

TIAA-CREF IRA Survey  
Executive Summary  
March 18, 2015



Financial Services

# TIAA-CREF Survey: Despite Low Contributions, More Americans Will Consider IRAs in Their Retirement Planning

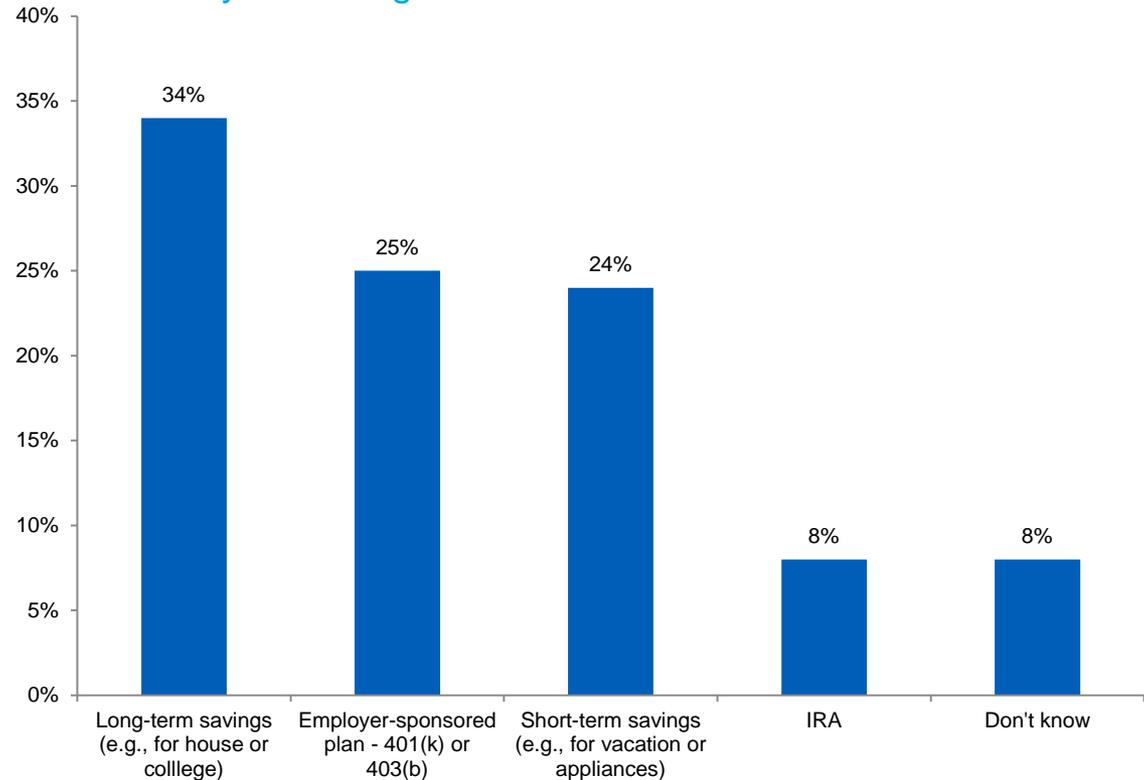
According to a new TIAA-CREF survey, only 18 percent of Americans are currently contributing to an Individual Retirement Account (IRA) as part of their retirement strategy. Another 14 percent say that while they have an IRA, they are not currently contributing to it.

Furthermore, only 8 percent of respondents cited contributing to an IRA as their first priority when deciding how to allocate savings. That's just one-third of the percentage who said short-term savings, such as for a vacation or household appliances, is their first priority.

Despite these numbers, 56 percent of Americans who are not currently contributing to an IRA said they would consider an IRA as part of their retirement strategy, up from 47 percent in 2014. These results illustrate the conflict between what Americans say they may be willing to do and what they are actually doing, and highlight an opportunity for additional education around IRAs as a retirement plan investment option.

These findings come from TIAA-CREF's 2015 IRA Survey, which was conducted by an independent research firm and polled a random sample of 1,013 adults nationwide to assess their attitudes, preferences and behaviors about IRAs.

Which of the following is the FIRST item of priority when you are deciding how to allocate your savings?



## Where is the disconnect in IRA savings?

A lack of understanding about IRAs and how they can benefit long-term retirement planning may help explain why some Americans are not contributing or considering an IRA as part of their retirement strategy.

