

July 2018



## MassMutual Women's Retirement Risk Study

# Background & Methodology

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## Background

- To better understand the investment preferences and philosophies of women approaching retirement as well as women retirees, MassMutual commissioned a survey of pre-retirees within 15 years of retirement and of retirees no more than 15 years into retirement.

## Methodology

- On behalf of MassMutual, Greenwald & Associates, an independent research firm, conducted an online survey that included 804 pre-retirees and 801 retirees. Respondents were drawn from ResearchNow's online panel. To qualify for the survey, all respondents had to be at least 40 years old.
  - Pre-retirees were required to have a household income of at least \$40,000, work full-time for a private sector employer, and be participating in that employer's DC retirement plan.
  - Retirees were required to have total investable assets of at least \$100,000. They had to be retired from a private sector employer and participating in that employer's DC retirement plan at the time of retirement.
- The survey fielded in January 2018.
- This survey also included oversamples of some key sub-groups of the population, including women. Between the main sample and oversample we collected 1,000 interviews from women, including 510 pre-retirees and 490 retirees.

# Key Findings: Gender Comparisons

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## **Women face more uncertainty and higher financial concerns.**

Women are more uncertain and less confident when it comes to financially preparing for retirement. Nearly one-third of men (32%) say they are very knowledgeable about managing their savings and investments; roughly one in seven women (15%) assert the same level of investment knowledge.

Additionally, women are less likely than men to accurately project how long their savings will last in retirement. Over two in five women (43%) are unsure of how long their savings will last compared to one-third of men (33%). Notably, this difference is driven by pre-retired women among whom nearly half (46%) are unsure how long their income will last in retirement. The high level of uncertainty among women contributes to a sizable income gap. On average, women anticipate a 5-year gap between their savings projections and years spent in retirement. Comparatively, men are confident, on average, their savings will be sufficient.

The increased financial uncertainty among women extends past their savings projections and into more complicated aspects of financial management. Compared to men, women are less confident they know how to optimize Social Security (73% vs. 66%), generate lifetime income (72% vs. 60%) and meet their retirement lifestyle goals (68% vs. 58%).

## **Women are less willing than men to take on investment risk.**

Women are more concerned than men about market volatility and making poor investment decisions, including concern about a major downturn in the stock market (83% vs. 73%), stock market volatility in general (78% vs. 65%), taking too much investment risk (48% vs. 41%), and making a poor investment decision (58% vs. 49%).

Overall, women express less comfort than men with taking investment risk (71% vs. 81%). Retired women are especially uncomfortable with investment risk as less than two-thirds (64%) are content with taking on at least some investment risk compared to about three-quarters of retired men (72%) and pre-retired women (74%).

Increased levels of discomfort with financial risk among women translates into their current investment allocation. Women are more likely than men to describe their current investment mix as a balance of growth and preservation (42% vs. 32%), while men are more apt to describe their current mix as tilted towards growth (58% vs. 46%).

Risk aversion among women may be misaligned with their long-term goals as nearly two-thirds of women (63%) strongly agree they want their investments to continue growing in retirement; only a little over half of men (54%) say the same. Interestingly, while most advisors tend to encourage more conservative investing in retirement, women with an advisor are more likely than men to report their advisor suggested that they invest more aggressively (25% vs. 16%).

# Key Findings: Gender Comparisons

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## **Compared to men, women are less independent investors.**

Women are less familiar with certain investment types than men. Men are more familiar than women with actively (85% vs. 69%) and passively managed (80% vs. 61%) mutual funds, customized investments (66% vs. 55%) and target date funds (64% vs. 49%). While the aim of target date funds is to streamline investment allocation, women are less likely than men to find them easy to use (57% vs. 65%).

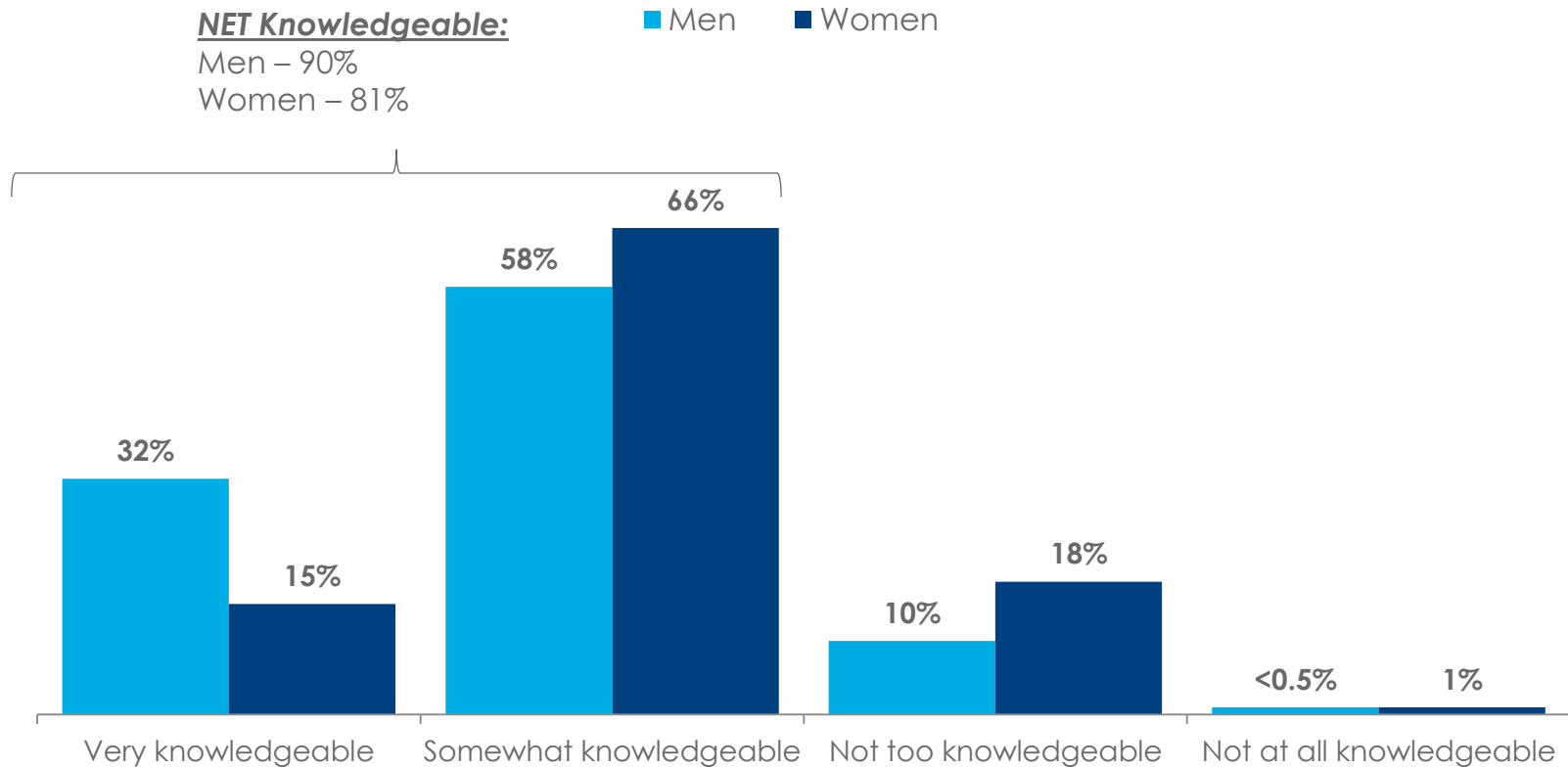
Women are less likely than men to be active in the management of their finances. Compared to two-thirds of men (66%), fewer than half of women (48%) check their investment performance weekly. Moreover, women are more inclined than men to prefer an investment option that let's them "set-it-and-forget-it" (74% vs. 63%). Pre-retired women (79%) are especially interested in this investment option compared to retired women (62%) and pre-retired men (64%).

## **Women rely on advisors and are open to education and advice.**

While women may be less familiar than men with investment options and less proactive in financial management, there is evidence in these data that women are open to education and advice. Over three in five women (61%) prefer to delegate financial decisions, less than half of men (45%) share that preference. Given their preference to delegate financial decisions it's unsurprising that women are more likely than men to be currently working with a professional financial advisor (72% vs. 57%). Interestingly, in comparison to retired men (68%) and pre-retired women (68%) a higher share of retired women (79%) are receiving professional financial advice.

