



RETIREMENT SERVICES

ADP PRE-RETIREE STUDY:  
Retirement planning  
challenges of pre-  
retirement workers

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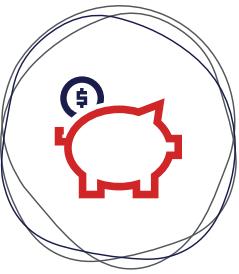
Understand the  
retirement saving,  
investing, and  
expense management  
behaviors of late-  
career workers ages  
50 through 65.



## Introduction

The years leading up to retirement are a crucial time for finalizing retirement details and taking action to ensure future financial security. For workers over 50, now is the time to boost savings and reduce debt, ensure they will be able to fund future expenses including healthcare, understand their Social Security benefit and make decisions about their preferred retirement lifestyle. Research commissioned by ADP Retirement Services indicates late career workers ages 50 through 65 may not be adequately preparing for the retirement they want. According to the data, many are approaching retirement with underfunded savings and uncertainty about important financial and retirement planning details. According to the survey findings:

- Most are positive about their current financial situation but few have a written financial plan with goals and timelines.
- Respondents feel the cost of living and retirement saving hinder their financial well-being the most.
- Fifty-seven percent have saved under \$100,000, including over a third with \$25,000 or less in retirement savings through their employer sponsored plan.
- Almost 39 percent of those over age 50 say they are not on track or don't have a retirement savings goal.
- Most make investment decisions on their own rather than working with an investment professional.
- Awareness of financial wellness tools available through the workplace is low.



# Personal finances

## Saving for the future impacts financial well-being for over half of those surveyed

The majority of pre-retirement workers feel that their personal finances are in good shape (64.5%). Survey respondents say they are confident (27.6%), under control (21.8%) or improving (15.2%) financially. Almost 29 percent report feeling financially overwhelmed or anxious, with a greater percentage of those under age 60 (19.3%) being overwhelmed than those 60 to 65 (16.7%) or over age 65 (8.8%).

Uncertainty about the economy worries survey respondents the most. Over 53 percent say their current expenses are most concerning, especially when incomes are under \$50,000 (70.3%). Retirement saving is nearly equally concerning — 51.8 percent are worried about how saving for the future impacts their financial well-being. Forty-three percent say healthcare costs are also an issue, especially for survey respondents over age 60 (49.1%). Of the almost 15 percent that named credit card debt as a financial issue, it is a problem faced by women (18.8%) more than men (10.4%).

## Obstacles to saving for retirement

When it comes to saving for a comfortable retirement, daily living (37.8%) and housing expenses, including rent or mortgage costs (37.4%) are raised most often as barriers, along with healthcare and credit card debt. A significant percentage of those in the survey indicate there are no obstacles (40.2%) keeping them from saving and investing for their future.

During the pre-retirement years, prioritizing planning and saving for retirement is key to building future financial security. To boost savings, 53.8 percent plan to reduce spending on non-necessities, 51.4 percent will decrease entertainment costs, and make cuts to travel (33.2%) and food (27.4%). Reducing credit card debt and spending on non-necessities are actions women are more likely to take than men to improve financial security.

## FINANCIAL WELL-BEING: TOP CONCERNS



**53%**

Current living expenses



**52%**

Saving for retirement



**43%**

Healthcare costs



## WHAT PREVENTS SAVING MORE FOR RETIREMENT?\*

40% I have no obstacles

38% Current living expenses

37% Housing

13% Healthcare

13% Credit card debt

\* In this situation, percentages on chart do not add up to 100%. This is due to respondents having the ability to choose more than one answer.



# Money management habits

## RETIREMENT SAVINGS PROGRESS

61%  
On track  
or ahead  
of my goal

24%  
Not  
on  
track

15%  
I don't  
have  
a goal

Eighty percent of those surveyed say their spending and saving habits have been influenced by their up-bringing and immediate family. Although most view their financial situation positively, few have a written financial plan — just 19.6 percent have a written plan with personal goals and timelines for meeting them. Instead, many keep track of their finances “in their head.” A quarter of survey respondents have general financial goals (25.8%) or a mental financial plan with goals and timelines (22.2%).

Forty percent review itemized expenses monthly, but most don't keep track of them in writing (53.8%) and almost half have revolving credit card debt of \$1,000 or more.

Survey respondents would rather bring in more income (47.6%) than lower their expenses (39.8%) to help them increase savings. Few want to reduce expenses so they can spend more today. A greater percentage of women and those with incomes below \$150,000 prefer to cut their expenses as a means for helping them save more.

## Retirement planning

Employer-sponsored retirement plans are fairly well utilized by workers over age 50. Sixty-eight percent of those with access to a workplace plan take advantage of the benefit. Workers over age 50 contribute a lot — over 45.2 percent contribute more than 9 percent of their annual salary or at the allowable maximum plan deferral. Those that do not participate (28.4%), say they cannot afford it or that they rely on other savings vehicles.

