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TODAY'S WORKERS ARE LESS CONFIDENT THAN ACTUAL RETIREES, MFS 2024 GLOBAL RETIREMENT SURVEY FINDS

While Some of Their Concerns May Not Match Reality,
American Workers Are Taking Positive Action by Saving More and Seeking Advice

BOSTON (October 29, 2024) – Economic worries, led by the high cost of housing, have been driving American workers to adjust their outlook for retirement, according to the 2024 Global Retirement Survey released today by MFS Investment Management® (MFS®). Nearly half of plan participants made changes to their retirement investments over the past year, with 52% changing their investments to be more conservative. These anxieties are contributing to retirement insecurity, with 55% of workplace savers citing the high cost of housing as a leading financial concern.

But another outgrowth of these worries has been a greater appreciation for the need to save. One in two plan participants now say their chief priority over the coming 12 months is to save enough money for retirement while 40% say they are focused on saving for an emergency or unexpected event. Meanwhile 70% said they would seek advice from a financial advisor if offered through their workplace plan. That helps explain why 77% of plan participants remain somewhat, very, or extremely confident that they will be able to retire at the age they want, according to the MFS survey, which included responses from over 1,000 defined contribution plan participants in the US, along with 3,000 others globally.

"The economic landscape remains challenging for many workplace savers," said Jeri Savage, retirement lead strategist at MFS. "Americans are tackling this increasingly complex environment head on as they weigh competing priorities like housing costs and saving for unplanned events. This presents a critical opportunity for plan sponsors and advisors to engage participants with targeted tools, education and advice, especially around long-term investment strategies."

Expectations and Realities

After years of heightened economic and market uncertainties, plan participants are also seeking predictability in addition to tools and advice, the survey found. When asked about priorities for their retirement accounts, the vast majority of plan participants cited predictable income (78%), inflation-adjusted payments (72%) and flexibility when it comes to withdrawals (60%).

Anxious workplace savers can also take comfort in the experiences of those who have already retired. For example, while 56% of plan participants expect they will have to keep working beyond 65, the reality is that 75% of retirees report having left the workforce before that stage. This highlights a recurring theme in which the perspective of actual retirees differs from workers planning to leave the workforce. A majority (51%) of workers anticipate spending the same or more money in early retirement as they did in pre-retirement, yet six in 10 retirees say they actually spent less. Even more encouraging, while 48% of plan participants think they can financially support a 30-year-long retirement, more than three out four retirees say they are confident their finances can sustain a long retirement.

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Generational Differences
For the first time, MFS's survey broke out its findings among four generations in today's workforce: Gen Z, Millennials, Gen X and Baby Boomers — and found that participants of these various age groups are grappling with different competing financial priorities. Notably, 96% of Gen Z and 86% of Millennials reported that financial obligations such as saving for emergencies and managing debt hinder their ability to adequately save for retirement. Meanwhile, Gen Z respondents say prioritizing saving for an emergency is their primary focus, while Millennials are concentrating on managing their day-to-day financial obligations for the coming year. By contrast, saving for retirement is the biggest financial goal for Gen Xers and Baby Boomers.

Misunderstanding Persists Among TDFs
Target Date Funds (TDFs), designed to simplify the investment process through automatic rebalancing and reallocation, are currently used by 57% of participants (and 64% of those under age 45). However, they remain widely misunderstood. Many participants incorrectly assume that target-date funds provide a guaranteed stream of income in retirement or a guaranteed rate of return, which they do not. While most retirement savers understand that TDFs invest more conservatively over time, the majority mistakenly believe these investments reach their most conservative allocation at retirement, unaware that many TDFs continue adjusting their allocations during retirement with what's called "through" glidepaths.

"While many participants use Target Date strategies to simplify their investments, confusion persists. A significant number of respondents incorrectly believe that TDFs provide guaranteed income or a fixed rate of return, suggesting an opportunity for additional guidance to help participants understand the full potential and limitations of these funds," added Savage.

Conclusion
As economic pressures continue to reshape how Americans approach retirement, workers are reassessing their financial strategies to accommodate the high cost of housing along with market uncertainties. The good news is many plan participants are taking proactive steps to improve their situations, ranging from saving more to adjusting their investments to working longer. They are also open to financial advice if offered through their retirement plans. This underscores the need for personalized advice and targeted education. Advisors and plan sponsors play a crucial role in helping participants stay on track, offering support as individuals work toward securing their financial futures.

About the survey
Dynata, an independent third-party research provider, conducted a study among 725 Defined Contribution (DC) plan participants and 310 retirees in the US on behalf of MFS. To qualify, DC plan participants had to be ages 18+, employed at least part-time, actively contributing to a 401(k), 403(b), 457 or 401(a). US Retirees had to be fully or partially retired and must have had a 401(k), 403(b), 457 or 401(a), DB plan or SEP/Simple IRA. Data weighted to mirror the age/gender distribution of the workforce. The survey was fielded between March 28–April 13, 2024. MFS was not identified as the sponsor of the study.

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About MFS Investment Management
In 1924, MFS launched the first US open-end mutual fund, opening the door to the markets for millions of everyday investors. Today, as a full-service global investment manager serving financial advisors, intermediaries and institutional clients, MFS still serves a single purpose: to create long-term value for clients by allocating capital responsibly. That takes our powerful investment approach combining collective expertise, thoughtful risk management and long-term discipline. Supported by our culture of shared values and collaboration, our teams of diverse thinkers actively debate ideas and assess material risks to uncover what we believe are the best investment opportunities in the market. As of September 30, 2024, MFS manages US $645.3 billion in assets on behalf of individual and institutional investors worldwide. Please visit mfs.com for more information.

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