



NATIONWIDE RETIREMENT INSTITUTE

# Retirement Income and Tax Planning Consumer Survey

October, 2018

# Survey methodology

An online survey conducted August 15-19, 2018 among 1,031 adults aged 50 or older who currently collect or expect to collect Social Security benefits in the future

## Respondents fall into three categories:



### Longer retirees

Retirees who have been retired *more than 10 years*



### Shorter retirees

Retirees who have been retired *10 years or less*



### Not retired

Non-retired people who expect to *retire within the next 10 years*

# Key trends

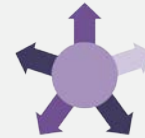
## Current and future retirees are taking ownership of their retirement



A large percentage — 80% of Longer retirees, 81% of Shorter retirees and 87% of Not retired — say they are **in control** of their retirement planning



50%, 49% and 62% respectively are **“confident”** or **“very confident”** in their ability to plan



61% of current retirees and even more future retirees (78%) have a **retirement income plan** in place.



Of those who review their plan, 73%, 77% and 80% do it **with an advisor**, and 69%, 67% and 69% review it with a **spouse/partner**



74%, 75% and 76% don't feel **alone** when it comes to retirement planning

# Key trends

## Information is coming at them from multiple sources



Many are already working with an advisor for retirement planning and retirement income planning.



### Among the Not Retired who have a retirement income plan

Do their own research

**66%**

Work with an advisor

**56%**

## Those who aren't retired will have more sources of retirement income

Those in retirement are depending mostly on Social Security, savings accounts and pensions, while those who are not yet retired may tap many sources of income including:



**Social Security, savings accounts, mutual funds, 401(k)s, stocks, IRAs and more**



**They may also sell their real estate or keep working**

# Key trends



## There are areas of confusion in retirement planning

Roughly half of all three groups believe their retirement income is guaranteed for life, 38%, 41% and 34% don't know that required minimum distributions (RMDs) start at 70½, and 74%, 70% and 54% don't feel knowledgeable or very knowledgeable about how capital gains taxes impact their income in retirement.



## And understanding taxes is also a challenge

A majority would like to understand taxes better than they do, and feel they could look to a tax accountant or financial advisor for advice.

Significant numbers say they are unclear on how tax brackets work.

# Key trends

## There is still a small group entirely without a plan

28% of Longer retirees and 14% of Shorter retirees have less than \$10,000 in investable assets.



While 21% of future retirees say:

**“Whatever I do, I am never going to be ready to retire.”**

## Many find working with advisors to be helpful

Currently working with one or more advisors



**38%** Longer and Shorter retirees



**62%** Not retired

All three groups expect to consult their advisors on retirement income planning (48%, 55% and 55%) and on taxes in retirement (68%, 82%, and 85%).

# Biggest concerns



## Social Security

**Social Security is or will be a key source of retirement income for all three groups** with 97% of Longer retirees and 86% of Shorter retirees already receiving these benefits.



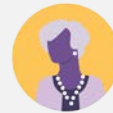
**29%**  
Longer retirees

are worried that Social Security  
will run out of funds



## Cost of health care

The cost of health care is the number one concern for everyone facing retirement



Longer retirees  
**54%**



Shorter retirees  
**55%**



Not retired  
**59%**

# Biggest concerns



## Outliving their retirement income

Current retirees are most concerned about running out of money



Longer retirees

**38%**



Shorter retirees

**34%**



Not retired

**29%**

This can be more fact than fear — some Longer and Shorter retirees may not have sufficient assets for retirement.



## Impact of inflation on retirement income

Other concerns include maintaining a lifestyle in retirement, planning for long-term care, the impact of market volatility and even paying their monthly bills.



