



Small Businesses vs. Large Companies

Small Businesses: A Tough Road to Retirement

**Eighth Annual Transamerica Retirement Survey
Transamerica Center for Retirement Studies**

April 2007



Transamerica Center for Retirement Studies

About The Center

- **The Transamerica Center for Retirement Studies (“The Center”) is a collaboration of experts assembled by Transamerica Retirement Services¹ (“Transamerica”).**
- **Promotes awareness of emerging issues and trends surrounding retirement security in the United States.**
- **Research emphasizes employer sponsored retirement plans, small- to mid-sized companies and their employees, and the implications of legislative and regulatory changes.**
- **Conducts the Annual Transamerica Retirement Survey.**

**For more information about The Center, please refer to
www.TA-Retirement.com/TheCenter.**

¹ Transamerica Retirement Services (“Transamerica”), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, specializes in the promotion of retirement plan products and services.

Survey Objectives

- For the past seven years, the Transamerica Center for Retirement Studies has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The research emphasizes employer-sponsored retirement plans, issues faced by small- to mid-sized companies and their employees, and the implications of legislative and regulatory changes.
- To this end, Harris Interactive was commissioned to conduct the Eighth Annual Retirement Survey. Where appropriate, questions were tracked and some new questions were added to investigate new topics of interest.
- The report represents the findings in two sections: workers and employers.

Survey Methodology: Employer Survey

- **A telephone study was conducted among 659 owners/heads of small businesses and benefits executive decision-makers in larger companies, using a nationally representative random sample meeting the following criteria:**
 - Business executive who makes decisions about employee benefits at their company.
 - Employs 10 employees or more.
 - Excluding government, education or not-for-profit companies.
- **18 minute telephone interview.**
- **Interviews were conducted between July 25 and Oct. 10, 2006.**
- **Data were weighted to ensure that each quota group had a representative sample based on the number of companies in each employee size range.**
- **Sampling error at the 95% confidence level is +/- 3.8%.**
- **The base size is 300 for large companies (500+ workers) and 359 for small companies (10-499 workers). Other reduced bases are noted throughout the report.**

Survey Methodology: Worker Survey

- **A telephone study was conducted among 1,402 American workers, using a nationally representative random sample meeting the following criteria:**
 - Work full-time for pay at a company with at least 10 employees.
 - 18 or older.
 - Excluding government workers and not-for-profit organizations.
 - A total of 715 men and 687 women.
- **20 minute telephone interview.**
- **Interviews were conducted between July 27 and Oct. 7, 2006.**
- **Data were weighted to ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.**
- **Sampling error at the 95% confidence level is +/- 2.6%.**
- **The base size is 671 for large companies (500+ workers) and 731 for small companies (10-499 workers). Other reduced bases are noted throughout the report.**



Small Businesses: A Tough Road to Retirement

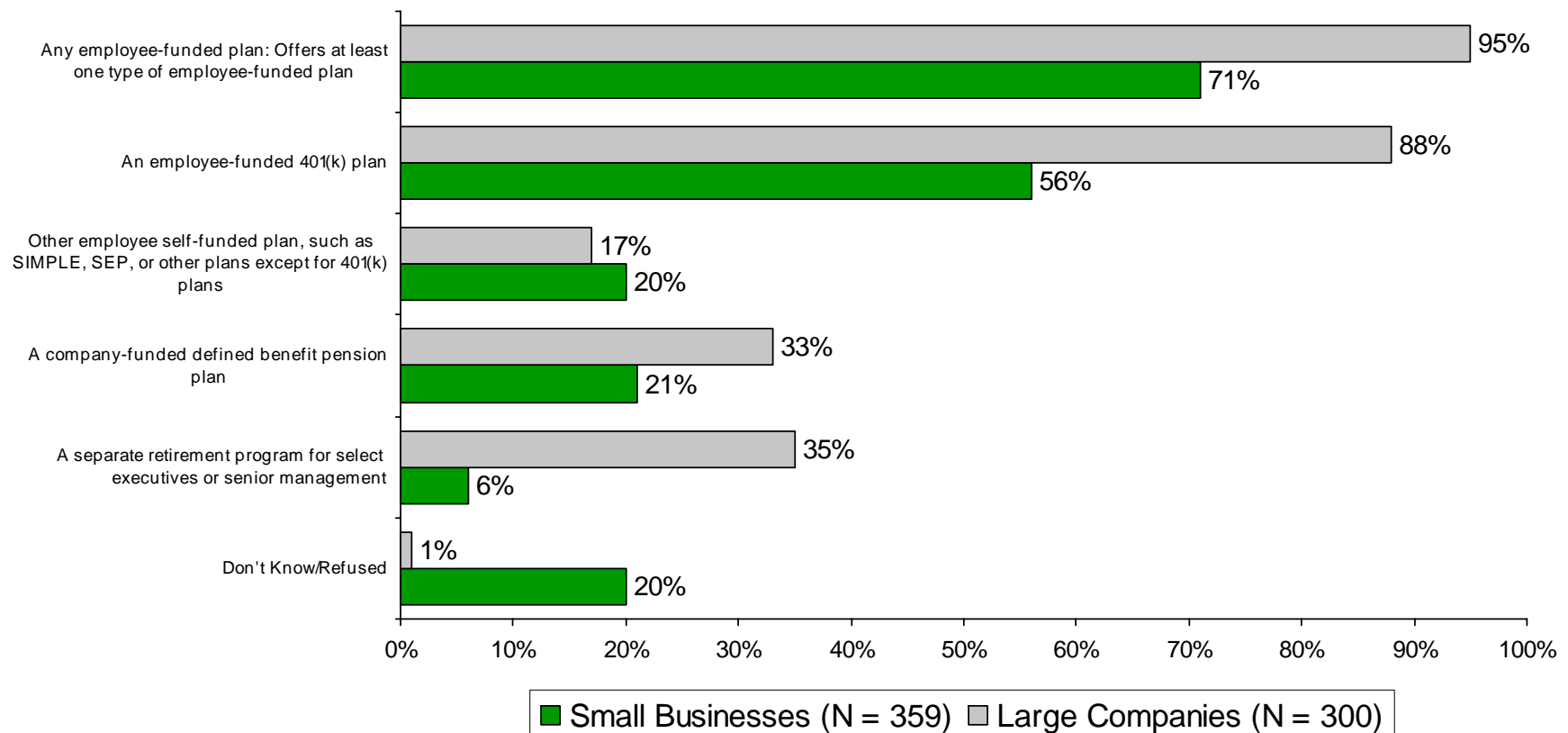
A Tough Road to Retirement

- **When it comes to saving for retirement, workers at small businesses face tough challenges:**
 - Small businesses are less likely than large companies to offer a retirement plan
 - Small businesses are also less likely to offer a company match in their employee-funded retirement plan
 - Generally, workers at small businesses express attitudes and behavior that are less conducive to saving for retirement than those of workers at large companies
- **It is also important to note that there are some differences in worker demographics that could be affecting how they view and save for retirement:**
 - Workers at small businesses tend to be less educated
 - Workers at small businesses tend to report lower household incomes

Retirement Plan Coverage

An employee-funded plan is the predominant retirement benefit being offered by employers, but small businesses are less likely than larger companies to offer this type of plan.

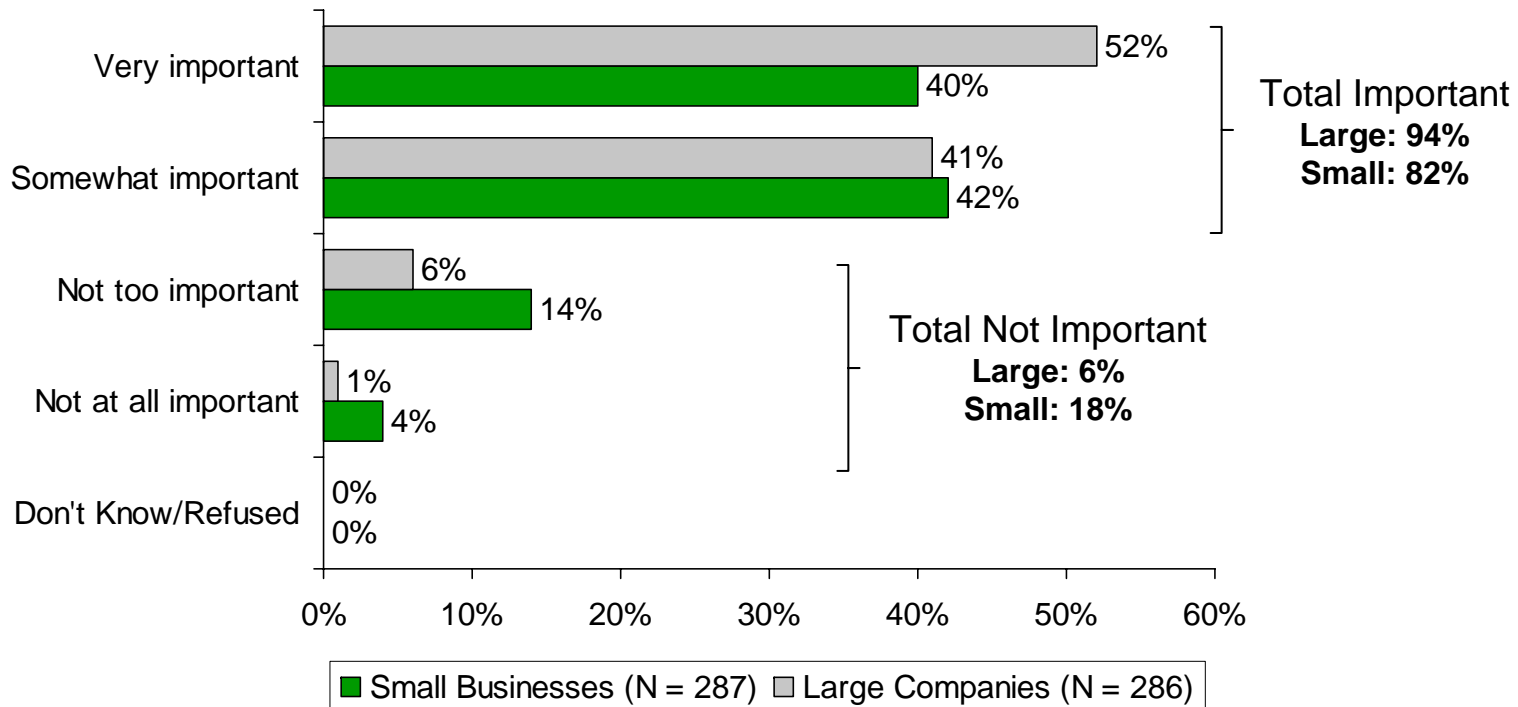
Employers: Which of the following retirement benefits does your company offer?



Why Offer a Plan?

Most employers feel that an employee-funded plan is important to their ability to attract and retain employees, but large companies feel more strongly about this than small businesses.

How important is your company's employee-funded retirement plan package to your ability to attract and retain employees?

