

PENTEGRA

Your AdvantEDGE

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Millennials & Retirement: Biggest Generation, Biggest Retirement Crisis?

According to a recent study by the National Institute on Retirement Security, 66% of Millennials (defined as individuals born between 1982-2000) have nothing saved for retirement.* In fact, now the

largest generation in U.S. history and numbering over 83 million strong, Millennials are potentially facing a retirement crisis.

It Was The Best Of Times, It Was The Worst Of Times

Many Millennials entered the workplace during a time of high unemployment, stagnant wages and high student loan debt compounded by the Great Recession. In addition, competing expenses such as rent, student loans and other bills often means there is not much left over for retirement savings. However, it does not mean that Millennials are not thinking about retirement. According to the National Institute on Retirement Security study:

- Nearly half of Millennials surveyed were concerned that they will not be able to retire when they want to.
- Two-thirds are concerned about outliving their retirement savings.

Waning Social Security, Greater Longevity & Slower Growth

Millennials should be concerned about their retirement. The first of their cohort will reach age 62 in 2043 when Social Security is projected to cover only 77% of its scheduled benefits. Many Millennials have seen their parents worrying about retirement, particularly those who may have lost retirement savings during the Great Recession due to job loss, market volatility and other factors. As a result, there is an awareness among this younger generation of the importance of planning for whatever the future brings.

Greater longevity, while a blessing, also offers challenges. Many Millennials will live longer than the generations before them. In fact, over half of Millennials are expected to live beyond the age of 89. This increased longevity coupled with decreased Social Security benefits means that Millennials are a generation that needs to plan for retirement as early as possible by saving as much as possible. Many financial advisors are now recommending Millennials set aside as much as 15%-22% of their gross income to save for a comfortable retirement.

How Much Is Enough?

In a 2018 survey long-term care provider Aperion Care reported that 34% of Millennials believe that they only need \$200,000 or less to retire comfortably, while only 25% think that they will need more than one million dollars.** The amount actually needed in retirement will depend on each individual's situation, but will more than likely be well over \$1 million if they plan to retire at or about age 65.

However, even if Millennials are saving at a healthy rate from a retirement investment perspective, total returns from both stocks and bonds in the United States are likely to be substantially lower over the next 20 years than they were over the past 30 years according to a recent McKinsey Global Institute report.*** This new, lower return reality presents challenges for Millennial retirement investors who may need to save even more as a result.

A Millennial Snap Shot

So, what is actually going on with Millennials and retirement plan participation? The results from the National Institute on Retirement Security study reveal the following findings:

- Although two-thirds (66%) of Millennials work for an employer that offers a retirement plan, only slightly over one-third (34.3%) of Millennials participate in their employer's plan.
- The following reasons were cited as why a Millennial could not or decided not to participate in an employer-sponsored retirement plan:
 - 24% are part-time or lack the hours necessary to participate.
 - 16% have not worked for an employer long enough.
 - 9.3% cite budget constraints.

- 8.0% didn't think about contributing.
- 4.8% didn't want to tie up the money.
- 2.2% were not planning on staying with the employer.
- The average employee retirement savings rate for those Millennials participating in a retirement plan is 5% of salary.

Auto Enrollment May Help

Given that two-thirds of working Millennials have nothing saved for retirement, automatically enrolling Millennials into an employer-sponsored plan could potentially improve savings rates.

If you are seeking to increase retirement plan education and participant rates for Millennials or any other plan demographic, contact your Pentegra Relationship Management Team.

** National Institute on Retirement Security, Millennials and Retirement: Already Falling Short*

*** Aperion Care, Millennials and Aging*

**** McKinsey Global Institute, Diminishing Returns: Why Investors May Need to Lower Their Expectations*

Pentegra SmartPlan

We recently introduced SmartPlan, a new video-based enrollment and education tool for plans utilizing our online enrollment feature.

SmartPlan is an innovative retirement plan enrollment and education tool leveraging the most advanced technology and one of the most powerful platforms in the industry today. SmartPlan delivers an overview of plan features and benefits and guides users through an interactive video process designed to help them assess their individual retirement needs and risk profile, as well as choose plan investments and set deferral rates. SmartPlan is designed to help move participants toward more successful outcomes.

SmartPlan is easy-to-use, interactive and intuitive, delivering convenient access, anytime, anywhere, on any device. Aligned with the way today's digital-savvy audience consumes content, participants can navigate where and when they want or let the video hosts guide them through their plan decisions, step-by-step.

SmartPlan's personalized communications motivate employees to enroll in and stay engaged with the plan. Ongoing access to educational resources allows participants to learn at their own pace. Post enrollment email engagement campaigns are designed to further drive positive participant behavior.

We have included a link below to the many benefits and features of SmartPlan. We encourage you to take advantage of this new plan tool to help drive more successful outcomes. Please feel free to contact your Pentegra Relationship Management team with any questions you may have.

[SmartPlan Overview](#)



Retirement Overconfidence?

