Online Survey of Employees Without Workplace Retirement Plans

Report of Findings

Conducted for:

State of California

October 2015

Prepared by Greenwald & Associates 2015

Table of Contents

Methodology

- Online survey was conducted by independent research firm Greenwald & Associates.
- A total of 1,000 consumers were surveyed from August 31th to September 16st, 2015.
- Respondents were selected from among members of Research Now's online research panel.
- To qualify, respondents were required to be:
  - Age 21 to 64
  - Working full-time or part-time
  - Not self-employed or working for Federal, state or local government
  - Working for employer with 5+ employees
  - Without a pension or retirement plan through employer
- The data were weighted by gender, age, education, race/ethnicity and household income to reflect the population of uncovered workers in California matching the survey's qualification requirements. In a similarly-sized random sample survey, the margin of error would be plus or minus 3.1 percentage points at the 95% confidence level.
- Due to rounding and missing categories, numbers presented may not always total to 100%.

Key Findings

1. **California uncovered workers are interested in a retirement savings program that automatically enrolls them but gives them the option not to participate.**
   - Six in seven think it is a good idea, including 57% who say it is a *very good* idea.
   - When shown an example of how savings in such a program could grow over time, 55% say it would *excellent* or *very good* for them and another 26% say it would be *good*.

2. **Most would participate in the program – only about a quarter would opt out, regardless of whether the deferral rate is 3% or 5%.**
   - Retention rates in the program are higher for women than for men (77% vs. 71%); likelihood of staying the program also increases as personal income goes up. However, there are not statistically meaningful differences in retention rates by Hispanic status or age.
   - Some (18%) would stay in the program but would ask to have their deferral rate changed. Of that group, only a minority would ask to lower their deferral rate (32% of those with a 3% deferral rate and 43% of those with a 5% deferral rate).

Key Findings (continued)

3. **Automatic escalation is not a deal breaker for participation for most; liquidity is a somewhat larger potential barrier.**
   - Automatically increasing contributions by 1% annually up to a maximum of 10% will not prevent most uncovered workers from participating – 81% would stay in the program if it included automatic escalation. However, 33% would ask their employer to stop the increases.
   - About a third will not participate if they cannot access their money if they become seriously ill (32%) or if their spouse dies (32%).
   - About a quarter would require, as a condition of participation, being able to access their money in the event of a job loss (28%) or a family member becoming seriously ill (26%).

4. **There is a clear preference for savings in the program to be invested for long-term growth rather than for protecting against loss.**
   - By a two to one margin, uncovered workers prefer to have their money invested in a Balanced Fund rather than a Money Market Fund.

Key Findings (continued)

5. **Other key features of the program are appealing – large majorities say each of seven program features tested are highly attractive.**
    - Being able to pass their savings on to a beneficiary in the event they die and being able to take their account from job to job are most highly rated.
    - Large shares also highly value having online access to their account, an annuitization option at retirement, low cost investments in the program, and having a personal account set up in their name.
    - The least attractive feature – but still considered extremely to very attractive by 73% – is having multiple investment options available.

6. **The vast majority of uncovered workers have the desire and the ability to put at least some money aside for retirement, but most have not done much, if anything, to build a retirement nest egg.**
    - They agree that saving for retirement is important (96% very or somewhat important).
    - Retirement ranks second as an overall savings priority (45% rank it 1st or 2nd out of 6 potential savings needs) after having an emergency fund.

Key Findings (continued)

- Nearly all could save at least some amount in a retirement savings plan available at work. However, expected contributions are generally small – two-thirds feel the most they could contribute is less than $100 per month.
- Over half are currently saving less than 5% for retirement, including 29% who are not saving anything.

7. **The leading barriers for not saving more for retirement include low earnings and the debt burden they carry – these two issues are the primary reasons for over half of uncovered workers.**
   - Four in ten say a major reason is that they are more focused on their family and nearly as many (36%) report that dealing with unexpected expenses is a major reason they don't save more.
8. **Most prefer online interaction with the proposed plan through a website or email, but there is a segment who requires talking by phone to customer service.**
   - When in need of assistance, 30-40% prefer to have phone contact for various service needs.
   - Among those who prefer phone-based service, two-thirds or more would only feel comfortable using this method, especially when getting started in the program.

Reaction To Proposed Program

Respondents were asked to read a description of the proposed retirement savings program.

- The sample was split: half saw a description with a 3% deferral rate and half saw a 5% deferral rate.

Imagine that a new retirement savings program is being offered at your job. Please read the description of the program below and select the choice you'd likely make if this program were actually available.

California Secure Choice Retirement Savings Plan

Your employer will automatically deduct a contribution from each paycheck, and deposit the money into a retirement account in your name. Your savings will be invested in the market in order to provide you with income in retirement. The account will follow you from job to job.

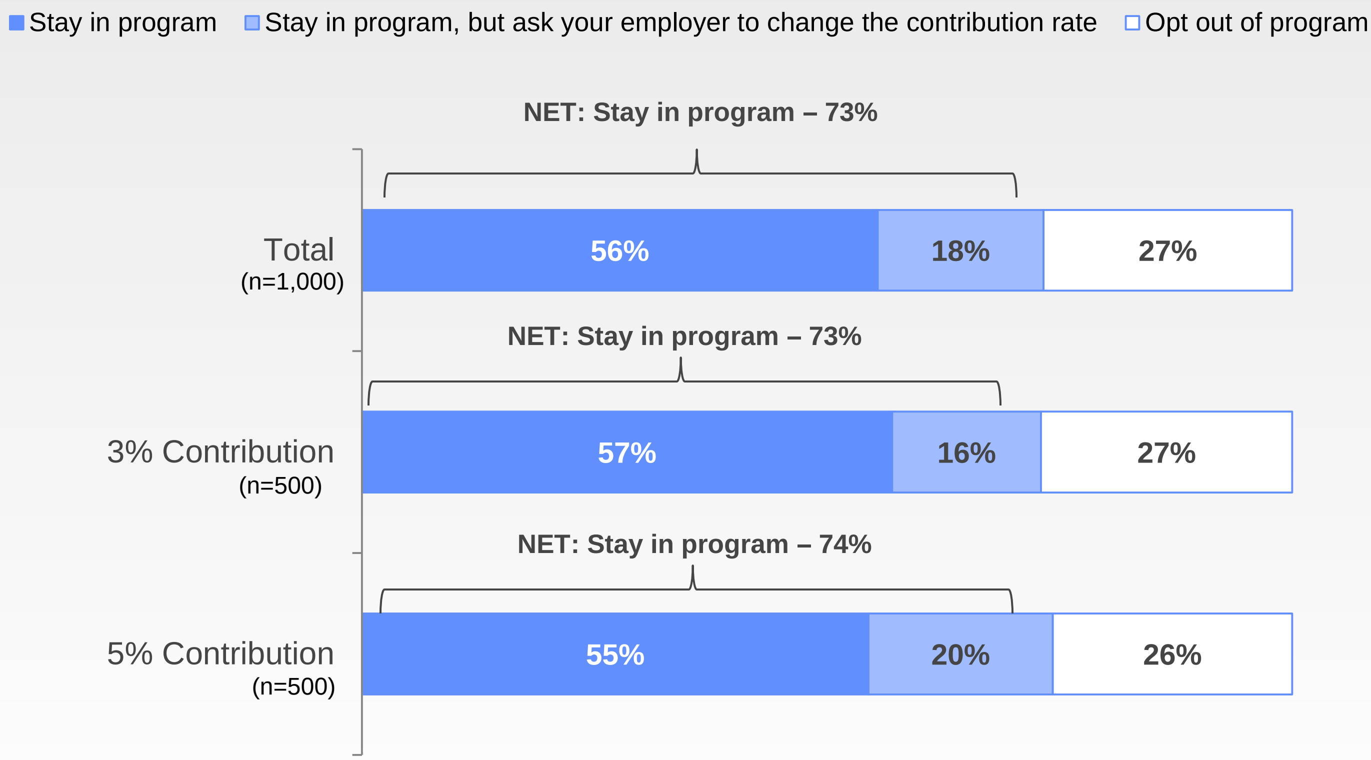
Some important features of the California Secure Choice plan:

- [Version A: 3; Version B: 5] percent of your pay, or [Version A: $30; Version B: $50] per every $1,000 you earn, will be deducted and deposited into your account. You can change how much you contribute to your account a few times a year and can stop contributing at any time by opting out of the program.
- The money will be invested in a fund appropriate for someone your age, managed by a private company selected and monitored by the State of California.
- The funds in your account will be legally your money, and not your employer's or the state's.
- At retirement, you can choose to convert your account balance to a stream of monthly income payments to last the rest of your life.

Detailed information on the program can be found here.

Three-quarters of uncovered workers would stay in the program, whether the deferral rate is 3% or 5%.

