Annuity

Millennials and retirement: Irrational optimists?

Millennials optimistic about retirement future...but should they be?

NORTH AMERICAN℠
A Sammons Financial Company

28704Z | REV 2-20

Millennials and retirement: Irrational optimists?

Arguably today's most scrutinized, polarizing, and discussed generation is the millennials. Born roughly between 1981 and 1997, the oldest millennial is still a few years from 40 (at the time of the study's publication), and the youngest among them are just reaching legal drinking age.

It may be a result of that range that we in the insurance industry are just starting to understand this increasingly important segment of the population. Change happens quickly, though. By 2025, millennials will represent 75% of the global workforce[1]. That's why North American included millennials in this year's Sandwich Generation research, and the findings were striking.

Following the baby boomers and Generation X, millennials have grown up in a society more dependent on technology than ever before.

Financially, they've lived through the boom years those technologies helped drive but also endured multiple economic recessions, most recently in 2008-2009.

While burdened with an outward perception of entitlement and maligned for valuing participant ribbons over competing to be the best, millennials have also shown a knack for a high level of optimism and a positive outlook on the future.

When it relates to retirement preparation and personal finances, our research indicates this optimism spills over into the financial realm. While optimism is higher compared to the older generations, multiple data points suggest millennials may face even more headwinds and barriers to financial success. Is their optimism grounded in reality, or is it irrational?

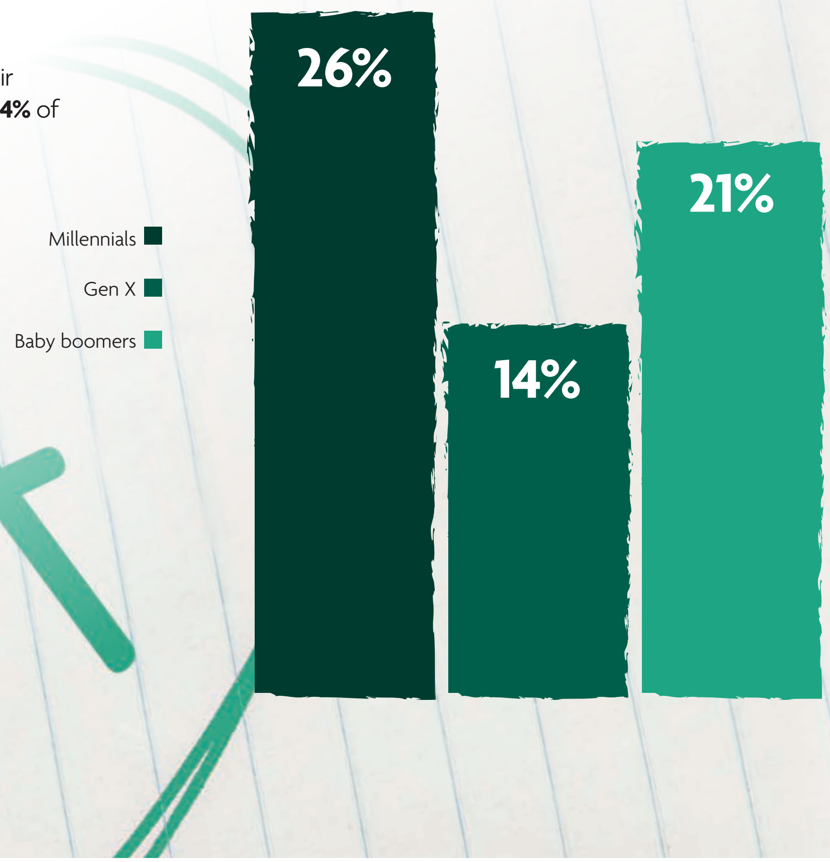
26025Z | REV 2-20

Millennial confidence

How confident are the millennials when it comes to financial preparations and retirement? Consider a few of the areas where they had the highest ratings among the generations:

Retirement planning grade

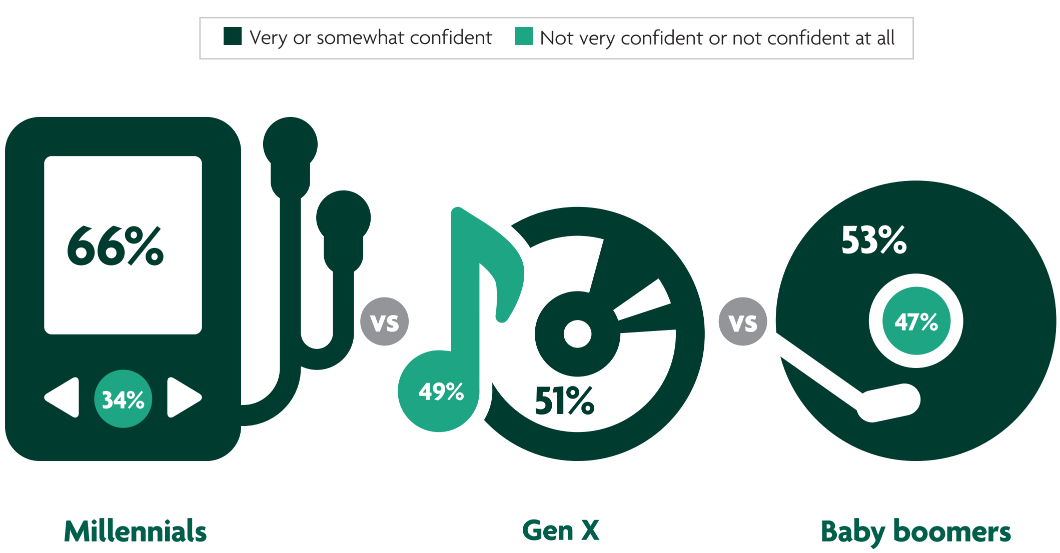
26% gave themselves an "A" grade regarding their retirement planning; only **21%** of boomers and **14%** of Gen Xers gave themselves an "A".



Retirement savings goal

66% have confidence they will meet their retirement savings goal vs **53%** of boomers and **51%** of Gen Xers.

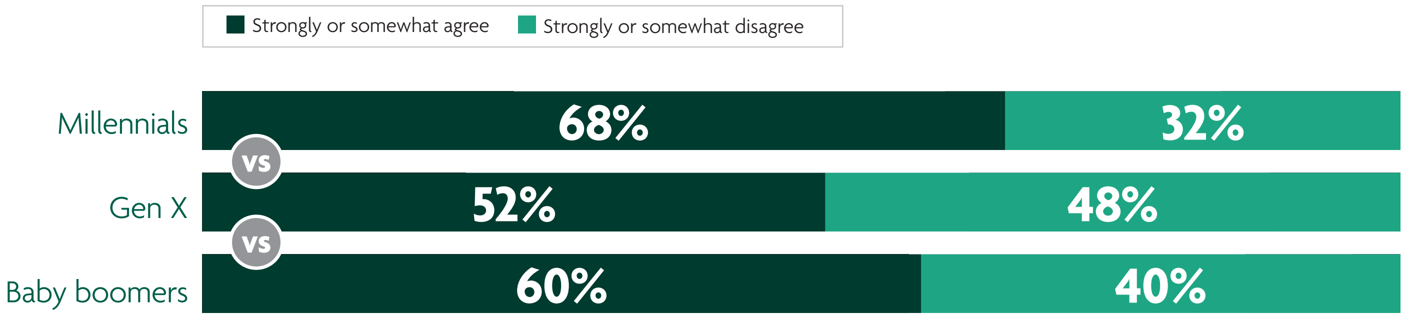
How confident are you that you will meet your retirement savings goal?



Better off than their parents

68% believe they'll be better off in retirement than their parents followed by boomers at **60%**, and Gen Xers at **52%**.

