TIAA Financial Resiliency Survey

October 2020

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Introduction and Methodology

Introduction

Over the past months, the nation has faced an unprecedented public health crisis that has transformed American life and challenged its people to their core. Not only has the pandemic presented a terrible health threat, but the turmoil also challenges families' financial security.

TIAA wanted to understand how the combined health and financial crises have affected Americans, how they have made adjustments and how they are effectively managing their financial situations. The findings from TIAA's Financial Resiliency Survey provide important insights that can help Americans improve their overall financial well-being and stay focused on their future retirement security.

Survey Methodology

This report presents the results of the TIAA Financial Resiliency Survey, an online survey of 3,040 Americans between the ages of 25 to 70 with a household income of at least $40,000. The survey was conducted by Greenwald Research on behalf of TIAA.

The survey was fielded from July 16 to July 29, 2020. The results are weighted by gender, age, household income, education, and race/ethnicity to reflect the distribution of American consumers in these age and income ranges.

Note that percentages in the tables and charts may not total to 100% due to rounding and/or missing categories.

Key Findings

Key Findings

The adversity Americans have faced in 2020 has shifted views about what is important in life: 8 in 10 Americans say the pandemic has changed their views as it relates to their finances.

A majority of adults (nearly 60 percent) say they have experienced financial stress amid the pandemic and about two-thirds now want to save more, view emergency funds as more important than ever, and place more value on being resilient.

The financial impact of the crisis has been significant: one-third had their employment affected, 1 in 5 had to tap into an emergency fund, and 1 in 4 took on more debt.

This financial impact has also been uneven across Americans. A greater proportion of younger and less affluent Americans have had to use an emergency fund, and those under 40 are more than three times as likely to have taken on new debt vs. those in their 60s.

Despite immediate financial challenges, 9 in 10 workers say that saving for retirement is a current financial goal of theirs followed by paying off debts and building an emergency fund.

No goal ranks higher than saving for retirement, yet only 4 in 10 feel like they are actually on track with their saving, and respondents rank "how much is needed to save for retirement" as their number one financial concern. Of those who do not feel on track with their retirement savings goal, 30% say the COVID-19 pandemic has impacted their progress.

Key Findings (continued)

Americans believe having more in retirement savings and having a source of guaranteed lifetime income are what contribute most to feeling financially resilient.

Although these elements of retirement security are core to resiliency for all generations, younger Americans also view having more saved in an emergency fund and paying down debt as significant contributors.

As people age, the importance placed on retirement saving and having guaranteed lifetime income grows.

- 7 in 10, of those with a source of guaranteed lifetime income, say knowing that income will be there in retirement has made them feel more financially resilient through the pandemic.
- In addition, 9 in 10 of all individuals believe that it is important to have a source of guaranteed lifetime income in retirement.

8 in 10 respondents believe it is important to have investments that protect against downturns, yet only 4 in 10 feel well protected currently.

After witnessing the market events of 2020, only 39% consider their investments to be well protected from stock market downturns and volatility. In addition, 40% feel financially vulnerable.

Workers show the most interest in workplace wellness resources related to saving for retirement and achieving guaranteed lifetime income in retirement.

More than half (63%) of workers are extremely or very interested in resources or education on saving for retirement and 56% say the same about information on how to achieve guaranteed lifetime income in retirement.

Executive Summary

The adversity Americans have faced in 2020 has shifted views about what is important in life as it relates to their finances.

Many have been financially affected by the pandemic

Employment

33% of those surveyed have experienced a major impact on their employment (from reduced hours/pay to being furloughed or laid off).

Emergency funds

18% have had to dip into their emergency fund. This increases among younger and less affluent Americans.

Debt

26% took on new debt because of COVID-19.

COVID-19 is having more than a health impact

It’s not surprising that more than three-quarters (78 percent) of survey respondents agree that the pandemic has changed their views about what is important in life as it relates to their finances.

Ways in which COVID-19 has impacted views

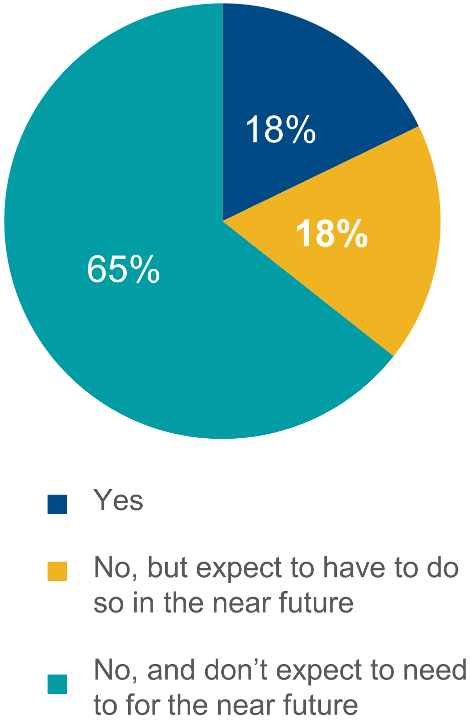
More households dipped into their emergency fund due to the pandemic.

More Americans now have an emergency fund than before the pandemic

- Interestingly, 65% of respondents say the pandemic has led them to place more importance on having an emergency fund and that appears to be already be coming true. 77% of respondents have an emergency fund today, up from 69% earlier this year.
- The pandemic has had an uneven impact on individuals. While 18% say they had to dip into their emergency fund, younger individuals, those with less income, and people of color are significantly more likely to have needed to do so. This mirrors the patterns of which groups had significant impacts on their employment.

Have had to dip into emergency fund since onset of COVID-19

(Among those with an emergency fund prior)

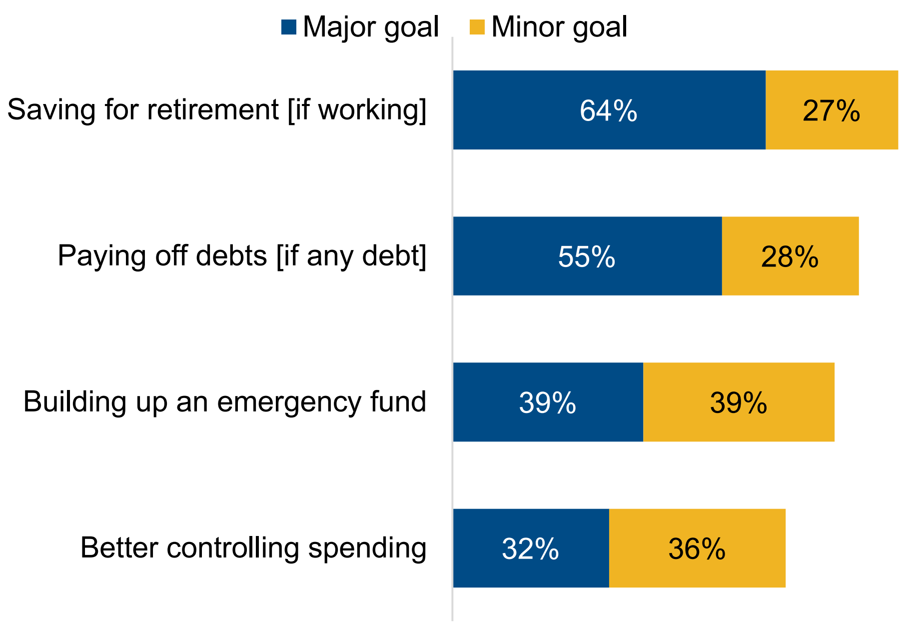


Saving for retirement, paying off debt and building an emergency fund are top financial goals.

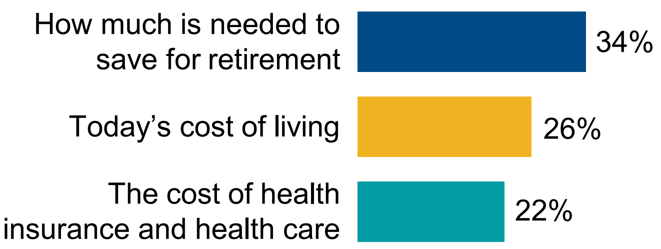
Nine in ten workers say that saving for retirement is a current financial goal of theirs, with 64% identifying it as a major goal. No goal ranks higher.

More than a third of respondents say that saving for retirement is their most pressing financial concern.

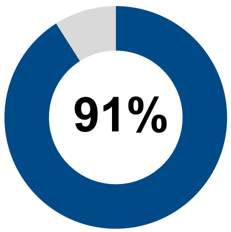
Current financial goals



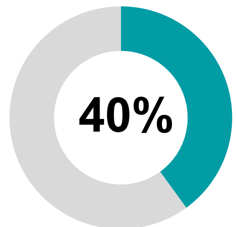
Most pressing financial concern



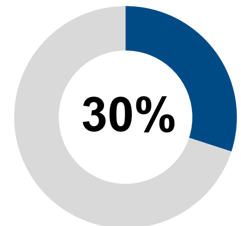
However, only some respondents say they are on track with their retirement savings goals.



Saving for retirement is a current financial goal



On track with goal of saving for retirement



Progress has been impacted by the pandemic *(of those not on track)*

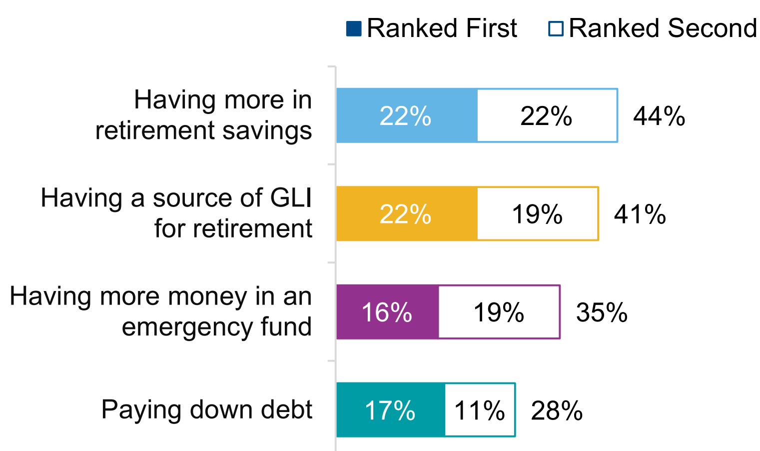
- Despite the focus on retirement savings, only 4 in 10 feel like they are actually on track with their saving. In fact, 27% say they are far from on track. This may be why individuals rank “how much is needed to save for retirement” as their number one financial concern.
- Of those who do not feel on track with their retirement savings goal, 30% say the COVID-19 pandemic has impacted their progress.
- The severity of an individual’s debt has a significant impact on retirement savings. While 55% of those with “easily manageable” debt say they are on track with saving for retirement, only 24% of those with just manageable debt and just 6% of those with unmanageable debt say the same.
- Adding to the difficulty of saving for a long-term goal like retirement is the fact that many have a very short-term perspective on financial planning: 56% say they only consider the next 12 months. In comparison, less than 3 in 10 say they typically consider 5+ years into the future.

