

The 2008 Scottrade/BetterInvesting American Retirement Study

Summary of Findings

By Chris X. Moloney and Christine Mistretta on behalf of Scottrade and BetterInvesting

Executive Summary

Everyone thinks about retirement: The golf, the freedom, the travel, the relaxation, the opportunity to do what they've always wanted. However, a series of disturbing trends are creating a generational divide where those in their 20s (roughly Generation Y) and 30s (roughly Generation X) are viewing retirement, savings and planning for their future in a dramatically different way than their boomer counterparts. This white paper highlights some of these trends from a recent nationwide research study and detailed analysis.

Introduction

In the midst of the unique economic challenges of 2008, Scottrade and BetterInvesting embarked on a research study to better understand the typical American's views about retirement, savings and investing trends. The study, conducted in the first quarter of 2008, focused on the unique generational divide between boomers and the up-and-coming Generation Y and Generation Xers. The study not only clarified the difference in mindsets between boomers and their younger counterparts, but also a significant divide between the views of Gen X and Gen Y.

In general, Gen X has a considerable amount of concern and even fear about retirement. They worry that they will not be able to retire, will not have any Social Security benefits to help them, and have not spent enough time planning for retirement. Perhaps due to the current economic climate, many Gen X adults are viewing what should be their golden years with a sense of uncertainty, if not dread. Gen Y, on the other hand, does not even appear to be thinking about retirement yet.

The data in this report suggests that increasing day-to-day expenses and debt are largely to blame for younger adults' strained willingness and ability to save for the future. Though most admit that it is best to start saving early and have a plan for the future, relatively few are doing so. The younger Gen Y adults, being the furthest away from retirement, are doing the least in terms of saving and investing. As a result, many realize that they have tough choices ahead of them, such as saving for retirement vs. saving for their children's education. Both Gen X and Gen Y seem resigned to making major sacrifices in order to reach retirement.

The important lesson to be taken from this study is that there is a significant opportunity to educate Gen Y and Gen X adults about investing. Older generations have

experienced economic downturns and have survived them; for younger adults, the current economic climate may be entirely new and alarming. It is critical that the investment community help young professionals understand that there is never a bad time to invest, and that even in a struggling economy, the opportunity to establish a more secure future is available. The members of Gen X and Gen Y realize they should be investing, but the fact remains that many of them are not. Bridging that gap is as important for these younger generations as it is for the investment community.

Study Highlights:

- 1) Fear and Loathing about Finances: Retirement Concerns are #1
- 2) Gen X Fears: Day-to-Day Expenses, Credit Cards and Unexpected Expenses
- 3) Hopeless: More than 60% of Americans Do Not Think Or Are Unsure They Can Ever Retire—Barely ¼ of Gen Y Expect to Fully Retire
- 4) Kids, Save Yourself (for College): Parents Focus on Retirement Over Kids' College Education
- 5) Social Security: Concern and Expectation
- 6) The Perfect Storm: High Goals, Low Levels of Saving, Fear of No Social Security
- 7) What's the Plan? Too Many are Unprepared for Retirement

1 Fear and Loathing about Finances: Retirement Concerns are #1

Americans have a wide variety of financial concerns, particularly in a challenging economic climate. Despite the differences in the economic climate of 2007 and that of today, consumers' top concern remained consistent for the second year in a row. The amount of concern people have about their retirement funds is strongly tied to their age.

- For a second year in a row, worry about the future, specifically, "having enough money for retirement" tops a list of **general financial concerns**; 51% of respondents surveyed said they were extremely or very concerned about it.
- Gen Xers expressed a directionally higher level of concern over having enough money for retirement than did their Gen Y counterparts (57% vs. 34%).
- Other than those farthest (age 18-24) and closest (age 65+) to retirement, everyone worries about having enough money in retirement. Respondents in peak earning years (age 35-55) are most focused on it.

