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COVID-19 and your retirement

GEN-to-GEN

32806Z | PRT 10-20

COVID-19 **and your retirement**

How the global pandemic is shaping the consumer view of financial planning

It goes without saying that COVID-19 has changed many facets of our world. As a society, we have all had to adjust and evolve the way we conduct our lives. One specific area that has seen perhaps the most volatility is in the financial sector. Consumers are feeling the effects both in their day-to-day personal financial picture as well as in their planning for the future. **We surveyed hundreds of consumers about how COVID-19 impacted their finances and we are ready to share what we learned below.**

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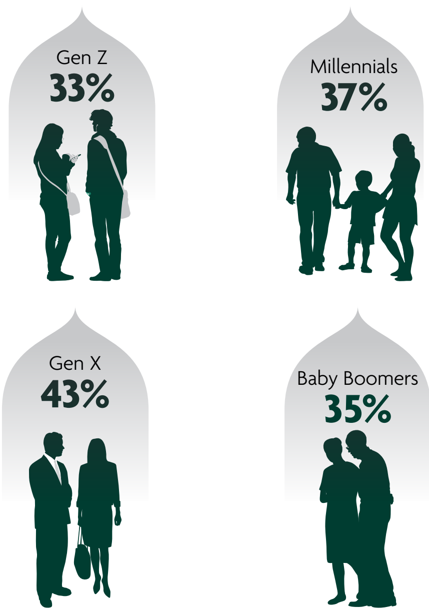
Investment mindset

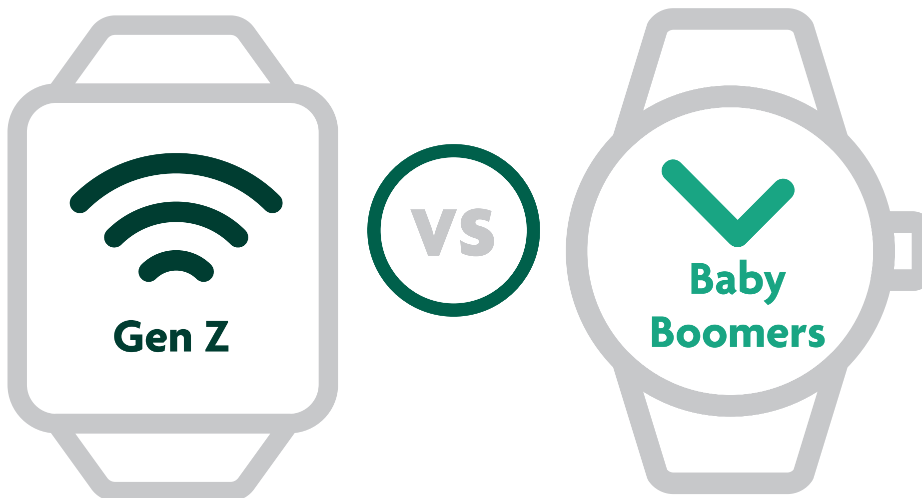
As a benchmark to determine impact, we asked respondents to describe their investment mindset. More than **one-third take a more aggressive** approach in their investments. Looking at the far ends of the spectrum, **Gen Z** had the highest percentage of **"highly aggressive"** respondents whereas **Baby Boomers** showed the highest percentage of **"highly conservative."**

One-third take a more aggressive
approach in their investments



Percentages represent answers of 'highly aggressive' and 'slightly aggressive'.