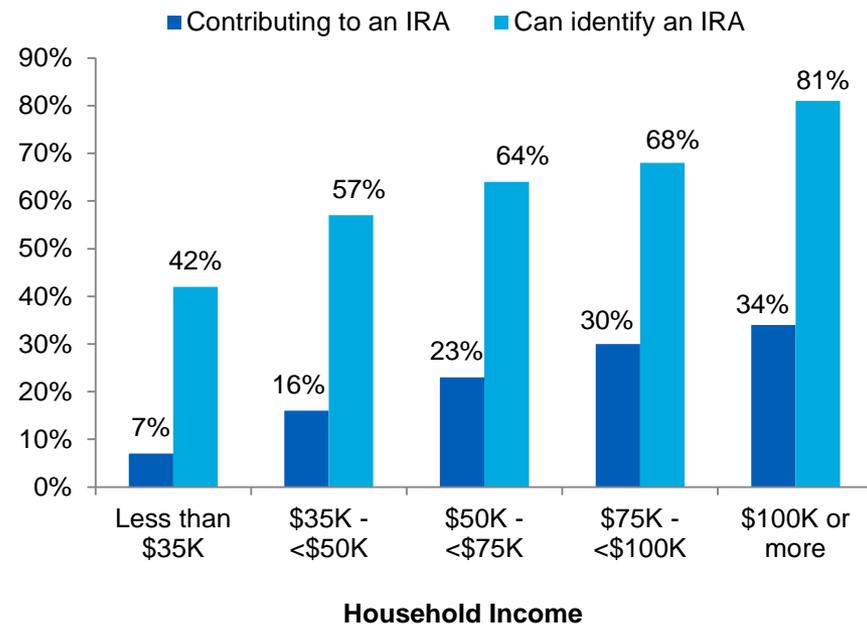
Forty-three percent of survey respondents were unable to identify the correct description of an IRA. Furthermore, 42 percent of survey respondents are not currently contributing to an IRA and would not consider one as part of their retirement strategy. Of this group, 39 percent said they don't know enough about IRAs to consider one – up from 29 percent in TIAA-CREF's 2014 IRA survey.

Knowledge about IRAs increases markedly as income level rises. Eighty-one percent of Americans with an income of \$100k or more, for example, demonstrate an understanding of an IRA, compared to just 42 percent with an income of \$35K. Similarly, as income levels rise, so too does the number of people contributing to an IRA.

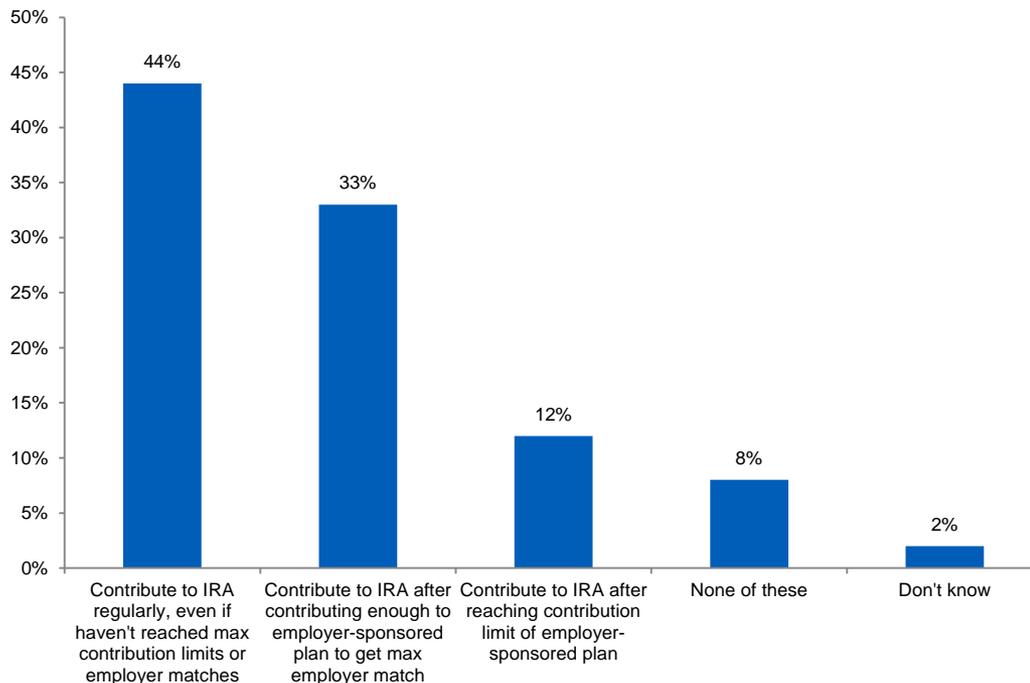
The same can be said for education levels. College graduates are far more likely to be contributing to an IRA at 28 percent, versus 18 percent overall. Sixteen percent of those with some college education are contributing to an IRA, while only 12 percent of those with a high school education or less are contributing.

