RETIREMENT PREPAREDNESS DURING UNCERTAIN TIMES

Retirement Savings Assessment 2023 | Executive Summary

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WHAT'S THE STATE OF RETIREMENT PREPAREDNESS IN AMERICA?

3,569

SURVEY RESPONSES

Fidelity's Retirement Savings Assessment is built upon comprehensive data from more than 3,500 survey responses that are run through the extensive retirement planning platform Fidelity uses every day with customers.

The result: a numerical indicator showing whether savers are on track to meet estimated retirement income needs. The score places households into four categories on the preparedness spectrum, based on a household's ability to cover estimated retirement expenses in a down market.

Where does America stand in 2023?

Post-Pandemic and amid continued volatility, **Americans' preparedness has declined to yellow**, with Millennials seeing the greatest decline. The study also reveals over half (52%) of those surveyed are not on target and face modest to significant adjustments to their planned retirement lifestyle if they don't take action to make up the shortfall, up from 46%.

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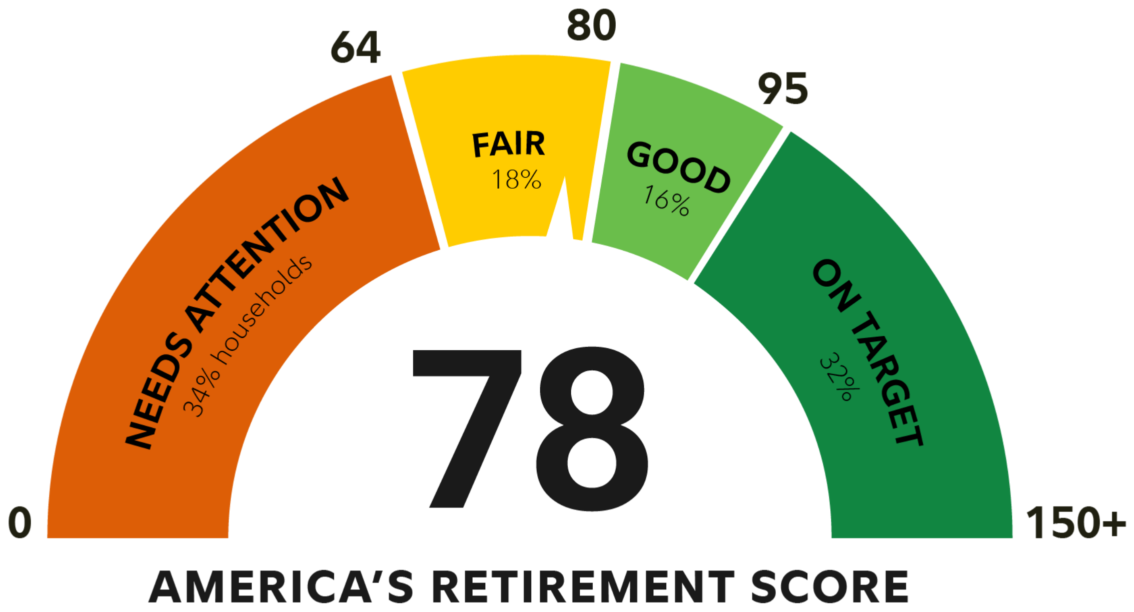
AMERICA'S RETIREMENT SCORE



America's Retirement Score:

America's Retirement Score for the typical American household is **78**, which falls into the **"Fair" zone**, meaning the typical saver is on target to have 78 percent of the income Fidelity estimates they will need to cover retirement costs.

AMERICA'S RETIREMENT PREPAREDNESS

48%

of working American households are likely to be able to **cover at least their essential expenses in retirement**, based on the Retirement Scores that were calculated.

