CENTER FOR A SECURE RETIREMENT®

10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered

By Bankers Life Center for a Secure Retirement

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Methodology and definitions

This study from the Bankers Life Center for a Secure Retirement—*10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*—was conducted in October 2016 by the independent research firm, The Blackstone Group.

The internet-based survey consisted of a nationwide sample of 1,000 middle-income Americans age 52 to 70. Quotas were established based on the U.S. Census Current Population Survey data for age, gender and income to obtain a nationally representative sample. The margin of error is +/- 3.1 percentage points at the 95% confidence level.

The survey included questions that asked about middle-income Boomers' feelings at three points in time: in 2006 (before the financial crisis), during the financial crisis and today. Multiple answers were accepted on some questions; results on these sum to greater than 100%.

For the purposes of this study, the Bankers Life Center for a Secure Retirement used the following definitions.

Middle income:

Middle-income Americans have an annual household income between $30,000 and $100,000 and have less than $1 million in investable assets.

Baby Boomers:

Boomers are Americans born between 1946 and 1964. They were 52 to 70 years old in 2016.

Financial Crisis:

Sometimes called the Great Recession, the global financial crisis of the late 2000s began in 2007 with the U.S. subprime mortgage crisis. According to the National Bureau of Economic Research, the U.S. economy officially fell into recession in December 2007.

Introduction

During the recent presidential election cycle, the current state of the U.S. economy was a primary issue, especially for the large segment of middle-income Americans in or nearing retirement. These middle-income Americans were overwhelmed by the financial crisis and recession that began to unfold in 2007:

- The inflation-adjusted median household income in the United States fell nearly 7% from 2007 to 2010.[i]
- The median net worth of middle-income households fell 39% from 2007 to 2010.[ii]
- Homeowners lost an average of 55% of the value in their home from 2007 to 2010,[iii] which for middle-class Americans, typically makes up a significant portion of their wealth.

But even 10 years later, as many economists report a national recovery from the financial crisis—unemployment has been cut in half, falling from 10% to 4.6%[iv], and the stock market has more than made up its losses since the crisis—middle-income Americans say they have not felt the benefits. A majority of middle-income Boomers do not believe the economy has fully recovered, while two-thirds believe they have not personally benefited *at all* from any recovery.

Despite this outlook, almost all middle-income Boomers still believe they will retire someday. What makes them so optimistic even though they claim they have not benefitted from the economic recovery? The following report examines how Boomers are faring 10 years after the financial crisis, and how it has affected their confidence, their behaviors and their retirement expectations.

Key findings

Middle-income Boomers remain unconvinced about a nationwide recovery from the financial crisis.

- While half (51%) of middle-income Boomers feel the economy has recovered somewhat from the financial crisis, only 2% feel the economy has fully recovered, and nearly half (47%) do not believe the economy has recovered at all.
- Two-thirds (65%) of middle-income Boomers do not feel they have personally benefitted from any economic recovery since 2007.
- Among middle-income Boomers who have not felt a personal benefit from any economic recovery, half (52%) report that their savings are lower today than before the financial crisis.

Middle-income Boomers are unsure about their chances for a secure retirement.

- Only about one-third (31%) of middle-income Boomers feel well prepared or very well prepared for retirement, down from four in 10 (41%) before the financial crisis.
- Just over one-third (37%) of middle-income Boomers are confident that they will have a personally satisfying retirement, down from more than four in 10 (44%) before the financial crisis.
- More than half (57%) of middle-income Boomers feel confident in meeting their daily financial obligations, down from two-thirds (65%) before the crisis.
- Nearly half (47%) of middle-income Boomers are confident in their ability to make smart investment decisions, just below its precrisis level of half (50%).

Middle-income Boomers have taken steps to manage their spending, savings and investments.