Forty percent of respondents contributing to an IRA said they are contributing the maximum amount.

## Percentage of Americans able to identify and who are contributing to an IRA



## Which of the following best describes how you contribute to your IRA?\*



\*Responses are from respondents who currently contribute to an IRA in addition to an employee-sponsored plan such as a 401(k) or 403(b).

## Americans may be unaware of the benefits of having both an IRA and a 401(k) or 403(b)

Of respondents who said they would not consider contributing to an IRA, 28 percent said they would not consider it because they already have a 401(k) or a 403(b) and don't need an IRA, highlighting an opportunity for advisors and plan sponsors to explain the potential benefits of having both types of plans.

Some respondents who have an IRA in addition to an employer-sponsored retirement plan appear to be making good decisions about how to use them: 33 percent who are current contributors to their IRA are getting their maximum employer match before contributing to an IRA, and 12 percent are maximizing contributions to their employer plan before contributing to an IRA, up from 9 percent last year.

Overall, 44 percent of those who are currently contributing to an IRA in addition to a 401(k) or 403(b) say they are contributing to their IRA regularly. That's good news only if those individuals are first maximizing contributions to their employer plan and receiving the maximum employer match. An advisor can help ensure that an individual is allocating savings appropriately for maximum benefits.

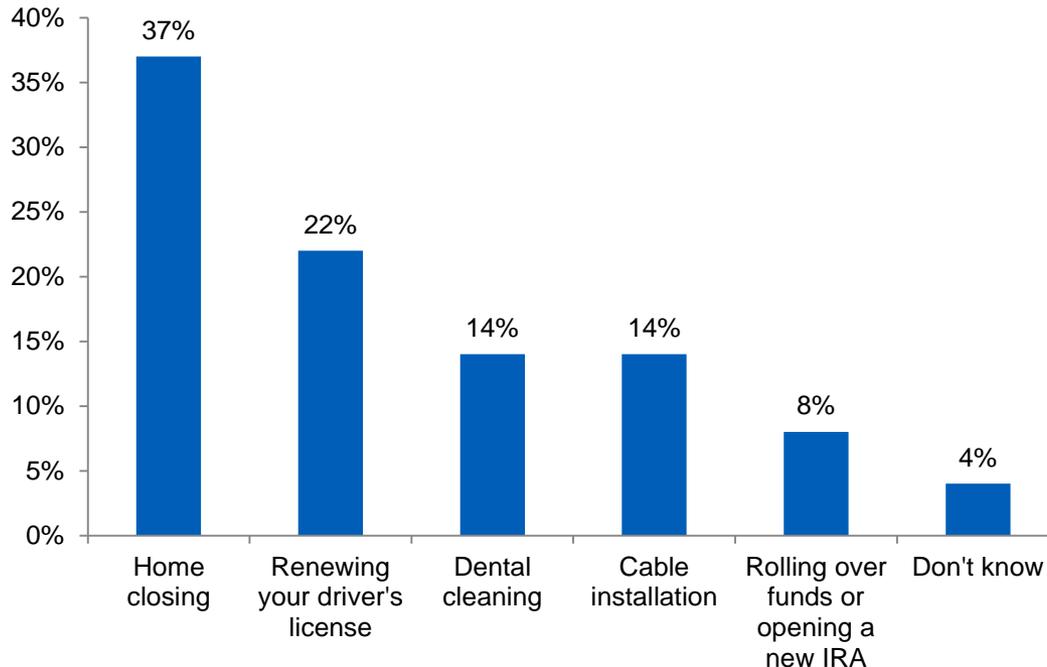
## A growing number of Americans are leaving assets in 401(k) and 403(b) plans with their former employer

This year, 30 percent of respondents said they have left assets in one or more 401(k) or 403(b) plans at a previous employer, up from 22 percent in 2014 and 15 percent in 2013.

Thirty percent say they have done so because they are satisfied with their past employer's retirement savings option. However, 23 percent said they didn't know a rollover was an option; 20 percent said they didn't know what to do, so they left their money in their past employer's plan; and 15 percent who didn't roll over their plan due to lack of time.

