



MassMutual Retirement Income Study

Background & Methodology



Background

To better understand the income needs and expectations 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 defined contribution 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 fielded in January 2018.

Key Findings



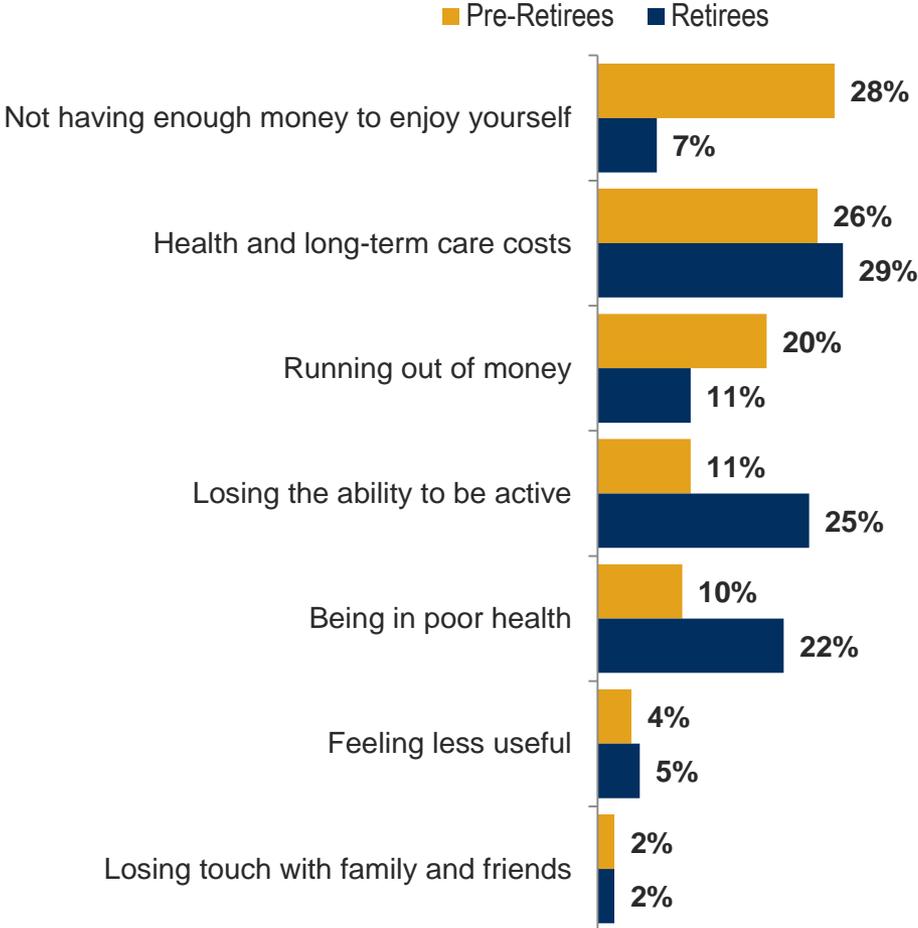
Retirement Income Concerns

- Pre-retirees' greatest retirement worry is not having enough money to enjoy themselves, while retirees worry most about health care costs. Pre-retirees are also much more likely than retirees to express concern about other income issues, such as changes in Social Security, falling short on income in retirement, and low interest rates not offering a good return.
- Accordingly, pre-retirees expect to need more income in retirement than retirees – more than a third believe they will need at least 75% of their income to live comfortably throughout retirement, compared to one in four retirees who say they need the same.
- Retirees are more likely to be confident that their retirement income will last as long as they live and that they have enough money to meet their retirement lifestyle goals – about nine in ten retirees feel confident in this compared to roughly half of pre-retirees.
- Pre-retirees and retirees with a defined benefit plan or annuity are much more likely to expect their income will last as long as they live.
- More than half of retirees agree that they should have started saving for retirement earlier than they did.

While retirees' greatest worry is health care costs, pre-retirees are most worried about not having enough money to enjoy themselves.