NEEDS ATTENTION
(<65)

Significant adjustments to retirement lifestyle likely

34% OF HOUSEHOLDS ARE IN THE **RED ZONE,** UP FROM **28%** IN 2020

FAIR
(65-80)

Modest adjustments to retirement lifestyle likely

18% OF HOUSEHOLDS ARE IN THE **YELLOW ZONE,** FLAT FROM **18%** IN 2020

GOOD
(81-95)

Able to cover **at least essential expenses, but not discretionary expenses such as travel, entertainment, etc.**

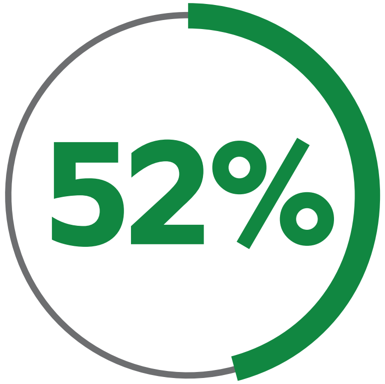
16% OF HOUSEHOLDS ARE IN THE **GREEN ZONE,** DOWN FROM **17%** IN 2020

ON TARGET
(>95)

Able to cover more than 95% of total estimated expenses, which includes essential and discretionary expenses

32% OF HOUSEHOLDS ARE IN THE **DARK GREEN ZONE,** DOWN FROM **37%** IN 2020

TAKE CONTROL



Based on the Retirement Scores, **52%** of American households are **at risk** of not being able to cover essential expenses in retirement.

However, focusing on...

3 PREPAREDNESS ACCELERATORS
could result in a dramatic improvement

"Taking these three actions in tandem can bring America's retirement score all the way from yellow to dark green," said **Rita Assaf, vice president of retirement at Fidelity Investments**. "However, even taking just one of these actions can significantly improve preparedness. With everyone having unique circumstances though, it's important to customize what works best for your household."

SAVE AS MUCH AS YOU CAN

Aim to save **at least 15%** of your pre-tax income each year, which includes any employer match[7]. If 15% isn't possible, **get in the habit of increasing your contribution rate by 1%** each year until you get to the 15%. **Even small increases** in savings **can make a big difference**.

*By **adjusting the savings rate to at least 15%** (which includes any employer contributions), the Retirement Score increases:*

+10 POINTS, FROM 78 TO 88

EXAMINE YOUR ASSET MIX

Make sure you have the **right mix of stocks, bonds and cash** based on **how far you are from retirement**, **and how comfortable you are** taking potential risk in your portfolio.

*By **replacing portfolios appearing to be either too conservative or too aggressive** with age-appropriate allocation, the Score increases:*

+2 POINTS, FROM 78 TO 80

RE-EVALUATE YOUR RETIREMENT PLAN

If you are able to, waiting longer to retire has its advantages, **including more time to build savings and increased Social Security payments[8]**. For example, **claiming Social Security at age 70 instead of age 65 could increase your payments by 43%[9]**.

*By **adjusting the expected retirement age past the median reported age of 65 to full benefit age**, the Score increases:*

+17 POINTS, FROM 78 TO 95

If all three actions were applied, America's total score jumps: 30 points, to 108.
Enough to cover 100% of estimated expenses in retirement with more to spare.
These are median scores for the population. Individual results may vary.

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TAKE CONTROL: STEPS BY GENERATION

BABY BOOMERS
(**AGES** 59-77 **BORN** 1946-64)

2023 SCORE

87

FLAT FROM 87 IN 2020

What to Focus On: **KNOW YOUR PLAN**

As Boomers get closer to retirement, being clear on your goals and having a plan in place can make a big difference in ensuring your savings last.

Key Questions to Ask Yourself:

- Can I delay claiming Social Security?
- What will my income sources be (Social Security, pensions, IRAs, etc.)?
- What will my strategy be for taking income from my retirement accounts?