- Two-thirds (68%) of middle-income Boomers are worried about another financial crisis in their lifetime.
- More than eight in 10 (84%) middle-income Boomers have taken actions to manage their spending behavior since the start of the financial crisis, such as reducing their discretionary expenses (54%), reducing their recurring monthly expenses (47%) or creating and maintaining a household budget (35%).
- Nearly three in 10 (28%) middle-income Boomers have built up an emergency fund since the start of the financial crisis, and nearly two in 10 (17%) now save a larger percentage of their paycheck than before the crisis.
- Three-quarters (74%) of middle-income Boomers have changed their investment behavior as a result of the financial crisis, most often taking defensive measures, such as making more conservative investment choices (28%) or regularly reviewing and adjusting investments (18%). One in four (26%) no longer invest at all.

Middle-income Boomers are still planning to retire, but they are adjusting their retirement expectations.

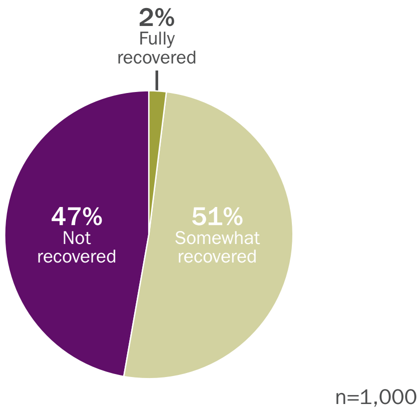
- Nearly all (92%) of middle-income Boomers still plan to retire.
- Four in 10 (38%) middle-income Boomers expect to rely on Social Security for their primary source of retirement income.
- Before the crisis, about a third (35%) of middle-income Boomers expected to work full-time or part-time in retirement, but today half (48%) expect to work at least part-time.
- Before the crisis, nearly half (45%) of middle-income Boomers expected to retire debt-free, but today only about one-third (34%) do. One-quarter (23%) expected to have savings to pass along to heirs, while today only about one in six (16%) expect to leave an inheritance.

Rebounding but not recovered

Ten years after the U.S. financial crisis, most middle-income Boomers remain uncertain about a nationwide recovery.

While half (51%) feel the economy has recovered somewhat, only 2% of middle-income Boomers feel the economy has fully recovered from the financial crisis. And nearly half (47%) do not believe the economy has recovered at all.

Middle-income Boomers' perceptions of economic recovery since 2007



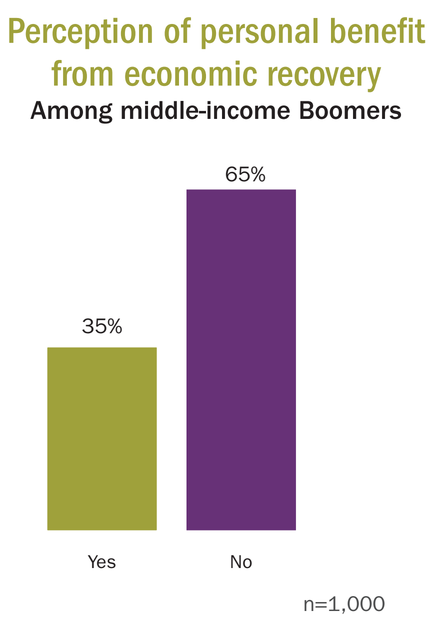
Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