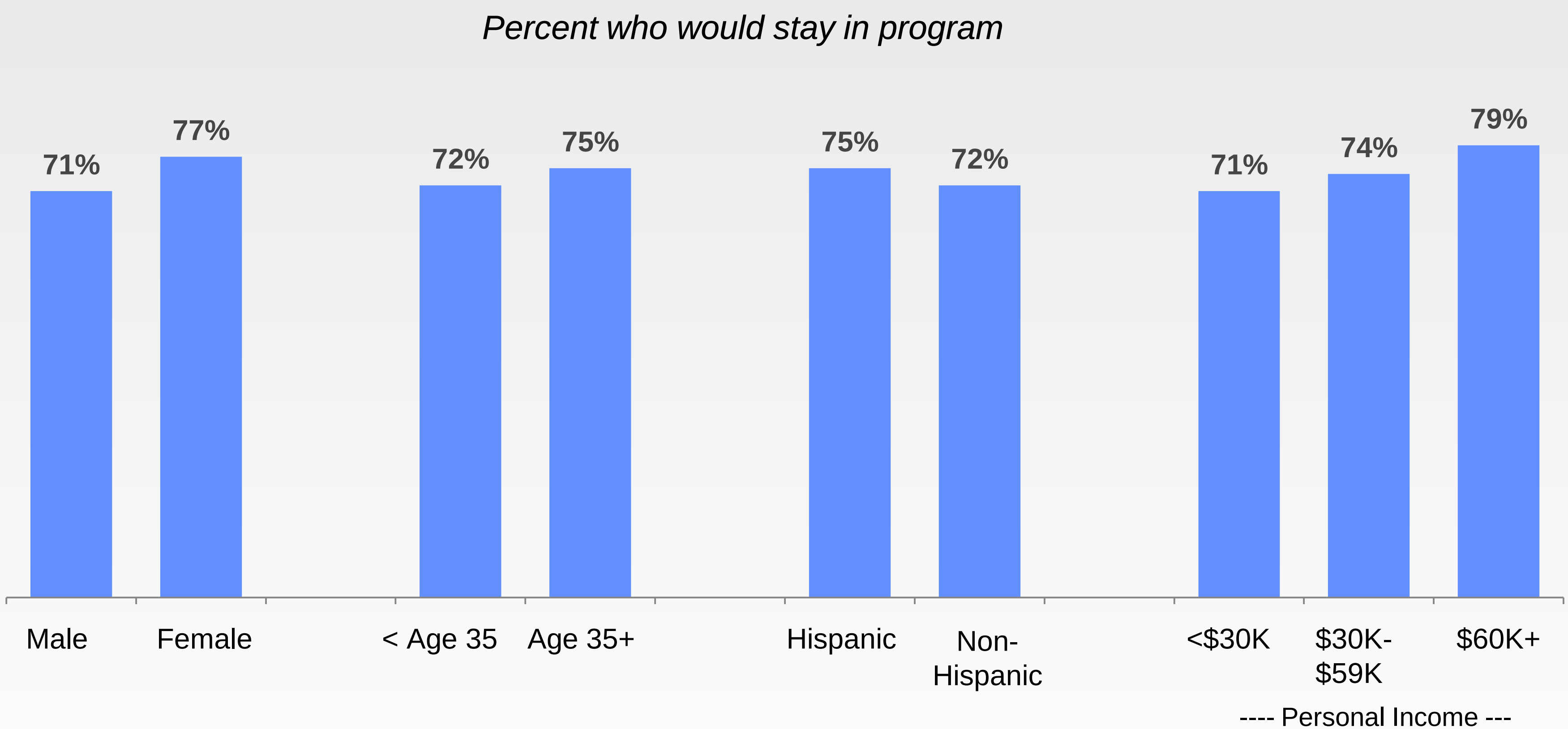
- Within the opt-in segment, 16% to 20% would ask for a change in their deferral rate.
- Just over a quarter (27%) would opt out.
  - Opt-out rates are higher for those with no college than for those who attended college but did not get a 4-year degree (30% vs. 17%).



Q1. If you were automatically enrolled in the California Secure Choice program above at (3%/5%) of your paycheck, would you…?

Retention rates are higher for women than for men; they also increase as personal income goes up.

There are not statistically meaningful differences in the percentage who would stay in the program by age or by Hispanic status.

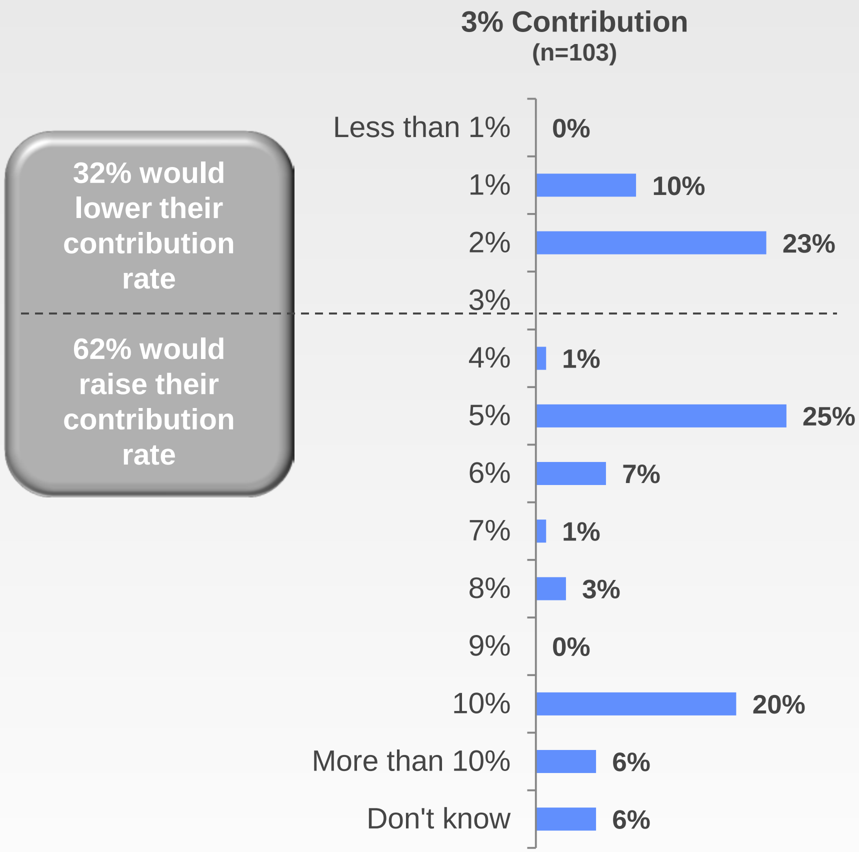


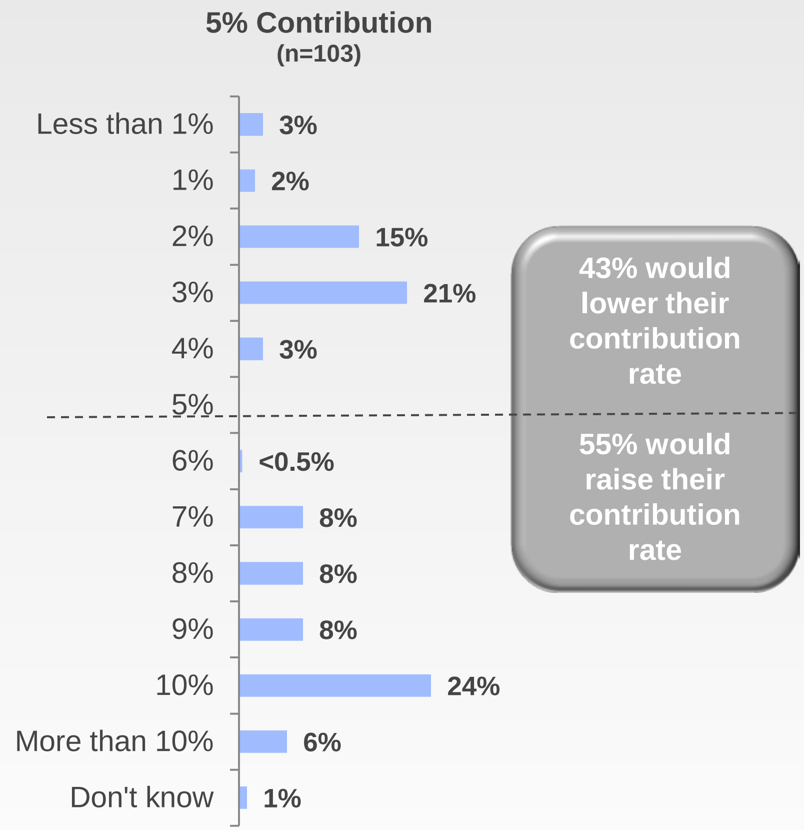
Base: Total, n=1,000

Q1. If you were automatically enrolled in the California Secure Choice program above at (3%/5%) of your paycheck, would you…?

Prepared by Greenwald & Associates 2015

Among those who would stay in the program but ask to change their deferral rate, over half would request a higher contribution rate.





Q1A. What percentage would you ask your employer to change the contribution rate to?

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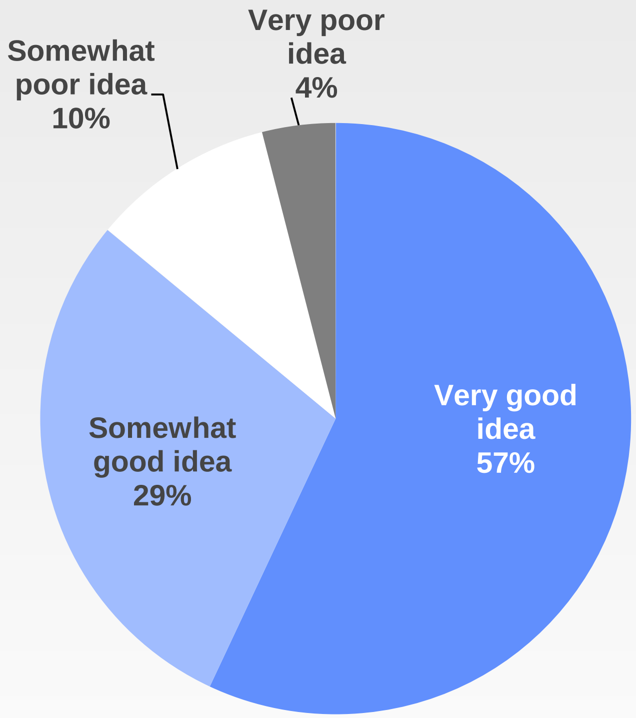
Six in seven (85%) support the idea of automatically enrolling uncovered workers into a retirement savings program that has an opt-out option.

- Only a very small proportion (4%) think it is a very poor idea.



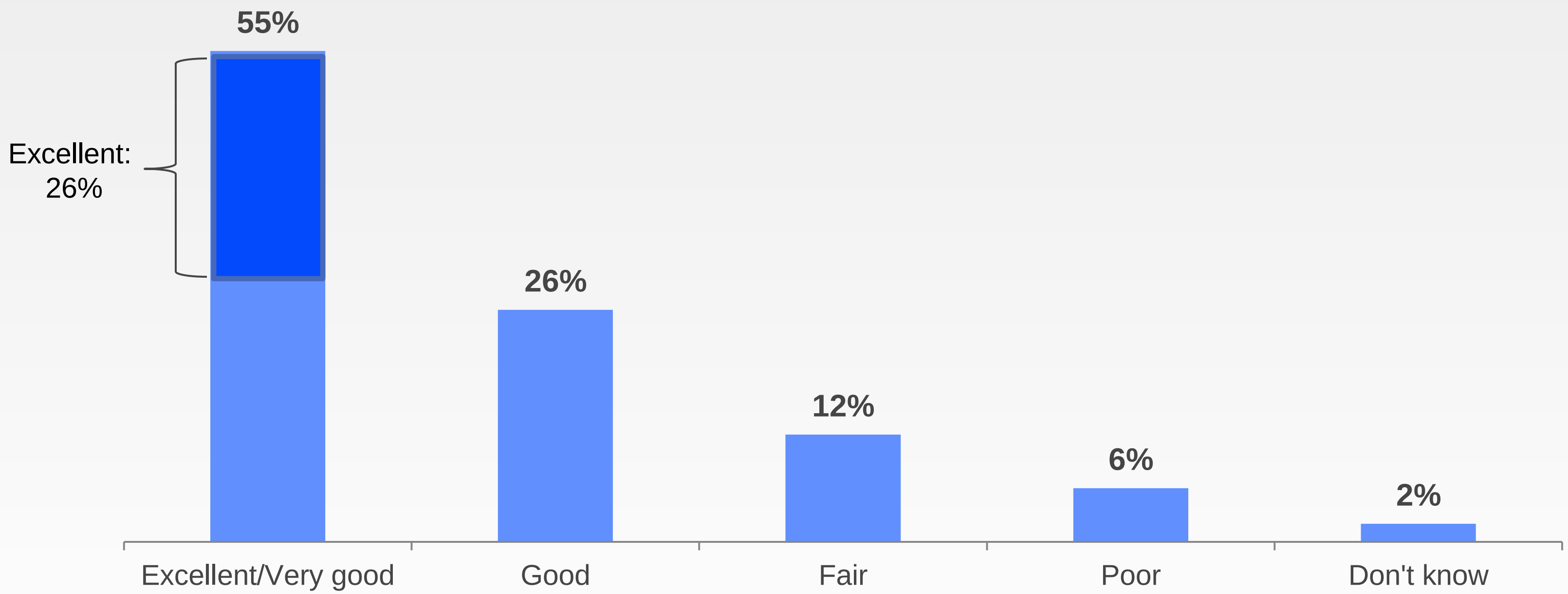
Base: Total, n=1,000

Q2. In general, do you think automatically enrolling workers into a retirement savings program while giving them the option to choose not to participate is a:

When given a concrete example of potential savings growth in the program, over half think it would be excellent to very good for them.

While investment performance is not guaranteed, if someone contributed $50 per month over 20 years, assuming a 6% average rate of investment return, their account in the California Secure Choice program would grow to $52,000.

Given these numbers, do you feel that taking part in this program would be for you:

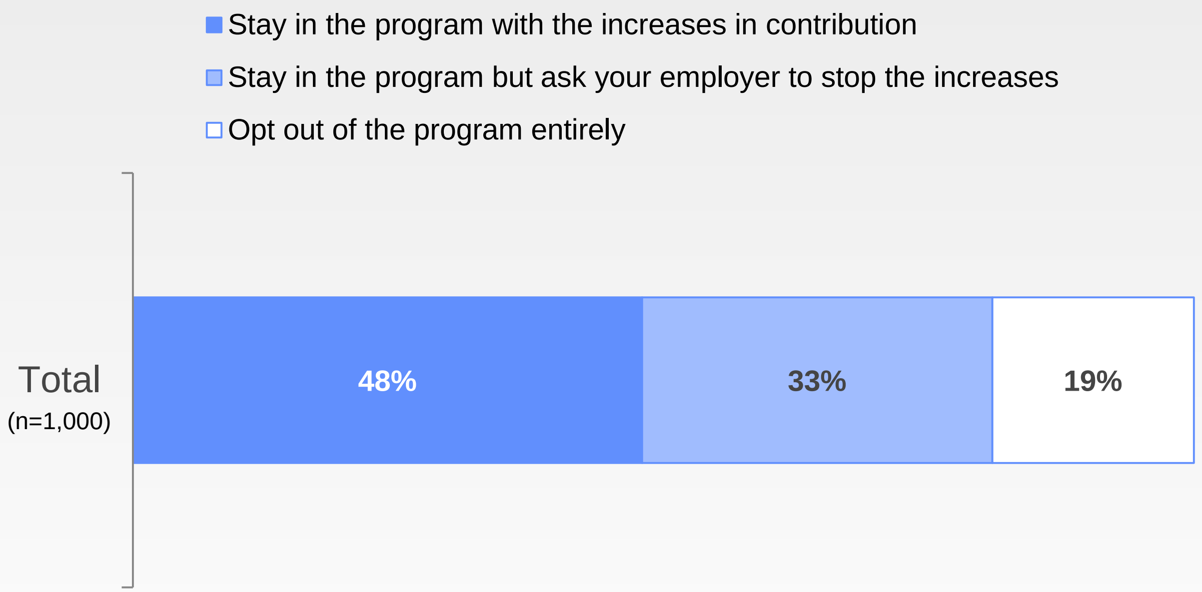


Base: Total, n=1,000

Q3. Given these numbers, do you feel that taking part in this program would be for you:

If the program had automatic escalation of 1% annually up to a maximum of 10%, a fifth would opt out and another third would just stop the increases.

- Opt-out rates if the program included an automatic escalation feature are higher for non-Hispanic than for Hispanic respondents (23% vs. 15%).



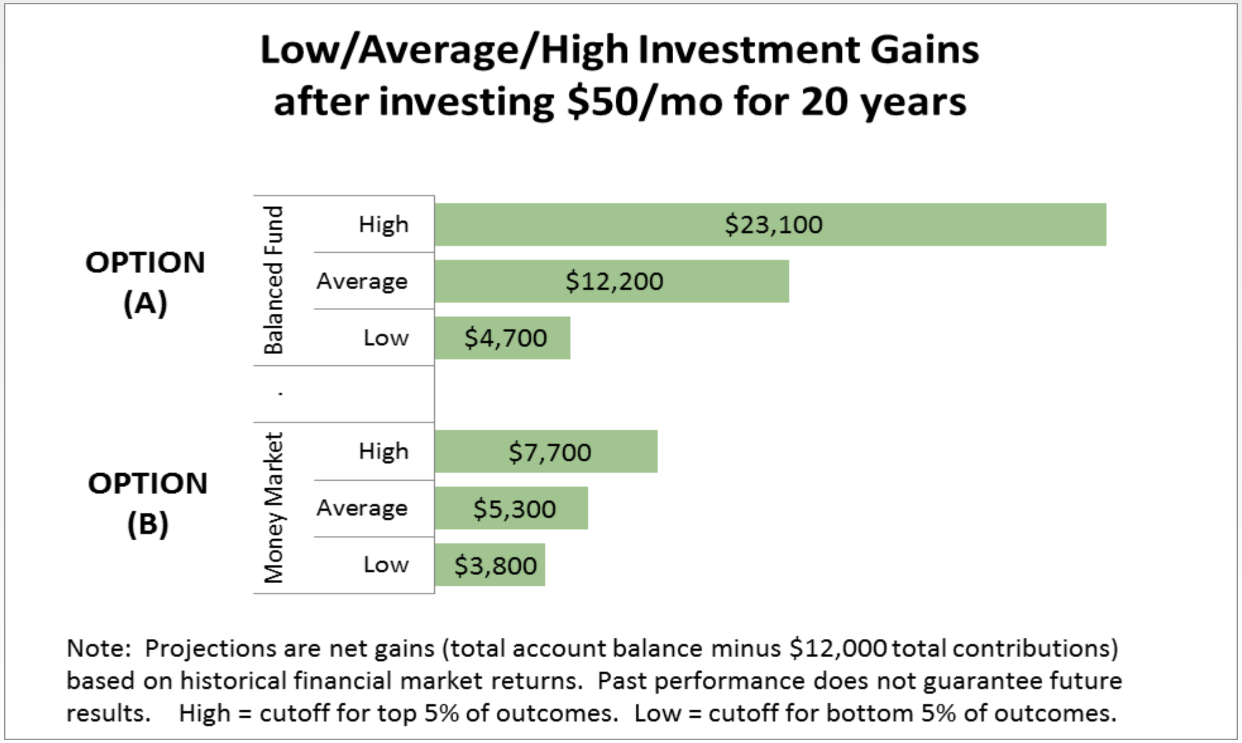
Q4. Suppose that the program automatically increased your contributions by 1% of your paycheck every year up to a maximum of 10%. Would you…

Respondents were shown two investment fund options for the program.

The retirement savings program could be set up with different fund options. Two examples are described below. Please read both the description and the chart:

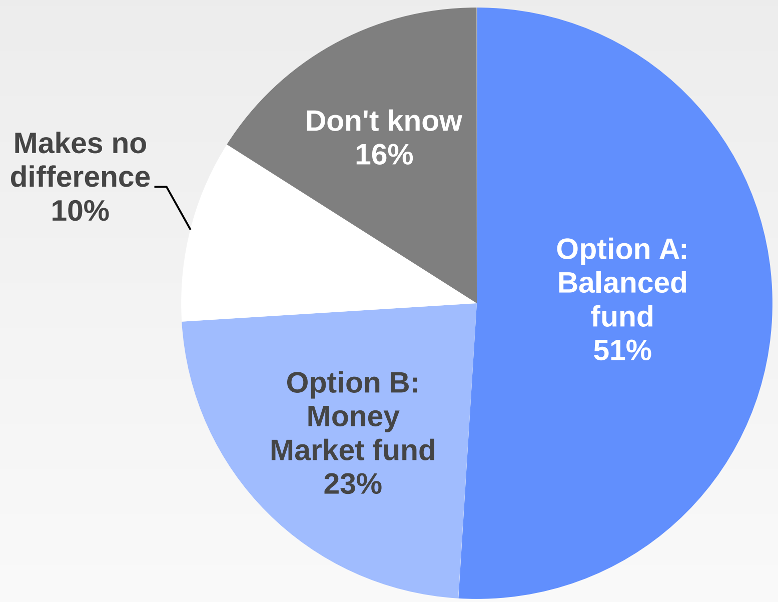
A. A **“**Balanced Fund" that has a mix of 60% stocks and 40% bonds. This is expected to provide significant investment growth over the long term. However, performance will vary a lot from year to year, and there is a 1-in-50 (2%) chance of losing some of the principal (your contributions) after 20 years.

B. A “Money Market Fund,” an interest-bearing account that protects the principal. You will never lose your deposit, but interest rates may fail to keep pace with inflation.



About twice as many prefer a Balanced Fund over a Money Market Fund.

- Half (51%) prefer a Balanced Fund compared to 23% who prefer a Money Market Fund. Another 10% do not have a preference and 16% don't know.
  - Preference for the Balanced Fund increases with education and income.