# Women feel less knowledgeable than men when it comes to managing their savings and investments.

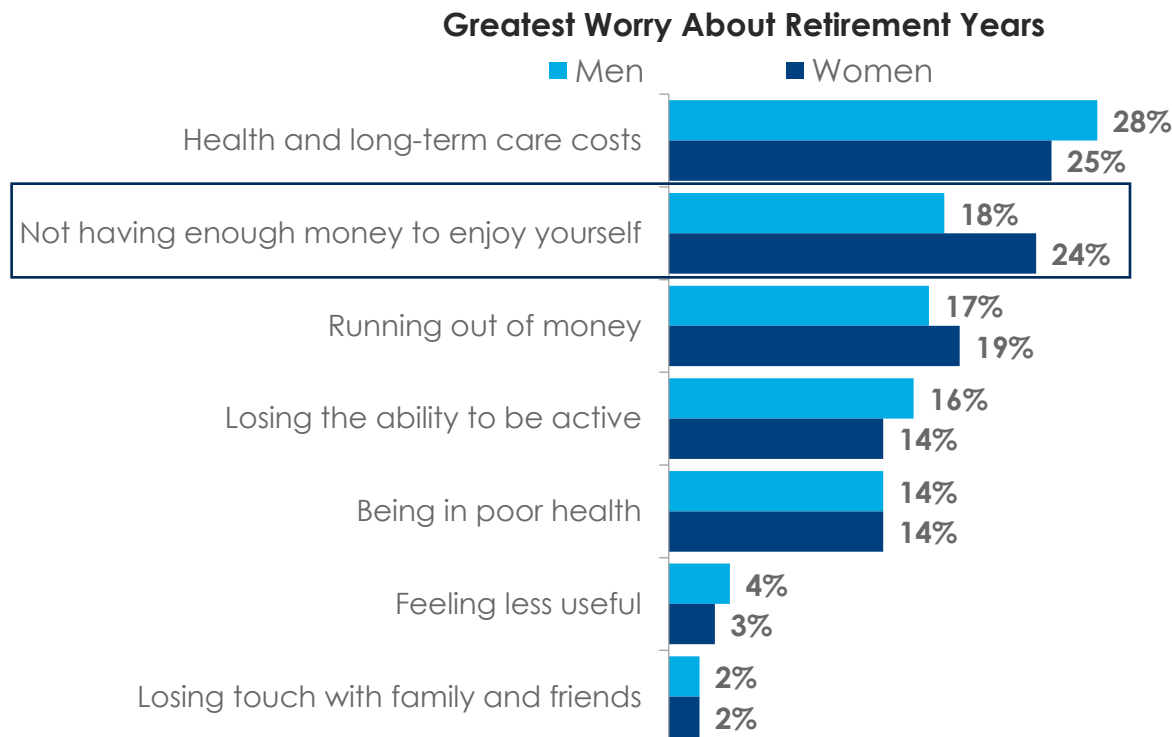
## Savings and Investment Knowledge



How knowledgeable would you say that you are when it comes to managing your savings and investments? (Men n=825; Women n=1,000)

# Women are more concerned than men that they will not have enough money to enjoy themselves in retirement.

- Running out of money (22% vs. 11%) and not having enough money to enjoy themselves (31% vs. 6%) are more likely to be a top concern for pre-retired women than retired women.
- Pre-retired women are more concerned than pre-retired men about not having enough to enjoy retirement (31% vs. 23%).
- Retired women are more concerned than pre-retired women about being in poor health (22% vs. 11%) and losing the ability to be active (24% vs. 9%).



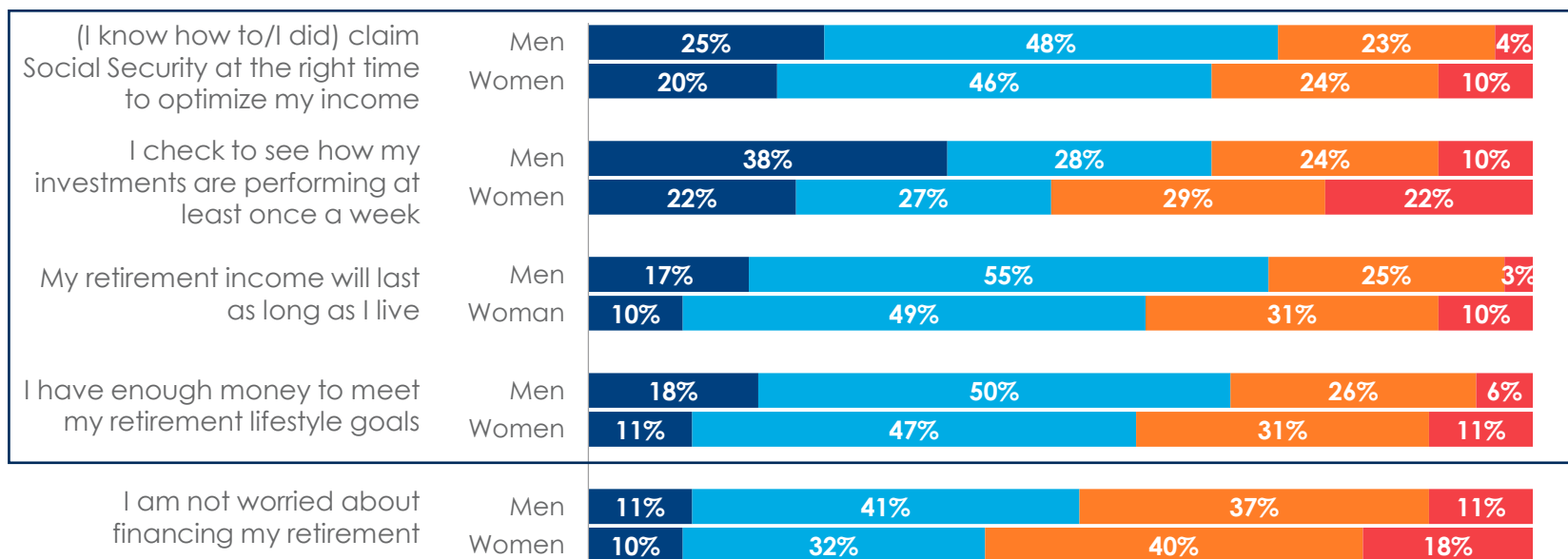
What is your greatest worry about your retirement years? (Men n=825; Women n=1,000)

# Women are less confident than men they will optimize Social Security, generate lifetime income and have enough money to meet their lifestyle goals in retirement.

- These significant differences are driven by pre-retired women. Pre-retired women are less likely than pre-retired men to know how to optimize Social Security (62% vs. 70%), be confident their retirement income will last their lifetime (47% vs. 64%), and be sure they will have enough money to meet their lifestyle goals in retirement (45% vs. 59%).
- Retired women are more confident than pre-retired women about optimizing Social Security (75% vs. 62%), generating income for as long as they live (90% vs. 47%) and having enough money to meet lifestyle goals in retirement (91% vs. 45%).

## Agree/Disagree

■ Strongly agree    
 ■ Somewhat agree    
 ■ Somewhat disagree    
 ■ Strongly disagree



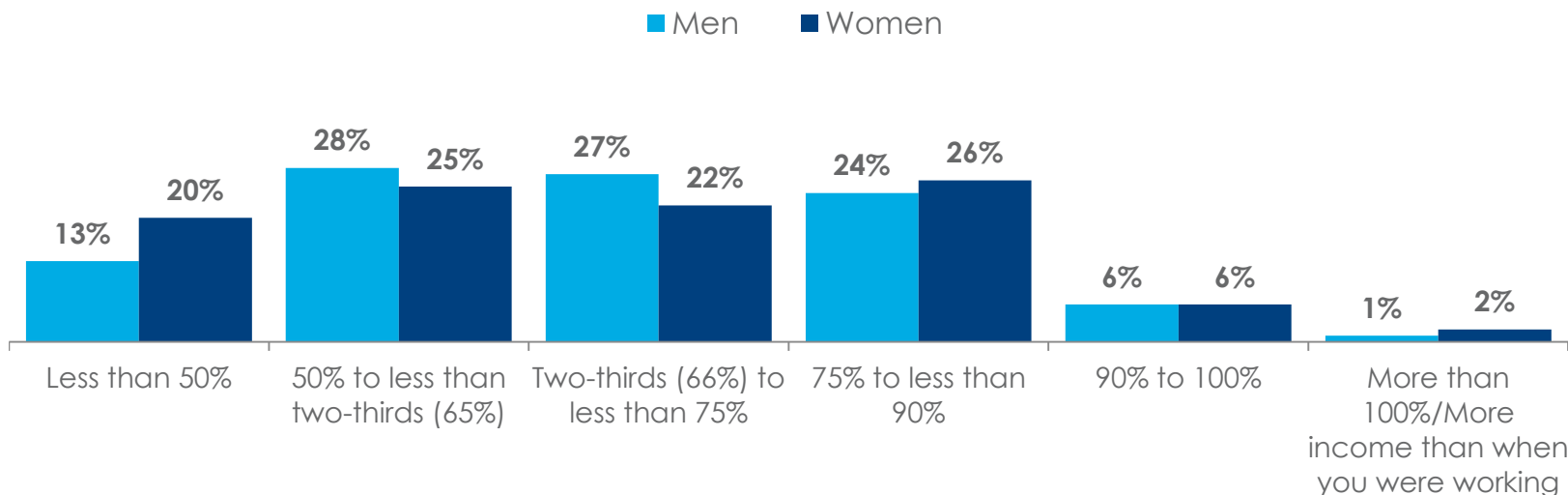
To what extent do you agree or disagree with each of the following statements? (Men n=825; Women n=1,000)



# Only one in three women (33%) are aiming to replace 75% or more of their pre-retirement income.

- Pre-retired women are expecting to need a higher a higher income replacement rate in retirement compared to women who are already retired as nearly two in five (37%) expect to need more than 75%. Only 23% of retired women say the same.
- Retired women are more likely than retired men to say they need to replace less than 50% of their pre-retirement income to live comfortably in retirement (40% vs. 28%).