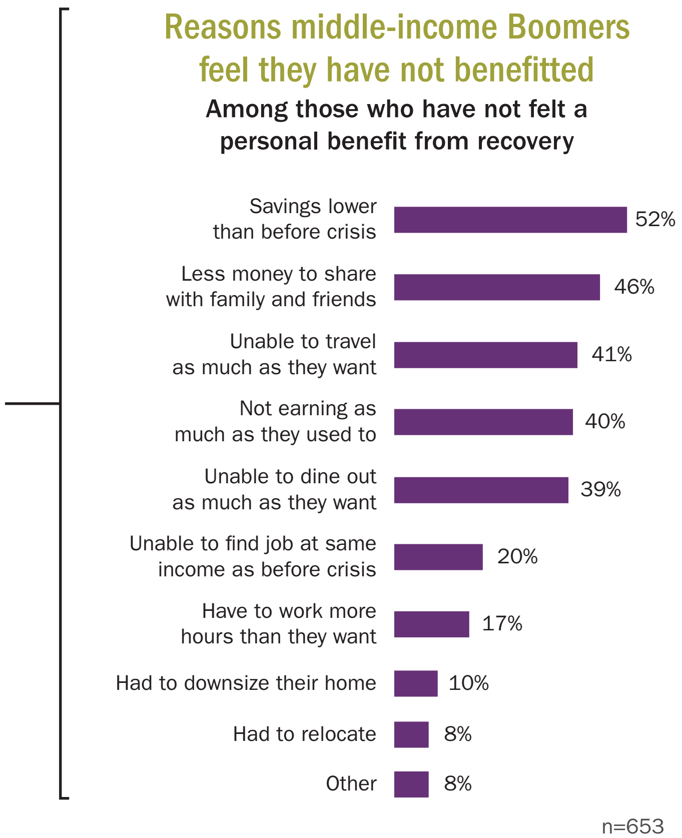
Middle-income Boomers feel recovery has missed them.

Two-thirds (65%) of all middle-income Boomers do not feel they have personally benefitted from any economic recovery. Even among those who feel the economy has recovered at least somewhat, nearly half (45%) feel they have not personally benefitted.

For middle-income Boomers who do not feel they have personally benefitted, this is likely because of a number of reasons:

- Half (52%) report that their savings are lower than they were before the crisis.
- Nearly half (46%) have less money to share with family.
- Four in 10 (40%) are unable to travel as much as they want to travel.
- Four in 10 are not earning as much as they used to earn (40%) or unable to dine out as much as they want (39%).





Source: Bankers Life Center for a Secure Retirement. *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*. 2017.

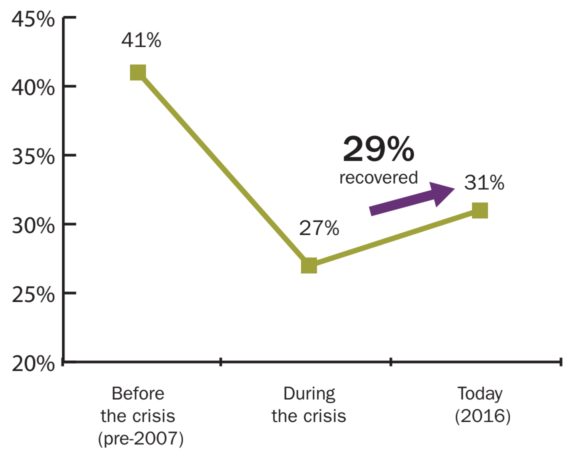
Boomer confidence in a secure retirement is shaken.

The crisis has resulted in Boomers remaining pessimistic about their chances for a secure retirement.

During the crisis, just one-quarter (27%) of middle-income Boomers reported feeling very well prepared or well prepared for retirement, down from four in 10 (41%) before the crisis. Still today, only about one-third (31%) of Boomers feel at least well prepared, a recovery of 29% back to the precrisis level.

Confidence in retirement preparedness

Middle-income Boomers who feel very well prepared or well prepared



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Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

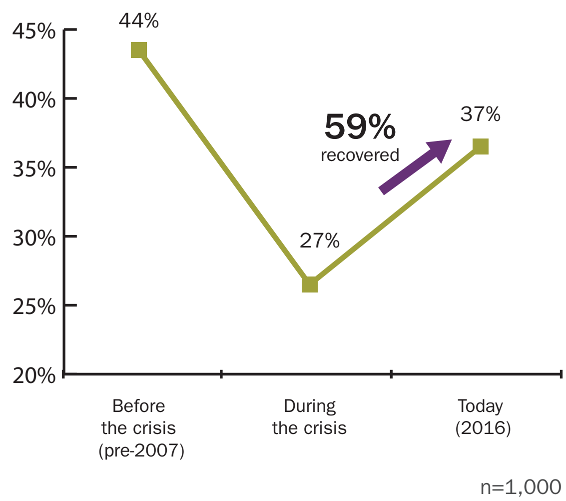
Boomers still uncertain about a personally satisfying retirement.