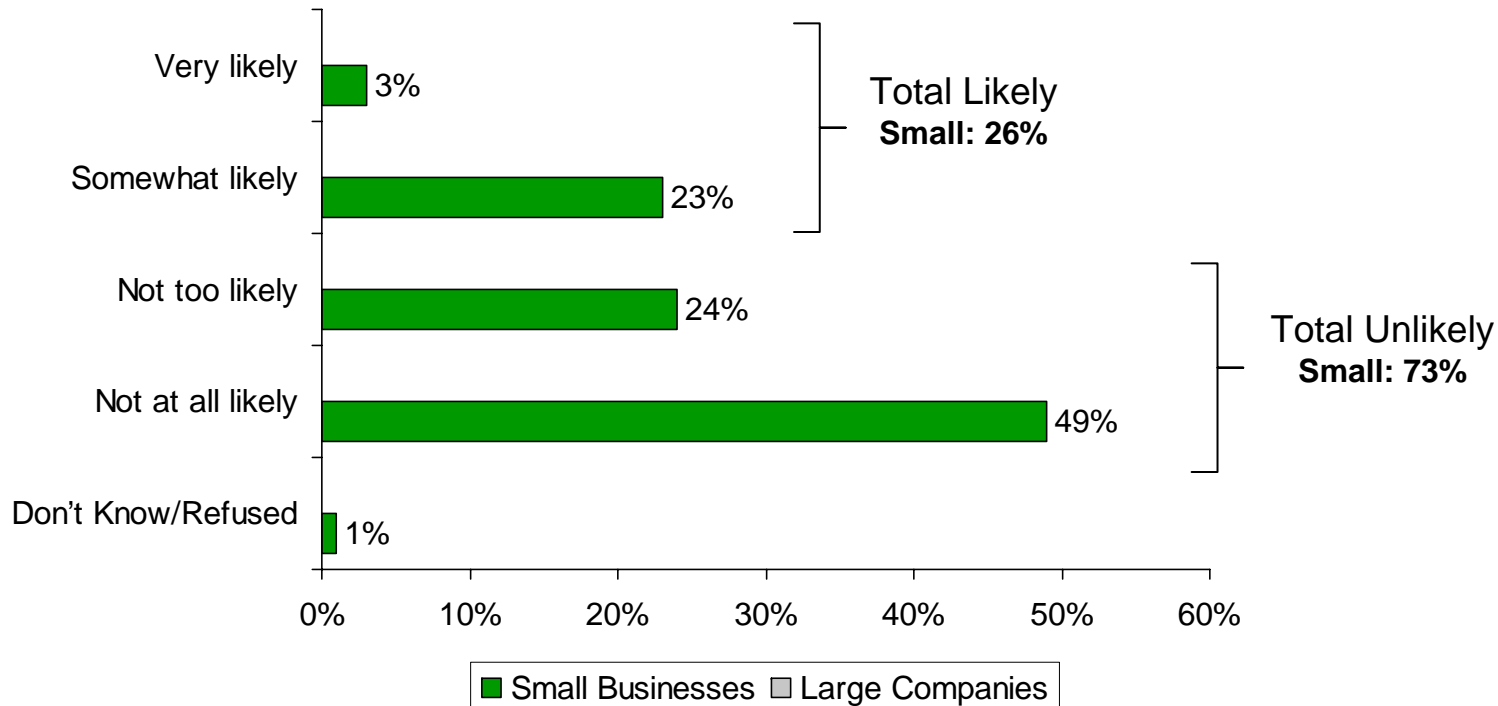


Base: Offers 401(k) or other self-funded plan.

Likelihood of Offering Employee-Funded Retirement Plan

Most small businesses who do not already offer an employee-funded plan do not plan to offer one within the next two years.

How likely is your company to begin offering an employee-funded retirement plan package like a 401(k) to its employees in the next two years?



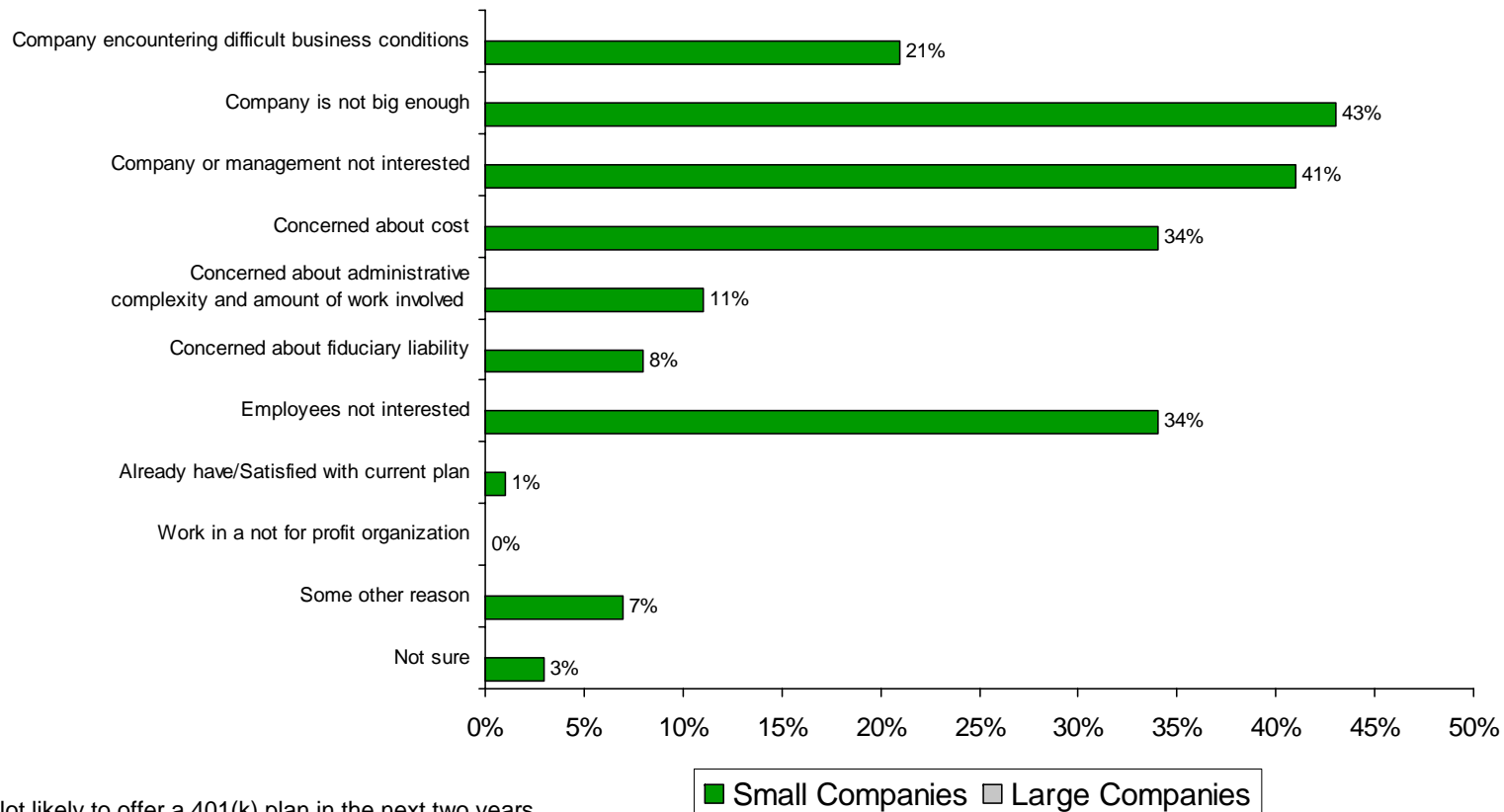
Base: Does not offer 401(k) or other self-funded plan.

Small companies: n=72; the base size for large companies is too small for evaluation (n=14).

Reasons for Not Offering a Plan

“Company size,” “management/employee interest,” and “cost” are the main reasons that small businesses are not planning to offer a plan within the next two years.

Why is your company not likely to offer a plan in the next two years?



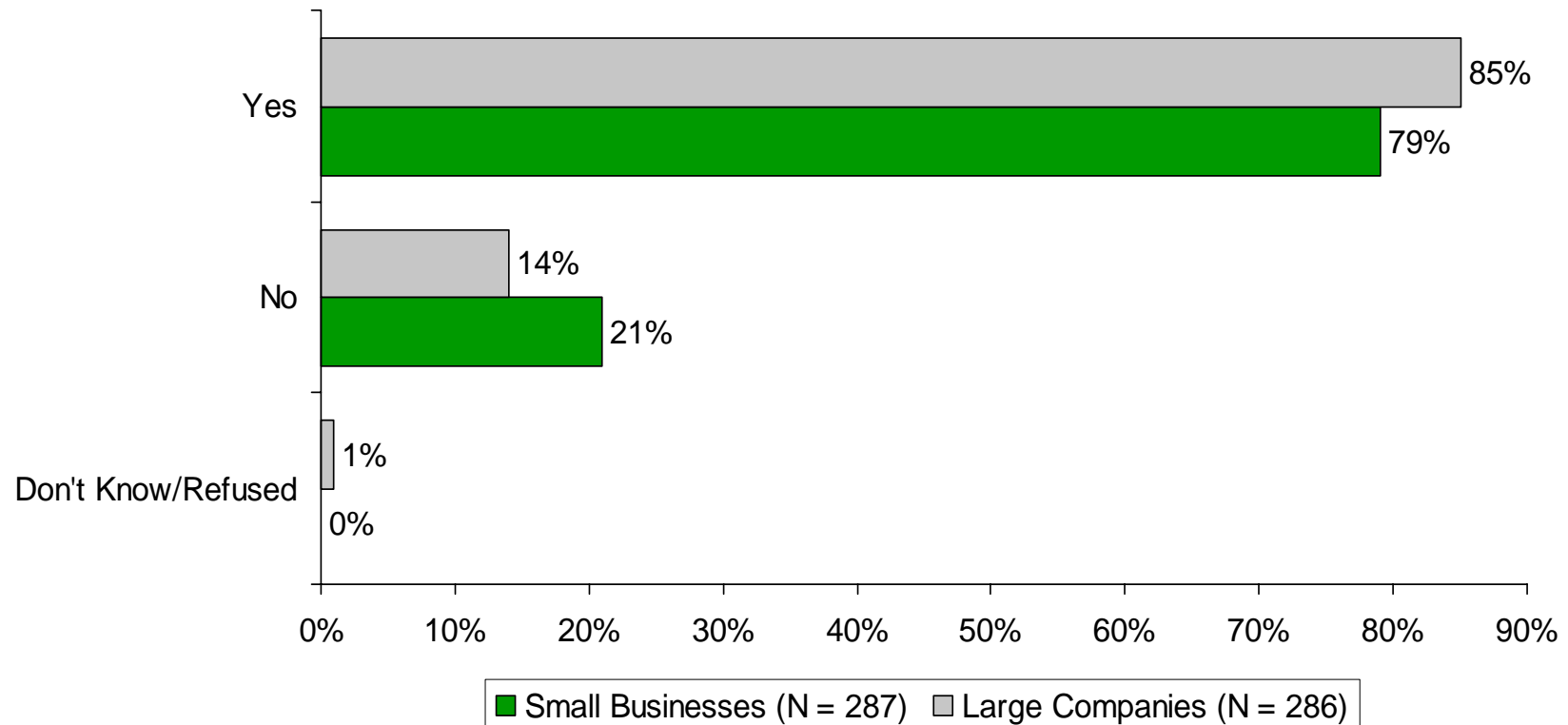
Base: Not likely to offer a 401(k) plan in the next two years.

Small companies: n=52; the base size for large companies is too small for evaluation (n=7).

Helping Employees Save

Most employers offer a matching contribution as part of their employee-funded retirement plan, however small businesses are less likely than large companies to offer a match.

