

RETIREMENT SAVINGS ASSESSMENT 2020 | EXECUTIVE SUMMARY

AMERICA'S RETIREMENT SCORE: In the green



What's the state of retirement preparedness in America?

3,234

SURVEY RESPONSES

For more than 17 years, Fidelity Investments® has been asking that question. Since 2013, Fidelity's Retirement Savings Assessment study, which features a unique Retirement Score, has taken a look at the overall state of retirement readiness of American households. This year, the study factors in comprehensive data from 3,234 survey responses, which are then run through the extensive retirement planning platform Fidelity uses every day with customers.

The end result: a single score measuring a household's ability to cover estimated expenses in retirement that also enables comparative views of preparedness across generations.

So where does America stand in 2020?

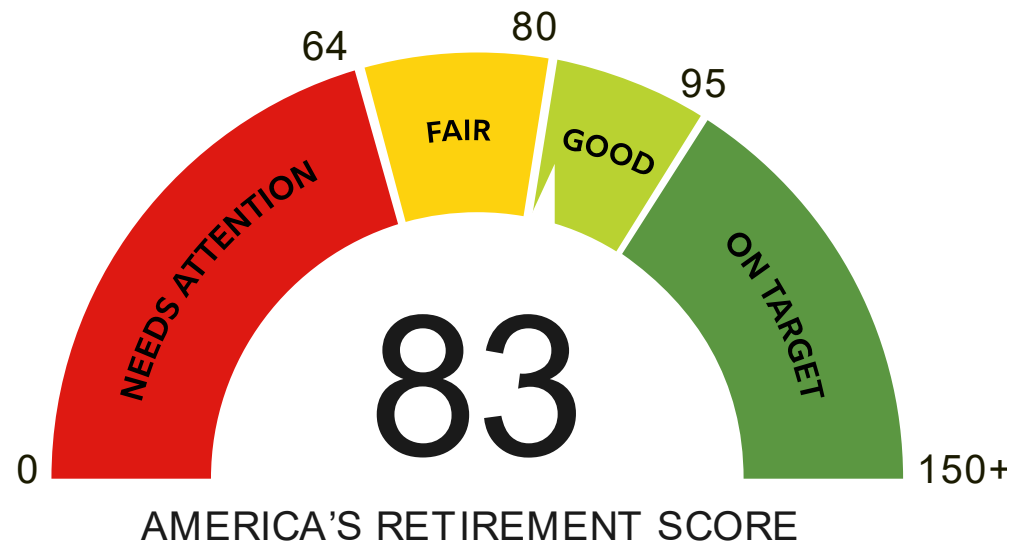
For the first time ever, **American households are in the green**, with millennials continuing to outpace Generation X on preparedness. The study also reveals 28% of those surveyed are not on target and face significant adjustments to their planned retirement lifestyle if they don't take action to make up the shortfall.



AMERICA'S RETIREMENT SCORE

America's Retirement Score

America's Retirement Score for the typical American household is **83**, which falls into "**Good**" zone, meaning the typical retirement saver is on target to have 83 percent of the income Fidelity estimates they will need to cover retirement costs.

