



Financial security and careers in the nonprofit and philanthropic sector

Key findings from a joint study by the TIAA-CREF Institute and Independent Sector

Executive summary

Background

In the aftermath of the 2008-09 recession, many individuals are worried about their short-term and long-run financial security. In the nonprofit and philanthropic sector (hereafter referred to as “the sector”), there is speculation that such concerns among its workers are undermining the sector’s ability to attract and retain the new talent required to be successful, while simultaneously preventing senior leaders and older employees from retiring. Anecdotal evidence indicates that sector employees feel unable to prepare financially for personal goals, such as comfortable retirement or an “encore career.”¹ But objective data is lacking to evaluate the scale of such sentiments and resulting impact. The sector faces additional pressures with demand for services rising at a time when public and private contributions have fallen.

Collaboration

The TIAA-CREF Institute and Independent Sector collaborated to examine the issue of lifelong financial security among the sector’s workforce and its impact on the leadership and effectiveness of nonprofit organizations. To that end, the TIAA-CREF Institute and Independent Sector developed the *Survey on Financial Security in the Nonprofit and Philanthropic Sector* to better understand the perspectives of full-time employees regarding their personal finances and its impact on their job satisfaction and career decisions.

In July 2011, 1,000 full-time employees in the sector were surveyed by phone. Respondents identified themselves as working for a nonprofit organization, such as a charity, foundation, museum, endowment or philanthropic organization. The demographics of those surveyed appear in Figure 1, on page 3. The sample was evenly distributed across the early- (age 21–34), mid- (age 35–49) and late-career (age 50 and older) stages. The sample accounted for different occupational groups within the sector as well. Those in executive leadership positions comprised 14% of the sample, management 21%, professionals 32%, and administrative staff 23%. The remaining 11% were in other positions or declined to specify their position. Just over one-half of those in the sample were married; two-thirds of respondents were women.

This final report draws upon the survey results² and discussions at two related convenings where survey findings were presented: *Financial Security and the Leadership Pipeline*, convened by TIAA-CREF and Independent Sector on April 3, 2012, and the *CEO Summit Session* with TIAA-CREF President and CEO, Roger Ferguson, at the 2011 Independent Sector Annual Conference. Both gathered sector leaders to examine the financial security issue, identify roles for leaders, and consider next steps.

Summary of Findings

The majority of full-time employees in the sector are extremely or very satisfied with their current employment. While their career decisions are motivated less by financial considerations and more by personal satisfaction with the mission of their work, it appears that compensation is nonetheless a nagging issue for many. Almost one-half have considered leaving the sector for better compensation elsewhere. Career advancement opportunities are also a concern among the nonprofit workforce.

Almost one-half of sector employees are not satisfied with their ability to prepare financially for retirement. More than 40% do not feel that they are accumulating sufficient financial resources to ensure their long-term financial security. At the same time, over three-quarters report access to an employer-sponsored retirement plan or plans; almost one-third have access to a defined benefit pension plan and more than two-thirds to a defined contribution plan, such as a 403(b) plan.

What drives dissatisfaction with financial preparations for retirement? It appears that an inability to save enough concerns sector workers. While 76% are currently saving for retirement, less than 20% of these savers are extremely or very confident that they are saving the right amount. Household debt is an issue for some – 20% of full-time employees in the sector classify their level of household debt as a major problem and 38% classify it as a minor problem. Those with a major debt problem are the least likely to be saving for retirement.

By comparison, research focused on the perceptions of financial security among all U.S. workers suggests that while some of these issues are specific to the nonprofit sector, some concerns are prevalent across sectors.³

Key survey findings

Satisfaction and career advancement

- A majority (59%) of nonprofit employees are very or extremely satisfied with their current employment. Personal satisfaction with the mission of their work is an important driver in these employees' career decisions, with more than 90% saying it is a strong consideration.
- Nonprofit employees also deem salary and career advancement important. Sixty-seven percent of women and 47% of men reported salary as a strong consideration. Satisfaction with career advancement opportunities varies with career stage, but overall only 30% are very or extremely satisfied and 36% are somewhat satisfied.

Salary considerations

- Almost one-half of employees have considered leaving the sector for better compensation elsewhere.
- Forty-two percent of employees feel they are not accumulating sufficient financial resources to ensure their long-term financial security.

Retirement planning

- Most employees are covered by a retirement plan at work: 30% have access to a defined benefit plan and 69% have access to a defined contribution plan. More than three-quarters of those with access to a defined contribution plan make contributions.
- However, 45% of sector employees are not satisfied with their ability to prepare financially for retirement.
- Household debt is likely a factor contributing to a lack of confidence regarding saving for retirement; 70% of early-career stage employees and 60% of mid-career employees consider their level of household debt to be a problem.

Behind the uncertainty

- One-third of sector employees have received retirement planning advice within the past three years.
- Two-thirds have not tried to determine how much money they will need to accumulate so that they can live comfortably in retirement.
- Among savers who are confident that they are saving the right amount, one-third have not attempted such a calculation.

The survey results found that while 60% of full-time employees are extremely or very satisfied with their current employment, concerns regarding compensation, debt, personal finances and retirement persist. These concerns are important and deeply affect workforce management at every stage: attracting, retaining, and rewarding.

Talent, commitment and passion among sector leadership and staff drive the success and sustainability of nonprofit and philanthropic organizations. The challenges the sector confronts make fostering leadership and cultivating a robust and diverse human resource pipeline a key strategic focus.

The survey results make clear that financial security must be given due attention in enabling organizations to attain and support talent throughout the leadership lifecycle, but that no single metric can respond to every question about leadership and human capital management. Independent Sector and TIAA-CREF are committed to providing the tools and information to focus the nonprofit and philanthropic sector on these issues. Through this partnership, both organizations intend to more effectively take action to help the nonprofit workforce thrive.

Figure 1 – Demographics of survey respondents

Position	
Executive Leadership	14%
Management	21%
Professional	32%
Administrative	23%
Other/Prefer not to say	11%

Career Stage (Age)	
Early-Career (21-34)	34%
Mid-Career (35-49)	31%
Late-Career (50 and older)	34%

Tenure in Sector	
5 years or less	34%
6 to 10 years	23%
11 to 15 years	13%
16 to 25 years	17%
Over 25 years	9%

Tenure as Paid Employee with Current Employer	
1 year or less	17%
2 to 3 years	21%
4 to 5 years	19%
6 to 10 years	20%
11 to 20 years	15%
Over 20 years	9%

Employer Size	
Less than 10 employees	27%
10 to 24 employees	17%
25 to 49 employees	13%
50 to 99 employees	9%
100 or more employees	33%
Don't know	2%

Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Introduction

Financial security is a concern across the U.S. workforce in the aftermath of the 2008-09 recession and the economic challenges that followed. Anecdotal evidence indicates a deeper impact on those working in the nonprofit sector. Historically, the combination of lean organizational budgets and a culture of sacrifice in the sector have often been seen as leading to lower salaries and benefits relative to other sectors. This effect has likely been magnified by an increasing demand for nonprofit services in the face of increasingly scarce financial resources. Such pressures can impact the human resource pipeline of nonprofit organizations.

