

FRTIB Financial Wellness & Retirement Readiness Survey 2020

Presented By

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Thrift Savings Plan

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Agenda



Survey Overview



Financial Wellbeing



Retirement Confidence



Retirement Planning



Emergency Savings



Effects of Money Management Practices and Financial Advice



TSP Offerings



Recommendations



Appendix



Financial Wellness Survey Overview

Purpose of Survey:

To collect participant perceptions of financial wellness and retirement readiness, and how the TSP might better support them in reaching their retirement goals.

Financial Wellness Survey Overview

Focus of survey

Financial wellness
& retirement readiness

Fielding dates of survey

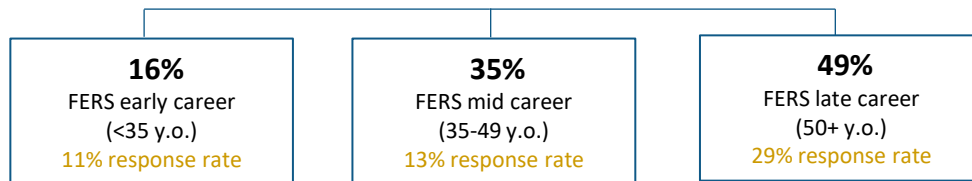
Sep 24 – Nov 15, 2020

Participant group surveyed

FERS

Overall response rate

21%



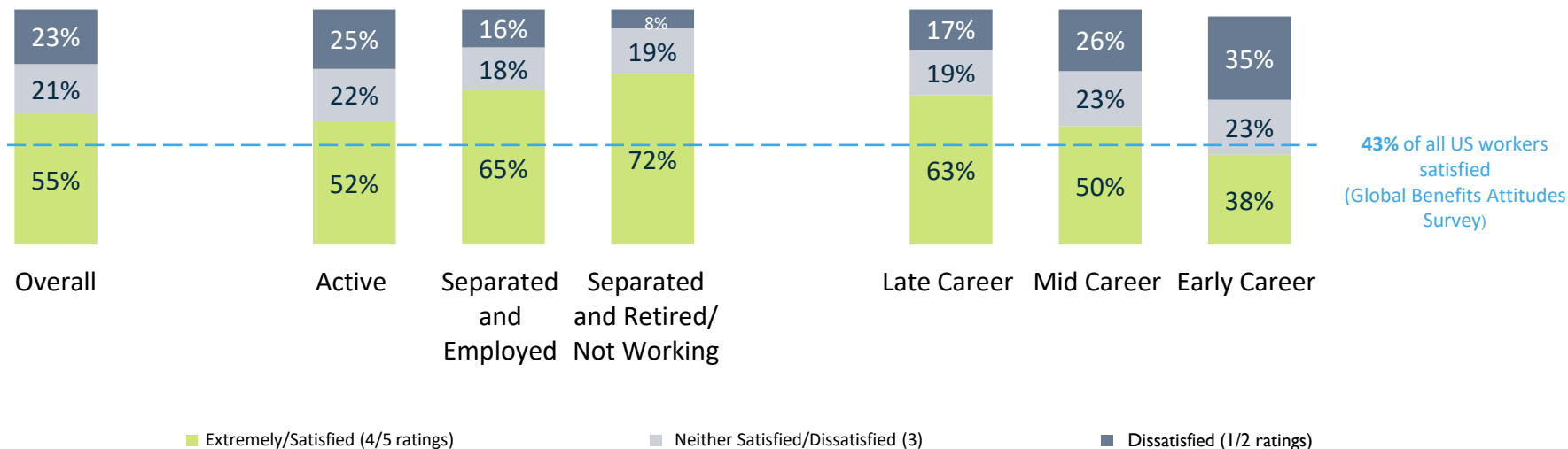
Key Takeaways

- First survey specifically focused on financial and retirement wellness
- Surveyed FERS participants across three career/age stages



Perceptions of Financial Wellbeing

Overall, thinking of your household's assets, debts, and savings, are you satisfied or dissatisfied with your current financial condition?



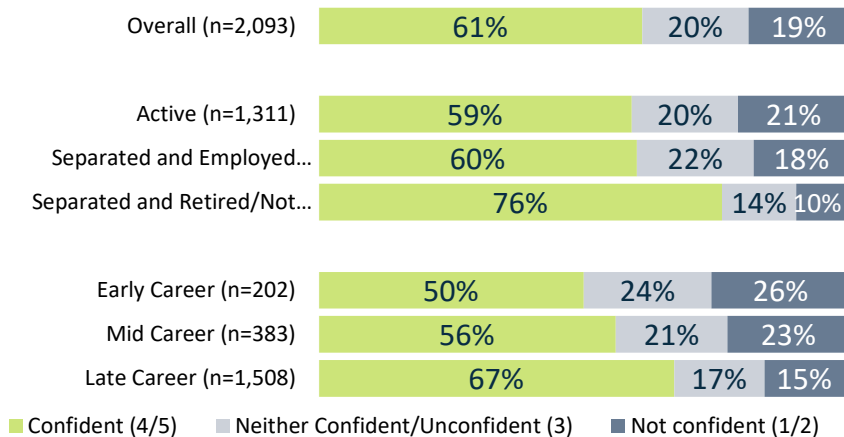
Key Takeaways

- Just over half of participants are satisfied with current financial condition.
- Separated participants generally report higher levels of wellbeing.
- Satisfaction with financial condition increases with career stage and income.
- FERS participant satisfaction compares favorably to a survey of all US workers, in which 43% were satisfied.

NOTE: Data may not total 100% due to don't know and rounding. Percentages not shown <5%.

Retirement Confidence

How confident are you that you are on track to save/have saved enough income to support a comfortable lifestyle throughout your retirement?



What are the primary reasons you are not confident that you are on track?

Top Three Reasons:	Not confident saving enough	Have too much debt or living expenses	Concerned about outliving retirement savings
Total Not Confident (n=294)	71%	37%	33%
Early (n=35*)	79%	35%	26%
Mid (n=76)	69%	43%	34%
Late (n=183)	68%	33%	36%
Active (n=218)	70%	38%	33%
Separated and Employed (n=20*)	86%	46%	24%
Separated and Retired/Not Working (n=55)	64%	26%	44%



