



CENTER FOR A  
SECURE RETIREMENT<sup>SM</sup>

# Middle-Income Retirement Preparedness Study

By Bankers Life and Casualty Company  
Center for a Secure Retirement

January 2011



**BANKERS**  
LIFE AND CASUALTY COMPANY

For the life of  
your retirement

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# Introduction

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Planning for retirement is more complex than it was a generation ago. With increasing costs of living and a shifting healthcare landscape, coupled with turbulent economic times, it is easy to understand why today's retirees and pre-retirees may feel overwhelmed by the task.

Americans age 55 and older are retiring in a time when pensions are no longer the norm and 401(k)s, IRAs and other investments have lost value. Medicare does not pay all of their healthcare costs. And public trust in the future of government programs, like Social Security, remains uncertain.

For these reasons, retirees ask: Did I save enough? Will I live longer than my money will last? What happens if I get sick? Is it too late to plan? What does a "sufficient" plan even include?

These questions are especially critical for Americans in the middle-income bracket—people with annual incomes between \$25,000 and \$75,000. This group may be at the greatest risk for not being able to sustain their quality of life during retirement due to inadequate financial advice.

Financial firms, banks and insurers actively court wealthy consumers to provide them with financial management and retirement planning advice. At the other end of the spectrum, people with very limited assets qualify for government assistance programs, such as Medicaid. In between are our country's middle-income retirees.

With the release of the *Middle-Income Retirement Preparedness Study*, the Bankers Life and Casualty Company Center for a Secure Retirement seeks to understand the source of information and retirement guidance received by middle-income Americans.

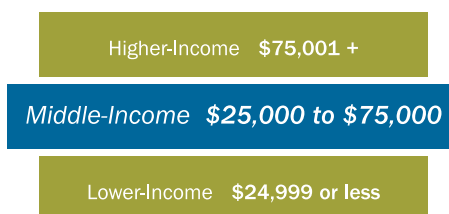
# Definitions

For the purpose of this study, the Bankers Life and Casualty Company Center for a Secure Retirement uses the following definitions.

## What is Middle-Income?

Middle-income Americans have an annual household income of between \$25,000 and \$75,000 and do not receive Medicaid benefits.

## Annual Household Income Brackets



## Who is a Pre-Retiree or a Retiree?

This survey interviewed middle-income Americans between the ages of 55 and 75 who identified themselves as retired or soon to be retired, including those who are still working.

## What is a Professional Advisor?

A professional advisor may work under any number of job titles, depending on the aspect of planning for retirement that is his or her expertise. This person could be a financial planner who monitors an investment portfolio or a lawyer who draws up a will or trust. The most common professionals providing retirement guidance are:

- Financial planner
- Insurance agent or broker
- Financial services firm representative
- Stockbroker
- Accountant
- Bank representative
- Mutual fund broker
- Lawyer

A professional advisor is not a friend or family member who does not provide retirement planning advice as a full- or part-time paid profession.

# Key Findings

## Nearly two-thirds of middle-income retirees and pre-retirees lack confidence in their retirement security.

- Almost two in three (63%) middle-income Americans age 55 to 75 are unsure if they have saved enough to live comfortably in retirement. Of this group, thirty-nine percent (39%) are only somewhat confident in the adequacy of their retirement savings and one-fourth (24%) are not too or not at all confident.
- Feeling financially stable due to guidance from professional advisors is the most frequently cited reason why people feel confident about the adequacy of their retirement savings.

## Most middle-income Americans do not receive professional retirement advice of any kind.

- More than half (54%) of middle-income retirees and pre-retirees do not receive professional retirement guidance of any kind.
- In most cases, if they want to work with a professional advisor, middle-income retirees and pre-retirees have to initiate this contact. More than half (51%) of respondents have not been contacted by any kind of retirement professional in the past 12 months.
- Eighty-four percent (84%) of those surveyed who do work with a professional indicated they reached out to their advisor first, not the other way around.

## Those without a professional advisor do not think they need one, but fail to plan for themselves.

- Of middle-income retirees and pre-retirees not working with a professional advisor, 84% do not think they need one. The three reasons most often given for this are I can do it myself (47%); I don't have enough assets (37%) and It's too expensive (23%).
- Of all middle-income retirees and pre-retirees surveyed, 30% spend no time at all researching or investigating retirement planning opportunities; two out of three (61%) spend less than one hour per month.
- Although those without an advisor enjoy planning, 63% spend less than one hour per month on retirement planning. Over one-third (36%) of those without an advisor spend no time at all doing this research.
- In the absence of a professional advisor, middle-income Americans age 55 to 75 turn to the Internet (50%) and to friends and family (38%) for guidance on retirement preparation.

