Retirement Reimagined

Redefining the golden years for future generations

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Background

Millennials have an evolving vision of retirement, different from previous generations, according to Schwab's new Retirement Reimagined Study that uses advanced predictive modeling techniques to forecast key differences in how Millennials, Gen X and Boomers will approach saving for and living in retirement.

How will an affinity for adventures abroad and flexibility impact investing and savings goals? How will the world adapt to retirees who want new experiences over predictability? Where will a generation comfortable investing for outsized upside look for stable growth in retirement?

And importantly, how will the financial services industry advise and adapt to meet the needs of future generations of retirees?

Project Overview

While traditional surveys are highly effective at describing the current retirement landscape, they are limited to the present day and unable to look into the future.

Schwab's Retirement Reimagined's findings and future personas are based on three major components: 1) a quantitative survey of 5,000 Americans, 2) in-depth analysis of Schwab data alongside third-party macroeconomic data, and 3) advanced modeling techniques that group generations to forecast future attitudes. The study dug into the past lived experiences, attitudes and behaviors of the Boomer generation and compared that with their current retirement values and choices. Then, accounting for differences in life experience over time, the study analyzed the current attitudes and behaviors of Millennials to forecast the future retirement profiles of their generation.

<u>The result:</u>

- A unique perspective on both the drivers of happiness and values in retirement across Millennials, Gen X and Boomers
- Specific future retirement profiles for Millennials, including both financial and attitudinal factors
- A vision for the future of retirement to help investors plan ahead as they rewrite the traditional rule book for retirement

Key Takeaways

The current retirement landscape:

- Although a **quarter of Millennials still have outstanding student debt**, they're **saving for retirement nearly a full decade earlier** than previous generations.

Looking ahead to Millennial Retirement:

- Travel will continue to be a top priority for the next generation in retirement, with Millennials **less likely to own a permanent home** than Boomers.
- Flexibility and a **desire for new experiences** will lead Millennials and Gen X away from stereotypical and sedentary retirement pursuits.
- With less of a focus on a specific nest egg amount, Millennials and Gen X will think of **savings and investing as a path to more flexibility and freedom**.
- As economic and societal trends shift, uncertainty will cause the next generation to **focus on digital investments and shorter time horizons even in retirement**.

Methodology

Questionnaire Methodology

To help inform the analysis, Schwab conducted a 19-minute quantitative questionnaire from October 21 - November 2, 2021, among a nationally representative sample of 5,000 US adults.

Audience

GEN POP
n=5,000

- Age 18+
- Lives in the US

Note: final data was weighted to reflect US Nat Rep on Age, Gender, Region, and Ethnicity

Method

19-minute quantitative survey

Fielded:
October 21, 2021 -
November 2, 2021

Topics

- Current, previous, and future interests & life goals
- Personal relationships & life satisfaction
- Retirement planning & expectations
- Profiling on demographics & investment habits

Data Overview

In addition to conducting a quantitative survey, anonymized data was gathered from both Schwab and third-party sources to form a holistic retirement-focused dataset.

QUESTIONNAIRE

- Demographic overview
- Personality questions
- Financial status
- Happiness index
- Retirement priorities
- Current perspectives

SCHWAB DATA

- Account / customer volume, churn and duration
- Investment mix
- Asset flow
- Investor behaviors

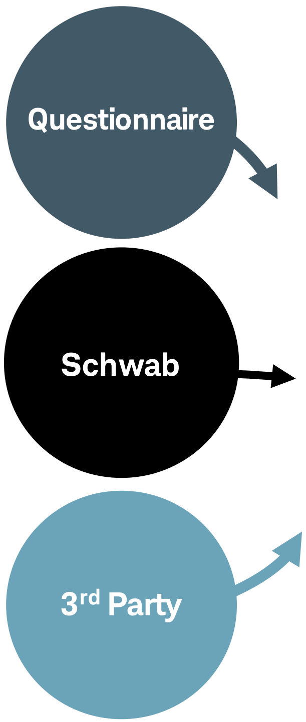
3rd PARTY RESEARCH

- FRED
  - Student Loan Debt
  - Employment trends
  - Economic trends (Inflation, etc.)
- CDC
  - Health trends
  - Epidemiology
  - Population
- NASA
  - Geographic resources
  - Weather trends

*Note: Questionnaire, Schwab and third-party data lists are **examples and are not all inclusive of data used in analysis**.*