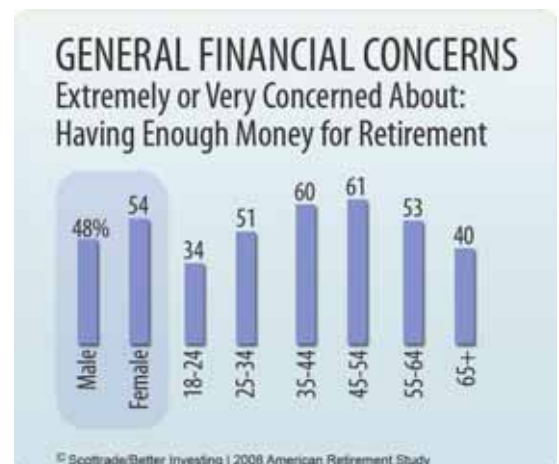


Figure 1

Gen X adults have significantly higher levels of concern with the many aspects of retirement than do their Gen Y counterparts, but both groups are consistent in their belief that they cannot rely on Social Security to provide for them in retirement. Concerns about Social Security being inadequate or non-existent top the list for both age groups. Other than the Social Security issue, it seems as though Gen Y has yet to think about retirement; a third or less expressed any specific retirement concern.

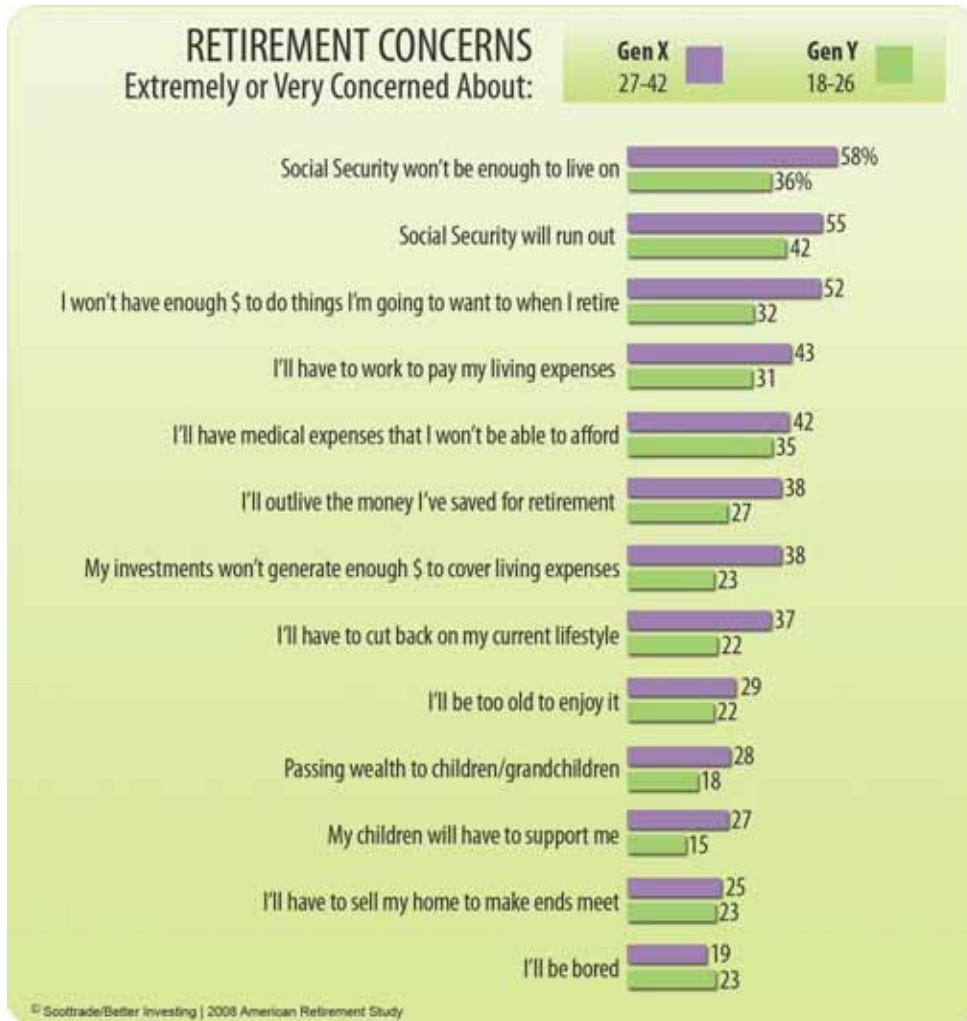


Figure 2

2 Gen X Fears: Day-to-Day Expenses, Credit Cards and Unexpected Expenses

Perhaps part of the reason Gen X is so concerned about retirement is that they feel they are struggling to keep up with their monthly expenses. While paying the day-to-day bills is also on the minds of the Gen Y crowd, for them the greater financial concern is their desire to make a major purchase.

