



Americans in Generation X (GenX), born between 1965 and 1980, currently number approximately 65 million in the United States. The larger Baby Boomer generation, born between 1946 and 1964, number approximately 71 million. The current generation of Americans receiving Social Security retirement benefits, a mix of Silent Generation at the oldest and Boomers at the youngest, are about 49 million strong. These three groups are quite different in some aspects of their expectations for retirement and in their preferences for investment vehicles.<sup>1</sup>

### Implications of This Research

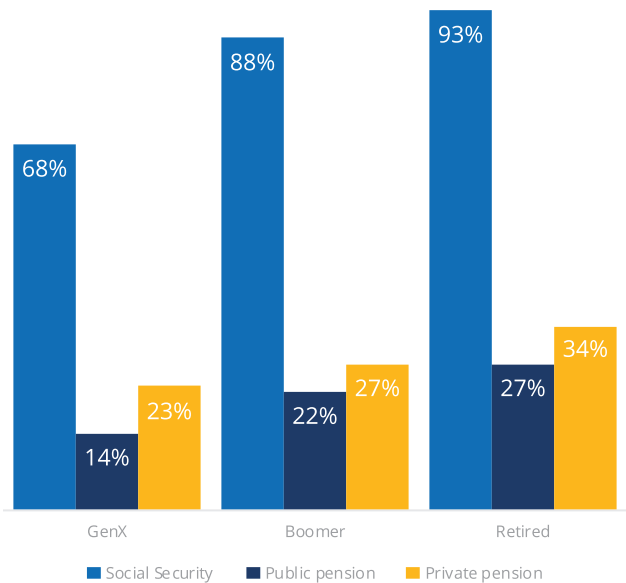
Tens of millions of workers in Generation X will approach retirement uneasy about Social Security and worried that their retirement savings will be insufficient to fund their expected retirement lifestyles. At the same time, they are more open to protection and protected lifetime income solutions than baby boomers, who have more saved, and retirees, who are more likely to be protected by pensions. The time is now to hone education and marketing efforts toward GenXers as well as apply lessons learned to the next generation approaching peak earning years and the largest generation in history: over 72 million Millennials.

### I: Retirement Savings and Income Expectations

The average retirement savings of workers in their peak earning years (Generation X) and near retirement (working Boomers) are insufficient to support income expectations, save for the relative few who anticipate receiving income from a public or private pension. It is also unlikely that pension income will be as common as the survey indicates, as defined contribution plans are often misunderstood to be equivalent to pensions. While only 16 percent of private sector workers have access to a defined benefit (pension) plan, 27 percent of baby boomers and 23 percent of GenXers believe they will receive pension income.<sup>2</sup>

**INSIGHT** Confidence in Social Security providing income drops dramatically among GenXers.

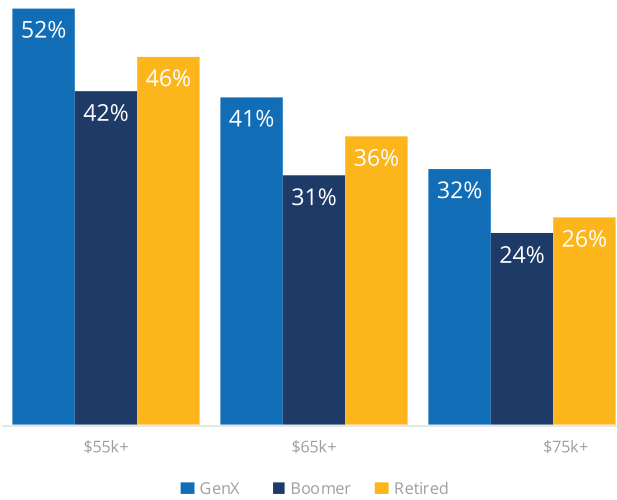
#### Expected Guaranteed Sources of Income