# Key Findings

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Many middle-income American retirees and pre-retirees who do not seek professional retirement advice have misconceptions of its costs and accessibility.

- Many of those not working with a professional advisor feel it is too expensive; however, one-third (32%) do not know how much this service costs.
- Many of those not working with a professional advisor feel they do not have enough assets for a retirement professional to want to meet with them; however, one-fifth (20%) do not know the asset minimum needed.

Those who work with a professional advisor are more confident in their financial situation.

- Two in three (68%) middle-income retirees and pre-retirees who work with a professional advisor feel better prepared for retirement than their peers do.
- Only 14% of respondents working with an advisor do not think they have saved enough money to live comfortably in retirement, whereas one-third (34%) of those surveyed without a professional advisor have this concern.
- Most middle-income Americans age 55 to 75 who work with a professional advisor have just one advisor for all of their retirement planning needs.
- Seventy-six percent (76%) of those surveyed are extremely or very satisfied with their experience working with a professional advisor.

# Outlook on Middle-Income Retirement Preparedness

Not outliving your savings is the goal for any plan for retirement. Unfortunately, there is no “magic” number for how much money someone must save in order to live comfortably in retirement without running out of assets.

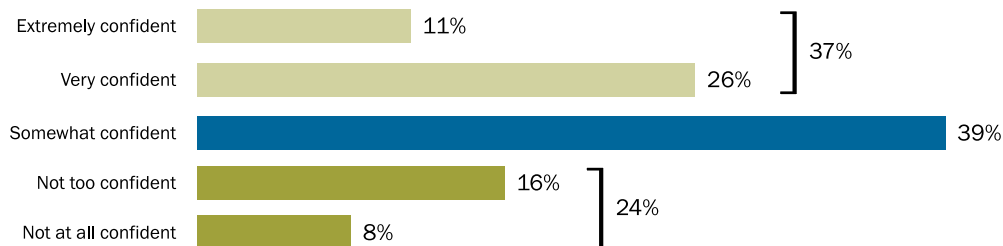
The right amount of retirement savings is unique to every individual and is dependent on personal factors, such as monthly expenses, level of debt and lifestyle. In addition, influences outside of their control, such as health and the economy, play a significant role.

## Unsure They've Saved Enough

Almost two in three (63%) middle-income Americans age 55 to 75 are unsure if they have saved enough money to live comfortably in retirement. Of this group, thirty-nine percent (39%) are only somewhat confident in the adequacy of their retirement savings and one-fourth (24%) are not too or not at all confident.

## Confidence in Adequacy of Retirement Savings

Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Professional Advisors, Diversified Income Increase Confidence

Middle-income retirees and pre-retirees who are most confident in the adequacy of their retirement savings most often attribute this confidence to feeling financially stable due to working with a professional advisor (28%); followed by having a variety of retirement income streams (26%); and careful planning and saving (24%).

Frugality is important to middle-income Americans age 55 to 75. Survey participants cited living simply (18%) and living debt-free (11%) as other reasons contributing to a feeling of confidence that they will not outlive their retirement savings.

### Reasons for Confidence in Adequacy of Retirement Savings

Middle-income Americans age 55 to 75

<b>Financially stable due to advisor recommendations and investments</b>	<b>28%</b>
<b>Diversified retirement income</b>	<b>26%</b>
<b>Carefully saved and planned</b>	<b>24%</b>
Live simple lifestyle	18%
No debt	11%
Have significant assets or expecting inheritance	10%
Type of investment products chosen	3%

Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.





## Economy, General Uncertainty Erode Confidence

Those surveyed who are less confident they will have enough money to live comfortably throughout retirement cite concerns with the economy (24%) or general uncertainty about the future (17%). Little or no retirement accounts, income and assets contribute to a lack of confidence for 12% of respondents.

## One-Quarter Do Not Anticipate Retiring

Financial security affects the age at which people choose to retire. Some do not retire because they enjoy working, whereas others keep working because they are not financially able to retire.

For middle-income Americans surveyed who are not already retired, one-quarter (23%) indicate they do not plan ever to retire.