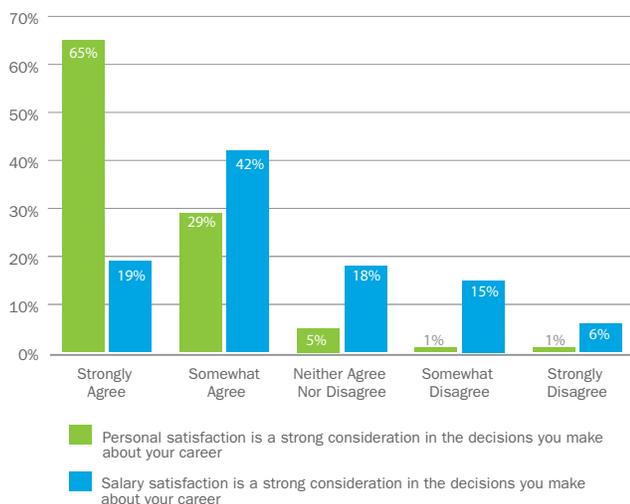
The nonprofit and philanthropic sector of the U.S. economy consists of 1.6 million organizations employing approximately 10% of the nation's workforce.⁴ On one end of the talent pipeline, founding and long-term senior executives may feel financially unable to retire at the end of a successful nonprofit career. Middle managers may find their paths to advancement blocked.⁵ Some could feel pressure to leave the sector to fully develop their careers or to bolster their financial security. Individuals just embarking on career employment may be ambivalent about careers in the nonprofit sector, believing that they will advance slowly at income levels insufficient to raise a family, have the quality of life they desire, and prepare for a comfortable, fulfilling retirement. In *Ready to Lead*, survey respondents indicated that retirement security was the leading financial barrier to committing to a career in the nonprofit sector, with

48% stating it was a significant concern (Cornelius Ready 18).

In July 2011, 1,000 full-time employees in the sector were surveyed by phone. Respondents identified themselves as working for a nonprofit organization, such as a charity, foundation, museum, endowment or philanthropic organization. The demographics of those surveyed appear in Figure 1, on page 3. The sample was evenly distributed across the early- (age 21–34), mid- (age 35–49) and late-career (age 50 and older) stages. The sample accounted for different occupational groups within the sector as well. Those in executive leadership positions comprised 14% of the sample, management 21%, professionals 32%, and administrative staff 23%. The remaining 11% were in other positions or declined to specify their position. Just over one-half of those in the sample were married; two-thirds of respondents were women.

This report builds on previous analysis through this new survey of full-time employees in the nonprofit and philanthropic sector, the *Survey on Financial Security in the Nonprofit and Philanthropic Sector*. It also incorporates the views and experience of sector leaders gathered at two convenings-- a CEO Summit Session with Roger W. Ferguson, Jr., President and CEO of TIAA-CREF, at the Independent Sector Annual Conference in the fall of 2011, and an April 2012 convening held by TIAA-CREF and Independent Sector of thought leaders on these key issues. Separate research on the U.S. workforce in general is included to provide a comparative perspective on these issues.

Figure 2 - Personal Satisfaction v. Salary in career decision making among nonprofit workers



Source: 2011 *Survey on Financial Security in the Nonprofit and Philanthropic Sector*, TIAA-CREF Institute and Independent Sector.

In *Ready to Lead*, survey respondents indicated that retirement security was the leading financial barrier to committing to a career in the nonprofit sector.

What motivates the nonprofit workforce?

Conventional wisdom holds that many, if not all, nonprofit workers are motivated by commitment to the mission of their organization or, more generally, by a desire to do good for society. It follows that job satisfaction would be a function of how well a nonprofit worker feels she is fulfilling her personal commitment to a better world. However, salary, benefits, working conditions and a feeling of financial security also contribute significantly to nonprofit workers' sense of satisfaction and commitment to the sector.

Full-time workers in the sector report being motivated less by financial than personal considerations in their career decisions. They report that personal satisfaction in the purpose of their job is a stronger consideration than both salary and benefits when making career decisions (Figure 2). While the emphasis on personal satisfaction is the same across career stages and occupational groups (over 90% of those in each sub-group view it as a strong consideration in career decisions), younger individuals are more likely to place greater emphasis on both salary and benefits than their more senior coworkers. Employees in management and professional positions also place more emphasis on salary than do their colleagues. By comparison, in a survey of all U.S. full- and part-time workers, salary, benefits and "the work itself" rank as equal contributors to job satisfaction; 54% of respondents listed salary as a primary contributor and 53% listed benefits and the work itself (Society for Human Resources Management (SHRM) 4). As in the nonprofit sector, younger employees place more emphasis on salary, but dissimilarly, administrative, nonmanagement professionals and nonexempt hourly

employees placed a higher emphasis on pay than did their executive colleagues (SHRM 20).

Looking deeper into these overarching issues, the elements of a worker's specific job and workplace become key issues in engagement, effectiveness and retention. When full-time employees in the nonprofit sector were asked about satisfaction in their current job:

- Most (59%) are extremely or very satisfied overall; 32% are somewhat satisfied, while 9% are not satisfied.
- Late-career employees are more likely to be extremely satisfied (26%) than mid- (15%) and early-career (13%) workers.
- Those in executive roles are more likely to be extremely satisfied with their current employment (31%) than those in management or professional positions (15% each) or those in other roles (17%).
- There is no significant difference in job satisfaction (or salary satisfaction) among those at large (50 or more employees) or small (under 50 employees) organizations.

By comparison, 83% of all employees in the U.S. workforce reported overall satisfaction with their current job; 41% were very satisfied and 42% were somewhat satisfied.⁶ As in the nonprofit sector, older employees (age 67 and greater) were more likely to be very satisfied overall compared with employees age 31 to 61 (52% vs. 29%). There were no significant differences in overall job satisfaction among U.S. workers by industry or job tenure (SHRM 3).

