



MassMutual Retirement Savings Risk Study

Background & Methodology



Background

To better understand the investment preferences and philosophies of those approaching retirement as well as retirees, MassMutual commissioned a survey of pre-retirees within 15 years of retirement and of retirees no more than 15 years into retirement.

Methodology

- On behalf of MassMutual, Greenwald & Associates, an independent research firm, conducted an online survey that included 804 pre-retirees and 801 retirees. Respondents were drawn from ResearchNow's online panel. To qualify for the survey, all respondents had to be at least 40 years old.
 - Pre-retirees were required to have a household income of at least \$40,000, work full-time for a private sector employer, and be participating in that employer's DC retirement plan.
 - Retirees were required to have total investable assets of at least \$100,000. They had to be retired from a private sector employer and participating in that employer's DC retirement plan at the time of retirement.
- The survey was fielded in January 2018.

Key Findings



Investing & Risk Tolerance

- When it comes to investments, six in ten pre-retirees say their current investment mix is designed for growth, while half of retirees say they are balancing between growth and preservation.
 - Retirees generally indicate that their risk tolerance is moderate to more conservative and they seem confident that they are taking the right amount of risk.
 - Pre-retirees are more likely to say they are comfortable taking greater investment risk and expect their investments to outperform the market.
- Most say they can remain focused on the long-term even if the market drops, but these pre-retirees and retirees do express some concern about major downturns, especially right before retirement.

Retirement Glide Path & Advisor Influence

- Both pre-retirees and retirees overwhelmingly agree that they want their investments to continue to grow after they retire.
- Interestingly, retirees are more likely than pre-retirees to say they are *not* substantially more conservative with their investments after retirement (36% vs. 29%), while pre-retirees are more likely to say they *will* become substantially more conservative when they retire (43% vs. 37% of retirees).
- In fact, 43% of pre-retirees expect to be primarily focused on preservation at retirement, while only 23% of retirees were focused on preservation at that time, suggesting pre-retirees are notably more conservative.
 - Those with a defined benefit plan or annuity are more likely to be growth-focused in the five years before retirement, at retirement, and within the first ten years in retirement.
- When pre-retirees and retirees discuss this with their advisors, advisors most often suggested they invest more conservatively (88%). Given investors' desire for continued growth, this suggests there may be a disconnect between retirees' risk tolerance and the advisor's guidance.

Key Findings (cont.)



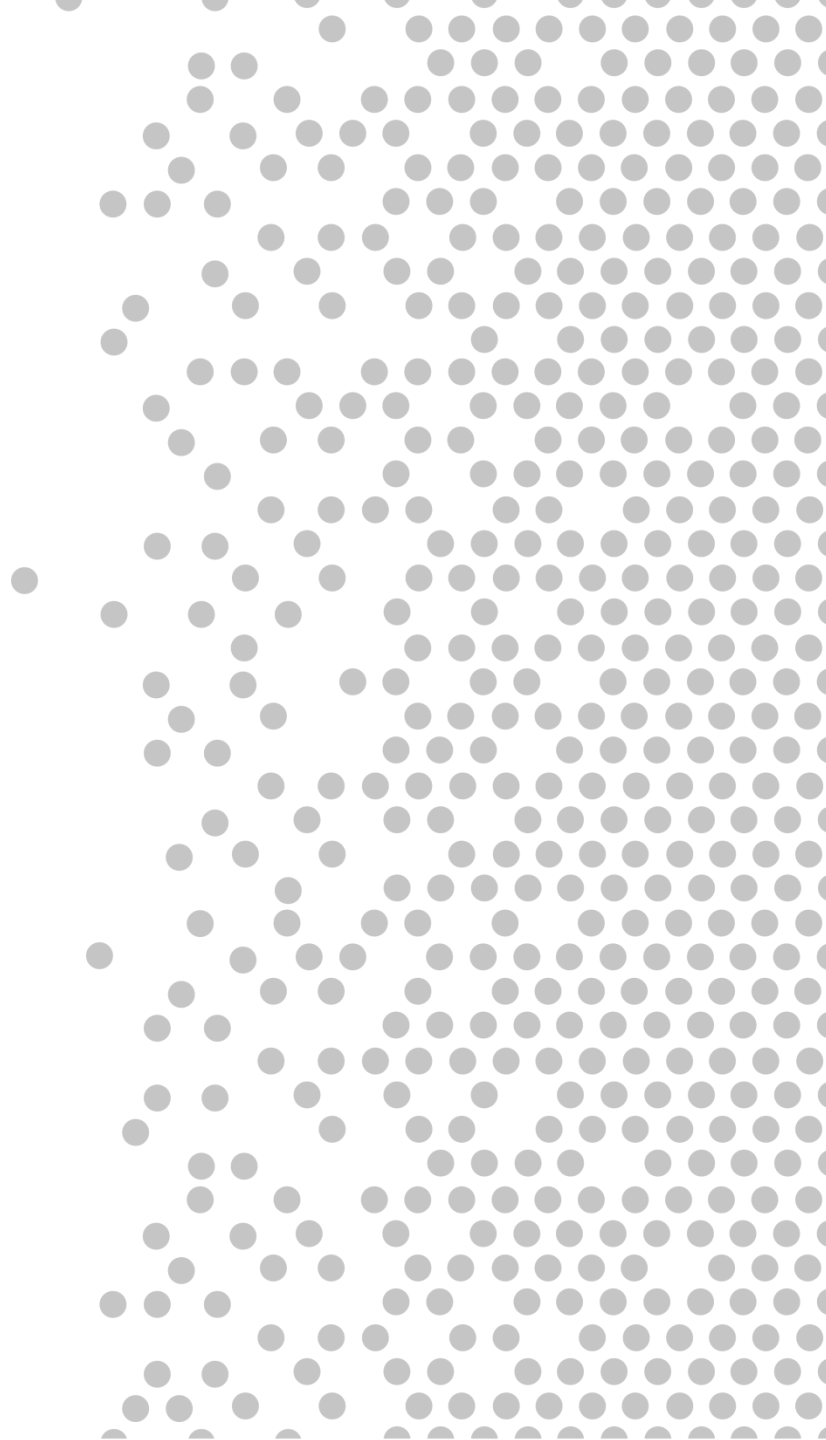
Plan Investment Options

- When it comes to different types of investments, retirees are more likely to be familiar with actively managed mutual funds (82% vs. 74%), passively managed mutual funds (75% vs. 69%) and customized investments (67% vs. 59%), while pre-retirees are more likely to be aware of target date funds (TDFs) (59% vs. 52% of retirees).
- Pre-retirees are more likely to find TDFs appealing (70% vs. 47% of retirees), although small shares are actually invested in a TDF (29% and 20% of retirees).
- Many indicate an interest in a “set-it-and-forget-it” investment option, and TDFs are seen as easy to use and helpful for those who may not have the discipline to adjust allocation on their own.
 - Few suggest that TDFs aren’t personalized enough or that they would rather manage their investments on their own.

Retiree Lessons Learned

- More than half of retirees agree that they should have started saving for retirement earlier than they did.
- Most say they would stick with the same investment approach, but about a third say they would invest more aggressively if they had a do-over.
- Retirees offer advice to near-retirees: use a financial advisor, and more generally, know your risk tolerance.

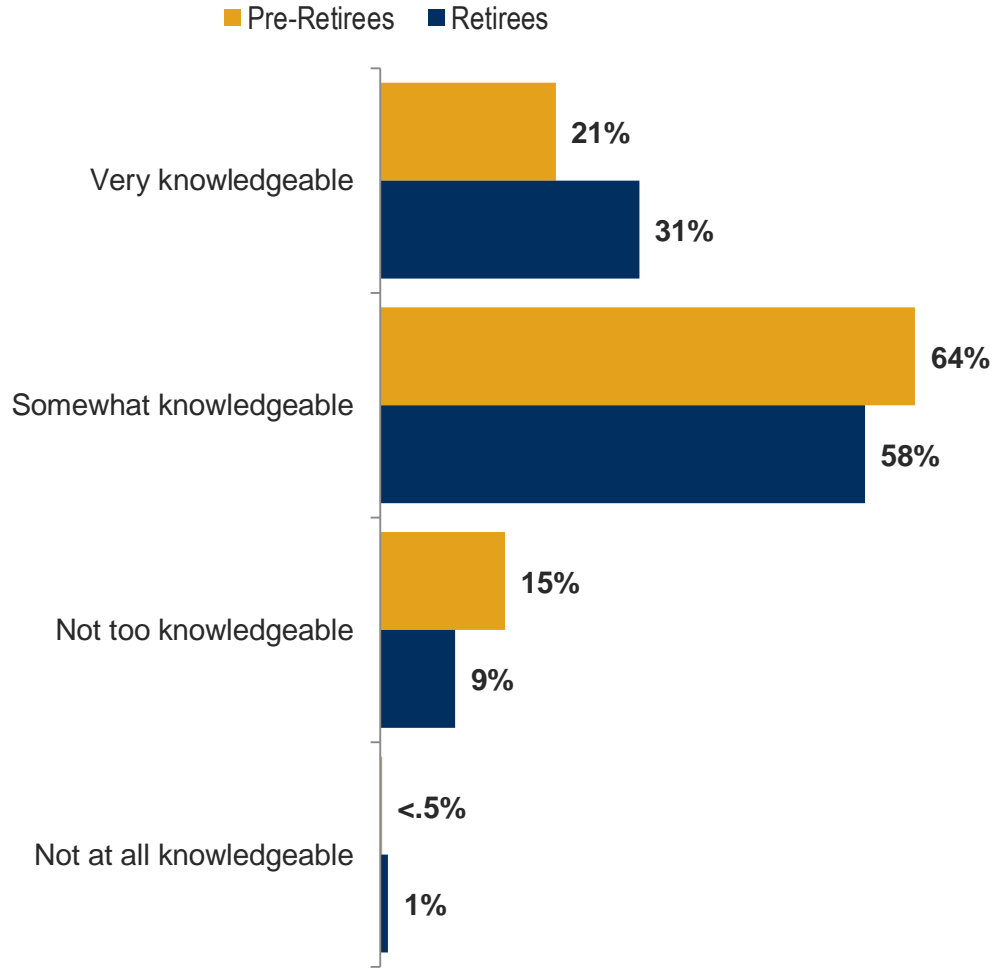
Investing & Risk Tolerance



When it comes to managing savings and investments, retirees consider themselves more knowledgeable (90% vs. 85% of pre-retirees).



Knowledge of Managing Savings and Investments



Additive Insights

- Those with higher assets are more likely to consider themselves at least somewhat knowledgeable (90% vs. 76% with <\$250,000 in assets).
- Respondents with high risk tolerance are especially more likely than those with low risk tolerance to say they are *very knowledgeable* about managing savings and investments (27% vs. 13%).
- Both retirees and pre-retirees who have a defined benefit plan or an annuity are more likely to call themselves knowledgeable (89%), compared to 83% without these products.
- Respondents who have taken money/loans from their 401(k) or suspended contributions are much more likely to say they are *not* knowledgeable about this topic (23% vs. 10% who have not taken any of those actions).

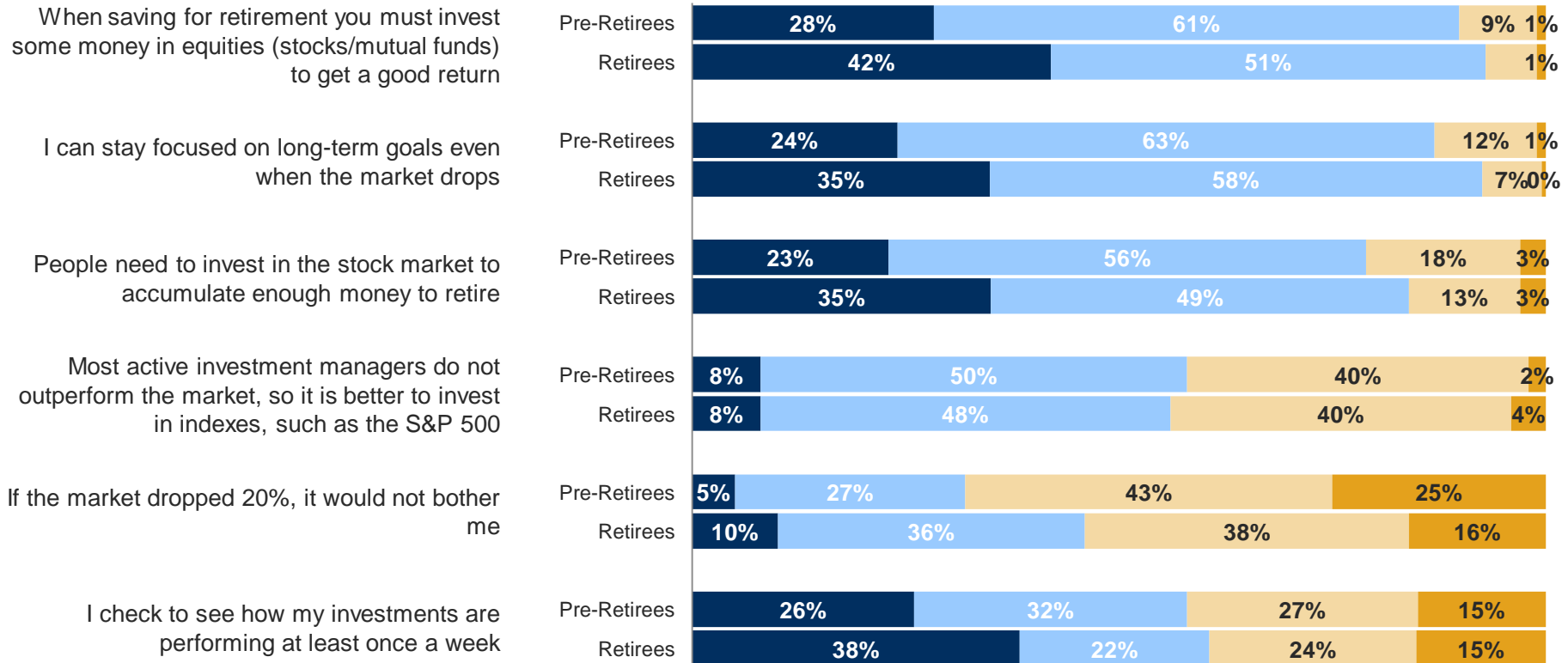
Retirees are more likely than pre-retirees to say they can stay focused on long-term goals when the market drops.



- Respondents with assets between \$250,000 and \$999,999, those with high risk tolerance and those who feel they are very knowledgeable about savings and investments are more likely to say they can stay focused when the market drops and believe that people need to invest in the stock market in order to accumulate enough money to retire.
- Older pre-retirees five years away from retirement are more likely than pre-retirees and retirees overall to say they check their investment performance at least once a week.