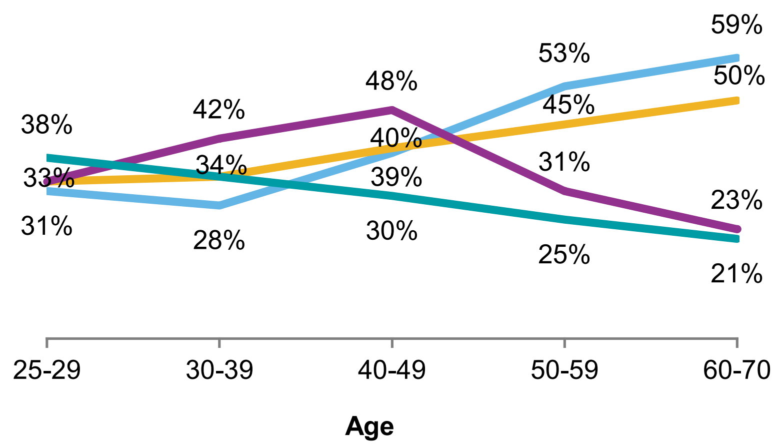
Individuals consider retirement savings and guaranteed lifetime income as key contributors to financial resiliency.

- Given the growing desire to be financially resilient, how can people actually accomplish this? According to survey respondents, there are four important ways of doing so: 1) having more in retirement savings, 2) having a source of guaranteed lifetime income in retirement, 3) having more in an emergency fund, and 4) paying down debt.
- Interestingly, the emphasis individuals give each of these shifts over the lifecycle. Younger individuals value all four similarly, with debt repayment narrowly atop the list. The importance of an emergency fund grows from there, peaking between ages 40-49. And as people shift into their 50s and 60s, financial resiliency becomes much more synonymous with retirement security.

What contributes most to financial resiliency?

(Top 4 responses)

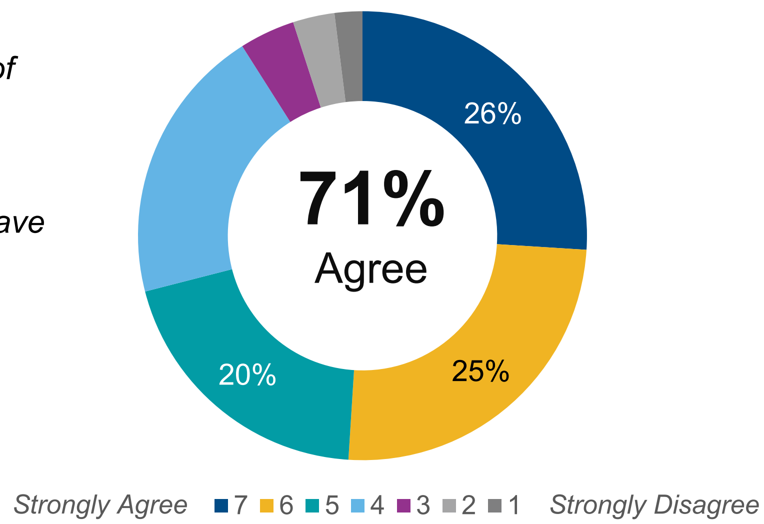




Guaranteed lifetime income is an important driver of financial resiliency through the COVID-19 pandemic.

- 9 in 10 respondents agree that once people are retired, it is important that they have sources of income that will not run out as they age. Respondents also identify guaranteed lifetime income as a top contributor to feeling financially resilient.
- According to those who have a source of guaranteed lifetime income for retirement, 7 in 10 say that knowing that income will be there for them in retirement has made them feel more financially resilient through the COVID-19 pandemic.

Agree or Disagree:
Knowing you will have a source of guaranteed lifetime income has made you feel more financially resilient through the Covid-19 pandemic (asked of those who have a source of GLI)



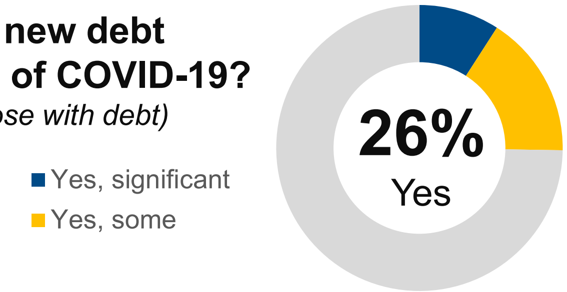
The severity of debt has an immense impact on being on track with retirement savings.

65% **Have debt beyond a mortgage or car loan**

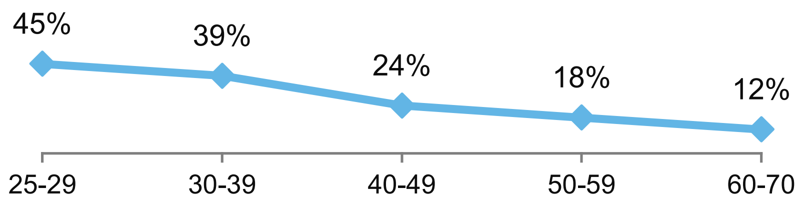
23% **Have four or more type of debt**

10% **Have an "unmanageable" or "crushing" amount of debt**

Took on new debt because of COVID-19?
(Among those with debt)

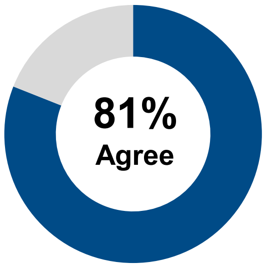


% New debt by age



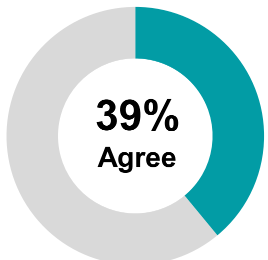
- Not surprisingly, debt is commonplace for individuals today. 8 in 10 have some form of debt and two-thirds have debt beyond a mortgage or car loan.
- Credit card debt is the most common (52%), although nearly a quarter of respondents say they have four or more different types of debt.
- A quarter of respondents also report having to take on new debt because of COVID-19. Of those under 40, however, this is the case for about 4 in 10.
- More important than the existence of debt is the severity of it, though. And in fact, the vast majority consider their debt manageable: 37% describe it as easily manageable, 53% say it is manageable, and only 10% consider their debt unmanageable or "crushing."
- The impact of debt severity on retirement savings is immense, however. While 55% of those with "easily manageable" debt say they are on track with saving for retirement, only 24% of those with just manageable debt and just 6% of those with unmanageable debt say the same.

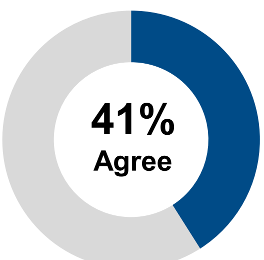
Many respondents feel financially vulnerable.



Believe it is important to have investments that are protected against losing too much money in a market downturn

Your investments are well protected from stock market downturns and volatility





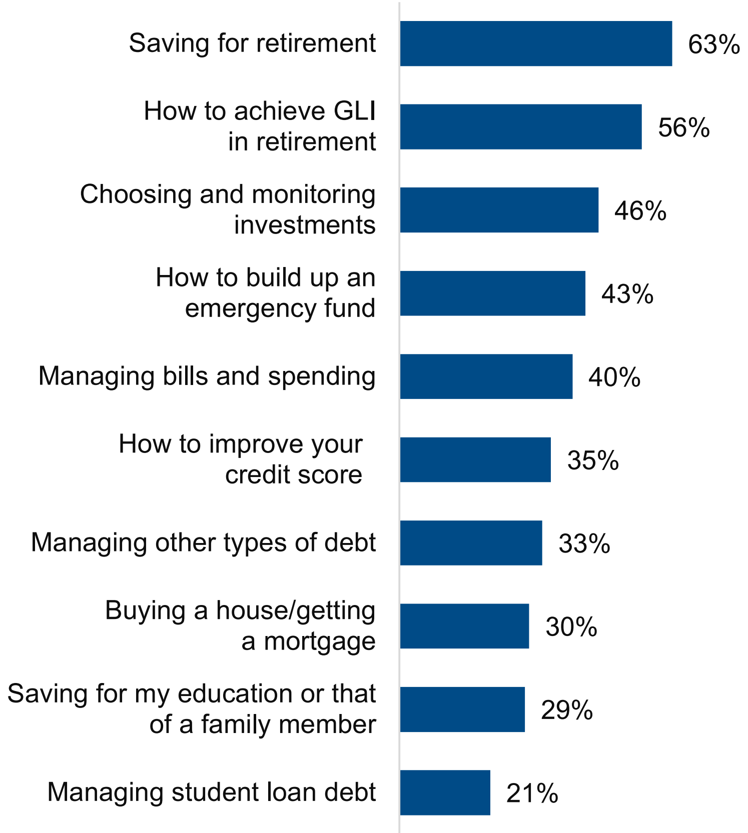
You feel financially vulnerable at this point in time

- 8 in 10 respondents believe it is important to have investments that are protected against losing too much money in a market downturn. In addition, 3 in 10 say the pandemic has made them value investments that offer protection from investment risk even more.
- Despite this belief, only 39% feel that their investments are currently well protected from downturns and volatility. And 4 in 10 say they feel financially vulnerable at this point in time. Given the market volatility of the past year, these concerns are likely well-founded.
- Interestingly, of those working with a financial advisor, 53% say they feel well protected from investment risk (vs. 32% of those without an advisor). This underscores the need for help among those managing their investments on their own, but it also indicates that even those with advisors feel vulnerable if only half consider themselves well-protected.

Saving for retirement and guaranteed lifetime income top workers' interest in workplace wellness.

Workplace wellness topics of interest

(Percent extremely/very interested)

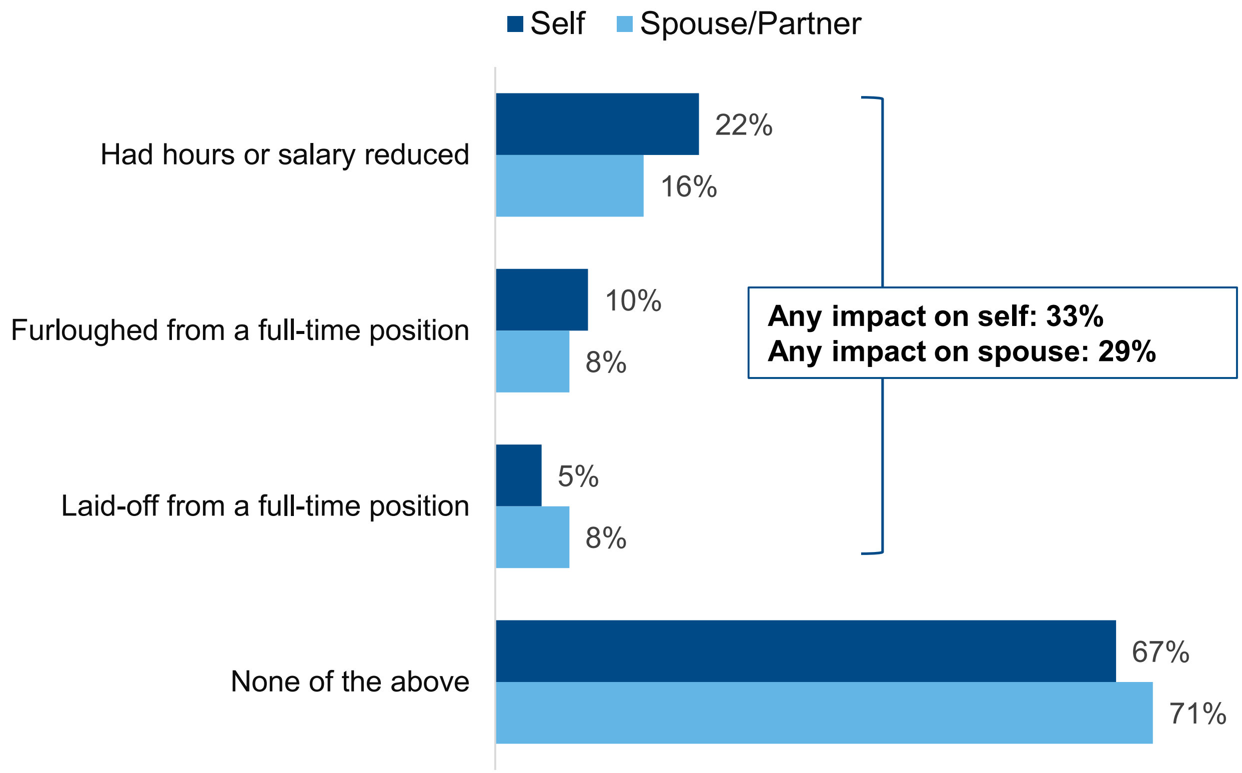


- The topics of most interest relate to retirement security. 63% of workers are extremely or very interested in resources or education on saving for retirement, and 56% say the same about information on how to achieve guaranteed lifetime income in retirement.
- More than 4 in 10 are also highly interested in resources regarding investment management and how to build up an emergency fund.
- While retirement-related wellness topics are of interest to all, younger workers also express great interest in a variety of topics.