Satisfaction with salary, benefits, work/life balance and opportunities for advancement also contribute to workers' satisfaction with the sector, their organizations, their

Figure 3 - Satisfaction with employment factors among nonprofit workers

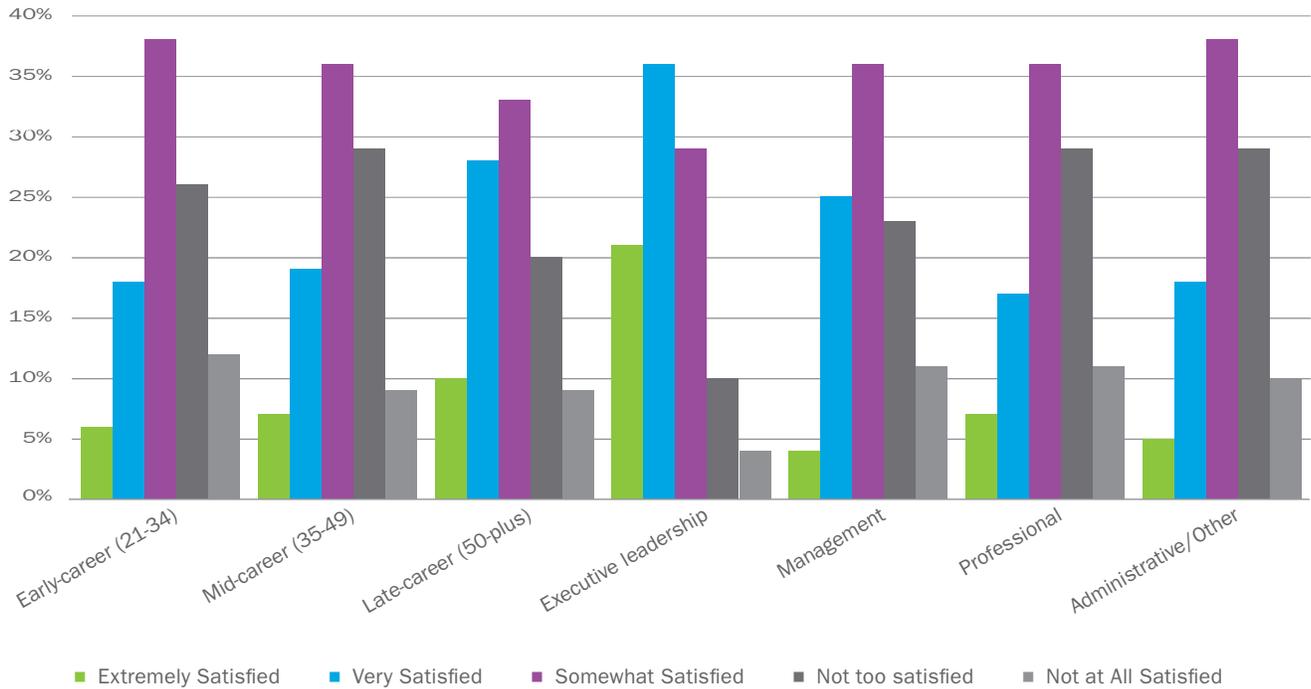
In your current job, how satisfied are you with your...

	Extremely	Very	Somewhat	Not Too	Not at All
Work/Life Balance	19%	38%	31%	11%	2%
Salary	6%	22%	43%	24%	6%
Employee Benefits	20%	34%	33%	10%	4%
Work Environment	24%	39%	27%	7%	2%
Opportunities for Advancement	8%	22%	36%	25%	10%
Professional Development	13%	35%	34%	14%	4%
Ability to prepare financially for retirement	5%	17%	33%	30%	15%
Ability to prepare for other financial goals	4%	16%	35%	31%	14%

Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Figure 4 - Perceptions of Career Advancement

How satisfied are you with your opportunities for advancement in your current job?



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

positions, their feelings of financial security and their commitment to nonprofit work. Though, as seen on the previous page, salary is not necessarily the primary motivator for nonprofit employees, 30% of sector workers nonetheless reported dissatisfaction with their salary and 14% were not satisfied with their benefits. Satisfaction with the various other attributes of their current positions varied quite a bit (Figure 3).

Among these other job attributes, a potential concern for sector leadership should be career advancement opportunities for workers. This was the area with which sector employees were least satisfied among all non-financial attributes. Only 8% reported being extremely satisfied with their opportunities for advancement in their current job, and 22% reporting being very satisfied. At the same time, 35% are not too or not at all satisfied with advancement opportunities at their current organization. Perceptions in this area varied by career stage and position (Figure 4). When asked about career advancement in the nonprofit sector in general, 43% of workers agree that there is plenty of opportunity; but 32% disagree (25% neither agree nor disagree).

By comparison, 36% of all U.S. workers reported that career advancement opportunities were very important to job satisfaction and 42% were satisfied with advancement opportunities (SHRM 10).

Add to the lukewarm satisfaction with advancement opportunities the fact that over half of all nonprofit workers are somewhat, not too, or not at all satisfied with their opportunities for professional development (Figure 3) – seen by many as a significant element in potential career advancement – and it is clear that the sector must spend time considering the issues of professional growth and progress. Cross-sector data is similar, with just over half (54%) of employees reporting satisfaction with their organization’s commitment to professional development (SHRM 10).

How important are compensation and financial security?

While compensation may not be the primary motivator for sector entry or source of satisfaction for workers in the nonprofit sector, it remains a nagging issue for many and may impact decisions to leave the sector. While over two-thirds of sector workers are very, extremely or somewhat satisfied with their compensation, a sizable 30% are not (Figure 3). Executive and late-career workers are the most likely to be satisfied with their salary, as are males and married employees. There is no significant variation in salary satisfaction between employees of small organizations and those working at larger nonprofits.

Despite high overall satisfaction with their current position and the greater importance placed on personal satisfaction relative to salary and benefits, 44% of full-time workers have considered leaving the sector for better compensation elsewhere (Figure 5). The likelihood of considering a sector switch varies across subgroups of nonprofit workers: it is most common among those in management and professional positions and least common among executives. Younger employees are more likely to have considered such a move; 55% as compared with 48% of mid-career and 31% of late-career workers. It is also more likely among female and unmarried employees – 50% of each group – than among males (34%) and married workers (40%).

At the same time, 42% of nonprofit workers do not feel that they are accumulating sufficient financial resources to

ensure their long-term financial security (Figure 6). Forty-six percent of workers under 50 feel this way compared with 33% of those age 50 and older. Thirty-one percent of executives are concerned, compared with 41% of managers and professionals and 48% of those in administrative and other roles. Female employees and those who are unmarried are also more likely than their peers to feel that they are not accumulating sufficient resources for their long-term financial security. This is a concern shared by U.S. workers in general (Helman 6).

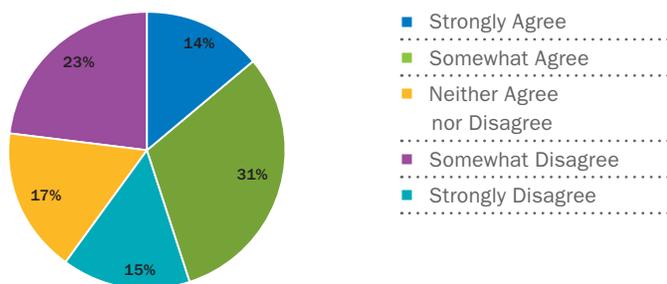
Most nonprofit organizations sponsor a retirement plan to help their employees prepare for retirement:

- Seventy-six percent of workers in the sector have access to an employer-sponsored plan.
- Sixty-nine percent reported access to a defined contribution plan; 76% of these contribute to the plan.
- Thirty percent have access to a traditional salary- and service-based pension.
- Only 9% of nonprofit employees at large (50 or more employees) organizations report they do not have access to an employer-sponsored plan; this jumps to 34% of staff at smaller (fewer than 50 employees) nonprofits.

