Goldman Sachs Asset Management

Planning: The Missing Link to Retirement Security

Retirement Survey & Insights Report 2024

As saving for retirement has become increasingly complex, individuals are now faced with balancing multiple financial priorities, including increased daily expenses, the rising cost of caregiving, student loans and much more. The retirement industry continues to develop innovative solutions to support a wide range of financial needs, and plan sponsors are eager to provide great support to help employees navigate these challenges that are unique to each person's circumstances.

In our annual Retirement Survey & Insights Report, we are pleased to present findings that underscore the benefits planning and financial advice may have for retirement savers. From streamlining the savings process, to effectively managing competing priorities and ultimately improving the likelihood of achieving retirement preparedness, our respondents reported significant positive impacts from having a personalized plan. As a leader and innovator in retirement solutions, central to our mission at Goldman Sachs Asset Management is supporting the next generation of savers to help them realize their retirement savings potential.

Sincerely,

Greg Wilson
Head of Retirement,
Goldman Sachs Asset Management

Key Survey Findings

IMPROVING CONDITIONS WITH A CATCH

Financial Vortex Impact Declined in 2024, Though the Need for Additional Progress Remains

In light of eased inflation and improved economic conditions, working individuals reported a small decline in the impact of the Financial Vortex, or competing financial priorities, on their ability to save for retirement. However, despite this improvement, over 60% of individuals still believe they will need to delay their retirement due to these competing demands. Too many monthly expenses, financial hardships, and the costs of caring for family members continue to have the most widespread impact.

IMPACT OF PERSONALIZED PLANNING & ADVICE

Personalized Planning and Advice Improved Outcomes for Workers and Retirees

Working individuals with a personalized plan for retirement reported more confidence, less stress managing their savings, being less likely to delay retirement due to competing priorities and more likely to increase year-over-year savings. Retirees who had a plan when preparing for retirement were more likely to report higher retirement savings, better lifestyle in retirement, less stress entering retirement and were less likely to work part-time in retirement due to insufficient savings.

PLANNING IS AN IMPORTANT SAVINGS BEHAVIOR

Planning is Key to Higher Savings

Having a personalized plan for retirement was the second most important factor (behind education level) tied to higher retirement savings among behavioral and demographic factors we analyzed. Planning insights may enhance financial decision-making, a willingness to take action and seek advice, foster greater engagement with savings and provide individuals with the tools needed to navigate their unique financial challenges effectively. The collection of these actions, behaviors and mindset may be described as Financial Grit, which can help people overcome a lifetime of financial obstacles.

PUT PLANNING INTO RETIREMENT PLANS

Retirement Savings and Investing Advice are the Top Desired Resources

Retirement savings and investing advice are the most desired advice services from employers, consistently valued across all investor types — whether DIY (Do-It-Yourself), Passive, Advice Seeking, or Advice Reliant. By incorporating planning into plan design through an enhanced, broad based planning experience, employers can encourage all plan participants to think intentionally about their savings journey, assess their likelihood of reaching retirement preparedness and identify actions they can take to improve their retirement readiness.

Methodology and Respondents

We evaluate survey responses from both working and retired Americans to understand the realities of preparing for and living in retirement. Our goal is to learn about the financial obstacles individuals need to overcome and the lessons they can apply. Our Retirement Survey & Insights Report includes key findings that we hope will help plan advisors and plan sponsors better prepare their employees for retirement.

Our findings are from 4,874 individuals surveyed in July 2024 and provide insights from a diverse set of perspectives, including (i) working individuals (3,280 working individuals across generations), and (ii) retired individuals (1,594 retired individuals ages 45-75).

To better understand how people make retirement savings and advice decisions in the face of many competing priorities, we engaged behavioral economics firm Behave Technologies (formerly Syntoniq, Inc.). Behave Technologies developed key questions in our survey to analyze four behavioral characteristics discussed in this report — optimism, future orientation, risk-reward focus and financial literacy (described further in the appendix). Behave Technologies' analysis helped provide deeper insights into retirement planning behaviors.

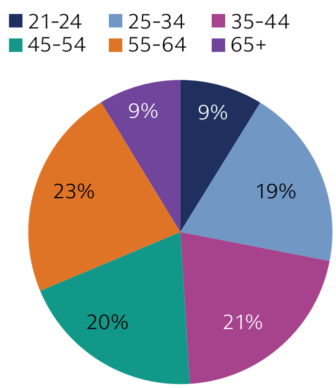
Respondents

4,874
total respondents

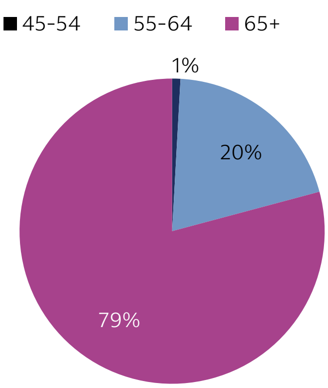
3,280
working individuals

1,594
retired individuals

Working Individuals



Retired Individuals



Source: Goldman Sachs Asset Management. As of July 2024. Views represent those of survey respondents. Results compiled in July 2024.

PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

Introduction

Despite eased inflation and improved economic conditions, retirement savers have continued to feel the pressure of increasing financial priorities. These priorities — otherwise known as the Financial Vortex — can present a significant obstacle to reaching retirement prepared, especially among individuals in the lower 80% of income earners who have seen slow savings growth compared to their counterparts in the top 20%.[1]

In this year's Retirement Survey & Insights Report, we explore these challenges and delve further into the ways having a personalized plan for retirement can potentially help individuals better navigate their unique financial journey.

The challenges of saving for retirement vary from person to person, making it essential for individuals to navigate their unique circumstances with care. We believe that developing a personalized retirement plan — including such factors as income levels, life expectancy, healthcare costs and more — is a crucial part of this process. Tailoring financial strategies to their specific needs may provide individuals with a strategic roadmap that allows them to more effectively manage the complexities of retirement planning, thereby enhancing their prospects for long-term financial security.

Challenges Managing Retirement Savings

In the first section, **Challenges Managing Retirement Savings**, we evaluate the impact of competing priorities and discuss the range of financial goals individuals are balancing, the challenges of providing advice to savers with lower financial security and consider who has the time, interest and knowledge to manage their own savings.

Planning and Advice Can Improve Outcomes

In the second section, **Planning and Advice Can Improve Outcomes**, we review the potential benefits of seeking advice and having a personalized plan when preparing for retirement.

The Impact of a Retirement Mindset

In the third section, **The Impact of a Retirement Mindset**, we aim to better understand what drives people to seek out advice or a personalized plan. To do this, we highlight potential behavioral differences between those who save with a plan versus without one.

Integrating Planning Into Plan Design

In the last section, **Integrating Planning Into Plan Design**, we discuss considerations for incorporating advice and personalized planning services into plan design.

1. Source: Survey of Consumer Finances, Federal Reserve As of January 2024.

SECTION 01

Challenges Managing Retirement Savings

The reality is that no one intends to reach retirement unprepared. However, retirement savers today face a multitude of life events and financial challenges that can disrupt their savings objectives.

Although only 23% of working respondents express concern about reaching their goals, 62% of working individuals and 45% of retirees have accumulated less than $200,000 in retirement savings. In particular, 49% of working Baby Boomers and 64% of Gen Xers have less than $200,000. This is likely not sufficient to fund a 20+ year retirement.

By recognizing the challenges encountered throughout the lifelong savings journey, we can gain a clearer understanding of how individuals may fall behind in their savings efforts. For example:

- Financial complexity and competing priorities
- The need to save for multiple goals
- Financial stability shortcomings
- Lack of time, interest and knowledge

Increased Financial Optimism Even as Higher Expenses and Less Savings for Emergencies Present Top Concerns

Working respondents are feeling more optimistic about their finances this year with 48% reporting improvement and only 23% reporting a decline since last year. Top changes relative to last year highlight the commonly felt concerns.

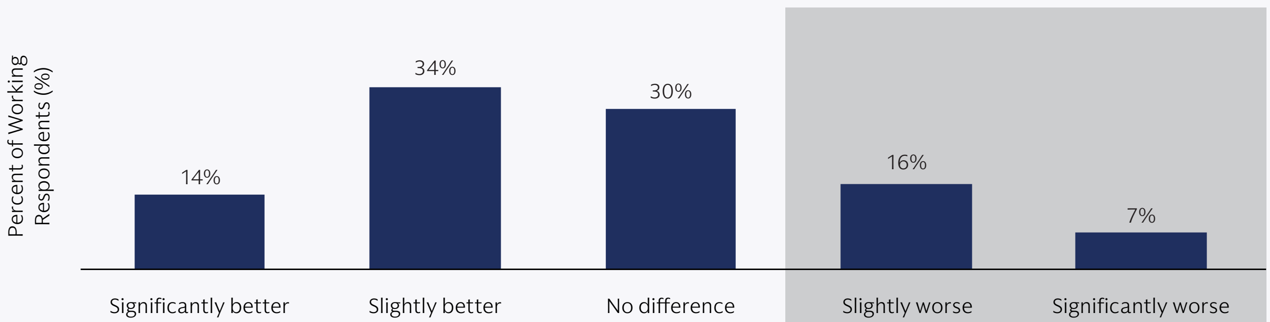
Higher everyday expenses, less emergency savings and increased credit card debt are key changes that illustrate the residual impact of the recent inflationary period.

WORKING

Compared to last year, how has your personal financial situation changed?

Please select one.

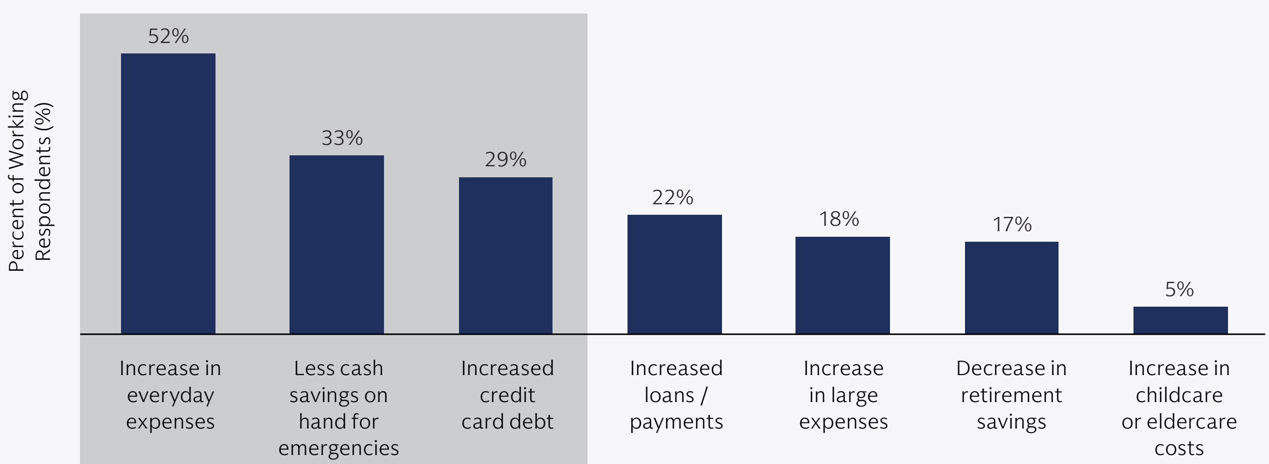
Financial Situation Relative to Prior Year



WORKING

What aspect of your personal finances has changed the most relative to last year?

Top Financial Changes Since Prior Year



PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

Financial Vortex Had Less Impact in 2024 Compared to Prior Years, but Most Still Expect to Delay Retirement

Working individuals reported less impact from competing priorities on their ability to save. Over the past several years, we have closely monitored the effects of these competing financial responsibilities, what we refer to as the "Financial Vortex." In 2024, we observe the first decline in this impact since the onset of the pandemic.