*Figure 1 shows that GenXers are significantly less likely to expect retirement income from a public or private pension than either Boomers or current retirees, and almost one-third of GenX does not expect to receive Social Security in retirement. This no doubt reflects the fact that the Social Security trust fund is expected to be exhausted in 2034, only two years after the oldest GenXers reach the full retirement age of 67. While current projections show Social Security can remain solvent paying 76 percent of benefits after 2034, many GenXers appear to believe payments will simply cease.*

**INSIGHT** Anticipated need for income exceeds combined sources, especially for GenX.

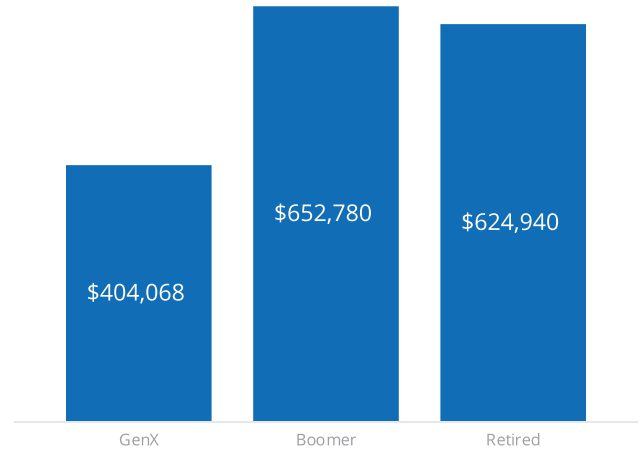
### Expected Retirement Income Need



**Figure 2:** While GenX is less confident than older generations in traditional sources of retirement income such as Social Security and pensions, they have higher expectations for their income needs. Figure 2 shows a greater percentage of GenXers believe they will need more income than either Boomers or current retirees in today's dollars. The implication is that many GenXers need to save aggressively to have sufficient retirement savings to create the income they do not believe will come from Social Security and pensions.

**INSIGHT** Mind the gap: average retirement savings will not produce enough supplemental income to meet expectations.

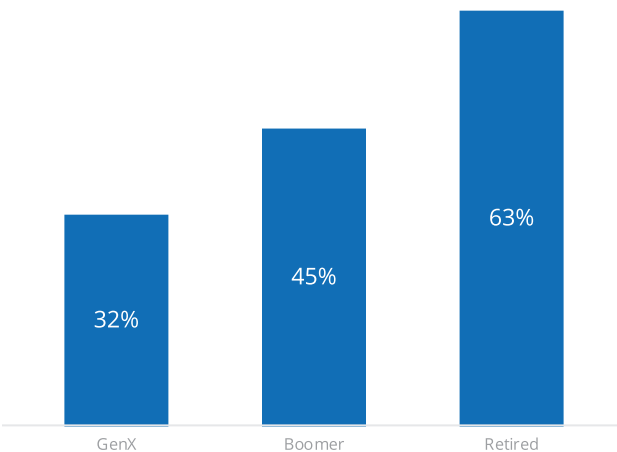
### Current Average Retirement Savings



**Figure 3** shows the average retirement savings for each generation. Boomers have the highest average savings, both because they have had longer to save than GenX and because those in the sample have not yet retired. Some current retirees are spending down their savings, which affects the average. GenX workers still have time to save, but the current average will not support lofty income expectations. At current rates, a life annuity based on a \$250,000 investment would provide about \$19,000 in annual income. Coupled with the average Social Security benefit of \$20,3283, total annual income would be less than \$40,000, far short of most GenXers' expectations.

Confidence in savings lasting until old age is low, especially among GenXers.