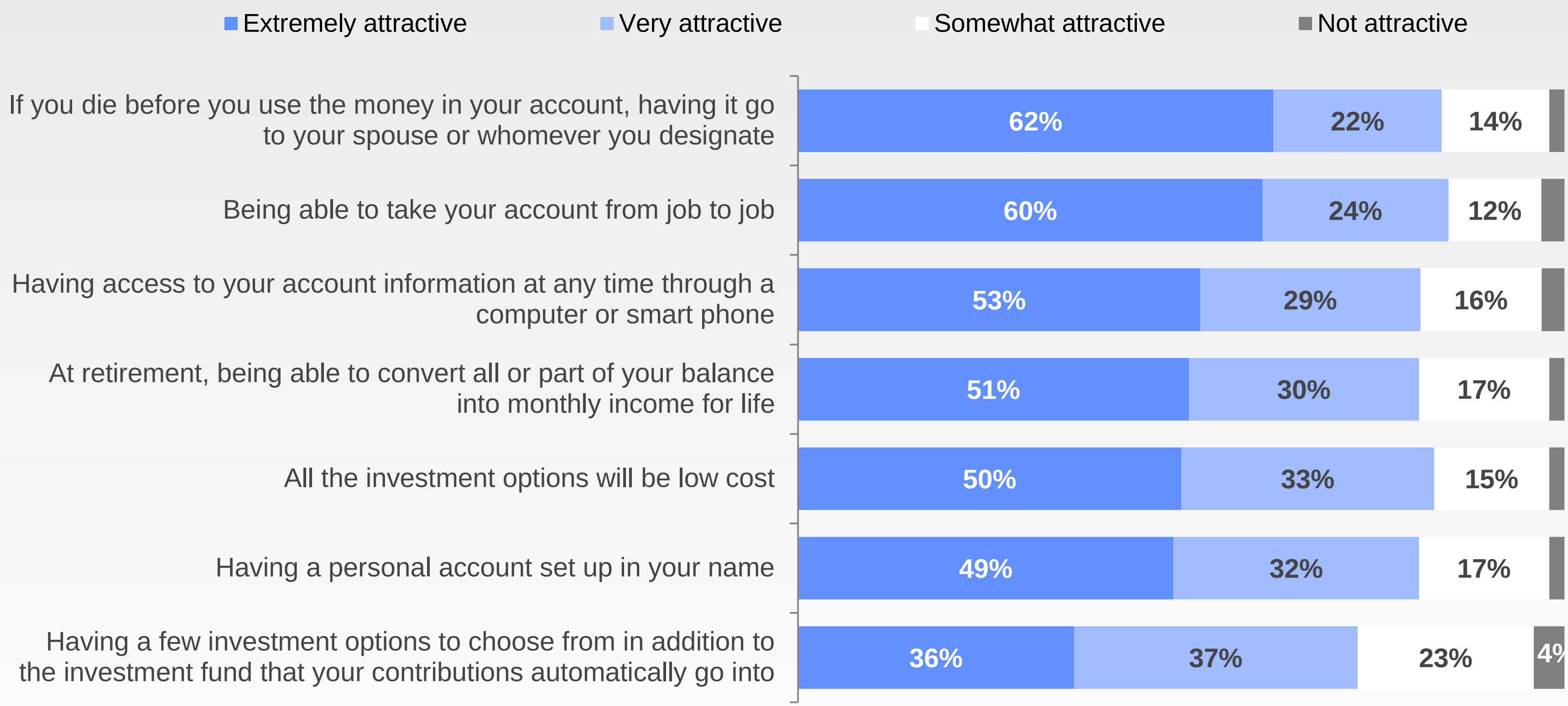


Base: Total, n=1,000

Q5. Do you prefer to have the money automatically invested in a low-cost fund that is:

Large majorities feel each of the 7 program features tested are very attractive, with beneficiary benefits and portability rated most highly.

- The least attractive feature is having multiple investment options to choose from in addition to the default investment fund.

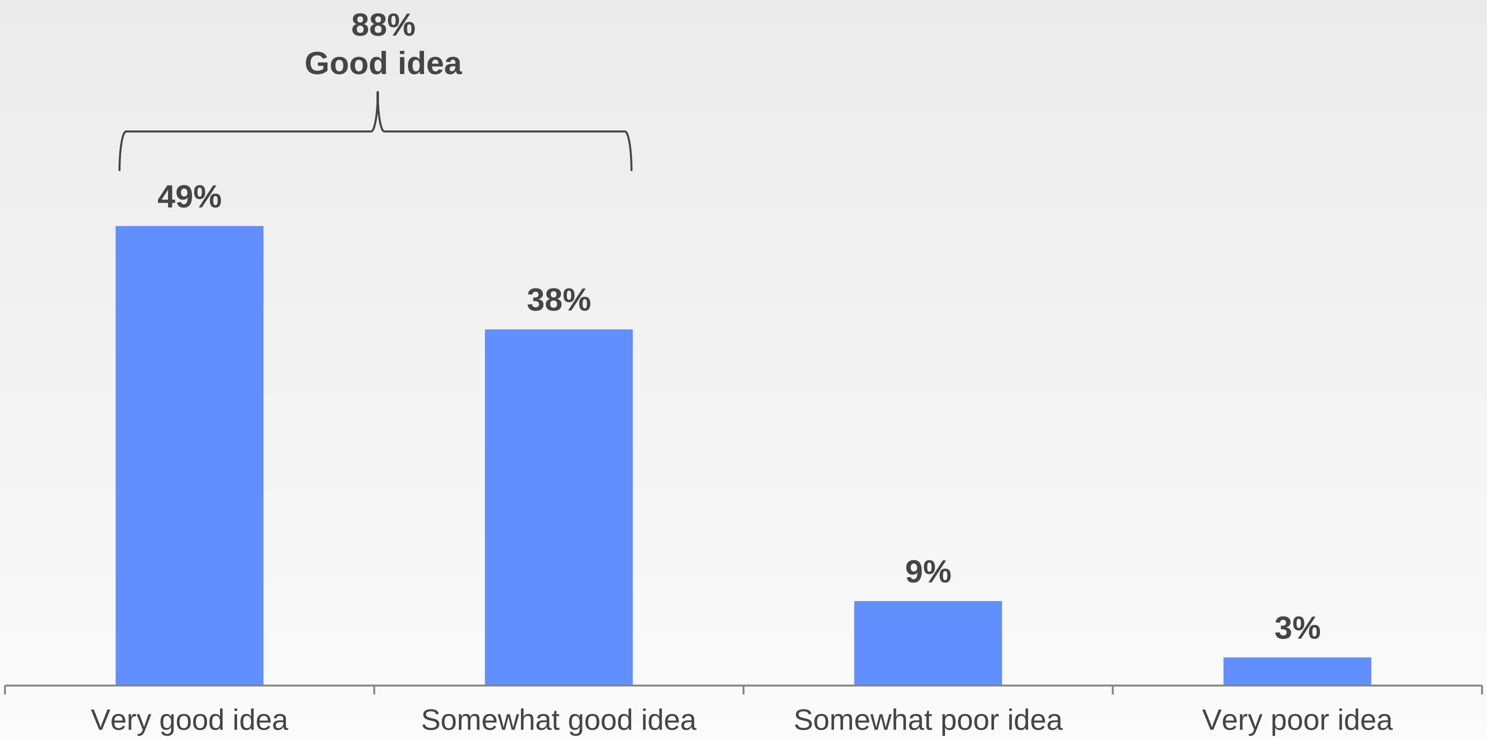


Base: Total, n=1,000

Q6. The following are features of the California Secure Choice program. How attractive is each feature?

Nearly nine in ten think the proposed retirement savings program is a good idea for the State of California.

- Just 12% describe it as a somewhat or very poor idea.

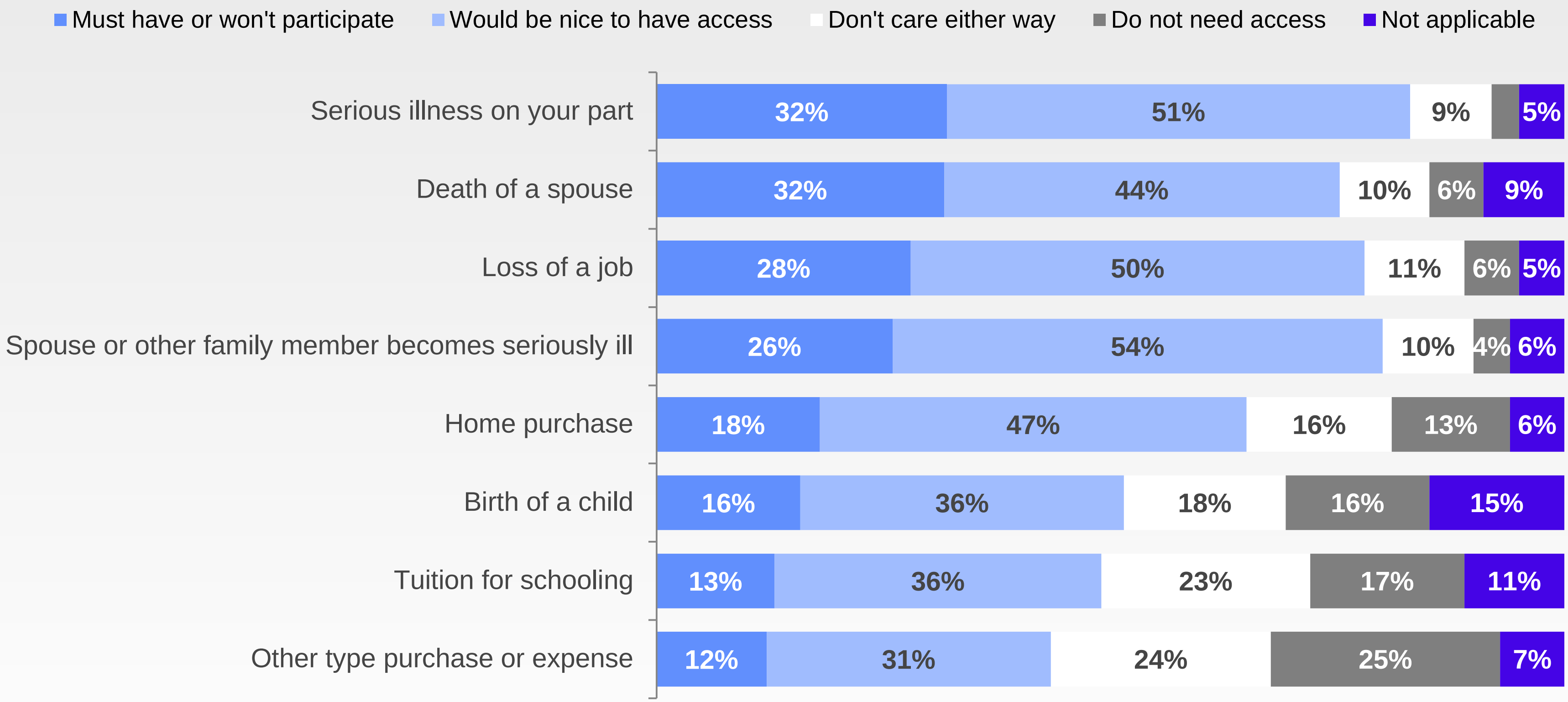


Base: Total, n=1,000

Q7. How good or poor an idea do you think this program is for the State of California?