## Pre-Retirement Income



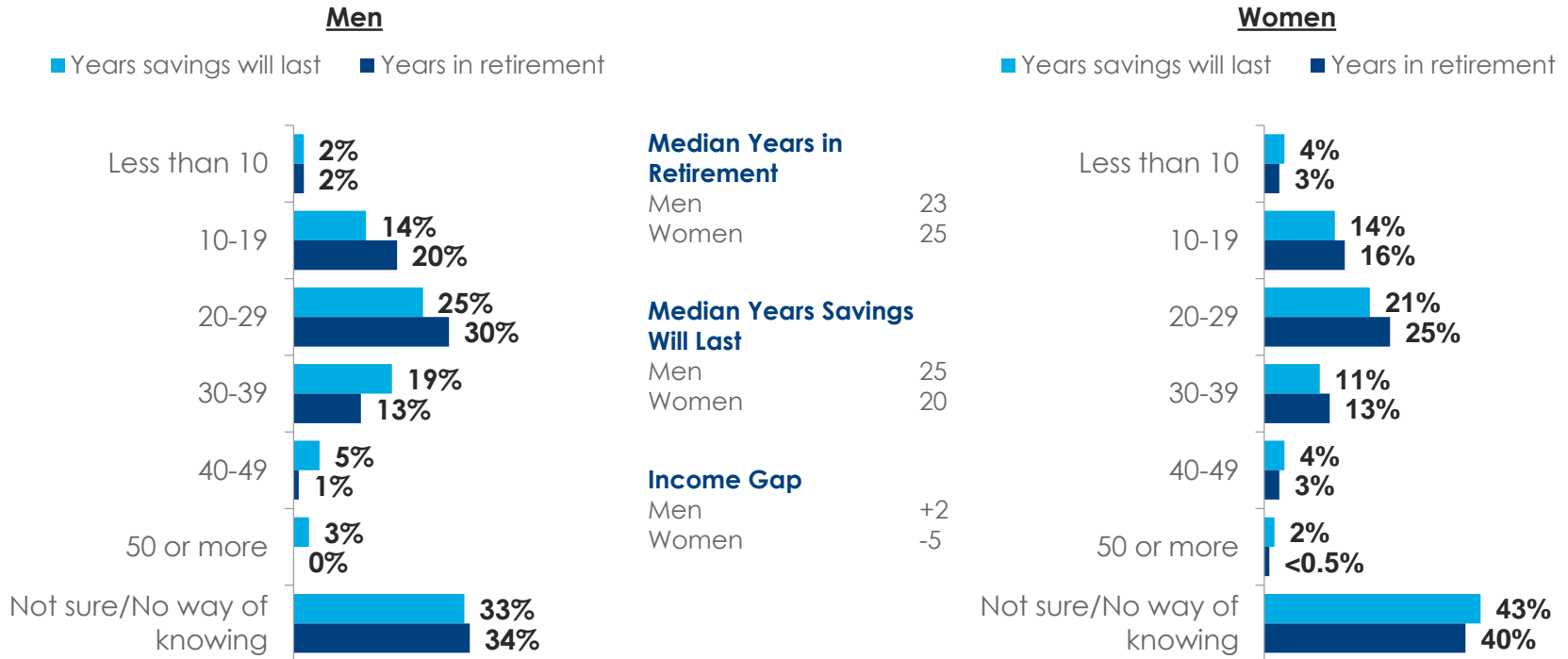
[IF PRE-RETIREE] About what percentage of your pre-retirement income do you think you will need to live comfortably in retirement?  
[IF RETIREE] Now that you're retired, about what percentage of your pre-retirement income do you find you need to live comfortably?  
(Men n=825; Women n=1,000)



# On average, women anticipate a 5 year income gap in retirement, while men on average predict their income will sufficiently cover their needs.

- On average, retired women (30 years) plan to spend more time in the retirement life phase than retired men (28 years) and pre-retired women (21 years).
- Compared to pre-retired men (34%) and retired women (37%), a higher proportion of pre-retired women (46%) are uncertain of how long their retirement savings will last.

## Expected Years of Living Comfortably in Retirement vs. Years in Retirement

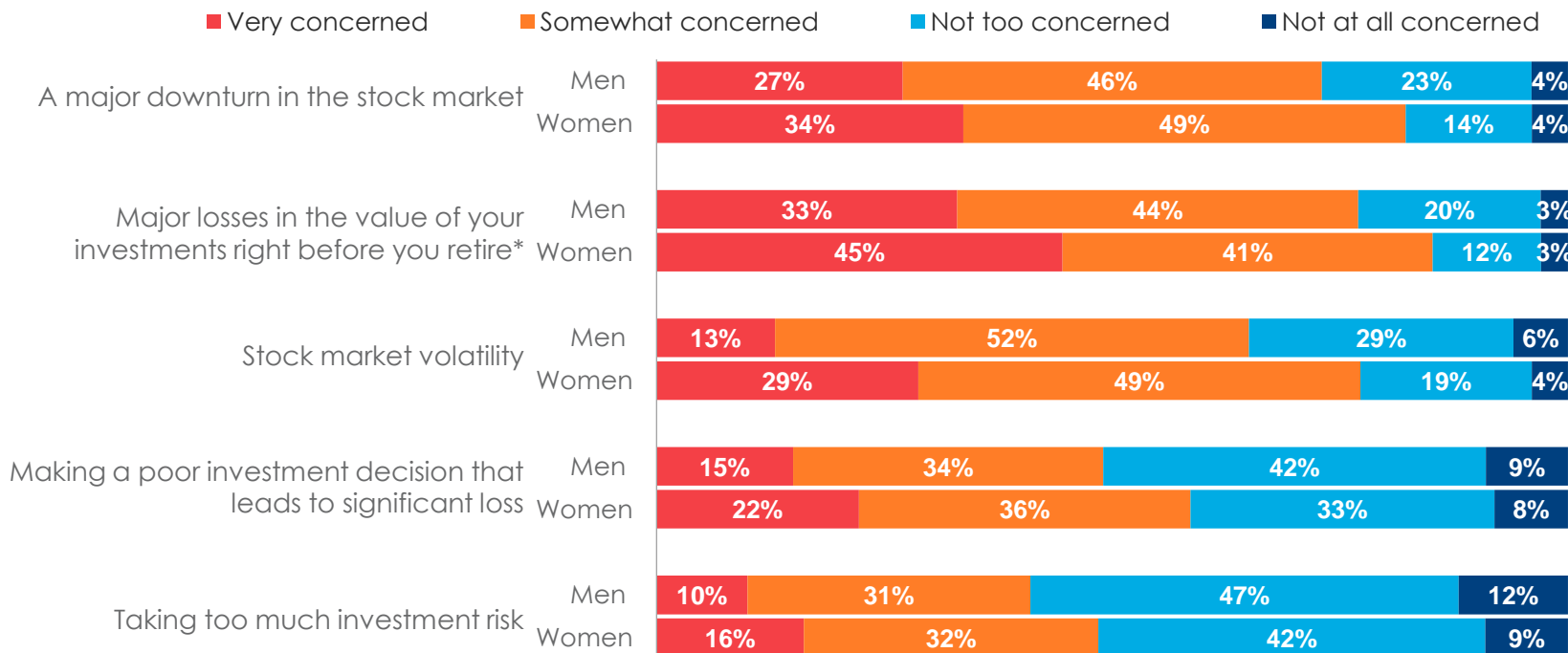


Based on all of your sources of income in retirement, for how many years do you think your savings and investments will provide enough income for you to live comfortably in retirement? (Men n=825; Women n=1,000)

# Women tend to be more concerned about market volatility and mismanaging their investments.

- Pre-retired women are more concerned than retired women about stock market volatility (80% vs. 72%), making a poor investment decision (61% vs. 52%) and taking on too much investment risk (53% vs. 36%).

