

Overview

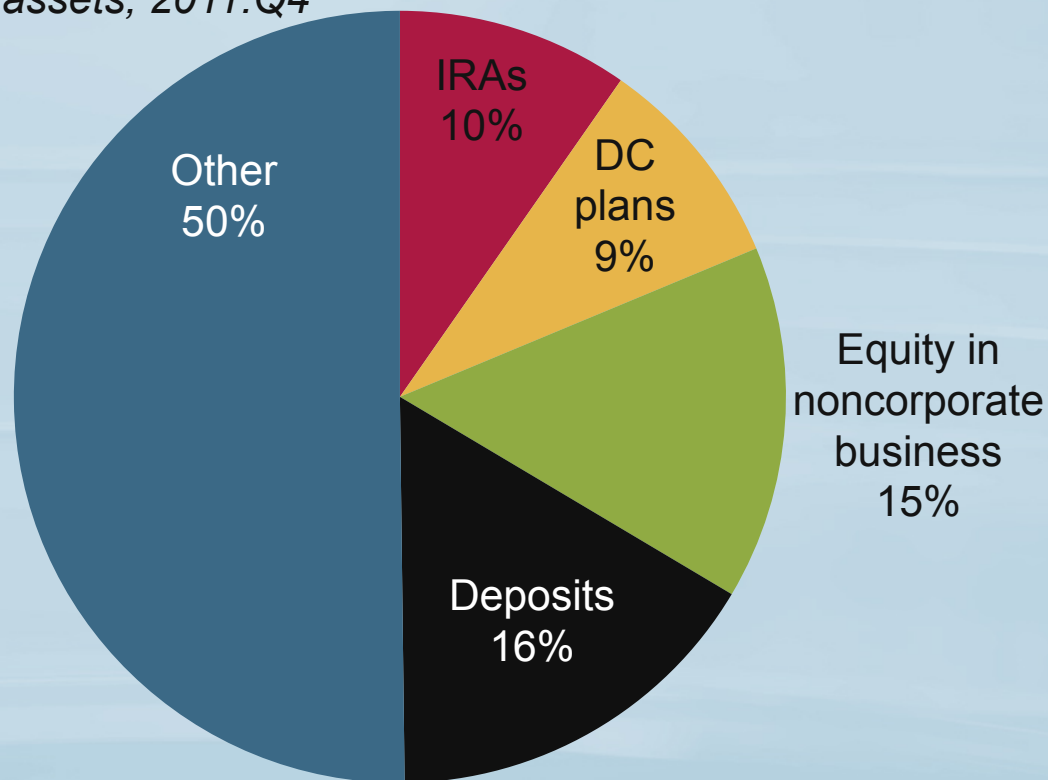
- Middle Age and Retirement Saving
- Importance of Education in Retirement Arena
- Role of Retirement Plan Design
 - Automatic Enrollment
 - Participant Statements
 - Fee Disclosure
 - Income vs. Account Balance
 - Web Tools/Calculators
 - DC Plan Participants Research the Distribution Decision
- Focus of Saving Goals Among Middle-Aged Households
- Research Questions

Middle Age?

- “...when [a] person is no longer considered young, usually between 40 and 60.”
–Encarta Dictionary
- “The old believe everything; the middle aged suspect everything: the young know everything.”
–Oscar Wilde
- “Of middle age the best that can be said is that a middle-aged person has likely learned how to have a little fun in spite of his troubles.”
–Don Marquis