Greatest Worry About Retirement Years



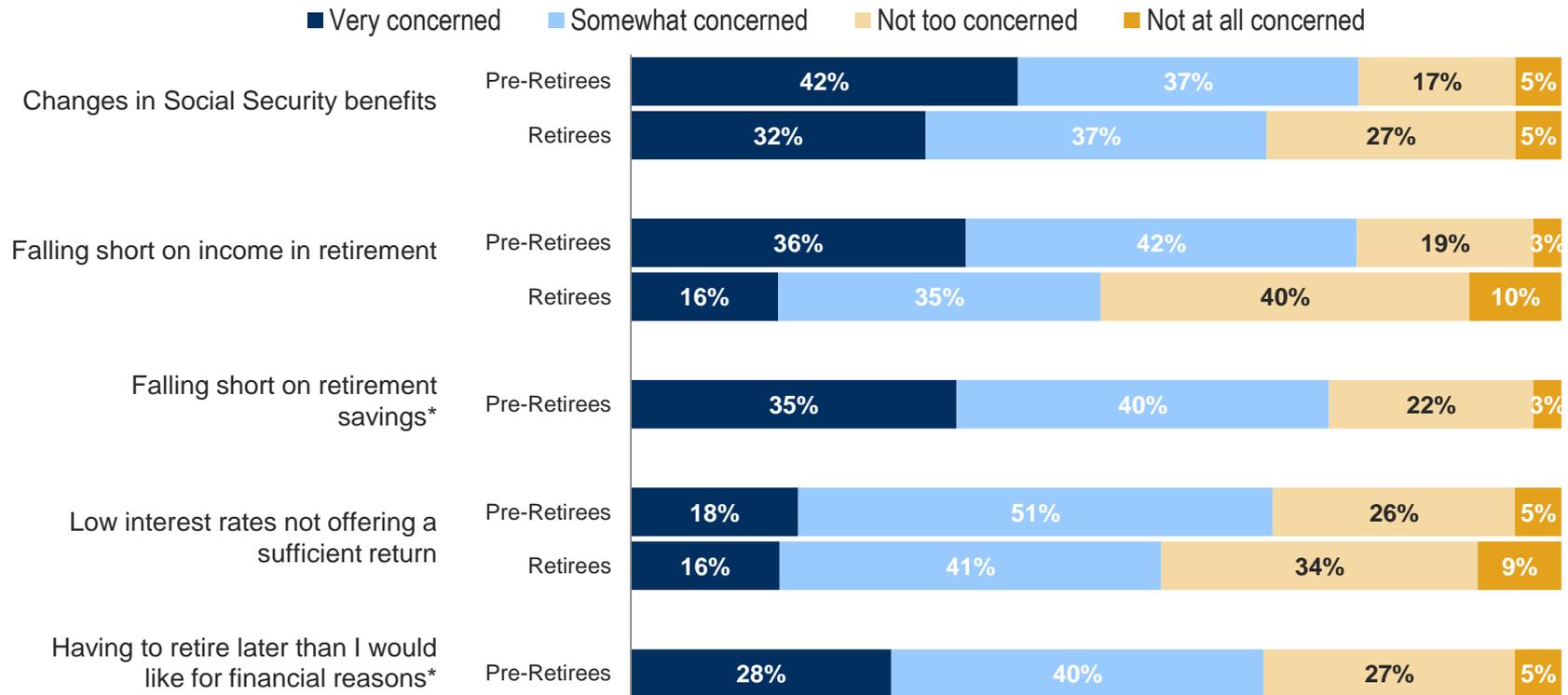
- Respondents who do not feel very knowledgeable about managing their savings and investments and those with assets lower than \$250,000 are more likely than their counterparts to be worried about not having enough money to enjoy themselves and running out of money.
- Those with assets of \$250,000 to \$999,999 are more likely to be concerned about their health and long-term care costs (28% vs. 18% with lower assets).

Pre-retirees express much more concern than retirees about falling short on income in retirement as well as Social Security and low interest rates.



- Pre-retirees on average are more likely than those within 5 years of retirement to express concern about social security changes (79% vs. 69%). On the other hand, retirees that are five years into retirement are more likely than retirees in general to express the same concern (74% vs. 69%).
- Respondents with less than \$250,000 in assets, those less knowledgeable about managing their savings and investments and those who display bad investment behaviors (borrowing from 401(k), suspended contributions, etc.) are more likely than their counterparts to be concerned about falling short on income in retirement.