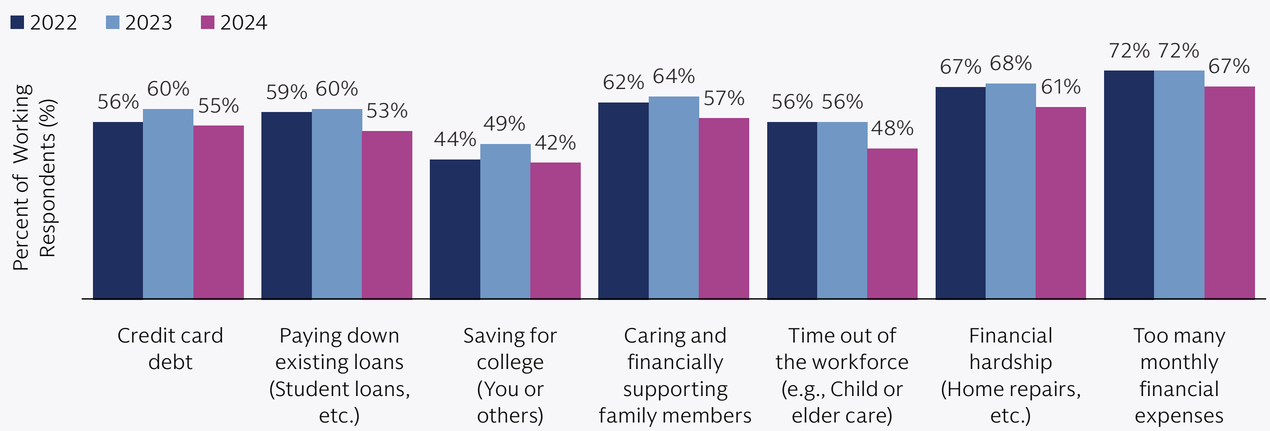
However, despite this improvement, over 60% of working respondents still believe they will need to delay their retirement due to these competing demands. Too many monthly expenses, financial hardships and caring for and financially supporting family members continue to have the most widespread impact.

WORKING

How strongly do the below affect your ability to save for retirement?

The chart illustrates those who responded extremely, very and moderately to each event.

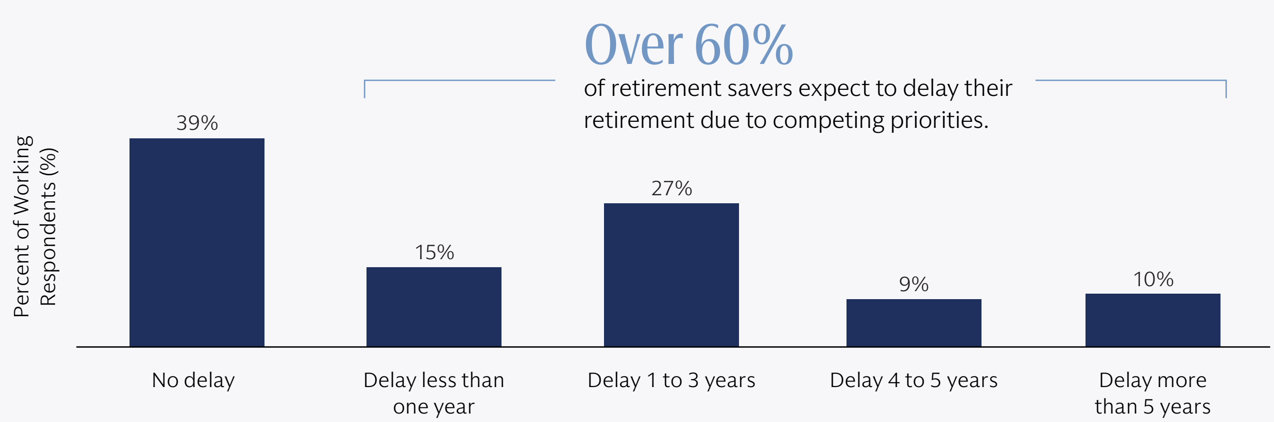
Improvement in Impact from Financial Vortex



WORKING

Do you expect the competing priorities noted in the previous question to delay your retirement?

Expected Delay in Retirement Due to Competing Priorities



PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

Almost Two-Thirds of Working Respondents are Saving for Multiple Goals

As the costs associated with key financial goals continue to rise, as illustrated by the inflation charts below, 63% of working respondents report that they are saving for multiple objectives, including retirement. Notably, 31% of working individuals are juggling three or more financial goals. The challenge of saving for multiple priorities lies in determining which goals to prioritize and how to balance the economic trade-offs that arise through various life events. For instance, should one focus on paying down credit card debt before contributing to retirement savings, or should tuition or daycare expenses take precedence?

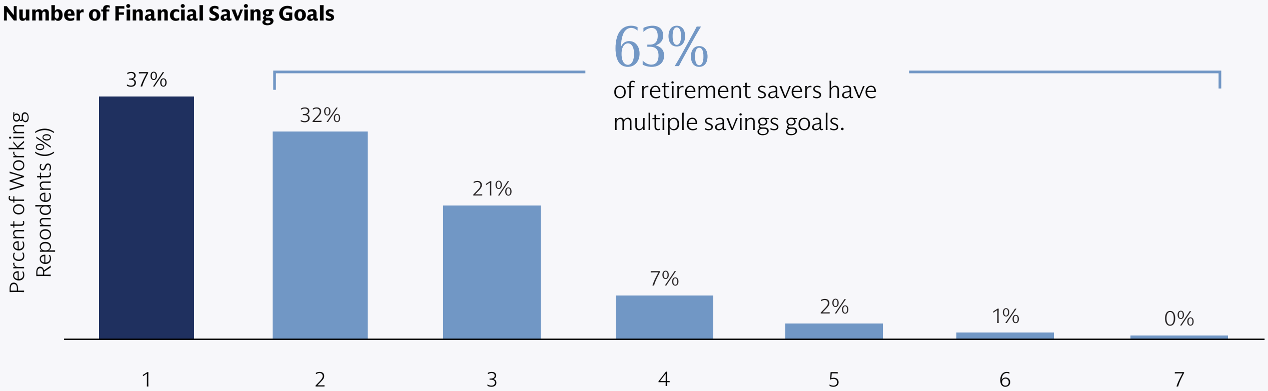
A key factor when managing multiple goals is that they are often on different timelines. Retirement is often perceived as the most distant goal, and it can be tempting to prioritize more immediate financial needs. However, retirement is frequently the largest financial goal a person will face. To successfully manage multiple financial objectives, we believe it is crucial to prioritize, develop a balanced financial plan and live within one's means. These strategies are essential for making progress across various goals without sacrificing long-term financial security.

WORKING

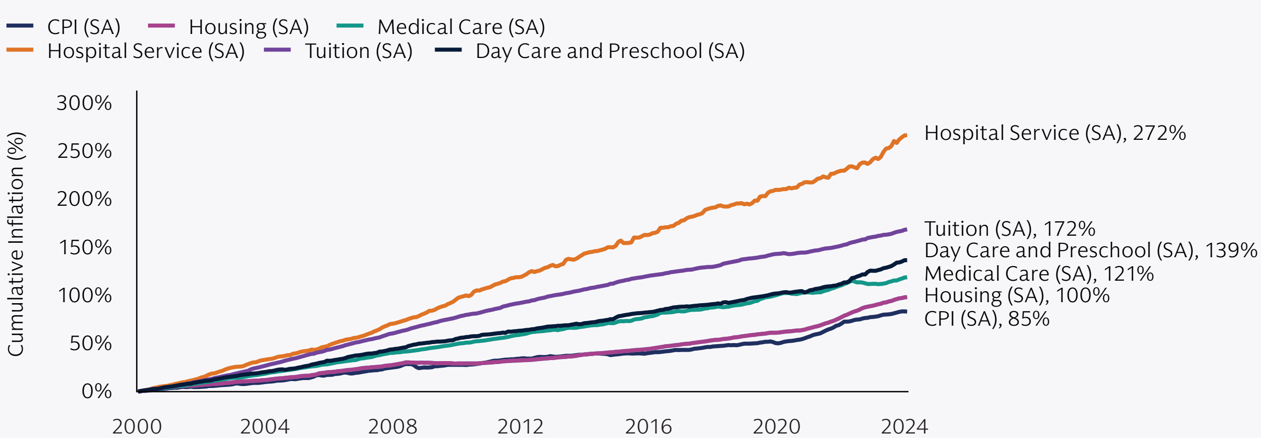
Which of the following financial goals are you currently saving for?

Goal Options: Paying down existing debt, home purchase, paying off student loans, car, vacation, child's education, retirement.

Number of Financial Saving Goals



Cumulative Inflation: Percent Change in Price Since 2000



Source: U.S. Bureau of Labor Statistics. As of August 2024.

PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

Lack of Financial Security Drives Need for Holistic Retirement Advice

The advice to "save more for retirement" is frequently offered, but it may not always be the most appropriate next step for achieving long-term financial goals. Many individuals are not in a financially secure position to increase their retirement savings consistently throughout their working lives. In some cases, prioritizing retirement savings might actually reduce their financial security, potentially leading to financial hardships. It's essential to recognize that while saving for retirement is important, it should be balanced with other financial needs and obligations to ensure overall stability and well-being.

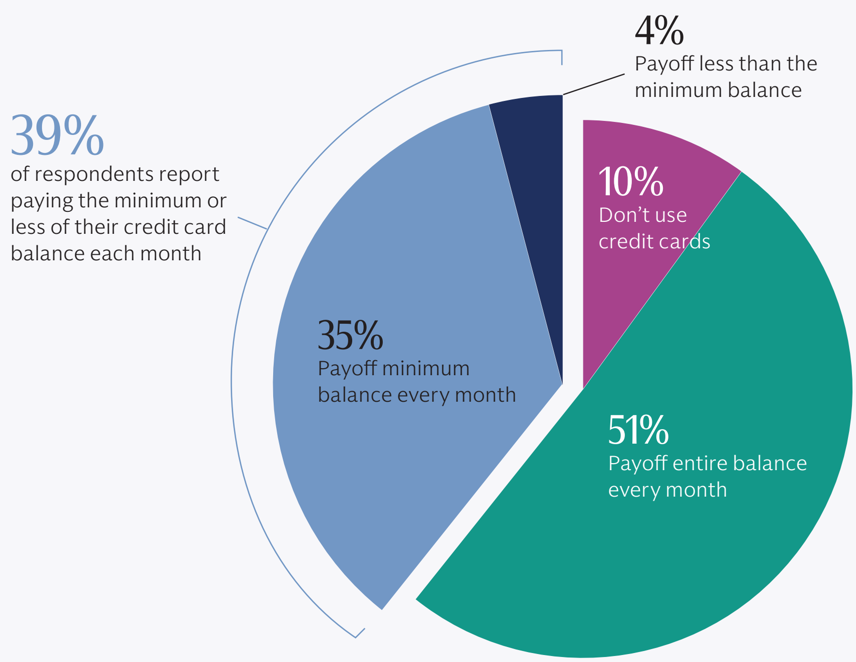
For example:

- Individuals paying the minimum on credit card debt may need to decide whether to save or pay down credit cards
- Individuals supporting dependents but who don't have life insurance may want to consider protective insurance coverage
- Individuals with no emergency savings may need to establish an emergency fund

Addressing these types of situations first may help build long-term sustainable savings.

WORKING

How much credit card debt do you typically pay off each month?



62% of respondents report having less than three months of emergency savings

60% of working respondents say financial hardships impact their ability to save for retirement

Only One-Third of Working Respondents Say They Have the Time, Interest and Knowledge to Manage Their Savings

Retirement savers today must largely depend on their individual savings, such as 401(k) plans, earning them the label of the "YO-YO generation"—short for "You're On Your Own." To effectively manage their own savings, we believe that savers need to possess sufficient time, interest, and knowledge. However, according to our survey, only 34% of working respondents feel they have all three of these requisites, even though 55% consider themselves DIY investors.

Interestingly, while 48% of respondents believe they have the knowledge and expertise to manage their savings, only 20% were able to answer all five financial literacy questions correctly. This disconnect is significant considering that even a 1% lower annual investment return over the course of a career can result in 18% less in retirement savings (see next page).