IRAs and DC Accounts Are About One-Fifth of Households' Financial Assets

Percentage of total financial assets, 2011:Q4

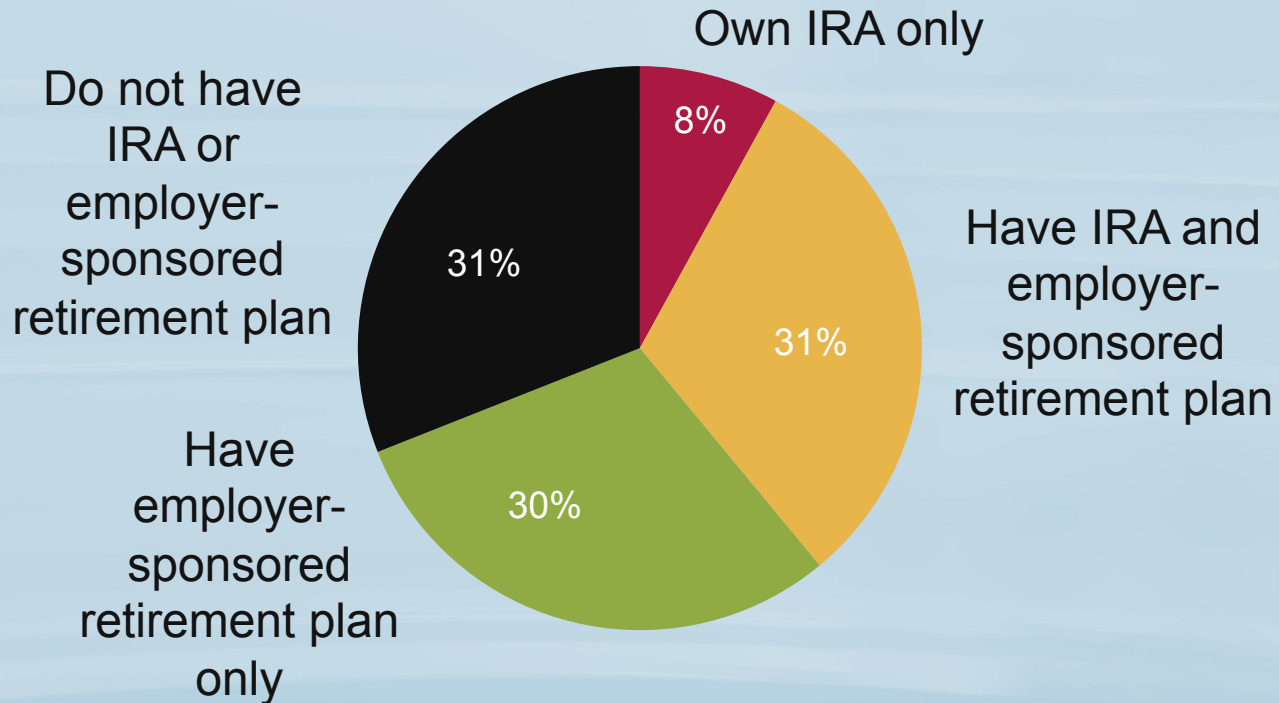


Households' Financial Assets: \$50.2 trillion

Sources: Investment Company Institute and Federal Reserve Board Flow of Funds Accounts

