

Employee Retirement Confidence on the Decline



There's a troubling trend when it comes to retirement: Though more employees believe saving for their post-work years is a top financial priority, retirement confidence is on a downward trend.

A recent survey of 5,000 employees from Willis Towers Watson finds that workers' financial confidence has eroded over the past 24 months, after several years of steady improvement. More than half of survey respondents say they feel confident they have enough money to live comfortably 15 years into retirement, but that is down significantly from 69% in 2015. Retirement confidence had been rising steadily since the Great Recession, when 61% of survey respondents said they were confident they would have a secure retirement. Only 39% of women say they are confident they will have enough resources to last 25 years into retirement compared with 54% of men.

“Saving for retirement is a significant challenge for the vast majority of working Americans,” says Shane Bartling, senior consultant at Willis Towers Watson. “Varying financial needs make it difficult for many men and women to build a retirement nest egg. While our survey finds that women place a lower priority on saving for retirement than men do, we believe it’s a question of, ‘Am I able to save for retirement?’ rather than, ‘Is it important to save for retirement?’”

While many large employers offer retirement plans, many small- to mid-sized companies do not. And just because a company offers a retirement savings vehicle, that doesn't mean employees will take advantage of it, experts say. That's in large part because many of them are struggling with day-to-day expenses.

A number of large employers have stepped in to offer financial wellness and education programs to employees, but workers at smaller companies often don't have access to the same services. Much of the research on retirement savings shows that women, people who don't make a lot of money and young people are the ones who would benefit the most from such plan design changes as automatic enrollment, automatic escalation and qualified default investment alternatives, like target-date funds. Even if they don't have access to financial education at work, at least a portion of their income would go into retirement savings under these plan design changes.

Saving for retirement is the top financial priority for 60% of working men, while only 44% of working women name it as their top priority. Most women listed saving for retirement as their fifth-highest priority after meeting their daily living costs and paying off debt. Married women without children under the age of 18 were most likely to make saving for retirement a top financial priority, the survey finds.

Age plays a part in who prioritizes saving for retirement as well. Willis Towers Watson finds that most employees don't prioritize saving for retirement until they reach their 40s and 50s.

Retirement security — which is defined as having enough money saved up, either through retirement savings, insurance or Social Security, to ensure a person has enough money to maintain their current lifestyle throughout their retirement — is gaining in importance for all respondents, jumping from 52% in 2013 to 78% currently. Baby boomers increasingly are focused on retirement security and it remains a key issue for Generation Y, the survey finds.

Willis Towers Watson finds that 37% of workers expect to work past the age of 70—an increase from 30% in 2015 — and only 26% of workers believe they will be able to retire before age 65, down from 29% in 2015.

People who are struggling financially feel the most pressure to work longer, the survey finds. Two-thirds of struggling employees over age 50 don't expect to be able to retire before age 70, and about 30% of those surveyed identified themselves as struggling financially.

“Financial pressures are driving many employees to retire later,” says Pat Rotello, senior consultant at Willis Towers Watson. “Employees with money worries are more

likely to keep working past normal retirement age to help sustain their income. Our research shows employees who work longer are typically less healthy, more stressed and less engaged at work. Given these developments, we believe employers will want to evaluate their retirement plans and financial well-being initiatives. In fact, it wouldn't surprise us to see more employers develop and implement financial well-being programs to help their employees achieve their retirement and financial goals."

Retirement outlook is similar among the generations, with 74% of those surveyed believing their generation will be worse off in retirement than their parents' generation. Nearly 70% of respondents believe Social Security will be much less when they retire than it is now and that government medical benefits will be worse.

Fifty percent of workers say they will retire from their main job but will keep working in some capacity before they fully retire, Willis Towers Watson finds.

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