

PERSPECTIVES ON RETIREMENT

2016 Retirement Preparedness Survey Findings

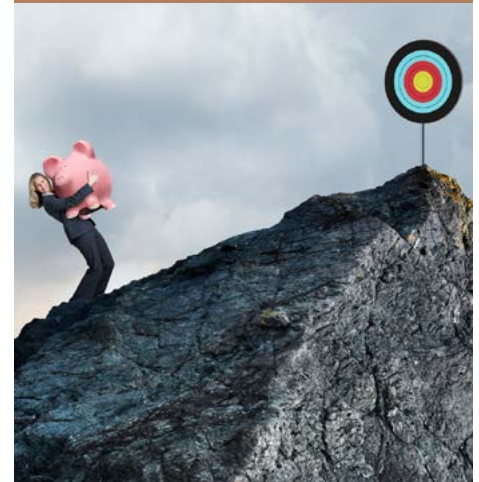
KEY THEMES

Saving for retirement is getting progressively harder for each generation. More than half of pre-retirees expect to have a more difficult time saving for retirement than their parents or grandparents did.

Overwhelmed with investment choices, individuals have little understanding about what they are invested in. Only six in ten investors say they are knowledgeable of how their assets are currently allocated between stocks, bonds, and cash or the types of products they are invested in.

Far from reaching savings goals, pre-retirees need a plan, but have inertia. Nearly three-quarters of pre-retirees agree that they should be doing more to prepare for retirement, but four in ten say they simply don't know what to do.

Advisors play an important role in bridging the retirement preparedness gap. Less than half of individuals use an advisor, but those who do see the benefits.



TOP 3 FINANCIAL PRIORITIES

	Retirees		Pre-retirees	
#1	Having enough money to maintain lifestyle throughout retirement	68%	Saving for retirement	58%
#2	Not running out of money in retirement	59%	Having enough money to maintain lifestyle throughout retirement	41%
#3	Affording medical/ health care	53%	Covering basic monthly expenses	38%

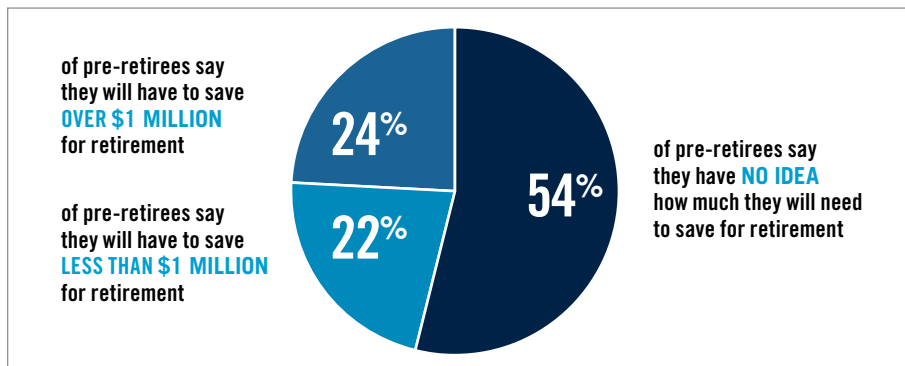
SAVING FOR RETIREMENT IS GETTING PROGRESSIVELY HARDER FOR EACH GENERATION

- Americans expect to have a more difficult time saving for retirement than their parents' generation.
 - Healthcare costs (48%), illness or disability (43%), and changes to Social Security (43%) are the top aspects adults fear could have negative impacts on their retirement.
 - Most retirees (75%) think that people who have not yet retired will have a more difficult time saving for retirement compared to their generation.
 - Pre-retirees (57%) tend to believe that their generation will have a more difficult time saving for retirement than their parents or grandparents did.
- There is some momentum in awareness and savings behaviors.
 - Planning for retirement is the #1 financial priority of Americans today.¹
 - About a quarter of pre-retirees are more realistic about the amount of money needed in retirement, while the majority have no idea.
 - On average, pre-retirees expect to retire later (age 65).
 - 20% say they may never be able to retire.

TOP FIVE FINANCIAL PRIORITIES

1. Saving for retirement (49%)
2. Having enough money to maintain lifestyle throughout retirement (47%)
3. Covering basic monthly expenses (40%)
4. Not running out of money in retirement (36%)
5. Affording medical/healthcare (34%)

HOW MUCH DO PRE-RETIRES THINK THEY'LL NEED?



