



Redefining the digital generation.

**WORKING MILLENNIALS ARE SAVERS—  
AND WORTH YOUR ATTENTION.**

Our latest thought leadership research, The Millennial Retirement Saving and Spending Study, offers revealing—and often surprising—information about the financial mind-sets and behaviors of working millennials who are saving in a 401(k) plan.

## About the study

### What

Proprietary, quantitative study sponsored and developed by T. Rowe Price in partnership with Brightwork Partners LLC.

### Primary Focus

Gain insight into the saving and spending behaviors and attitudes of working millennials who are contributing to a 401(k) plan or who are eligible to contribute and have a \$1,000 minimum balance.

### Methodology

Research is based on a national sample of workers and retirees comprised of the groups below. The online survey was conducted in February and March 2015. (totaling 4,308 respondents):

3,026 workers currently contributing to a 401(k) or who are eligible to contribute with at least \$1,000 in a 401(k):

- 1,505 millennials
- 1,007 gen x-ers
- 514 age 50+ workers

1,027 individuals who retired in the last five years and have a rollover IRA or balance remaining in a 401(k) plan

255 millennials who are eligible but not currently saving in a 401(k)

Findings in the samples are subject to a margin of error of under 3%.

# Summary

## Working millennials—outpacing expectations and their peers

Often characterized as “entitled” and “living for the moment,” the working segment of the millennial generation who are saving in a 401(k) plan defies these stereotypes when it comes to their behaviors and attitudes toward saving and spending.

According to our latest thought leadership research, **The Millennial Retirement Saving and Spending Study**, working millennials with a 401(k) plan are motivated, interested in saving, and optimistic about their financial future. In fact, our research shows that 78% feel comfortable that they are on track to reach their financial goals. Moreover, our study findings question the widespread perception that this generation has collectively turned its back on conventional retirement savings vehicles, such as 401(k) plans. Indeed, many working millennials appear to be well positioned for success. But, while their confidence is high, our research also reveals they are looking for direction and seeking guidance to help them reach their goals.

### Plan design choices could influence millennial savings behavior

A driver of this group’s early success may be their openness to financial guidance and investment help. According to our study, millennial 401(k) savers readily embrace services designed to help them make decisions and better manage their money. For instance, of those who were automatically enrolled in their 401(k) plans, 79% report being satisfied that they were auto-enrolled by their employer.

It makes sense, then, that 47% of those who were automatically enrolled in their retirement plan say they wish they had been enrolled at a higher rate, and an overwhelming 80% believe that their employer should set the automatic enrollment rate to take full advantage of company matching contributions. What’s more, working millennials also appear to be reaping the benefits of automatic increase. According to data from the T. Rowe Price database, 77% of millennial participants stick with the auto-increase default in plans that offer this feature.\*

“That millennial 401(k) savers are seeking guidance and are more tolerant of higher default automatic enrollment rates are key findings of this research,” says Aimee DeCamillo, head of T. Rowe Price Retirement Plan Services, Inc. “As the largest generation ever to enter the U.S. workforce, plan design needs reflect the broad trend that working millennials rely on auto services. Baby boomers may have shaped the defined contribution business, but millennials have unique preferences and practices that should prompt sponsors to reevaluate their plans.”

### Millennial 401(k) savers make advisors sit up and take note

Overall working millennials’ attitudes and behaviors are indicative of fiscal responsibility and financial awareness. According to our study, 84% say they plan to make managing their financial situation a higher priority this year. And it appears that their actions back up their intentions. For example, compared with 12 months ago, working millennials report that they are spending less this year on discretionary purchases, and 51% state their debt is smaller this year than last. For advisors and plan sponsors, this may be a surprising revelation.

Perhaps more important, though, is that this group acknowledges their own shortcomings when it comes to financial knowledge. One of our study’s key findings is that millennial 401(k) savers indicate a strong desire for advice: 38% report that they’ve already used a paid advisor, with 11% stating that they have turned to robo advisors for professional guidance.

