

The Voya Retire Ready Index™

Measuring the retirement readiness of Americans

be ready™

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Introduction

As the retirement landscape continues to evolve, working Americans are becoming increasingly responsible for knowing, planning and having what it takes to achieve their financial goals. With fewer employers offering traditional pension plans and more decision-making power shifting into the hands of individuals, Americans have no other choice but to take greater control of the retirement readiness process.

Given this dynamic environment, what does the future hold for the millions of Baby Boomers – and Gen X'ers and Millennials who follow them – as they prepare for this milestone? Can they achieve the retirement security they expect and deserve? Are employers and financial professionals providing the right tools and resources to help employees and clients make this important transition?

In support of its vision to be **America's Retirement Company™**, Voya Financial® conducted a consumer-based study with the goal of quantifying what being “retirement ready” really means. The study examined both those who are currently working as well as those who have just begun to live out their retirement years.

As part of the study, Voya created the *Voya Retire Ready Index™* to determine how well Americans are doing when it comes to their readiness. The Index and the underlying study allowed Voya to examine the traits and characteristics of those who scored highest versus those who scored lowest. These results help shed light on the practices, patterns and behaviors that can lead to better retirement preparedness levels.

The Voya Retire Ready Index™ was developed to provide a measurable assessment of how working Americans are preparing for their future retirement, and how recent retirees are experiencing their retirement years.

Methodology and framework

The *Voya Retire Ready Index* is based on three dimensions that are essential for successful retirement preparation:

1. **Knowing** = sufficient knowledge and awareness of how to prepare.
2. **Planning** = accurate and comprehensive planning activity.
3. **Having** = adequate savings to generate sufficient income replacement.

Using this framework, two online surveys were conducted in collaboration with Greenwald & Associates, Inc. between July 14 and July 25, 2014. One survey polled 1,008 full-time workers (the “Workers”) and the second survey polled 1,002 recent retirees (the “Retirees”).¹

For each survey, Workers and Retirees were asked a similar set of questions to assess the extent of their knowledge, their planning activities, and their retirement savings and assets. The Index was developed using a subset of the survey questions which are detailed on the following pages.

Respondents received points for how they answered the questions. The points were used to create scores in each category — knowing, planning and having. Scores were based on a 10-point scale, with zero being the lowest and ten being the highest. Average scores were calculated for each of the three categories. These three numbers were added together, and averaged again to develop a final *Voya Retire Ready Index* number for both Workers and Retirees.²

Additional survey questions that did not contribute to the Index scores helped to gauge a broader range of financial information, behaviors and perceptions from the Worker and Retiree groups. Analysis of this supplemental data allowed Voya to identify sub-groups that shared common characteristics and attributes in connection with their scores.³ Individuals who achieved the highest scores completed more steps to be ready for retirement and are characterized as “role models” for readiness. Those with the lowest scores are identified as needing to take the most action to become better prepared.

¹ Greenwald & Associates, Inc. is a full-service market research firm with expertise in financial services. Workers were over the age of 21, employed full-time and managed or shared in the financial decisions of the household. Retirees were under the age of 85, had retired within the last five years, managed or shared in the financial decisions of the household and, if married, had a spouse who was not working full-time.

² The *Voya Retire Ready Index*[™] scores are based on survey findings that were averaged together and do not reflect any single respondent’s experience. Responses were weighted based on factors selected by Voya. Weighting responses using alternative factors would yield different results.

³ Data on the Workers was weighted according to data from the U.S. Census Bureau and the U.S. Bureau of Labor Statistics. The following demographic variables were also weighted: household income, gender, and education. Analysis was conducted to generate additional clustering and segment scoring. Note that the “planning” and “having” components were based on different scales for Workers and Retirees since these two groups face different issues.

Index factors

The following charts show the different factors contributing to the *Voya Retire Ready Index* scores. A maximum of **ten points** could be obtained for each category based on how respondents answered the questions.

For the **knowing** category, Workers and Retirees were presented with the same set of questions to assess their level of knowledge and familiarity with certain financial concepts that influence planning.

For the **planning** and **having** categories, questions differed slightly between Workers and Retirees, recognizing the different stage each group is at in the process.

- *Workers were surveyed on their attitudes and behaviors about the financial planning steps they had already taken, what they anticipated doing to prepare in the future, and their current expectations about being adequately prepared for their desired retirement lifestyle.*
- *Retirees were surveyed on their attitudes and behaviors during their working years, as they entered into and continue to live in retirement, and how those steps influenced their quality of life and satisfaction with their current retirement lifestyle.*

Workers & Retirees

Knowing (maximum 10 points)

Reported being very knowledgeable about what is needed to plan for a secure retirement

Accurately identified the concept of compounding

Knew that taxes were due on withdrawals from qualified workplace retirement plans after age 59½

Recognized the generally accepted principle of reducing investment risk as one nears retirement

Knew that Social Security payments are adjusted for inflation both before and after one collects

Understood that you can borrow against a whole life insurance policy

Accurately identified from a list of products the one that represented the least investment risk

