American Century Investments®

The Keys to the Kingdom

Employees Look to Employers for Answers

2016 | 4TH ANNUAL NATIONAL SURVEY OF PLAN PARTICIPANTS

Employees Look to Employers for Answers

In its fourth annual national survey of defined contribution (DC) plan participants, American Century Investments finds that employees continue to look to their employers for guidance in saving and investing for retirement. A sentiment that has been expressed in past surveys, the expectation for employer support is increasingly evident in the 2016 study.

Employees acknowledge they would be in far worse shape without access to an employer-sponsored plan. As participants consider their current circumstances and expectations for the future, nearly all express regret about their personal savings habit, a consistent expression in previous studies and across age groups. As a result, employers have abundant opportunities to structure plans that drive more effective and efficient retirement preparations for their employees. In essence, employers have the keys to the kingdom.

Key Points

Saving continues to be the area for which employees have the most regret and need the most guidance.

> More than half feel not saving enough is one of the greatest mistakes of their lives.

Participants count on their employers' direction and guidance in helping save and invest for retirement.

> Large majorities support progressive default features.

Participants strongly value a retirement plan as part of their compensation and benefits.

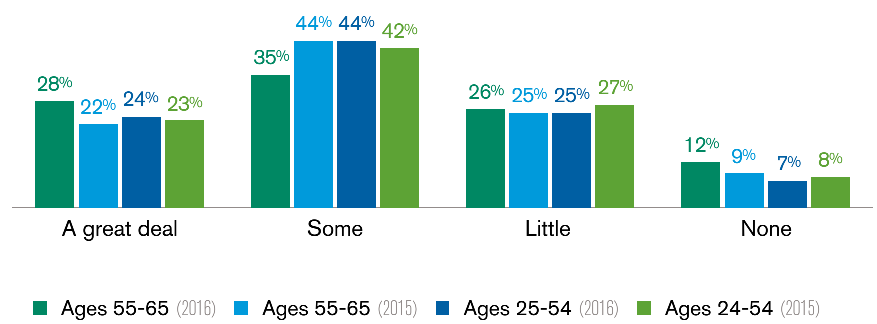
> Employees would accept a match over higher salary.

A majority of participants – some 80 percent irrespective of age – admit they **could have started saving earlier** than they did.

Most participants regret how and when they saved for retirement

Nine in 10 participants are troubled by at least a little regret with respect to saving for their future. Eight in ten participants believe they could have saved more in the past, a significant increase from 2015 among 25- to 54-year-olds particularly.

Q *Thinking about the job you have done in saving money for retirement, how much regret do you have about not doing better?*



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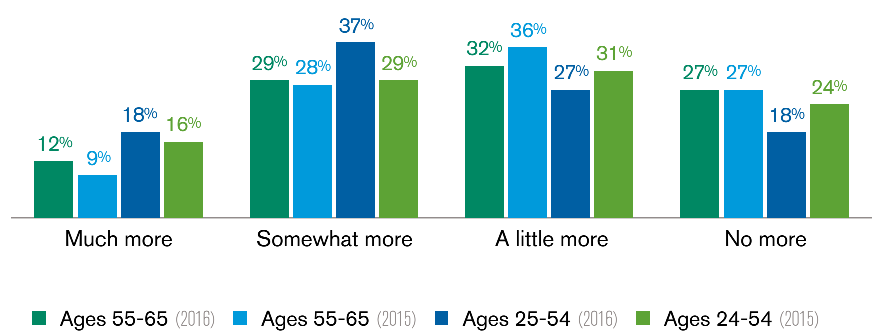
Q *Given your finances over the years, how much more could you have afforded to save?*