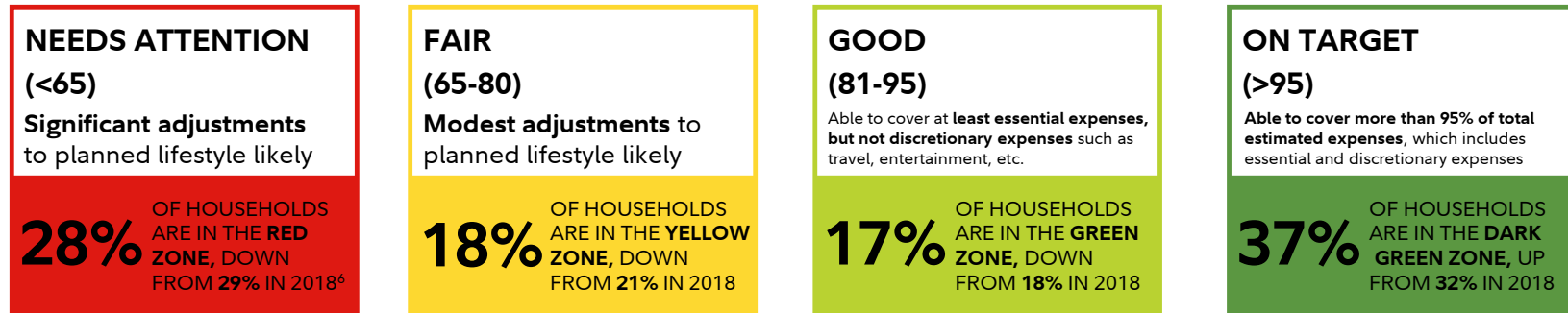


AMERICA'S RETIREMENT PREPAREDNESS

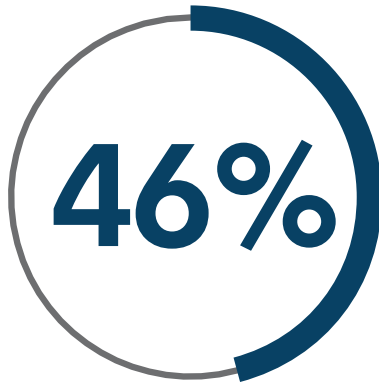
54%



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



KEY FINDINGS



Based on the Retirement Scores, **46%** of American households are **at risk** of not being able to cover essential expenses in retirement.

However, focusing on

3 PREPAREDNESS ACCELERATORS
could result in a dramatic improvement:

- 1** Increase savings
- 2** Review and adjust asset allocation
- 3** Revisit your retirement plan


If all 3 levers were applied, **the total score jumps 33 points, to 116.**




TAKE CONTROL

No matter what your score is, here's what you can do to help your retirement preparedness:

 **RAISE SAVINGS**
Even small increases in savings can make a big difference.

 **REVIEW ASSET MIX**
Although you can't anticipate market behavior, you can build potential for long-term growth into portfolios through investment choices and exposure to various asset classes.

 **REVISIT RETIREMENT PLAN**
The longer you can wait, the more time to build savings. Waiting until you're at least entitled to full Social Security Retirement benefits (between 65-67) may help increase your monthly benefit.

Which generation is most prepared?

It stands to reason that those closest to retirement would be, but that doesn't mean most baby boomers couldn't improve their situation. The good news is: no matter what your age, there are steps you can take to "get to green."

BABY BOOMER

(ages 55-73 born 1946-64)

2020 SCORE

87

WHERE TO FOCUS ATTENTION

In shape to cover essentials, but have less time to act and fewer options to make up shortfall.

Most powerful steps: consider working longer. Also, know that the retirement decisions you make will have a profound impact on your comfort level--so choose wisely. Finally, consider working in retirement if you can.

WHAT TO KNOW

- Where you stand with regard to retirement readiness
- How your Social Security decisions will impact your Score
- What your income sources will be (Social Security, pensions, IRAs, etc.)
- How much to withdraw

GENERATION X

(ages 39-54 born 1965-80)

2020 SCORE

80

WHERE TO FOCUS ATTENTION

The Gen-Xers score has actually declined since 2018 —from 83 to 80, which makes them the only generation in the yellow.

For this generation, the most powerful step is to increase savings.

WHAT TO KNOW

- Most Gen. X-ers are entering peak income years. Learn how to maximize this and turn that extra income into savings. How your Social Security decisions will impact your Score
- Individuals age 50 and above can leverage catchup contributions to boost savings.

MILLENNIAL

(ages 25-38 born 1981-94)

2020 SCORE

82

WHERE TO FOCUS ATTENTION

This is the second time Millennials surpassed Generation X-ers in terms of retirement preparedness, in part due to increased savings rate in the past two years from 7.5% to 9.7%.

Millennials have the benefit of time on their side to save and invest, and should continue to focus on improving their saving levels to achieve their life goals, which includes retirement. In addition, they could be investing more aggressively.

WHAT TO KNOW

- Learn the value of proper asset allocation
- Understand the importance of tax advantaged vehicles



HEALTH CARE IN RETIREMENT



The cost of health care in retirement has become an increasingly looming concern for many, and the growing popularity of **tax-advantaged health savings accounts (HSA)** has become one solution poised to meet this need, for those who have it as an option.

According to this year's Retirement Savings Assessment, respondents who report having HSAs – regardless of income level – tend to have higher Retirement Scores: households with an HSA have a score of 86; those without have a score of 82.

| INCOME | RPM | | |
|----------------------|---------------------|---------------------|------------|
| | HAVE HSA N = 758 | NO HSA N = 2,476 | DIFFERENCE |
| 86 | | | |
| ALL INCOMES | 86 | 82 | +4 |
| <\$61,000 | 83 | 78 | +5 |
| \$61,000 to \$99,000 | 87 | 79 | +8 |
| \$100,000+ | 84 | 85 | -1 |



HAVING AN ADVISOR CAN HELP WITH RETIREMENT PREPAREDNESS



23%

OF HOUSEHOLDS HAVE A RELATIONSHIP WITH A PAID PROFESSIONAL ADVISOR.