“Attitudinally, this cohort is well-intentioned and recognizes that they need help to overcome saving challenges,” notes Anne Coveney, senior manager of retirement thought leadership at T. Rowe Price. “Given their openness to guidance and services that help them make decisions, the door is wide open for sponsors and advisors to step in and help them become financially independent.”

\*Data from T. Rowe Price Participant Database, April 2015.

# Conclusions

How working millennials in 401(k) plans are faring: Five top findings

**The Millennial Retirement Saving and Spending Study** reveals surprising data and provides a new perspective on this generation's saving and spending attitudes and behaviors.



## Off to a strong start

Working millennials exhibit behaviors that demonstrate that they are well-intentioned savers.

- **Contribute 8% of pay on average to a 401(k)** (6% median), about the same as Gen X workers (8% average, 7% median)
- **79% say that they save money by cutting flexible expenses** (entertainment, travel, and eating out) and 67% save by any means possible
- **74% say they are more comfortable with saving and investing** extra money than with spending it



## Have a positive outlook

The vast majority of millennials are forward-looking and possess a positive attitude about their current financial status as well as the future.

- **78% are somewhat or very comfortable** that they are on track to meet their financial goals
- **73% say they are better off financially** than their parents at the same age
- **72% believe they will receive** some Social Security benefits when they retire, but not as much as what today's retirees get



### Engaged and focused on their financial situation

Despite prevailing stereotypes, our research found that working millennials exhibit financial discipline when it comes to saving and spending.

- **63% commit to purchasing** only what is on their shopping list
- **68% say they shop** by going to the store for preselected items that they research online
- **82% report they are confident that their spending** is well within the limits of what they can afford



### Enthusiastic adopters of automatic services

On average, working millennials who were auto-enrolled in their 401(k) plan express a high tolerance for increased auto-service defaults, making them ideal candidates to adopt plan changes.

- **The average opt-out deferral rate** was 6%; however, 27% of respondents said they would not opt out of auto-enrollment until 10%+
- **47% wish they had been enrolled at a higher rate**; however, those auto-enrolled at rates below 3% are very sensitive to increases in the auto-enroll default rate
- **80% believe their employer** should set the auto-enrollment rate to take full advantage of the company match



### Actively seeking advice and guidance

Working millennials exhibit an appetite for financial education and many actively seek guidance when it comes to retirement investing.

- **38% have already** used some kind of advisor
- **11%** have used a robo-advisor alone or in conjunction with a traditional advisor

# Next Steps

## Speaking millennial through your retirement plan

Through our study, working millennials are sending an unmistakable message: They've been unfairly burdened with the reputation as irresponsible, particularly when it comes to saving and spending. In fact, millennial 401(k) savers are interested in figuring out their financial future and want help and guidance to get there. So how can you engage and meet the needs of this group to drive retirement outcomes? Focus on three key areas:

### Plan design

Working millennials benefit from auto-services. Those who were auto-enrolled demonstrate a tolerance for higher default enrollment rates, with 27% of auto-enrolled millennial respondents indicating that they would opt out at 10% or higher (the average was 6%).

Among T. Rowe Price millennial participants who were auto-enrolled in their plan:\*

- 94% stick with the default deferral rate, and those who opt out, typically choose a higher rate
- 77% stick with the auto-increase default
- Nearly 90% use target date funds as their only investments

These findings become even more critical when paired with working millennials' tendency to change jobs frequently (every five years on average). With plans that continue to offer low auto-enroll default rates (or no auto-enroll feature), participating millennial 401(k) savers who are changing jobs—who rely so heavily on these services to drive retirement outcomes—will likely be at risk of not saving enough for retirement.

Consider these plan design changes to boost retirement readiness:

### 1 AUTO-ENROLLMENT

Set your default rate higher. Consider setting it at your company match. Millennials are open to higher default rates and they are motivated by the company match.