Accurately recognized that target date funds shift to less risky portfolios as you age



Index factors continued

Workers	
Planning (maximum 10 points)	Having (maximum 10 points)
Calculated what current retirement savings would translate into as future monthly income in retirement	Had or expected an income replacement ratio, including Social Security, of 80% or more (based on certain factors and assumptions)
Had a written budget	Owned home and would have no mortgage at retirement
Had a comprehensive financial plan that takes into account all income, debt, assets and financial issues	Had very low or no debt
Paid a great deal of attention to how their retirement money is invested	Were very likely to come up with three months' worth of income if an unexpected expense arose
Rebalanced assets, modified plan savings or made other asset adjustments to advance retirement readiness once or twice per year	Had the ability to replace at least 80% of income with long-term disability coverage if a disability arose
Thought a great deal about 1) retirement lifestyle, 2) retirement age, and 3) cost of healthcare in retirement	
Met with a financial planner at least once per year OR took advantage of retirement and /or financial planning resources through work at least fairly often	
Calculated how much to save each month to reach retirement goals	
Believed they need to replace 80%+ of final monthly income to live each month in retirement	

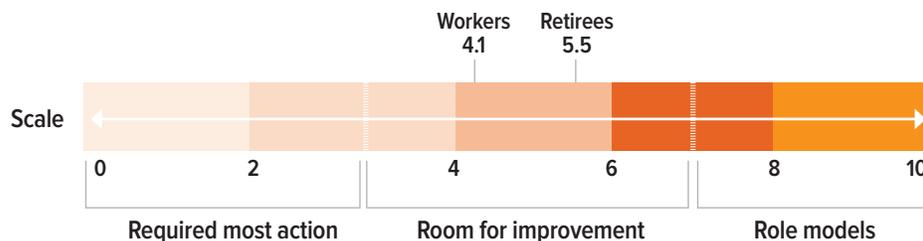
Retirees	
Planning (maximum 10 points)	Having (maximum 10 points)
Paid a great deal of attention to how their retirement money is invested	Started (or will start) collecting Social Security benefits at age 70
Rebalanced assets, modified plan savings or made other asset adjustments to advance retirement readiness once or twice per year	Reported to be very happy with current lifestyle
Calculated how much money they would need to have upon retirement	Reported to be happy with financial security
Calculated if current savings would provide enough monthly income to last throughout retirement	Reported that their assets would generate retirement income for at least 40 years
Had a written budget	Had the freedom to completely stop working and still meet financial needs
Had a comprehensive financial plan that takes into account all income, debt, assets and financial issues	Had at least \$500K+ cushion in savings and investments to live on, excluding value of home
Gave a great deal of thought to 1) cost of healthcare, 2) how long savings will last, and 3) how long savings will last if a portion converted to guaranteed income stream	Had guaranteed income from a traditional pension or similar defined benefit plan OR owned one or more annuities (any type), which provides at least a minor source of retirement income
Met with a financial professional at least once per year	Had a level of retirement income that is about the same or more than last working income
	Owned home and had no mortgage
	Had very low or no debt

Index results

The average *Voya Retire Ready Index* scores confirmed that generally neither Workers nor Retirees are well prepared for retirement. The study highlighted how **planning** represents their biggest hurdle as well as the area that offers the most room for improvement. The chart and accompanying scale shows how the scores translate into relative readiness levels. Those who scored lowest on the scale (below 3.0) are defined as requiring the most action; those in the middle (between 3.0 and 7.0) as having room for improvement; and those scoring the best (above 7.0) as role models for the behaviors and attributes that can lead to greater preparedness.

Index categories	Knowing	Planning	Having	<i>Voya Retire Ready Index</i> Score
Workers	5.8	3.0	3.5	4.1
Retirees	7.0	4.2	5.3	5.5

- **Workers** earned an average score of 4.1, and clearly have room for improvement.
- **Retirees** fared better with a score of 5.5, but still have room for improvement on the scale.
- **Planning** represented the lowest of the three categories for both groups.



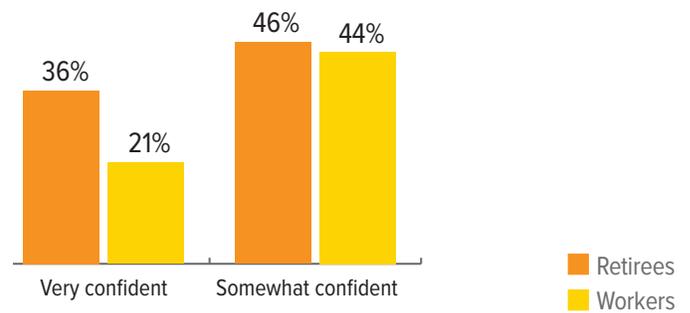
- **Retirees scored higher than Workers in all three areas and on a total basis.** Higher scores for Retirees may largely be due to the greater length of time they have had to learn about, save and plan for retirement. Still, there is room for significant improvement. The challenge, however, is that the opportunities for Retirees to change their outcomes are typically more limited than those for Workers. Therefore, mid-range scores for Retirees may pose even greater concern for Retirees than the numbers indicate.
- **Scores for both Workers and Retirees were highest for “knowing” and lowest for “planning.”** While higher knowledge scores revealed that both groups have a relatively good understanding of certain financial concepts and rules, lower “planning” and “having” scores suggest that they did not or could not put that knowledge into action to achieve higher levels of readiness. The good news – many Workers have time to increase their planning activities, which can ultimately lead to having more assets and being better prepared for their retirement.
- **“Having” scores for both Retirees and Workers was in the middle range although Workers had greater room for improvement.** While the average “having” score for Retirees was somewhat higher than that of Workers, the ability for Retirees to increase or generate savings is more limited than during their working years. Lower “having” scores for Workers is a concern as well, given the economic factors that continue to challenge the ability of many Americans to save. These include slower wage growth, inflation, rising healthcare costs and competing financial priorities such as paying for college tuition, housing and care for elderly parents.