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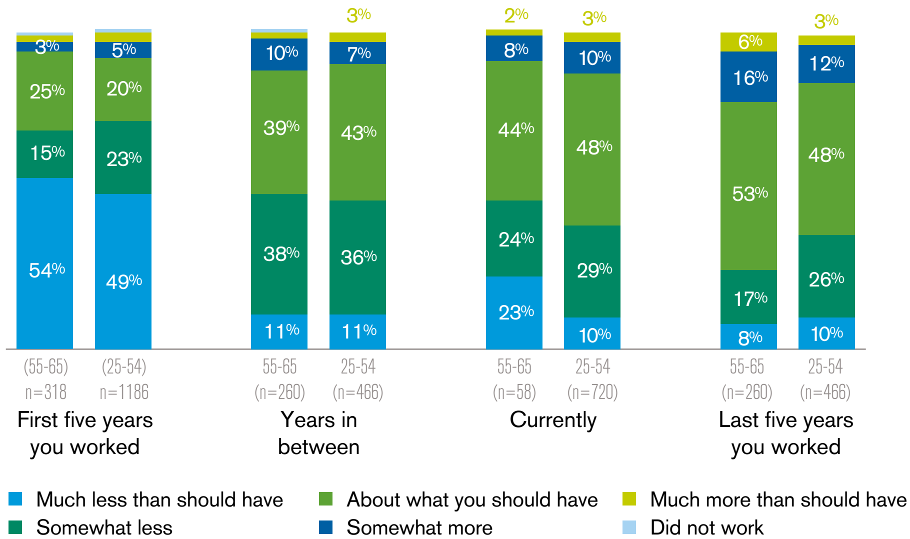
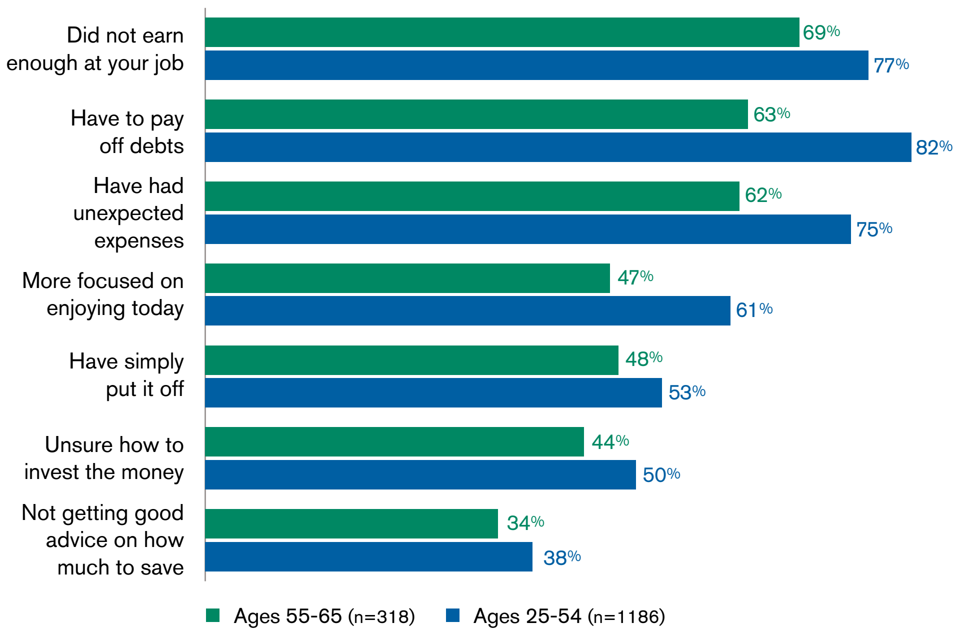
Specifically, participants point to the first five years of their working lives as the period of time for which they have the most regret. The recognition of those first five years is an acknowledgment of the effect of compounding as well as self awareness of their own behavior. Participants accept the importance of habit, and starting earlier would have resulted in a pattern of consistent saving over the years.

Q *In each of the following periods, how would you evaluate your level of retirement savings at the time?*



Participants cite common obstacles to saving, including not being able to afford it, having debt and incurring unexpected expenses as key barriers.

Q *Indicate if the following are reasons you (and your spouse/partner) are not saving more money now.*



>9 in 10

said it would be

"At least somewhat important to tell their younger selves to save more."