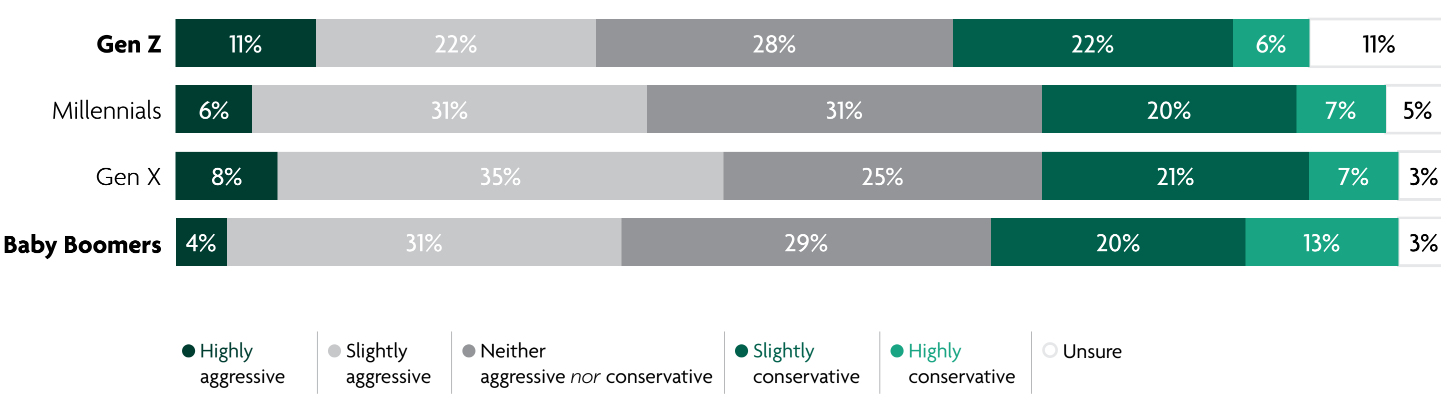
Gen Z = Age 18-24, Millennials = Age 25-44,
Gen X = Age 45-54, Baby Boomers = Age 55+



Highly aggressive
11%

Highly Conservative
13%

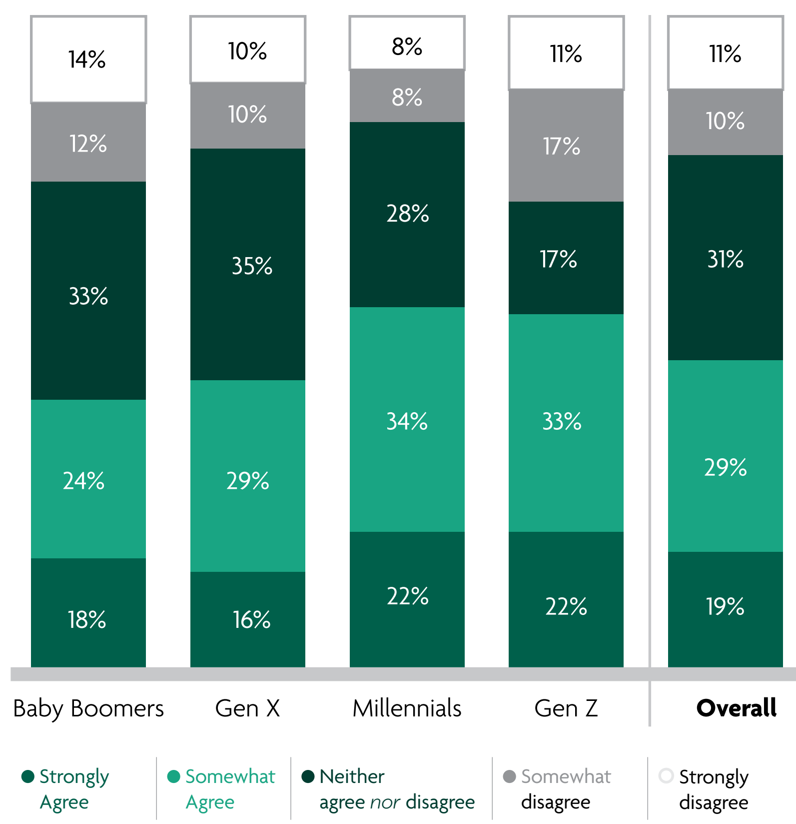
Which of the following best describes your investment mindset?



COVID-19 impact

Nearly half of the respondents agreed that COVID-19 has influenced the way they manage their finances and save for retirement, with the **younger generations feeling the most impact.** Interestingly, there seems to be a large **"neither agree nor disagree"** group that may be taking a **'wait-and-see'** approach to the current pandemic.

