

Restoring Confidence: Saving the Future of Retirement

EBRI May 2009 policy forum:
Decumulation/Retirement Income in Defined
Contribution Plans

May 7, 2009
Washington, DC

Panic, Passivity or Paralysis?

NEWS

Local investors fret over 401(k) losses

Woe is my 401(k) - retirement losses put at \$2 trillion

401(k) losses? Get your money back

Don't let the market meltdown derail your future. Follow our six-step guide to rebuilding your 401(k).

Help for mounting 401(k) losses

If you're freaking out about your retirement losses, you might need a more transparent strategy.

Barclays Global Investors Boston Research Group

“401(k) Participant Attitudes, Behavior, and Intentions”

Study:

BGI sponsored a study with Boston Research Group to better understand participant perceptions and attitudes about the current economic conditions and retirement.

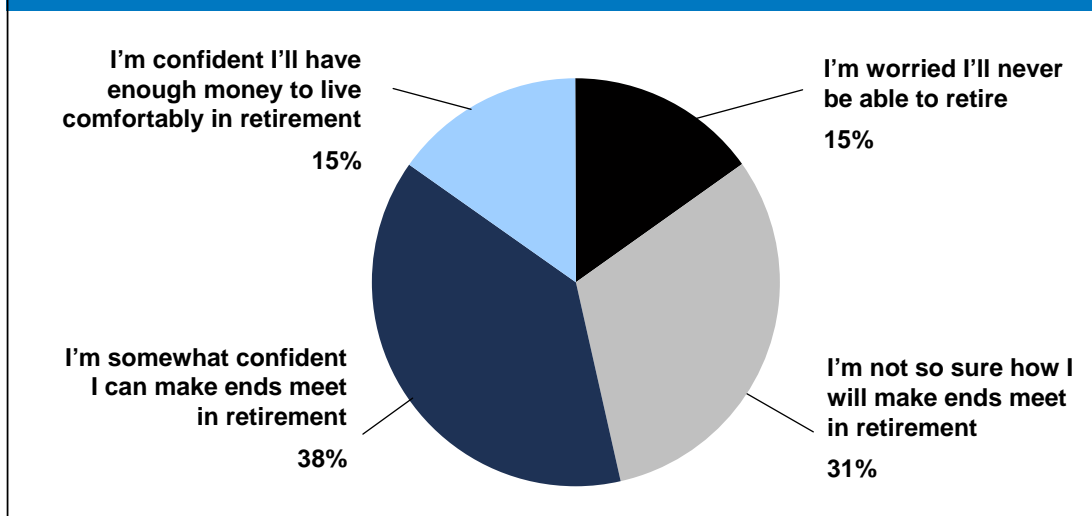
Methodology:

The data for this study were collected through a 10 minute internet panel of verified 401(k) participants who are actively contributing to their plan. A total of 1,000 participants were interviewed in March 2009. A sample of 1,000 observations has a maximum sampling error of +/-3 percentage points at a 95% confidence level.

Low and Declining Retirement Confidence

Participants' **confidence** that they will have accumulated enough money to retire comfortably **is low**