- In general, Gen X adults have a directionally higher level of concern/anxiety with a multitude of financial concerns. In addition to having enough money for retirement, “just getting by” is foremost on their minds. Managing day-to-day expenses, paying for unexpected expenses and having too much debt are worries for at least half of them.

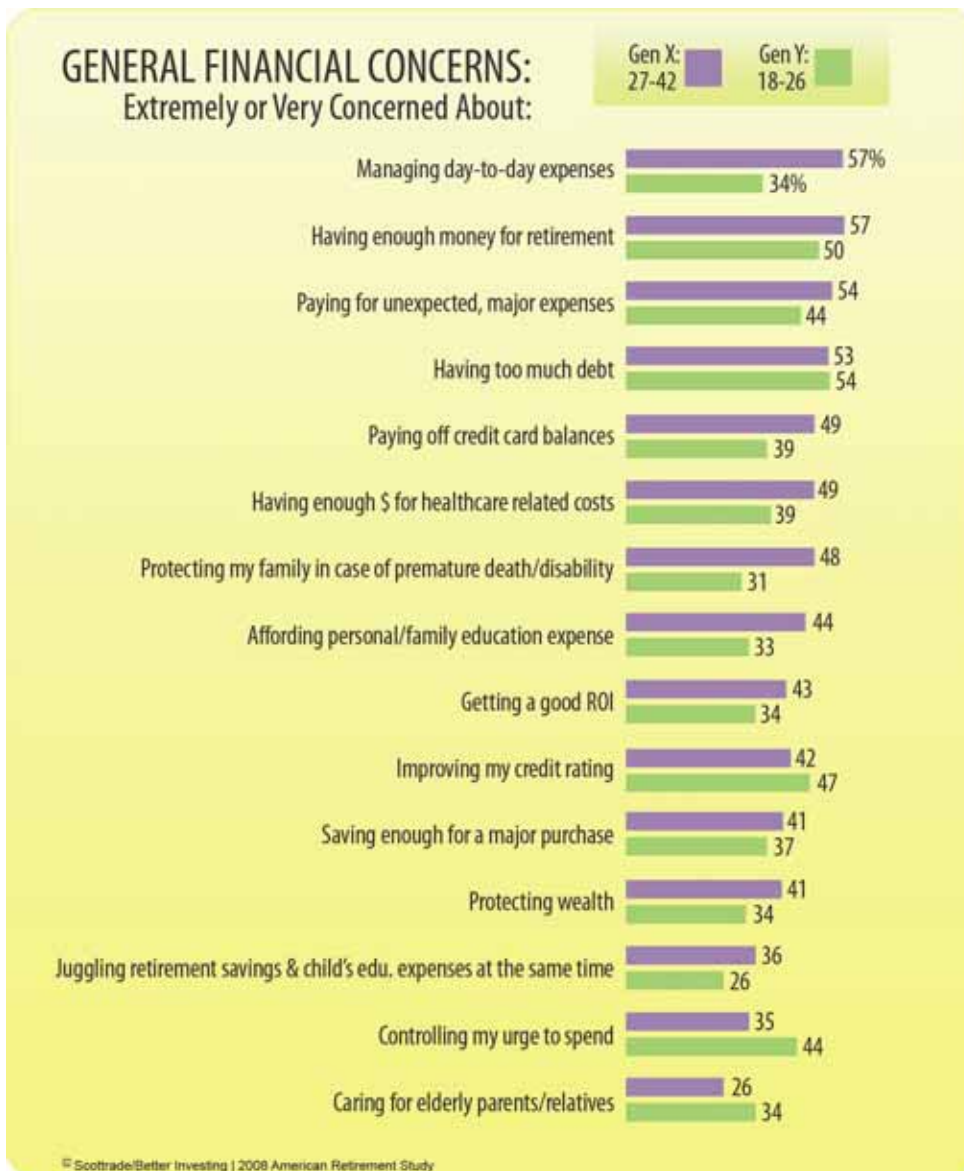


Figure 3

- The presence of general financial fears does seem to impact behavior: More Gen X (89%) than Gen Y adults (79%) said they were taking at least one action to alleviate their general financial concerns (See Figure 4).
 - Spending less and paying down debt are most popular. More than 60% of Gen Xers in the study say they are taking each of these actions; 48% say they are cutting back on credit card usage.
 - More than a quarter (26%) of Gen Y is taking no action at all.



