



# Profiles in The Retirement Red Zone®: Near-Retirees

## Near-Retirees are set off course for retirement due to the market storm

Prudential conducted a study in April 2009 called the **Impact of the Market Crisis on Retirement Preparedness**.

This study aimed to reveal how Americans are:

1. Reacting to the impact of the market crisis on their retirement prospects
2. Planning to rebuild their retirement
3. Reconsidering tools and assistance required to be successful

The study polled 1,001 Americans and included a targeted segment of **300 Near-Retirees** who met the following criteria:

- Age 45 – 75
- Currently employed
- Expects to retire within five years
- Participates in a defined contribution plan
- Household income of \$100,000 or more
- Retirement savings of \$100,000 or more
- Primary or joint decision-maker on household financial decisions

### Near-Retirees face challenges ahead

Close to nine in 10 Near Retirees felt the emotional and financial impact of the crisis—some being regretful and disappointed and others not knowing exactly what to feel, but all experiencing significant losses in their portfolios (32% on average).

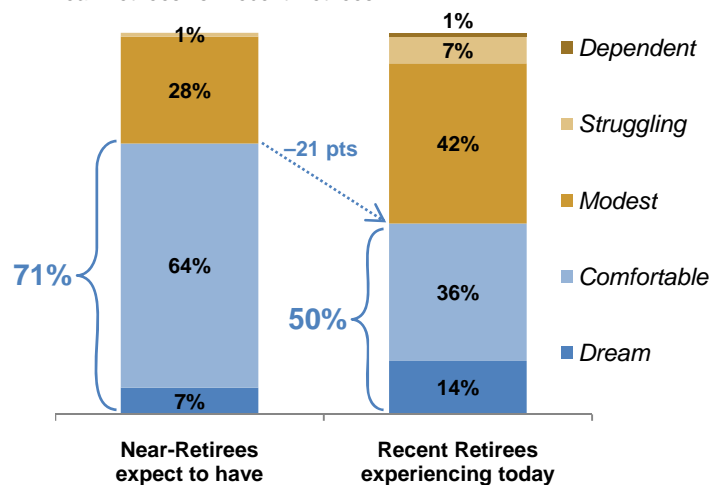
In the height of the financial crisis, a third of Near-Retirees pulled their assets out of equities. Now in the aftermath, about half doubt they'll be able to grow their money back in time for retirement. In fact, 29% have already had to delay retirement and another 42% say they are likely to postpone retirement.

### Expectations may exceed reality

The stock market crisis does seem to be keeping Near-Retirees' retirement expectations somewhat in check. Only 7% anticipate achieving a "dream" retirement. The majority (64%) expect at least a "comfortable" lifestyle. Still, when considering the actual experiences of Recent Retirees, it is fair to say that many will find their retirement falling short of expectations.

### Retirement Lifestyle

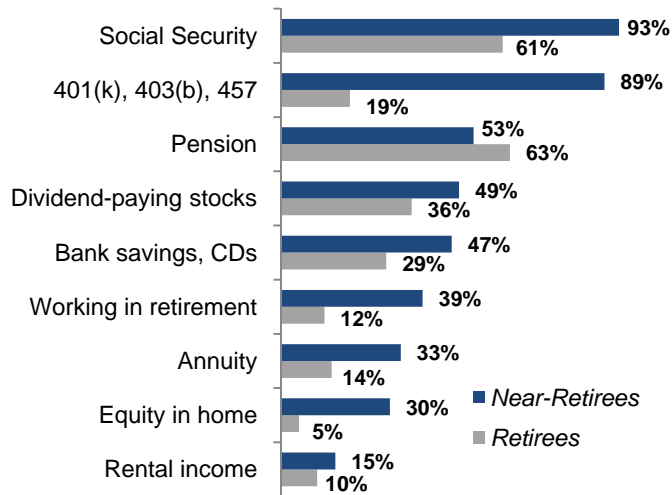
Near-Retirees vs. Recent Retirees



## Near-Retirees expect multiple income sources

There are considerable gaps in what sources Near-Retirees *think* they'll use for retirement income compared to what retirees are *actually* using. Broad and optimistic intentions exist, but being faced with unexpected challenges, especially in light of the current economic environment, may thwart expectations for retirement income.

### How receiving/expect to receive retirement income

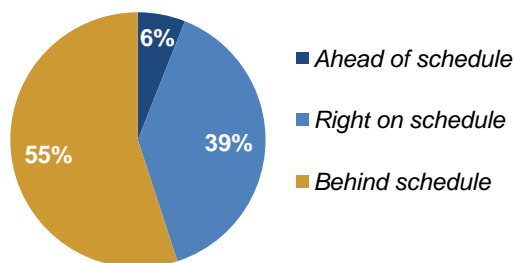


## 401(k) savings come to the forefront

Close to nine in 10 Near-Retirees expect to use their 401(k) savings as a means for retirement income. What's more, in presenting the idea of generating and guaranteeing lifetime income from one's workplace retirement plan, consideration is strong.

These points are noteworthy because previous industry research shows that up until now, there has been a strong tendency for retirees to hoard their savings, using all other possible resources for income and not necessarily thinking about how to use their 401(k) assets.

### Near-Retirees' progress towards retirement savings goals



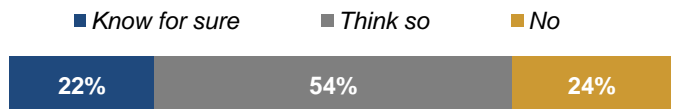
## Guidance is needed to avoid procrastinating important planning and decisions

With 55% behind on their savings goals and many facing the likelihood of delaying retirement, it stands to reason that a delay in planning for retirement income would follow as well.

Near-Retirees are still very focused on asset accumulation. Half say it is their most important focus (51%). Protecting assets is a close second (41%).

Near-Retirees tend to have a loose plan for generating retirement income. In fact, close to two-thirds admit to having no concrete plan. Moreover, just one in five "know for sure" how much income they'll be able to draw from their savings annually to sustain their lifestyle in retirement and without the risk of running out of money.

### Near-Retirees' knowledge of how much income can be drawn from their savings without risk of running out of money



Throughout the retirement planning lifecycle, it seems natural that one's focus would shift from accumulation to preservation. But an in-between stage includes figuring out how to satisfy the need for income in retirement—which in many cases may require proper guidance and consultation with a financial professional.

## 83% of Near-Retirees think guaranteed features would fit nicely in their portfolio

More than two-thirds said they would be likely to consider guarantees either as part of a variable annuity or an option in their 401(k) plan. What's more, 76% said they would put more money in (or back in) the stock market if they were protected by such guarantees. Moreover, half said that in concept they would pay "extra" for an add-on to an investment product if it could guarantee income and growth. To find these solutions, eight in 10 say they would likely consult with a financial professional.