Detailed Findings:
Current Financial Standing and the Impact of COVID-19

A third of consumers had their employment impacted, at least temporarily, by COVID-19.

COVID-19's impact on employment



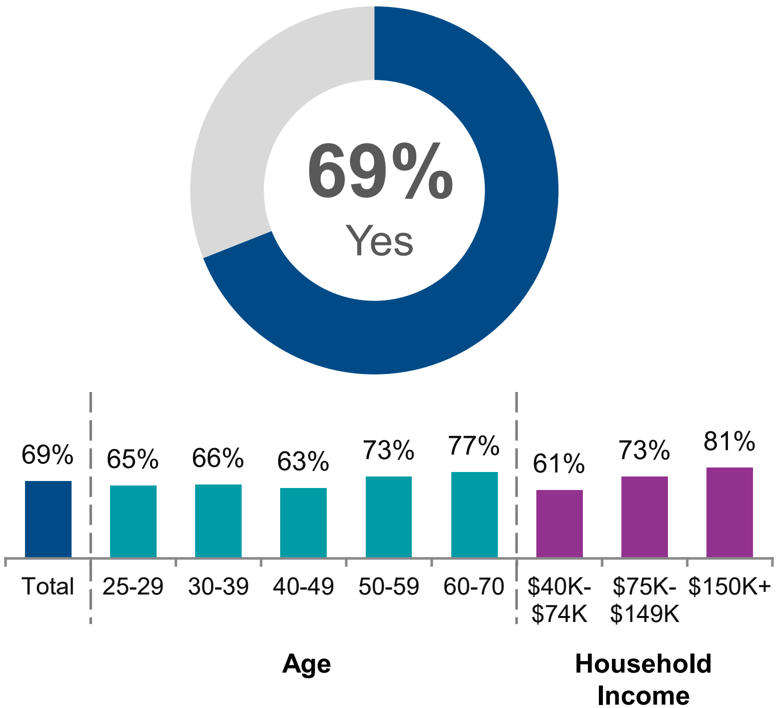
Most likely to be impacted:
- Workers under 40 (42%)
- Hispanic (49%)
- Lower income (38%)

Where are the furloughed workers now:
- 72% back full-time
- 19% still furloughed
- 5% back part-time
- 2% unemployed
- 3% other

Q1. Have any of the following happened to you personally since the onset of the Covid-19 (coronavirus) pandemic? Please select all that apply. (Total, n=3,040)
Q2. Have any of the following happened to your spouse/partner since the onset of the pandemic? Please select all that apply. (Has spouse/partner, n=2,105)

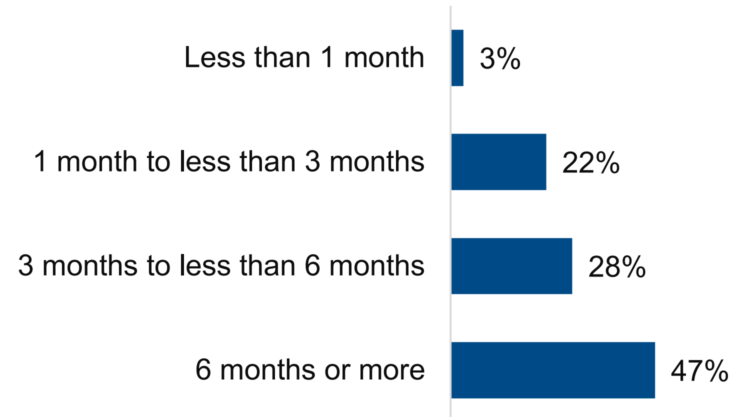
Many respondents had an emergency fund prior to the pandemic, with nearly half having coverage for 6+ months.

Had emergency fund prior to pandemic



How many months emergency fund would cover

(Among those with an emergency fund)



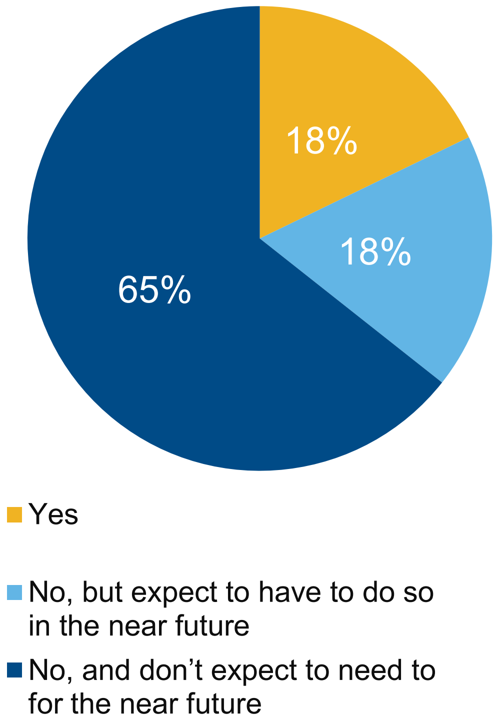
Age impacts not only the likelihood of having had an emergency fund, but also the size of the fund. Those in their 60s are **more than twice as likely** as those under 40 to have an emergency fund that would last 6+ months.

Q3. Prior to the pandemic, did you (and your family) have an emergency fund set up to help pay for major unexpected expenses or to cover necessities if you lost your main source of income? (Total, n=3,040)
Q4. Prior to the pandemic, for how long would you be able to pay your bills for such things as housing, food, or other necessities from your emergency fund if you lost your main source of income? (Had emergency fund prior to pandemic, n=2,246)

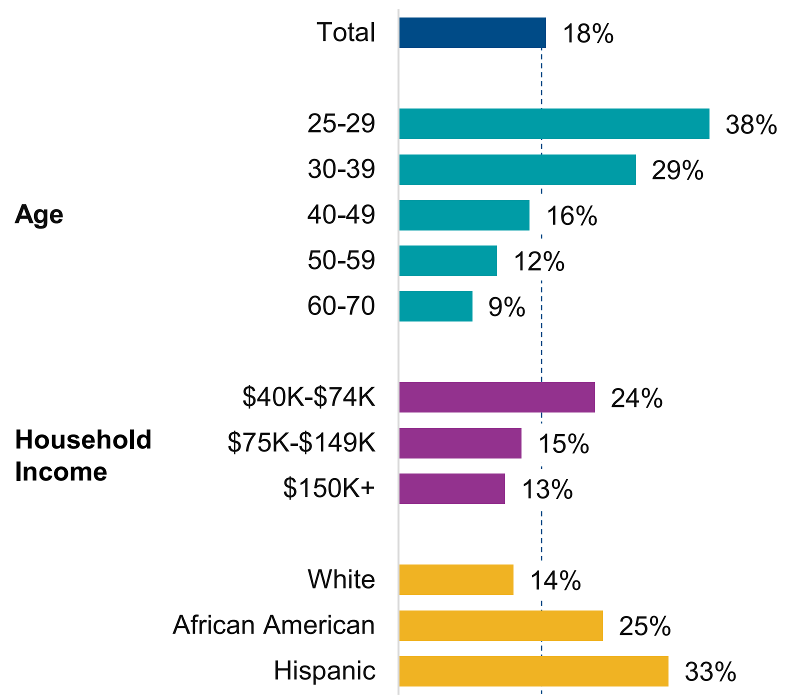
Younger and less affluent Americans have had to dip into their emergency funds.

Have had to dip into emergency fund since onset of COVID-19

(Among those with an emergency fund prior)



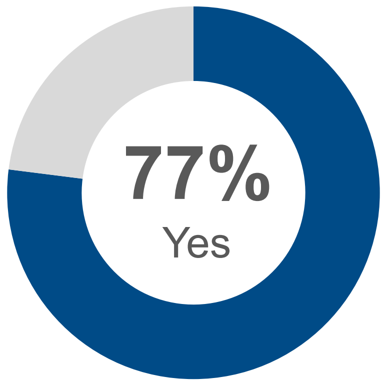
Percent by subgroup

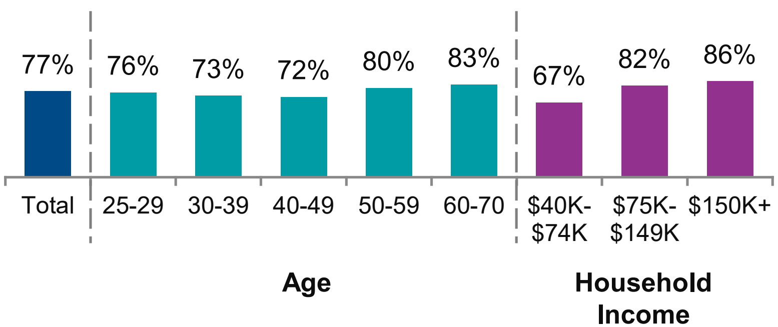


Q5. Have you dipped into your emergency fund to make ends meet since the onset of the pandemic? (Had emergency fund prior to pandemic, n=2,246)

Despite the hardship of the pandemic, more consumers now have an emergency fund.