### 2 AUTO-INCREASE

Consider using auto increase as an opt-out feature since inertia is powerful. Also, consider increasing the auto-increase annual amount from 1% to 2% to get participants closer to the 15% recommended savings level.

### 3 STRETCH MATCH

Since millennials are motivated by the company match, considering stretching your match (for example: stretching a match of 50 cents on the dollar up to 6% to 25 cents on the dollar up to 12%) to encourage saving at a higher rate. This combined with auto increase and a higher auto-enrollment default rate can help move the dial for participants. Another plan design change to consider is offering a tiered match (for example: 50 cents on the dollar up to 3%, but dollar for dollar on the NEXT 3%). This could tap in to the gamification concept which may inspire millennials to save more.

## Guidance

Our study shows that millennials are receptive to advice, and that they need to continue to improve their own financial literacy. You can add value with millennials by clarifying basic investing perceptions, such as:

- Most working millennials believe they should be saving 9% of their pay; only a quarter of them know that they should be saving between 10% and 14% to possibly save enough for retirement. Coaching and education on savings can help them improve the likelihood of achieving a successful retirement outcome. Independent studies consistently find that savings rates have more impact on retirement income than asset allocation, investment performance, and fees.
- The majority of 401(k) savers who invest in target date funds recognize that they hold a mix of asset classes; however, they don't appreciate that the funds offer one-step diversification. In fact, 78% agree with the statement, "It's better to hold additional funds in your 401(k) than just a target date fund." A more comprehensive understanding of investments could help better position them for the long-term success.
- More than half (57%) say they would rely on a credit card in an emergency—only 39% have a separate emergency fund—And of those working millennials who expect to manage credit card spending differently this year 70% say they plan to pay down credit card debt in the next year. This highlights an opportunity to provide education about emergency funds and other ways to maintain financial flexibility while still saving.

Consider providing participants with these interactive tools:

- **Retirement Income Calculator**\*\* —Shows whether retirement assets are likely to last over an investor's lifetime
- **Retirement Income Estimator**—Estimates how much an investor will receive each month in retirement based on current balances, savings rates, age, and Social Security estimates
- **Loan Impact Calculator**—Shows how a taking a loan may impact retirement savings over the long term
- **Social Security Benefits Evaluator**—Helps users decide how and when to claim Social Security benefits

## Engagement

Millennials are digital natives and always connected. So it comes as no surprise that our findings indicate that the average millennial stays connected to their peers: 85% use Facebook; 68%, YouTube; 38%, Instagram; and 38%, Twitter. Social media channels are crucial to communicating with this group, making it incumbent on sponsors and advisors to adapt and leverage technology to reach them.

The Retire with Confidence Program<sup>®</sup> for Participants available in T. Rowe Price plans engages on different levels to inspire action that can lead to financial well-being. Here are key features that are making a difference:

- **Proactive guidance:** One-on-One Retirement Consultation
- **Gamification of learning concepts:** Confidence Number<sup>®</sup> and FuturePath<sup>®</sup>
- **Digital experience:** Newly designed participant website, T. Rowe Price Personal<sup>®</sup> App for iPhone<sup>®</sup>, and T. Rowe Price Personal<sup>®</sup> App for iPad<sup>®</sup>

\*\* IMPORTANT: The projections or other information generated by the Retirement Income Calculator regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The projections are based on assumptions. There can be no assurance that the projected results will be achieved or sustained. The charts present only a range of possible outcomes. Actual results will vary with each use and over time, and such results may be better or worse than the projected scenarios. Clients should be aware that the potential for loss (or gain) may be greater than demonstrated in the projections.

\*T. Rowe Price Participant Database, April 2015.



*The principal value of target-date funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors plan to retire. These funds typically invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. In addition, the objectives of target-date funds typically change over time to become more conservative.*

*Call 1-800-922-9945 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.*

## More information is a click away.

For more study findings and additional insights from our research, visit [troweprice.com/retirementforall](https://www.troweprice.com/retirementforall).

You can also learn more by contacting your T. Rowe Price representative.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.