As expected, households who have an advisor relationship also have a higher Retirement Score (**89 vs 81**).

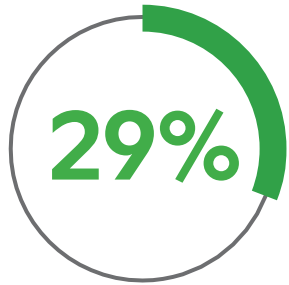
| | RETIREMENT SCORE | |
|------------|------------------|------------|
| INCOME | ADVISOR | NO ADVISOR |
| ALL | 89 | 81 |
| <\$100,000 | 87 | 80 |
| \$100,000+ | 89 | 83 |



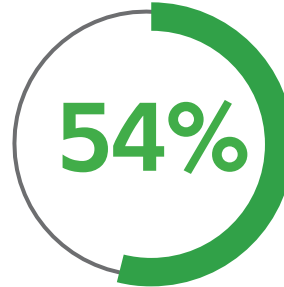
MISMATCHED EXPECTATIONS?

Being prepared and feeling prepared for retirement are not the same. While Fidelity considers 54% of households to be good or on target, overall 60% say they believe their planning has them on track to maintain the retirement lifestyle they want.

Moreover, over and under confidence is common:



OF THOSE FIDELITY CONSIDERS GOOD OR ON TARGET, WITH A RETIREMENT SCORE OVER 80, **BELIEVE THEY ARE NOT AT ALL ON TARGET OR A BIT OFF**



OF HOUSEHOLDS FIDELITY CONSIDERS "NEEDING ATTENTION," WITH A RETIREMENT SCORE UNDER 65, **BELIEVE THEY ARE ON TARGET TO COVER ALL OR ESSENTIAL EXPENSES**

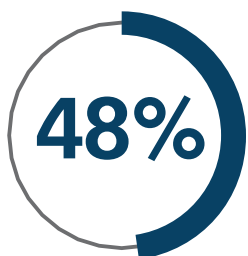
Incongruously, people feel they will have enough money in retirement to meet their lifestyle expectations despite not knowing how much they should be saving.

| | % Millennials Who Agree | % Gen X Who Agree | % Boomers Who Agree |
|---|-------------------------|-------------------|---------------------|
| I know how much I need to be saving to meet my expenses in retirement | 48 | 55 | 61 |
| I will have enough money in retirement to maintain the lifestyle I want | 70 | 62 | 66 |
| Retirement planning is too complicated to do on my own | 41 | 41 | 40 |

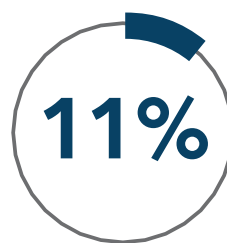


WHAT THE HOUSEHOLDS LOOK LIKE

FINANCIAL KNOWLEDGE



of respondents **achieved a perfect score** in a three question financial knowledge quiz that covered **compound interest, the impact of inflation on savings and potential risk of a concentrated asset allocation.**



got all three incorrect

Those who did better in the quiz tended to have higher Retirement Scores.

| Literacy Answers | RPM |
|--------------------|-----|
| All wrong | 70 |
| At least one wrong | 78 |
| All right | 89 |



WHAT THE HOUSEHOLDS LOOK LIKE

GENERATIONS

SAVINGS RATE

Savings rates are up for all groups since last reported in 2018, although still well below Fidelity's recommended savings rate of at least 15%.

| Generations | All | Millennials | Gen X | Boomers |
|--------------|-------|-------------|-------|---------|
| Savings Rate | 10.0% | 9.7% | 9.7% | 11.7% |

EQUITY ALLOCATIONS

When deciding how to allocate investments personal risk tolerance is a key element. Still, with potentially 30 to 40 years until retirement many Millennials may be investing too cautiously.

40%

OF MILLENNIALS HOLD
WHAT FIDELITY
CONSIDERS MORE
CONSERVATIVE FOR AN
INVESTOR WITH THIS TIME
FRAME

| Equity Allocation* | All | Millennials | Gen X | Boomers |
|--------------------|-----|-------------|-------|---------|
| Aggressive | 8% | 0% | 2% | 25% |
| Lifecycle | 17% | 20% | 17% | 14% |
| On Track | 43% | 40% | 47% | 41% |
| Conservative | 32% | 40% | 34% | 19% |

*This is based on what Fidelity considers to be an appropriate mix, based on data reported in the Retirement Savings Assessment about an individual's equity allocation distribution that is placed into four categories based on that person's age. Those categories are "On target": within 25% of target date equity allocation; "Aggressive": an equity percentage more than 25% above the age-appropriate target equity; "Conservative": an equity percentage more than 25% below the age-appropriate equity target; and a category for assets held in a Target Date Fund.