BUT

7 in 10

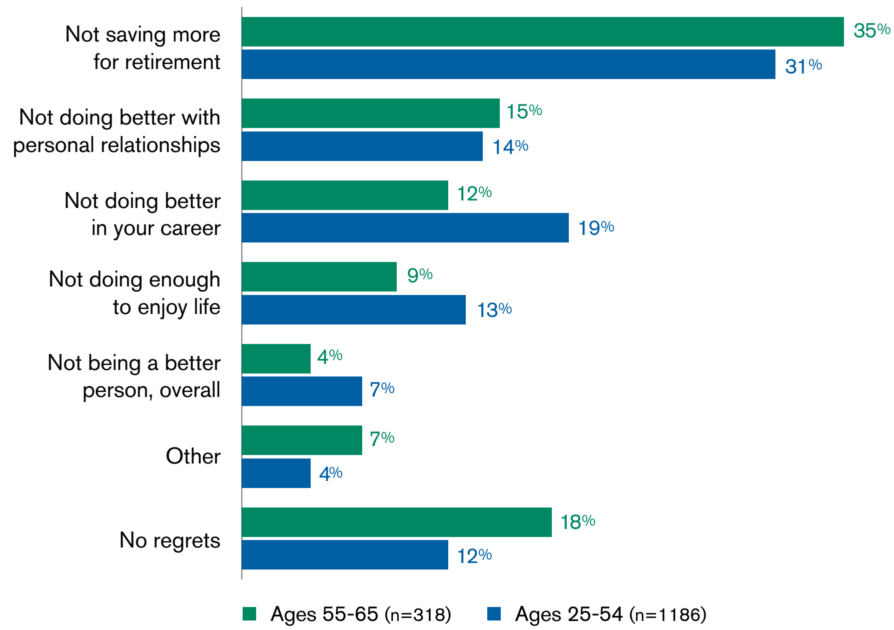
said they would be

"At least likely to listen to their future self."

Nearly all participants consider retirement an **important goal** with one-quarter calling it the **biggest goal**.

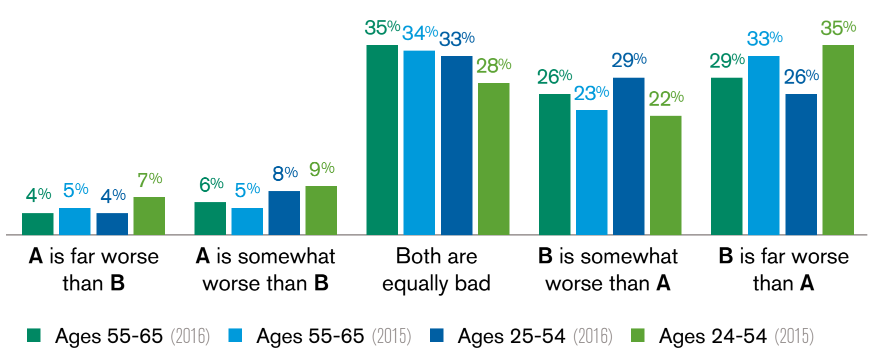
The most compelling commentary on remorse is that "not saving enough for retirement" was the greatest personal regret among participants.

Q *Looking back, what is your biggest regret?*



An overwhelming majority recognize that it would be far worse to have too little money in retirement than to miss out on something today. Overall, a large majority of participants expect their standard of living to be the same or a little lower than what it is today.

Q *Which statement comes closest to your belief about these consequences?*
A. You can save too much and lose the opportunity to enjoy your money now.
B. You can save too little and not have enough money in retirement