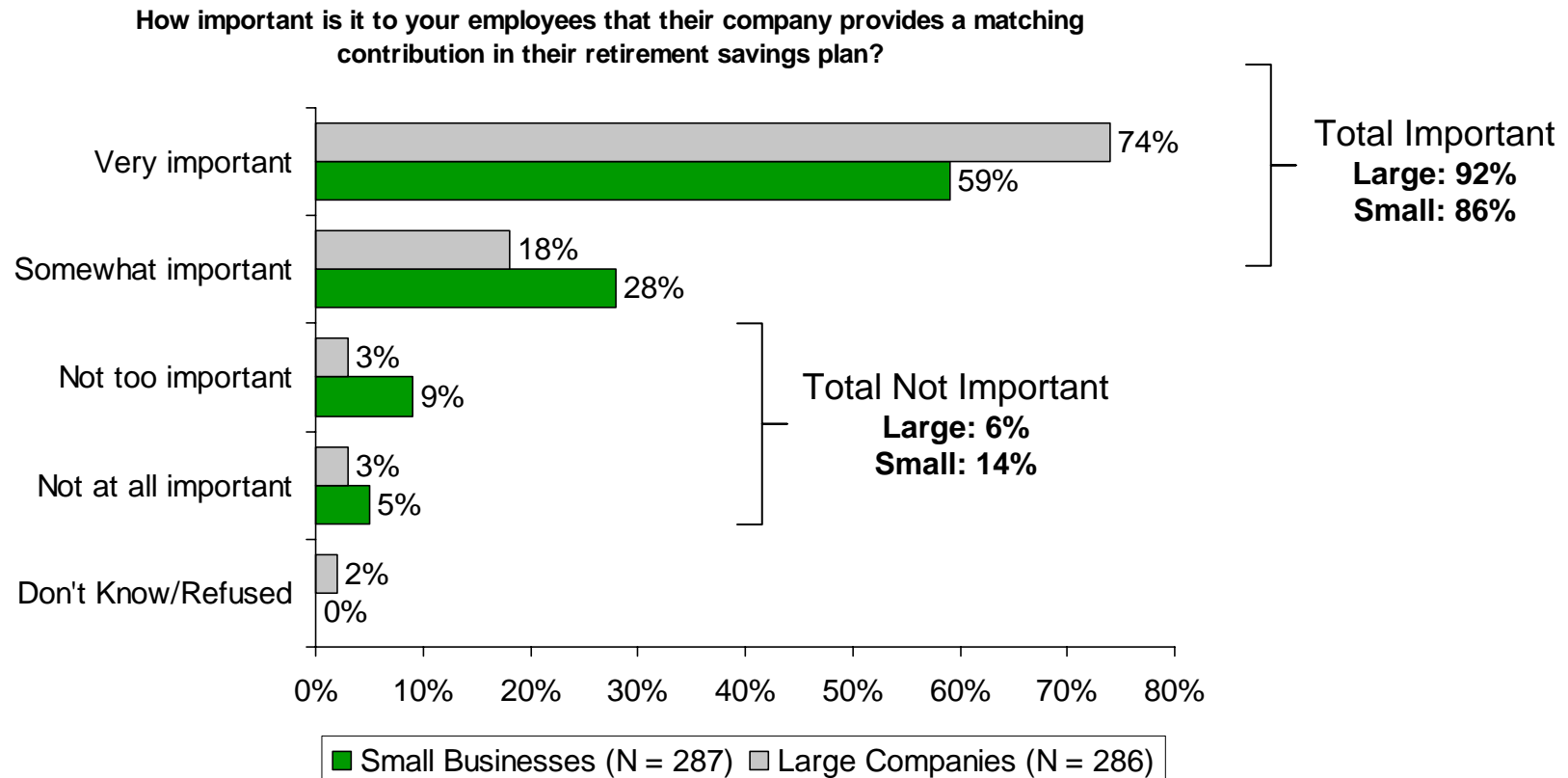
Employers: Does your company offer a matching contribution as part of its 401(k) or other company-sponsored retirement plan?



Base: Offers 401(k) or other self-funded plan.

Importance of a Match

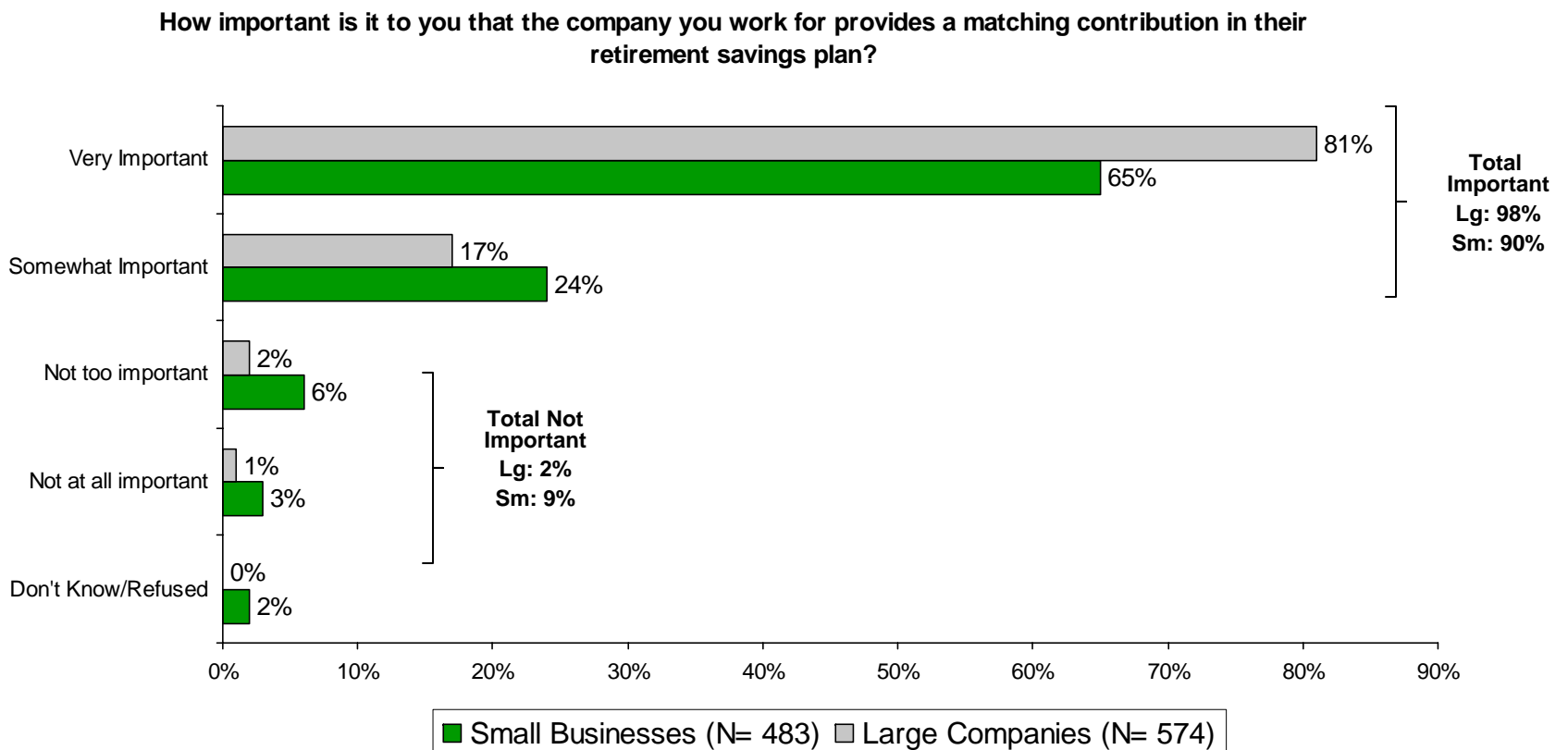
A majority of employers agree on the importance of a matching contribution to employee-funded retirement saving plans, but small businesses feel less strongly than larger companies about the importance of a match.



Base: Offers 401(k) or other self-funded plan.

Workers Agree...

Workers also feel strongly about a company match, but workers for large companies value a company match more than workers for small businesses.

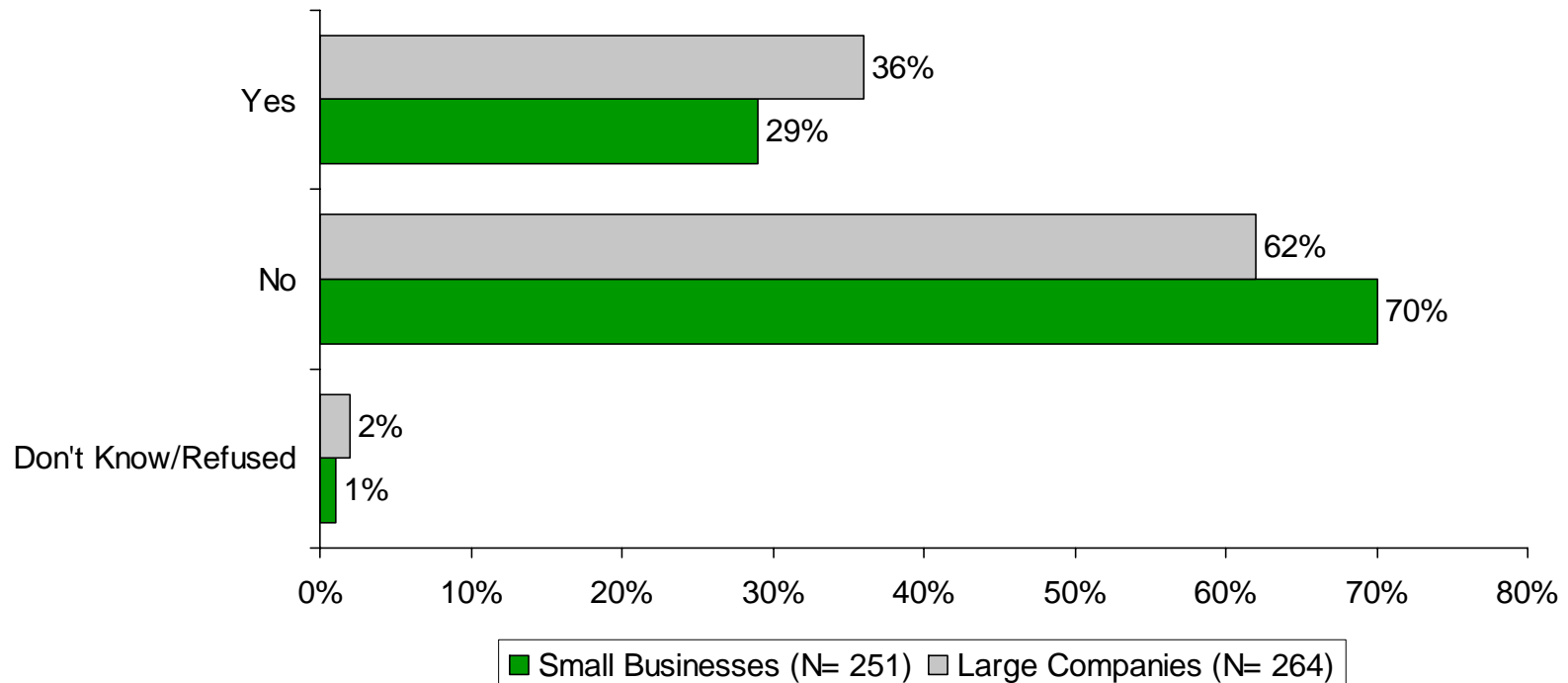


Base: Those with qualified plans at their company.

Automatic Enrollment

Large companies are more likely than small businesses to offer automatic enrollment.

Has your company adopted a provision that would automatically enroll employees into the retirement plan?

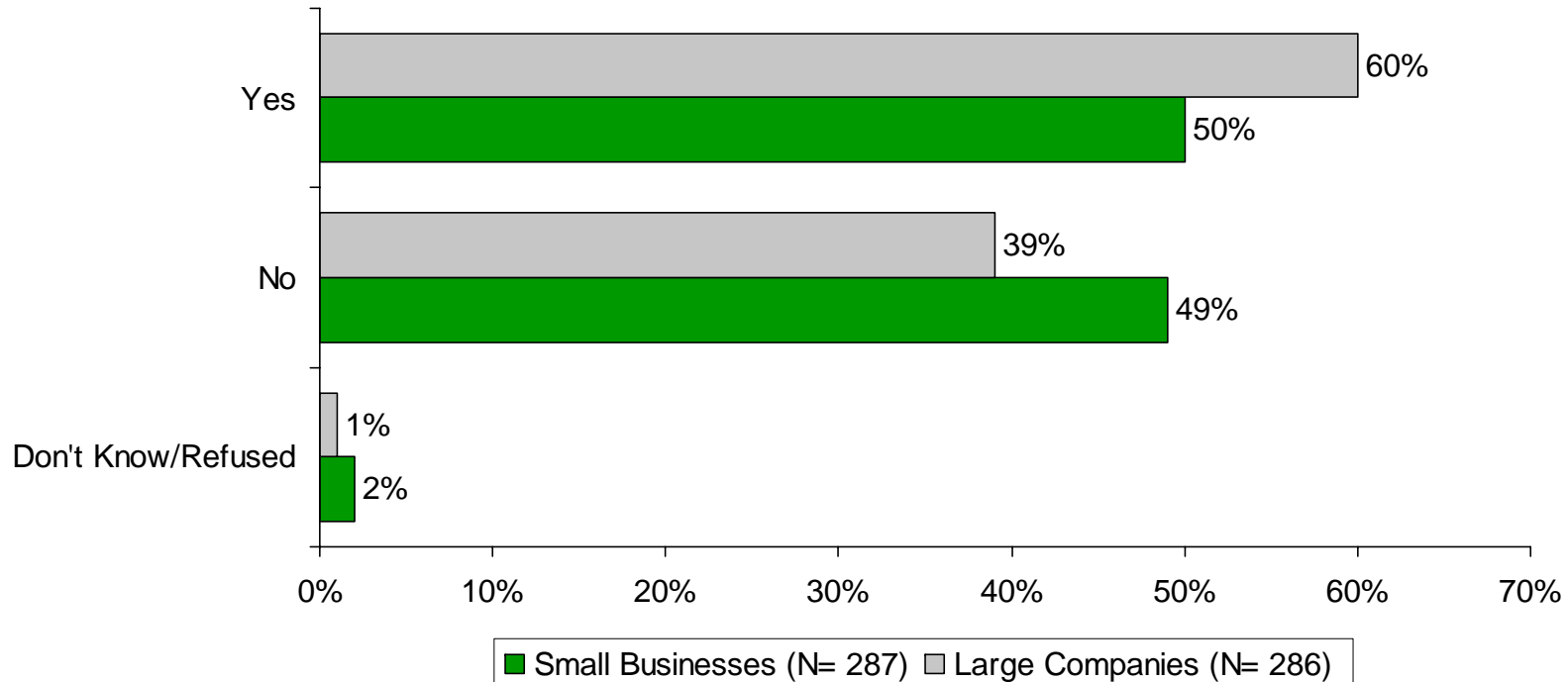


Base: Offers 401(k) plan.