Accumulated retirement savings amounts is concerning: 57 percent have \$100,000 or less in retirement savings including 34 percent with \$25,000 or less. Over 1 in 3 have under \$25,000 in outside savings accounts. Despite low savings balances, over 60 percent of pre-retirees surveyed believe they are on track or ahead of reaching their retirement savings goal, and a quarter (24.6%) think they are more than 75 percent to their retirement goal.

Over two thirds (67.8%) have checked their estimated Social Security payment within the last year and more than 1 in 4 expect that it will cover more than half of their monthly income in retirement.



Sixty-eight percent of those **with access to a workplace retirement savings plan take advantage of the benefit, yet 1 in 3 have \$25,000 or less in retirement savings.**

## Retirement planning remains challenging

Retirement planning is difficult. It requires estimating a number of variables such as life expectancies, healthcare costs, future taxes and investment returns, the economy, viability of Social Security and Medicare along with expectations regarding health, employment, and everyday expenses. Two-thirds of those surveyed do not have a clear plan for their retirement years with information like where they will live, their estimated retirement expenses, medical coverage and how much savings they need to fund their retirement lifestyle. They consider deciding how much to save for retirement, saving enough to last their lifetime, and estimating future expenses to be challenging to calculate.

## Investing approach

Forty-four percent of pre-retirees consider themselves knowledgeable about investing, rating their investing abilities "good to excellent." That's not the case for those with household incomes of \$35,000 to \$50,000 — nearly 29 percent score their knowledge as "poor." Seventy percent of men rate their investment knowledge as "good to excellent" compared to 46 percent of women. Nearly 60 percent of respondents check retirement plan investments at least monthly or quarterly.

Most respondents invest conservatively — almost 60 percent describe themselves as "more-to-very conservative" investors. Almost 1 in 3 of respondents say professional investment advice improves returns, but most do not pay for these services (64.2%). Instead, over half (52.4%) handle investing decisions on their own or with their spouse. The data show men and those with household incomes between \$35,000 and \$50,000 are more likely to rely on themselves for investment information. Almost 40 percent haven't considered or don't think they can afford investment advice.

## Financial wellness

Access to financial and retirement planning tools through employers is limited — approximately half are without these tools, according to the data. When available, pre-retirees use the tools once per year, with retirement savings calculators the top pick (59.6%). Retirement planning (52.2%) and investing education (32.9%), Social Security information and calculators (24.2%) are other resources used frequently. Pre-retirees prefer websites, workshops, and email for learning offered by employers and request more investing education to assist with making decisions, but just one-third use existing investment education resources today.

The majority of respondents have some emergency savings, 71.6 percent report \$5,000 or more. Older respondents and men are more likely to have over \$5,000 for the unexpected. Most pre-retirees are not using a Health Savings Account (55.6%) for medical costs.



### RETIREMENT PLANNING CHALLENGES\*

**30%**  
How much to save

**22%**  
Running out of money in retirement

**20%**  
Estimating future expenses

### PRE-RETIREES ARE UNCERTAIN ABOUT...

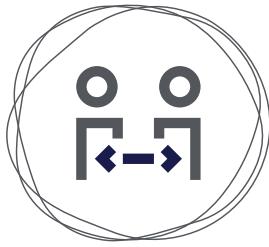
**59%**  
Future expenses

**32%**  
Social Security benefit amounts

**31%**  
Long term care options

**29%**  
Where to live

\* In this situation, percentages on chart do not add up to 100%. This is due to respondents having the ability to choose more than one answer.



# Conclusion

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DURING THE TIME PRIOR TO RETIREMENT, WORKERS OVER AGE 50 NEED TO FOCUS ON PREPARING FOR THEIR POST-WORK LIFE, including visualizing their preferred lifestyle, determining how they'll fund it, and taking action to fulfill their vision. The research shows that pre-retiree workers are challenged not only with personal financial obstacles but also with navigating the complexities of planning for their retirement needs. Workplace retirement plans with financial wellness programs provide employees with resources that can empower workers to make better financial decisions and reach their financial goals.

## Uncomplicate retirement planning

Some plan providers leverage data to personalize and simplify retirement planning and drive action with regular, relevant messaging and a retirement planning experience customized for individual needs. Calculators and retirement plan awareness communications bring the importance of retirement saving and planning together, like personal expectations and goals, retirement savings and estimated healthcare expenses to more accurately estimate future needs and help predict retirement readiness.



**Professional advisers can help employees develop a custom financial strategy that considers current needs and future goals.**

Personalized advice, guidance and education resources can help solve retirement planning challenges like accurately calculating retirement needs, developing a plan for accelerating savings, understanding factors like maximizing social security benefits and planning strategies for making assets last a lifetime.

**Offer and build awareness of financial education and support.**

Financial wellness programs can boost financial literacy and well-being. Providing easy access to digital educational resources that cover topics such as managing expenses, debt reduction, emergency funds, HSAs, and Social Security benefits can guide pre-retirees to more informed decisions.

## Methodology

The research for this white paper was conducted on behalf of ADP Retirement Services by Retirement Insights, LLC. An online survey collected the data from a national sample of 500 individuals age 50 through 65. Slightly over 10% did not have an employer sponsored retirement plan. Demographic data such as household income, gender, race, ethnicity, and geography was considered. The research was completed in July 2022.



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