Cerulli Special Quantitative Update

Evolution of the Retirement Investor 2012:

Understanding 401(k) Participant Dynamics, and Trends in Rollover and Retirement Income

CERULLI ASSOCIATES
Global Analytics

Overview

This new report provides data specifically on pre-retiree, retiree, and post- retirement transactions and behavior. Topics covered include investor behavior in DC plans, desires for advice and guidance, money in motion via rollover, and retirement income product use and need considerations. The report also reviews IRA, SEPs, SIMPLE, and Solo 401(k) plans.

Research included in this report is from two proprietary surveys: a retirement income survey of insurers and asset managers, and a 401(k) participant survey with over 1,000 respondents.

Key Reasons to Buy This Report:

- Proprietary rollover market sizing
- Detailed analysis of trends in rollovers
- Thorough review of 401(k) plan participant decision-making, including reasoning for completing rollover transactions
- New segmentation and profiling of 401(k) participants
- Overview of the retirement income opportunity

Answer These and Other Critical Questions:

1. What are 401(k) participants' main considerations when determining how much to contribute for retirement?
2. What factors influence participants' decisions about their 401(k) plan balance upon separating service?
3. Within what timeframe do participants typically make decisions and act on previous 401(k) balances?
4. What sources of income do participants who are approaching retirement anticipate using in order to fund retirement?
5. How many participants who are approaching retirement believe they are adequately prepared if forced to retire?

151 pages, 119 exhibits

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CERULLI SPECIAL QUANTITATIVE UPDATE: EVOLUTION OF THE RETIREMENT INVESTOR 2012: UNDERSTANDING 401(K) PARTICIPANT DYNAMICS AND TRENDS IN ROLLOVER AND RETIREMENT INCOME

EXHIBIT 6.15

Timeframe When Participants Take Action with Previous 401(k) Account Balance by Age Range, 2012

Source: Cerulli Associates

	Participant Age Range						
Timeframe	**<30**	**30-39**	**40-49**	**50-59**	**60-69**	**≥70**	**All Participants**
Immediately after leaving	49.3%	49.2%	53.6%	48.9%	57.1%	60.8%	52.2%
Within a year of leaving	25.7%	27.7%	26.0%	25.5%	16.8%	20.4%	24.7%
Account still with old employer	18.7%	12.5%	10.4%	11.4%	14.3%	12.1%	12.8%
More than two years after leaving	2.5%	7.4%	5.3%	7.0%	8.9%	1.6%	5.8%
Within two years of leaving	3.8%	3.2%	4.7%	7.1%	2.8%	5.0%	4.6%

- The majority of survey respondents indicated that they took action with regard to a previous 401(k) balance either immediately or in one year.

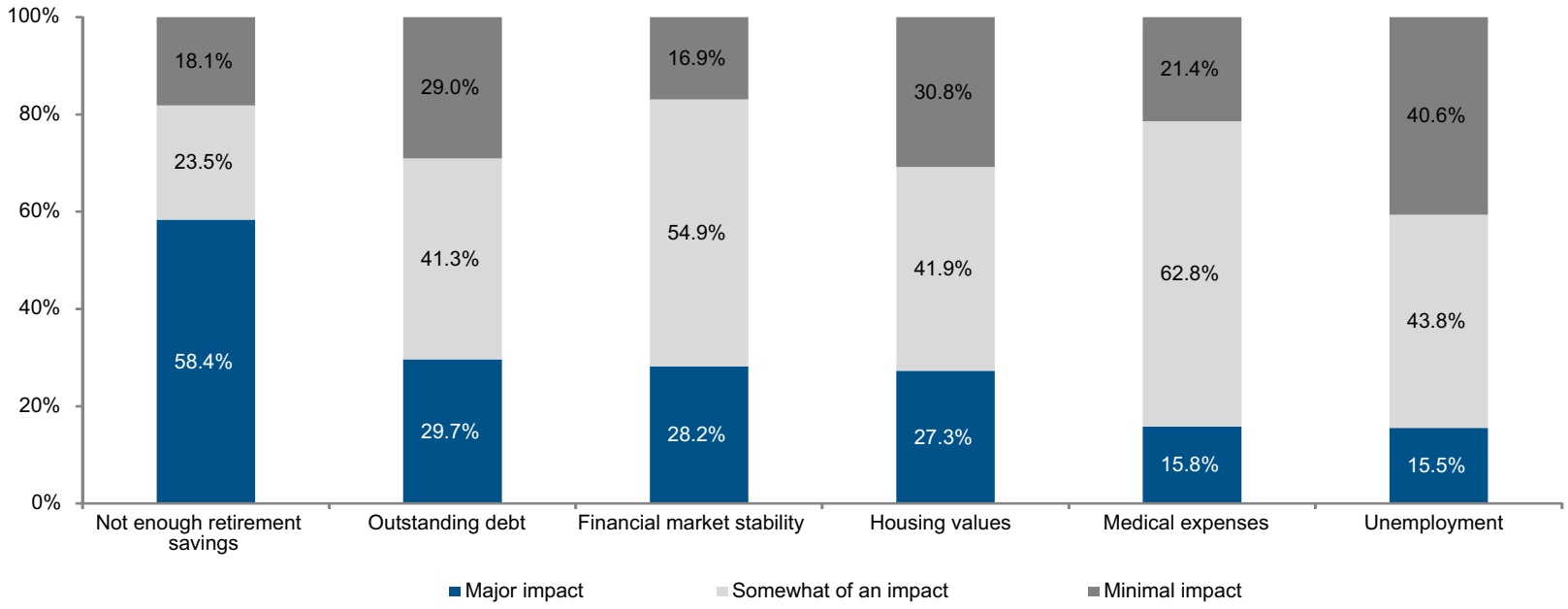
Key Implication: This result is surprising, considering that Cerulli research shows that more assets are likely to remain in plan in the year in which they are eligible for distribution (see Exhibit 6.02). This could be due to participants not remembering the time it took to make a decision, or perhaps staying in plan for a longer period is a new trend. Cerulli research has shown that assets are eventually rolled over, but there may be more opportunity for IRA providers and advisors to make the case for their IRA services.

EXHIBIT 7.18

Factors Impacting RIO 401(k) Participants Delaying Retirement, 2012

Source: Cerulli Associates

Analyst Note: Retirement income opportunity (RIO) participants are defined by Cerulli as active 401(k) participants 55 and older.



- Greater than one-half of 401(k) participants who will delay retirement cite a deficiency of retirement savings as the key factor (58%). Only 18% of 401(k) participants believe that insufficient savings will have a minimal impact.
- Greater than two-thirds of participants (71%) believe that outstanding debts will have a major or moderate impact on postponing retirement.

Key Implication: This data should not be a surprise, as Cerulli has fully magnified the lack of retirement savings and peculiarly high levels of debt among average households. At the same time, the top-three factors that are most likely to postpone retirement underscore the opportunity of supplying households with more efficient in-plan guarantees. In-plan annuities could prove particularly efficient at incentivizing participants to save more, earlier, as well as help offset the risks of market volatility by locking in tax-efficient, guaranteed, and predictable retirement income streams.

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