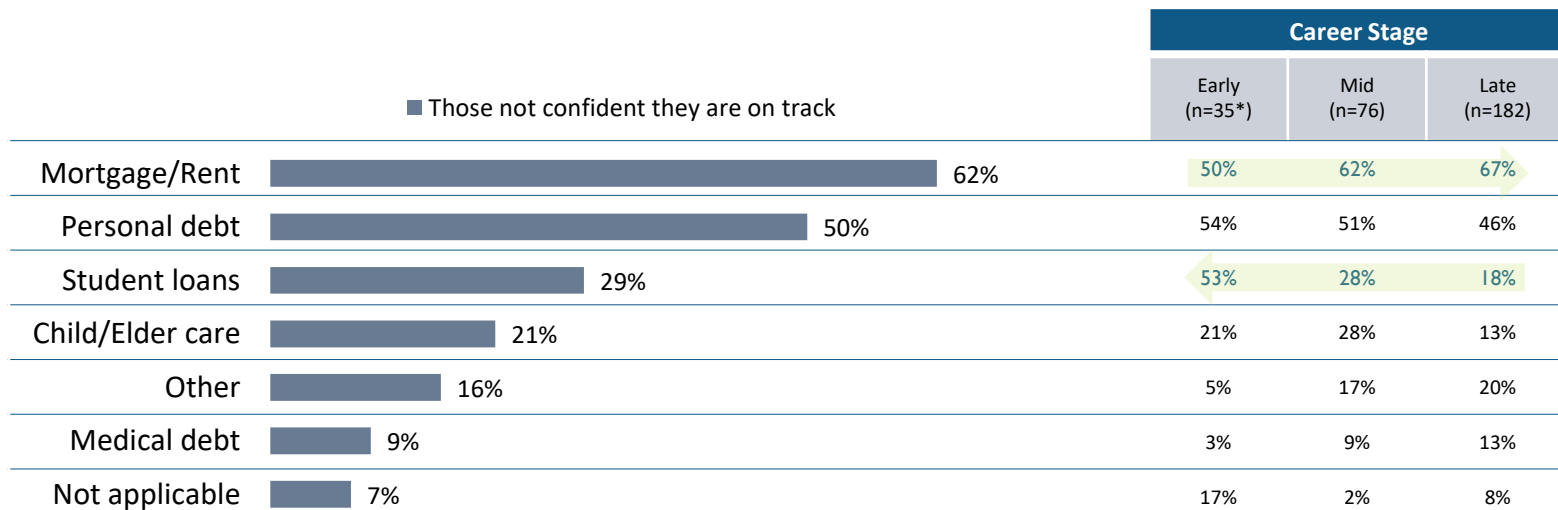
Key Takeaways

- 61% are confident they are on track, while the balance are not confident or unsure.
- Confidence was lower than the 69% of workers in EBRI's 2020 Retirement Confidence survey, but on par for our late careerists.

- Fully retired and late careerists are more confident.
- Of the 19% who are not confident, the top concerns were not saving enough, (71%), too much debt (37%) and outliving savings (33%).

Retirement Planning: Barriers to Saving

What kind of debts or living expenses affect(ed) your ability to save as much as you would like for retirement?



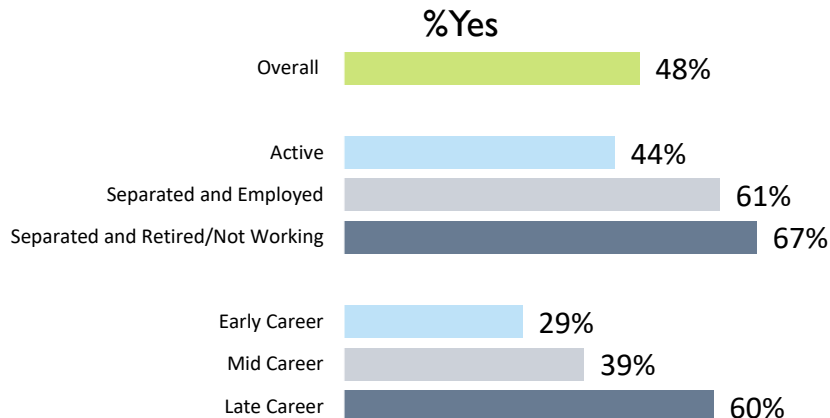
Key Takeaways

- Top three debt categories preventing participants from saving as much as they wanted — mortgage/rent, personal debt and student loans.
- Late careerists are more encumbered by housing costs; early careerists more encumbered by student loans that impede savings.

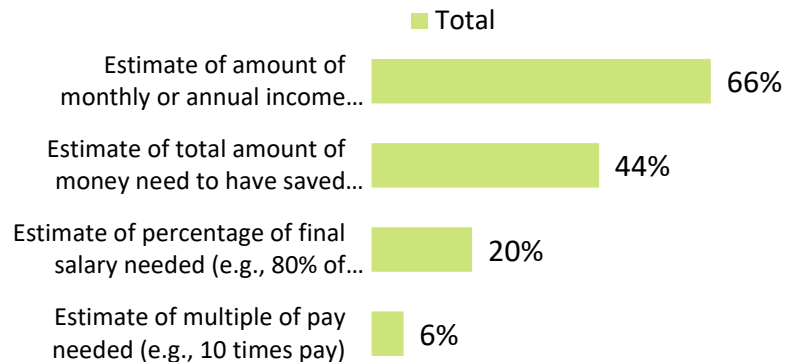


Retirement Planning: Amount Needed

Do you have an idea of how much money you need in retirement to retire comfortably?



How do you think about the amount of money you will need to retire comfortably?



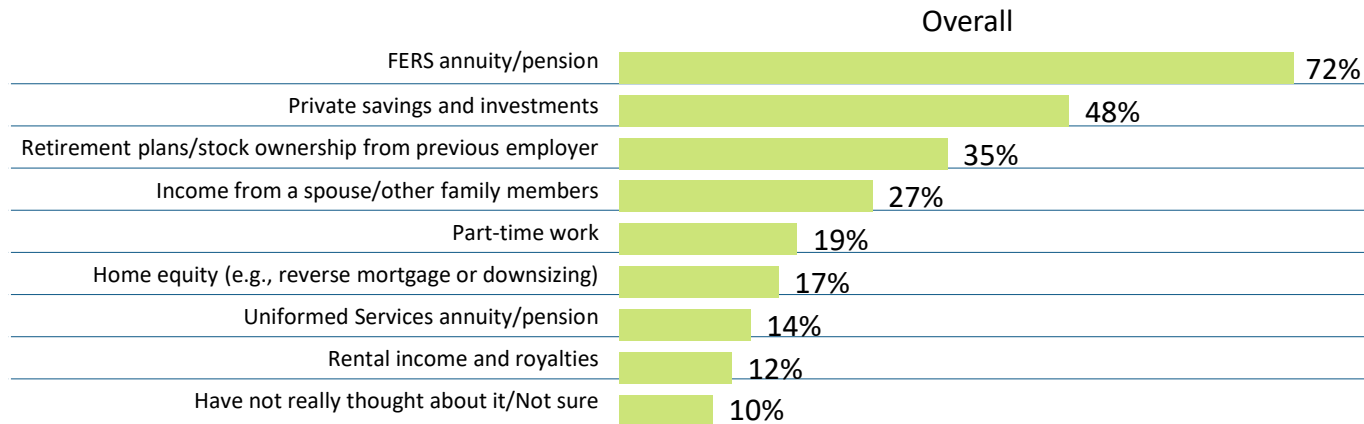
Key Takeaways

- About half of all participants (48%) feel they know how much they need for a comfortable retirement.
- 1/3rd (33%) of those in their retirement and 40% in late career don't have an idea of how much they need for a comfortable retirement.

- Most indicate they think about their retirement savings needs in terms of monthly or annual amounts.
- Active and younger participants are more likely to have a specific total amount in mind while retirees more likely to think in terms of income needs.

Retirement Planning: Income Sources

In addition to your TSP and Social Security, select the sources of income that you currently have or plan to have, during retirement (select all that apply)