## Reasons for Lack of Confidence in Adequacy of Retirement Savings

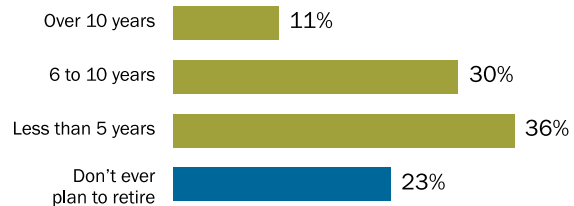
Middle-income Americans age 55 to 75

<b>Weak economy</b>	<b>24%</b>
<b>General uncertainty about future</b>	<b>17%</b>
Underperforming or no retirement accounts	12%
Too little income or assets	12%
Health concerns	10%
Government/political concerns	9%
Employment concerns	5%
Too many expenses	3%
Other	7%

Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study, 2011.*

## Expected Time until Retirement

Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study, 2011.*

# Who's Helping Middle-Income Americans Prepare for Retirement?

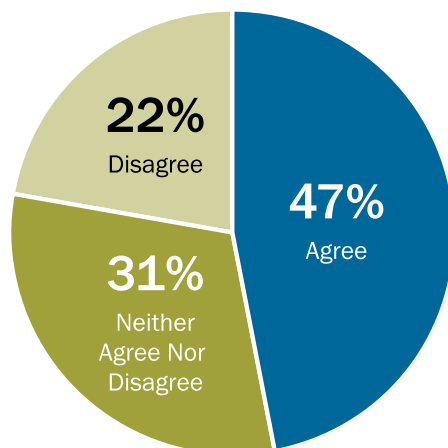
Unlike previous generations, the responsibility for ensuring financial security in retirement has shifted away from employers and the government, and moved more squarely onto individuals.

American retirees and pre-retirees now must manage their money properly to ensure that retirement savings last—all while paying for rising healthcare and long-term care costs and navigating government programs such as Medicare and Social Security.

In fact, nearly half (47%) of middle-income Americans age 55 to 75 view the tasks associated with planning for retirement as complex and overwhelming.

## View Retirement Planning as Complex and Overwhelming

Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.



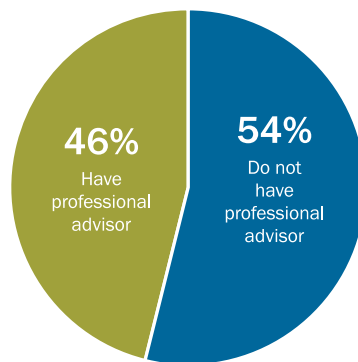
## Over Half Not Receiving Professional Guidance

In light of this complexity, eight in 10 respondents (83%) feel that people who plan carefully for retirement are more financially secure. Fifty-three percent (53%) say this plan should be written.

However, more than half (54%) of middle-income Americans age 55 to 75 are not receiving professional guidance of any kind regarding their retirement.

## Working with a Professional Advisor on Retirement

Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Professional Advisors Not Reaching Middle-Income Americans

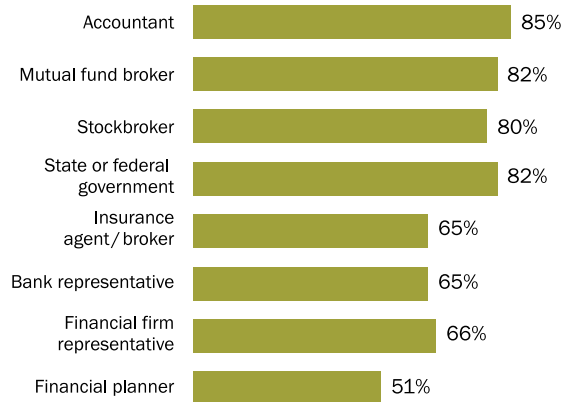
The financial services industry tends to cater its retirement products and services to more wealthy Americans.

This trend is evident in a lack of outreach to middle-income Americans age 55 to 75 by professional advisors in all service categories. Fifty-one percent (51%) of survey participants had not been approached or contacted by any kind of retirement professional in the past 12 months.

Furthermore, 84% of middle-income Americans age 55 to 75 surveyed who do work with a professional indicated they reached out to their advisor first, not the other way around.