Offer Investment Guidance or Advice

Small businesses are less likely to offer investment guidance or advice.

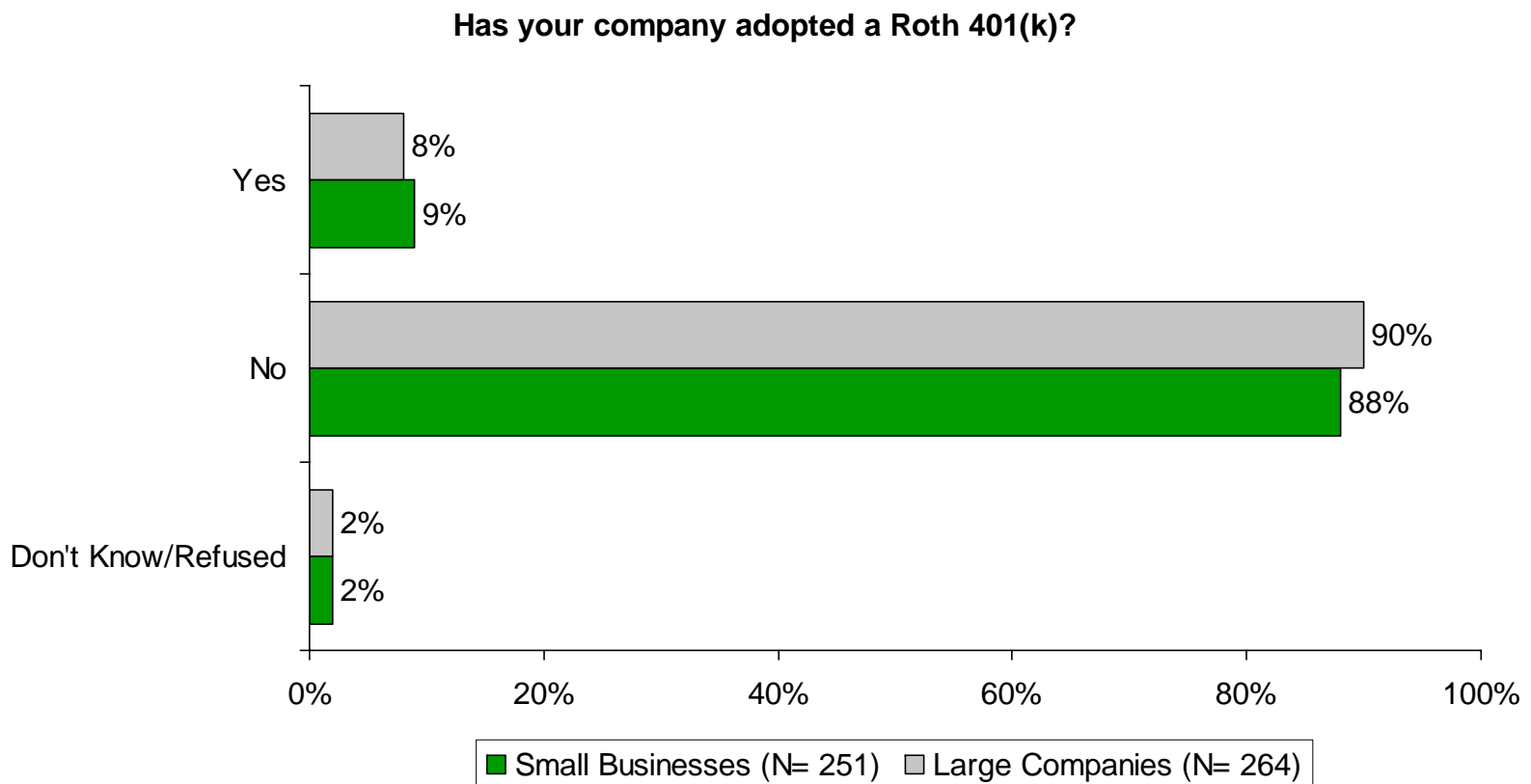
Does your company currently offer investment guidance or advice for employees as part of your retirement plan?



Base: Offers 401(k) or other employee-funded plan.

Roth 401(k)

Most companies, large or small, have not adopted the Roth 401(k) feature.

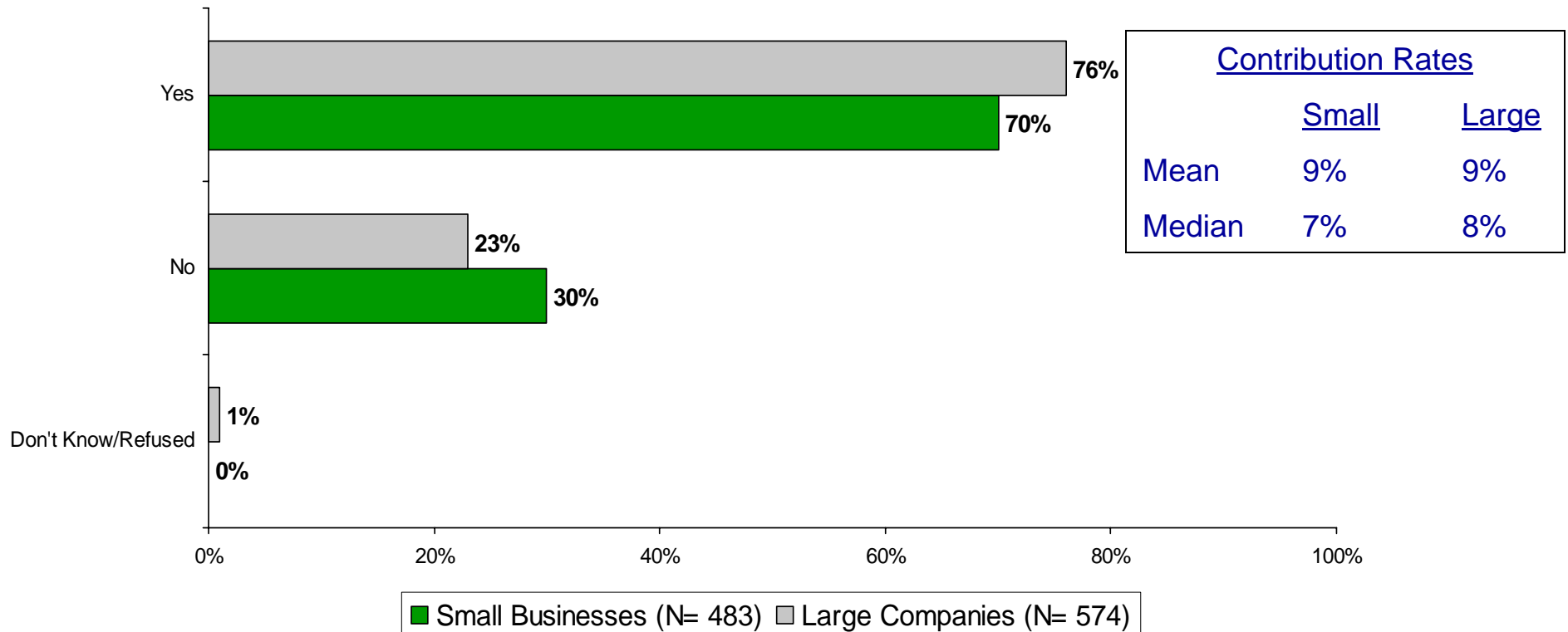


Base: Offers 401(k) plan.

Plan Participation

Workers at small businesses have a lower participation rate than workers at large companies. And workers at small businesses have a slightly lower median contribution rate than workers at large companies.

Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?

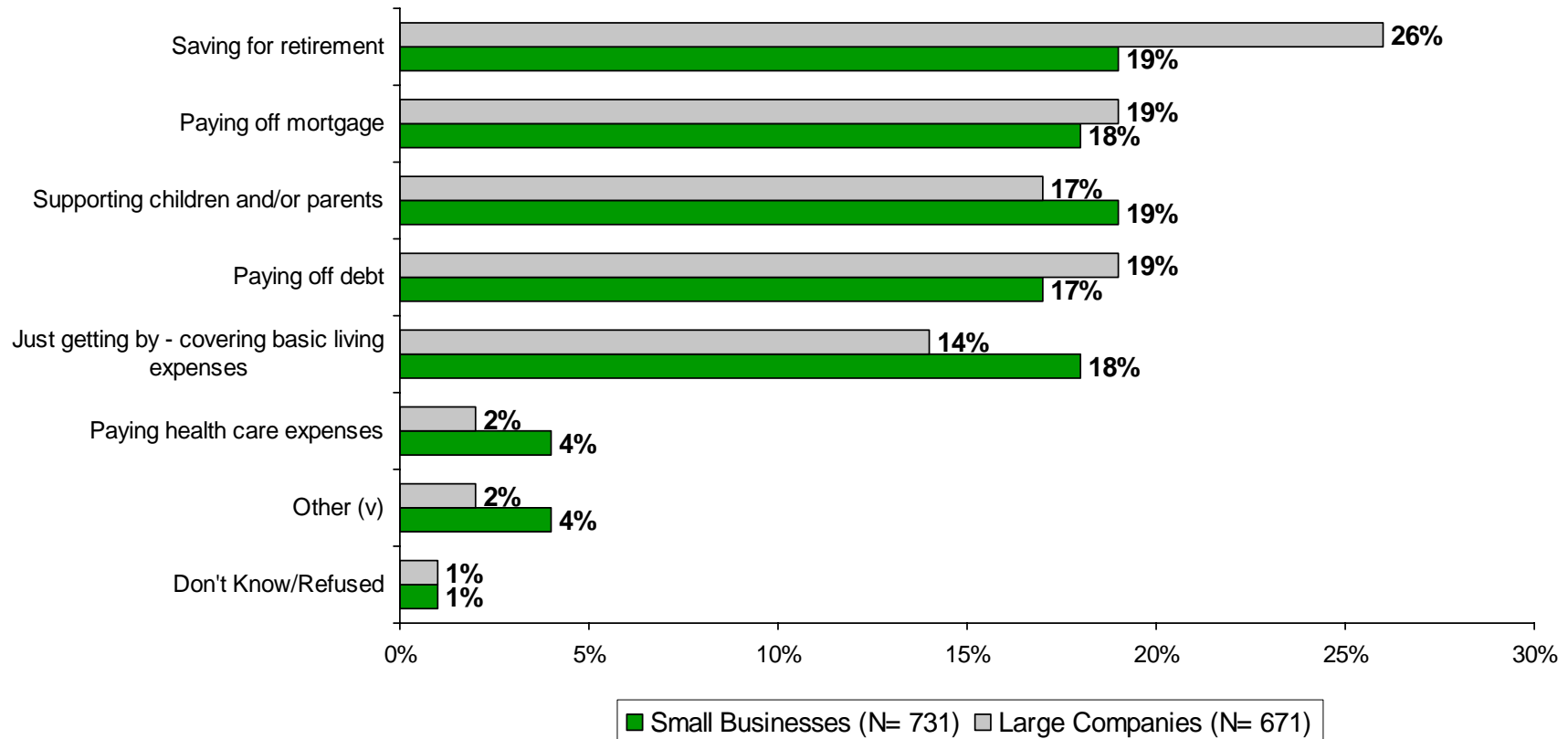


Base: Those with qualified plans at their company.