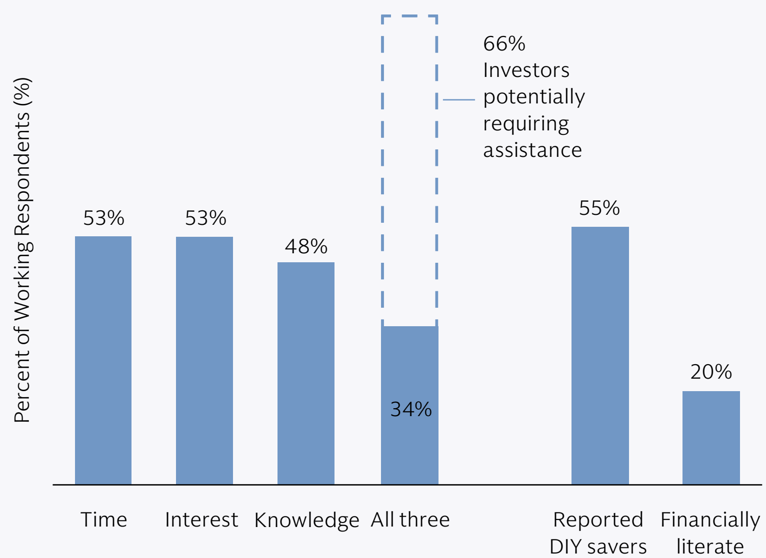
Ensuring that savers are matched with the appropriate level of support is a critical component of plan design.

WORKING

What best describes how you feel about managing your retirement investments?

Time: I have enough time to manage my investments.
Interest: I enjoy managing my investments and feeling in control of my finances.
Knowledge: I have the financial knowledge required to manage my investments.

Available responses were strongly disagree, somewhat disagree, neither agree or disagree, somewhat agree, strongly agree.
The chart reports those who responded somewhat agree or strongly agree.



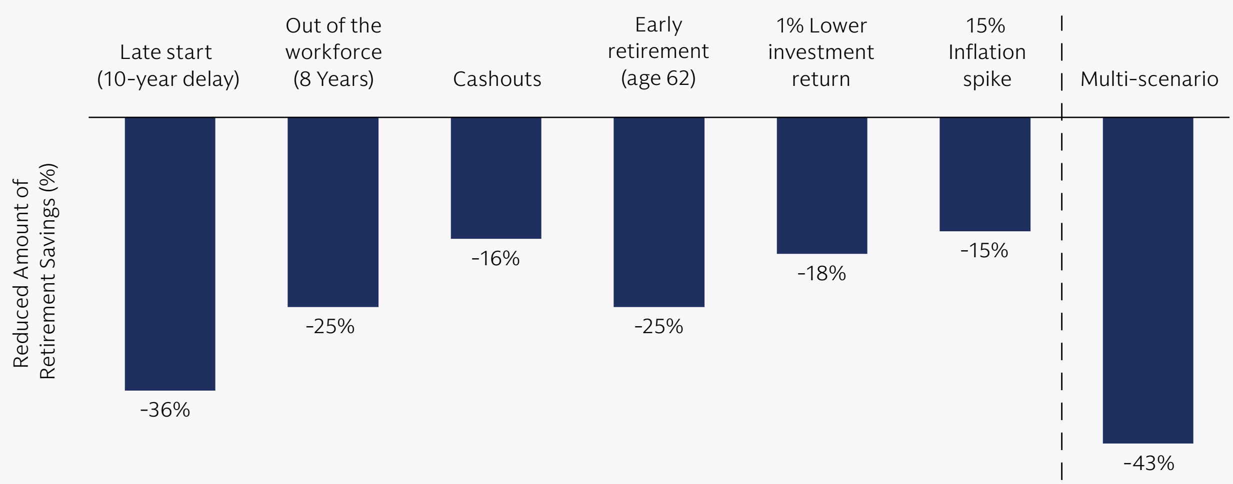
While 55% of working respondents report being DIY investors, only 48% feel they have the knowledge to manage their savings, and **only 20% answered all 5 basic financial literacy questions correctly.**

Impact of Financial Vortex May Lead to Retirement Savings Shortfall

The impact of competing priorities can significantly erode retirement savings, and without appropriate interventions, many individuals may find themselves underprepared for retirement. To illustrate the potential consequences, we conducted an analysis comparing the total retirement savings of a typical saver who contributes consistently from age 25 to 65 with those of a saver who encounters various disruptive life events.

Each of these events can have a substantial impact on retirement savings. When we consider that many individuals may experience multiple such events throughout their lives, it becomes clear why even those who strive to save consistently may reach retirement without adequate financial resources. This analysis underscores the importance of proactive planning and tailored interventions to help mitigate these challenges and ensure better retirement outcomes.

Illustrative Impact on Retirement Savings



Base Model Assumptions	Scenario Assumptions
Starting Salary: $50,000	**Late Start:** Saving is delayed 10 years and starts at age 35
Annual Salary Growth: 3%	**Out of Workforce:** Eight years of no contributions and no salary increases between age 30 - 38
Employee Contribution Rate: 8%	**Early Career Cashouts:** Full savings cash-out at age 26 and 28
Employer Match: 5%	**Early Retirement:** Retirement begins 4 years early (beginning at age 62)
Portfolio Rate of Return: 6%	**Lower Investment Return:** 1% lower annual investment performance for entire working career
Saving Duration: 40 years (age 25 to 65)	**Inflation:** One-time 15% inflation spike assumed at beginning of retirement increases retirement saving needs by 15% (assuming 2% annual inflation thereafter)
Ending Saving Target: 10x income	**Multi-Scenario:** Saving is delayed 5 years due to student loans, individual is out of work four years for childcare and investment return is 1% lower during remaining of saving period.

These examples are for illustrative purposes only and are not actual results. Portfolio Rate of Return is at 6% as this is assumed to be a conservative total return of a diversified portfolio. The chart above is for illustrative purposes only based on certain assumptions, hypothetical information, estimates, projections and statements regarding certain life events of a hypothetical retirement saver. This does not reflect results of any Goldman Sachs product. If any assumptions used do not prove to be true, results may vary substantially. Please refer to page 35 in the end notes for additional disclosure.

Given These Challenges, Not Surprising Retirement Savings Have Continued to Fall Short

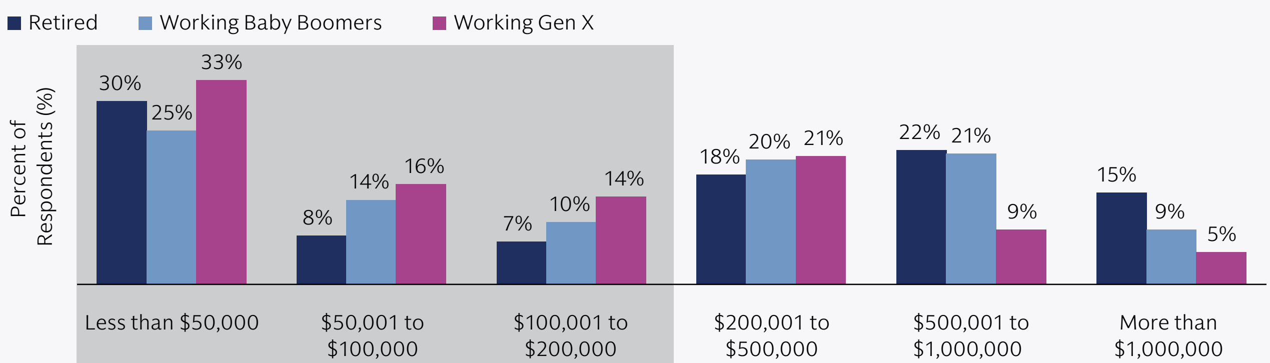
As we have outlined, while most individuals do not intend to reach retirement underprepared, it is the reality for many. Currently, 38% of retirees, 39% of working Baby Boomers and 50% of Gen Xers report having less than $100,000 in retirement savings. Additionally, while 73% of workers expect to maintain more than half of their working income in retirement, only 60% of retirees report achieving this level of income replacement. Notably, 77% of working respondents believe their lifestyle in retirement will be the same as or better than their pre-retirement lifestyle.

Effectively navigating the personal circumstances that can derail retirement savings is crucial to improving retirement outcomes. By addressing these challenges proactively, individuals can increase their chances of achieving a more secure and comfortable retirement.

WORKING / RETIRED

What is your level of retirement savings?

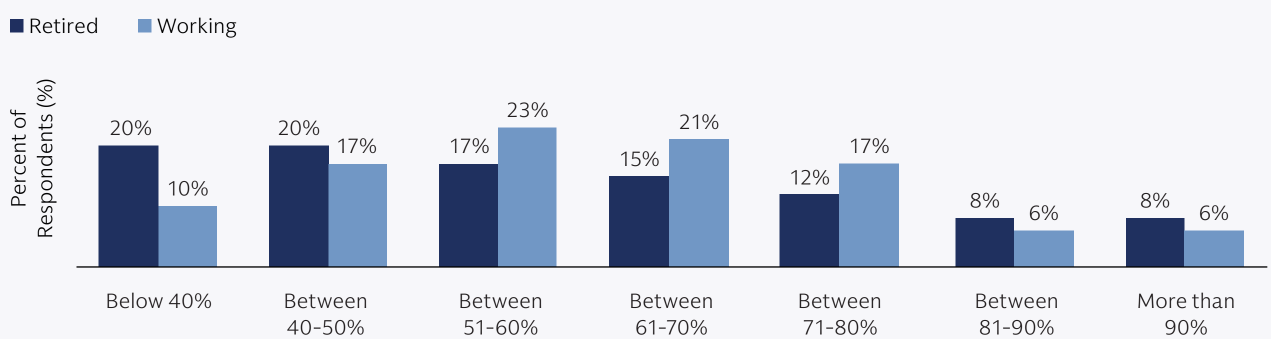
This includes all 401(k), traditional IRA, Roth IRA, 403(b), 401(a), and 457 accounts. Retirement assets do not include bank, brokerage, defined benefit accounts, or the value of home(s) or other property.



WORKING / RETIRED

How much total annual income do you receive in retirement or expect to receive (including Social Security) relative to your pre-retirement income?

i.e., your final annual compensation prior to retirement, such as salary, bonus, etc.



SECTION 02

Planning and Advice Can Improve Outcomes

In our survey, we asked both working and retired respondents whether they have a personalized plan. **We define a personalized plan as calculating how much total savings is needed for retirement and developing a savings and investment strategy to reach that goal.**

By examining the responses, we can gain insight into how a personalized plan impacts retirement preparedness and outcomes.

For **working respondents**, the results show that those with a plan tend to have:

- Higher savings
- Higher confidence reaching their goal
- More comfort managing their savings
- Lower concern that competing priorities will delay retirement

For **retired respondents**, the results show that those who had a plan while preparing for retirement tend to have:

- Higher savings
- Income that is on track or better
- Less stress entering retirement
- Lower likelihood of working part-time for additional income

Retirement Planning Is a Journey, Not a Destination

Throughout one's life and career, financial priorities are likely to shift significantly. A financial plan that is suitable at the start of a career may look very different in mid-career, when family life may often take precedence, and then change again later in life as retirement becomes a primary focus. Additionally, unexpected health issues or family obligations can disrupt even the best-laid plans.

While maintaining consistent and sufficient savings is usually an ideal goal, it may not always be realistic given these fluctuations.

Recognizing that retirement savings may need to ebb and flow over the course of a career can provide individuals with the reassurance they need to adapt to changing circumstances. We believe the key to improved retirement outcomes lies in having a savings and investment strategy that is closely aligned with individual circumstances, allowing for flexibility while still working toward long-term financial security.