69 Percent of U.S. Households Have Employer Plans, IRAs, or Both

Percentage of U.S. households, May 2011

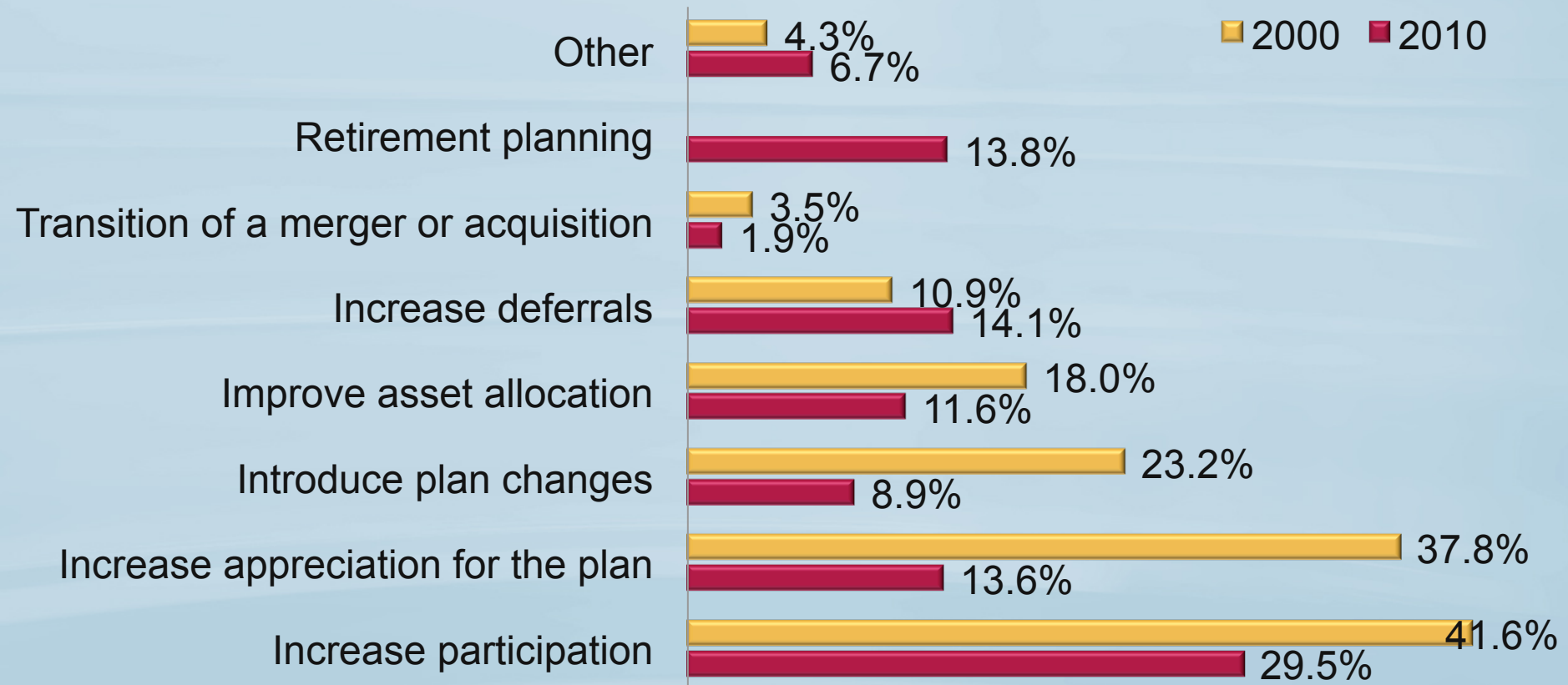


Total number of U.S. households: 118.7 million

Sources: ICI Annual Mutual Shareholder Tracking Survey and U.S. Census Bureau; see Holden and Schrass, "The Role of IRAs in U.S. Households' Saving for Retirement, 2011," *ICI Research Perspective* (November 2011)

Plan Sponsors Devote Resources to Participant Education

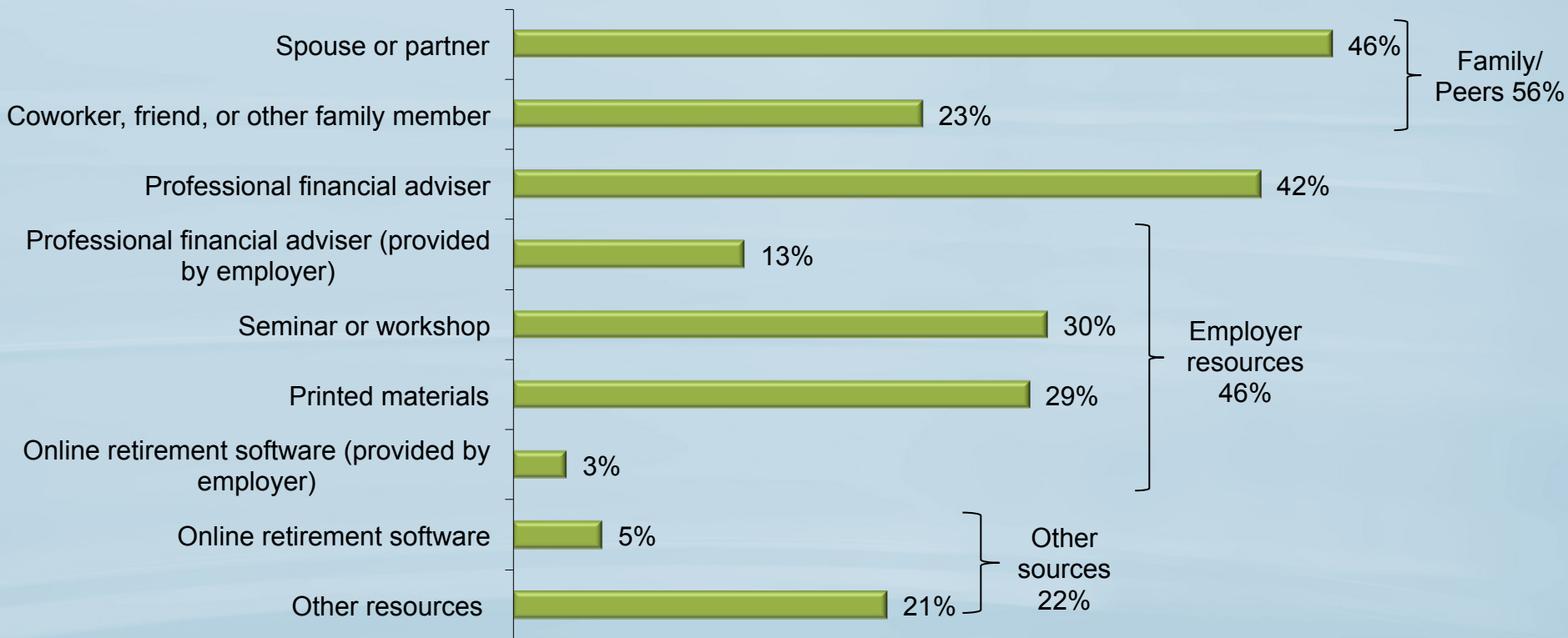
Primary purpose for providing plan education; percentage of plans, 2000 and 2010