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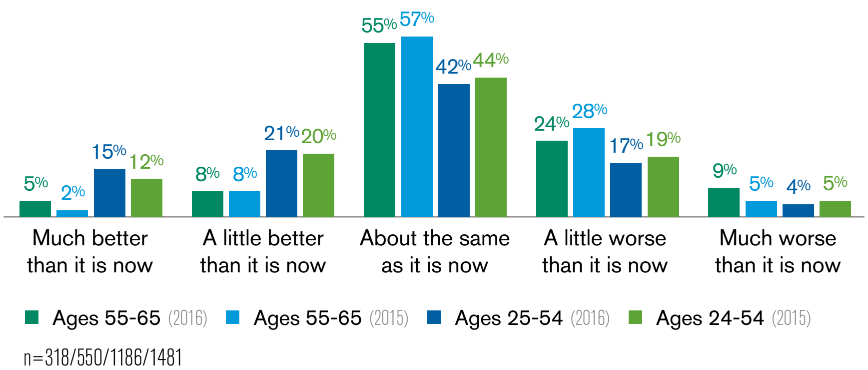
Financially speaking, do you expect your standard of living in retirement will be…?



Given participants' perceptions of their own behavior, their recognition of the importance of saving and their expectations for the future, their employers' decisions can be the critical element for retirement security.

Employers' influence cannot be overstated

Despite grading themselves a C and C+ on saving and investing respectively, participants are less critical with help offered by their employers, awarding a "B-" grade.

How would you grade the job that your employer has done providing a retirement plan that offers you the opportunity to save, invest, and accumulate retirement savings?

	2013	2014	2015	2016
Ages 55-65 n=1054/1007/550/318	B-	B-	B-	B+
Ages 25-54 n=612/1481/1186	—	C+	B-	B-

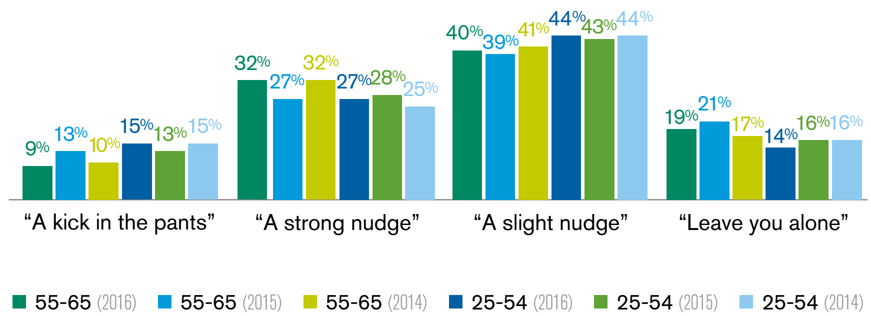
Participants are
5 times
more likely to believe it is worse to have too little money in retirement than to miss out on enjoying spending money today.

>9 in 10
said they would be
"Better able to handle challenges in retirement if they save more."

Most participants believe they would have more if their employer had **done everything possible** to help them save.

Participants are looking for a least a "slight nudge" from their employers with respect to saving and investing for retirement.

Q *Which best describes what you would like your employer to do for you when it comes to encouraging you to save more for retirement?*



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Participants are amenable to progressive plan design

Although plan sponsors may be reticent to implement aggressive defaults or automatic programs in response to potential employee backlash, participants are actually supportive of such measures. With an opt-out provision in place as a backdrop, employers can heed the overwhelming validation among participants for automatic features. Specifically:

70% believe automatic enrollment at 6% is something employers should do

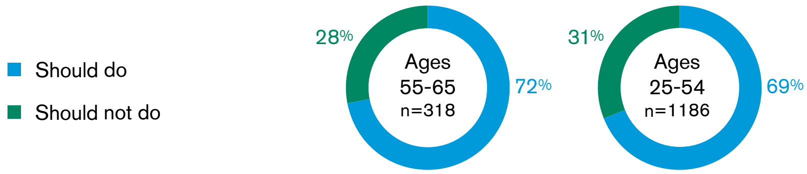
>50% feel automatic enrollment should be implemented retroactively

7 in 10 show at least some interest in automatic increase

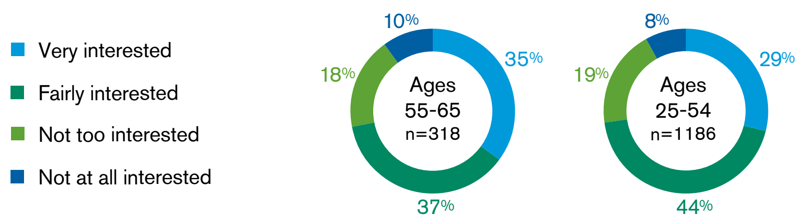
7 in 10 support plan investment re-enrollment into target-date solutions

More than 50 percent of participants support implementing automatic enrollment retroactively to include all eligible employees rather than new hires only.