GENERATION X
(**AGES** 43-58 **BORN** 1965-80)

2023 SCORE

79

DOWN FROM 80 IN 2020

What to Focus On: **CONTINUE INCREASING SAVINGS**

Gen X-ers are in their prime earning years and may still have a long time before retirement to save and invest, so there's plenty of time for your money to potentially grow. Individuals 50 and above can even leverage catchup contributions to boost savings.

Key Questions to Ask Yourself:

- How much income will I need in retirement?
- How else can I maximize any disposable income into savings?

MILLENNIAL
(**AGES** 27-42 **BORN** 1981-96)

2023 SCORE

72

DOWN FROM 82 IN 2020

What to Focus On: **INVEST APPROPRIATELY**

Millennials have the benefit of time on their side, so staying invested and making steady contributions – even through market volatility and recession fears – can help your retirement savings grow long-term and recover from any downturns.

Key Questions to Ask Yourself:

- How can I improve my asset allocation?
- What tax advantaged accounts should I be investing in?

These are median scores for the population. Individual results may vary.

OTHER THEMES & FINDINGS

RESPONDENT PROFILE: WHAT THE HOUSEHOLDS LOOK LIKE

Generations

Savings Rate

The overall savings rate has declined from 2020, especially among Millennials, with Gen X alone showing an increase. Still, all generations are saving well below Fidelity's recommended rate of at least 15%.

Generations	All	Millennials	Gen X	Boomers
Savings Rate	10.0%	9.5%	11.1%	9.5%

Equity Allocations

When deciding how to allocate investments, personal risk tolerance is a key element. Millennials, with the greatest potential span until retirement, are allocating more conservatively since the last Retirement Savings Assessment was conducted.

41%

Of **respondents hold what Fidelity considers either too conservative or too aggressive** for an investor with this time frame

Equity Allocation*	All	Millennials	Gen X	Boomers
Conservative	11%	15%	8%	12%
On Track	38%	34%	37%	46%
Life cycle	22%	23%	24%	16%
Aggressive	29%	29%	31%	26%

Age-appropriate asset allocation involves investing in a mix of stocks and fixed-income investments to align with one's risk-tolerance, age and time horizon. "Appropriate" refers to what Fidelity considers to be an appropriate mix, derived from data reported in the Retirement Savings Assessment about an individual's equity allocation distribution that is placed into four categories, based on that person's age. Those categories are "On track": within 25 percent on target date equity allocation; "Aggressive": an equity percentage more than 25 percent above the age-appropriate target equity; "Conservative": an equity percentage less than 25 percent below the age-appropriate equity target; as well as a category for assets held in a Target Date Fund.

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RESPONDENT PROFILE: WHAT THE HOUSEHOLDS LOOK LIKE

Genders

Savings Rate

One thing single men and women have in common: both save at lower rates than their married and partnered cohorts: 8.4% vs 11.1%.

Gender	All Singles	Single Men	Single Women
Savings Rate	8.4%	8.6%	8.3%

Equity Allocations

58% of single women are allocating assets in a manner Fidelity considers age appropriate compared to 56% of men who tend to set their allocation more aggressively.

Equity Allocation*	All Singles	Single Men	Single Women
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On Track	34%	36%	33%
Life cycle	23%	18%	27%
Aggressive	28%	34%	24%

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INFLATION & RETIREMENT

Inflation is a concern for almost everyone, and just about everyone has done something to counteract the impact

- Over eight in ten (82%) are concerned that inflation will eat into their finances
  - With a shorter horizon to retirement, more Gen X and Boomers (85%) are concerned than Gen Z/Y (78%)

- There is no popular consensus on how long inflation is expected to last
  - While a slight majority (57%) believe it's here for up to the next three years, more than a third (35%) think it's a longer-term problem
  - One thing is clear – very few (7%) believe it will be gone before the summer is over

- Working Americans are split on whether they think there is anything they can do to counteract the impact of inflation: 51% say meaningful action is beyond their control while 48% disagree

- Still, even among those closest to retirement – the Boomers – very few (8%) strongly agree they will need to postpone their planned retirement date