Ironically, while 15 percent of respondents noted concern over lack of time to roll over an employer-sponsored plan, 30 percent of respondents said they expect an IRA rollover to be the least time-consuming among a list of tasks that included renewing a driver's license, getting a dental cleaning, cable installation and a home closing.

Which of the following activities do you think is the most time consuming?



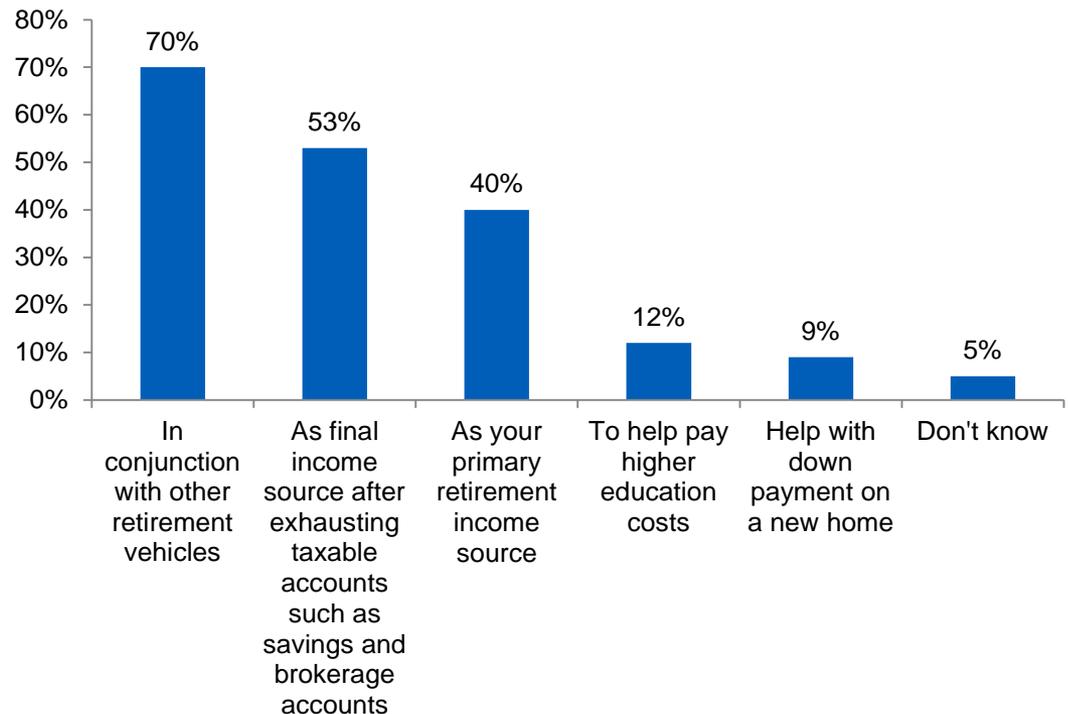
## How do Americans who have an IRA but no employer-sponsored plan intend to use their IRA dollars?

Of those who have an IRA, 53 percent indicated they do not have an employer-sponsored plan, such as a 401(k) or 403(b), up from 38 percent in 2014. This increase suggests that more Americans are on their own as they plan for retirement.

Of those with an IRA and no employer-sponsored plan, 40 percent said that they plan to use their IRA as their primary source of retirement income. Yet, only 33 percent are making maximum contributions to their IRA.

This group in particular can benefit from professional advice to help ensure they are contributing enough money in the right investment options to help guarantee that they will reach their goals for retirement and not outlive their savings.

## How do you plan on using your IRA?\*



\*Numbers represent findings for those respondents with an IRA and no employee-sponsored retirement plan.