## Level of Concern

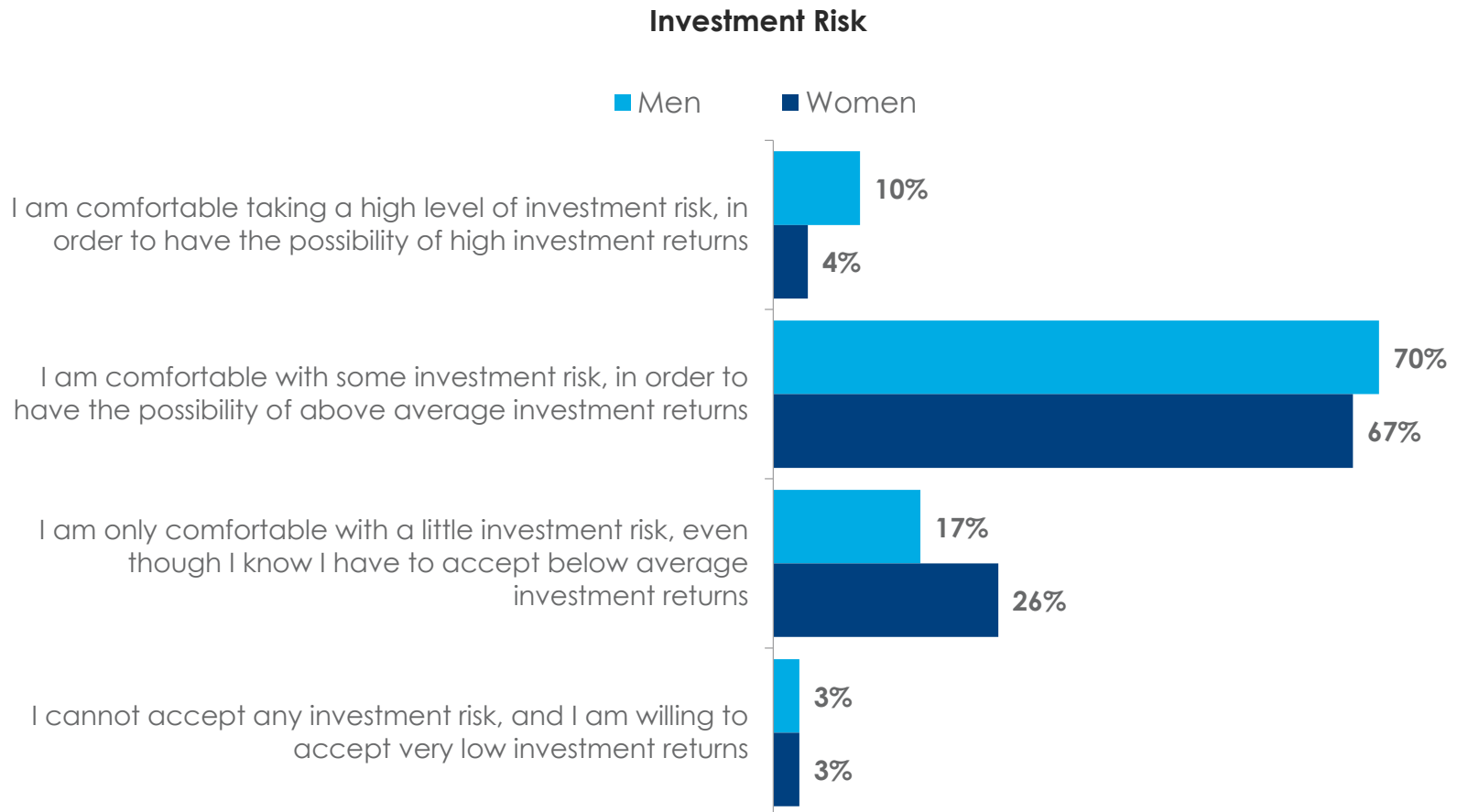


How concerned are you about each of the following [IF PRE-RETIREE: in retirement]? (Men n=825; Women n=1,000)

\*Asked of pre-retirees only

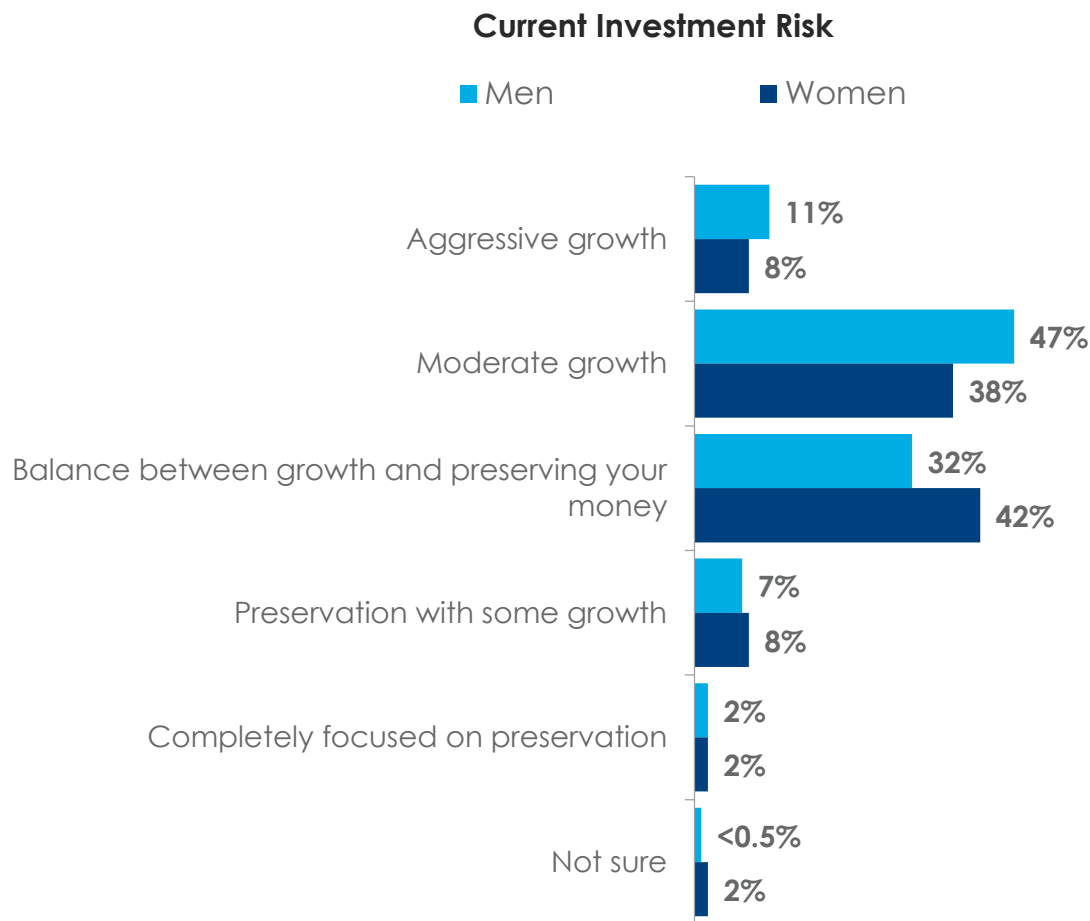
# Women are less comfortable taking investment risk than men.

- As to be expected, retired women are slightly less comfortable than pre-retired women with taking on investment risk (64% vs. 74%).



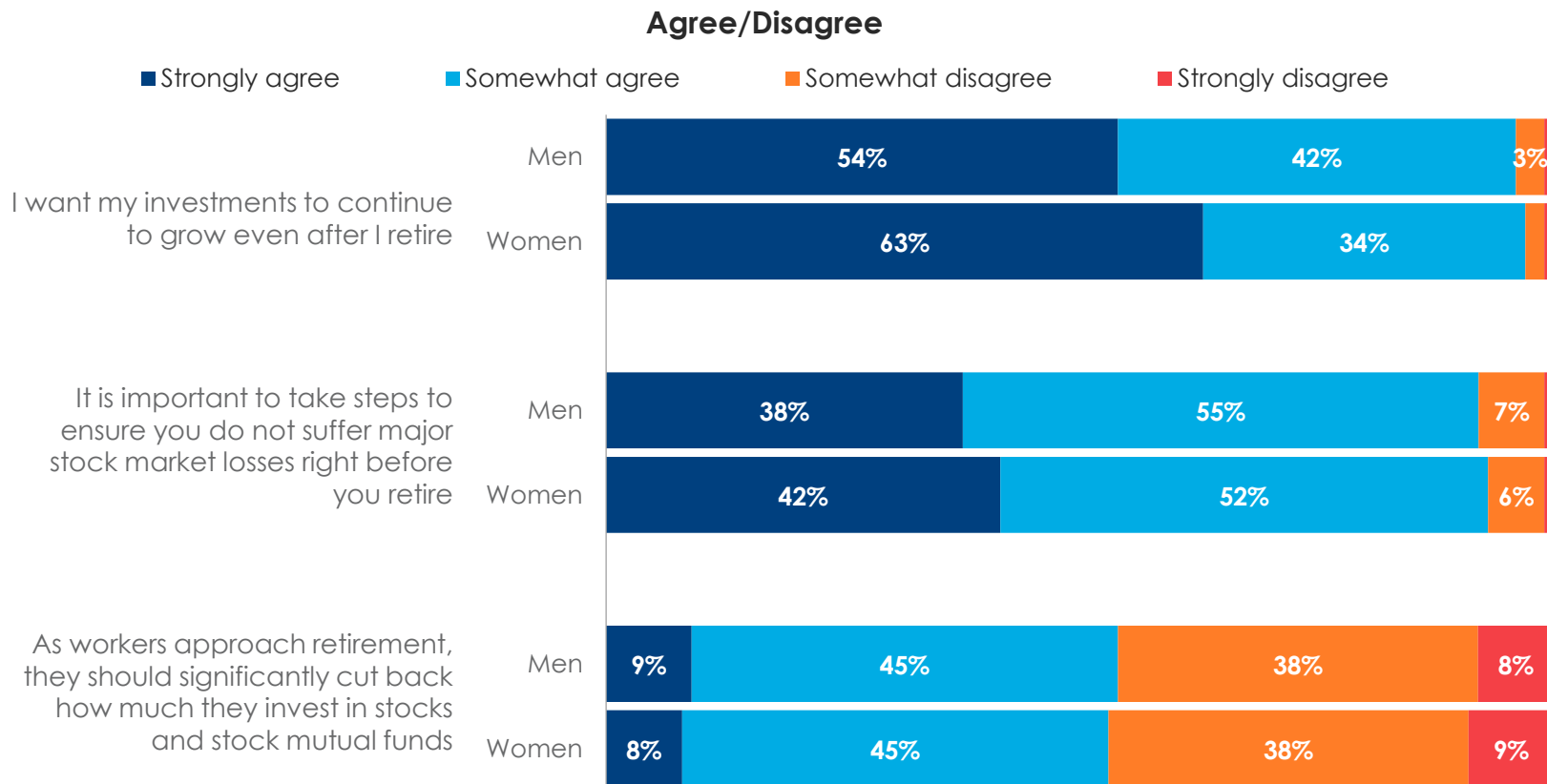
Which statement comes closest to describing how comfortable you are when it comes to taking investment risk? (Men n=825; Women n=1,000)