Level of Concern



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

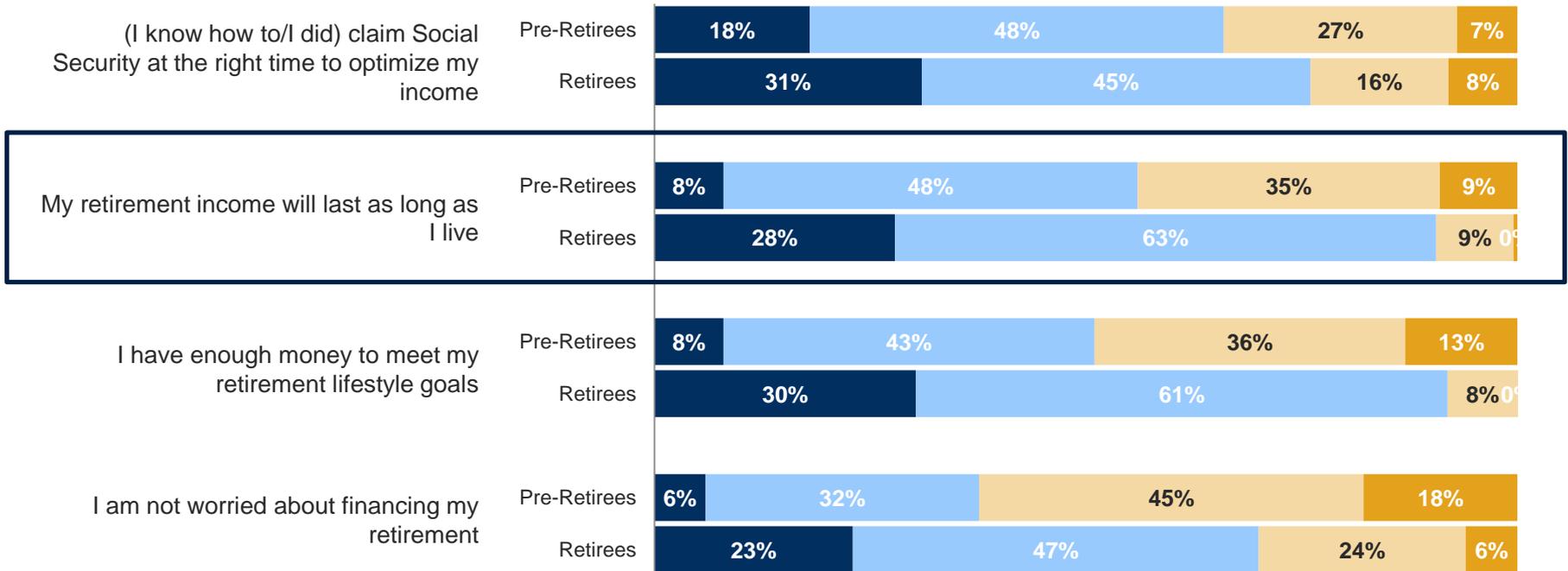
Pre-retirees are less confident that their income will last throughout retirement, or will be enough to meet their lifestyle needs.



- Among both retirees and pre-retirees, those with assets of \$250,000 or more, have a defined benefit plan or annuity and those who consider themselves very knowledgeable about savings/investments are more likely than their counterparts to agree with all of the following statements.
- Pre-retirees 5 years away from retirement are much more likely than pre-retirees in total to believe their retirement income will last as long as they live (76% vs. 56%).

Agree/Disagree

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



Pre-retirees expect to need more than retirees to live comfortably in retirement.