Agree/Disagree

■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree

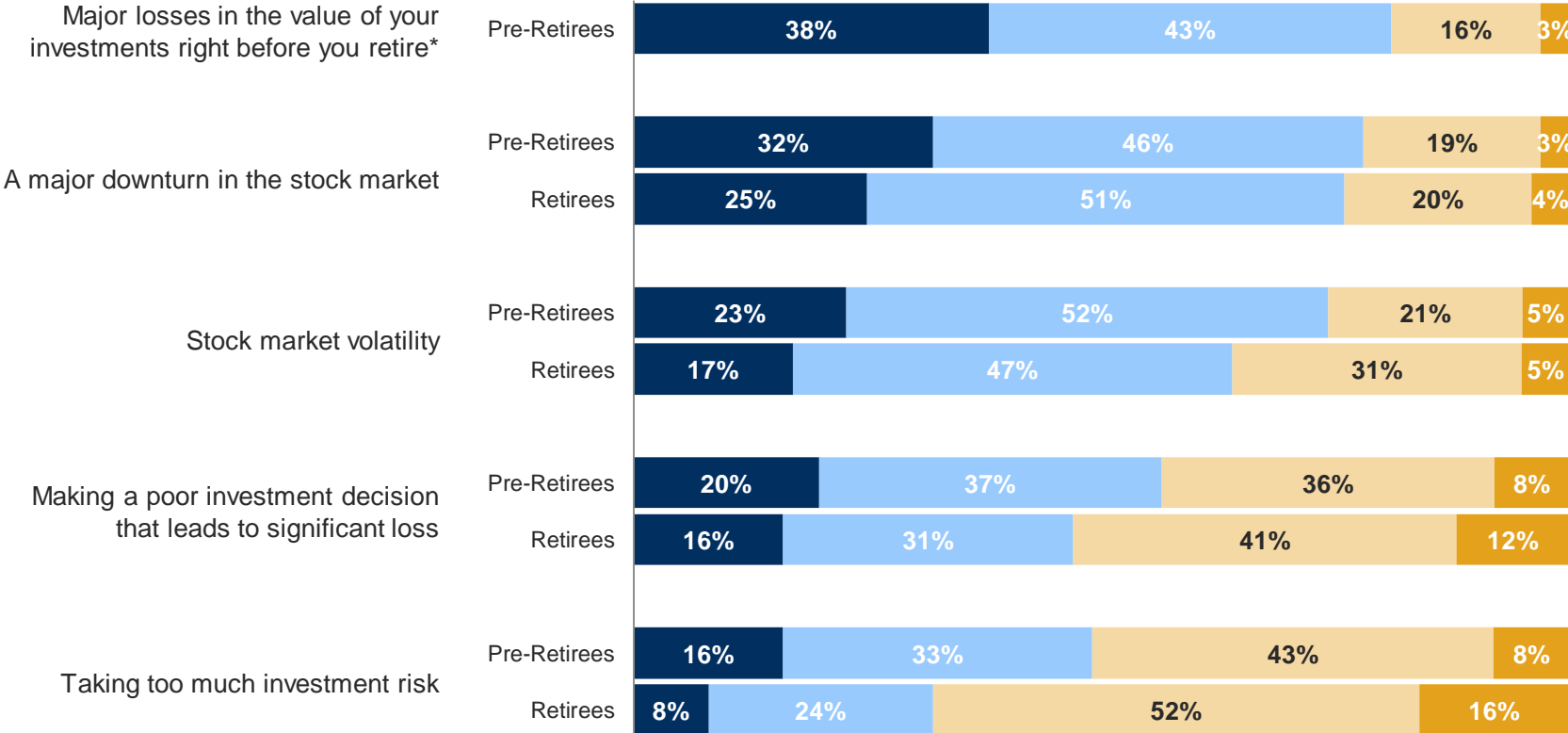


Yet, pre-retirees and retirees do express concern about market downturns, especially in the years right before retirement.



Level of Concern

■ Very concerned
 ■ Somewhat concerned
 ■ Not too concerned
 ■ Not at all concerned



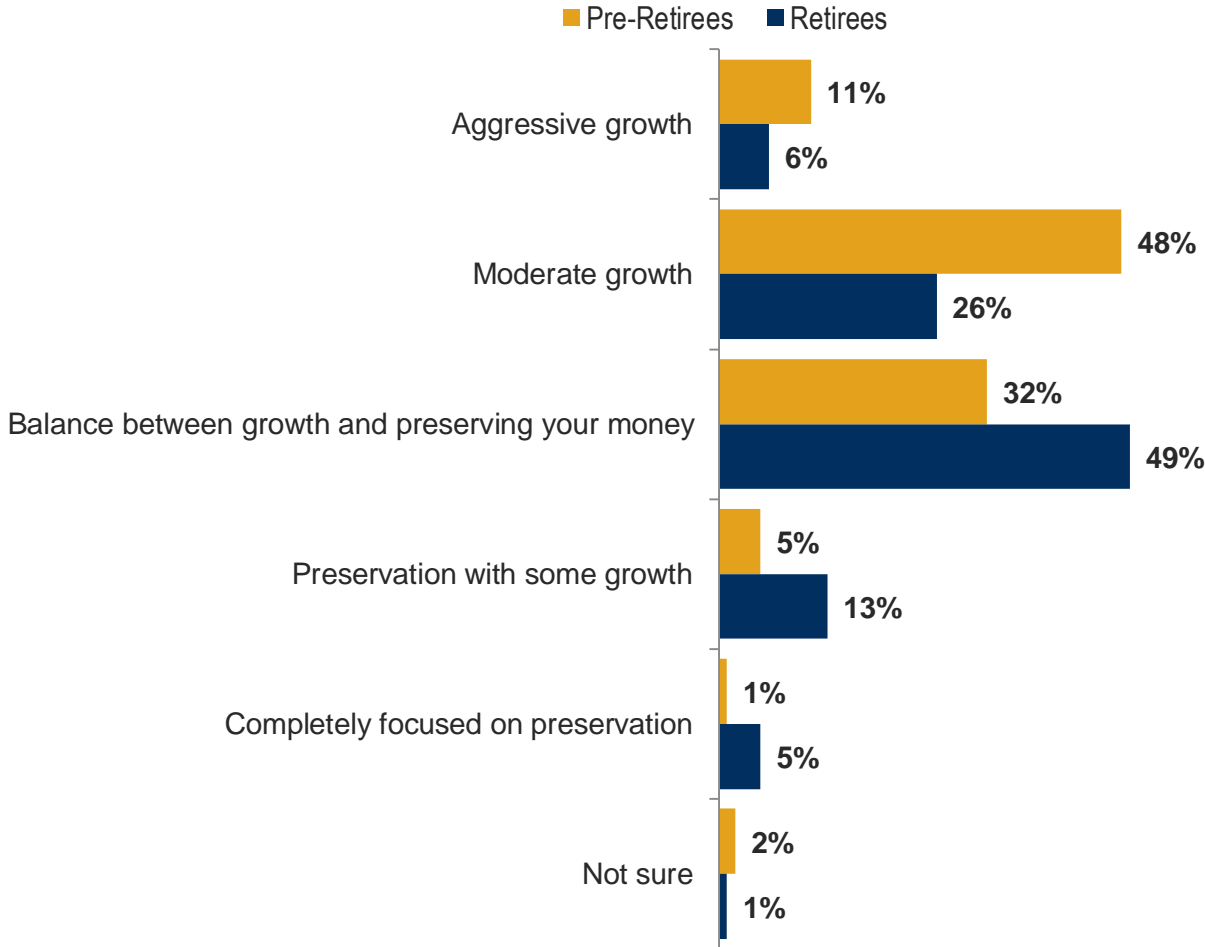
How concerned are you about each of the following [IF PRE-RETIREE: in retirement]? (Pre-Retirees n=804; Retirees n=801)

*Asked of pre-retirees only

Most pre-retirees currently have an investment mix designed for growth, while half of retirees say they aim to balance growth and preservation.



Current Investment Mix



Additive Insights

- Respondents who claim they are very knowledgeable about savings/investments are more likely to have an investment mix that aims for aggressive growth (18%), compared to 7% who feel less knowledgeable.
- Among those who say they need at least 75% of their income replaced in retirement to live comfortably, retirees are more likely than pre-retirees to say they have an investment mix designed for preservation (21% vs. 5%).

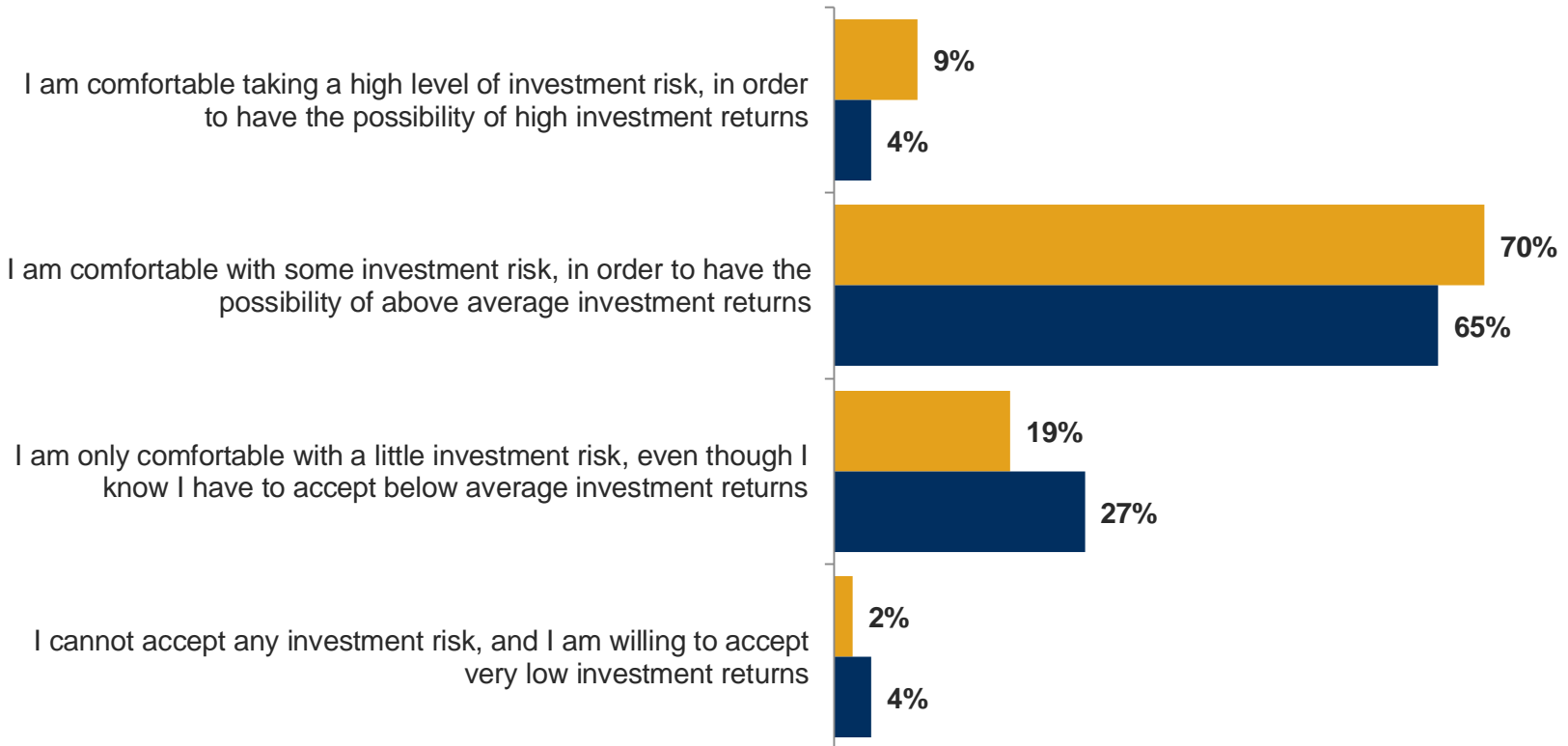
As expected, pre-retirees are more likely to be comfortable taking investment risk.



- Respondents without an advisor are more likely to say they are comfortable with taking a *high* level of investment risk (11% vs. 6%), although those with an advisor are more likely to be comfortable with taking *some* risk (72% vs. 62%).
- Those who say they are very knowledgeable about savings and investments are more likely than those who feel less knowledgeable to be comfortable with taking high investment risks (16% vs. 5%).

Investment Risk

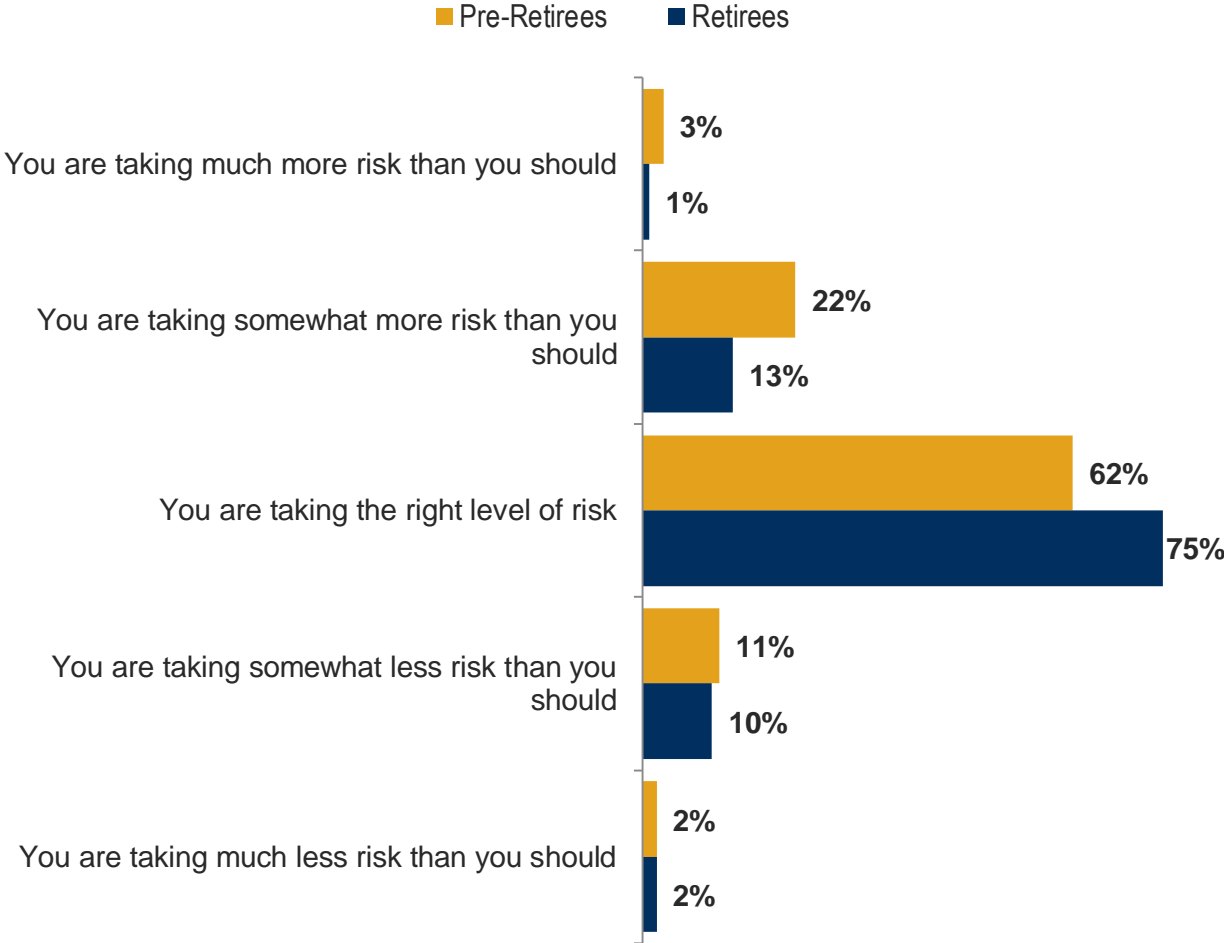
■ Pre-Retirees ■ Retirees



Most feel they are taking the right level of risk with their current investments, though a quarter of pre-retirees feel they're too aggressive.



