

*\$avings Account\$ - A Monthly Publication of the American Savings Education Council (ASEC)*



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## Welcome!

Welcome to the May 2014 issue of **\$avings Account\$,** a monthly publication of the American Savings Education Council (ASEC)!

If you've got something to share – an event announcement, a product update, new research – please email me at [nadams@asec.org](mailto:nadams@asec.org), and we'll be happy to pass it along in our next issue!

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## Survey Says

Last issue we asked readers, “What do you think is the biggest impediment to making good financial decisions?” You’ll find the results online [HERE](#)

Thanks to everyone who participated in our survey!

This month’s question: It’s that time of year when graduations are in the air. What’s the best piece of advice you’ve ever given a graduate – or been given as a graduate?

You can respond to this week’s survey online [HERE](#).

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## Action Plans – Practical Tips About Saving

Some people are natural “planners”—others, not so much. But as baseball great Yogi Berra once commented, “If you don’t know where you’re going, you might end up someplace else.” Effective savings strategies start with a goal, something to aim for. Some goals are easier to identify than others, of course. [MORE](#).

It may seem too good to be true. Even Albert Einstein allegedly called compounding “the greatest mathematical discovery of all time.” There’s no sleight of hand involved, but—as with most “magic”—what is really going on is a lot simpler than you might think. Here’s how it works: [MORE](#).

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## May Is Disability Insurance Awareness Month

Time for disability insurance “reality check”? Take this opportunity to make sure you’d be OK financially in the event that a disability keeps you out of work for an extended period of time, sponsored by the LIFE Foundation. [MORE](#).

## May Is Older Americans Month

Each May, the nation celebrates Older Americans Month to recognize older Americans for their contributions and provide them with information to help them stay healthy and active. This year, the focus is on injury prevention with the theme Safe Today. Healthy Tomorrow. [MORE](#).

Check out other upcoming events for your financial education campaign(s) [HERE](#).

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## News You Can Use

For individuals in the EBRI/ICI database during April, the average account balance rose 2.0 percent for participants ages 25-34 with one to four years of tenure (and consistent participation since 2011), while the average account balance ended the month 0.9 percent higher for participants ages 55-64 with 20-29 years of tenure. On a monthly basis, EBRI produces estimates of the cumulative changes in 401(k) account balances—both as a result of contributions and investment returns—for several combinations of participant age and tenure. [MORE](#).

Men or Women? Married or Single? Who's More Likely to Be a Saver? [MORE](#).

Most American workers say that neither they nor their spouse has ever tried to calculate how much money they will need to have saved so that they can live comfortably in retirement. [MORE](#).

Overall, workers of today are slightly less likely to say they have saved for retirement than workers of 10 years ago—but that's not the whole picture. [MORE](#).

The median withdrawal rate for those taking a withdrawal from traditional IRAs was 6.9 percent, compared with 40.0 percent for

those taking a withdrawal from Roth IRAs. The median withdrawal rates were much higher for younger owners of traditional IRAs, where the median withdrawal rate for owners ages 25–44 was 40.6 percent. [MORE.](#)

Most American adults equate summer with financial anxiety, according to a new telephone survey conducted for the American Institute of Certified Public Accountants (AICPA) by Harris Poll. According to the survey, about 6 in 10 U.S. adults (59 percent) said their financial tension during the summer matches or exceeds the stress they feel during the year-end holiday season. For parents, the financial stress of summer is even greater. [MORE.](#)

Nearly all investors (99 percent of men and 92 percent of women) say they either make or share in making the overall financial decisions in their households, but women in couples do not take as active a role in investing, according to the UBS Investor Watch report. This holds true for women of all ages—fewer than 1 in 5 Millennial (15 percent) and Gen X (18 percent) women make investment decisions, usually leaving that to their partners, according to the report. [MORE.](#)

According to a new report from Bankers Life Center for a Secure Retirement, more Americans have an accurate understanding of how lottery winnings are taxed (94 percent) than the mainstays of their retirement income: Social Security benefits (39 percent), traditional IRAs (35 percent), Roth IRAs (31 percent), and 401(k) plans (29 percent). More than half (57 percent) do not know that 70½ is the age at which required minimum distributions (RMDs) from traditional IRAs and 401(k) plans must begin. [MORE.](#)

The number of Americans who rate their financial situations as "excellent" or "good" has rebounded to 48 percent, up from the lows of 41 percent reached in 2010 and 2012. A slim majority (52 percent) continue to rate their personal situation as "only fair" or "poor," though this is down from a high of 59 percent, according to Gallup. These sentiments are the most positive they have been since 2008.