Source: Plan Sponsor Council of America; see annual PSCA member surveys

Resources Consulted for Defined Contribution Plan Distribution Decisions at Retirement

Percentage of respondents with a choice of distribution option

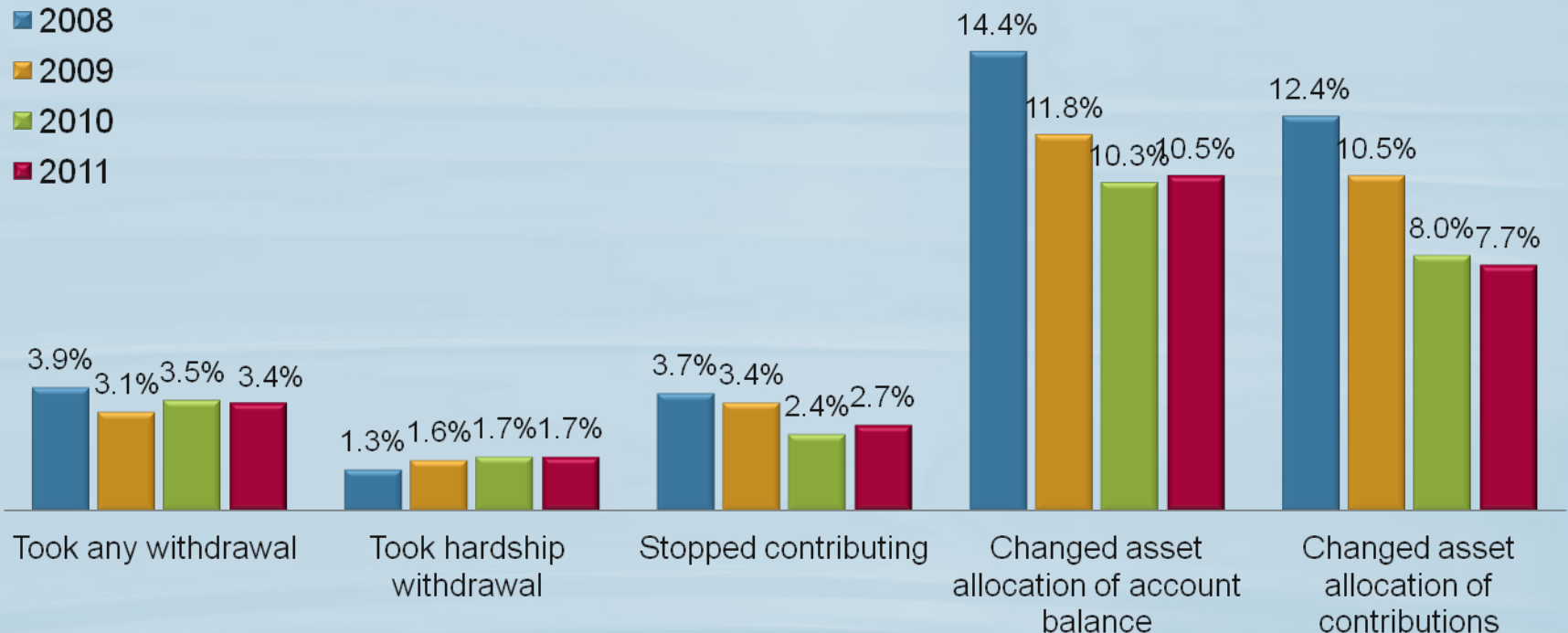


Note: Multiple responses are included; 67 percent of respondents mentioned consulting multiple sources of advice. A total of 426 respondents is included in this figure; survey of individuals retiring between 2002 and 2007 with DC accounts.