Figure 4

3 Hopeless: More Than 60% of Americans Do Not Think or Are Unsure They Can Ever Retire—Barely ¼ of Gen Y Expects to Retire Fully

The promise of leisurely retirement, something that previous generations have essentially considered a right, is being increasingly viewed as a pipe dream by today's younger generations. This sense of hopelessness may be negatively impacting Gen X and Gen Y adults' desire to plan for retirement.

- A third of respondents (35%) think that they may never be able to retire and not work. This percentage increases to 43% for Gen X adults and adults in key earnings years (ages 27 to 42) but drops for those currently closest to retirement (age 65+).
- Nearly 40% of Gen Y adults say they aren't sure they will ever be able to retire.

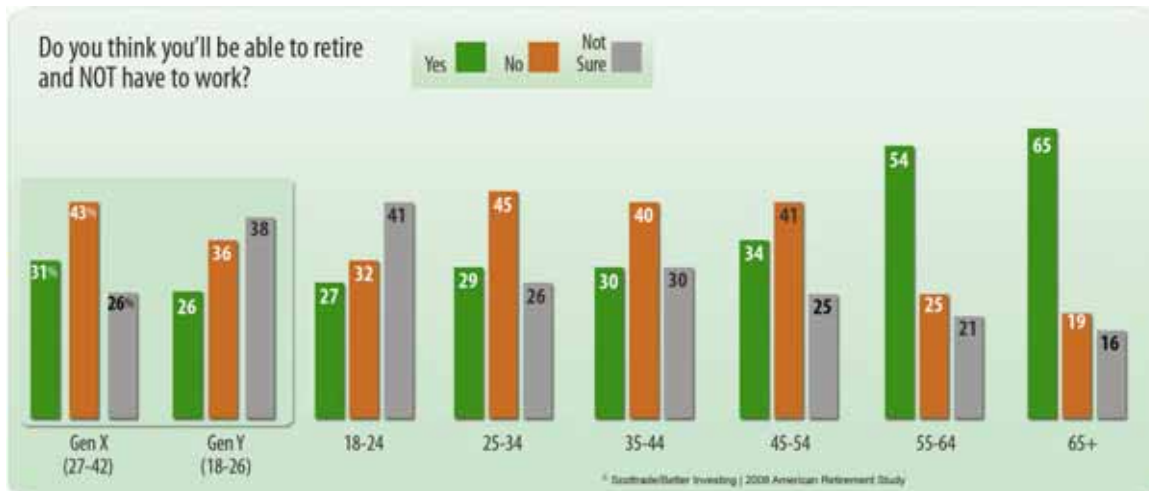


Figure 5

- More than a quarter (27%) of all adults in the survey worry they will need help from children or other relatives.
 - This number is slightly higher for Gen X (34%) and Gen Y (36%) respondents.
 - Another 21% of Gen X and 31% of Gen Y are not sure if they'll need help.
- More than half of Gen X adults (56%) said they were either nervous about their retirement preparation or afraid that they are unprepared.
 - Gen Y was slightly less concerned (41%). In fact, half of Gen Y adults said they are indifferent about retirement or don't think about it at all.
- One reason for this consistent despair might be the fact that 44% of Gen Y and 26% of Gen X adults say no one has taught them about retirement. Given their attitudes, there appears to be a significant knowledge gap and an opportunity to educate Gen Y adults about retirement.



Figure 6



Figure 7

4 Kids, Save Yourselves (for College): Parents Focus on Retirement Over Kids' College Education

It's possible that the college students of tomorrow may have to rely heavily on student loans. While saving for their children's education is not an afterthought for Gen X and Gen Y respondents, both consistently placed a greater emphasis on their own retirement savings.

- When asked to choose between saving for retirement and saving for children's education, Gen X and Gen Y respondents (both those with children and those without) said saving for retirement (68% and 71%) is a bigger priority than is saving for children's education (32% and 29%).
- However, when respondents with children in their households were asked to name their biggest saving priority, they appear to be juggling both. Though in the end, retirement saving edges out education, the numbers are close: 55% chose retirement and 45% chose education.



Figure 8

5 Social Security: Concern and Expectation

It's probably no surprise to learn that the public's concern about the future of Social Security is massive. It would appear, however, that up-and-coming generations are becoming less concerned than their older counterparts, likely due to a growing belief that Social Security will run out.