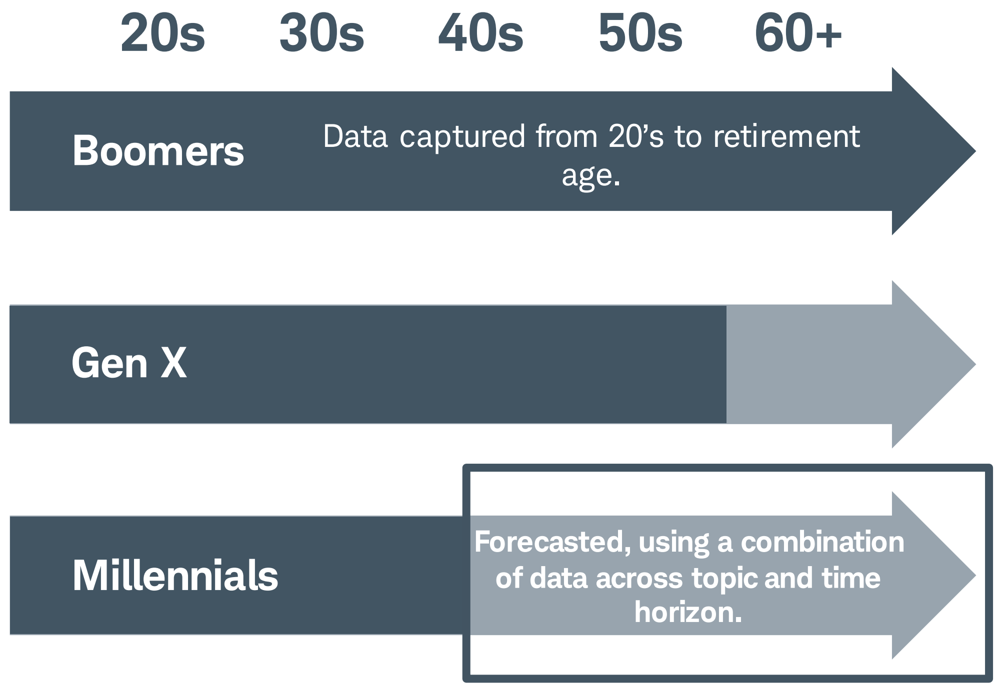
Research Analysis

The combined dataset was then run through predictive analytics modeling to project out the future retirement profiles.



Merged data set was segmented by age / generation and a variety of topics

Age	Hobbies	Finances
…	….	…
…	….	…
…	…	…



Used a wide range of advanced modeling techniques (Factor Analysis, Linear & Logistic Regression, Clustering and Bayesian Modeling) to determine both current and future values across generations, projecting Millennials' future retirement.

Examining the current state of retirement

DATA KEY
Questionnaire
Owned & external data
Predictive analytics

Today one generation drives the definition of retirement

Home Ownership

Over 33% more likely to report owning a home in their 20s or 30s compared to Millennials[1]

Family

21% more likely than Millennials to spend time with family[3]

Boomers

Traditional Investments

86% less likely to invest in digital investments and currencies than Millennials[2]

Financial Security

38% more likely than Millennials to feel they spend enough time investing money[4]

Base Total: Boomers (N = 1377), Millennials (N = 1451)
[1] Q14: Which, if any, of the following statements described you [10 years ago] [in your 20s and in your 30s]?
[2] S10: When it comes to your investments or financial accounts, which of the following asset classes do you invest in, either individually or jointly with someone else?
[3] Q8: Which, if any, of the following would you consider current active interests of yours? “Family/Children”
[4] D6: Which of the following statements best describes you? “I think I spend an appropriate amount of time investing money.”

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Questionnaire
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But the social and economic environment has changed

What made sense for Boomers after WWII no longer holds true as economic conditions shift:

Home Ownership	Since 2004, home ownership rates have dropped by more than 5%[1]
Employment	The average job tenure has decreased 11% since 2014[2]
Cost of living	Average annual HH expenditures have increased 27% since 2010[3]
Investing attitudes	In the past year, cryptocurrency's total market cap has risen nearly 340%[4]