[MORE.](#)

A firm majority of Americans, 59 percent, are worried about not having enough money for retirement, surpassing eight other financial matters, according to a new Gallup poll. In fact, a majority of Americans have reported being "very" or "moderately" worried about retirement savings every year since 2001. [MORE.](#)

Charles Schwab & Co.'s "Money Myths" survey of Americans age 30-79 found that three out of four Americans (76 percent) believe it is harder to plan for retirement now than it was for their parents' generation. Nearly 4 in 10 (39 percent) survey respondents who are still in the workforce expect to receive income from a part-time job in retirement, yet only 4 percent of current retirees actually do so, according to the report. [MORE.](#)

American workers view themselves as more physically fit (57 percent) than financially fit (28 percent), according to new research from the Principal Financial Well-Being Index. Nearly half of workers (46 percent) feel stressed about their current financial situation, although stress seems to diminish with age and among those seeking help. Only a third (35 percent) of baby boomers report they feel stressed about finances compared with half of Gen Y workers (51 percent). Those working with a financial professional were much less likely to feel stressed about their finances (33 percent compared with 51 percent). [MORE.](#)

According to a new report from PricewaterhouseCoopers, employee financial stress is again down slightly this year, although nearly half of all employees (48 percent) find dealing with their financial situation stressful (52 percent in 2013 and 61 percent in 2012). Nearly 1 in 4 (24 percent) employees report that issues with personal finances have been a distraction at work. While the percentage of Baby Boomers and Gen X employees who find dealing with their financial situation stressful decreased since last year, the percentage of stressed Gen Y employees increased. [MORE.](#)

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In 2013, 3.5 percent of DC plan participants took withdrawals, compared with 3.4 percent in 2012, and 1.7 percent of DC plan participants took hardship withdrawals during 2013, the same share as in 2012, according to the Investment Company Institute (ICI). In 2013, 10.7 percent of DC plan participants changed the asset allocation of their account balances, and 7.4 percent changed the asset allocation of their contributions, while DC plan participants' loan activity remained about the same throughout 2013 and continues to remain elevated compared with five years ago. [MORE.](#)

A new survey conducted for the American Institute of CPAs by Harris Poll shows that although three out of four U.S. adults (74 percent) believe they are worse off or about the same financially as they were a year ago, stress levels about finances have not increased in the past year. In both 2013 and 2014, just over 4 in 10 (44 percent) U.S. adults said their stress about personal finance matters is somewhat or very high. Twelve percent of U.S. adults said that managing day-to-day expenses was their primary financial concern, followed by medical expenses (10 percent), retirement (9 percent) and student loans (9 percent). [MORE.](#)

Families' overall savings are up 7 percent from last year, and the total average savings is \$115,604 compared with last year's \$107,724, according to a recent Ipsos survey for Sallie Mae. More families have earmarked some savings in a "rainy day" fund (57 percent) than for any other purpose, followed closely by retirement (55 percent). However college savings funds are a high priority, having been established by more than half of families (51 percent). [MORE.](#)

According to Financial Finesse, 23 percent of respondents reported “high” or “overwhelming” levels of financial stress in 2013, up from 18 percent in 2012, and unlike previous spikes in financial stress, which were heavily correlated with external factors beyond employees’ control, in 2013 the percentage of employees citing external factors as the source of their stress actually dropped, while those citing internal factors notably increased, according to the report. But the report also notes that as employees focus more on their finances, they are recognizing their financial shortcomings and developing a greater sense of urgency around improving their finances. [MORE](#).

New research by the Principal Financial Group finds that almost two-thirds of Gen Y respondents (65 percent) began saving for retirement by age 25, and while more than a third of Generation Y (34 percent) have a retirement goal of \$1 million or more, just about as many (29 percent) have not calculated how much they will need to save for retirement. The majority of Gen Y workers (58 percent) feel Social Security benefits will no longer exist by the time they reach retirement age. [MORE](#).