According to the 2018 Employee Benefit Research Institute (EBRI) Retirement Confidence Survey, 64% percent of workers surveyed said they are very or somewhat confident about their financial prospects in retirement.

This 28th annual EBRI survey, the longest running survey of its kind, captures the expectations and experiences of over 2,000 Americans aged 25 and older. The survey includes both workers and retirees and is roughly split between the two groups.

However, what appears to be a strong story of retirement confidence may be considered more a story of overconfidence when you take a closer look at the underlying survey results. As the EBRI survey reveals, as we think about retirement readiness, greater clarity around the following four questions is key:

1. How much is needed to retire comfortably?
2. What about healthcare costs?
3. When do workers actually retire versus when they expect to retire?
4. How much have workers saved for retirement?

How Much Is Needed In Retirement?

For many workers, how much they will need in retirement to meet expenses remains unclear. EBRI found that only half of workers surveyed had calculated how much they would need to save to live comfortably in retirement or determined the sources of income (including retirement plans and Social Security) they would use to meet expenses.

What About Healthcare Costs?

Only 19% of workers surveyed had estimated their healthcare expenses in retirement, though workers aged 55 or older (28%) were more likely to have calculated how much they would need to cover healthcare expenses. However, planning for these costs is key when you consider that 44% of retirees reported to EBRI that their healthcare costs were higher than they had anticipated.

What Is The Typical Retirement Age?

Workers reported a median expected retirement age of 65 in the EBRI survey, while the actual median age reported by retirees surveyed was 62. In addition, only one in 10 workers planned to retire before age 60. However, the survey also revealed that 35% of retirees retired earlier due to unexpected health issues or job layoffs.

What Have Workers Actually Saved?

According to the EBRI survey, 43% of workers 55 and older have less than \$100,000 in savings and investments, and just 38% have \$250,000 or more. However, despite these low numbers, more than half of workers surveyed expect to rely heavily on workplace retirement plans as a prime source for retirement income.

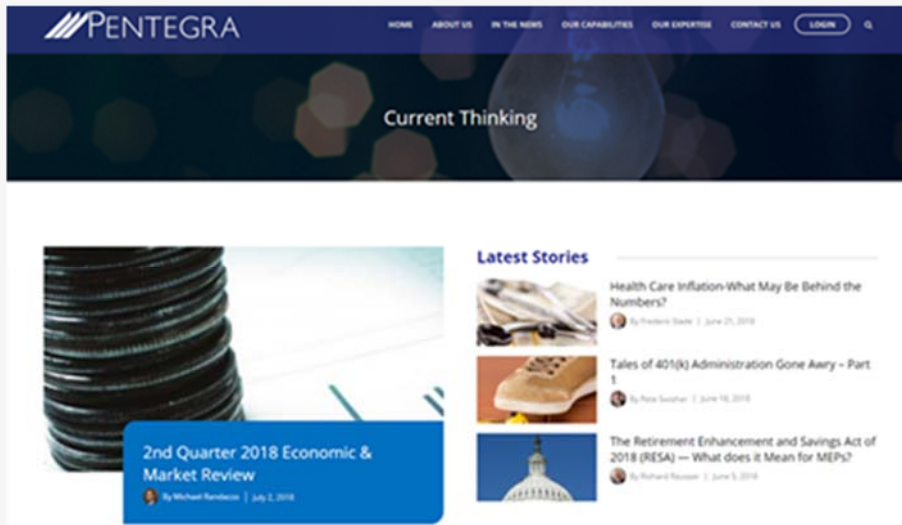
Retirement Education

The better you plan, the better prepared you are. The insights the EBRI survey provides reinforces the need for education around retirement that gets into the nuts and bolts of:

- Determining how much is needed.
- Factoring in healthcare costs.
- Being realistic about a potential retirement date.

Pentegra's Current Thinking

We recently launched a new and improved blog page on www.pentegra.com. Pentegra's [Current Thinking](#) features our opinions, expertise and thought leadership on a variety of topics. Our blog is designed to connect with our advisor-partners and customers to share our knowledge and expertise. Our blogs are regularly shared on our social media outlets as well. Follow our current thinking today www.pentegra.com/current-thinking/



Pentegra's Community Commitment

Pentegra volunteers were back in action recently at My Second Home in Mount Kisco, NY. My Second Home is an award-winning intergenerational day care program for adults and children. By blending activities for adults and children, both age groups acquire an understanding of shared values and respect for individuals at every stage of life. Pentegra volunteers spent the day engaged with seniors in a myriad of activities and also took part in the facility's garden restoration. Thank you to our volunteers and to our strategic impact partner, Volunteer New York. As a Corporate Champion and supporter of Volunteer New York, Pentegra's employees have participated in many meaningful community outreach efforts.

Learn more about Pentegra's community service outreach efforts at www.pentegra.com/news/our-community-commitment/.



Join Us For Our Next PENTalk™:
The Future of Fiduciary Standards in the U.S.