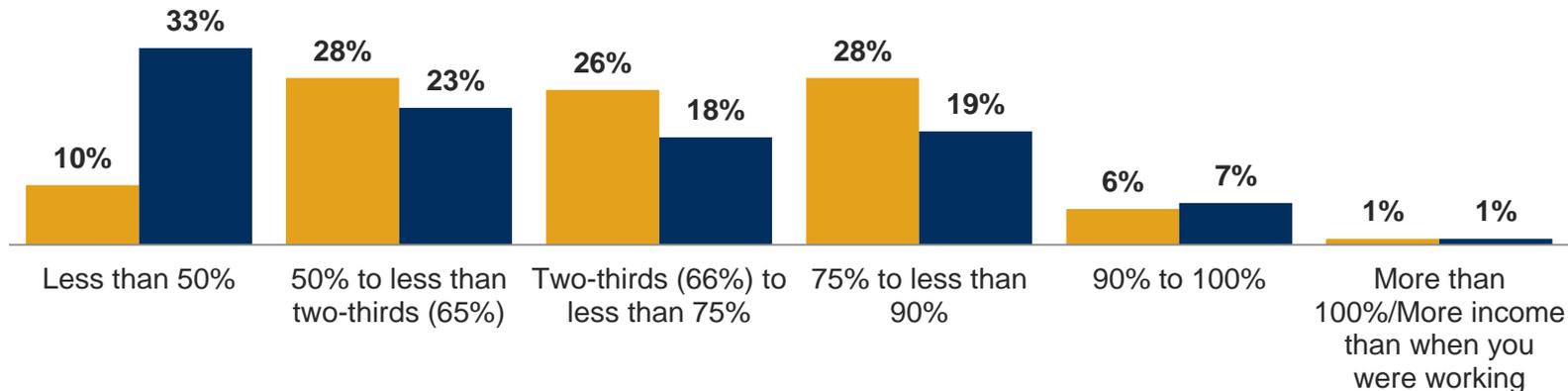


- Respondents who do not display bad investment behaviors (borrowing from 401(k), suspended contributions, etc.) are more likely than those who do to say they need less than 50% of their pre-retirement income to live comfortably during retirement (18% vs. 10%).
- Those with low risk tolerance are more likely to say they need 90% to 100% (11% vs. 5% with high risk tolerance).

Pre-Retirement Income

■ Pre-Retirees ■ Retirees

More than a third of pre-retirees believe they will need at least 75% or their pre-retirement income, while one-third of retirees report needing less than 50%.

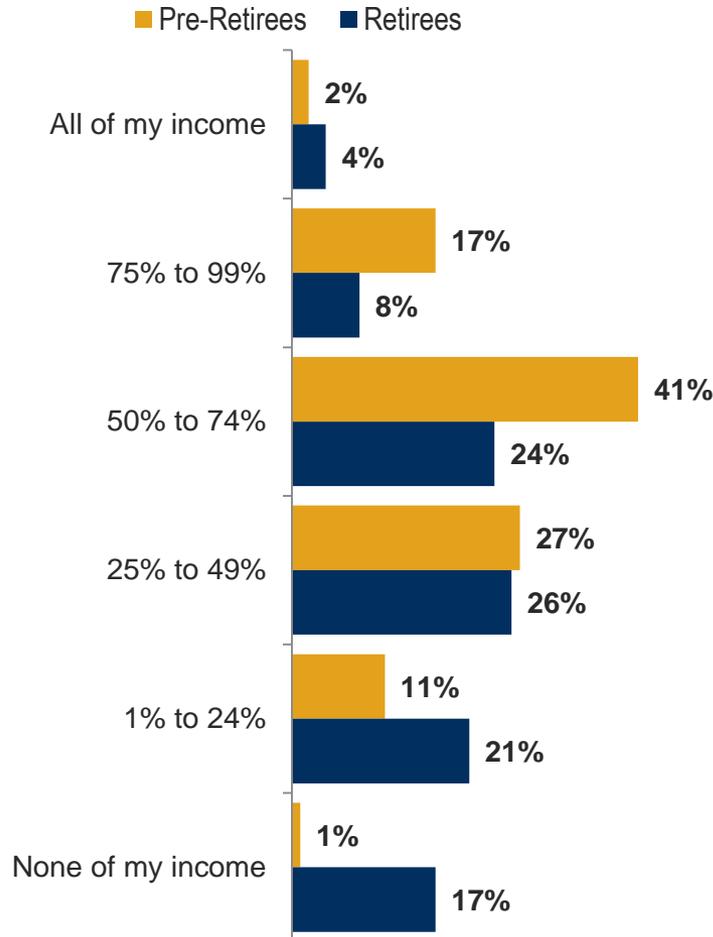


[IF PRE-RETIREE] About what percentage of your pre-retirement income do you think you will need to live comfortably in retirement?
[IF RETIREE] Now that you're retired, about what percentage of your pre-retirement income do you find you need to live comfortably?
(Pre-Retirees n=804; Retirees n=801)

Six in ten pre-retirees expect at least 50% of their retirement income will come from their 401(k) plan, far more than retirees report.



Income Generated by Workplace Retirement Plan Savings



- Respondents who consider themselves very knowledgeable about managing savings and investments are more likely than those who are less knowledgeable to expect (or currently receive, if retired) at least 75% of their income to be generated by their workplace retirement savings plan (22% vs. 16%).
- While very few say that all of their income will be or is currently being generated by their workplace retirement plan, younger retirees 5 years into retirement are more likely than retirees and pre-retirees overall to say all of their income is coming from their retirement plan.