Key findings

Worker and Retiree confidence does not align with their true state of retirement readiness

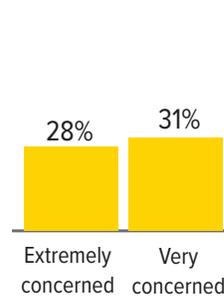
Despite scoring in the low to middle range on the *Voya Retire Ready Index*, both Workers and Retirees reported a high level of confidence in their financial preparedness to live securely throughout retirement. The study pointed to some gaps between the current perceptions many had about their retirement security and what they ultimately might experience. This included how long they expect to live in retirement and how long they expect the income from their personal assets to last.

Confidence in financial preparedness



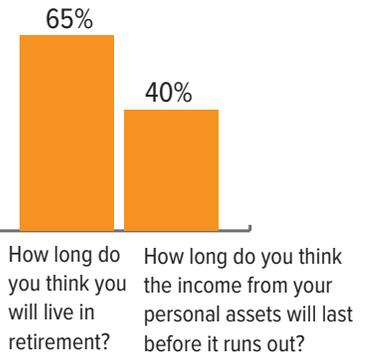
Nearly two-thirds of Workers (**65%**) and eight-in-ten Retirees (**82%**) reported feeling at least somewhat confident in their ability to live securely throughout retirement.

Concern about outliving savings (Workers)



However, nearly six-in-ten Workers (**59%**) were extremely or very concerned about outliving their savings. And while almost two-thirds (**65%**) of Retirees expected to live more than 20 years in retirement—only four-in-ten (**40%**) believed their savings would last beyond 20 years.

Answered 20+ years (Retirees)



Key findings continued

Consumers agree that planning and saving are important, but few are taking action

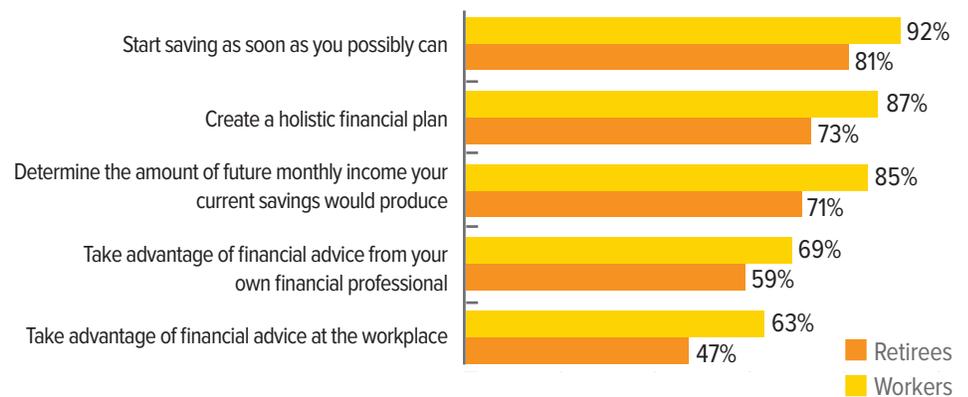
Many believe a lack of awareness about key financial principles is a primary barrier to long-term success. However, Voya's study found that Americans do appear to have a fair understanding of certain personal finance concepts. This underscores that while knowledge is a critical component, advancing retirement readiness may be more about helping them turn that information into positive action.

For example, both Workers and Retirees agreed that they place a high degree of importance on taking key steps to save and plan for retirement. However, when asked to identify the financial planning activities they had already taken, only a minority reported completing some of the primary measures that can lead to improved retirement outcomes.

A significant number of Workers and Retirees said it was extremely or very important to start saving early and to plan and seek out financial guidance and advice in preparation for retirement.