About a third won't participate in the program if they are unable to access their money if they become seriously ill or their spouse dies.

- About a quarter would require, as a condition of participation, being able to access their savings in the event of job loss (28%) or a family member becoming seriously ill (26%).
- There is less demand for liquidity in these situations: home purchase (18%), birth of a child (16%), tuition (13%) and other large types of purchases (12%).



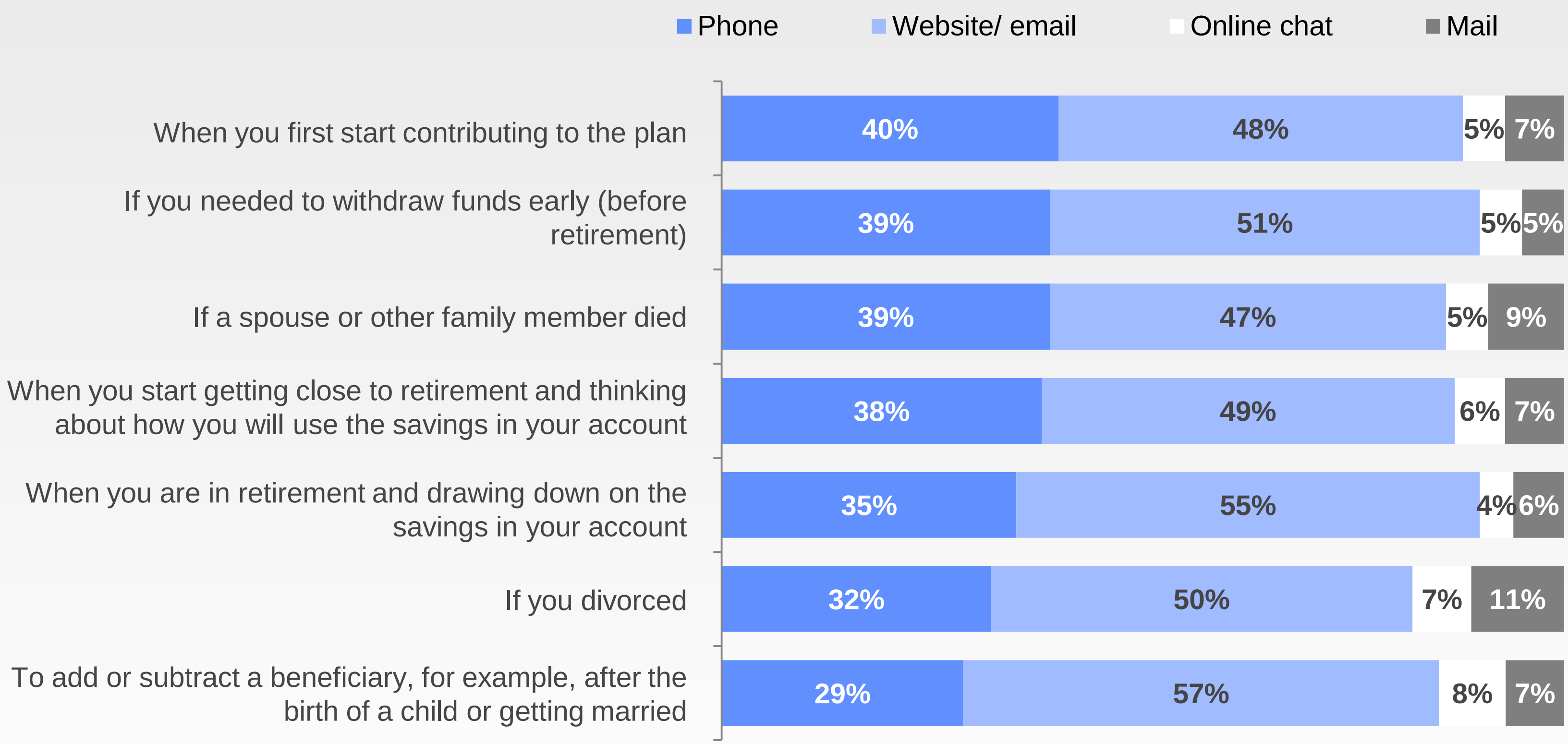
Base: Total, n=1,000

Q8. How important is it that you have access, before retirement, to your money in your California Secure Choice program account for each of the following situations?

Interacting with the Proposed Program

For various needs, Internet-based service is preferred to phone, and by a wide margin, to mail.

- Very few want to use online chat or mail to address their service needs.
- About four in ten prefer phone for each of the following: when first starting in the plan (40%), for early withdrawals (39%), if a family member dies (39%) or for pre-retirement planning (38%).

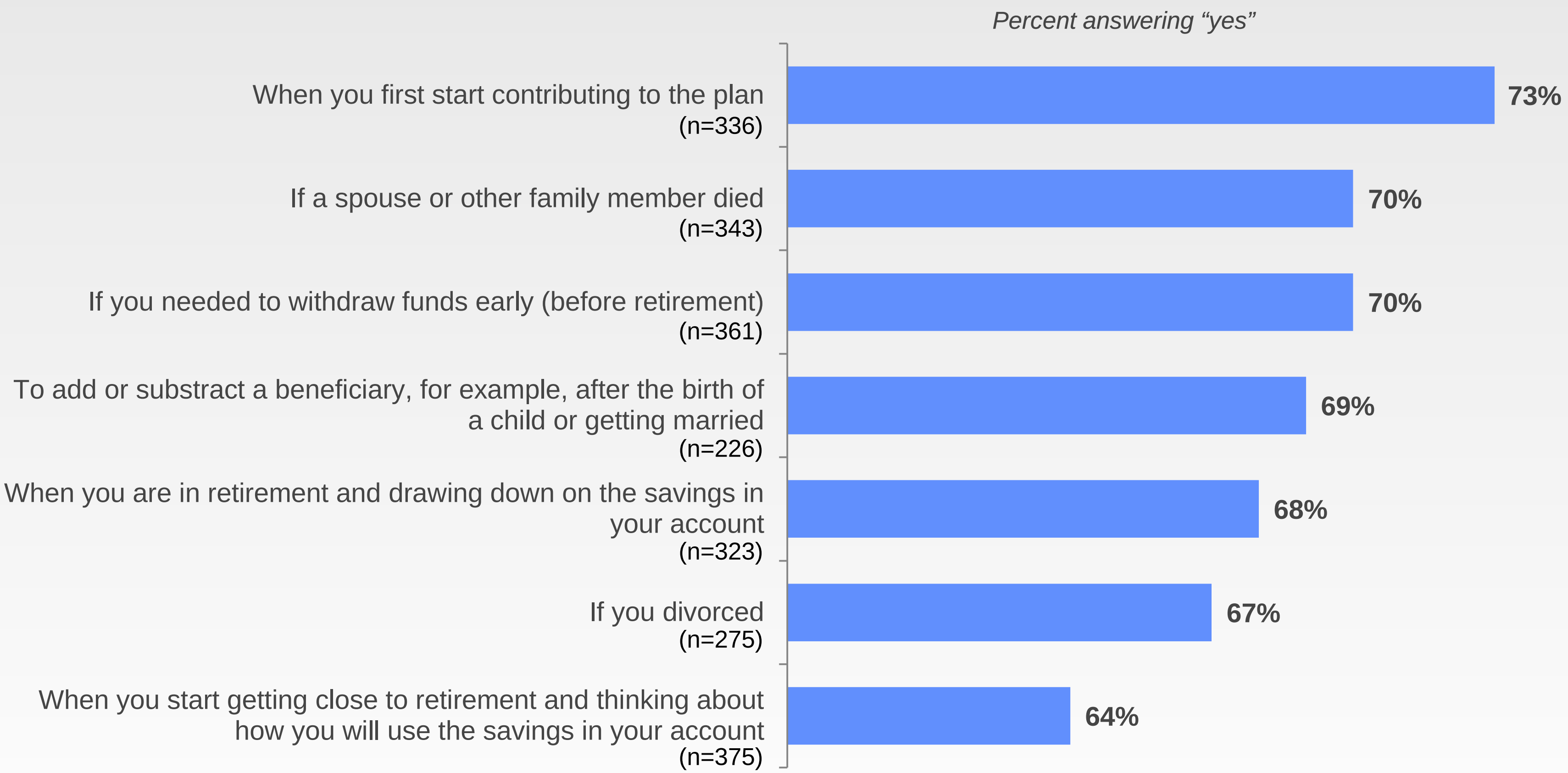


Base: Total, n=1,000

Q9. Assuming you have questions or need assistance, by which of these four ways would you prefer to work with customer service in each of these situations:

Among those who prefer phone-based service, majorities would only feel comfortable using this method, especially when getting started in program.

- Almost three-fourths (73%) of those who prefer phone say this is the only way they want to initially get service.