# Findings

## FINDING #1

# Social Security is the most common source of retirement income



### Longer retirees

**97%** are currently receiving Social Security.

**49%** say Social Security is their primary source of retirement income.



### Shorter retirees

**86%** are currently receiving Social Security.

**43%** say Social Security is their primary source of retirement income.



### Not retired




**26%** are currently receiving Social Security.

**20%** say Social Security will be their primary source of retirement income.

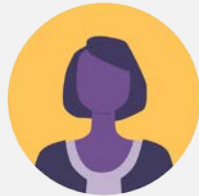
**100% of all three groups expect to receive benefits at some point.**

FINDING #2

# They have other sources of retirement income beyond Social Security.

	 Longer retirees	 Shorter retirees	 Not retired
<b>Savings accounts</b>	54%	59%	70%
<b>Pension</b>	59%	53%	51%
<b>IRA</b>	39%	38%	56%
<b>Stocks</b>	33%	37%	57%
<b>401(k)</b>	11%	28%	68%
<b>Mutual funds</b>	27%	27%	48%
<b>Annuities</b>	29%	23%	30%
<b>Bonds</b>	21%	11%	21%

# The Not retired are generally more financially knowledgeable than the Retirees



**Not retired**

**More than 60%**

are “knowledgeable” or “very knowledgeable” about

**Social Security planning**

**making sure their retirement savings last throughout their retirement**

**knowing how to use their investable assets for income in retirement.**



**Longer retirees**

**ONLY  
38%**



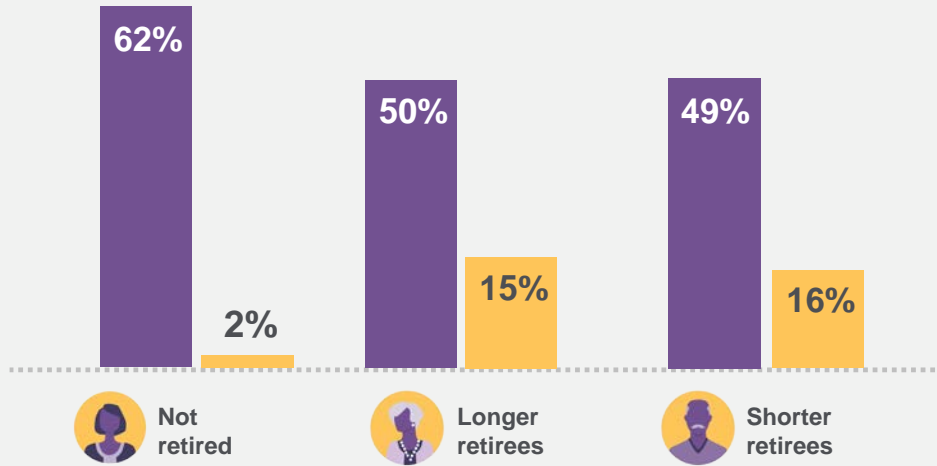
**Shorter retirees**

**ONLY  
45%**

Are “knowledgeable” or “very knowledgeable” about **using their investable assets for income in retirement.**

# The Not retired are also more confident in planning for retirement than Retirees

## Ability to plan for retirement



■ “confident” or “very confident”    ■ “not at all confident”

“Not at all” or only “somewhat knowledgeable” about

using their investable assets for income



Longer retirees

62%



Shorter retirees

55%

making sure their retirement savings last



Longer retirees

54%

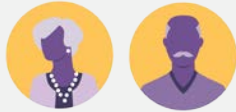


Shorter retirees

51%

# A majority say they have a retirement income plan

## Have completed a plan for income



Longer and shorter retirees

**61%**

## For Not retired, the number is even greater



Not retired

**78%**

**This may explain why many do not feel alone despite their worries about retirement.**

## Among Longer and Shorter retirees with a retirement income plan



**48%**, or more than half, have written it down.

Comparatively, **62%** of the Not Retired have written it down.



**55%** of Longer retired and **74%** of Shorter retired review their retirement income plan at least once a year.

Comparatively, **85%** of the Not retired do it at least once a year.