## Middle-Income Americans Not Contacted in the Past Year, by Advisor Type

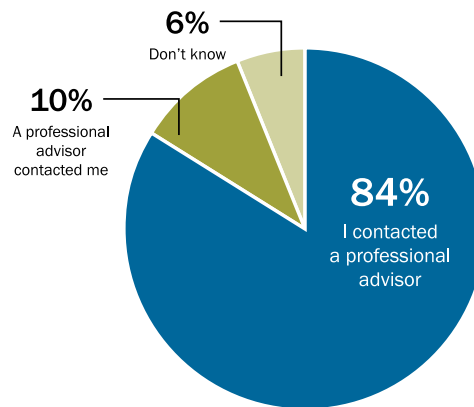
Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Advisor or Individual: Initiator of First Contact

Middle-income Americans age 55 to 75 with a professional advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

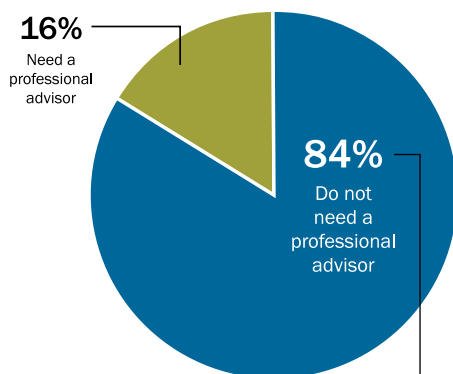
# Planning for Retirement Without a Professional Advisor

Of the 54% of middle-income retirees and pre-retirees who do not receive professional advice and guidance on planning for their retirement, 84% indicated that they feel they do not need an advisor.

The three most common reasons cited for not needing to work with a professional advisor are: the ability to plan for retirement without assistance (47%); lack of sufficient assets to work with a professional advisor (37%); and a belief that professional retirement guidance is too expensive (23%).

## Perceived Need for a Professional Advisor

Middle-income Americans age 55 to 75 without a professional advisor



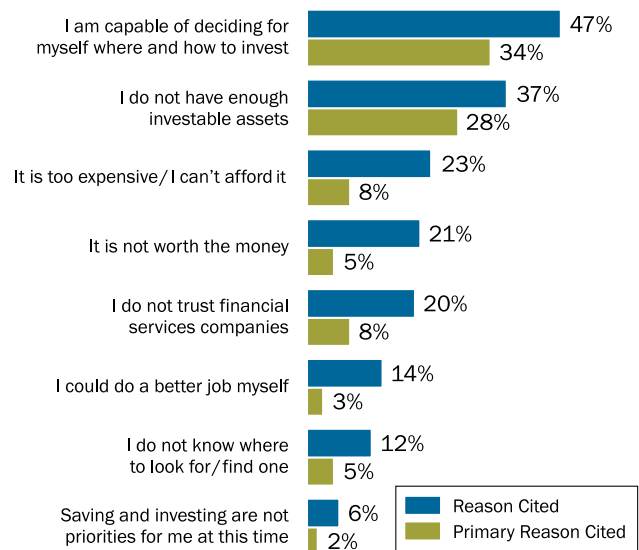
### Top 3 Reasons for Not Working with a Professional Advisor

- I can do it myself
- I don't have enough assets
- It's too expensive

Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## All Reasons for Not Working with a Professional Advisor

Middle-income Americans age 55 to 75



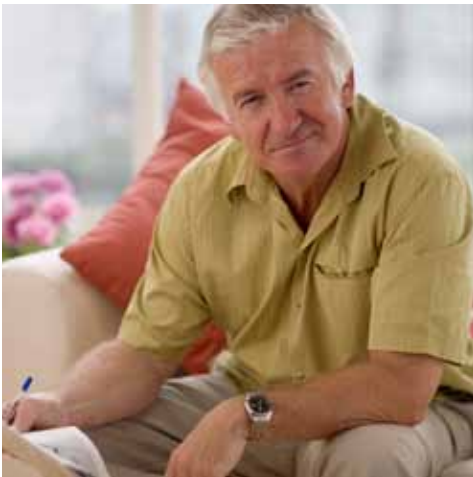
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Enjoy Planning, but Set Aside Little Time for It

Thirty percent (30%) of middle-income Americans age 55 to 75 spend no time at all researching or investigating retirement planning opportunities; two out of three (61%) spend less than one hour per month.

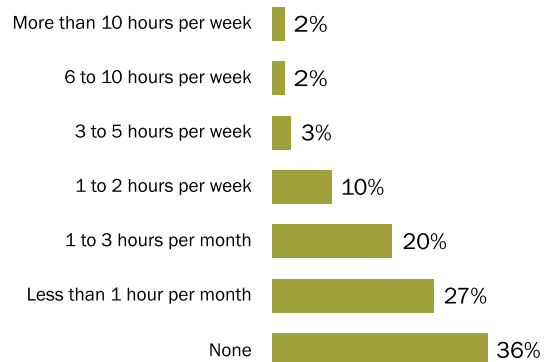
It is expected that those without an advisor would spend more time on retirement planning activities than respondents who have an advisor helping them with this research. In fact, those surveyed who do not work with a professional advisor enjoy gathering information and making their own decisions regarding insurance and investments (57%) more so than those who use the services of a professional advisor (32%).