### Confident Savings Will Last to 85 or Older



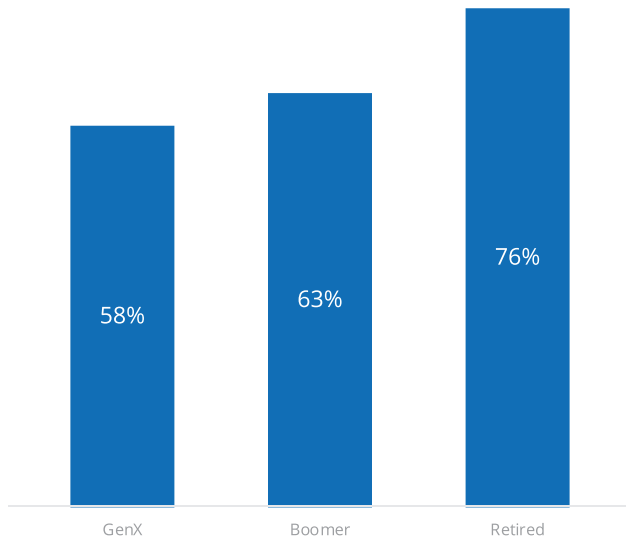
**Figure 4:** Given lack of confidence in Social Security, the declining prevalence of pensions, lower savings, and higher expectations for income needs, it is unsurprising to see GenX convey the lowest confidence in the sustainability of their savings. In Figure 4, less than one-third of GenXers are confident their savings will last to at least age 85. Boomers are not terribly confident in their savings lasting either, with less than one half believing they will not run out of money until age 85 or older. Current retirees have the highest confidence, in part due to the higher likelihood of having sources of guaranteed lifetime income other than Social Security but also due to the experience of living in retirement and making lifestyle adjustments..

## II. Expense Expectations

Despite low confidence in their savings lasting throughout retirement, most workers and retirees believe they will have enough income to both be secure in retirement and have discretionary income for leisure activities.

**INSIGHT** Despite low confidence in the sufficiency and endurance of retirement savings, lifestyle expectations are high.

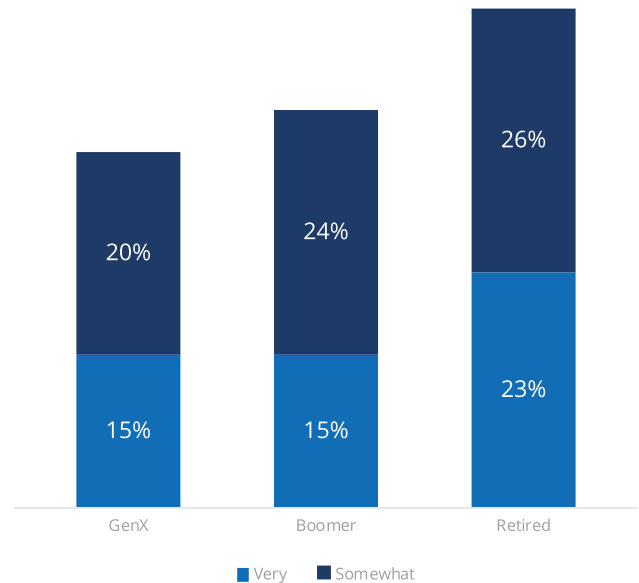
### Expect to Cover Basic Expenses and Travel/Leisure During Retirement



**Figure 5:** Despite over two-thirds not being confident that their retirement savings will last past age 85, a surprising number of GenXers, almost six in 10, expect that their retirement income will be sufficient to pay for their basic living expenses (food, clothing, shelter, and medical costs), as well as leisure activities and travel. This is a fundamental disconnect that is consistently observed in IRI's consumer research focused on retirement income and expenses, namely that the desire to maintain lifestyle leads to hopeful responses. Some may believe they will work longer or work part-time, receive an inheritance, or sell a home for a significant profit. Whatever the case, lifestyle expectations are out of step with confidence measures.