Retirement a Priority?

Workers at small businesses are less likely than workers at large companies to state “saving for retirement” as their greatest financial priority. Workers at small businesses are more likely than workers at large companies to state that they are “just getting by – covering basic living expenses.”

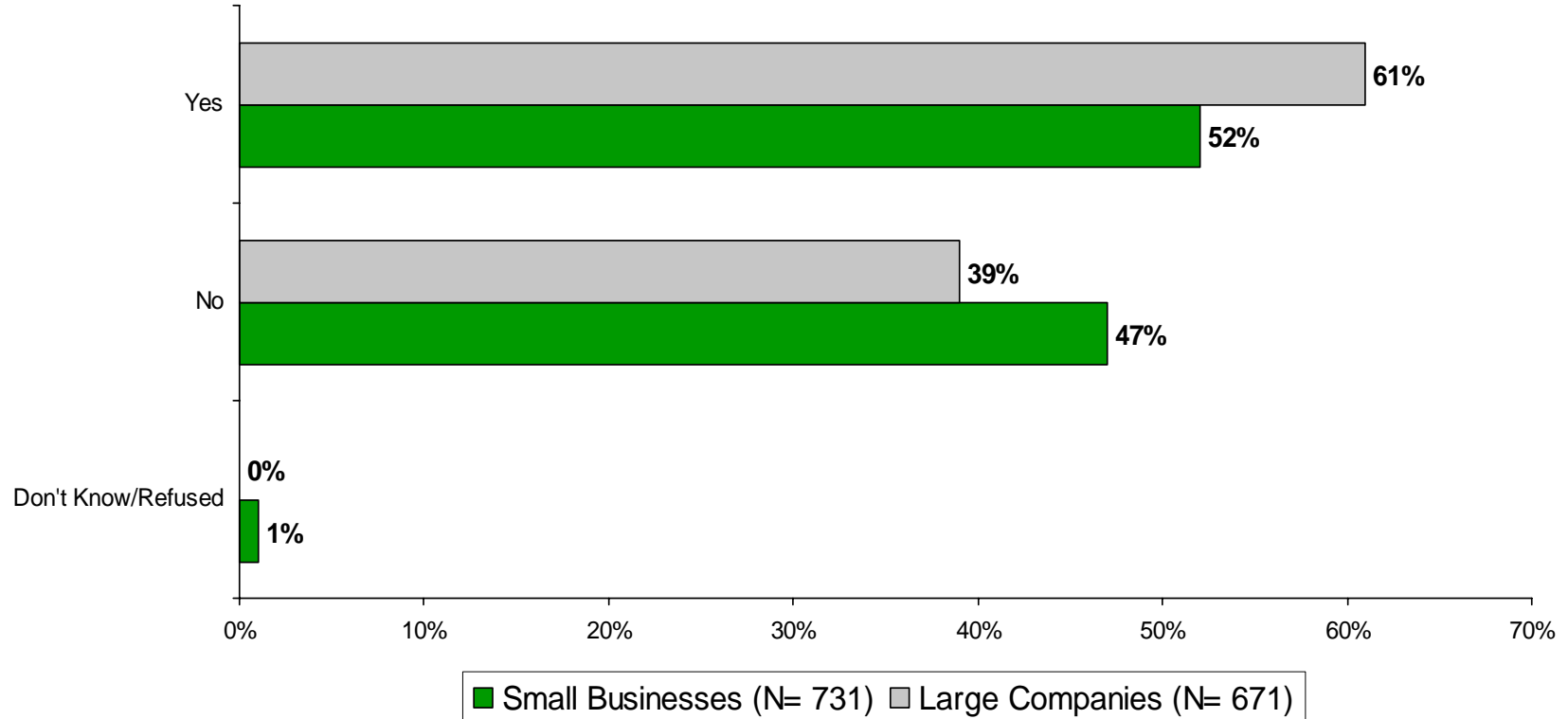
Which one of the following is your greatest financial priority right now?



Saving Outside of the Workplace

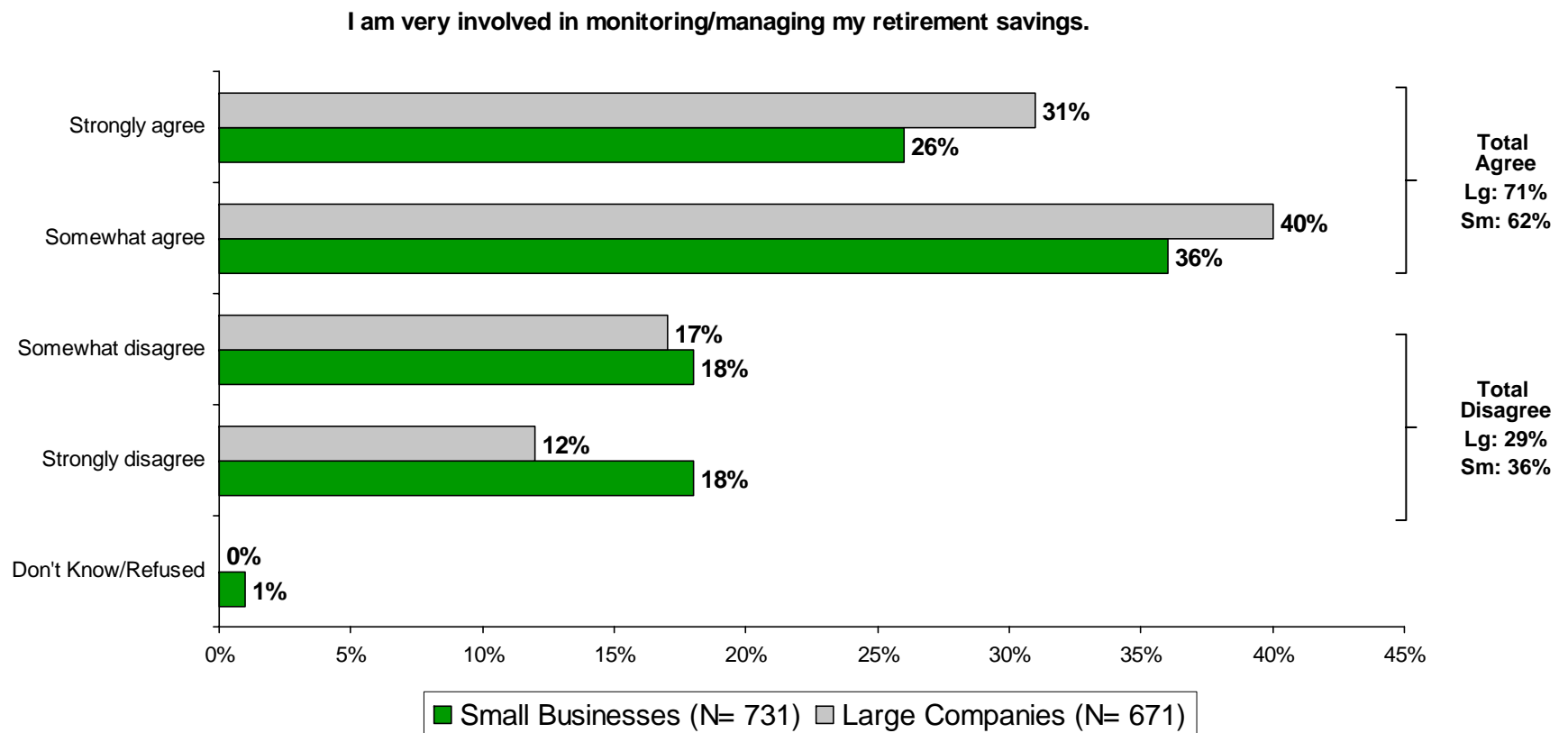
Workers at small businesses are less likely than workers at large companies to be saving for retirement outside of work.

Are you currently saving for retirement outside of work, such as in an IRA, mutual funds, bank account, etc.?



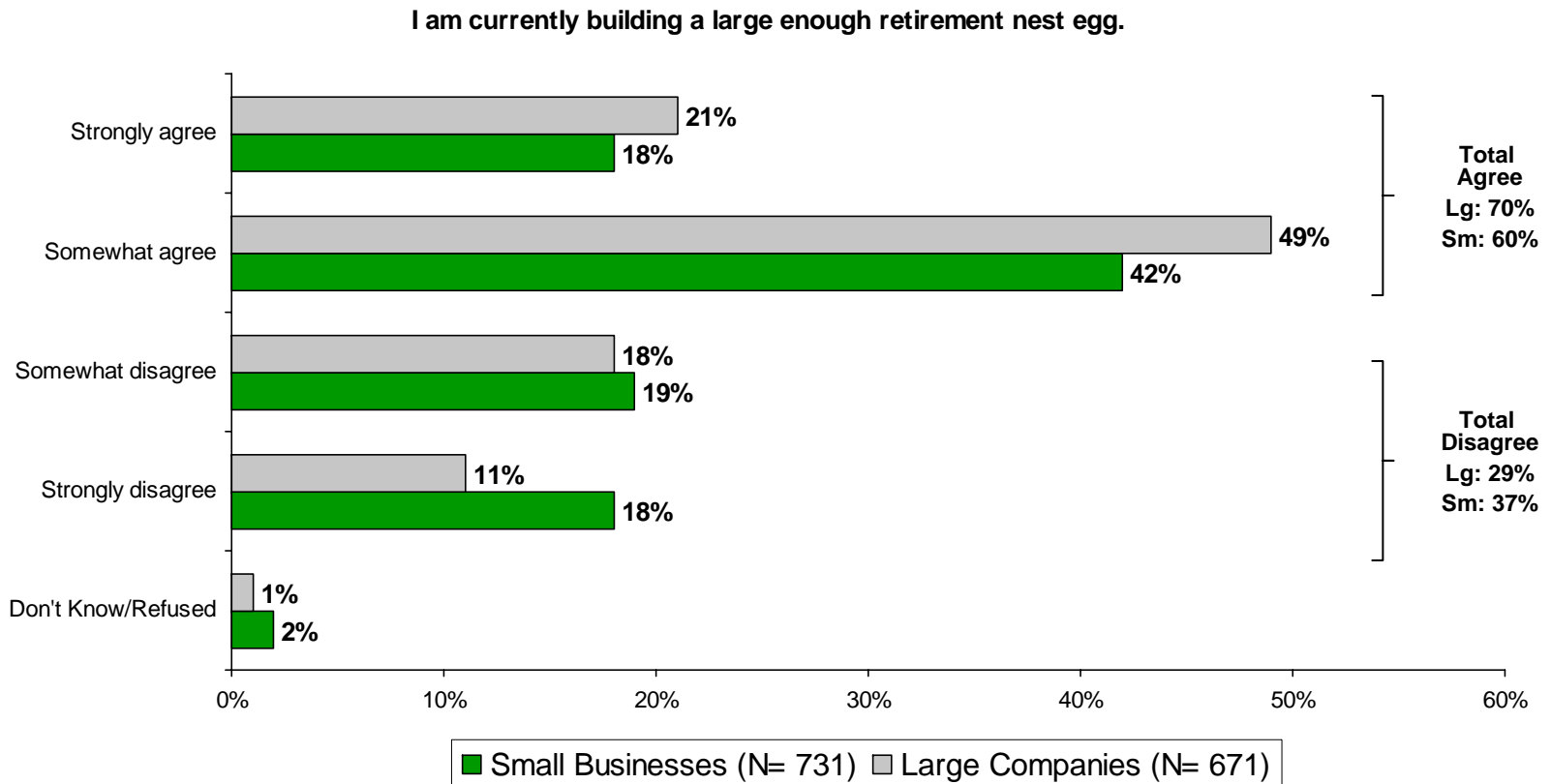
Keeping Track

Workers at small businesses are less involved with their retirement savings than workers at large companies.



Will It Be Enough?