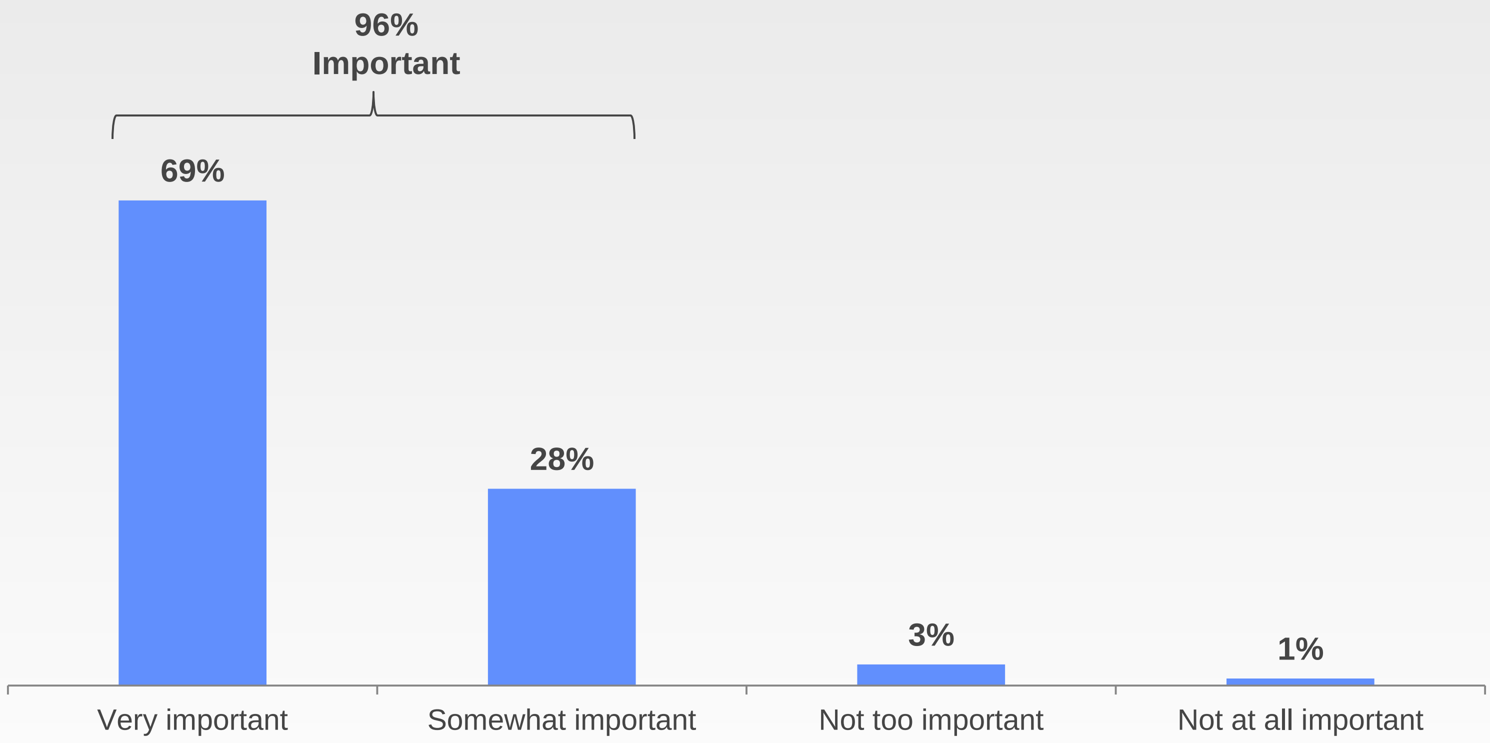
Base: Percentages based on those who prefer service by phone for each given situation.

Q10. Is talking by phone with a customer service representative the only way in which you would feel comfortable getting the help you needed in each of these situations?

Overall Planning, Financial Awareness & Attitudes

Uncovered workers agree that saving for retirement is important.

- Nearly all (96%) affirm the importance of saving for retirement, including 69% who say this goal is very important.
  - Placing high importance on saving for retirement increases with age and with income.

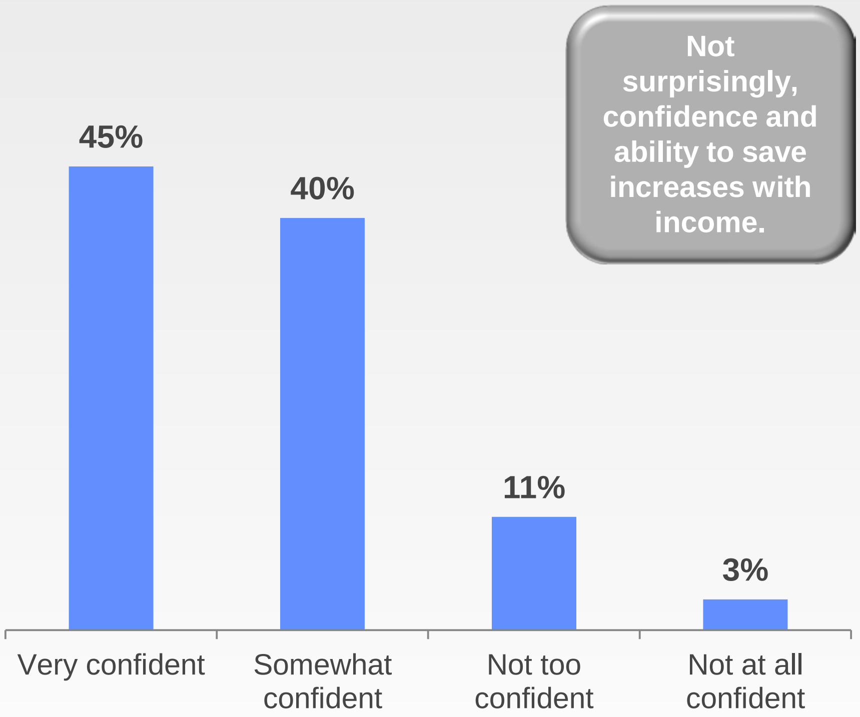


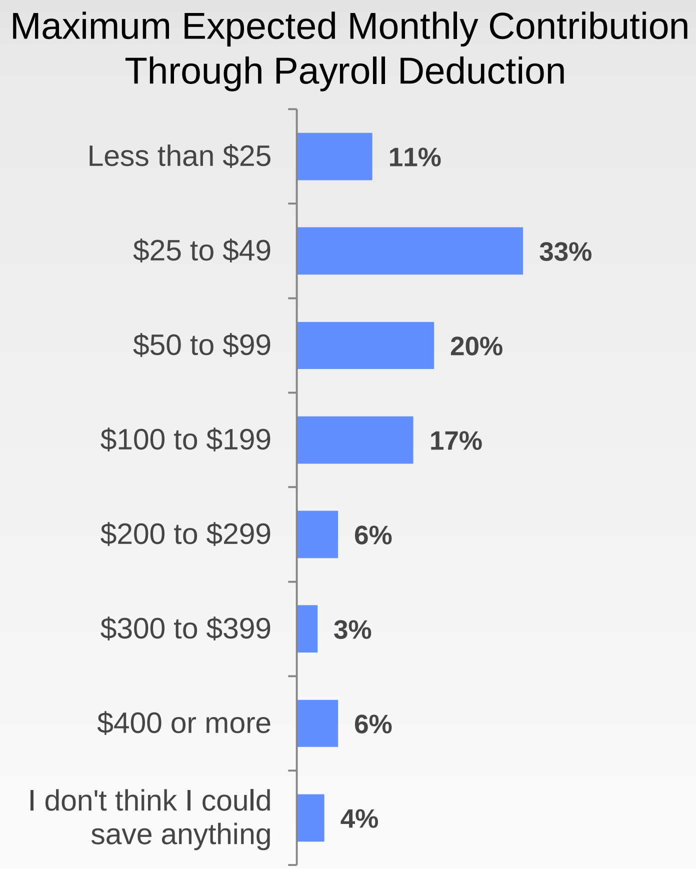
Base: Total, n=1,000

Q11. The next few questions are about your attitudes about saving for retirement in general. How important to you is it to save for retirement?

Most believe they could set aside money to contribute to a retirement savings plan, but two-thirds could contribute less than $100 per month.

- Just 4% report they could not set aside any amount for retirement.





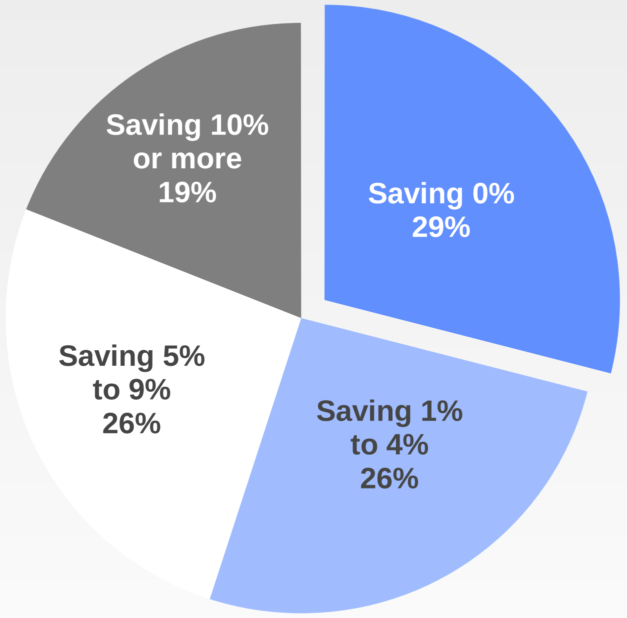
Base: Total, n=1,000

Q12. If you had access to a similar type of retirement plan, how confident are you that you would be able to set aside some money to contribute?
Q13. About how much per month would be the maximum you could likely contribute to this type of retirement savings plan?

On average, uncovered workers are saving 4.5% of their household income for retirement. However, three in ten are not saving anything for retirement.

- Women are more likely than men to report they (and their spouse, if married) are not saving at all for retirement (37% vs. 23%).