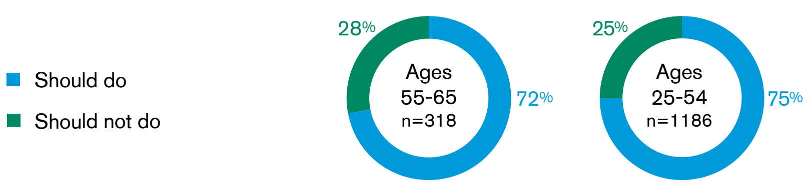
Q *Suppose the company you worked for has an automatic enrollment option where 6% got taken out of employees' checks automatically for their retirement plans. Is this something the company:*



Q *Suppose the company you work for has an automatic increase option where the amount taken out of employees' paychecks increases by 1% every year until it hits 10% or more. How interested would you be in having a 401(k) program that offers an automatic 1% increase every year in the amount taken from your paycheck for your retirement plan?*



Q *Some employers offer target-date funds that are designed for people your age and income level and automatically become more conservative as you approach retirement. The employee can always opt out of this strategy or change their investment mix whenever they want. Is this type of automatic investing something that companies:*



2/3rds

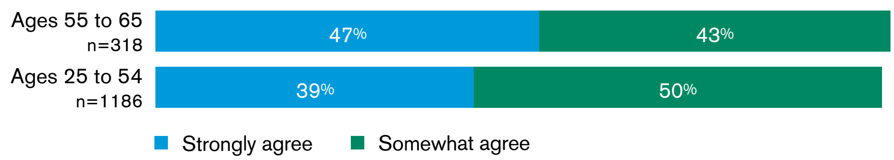
feel **more positive** about a company that offers **automatic enrollment, automatic increase and target-date investments** over a company that does not offer these features.

At least 75% of all participants believe it's their **own fault if they don't save** through their workplace retirement plan.

Participants value the DC plan as one of their most important benefits

More than eight in 10 participants view their retirement savings plan at work as one of the most important benefits offered by their employer. A very large majority agree that "My employer offering a retirement plan makes me feel better about working there."

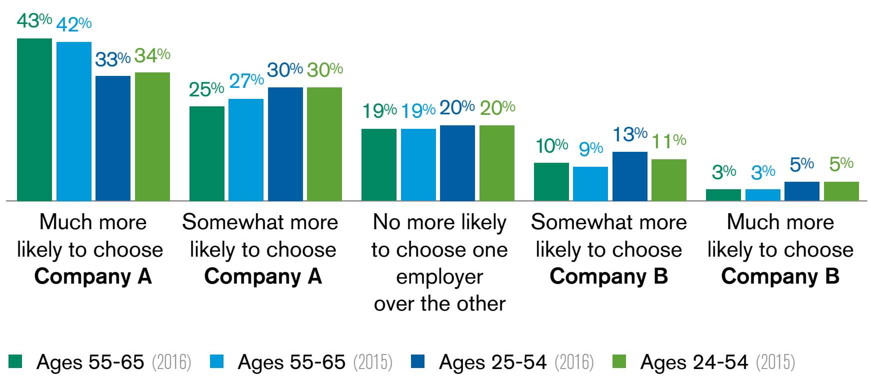
Q *To what extent do you agree or disagree with the following statement? "My employer offering a retirement plan makes me feel better about working there."*



Retirement plans beat salary in career decisions

Seven in 10 55-65 year olds and two-thirds of younger participants would choose to work for a company that offers a retirement plan over one that does not, even if the competing company offered a 5% higher salary.