Investment Risk Currently Being Taken



Additive Insights

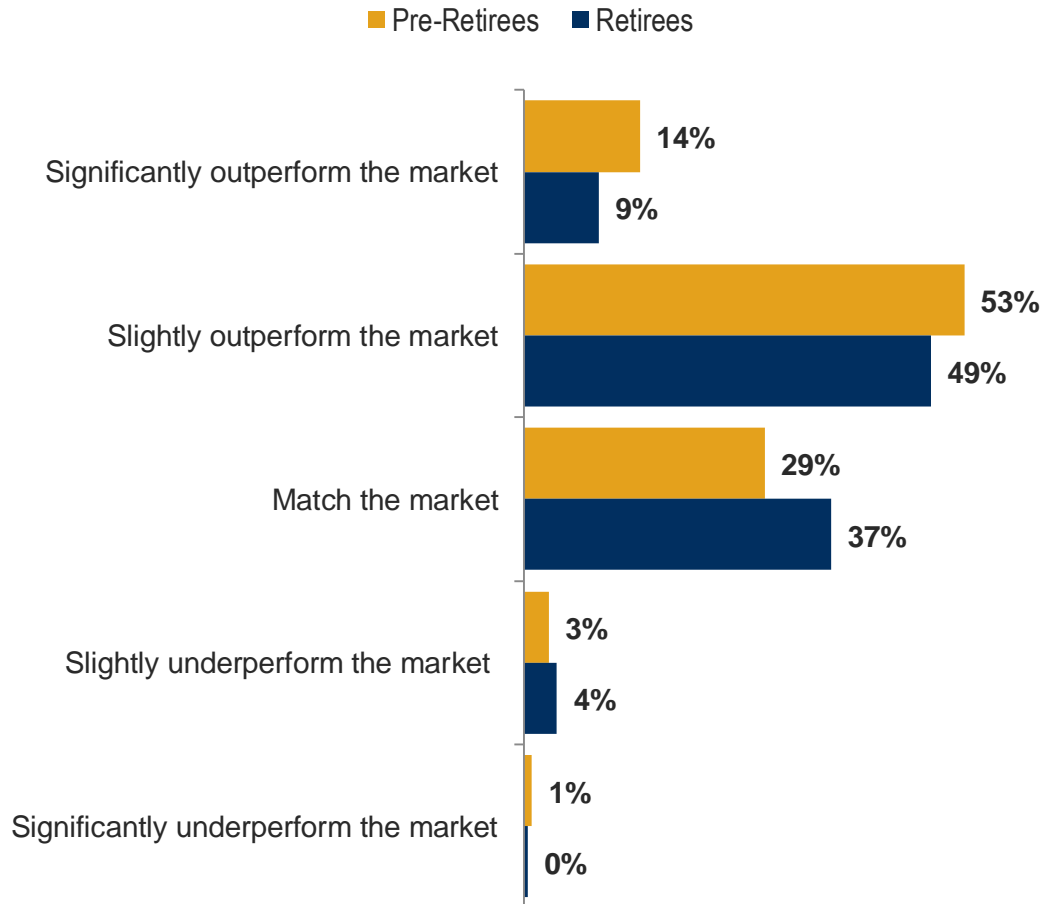
- Both retirees and pre-retirees with an advisor, those with \$250,000 to \$999,999 in assets and respondents with high risk tolerance are more likely than their counterparts to feel they are currently taking the right level of risk.
- Those who are invested in TDFs are more likely than those who are not to feel they are taking more risk than they should be taking (29% vs. 21%).

In keeping with their growth strategy, pre-retirees are more likely than retirees to aim for their investments to outperform the market.



- Both pre-retirees and retirees who have an advisor or high risk tolerance are more likely to expect their investments to outperform the market, while those without an advisor or with low risk tolerance aim for their investments to match the market.

Expected Investment Performance

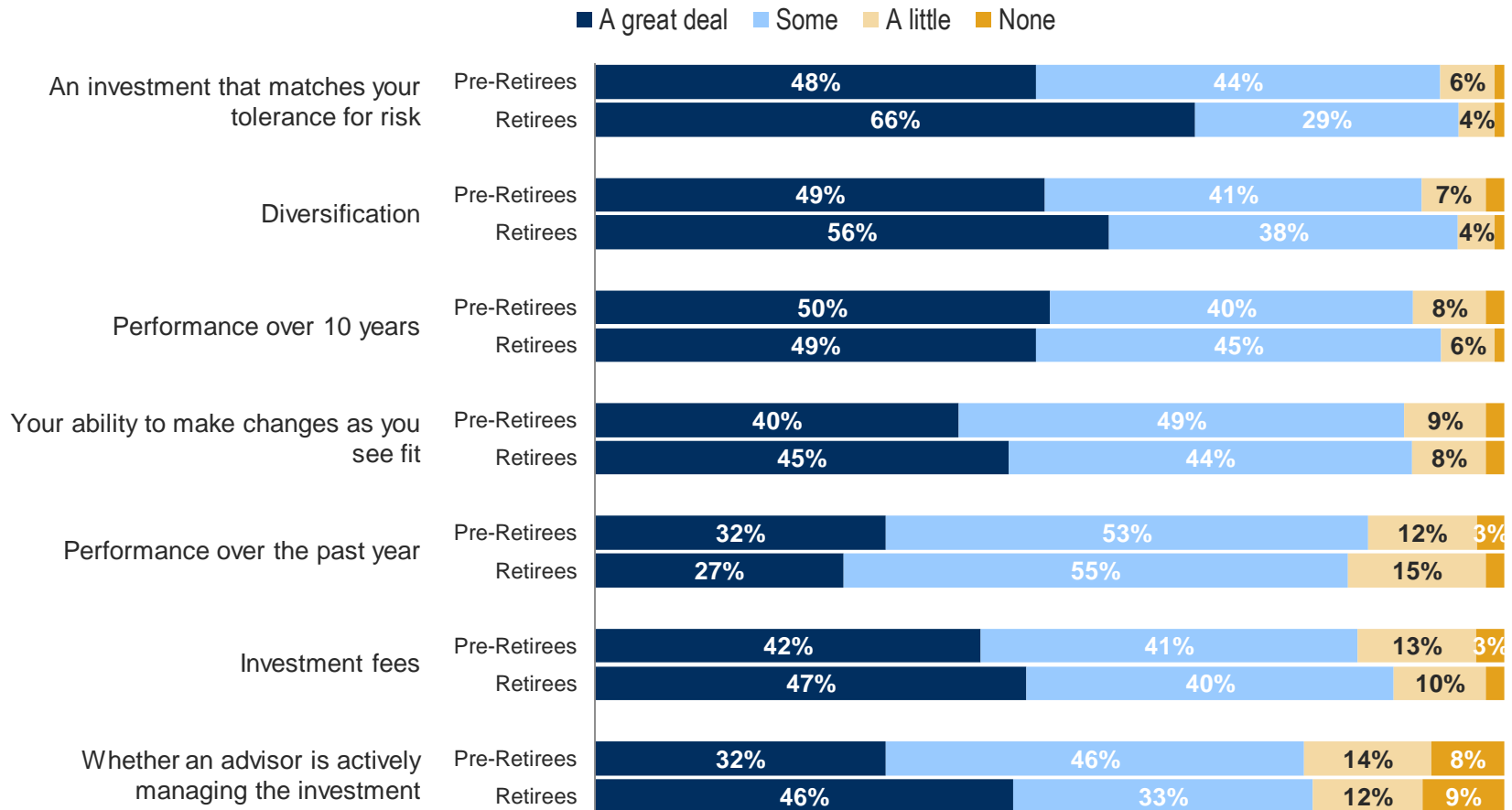


When it comes to selecting investments, pre-retirees and retirees alike indicate that the most important thing is to match risk tolerance.

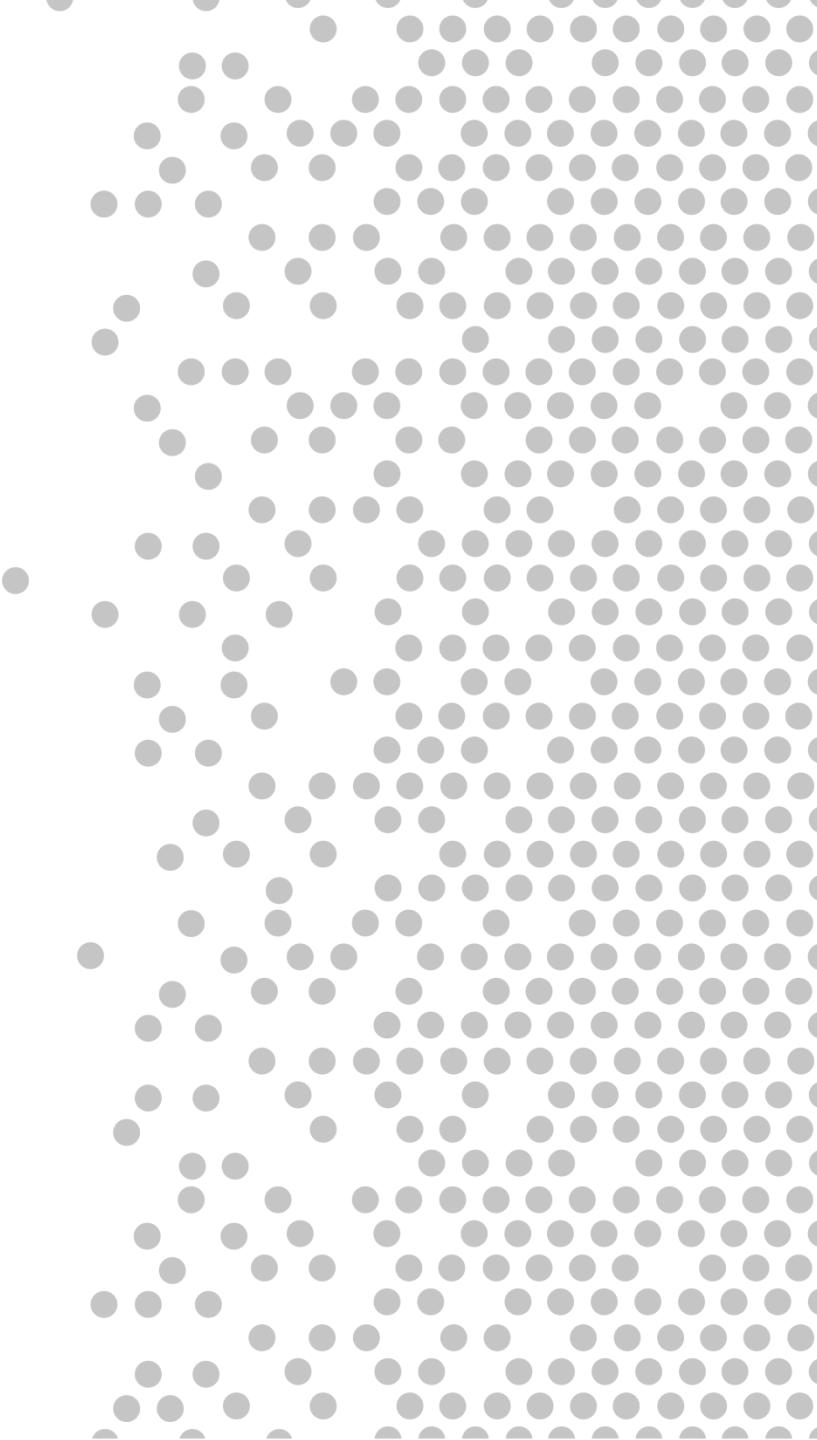


- Respondents with assets above \$250,000, those who have an advisor, defined benefit plan or annuity, respondents with high risk tolerance, show no “bad behavior,” use TDFs or consider themselves very knowledgeable about savings/investments are all more likely than their counterparts to feel diversification should be taken into a great deal of consideration.

Consideration When Selecting Investments



Retirement Glide Path & Advisor Influence



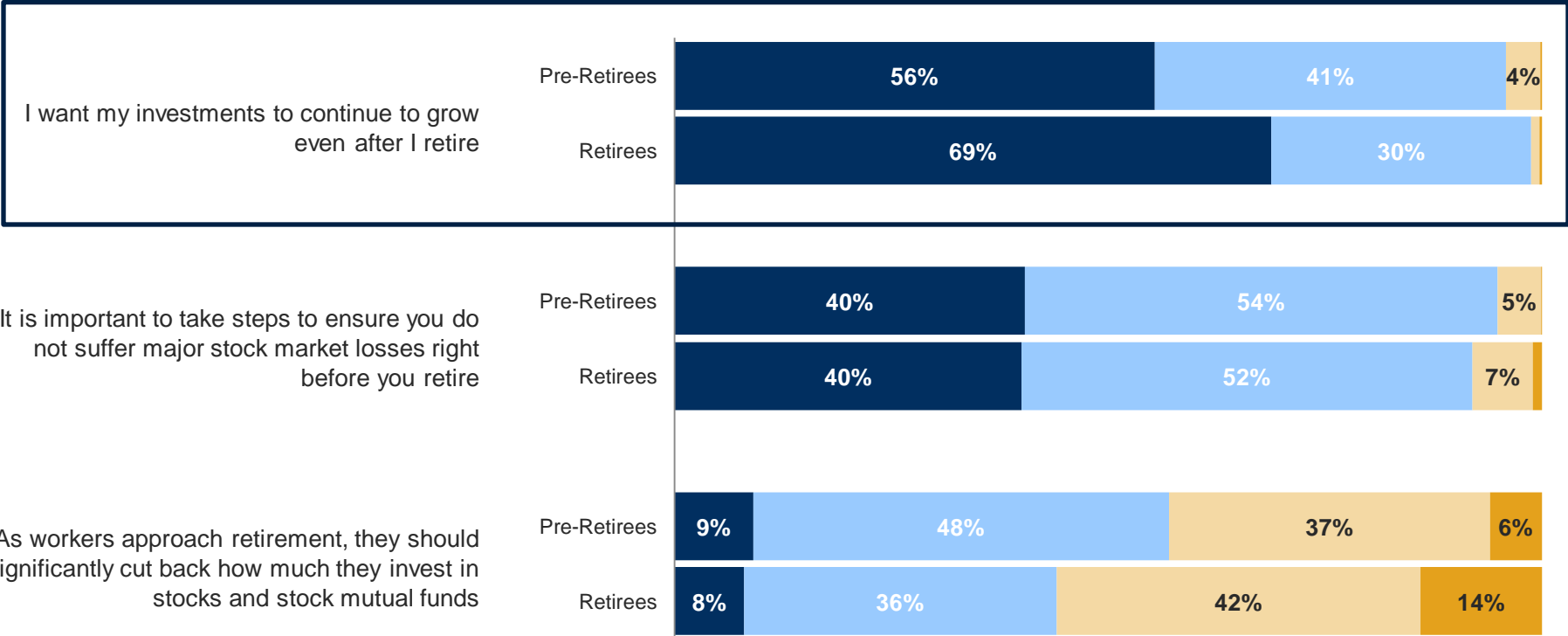
Retirees are more likely than pre-retirees to strongly agree that they want their investments to continue to grow after retirement.



- Both retirees and pre-retirees with low risk tolerance or those who use TDFs are more likely than their counterparts to feel it is important to take steps to ensure you don't suffer a major market loss right before retirement and that workers should significantly cut back how much they invest in stocks and mutual funds as they approach retirement.

Agree/Disagree

■ Strongly agree
 ■ Somewhat agree
 ■ Somewhat disagree
 ■ Strongly disagree



To what extent do you agree or disagree with each of the following statements? (Pre-Retirees n=804; Retirees n=801)

Retirees are more likely than pre-retirees to say they do NOT believe in becoming substantially more conservative with investments in retirement.



- Those with low risk tolerance or feel less knowledgeable about savings/investments are more likely to believe in becoming significantly more conservative as they approach retirement, while those with high risk tolerance or feel very knowledgeable are more likely to feel you should not become substantially more conservative.