How strongly do you agree that COVID-19 has impacted the way you personally invest, financially plan, and save for retirement?



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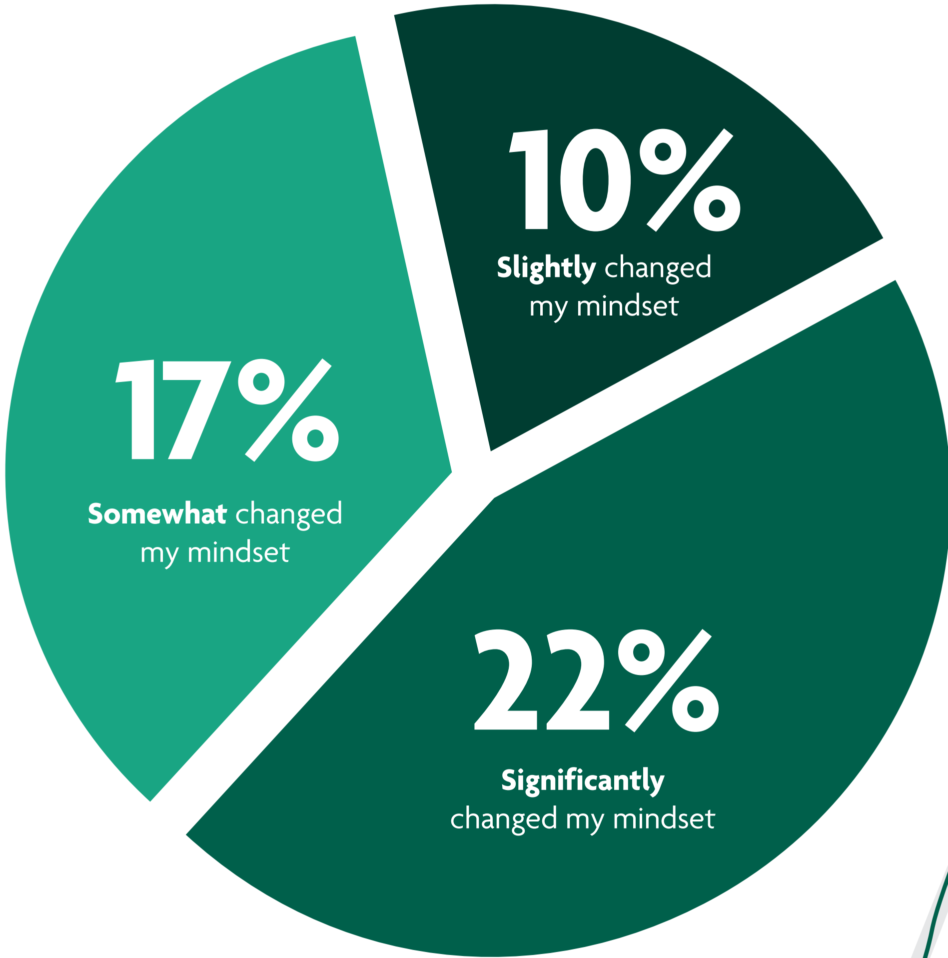
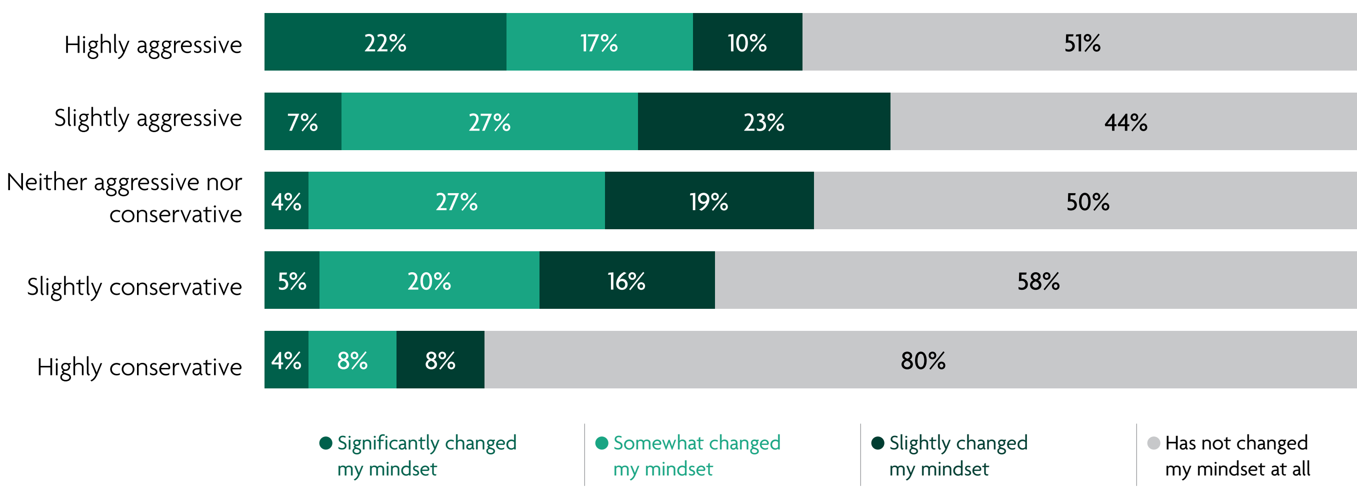