- Though many (63%) are reconsidering the amount they will need to have saved before they are able to retire

- And despite many feeling that they have little control, most (85%) are taking some remedial action
  - 52% have cut discretionary spending and 19% have cut essential expenses
  - About one third (34%) have delayed a large purchase
  - 28% are looking for bargains - substituting lower cost items to replace their usual brands
  - Of concern, it's also impacted savings: 31% (and 36% of Millennials) report saving less

RETIREMENT LIFESTYLE AND EXPECTATIONS

When asked about retirement lifestyle expectations, most working Americans express a high degree of confidence

– 83% are confident their retirement savings plan will meet their goals and 74% expect to have at least a somewhat comfortable lifestyle in retirement
  - Younger workers are most optimistic, but there is little variation in this sentiment across generations

	GenZ/Y	GenX	Boomer	All 2023	2020
I expect a very comfortable lifestyle in retirement	22	16	20	19	22
I expect a somewhat comfortable lifestyle in retirement	56	54	51	55	55
I expect to be able to make ends meet, but not much more	17	25	22	21	19
I expect it will be difficult to make ends meet in retirement	4	4	7	5	4

– In terms of planning, those closer to retirement report being farther along. 53% of Boomers and 40% of Gen X say they have either a formal written retirement savings plan or have at least thought about it in great detail
  - While the younger generations may imagine they have plenty of time to plan, just 28% of them have done the same level of planning

– People expect to need their retirement funds to last until they are 89 years old (median age)
  - Partnered people expect to live longer – 90 years vs 86 – which reflects many studies on the topic

RETIREMENT LIFESTYLE AND EXPECTATIONS

Despite this confidence, when asked more specifically about expenses, people are less sure and fewer believe they are on track than in 2020

- In contrast to the 74% who expect a comfortable lifestyle, when asked about expenses, only 54% believe they are setting themselves up to cover some or all retirement expenses; a full 35% admit to being at least somewhat off-track

- Boomers report the highest expectations (33% will cover all expenses) while Gen X (41%) has the highest percentage believing they are off-track
  - This may require adjustments such as working longer or rethinking expenses

- One possible reason for the disconnect: people may be underestimating their needs; the median amount they believe they need is 60% of pre-retirement income (same as 2020)

	GenZ/Y	GenX	Boomer	All 2023	2020
On track to cover all expenses	28	29	33	29	38
On track to cover essential expenses, but may not be able to afford discretionary expenses...	28	22	27	25	27
A bit off track and will probably need to make some adjustments to the planned lifestyle when retirement comes	22	29	21	24	21
Not at all on track and will probably need to make significant adjustments to the planned lifestyle	9	12	12	11	8
Not sure	12	8	7	10	6

- For those within 10 years of retirement who believe they are off-track, almost all are planning some kind of adjustment
  - 60% plan to work part time in retirement
  - 37% will delay retirement
  - 35% will cut back on discretionary retirement spending
  - 32% will bump up their current savings rate

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WORKING IN RETIREMENT & RETIREMENT DRIVERS

Almost one-half of Americans plan to work in retirement, and expect to do so for about 5 years

- Still not all generations are thinking the same; perhaps because they are still relatively far away from the reality of working in retirement, just 44% of Gen Z/Millennials plan to get jobs after they leave their primary careers; compare that to 53% of Boomers who are facing retirement much sooner

- The median monthly amount people expect to garner from that job is $1,500 – nearly the same amount they expect to collect from Social Security

- Across all generations, the median age until they will work in retirement is 70, but that hides underlying differences; the average age is 71 for Gen Z/Gen X and 73 for Boomers
    - It is unclear whether this difference reflects that older workers realize they enjoy being busy or that they recognize they need the income

- Many factors influence people's decisions about how, when and where to retire; the top 5:
    - Desired quality of life 76%
    - Where they believe they can meet their retirement ambitions 69%
    - Increasing health care costs 67%
    - Housing affordability 61%