Preferred Approach to Retirement Investing

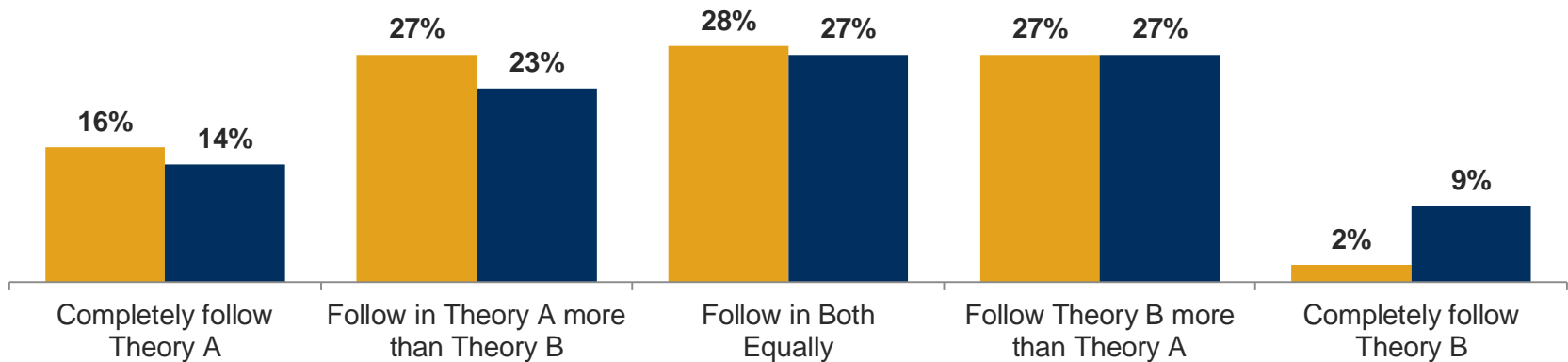
■ Pre-Retirees ■ Retirees

Theory A:
 Become significantly more conservative with their money because they need to withdraw income and may not be able to replace assets when the market drops

Theory B:
 Do not be substantially more conservative with their money because they could live a long time after retirement and need to grow money

Net: Theory A
 Pre-Retirees – 43%
 Retirees – 37%

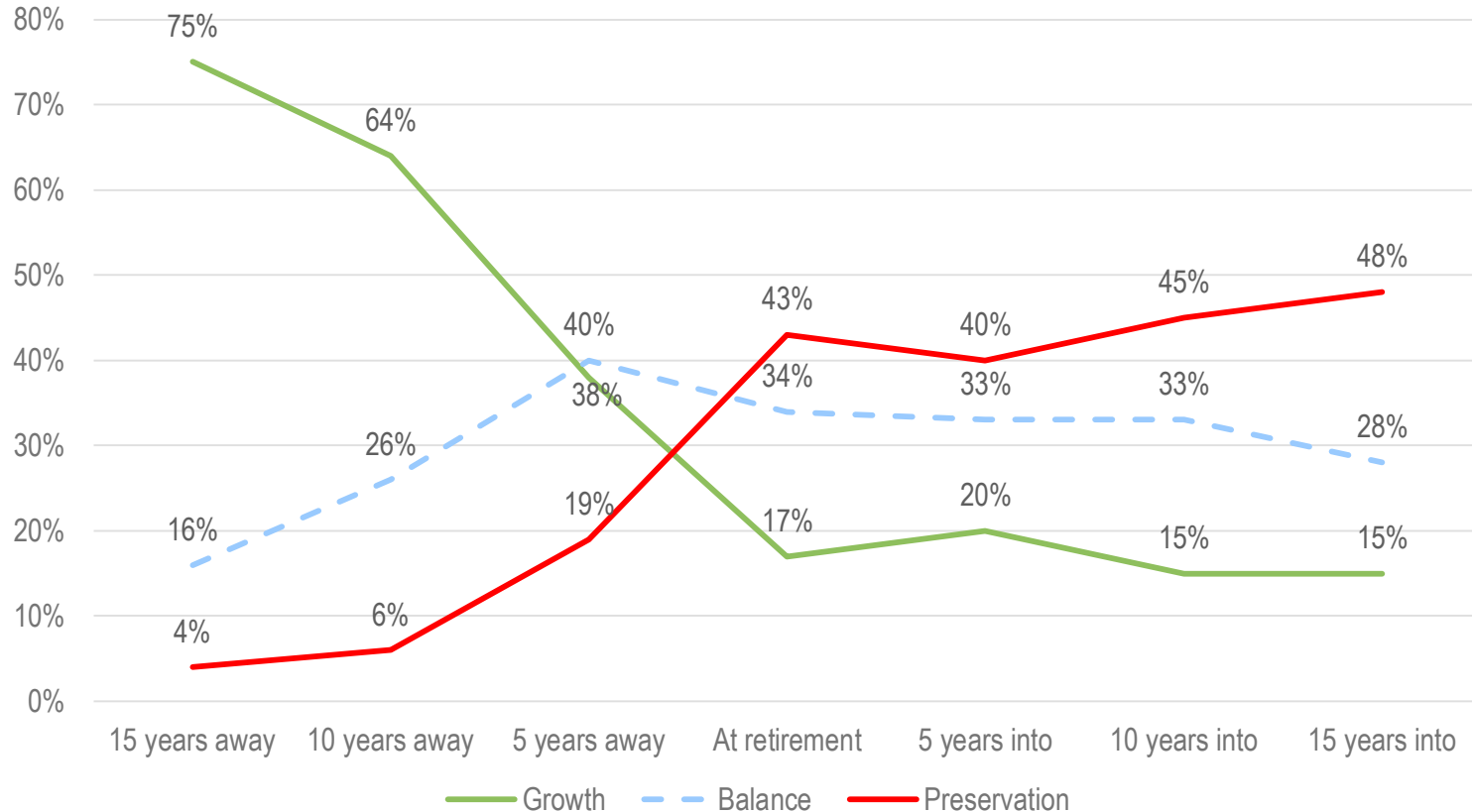
Net: Theory B
 Pre-Retirees – 29%
 Retirees – 36%



In retirement, at least 43% of pre-retirees expect to have investments primarily focused on preservation, rising to nearly 50% once 15 years into retirement.

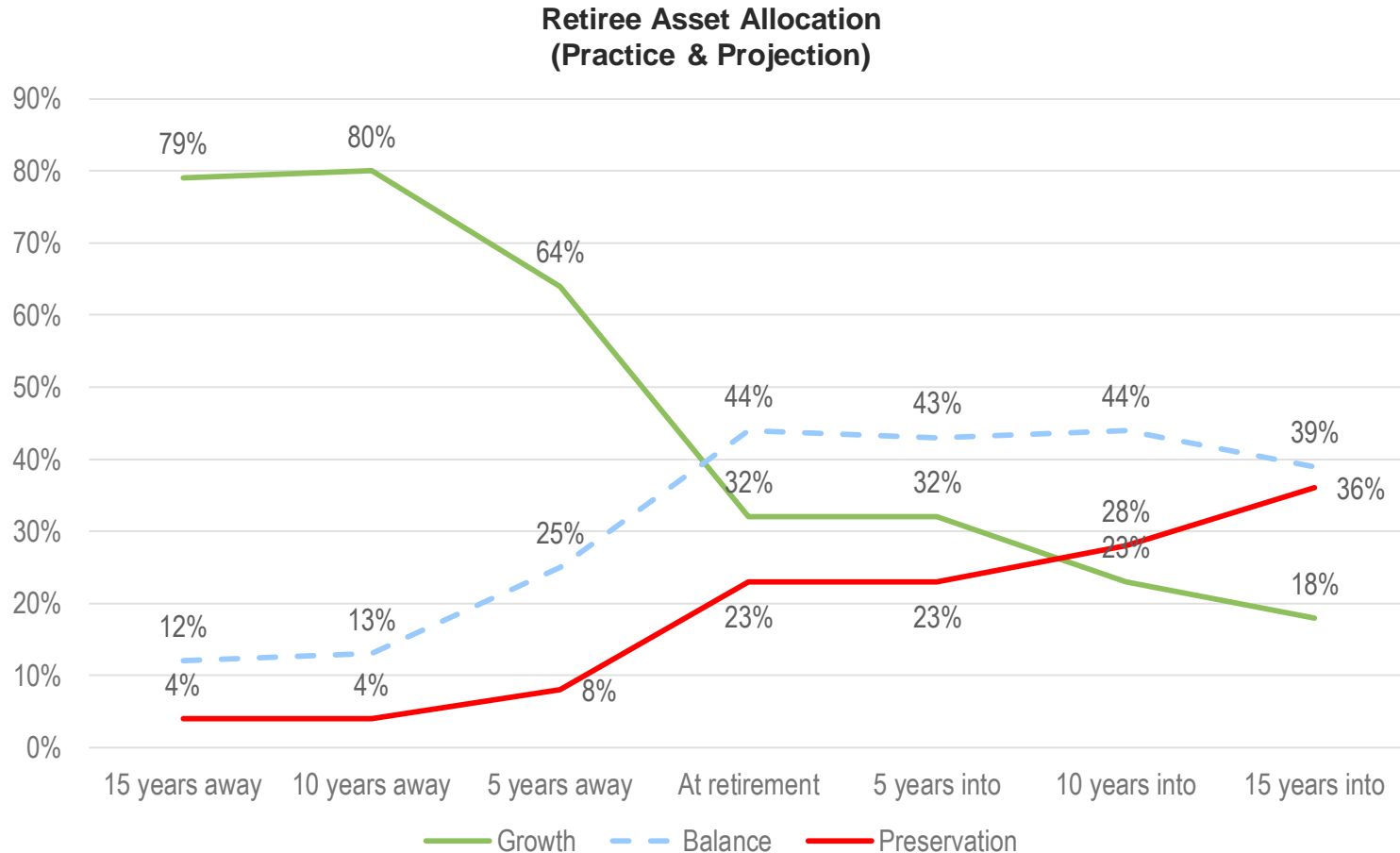


**Pre-Retiree Investment Allocation
(Practice & Projection)**



Thinking about the years before retirement, how have you or do you think you will invest when you are..? (Pre-Retirees n=804)
 Now thinking about the years after retirement, how do you think you will invest when you are...? (Pre-Retirees n=804)

In contrast, about a quarter of retirees have or plan to have their investments in retirement primarily focused on preservation.



Thinking about the years before retirement, how did you invest when you were]...? (Retirees n=801)
 Now thinking about the years after retirement, how have you or will you invest when you are...? (Retirees n=801)

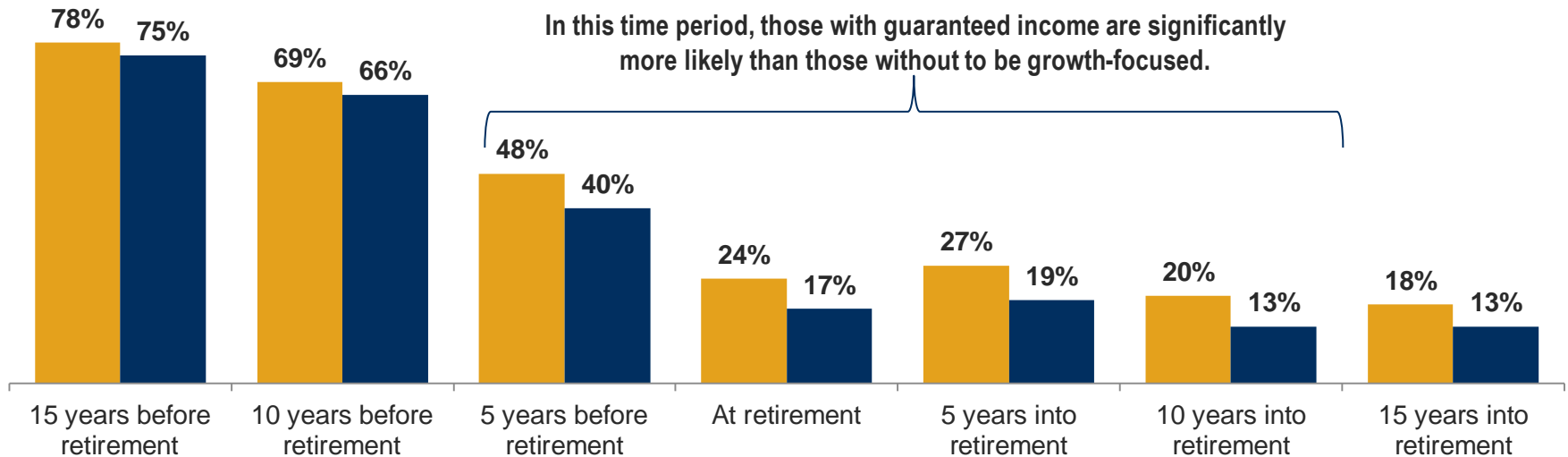
The Influence of Guaranteed Income



- Perhaps it's not surprising that those who report having either a defined benefit plan or an annuity are much more likely to say that they expect their money to last as long as they live (74% vs. 53%), but respondents with these income-generating products are *feeling* better about retirement as well. They are more likely to say that they are not worried about financing retirement (52% vs. 38%).
- However, there are some interesting similarities and differences in how they expect to invest in the years right before retirement and thereafter. While those with guaranteed income report the same overall risk tolerance and current investment mix, they plan to be more growth-focused in retirement than those who do not have these products.
- Pre-retirees and retirees with guaranteed income suggest that have or will employ the same investment strategy as those without when retirement is 15 years away and 10 years away, but at 5 years prior to retirement, they become more growth-focused than those without and remain that way until 15 years into retirement.

Percent Focused on Growth

■ With DB/Annuity ■ Without



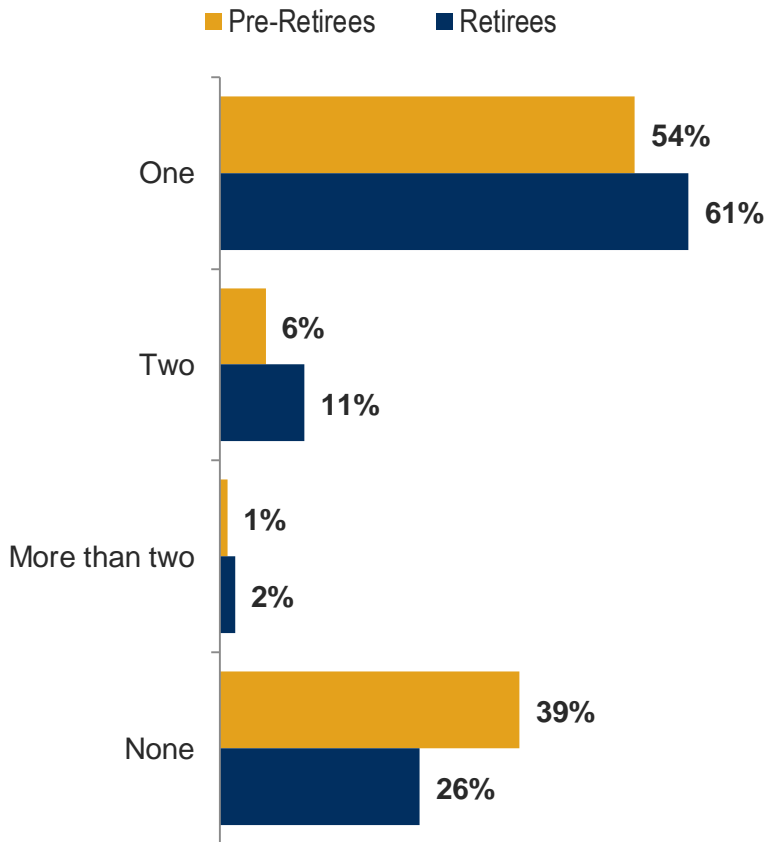
Thinking about the years before retirement, how have you or do you think you will invest when you are..?
Now thinking about the years after retirement, how do you think you will invest when you are..?

While pre-retirees are less likely to be working with an advisor, 35% intend to work with one in the future.

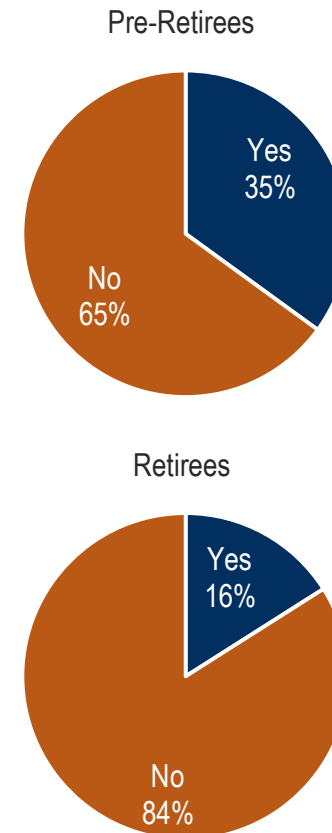


- Respondents who say they are very knowledgeable about savings/investments are more likely to have no advisor (42% vs. 33% who feel less knowledgeable). Those with assets less than \$250,000 are also more likely to have no advisor (40% vs. 32% with \$250,000 to \$999,999 in assets).
- Those with high risk tolerance are more likely than their counterparts to say they plan to work with an advisor in the future (35% vs. 19%).