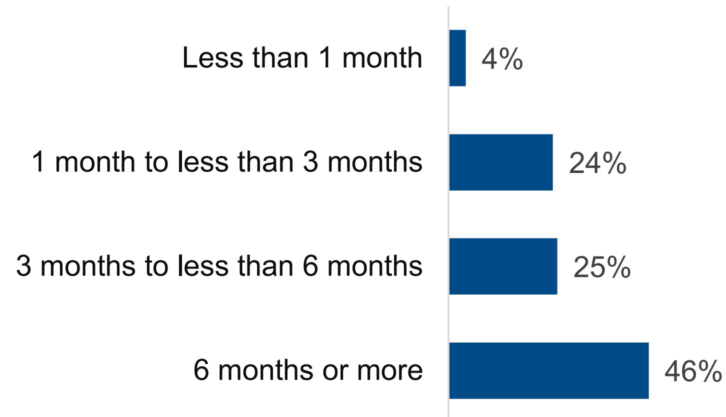
Has emergency fund now





How many months current emergency fund would cover

(Among those with an emergency fund)



African Americans and Hispanic consumer are less likely to have an emergency fund and less saved:

Has fund

- 66% African American
- 74% Hispanic
- 80% White

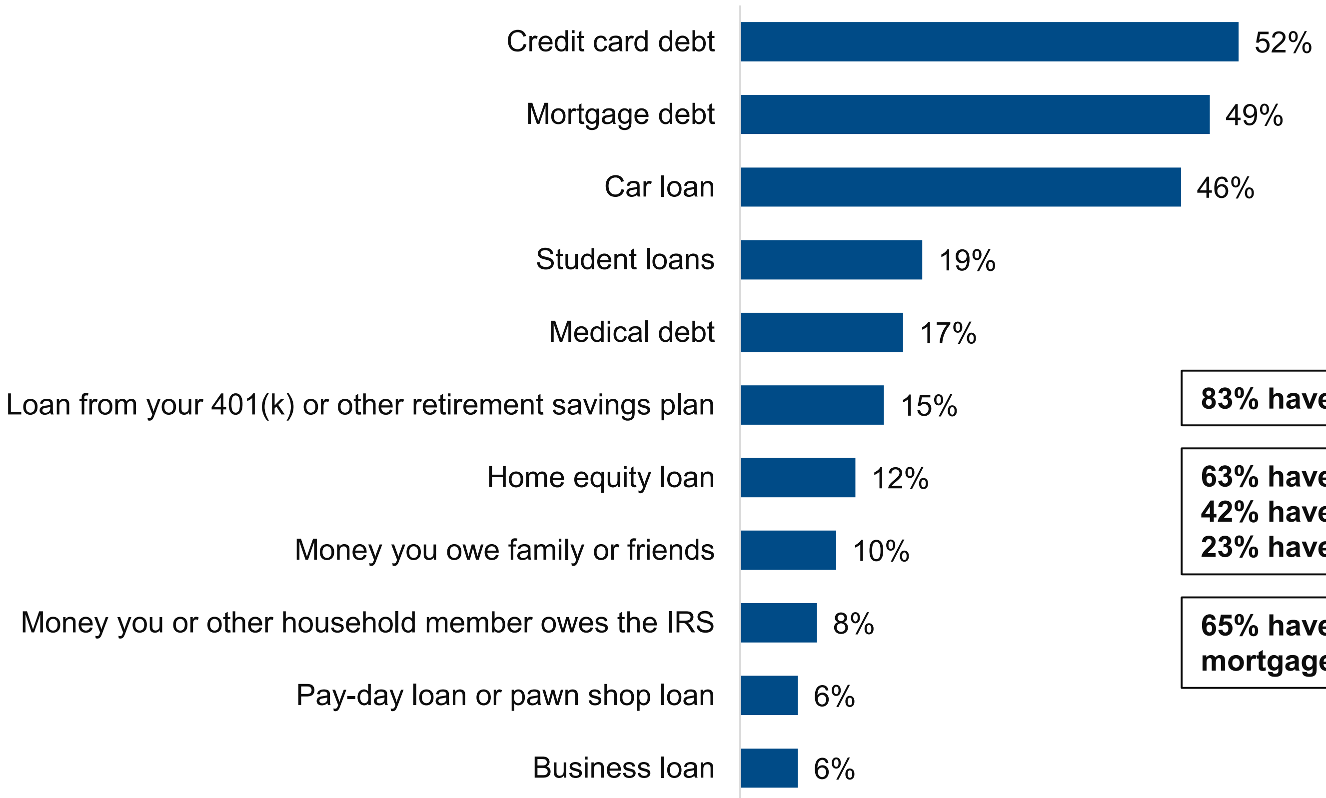
Fund covers 6 mo.

- 31% African American
- 33% Hispanic
- 51% White

Q6. Do you (and your family) currently have an emergency fund? (Total, n=3,040)
Q7. At this point in time, for how long do you think you would be able to pay your bills for such things as housing, food, or other necessities from your emergency fund if you lost your main source of income? (Has an emergency fund now, n=2,479)

Many Americans have some type of debt beyond a mortgage and car loan.

Current types of debt



83% have any debt currently

63% have 2+ types of debt
42% have 3+ types of debt
23% have 4+ types of debt

65% have debt beyond a mortgage or car loan

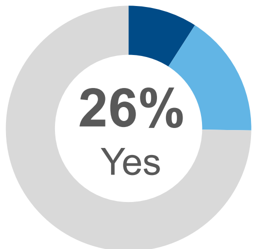
Q8. Which, if any, of the following types of debt do you (or your spouse/partner) have? (Total, n=3,040)

For those under 40, many have taken on new debt.

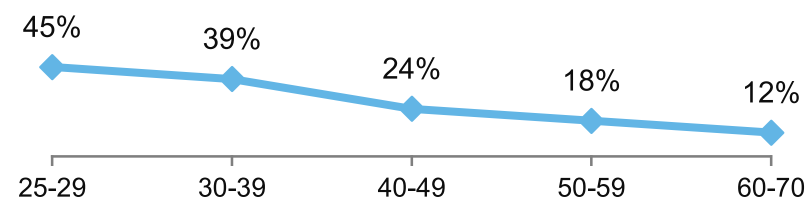
Took on new debt because of COVID-19?

(Among those with debt)

■ Yes, significant
■ Yes, some

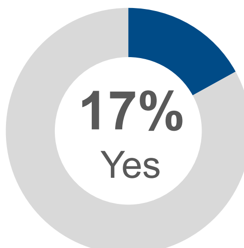


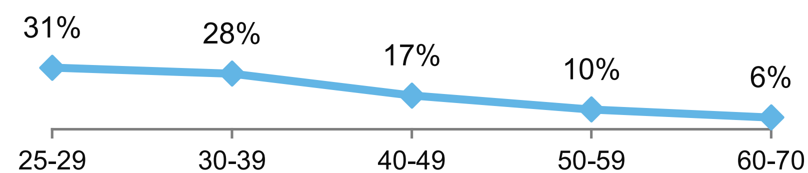
Percent net yes by age



Asked for forbearance on debts?

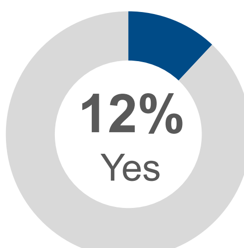
(Among those with debt)

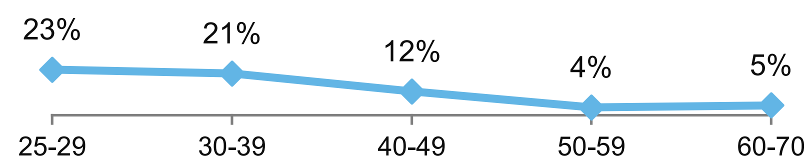




Took a loan or withdrawal from retirement savings?

(Among those saving in an employer plan)



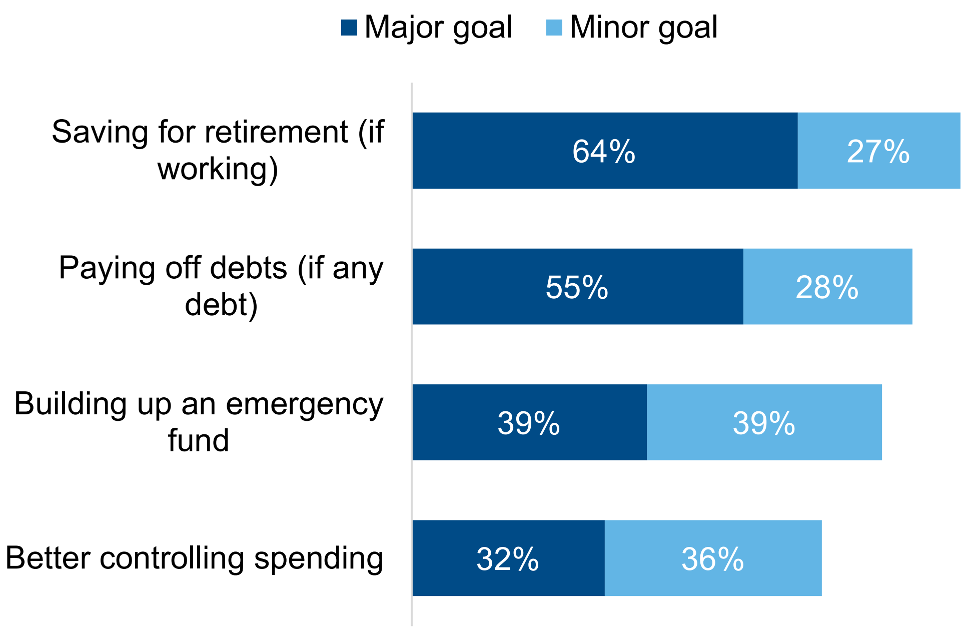


Q10. Have you had to take on new debt as a result of the pandemic? (Has any debt, n=2,480)
Q11. Have you asked for forbearance (a temporary suspension of debt payments under financially difficult circumstances) on any debts since the pandemic? (Has any debt n=2,480)
Q18. Have you taken a loan or withdrawal from a retirement savings account as a result of the pandemic? Please select all that apply. (Contributing to a DC plan, n=2,179)

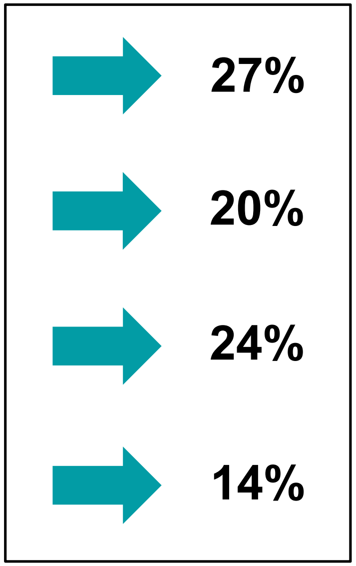
Detailed Findings:
Financial Goals

Saving for retirement is a major goal for most, but many workers are off track with retirement savings.

Current top financial goals



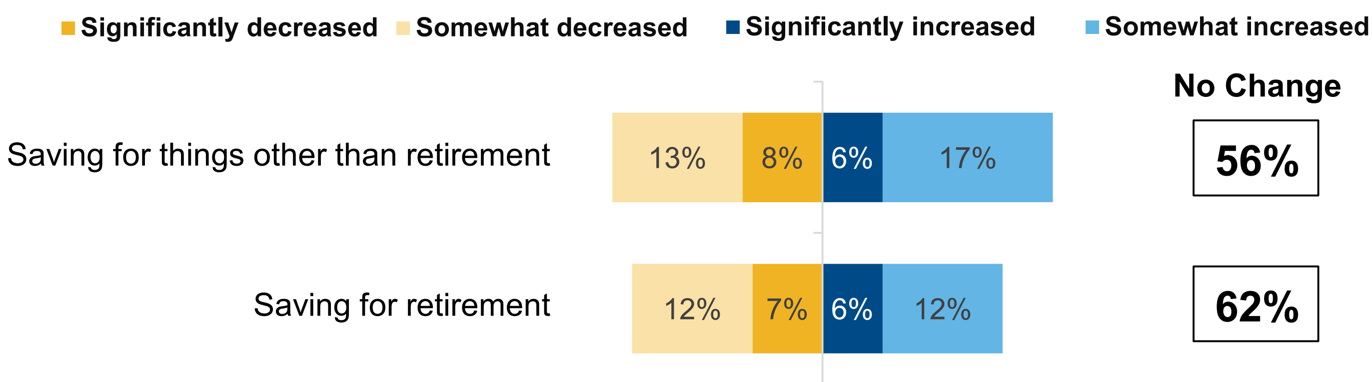
Percent far from on track with top financial goals



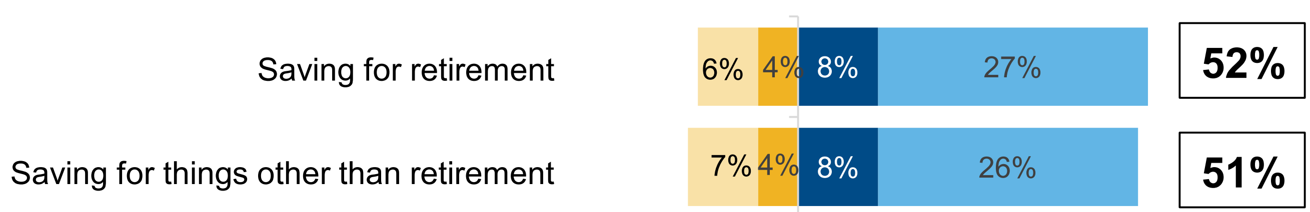
Q14. To what extent, if at all, is each of the following one of your household's financial goals at this point in time? (n sizes vary)
Q16. You answered that you do not feel on track regarding the following financial goals. Which of your goals have been impacted by the pandemic? Please select all that apply. (If not on track with any goals, n=2,182)

Most have not changed their savings goals, but more than a third expect to increase the amount they are saving.