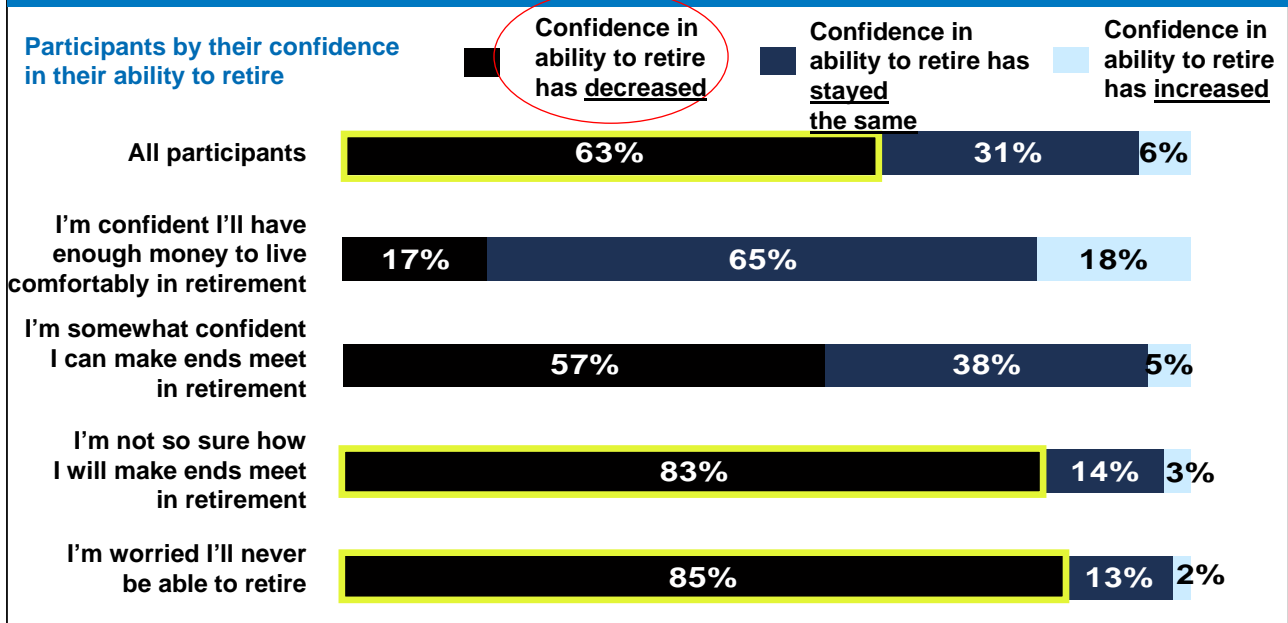
Taking into account all of your household's retirement assets, including your 401(k) account balances, how confident are you that you will have enough money to retire at the age you now plan to retire?



Low and Declining Retirement Confidence

Confidence is eroding as two-thirds (63%) say their confidence in reaching their retirement goals has declined in the past 12 months

And, compared to a year ago, would you say your confidence that you will have enough money to retire has...

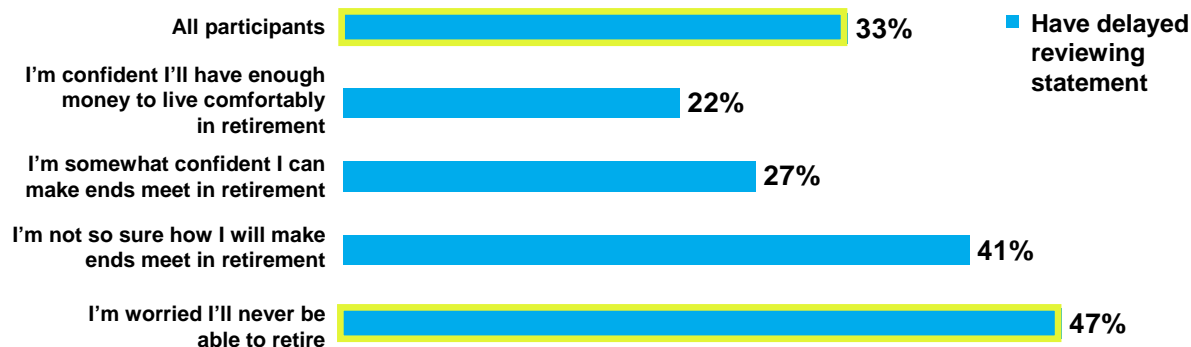


Impacts of Declining Retirement Confidence

Decline in retirement confidence has troubling behavioral impacts: one-in-three (33%) 401(k) participants say they are **delaying looking at their statement as a result of the economic turmoil**

Have you delayed reviewing your statement because you are afraid to see how your balances have changed during these turbulent times?

Participants by their confidence in their ability to retire...