"Highly aggressive"

As one might expect, consumers who originally had a more aggressive investment mindset showed the greatest mindset change due to COVID-19, with **nearly 50 percent of the "highly aggressive" group having some level of mindset change about their future investment strategy.**

Since the pandemic, to what degree do you feel your investment mindset has changed?



It was important to **hear from respondents in their own words** what kind of impact COVID-19 has had on their financial picture. Our research allowed for open-ended responses, where common themes emerged.

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Altered investment and/or retirement savings strategy

With the uncertainty COVID-19 caused many consumers, most cite that this led them to rethink how they were investing their money. Some have changed where they were investing, altered their portfolio, redistributed funds into 'safer,' more conservative accounts, withdrew their money completely, or paused their contributions to their retirement account. Many said their 401(k) 'took a hit' and some shared their company stopped matching contributions.

"Covid has made me change my investing strategy due to market losses and volatility and to stock up on non-perishable items and put less in savings for retirement."

"Employer stopped matching. I did not get a raise and had to reduce my contribution."

"Had to stop some contributions and change stock investments."

"Less to stocks, more to low-return safer investments."

Job loss and/or change in income

Many consumers suffered job loss, furloughs, layoffs, or had their hours significantly cut. Others took pay cuts or demotions. Overall, household income was affected due to one, if not multiple people in the household, experiencing salary changes.

"COVID-19 has caused me to lose my part-time job resulting in my monthly income to be cut by 50%."

"Furloughed without pay, so unable to put income into retirement savings."

"I was temporarily laid off. Therefore, having a hard time paying bills and unable to save any money and have had to use money from savings."

"Laid off from employment so I lost the ability to contribute to my 403(b) with employer match."

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Poor economy and/or stock market uncertainty

The stock market experienced high volatility, causing investment accounts to fluctuate dramatically, and many people to lose significant amounts of money. Consumers cite that the poor economy has caused them to become concerned about market volatility in the stock market.

"Because my retirement funds are dependent on the stock market it has definitely caused uncertainty in the markets which in turn has caused wild swings in my investment balances."

"Because the stock market went down because of COVID, I lost money in my retirement accounts."

"I don't trust the stock market at all at this time."

"I am now very conservative with investing as I do not want to lose money due to market volatility."

Decreased or increased savings

Consumers shared that COVID-19 impacts have caused them to decrease how much they are saving and investing. They feel like they have less available to set aside. Some say they were forced to 'dip into savings' to buy things they were not expecting. On the other hand, others cite that the pandemic has made them more aggressive with setting money aside for savings. Many mentioned they are stashing away money for emergencies or putting more in their savings accounts to plan for the unexpected.

"I am finding that I have to tap into savings to handle some of the additional expenses that have resulted from COVID-19."

"Taken a dip in my retirement savings due to the economy crash."