- Savings attitudes and confidence levels vary across generations.
 - Overall, 35% of pre-retirees say they'll never be able to save enough, so it doesn't matter when they start.
 - Gen X (ages 35-49) say saving for retirement (65%) and financially supporting immediate family (45%) are top financial priorities. Among those who prioritize not running out of money in retirement, only a slight majority are confident they can achieve this goal.
 - Millennials (ages 21-34) are confident in their ability to save (84%)², yet only 38% are currently enrolled in an employer-sponsored retirement account and nearly 2 in 10 (18%) haven't yet started to save for retirement.
 - Across generations, more than half of Americans say they would use savings to cover a financial emergency (57%). In addition, Millennials are also most likely to borrow money from family/friends (32%) or take out a bank loan (18%).

¹This is the net of multiple responses: Saving for retirement (58% Pre-retirees/ 10% Retirees), Having enough money to maintain my lifestyle throughout retirement (41% Pre-retirees/ 68% Retirees), Not running out of money in retirement (31% Pre-retirees/ 59% Retirees), Not becoming a financial burden to my loved ones in retirement (14% Pre-retirees/ 41% Retirees).

²Base: Among millennials who selected 'Saving for Retirement' as one of their top 5 financial priorities.

OVERWHELMED WITH INVESTMENT CHOICES, INDIVIDUALS HAVE LITTLE UNDERSTANDING ABOUT WHAT THEY ARE INVESTED IN

- Investing is out of the comfort zone for many individuals.
 - Nearly two-thirds (64%) are overwhelmed by the number of financial product choices.
 - About 2 in 3 (66%) agree that it's harder to be an investor today than during their parents' generation.
 - Of the 29% who say they are not prepared to make financial decisions, 42% cite industry jargon and 35% cite lack of financial education as key reasons.
- Over half of investors (53%) say they do not have time to be actively involved in the day-to-day management of their investments.
 - Less than half of those who have financial investments (44%) say they enjoy investing (pre-retirees 46%, retirees 34%).
- About half of investors (52%) worry quite often about their investments being exposed to the ups and downs of the stock market.
- Americans span a wide range, from expert to beginner, in terms of their personal experience and knowledge about investing.
 - Four in ten adults say they are experienced investors, and a similar proportion say they are knowledgeable about investment products:
 - Not experienced (59%) vs. experienced (41%). Only 10% say very experienced.
 - Not knowledgeable of investment products (53%) vs. knowledgeable (47%). Only 10% say very knowledgeable.
 - Nearly six in ten investors say they are knowledgeable of how their assets are currently allocated or the types of products they are invested in:*
 - How their assets are allocated between stocks, bonds and cash (58%)
 - The types of products they are invested in (57%)
- There are several “disconnects” which may lead to suboptimal investing.
 - Over half of pre-retirees (56%) say they are willing to take significant or some risks, but their portfolio allocations often state otherwise.
 - Individuals may not be investing in the right way:
 - Millennials are far less likely to invest in equities than other generations, allocating 32% to equities compared to 48% for Gen X and 45% for Boomers.
 - Pre-retirees and retirees are allocated roughly the same way.

INVESTMENT PORTFOLIO ALLOCATION**

	Pre-retirees	Retirees
Equities	43%	43%
Fixed Income	21%	17%
Cash	36%	40%

*Excludes those who only have real estate or cash value life insurance.

**Respondents who have at least a little knowledge of their investment allocation. 33% of respondents selected “I am not at all sure.”

TOP SAVINGS AND INVESTING GOALS

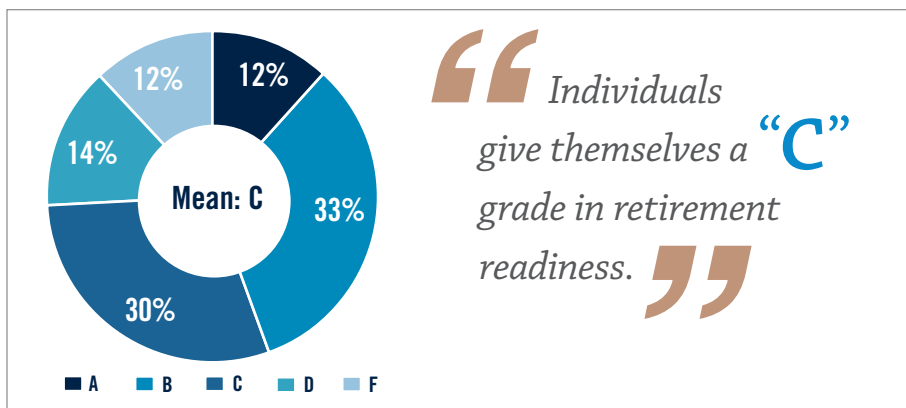
1. Save as much as I can (33%)
2. Ensure that my money is earning something (16%)
3. Preserve and protect my savings (15%)
4. Achieve better financial returns (9%)
5. Reach a specific target amount of retirement assets (8%)