These retirement plan coverage rates compare favorably with those in the U.S. economy as a whole. In 2009, 62% of full-time, full-year wage and salary workers aged 21-64 in the U.S. worked for an employer or union that sponsored a retirement plan (down from nearly 68% in 1999).

Figure 5 - Impact of Compensation on Career Decisions

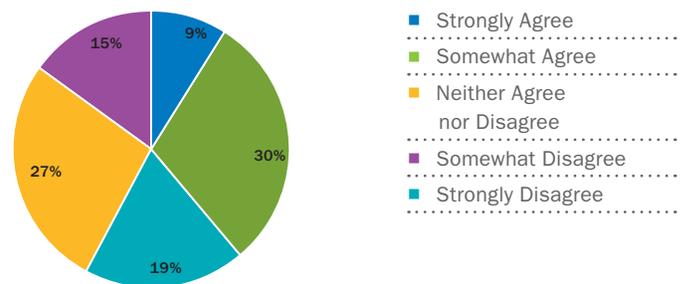
I have considered leaving the nonprofit/philanthropic sector because I could receive better compensation elsewhere.



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Figure 6 - Retirement Resources among Nonprofit Workers

I am accumulating sufficient financial resources to ensure my long-term financial security.



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Retirement plans and finances among nonprofit employees

What impact do dissatisfaction with salary levels and concern about financial resources for long-term security have on the retirement plans of those in the nonprofit and philanthropic sector?

There is a great deal of uncertainty among workers in the sector regarding when they will retire: 33% have hardly thought about it and 29% have only thought about it somewhat (22% have given it a fair bit of thought and 16% have considered it a great deal). When asked at what age they plan to retire, 42% don't have a specific age in mind or simply don't know. Of those who do know, 29% expect to retire at or before age 65, 11% plan to retire between 66 and 69, and 18% will retire at age 70 or older, or never. Among those responding with an age or "never," 30% indicated that their planned retirement age had gone up during the past couple of years, while 7% are now planning to retire at a younger age. By comparison, a survey of business employers and leaders reports that more than half (56%) of those surveyed plan to work past age 65 or not retire at all (Collinson 7). Across the U.S. workforce, 23% reported in March 2011 that their expected retirement age had changed during the preceding year; 89% of those indicated that it had increased during that time (Helman 7).

While less than one-half of nonprofit workers report having given much thought to what they will do in retirement, 94% are very or somewhat confident that they will remain occupied and involved in meaningful ways during retirement. Almost all (94% or more) expect to spend more time with current interests or hobbies, with family and friends, or volunteer in retirement.

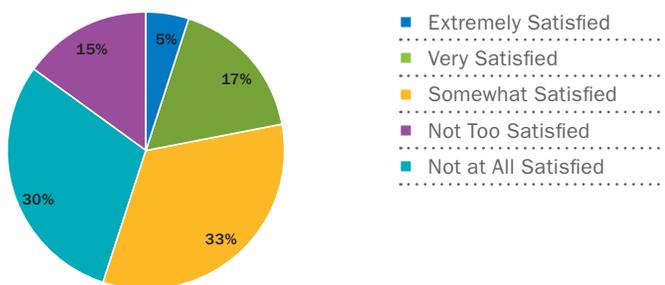
In addition, 75% expected to work for pay, 37% to take classes or pursue a degree and 21% plan to begin a new career.

Eighty-nine percent of nonprofit workers think they will want to remain engaged in the sector; there is little variation in this regard by career stage, gender or marital status. Among that group, 35% think that they will want to be engaged in a leadership role. The expectation of working for pay in retirement is common among the U.S. workforce, with 74% reporting they plan to do so. But outcomes may not match expectations in this regard as only 23% of retirees reported working for pay in 2011 (Helman 7).

The perceptions of nonprofit workers regarding their retirement finances are something of a paradox. Although many have access to a retirement plan through work, 45% of nonprofit sector workers are not satisfied with their ability to prepare financially for retirement (Figure 7).⁷ Those in the late-career stage are the most likely to feel satisfied – even so, over one-third (38%) are dissatisfied, compared with 49% of those in the mid- and early-career stages. Only 30% of late-career workers are very or extremely satisfied with their ability to prepare for retirement, with the remaining 32% reporting that they are somewhat satisfied. One-third of nonprofit executives are dissatisfied with their ability to prepare financially for retirement, compared with 45%-50% of those in professional, management, administrative, and other positions (Figure 8).

Figure 7 - Satisfaction with Ability to Prepare for Retirement among Nonprofit Workers

In your current job, how satisfied are you with your ability to prepare financially for retirement?

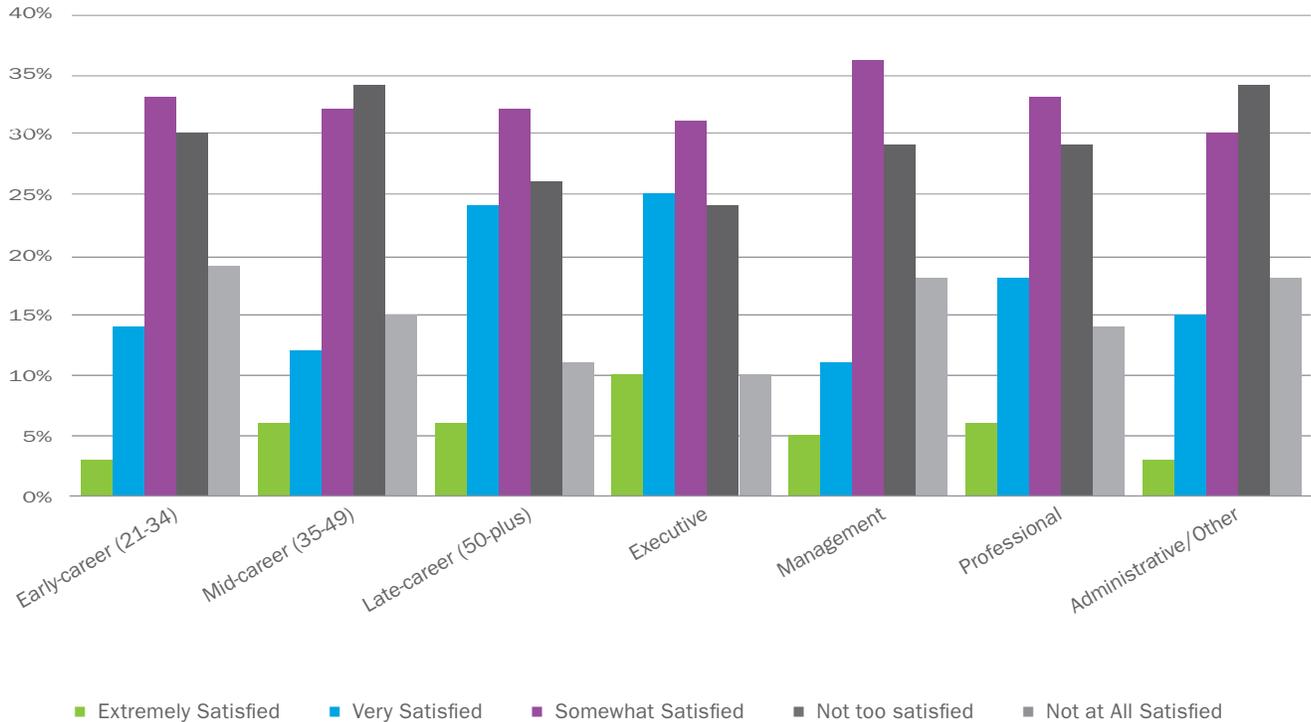


Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Eighty-nine percent of nonprofit workers think they will want to remain engaged in the nonprofit sector.