Percentage of Total Household Income Being Saved for Retirement

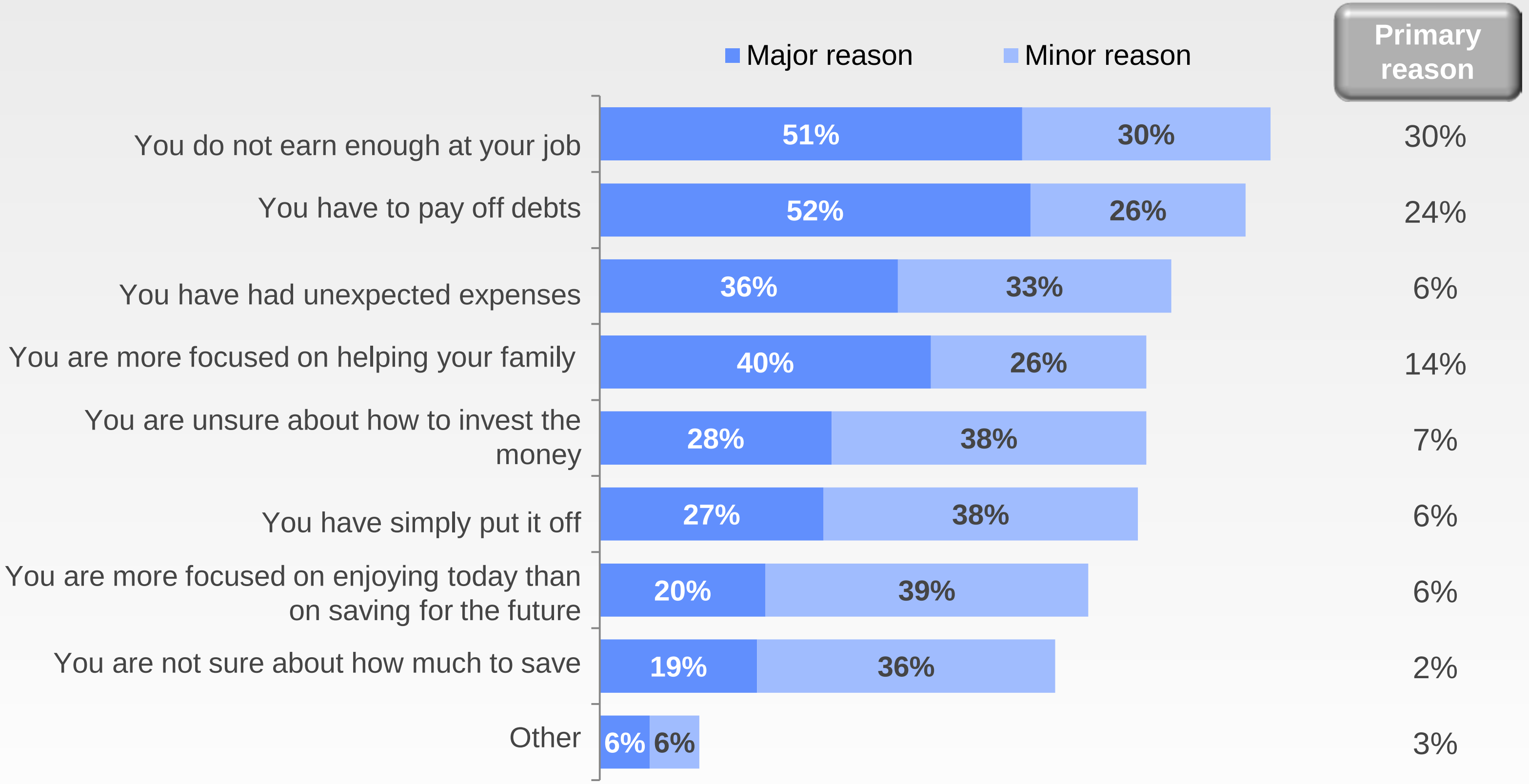


Base: Total, n=1,000

Q14. Currently, about what percentage of your total household income, are you (and your spouse/partner) saving for retirement?

The leading reasons for not saving more for retirement are not making enough money or needing to pay off debts.

- These are primary reasons for 8 in 10 uncovered workers, including half who say they are the primary reason.
- 4 in 10 report a major obstacle to retirement saving is their focus on helping their family.



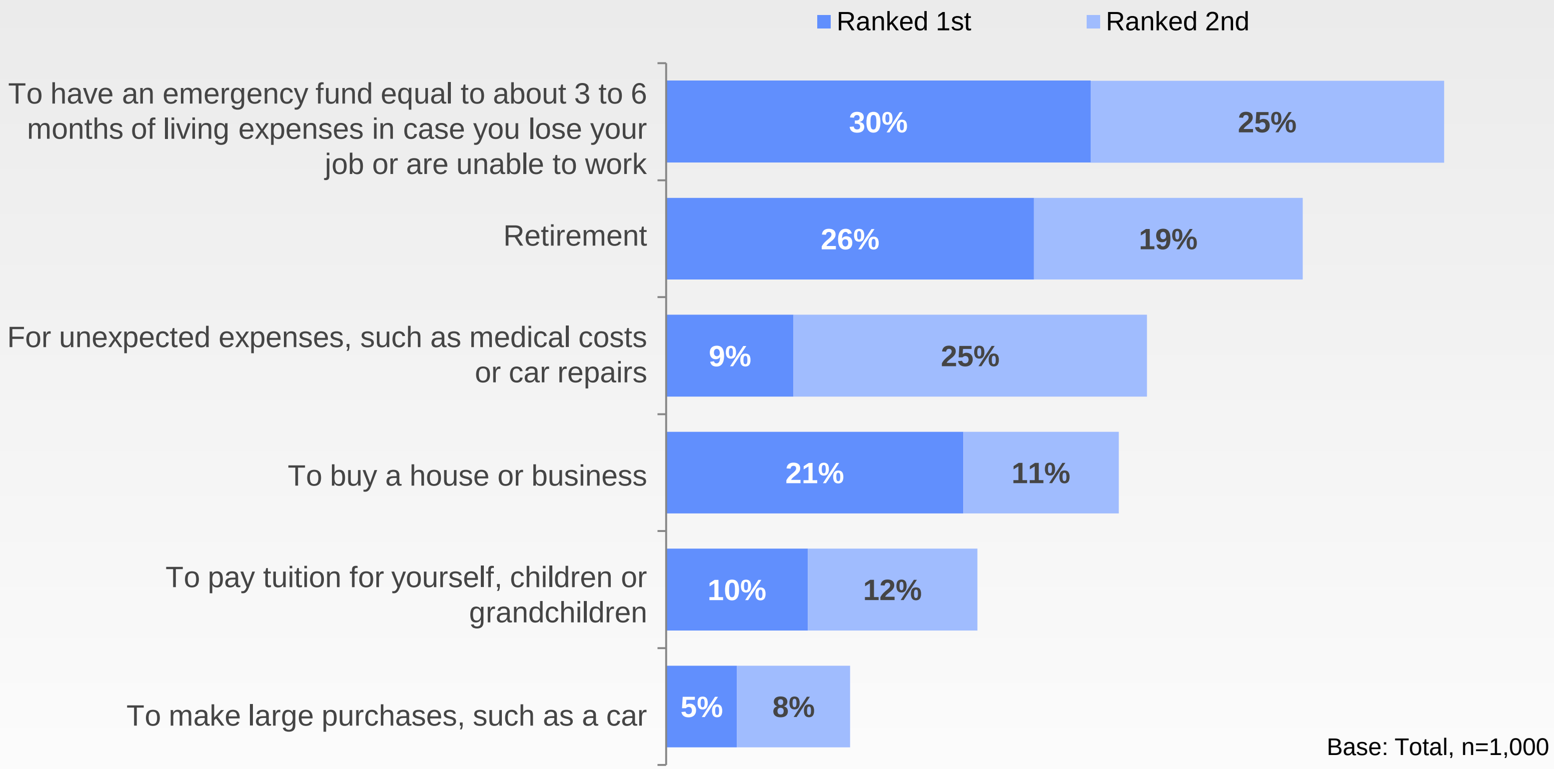
Q15. Please indicate if the following are reasons for you (and your spouse/partner) not saving (more) money:
Q16. Which ONE of those is your PRIMARY reason for not saving more money now?

Prepared by Greenwald & Associates 2015

Base: Q15, n=1,000
Q16, n=943

Retirement ranks second as an overall savings priority after having an emergency fund.

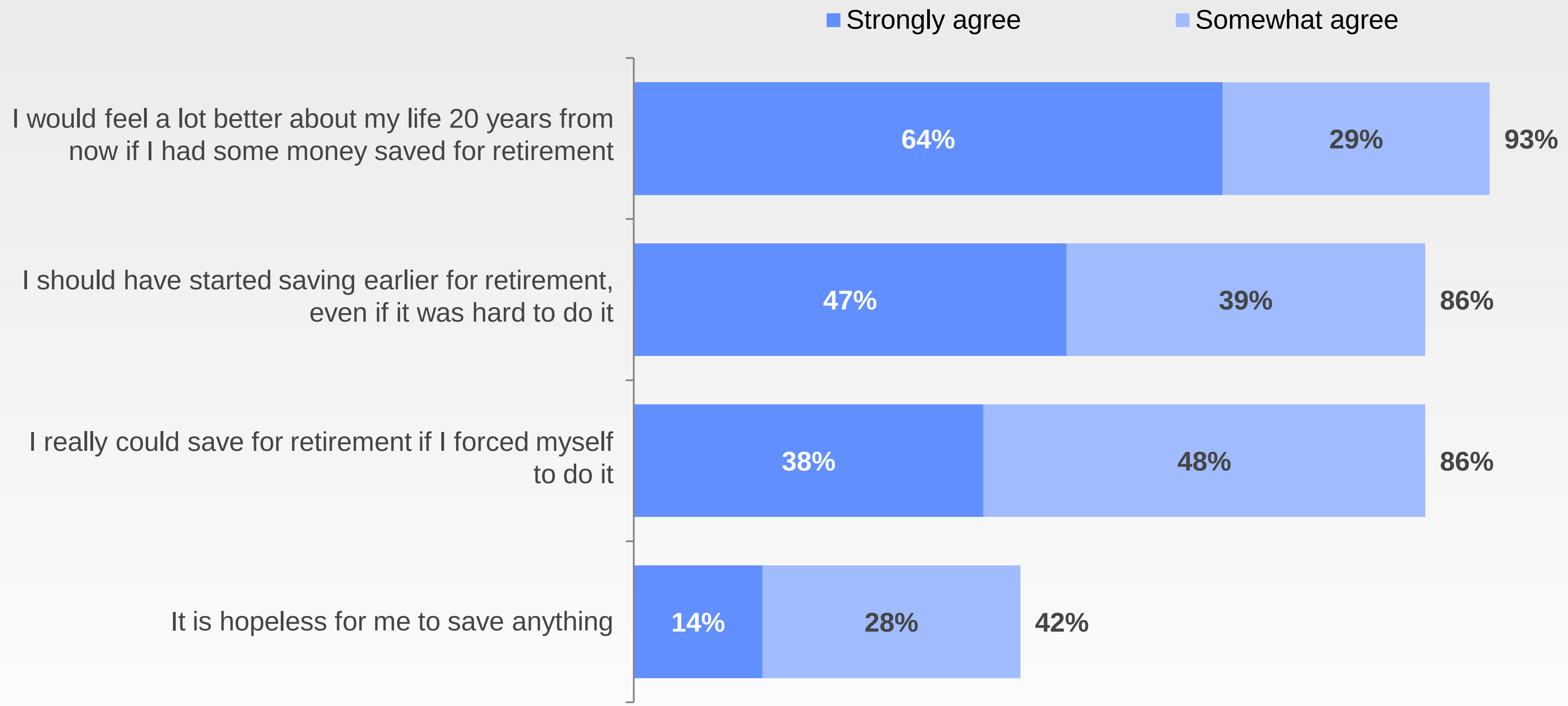
- When asked to rank six potential savings needs, over half (55%) ranked having an emergency fund either their first or second priority. Just under half (45%) ranked retirement as one of their top two overall savings priorities.



Q17. Thinking about your overall savings priorities, please rank the following financial goals from 1 to 6, with “1” Most important and “6” Least important:

Another indication of the strong interest uncovered workers have in saving for retirement are large shares who think they could and should do it.

- Only about one in seven (14%) thinks it is hopeless for them to save anything for retirement.