Importance of planning activities

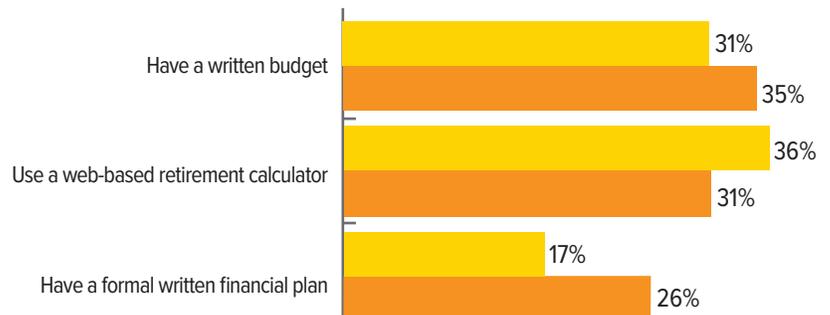
Responded "extremely or very important"



Yet, only an estimated one-in-three Workers and Retirees had a written budget or used a web-based retirement calculator. Even fewer had a formal written financial plan.

Financial planning steps taken

Responded "yes"



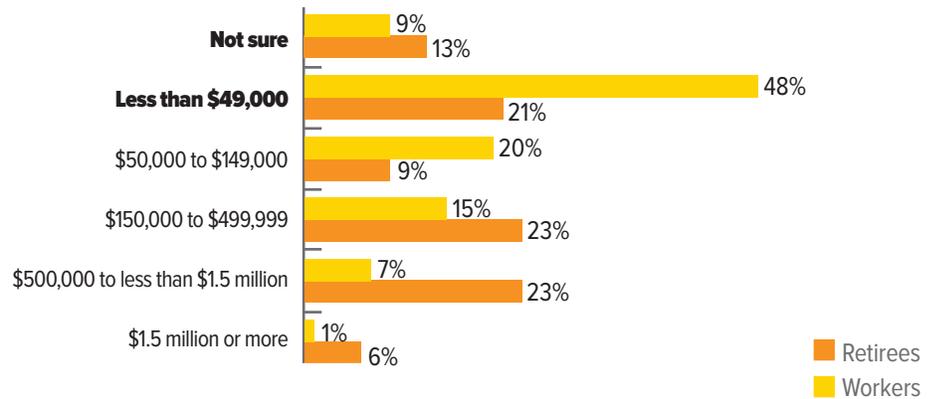
Key findings continued

While the planning gap is great, lower levels of savings and insurance protection are also driving high concerns about financial security in retirement

In addition to doing too little planning, Workers and Retirees are also not saving enough and may not have enough financial protection, which elevates their concerns about being able to care for themselves in retirement.

Total savings

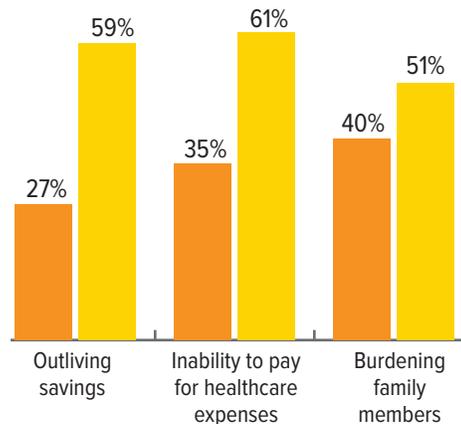
Nearly half of Workers (**48%**) and more than one-in-five Retirees (**21%**) reported having less than \$49,000 in total savings and investments. Approximately one-in-ten from both groups were not even sure how much they currently had in total savings and investments.



Concern about future financial security

Responded “extremely or very concerned”

Lower levels of savings translated into higher concerns about covering their expenses in retirement. More than one-quarter of Retirees (**27%**) and nearly six-in-ten (**59%**) of Workers were extremely or very concerned about outliving their savings. Workers expressed similarly high concerns about being unable to pay for their healthcare expenses (**61%**) and being a burden on their family members (**51%**).



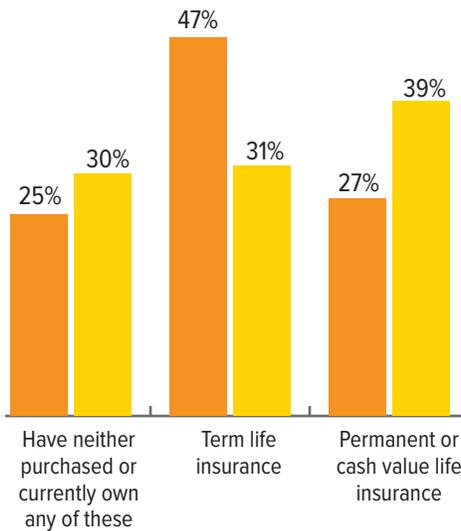
Key findings continued

The study also showed that many individuals could be exposing themselves and their families to greater financial challenges by not securing sufficient life insurance coverage. In addition to protecting against the loss of a primary wage-earner's income, they might be missing out on the accumulation benefits and other protection aspects that certain life insurance offers.

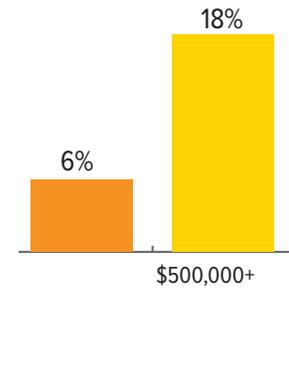
Less than four-in-ten (**39%**) Retirees and less than three-in-ten (**27%**) Workers owned cash value life insurance. Only a minority of both groups (**31%** of Retirees and **47%** of Workers) had a term life policy. Even for those who confirmed having life insurance, very few Retirees (**6%**) and Workers (**18%**) reported having more than \$500,000 in total coverage.