Number of Advisors



Plan to Work With Advisor in Future



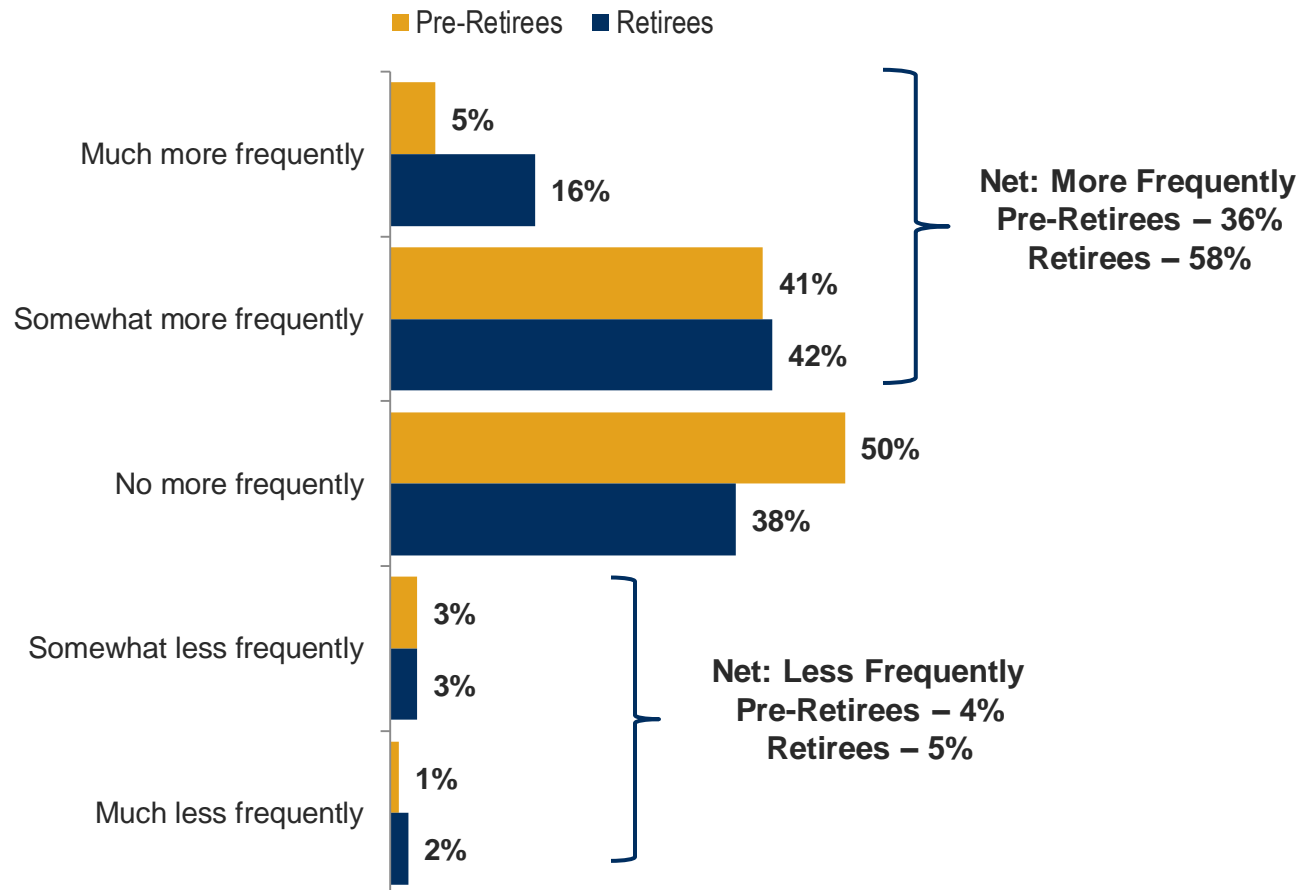
How many professional financial advisors do you currently work with that advise on investments? (Pre-Retirees n=804; Retirees n=801)
 [IF NO ADVISOR] Do you plan to work with a professional financial advisor in the future? (Pre-Retirees n=300; Retirees n=196)

Consultation with advisors seems to increase some as clients approach retirement.



- Respondents with \$250,000 to \$999,999 in assets, those with defined benefits plans/annuities, high risk tolerance or those who are invested in a TDF are more likely to consult with their advisor more frequently when approaching retirement.

Frequency of Consulting Advisor while Approaching Retirement

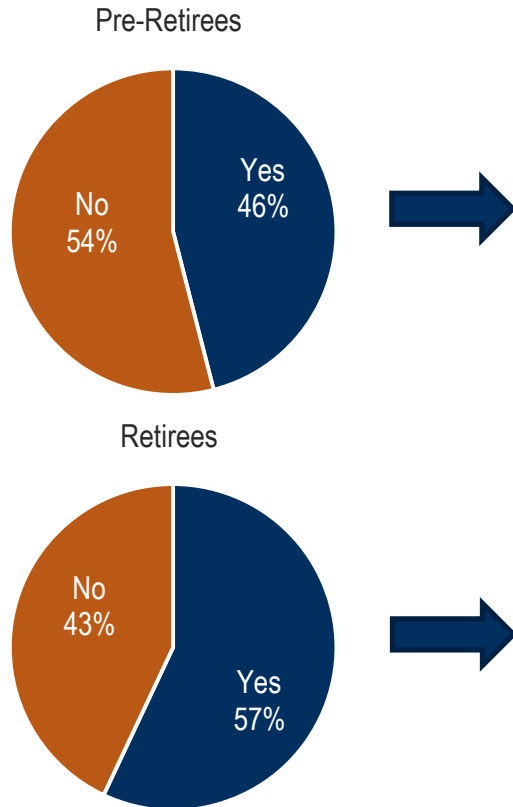


When advisors consult with clients approaching retirement, they most often suggest investing somewhat more conservatively.

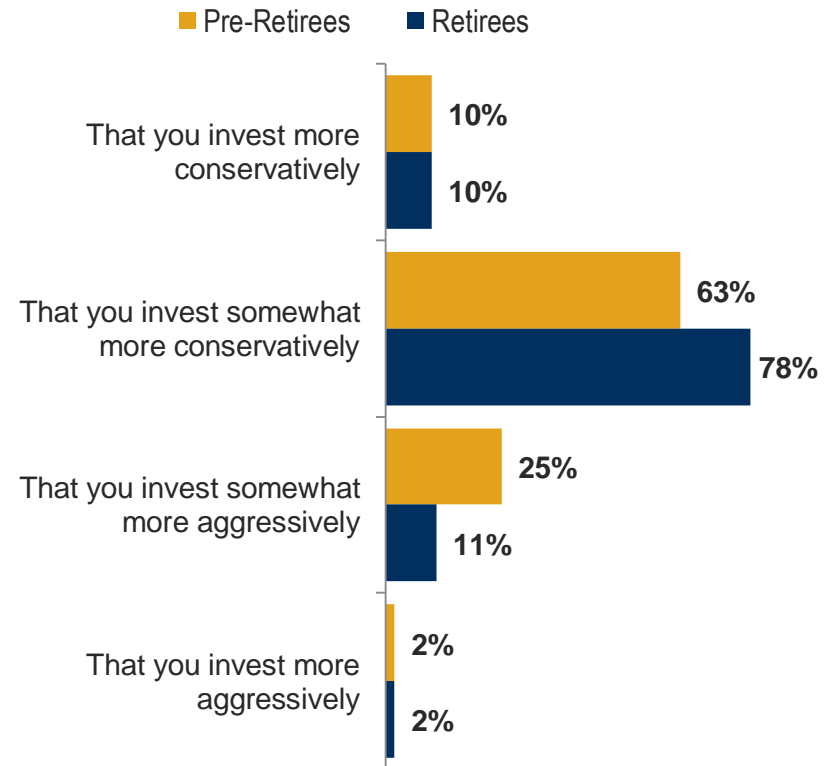


- Pre-retirees that are 5 years out until retirement are more likely than pre-retirees in general to have been approached by their advisor about changing their investment mix while approaching retirement (56% vs. 46%).
- Among all pre-retirees who were approached by their advisor, 27% say their advisor advised them to invest more aggressively, compared to 11% of pre-retirees 5 years out from retirement.

Advisor Recommended Changing Investment Mix While Approaching Retirement



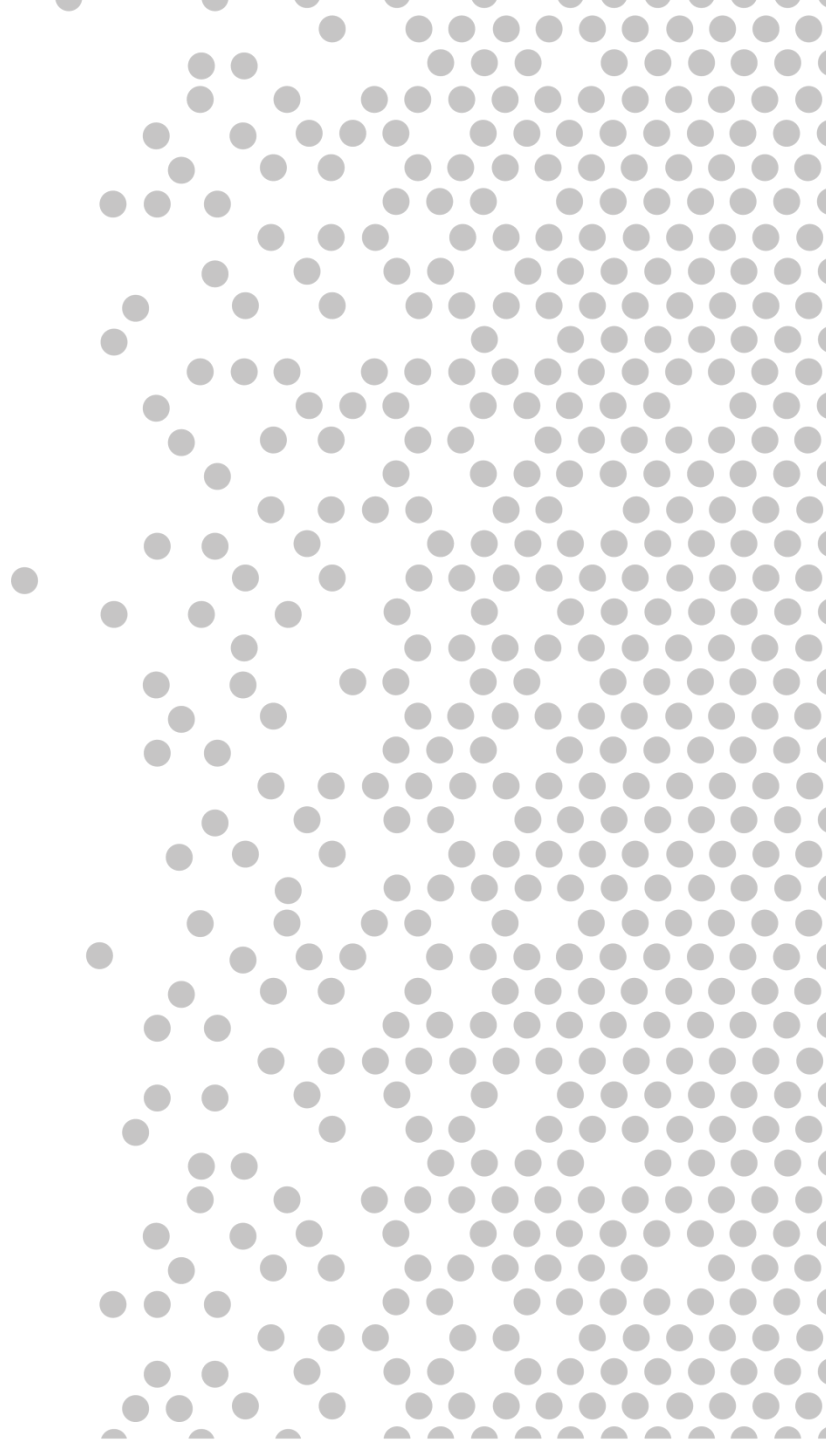
Recommended Changes to Investment Mix



[IF HAS ADVISOR] Has/Did your advisor recommended/recommend changing/that you change your investment mix as you approach retirement? (Pre-Retirees n=504; Retirees n=605)

[IF YES] What did your advisor recommend when it came to the mix of your investments? (Pre-Retirees n=250; Retirees n=366)

Plan Investment Options

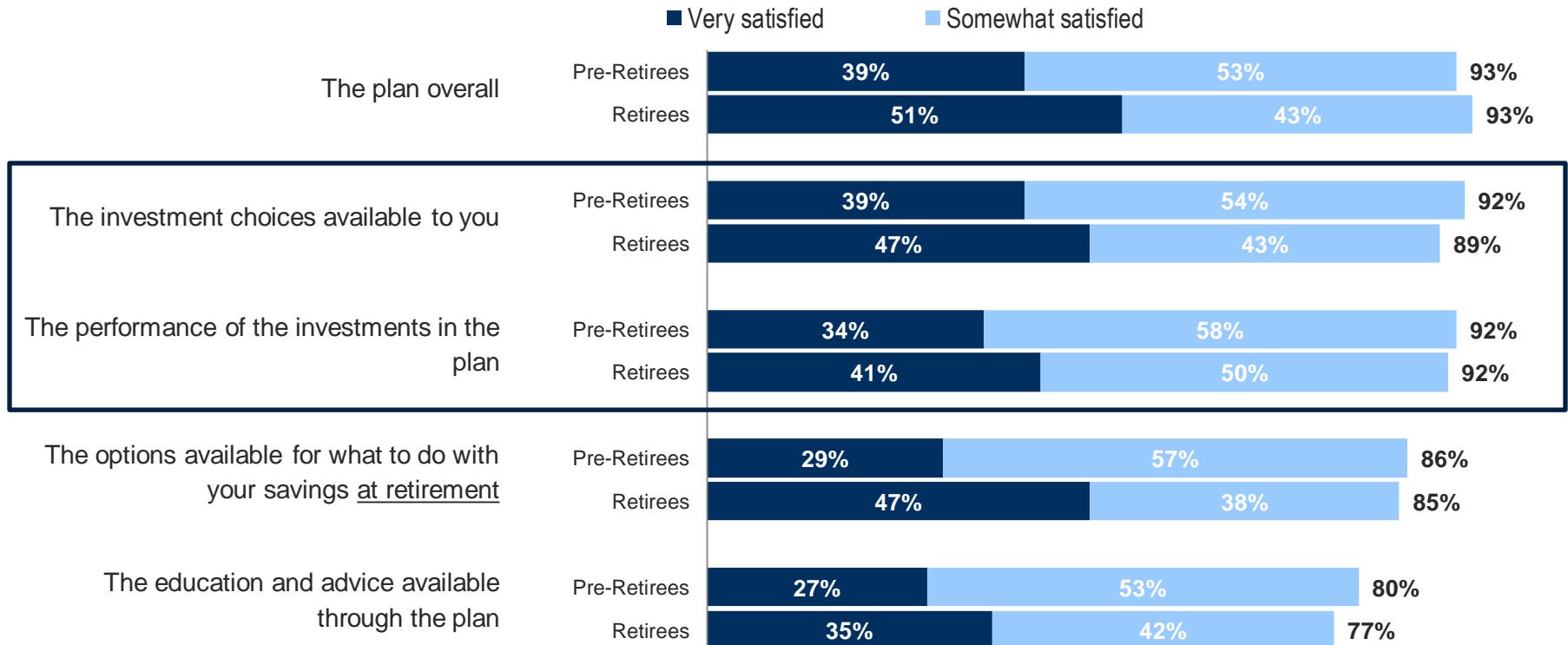


Both pre-retirees and retirees are *satisfied* with their plan's investment choices and the performance of the investments.



