American Century Investments®

Who's in the Driver's Seat?

Participants Just Want to Ride Along

2015 NATIONAL SURVEY OF DEFINED CONTRIBUTION PLAN PARTICIPANTS

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As the first generation of defined contribution (DC) plan participants begins to retire, policymakers, employers and the retirement industry are scrutinizing results of those benefit plans. Do people have enough money to live comfortably in retirement? Did they make prudent decisions along the way? What plan design features and education programs are the most effective? In the end, individual plan participants have the ultimate responsibility for their choices in a DC plan. Although they have the proverbial "keys to the car" with respect to how much they save and where they invest their plan accounts, many participants want to be passengers following a guided path to saving and investing. In American Century Investments' third annual survey of defined contribution plan participants, individuals share how much they rely on the guidance of their employers, especially with regard to saving sufficiently and consistently for retirement.

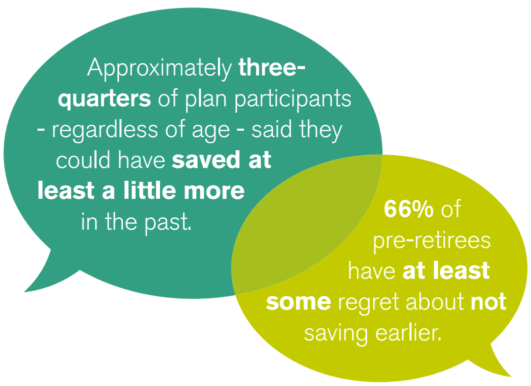
In the study, plan participants shared they:

- Have a great deal of regret about their past saving behavior
- Know it is important to save through the DC plan but want more direction on how to do so
- Aspire for independence rather than affluence in retirement
- Look to their employers to help them establish positive saving and investing patterns

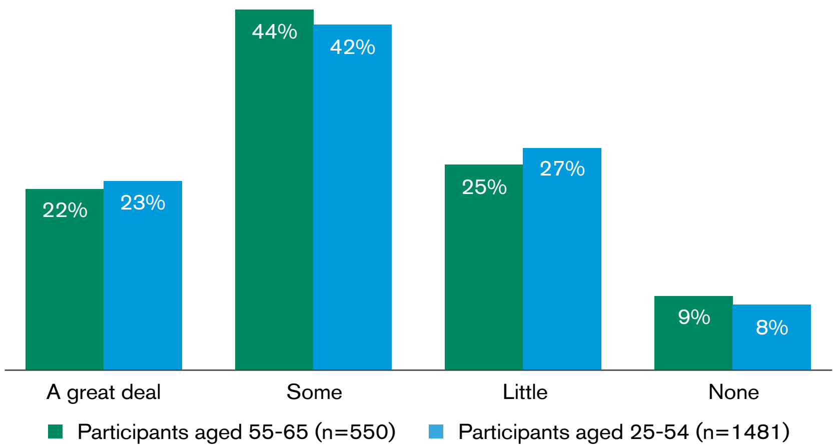
Participants acknowledge the significance of and responsibility for saving, but they would prefer to ride along rather than take the wheel.

Regrets remain

As in the previous two studies, nearly all participants expressed regret about not saving enough for retirement. Nine in ten pre-retirees (aged 55-65) and participants aged 25-54 said they had at least a little regret for not saving earlier.