# Women are more likely to describe their current investment mix as a balance between growth and preservation, while men are more focused on growth.



How would you describe the investment mix you currently have? (Men n=825; Women n=1,000)

# Nearly all women want their investments to grow during retirement and see the importance of taking steps to ensure financial protection from market fluctuations.

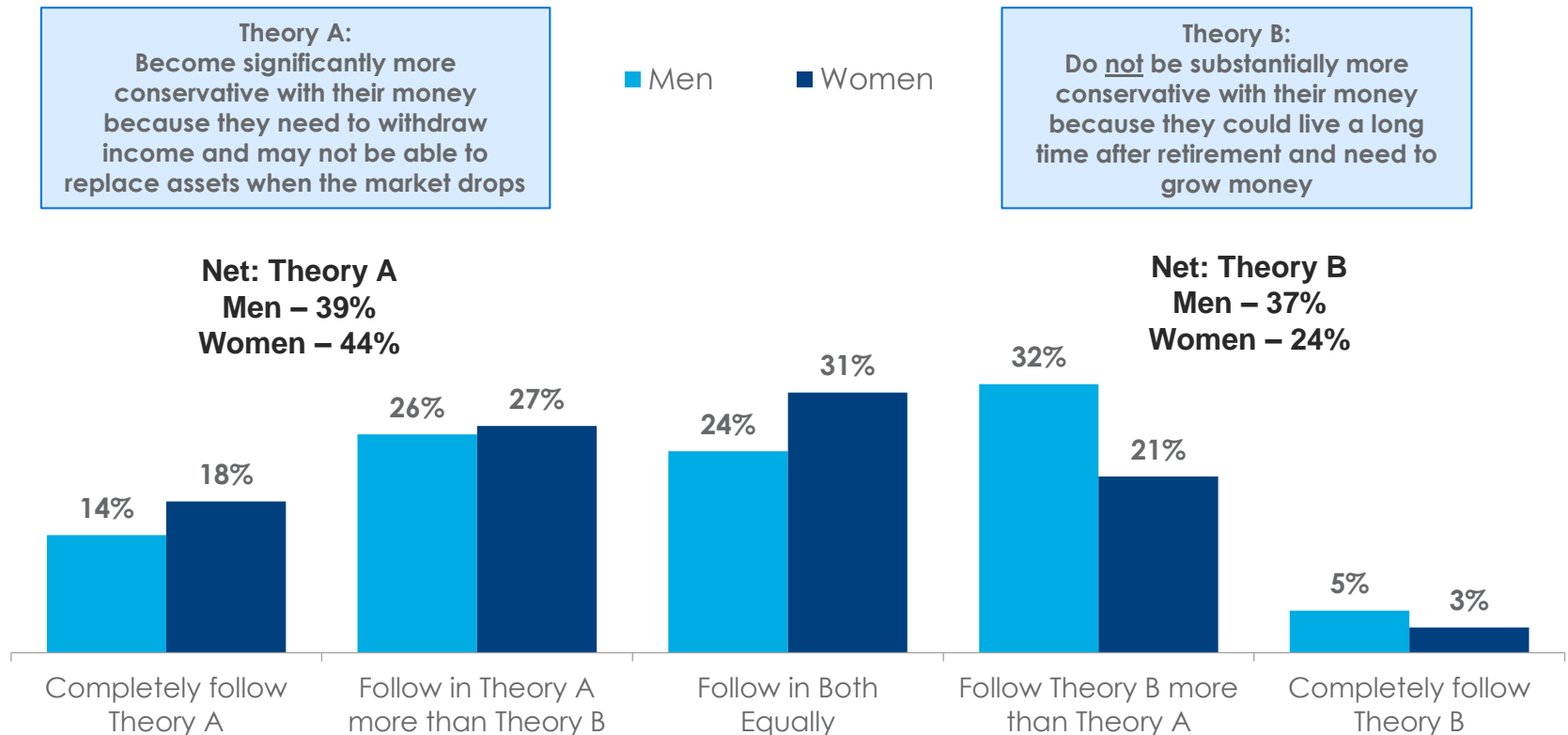


To what extent do you agree or disagree with each of the following statements? (Men n=825; Women n=1,000)

# Women tend to believe they should become significantly more conservative in retirement.

- Pre-retired women are more likely than retired women to believe in becoming more conservative during retirement (47% vs. 37%).

## Preferred Approach to Retirement Investing

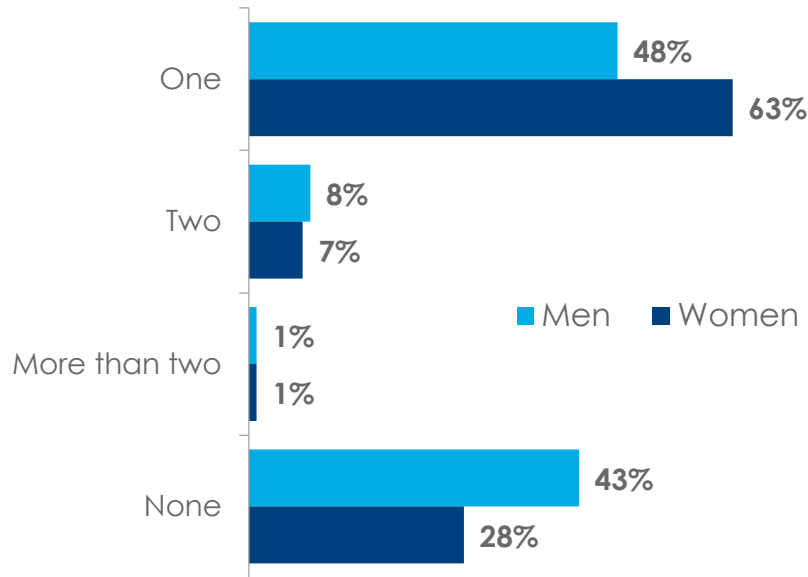


Which of the following comes closest to how you approach retirement investing? (Men n=825; Women n=1,000)

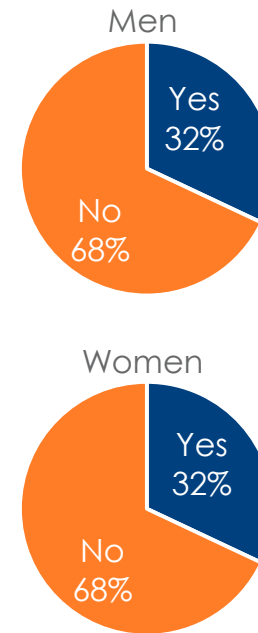
# Women are more likely than men to be currently working with a professional financial advisor.

- There are more pre-retired women (32%) than retired women (21%) who are not working with a professional financial advisor.