Although those without an advisor enjoy planning, 63% spend less than one hour per month on retirement planning compared to 58% of those with an advisor. Over one-third (36%) of those without an advisor spend no time at all doing this research (only 30% with an advisor).



### Time Spent Researching or Investigating Retirement Planning Opportunities

Middle-income Americans age 55 to 75 without a professional advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.



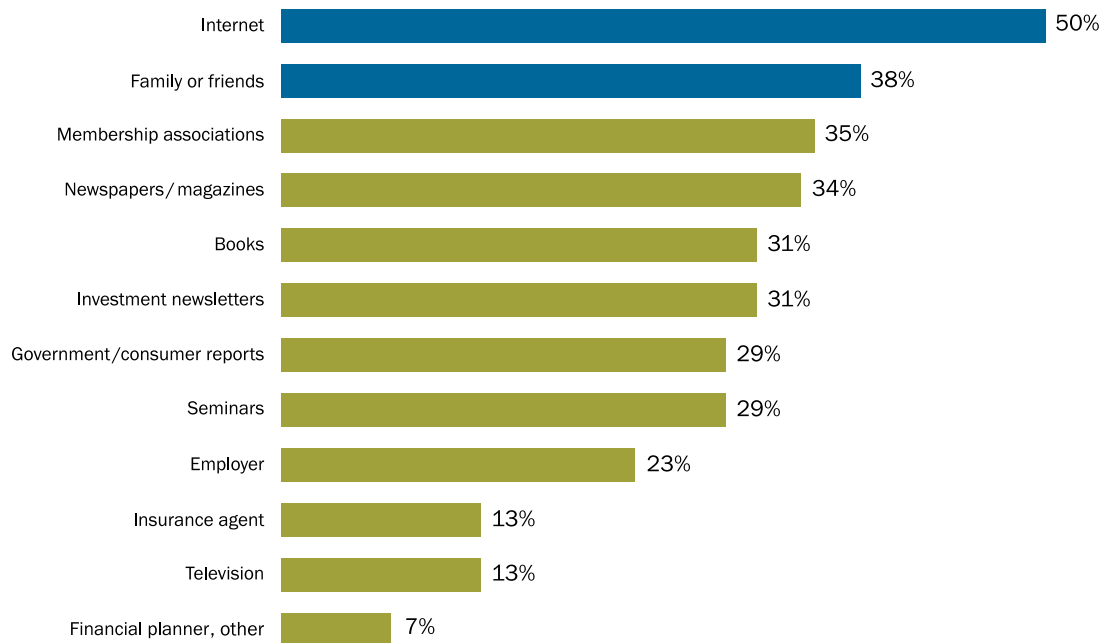
## Internet and Family are Sources for Retirement Advice

The leading source for retirement planning advice for middle-income respondents age 55 to 75 who do not work with a professional advisor is the Internet (50%), followed by asking friends and family (38%).

For respondents who do work with a professional advisor, a financial planner—as expected—is the most common source of retirement advice (90%).

## Sources of Retirement Planning Advice

Middle-income Americans age 55 to 75 without a professional advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

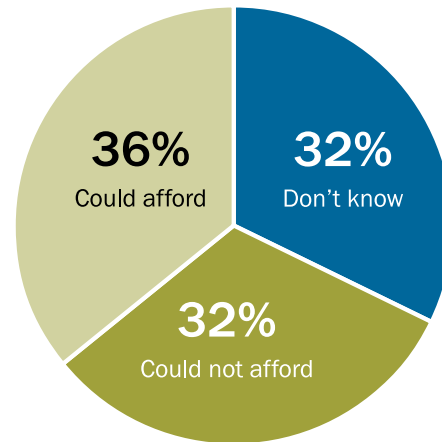
## Confusion Over Costs

Nearly one-third (32%) of middle-income Americans not working with a professional advisor do not know if they could afford this assistance if they wanted it.

The remaining two-thirds of those surveyed are close to evenly split between thinking they could afford (36%) and believing they would be unable to afford (32%) the services of a professional advisor.

## Perceived Ability to Afford a Professional Advisor

Middle-income Americans age 55 to 75 without a professional advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Unsure of Assets Needed, but Don't Think They Have Enough

Of middle-income Americans age 55 to 75 who do not work with a professional advisor, 40% feel that a retirement planning professional would think their income is not large enough to need his or her products and services. Only 18% of those surveyed who do receive professional retirement planning advice have this concern.

