



First Look: Assessing the New Retiree Experience

Many 401(k) participants are transitioning to retirement with considerable assets, high satisfaction

How are new retirees managing in retirement? Research by T. Rowe Price Retirement Plan Services, Inc., suggests they are faring quite well.

A quantitative, national study **First Look: Assessing the New Retiree Experience**, offers compelling data on the spending behaviors and experiences of people who have been part of the 401(k) system and are now—on average—about three years into retirement. While the research reflects a diverse range of investors, ages under 50 to 75 and older, the majority are baby boomers 50 to 68 years old.

This context is critical for plan sponsors and advisors: It provides valuable perspective on the early years of retirement and, in particular, the transition to retirement based on a unique 401(k)-affiliated sample.

Summary

Overall, the research shows a positive picture of retirement, especially in terms of the adjustments that retirees have made at this early stage. They are moving confidently into retirement and managing their spending according to their income:

- Many enter retirement with substantial household assets* (\$1,303,000 average/\$473,000 median).
- Almost half (48%) have a withdrawal plan and they are withdrawing a median of 4% of their portfolio.
- 80% say they track expenses carefully and only three in 10 are surprised by how hard it is to live without their preretirement paycheck.

Attitudinally, these individuals are in a good place. Nearly 90% of survey respondents say they are satisfied with their retirement so far, and almost three-quarters feel they are better off financially than their parents at the same age.

However, single households, particularly female headed, report significant challenges.

Workers Age 50 and Older

As part of the research, T. Rowe Price also analyzed the attitudes and circumstances of those who are getting ready for retirement and currently contributing to a 401(k) plan, or are eligible to contribute, with a balance of \$1,000.

Unlike the new retiree group, today's workers, age 50+, are measurably more anxious about the future:

- 43% have considered postponing their retirement during this year.
- 57% expect to work in retirement.
- 49% expect to reduce their standard of living.
- Only one-third expect to live as well or better in retirement as they do today.

METHODOLOGY

T. Rowe Price initiated First Look: Assessing the New Retiree Experience, a quantitative study, conducted independently by Brightwork Partners LLC.

Interviewees included 1,030 working adults age 50 or over who are currently contributing to a 401(k) plan, or are eligible to contribute, and have a balance with their current employer of \$1,000 or more and 1,507 adults who have retired in the past one to five years and have a Rollover IRA or a balance remaining in a 401(k) plan.

Interviewing was conducted between February 19 and March 3, 2014. Findings in both samples are subject to a margin of error of just under 3%.

*Household assets are investable assets plus home equity less debt.

Top Findings

Here are five key findings from the **First Look** research that show new retirees who have saved in 401(k)s are making the first years of retirement work for them. According to the study:



1 NEW RETIREES ARE LIVING ON LESS.

- Retirees are living on an average of 66% of preretirement income.
- Those with a withdrawal plan draw a median of 4% of their balance.
- 85% say they don't have to spend as much in retirement to be satisfied.



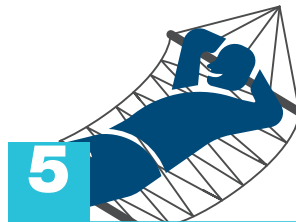
4 MANY FOLLOW BASIC RULES OF THUMB.

- 63% stick to a spending budget.
- 33% maintain an emergency fund.
- 52% have a financial advisor.



2 THEY ARE FLEXIBLE, ADAPTING TO CHANGE.

- 89% have found they can adjust their lifestyle according to income.
- 78% reduce spending if spending exceeds their income.



5 OVERALL, THEY HAVE A POSITIVE OUTLOOK.

- 89% of retirees are satisfied with retirement so far.
- 78% feel on track to meet their financial goals.
- 74% feel better off than their parents were at their age.



3 THE "NEW RETIREMENT" INCLUDES EMPLOYMENT.

- 21% are working.
- 14% are seeking work.
- 65% are fully retired.

Conclusions

"While we know there are people with little or no retirement savings, our sample indicates that many who saved in a 401(k) plan are entering retirement with considerable assets," said Anne Coveney. "What's more, we are also seeing some evidence of financial discipline in budgeting and spending." The analysis captures a moment in time—many new retirees have yet to tap their 401(k) balances and use Social Security as their main source of income. Nonetheless, the study results send a powerful message to plan sponsors, advisors, and especially those individuals still preparing for retirement. "New retirees are making retirement work—it is possible to save in a 401(k) plan and enter retirement in a positive state," she said.

For more study findings and additional insights from the First Look study, visit

troweprice.com/retirementforall