- With the exception of investment choices available, respondents with high risk tolerance are more likely than those with low risk tolerance to express satisfaction with their employer's retirement plan in all of the following aspects.
- Those with \$250,000 to \$999,999 in assets are more likely than those with lower assets to express satisfaction with the performance of the investments (94% vs. 89%).
- Both retirees and pre-retirees who are currently invested in TDFs are satisfied with the education and advice available through their plan (85%, compared to 76% who are not invested in TDFs).

Satisfaction with Employer's Retirement Plan



[IF PRE-RETIREE] How satisfied are you with the following aspects of your employer's retirement plan? (Pre-Retirees n=804)

[IF RETIREE] At the time you retired, how satisfied were you with the following aspects of your employer's retirement plan? (Retirees n=801)

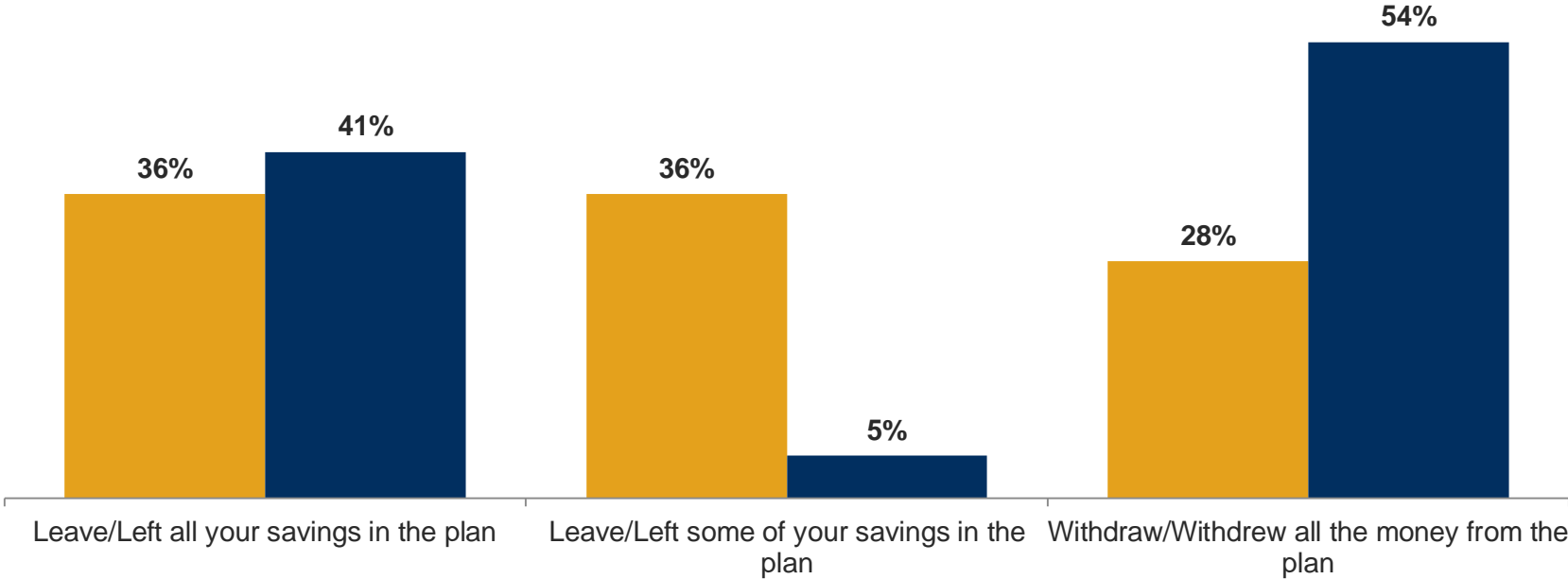
Satisfied with their plans, pre-retirees appear more inclined to leave assets in the plan upon retirement.



- Respondents with an advisor are more likely than those without an advisor to withdraw all money from their plan (31% vs. 23%).

Money in Employer’s Retirement Plan After Retirement

■ Pre-Retirees ■ Retirees



[IF PRE-RETIREE] When you retire, what do you plan to do with the money in your employer’s retirement plan? (Pre-Retirees n=424)

[IF RETIREE] When you retired, what did you do with the money in your employer’s retirement plan? (Retirees n=792)

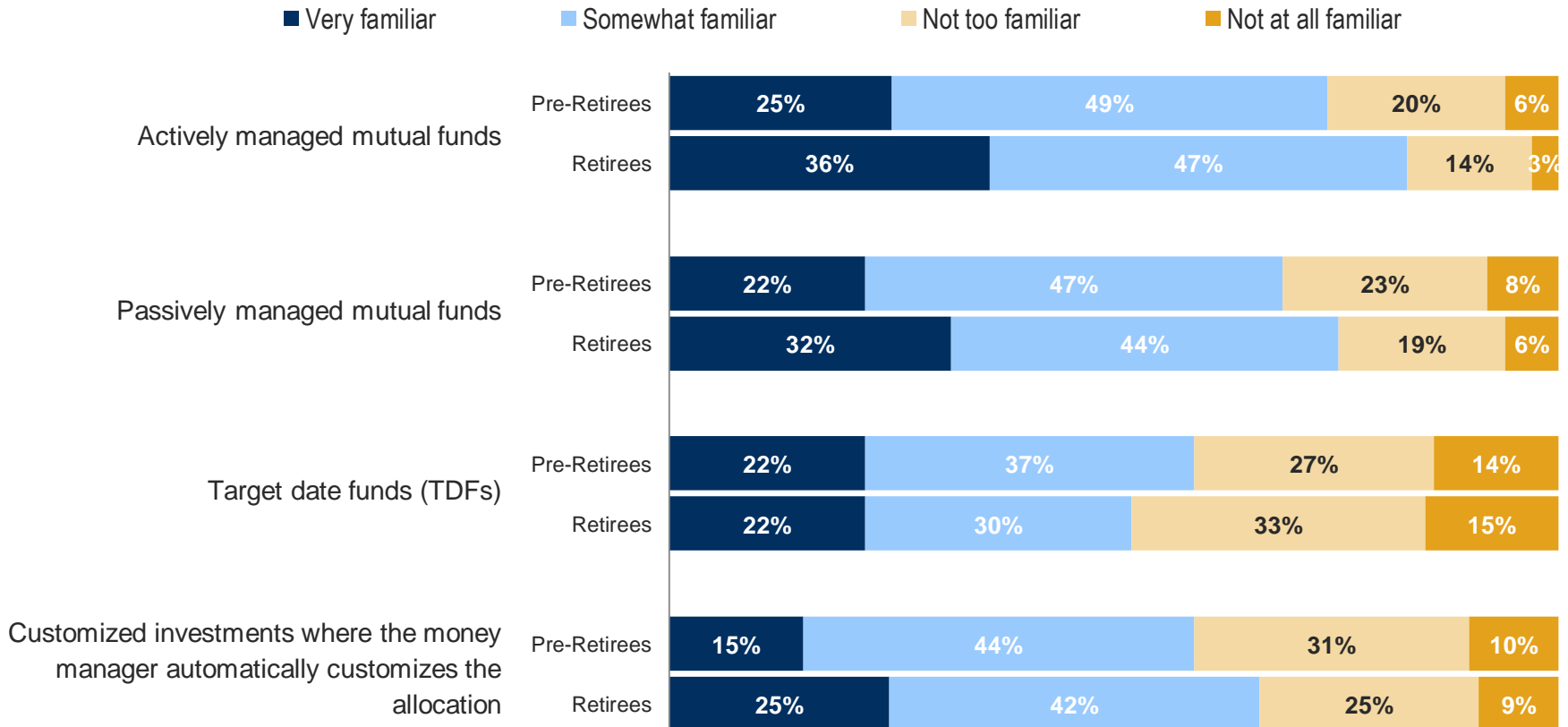
Note: Re-based question without “Not sure” responses

Pre-retirees are more familiar than retirees with target date funds (TDFs).



- Respondents with \$250,000 to \$999,999 in assets, those who have a defined benefit plan or annuity, have high risk tolerance or say they are very knowledgeable about savings and investments are more likely to be familiar with all of the following types of investments.

Familiarity with Different Types of Investments

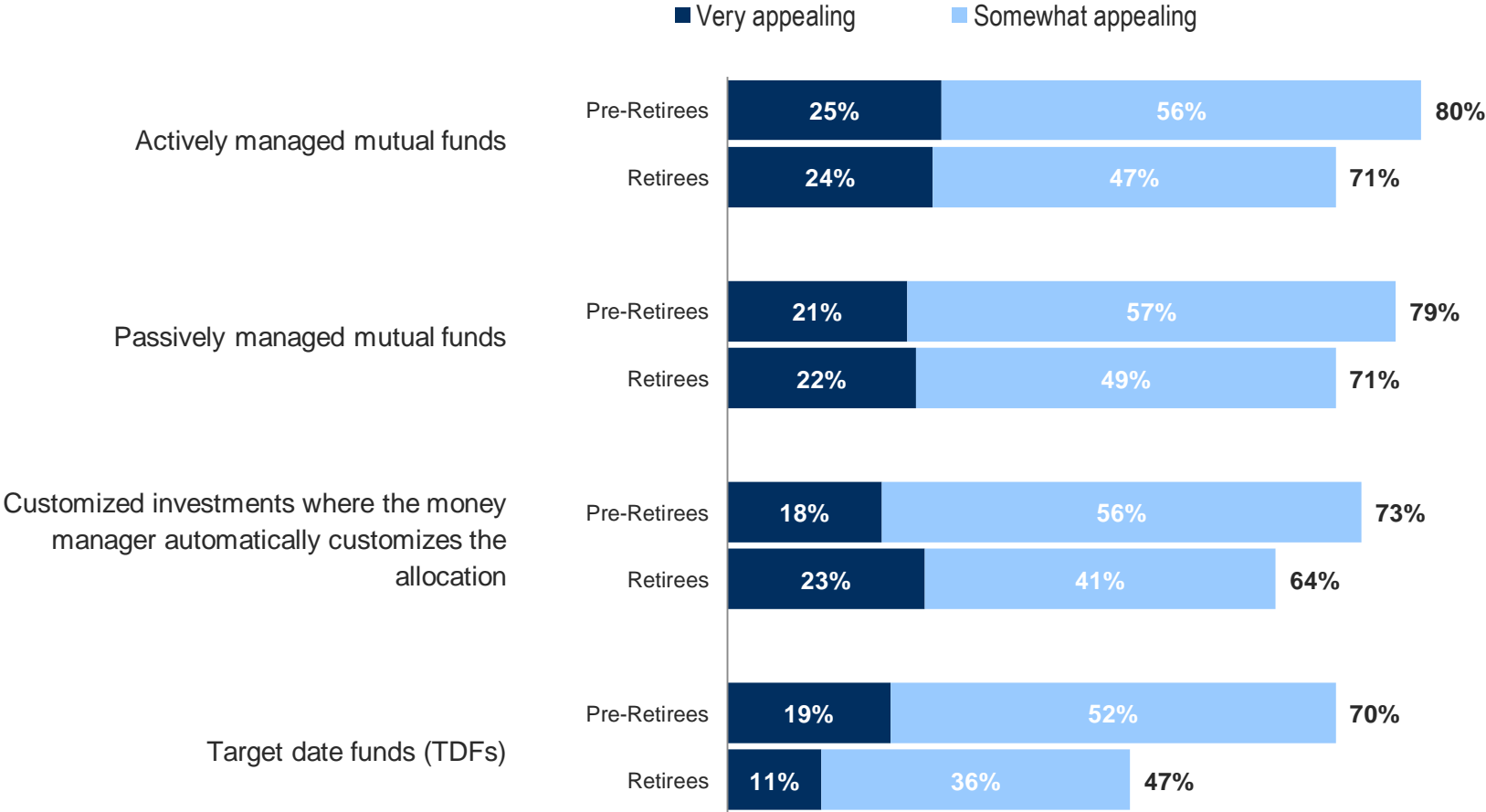


Pre-retirees are much more likely than retirees to find customized investments and TDFs appealing.



- Those with assets lower than \$250,000 are more likely to find target date funds appealing (71% vs. 62% with higher assets).

Appealing Types of Investments

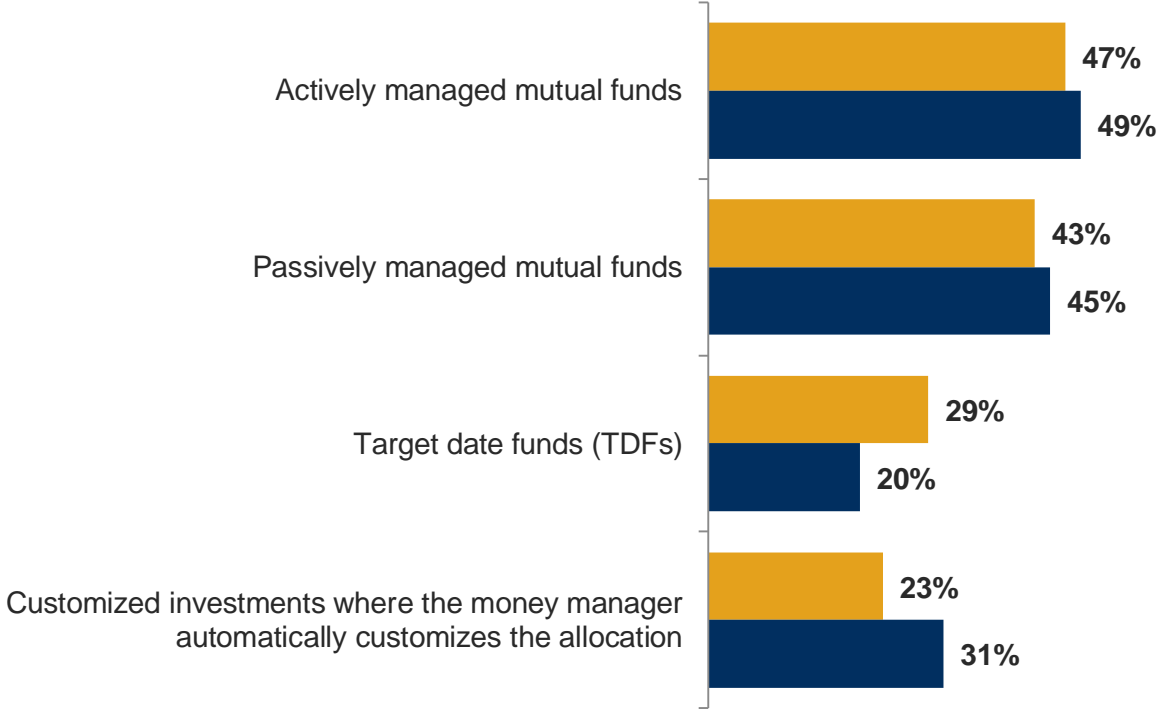


TDF usage is relatively low compared to other investment options, especially among retirees.



Investments in Different Funds

■ Pre-Retirees ■ Retirees



Additive Insights

- Respondents with assets between \$250,000 and \$999,999 and those with high risk tolerance are more likely than their counterparts to be invested in Target Date Funds.
- Among those who say they need at least 75% of their income replaced in retirement to live comfortably, pre-retirees are more likely than retirees to use TDFs (31% vs. 17%).