For their overall approach to financial education, nearly 2 in 5 survey respondents feel a responsibility to educate on pension and benefit options, encourage retirement savings and help employees/participants become financially literate managers of their money, according to the International Foundation of Employee Benefit Plans. Nearly 2 in 5 feel their responsibility is only to educate on pension and benefit options and encourage retirement savings. Half of all organizations offer benefits literacy education, and nearly half offer retirement security education, but only about one-quarter offer financial literacy education. [MORE](#).

In a review of data compiled by Wells Fargo from 2,036 companies where gender was indicated, about half of all men (49 percent) and four out of 10 women (43 percent) are enrolled in their workplace retirement plan, while 74 percent of women have money in managed

investments versus 71 percent of men. Usage of Roth 401(k) plans, when offered by employers, jumped from 8.6 percent of participants to 10.4 percent. Millennials are the biggest users of the Roth 401(k), according to the report; 15.3 percent of Millennials use Roth 401(k), up 2.4 percentage points from the prior year. [MORE](#).

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### It's All Academic

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During 2012, consumers increased their spending in all but one of the seven major categories of expenditures tracked: food, housing, apparel and services, transportation, health care, entertainment, and personal insurance and pensions. According to the Bureau of Labor Statistics, this is in comparison to 2011 when consumers increased their spending in all of the major categories. [MORE](#).

Households hold vastly heterogeneous amounts of wealth when they reach retirement, and differences in lifetime earnings explain only part of this variation. This paper studies the role of intergenerational transmission of ability, voluntary bequest motives, and the reciprocity of accidental and intended bequests (both in terms of timing and size) in generating wealth dispersion at retirement, in the context of a rich quantitative model. [MORE](#).

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### Service “Stations”



As part of its mission, the Choose to Save® program develops user-friendly multimedia materials to help individuals plan and save for their financial future, including free public service announcements (PSAs) using humor, powerful images, and compelling information to encourage viewers (and listeners) to take charge of their financial future.

Each month we'll feature one of the PSA videos from [www.choosetosave.org](http://www.choosetosave.org).

This month's feature:

How are you saving for your future? [MORE](#).

Feel free to use these in YOUR education campaigns!

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### ASEC Partner Updates

The National Academy of Social Insurance (NASI) will on May 14, conduct a free webinar titled, "When Should I Take Social Security?" Can't join live? Register and you'll be emailed materials after the event. [MORE](#).

WISER is co-hosting a lunch and learn event with the Insured Retirement Institute (IRI) on May 7 from noon to 1 p.m. The event will include discussions on IRI's new research on women's retirement readiness and women in financial advising careers, as well as ways to strengthen retirement security. [MORE](#).

Almost 4 in 5 say they do at least some research to verify the legitimacy of a financial professional (with half saying they do extensive research). However, a new survey from the CFTC finds that only one-third or fewer report say they review performance histories, find affiliations, confirm certifications, and even seek referrals from past clients. In addition, the step investors are least likely to take (looking for past violations from the government) is also the one that

is most important when it comes to identifying and avoiding fraud. [MORE.](#)

The 2014 IFIE-IOSCO Global Investor Education Conference's professional network of leading experts and key leaders worldwide offers a chance to share best practices and case studies, and learn about new research and tools to strengthen financial education, financial capability and investor literacy/education resources. The event will take place May 21-23 in Washington, DC, and is hosted by FINRA and co-sponsored by the CFA Institute. [MORE.](#)

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### Trivial Pursuits

Eight Things You May Not Know About Memorial Day. [MORE.](#)

While Memorial Day, a day of remembrance for those who have died in our nation's service, has been commemorated for more than 150 years, for most of that time it wasn't called "Memorial Day." What was it previously called? [MORE.](#)

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Please Consider Becoming A Partner of ASEC. Find out [MORE.](#)

If you'd like to submit materials for posting on [www.choosetosave.org](http://www.choosetosave.org), see [MORE.](#)

Please share \$avings Account\$ with friends or colleagues that you think would find it of value - and encourage them to sign up for their own FREE copy!

See you next month - and thanks again for your support of ASEC!

*\$avings Account\$, a publication of the American Savings Education Council (ASEC) is published the first Tuesday of each month with information about the latest research and updates on new (and old but relevant) tools, as well as keep you up-to-date on various events, conferences, and symposiums relevant to ASEC's Mission: To make saving and retirement planning a priority for all Americans.*

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