Number of Advisors



Plan to Work With Advisor in Future



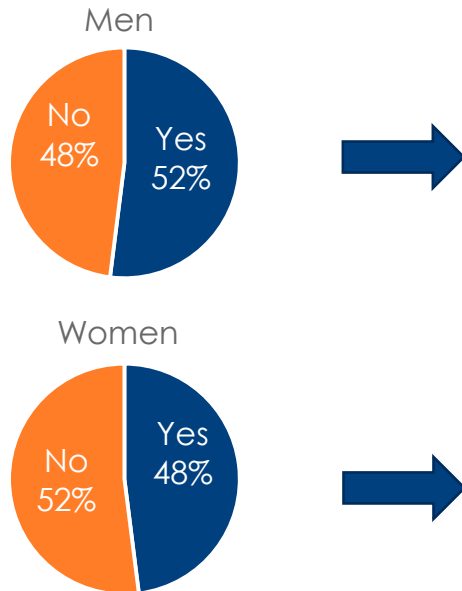
How many professional financial advisors do you currently work with that advise on investments? (Men n=825; Women n=1,000)  
[IF NO ADVISOR] Do you plan to work with a professional financial advisor in the future? (Men n=303; Women n=246)



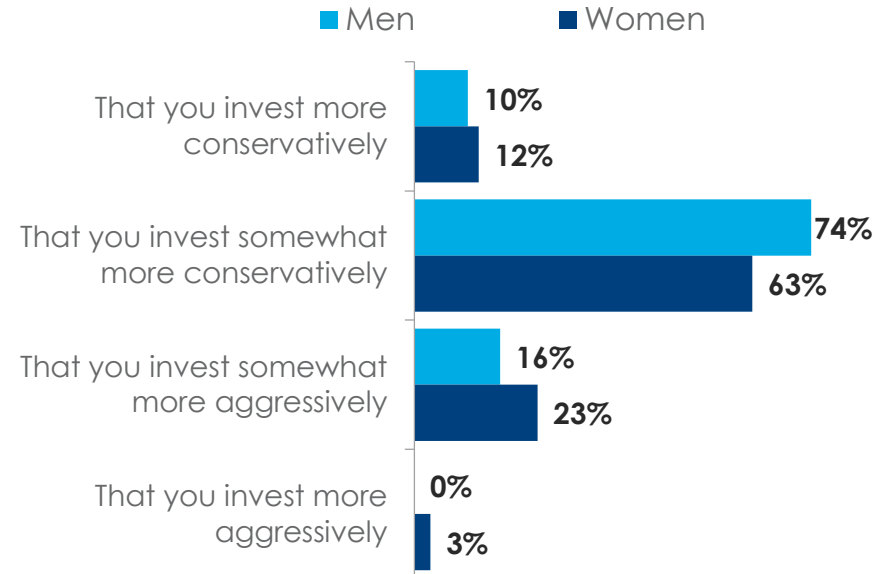
# Half of women with an advisor report their advisor recommended changing their investment mix as they approach retirement, typically to be more conservative.

- Among those whose advisor recommended investment changes, women are less likely than men to be advised to invest more conservatively (75% vs. 84%), perhaps because they are already more conservative than men.
- Pre-retired women are more likely than women already retired to be advised to invest more aggressively (31% vs. 15%)

## Advisor Recommended Changing Investment Mix While Approaching Retirement



## Recommended Changes to Investment Mix



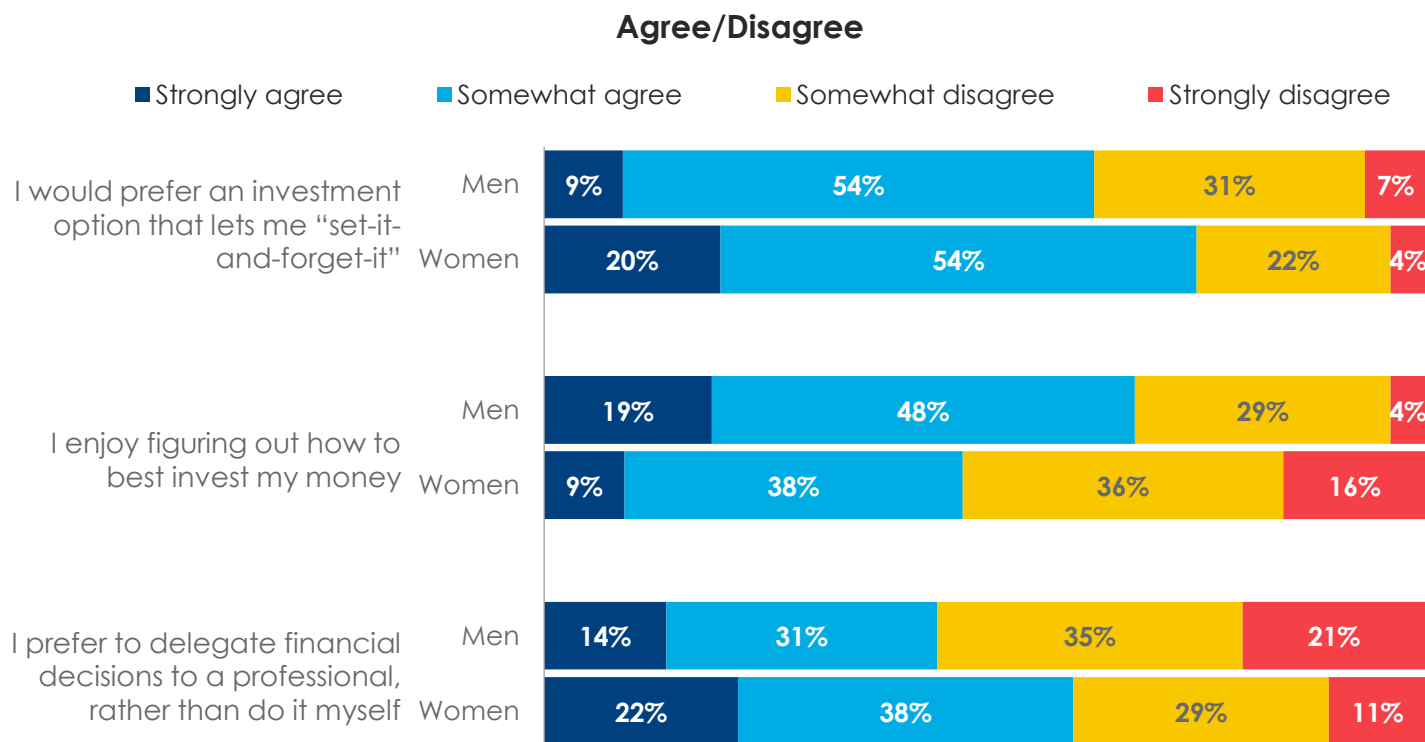
[IF HAS ADVISOR] Has/Did your advisor recommended/recommend changing/that you change your investment mix as you approach retirement?

(Men n=522; Women n=754)

[IF YES] What did your advisor recommend when it came to the mix of your investments? (Men n=299; Women n=402)

# Women are more likely to prefer “set-it-and-forget-it” investments, and prefer to delegate to professionals.

- Compared to retired women (62%) and pre-retired men (64%), pre-retired women (79%) are especially likely to prefer an investment that lets them “set-it-and-forget-it.”



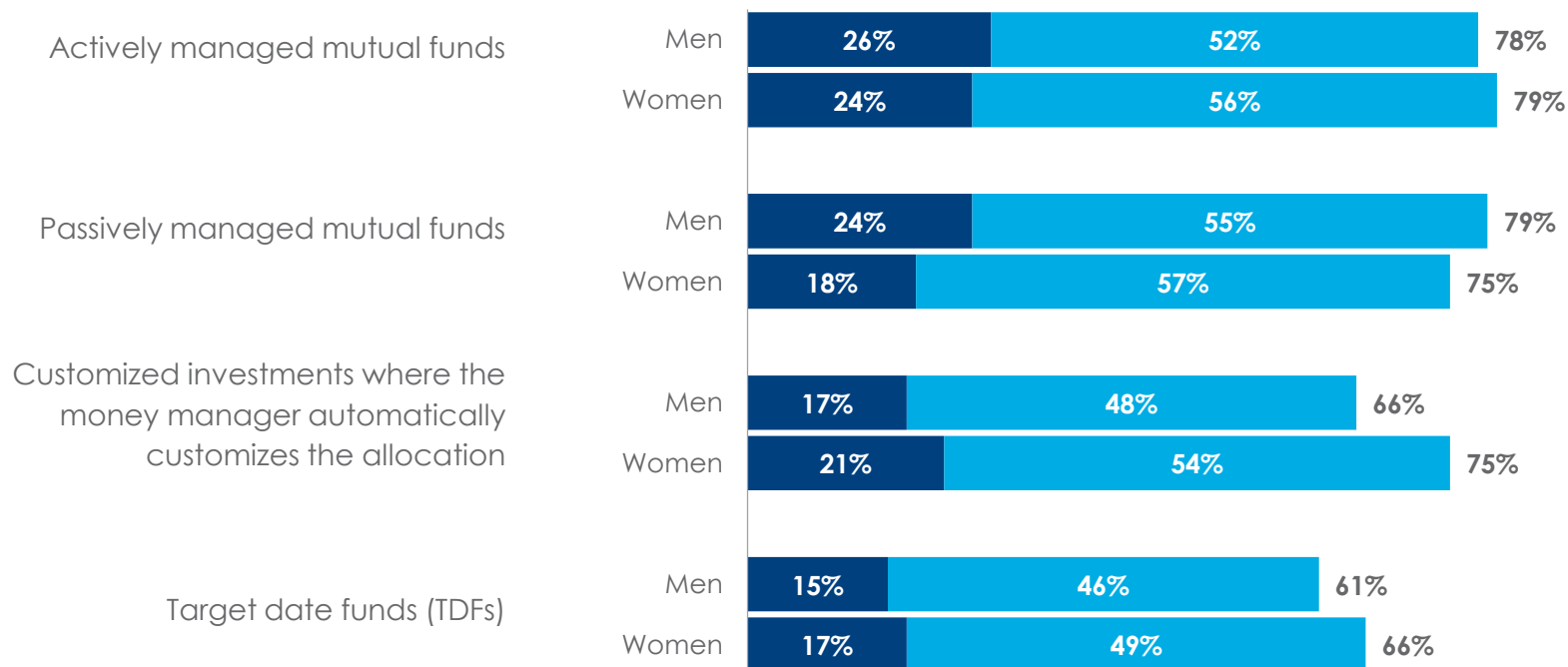
To what extent do you agree or disagree with each of the following statements? (Men n=825; Women n=1,000)

# Two in three women find Target Date Funds appealing.

- Customized investments are especially appealing to pre-retired women as nearly four in five (79%) find them appealing, compared to two in three pre-retired men (68%) and retired women (67%).
- Pre-retired women are more likely than retired women to find each investment type tested appealing.

