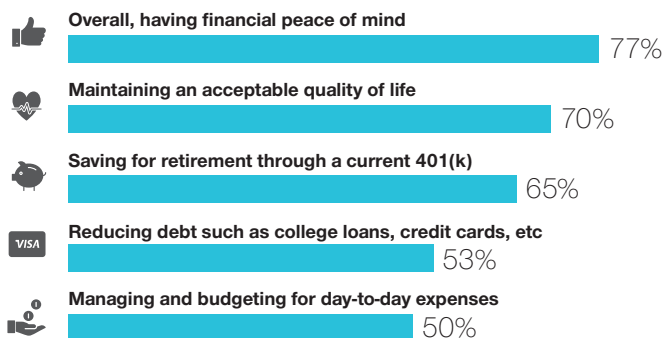
## Key Finding

### Focus on Generation X

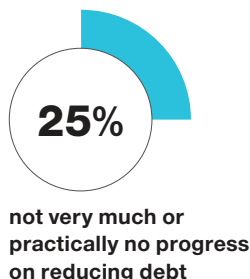
In **Retirement Savings and Spending 3**, the third of our annual participant surveys, T. Rowe Price examines the attitudes and behaviors of 401(k) plan participants to provide insights for plan sponsors and their advisors. Many of the findings provide significant insights into Generation X (Gen X). Born between 1965 and 1980, Gen X is now at a critical juncture for retirement planning and should be a key group for plan sponsors and advisors alike to focus on.

## Financial Goals and Progress

Of 16 different financial objectives, more than half of Gen X respondents identify these five as “major objectives.”

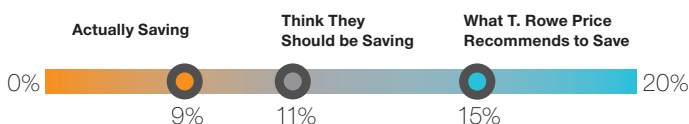


Participants have clearly recognized the importance of financial wellness, with 75% or more reporting some or a great deal of progress on each of the top five financial objectives that they cited as major or minor. Of these, reducing debt is the objective with the highest reports of “not very much” or “practically none” for progress.



Gen X respondents place more emphasis than the national average on saving for college and reducing student loan and other debt. They place less emphasis than the national average on contributing to charity, saving for a primary residence, and saving for retiree healthcare expenses.

## Not Saving Enough



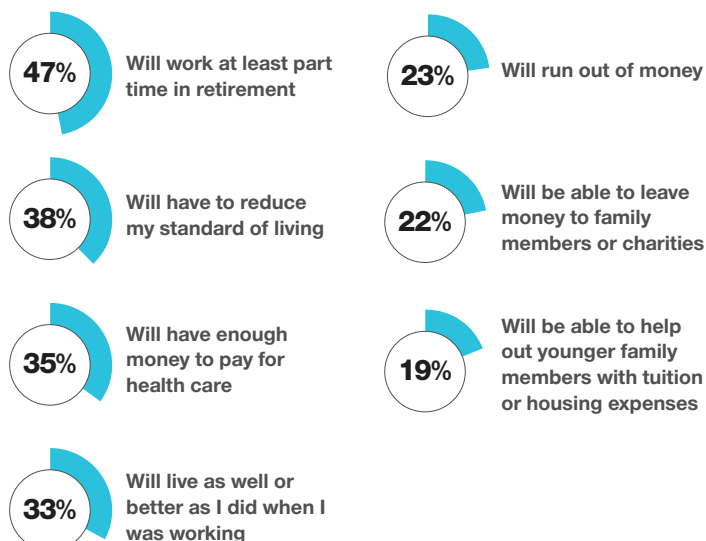
Gen X is not contributing enough to 401(k) plans, and they know it. On average, their perception is that they should be saving 11% of earnings. They're actually saving 9% on average, with 59% saving less than 10%. Over half of those contributing below the maximum (51%) claim that contributing all they can afford is a major reason.

One rule of thumb is for participants to save 15% (including employer contributions), starting in their 20s. For Gen Xers who have missed out on a decade or more of saving at 15%, they may need to save at a considerably higher rate.

**Generation X is now at a critical juncture for retirement planning and should be a key target for your communications, guidance, and advice.**

## Closing the Gap

To make up for the savings shortfall, many Gen Xers expect to retire in their 60s. It's a far more pessimistic outlook than their millennial counterparts—with only 12% of Gen X respondents expecting to retire before age 60, compared with 26% of millennials. Other impacts of the shortfall include:

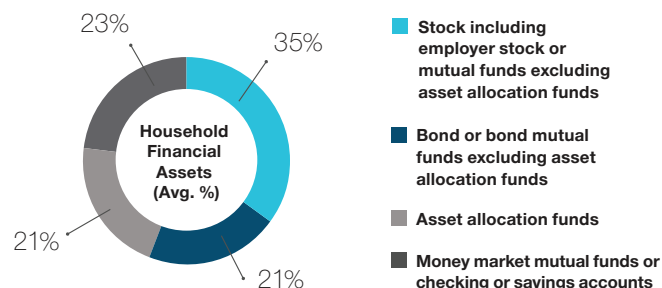


The outlook on Social Security is especially bleak. The majority (56%) of Gen X expects that the Social Security Administration will be bankrupt by the time they retire. A full 73% agree with this statement: *"I'm expecting some Social Security benefits when I retire but nothing as generous as what today's retirees get."*

## Assets, Investing, and Debt

This generation reports average household financial assets of \$601,000, up from \$540,000 in 2015. The bulk of these assets (80%) is in tax-qualified retirement plans from current or former employers or IRAs.

Just 21% of their assets are in asset allocation funds (including target date, target risk, and/or balanced funds). However, Gen X respondents say they're the most satisfied with these types of investments—with 81% reporting that they were somewhat or very satisfied with their investments overall, and 91% who own target date funds are somewhat or very satisfied with them.



The principal value of target date products is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the product. If an investor plans to retire significantly earlier or later than age 65, the products may not be an appropriate investment even if the investor is retiring on or near the target date. The products' allocations typically invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. In addition, the objectives of target date products typically change over time to become more conservative.

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This generation is more heavily in debt than either baby boomers or millennials. For those having household debt other than first mortgages, their average level of debt (including student loans) is \$84,000 versus \$53,000 for boomers and \$73,000 for millennials. And fully 36% report debt levels of over \$50,000.

## Connecting the Dots

### Considerations for Sponsors

- Aim communication strategies at this group
- Ensure that your provider has a clear financial wellness strategy
- Provide robust budgeting, prioritization, and tracking tools
- Consider auto-solutions
- Include quality target date funds

### Considerations for Advisors

- Target this group for advice
- Provide holistic solutions that consider debt levels and assets beyond the 401(k) plan
- Include periodic follow-up discussions with a focus on remaining on track
- Support plan sponsors in provider searches with a focus on financial wellness

## About the Study

T. Rowe Price engaged Brightwork Partners to conduct a national study of 3,022 adults aged 18 and older who have never retired and are currently contributing to a 401(k) plan or eligible to contribute and have a balance of at least \$1,000. The online survey was conducted from March 3–14, 2017.

For more information on these and other findings from *Retirement Savings and Spending 3*, and other generational research, please contact your T. Rowe Price representative.