- Overall, three-quarters (76%) of adults say they are concerned about the future of Social Security.
 - Gen X adults express a greater level of concern about the future of Social Security (86%) than do Gen Y adults (69%).

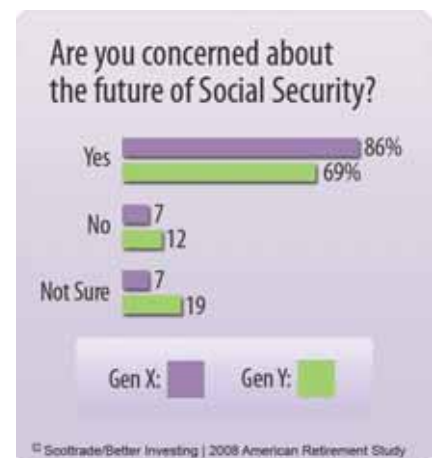


Figure 9

- When asked if they are concerned about the future of Social Security, more Gen Y than Gen X respondents were likely to say 'no' (12% vs. 7%) or were not sure (19% vs. 7%). They may be influenced by prevalent news stories and public discussion about the reality of retirement, in which Social Security will not suffice as a sole source of retirement income.
- Despite the concern, a sense of entitlement surrounding Social Security prevails.
 - Nine out of 10 respondents think they should receive Social Security payments when they reach retirement age; nearly all respondents 55 and older believe they should receive it.

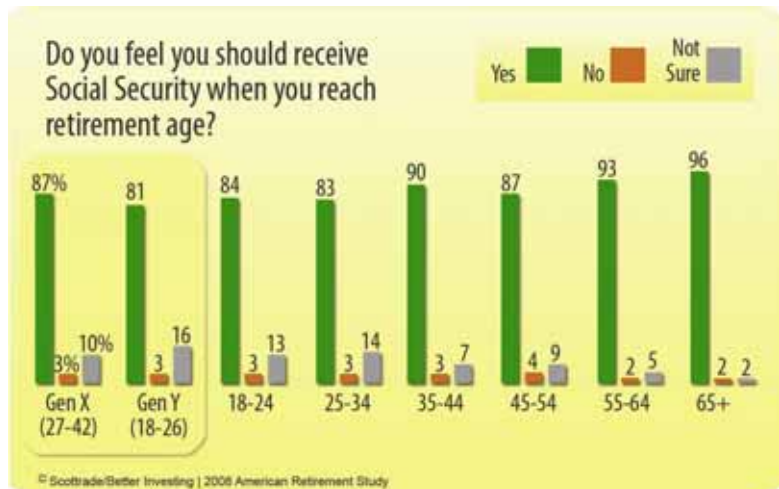


Figure 10

6 Not Saving Enough: Fears About Social Security Do Not Drive More Savings

Widespread lack of faith in the future of Social Security is not translating into an increased level of retirement investment among Gen X and Gen Y adults. This could mean that many are not investing enough at a time when they can best take advantage of the relatively large number of years between today and retirement age.

- Though 76% are concerned about the future of Social Security, only 36% say they are saving more money because of it.
 - As a group versus Gen Y, a higher percent of Gen X adults (40%) are saving more money for retirement than they had originally planned because they worry they can't count on Social Security. Only 25% of Gen Y adults say they are doing so.
 - Despite their concern, 50% of Gen X and 49% of Gen Y respondents say they are **not** currently saving more because of their concerns about Social Security. In turn, they forgo the opportunity to get ahead while younger when a diligent saving plan several years prior to retirement can make a real difference in later years.

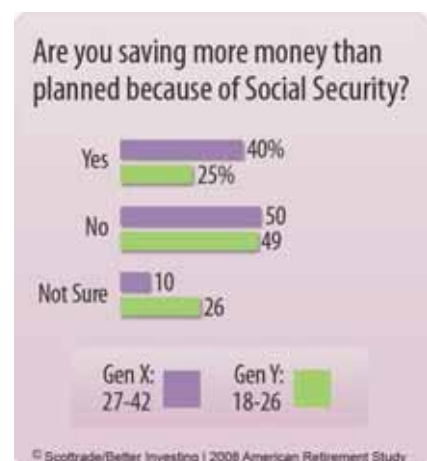


Figure 11

- Across all age groups, more than half (56%) of adults feel they have not saved enough or are not currently saving enough for retirement.
- The numbers are even higher for younger generations; 70% of Gen X and 63% of Gen Y adults say they have not saved enough.