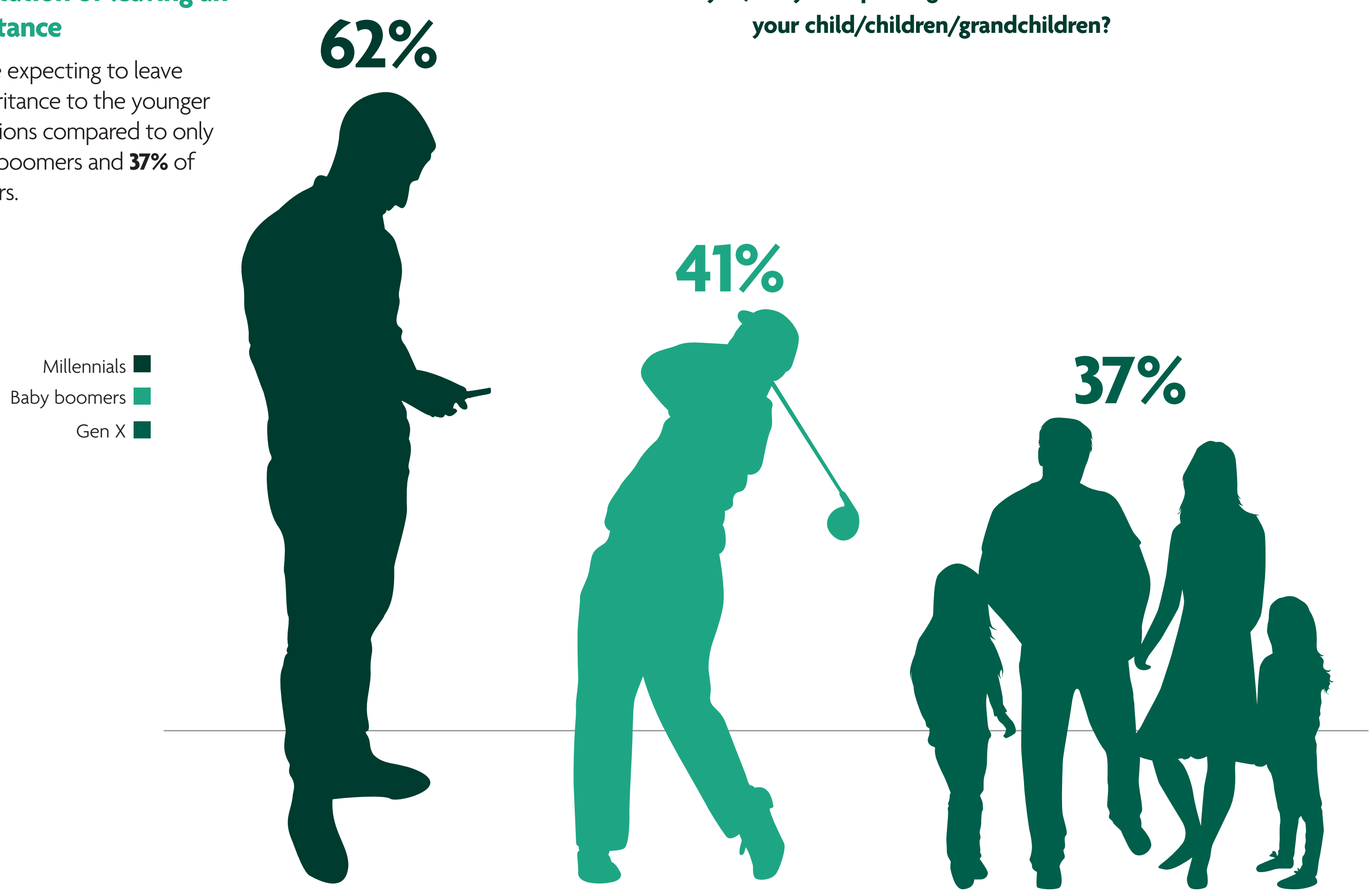
2018: I will be better off in my retirement than my parents.



Expectation of leaving an inheritance

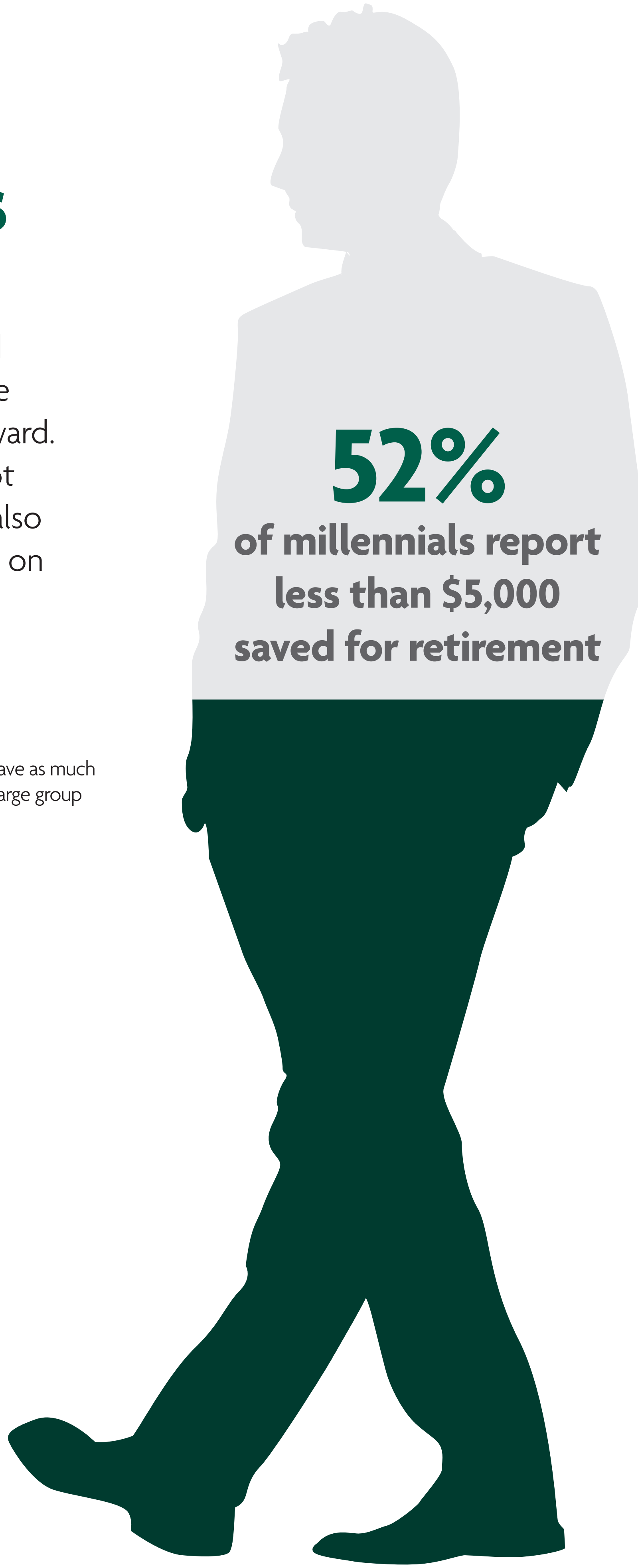
62% are expecting to leave an inheritance to the younger generations compared to only **41%** of boomers and **37%** of Gen Xers.