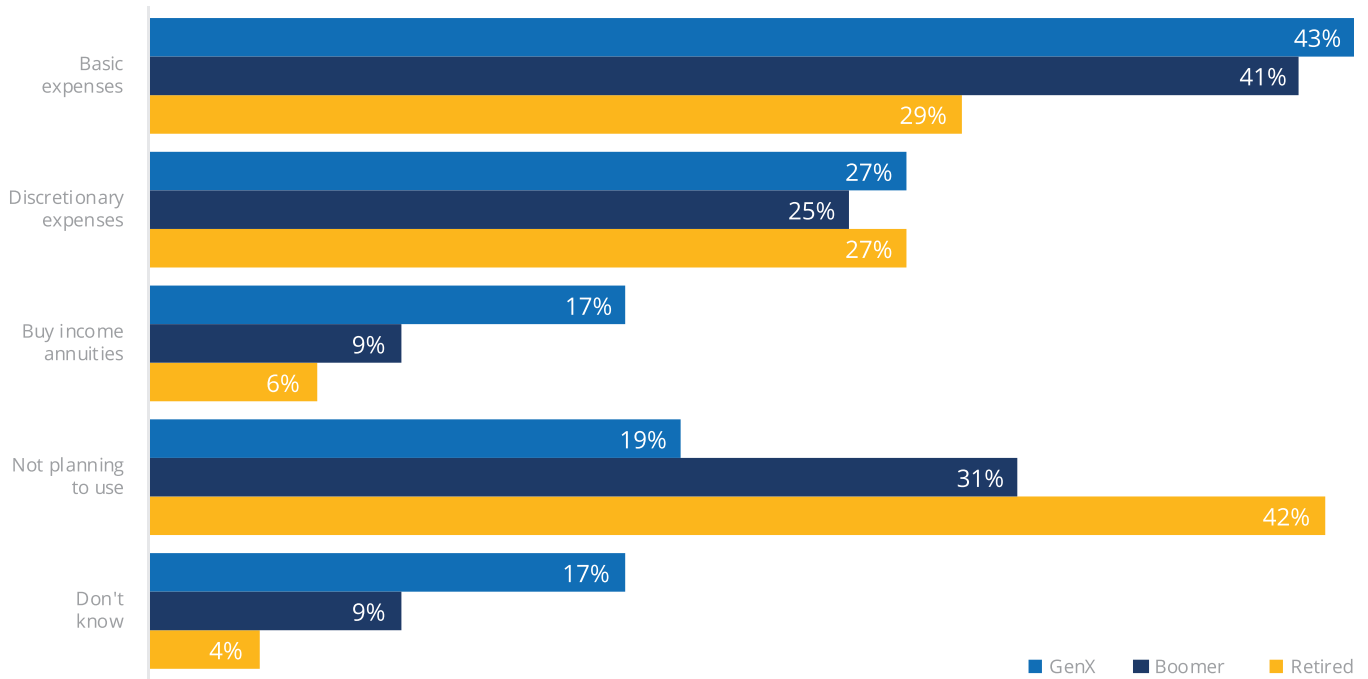
**INSIGHT** Confidence belies expectations ... or perhaps expectations negatively impact confidence.

### Confidence in Ability to Live Comfortably in Retirement



**Figure 6:** Despite six in 10 GenXers having an expectation they will be able to meet basic expenses and enjoy leisure activities and travel, Figure 6 shows that relatively few are confident in their ability to live comfortably in retirement. This seeming disconnect could be rooted in the definition of the word "comfortable." Many respondents may be acknowledging that they don't expect to enjoy the retirement they would prefer, but within the confines of their retirement reality they expect to do the things they desire to do. Nevertheless, the key to achieving this goal will be to save as much as possible and create a plan for using savings that will maximize income and manage risk.