Insurance ownership

Responded "yes"



Total life insurance coverage



Role models for retirement

Comparing highest-scorers to lowest-scorers shows markers of retirement readiness

The *Voya Retire Ready Index* results can be used as a baseline for measuring retirement preparedness levels today and for tracking changes and trends going forward. By looking at the groups who scored highest in all categories, the results offer a benchmarking opportunity to better understand the traits, behaviors and practices that guide some individuals to greater preparedness.

The accompanying chart shows the disparity in the average scores between those groups who were least prepared (lowest scorers) and those who can serve as role models for retirement readiness (highest scorers).

Voya Retire Ready Index™ - Lowest vs. highest scoring segments								
	Knowing		Planning		Having		Combined average score	
	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest
Workers	3.4	8.0	1.3	6.6	1.7	6.3	2.1	7.0
Retirees	4.7	8.1	1.6	6.9	2.4	7.2	3.0	7.4



Role Models: Workers

Highest-scoring Workers were more likely to optimize savings and give a great deal of thought to retirement planning.

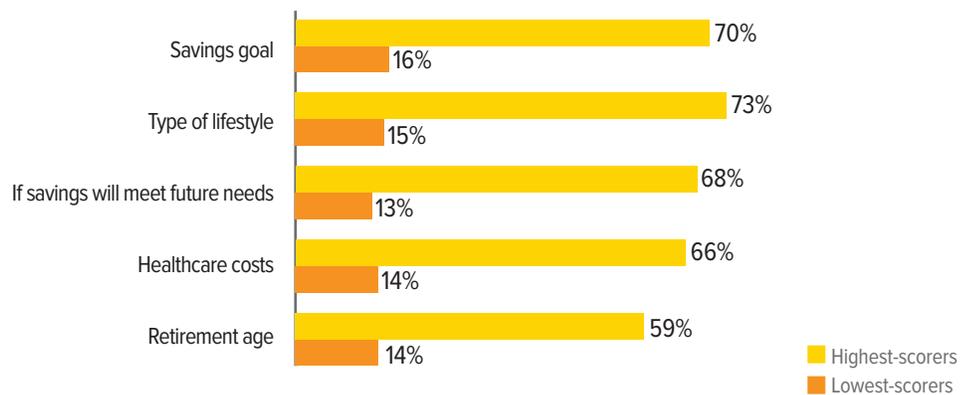
The highest-scoring Workers received a combined average score of **7.0**. The findings showed that this group was more likely to own a wide range of products and view their employer-sponsored savings plan as a major source of income in retirement. They were more likely to use planning tools, including those offered at the workplace, and to create strategies that factored in retirement income calculations and needs. This group planned to save \$10,000 or more in 2014 and were the least likely to have debt. They were also most likely to have a relationship with a financial professional and acknowledge the importance of saving as soon as possible.

Highest-scoring Workers reported giving much more thought to retirement savings and planning activities than did low-scoring Workers

Thought given to future retirement lifestyle and costs

Responded “a great deal”

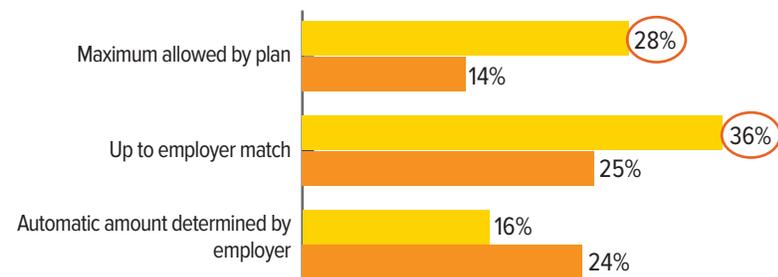
Nearly **60%** or more of the highest-scoring Workers reported giving a great deal of thought to key retirement planning concerns, including retirement age and healthcare costs in retirement. This is more than four times the rate that the lowest-scorers reported on these items.



Highest-scoring Workers took advantage of opportunities to optimize their savings for retirement

Plan contributions

The highest-scoring Workers were more likely to contribute the maximum amount to their workplace retirement plan than their lowest-scoring counterparts and more likely to contribute enough to earn their employer match.



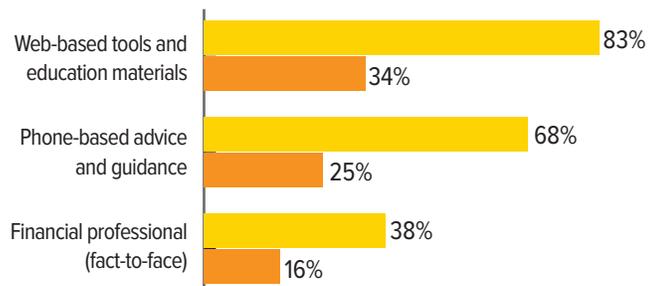
Role models: Workers continued

High-scoring Workers had more access to - and utilized - workplace planning and advice services

The highest-scoring Workers were far more likely to have access to web tools and education materials, phone-based advice and guidance and the services of a financial professional through the workplace. This group also reported taking advantage of those services at more than double the rate than that of the lowest-scorers.