Source: Investment Company Institute; see Sabelhaus, Bogdan, and Holden (2008)

DC Plan Participants Stayed the Course

Summary of recordkeeper data; percentage of participants

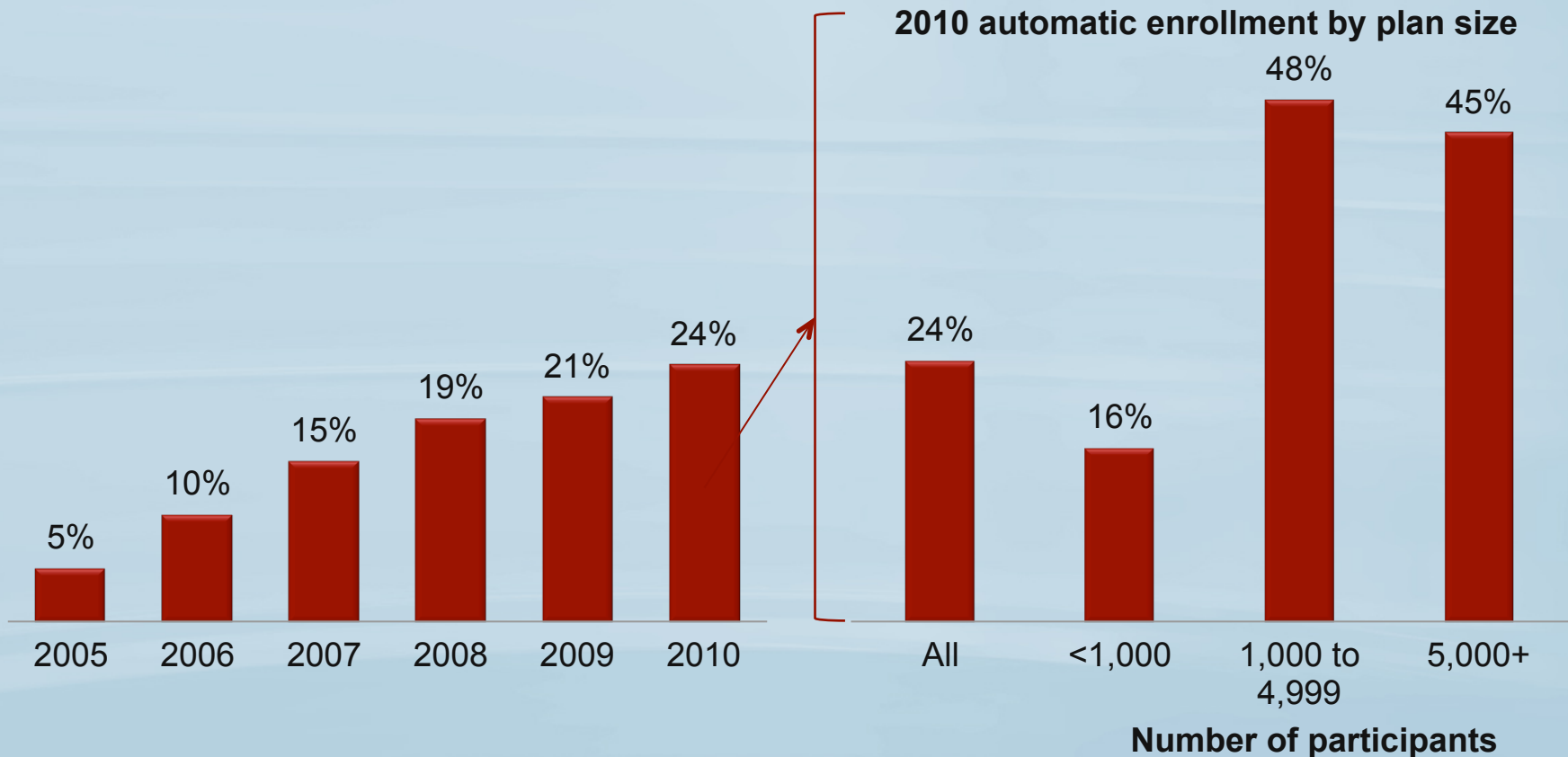


Note: The samples include more than 22 million DC plan participants in 2008 and nearly 24 million DC plan participants in 2009, 2010, and 2011.

Source: ICI Survey of DC Plan Recordkeepers (2008–2011); see Holden and Schrass, *Defined Contribution Plan Participants' Activities, 2011* (April 2012)