Q *Suppose you were going to take a new job in the near future and were considering two employers. Company A offered an employer-sponsored retirement plan; Company B did not offer a retirement plan, but offered 5% higher salary than company A. If the job offers were the same in every other way, to what extent would offering an employer-sponsored retirement plan affect your decision?*



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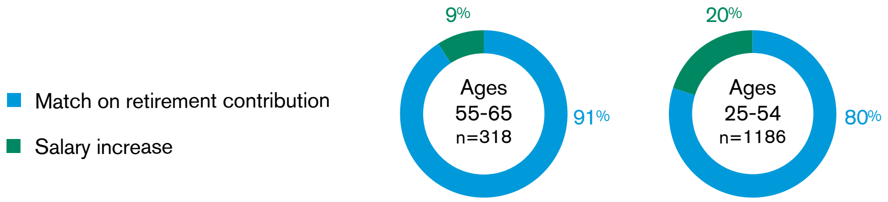
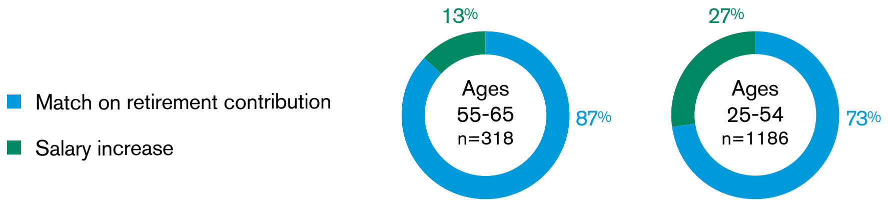
Eight in 10 participants would prefer a match on their retirement contribution of 100% up to 3% over a 3% salary increase. Three-quarters say the same when the figure is raised to 6%.

Q Suppose your employer offered the option to either match your retirement contribution 100% up to 3% of salary or increase your salary by 3% and make no contribution. Which option would you prefer?



Q Now, suppose your employer offered the option to either match your retirement contribution 100% up to 6% of salary or increase your salary by 6% and make no contribution. Which option would you prefer?



>8 in 10

view their retirement savings plan at work as one of the **most important benefits** offered by their employer.

Summary

Although most working Americans consider their employer-sponsored DC plan as their primary source of retirement income, few have embraced the responsibility and engagement required to effectively manage the benefit. They acknowledge the risks of not saving adequately, have reset their expectations around standard of living and look back with heavy remorse about their earlier efforts to save. Regardless of history and current patterns, participants accept that anyone not taking advantage of their DC plan is at their own peril.

The light at the end of the tunnel appears with participants' views of their employers. Participants would overwhelmingly welcome stronger encouragement – specifically established default saving rates and investment choices – from their employers. More than 80 percent of participants are looking for a least a "slight nudge" from their employers in this regard.

Employers and their providers have a great opportunity to seize this opportunity to influence their participants' ability to retire. Over the past two decades, academic research and practical application have shown the effectiveness of progressive defaults on saving. Now, we also have participant preference for the same type of intervention. Employers really do hold the keys to retirement security through their workplace plans, and they have the chance to make a real difference on the livelihood of their employees.

Actively Investing in Your Success®

At American Century Investments, we believe the ultimate measure of our performance is our clients' success. We relentlessly focus on delivering superior investment performance and developing long-term relationships with our clients. Our track record, our business model and the legacy of our founder set us apart in the industry.

- Performance focus for more than 55 years
- Pure play business model
- Privately controlled and independent
- Profits With A Purpose™

Survey Methodology:
The survey was conducted between February 23 and March 7, 2016. Respondents included full-time workers between 25 and 65, currently participating in their employer's retirement plan, intending to retire at some point and not working for the government. A total of 1,504 respondents completed the survey. The data was weighted to reflect the makeup of key demographics (gender, income, and education) among all American private sector plan participants between the ages of 25 and 65 (according to estimates from the 2012 U.S. Consumer Population Survey).

Percentages in the tables and charts may not total to 100 due to rounding and/or missing categories.

Data collection and analysis were completed by Mathew Greenwald and Associates of Washington, D.C.

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