Base: Total, n=1,000

Q18. To what extent do you agree or disagree with the following statements:

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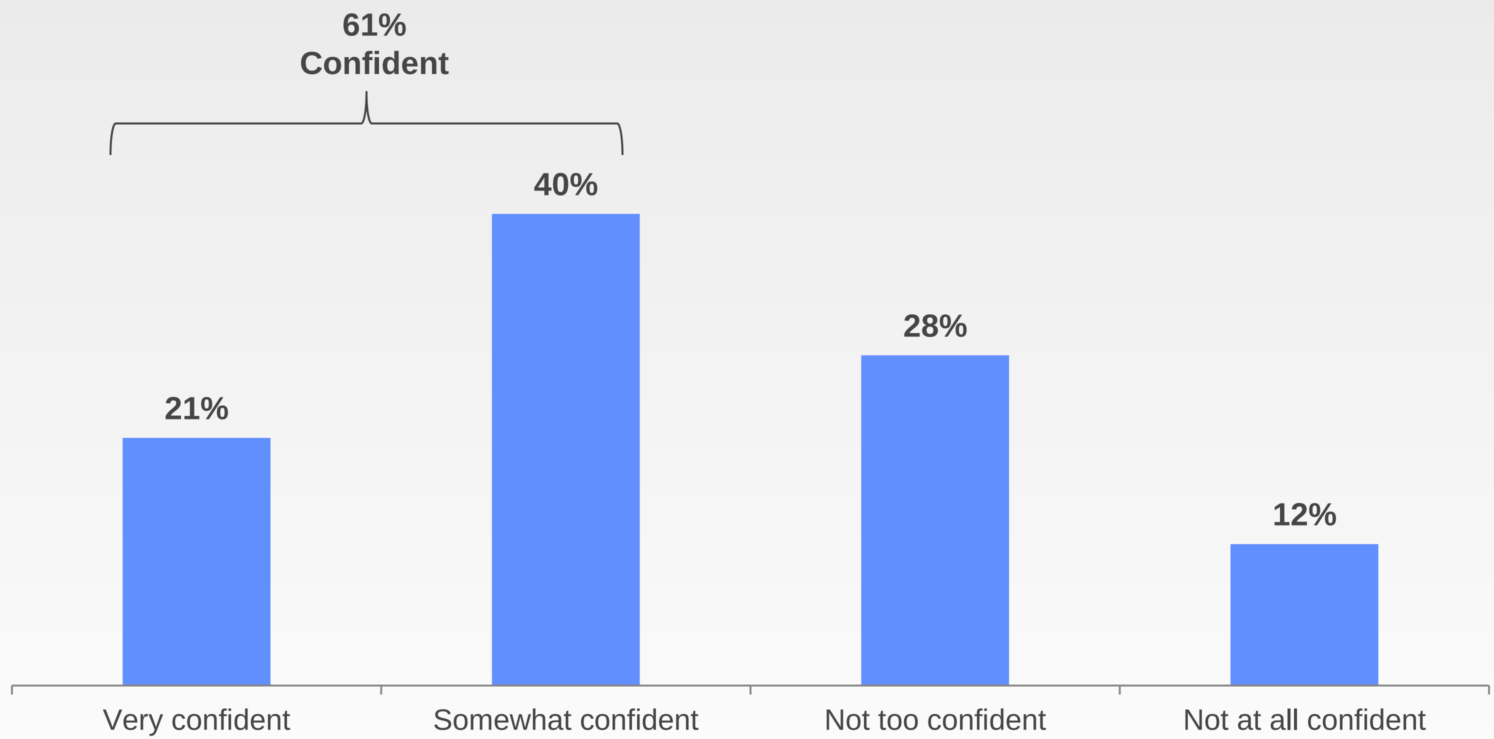
While a majority are confident they know how much to save for retirement, only 1 in 5 are very confident.

- Four in ten (39%) are not comfortable they know how much money they need to save for retirement.



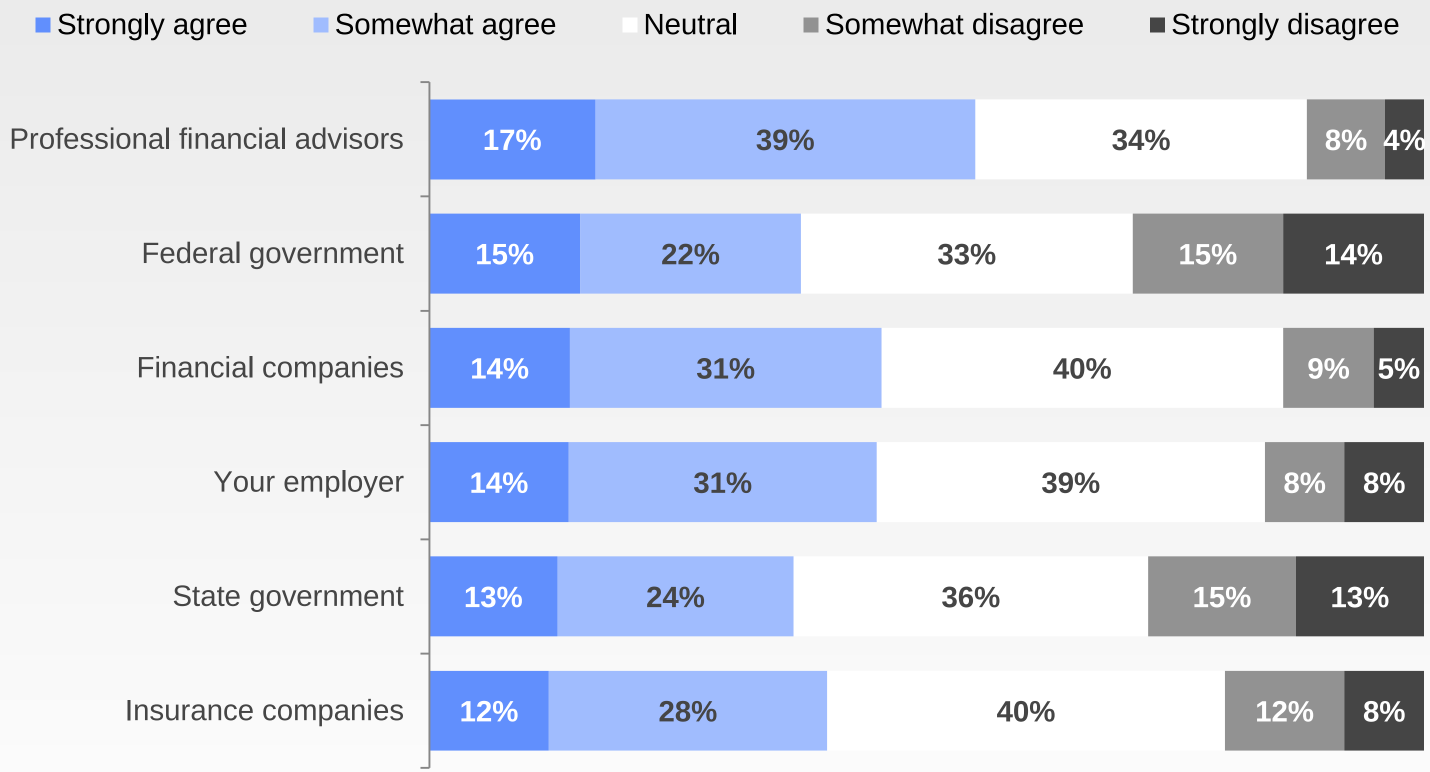
Base: Total, n=1,000

Q19. How confident are you that you know how much money you need to save for retirement?

Prepared by Greenwald & Associates 2015

For managing and investing retirement money, there is greater trust in professional financial advisors than in government and other entities.

- Small shares strongly indicate any would be untrustworthy stewards, including federal government (14%) and state government (13%).



Base: Total, n=1,000

Q20. For each of the following, to what extent do you agree or disagree that each is trustworthy when it comes to managing and investing workers' retirement savings:

Respondent Profile

Respondent Profile

Gender	Total (n=1,000)
Male	55%
Female	45

Employment Status	
Employed full-time	77%
Employed part-time at least 20 hours per week	19
Employed part-time less than 20 hours per week	4

Personal Income	
Less than $10,000	7%
$10,000 to $19,999	14
$20,000 to $29,999	20
$30,000 to $39,999	15
$40,000 to $49,999	9
$50,000 to $59,999	11
$60,000 or more	23
Prefer not to say	2

Age	Total (n=1,000)
21 to 24	7%
25 to 29	12
30 to 34	24
35 to 39	13
40 to 44	10
45 to 49	13
50 to 54	9
55 to 59	8
60 to 64	5

Household Income	
Under $35,000	34%
$35,000 to $49,999	15
$50,000 to $74,999	18
$75,000 to $99,999	11
$100,000 to $149,999	12
$150,000 or more	9

Respondent Profile (continued)

Race or Ethnicity	Total (n=1,000)
Hispanic or Latino	49%
White/Caucasian	34
Asian-American	11
African-American	6
Other	1

Savings and Investments	
Less than $2,000	32%
$2,000 to less than $10,000	17
$10,000 to less than $25,000	10
$25,000 to less than $50,000	7
$50,000 to less than $100,000	8
$100,000 or more	15
Not sure	7
Prefer not to say	4

Education	Total (n=1,000)
Some high school or less	4%
High school graduate	42
Trade or 2-year associate degree	8
Some college (4-year degree college)	19
College graduate (4-year degree college)	17
Post graduate work	2
Graduate degree	8

Marital status	
Married	45%
Single, never married	32
Not married, but living with a partner	13
Divorced, separated or widowed	9
Prefer not to say	1

Respondent Profile (continued)

No. of Years with Current Employer	Total (n=1,000)
Less than 1 year	16%
1 year but less than 3 years	26
3 years but less than 5 years	16
5 years but less than 10 years	23
10 years or more	19

Pension or Retirement Savings Plan in Previous Job	(n=554)
Yes	29%
No	65
Not sure	6

Spouse Has a Pension or Retirement Savings Plan at Current Job	(n=451)
Yes	36%
No	57
Not sure	8

No. of Employers Worked for in Last Five Years	Total (n=1,000)
1 employer	44%
2 employers	34
3 employers	13
4 or more employers	9

Types of Debt	
Credit card debt that will take more than 3 months to pay off	56%
Car loan	43%
Home mortgage	29%
Student loans	23%
Other types of personal loans	14%
Other types of loans through a financial institution	9%
None of the above	15%

Respondent’s Employer

No. of Employees	Total (n=1,000)
5 to 9 employees	14%
10 to 49 employees	36
50 to 99 employees	14
100 to 499 employees	18
500 or more employees	19

Current Employer	Total (n=1,000)
A for-profit business	65%
A non-profit organization	17
A private educational or academic institution	4
Other	13