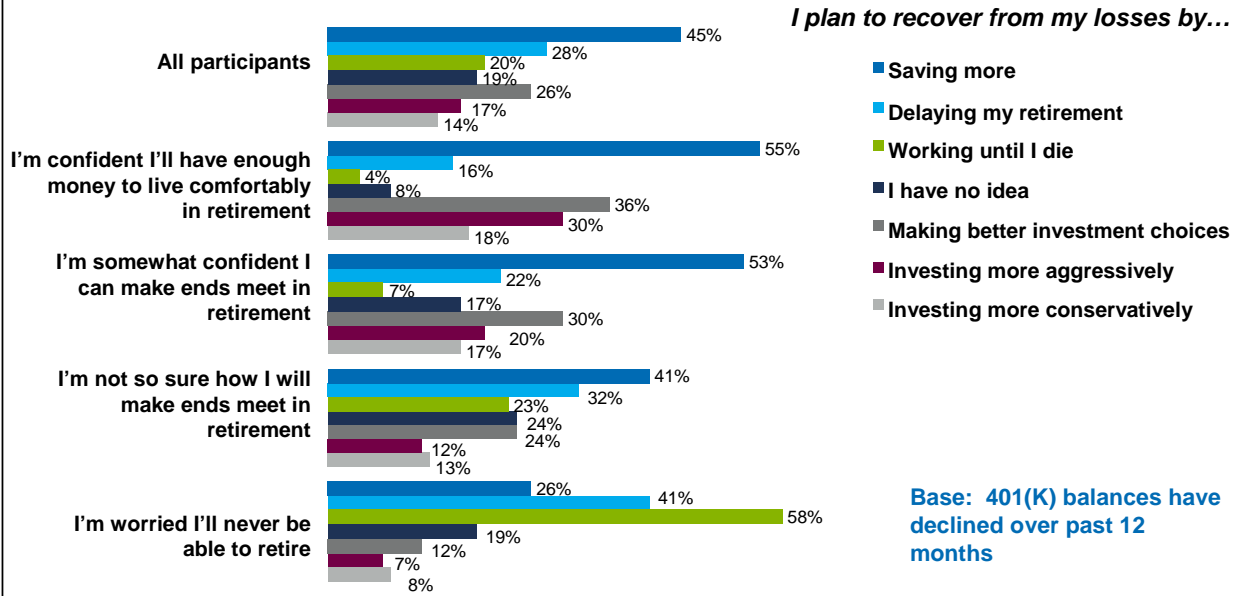
The troubling impact? Participants are shutting down. Paper-based or web-based participant statements are the most effective and widespread channel of communicating and educating participants. We know behaviorally that **lack of communication tends to significantly raise fear.**

Impacts of Declining Retirement Confidence

Among those who lost assets and are worried they might never be able to retire, four in ten (41%) **plan to delay their retirement**, 58% **plan to work until they die**, and one in five (19%) has **no idea how to recover their losses**

How do you expect to recover from your losses?

Participants by their confidence in their ability to retire...

