Turning retirement resolutions into reality

PART 1 | Understand the state of the participant

2018 DC PLAN PARTICIPANT SURVEY FINDINGS

Our latest survey reveals that, although participants are making progress and gaining confidence overall, more work is needed. In a series of three articles, we discuss our findings and the steps plan sponsors can take to further strengthen their plans:

UNDERSTAND the state of the participant

MOTIVATE participants to save

STREAMLINE investment decision-making

Download the companion articles in this series at: **jpmorgan.com/funds/participant-survey**.

PARTICIPANTS SEE A BRIGHTER FUTURE, BUT ...

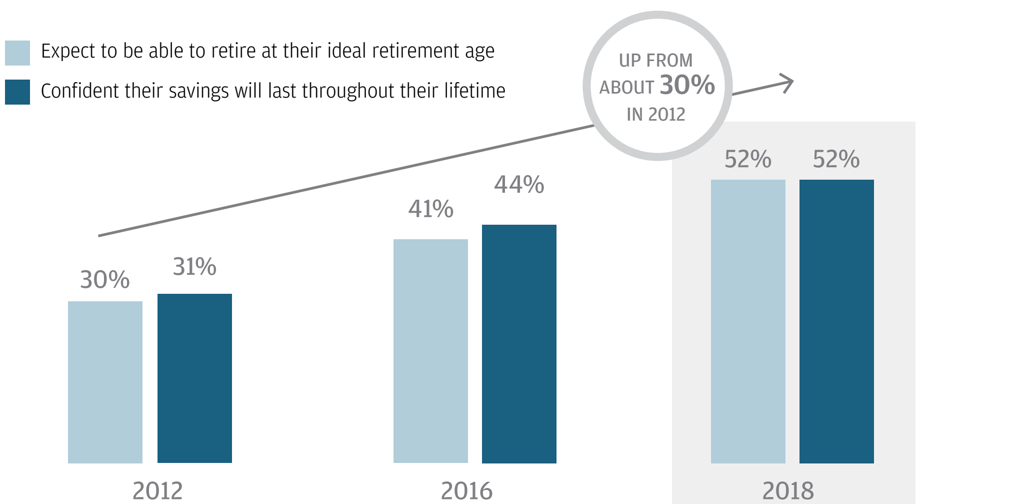
Viewed through the participant lens, the retirement outlook has improved—roughly half of participants feel they will be able to retire when they want, with savings to last throughout their retirement years—up from about 30% in 2012 (**EXHIBIT 1**).

Our retirement research and industry experience lead us to believe that the efforts of plan sponsors, regulators and other partners to evolve and strengthen defined contribution (DC) plans are paying off. But it is not yet time for a victory lap. The bull market rise of more than 100% in the S&P 500 from 2012 through 2017 can't be ignored in interpreting our survey results. And, with almost half of participants still uncertain about their retirement prospects, there is clearly more work to be done.

This first article in our series on 2018 DC Plan Participant Survey Findings, assesses the state of participants—their knowledge, behavior and attitudes with respect to planning, saving and investing for retirement. Parts 2 and 3 discuss participants' perspectives on the strategies plan sponsors are using to motivate saving and streamline investment decision-making. We will continue to monitor these trends across changing market environments.

The retirement outlook has improved ... but further progress is needed

EXHIBIT 1: PERCENTAGE OF PARTICIPANTS WHO EXPECT TO BE FINANCIALLY ABLE TO RETIRE AT THEIR IDEAL RETIREMENT AGE, AND PERCENTAGE WHO "SOMEWHAT" OR "STRONGLY" AGREE THEIR SAVINGS WILL LAST THROUGHOUT THEIR LIFETIME



Note: 2012 Total n= 1,009; 2016 Total n=1,001; 2018 Total n=1,295; those providing both "ideal" and "financially able" ages for retirement: 2012 n=728; 2016 n=626; 2018 n=842.

Source: J.P. Morgan Plan Participant Research 2012, 2016, 2018.

SUCCESS BEGINS WITH SAVING

What do participants need to improve the likelihood of achieving more secure retirement outcomes? Our research indicates that, for many, the answer is more well-defined goals, clearer plans and a stronger commitment to saving. Retirement competes with many other saving and spending needs. That's why it's essential for participants to set specific goals—such as when to retire and what retirement lifestyle to pursue—and translate those goals into the contribution rates and, ultimately, the assets required to realize their aspirations.

Yet, when asked to describe their approach to retirement planning, a plurality (30%) of participants say they're committed to saving as much as they can. A further 12% intend to wait until they retire and then figure out how to live on what they've been able to save. Neither of these qualifies as a plan!

A knowledge gap remains

Roughly half of participants are willing to spend time planning but don't know how to get started (51%). And while confidence in their ability to lay out a plan has grown, many are still uncertain about the answers to some fundamental questions—such as how much to contribute to their 401(k) each year to stay on track (**EXHIBIT 2**).