- A small group (5%) of working Americans say they retired but then returned to work
    - Most (55%) returned to work out of necessity (lack of savings, needed healthcare)
    - Many (39%) returned out of choice (missed working, forced into retirement and wanted to work)

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HEALTH CARE

The high cost of health care is consistently listed as one of Americans' top concerns in retirement. When offered by an employer, the triple tax advantages* of a health savings account is one attractive solution. Moreover, those with an HSA have higher retirement scores: 77 vs 73

Health Care Coverage

– 85% of working Americans get health care through their or their spouse's employer
  - Just 2% report having no health care coverage – same as in 2020
  - Nearly three-in-ten (28%) of Gen Z get it through some 'other' source – most likely through their parents' plan

High Deductible Plans and HSAs

One-third report having a HDHP but 12% are not sure, indicating continued confusion over what qualifies as a HDHP

– Most of these (71%) have opened an HSA with Gen Z being highest at 88%
  - 90% with an HSA report funding it in 2022 with Gen X highest at 91% and Millennials lowest at 86%
  - The median amount contributed is $2,000 (down from $2,500); Gen X at $2,500 and Boomers at $2,600 contribute more likely because they have higher earnings and also many are eligible for age based catch up contributions
  - Just 15% refrain from tapping their HSA, opting instead to pay out of pocket for health-related expenses; 59% use funds withdrawn from the HSA to cover expenses while 26% pay through a combination of out of pocket and HSA funds

Health Status and Medical Expenses

– A majority of respondents (69%) report good or very good personal health although – perhaps due to the pandemic – this is down from 76% in 2020. Boomers lead other generations with 73% indicating good or very good health
  - It seems reasonable then that most (55%) report low use of health coverage (meaning low health costs) and 38% claim medium expenses; only 7% say their medical expenses fall into the high-cost category

– Almost nine-in-ten (87%) of those age 50+ expect to get health care coverage through Medicare alone (38%) or supplemented with private insurance (49%)

*With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation.

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REAL ESTATE AND RETIREMENT

Reverse mortgages are not a popular retirement funding strategy among homeowners—but downsizing is

- 78% of respondents own their home; taking into account the survey requirements (working, saving for retirement and minimum income), this aligns closely with government statistics indicating 66% home ownership
  - Ownership ranges from a low of 67% among Gen Z and Y to 87% for Boomers
- The median home value is estimated to be $350,000 (2020: $280,000) and does not differ much by generation
  - Not surprising where generational differences appear are the balances still due on these properties and the time horizon remaining to be mortgage-free
    - $175,000 for Gen Y (26 years)
    - $130,000 for Gen X (20 years)
    - Just $40,000 for Boomers (15 years)
- The use of reverse mortgages for funding retirement is not widely anticipated (just 11% expect to deploy it) and 65% say they do not plan to use home equity to fund their retirement. Furthermore, although the decline is slight, the tactic seems to become less popular as one approaches retirement:
  - Agree will use reverse mortgage:
    - Gen Z/Y 16%
    - Gen X 10%
    - Boomer 6%
- Selling or downsizing a primary residence on the other hand is much more likely with nearly one half (48%) sating they expect to do so
  - But the popularity of this tactic decreases with age as 51% of Genz and Millennials say they will do this compared to just 37% of Boomers

DEBT AND INHERITANCE

Most working Americans expect no inheritance and don’t report high interest credit card debt as a big issue, but many don’t know much about their debt levels, which is potentially problematic

– Less than one-third (29%) expect at least some inheritance – up slightly from 2020
  - The median expected is $50,000 with Boomers understandably expecting the least: $25,000
  - Boomers naturally foresee their inheritance appearing soonest: 53% expect it within the next three years
  - On the opposite end, 57% of Gen Z/Y expect to wait a minimum of 20 years for theirs