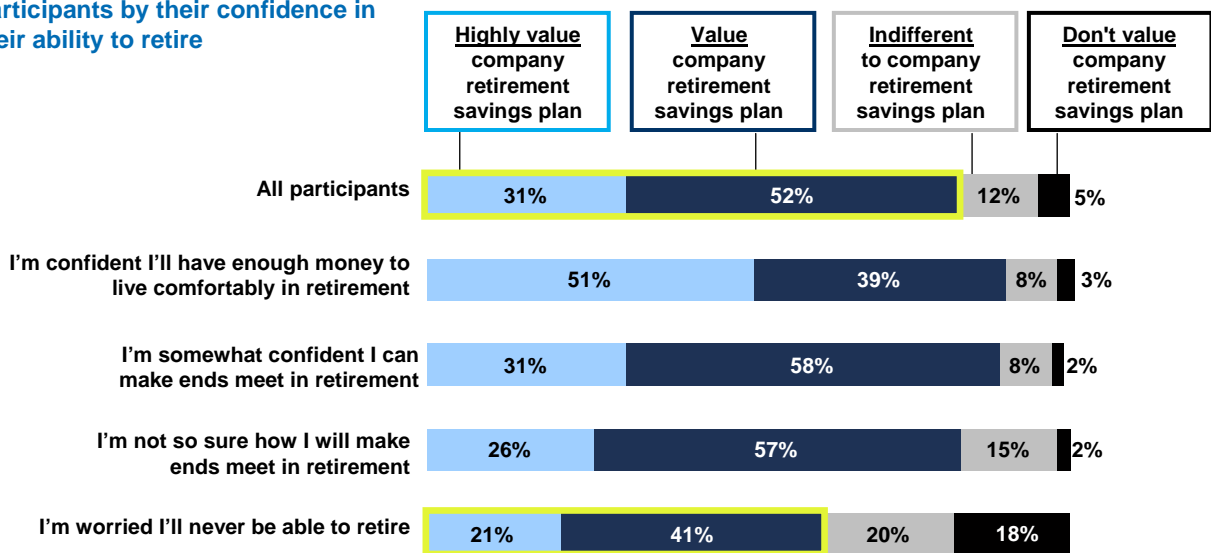


Impacts of Declining Retirement Confidence

Loss of retirement confidence also appears to affect the perceived value of the 401(k) plan as an employee benefit

How do you feel about your retirement savings plan as an employee benefit?

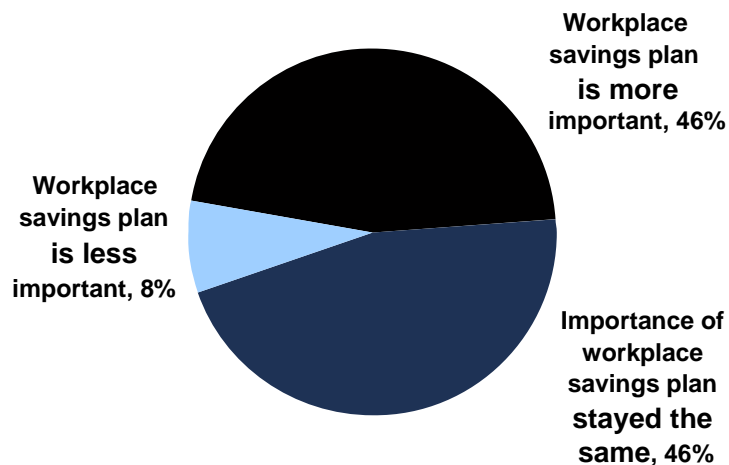
Participants by their confidence in their ability to retire



Impacts of Declining Retirement Confidence

This does not imply in any way that 401(k) participants do not want this employee benefit

Considering the recent financial turmoil, has the importance of your workplace retirement savings plan become...