Changes in saving goals *since pandemic*



Changes in saving *expected this year*

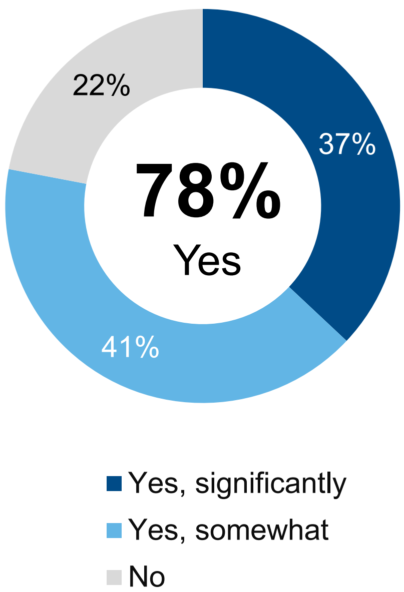


Q19. Since the start of the pandemic, to what degree, if at all, have you changed the following? (Total, n=3,040)

Q20. Over the course of the next year, what changes do you expect to make, if any, to the following? (Total, n=3,040)

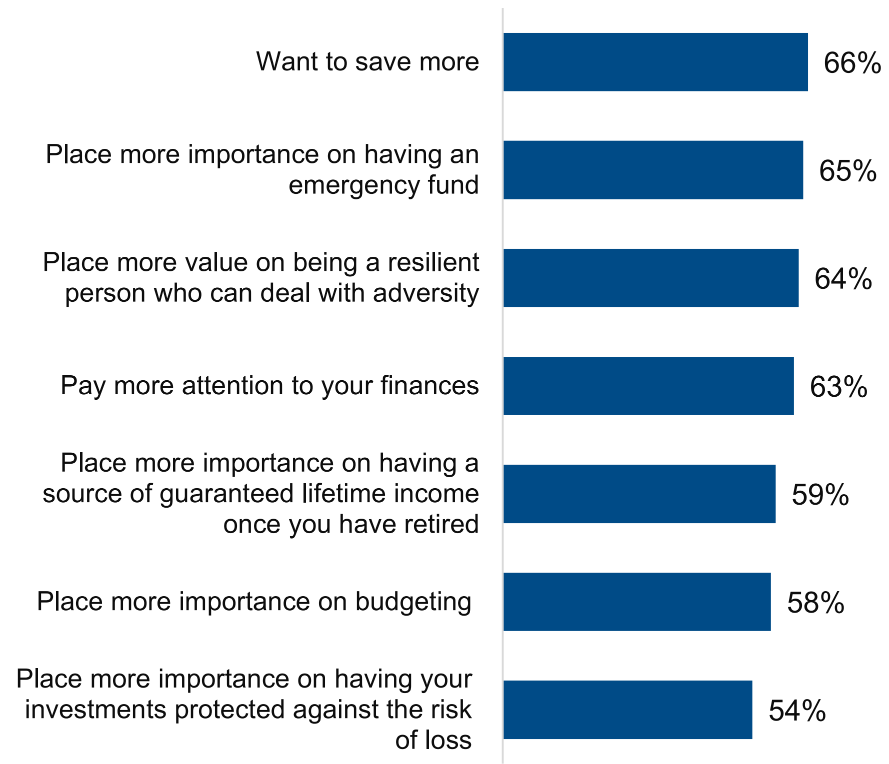
COVID-19 has changed what people view as important in their financial life.

Has COVID-19 changed views about what is important in their financial life?



How COVID-19 has impacted views

(% Agree)



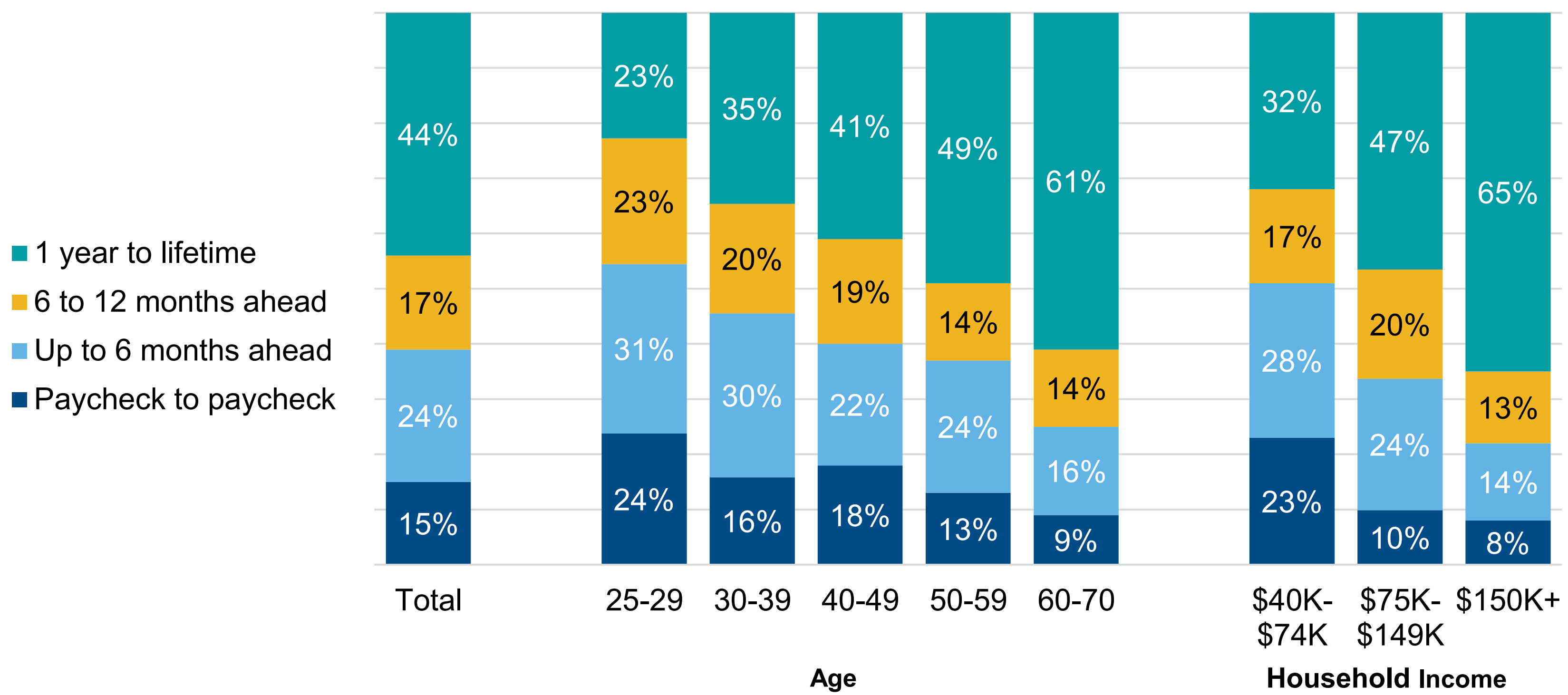
Q21. Thinking back to the beginning of the year before the Covid-19 pandemic hit this country, do you think the crisis has changed your views about what is important in life? (Total, n=3,040)

Q22. To what extent do you agree or disagree that living through the Covid-19 pandemic has impacted your views in the following ways? (Total, n=3,040)

Majority of Americans focus on short-term financial planning.

- Over half of respondents plan financially for only up to a year ahead; younger respondents and those with less income are more likely to focus on the short-term.
- Although 50% of respondents report no change in financial planning time frames as a result of the pandemic, about a quarter say the pandemic has shifted their focus to a more short- and long-term perspective.

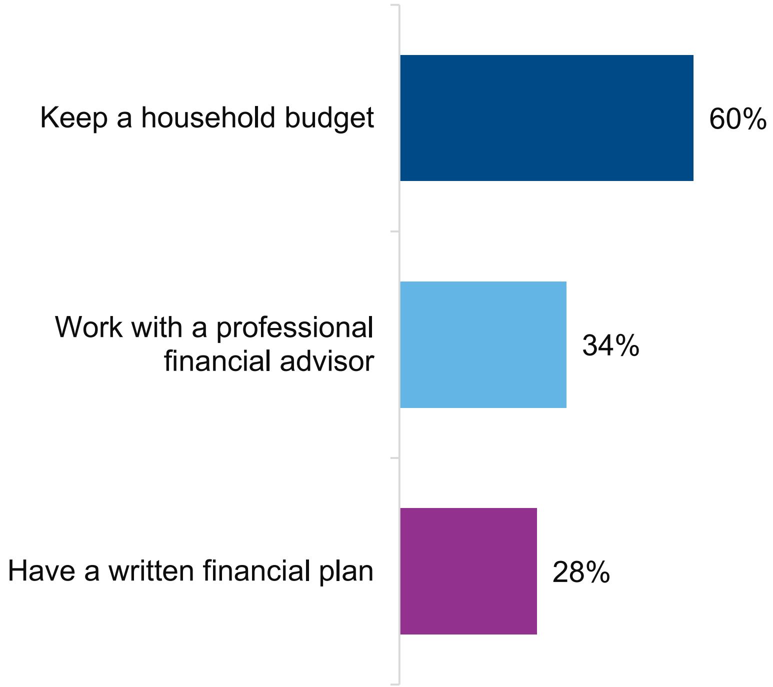
Typical time frame for financial planning



Q23. What is the typical time frame you consider when looking ahead to do financial planning? (Total, n=3,040)

A majority of consumers have a household budget, but few have a written financial plan.

Financial planning actions



69% of retirees keep a household budget (vs. 59% of workers).

48% of those in those with $150K+ in HHLD income work with an advisor (vs. 24% with $40K-$74K and 38% with $75K-$149K).

27% of African Americans and 30% of Hispanic consumers work with an advisor (vs. 37% of White consumers).

54% of those with an advisor have a written financial plan (vs. 15% without advisors).