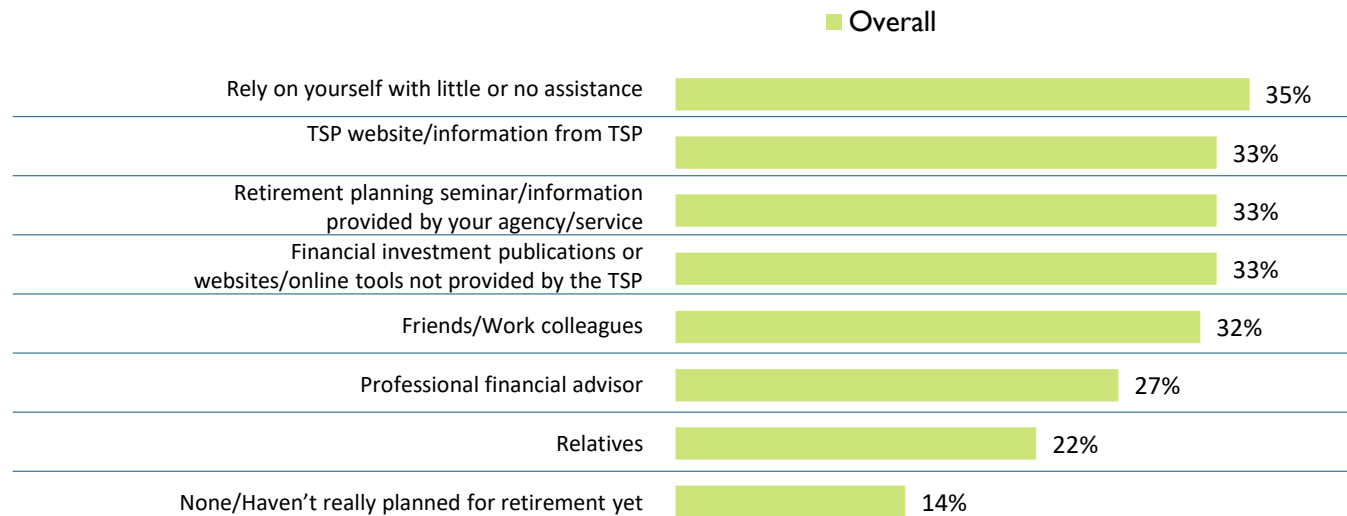
Key Takeaways

- Outside of TSP and SS, the FERS annuity is the top source of retirement income.
- About half (48%) report having private savings/investments to provide additional retirement income.
- 10% of all FERS participants (and 22% of early careerists) haven't thought about additional sources of retirement income.
- 87% of FERS participants have or plan to have retirement income from sources other than their primary government benefits



Retirement Planning: Income Sources

What are your top three sources of information for retirement planning guidance?



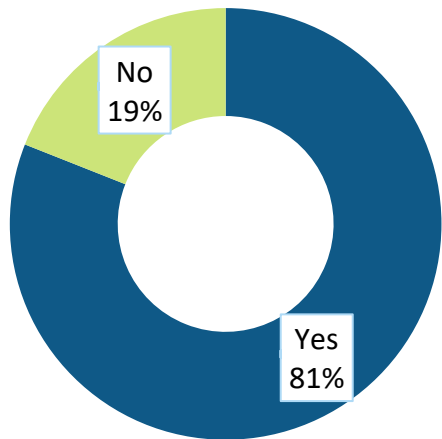
Key Takeaways

- Retirement planning sources outside the TSP about as common as information from TSP.
- While a third of all participants rely on themselves, late careerists rely more on retirement information from agency.
- 27% use financial advisors, increasing slightly with career tenure.
- While 14% overall haven't planned for retirement, nearly 1/3rd (31%) of early careerists have yet to plan for retirement

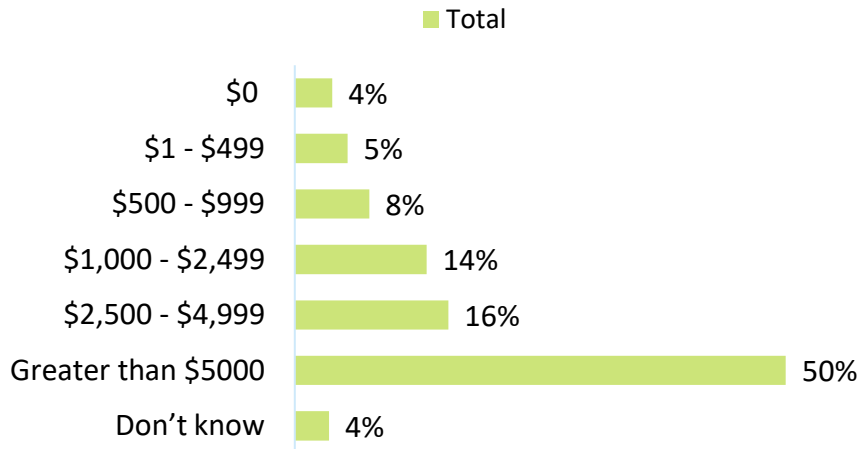


Emergency Savings

Do you have savings or a fund set aside for emergencies?



About how much of an unexpected one-time expense could you handle without taking out a loan, using a credit card, or otherwise borrowing money to pay for it?



Key Takeaways

- Large majority (81%) of participants report having an emergency fund.
- Those with an emergency fund are twice as likely to be at least somewhat confident in their retirement savings (67% vs. 32%).
- Half report being able to handle a \$5,000 unexpected expense, 80% could handle \$1,000 expense.

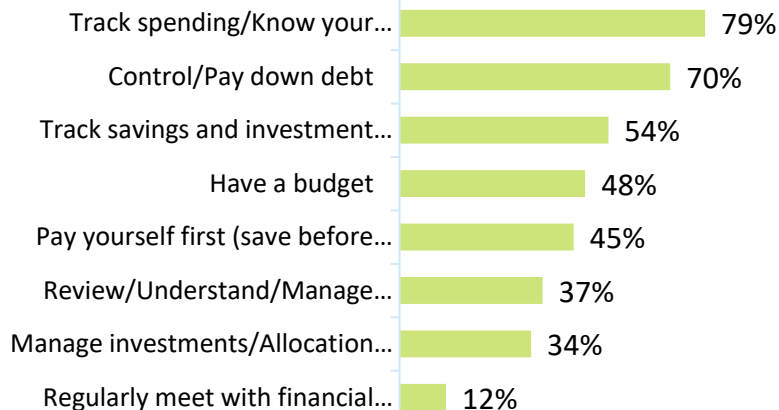


Thrift Savings Plan

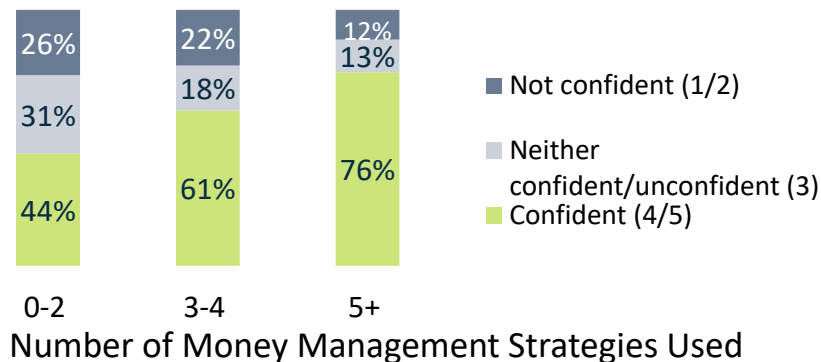
NOTE: Data may not total 100% due to don't know and rounding. Percentages not shown <5%.

Effects of Money Management Practices

Which, if any, of the following money management practices do you use?