**“I feel that a retirement planning professional would think my income isn't large enough to need his or her services.”**

	Has Advisor	No Advisor
Isn't Large Enough	18%	40%
Neutral	32%	38%
Is Large Enough	50%	22%

Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.



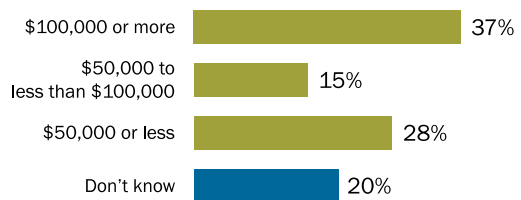


Although survey participants not working with an advisor feel that they have insufficient assets to receive professional retirement guidance, there is uncertainty as to how much is actually “enough.” In fact, 20% say they do not know the minimum amount of assets needed to consult with a professional advisor.

The average amount of assets that the remaining respondents believe is the necessary minimum in order to meet with a professional advisor to discuss planning for retirement is \$220,840.

### Perceived Minimum Assets Needed to Work with Professional Advisor

Middle-income Americans age 55 to 75 without a professional advisor



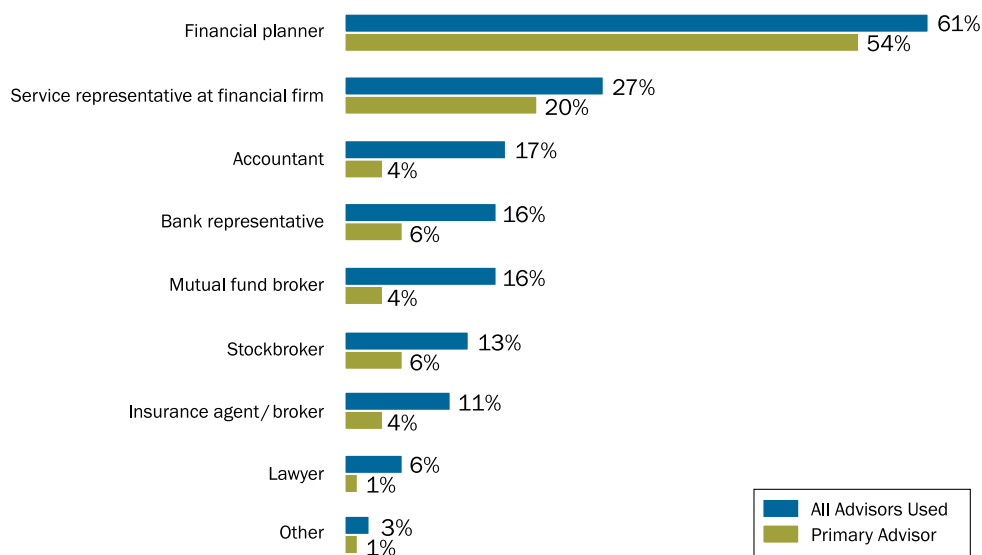
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

# Planning for Retirement With a Professional Advisor

Forty-six percent (46%) of middle-income Americans age 55 to 75 work with a professional advisor to plan for and manage their lives in retirement. Three-fifths (61%) of those surveyed use a financial planner for retirement planning advice, and half (54%) say a financial planner is their primary advisor.

## Type of Professional Advisors Used

Middle-income Americans age 55 to 75 with a professional advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

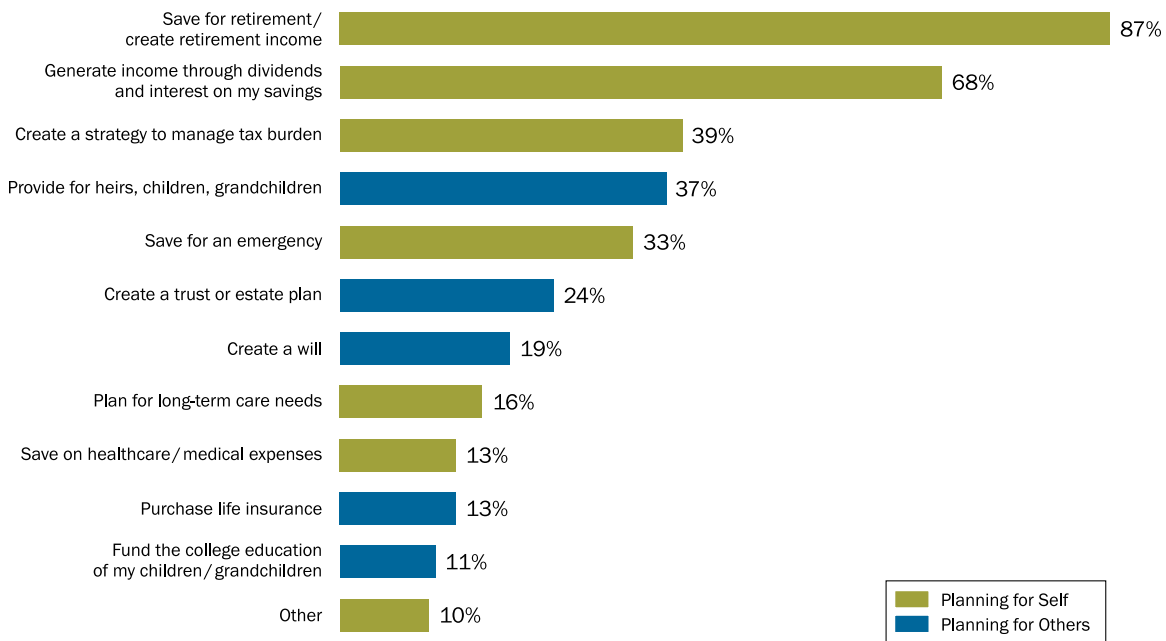
## Planning for Self, Planning for Others