Presented by: Pete Swisher, CFP®, CPC
Senior Vice President, National Sales Director

The DOL's conflict of interest rules were vacated on March 15, 2018 by the U.S. Court of Appeals for the 5th Circuit—with the court issuing the final mandate on June 21, 2018.

The running debate about the standards of care in the financial services industry is therefore beginning in earnest. The SEC has released a set of proposals for comment; the DOL could issue revised guidance; various states are passing DOL-rule-like statutes of their own; Congress could take an interest; in short, the game is afoot.

Banks, trust companies, insurance companies, broker-dealers, investment advisers, and retirement plan advisors are all affected, and largely intertwined. Join Pete as he discusses the latest initiatives surrounding the DOL Fiduciary Rule and explore the impact these initiatives could have on you and your business.

Date: July 20, 2018

Time: 11:00 a.m. - 11:45 a.m. EST

[Register Now](#)

PENTalks are also available through our Youtube channel and our website:

<https://www.youtube.com/user/pentegrars>



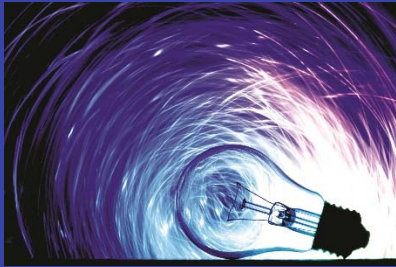
Pentegra Pawsibilities™ Program

Pentegra recently launched Pentegra Pawsibilities™, a new community service initiative designed to help pair retirees with shelter pets. By promoting and educating retirees about the [benefits of animal companionship](#), we hope to add an active, healthy component to our client's retirement years.

Extensive [studies](#) show the many benefits of adopting a dog or cat. Pets provide structure and routine to the day; can help reduce stress; and can increase social interaction and [physical activity](#), supporting a healthier and happier lifestyle. Adopted animals also reap great rewards in the relationship. Retirees no longer go to an office every day and therefore may have more time to focus their attention and affection on their pet than someone who is still working full time.

Pentegra Retirement Pawsibilities™ provides a list of resources including the benefits of adopting a shelter animal, and a list of shelters and the best searchable adoption websites. The program also offers personal guidance from an animal adoption expert at Pentegra who can assist in making the perfect match.

In addition, to help get retirees and their new pet on the right track, Pentegra is offering a \$50 gift card to Chewy.com, to those who submit their adoption papers and a photo with their new family member to Pentegra at www.pentegra.com/news/pentegrapaws



Did You Know?

- A 65-year old couple retiring in 2018 will need an estimated **\$280,000** (present value amount stated in 2018 dollars) to pay **out- of-pocket healthcare costs** during the couple's retirement years. The \$280,000 figure assumes the couple **qualifies for Medicare** but does not require **nursing home care**. This annual forecast has risen from **\$225,000** in 2008 (source: Fidelity).
- The **top 3 states** for retirement in 2018 are **Florida, Colorado** and **South Dakota**. This subjective evaluation was based upon 41 metrics that assessed affordability, healthcare, quality of life, crime, weather and the state's tax environment (source: WalletHub).
- Only **36% of workers** surveyed anticipate that their monthly Social Security benefit "will be a **major source of income**" during retirement. However, **67% of retirees** surveyed have determined that their monthly Social Security benefit "is a **major source of income**" during retirement (source: Employee Benefit Research Institute 2018 Retirement Confidence Survey).

Look For Us At These Upcoming Events

July 19-21 IBSC Annual Convention Marriott Resort & Spa at Grande Dunes Myrtle Beach, SC	August 8-10 TBA 85th Human Resources & Operations Conference Hyatt Regency Lost Pines Resort Bastrop, TX
August 9-11 ICBM 56th Annual Convention and Directors' Conference Mystic Lake Center Prior Lake, MN	August 19-22 17th Annual Get Connected Conference The Keystone Conference Center Keystone, CO
September 6-9 Vermont & NH Bankers Annual Convention Omni Mt. Washington Hotel Bretton Woods, NH	September 10-12 MIBA 41st Annual Convention The Lodge of Four Seasons Lake Ozark, MO

<p>September 10-12 RPAG National Conference The Ritz-Carlton Laguna Niguel Dana Point, CA</p>	<p>September 11-14 NAFCU's Congressional Caucus Hyatt Regency Washington on Capitol Hill Washington, D.C</p>
<p>September 12-14 LBA Executive Management Conference The Grand Hotel Point Clear, AL</p>	<p>September 20-21 PACB 140th Annual Convention The Breakers Palm Beach Palm Beach, FL</p>
<p>September 23-26 WIB -Education Summit & Expo Disneyland Hotel Anaheim, CA</p>	<p>September 24-25 NJBA Annual Senior Management Conference Borgata Hotel and Casino Atlantic City, NJ</p>
<p>September 25-27 IBANYS Annual Convention Hilton Albany Albany, NY</p>	<p>September 27-29 CBAI's 44th Annual Convention & Exposition The Hyatt Regency at the Arch St. Louis, MO</p>