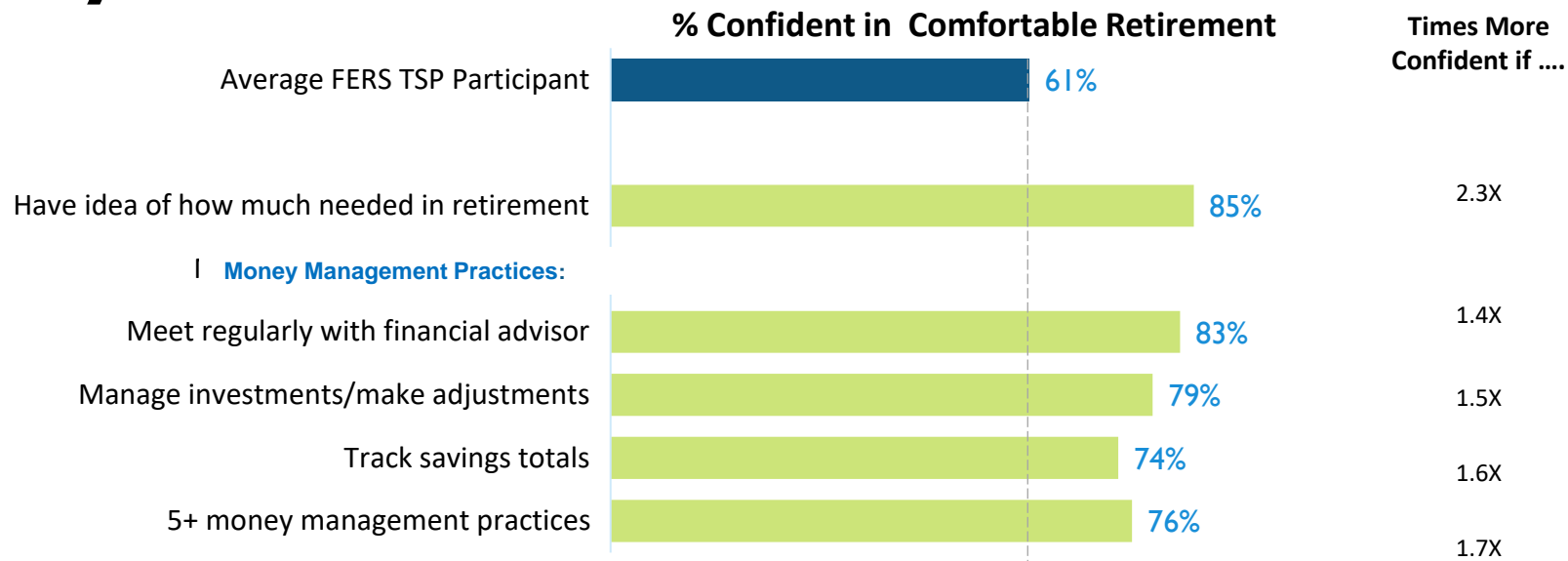
How confident are you that you are on track to/have saved enough income to support a comfortable lifestyle throughout your retirement?



Key Takeaways

- Nearly all (99%) follow at least one money management practice.
- 12% meet regularly and half have met at least once with a professional financial advisor, including 58% of late careerists.
- The more money management practices used, the more likely to be confident in a comfortable retirement.

Key Drivers of Confidence

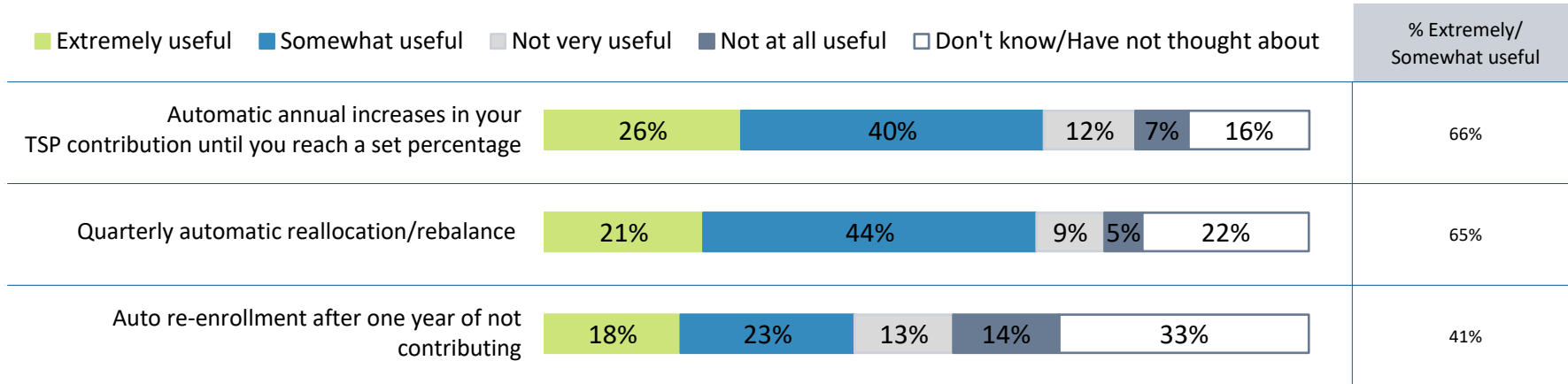


Key Takeaways

- Participants who have an idea of how much they need are 2.3 times more confident than those who don't.
- The top three practices driving confidence are: tracking savings, managing investments and meeting with financial advisor.
- Those who meet regularly with a financial advisor and manage investments are at least 1.4 times more confident.
- Continue to encourage participants to set a retirement savings goal and be engaged in managing finances and retirement planning.

TSP Offerings: Usefulness of Automatic Savings Features

How useful would the following additional automatic plan features be in assisting you achieve your TSP savings goal?



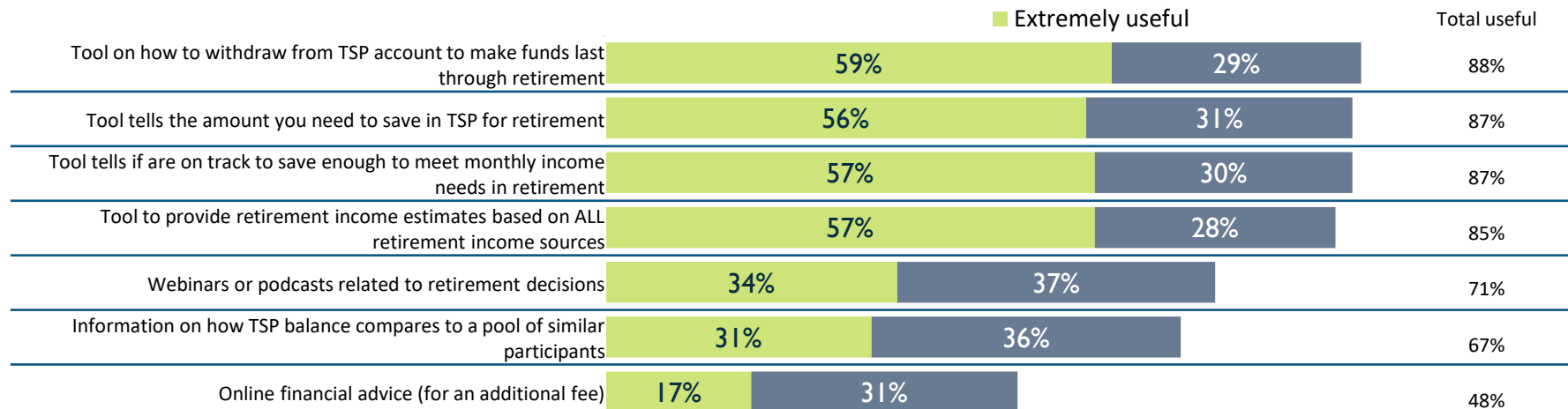
Key Takeaways

- Majority think automatic contribution increases and rebalancing would be useful features.
- Fewer think auto re-enrollment would be useful
- Few differences by career stage or retirement status.



TSP Offerings: Usefulness in Retirement-Related Decisions

How useful would each of the following be in helping you make retirement-related decisions?



Key Takeaways

- Participants think enhanced withdrawal and savings calculators will be most useful for them.
- Less than half think online financial advice would be useful.
- Top write-in requests included more retirement planning information, personalized retirement advice and more sophisticated planning calculators.

Key Findings & Recommendations



Key Findings

Overall, 40% of participants feel they are not on track to have enough in retirement. Early careerists are least confident and least clear on the amount they need and fear that they are not saving enough.



- Further develop tools and calculators which help participants envision and estimate retirement needs, define appropriate savings goals and strategies, and gauge their progress toward meeting goals.