[1] "Homeownership Rates in the United States," *FRED (Federal Reserve Economic Database),* https://fred.stlouisfed.org/series/RHORUSQ156N
[2] "Employee Tenure in 2020 / Employee Tenure in 2014", *BLS*, https://www.bls.gov/news.release/pdf/tenure.pdf / https://www.bls.gov/news.release/archives/tenure_09182014.pdf
[3] "Consumer Expenditures 2020 / Consumer Expenditures 2010," *BLS*, https://www.bls.gov/news.release/cesan.htm / https://www.bls.gov/news.release/archives/cesan_09272011.pdf
[4] "Total Cryptocurrency Market Cap", *CoinMarketCap,* https://coinmarketcap.com/charts/

DATA KEY
Questionnaire
Owned & external data
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And Millennials have been forced to adapt to these new economic and societal realities

1970s | 1980s | 1990s | 2000s | 2010s | 2020s

- Increase in home ownership costs → More than 30% of Millennials rent their primary residence[1]
- Decline of pension plans → Millennials began saving for retirement nine years earlier than Boomers[2]
- Low interest rates → 41% of Millennials would like to spend more time investing their money[3] given the changing investment landscape
- Impact of changing weather patterns, technology and health trends → Almost 50% of Millennials report that they experience emotions like worry, anxiety, moodiness, and sadness most of the time[4]
- Rise in long-term debt → Almost 6% of Millennials are unemployed despite actively seeking work[5]
- Rise in student debt → 25% of Millennials report having outstanding student loan debt[6]

[1] S12: Do you own or rent your primary home? Base Total: Boomers (N = 1377), Millennials (N = 1451)
[2] Q24: For the remaining questions that ask about retirement, please define retirement as a time when you or the primary earner in your household choose(s) to reduce or withdraw from active employment. At about what age did you start saving for retirement, either through an employer or individually? Base Total: Millennials (N = 928), Boomers (N = 1080)
[3] D6: Which of the following statements best describes you? Base Total: Millennials (N = 1451)
[4] Q4: Now, we have a few questions about you. To what extent do each of the following statements describe you? I frequently experience emotions like worry, anxiety, moodiness, and sadness. Base Total: Millennials (N = 1451)
[5] S7: Which of the following best describes your employment status? Base Total: Millennials (N = 1451)
[6] D13: Do you currently have any outstanding student loan debt, for yours or a child's education? Base Total: Millennials (N = 1451)

Redefining the future of retirement

So, how will the current vision of retirement shift when it's time for Millennials to retire?

How will a generation that came of age in a digital world, in the wake of the financial crisis of '08 and is now saddled with educational debt, shape the retirement of tomorrow?

What will Millennials prioritize and value when they reach retirement age?

Instead of...	Millennial retirees will value:	Impact on the future of retirement:
Home ownership	**Traveling** Millennial retirees will be 44% less likely to own a permanent home than Boomers	What will replace today's retirement communities, and how will new industries crop up to fulfill the desire for flexibility and travel? How will these trends affect savings goals (e.g., "Travel date fund" vs. "Target date fund")?
Traditional pursuits	**Flexibility** Millennial retirees will be 49% more likely to try new ways of exercising and types of TV / music than Boomers	What could the next frontier be for boutique gym classes and community centers looking to capture clientele with newfound free time? How will Millennials satisfy their desire for new experiences in retirement?
Financial stability	**Financial freedom** Millennial retirees will spend 24% less time on financial matters than Boomers, using their savings to pursue their desired lifestyle and passions	With Millennial retirees swapping out financial stability for financial freedom, how will this generation get to a successful retirement? How will financial services adapt to retirees who want flexibility over predictability?
Traditional investments	**Digital investments** Millennial retirees will be 150+% more likely to invest in digital investments and currencies than Boomers	A generation comfortable investing in non-traditional vehicles and prioritizing short term, out-sized returns -- where will this generation look for stable future growth?

Apart from increased home ownership, future Gen X retirees will follow a similar pattern to Millennials

Gen X retirees will value:		Millennial retirees will value:	
Home ownership	≠	Traveling	Gen X retirees are 42% more likely to own a permanent home in retirement than Millennial retirees but 2% less likely to do so than Boomers.
Flexibility	=	Flexibility	Like Millennials, Gen X retirees will be almost 50% more open to new ways of exercising and types of TV / music than Boomers.
Financial freedom	=	Financial freedom	Boomers prioritize financial matters 20% more than Gen X will in retirement (and 24% more than Millennials).
Digital investments	=	Digital investments	Along with Millennials, Gen X retirees will be 120+% more likely to invest in digital investments and currencies than Boomers.