## Appealing Types of Investments

■ Very appealing    ■ Somewhat appealing

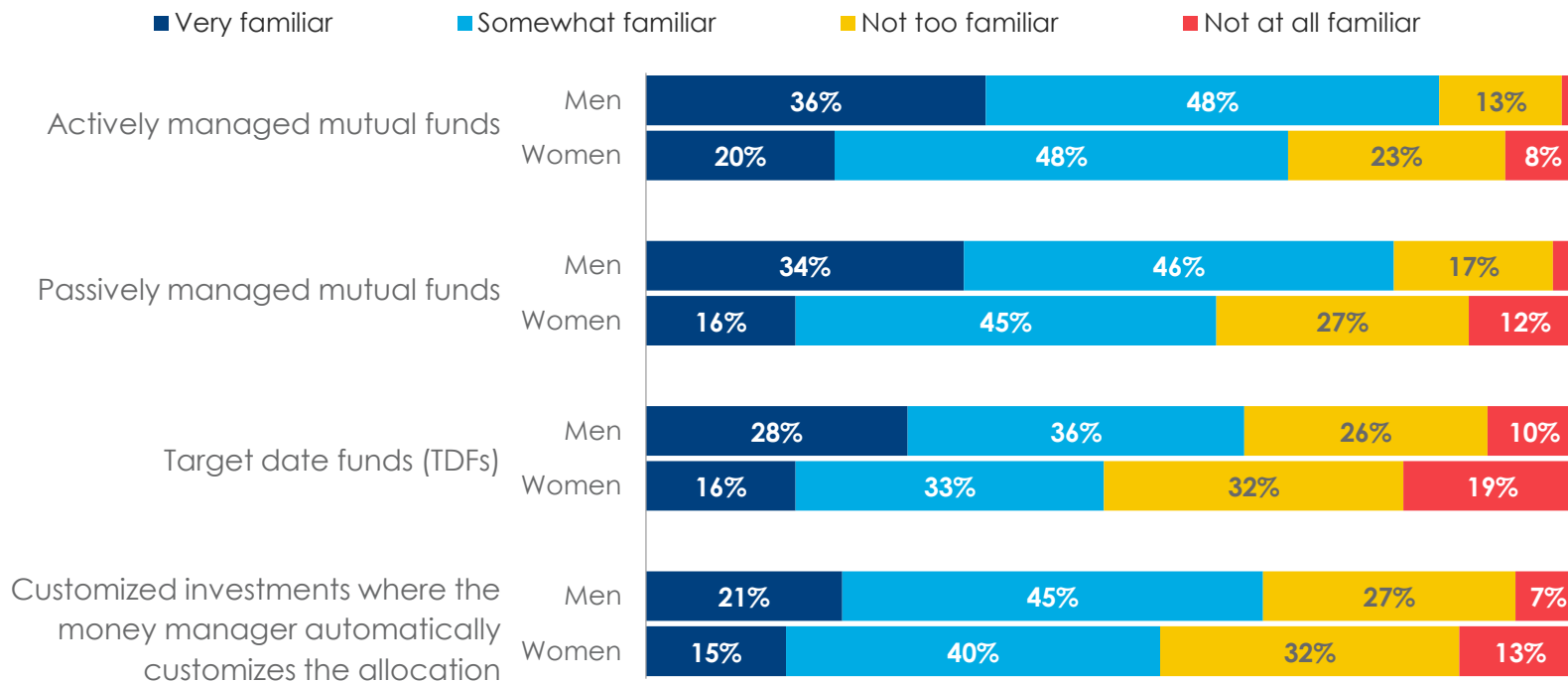


How appealing do you find each of the following investment types? (Men n=825; Women n=1,000)

# Women are less familiar with TDFs, actively and passively managed mutual funds, and customized investments.

- Pre-retired women are less familiar than retired women with actively managed mutual funds (74% vs. 66%). Conversely, pre-retired women are more familiar than retired women with TDFs (52% vs. 42%).

## Familiarity with Different Types of Investments

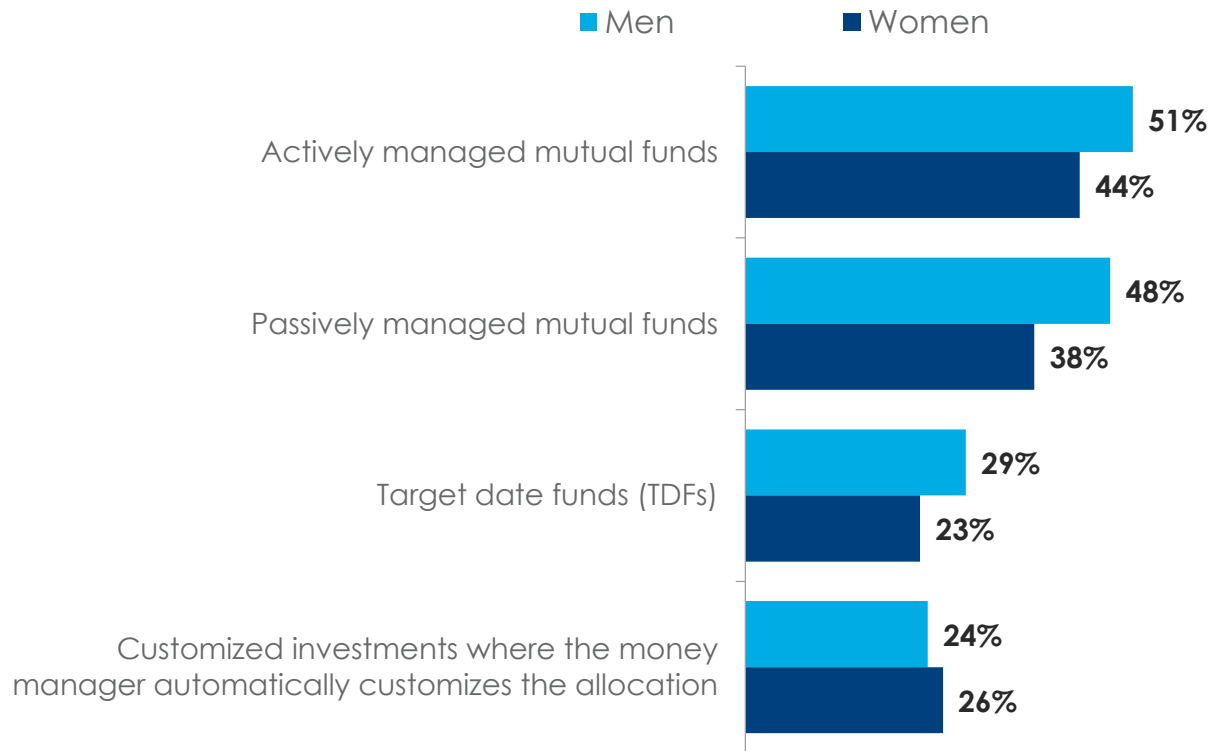


How familiar are you with each of the following investment types? (Men n=825; Women n=1,000)

# Women are less likely than men to be invested in TDFs and actively and passively managed mutual funds.

- Retired women are more likely than pre-retired women to have funds in customized investments (31% vs. 23%), while pre-retired women are more inclined to be invested in target date funds (25% vs. 18%).

Investments in Different Funds



[IF PRE-RETIREE] Do you have any funds invested in any of the following?