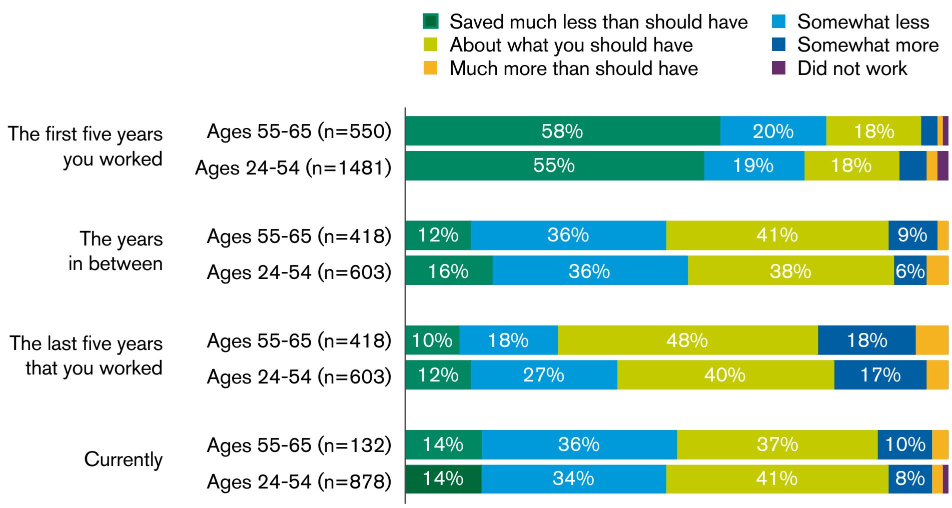


Q: Thinking about the job you have done in saving money for retirement, how much regret do you have about not doing better?



Three-quarters of plan participants said they could have saved more in the past, and more than 50 percent across age groups point to the first five years of working as the period of time in which they could have saved much more than they did. Regardless of age, plan participants believe they could have started saving earlier than they did.

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



A majority of participants agree that not saving enough was one of the biggest mistakes of their lives.

Among life accomplishments, participants cited **not saving earlier** for retirement as their **biggest personal regret.**

of participants said they could have afforded to

SAVE AT LEAST A LITTLE MORE

than they did.

I wish that I could have talked to the young me and told myself to save more than I did

Participants aged 55-65 (n=550)		Participants aged 25-54 (n=1481)	
40% STRONGLY AGREE	42% SOMEWHAT AGREE	34% STRONGLY AGREE	44% SOMEWHAT AGREE

When I was younger, I underestimated how much I should be saving for retirement

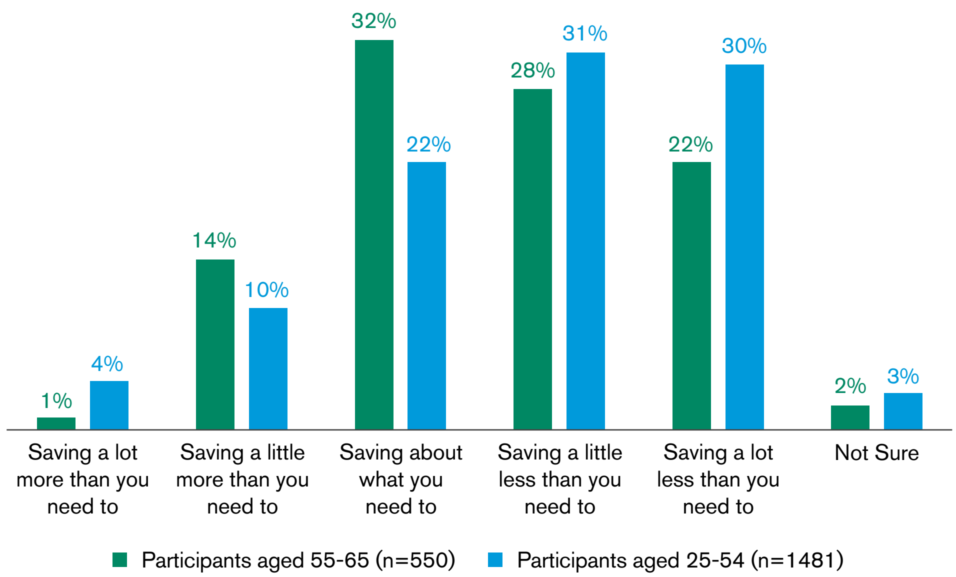
Participants aged 55-65 (n=550)		Participants aged 25-54 (n=1481)	
32% STRONGLY AGREE	41% SOMEWHAT AGREE	29% STRONGLY AGREE	44% SOMEWHAT AGREE

■ Participants aged 55-65 (n=550) ■ Participants aged 25-54 (n=1481)

Despite expressing regret about not saving earlier and enough previously, half of pre-retirees and 60 percent of 25- to 54-year olds admit they are still saving less than they should. In fact, 25- to 54-year olds were significantly more likely to report saving a lot less than they should compared to the 2014 results. And three-quarters of plan sponsors said their participants save less than they should with one-third saying participants are saving significantly less than they should.