Drivers of Happiness

DATA KEY
Questionnaire
Owned & external data
Predictive analytics

While both Millennial and Gen X happiness is primarily driven by technology and relationships, Boomers prioritize financial security:

Millennials

1. Technology Use
2. Personality / Interests
3. Employment
4. Financial Accounts
5. Retirement Planning
6. Spending

Gen X

1. Technology Use
2. Personality / Interests
3. Employment
4. Financial Accounts
5. Spending
6. Retirement Planning

Baby Boomers

1. Retirement Planning
2. Spending
3. Financial Accounts
4. Employment
5. Personality / Interests
6. Technology Use

Drivers of happiness are ranked in order of importance. Arrows indicate how other generations compare to Millennials.

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Predictive analytics

Can we reimagine retirement based on Millennials' changed value system?

In contrast to Boomers, Millennials will have the following priorities in retirement:

Relationships > Financial Security

Derive 63% more happiness from relationships than financial security

Friends > Family

38% more likely to socialize with friends as opposed to family

Travel > Home Ownership

Prioritize travel 13% more than home ownership / improvement

Digital Investments > Traditional Investments

Invest in digital investments and currencies to nearly the same degree as traditional stocks (70%)

DATA KEY
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Schwab predicts Millennials will fall into four distinct personas in retirement

With Pew Research Center estimating there will be 72.2 million Millennials in the U.S. by 2050[1], what will these Millennials want in retirement?

Relaxed Minimalist

- 31-41% of Millennial retirees
- 22.4-29.6 million Millennials

Equally satisfied by the company their inner circle and the simple pleasures of their daily routines, Relaxed Minimalists will aim to maintain a close-knit group of friends

High-Tech Jetsetter

- 24-34% of Millennial retirees
- 17.3-24.5 million Millennials

Nomadic and fast-paced in nature, High-Tech Jetsetters will prioritize travel and be more open to long-term travel, trusting technology to keep up with friends and family

On-Trend Friend

- 13-23% of Millennial retirees
- 9.4-16.6 million Millennials

Driven by purchasing power and a close pulse on all-things culturally relevant, On-Trend Friends prioritize keeping up with the latest consumer trends

Practical Achiever

- 12-22% of Millennial retirees
- 8.7-15.9 million Millennials

Intent on stability, Practical Achievers will focus on financial security and will continue to place importance on digital investments and currencies

[1] "Millennials overtake Baby Boomers as America's largest generation," *Pew Research Center,* https://www.pewresearch.org/fact-tank/2020/04/28/millennials-overtake-baby-boomers-as-americas-largest-generation/

No matter which persona hits home, future retirees can start preparing for their golden years today

Some key considerations as Millennials think about and plan for retirement:

1. **Picture retirement as a target financial state, not a *date*.** Retirement isn't really a switch you flip at a certain age anymore – it's a financial state that allows for the flexibility to make work optional. It may be a phase in life you frequent every now and then or push off until you're really ready to slow down. Either way, crunch the numbers and start saving to ensure you'll have the nest egg you want, whenever you decide to crack it open.

2. **First things first, stash some cash.** To feel more prepared for uncertainty or rapid changes—whether in your ambitions or driven by shifting economic and societal landscapes—have a financial cushion to fall back on. Generally, a solid emergency fund means building a few months of savings to give yourself the time you need to get back on track.

3. **Grow your money and protect it too.** We all want our money to grow, to last throughout our lifetimes, and if we're lucky, to pass on to our loved ones and causes we care about. But as we near the phases in life where we need our money, protecting it becomes just as important as growing it. While you look for high growth investments, remember to also think about how much risk you can afford. It may be age-old advice, but it's still true: a "sure thing" doesn't exist and it's important to diversify and balance your investments to help achieve growth and stability.

4. **FOMO is not an investment strategy.** Investing is about growing your money over time so it can help you live the way you desire—not about speculating or chasing the latest investment trend. Take ownership of your portfolio and be willing to try new ways to invest your money, but don't let trends disrupt your foundation or detract from your future.

5. **Think long term but re-visit your plan regularly.** Strong results take patience and time. Don't forget the clear, simple steps you can take to invest now and start accumulating for the future. Start with a plan to help you save and invest toward your goals, and to start that might mean saving enough in a workplace-sponsored 401(k) to get the match, but be prepared to adjust along the way. Will your future-self resemble your current-self? To a degree, yes. But as life evolves, look to see if your plan for your money is working the way you need it to at least once a year.