1/3 of retired participants and over 60% of mid-careerists say they don't know how much money they need to live in retirement.



- Investigate the possibility of additional education about the benefits of saving for the unexpected.

About 20% of participants have little or no emergency savings. From experience (government shutdowns /Covid) we know participants access TSP savings in during times of financial distress.



Key Findings & Recommendations



Key Findings

87% of participants have, or plan to have, retirement income in addition to their FERS/US annuity, TSP, & Social Security and 85% of participants indicate a tool that accounts for ALL sources of retirement income would be useful.



Recommendations

- Explore the development of planning tools which incorporate all sources of retirement income.

Key drivers of participant confidence for retirement are having an idea of retirement savings needed and using multiple money management practices.



- Continue to encourage participants to set retirement savings goals and use a combination of money management best practices to track retirement savings and assess financial wellness.



Key Findings & Recommendations



Key Findings

Participants indicate personalized retirement savings & distribution calculators will be useful in making retirement-related decisions.



Recommendations

- Review calculators to ensure they are flexible enough to deal with a wide range of participant needs.

Majority of participants have indicated automatic contribution increases and rebalancing would be useful features.



- After Record Keeper procurement, consider implementing features that allow automatic contribution escalation & automatic rebalance options.

2/3 of participants generally think about retirement income as a monthly or annual amount, as opposed to total balance amount or percent of final income.



- Review communication materials to ensure we are providing this information consistently across all platforms.



Questions?

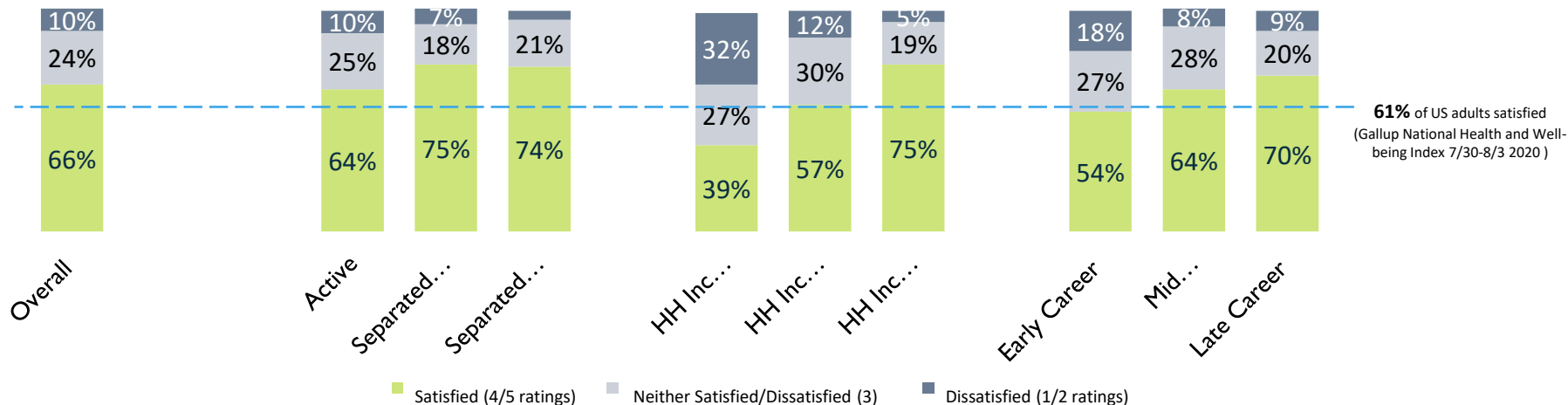


Appendix



Perceptions of Financial Wellbeing

Compared to the people I spend time with, I am satisfied with my standard of living.

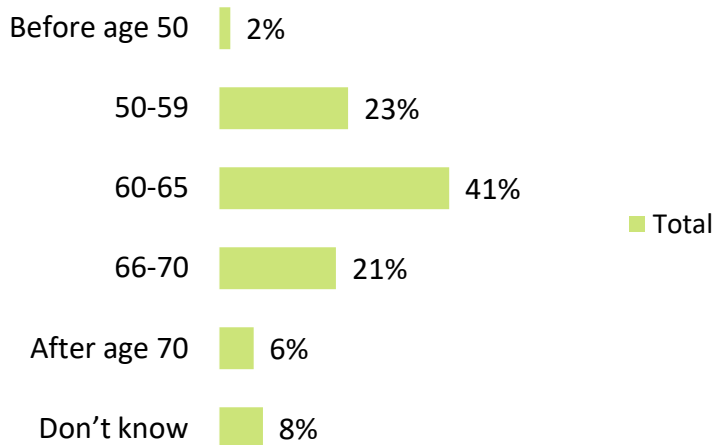


Key Takeaways

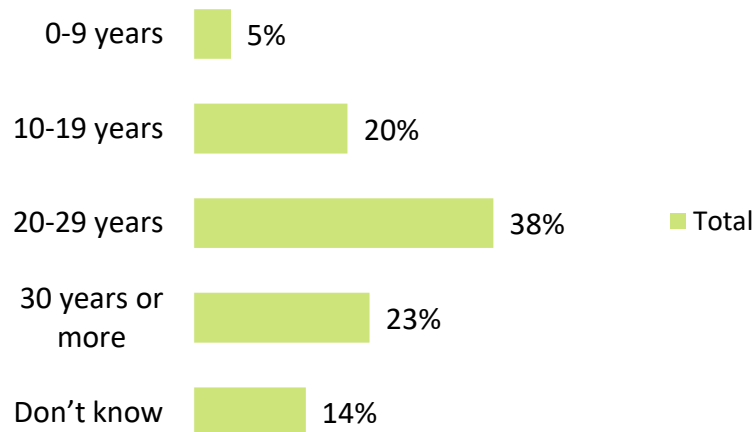
- 2/3rds of participants are satisfied with their relative standard of living.
- Separated (retired and working) participants generally report higher satisfaction with relative standard of living.
- Satisfaction increases with age and household income.
- FERS participant results similar to Gallup's 2020 survey of US adults

Retirement Planning: Retirement Age/Planning Horizon

At what age do you plan to, or did you, retire from full-time employment?



How many years do you think you will need your TSP to last in retirement?



Key Takeaways

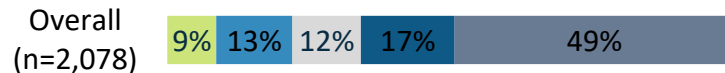
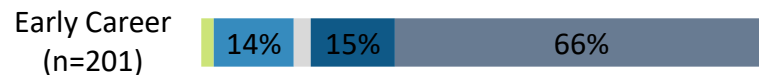
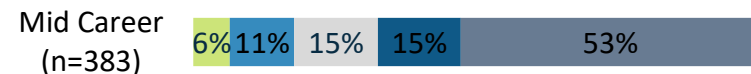
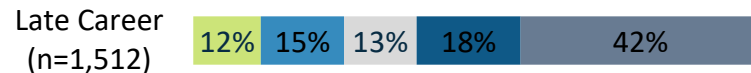
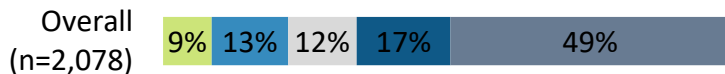
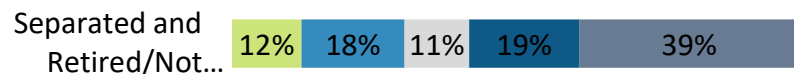
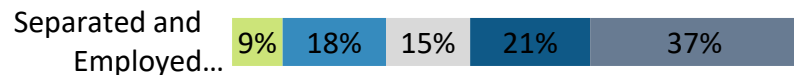
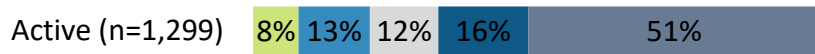
- Bulk (41%) of participants plan to retire between 60-65.
- Active participants planning to retire at similar ages of current retirees.