The barriers to saving continue along the theme of day-to-day life taking precedence over retirement. Not earning enough (the inability to afford saving), having debt and handling unexpected expenses are by far the most cited obstacles to saving for retirement.

Q: When looking to your future needs, how would you evaluate your overall level of saving at this time?



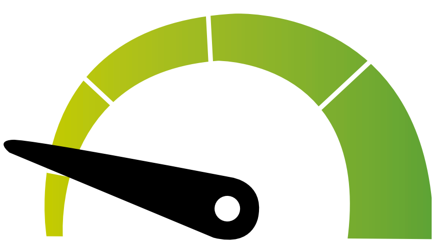
Please indicate if the following are reasons for you (and your spouse/partner) not saving more money now

Ages 55-65 (n=258)		Ages 25-54 (n=916)
83%	You do not earn enough at your job	83%
81%	You have to pay off debts	89%
78%	You have had unexpected expenses	80%
58%	You are more focused on enjoying today than on saving for the future	62%
56%	You have simply put it off	55%
49%	You are unsure about how to invest the money	55%
38%	You are not getting good advice about how much to save	39%

Participants need an education on education

Although they acknowledge the importance of saving, participants are looking for a road map on how to do so, especially among the 25- to 54-year old age group.

When it came to investing my retirement plan money, I knew very well what I was doing.

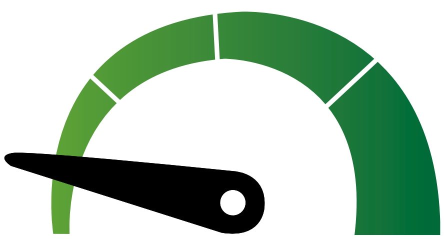


12%

of pre-retirees

STRONGLY AGREE

(n=550)



11%

of participants aged 25-54

STRONGLY AGREE

(n=1481)

64%

of pre-retirees

and

72%

of participants aged 25-54

AGREE

that they **would save more** for retirement **if they had a better sense of how much more** they should save.

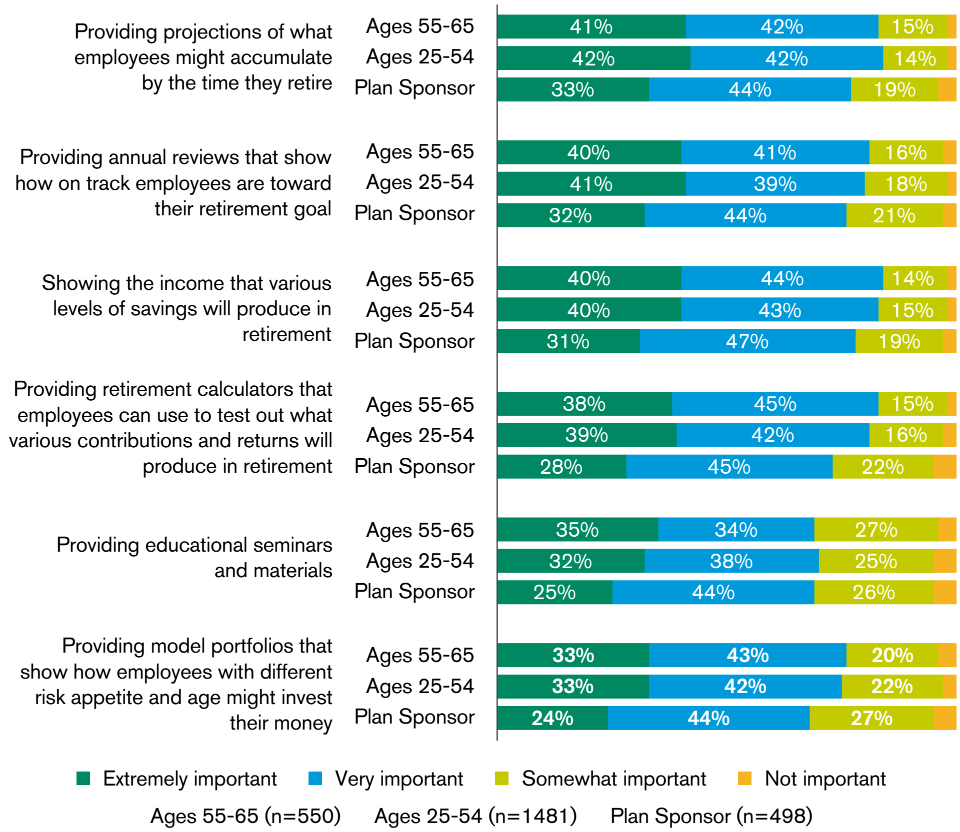
Participants grade themselves on putting money away for retirement