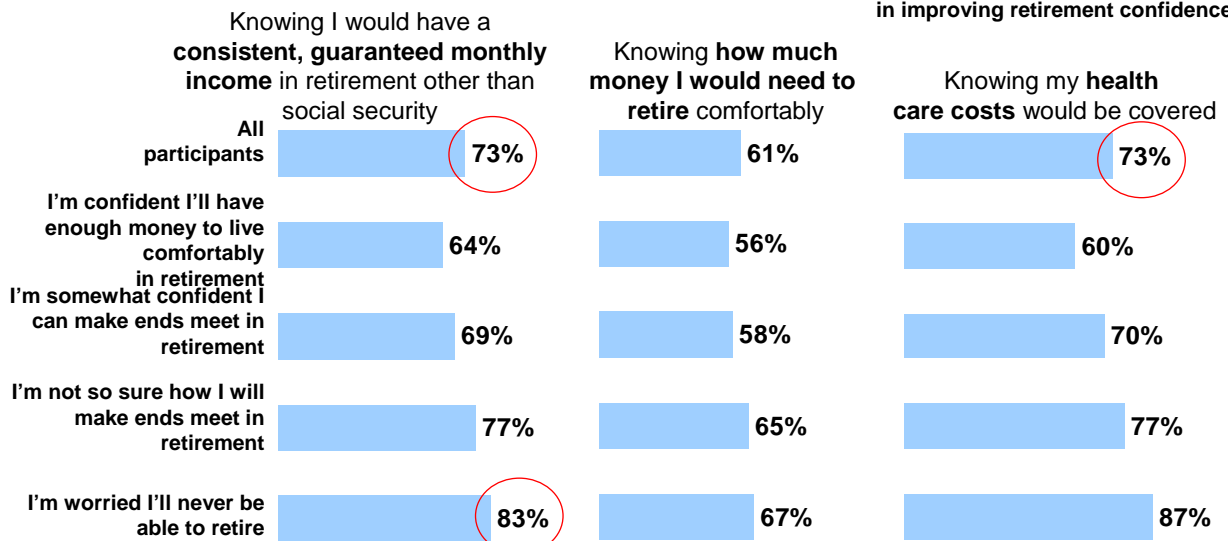
The Best Ways to Restore Retirement Confidence

The most important ways to **improve their confidence** in being able to retire is knowing they had a **guaranteed monthly income** in retirement; **equal** to the importance of knowing **healthcare costs** would be covered

How important would each of the following be in improving your retirement confidence?

Participants by their confidence in their ability to retire

■ Feel it would be very important in improving retirement confidence

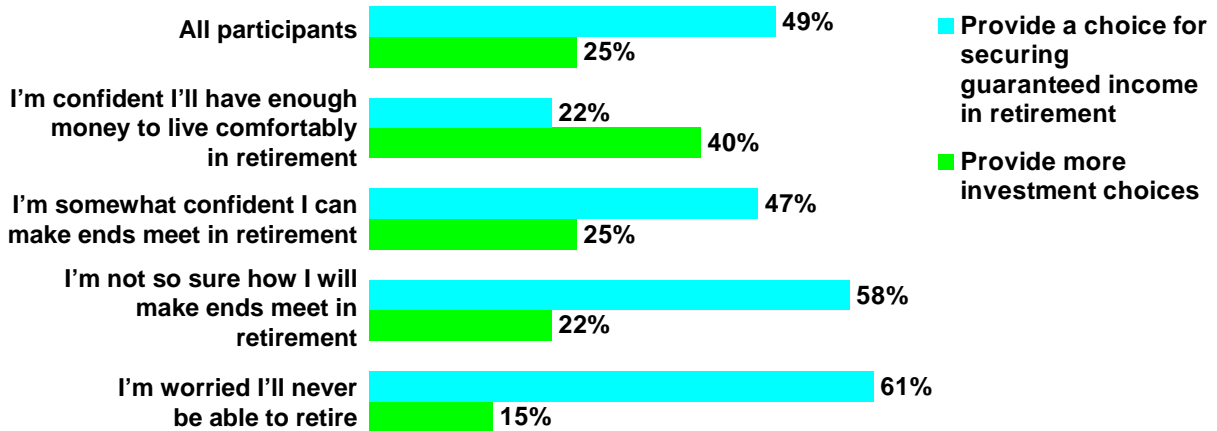


The Best Ways to Restore Retirement Confidence

“Providing a choice to secure income in retirement” leads the list of the single most important step employers could do to improve the quality of the plan