## Younger Americans demonstrate a lower level of understanding of IRAs and contribute less

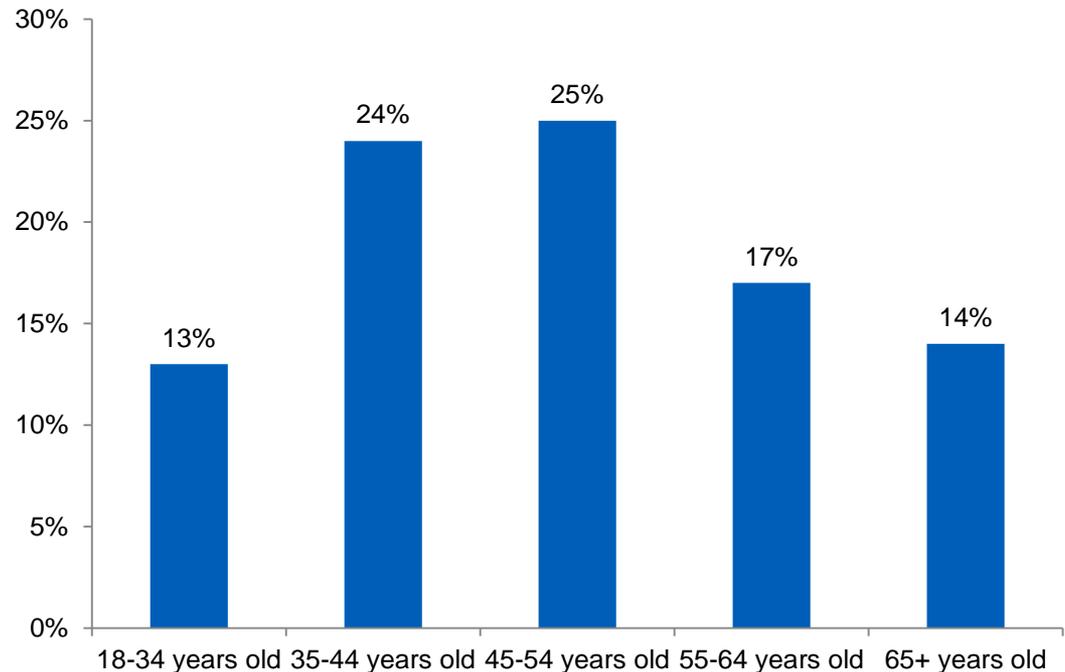
Younger survey respondents demonstrate a lower level of understanding of IRAs and a lower likelihood of contributing to one. Fifty-four percent of respondents ages 18-34 were unable to correctly identify an IRA, compared to 32 percent of 35- to 44-year-olds, and 43 percent overall.

Additionally, when asked what is their first item of priority when deciding how to allocate their savings, 22 percent of 18- to 34-year-olds said short-term savings, such as for a vacation or household appliances. That's nearly four times the number (6 percent) who said contributing to an IRA.

Considering these findings, it's not surprising that 18- to 34-year-olds are the least likely to contribute to an IRA (13 percent are currently contributing, versus 24 percent of those ages 35-44, and 25 percent of those ages 45-54).

It may come as a surprise, though, that despite their lower than average understanding of IRAs and their low priority around contributing to an IRA, 60 percent of those ages 18-34 said they would consider an IRA as part of their retirement plan, compared to 56 percent of respondents overall.

Percentage of people (by age) currently contributing to an IRA



## Advice services from TIAA-CREF

In response to individuals' diverse needs and preferences for receiving information, TIAA-CREF has expanded its portfolio of advice and financial education resources to give clients more options for receiving help.

- **Enhanced Online Advice and Guidance Center:** TIAA-CREF's Advice and Guidance Center has expanded to feature articles and resources based on commonly searched financial topics, including retirement, and a variety of other important life events. The enhanced site also delivers TIAA-CREF clients individualized content to ensure the information they receive is relevant to them.

- **TIAA-CREF "Financial Essentials" Financial Education Program:** This series of in-person workshops and webinars addresses a variety of topics from investing, saving and budgeting to planning and living in retirement. Workshops tackle the real issues individuals face, like planning for healthcare costs in retirement and learning how to effectively use online tools to help manage their finances.
- **In-Person Advice Services:** TIAA-CREF offers access to financial advisors via phone and at more than 100 offices across the country.

## Explore further

For more information on the survey and TIAA-CREF's advice and planning resources, visit [ttaa-cref.org](http://ttaa-cref.org). For more information on TIAA-CREF's advice and guidance offerings, visit our [Advice and Guidance Center](#).

The survey was conducted by KRC Research by phone among a national random sample of 1,013 adults, age 18 years and older, from Feb. 19-22, 2015, using a combination of landline and cell phone interviews. The margin of error for the entire sample is plus or minus 3.1 percentage points.

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***Prior to rolling over, consider your other options. You may also be able to leave money in your current plan, withdraw cash or roll over the assets to your new employer's plan if one is available and rollovers are permitted. Compare the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment. Speak with a TIAA-CREF Consultant and your tax advisor regarding your situation. [Learn more.](#)***

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