MFS® Research

The Road to Better Outcomes

US RESULTS

2022
MFS® US
Retirement Survey

MFS surveyed approximately 1,000 US defined contribution (DC) plan participants to understand their concerns and the challenges they face in their retirement savings journeys. Our goal is to share insights with plan sponsors, consultants and advisors so they can make informed decisions and provide solutions that may lead to better outcomes for participants.

Our survey data indicate many participants refrained from taking action in their retirement accounts in 2021 in reaction to the COVID-19 pandemic. However, data also suggest that participants believe the pandemic will have an impact on their retirement plans. Surprisingly, three years into the pandemic, younger participants feel a greater impact compared to older cohorts.

The pandemic made some participants rethink their approach to saving for retirement.

Actions to consider taking

- Conduct an analysis with your recordkeeper to understand how your plan participants reacted to the COVID-19 pandemic (e.g., changes to deferral rates or investment allocations) to determine if action needs to be taken to help participants get back on track.
- Explore ideas such as the retirement plan offering access to an emergency savings account to help participants feel more financially prepared and less anxious when facing unexpected financial challenges.

1 Q: Please indicate the extent to which you agree or disagree with each of the following statements about how the COVID-19 pandemic and related economic impacts will affect your retirement and retirement saving: I will need to save more. The pandemic has made me more conservative. I will need to work longer. I no longer will be able to retire. Percentages represent the sum of respondents who somewhat agree or strongly agree with each statement.
Human interaction is a must. Participants continue to have a strong preference for receiving advice in person, with a majority of participants turning to their employer or financial advisor for help with making investment or retirement planning decisions.

72% of participants would use an advisor if offered by their workplace retirement plan.

**Question**
If your workplace retirement plan offered access to an advisor/planner to help with planning for retirement, would you use this resource? 2

Trusted and personalized advice can be one of the most valuable tools for participants.

**Actions to consider taking**
- Evaluate if and how participants are offered access to advice.
- Consider offering access to a comprehensive financial wellness program that can support participants in planning for retirement and teaches general best practices for their finances (e.g., budgeting tools).

While most participants are confident they will be able to retire when they want to, the potential impact inflation could have on retirement savings has become the top concern across all cohorts. The ability to maintain one’s lifestyle in retirement and longevity risk both rank as significant concerns. 3

**Question**
What are your top financial concerns regarding retirement? 3

Many participants will need to plan for a long retirement. Given that many indicate they will seek advice upon reaching retirement, personalized advice that reflects their unique financial picture will be key.

**Actions to consider taking**
- Provide participants an understanding of how inflation may impact asset classes within their retirement portfolio.
- Based on their goals, objectives, and risk tolerance, review the fund menu and the target date funds to assess whether they may need a sufficient allocation of shorter-duration bonds, TIPS or other investments that typically hedge against inflation.
Survey results demonstrate strong participant interest across generational cohorts for investments that consider environmental, social and governance (ESG) factors in the workplace retirement plan. Most participants indicate that they would contribute at a higher rate if offered investment options that consider ESG issues.4

Increasing contributions is one of the keys to improving retirement outcomes, and ESG presents an opportunity to engage with participants on a topic they care about.

**Actions to consider taking**

- Consider conducting a survey of employees eligible to participate in the DC plan to gauge their appetite for investments that embrace ESG factors.
- Offer educational materials that explore the different approaches to sustainable investing.

Please keep in mind that a sustainable investing approach does not guarantee positive results and all investments, including those that integrate ESG considerations into the investment process, carry a certain amount of risk including the possible loss of the principal amount invested.
Participants generally understand how target date funds (TDFs) get less risky as they near retirement. However, among participants age 50+, there are significant misconceptions around what TDFs offer them in retirement.\(^5\)

Survey data indicate some participants nearing retirement age mistakenly believe that a target date fund will provide a guaranteed rate of return or stream of income. While a few target date products include an allocation to an annuity, prevalence of such products—and use—remains low. Given the personalized nature of decumulation, a single product designed for the masses may not meet the needs of every participant. Our survey results show many participants will seek advice as to what they should do with their workplace retirement savings upon reaching retirement age.

**Actions to consider taking**

- Offer participants approaching retirement targeted education on how asset allocations in TDFs change as they move along the glide path into retirement so they understand what they own.
- Given that half of participants age 50+ believe their target date fund invests in cash or other low-risk investments, consider how the plan’s TDF is positioned at retirement and how it aligns with participant goals, needs, risk tolerance, demographics and perceptions.
Survey methodology


Methodology: Dynata, an independent third-party research provider, conducted a study among 1,001 Defined Contribution (DC) plan participants in the US on behalf of MFS. MFS was not identified as the sponsor of the study.

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). Data weighted to mirror the age/gender distribution of the workforce. The survey was fielded between March 15 and April 13, 2022.

We define generational cohorts as follows: Millennial ages 23-38; Generation X ages 39-54; Baby Boomer ages 55-73.

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