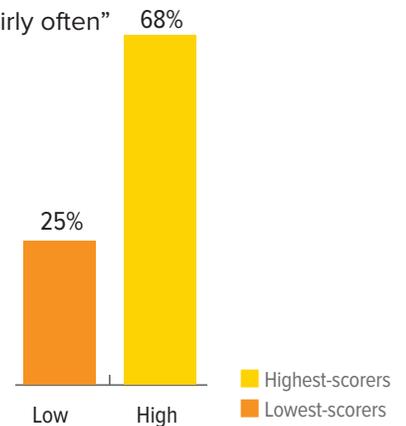
Access to financial planning resources or advice at work

Responded “yes”



Frequency for taking advantage of resources offered

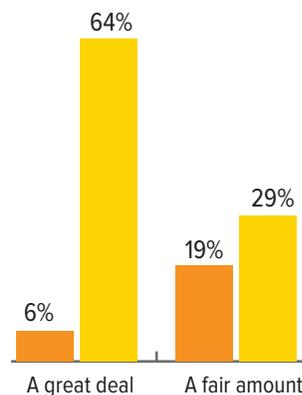
Responded “very or fairly often”



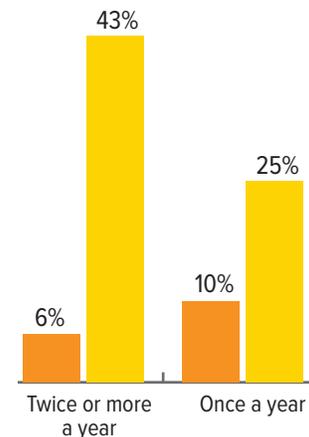
Highest-scorers also took a much more active role in managing their own investments

Attention paid to how money is invested

The highest-scorers paid more attention to how their money was invested and were much more active about managing and modifying their investments to keep savings on track to meet their retirement goals.



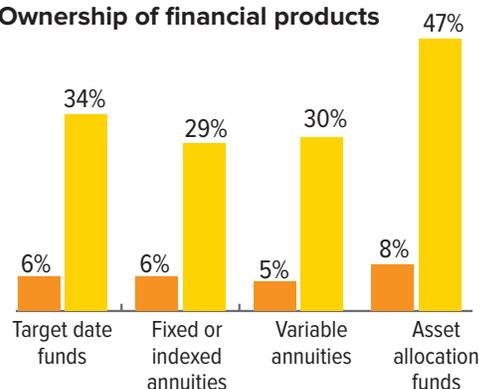
Frequency for rebalancing assets



Highest-scorers were more likely to have multiple products in their portfolios, which may help them better manage risks

Perhaps as a result of more active management of their investments, the highest-scoring Workers were far more likely to own a range of investment products that offer additional ways to manage risks and potentially provide guaranteed income options in the future.

Ownership of financial products



Role models: Workers continued

Other key findings, when viewed collectively, demonstrate the role model behaviors, habits and characteristics that were most common among the highest-scoring Workers. This creates a readiness profile that can help others learn what it takes to become more prepared for retirement.

Retire Ready Role Model WORKER PROFILE	Voya Retire Ready Index™ Score HIGHEST SCORERS = 7.0
Were somewhat or very knowledgeable about what they needed to plan for a secure retirement.	97%
Were on track or ahead of schedule in preparing for retirement.	83%
Had more than \$50,000 in savings and investments.	81%
Had at least \$100,000 in life insurance coverage.	85%
Had a written budget.	65%
Had a relationship with a financial professional.	56%
Had a specific strategy for the way their assets are invested.	82%
Utilized resources and/or educational materials at work.	83%
Had tried to calculate how much income they will need to replace in retirement	75%
Had a lot of discussion with their spouse about their retirement lifestyle.	65%
Gave a great deal of thought to what their retirement savings goal should be.	70%
Used online retirement planning resources.	77%
Were somewhat or very confident that they are financially prepared for retirement.	96%