Growth of Automatic Enrollment Reflects 401(k) Innovation

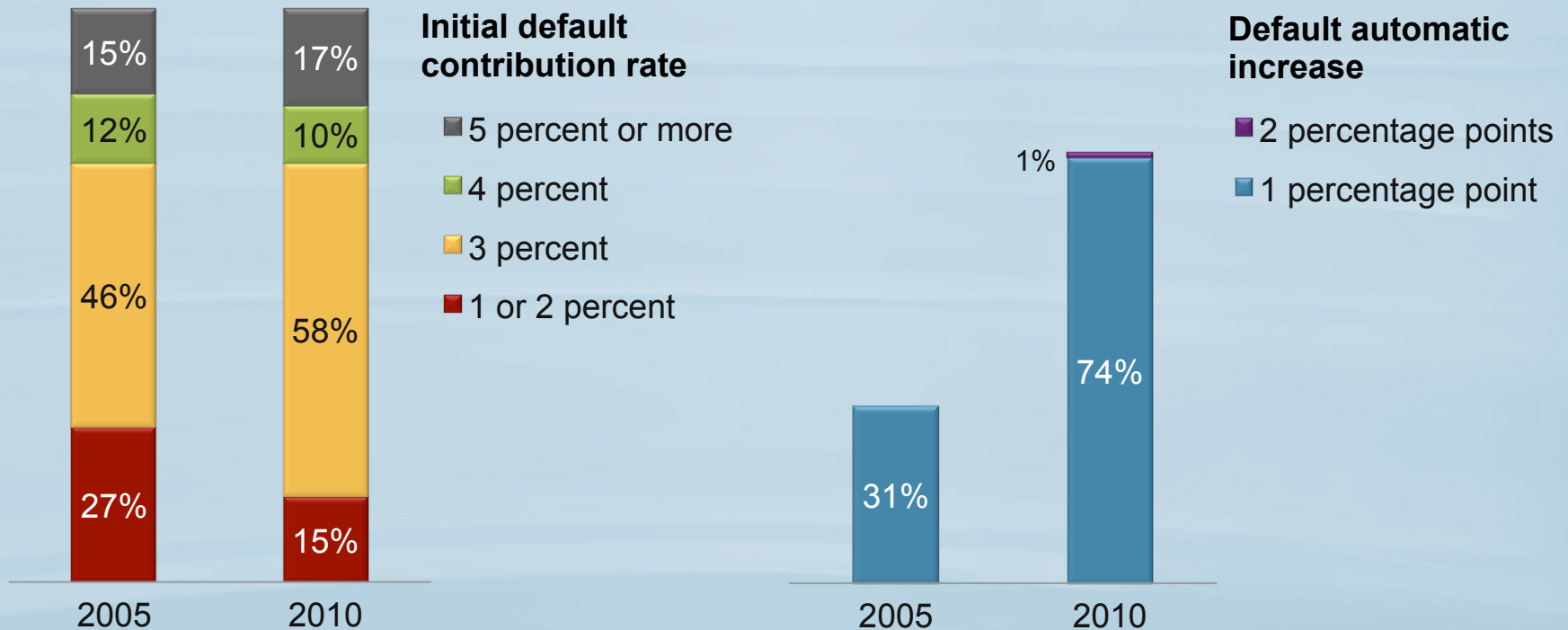
Percentage of plans



Source: The Vanguard Group; see *How America Saves 2011*

Innovation in Automatic Enrollment Design Increases Contributions

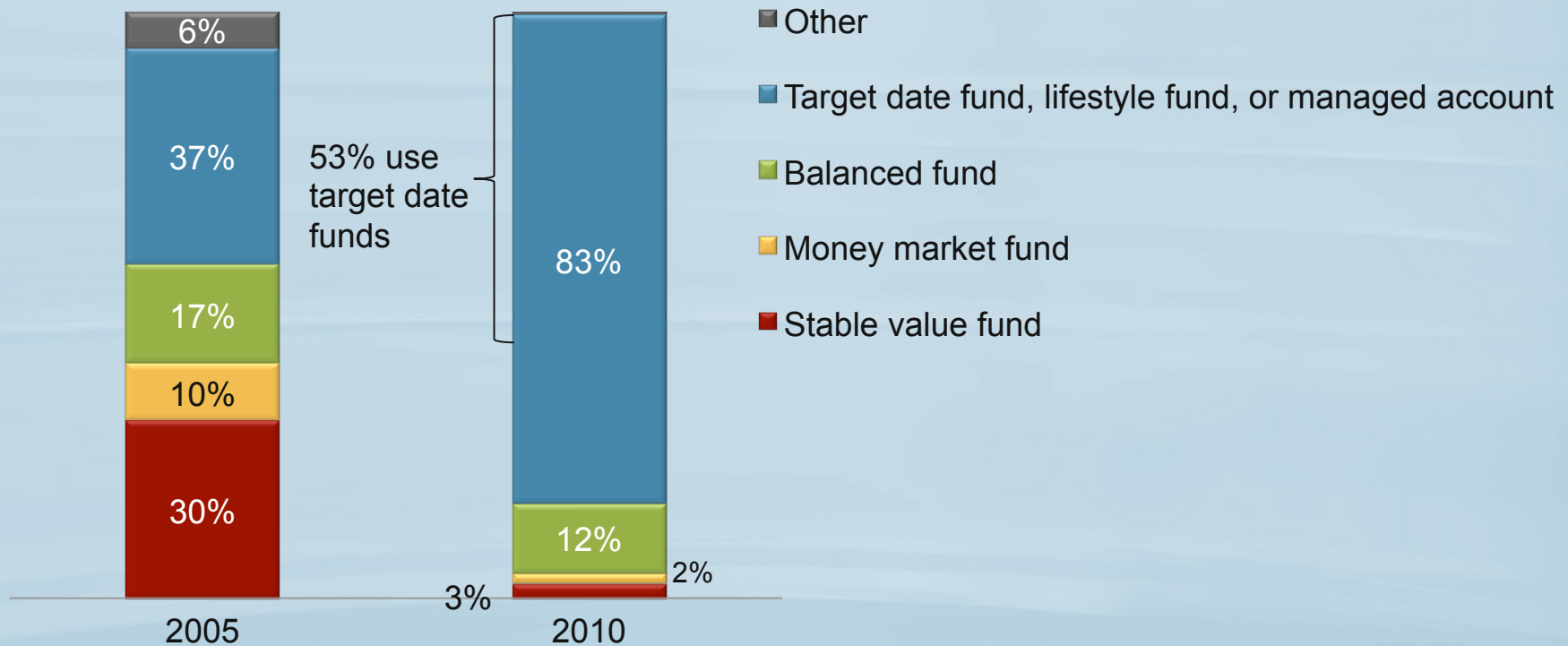
Contribution design among plans with automatic enrollment; percentage of plans



Source: The Vanguard Group; see *How America Saves 2011*

Default Investment Options Increase Focus on Growth and Diversification

Default investment options among plans with automatic enrollment; percentage of plans



Note: "Fund" includes mutual funds, collective investment trusts, and other pooled investments.

Source: Plan Sponsor Council of America; see annual PSCA member surveys

Research Questions – Automatic Enrollment

- How does the behavior of 401(k) participants who are automatically enrolled at their first job differ over their careers?
 - Are they more likely to take charge or automatically enroll again?
 - Is their rollover/cash out behavior different?
 - Can we learn anything from how a given individual reacts to different defaults?