Have you/are you expecting to leave an inheritance for your child/children/grandchildren?



Confidence counterpoints

While a degree of confidence is commendable, there are sizable and meaningful barriers that could erode that financial optimism moving forward. These potential barriers relate to not only each individual's situation but also the impact their families could have on their financial future.



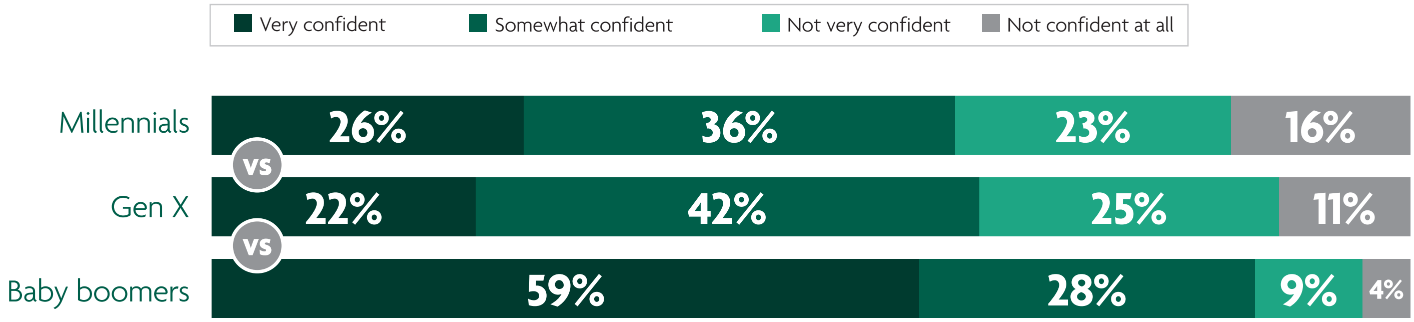
Empty nest egg

Though it is not surprising that millennials, in general, don't have as much saved for retirement as the older generations, there is still a large group with little to no retirement savings at all.

Social insecurity

As older consumers become increasingly dependent on Social Security for their retirement checks, each younger generation is showing decayed confidence in the program's future. Following this trend, the millennials not only have the lowest overall confidence in receiving Social Security, they also have the highest level of respondents claiming they are **"not confident at all"** that it will be there for them.

How confident are you that you will receive Social Security during your retirement?