Evolution of Planning Needs Over a Career

FOUNDATIONAL SOLUTIONS

Getting Started

- Just starting out in their career
- Beginning to save for retirement but not top priority
- Repaying student loans

GOAL-BASED

Heart of Career

- Balancing financial priorities and supporting family members (i.e. sandwich generation)
- Significant life events:
  - Marriage and/or home buying
  - Starting a family

PERSONALIZED

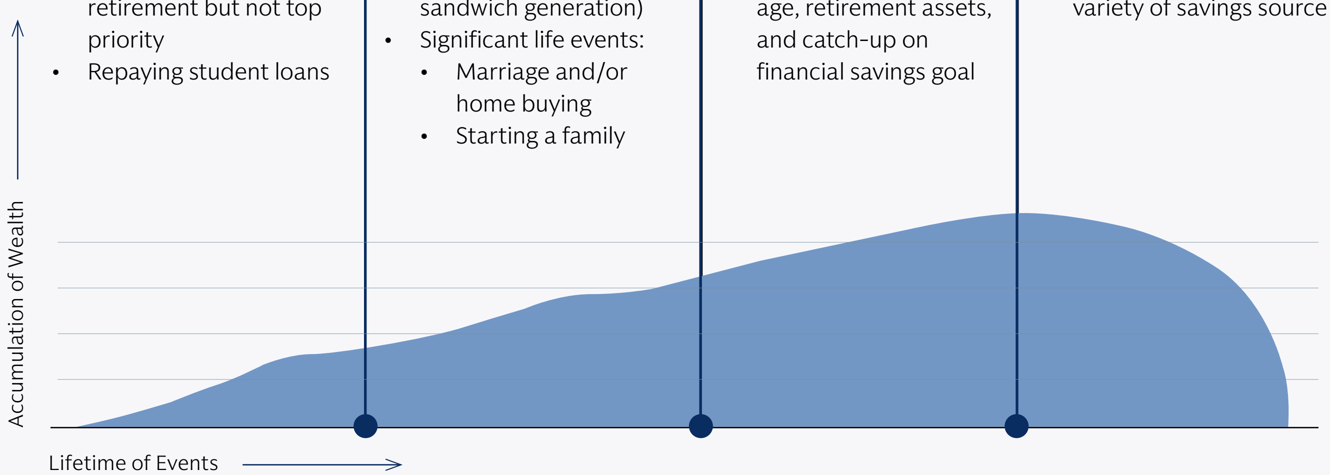
Late-Stage Career

- Retirement planning is a top financial goal
- Fine-tuning retirement age, retirement assets, and catch-up on financial savings goal

SPENDING IN RETIREMENT

Spending Phase

- Implementation of retirement plan
- Generate income from variety of savings source



A tailored plan helps individuals address both near and long-term financial priorities by balancing the needs of their current life stage with more distant goals like retirement.

Nancy DeRusso
Head of Financial Planning, Financial Wellness and SurvivorSupport®,
Goldman Sachs Ayco

Personalized Plan Improves the Process of Preparing for Retirement and Retirement Outcomes

In our survey, we asked respondents whether they have a personalized retirement plan, defined as knowing how much total savings they need and having a strategy for saving and investing to reach that goal. While this represents a relatively basic level of planning, it indicates that the individual has taken an intentional approach to preparing for retirement.

As highlighted below, respondents with a personalized plan tend to be significantly better positioned for retirement than those without one. Among the range of benefits, they are more likely to be ahead of schedule in their savings, more confident in their ability to reach their retirement goals, less likely to delay retirement due to competing priorities and more likely to increase their savings year-over-year.

WORKING

Improved Ability to Manage Savings

MORE LIKELY TO HAVE IMPROVED YEAR-OVER-YEAR FINANCIAL SITUATION

62% with a plan
32% without one

GREATER LIKELIHOOD TO INCREASE SAVINGS EACH YEAR

62% with a plan
39% without one

MORE CONFIDENCE IN ABILITY TO REACH GOAL

80% with a plan
42% without one

LESS LIKELY TO SPEND TIME AT WORK DEALING WITH PERSONAL FINANCIAL ISSUES

26% with a plan
39% without one

MORE LIKELY TO NAVIGATE COMPETING PRIORITIES

43% with a plan
35% without one

MORE COMFORT MANAGING SAVINGS

40% with a plan
16% without one

Improved Retirement Preparedness

MORE LIKELY TO HAVE SAVINGS ON TRACK OR AHEAD OF SCHEDULE

80% with a plan
39% without one

MORE LIKELY TO HAVE HIGHER SAVINGS (ABOVE $200,000)

52% with a plan
23% without one

Having a personalized retirement plan leads to intentional, goal-based financial actions that better align with an individual's objectives and circumstances.

Christopher Ceder
Senior Retirement Strategist,
Goldman Sachs Asset Management

Retirees Who Saved With a Personalized Plan Reach Retirement Better Financially Prepared

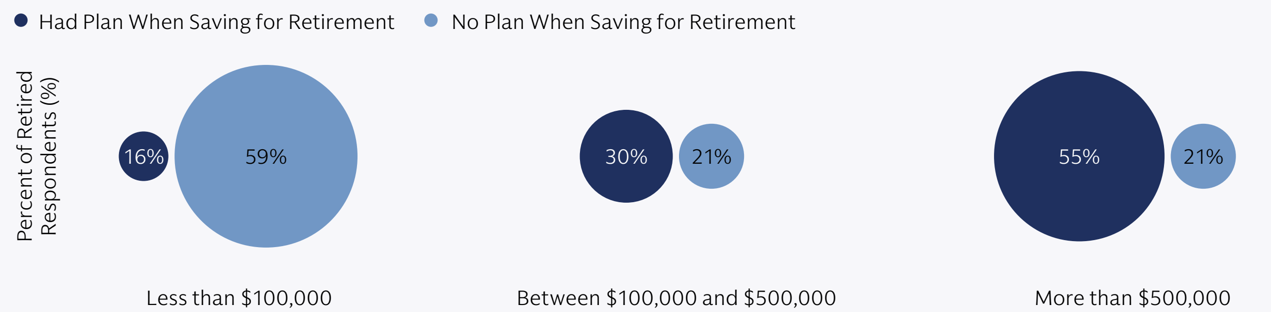
Among retirees, the responses further underscore the potential positive impact of having a personalized retirement plan. Retirees who had a personalized plan generally report higher savings, experience lower stress as they enter retirement, are more satisfied with their level of retirement income and are less likely to rely on part-time work to supplement their income. These findings highlight the critical role that intentional planning may play in achieving a secure and fulfilling retirement.

RETIRED

What is your level of retirement savings?

(Inclusive of all 401(k), IRAs, and other retirement accounts)

Level of Retirement Savings



Those With a Personalized Plan Report Improved Retirement Outcomes and Lifestyle

MORE LIKELY TO HAVE SAVINGS ABOVE $100,000

85% with a plan
42% without one

MORE LIKELY TO REPORT LOWER STRESS ENTERING RETIREMENT

30% with a plan
45% without one

MORE LIKELY TO HAVE CONSISTENT YEAR-OVER-YEAR SPENDING

48% with a plan
34% without one

MORE LIKELY TO BE SATISFIED WITH LEVEL OF RETIREMENT INCOME

74% with a plan
43% without one

OF THOSE WHO WORK PART-TIME IN RETIREMENT, THEY ARE LESS LIKELY TO SAY IT IS BECAUSE THEY NEED TO SUPPORT THEIR RETIREMENT INCOME

29% with a plan
60% without one

MORE LIKELY TO REPORT INCOME IS ON TRACK OR AHEAD OF SCHEDULE

85% with a plan
57% without one

PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

Advice Has Positive Impact on Retirement Saving Amount, Confidence and Lifestyle

In our survey, we asked respondents how they manage their savings, allowing us to compare savings progress across different investor types. We identified four main groups: Passive Investors, DIYers, and Advice Seekers, who all manage their money themselves, though Advice Seekers periodically request guidance. Additionally, we examined Advice Reliant savers, who pay a financial professional to manage their savings.

Our analysis reveals a similar pattern to the planning findings: savers who seek advice are generally more engaged, confident, and likely to increase their savings over time, ultimately leading to higher overall savings. Retirees who sought advice are more likely to retire on time and report a better lifestyle in retirement relative to DIY investors.

One key factor that deters people from seeking advice is the perceived cost. However, for those who do seek advice, the primary motivators are gaining confidence and developing a well-informed strategy. This highlights the significant value of professional guidance in enhancing retirement outcomes.

KEY FINDINGS

Investor Type	**Passive Style**	**Do-It Yourself (DIY)**	**Advice Seekers**	**Advice Reliant**
Description of Investor Type	**I set my saving and investing strategy but don't check it very often**	**I manage it myself**	**I manage it myself but periodically seek advice**	**I pay a financial advisor to manage my savings / income**
Top Reasons for Investor Style	Top reasons to manage on own: • Lower cost • Prefer to control • Don't have sufficient savings	Top reasons to manage on own: • Lower cost • Prefer to control • Enjoy it	Top reasons to manage on own: • Lower cost • Prefer to control • Enjoy it	Top reasons to work with FA: • Want to feel confident • Develop retirement income strategy • Retire on time
Working Respondents				
Have a Personalized Plan	45%	43%	66%	82%
Periodically Review Savings	72%	69%	81%	90%
Confident Will Reach Retirement Goal	48%	59%	72%	73%
Report Managing Savings Is Stressful	46%	49%	44%	37%
Increase Savings Y-o-Y	52%	48%	54%	59%
Savings of $200K or More	31%	33%	44%	61%
Retired Respondents				
Retire on Time	52%	43%	53%	49%
Retirement Income Is on Track or Better	71%	61%	71%	88%
Lifestyle Is the Same or Better in Retirement	85%	68%	78%	84%

Of Those Who Use Advice, Retirees Have Higher Retirement Savings and Workers Are More Likely to Report Being on Track

Retirees who either seek out advice or rely on an advisor to manage their savings are more likely to have higher retirement savings. According to our study, 53% of DIYers have less than $100,000 in savings compared to 12% of Advice Reliant savers. Conversely, 27% of DIYers have more than $500,000 in savings compared to 55% of Advice Reliant savers.

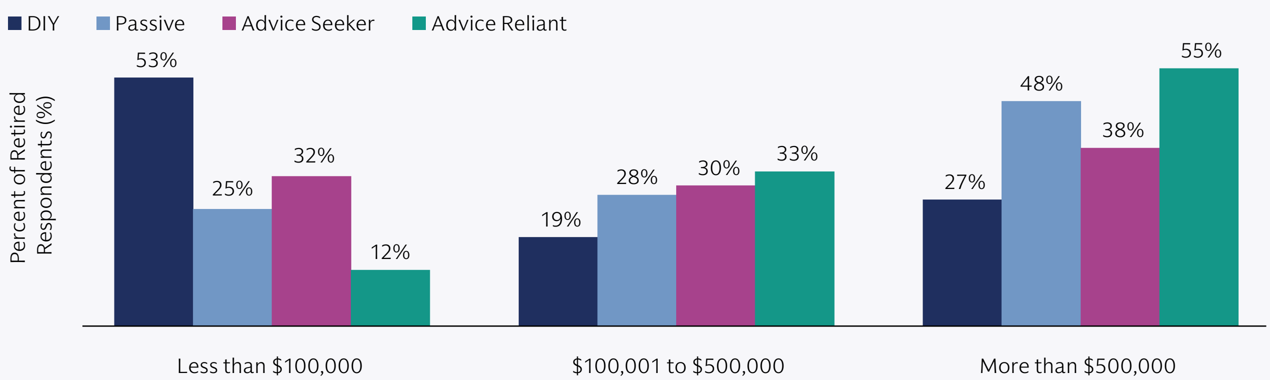
Furthermore, we evaluate working respondents to see how well they are progressing towards their retirement goals. In this case, 57% of DIYers report being on track or ahead of schedule compared to 72% of Advice Reliant savers, while 43% report being behind compared to 28% of Advice Reliant savers, further highlighting the savings gap.

RETIRED

What is your level of retirement savings?

This includes all 401(k), traditional IRA, Roth IRA, 403(b), 401(a), and 457 accounts. Retirement assets do not include bank, brokerage, defined benefit accounts, or the value of home(s) or other property.