Figure 8 - Satisfaction with Ability to Prepare for Retirement (by career stage and position)

In your current job, how satisfied are you with your ability to prepare financially for retirement?



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Thirty-one percent of male employees are extremely or very satisfied in this regard, compared with 18% of females, and 25% of married employees are extremely or very satisfied, compared with 19% of unmarried workers.

Dissatisfaction among nonprofit employees with their ability to prepare financially for retirement is, predictably, accompanied by low confidence regarding:

- Their ability to retire when desired
- Having sufficient income to live comfortably in retirement
- Not running out of financial resources in retirement
- Having enough money to pay for medical expenses in retirement (Figure 9).

With each of these dimensions of financial readiness for retirement, fewer than 15% of nonprofit workers are very or extremely confident, while about 50% are not confident. This low level of confidence aligns with that of the U.S. workforce in general, where only 13% of workers are very confident that they will have enough money to live comfortably throughout retirement and 50% are not confident (Helman 7).⁸ Looking at specific sector subgroups:

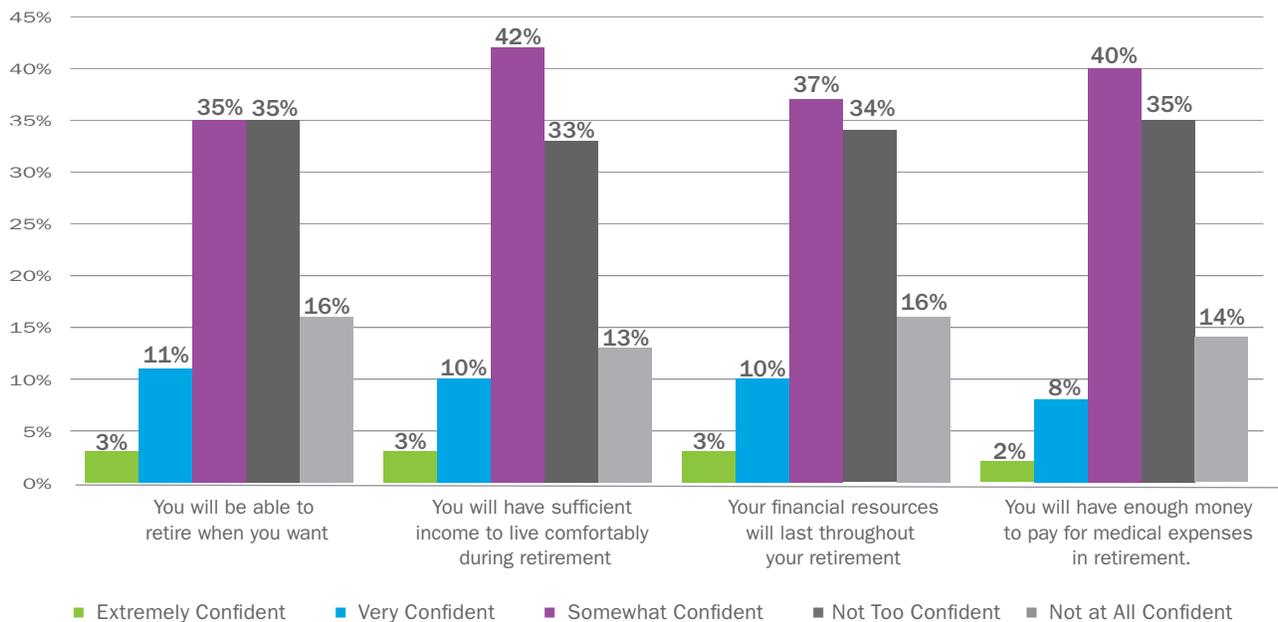
- Less than 10% of early-career workers are extremely or

very confident in these areas; the same holds for 10% or less of those in management, administrative, or other occupations. Among executives, 30%-40% are not confident across these dimensions, nor are 37%-42% of late-career workers.

- Twenty percent - twenty-three percent of male employees are extremely or very confident along these dimensions, versus only 6%-10% of female employees. Uncertainty about the level of Social Security benefit payments during retirement is likely a contributing factor to the low confidence in these areas. Across the U.S. workforce, only 5% of workers are very confident that Social Security will continue to provide benefits to at least equal value of those received by current retirees (24% are somewhat confident). This uncertainty has increased over time: 30% of all U.S. workers reported that they were not at all confident in 2002 compared with 39% in 2009 and 2011. Confidence that Social Security will continue to provide benefits at least equal to today's is higher among older workers than younger (Helman 35-36).

Establishing a financially secure retirement is increasingly complicated for all workers, not just those in the nonprofit sector. Ironically, shortfalls in the social supports for

Figure 9 - Retirement Confidence among Nonprofit Workers



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

retirees could increase demand for nonprofit services to seniors at the same time that sector employees who provide those services may be considering other professional options because of their insecurity about retirement.

Saving for retirement among nonprofit workers

Though many nonprofit workers are saving, an inability to save enough may be the root cause of concern for many in the sector (Figure 10). Eighty-two percent of nonprofit employees have at least some retirement savings, with 76% currently saving. More specifically:

- Eighty-five percent of late-career workers are currently saving, compared with 74% of mid-career and 68% of those early in their careers.
- Savings likelihood is essentially the same (78%-82%) for executives, professionals and managers; fewer (67%) of those in administrative or other occupations are currently saving.
- Saving is less likely among lower-paid nonprofit employees; 64% of those earning less than \$35,000 annually are saving, compared with 91% of those earning \$75,000 or more.

- Married employees are more likely to be saving (81%) than are their unmarried colleagues (69%) and male employees are slightly more likely to be saving than are their female counterparts (79% versus 74%).