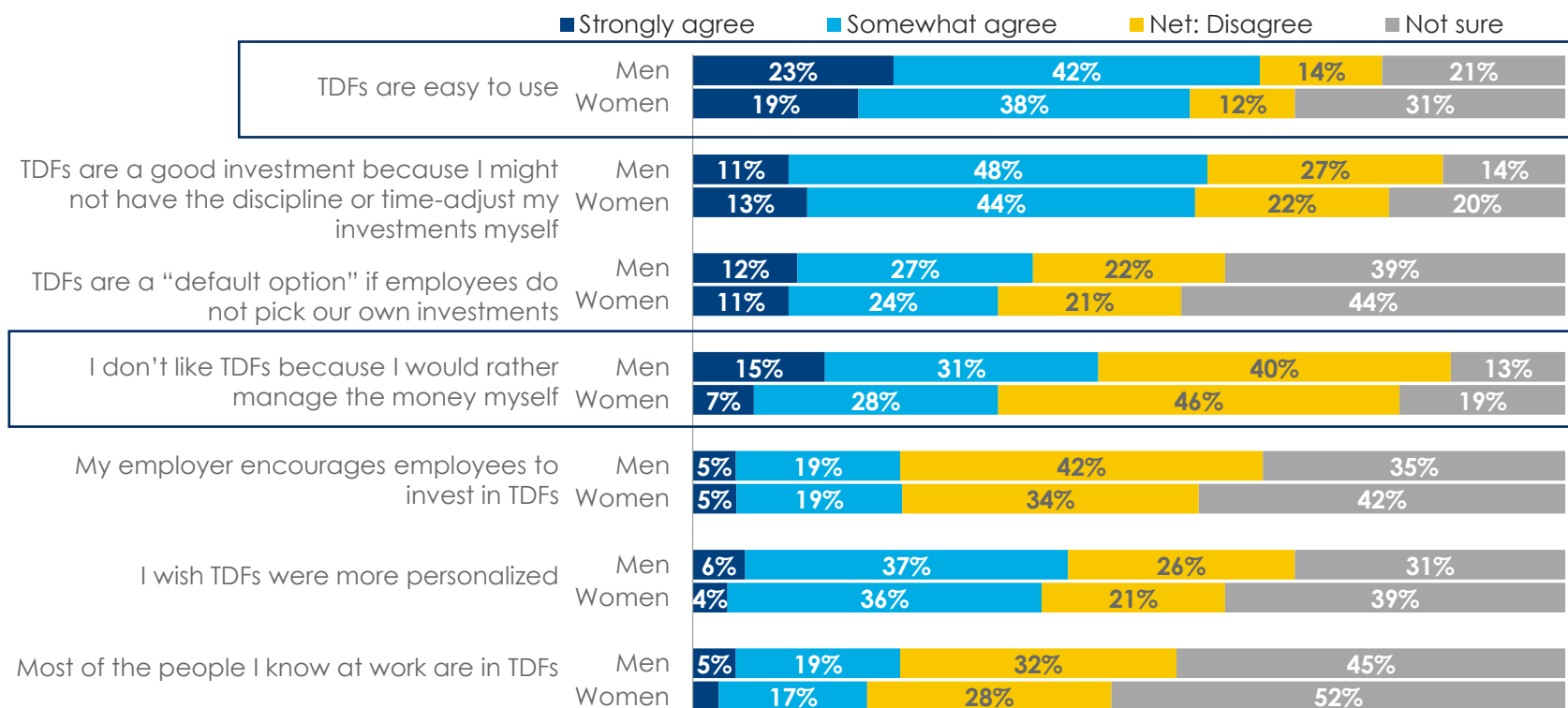
[IF RETIREE] At the time that you retired, did you have funds invested in any of the following?

(Men n=825; Women n=1,000)

# Women are less likely to want to manage their money themselves and to feel that TDFs are easy to use.

- Pre-retired women are more likely than retired women to say TDFs are a good investment because they require little discipline (64% vs. 43%) and they are easy to use (60% vs. 49%). However, pre-retired women are also more inclined than retired women to wish that TDFs were more personalized (45% vs. 29%).

## Target Date Funds (TDFs) – Agree/Disagree



[IF FAMILIAR WITH TDFs] To what extent do you agree or disagree with each of the following statements regarding Target Date Funds (TDFs)?  
(Men n=745; Women n=804)

# Demographics





# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>Age</b>		
40-54	56%	49%
55-64	26	31
65-74	17	15
75+	1	6
<b>Gender</b>		
Male	--	100%
Female	100%	--
<b>Employment Status</b>		
Employed full-time	71%	72%
Employed part-time	1	1
Not employed	28	27
<b>Education</b>		
Some high school or less	--	*
High school graduate	10%	7%
Some college/trade or technical school	38	23
College graduate (4-year degree)	35	44
Graduate or professional degree	16	26

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>Retired</b>		
Yes	29%	28%
No	71	72
<b>[IF PRE-RETIREE] Within how many years do you expect to retire?</b>	<b>(n=510)</b>	<b>(n=405)</b>
5 years or less	17%	20%
6 to 10 years	32	28
11 to 15 years	51	51
<b>[IF RETIREE] For how many years have you been retired?</b>	<b>(n=490)</b>	<b>(n=420)</b>
5 years or less	61%	46%
6 to 10 years	25	27
11 to 15 years	13	28

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>2017 Household Income</b>		
Less than \$30,000	*	*
\$30,000 to \$39,999	1%	*
\$40,000 to \$49,999	3	1%
\$50,000 to \$74,999	30	19
\$75,000 to \$99,999	25	20
\$100,000 to \$124,999	14	20
\$125,000 to \$149,999	12	11
\$150,000 or more	15	29
<b>Savings and Investments</b>		
Less than \$50,000	12%	5%
\$50,000 to \$99,999	7	5
\$100,000 to \$149,999	7	6
\$150,000 to \$199,999	8	4
\$200,000 to \$249,999	8	8
\$250,000 to \$499,999	19	19
\$500,000 to \$999,999	18	23
\$1 million or more	16	29
Prefer not to say	3	1

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>Hispanic, Spanish, or Latino Descent</b>		
Yes	3%	7%
No	97	93
<b>Racial/Ethnic Background</b>		
White/Caucasian	91%	88%
African-American/Black	5	4
Asian/Indian/Pacific Islander	4	6
Other	1	2
<b>[If Asian]</b>		
	<b>(n=28)</b>	<b>(n=31)</b>
Chinese	61%	23%
Japanese	13	18
Vietnamese	7	5
Indian	2	37
Other	18	17

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>Sexual Orientation</b>		
Heterosexual or straight	95%	91%
Lesbian	2	*
Bisexual	1	1
Gay	*	6
Prefer not to say	2	1
<b>Transgender or Transsexual</b>		
Yes	*	1%
No	99%	99
Prefer not to say	1	*
<b>Marital Status</b>		
Married	68%	80%
Divorced or separated	14	5
Single, never married	9	9
Not married, but living with a partner	5	4
Widowed	4	2

\*=<0.5%

# Demographics of Respondents

	Women (n=753)	Men (n=709)
<b>[IF MARRIED OR PARTNER] Household Decision-Making on Financial Matters</b>		
You make most of the decisions with little or no input from another household member	21%	46%
You take the lead and discuss decisions with another household member	34	35
Decisions are made in total partnership	45	19
<b>[IF MARRIED OR PARTNER] Spouse's/Partner's Employment Status</b>		
Employed full-time	61%	58%
Employed part-time	6	8
Not employed	33	34
<b>[IF MARRIED OR PARTNER] Spouse/Partner Retired</b>		
Yes	40%	33%
No	60	67

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>Do you currently own any of the following insurance or financial products? Please select all that apply.</b>		
Life insurance	67%	69%
A defined retirement plan or traditional pension plan	46%	46%
An annuity	26%	25%
Long-term care insurance	19%	21%
None of those	13%	14%
<b>Until what age do you think that you can expect to live?</b>		
Before 70	1%	1%
70 to 79	6	5
80 to 85	23	29
86 to 89	3	5
90 to 95	24	23
96+	3	3
Not sure/No way of knowing	40	34
<b>Are you currently receiving Social Security retirement benefits?</b>		
Yes	21%	22%
No	79	77
Not sure	*	1

\*=<0.5%



# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>At what age (do you think you will /did you) claim your Social Security retirement benefits?</b>		
Before 63	18%	15%
63 to 65	23	22
66 to 69	26	34
70+	13	15
Not eligible	*	1
Not sure	19	14
<b>Actions Taken While Saving in a 401 (k) or Other Defined Contribution Retirement Plan (Select all that apply)</b>		
Withdrawn money to cover a big expense, like purchasing a home or tuition	15%	16%
Taken a hardship loan, like in a financial emergency	11%	9%
Suspended contributions (after a withdrawal or other reason)	7%	4%
None of these	74	75%

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)
<b>Nature of Occupation</b>		
Professional or technical	28%	28%
Administrative	20	3
Mid-level or lower level Manager	19	25
Senior Manager	12	15
Other white collar	8	8
Blue collar	6	10
Executive	3	8
Service worker	2	3
Sales or retail	1	*
Medical or nurse	*	*
Customer service	*	*
Business owner	*	*
Teacher	*	--
Clerical	*	--
Something else	*	1

\*=<0.5%

# Demographics of Respondents

	Women (n=1,000)	Men (n=825)	
<b>Industry</b>			
Business and financial	16%	13%	
Health care	15	7	
Manufacturing/Production	13	23	
Services industry	7	7	
Computer technology	6	10	
Technology (other than computer)	4	4	
Legal	4	1	
Engineering	3	6	
Construction and maintenance	2	5	
Education	2	*	
Arts and entertainment	1	1	
Agriculture	*	1	
Life sciences	*	1	
Physical sciences	*	1	
Architecture	*	1	
Social services	*	*	
Mathematical or statistical	*	*	
Other	27	19	*=<0.5%