Over one in four *participants ages 25-54 say they deserve a* ***"D"*** *or an* ***"F"*** *in putting money away for the future.*

Over half of pre-retirees *would give themselves an* ***"A"*** *or* ***"B"*** *when it comes to investing for retirement.*

Regrets about not saving enough are evident when participants are asked to grade themselves on their saving behavior. Overall, participants believe they did a better job investing rather than saving, but few acknowledge knowing well what they were doing. Participants value a variety of educational tools and communication programs, but two-thirds wish their provider would come into the workplace to educate them.

Q: How important do you think each of the following employer actions are in encouraging employees to save more for retirement?



Participants aspire for independence rather than affluence

Consistent with the prior surveys, most participants expect their standard of living in retirement to be the same or worse than it is now, especially among pre-retirees. Some 90 percent of participants between 55 and 65 years old have this view with nearly 70 percent of 25- to 54-year olds feeling the same. Framed another way, two-thirds of pre-retirees expect the same standard of living or better with three-quarters of the younger group responding in the same fashion. **Regardless, a much more balanced expectation is one of an independent rather than an extravagant lifestyle.**

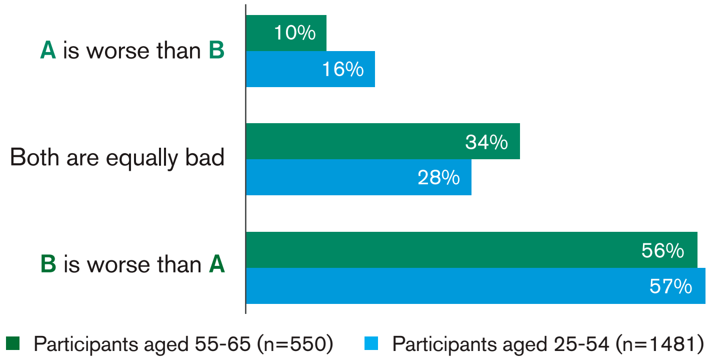
Q: Financially speaking, do you expect your standard of living in retirement will be...?

By a large margin, participants feel it would be far worse to have too little in retirement than to miss out on something today. Participants are willing to make adjustments to their current lifestyle rather than suffer the consequence later in life.

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*

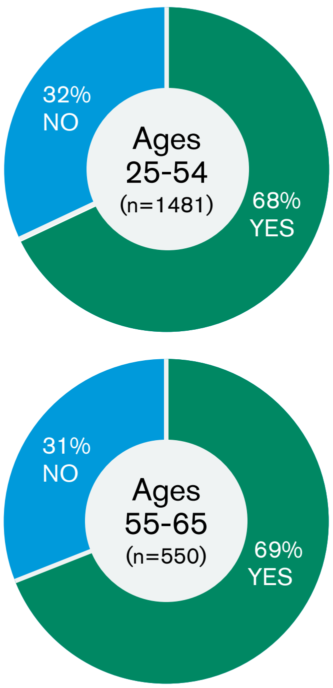
B. *You can save too little and not have enough money in retirement*



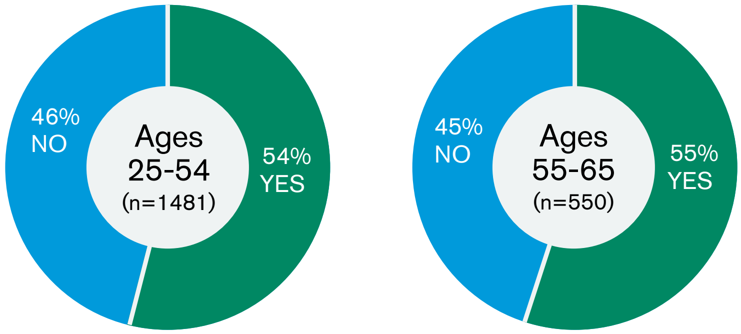
Employer decisions have significant influence over participant actions