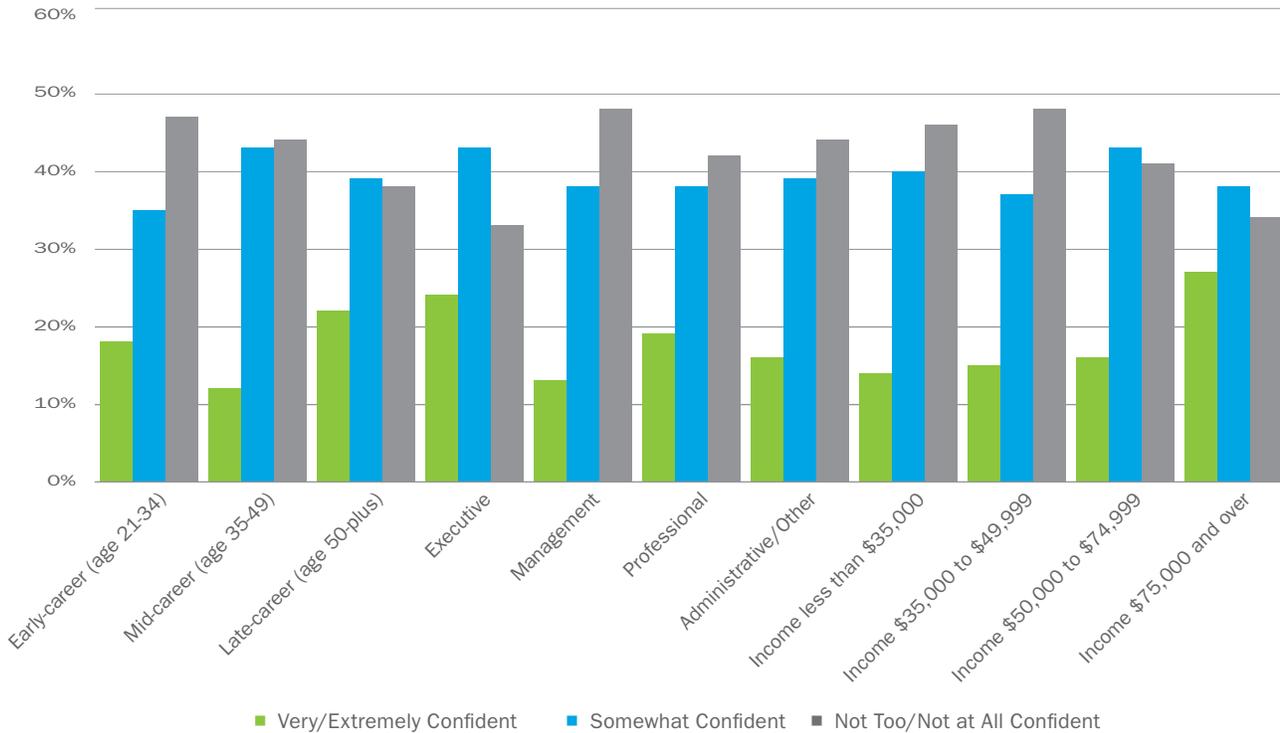
These savings figures again compare favorably with the U.S. workforce at large. This could be explained, in part, by the relative retirement plan sponsorship rates discussed earlier.

Sixty-eight percent of full- and part-time U.S. employees report that they (or their spouse) have saved for retirement (down from 75% in 2009) and 59% report that they are currently saving (versus 65% in 2009). Twenty-nine percent of U.S. workers report they have less than \$1,000 in total household savings (Helman 17-18).

Eighty-two percent of nonprofit employees have at least some retirement savings.

Figure 10 - Retirement Savings among Nonprofit Workers

How confident are you that you are saving the right amount for retirement?



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Though many are saving for retirement, relatively few savers in the sector are confident that they are saving the necessary amount (Figure 10). Only 18% are very or extremely confident that they are saving the right amount, with 42% not too or not at all confident and 39% somewhat confident. Late-career workers tend to be a little more confident that they are saving the right amount, but over one-third (38%) are still not sure that this is the case. Not surprisingly, executives and those with the highest salaries tend to be the most confident that they are saving the right amount; about one-quarter of each group is very or somewhat confident in this regard. Still, one-third of each group are not confident. Forty-nine percent of female savers and 30% of male savers are not confident that they are saving the right amount. Fifty-two percent of unmarried savers are not confident that they are saving an appropriate amount; 36% of their married colleagues share that concern.

These concerns extend beyond the nonprofit workforce. Among business employers and workers surveyed in 2012, only 39% felt they were saving enough for retirement and over two-thirds (69%) felt that they could work until age 65 and still not save enough to meet their needs during retirement (Collinson 7). Just over half (51%) of business employers and workers felt confident or very confident they will be able to fully retire and lead a comfortable post-retirement lifestyle (Collinson 14).

While nonprofit employees are not confident that they are saving enough, they are fairly confident that they are investing their savings wisely. Twenty-eight percent of savers are confident that their savings are appropriately invested, 48% are somewhat confident and 24% are not confident.

Contributing factors

Twenty percent of full-time workers in the nonprofit sector classify their level of household debt as a major problem, with 38% considering it a minor problem. Eighty-four percent of those who do not consider their debt level to be a problem are currently saving for retirement, compared with 74% of those with a minor debt problem and 63% of those with major debt issues. Mid-career workers are the most likely to feel they have a major debt problem (25%), those early in their careers are most likely to report a minor debt problem (50%), while late-career workers are most likely to feel they do not have a debt problem (54%). Both low and high earners are equally likely to report a major debt problem (22%), though high earners are most likely not to consider their debt level a problem (Figure 11).

Savers with debt problems are far less likely to be confident that they are saving appropriately for retirement. Among retirement savers, 70% of those reporting a major debt problem are not confident that they are saving the right amount, compared with 46% of those with minor debt, and 31% of those who do not report debt problems. Across the U.S. workforce, there is evidence that financial pressures and debt are not only causing workers to decrease their retirement savings contributions, but, in some cases, to draw from their savings to address current financial needs. Thirty-four percent of workers report they have had to dip into savings to pay basic expenses during the past year (Helman 18). There is also anecdotal evidence of a