Role models: Retirees

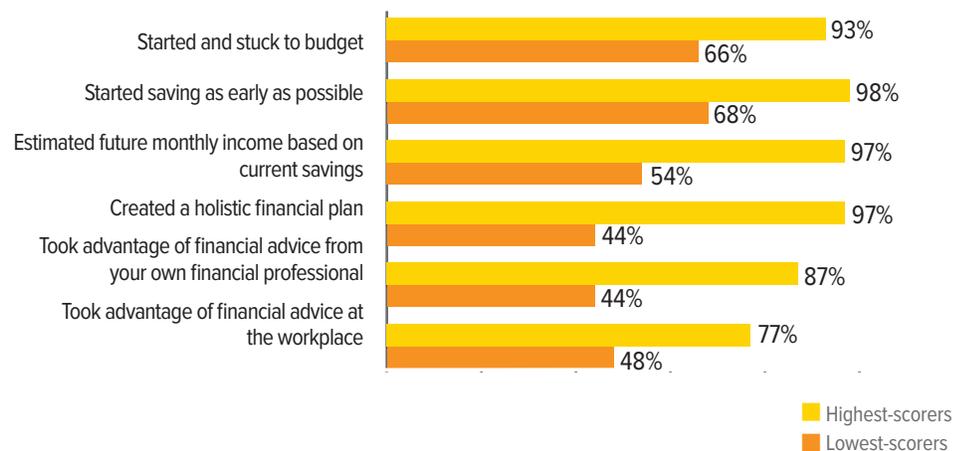
Highest-scorers were far more thorough and thoughtful in setting a path to saving and planning

The highest-scoring Retirees received a total average score of **7.4**. Nearly all in this group took many of the key steps to managing their expenses, and started to save and plan for their future retirement income needs while they were still working. The lowest-scorers in this group completed many of these steps at less than half the rates of their highest-scoring counterparts. The highest-scoring Retirees were far more likely to rely primarily on their own assets for retirement income, including workplace plans, IRAs and annuities.

Prior to retiring, the highest-scoring Retirees were more likely to calculate how much they would need to replace their paycheck and to protect their assets with insurance. They were also the most likely to have engaged in a variety of planning activities, such as budgeting, rebalancing assets and paying attention to how their money was invested. In support of this planning, many in this group believed their money would last 40 years or more in retirement.

Extent for following planning activities while working

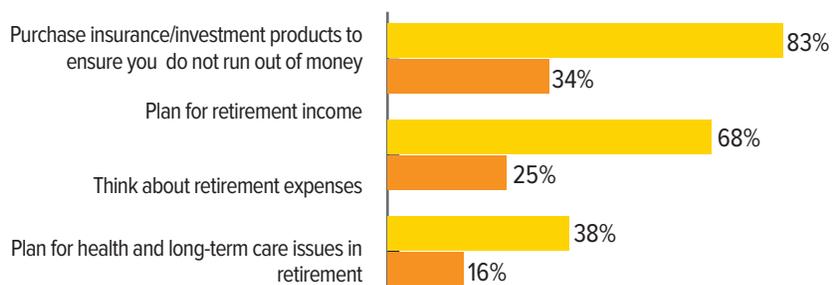
Responded “completely” or “to some extent”



More than two-thirds of the highest-scorers (**67% and above**) took certain key retirement income planning steps at least 10 years before retirement, compared to less than two-in-ten of low-scorers (20%) who did the same. Highest-scorers also began planning for health and long-term care issues at least 10 years before retirement, at more than three times the rate that the lowest-scorers did.

Years prior to retirement for following financial activities

Responded “10+ years before retirement”



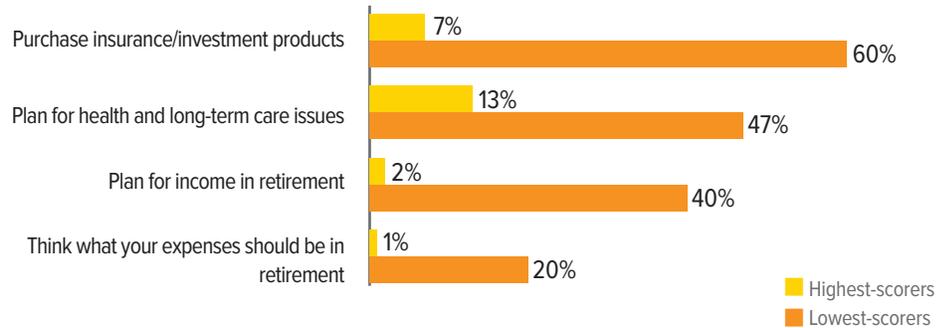
Role models: Retirees continued

A majority of the lowest-scoring Retirees were far more likely to say that they never completed essential retirement planning activities at all

When you first started to do the following financial activities

Responded “never did”

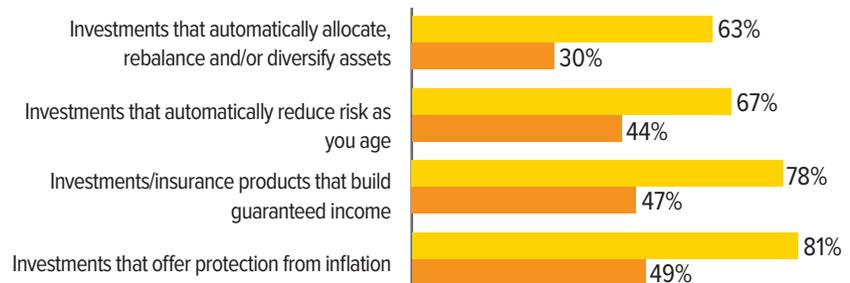
Four-in-ten (**40%**) never planned for income in retirement, while two-in-ten (**20%**) never thought about what their expenses would be in retirement.