Knowing is not always enough

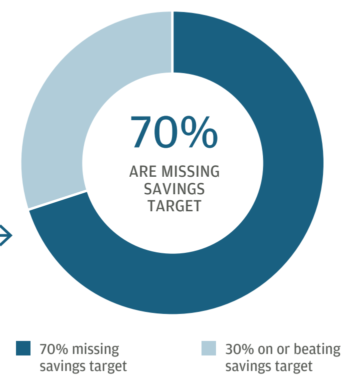
Many participants do have a realistic sense of how much they should be saving, but don't necessarily save accordingly. Nearly three-quarters (73%) think they should be contributing 10% or more to their plan to be on track for a financially secure retirement—in line with the recommendations of many industry experts. But among those, 70% missed their savings target last year (**EXHIBIT 3**). Our 2016 survey showed a similar shortfall. Success requires developing and sticking to a plan and fighting the very human tendency toward inertia (that is, the disconnect between intent and action).

Many participants realize they are not saving enough

EXHIBIT 3: PERCENTAGE OF PARTICIPANTS MISSING THEIR STATED GOAL OF SAVING 10% OR MORE

73% of participants think they should be saving **10%** or more to be on track toward a secure retirement.

Of those ...



Note: Of those that responded to % of salary, before taxes, contributed to retirement plan in 2017 and say they should be contributing 10% or more to be on track in 2018 n=899.

Source: J.P. Morgan Plan Participant Research 2018.

Despite improvement, too few are highly confident in their ability to quantify their savings goals

EXHIBIT 2: HOW CONFIDENT ARE YOU IN YOUR KNOWLEDGE OF EACH OF THE FOLLOWING ASPECTS OF 401(k) RETIREMENT PLANNING? (% RESPONDING "VERY" OR "EXTREMELY" CONFIDENT)

	2018 total	Point (%) change vs. 2012
How much to put in your 401(k) each year to be on track to reach your retirement goals	40%	+14
How to estimate how much you will have in your 401(k) plan by your retirement age if you continue saving at the same level	39%	+17
How much monthly income your savings will provide in retirement	34%	N/A

Note: 2012 Total n=1,009; 2018 Total n=1,295.

Source: J.P. Morgan Plan Participant Research 2012, 2018.

INVESTING CONFIDENCE—SLOWLY TRENDING HIGHER

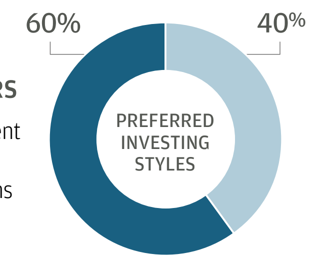
Saving is the essential first step in accumulating retirement assets, but investing wisely helps ensure those assets are protected and can grow. As with saving, investing confidence has improved vs. our 2016 survey findings, following a notable increase from 2012 to 2016. And there are differences in investing confidence levels among participants, based on their preferred investing styles (for style definitions, see "**Differences in how participants approach investing**").

Despite improvement among all participants, a knowledge gap still exists in investing as well as saving: less than 40% are highly confident in their ability to make key investment decisions (**EXHIBIT 4**). As might be expected, so-called "do it yourself" investors are significantly more confident about adjusting how their assets are invested as they approach retirement, and marginally more confident in their choice of plan investment options, than "do it for me" investors.

Our 2018 DC Plan Participant Survey Findings series further explores differences among these participant cohorts.

Differences in how participants approach investing

WHICH OF THE FOLLOWING MOST CLOSELY ALIGNS WITH THE WAY IN WHICH YOU PREFER TO MAKE INVESTMENT DECISIONS IN YOUR 401(k) PLAN?



"DO IT FOR ME" INVESTORS

"I want help selecting my investment strategy and prefer to leave most of the ongoing investment decisions to experienced investment professionals."

"DO IT YOURSELF" INVESTORS

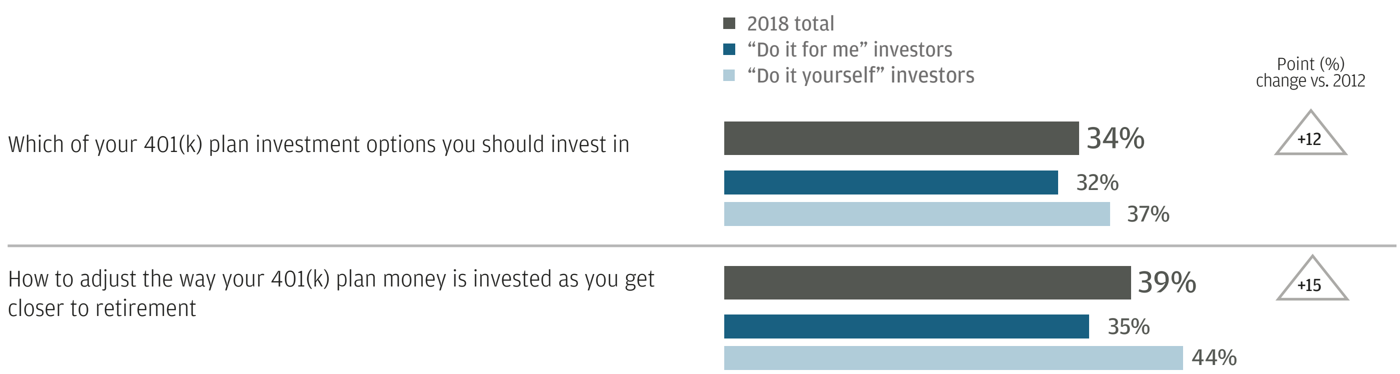
"I want to take a more hands-on approach in selecting my own mix of funds. I'd prefer to choose any combination of the plan's investment options and then monitor and make adjustments to my portfolio as my circumstances change."