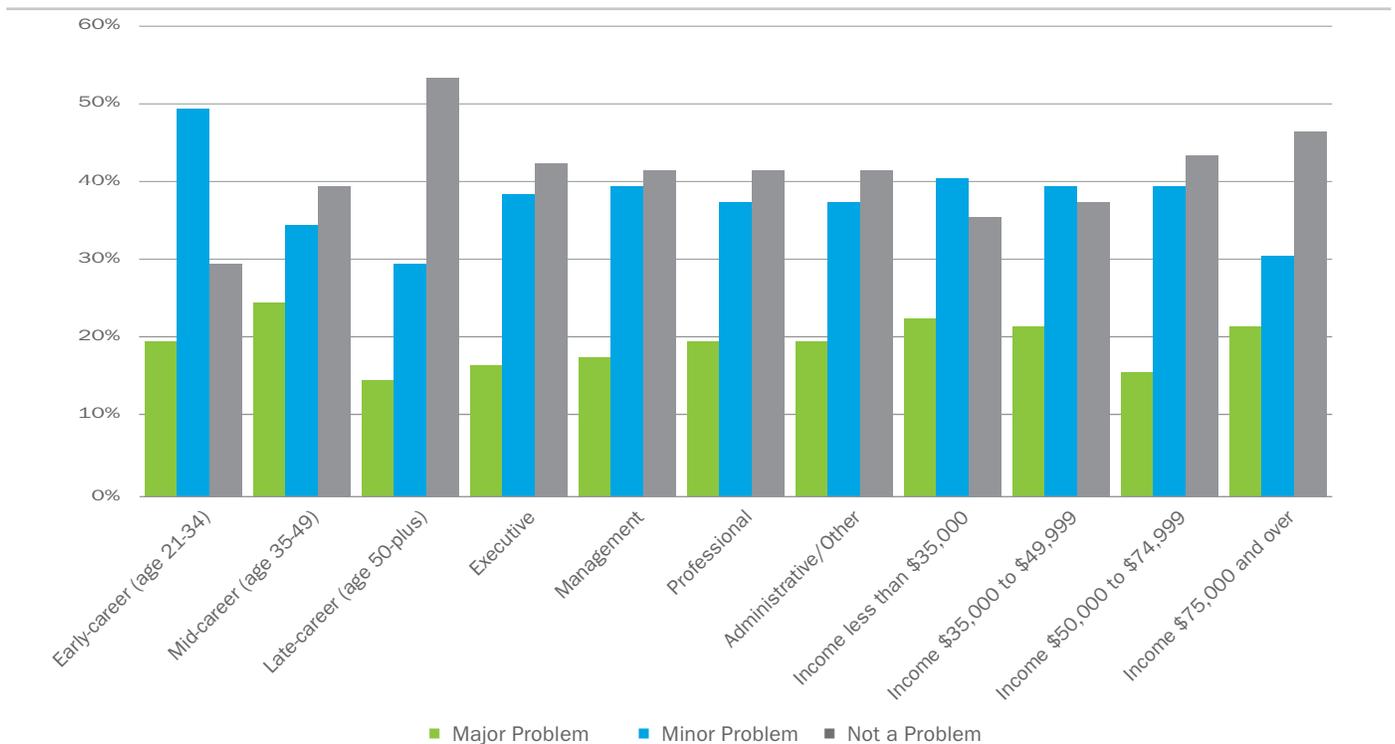
significant number of defaults on loans from retirement plans to workers in need of funds for immediate needs, further handicapping their ability to accumulate adequate retirement savings (Block, Downturn and Pulling).

In addition, affording healthcare in retirement is a worrisome wild card for many workers. The ongoing national debate about healthcare reform is certainly contributing to uncertainty about this significant retirement budget item. Nineteen percent of nonprofit sector employees expect to receive retiree health insurance from an employer, 54% do not, and 27% don't know if they will. Despite this uncertainty about insurance coverage:

- 41% of nonprofit workers have not planned or saved at all for retiree medical expenses not covered by Medicare or insurance; an additional 33% say they have hardly planned or saved (18% have done so somewhat).
- Even among those in the late-career stage, 57% have not planned or saved for retiree medical expenses or have hardly done so.
- Only 10% of workers in the nonprofit sector are very or extremely confident that they will have enough money to pay for medical expenses in retirement; another 49% are not too or not at all confident.

This concern is shared by most U.S. workers, among whom only 12% feel very confident in their ability to pay for medical expenses in retirement (down from 20% in 2007); 50% are not at all or not too confident in this regard (Helman 34-35).

Figure 11 - Perception of Debt among Nonprofit Workers



Source: 2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector, TIAA-CREF Institute and Independent Sector.

Need for and use of advice

Planning and saving for retirement is inherently complicated given uncertainty about how long one will live in retirement, rates of return that will be earned on savings, and uncertainty regarding healthcare needs and expenses in retirement. It will be even harder for those with personal debt.

Two-thirds of nonprofit workers have not tried to determine how much money they will need to accumulate to live comfortably in retirement. Older workers are more likely to have attempted such a calculation – 56% of late-career workers have done so, compared with 20% of early-career workers. Still, almost half of late-career workers have not estimated a retirement savings target. Among those currently saving, 57% have not tried to do so. Even among savers who are confident that they are saving the right amount, one-third have not done such a calculation, so it is unclear if their confidence is well-founded.

Nonprofit workers are not alone in this regard – only 42% of the U.S. workforce reports trying to calculate what they will need to save for a comfortable retirement (an 11% decrease from 2000) (Helman 22-23).

In addition, many nonprofit workers do not have an accurate perception regarding the level of income they will need to replace in order to live comfortably in retirement. Recommendations vary, but individuals are typically advised that they will need to replace at least 70% of their preretirement income. Thirty-one percent of nonprofit workers, however, think they will need to replace less than 70%, and 37% don't know how much they should replace. Among those who have calculated a retirement savings target, 39% think they need to replace less than 70% of their preretirement income and 18% did not have a replacement target, so their savings calculations may be of dubious value.

Uncertainty and misunderstanding about how much is needed for retirement and the absence of specific savings targets indicate inadequate planning. By comparison, among all business employers and workers, very few have a written plan for their retirement strategy (12%, overall); many report having a plan that is not written down (45%). Alarming, many workers in their fifties (37%) and sixties (27%) have no plan at all (Collinson 27).

Workers who've done a savings calculation are more likely than those who haven't to report that they feel very confident about having enough money for a comfortable retirement (20% vs. 8%). Overall U.S. workforce data provides evidence that doing a needs calculation is an effective tool for improving saving behaviors. Forty-four percent of U.S. workers who did a calculation report having changed their retirement planning as a result, most reporting that they started saving more (55%) (Helman 22-24). Based on this information, nonprofit sector and organization leaders may wish to

consider providing retirement planning information, education and advice for their employees.

Retirement savings must eventually be converted to retirement income. Among nonprofit workers aged 50 or older who have saved for retirement, approximately equal numbers are confident (27%) and not confident (29%) that they understand the available options to convert their savings to income during retirement; the remaining 44% are somewhat confident. These figures are comparable to those regarding whether or not they have enough knowledge to choose the best way to convert their savings to income during retirement – 27% are confident that they do, 40% are somewhat confident, and 33% are not confident.

Clearly, there is a lack of information and confidence among nonprofit workers regarding personal finances, particularly as regards retirement planning and saving. One-third have received retirement planning advice within the past 3 years from a professional advisor. The topics most commonly covered were the investment allocation of savings and the amount to save; less frequently covered topics included when an individual can afford to retire, how to convert savings to retirement income and paying for health-care expenses in retirement. Fifty-eight percent of those receiving advice report following all or most of the advice received; 36% followed some and 6% followed none of it. The receipt and use of advice varies among sector subgroups:

- Not surprisingly, late-career workers are the most likely to have received such advice – 42%, compared with about one-quarter of younger workers.
- There is little variation across positions, but those with the highest salaries are most likely to have received advice – 45% of those earning \$75,000 or more, compared with one-third of those earning between \$35,000 and \$75,000, and only one-quarter of those earning under \$35,000.
- Male and female employees are equally likely to have received advice, while married employees are somewhat more likely (35%) to have received advice than those who are not married (28%).