When it comes to driving a path to retirement, participants overwhelmingly look to their sponsors to take the lead. Specifically, plan participants expect some level of direction on saving levels and investment choices. Participants point to their employers as having a great deal of influence in their personal decision-making. Once again, participants across age groups expressed strong support for automatic programs, including those done on a retroactive basis. Nearly seven in 10 support automatic enrollment at a 6 percent starting contribution rate (versus the average of less than 4 percent*), and more than half support that initiative for all employees rather than just new hires.

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 should do?

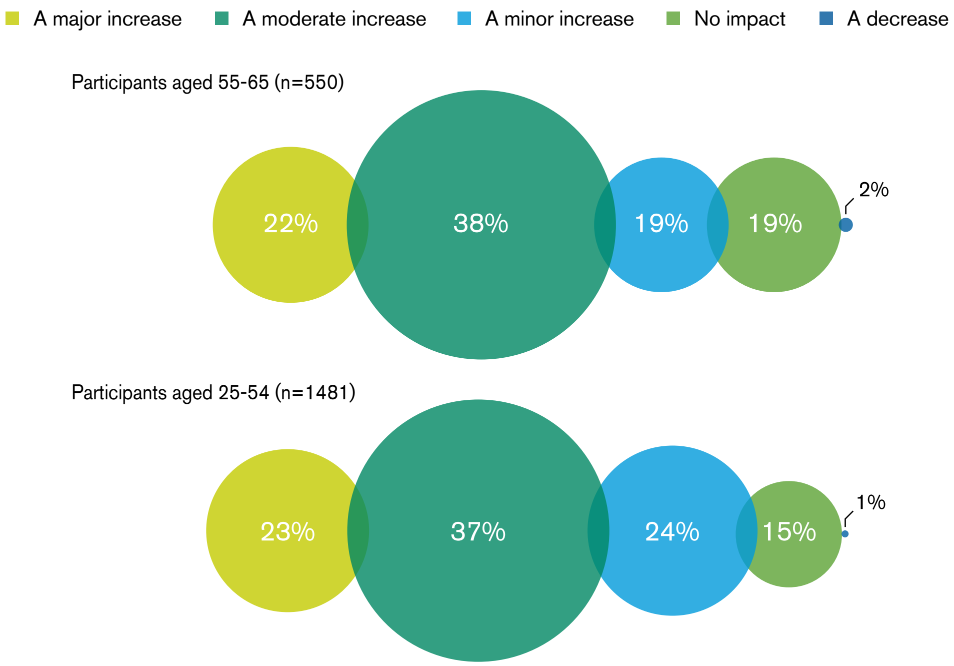


Q: Now suppose the company you worked for began offering a retroactive automatic enrollment option, where for all unenrolled employees, 6% got taken out of employees' checks automatically for their retirement plans. Is this something the company should do?



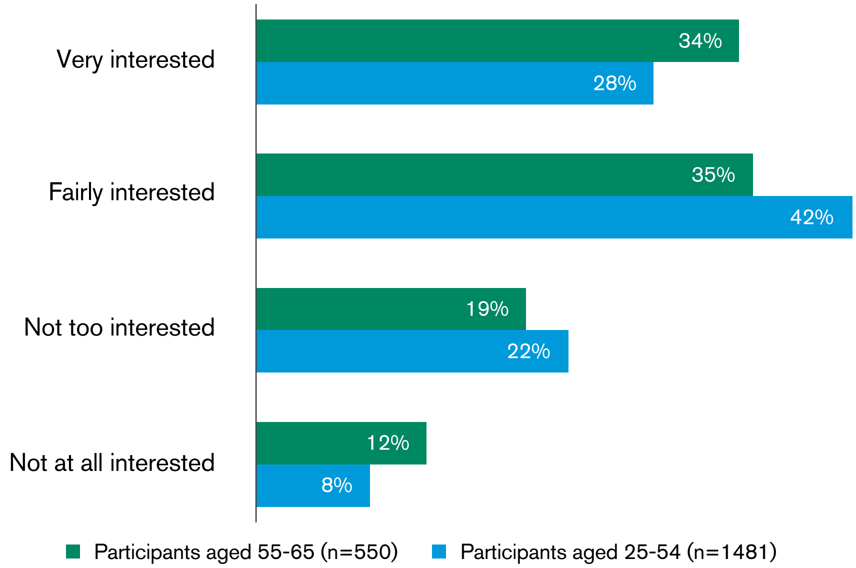
Furthermore, participants are extremely amenable to automatic contribution rate increases. Three-quarters of pre-retirees and more than eight in 10 participants between 25 and 54 years old indicated an automatic increase would have at least a moderate increase in their personal retirement savings.