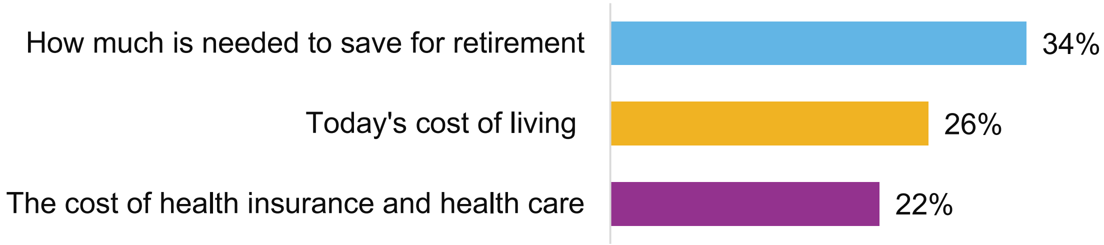
32% of men have a written financial plan (vs. 24% of women).

Q35. Do you have or do the following? (Total, n=3,040)

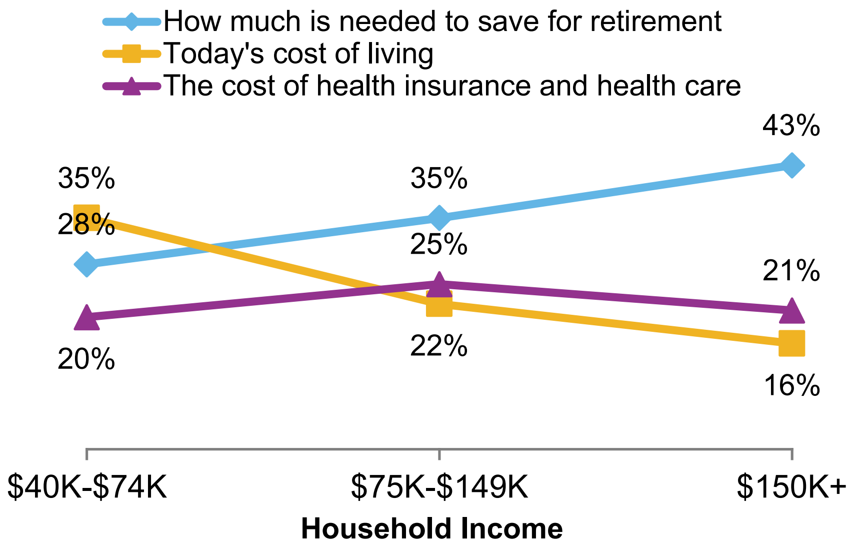
Detailed Findings:
Financial Confidence and Top Concerns

The biggest financial concern is how much is needed to save for retirement.

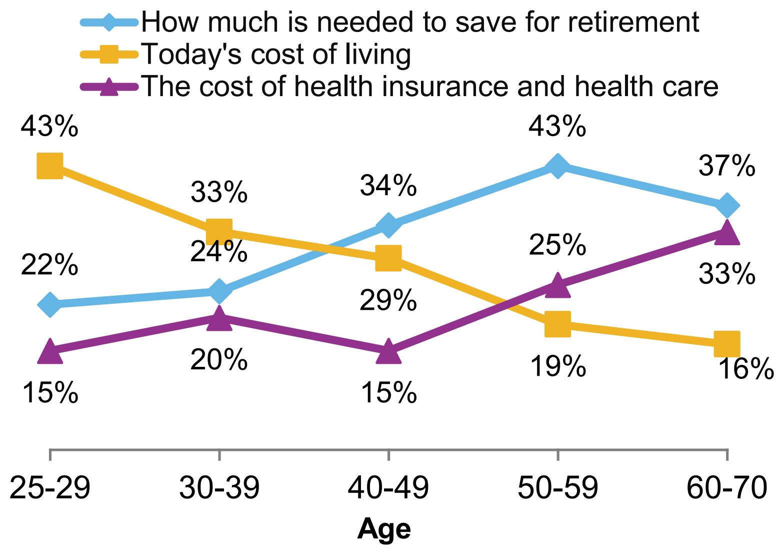
Top three most pressing financial concerns



Saving for retirement is the most pressing concern for those with higher incomes



Cost of living is top of mind for younger consumers

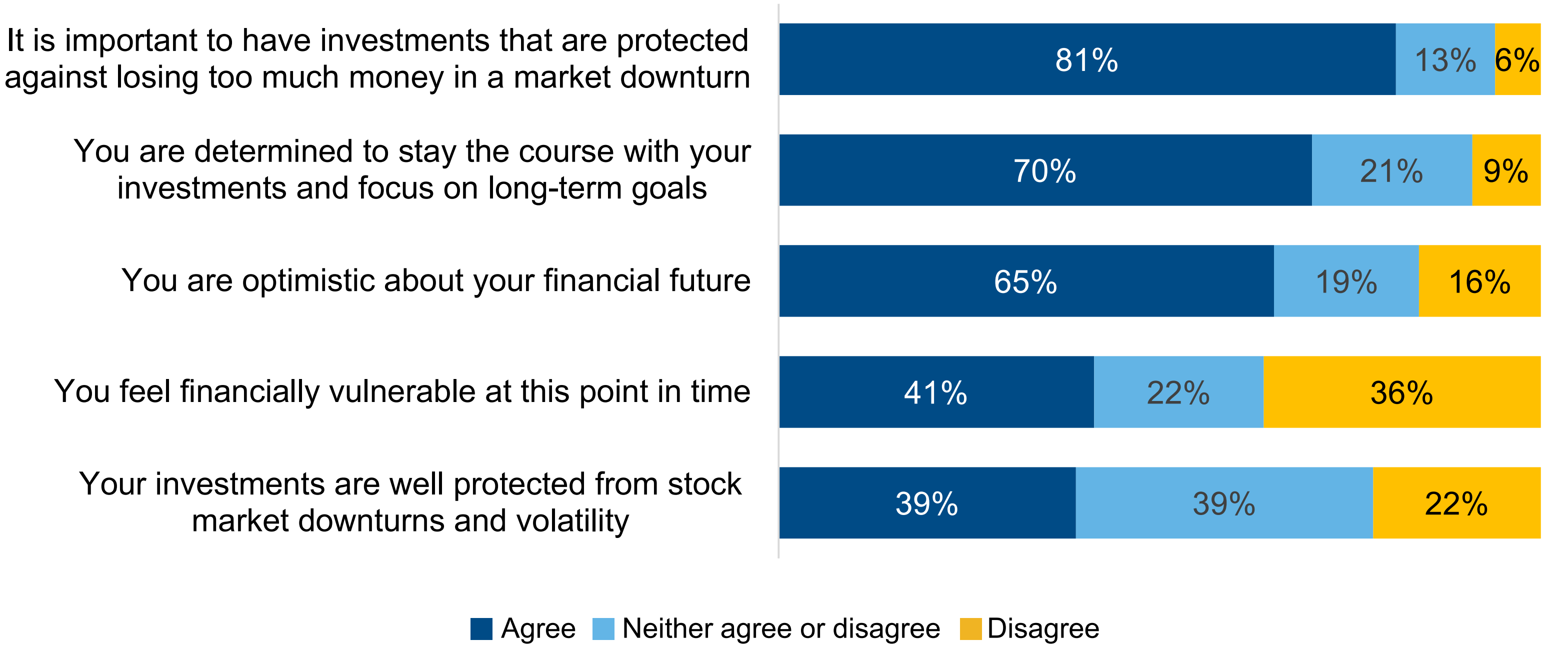


Q32. Which of the following is your biggest financial concern? (Total, n=3,040)

Investors agree on the importance of protecting investments, but less than half are doing so.

While 8 in 10 say it is important to have investments that are protected from downturns, only 39% say their investments are currently well protected

Attitudes about personal finances

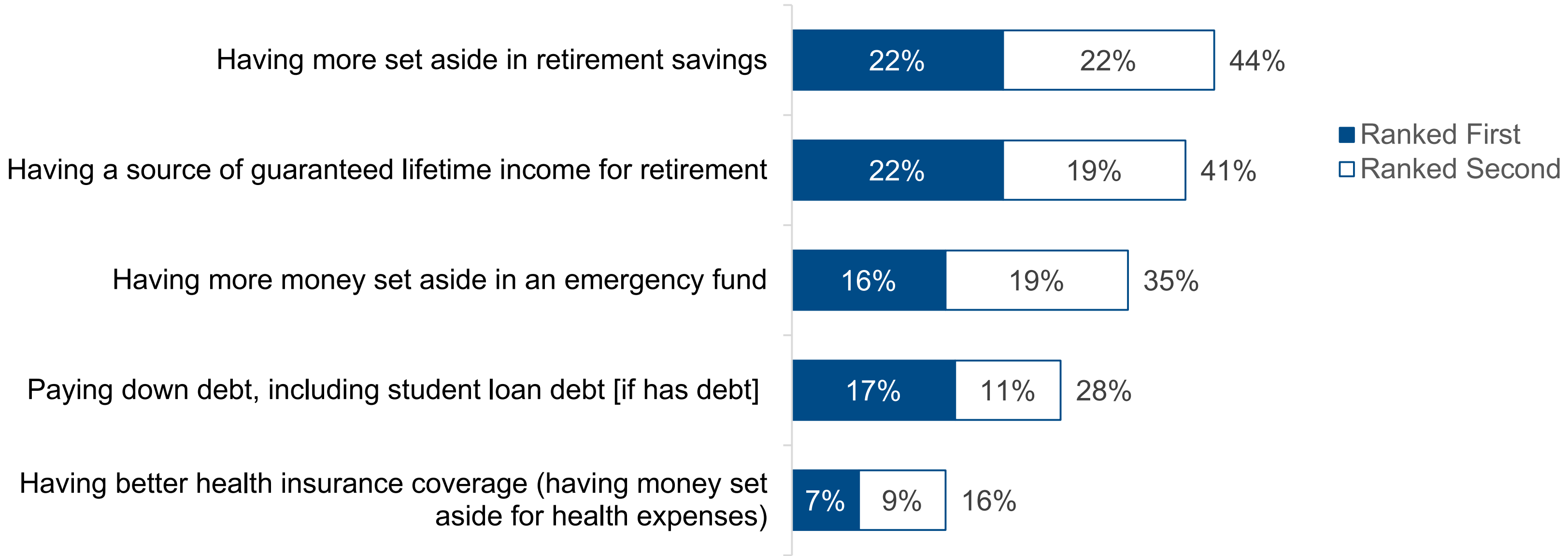


Q37/Q40a. To what extent do you agree or disagree with each of the following statements? (Total, n=3,040)

Detailed Findings:
Defining Financial Resiliency

Retirement savings and having a source of guaranteed lifetime income contribute most to financial resiliency.