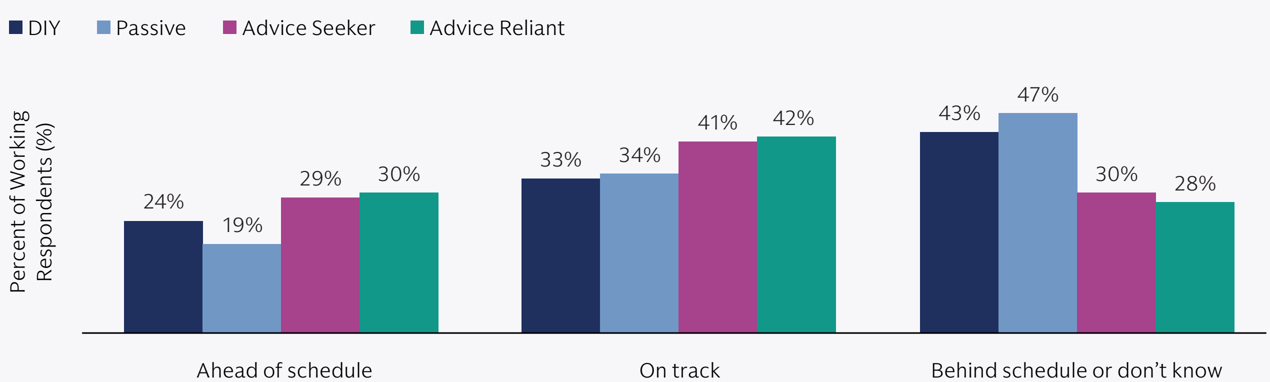
Level of Retirement Savings



WORKING

Where would you say your retirement savings are at this moment?

Status of Retirement Savings



PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

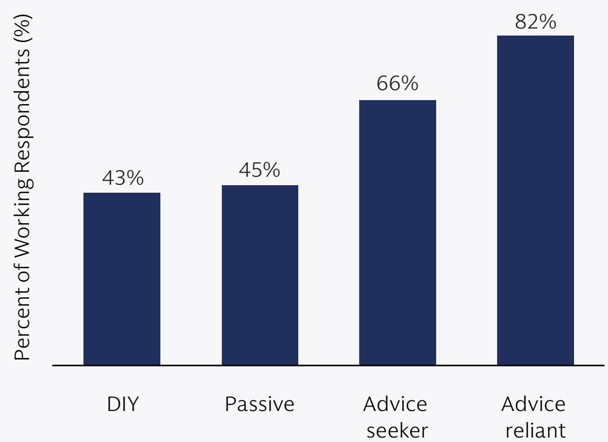
Which Working Respondents Are Most Likely to Have a Plan for Retirement?

To better understand planning activity by different savers, the below charts illustrate Investor Type, Generation, Gender and Household Asset level differences.

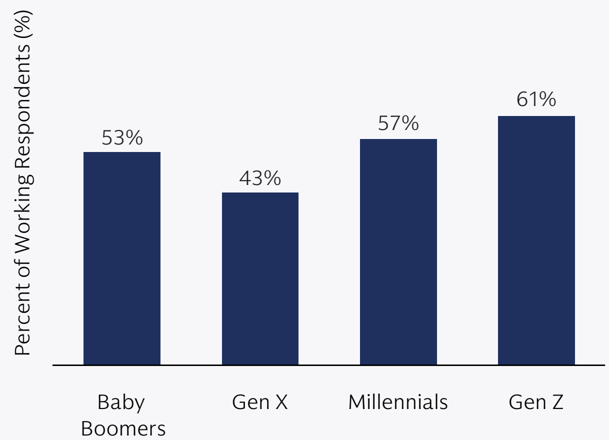
- **By Investor Type:** Advice Seekers and Advice Reliant savers are more likely to report having a personalized plan.
- **By Generation:** Younger generations are more likely to report having a personalized plan.
- **Gender:** Men are more likely to have a personalized plan.
- **Household Assets:** Those with higher asset levels are more likely to have a personalized plan.

WORKING

By Investor Type

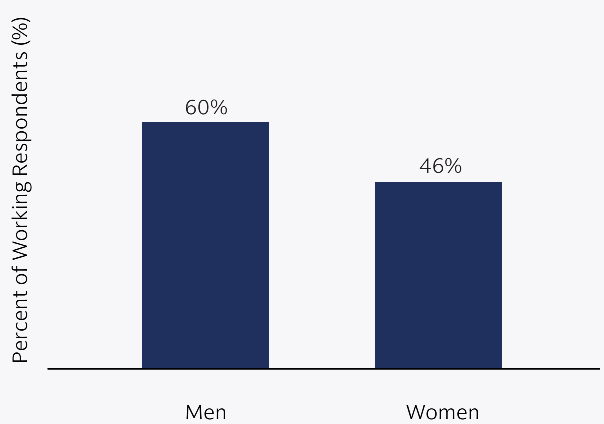


By Generation

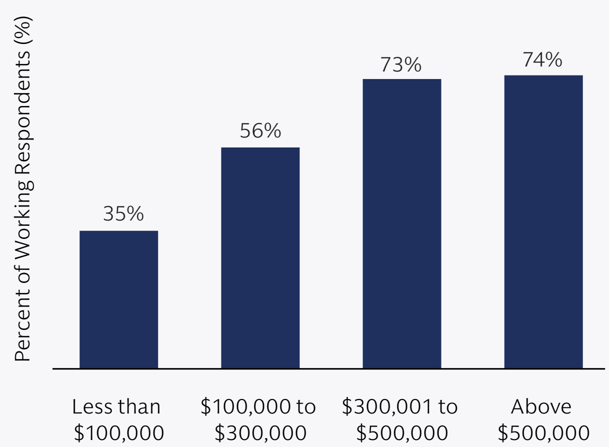


WORKING

By Gender



By Household Assets



SECTION 03

The Impact of a Retirement Mindset

Can we distinguish between those who save for retirement with a plan and those who save without one? Does the tendency to plan lead to higher savings levels, or does an accumulation of savings lead to increased planning behaviors? We explore these questions and demonstrate how it may be misleading to assume that merely saving for retirement equates to preparing for retirement.

In this section, we highlight the behavioral and mindset differences between those who have a personalized plan for retirement and those who do not, illustrating how planning behaviors can ultimately lead to higher savings. By comparing these groups, we aim to show that having a structured and intentional approach to retirement planning can not only foster more disciplined saving habits but can also result in better long-term financial outcomes.

Retirement savers with a personalized plan (referred to as “retirement planners”) are:

- More future oriented, optimistic and reward-oriented
- More action oriented with investment changes and seeking advice
- More likely to seek different sources of advice

Retirement savers without a personalized plan (referred to as “retirement savers” or “non-planners”) are:

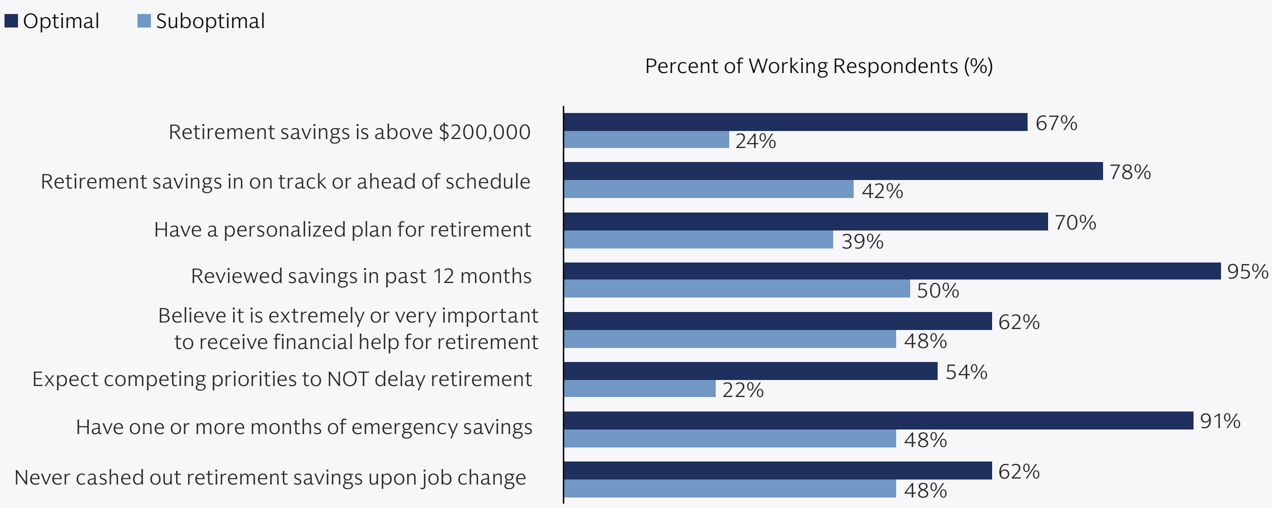
- More likely to be present-oriented
- More likely to adjust spending behaviors
- More likely to seek fewer sources of education and advice but more personally close sources (family members and spouses)

Retirement Mindset Analysis Can Show Behavioral Differences Between Those With and Without a Personalized Plan

In our 2023 report, *Retirement Mindset Matters*, we evaluated the behavioral factors that influence saving behavior, including levels of optimism, future orientation, risk or reward orientation, and financial literacy. This year we apply these same factors to analyze the behaviors of those who save with a personalized plan for retirement versus those who save without one.

Our analysis reveals that individuals who engage in retirement planning exhibit the same behaviors as “optimal” retirement savers. These planners tend to be more future-oriented, better informed about financial matters, and more reward-oriented. This alignment suggests that having a personalized plan not only drives better saving habits but may also foster a mindset that is conducive to long-term financial success.

Behavioral Analysis from 2023 *Retirement Mindset Matters* Report

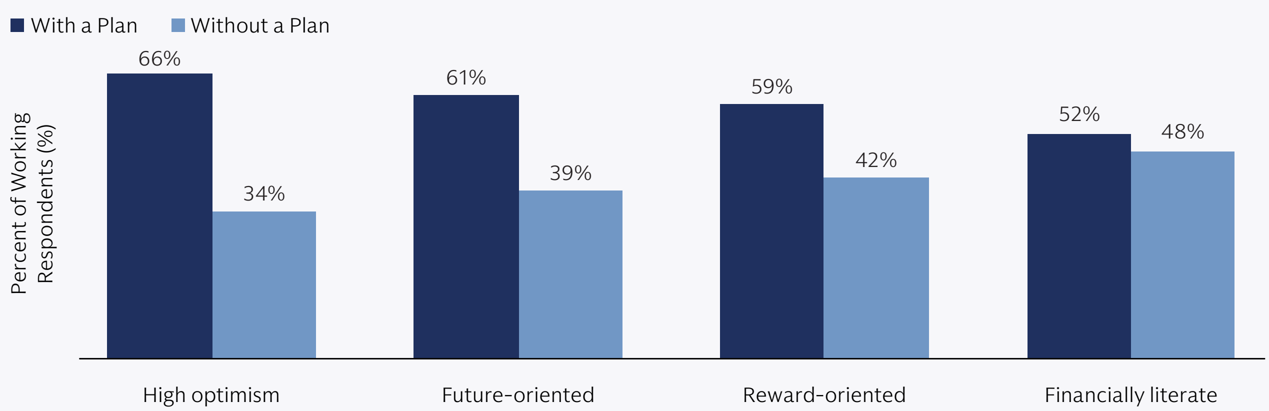


Optimal Behaviors: High Optimism, High Future Orientation, Reward-Oriented, High Financial Literacy
Sub-Optimal Behaviors: Low Optimism, Low Future Orientation, Risk-Oriented, Low Financial Literacy

Source: Goldman Sachs Asset Management. As of November 2023.