Focus of Saving Goals Among Middle-Aged Households

Percentage of households by age and household income, 2007

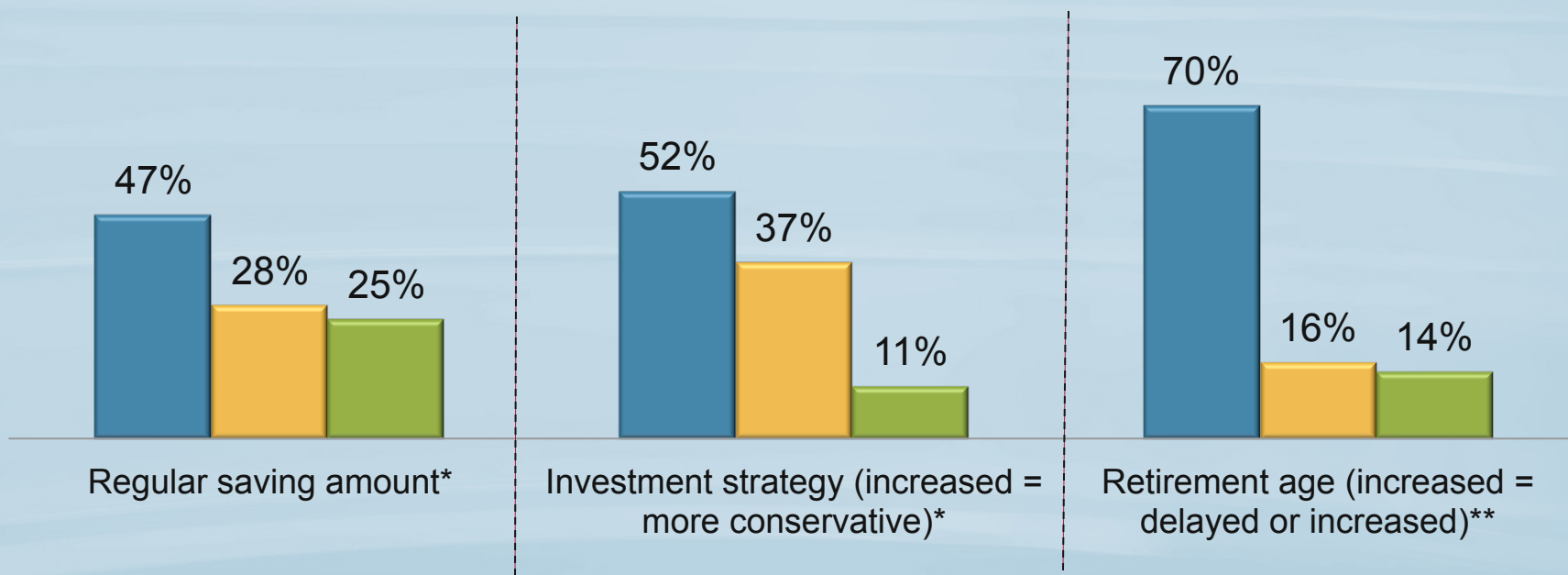
Reason	Aged 30 to 44		Aged 45 to 64	
	Below median income	Above median income	Below 25 th ile income	Above 25 th ile income
Retirement	19%	41%	25%	56%
Liquidity	32%	30%	33%	25%
Education, home, or purchases	34%	22%	24%	13%
Other	12%	7%	11%	4%
Can't/Don't save	3%	1%	7%	2%

Source: ICI tabulations of the 2007 Survey of Consumer Finances; see Brady and Bogdan (2011)

Households' Changes to Saving, Investment Strategy, and Retirement Age in Reaction to Financial Stresses Since 2008

Percentage of households that took the action indicated, fall 2010

■ No change ■ Increased ■ Decreased



*The sample is 2,039 households owning financial investments, which include DC accounts, IRAs, or other financial assets.

**The sample is 3,000 U.S. households.

Source: ICI tabulation of GfK OmniTel survey data (November and December 2010)

Research Questions – Financial “Health Check-Ups”

- How can financial service providers take advantage of timing?
 - If engage on right topic at the right juncture, is there better success?
 - If get individuals online, is action more likely?
 - ICI research on disclosure finds investors prefer charts/graphics to words; explore formats to engage?
- How can people visualize and think far ahead?
 - Changing goals over life cycle and across households
 - Challenge to think about health issues and growing old
 - Generating a “retirement paycheck”

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