All in the family

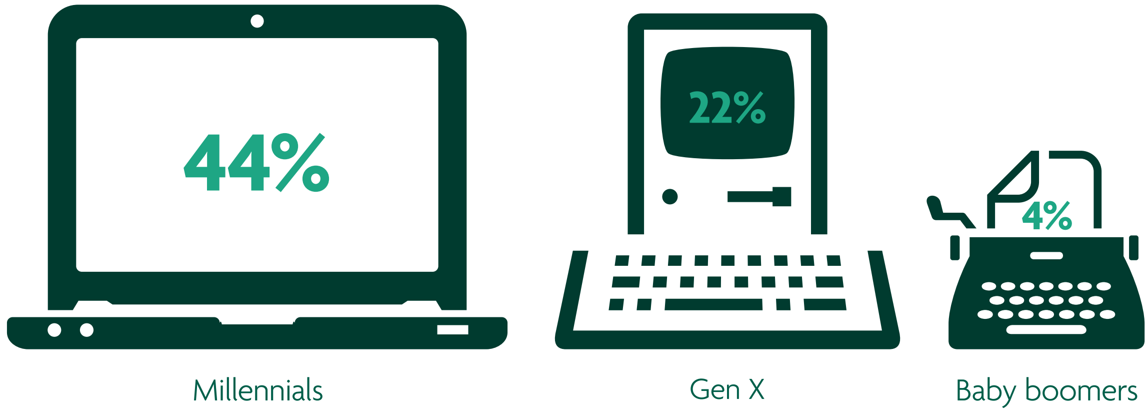
If it wasn't enough to prepare for a retirement still decades away, millennials have now been added to the new Sandwich generation. Like the boomers and Gen Xers before them, millennials are financially supporting others besides themselves – and at a higher rate than the other generations. Obviously, younger children are a larger focus for the millennial age group, but they are also the highest group reporting financial support for their parents.

Who are you currently supporting, either fully of partially?

Your spouse	Your child(ren) <18 years old	Your child(ren) +18	Your grandchild(ren)	Your parent(s)/ partner's parents	Other relatives or a non-relative
52%	55%	10%	3%	12%	12%

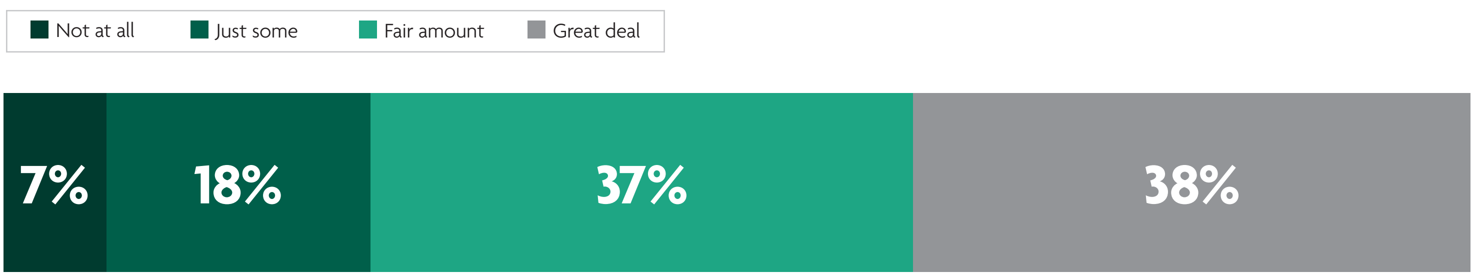
To make things even more challenging, even if they're not already, almost half of millennials expect to financially support their parents or their partner's parents in the future, double the percentage of Gen X respondents.

Do you expect to financially support either your parents, or your partner's parents, in the future?



The natural follow-up question to this kind of external financial support is, **"How will this impact your retirement readiness?"** The answer, it seems, is clear. **93%** of millennials say it will at least have some impact on their ability to save with almost **40%** emphasizing that it will have a great deal of impact.

How much does your financial support for that individual/individuals impact what you save for your own retirement?



Methodology

This survey was conducted online between May 16 and May 23, 2018, and included 1,093 adults, age 18 and above. Data was weighted by gender, race, ethnicity, and region to be representative of the national adult audience.

Survey results have been rounded to nearest whole numbers. Some totals may not equal 100%.

1. Brooking Data Now, Brookings, https://www.brookings.edu/blog/brookings-now/2014/07/17/brookings-data-now-75-percent-of-2025-workforce-will-be-millennials/

Analysis is for educational purposes only. The experience of the participants of the 2018 North American Company for Life and Health Insurance® Sandwich Generations Retirement Study may not be representative of the experience of all. Fixed index annuities are not a direct investment in the stock market. They are long-term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although Fixed Index Annuities guarantee no loss of premium due to market downturns, deductions from your Accumulation Value for additional optional benefit riders could under certain scenarios exceed interest credited to the Accumulation Value, which would result in loss of premium. They may not be appropriate for all clients. Interest credits to a fixed index annuity will not mirror the actual performance of the relevant index. The term financial professional is not intended to imply engagement in an advisory business in which compensation is not related to sales. Financial professionals that are insurance licensed will be paid a commission on the sale of an insurance product.

Sammons Financial℠ is the marketing name for Sammons® Financial Group, Inc.'s member companies, including North American Company for Life and Health Insurance®. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, North American Company for Life and Health Insurance.

West Des Moines, IA | NorthAmericanCompany.com