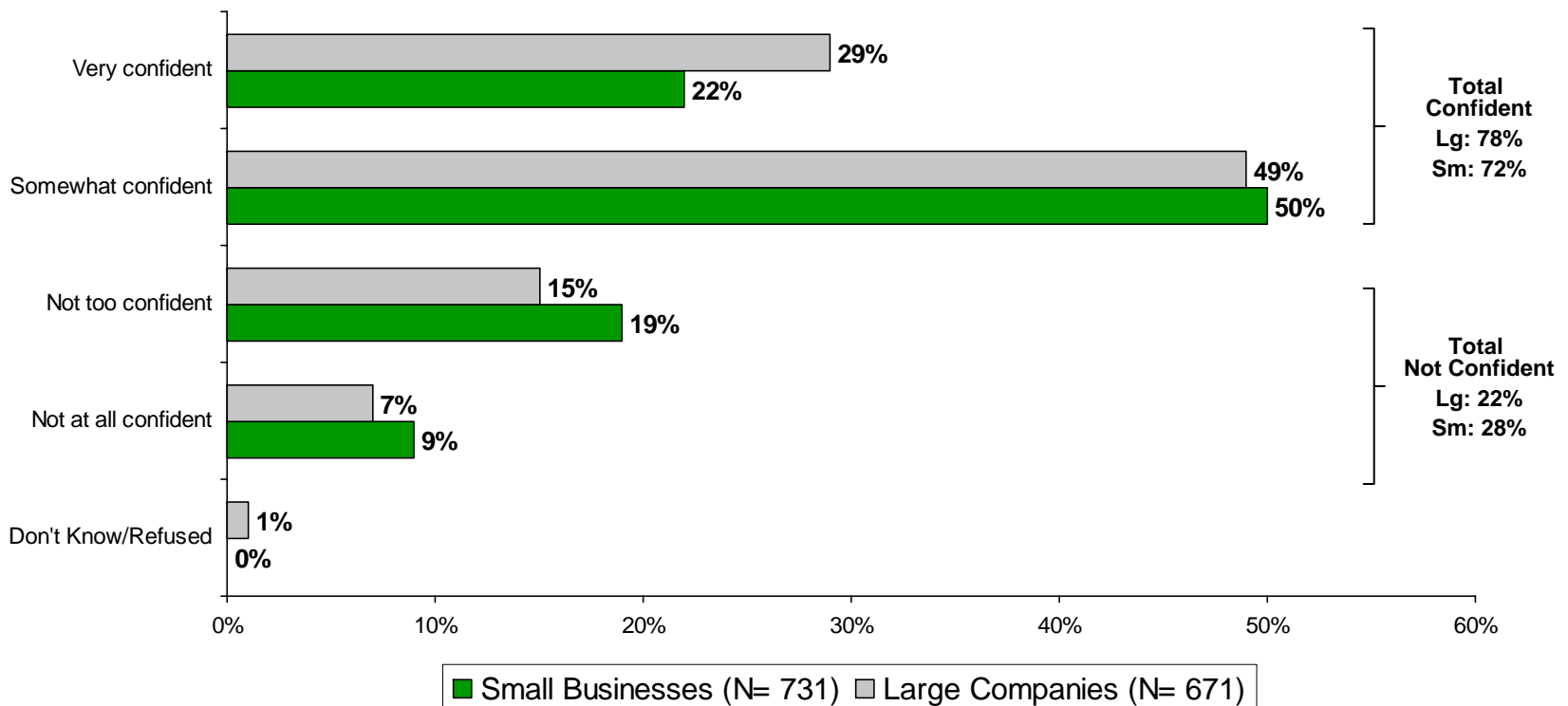
While a majority of workers agree that they are saving enough for retirement, workers at small businesses are less likely to agree than workers at large companies.



False Sense of Confidence?

A majority of workers are confident in their ability to retire with a lifestyle they consider comfortable. Workers at small businesses are slightly less confident than workers at large companies.

How confident are you that you will be able to retire with a lifestyle you consider as comfortable?

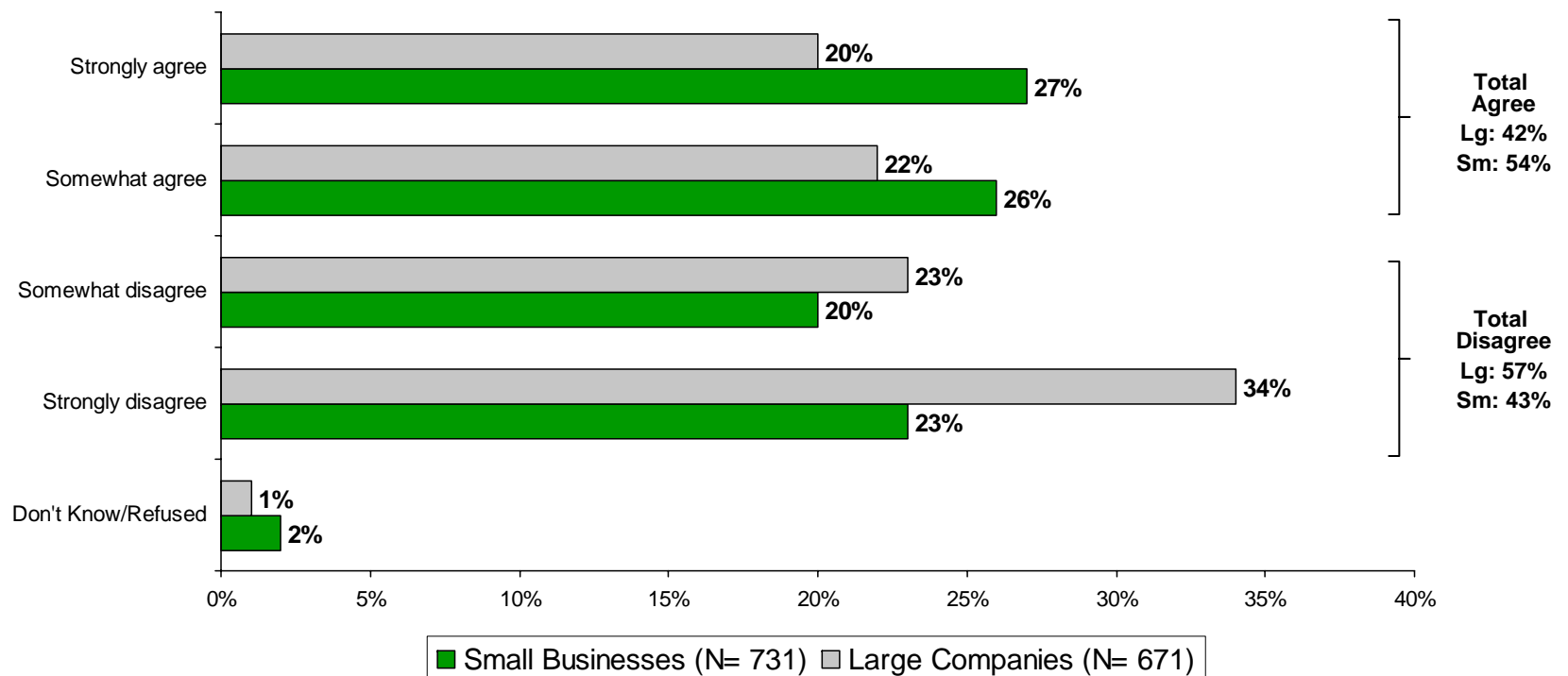


A Paradox?

While a majority of workers may feel confident in their ability to save enough and retire comfortably, they are still concerned about not having enough savings for retirement.

Workers at small businesses are more likely than workers at large companies to agree that they could work until age 65 and still not have enough money saved to meet their retirement needs.

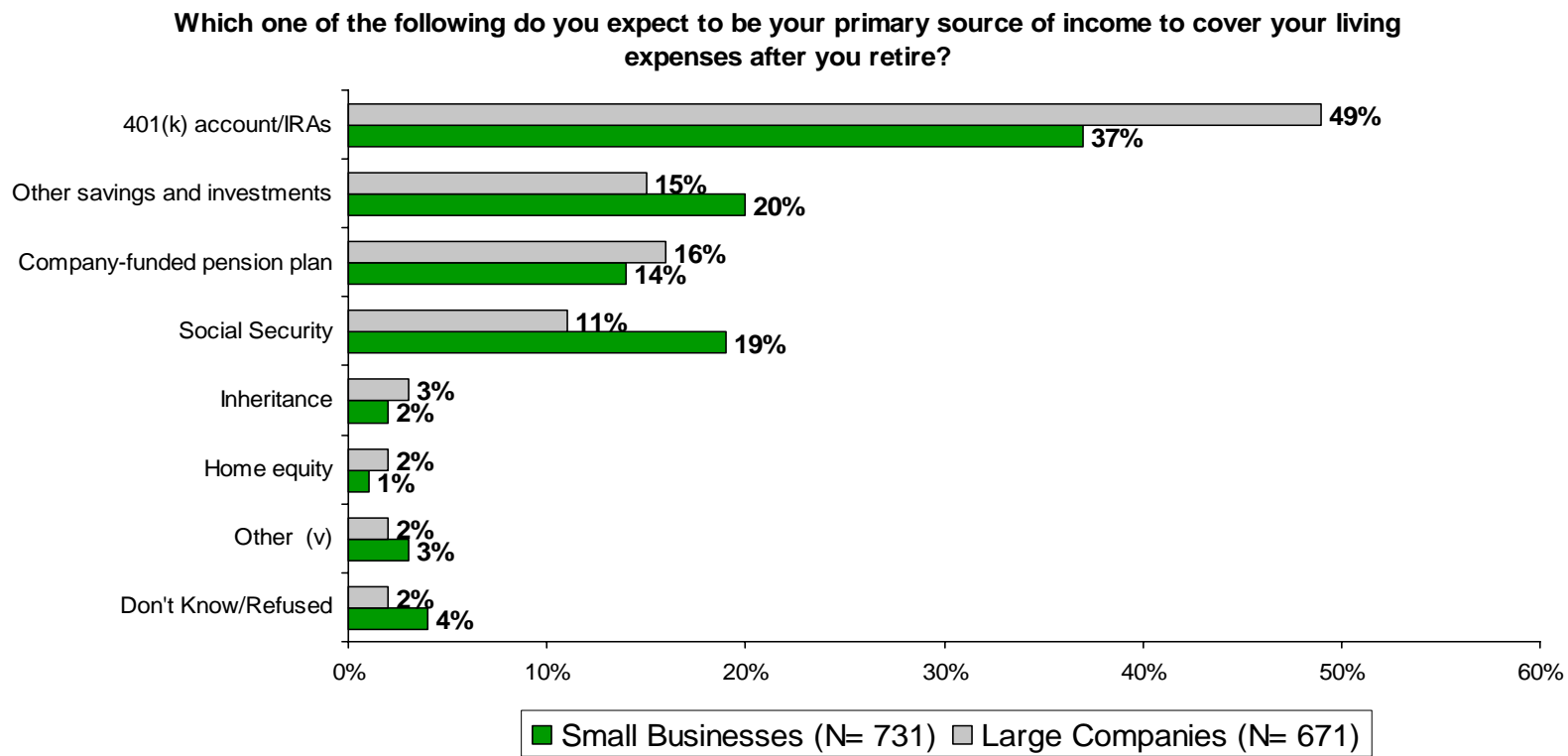
I could work until age 65 and still not have enough money saved to meet my retirement needs.



Relying on Employee-Funded Plans at Retirement

A significant percentage of workers are expecting to rely on their 401(k)/IRA accounts as their primary source of income after retirement. Workers at small businesses are less inclined than workers at larger companies to think so.

This may be due in part to the fact that small businesses are less likely than large companies to offer employee-funded retirement plans.