- 61% think they need TSP to last 20+ years
- 1/3rd of early career participants think they will need their TSP to last 30+ years
- 14% of participants don't know how long they expect to need their TSP to last in retirement.



Effects of Money Management Practices and Financial Advice

How often, if ever, do you receive retirement planning advice from a professional financial and/or retirement planning advisor?



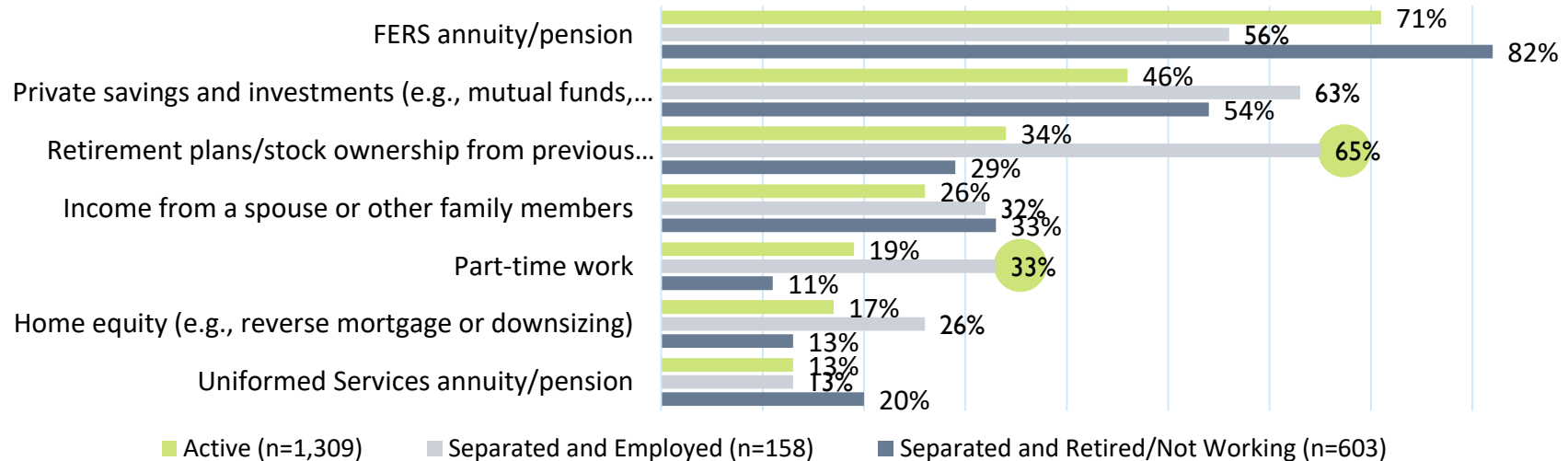
■ Regularly, at least a few times a year ■ About once a year ■ Once every few years ■ Met with one once ■ Have never met with a professional financial advisor

Key Takeaways

- Nearly all (99%) follow at least one money management practice, with tracking of spending and paying down debt the most used. Those who follow multiple money management practices are more likely to be confident.
- Those who meet with financial advisors are nearly twice as confident that they are on track for retirement.

Retirement Planning: Sources

In addition to your TSP and Social Security, select the sources of income that you currently have or plan to have, during retirement.
(select all that apply)

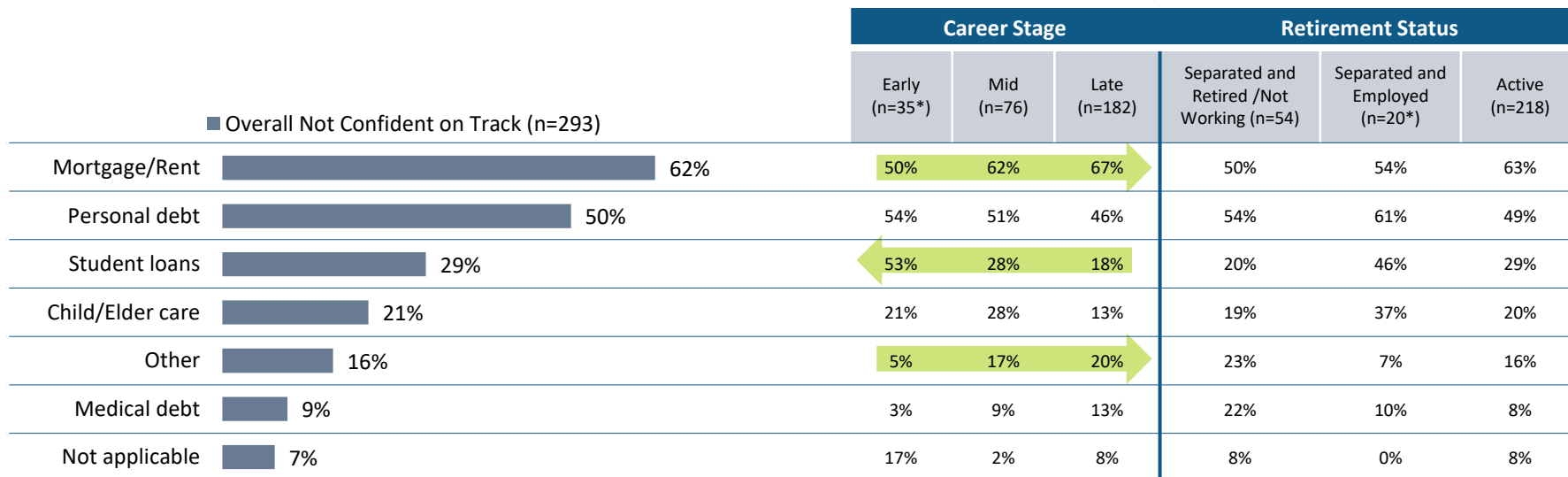


Key Takeaways

- Separated but not retired participants are twice as likely to rely on the retirement plan from an outside employer and part-time work.

Retirement Planning: Barriers to Saving

What kind of debts or living expenses affect(ed) your ability to save as much as you would like for retirement?



Key Takeaways

- Top three debt categories preventing participants from saving as much as they wanted — mortgage/rent, personal debt and student loans.
- Late careerists are more encumbered by housing costs; early careerists more encumbered by student loans that impede savings.



Source of Retirement Planning Information

What are your top three sources of information for retirement planning guidance?

		Career Stage			Retirement Status		
		Early (n=203)	Mid (n=383)	Late (n=1,508)	Separated and Retired/Not Working (n=601)	Separated and Employed (n=158)	Active (n=1,312)
	■ (n=2,0...						
Rely on yourself with little or no assistance	35%	34%	33%	37%	46%	49%	33%
TSP website/information from TSP	33%	32%	32%	35%	39%	27%	33%
Retirement planning seminar/information provided by your agency/service	33%	20%	31%	39%	37%	26%	33%
Financial investment publications or websites/online tools not provided by the TSP	33%	33%	29%	35%	32%	38%	32%
Friends/Work colleagues	32%	49%	32%	26%	19%	22%	34%
Professional financial advisor	27%	19%	27%	30%	31%	33%	26%
Relatives	22%	35%	26%	15%	16%	20%	22%
None/Haven't really planned for retirement yet	14%	31%	15%	9%	2%	5%	17%



Key Takeaways

- Nearly half of separated say they rely on themselves with little assistance.
- Late careerists rely more on retirement information from agency/service.
- Early careerists more likely to rely on friends/relatives, while nearly 1/3rd haven't planned on their retirement (31%).
- Just 27% use financial advisors, increasing slightly with career tenure.