WORKING

Behavioral profiling for working respondents who have and do not have a personalized plan for retirement



Retirement Planning Is Key Behavior Attributed With Higher Savings Among Factors Analyzed

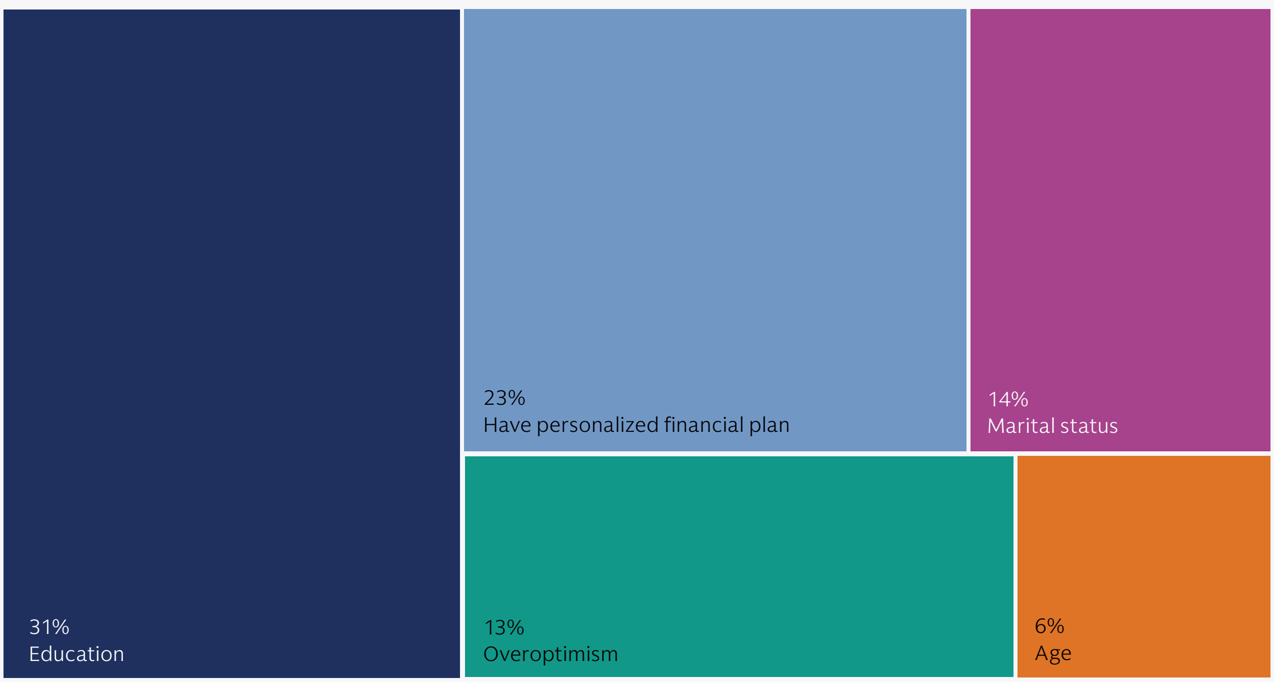
To further analyze the impact of having a personalized plan, we conducted a statistical analysis to understand the relative importance between key demographic factors (education, marital status, gender and age) and behavioral factors (optimism, having a financial plan, financial literacy, reward orientation and retirement advice-seeking behavior). Based upon this analysis, the below illustration highlights the top five most impactful factors among all the factors analyzed. Notably, while education level has the largest impact, having a personalized financial plan for retirement had the second largest impact on savings level.

WORKING

Multiple regression analysis results illustrate the relative impact of key demographic and behavioral factors on the level of retirement savings.

The below illustration emphasizes the relative importance of the top five factors analyzed.

Relative Importance of Drivers of Higher Savings Among Factors Analyzed (Top Five Listed Below)



A multiple linear regression model was used to determine the relative importance of the independent variables listed in the chart on the dependent variable, which was level of retirement savings as reported by respondents through the survey. All independent variables were translated to binary variables to support more consistent analysis. Independent variables include (i) Education (0 = non-graduate, 1 = college graduate), (ii) Marital Status (0 = without partner, 1 = with partner), (iii) Age (0 = 44 or younger, 1 = 45 or older), (iv) Gender (0 = male / 1 = female), (v) Overoptimism (0 = low, 1 = high), (vi) Regulatory Focus (0 = risk, 1 = reward), (vii) Future Orientation (0 = low, 1 = high), (viii) Have a personalized financial plan for retirement (0 = no, 1 = yes), (ix) Financial Literacy (0 = low, 1 = high), (x) How do you manage your retirement savings/income today? (0 = self-managed, 1 = involves advisor). The coefficient of determination for this model is 0.26. Percentages show the contribution of each variable to the coefficient of determination. For additional information on this statistical analysis, please contact your Goldman Sachs Asset Management representative.

Retirement Planners Are More Likely to Be Action-Oriented With Investment Changes and Seeking Advice

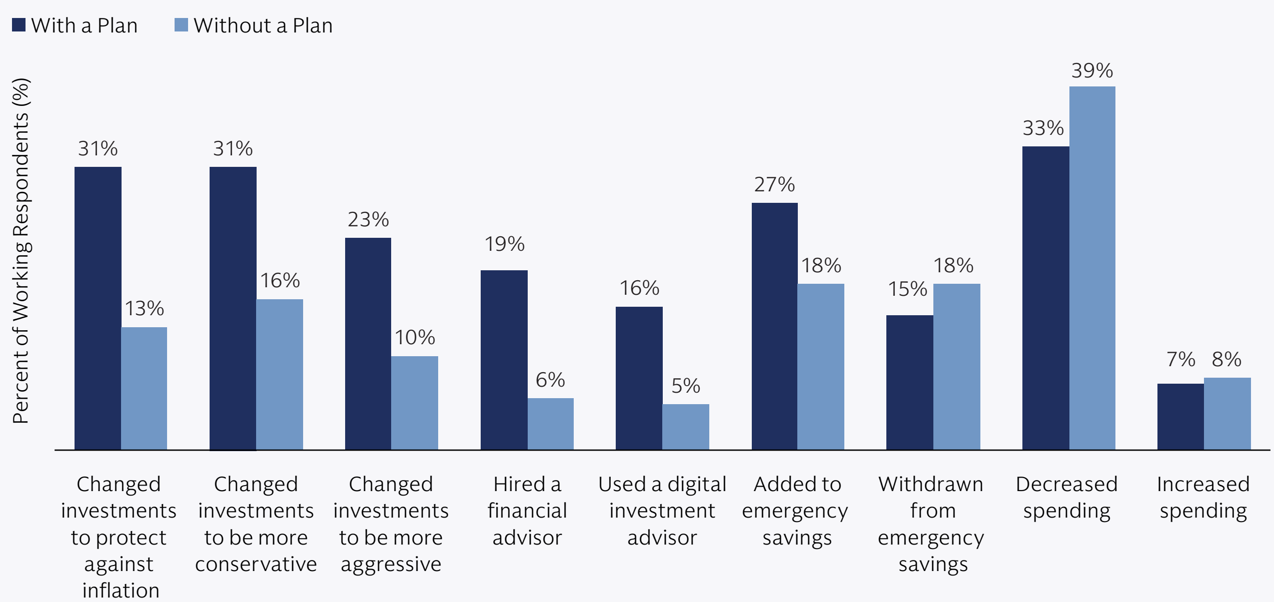
Retirement planners are generally more active and engaged in managing their finances. When examining actions taken during the recent inflationary environment, we found that those with a personalized plan were significantly more likely to take proactive steps to strengthen their financial situation. Those planners were more inclined to make investment changes, seek out advice, and add to their emergency savings. In contrast, those without a personalized plan were relatively more likely to focus on spending.

It's important to note that taking financial actions for the sake of action is not the goal. However, for those with a personalized plan, these actions are often more aligned with their overall financial objectives and demonstrate a strategic approach to navigating challenging economic circumstances. This further underscores the value of having a well-considered plan in place to guide decision-making during periods of financial uncertainty.

WORKING

How has the current inflationary environment caused you to change actions when saving for retirement?

Please select up to three choices.



Retirement Planners Are More Likely to Seek Broader Range of Education and Advice Resources

Regardless of whether an individual has a personalized retirement plan, most respondents rely on some form of education and advice.

In fact, 98% of retirement planners report using some form of education or advice, with the most common sources being financial advisors, employer plans and family members.

Meanwhile, 85% of non-planners (those without a personalized plan) also seek some form of education or advice, primarily relying on employer plans, family and friends.

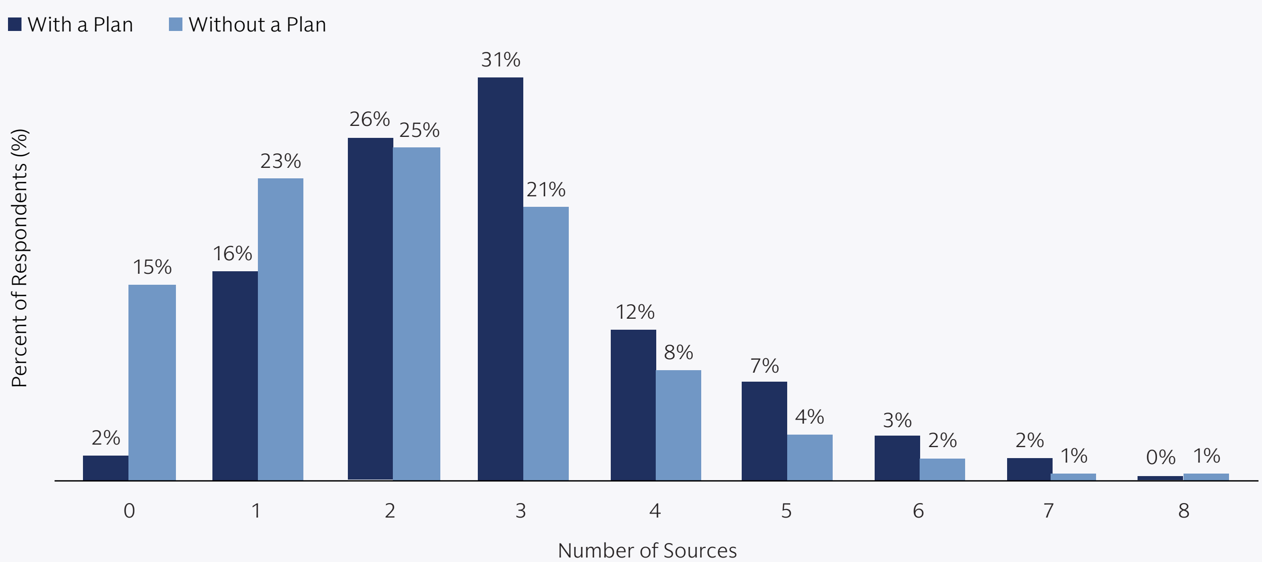
While these results indicate that both planners and non-planners seek help, those with a personalized plan are notably more likely to use a wider range of resources. Specifically, planners are more likely to use three or more resources, whereas 15% of non-planners report not engaging with any support at all. This data further highlights that planners tend to be more engaged, proactive in seeking advice and focused on evaluating their options. These behaviors contribute to the effectiveness of their retirement planning and their overall financial preparedness.

WORKING

Which of the following sources of education and advice do you rely upon as part of your retirement planning process?

Options Include: Online calculators, Educational articles or blogs, Social Media (e.g. Facebook, Tiktok), Family Members (parents, siblings), Friends & Peers, Spouse, Artificial Intelligence (e.g. Chat GPT), Employer retirement program, Employer financial wellness program, Digital investment advice (i.e., robo-advisors or managed accounts), Financial advisor, Other (please specify), I do not currently use resources to learn about developing a plan for retirement

Please select all that apply.