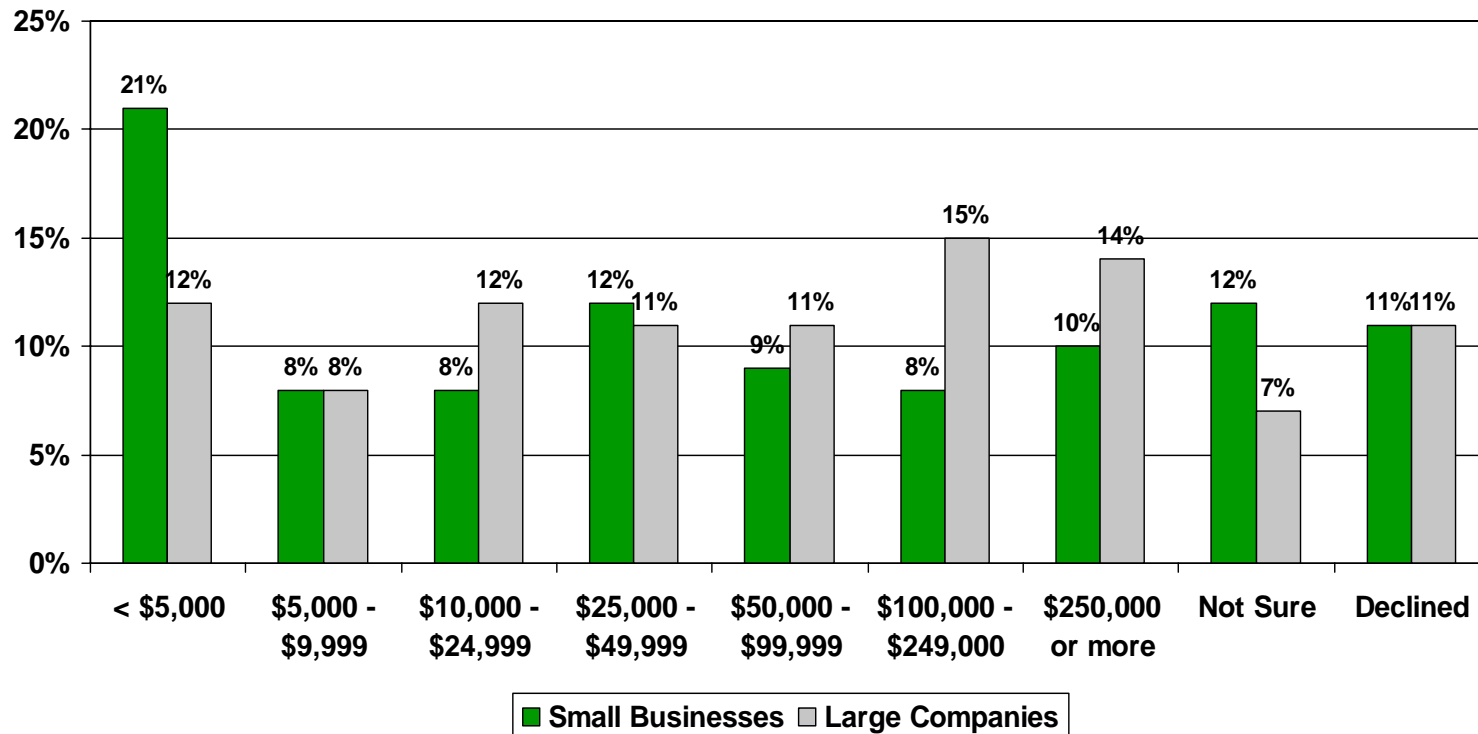


Retirement at Risk?

Small-business workers may face a greater risk of not having enough savings for retirement compared to workers at large companies.

A significant percentage of small-business workers report less than \$5,000 saved in all their household retirement accounts. They are also less likely than large company workers to have saved \$100,000 or more for retirement.

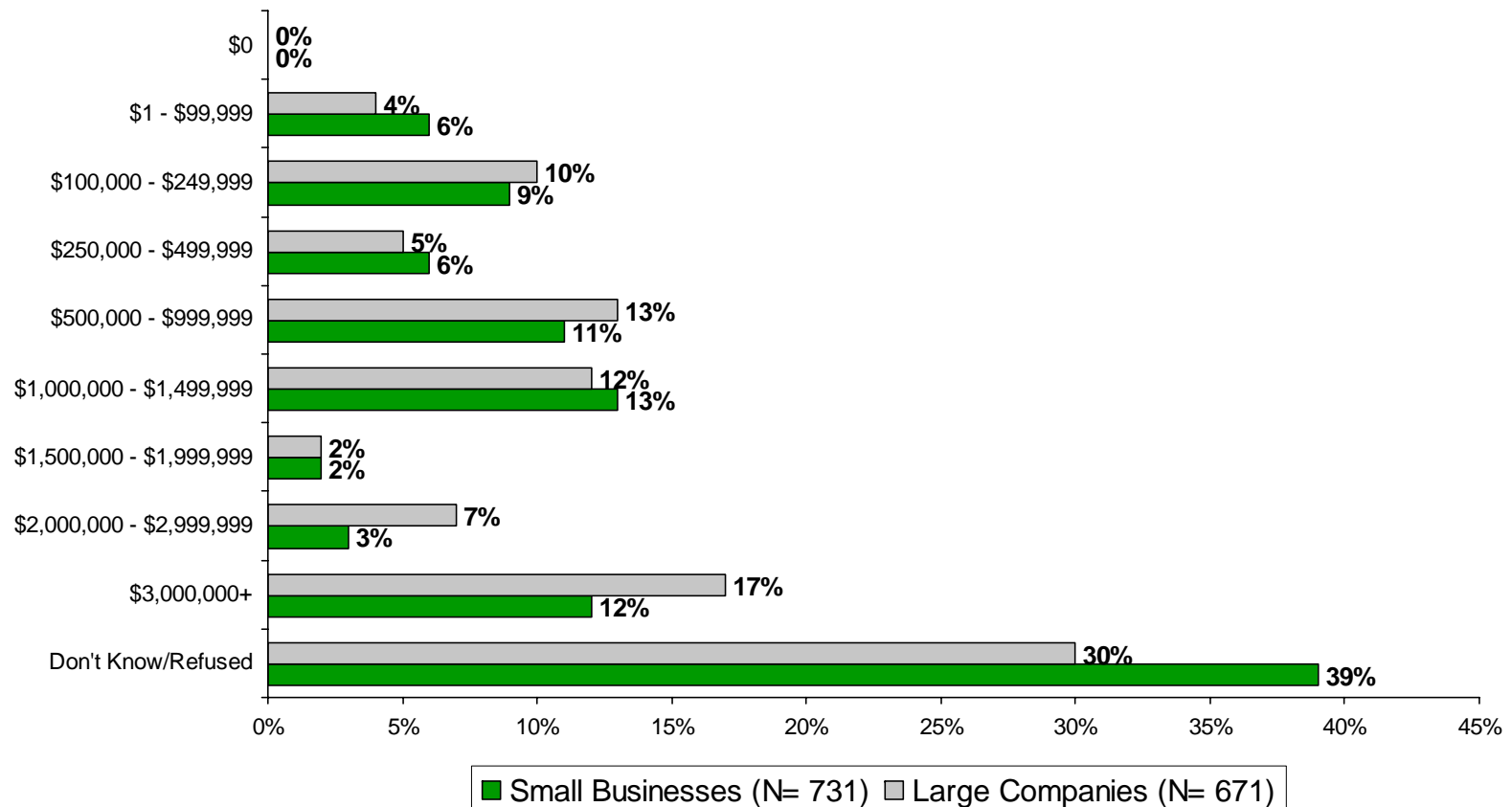
Amount Saved - All Household Retirement Accounts



Estimated Retirement Savings Needs

Small business workers are more likely than large company workers to state “they are not sure” how much they will need to have saved in order to feel secure in retirement.

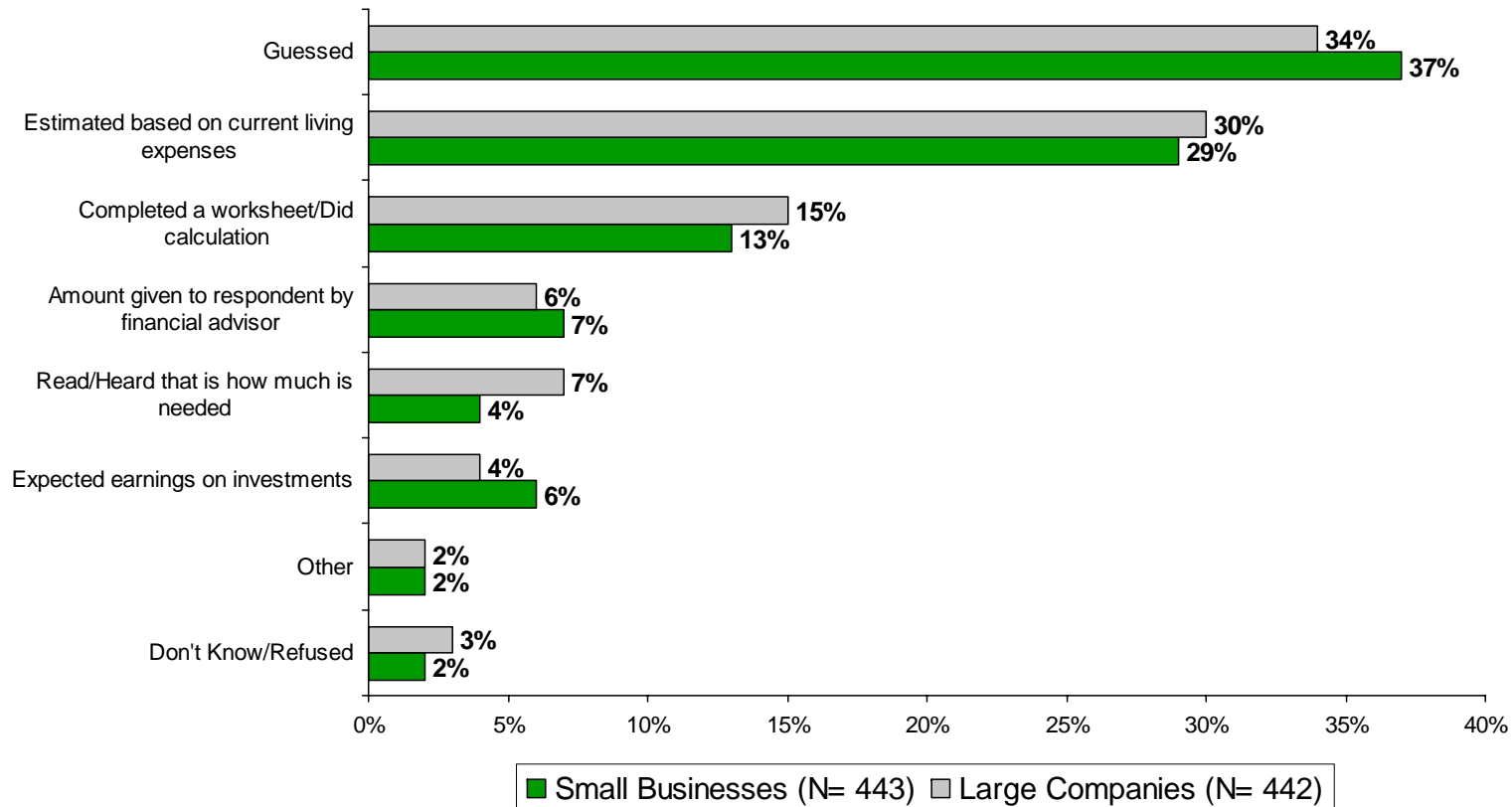
How much money do you believe you will need to have saved by the time you retire in order to feel secure?



How Did They Estimate?

A large portion of workers guessed on the amount of savings they will need for retirement.