Highest-scorers placed importance on having products that could help address their retirement needs and were more likely to include those products in their own retirement portfolio

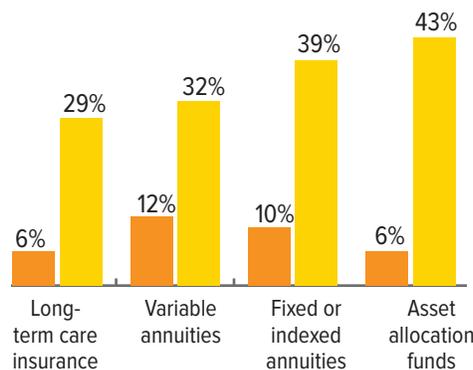
Importance of investment features

More than six-in-ten of the highest-scoring Retirees (**60%**) felt it was important to have investments that automatically rebalance and diversify, reduce risk, offer protection from inflation and guarantee income in retirement.



Investment ownership

Nearly **three-in-ten** or more of the highest-scoring Retirees reported owning a range of products that offer various benefits, including products such as long term care insurance to help manage future healthcare costs, annuities to provide the potential for guaranteed income and asset allocation funds to help reduce investment risk in retirement.



Role models: Retirees continued

Similar to their Working cohorts, key findings demonstrate role model behaviors, habits and characteristics that were most common among the highest-scoring Retirees and help depict a profile of readiness for others to learn from and pattern against.

Retire Ready Role Model RETIREE PROFILE	Voya Retire Ready Index™ Score HIGHEST SCORERS = 7.4
Retired because they wanted to.	81%
Were knowledgeable about what they needed to plan for a secure retirement.	100%
Started saving as early as they could when they were working.	75%
Took full advantage of financial advice and guidance at the workplace.	33%
Had a relationship with a financial professional.	81%
Used online retirement planning resources.	49%
Had more than \$150,000 in savings and investments.	83%
Had more than \$100,000 in life insurance coverage.	51%
Created a complete financial plan that incorporated their retirement goals.	68%
Had a specific strategy for the way their assets are invested.	78%
Had a lot of discussion with their spouse about their retirement lifestyle.	77%
Were happy with their financial security.	97%
Reported they will have the freedom to completely stop working in the next 5-10 years.	94%

Conclusion

Turning research into action

The *Voya Retire Ready Index* offers insights into how individuals and employers can help advance retirement readiness.

There are clear opportunities for individuals to improve their retirement readiness levels

Retirees could benefit from seeking professional advice and guidance on planning their retirement income; taking advantage of tools and resources available through their retirement plan provider; and exploring options to manage retirement savings in a manner that helps protect and preserve their ability to draw income from those assets.

Workers could benefit from calculating the monthly income they may need to live on in retirement; exploring ways to optimize their savings by increasing plan contributions as their salary increases; contributing enough to their workplace savings plan to earn the employer match (if available); taking advantage of 50+ catch-up contributions; working with a financial professional to create a formal written financial plan; and starting the planning process early enough to better manage how they can generate income through various sources, including Social Security.

Employers are essential to supporting greater retirement readiness.

Employers may want to consider the following to enhance their own benefits programs and support employees in their pursuit of living comfortably and securely in retirement:

- **Provide employees with more than just information and educational materials.** Many individuals who are better prepared for retirement take advantage of strategies and tools offered at the workplace to motivate them to actively save and plan. These resources – which include calculators, formal written planning and comprehensive budgeting tools – should be designed to make the process easy, automatic and more engaging.
- **Encourage employees to save a sufficient amount, and to understand retirement savings in terms of monthly income goals.** Individuals must understand the importance of saving as soon as they enter the workforce and they should treat it as a financial priority throughout their working lives so they have enough at retirement. Employers can further encourage employees to save by offering auto-enroll and auto-escalate features in their workplace retirement plans. Those who are best prepared are also taking the next step by considering what this means in terms of future monthly income needs and goals. Employer-sponsored resources that help translate account balances into retirement income streams can shift the paradigm and make the concept of income replacement more tangible.
- **Help employees recognize potential gaps that exist between what they perceive and what may be their true retirement experience.** An individual's financial confidence may not always line up with their reality. A person often needs to be reminded where he or she stands in terms of meeting their retirement savings goals. They not only require the tools, but also the guideposts to help know when and how to make important planning decisions.
- **Motivate employees to take a more active role in investing and managing their retirement assets, which can lead to improved retirement readiness.** Reviewing and rebalancing investment portfolios at least twice per year and making sure assets are well diversified are important steps taken by those who are more retirement ready.
- **Offer financial planning and advisory services in the workplace so employees can be better prepared for retirement.** As the *Voya Retire Ready Index* demonstrates, engaging in financial planning activity can be a critical component to greater readiness. Employers that offer access to advice and guidance from credentialed professionals and which make these services easy to use can help advance the health of the plan – and the financial well-being of their employees.

As an industry leader and advocate for greater retirement readiness, Voya is committed to delivering on its vision to be America's Retirement Company™ and its mission to make a secure financial future possible — one person, one family, one institution at a time.



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