Thrift Savings Plan

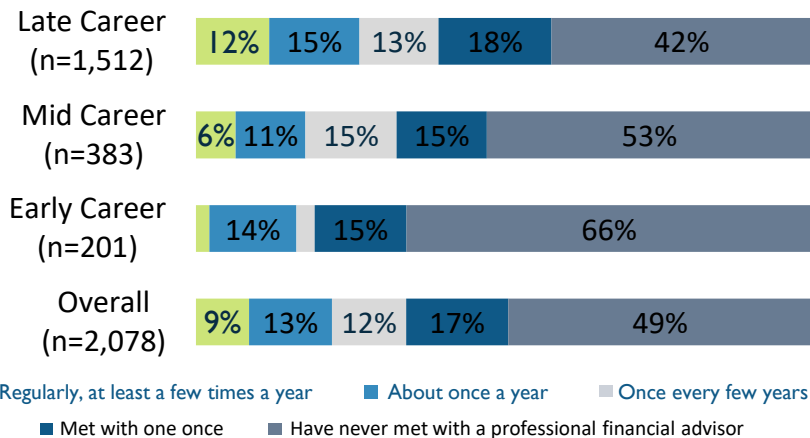
NOTE: Shading indicates statistically higher response

Effects of Money Management Practices and Financial Advice

Which, if any, of the following money management practices do you use?

	Overall (n=2,094)	Separated and Retired/Not Working (n=601)	Separated and Employed (n=158)	Active (n=1,299)
Track spending/ Knowing your expenses	79%	83%	78%	78%
Control/Pay down debt	70%	59%	69%	72%
Track savings and investment totals	54%	61%	65%	52%
Have a budget	48%	50%	45%	48%
Pay yourself first (put money into savings before discretionary spending)	45%	30%	48%	47%
Review/Understand/ Manage credit report	37%	27%	38%	39%
Manage investments/Make allocations	34%	36%	51%	32%
Regularly meet with a financial advisor	12%	15%	14%	12%

How often, if ever, do you receive retirement planning advice from a professional financial and/or retirement planning advisor?



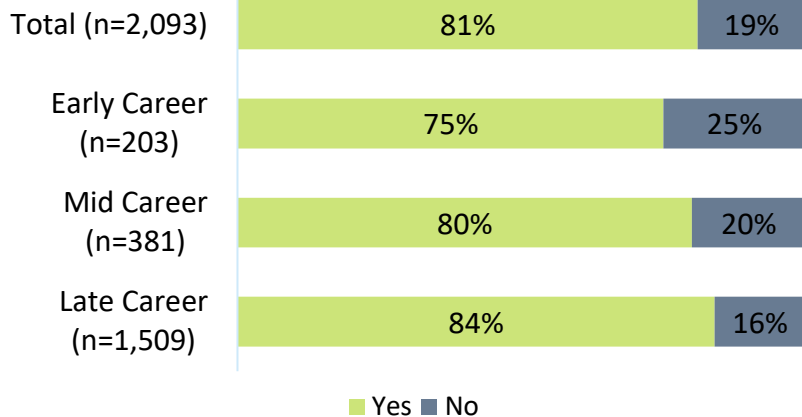
- Key Takeaways**
- Nearly all (99%) follow at least one money management practice — with tracking of spending and paying down debt the most used.
 - 28% practice 0-2, while 1/3rd use 5 or more.

- Early careerists are about as likely to use multiple money management practices as late careerists.
- Half have met at least once with a professional financial advisor, including 58% of late careerists.

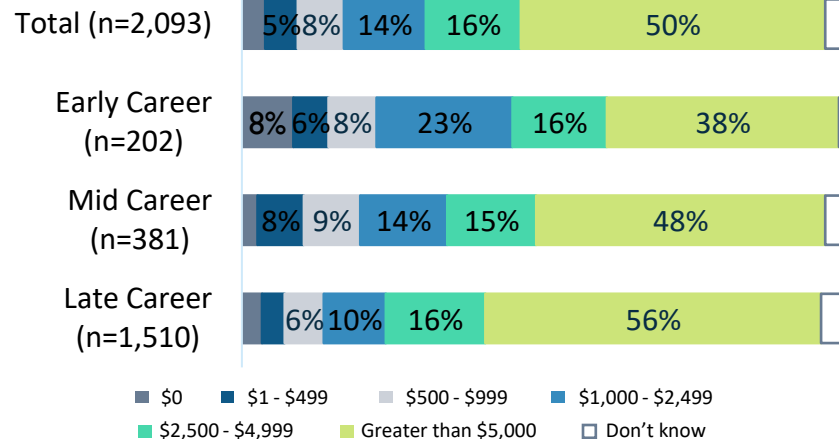
NOTE: Data may not total 100% due to don't know and rounding. Percentages not shown <5%.

Emergency Savings

Do you have savings or a fund set aside for emergencies?



About how much of an unexpected one-time expense could you handle without taking out a loan, using a credit card, or otherwise borrowing money to pay for it?

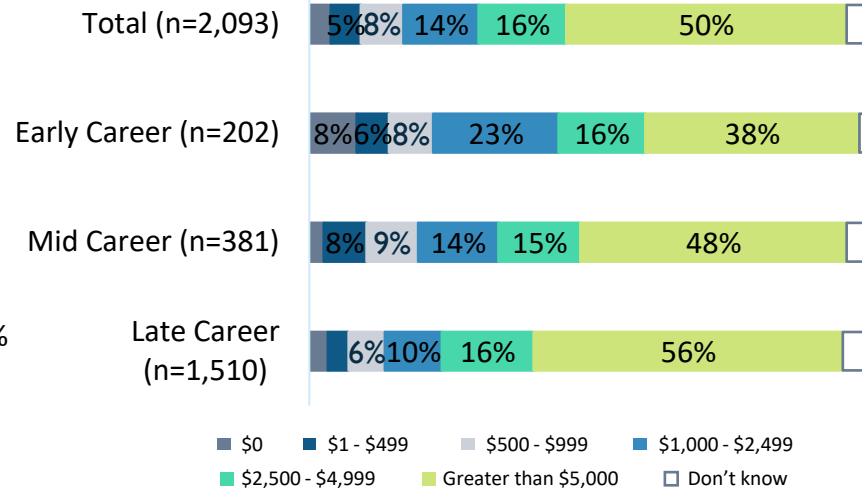
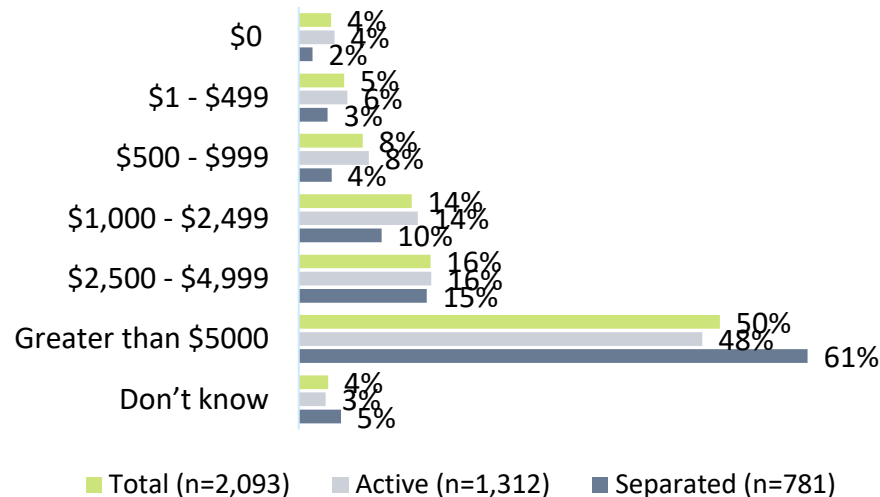


Key Takeaways

- Large majority (81%) of participants have an emergency fund.
- Half report being able to handle a \$5,000 unexpected expense.