Top five contributors to financial resiliency

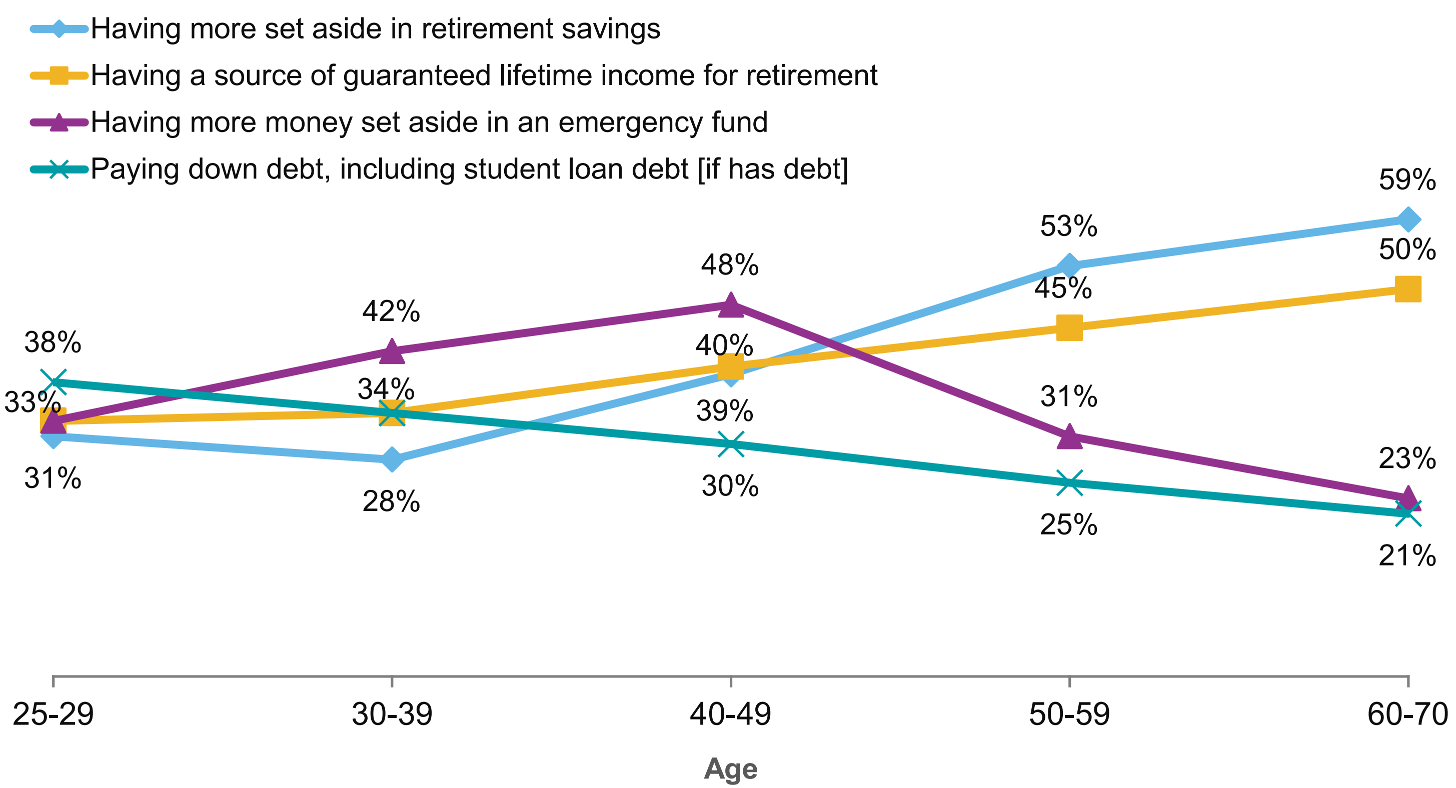


Q38. Please rank the top 2 items below in order of what would add most to your feeling of financial resiliency (your feeling that you can adjust and adapt financially to anything that might come up the most). (Total, n=3,040)

Top contributors to financial resiliency vary by age, but guaranteed lifetime income is constant throughout.

What contributes most to financial resiliency?

(Top 4 mentions by age)

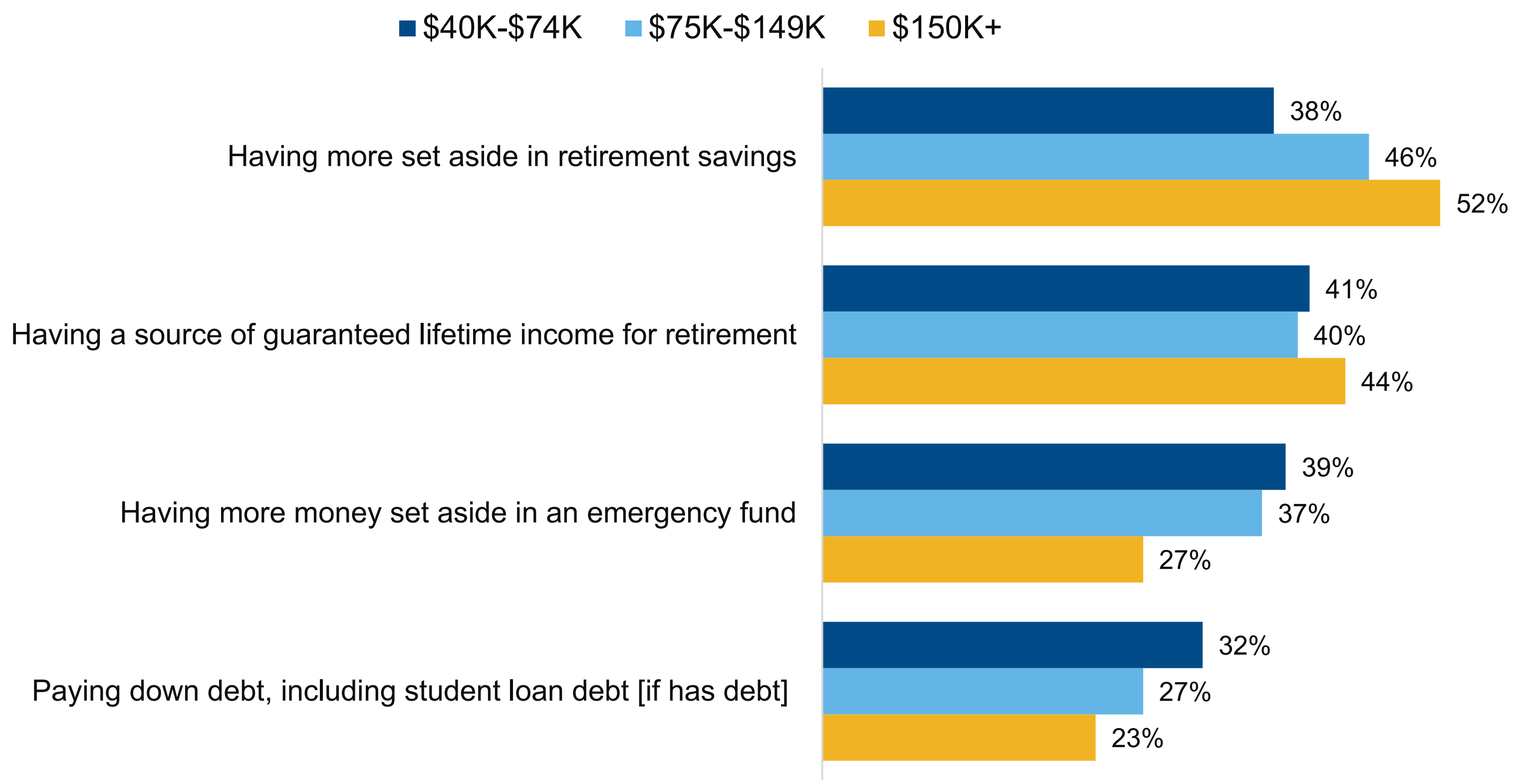


Q38. Please rank the top 2 items below in order of what would add most to your feeling of financial resiliency (your feeling that you can adjust and adapt financially to anything that might come up the most). (Total, n=3,040)

Guaranteed lifetime income seen as top contributor of financial resiliency for those with lower incomes.

What contributes most to financial resiliency?

(Top 4 mentions by household income)

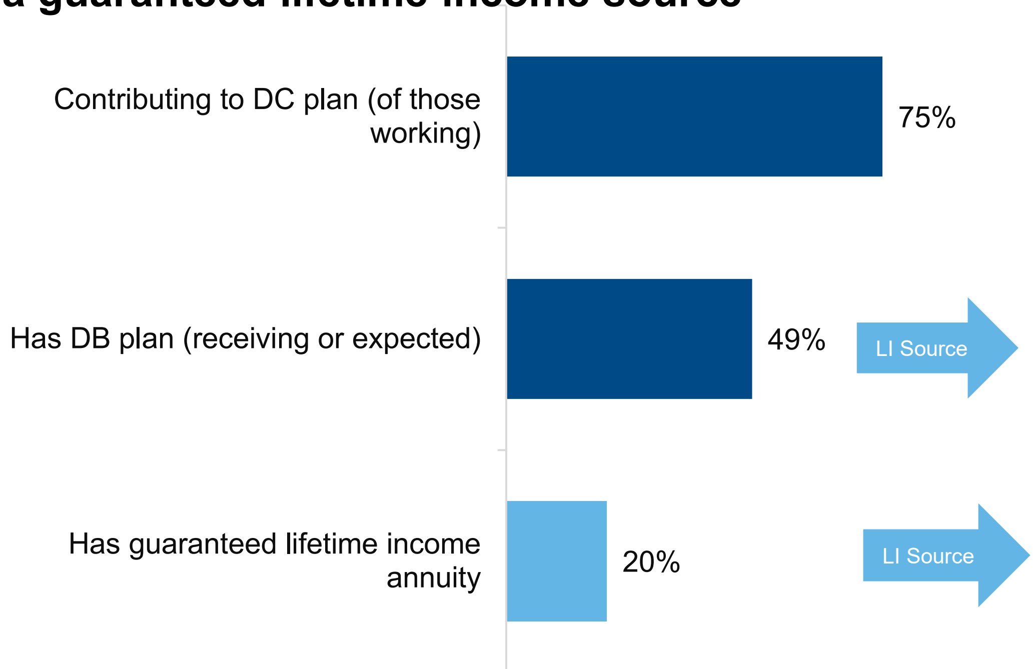


Q38. Please rank the top 2 items below in order of what would add most to your feeling of financial resiliency (your feeling that you can adjust and adapt financially to anything that might come up the most). (Total, n=3,040)

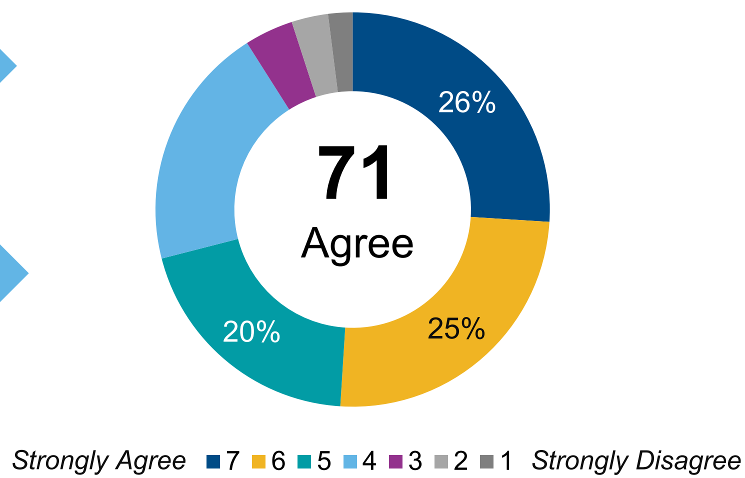
Detailed Findings:
Views on Guaranteed Lifetime Income

Having guaranteed lifetime income adds to feelings of financial resiliency.