"I have had to reduce the amount of savings to pay for day to day expenses."

"I have started saving even more for retirement, just to be safe."

"I am saving more aggressively than I was before COVID-19."

"I am saving more money and spending less.

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Spending habits

Some consumers say they have cut back their household spending dramatically, focusing on buying only essential items. They note they are eating out at restaurants less, stocking up more on perishable items, and limiting or avoiding travel and vacations. While many have decreased unnecessary spending, it has caused some consumers to increase their spending in other areas of their life. Some mention that working from home and their family being home more increases their household bills like water and electricity, but also increases their credit card spending as they buy more goods or groceries online.

"I am more careful in my spending and think twice before I buy non-essential items."

"I am spending less money on entertainment, but I also received a pay cut which has had an effect on savings."

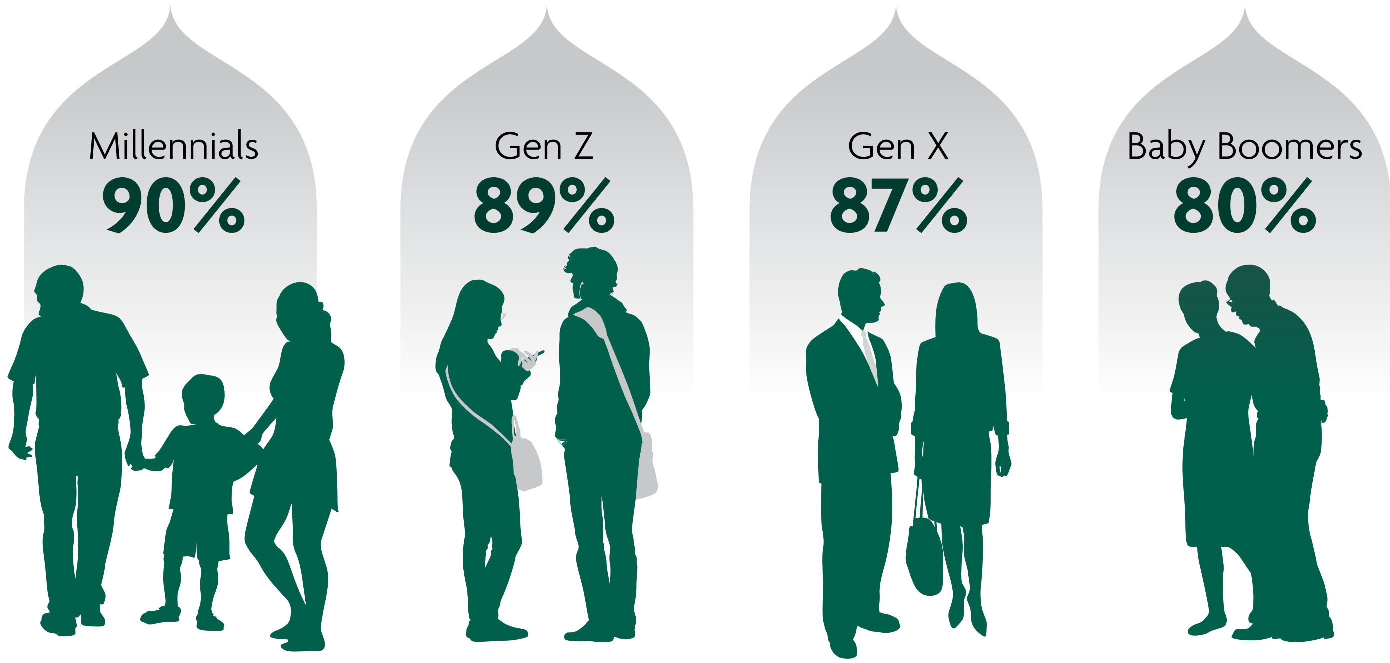
"I am spending less, saving more, and not traveling or doing any extra."

"Decrease in hours. Spending more on bills and food."

"I'm having to pay more for bills, nothing for any savings."