[IF PRE-RETIREE] Do you have any funds invested in any of the following?
[IF RETIREE] At the time that you retired, did you have funds invested in any of the following?
(Pre-Retirees n=804; Retirees n=801)

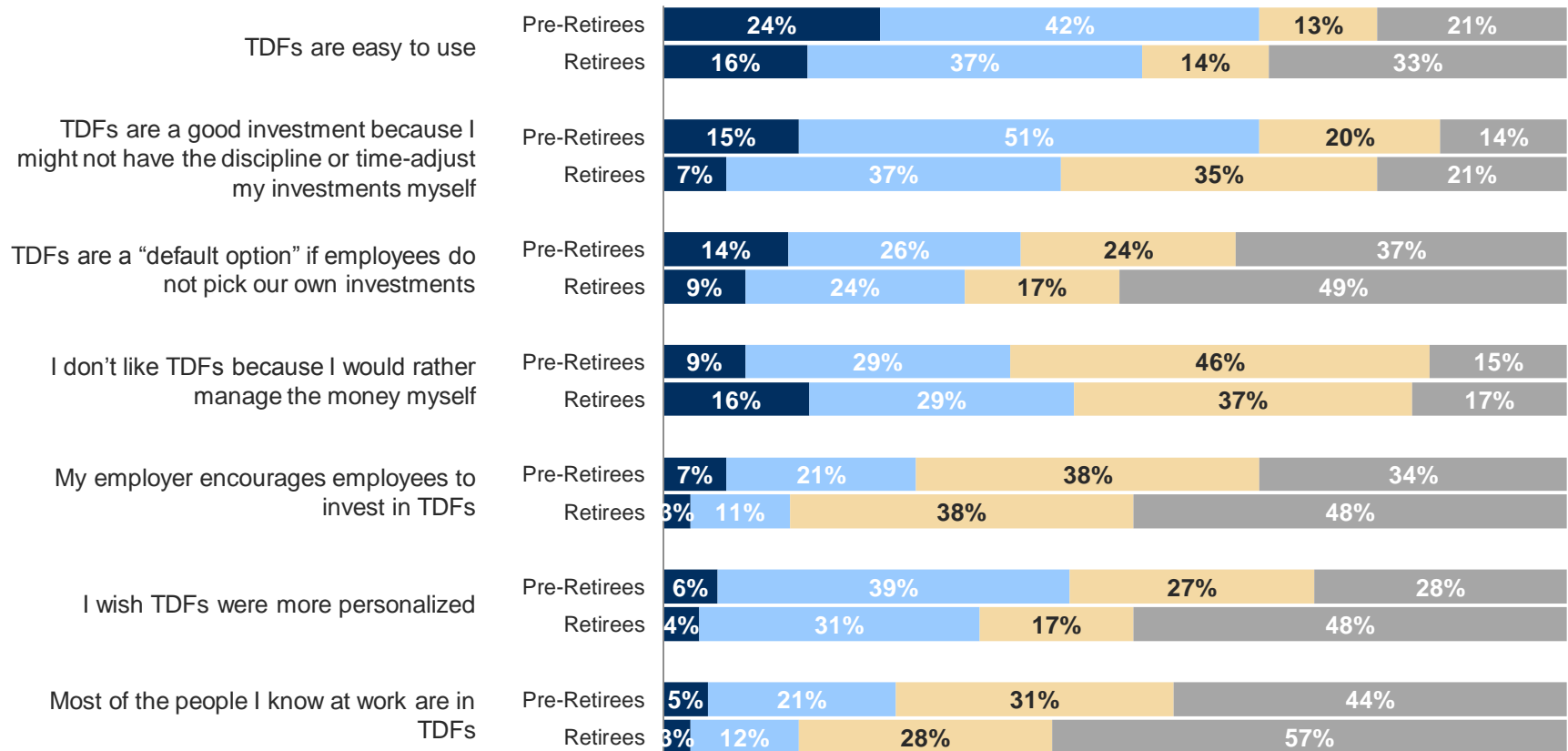
TDFs are seen as easy to use. However, few lament they aren't personal or say that they would rather manage their investments themselves.



- Respondents who do not have an advisor and those who consider themselves very knowledgeable about managing savings and investments are more likely to say they would rather manage their money on their own.
- Those with high risk tolerance are more likely to see TDFs as easy to use (69% vs. 40% with low risk tolerance) or agree that TDFs are a good investment because they might not have the discipline or time to adjust investments on their own (63% vs. 50%).

Target Date Funds (TDFs) – Agree/Disagree

■ Strongly agree ■ Somewhat agree ■ Net: Disagree ■ Not sure



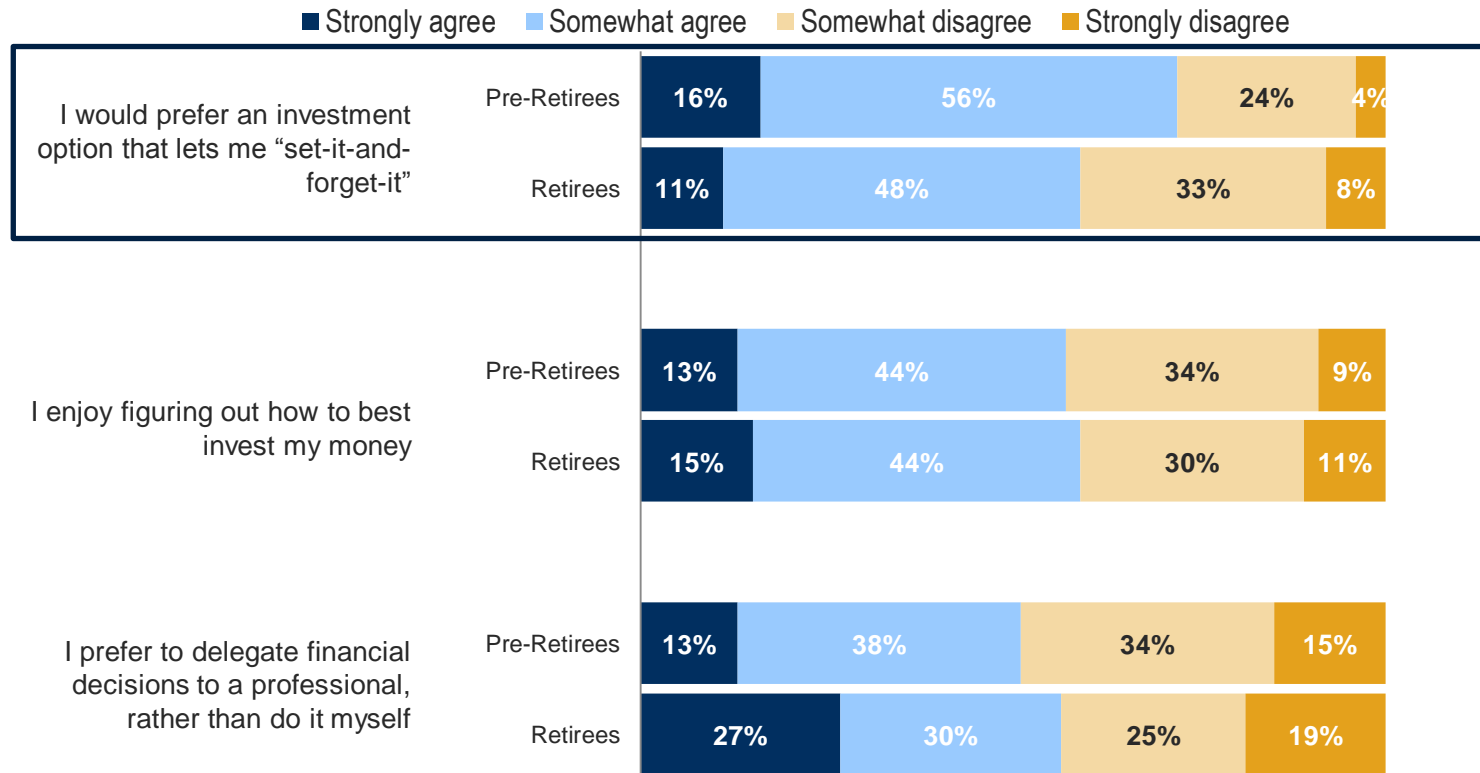
[IF FAMILIAR WITH TDFs] To what extent do you agree or disagree with each of the following statements regarding Target Date Funds (TDFs)?
(Pre-Retirees n=699; Retirees n=679)

Nearly three-quarters of pre-retirees and six in ten retirees suggest they would prefer a “set-it-and-forget-it” investment option.



- Both retirees and pre-retirees who have an advisor, those with assets lower than \$250,000, respondents who display “bad behaviors” and those who consider themselves less knowledgeable about savings/investments all tend to prefer investment options that lets them “set-it-and-forget-it” more often than their counterparts.

Agree/Disagree

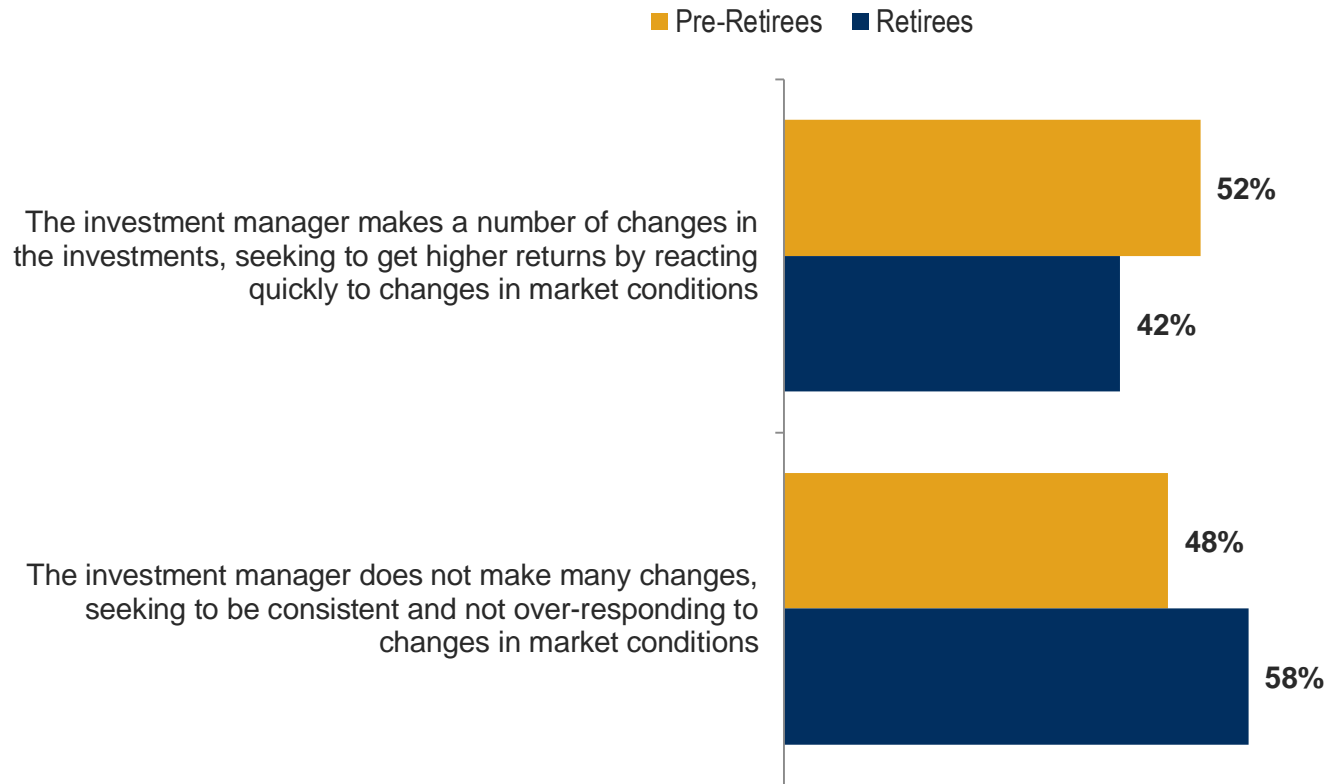


Pre-retirees are more likely to prefer an actively managed TDF, while retirees prefer consistency.

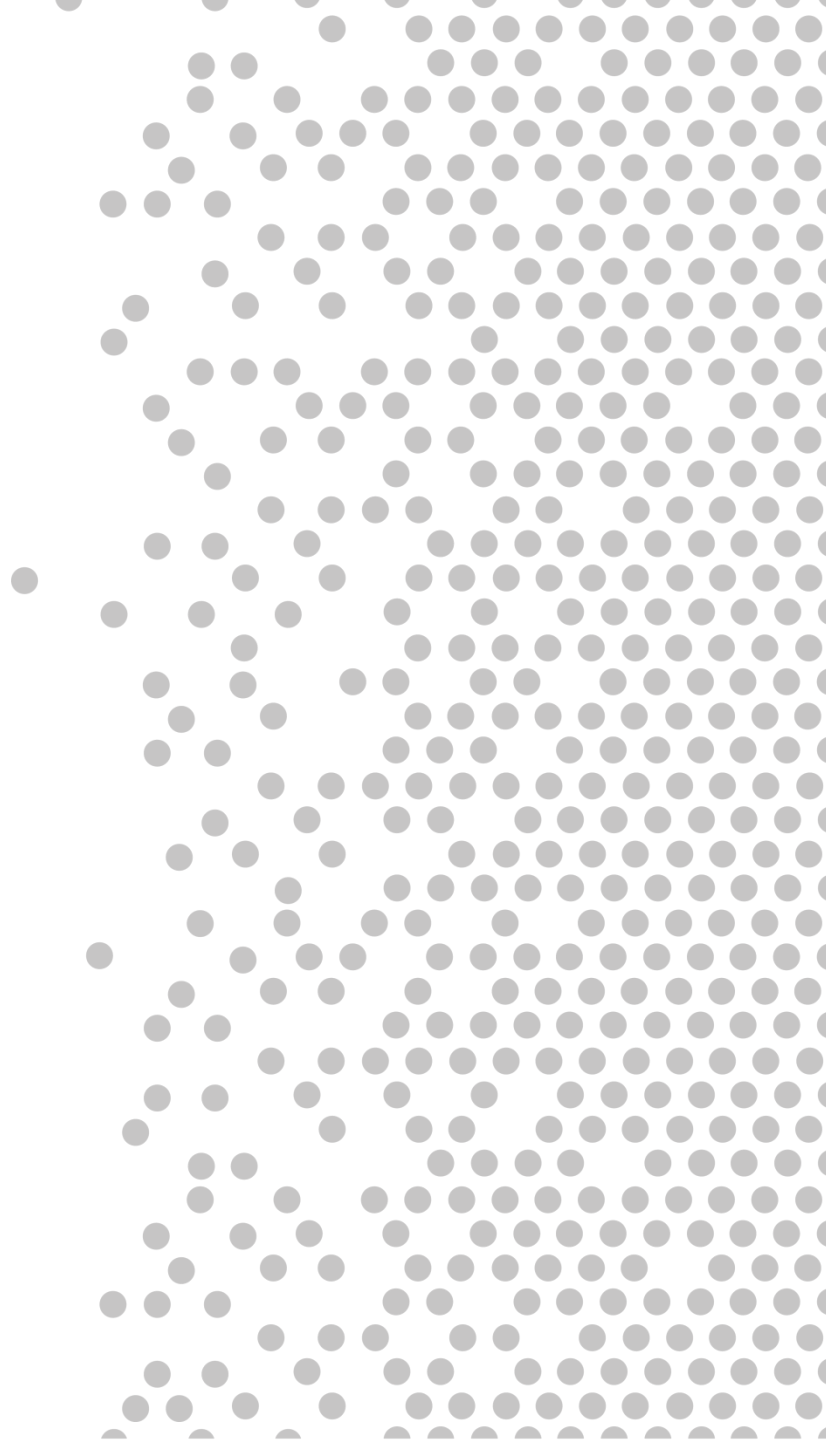


- Those who have an advisor are more likely to prefer an actively managed TDF (55% vs. 39% without an advisor), while those without an advisor prefer consistency (61% vs. 45% with an advisor).
- Similarly, respondents with high risk tolerance prefer actively managed TDFs (51% vs. 42%), while those with low risk tolerance prefer consistency (58% vs. 49% with high risk tolerance).