Nearly all (87%) first consulted a retirement professional to discuss retirement savings and/or retirement income. Sixty-eight percent (68%) discussed generating returns on investments and savings, and 39% discussed managing tax burden.

These issues are representative of the ways retirees can plan to take care of themselves and their personal needs throughout retirement. However, middle-income Americans age 55 to 75 also place importance on taking care of others, even though their assets may be considered limited compared to people in higher-income brackets.

Legacy giving (37%); estate planning (24%); and will creation (19%) are important topics that prompted middle-income Americans age 55 to 75 to first seek professional guidance.

### Reasons for First Consulting a Professional Advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

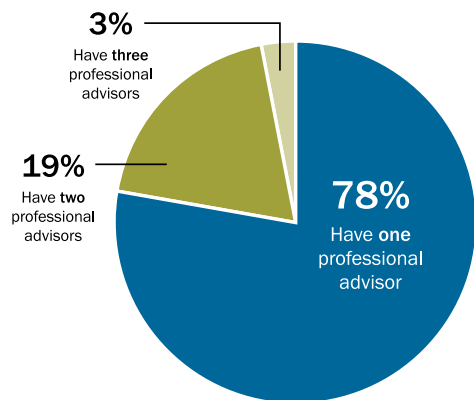


## Most Working With Just One Advisor

Professional advisors work under any number of job titles depending on the aspect of planning for retirement that is his or her expertise. However, four in five (78%) middle-income Americans age 55 to 75 who work with an advisor consult just one professional for all of their retirement guidance.

## Number of Professional Advisors Used

Middle-income Americans age 55 to 75 with a professional advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

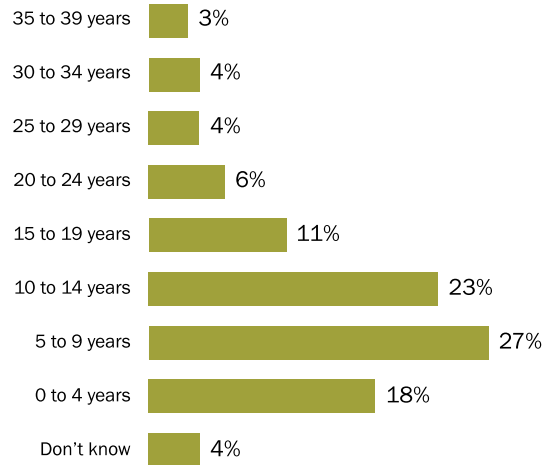
## Working Together 11 Years on Average

Eleven years is the average length of relationships between the middle-income Americans surveyed and their professional advisors.

## Highly Satisfied with Professional Guidance

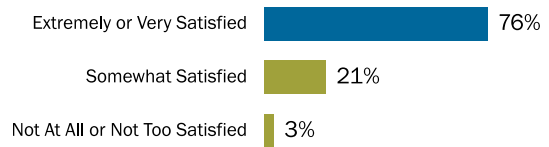
Seventy-six percent (76%) of middle-income Americans age 55 to 75 are extremely or very satisfied with their experience with their retirement professional. Only 3% reported that they are not too or not at all satisfied.

## Length of Retirement Advising Relationships



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Satisfaction with Professional Advisor



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## More Confident About Retirement

Middle-income retirees and pre-retirees who work with a professional advisor feel better prepared for retirement than others their age and are more confident that they have saved enough to live comfortably in retirement than those surveyed do not receive professional guidance.