Q: Imagine all your retirement plans had automatic increases. How would that have changed the amount of your retirement savings today? Would it have caused...



*Trends in 401(k) Plans and Retirement Rewards, A Report by WorldatWork and the American Benefits Institute, March 2013

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?



The same holds true with perceptions of default investments. Large majorities of both age groups support plan investment re-enrollment into target-date funds. In this case, participants' current account balances and future contributions are automatically invested into an age-appropriate target-date fund, currently the most common Qualified Default Investment Alternative (QDIA). "Target-date" funds are designed to provide a diversified portfolio in one investment and are managed with a specific year in mind. A target-date fund's target date is the approximate year when investors plan to retire or start withdrawing their money. The principal value of the investment is not guaranteed at any time, including at the target date. Each target-date fund seeks the highest total return consistent with its asset mix. Over time, the asset mix and weightings are adjusted to be more conservative. In general, as the target year approaches, the portfolio's allocation becomes more conservative by decreasing the allocation to stocks and increasing the allocation to bonds and money market instruments.

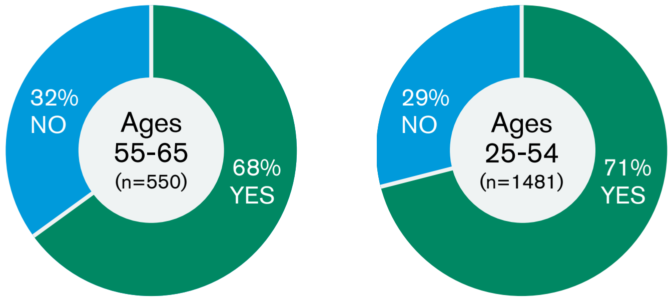
65%

of participants feel

POSITIVE

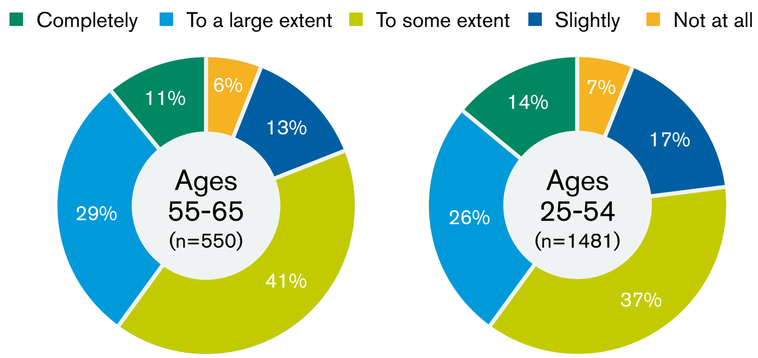
about a company that offers auto enrollment, automatic increases, and target date funds.

Q: Unless employees specify otherwise, their money would be automatically invested into age appropriate target date funds. 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 should do?