### Planned Uses of Retirement Savings



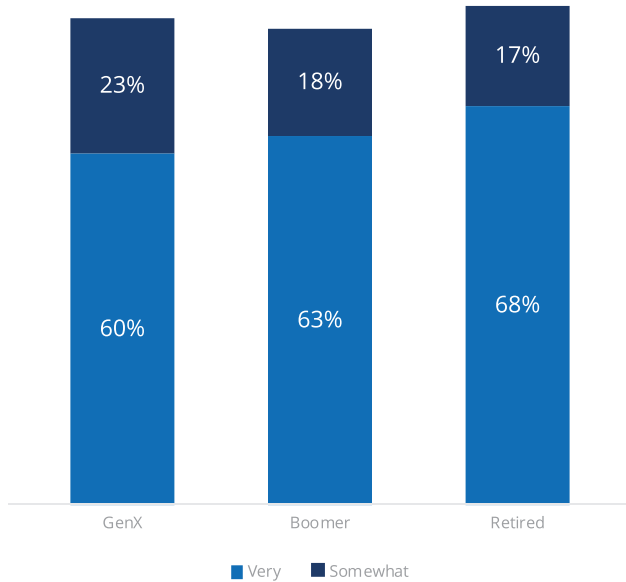
*Figure 7* indicates that the older generations still in the workforce are far more likely to say that they plan to use their savings for basic expenses, while workers and retirees about equally plan to use savings for discretionary expenses such as travel and leisure. Few Boomers and GenXers expect to use savings for basic expenses than will likely need to given the lack of additional retirement income from a pension. For example, while 43 percent of GenXers say they plan to use savings for basic expenses, only 23 percent say they have pensions (see *Figure 1*). An encouraging finding, however, is 17 percent of GenXers plan to purchase an annuity for lifetime income. An additional 17 percent do not know how they will use their savings. These numbers represent opportunities to help GenXers make plans to use their savings efficiently and use annuities to increase their standards of living during retirement.

### III. Investment Preferences

Later stage workers and retirees overwhelmingly desire their income sources to be guaranteed for life. GenXers in particular are very interested in investment options that provide downside protection, lifetime income, or both. This should be expected given their lack of confidence in Social Security and the endurance of their savings in retirement.

**INSIGHT** Social Security pays for life, other income sources should do the same.

#### Importance of Income Sources Being Guaranteed for Life



*Figure 8 shows that workers and retirees alike overwhelmingly want retirement income other than Social Security to also be guaranteed for life. This is the “annuity paradox,” where studies repeatedly show that consumers have very high levels of interest in guaranteed lifetime income but relatively low levels of interest in purchasing annuities. The 17 percent of GenXers indicating a desire to purchase an annuity for lifetime income (see Figure 7) could be the start of a growing awareness among the working generations that sufficient and secure retirement income will continue to move in the direction of being a personal responsibility, with Social Security increasingly viewed as a supplemental source of income, as was originally intended.*