In the private sector, a large majority (84%) report that they have a “do it yourself” decision-making process for saving and investing for retirement; about half (49%) seek advice and education but make their own decisions, and more than a third (35%) do their own research and decision making. Only 16% prefer to have someone else make retirement saving and investment decisions for them (Collinson 31). In spite of the strong tendency toward independence around planning, saving, and managing retirement funds, 70% of workers feel that they do not know as much as they should about retirement investing (Collinson 33).

Conclusion

The nonprofit and philanthropic sector of the economy consists of 1.6 million organizations and employs approximately 10% of the U.S. workforce. While financial security is a growing issue across the country in the aftermath of the 2008-09 recession, there is anecdotal evidence of a deeper impact on those who work in the nonprofit sector.

This report has examined the career motivations and job satisfaction of nonprofit employees. In particular, it has examined the relative importance of financial compensation in these regards. It has then further explored their plans, preparations and readiness for retirement.

The majority of full-time employees in the nonprofit and philanthropic sector are extremely or very satisfied with their current employment. But while career decisions of workers in the nonprofit sector are motivated less by financial considerations and more by personal satisfaction in the purpose of their job, it appears that compensation is nonetheless a nagging issue for many. Forty-five percent of full-time employees have considered leaving the sector because they could receive better compensation elsewhere.

Over 40% of workers in the nonprofit sector are not satisfied with their ability to prepare financially for retirement and do not feel that they are accumulating sufficient financial resources to ensure their long-term financial security. It appears that an inability to save enough is a concern. While 76% of nonprofit workers are currently saving for retirement, only 18% of these savers are very or extremely confident that they are saving the right amount. For some, household debt is an issue—20% of full-time workers in the nonprofit sector classify their level of household debt as a major problem, and those with a major debt problem are the least likely (63%) to be saving for retirement.

The question for the nonprofit sector is whether these concerns could lead to a “brain drain” of its workforce over time by inhibiting recruitment and retention. An additional question is whether senior workers and leaders will be able to retire; if they feel a financial need to remain that could inhibit the advancement opportunities of younger workers in the sector and create a further incentive for their departure. Such questions require sector leaders’ focused attention and action. There are a variety of areas where changing practices could address potential concerns about financial security in the sector.

Addressing Long-Term Financial Security

To address gaps in the retirement preparations among workers, nonprofit organizations can consider redesign of their current retirement plans and programs, such as the incorporation of auto-enrollment, automatic contribution escalation, appropriate investment menu design and the provision of an annuity option within the plan. In addition,

providing employees with access to financial education and advice would offer a foundation to increase worker confidence in their retirement planning and saving.

Creating opportunities for advancement

Frustration with career advancement opportunities is shared to varying degrees by employees at every level and career stage in the sector. Sector leaders may want to consider how to more efficiently direct existing budget dollars toward investments in talent development. In doing so, they may wish to focus primarily on early-career workers. Approximately one-quarter of early-career workers expect to be working for a for-profit employer in five years (and another 22% are uncertain) compared with 13% of mid-career and 4% of late-career employees (with 16% and 11% uncertain, respectively).

Early-career workers are more likely to be sector agnostic when choosing the right place to effect social change, viewing employment with socially responsible corporations and pursuing ventures as a social entrepreneur as viable alternatives (Cornelius Ready 11). Providing these workers with opportunities to develop their skills, advance within the sector, and feel satisfied that they are effectively working for social change, could go a long way toward avoiding “leakage” in the nonprofit pipeline and cultivating future leaders from within the sector.

Future investigation might explore why workers at small nonprofit organizations (which would seem to have less room for advancement than their larger counterparts) are slightly more satisfied with their advancement prospects than their peers at larger nonprofits.⁹ Are there employee engagement and management practices common among smaller nonprofits that may account for higher employee satisfaction? Are these practices adaptable to larger organizations?

Sector-wide Approaches

A variety of potential strategies to address issues of compensation and retirement by the sector at a national level were suggested and discussed during the TIAA-CREF Institute and Independent Sector Leadership and Financial Security Convening (April 2, 2012). There was a degree of consensus that many approaches would require regional or even national collaboration among organizations and policymakers. In addition, further investigation was suggested to determine whether financial security and compensation concerns and the impact on the talent pipeline is a sector-specific issue or a national, cross-sector issue.

Specific points of discussion included:

- Offering opportunities for employees to save for long-term healthcare expenses, which can rapidly erode savings earmarked for retirement.

- The creation of comprehensive benefit packages that would be portable across jobs in the sector or even across sectors. This would require significant reform and organization within and across sectors. Another option involves collaboration between the public and nonprofit sectors. For example, in March 2012, Massachusetts passed a law allowing the state treasury to offer a tax-deferred retirement savings plan to employees of nonprofit organizations. Organizations can allow employees to make a pretax contribution from salary into a tax-deferred retirement account. The state treasury would administer the plan. Some sector leaders suggested that this could be the model for a national program for strengthening the ability of nonprofit and philanthropic organizations to attract, retain and reward talent in the leadership pipeline.

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Notes

- ¹ The term “encore career” originated with Marc Freedman and his organization, “Encore Careers.” It refers to “jobs that combine personal meaning, continued income and social impact – in the second half of life.”
- ² Except where noted otherwise, data in this report is from the *2011 Survey on Financial Security in the Nonprofit and Philanthropic Sector*.
- ³ Information on these sources can be found in the “Works Cited” section.
- ⁴ Released by NCCS on March 18, 2011, (verified by Thomas H. Pollak, Kennard Wing and Katie L. Roeger).
- ⁵ Interestingly, the Society for Human Resource Management’s 2011 Employee Job Satisfaction and Engagement Report notes that “postponed retirements are affecting talent management (of all generational cohorts)” across all sectors (SHRM, 34). Changing retirement patterns, regardless of the root causes, are not unique to the nonprofit sector.
- ⁶ This U.S. workforce survey amounts to 83% overall satisfaction with 41% reporting very, and 42% reporting somewhat, satisfied. This is compared to the 18% of “extremely satisfied” and 41% of “very satisfied” in the *Survey on Financial Security in the Nonprofit and Philanthropic Sector* without the inclusion of the “somewhat satisfied.”
- ⁷ Similarly, 45% of all respondents are not satisfied with their ability to prepare for other financial goals (college savings, home purchase, etc.); 33% are somewhat satisfied, and 20% are very or extremely satisfied.
- ⁸ U.S. workers were given a four-point scale on which to answer this question – very confident, somewhat confident, not too confident, and not at all confident.
- ⁹ Thirty-three percent and 34% of employees at organizations with fewer than ten or between ten and 24 employees, respectively, were satisfied with their opportunities for advancement, compared with 22% and 29% of employees at organizations with between 25 and 99 employees and 100 or more employees, respectively.

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