Note: 2018 Total n=1,295.

Source: J.P. Morgan Plan Participant Research 2018.

Even among "do it yourself" investors, too few are highly confident in their ability to make investment decisions

EXHIBIT 4: HOW CONFIDENT ARE YOU IN YOUR KNOWLEDGE OF EACH OF THE FOLLOWING ASPECTS OF 401(k) INVESTING? (% RESPONDING "VERY" OR "EXTREMELY" CONFIDENT)



Note: 2012 Total n=1,009; 2018 Total n=1,295, "do it for me" investors n=773, "do it yourself" investors n=522.

Source: J.P. Morgan Plan Participant Research 2012, 2018.

COMMITMENT—TIME TO GET ENGAGED

Perhaps due to a lack of time, talent or interest, many participants are not fully engaged in monitoring and managing their investments:

- **A FULL 25%** of participants admit that they either don't know when they last checked or never have checked to see if their savings rate will be sufficient to meet their retirement goals.
- **ROUGHLY ONE-THIRD** have never made a new investment selection.
- **ONLY HALF** had reviewed their 401(k) offering in the six months prior to being surveyed, including looking at the performance of their current investments.
- **ONLY 40%** had considered making changes to their 401(k) account during that same six months.
- **NOT SURPRISINGLY, "DO IT YOURSELF" INVESTORS** are more likely to be actively involved than their "do it for me" counterparts. Perhaps that is why a growing number appear to be moving toward the "do it for me" investors' preference for an easier approach. Of "do it yourselfers," 41% (up from only 29% in 2016) now agree with the following statement (vs. 75% of "do it for me" investors, up from 73%):

> "If I could push an easy button … and completely hand over my retirement planning and investing to a financial professional, and not have to think about it at all, I would."

IMPLICATIONS FOR PLAN SPONSORS

Since undertaking our first survey in 2007, we have seen continued improvement in the state of DC plan participants. Still, too many do not see themselves on a solid path to a secure retirement.

A sizable majority of plan participants (76%) feel their employer has at least some level of responsibility for helping employees save for retirement—and that includes 70% of "do it yourselfers" and 80% of "do it for me" investors. Fortunately, as we know from our plan sponsor research, employers feel responsible for the overall financial wellness of their employees—and that concern has been climbing, from 74% in 2015 to 82% in our 2017 survey.[1]

What can plan sponsors and their partners do to enhance their 401(k) programs and improve participant retirement outcomes? We continue to believe that the way forward calls for a laser-sharp focus on three key elements:

1. **UNDERSTAND** the state of the participants
2. **MOTIVATE** participants to save
3. **STREAMLINE** investment decision-making

But how do these elements translate into concrete steps that plan sponsors can take? Can traditional avenues like saving incentives and projections help? How receptive are participants to plan design features such as automatic enrollment and automatic contribution escalation, and investment options such as target date funds as well as plan re-enrollments? And what has been the experience of participants whose employers have implemented these various approaches?

Please see the companion articles in our *2018 DC Plan Participant Survey Findings* series for a discussion of these issues and more at **jpmorgan.com/funds/participant-survey**.

[1] J.P. Morgan Plan Sponsor Research 2015, 2017.

ABOUT THE SURVEY METHODOLOGY

To stay in tune with the knowledge, behavior and attitudes of 401(k) plan participants with respect to saving and investing for retirement, we undertook our fifth participant research study on this topic. From January 5 through January 15, 2018, we partnered with Mathew Greenwald & Associates, a market research firm based in Washington, D.C., to conduct an online survey of 1,295 defined contribution plan participants. In order to qualify for the study, each respondent had to be employed full-time at a for-profit organization with at least 50 employees, be at least 18 years old and have contributed to a 401(k) plan in the past 12 months.

Survey results have been weighted by age, gender and education to reflect the overall makeup of the general population of 401(k) plan participants. In a similarly sized, random sample survey of general population respondents, the margin of error (at the 95% confidence level) for the total population in this study would be plus or minus approximately 2.8 percentage points.

RI-PPRSF-1_0618

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