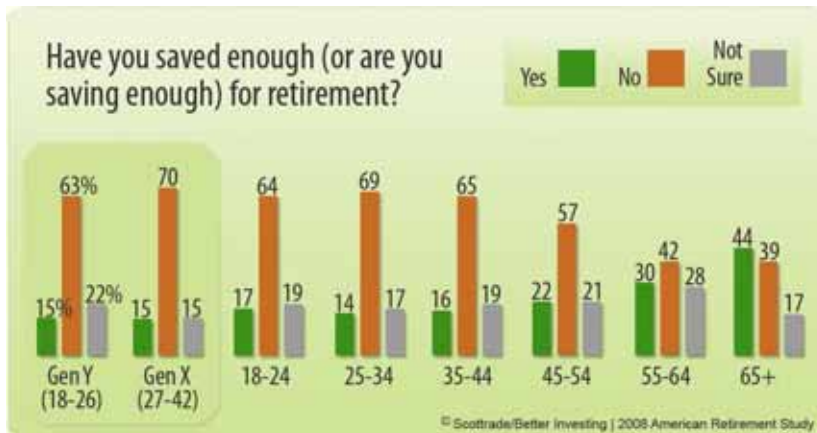


Figure 12

7 What's the Plan? Too Many are Unprepared for Retirement

Despite the fact that retirement is a key concern for many adults, a significant number of them either are not saving enough or don't know how much they've saved for their retirement. On top of that, few seem to know how much they will need to set aside for retirement.

- A third (31%) of respondents are not sure how much they want to have saved for retirement.
- More than a quarter of all survey respondents (27%) are not sure how much money they have already saved for their own retirement.

	Total	Gender (all ages)		Age					
		M	F	18-24	25-34	35-44	45-54	55-64	65+
Less than \$25,000	3%	3%	3%	3%	6%	3%	-	2%	3%
\$25,001-\$100,000	6	7	4	4	7	2	4	8	9
\$100,001-\$250,000	9	7	12	15	9	6	8	10	9
\$250,001-\$500,000	10	11	9	4	9	10	13	12	10
\$500,001-\$1,000,000	17	16	18	22	19	17	14	15	15
\$1,000,001-\$2,000,000	12	16	9	15	12	16	12	10	8
\$2,000,001-\$5,000,000	8	9	7	10	11	12	6	5	4
More than \$5,000,000	5	5	4	3	7	8	4	3	-
Not Sure	31	27	34	24	19	26	39	36	41

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Figure 13

- A third (33%) of adults have saved less than \$25,000 for retirement.
 - For adults ages 18-24, the number jumps to 61%; for adults age 25-34 it is 50%.
 - Perhaps more distressing is the high number of adults age 35-44 (30%) and 45-54 (29%) who have less than \$25,000 saved.

How much do you currently have saved for retirement?

	Gender (all ages)		Age					
	M	F	18-24	25-34	35-44	45-54	55-64	65+
Less than \$25,000	31%	36%	61%	50%	30%	29%	18%	16%
\$25,001-\$100,000	15	13	1	21	21	15	13	7
\$100,001-\$250,000	9	8	-	3	12	13	10	12
\$250,001-\$500,000	8	7	3	3	6	6	14	14
\$500,001-\$1,000,000	7	4	1	3	3	5	11	12
\$1,000,001-\$2,000,000	3	2	-	2	2	3	4	5
\$2,000,001-\$5,000,000	2	1	-	3	1	1	2	4
More than \$5,000,000	-	-	-	-	-	-	-	-
Not Sure	25	28	34	16	24	30	29	31

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Figure 14

- In light of the above, it is no surprise that only 32% of adults say they think about and plan for retirement on a monthly basis or more often.
 - Gen X adults think about it more often than Gen Y adults (38% vs. 23%).
 - Nearly a quarter of the adults (23%) say they never think about retirement planning; that number jumps to 46% of Gen Y adults.