# Many have relationships with financial advisors and look to them for guidance

## Work with one or more advisors



Longer retirees

**38%**



Shorter retirees

**38%**



Not retired

**62%**

For all 3 groups, more of those advisors are **fee-based (45%, 64% and 65%)** than **commission-based (33%, 20%, 28%)**

The vast majority of those who have a financial advisor — **82%, 92% and 86%** respectively — **say they trust their advisor to prepare them for retirement**, relying on them for help with:

**Investment management**

**Investment consulting**

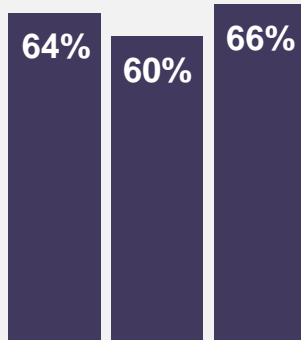
**Retirement income planning**

FINDING #7

# The top sources for retirement income planning are their own research and their financial advisors

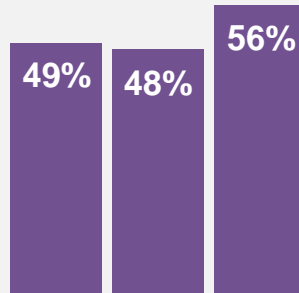
## To devise their retirement income plan

They rely on their own research



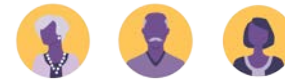
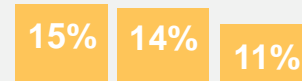
Longer retirees Shorter retirees Not retired

And they rely on information they receive from financial advisors



Longer retirees Shorter retirees Not retired

But they say their employers are only marginally helpful



Longer retirees Shorter retirees Not retired



FINDING #8

# Many are unaware of the difference between a retirement savings plan and a retirement income plan

Among those who don't have a retirement income plan\*



\* This represents a small sample size relative to all respondents

FINDING #9

While they say they have retirement income planning under control, taxes on retirement assets confuse them

Say they are in control of their retirement income planning



Longer retirees  
**80%**

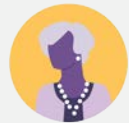


Shorter retirees  
**81%**



Not retired  
**87%**

Say they wish they better understood how their retirement income is taxed



Longer retirees  
**32%**



Shorter retirees  
**47%**



Not retired  
**52%**

FINDING #10

# A majority would like to understand taxes better than they do

## Interested in learning about taxes



Many respondents say they are unclear about how taxes on annuities, Medicare, capital gains and Social Security impact their retirement income — or even how tax brackets work.

# Retirement planning checklist

A financial advisor may offer you retirement income planning and tax planning services. Here is a list of things to accomplish to make sure you are prepared. Work with your advisor to:



Determine the optimum time to take **Social Security benefits**



Plan for **health care expenses** in retirement



Put strategies in place to **grow your savings** during the accumulation phase



**Increase your confidence** in the planning process and likely outcomes



Create a **retirement plan** and a **retirement income plan** — and understand the difference



Understand how **taxes impact** Social Security, annuities, IRAs, Medicare and RMDs



Learn how you will use your investable assets to **generate income** in retirement

This is Nationwide's first Tax and Retirement Income Consumer survey. This survey was conducted online by *The Harris Poll* from August 15 to 29, 2018 to a targeted subset of the U.S. population: 1,031 U.S. adults aged 50 or older, who currently collect or plan to collect Social Security benefits and fall into one of the following groups: 10+ (Years) Retirees (n=337), Recent Retirees (n=360), or Affluent Future Retirees (n=334). Research participants were drawn from Harris' research sample partners. Because the sample is based on those who were invited to participate in a panel (and not random), we cannot calculate estimates of theoretical sampling error. Sample of all U.S. respondents aged 50+ were weighted to the U.S. Population of adults aged 50+ by age-gender, race/ethnicity, education, region, household income and retired status.

The survey compares attitudes among three key groups:

- Affluent Future Retirees: consumers age 50+ with at least \$150,000 in investable assets, who plan on retiring in the next 0-10 years.
- Recent Retirees: consumers age 50+ who retired 0-10 years ago.
- 10+ Retirees: consumers age 50+ who retired more than 10 years ago.

Data are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, and propensity to be online to bring them in line with their actual proportions in the population. This material is not a recommendation to buy, sell, hold, or rollover any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

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