For "Asset Allocation" purposes, the investor's current age and equity holdings are compared with an example table containing age-based equity holding percentages based on an equity glide path. The Fidelity Equity Glide Path is an example we use for this measure and is a range of equity allocations that may be generally appropriate for many investors saving for retirement and planning to retire around ages 65 to 67. It is designed to become more conservative as participants approach retirement and beyond. The glide path begins with 90% equity holdings within a retirement portfolio at age 25 continuing down to 24% equity holdings at age 93. Equities are defined as domestic equity, international equity, company stock, and the equity portion of blended investment options. On target with respect to asset allocation is determined by being within 25% (+ or -) of the Fidelity Equity Glide Path.



WHAT THE HOUSEHOLDS LOOK LIKE

INCOME IN RETIREMENT

PENSIONS

Not only are pensions becoming less common, they are also becoming less generous. Fewer than half of Boomer households are expecting a pension, which is down from 55%.

| | All | Millennials | Gen X | Boomers |
|--------------------------------|---------|-------------|---------|---------|
| Households expecting a pension | 40% | 28% | 45% | 49% |
| Median expected pension | \$1,400 | \$1,500 | \$1,500 | \$1,200 |

WORKING IN RETIREMENT

49% of Boomers plan to work at least part time in retirement, which is down from 56% in 2018. There is essentially no change from 2018 in the amount of expected income or number of working years.

| | All | Millennials | Gen X | Boomers |
|---|----------|-------------|----------|----------|
| Households planning to work in retirement | 43% | 41% | 40% | 49% |
| Average age will work until | 72 years | 73 years | 72 years | 71 years |
| Average expected monthly income | \$1,580 | \$1,560 | \$1,590 | \$1,540 |



ABOUT THE FIDELITY INVESTMENTS® RETIREMENT SAVINGS ASSESSMENT

The findings in this study are the culmination of a year-long research project that analyzed the overall retirement preparedness of American households based on data such as workplace and individual savings accounts, Social Security benefits, pension benefits, inheritances, home equity and business ownership. The analysis for working Americans projects the retirement income for the average household, compared to projected income need, and models the estimated effect of specific steps to help improve preparedness based on the anticipated length of retirement.

Data for the Fidelity Investments Retirement Savings Assessment were collected through a national online survey of 3,234 working households earning at least \$20,000 annually with respondents age 25 to 74, from August 14 through September 11, 2019. All respondents expect to retire at some point and have already started saving for retirement. Data collection was completed by Ipsos Public Affairs, LLC using the KnowledgePanel®, a nationally representative online panel. The responses were benchmarked and weighted against the 2019 Current Population Survey by the Bureau of Labor Statistics. Ipsos Public Affairs, LLC is an independent research firm not affiliated with Fidelity Investments. Fidelity Investments was not identified as the survey sponsor.

IMPORTANT: The projections or other information generated by the Planning & Guidance Center's Retirement Analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Your results may vary with each use and over time.

Fidelity's Retirement Score is calculated through Fidelity's proprietary financial planning engine. Of note, Fidelity continually enhances and evolves the retirement readiness methodology, guidance tools and product offerings. This year's survey processing includes enhancements including, but not limited to, demographic weighting, retirement income projections and social security estimates. To enable a direct comparison, the previously reported Retirement Score results were recalculated using the enhanced methodology.

This analysis is for educational purposes and does not reflect actual investment results. An investor's actual account balance and ability to withdraw assets during retirement at any point in the future will be determined by the contributions that have been made, any plan or account activity, and any investment gains or losses that may occur.



ABOUT FIDELITY INVESTMENTS®

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

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve. With assets under administration of \$8.3 trillion, including discretionary assets of \$3.2 trillion as of December 31, 2019, we focus on meeting the unique needs of a diverse set of customers: helping more than 30 million people invest their own life savings, 22,000 businesses manage employee benefit programs, as well as providing more than 13,500 financial advisory firms with investment and technology solutions to invest their own clients' money. Privately held for more than 70 years, Fidelity employs more than 40,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit www.fidelity.com/about.

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