[IF PRE-RETIREE] About how much of your total income in retirement do you expect will be generated by your workplace retirement plan savings?

[IF RETIREE] About how much of your income in retirement is being generated by your workplace retirement plan savings?

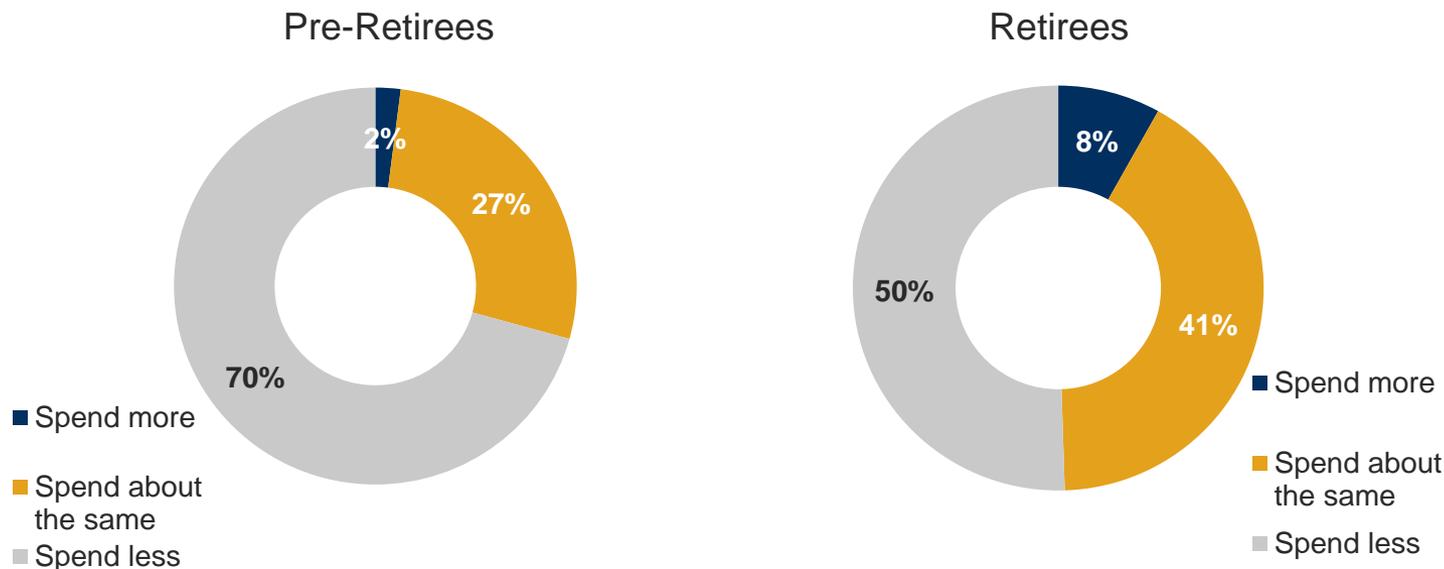
(Pre-Retirees n=804; Retirees n=801)

Although pre-retirees think they need to replace a larger share of their income, seven in ten also expect to spend less in retirement (more so than retirees).



- 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 spend (or plan to spend) more in retirement (14% vs. 4%).
- Respondents with assets of \$250,000 or more are more likely to say they will spend about the same as they do/did pre-retirement (34% vs. 20% with <\$250,000), while those with less assets are more likely to say they will spend less (78% vs. 64% with \$250,000+).
- Pre-retirees that are 5 years from retirement are more likely than pre-retirees in total to say they plan to spend the same in retirement (39% vs. 27%). Pre-retirees in total are more likely to say they will spend less (70% vs. 57% of those 5 years away from retirement).

Changes in Spending Habits in Retirement



[IF PRE-RETIREE] How, if at all, do you think your spending habits will change once you retire?

[IF RETIREE] Since retiring, how, if at all, have your spending habits changed?

(Pre-Retirees n=804; Retirees n=801)

Though medians suggest many have enough savings to last a lifetime, there appears to be some gap for pre-retirees – 51% expect to live 10 to 29 years in retirement, and just four in ten anticipate their savings will actually last that long.



