
Americans Reveal Inertia, Self-Reliance in Principal Financial's Latest Survey

By Editor Test Wed, Sep 30, 2009

A third of those polled, up from 20% in the second quarter, said their account balances have recovered to their Jan. 1 levels or expect them to recover in two to five years.

Since the beginning of the equity rally last March, Americans have regained some of their characteristic optimism. Nor do they intend to seek professional financial advice, according to the latest quarterly edition of [The Principal Financial Well-Being Index](#).

The survey covered 1,147 employees over age 18 at small and mid-sized companies and 558 retirees in all sections of the U.S. Subjects were selected from among those who have agreed to participate in Harris Interactive surveys. The data have been weighted to reflect the broader population.

Anecdotal reports have suggested that most 401(k) participants didn't touch their accounts during last winter's financial crisis. Given the steep stock market rally since mid-March 2009, their inertia seems to have served at least some of them well.

One in three participants either said their account balances have recovered to their January 1, 2009 levels or are expected to recover in two to five years, up from 20% in the second quarter. Only 12% said they expected to delay retirement.

Most don't use advisors

While 44% of retirees said they began planning for retirement more than 10 years before they actually retired, only 17% of current workers surveyed said they've created a plan for converting their savings to a retirement income stream. Of those, only 43% have a written plan.

When they do get around to planning, they are unlikely to hire an advisor, the survey showed. Fifty-five percent of retirees and 38 percent of employees said they "do not want any services from a financial professional."

Less than 10% of either group said their interest in professional advice had risen since the crisis. Fees, lack of trust, inertia, and confidence in their own planning skills were the most common reasons for not seeking out or consulting an advisor.

Retirees seem to have made up their minds about using advisors, while workers are still thinking it over. Asked what best describes how they manage or intend to manage their savings in retirement, 63% of retirees said they would manage on their own and 34% said they had advisors. Among employees, only 17% had advisors. Less than half (43%) said they would manage their own retirement finances; 26% were unsure what they would do.

Survey Results

On overall well-being

- 66% of employees and 60% are concerned about their long-term financial future.
- 35% of all respondents, but only 25% of retirees, say they worry most about not being able to pay for basic necessities.
- 56% of retirees and 59% of employees have reduced spending in the past two months.

On workplace benefits

- 93% of small to medium-sized employers provide include health insurance, 76% provide dental insurance, 68% provide life insurance, 63% provide defined contribution plans, 63% provide free parking and 46% provide disability insurance.
- 23% of employees would most like to see a defined benefit plan added to their benefit package, 13% would like to see profit sharing or bonuses, and 12% would like flexible hours.
- 43% of employees would like better health insurance and 15% would like an improved defined contribution plan. Health insurance (43%) and defined contribution plans (15%) top the list of benefits that employees most wish their company would improve upon.
- 64% of employees are most satisfied with their defined benefit plan, 56% with their disability insurance, 55% with their defined contribution plan and 53% with their life insurance.
- 87% of employees gave health insurance at least an "8" out of 10 rating for importance.

On defined contribution plans

- 81% of employees participated in their employer's defined contribution plans.
- 24% of plan participants had made a change to their 401(k) plan in the past six months; 11% increased contributions, 8% decreased contributions, 3% have taken out a loan, 3% have stopped contributing and 2% have taken out a hardship withdrawal.
- The most common reasons for changes their saving habits included "pay down debt," "pay daily expenses," and "build up savings accounts."
- 18% of employees say their balance is the same or higher than it was on Jan. 1, 2008, compared with 9% after the first quarter.
- 16% of employees feel it will take less than two years to recover their lost savings, compared with 11% after the first quarter.
- 20% of employees are not sure how long it will take, up from 12% after the first quarter.
- 2% of employees think they will never recover their peak account balance.

On retirement planning

- 50% of employees are not sure when they will retire.
- 12% have delayed their planned retirement date.

- 40% said they would delay retirement by six years or more.
- 83% of employees say they do not have a plan for transitioning their retirement savings into a steady income stream.
- 43% of those who said they have a plan for transitioning from savings to income have an “actual written plan.”
- 44% of retirees said they began to think about managing their spending and investments in retirement more than 10 years before retirement.
- 73% said they would start planning more than 10 years prior to retirement if they could do it over again.

© 2009 RIJ Publishing. All rights reserved.