Percent contributing to a DC plan and having a guaranteed lifetime income source



Agree or Disagree:
Knowing you will have a source of guaranteed lifetime income has made you feel more financially resilient through the Covid-19 pandemic (asked of those who have a source of guaranteed lifetime income)

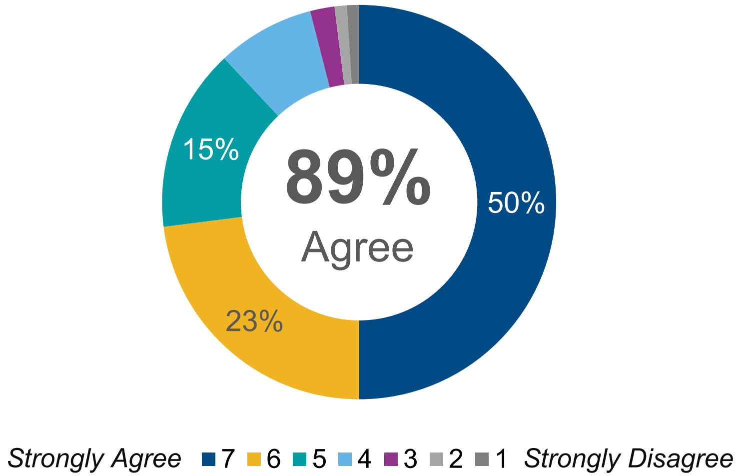


Q35. Do you have or do the following? (Total, n=3,040)
Q17. Do you contribute part of your salary to an employer-sponsored retirement plan, such as a 401(k) plan or 403(b) plan? (Working full-time, n=2,805)
Q33. Are you (or your spouse/partner) receiving income from an employer-provided traditional pension plan, also known as a defined benefit plan, or do you have earned vested benefits from such a plan that will provide income in the future? (Total, n=3,040)
Q34. Do you (or your spouse/partner) currently own an annuity that provides or will provide guaranteed lifetime income? (Total, n=3,040)
Q40. To what extent do you agree or disagree with the following statements? (Of those with pension or GLI Annuity) (Total, n=1,718)

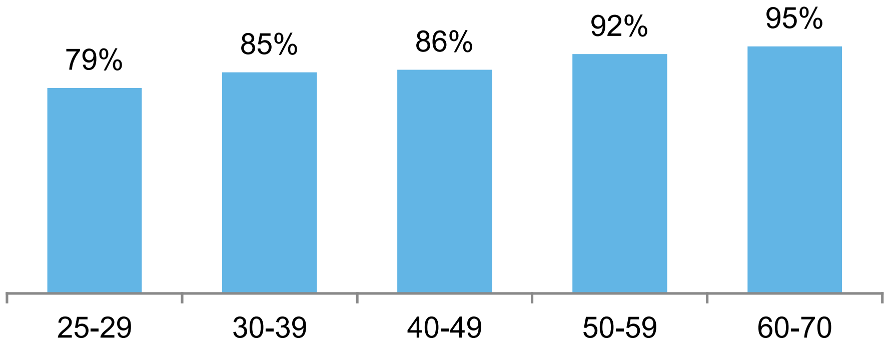
It's important to have a source of income that will not run out in retirement.

Attitudes about the importance of lifetime income

Agree or Disagree:
Once people are retired, it is important that they have sources of income that will not run out as they age



Percent agree by age



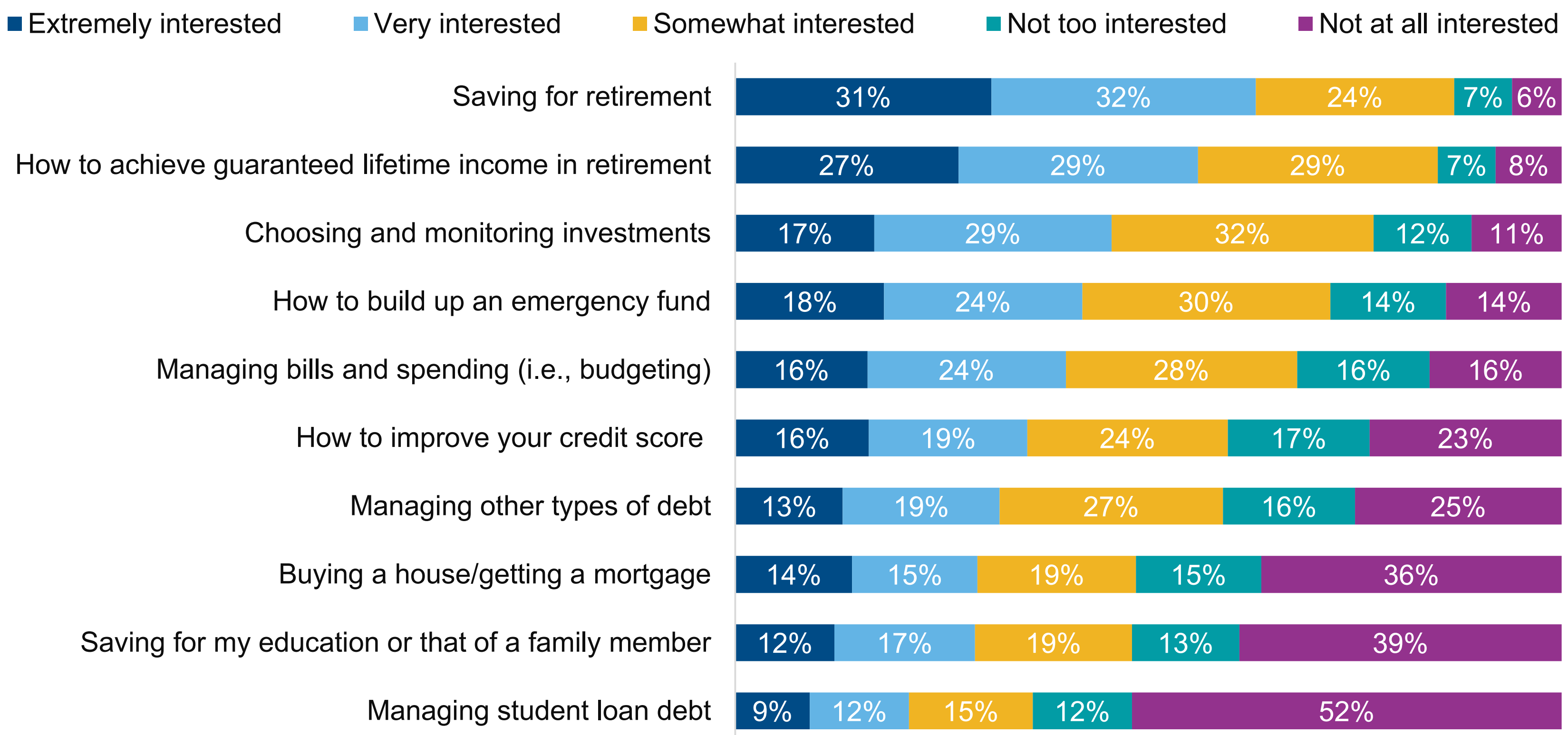
Q40. To what extent do you agree or disagree with the following statements? (Total, n=3,040)

Detailed Findings:
Interest in Workplace Wellness Resources

Respondents interested in learning more about saving for retirement and guaranteed lifetime income.

Interest in financial wellness topics

(Among workers)



Q41. Some employers provide financial wellness programs to their employees at no cost. These financial wellness programs offer educational material, access to tools and access to financial advisors to help employees deal with certain financial issues. If your employer offered a financial wellness program, how interested would you be in education, tools or advice on each of the following issues? (Currently working, n=2,861)

Retirement-related wellness topics are of universal interest, but younger households are also interested in broader topics.

Interest in financial wellness topics by age

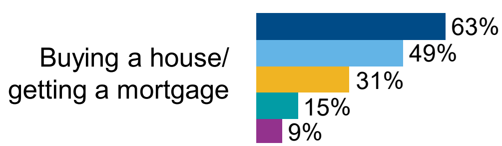
(Percent extremely/very interested among workers)

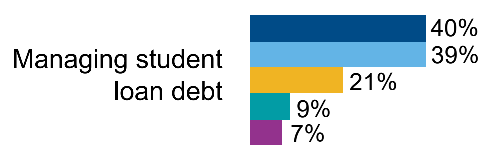
■ 25-29 ■ 30-39 ■ 40-49 ■ 50-59 ■ 60-70

Universal interest in retirement topics

Financial essentials top of mind with younger age groups

Buying a home and educational savings and debt less relevant to older age groups





Q41. How interested would you be in education, tools or advice on each of the following issues? (Currently working, n=2,861)

Learnings:
How to Build Financial Resiliency

Taking action to build financial resiliency.

Survey results indicate that the following four financial situations contribute the most to financial resiliency: having more in *retirement savings*, having a source of *guaranteed lifetime income* in retirement, having more in an *emergency fund*, and *paying down debt*.

Increasing retirement savings: Having one's finances squared away before retirement can give people confidence now and improve their quality of life when they get there. The first step is determining how much income they will need in retirement to help calculate their savings goals. From there, individuals can explore different ways to boost their savings levels if needed. That could mean taking advantage of an employer retirement plan match if offered or maybe cutting back on non-essential expenses and redirecting those saving to retirement accounts.

Having a source of guaranteed lifetime income in retirement: Turning savings and investments into a source of guaranteed monthly retirement income can help boost retirement confidence and financial resiliency. Beyond Social Security and defined benefit plans, only fixed annuities can provide guaranteed income in retirement.* Individuals may want to consider how an annuity through their workplace retirement plan if available or outside of an employer retirement plan can contribute to their retirement security and financial resiliency.

* Any guarantees are backed by the claims-paying ability of the issuing company.

Taking action to build financial resiliency (continued).

Building an emergency savings fund: The recent pandemic illustrates that a financial crisis isn't predictable and people may need an emergency savings fund to get by if the unexpected happens. As a rule of thumb, individuals should aim to have enough in a savings account to cover six months of expenses; however, everyone's situation is different, and that number may adjust based on individual circumstances. For most people, fully funding an emergency fund takes time, and it's important to start setting aside money to grow that fund as soon as possible.

Paying down debt: Being buried under debt makes it difficult to save enough for a rainy-day fund or for retirement. Learning how to reduce debt—while saving for longer-term goals—is critical to overall financial health. There are a number of steps individuals can take to start chipping away at debt, starting with creating a budget. With a budget in place, individuals can then evaluate the different types of debt they hold and put a plan in place to best tackle it. That could mean paying off higher interest charges first or maybe focusing on short- versus long-term debt. It could also perhaps mean consolidating debt.

Taking action to build financial resiliency (continued).

Should you prioritize saving for retirement, paying down debt or creating an emergency fund?
Not everybody's situation is the same, and it's going to be harder for some people than it is for others. But, the truth is, it can be possible to set aside money for several goals at once —not easy, but possible. By nature, retirement savings are designed to grow over time, so the sooner you start saving and investing for retirement or any other goal, the more time you'll have to take advantage of the power of compounding. And compounding is simply too good to put off.

Have a plan to pay down your debt
Evaluate which debt you want to pay off first. Keep in mind that some forms of debt, such as student loans and mortgages, are generally considered good debt because they can help you move forward in life and build wealth. Other types of debt, such as credit card debt, are often viewed as bad debt, as they tend to have high interest rates. You might prioritize paying off bad debt first as you set up a payment plan.

Build an "income floor"
If you want your guaranteed income to cover 100% of fixed expenses in retirement, calculate how much you expect to get from Social Security and other sources. If there's a gap, consider using a portion of your savings to fill it with payments from a fixed annuity. You can always convert more of your savings into lifetime income later if the need arises.

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Any guarantees are backed by the claims-paying ability of the issuing company.

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