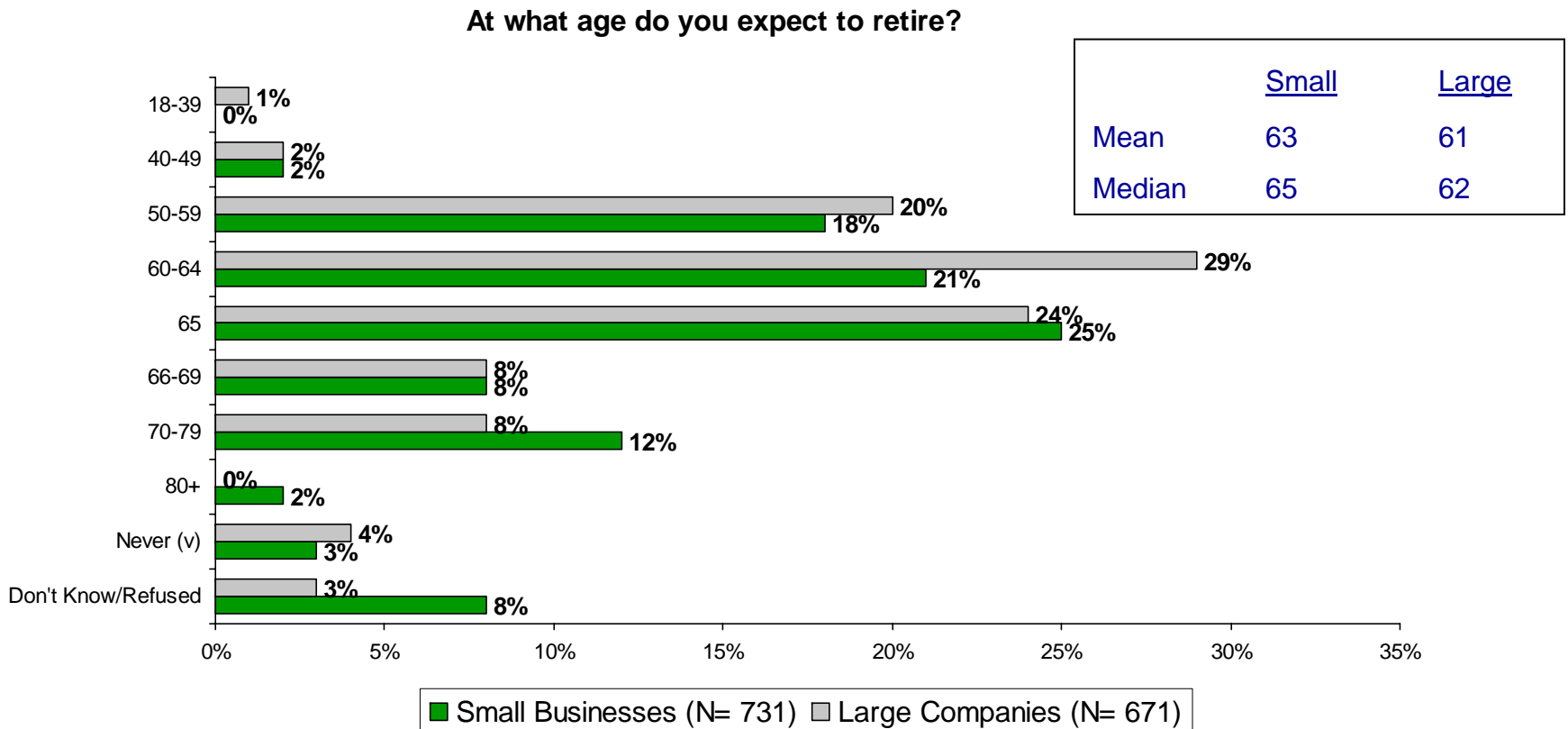
How did you arrive at that number? (Amount needed for retirement)



Base: Provided estimate of money needed.

Expected Retirement Age

Workers at large companies are more likely than workers at small businesses to expect retirement between the ages of 60 – 64, while workers at small businesses are more likely to state that they expect to retire between the ages 70 – 79.



Conclusion

- The Eighth Annual Transamerica Retirement Survey reveals that saving for retirement is a tougher challenge for workers at small companies than workers at large companies.
- There are various actions that can be taken to help the small business community.
 - Passage of legislation that increases incentives for small companies to offer retirement plans.
 - Innovations and improvements (i.e., automatic enrollment, rollovers, and contribution increases) to get more workers to participate and save in retirement plans.
 - Targeted education initiatives to help increase awareness and understanding about retirement savings among the various demographic groups that make up the work force.

About Harris Interactive

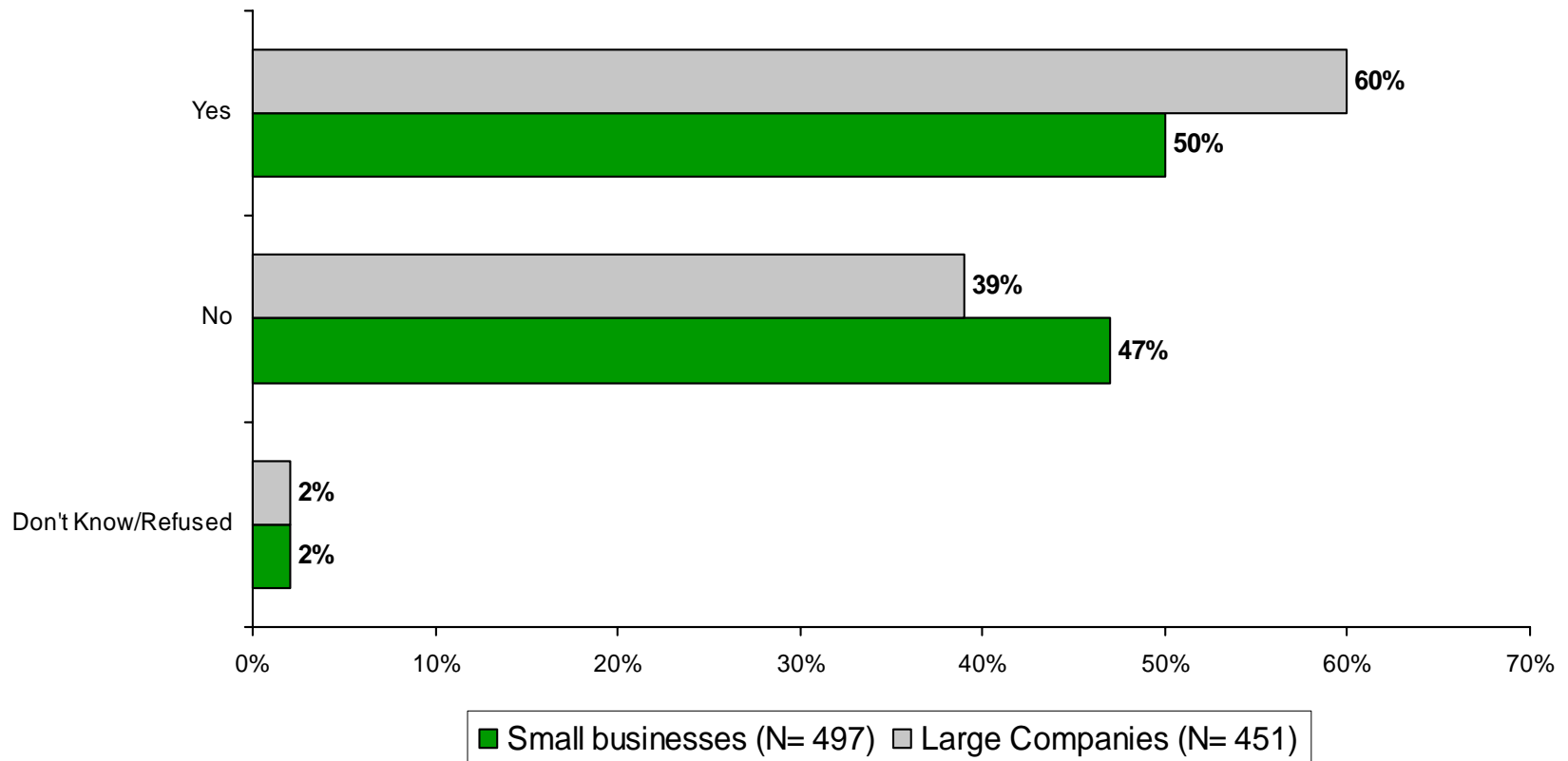
- Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides research-driven insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for The Harris Poll, one of the longest running, independent opinion polls and for pioneering online market research methods. The company has built what it believes to be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices, its wholly-owned subsidiary Novatris in France and through a global network of independent market research firms. The service bureau, HISB, provides its market research industry clients with mixed-mode data collection, panel development services as well as syndicated and tracking research consultation.
- More information about Harris Interactive may be obtained at www.harrisinteractive.com.

APPENDIX

Not Doing it Alone...

Workers at small businesses are also less likely than workers at large companies to have a spouse or partner saving for retirement.

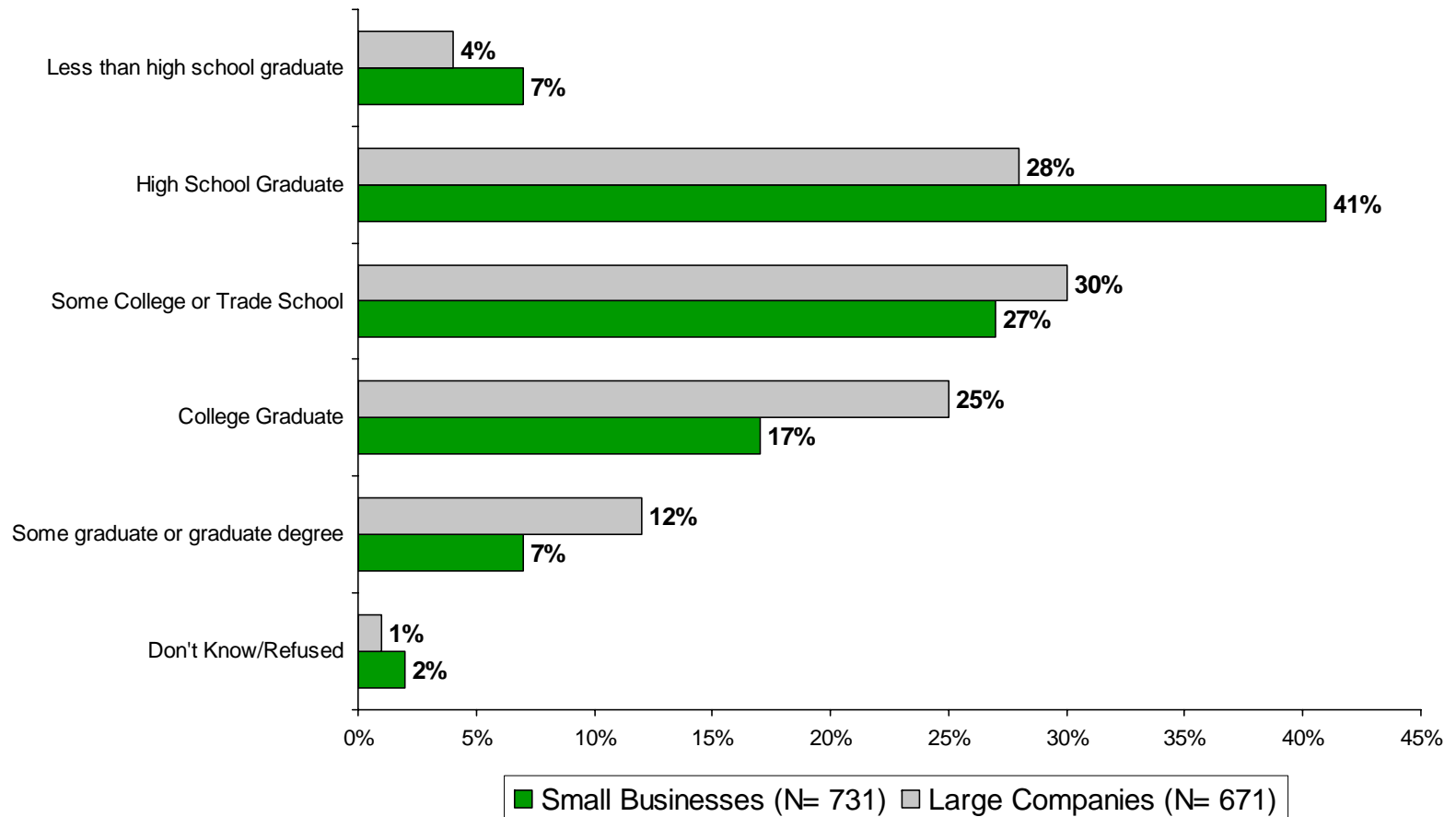
Is your spouse or partner currently putting money into a retirement plan of his or her own?



Base: Married or in a civil union.

Level of Education

Which of the following best describes your highest level of education?



Household Income

Which of the following best represents your household income last year before taxes?