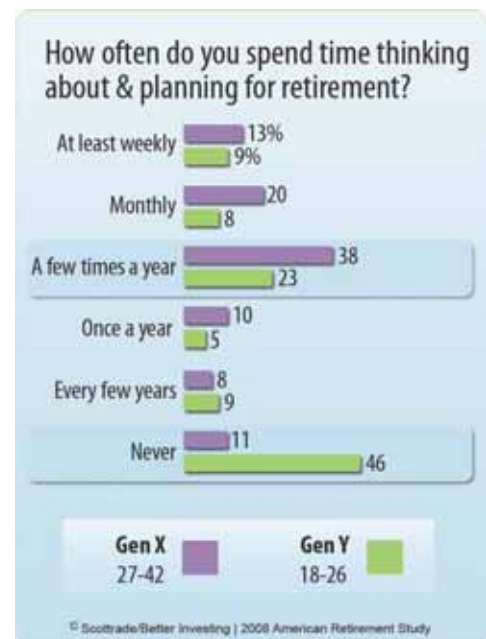


Figure 15

With a growing number of self-employed, “retirement” has become more of a state of mind vs. a destination. But the sense of despair is, to a certain extent, warranted. With a roller-coaster ride in real estate and interest rates and record-high gas prices, there has been no stability or “pattern” visible to the average American. A lack of stability in any situation is cause for concern, unease and a lost sense of security. The youngest of the survey respondents may be the most pessimistic simply because they have not had the experience of surviving multiple economic cycles. The more seasoned participants have seen economic cycles come and go – and have hopefully made wise investment decisions during those times.

Study Methodology Overview

Study Size: 1,000 U.S. adults, Age 18+ in the contiguous United States, 484 male, 516 female

Generalizability: The study was designed to mirror the U.S. population. The most conservative maximum error range is between +/- 2.6% and +/- 3.1% of the U.S. population.

Method: Opt-in internet survey, Synovate eNation Panel, Data collection was January 8-10, 2008

About the Publishers

Scottrade, Inc. is a leading online investment brokerage, featuring the largest branch network in the online brokerage industry. The company offers a full line of investment products, online trading platforms and market research tools to help investors take control of their financial futures.

Chris Moloney is the Chief Marketing Officer of Scottrade. Chris oversees the firm's marketing strategy, advertising, branding, public relations, marketing research, customer relationship management, branch marketing and direct marketing.

BetterInvesting is the nation's largest nonprofit organization dedicated to investment education. It provides investing knowledge and practical investing experience through local investment clubs, regional chapters, Web-based learning programs and an active online community.

Christine Mistretta is the principal owner of The Linden Hills Group, LLC in Minneapolis, Minn., a consumer insights and strategy development consulting company providing counsel to clients in financial services, retail and consumer products industries.

BetterInvesting Consumer Tip Sheet

The 2008 American Retirement Study uncovers America's growing fears about retirement. It is critical for Americans to educate themselves about options and strategies for retirement. Scottrade is dedicated to offering the tools and resources needed to take action, and Bonnie Reyes, president of BetterInvesting, offers the following counsel to concerned investors:

- 1) **Invest early:** By investing early, regularly and without compromise, retirement concerns seem less daunting. The amount needed for retirement depends entirely upon the individual, but doing as much as possible to save early in life is imperative for all adults. Just putting aside a small amount each month during one's twenties and thirties can make a huge difference down the road.
- 2) **Pay yourself first:** Investing does not need to be a lump-sum process. Gen X or Gen Y adults should take a "Pay Yourself First" approach towards investing. Each month, consumers should write themselves a check (in the form of a contribution to a brokerage account, IRA account or mutual fund account) – just as they would pay an electric bill, rent, mortgage or car loan. The amount is less important than the discipline and dedication.
- 3) **Set a plan:** It's never too early to develop a plan. If you don't have that in place, it's easy to set it aside and stop preparing for retirement.
- 4) **Stay disciplined to avoid saving conflicts:** Pressure over saving for retirement vs. a critical expenditure like kids' college can be alleviated by starting a savings/investment account for children at an early age. One rule of thumb states that a college education costs about "\$20,000 per foot," which translates to a total of \$110,000, given that the average height of a college freshman is five and half feet tall. That is a pretty significant number – especially if your child is already three feet tall and you have not yet saved \$60,000! Some parents will have to make the tough decision between paying for college or retiring. Others – who start early and remain disciplined in their investment approach – will be able to do both.
- 5) **Don't fear Social Security:** The best defense is a strong offense. Keep in mind that you can never over-save. The safest approach is never to assume there will be any government programs or assistance when it is your turn to retire. If you truly believe Social Security will not be there when you retire, then save an extra \$100 or \$200 per month in an investment account.