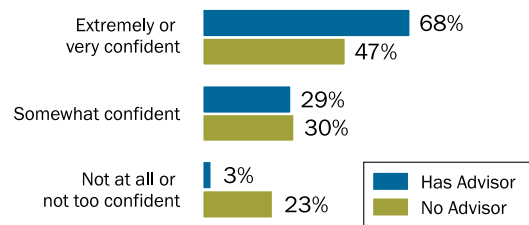
Sixty-eight percent (68%) of middle-income retirees and pre-retirees who work with a professional advisor feel better prepared for retirement than their peers do; only 47% of respondents without an advisor share this outlook. In fact, one-fourth (23%) of those without an advisor actually feel less prepared than their peers.

Of those working with a professional advisor, 41% think they have saved enough for retirement (32% without an advisor), and 45% are somewhat confident in the adequacy of their retirement savings (34% without an advisor).

One-third (34%) of those planning for retirement without professional guidance do not think they have saved enough money to live comfortably in retirement; only 14% of respondents working with an advisor have this concern.

## Feel Better Prepared for Retirement Than Peers by Use of Professional Advisor

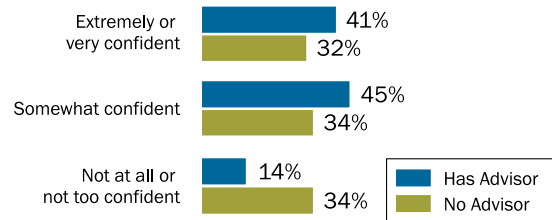
Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

## Confidence in Adequacy of Retirement Savings by Use of Professional Advisor

Middle-income Americans age 55 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Middle-Income Retirement Preparedness Study*, 2011.

# Recommendations for Middle-Income Americans

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## Consider seeking professional advice.

Retirees and pre-retirees who work with a professional advisor feel more confident about their financial security in retirement. Some of the ways working with an advisor may help are:

- Ease some of your concerns by resolving uncertainty
- Motivate yourself to “get organized”
- Address a known gap in a retirement financial plan
- Uncover an unrecognized gap in a retirement financial plan
- Discover new products or options for achieving your goals or protecting assets
- Keep up to date on changes to government programs and regulations that affect you during retirement
- Commit to a written plan
- Keep on top of your plan and make adjustments as necessary

If you have a high degree of confidence in your retirement knowledge, consider using a professional advisor to validate your thinking and offer comments or alternative thoughts for you to consider.

## Know that professional advice is available for your income level.

Retirement professionals are not just portfolio money managers for the wealthiest retirees. Many products and services exist for people with virtually any level of income and assets that can help you make your income last, protect your savings and help you feel more secure in retirement.

## Be your own advocate.

Four out of five middle-income Americans who work with a retirement professional reached out to their advisor first, not the other way around. The decision whether or not to work with an advisor is a personal one. If you want to receive professional guidance on improving your financial security in retirement, reach out to an advisor for assistance.

# Methodology

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The *Middle-Income Retirement Preparedness Study* is sponsored by the Bankers Life and Casualty Company Center for a Secure Retirement and was conducted in August of 2010 by the independent research firm The Blackstone Group. A nationwide sample of 502 Americans age 55 to age 75 with an annual household income of between \$25,000 and \$75,000 participated in the Internet-based survey. Significant sub-sample differences were tested at the 95% and 90% confidence levels.

## About the Center for a Secure Retirement

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Bankers Life and Casualty Company Center for a Secure Retirement is the company's research and consumer education organization. Its studies and consumer awareness campaigns provide insight and practical advice for how everyday Americans can achieve financial security during retirement.

Established in 1879 in Chicago, Bankers Life and Casualty Company focuses on the insurance needs of the retirement market. The nationwide company, a subsidiary of CNO Financial Group, Inc., offers a broad portfolio of life and health insurance retirement products designed especially for seniors.

### Learn More

Bankers has more than 5,000 licensed professional agents in over 200 branch offices across the United States. Bankers agents meet with thousands of Americans each week for initial retirement reviews at no cost to clients. To learn more about Bankers Life and Casualty Company, visit [bankers.com](http://bankers.com) or call 1-800-621-3724.

To learn more about the Bankers Life and Casualty Company Center for a Secure Retirement, visit us online at [centerforasecureretirement.com](http://centerforasecureretirement.com) or e-mail us at [CenterForASecureRetirement@bankers.com](mailto:CenterForASecureRetirement@bankers.com).



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