- On average, and, perhaps not surprisingly, those with higher assets, respondents with a defined benefit/annuity, those who do not display any bad behaviors and consider themselves very knowledgeable about savings/investments are more likely to expect to live comfortably longer.

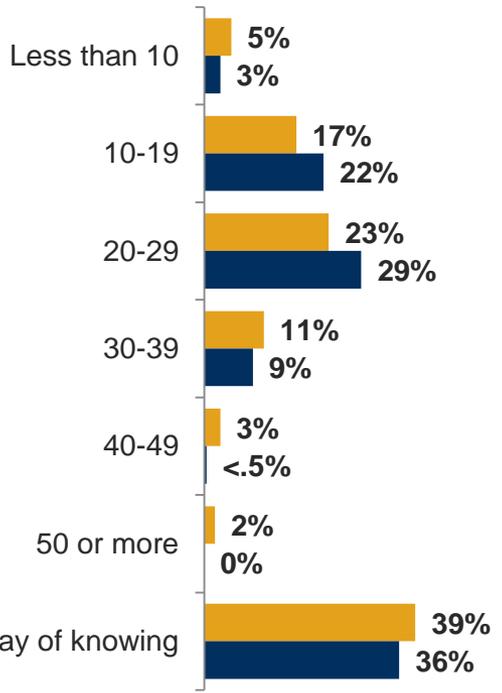
Expected Years of Living Comfortably in Retirement vs. Years in Retirement

Pre-retirees

Retirees

■ Years savings will last ■ Years in retirement

■ Years savings will last ■ Years in retirement



Median Years in Retirement

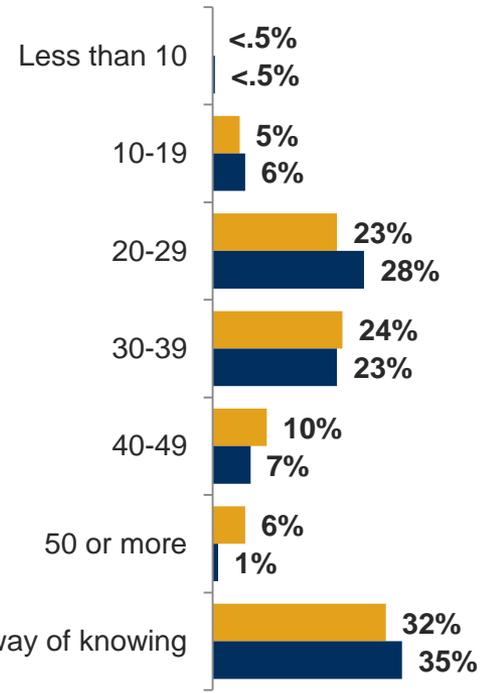
| | |
|--------------|----|
| Pre-retirees | 22 |
| Retirees | 29 |

Median Years Savings Will Last

| | |
|--------------|----|
| Pre-retirees | 20 |
| Retirees | 30 |

Income Gap

| | |
|--------------|----|
| Pre-retirees | 2 |
| Retirees | -1 |



Based on all of your sources of income in retirement, for how many years do you think your savings and investments will provide enough income for you to live comfortably in retirement? (Pre-Retirees n=804; Retirees n=801)