Emergency Savings

About how much of an unexpected one-time expense could you handle without taking out a loan, using a credit card, or otherwise borrowing money to pay for it?



Key Takeaways

- Large majority (81%) of participants have an emergency fund.
- Those with an emergency fund are twice as likely to be at least somewhat confident in their retirement savings (67% vs. 32%).
- Half report being able to handle a \$5,000 unexpected expense.

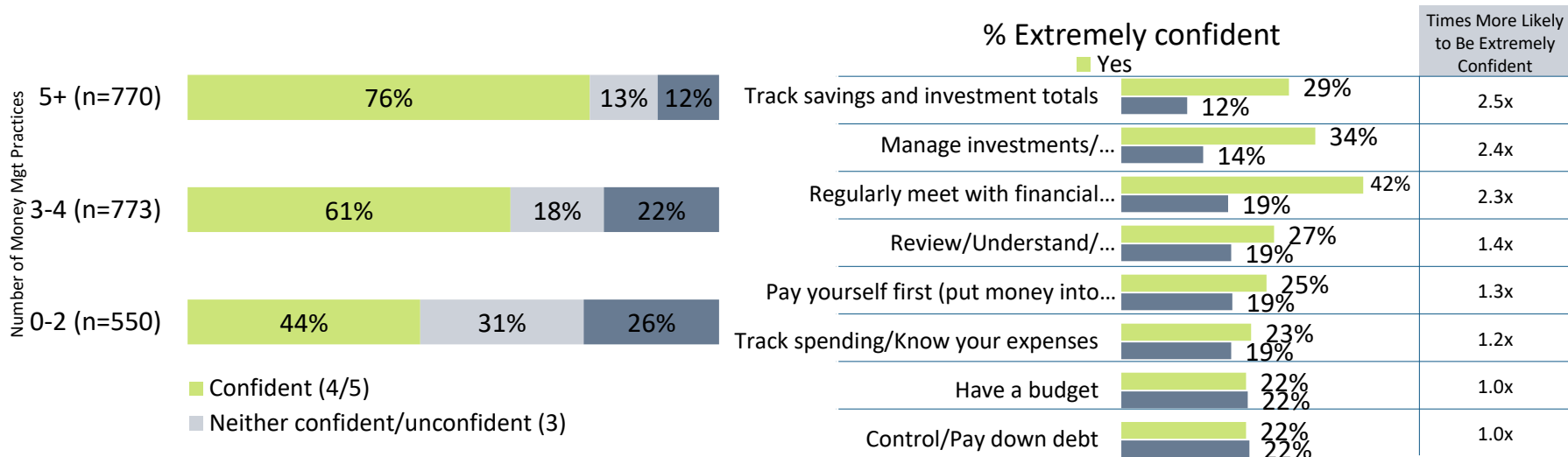


Thrift Savings Plan

NOTE: Data may not total 100% due to don't know and rounding. Percentages not shown <5%.

Effects of Money Management Practices and Financial Advice

How confident are you that you are on track to/have saved enough income to support a comfortable lifestyle throughout your retirement?



Key Takeaways

- Those who use multiple money management practices are more likely to be confident.
- Those who track savings/investments, manage investments and meet with financial advisors are more than twice as likely to be confident that they are on track for retirement than those who don't practice these.



TSP Offerings: What TSP Can Do to Help

What can the TSP do or provide to assist you in understanding and reaching your retirement goals? (among those with an opinion)

		Career Stage			Retirement Status		
		Early (n=48)	Mid (n=401)	Late (n=89)	Separated and Retired /Not Working (n=54)	Separated and Employed (n=20*)	Active (n=218)
■ Those with opinion (n=538)							
Seminars on retirement planning/instructions/information/tutorials/videos	24%	32%	24%	23%	21%	17%	25%
Personalized retirement planning advisor/financial advisors/retirement goals	18%	4%	21%	20%	8%	20%	20%
More sophisticated planning calculators/estimate growth/under different scenarios	16%	24%	19%	13%	4%	10%	19%
More investment options/precious metals/crypto currencies	11%	6%	14%	11%	9%	7%	12%
Allow more transactions/ease of moving funds/making changes/daily time for changes	9%	9%	3%	12%	18%	12%	7%
Better communications/contact/emails/alerts/newsletters/reminders	9%	6%	12%	8%	7%	2%	10%



Key Takeaways

- Top responses include: more retirement planning information, personalized retirement planning advice and more sophisticated planning calculators.
- Seminars and planning calculators are most useful for the early but least useful to the late careerists.
- Personalized retirement planning is least useful to early but more useful for mid to late careerists.



Thrift Savings Plan

Perceptions of How TSP Supports Retirement Planning

Thinking about your overall relationship with the TSP, how much do you agree or disagree that the TSP:

	<div> <div>Agree (4/5)</div> <div>Neither Agree/Disagree</div> </div>	Career Stage (% Agree)			Retirement Status (% Agree)		
		Early (n=202)	Mid (n=382)	Late (n=1,497)	Separated and Retired/Not Working (n=601)	Separated and Employed (n=158)	Active (n=1,306)
Makes it easy for me to manage my TSP retirement savings	<div> <div>67%</div> <div>18%</div> <div>9%</div> <div>6%</div> </div>	58%	68%	69%	74%	69%	66%
Trusted Partner in achieving my desired retirement outcomes	<div> <div>67%</div> <div>21%</div> <div>5%</div> <div>7%</div> </div>	66%	65%	69%	73%	67%	66%
Helps me make better retirement planning decisions	<div> <div>44%</div> <div>30%</div> <div>11%</div> <div>15%</div> </div>	40%	40%	48%	55%	40%	42%
Right mix of retirement planning products and services	<div> <div>43%</div> <div>24%</div> <div>10%</div> <div>23%</div> </div>	36%	39%	48%	37%	23%	25%
Provides personalized service	<div> <div>26%</div> <div>26%</div> <div>21%</div> <div>26%</div> </div>	21%	25%	28%	19%	37%	20%




Key Takeaways

- Providing personalized service is lowest-rated aspect in perception that TSP supports financial wellbeing.
- Early careerists lowest on most aspects.

TSP Offerings: Perceptions of How TSP Supports Retirement Planning

Thinking about your overall relationship with the TSP, how much do you agree or disagree that the TSP:

	 Agree (4/5)	% Confident in Financial Future if Agree/Disagree With Statement		
		Strongly Disagree	Strongly Agree	Times More Confident if Strongly Agree
Makes it easy for me to manage...	<div> <div>67%</div> <div>18%</div> <div>9%</div> <div>6%</div> </div>	32%	78%	1.44x
Is a trusted partner in achieving...	<div> <div>67%</div> <div>21%</div> <div>5%</div> <div>7%</div> </div>	46%	75%	0.63x
Helps me make better retirement...	<div> <div>44%</div> <div>30%</div> <div>11%</div> <div>15%</div> </div>	32%	81%	1.53x
Has right mix of retirement...	<div> <div>43%</div> <div>24%</div> <div>10%</div> <div>23%</div> </div>	48%	83%	0.73x
Provides personalized service	<div> <div>26%</div> <div>26%</div> <div>21%</div> <div>26%</div> </div>	48%	77%	0.60x

Key Takeaways

- Providing personalized service is lowest-rated aspect in perception that TSP supports financial wellbeing.
- However, participants who believe TSP helps make better retirement planning decisions and makes it easy to manage retirement savings are more likely to have retirement confidence.



Thrift Savings Plan