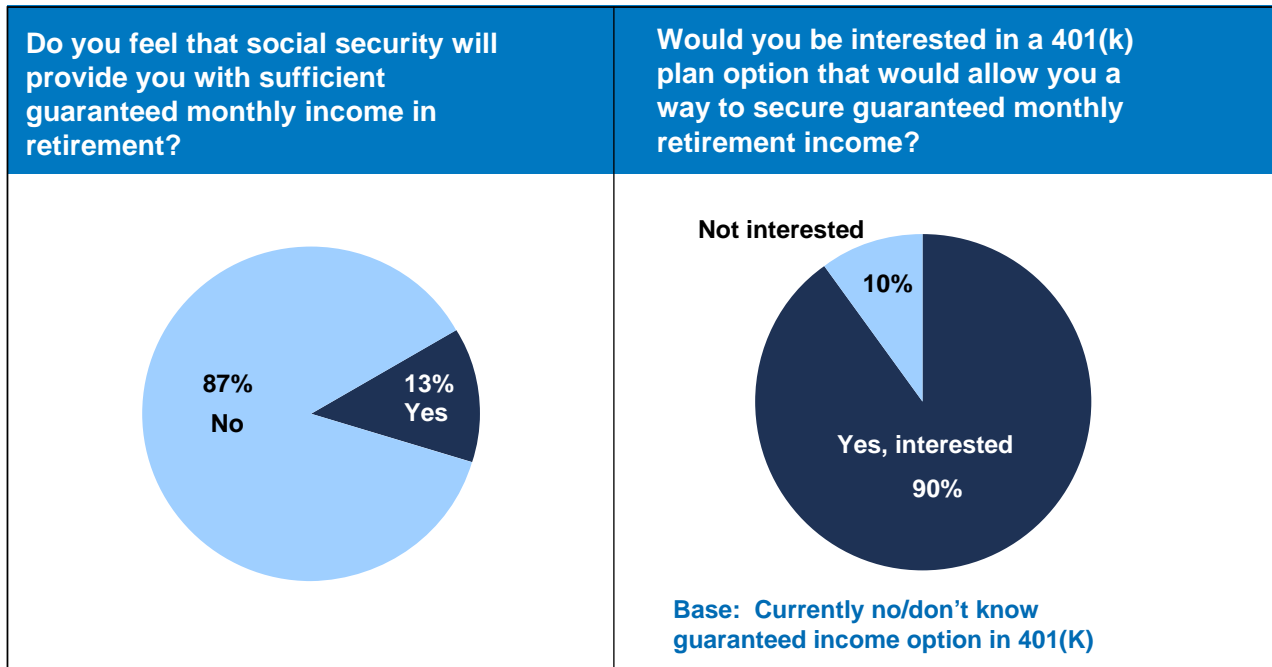
If you could change one thing about your 401k plan, what would it be?

The one thing I would change about my 401(k) plan is...



The Best Ways to Restore Retirement Confidence

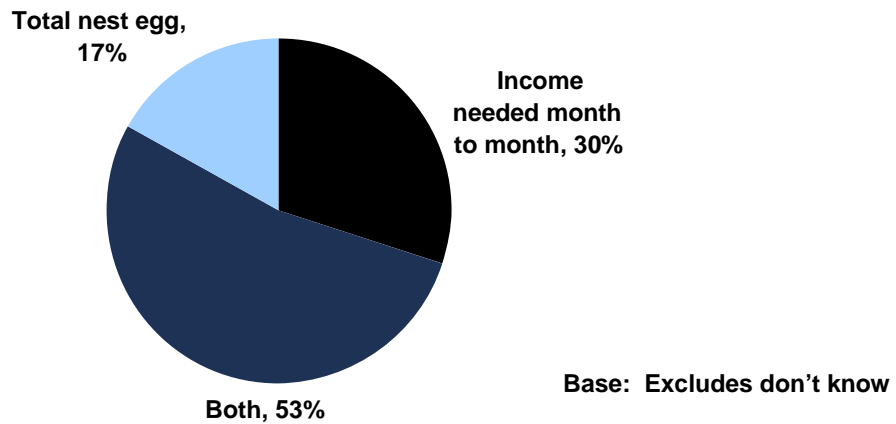
Nine in ten participants said they would be **interested** in seeing a **retirement income** option added to their plan



The Best Ways to Restore Retirement Confidence

401(k) participants are behaviorally predisposed to think in terms of **“required monthly income in retirement” as a goal**