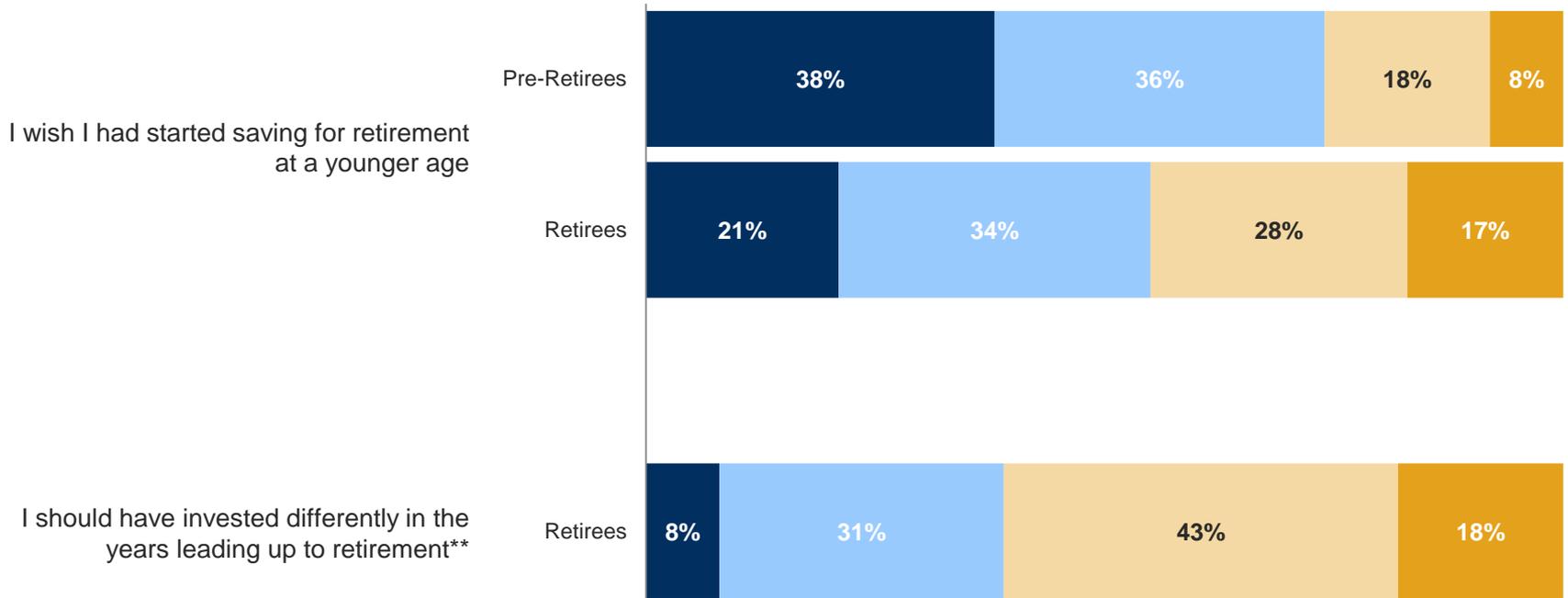
More than half of retirees wish they had started saving earlier, though even more pre-retirees feel this way.



- Those with assets lower than \$250,000, respondents who participate in activities that can reduce retirement savings, such as making withdrawals or loans or suspending contributions, 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



DEMOGRAPHICS

Demographics



| | 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



| | 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



| | 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



| | 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



| | 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



| | 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



| | Pre-Retirees (n=804) | Retirees (n=801) |
|---|-------------------------|---------------------|
| Do you currently own any of the following insurance or financial products? Please select all that apply. | | |
| Life insurance | 74% | 58% |
| A defined retirement plan or traditional pension plan | 43% | 56% |
| Long-term care insurance | 19% | 23% |
| An annuity | 17% | 43% |
| None of those | 13% | 12% |
| Until what age do you think that you can expect to live? | | |
| Before 70 | 1% | * |
| 70 to 79 | 6 | 3% |
| 80 to 85 | 30 | 17 |
| 86 to 89 | 3 | 6 |
| 90 to 95 | 21 | 33 |
| 96+ | 3 | 6 |
| Not sure/No way of knowing | 36 | 35 |
| Are you currently receiving Social Security retirement benefits? | | |
| Yes | 1% | 66% |
| No | 98 | 34 |
| Not sure | * | * |

*=<0.5%

Demographics



| | Pre-Retirees (n=804) | Retirees (n=801) |
|---|-------------------------|---------------------|
| Are you currently receiving Social Security retirement benefits? | | |
| Yes | 1% | 66% |
| No | 98 | 34 |
| Not sure | * | * |
| At what age (do you think you will /did you) claim your Social Security retirement benefits? | | |
| Before 63 | 10% | 35% |
| 63 to 65 | 21 | 25 |
| 66 to 69 | 33 | 22 |
| 70+ | 16 | 9 |
| Not eligible | * | 1 |
| Not sure | 19 | 9 |
| Actions Taken While Saving in a 401(k) or Other Defined Contribution Retirement Plan | | |
| Withdrawn money to cover a big expense, like purchasing a home or tuition | 16% | 14% |
| Taken a hardship loan, like in a financial emergency | 13% | 3% |
| Suspended contributions (after a withdrawal or other reason) | 7% | 2% |
| None of these | 72% | 82% |

*=<0.5%

Demographics



| | 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



| | 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



| | 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%