“ 71% consider themselves to be prepared to make wise financial decisions, but over 2 in 5 do not know how their assets are allocated or what products they have invested in. ”

FAR FROM REACHING SAVINGS GOALS, INDIVIDUALS NEED A PLAN, BUT HAVE INERTIA

- Individuals give themselves a “C” grade in retirement readiness on average.
 - Only about 1 in 10 (12%) self-evaluate as an “A”, and 1 in 10 (12%) give themselves a failing “F” grade.
 - While the savings estimate for retirement is more realistic for some pre-retirees, there is still a large gap—54% of pre-retirees have less than \$150k saved in their employer-sponsored plans.
 - Nearly half of pre-retirees (47%) are not sure at all what their monthly need for retirement will be.

RETIREMENT PREPAREDNESS GRADE



“ Individuals give themselves a “C” grade in retirement readiness. ”

- Many pre-retirees do not know how to tackle planning.
 - Only about half (56%) feel they have a strong retirement plan in place.
 - More than one-third (35%) say it takes too much work to figure out their retirement plan.
 - Nearly three-quarters of pre-retirees (74%) agree that they should be doing more to prepare for retirement, but 40% say they simply don’t know what to do.
- There may be new perspectives on the horizon that may impact planning.
 - Based on the realization (by 24%) that over \$1 million is needed for retirement, there is a larger gap to fill, so retirement plans should reflect “how to get there from here.”
 - Although many pre-retirees plan to retire later, many retirees have had to retire earlier than planned (e.g., health reasons, layoffs).
 - About half of retirees (51%) retired earlier than they planned. Of those who retired earlier, half (50%) retired 5 or more years earlier than expected.
 - Of those who retired earlier than expected, nearly half (46%) did so because they experienced health problems.
 - More are thinking of planning as inter-generational.
 - The majority of parents have given their children under age 18 financial advice
 - most commonly discussing the importance of saving early and often.
 - Just under 4 in 10 (38%) say that their parents ever gave them financial advice, far less than the advice they have given to their own children.

“ Nearly 6 in 10 parents offer financial advice to their children. ”

TOP ADVICE TO CHILDREN 18+

1. Budgeting income vs. expenses (69%)
2. Spending less (56%)
3. Saving for retirement (55%)
4. Financial planning (34%)
5. Non-retirement saving (21%)

TOP ADVICE TO CHILDREN UNDER 18

1. Saving is important (72%)
2. Save before buying (58%)
3. Learn to budget your money (57%)
4. Don’t spend it as soon as you get it (56%)
5. You need to make choices about how to spend money (54%)

INDIVIDUALS RECOGNIZE THE VALUE OF LIVE ADVICE, BUT LESS THAN HALF USE AN ADVISOR

- Many individuals appear “stuck” because they do not know what to do.
 - 74% of pre-retirees agree that they should be doing more to prepare for retirement, but 40% say they do not know what to do.
 - Roughly half of pre-retiree investors (56%) say they do not have the time to be actively involved in the day-to-day management of their investments.
 - Americans, on average, give themselves a “C” grade and do not have a good handle on their retirement plans or investments.
 - Of those who say they are not prepared to make financial decisions, 42% cite industry jargon and 35% cite lack of financial education as key reasons.
 - About half of Americans wish they had saved more (52%) or started saving earlier (46%) when it comes to preparing for retirement.
- Many continue to see the value of personalized advice.
 - The top source cited to learn about investing is a professional financial advisor.
 - The second most cited source to learn about investing is through financial institution websites.
 - 20% of pre-retirees look to their employer.
 - At least 1 in 7 (14%) adults do not rely on anything or anyone.
- Only 4 in 10 (44%) use a financial advisor.
 - Though many individuals aren’t reaching out to advisors, those who do see the benefits.
 - Those with an advisor are more confident in their ability to achieve their retirement savings goals.