Most Preferred Style of Target Date Fund



Retiree Lessons Learned



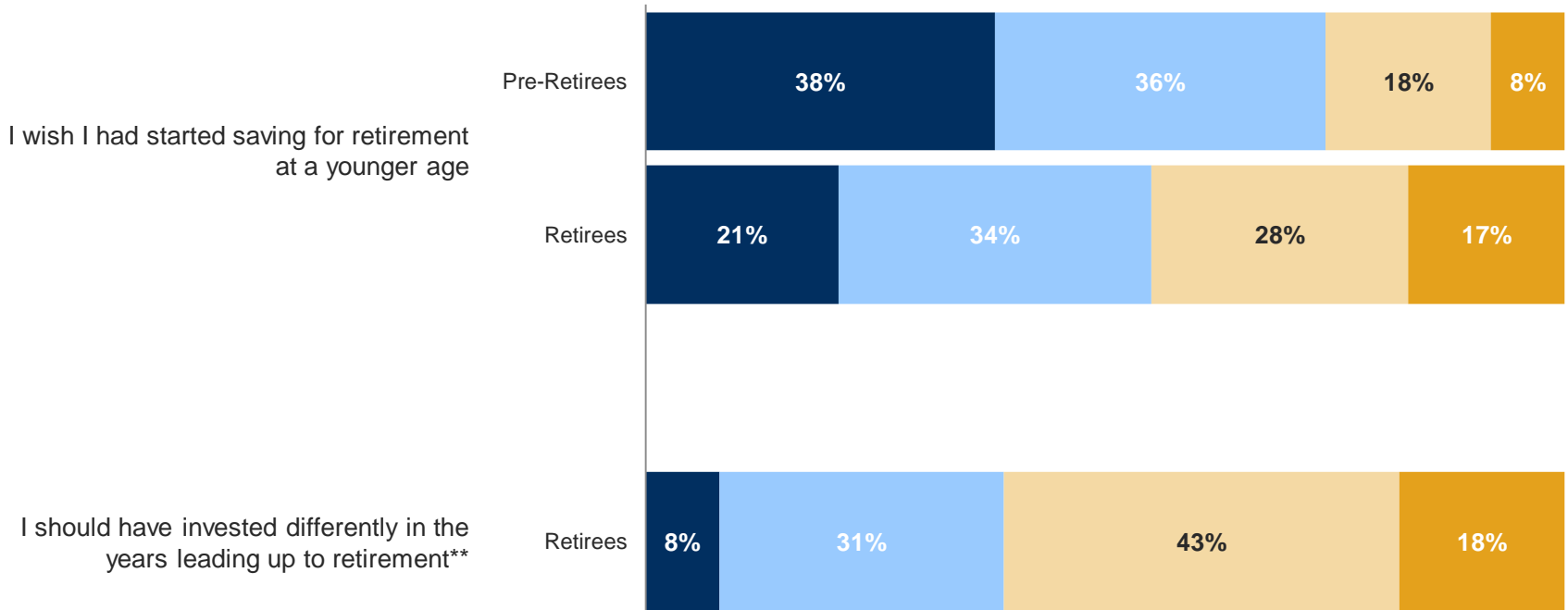
More than half of retirees wish they had started saving earlier, though even more pre-retirees feel this way.



- Those with assets lower than \$250,000, respondents who display “bad behaviors” and those who consider themselves less knowledgeable about savings/investments are more likely than their counterparts to wish they had started saving for retirement at a younger age.
- Retirees with lower assets or bad investment behaviors are also more likely to feel they should have invested differently leading up to their retirement.

Agree/Disagree

■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree



To what extent do you agree or disagree with each of the following statements? (Pre-Retirees n=804; Retirees n=801)

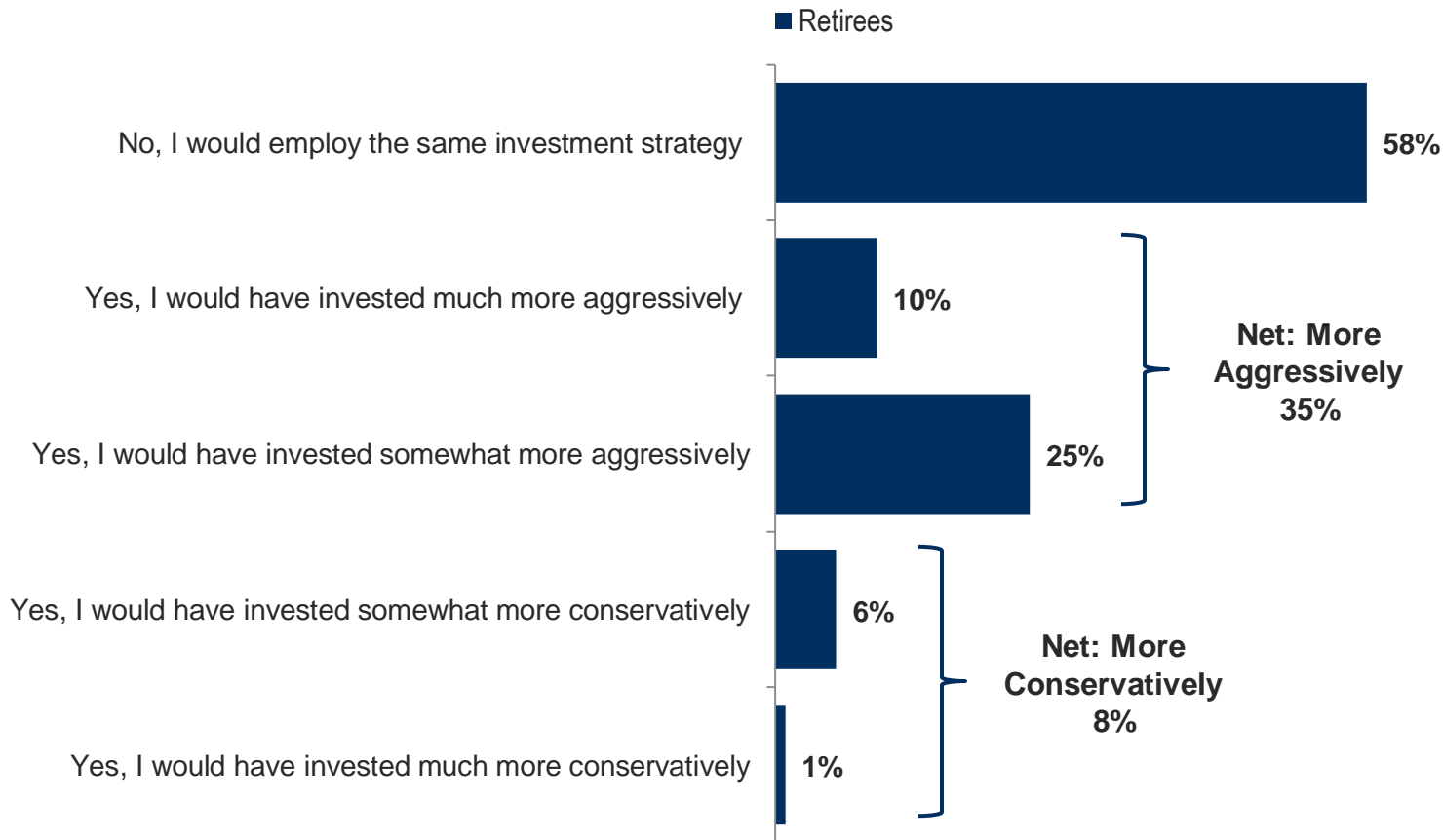
**Asked of retirees only

Most retirees wouldn't change how they invested just before retirement; those that would tend to feel they should've been more aggressive.



- Retirees with high risk tolerance are more likely to say they wouldn't change how they invested (61% vs. 51% with low tolerance). Retirees who did not take money/loan from their 401(k) or suspend contributions are more likely than those who did display these "bad behaviors" to say they still would employ the same investment strategy they did before retirement (60% vs. 46%).
- Retirees with assets of \$250,000 or more are more likely to say they would have invested somewhat more conservatively (9% vs. 3% of those with less assets).

Change Investment Risk if Could Go Back



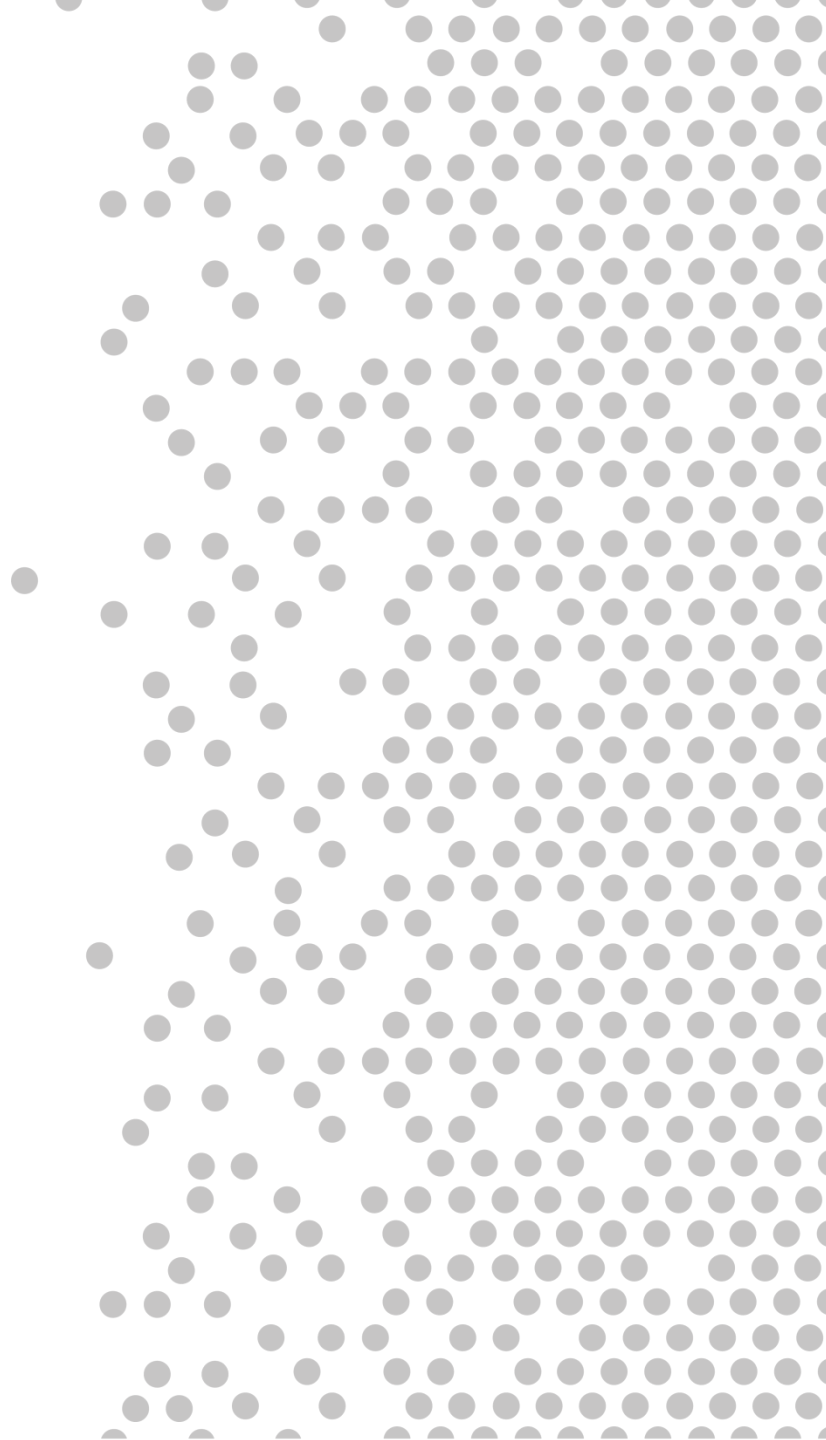
Looking back, retirees most often advise today's near-retirees to use a financial advisor.



Advice About How to Invest Money Right Before or After Retirement

Top Mentions	Retirees
Use a financial advisor	17%
Keep saving/Save as much as possible	9%
Be conservative/Reduce risk	7%
Diversify	6%
Know your own comfort level	6%
Invest as early as you can	5%
Balance between growth and income	5%

Demographics of Respondents



Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Age		
40-54	69%	7%
55-64	29	40
65-74	2	40
75+	*	12
Gender		
Male	48%	50%
Female	52	50
Employment Status		
Employed full-time	100%	--
Employed part-time	--	5%
Not employed	--	95
Education		
Some high school or less	--	*
High school graduate	9%	10%
Some college/trade or technical school	29	29
College graduate (4-year degree)	41	38
Graduate or professional degree	21	23

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Retired		
Yes	--	100%
No	100%	--
[IF PRE-RETIREE] Within how many years do you expect to retire?		
5 years or less	20%	--
6 to 10 years	31	--
11 to 15 years	49	--
[IF RETIREE] For how many years have you been retired?		
5 years or less	--	55%
6 to 10 years	--	25
11 to 15 years	--	20

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
2017 Household Income		
Less than \$30,000	--	*
\$30,000 to \$39,999	--	2%
\$40,000 to \$49,999	2%	2
\$50,000 to \$74,999	22	31
\$75,000 to \$99,999	20	18
\$100,000 to \$124,999	17	19
\$125,000 to \$149,999	11	14
\$150,000 or more	26	14
Savings and Investments		
Less than \$50,000	12%	--
\$50,000 to \$99,999	8	--
\$100,000 to \$149,999	7	5%
\$150,000 to \$199,999	7	4
\$200,000 to \$249,999	9	6
\$250,000 to \$499,999	18	21
\$500,000 to \$999,999	19	26
\$1 million or more	17	37
Prefer not to say	3	--

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Hispanic, Spanish, or Latino Descent		
Yes	5%	3%
No	95	97
Racial/Ethnic Background		
White/Caucasian	88%	93%
African-American/Black	6	3
Asian/Indian/Pacific Islander	6	3
Other	1	1
[If Asian]		
	(n=37)	(n=18)
Chinese	35%	78%
Indian	25	6
Japanese	16	16
Vietnamese	4	--
Korean	--	--
Other	21	--

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Sexual Orientation		
Heterosexual or straight	92%	95%
Gay	3	2
Lesbian	2	1
Bisexual	1	1
Prefer not to say	2	2
Transgender or Transsexual		
Yes	*	*
No	99%	99%
Prefer not to say	1	1
Marital Status		
Married	73%	80%
Divorced or separated	11	7
Single, never married	11	4
Not married, but living with a partner	4	3
Widowed	1	6

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
[IF MARRIED OR PARTNER] Household Decision-Making on Financial Matters		
	(n=625)	(n=663)
You make most of the decisions with little or no input from another household member	36%	31%
You take the lead and discuss decisions with another household member	36	34
Decisions are made in total partnership	28	36
[IF MARRIED OR PARTNER] Spouse's/Partner's Employment Status		
Employed full-time	77%	19%
Employed part-time	8	6
Not employed	15	75
[IF MARRIED OR PARTNER] Spouse/Partner Retired		
Yes	20%	77%
No	80	23

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Money Currently Saved in Retirement Plan (or Saved at the time of Retirement)		
Less than \$25,000	8%	2%
\$25,000 to \$49,999	10	4
\$50,000 to \$99,999	13	7
\$100,000 to \$149,999	12	7
\$150,000 to \$199,999	8	8
\$200,000 to \$249,999	7	10
\$250,000 to \$499,999	20	25
\$500,000 to \$999,999	13	18
\$1 million or more	5	13
Prefer not to say	3	5

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Nature of Occupation		
Professional or technical	27%	32%
Mid-level or lower level Manager	24	17
Senior Manager	14	12
Administrative	12	12
Other white collar	8	7
Blue collar	8	6
Executive	4	9
Service worker	3	2
Sales or retail	*	*
Medical or nurse	*	*
Customer service	*	--
Business owner	--	*
Teacher	--	*
Clerical	--	*
Something else	1	*

*=<0.5%

Demographics of Respondents



	Pre-Retirees (n=804)	Retirees (n=801)
Industry		
Manufacturing/Production	18%	18%
Business and financial	14	18
Health care	11	10
Computer technology	7	9
Services industry	7	8
Engineering	5	4
Technology (other than computer)	5	3
Construction and maintenance	4	2
Legal	2	3
Agriculture	1	1
Arts and entertainment	1	1
Education	1	1
Life sciences	1	*
Physical sciences	*	1
Social services	*	*
Architecture	*	*
Mathematical or statistical	*	*
Other	24	20

*=<0.5%