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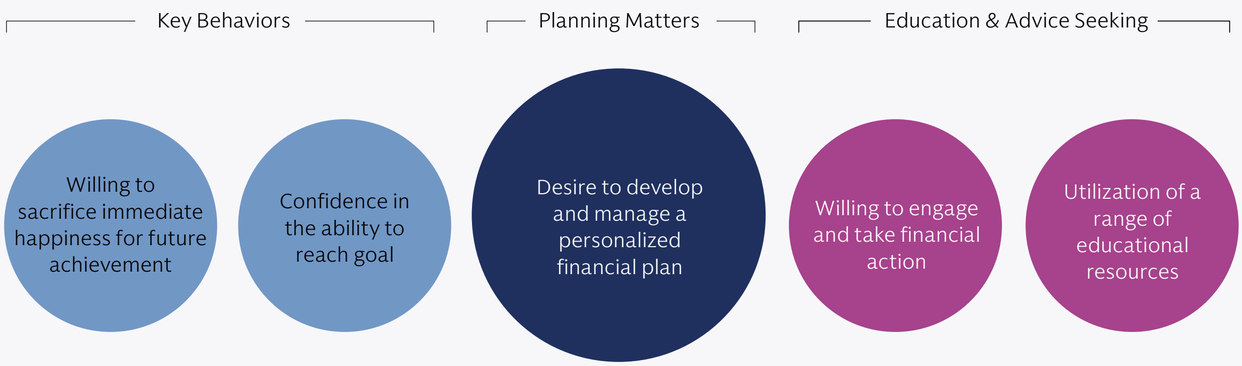
Is "Financial Grit" a Key to Retirement Planners' Success?

If we tied together the behaviors of retirement planners, we potentially see a broader pattern. While a personalized plan serves as the roadmap that enables individuals to balance their retirement goals with other financial priorities, it is important to acknowledge that no plan is perfect. What may also matter is being engaged, evaluating the next set of challenges, being willing to seek advice and being willing to sacrifice immediate gratification for future achievement. This broader set of behaviors are found in retirement planners and are attributes that we characterize as "Financial Grit" in this study.

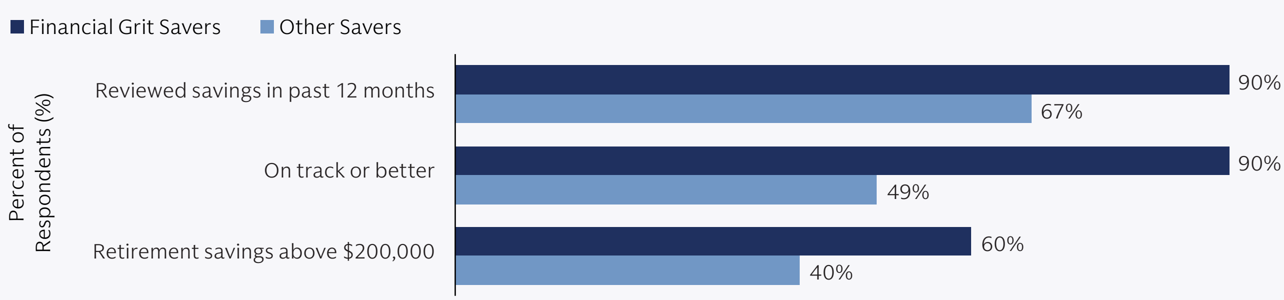
As we highlight throughout this report, retirement saving is a journey. As more individuals encounter financial challenges while saving for retirement, one's ability to manage and overcome a series of obstacles may be a key element to their success.

As retirement planners are more likely to have higher savings, be on track and be more engaged, their ability to plan, learn, grow and persevere through financial challenges — Financial Grit — may be a crucial factor for success in retirement saving. By fostering Financial Grit, individuals can better navigate the uncertainties of their future and ultimately achieve their retirement goals.

Financial Grit Criteria



Impact on Savings Level, Progress and Engagement



Financial Grit: Confidence in ability to reach retirement goals, have a personalized plan, willing to sacrifice immediate financial needs, willing to take investment or advice action or seek education and advice.

Other Savers: All other savers

SECTION 04

Integrating Planning Into Plan Design

Given the significant potential benefits associated with planning activities, the next critical question is how to best support retirement savers within 401(k) plans. Ensuring that all savers have access to basic retirement planning could be the catalyst for encouraging intentional saving behaviors. The objective is not to convert everyone into detailed planners but rather to provide them with tools necessary to save intentionally and provide them with a roadmap to help them evaluate future financial decisions that impact their retirement.

By integrating basic planning resources into 401(k) plan design, we can empower participants to take a more structured approach to their retirement savings. This could involve providing easy-to-use planning tools, educational resources, and access to professional advice, all aimed at helping individuals develop a clearer understanding of their retirement goals and the steps needed to achieve them.

Ultimately, the goal is to create an environment where every saver, regardless of their financial acumen, level of savings or level of engagement, has the opportunity to plan effectively and make informed decisions that lead to better retirement outcomes.

Plan Objectives May Need to Evolve to Support Individual Retirement Objectives

A dignified retirement is frequently cited as a fundamental objective of retirement plans. However, less attention is given to how effectively individuals can manage their savings or optimize the features of their plans to achieve this goal. As we have outlined in this report, today's savers face the challenge of balancing multiple competing priorities in their journey towards retirement.

The below illustration highlights how plan sponsors and advisors may wish to consider integrating a focus on how people manage their savings and how they all tie into the objectives of securing a dignified retirement lifestyle.

Common Plan Objectives:

- Low cost services
- Diversified investment menu
- Investment performance that tracks a benchmark
- Higher savings
- Retirement income

+

Savings Management Focused Objectives:

- Ability to save/manage consistently through competing priorities
- Better lifelong financial habits and financial competency
- Less distraction from work responsibilities
- Less stress managing savings
- More confidence managing savings

=

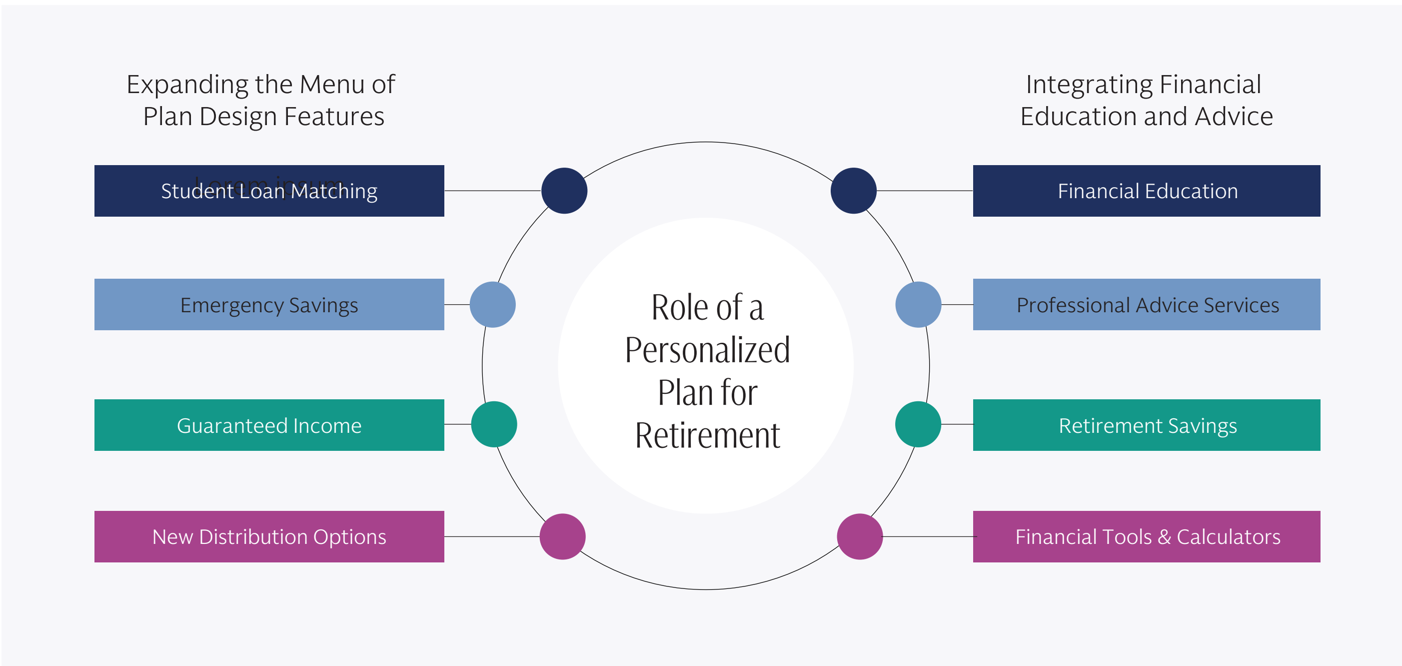
Outcome Focused Objectives:

- Increased likelihood of reaching retirement prepared
- Equal or better lifestyle in retirement
- High degree of happiness in retirement

Diversification does not protect an investor from market risk and does not ensure a profit.

Planning and Advice Provide the Roadmap to Expanding Plan Features

Retirement plans are increasingly integrating new features to address the specific needs of employees, such as emergency savings, student loan repayment, and financial education. A personalized financial plan, combined with targeted education and advisory services, may serve as the crucial element that empowers individuals to make informed decisions regarding these priorities. By providing employees with such a plan, they may more effectively utilize savings and investment features, enabling them to make well-informed decisions about their financial future.



> We believe goal-based, personalized planning solutions will become more prominently featured in plan design, helping savers make informed decisions about their short- and long-term financial goals.

Chris Lyon
Head of Defined Contribution,
Goldman Sachs Asset Management

Multi-Channel Solutions May Be Key to Support Diverse Financial Needs and Preferences Within a Workforce

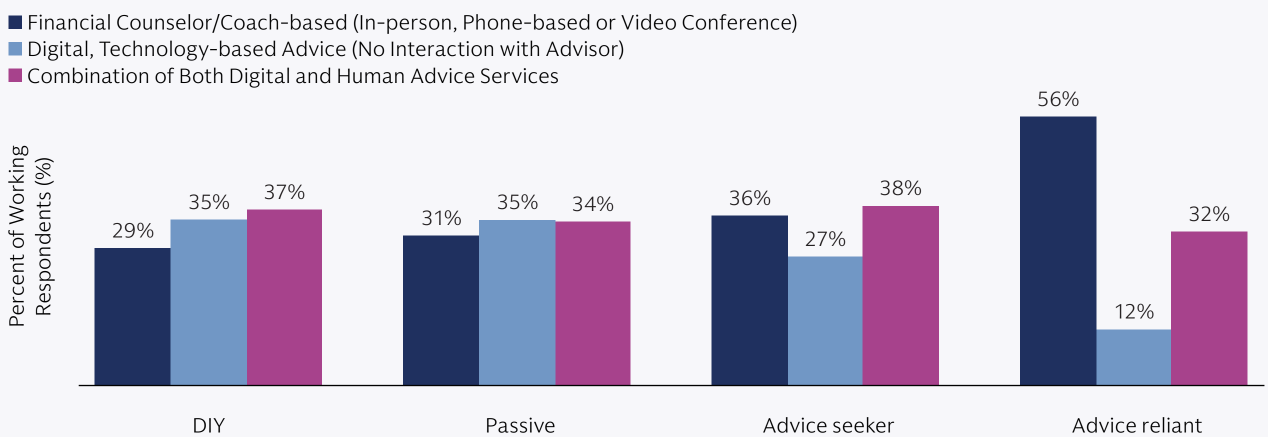
Integrating digital solutions and human-based support through a multi-channel platform may be key in assisting those less inclined to engage with a financial advisor. Savers without a personalized plan for retirement were more likely to be DIY or Passive savers. As previously discussed, DIY respondents tend to be more cost-sensitive and are more likely to seek education and advice from family and friends. As a result, they show a greater interest in digital and/or hybrid advice compared to those who prefer to rely on traditional advisory services.

WORKING

How do you prefer to receive financial advice and guidance?

Please select one.