SOURCES OF INVESTING INFORMATION

1. Professional financial advisor (37%)
2. Financial institution websites (34%)
3. Family or friends (29%)
4. Materials from financial companies (25%)
5. Newspapers, magazines, or books (24%)
6. Other online resources (23%)

TOP 5 THINGS RETIREES WISH THEY HAD DONE DIFFERENTLY

1. 45% Saved more
2. 42% Started saving earlier
3. 20% Retired later
4. 15% Invested more aggressively
5. 10% Consulted a financial advisor

TOP 5 REASONS PRE-RETIRES HAVEN'T STARTED SAVING

1. 62% I do not have enough extra money to save
2. 33% Paying down debt is a higher priority
3. 23% There is always something I need
4. 15% I would rather use the money for other purposes
5. 14% I don't know how to get started

What would you do?

SCENARIO #1

Which course of action would you be most likely to take in your investment/retirement portfolio if the stock market dropped by 10%... what about 20%?

1. Do nothing
2. Consult with a financial advisor.....
3. Rebalance investments
4. Buy investments
5. Sell investments
6. Other _____

SCENARIO #2

In case of a financial emergency such as losing your job, or if a family member got ill, would you...?

1. Use money from savings.....
2. Sell investments (stocks, bonds, mutual funds, etc.).....
3. Consult with an advisor
4. Borrow from family/friends
5. Take a loan against my 401(k)
6. Take out a bank loan.....
7. None.....

SCENARIO #3

If you received an inheritance of \$100,000, would you...?

1. Invest it (e.g., stocks, bonds)
2. Pay off debt (e.g., credit cards, car loans)
3. Save it for a rainy day.....
4. Pay off mortgage
5. Consult with a financial advisor.....
6. Spend it (e.g. car, big-screen TV, vacation)
7. Make a charitable donation
8. Pay off student loans (yours or your children's)
9. Contribute to a college fund
10. Other _____

Results:

10% Drop	20% Drop
45%	36%
29%	33%
17%	20%
14%	17%
9%	9%
2%	2%

Pre-retirees	Retirees
59%	50%
18%	15%
18%	12%
18%	7%
12%	1%
10%	6%
10%	24%

Pre-retirees	Retirees
50%	38%
44%	33%
42%	46%
25%	15%
21%	27%
19%	16%
16%	20%
12%	4%
11%	2%
0%	2%

WHAT ADVICE WOULD RETIREES GIVE TO PRE-RETIRES

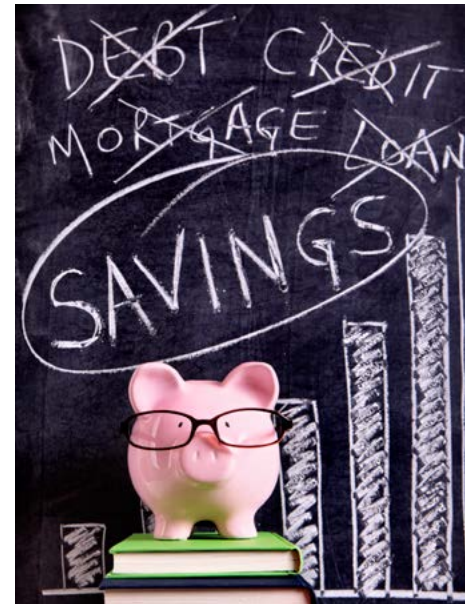
“ *Budget... save... invest; in that order.*

Start saving at least 10% of your gross earnings immediately.

Set goals and stick with them.

Consult a financial planner sooner rather than later.

Always consider the long-term tax implications of your investment strategies. ”



The Retirement Preparedness Study was conducted using an online survey among 1,568 adults living in the United States (including 438 retirees) who met the following criteria:

- Age 21 and up
- Primary or shared responsibility in making household financial/investment decisions
- Employed full-time or part-time, self-employed, stay-at-home parent, or retired

The survey was conducted by Harris Poll on behalf of Prudential between July 20 and August 9, 2016. Results were weighted where necessary by age, gender, race/ethnicity, region, education, income, size of household, marital status, employment status (for non-retirees) and propensity to be online, to bring them in line with their actual proportions in the population.

Definitions

Millennials (21–34)

Generation X (35 to 49)

Boomer (50 to 68)

Matures (69 or older)

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