– High interest credit card debt is not a reportedly big impediment to retirement preparedness; among those who say they are off track and will need to make adjustments, the median debt at 8% interest or above is just $5,000
  - More revealingly though, over one quarter (26%) are not sure how much debt they have in that category

– And while the median amount of time they expect it to take to pay off that high interest debt is 12 months, once again 27% say they are not sure how long it will take

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ABOUT THE FIDELITY INVESTMENTS® RETIREMENT SAVINGS ASSESSMENT

The findings in this study are the culmination of a year-long research project that analyzed the overall retirement readiness of American households based on data such as workplace and individual savings accounts, Social Security benefits, pension benefits, inheritances, home equity and business ownership. The analysis for working Americans projects the retirement income for the typical household, compared to projected income need, and models the estimated effect of specific steps to help improve preparedness based on the anticipated length of retirement. Data for the Fidelity Investments Retirement Savings Assessment were collected through a national online survey of 3,569 working households earning at least $25,000 annually with respondents [and spouses, if married] age 25 to 75, from August 22 through September 26, 2022. All respondents expect to retire at some point and have already started saving for retirement. Data collection was completed by Versta Research using NORC's probability-based nationally representative online panel. The responses were benchmarked and weighted against data from the American Community Survey and Current Population Survey conducted by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics. Versta Research and NORC are independent research firms not affiliated with Fidelity Investments. Fidelity Investments was not identified as the survey sponsor.

Fidelity's Retirement Score is calculated through Fidelity's proprietary financial planning engine. Of note, Fidelity continually enhances and evolves the retirement readiness methodology, guidance tools and product offerings. This year's survey processing includes enhancements including, but not limited to, demographic weighting, retirement income projections and social security estimates. This analysis is for educational purposes and does not reflect actual investment results. An investor's actual account balance and ability to withdraw assets during retirement at any point in the future will be determined by the contributions that have been made, any plan or account activity, and any investment gains or losses that may occur.

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ABOUT FIDELITY INVESTMENTS®

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve.

With assets under administration of $10.3 trillion, including discretionary assets of $3.9 trillion as of December 31, 2022, we focus on meeting the unique needs of a diverse set of customers. Privately held for over 75 years, Fidelity employs 68,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit https://www.fidelity.com/about-fidelity/our-company.

10.3T
ASSETS UNDER ADMINISTRATION

HELPING
41+M PEOPLE & **23K** BUSINESS

PRIVATELY HELD
77 YEARS

IMPORTANT: The projections or other information generated by Fidelity Retirement Score regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.
Past performance is no guarantee of future results.

Diversification and asset allocation do not ensure a profit or guarantee against loss. For "Asset Allocation" purposes, age appropriate equity allocation is defined as the participant's current age and equity holdings in a retirement portfolio compared with an example table containing age-based equity holding percentages based on an equity glide path. The Fidelity Equity Glide Path is an example we use for this measure and is a range of equity allocations that may be generally appropriate for many investors saving for retirement and planning to retire around ages 65 to 67. It is designed to become more conservative as participants approach retirement and beyond. The glide path begins with 90% equity holdings within a retirement portfolio at age 25 continuing down to 19% equity holdings 10-19 years after retirement. Equities are defined as domestic equity, international equity, company stock, and the equity portion of blended investment options. The indicator for asset allocation is determined by being within 10% (+ or -) of the Fidelity Equity Glide Path. We assume self-directed account balances (if any) are allocated 75% to equities, regardless of participant age and so the Asset Allocation Indicator has limited applicability for those affected participants. For purposes of this metric, participants enrolled in a managed account or invested greater than or equal to 80% of their account balance in a single target date fund are considered to have age appropriate equity allocation. Investors should allocate assets based on individual risk tolerance, investment time horizon and personal financial situation. A particular asset allocation may be achieved by using different allocations in different accounts or by using the same one across multiple accounts.

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