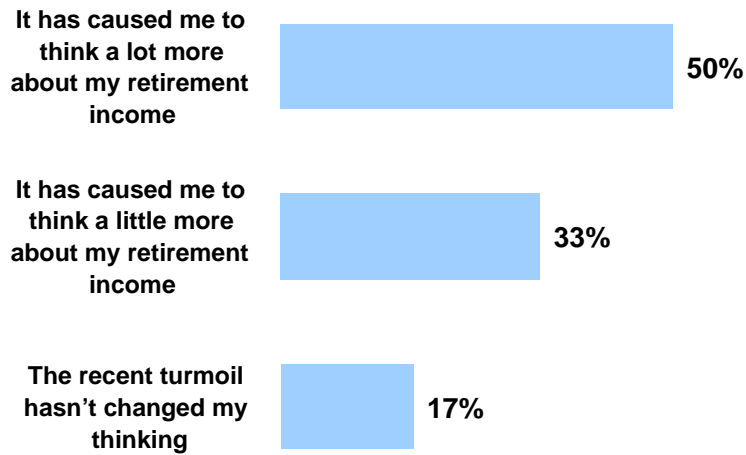
When you think about your retirement savings goals, do you tend to think in terms of a total nest egg or lump sum you must accumulate, or do you think in terms of how much money you will need to live from month to month?



The Best Ways to Restore Retirement Confidence

The economic crisis appears to have influenced participants to **think about retirement goals** in terms of “**month-to-month retirement income**”

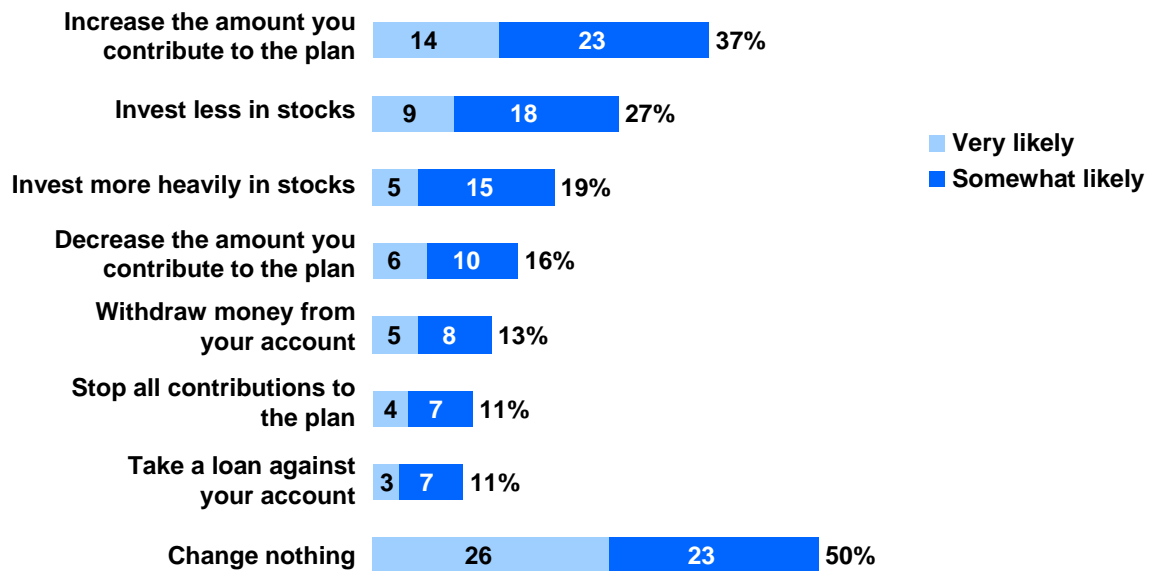
How has the recent financial turmoil influenced your thoughts about retirement income?



Participants' Intentions

The economic crisis will generate some behavioral changes, but not all are bad

Over the next 12 months, how likely is it that you will....?



Disclosure

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