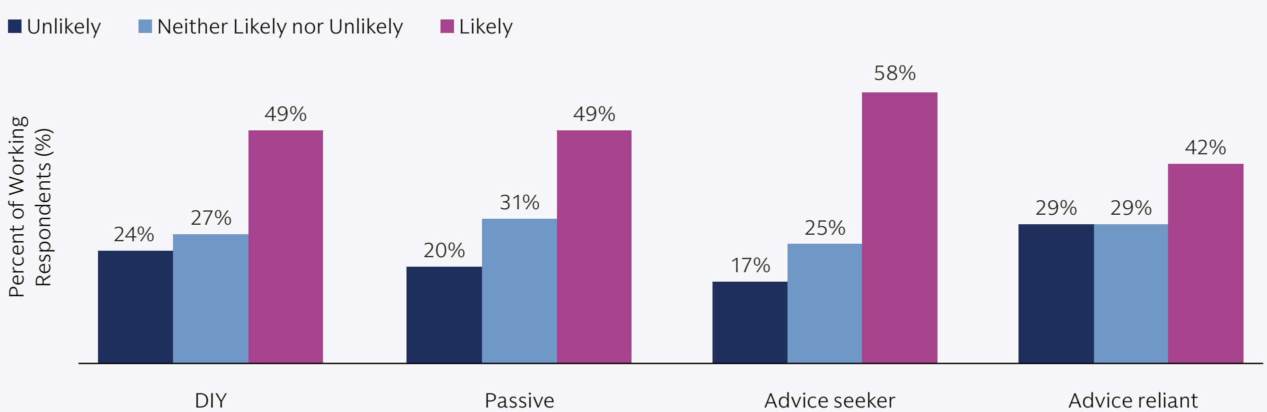
Preference for Type of Advice Service



WORKING

How likely are you to use a personalized digital retirement planner that uses personal data to build a personalized retirement strategy if offered through your employer's retirement plan?

Likeliness to Use Digital Retirement Planner



PERCENTAGES MAY NOT ADD UP TO 100% DUE TO ROUNDING.

Consideration: Should Plan Sponsors Strive for a "Default to Engaged Planning" Participant Experience?

Over the past two decades, retirement plans have increasingly adopted default saving and investing features to encourage participation. However, these default features may not align with individual savings goals and are not specifically designed to help individuals achieve personal financial objectives.

While many people intend to plan for retirement, they often delay taking action. By striving to move employees from a default to engaged planning experience, plan sponsors can influence planning behavior in a similar way, prompting individuals to take more intentional actions toward their personal savings goals. Encouraging the use of personalized plans as part of a broad-based plan experience can help ensure that savers are actively working toward their unique financial objectives.

Common Plan Default Features

- Automatic enrollment
- Automatic escalation
- Professionally managed portfolio (Target-Date Fund, Managed Account, Balanced Fund)

Broadly Available Planning Experience

- Automatically provide personalized retirement plan based on recordkeeping data providing (1) estimated retirement saving goal, (2) recommended saving strategy and (3) investment strategy aligned with retirement goal
- Plans can also consider applying the recommended savings amount and personalized investment strategy as part of automatic enrollment features
- Provide periodic planning report to participants with their personalized path to encourage further engagement

Retirement planning for all plan participants is a realistic goal due to the latest innovations in digital planning and may be an important catalyst to help those not accessing advice services today.

Michael Moran
Senior Pension Strategist,
Goldman Sachs Asset Management

Working Respondents Report High Demand for Additional Retirement Benefits and Solutions

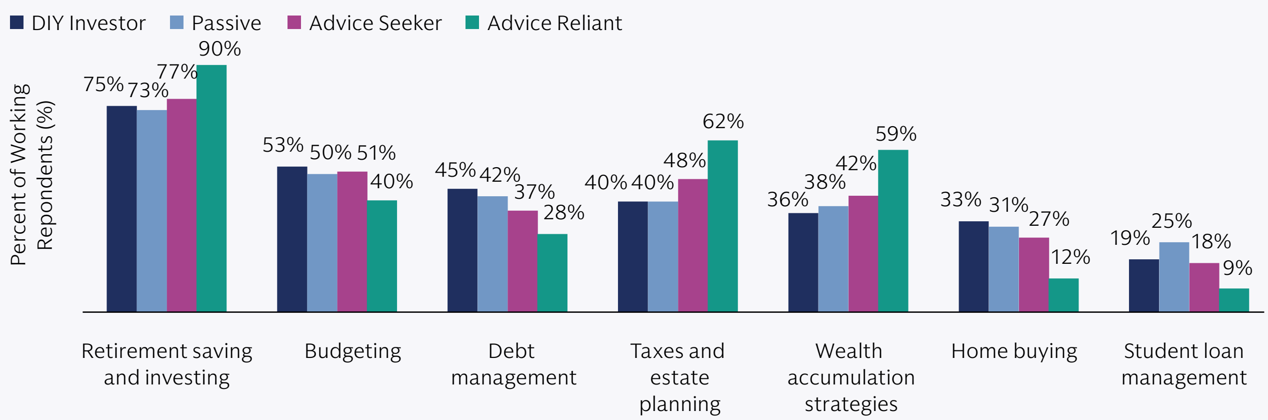
We surveyed working respondents to identify the education and advice services they most desire from their employers. We also asked what benefits they would like increased contributions for from their employer. The findings reveal that today's worker, regardless of whether they are a DIY investor, Passive, Advice Seeking or Advice Reliant places the greatest value on retirement planning and advice as well as retirement contributions, surpassing other areas of focus. These preferences reflect the significant challenges employees face when managing their savings, while also offering employers a strategic insight on how to best support the financial needs of their workforce.

WORKING

What financial planning and advice services are you most interested in receiving from your employer?

Please select your top three responses.

Preferences of Financial Advice Services

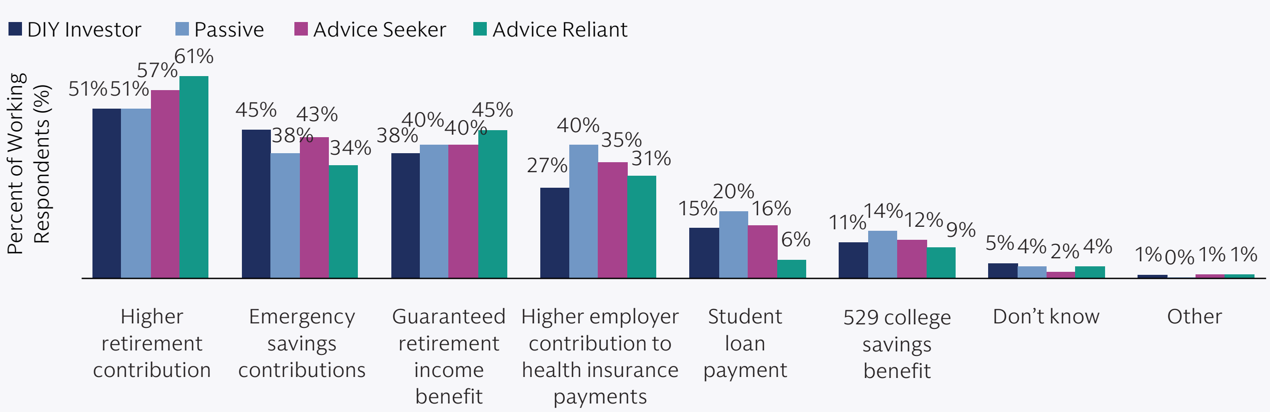


WORKING

If your employer could spend an additional $1,000 on your financial benefits, which options would you most prefer?

Please select your top three responses.

Preference Between Additional Benefits Options



Conclusion

Retirement plans have historically been less focused on how well individuals manage their savings over the course of their entire career. The challenge, however, is that many individuals struggle, which we believe is a factor in why individuals reach retirement underprepared. We believe a missing link in retirement plans may be planning.

The results from this study show that retirement planning and advice have a significant and positive impact on retirement savings outcomes. Based on these findings, we believe the goal of retirement plans should be to create an environment where every saver, regardless of their financial acumen, level of savings or level of engagement, has the opportunity to plan effectively and secure a dignified retirement.

Methodology Appendix

Optimism

Behave Technologies assessed an individual's optimism by comparing the following:

1. An individual's reported confidence in meeting their retirement savings goals versus the amount of retirement savings concerns they had.
2. Whether an individual expected a delay in retirement due to competing financial priorities versus their average impact rating of competing financial priorities.
3. An individual's guess of the number of financial literacy questions they thought they answered correctly versus the actual number of questions they answered correctly.

Future Orientation

In order to assess Future Orientation, Behave Technologies calculated an average score from respondents' answers from the following questions:

1. Whether an individual is willing to sacrifice their immediate happiness or well-being in order to achieve future outcomes.
2. How an individual would best describe their financial saving or spending personality.
3. Whether an individual often thinks what their life would be like 10 years from now.

While items 1 and 3 used scaled answers, item 2 was based on the selected number of characteristics indicating long-term versus short-term financial perspectives (e.g., saving versus spending).[1]

Risk-Return Focus

Risk-Return Focus is measured by the following scaled items:

1. Whether an individual generally focuses on preventing mistakes and avoiding failure versus whether the individual strives to achieve success and pursue goals.
2. Whether an individual finds growth and fulfillment or stability and security more important.
3. Whether when it comes to trying out new things, an individual often finds themself focusing on losses or gains.

Financial Literacy

Financial literacy was measured by an individual's number of correct responses to five multiple-choice questions.

1. Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
2. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
3. If interest rates rise, what will typically happen to bond prices?
4. A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.
5. Buying a single company's stock usually provides a safer return than a stock mutual fund (i.e., portfolio of stocks).

Source: Behave Technologies. As of September 2024.

1. Individuals who reported that they always make sure they can save for long-term goals (like retirement), keep a monthly budget and save for goals, and try to live below their means so they can grow savings were assessed to have a long-term financial perspective. Individuals who reported that they see the value in spending income to improve quality of life, find it difficult to keep up with their expenses (and do not have much room for savings at the moment), and believe it is more important to live for today than save for tomorrow were assessed to have a short-term financial perspective.

Disclosures

Glossary

Financial well-being: Per the Consumer Financial Protection Bureau, financial well-being is a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life.

A 401(k): a feature of a qualified profit-sharing plan that allows employees to contribute a portion of their wages to individual accounts.

The Financial Vortex: a term we commonly use to describe the magnitude of competing financial priorities that may affect one's retirement savings.

Year-over-year: a metric used to compare data from the current year to the previous year.

DIY: abbreviation for "Do-it-yourself"

Hospital Service (SA): measures the month-over-month price change relating the price of services performed and billed by a hospital. It includes both inpatient and outpatient medical services, as well as room and board, lab work, and other services provided by the hospital. It includes services performed by physicians if they are employed by the hospital. However, it excludes services performed by physicians who do not work for the hospital, even if they are using hospital facilities. Those services are captured in the professional services index. Eligible payers for the hospital services index are: patient self-pay (cash), commercial or private insurance, and Medicare Part B

CPI (SA): measures the month-over-month price change of a representative basket of goods and services paid by urban consumers

Sandwich generation: describes middle-aged adults who are simultaneously caring for their children and aging parents

ROTH: refers to a type of tax benefit that savings can receive, such as with a Roth IRA or Roth 401(k)

Traditional IRA: a type of individual retirement account that lets an individual's earnings grow on a tax-deferred basis

Roth IRA: a type of individual retirement account to which an individual contribute after-tax dollars to. The earnings grow tax-free and can be withdrawn tax-free and penalty free after the individual turns age 59 ½ and once the account has been open for five years

403(b): a tax-sheltered annuity plan (TSA). A retirement plan offered by public schools and certain charities and operate similarly to a 401(k) plan

401(a): an employer-sponsored money-purchase retirement plan that allows dollar or percentage-based contributions from the employer, the employee, or both. The sponsoring employer establishes eligibility and the vesting schedule

457 account: an IRS-sanctioned, tax-advantaged employee retirement. The plan is offered only to public service employees and employees at tax-exempt organizations. Participants are allowed to contribute up to 100 of their salaries up to a dollar limit for the year

Generation Z: those born between 1997 and 2012

Millennials: those born between 1981 and 1996

Generation X: those born between 1965 and 1980

Baby Boomers: those born between 1946 and 1964

Disclosures

All investing involves risk, including loss of principal.

The survey was conducted by Goldman Sachs Asset Management and Qualtrics Experience Management between June 27, 2024–July 21, 2024. Views expressed are those of survey respondents.

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Percentages may not sum to 100% due to rounding.

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