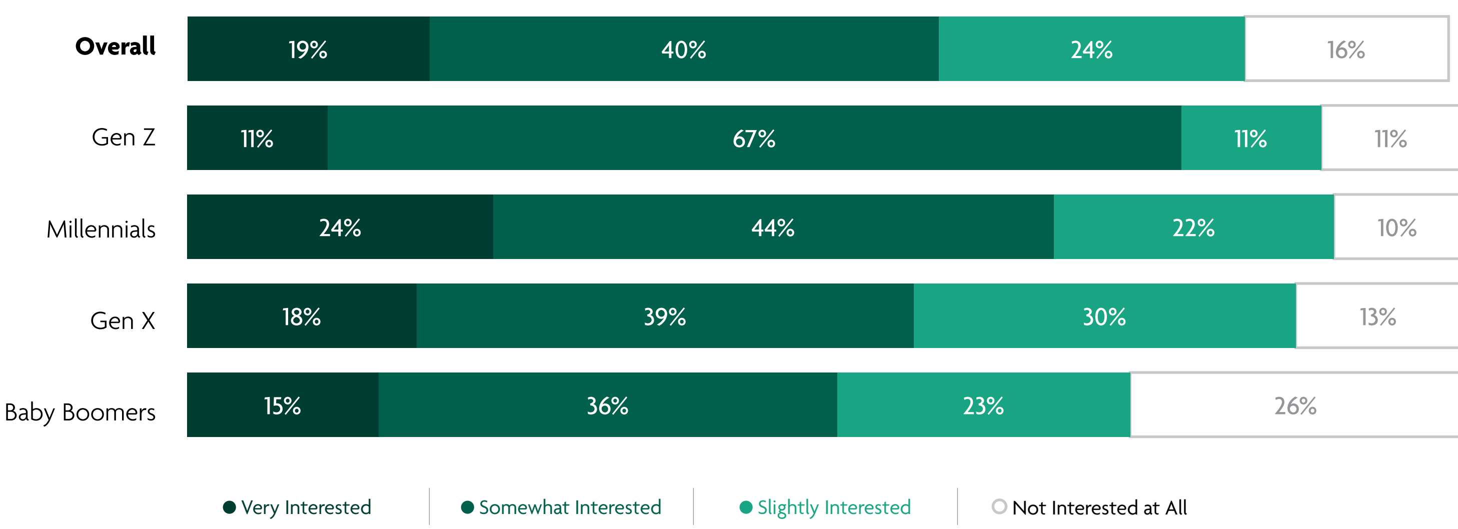
Fixed index annuity perception

At a time when consumers are looking for a way to reduce volatility in their finances and retirement planning, a product that offers downside protection and upside potential can be attractive. We supplied a generic description of a fixed index annuity (see below) and asked our survey audience about their interest in such a financial product. **Eighty-three percent of consumers** indicated some level of interest in this type of product, with the **youngest generations showing the highest level of interest**.



Description of fixed index annuity: Some retirement financial products allow you to contribute a set periodic amount or lump sum, and then your money grows tax deferred with an option to receive guaranteed payments throughout your retirement regardless of how the stock market does. It may not have as high returns as a stock account, but you also are guaranteed not to lose money due to market losses.

How interested are you in this type of retirement financial product?



While a global pandemic and market disruption of this scale couldn't have been predicted, we have learned that change is inevitable, requiring the right preparation. We've all been impacted in some way, possibly through job loss, poor investment performance, or depleted savings accounts. And now more than ever, consumers like you are looking for peace-of-mind in their financial strategy and retirement plans.

If you're carrying that burden alone, a financial professional from North American could help you achieve your retirement goals.

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Methodology

For analysis purposes, when you see references to each generational group in the report, they have been grouped and categorized as such: Gen Z = Age 18-24, Millennials = Age 25-44, Gen X = Age 45-54, Baby Boomers = Age 55+

This survey was conducted online between June 12 and June 29, 2020, and included 1,203 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%.

Analysis is for educational purposes only. The experience of the participants of the 2020 North American Company for Life and Health Insurance® 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 or strategy fees associated with allocations to enhanced crediting methods could 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.

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