### Defined Contribution Plan Preferences

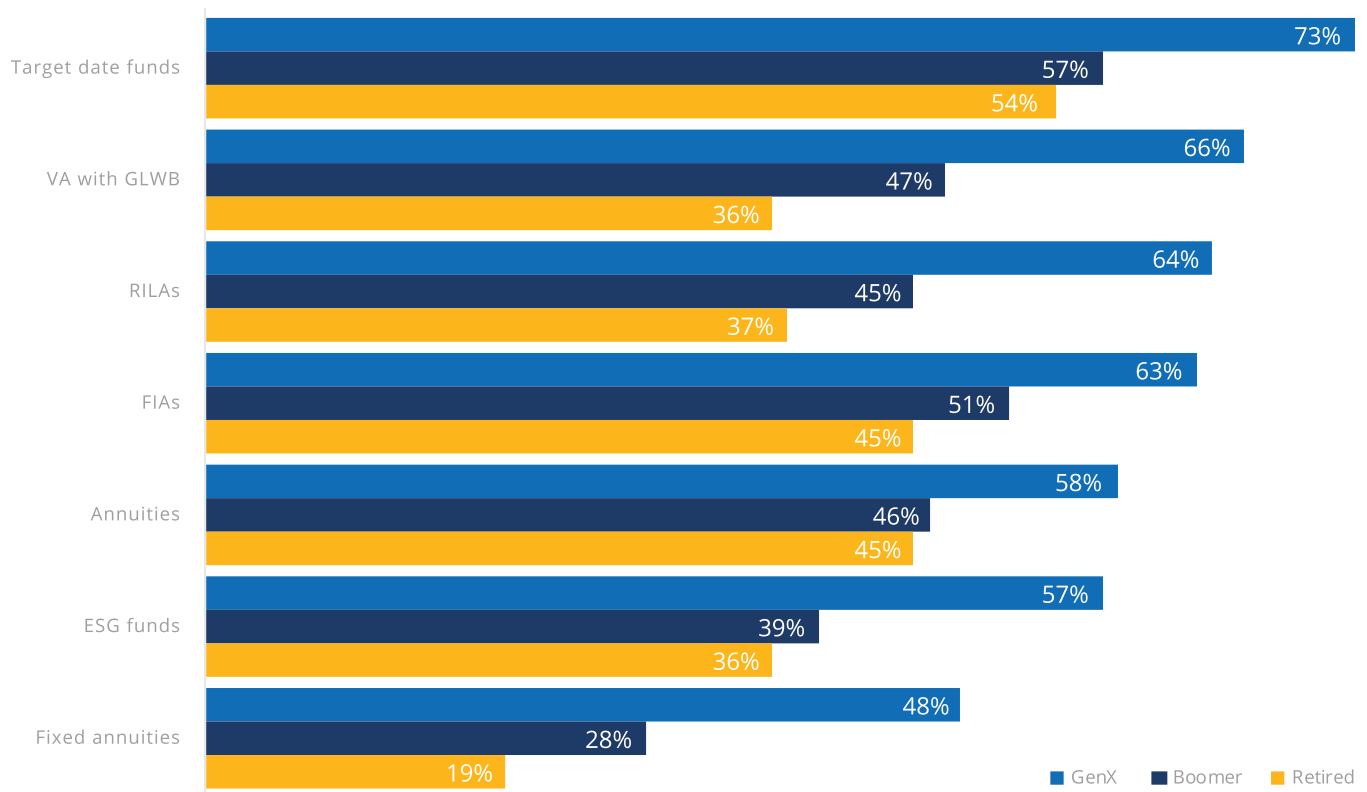


Figure 9 shows GenXers indicating a greater preference for options in their defined contribution plans that help them manage risk or create secure lifetime income. While the highest preference was expressed for target date funds, variable annuities with lifetime withdrawal benefits (VA with GLWB), registered index-linked annuities (RILAs), and fixed indexed annuities (FIAs) were close behind. These were described conceptually rather than as “annuities” to focus on capability rather than products, but annuities were also included generically and scored only slightly below with GenXers. These are encouraging findings as SECURE and SECURE 2.0 increase opportunities for these options to be included in workplace plans to help American workers save for retirement and use their savings for income they cannot outlive.

## Methodology

The research was carried out by means of internet interviews. A total of 2,241 adult Americans aged 40-80 were interviewed. The final sample included the following counts:

- > GenX n=902
- > Baby Boomer n=918
- > Retirees aged 40-80 n=801

The sample was drawn as follows:

- > Sample of 902 GenX respondents (ages 40-55) drawn randomly from the population of adults aged 40-55.
- > Sample of 918 Baby Boomer respondents (ages 56-73) drawn randomly from the population of adults aged 56-73.
- > Sample of 800 respondents who have been retired for 5-15 years (in the 40-80 year-old age group).

GenX and Baby Boomer respondents who had been retired between 5 and 15 years were also counted as part of the retiree sample.

The results for the GenX sample and the Baby Boomer sample were weighted by age and gender to the 2018 American Community Survey. The data were collected from March 10-18, 2021. The margin of error for the GenX and Baby Boomer samples is ±3.25%, and the margin of error for the retiree sample is ±3.5%.

For questions or comments on this report please contact:

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