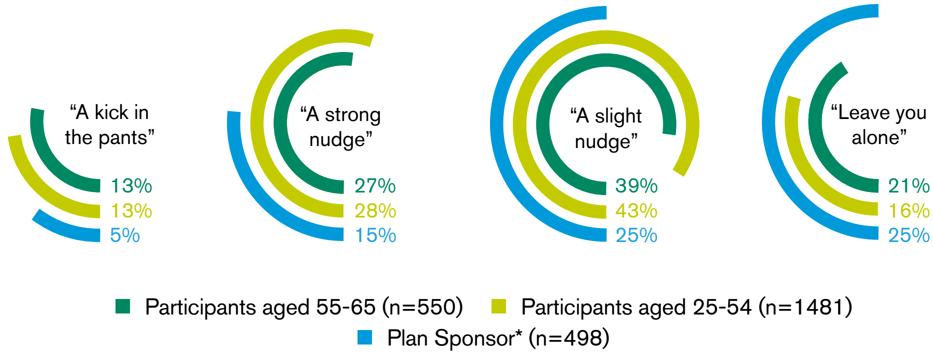


With this high affinity for automatic plan design features, few participants believe their employers have done everything possible to help them prepare for retirement. Most believe more intervention from their employers would have a positive result on their personal bottom line.

Q: To what extent do you feel your employer or employers have done everything you needed them to do to encourage you to save 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?



*Median % of employees plan sponsors believe want each level of encouragement

Finally, more than eight in 10 participants wish their employers would provide at least a “slight nudge” to encourage them to prepare for retirement. On the other hand, plan sponsors greatly underestimate this sentiment with the perception that 25 percent of their employees want to be left alone when it comes to saving.

Retirement plan benefits are viewed as valuable attributes. A job offer from a company with a retirement plan is significantly more attractive than an offer with a 5 percent higher salary and no retirement plan.

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?

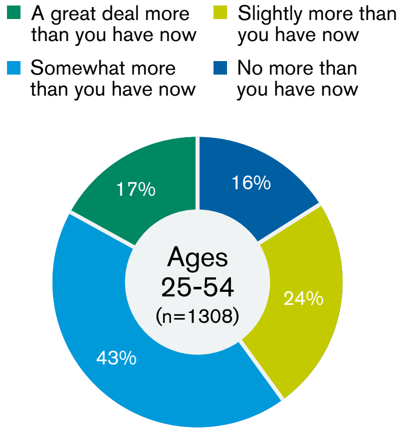
Ages 55-65 (n=550)		Ages 25-54 (n=1481)
42%	Much more like to choose Company A	34%
27%	Somewhat more likely to choose Company A	30%
19%	No more likely to choose one employer over the other	20%
9%	Somewhat more likely to choose Company B	11%
3%	Much more likely to choose Company B	5%

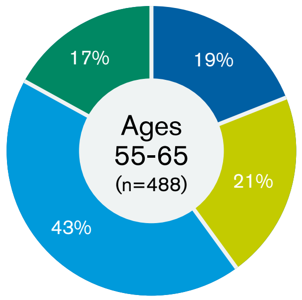
Pre-retirees are more than five times more likely to choose a company with a retirement plan rather than a higher salary. Participants aged 25-54 are four times more likely to do so.

Summary

With DC plans as the primary source of retirement security for most working Americans, plan decisions – especially around saving – are critical. Academic research of participant behavior proves the effectiveness of defaults like automatic enrollment and automatic contribution rate increase in driving higher saving rates. This survey indicates participant support of progressive automation in establishing saving patterns, and their willingness to follow the guidance of their employers in that regard. Although plan sponsors may underestimate the acceptance among participants to their intervention, participants are actually looking for that level of support. Although participants are technically able to drive, they are willing to be attentive passengers with their plan sponsors steering the car.

Q: Assuming your employer had done everything you felt was important to do, how much more might you now have in retirement savings?





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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 participant survey was conducted between February 4 and 19, 2015. Respondents included full-time workers between ages 25 and 65, participating in their employer's retirement plan, intending to retire at some point and not working for the government. A total of 2,031 respondents completed the survey. The data were 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).

The plan sponsor survey was conducted between March 16 and March 31, 2015. Respondents were screened to include only those who currently work for a private or publically held company or organization that was founded prior to 2010 and offers a defined contribution plan with plan assets of less than $250 million for which the respondent has considerable influence. A total of 498 respondents completed the questionnaire. This includes 215 whose company has plan assets under $25 million, 88 between $25 and $50 million, 67 between $50 and $75 million, 74 between $75 and $100 million, and 54 between $100 and $250 million. The data were balanced to reflect the makeup of the total defined contribution population by plan asset size.

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, Inc., of Washington, D.C.

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