Boomers' confidence in achieving a personally satisfying retirement dropped significantly during the financial crisis. During the crisis, only one-quarter (27%) of middle-income Boomers were confident that their retirement would be personally satisfying.

Today, less than four in 10 (37%) Boomers are confident that they will have a personally satisfying retirement. While 59% recovered, it still remains below the precrisis level of nearly half (44%).

Confidence in a personally satisfying retirement

Middle-income Boomers who are extremely confident or very confident



Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

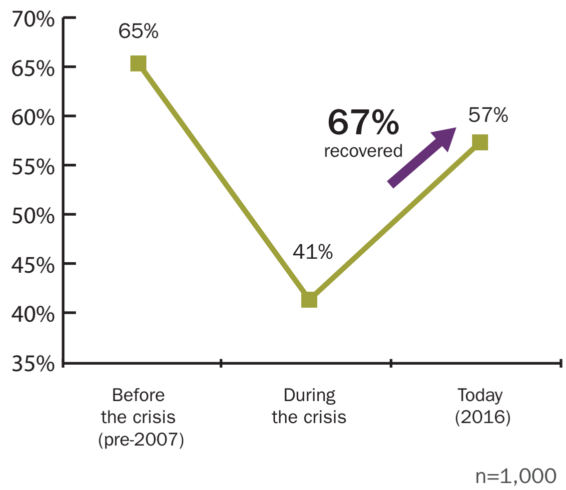
Short-term personal finance outlook is rebounding.

Despite their pessimism about a national recovery and their long-term retirement outlook, middle-income Boomers' short-term personal confidence is rebounding.

The number of middle-income Boomers who were very or mostly confident in meeting their daily financial obligations fell significantly during the financial crisis, from two-thirds (65%) before the crisis to just four in 10 (41%) during the crisis, but it has rebounded considerably —up to 67% of its precrisis level. More than half (57%) now feel confident in meeting their daily financial obligations.

Confidence in meeting daily financial obligations

Middle-income Boomers who are very confident or mostly confident



Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

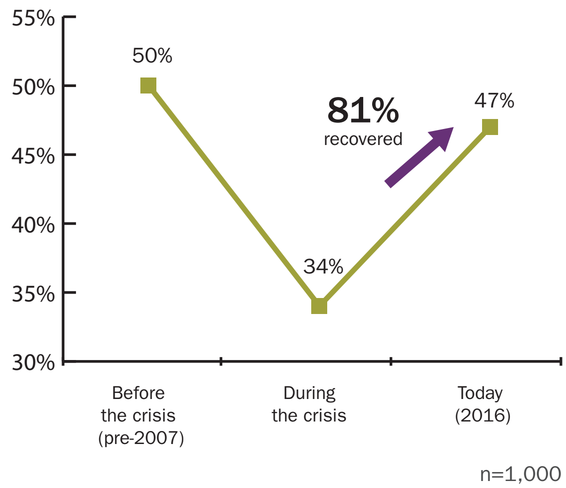
Boomers becoming more comfortable with investment decisions.

Their confidence in making smart investment decisions also dropped significantly during the financial crisis, but it too has rebounded to near precrisis levels.

During the crisis, only one-third (34%) of middle-income Boomers were confident in their ability to make smart investment decisions. It is now 81% back to precrisis levels; nearly half (47%) of all middle-income Boomers are now confident in their investment decisions.

Confidence in making smart investment decisions

Middle-income Boomers who are very confident or mostly confident



Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

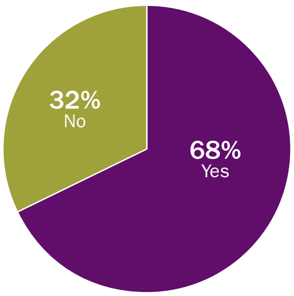
How Boomers have responded

Today, middle-income Boomers are taking positive, proactive steps to manage their spending, savings and investments. They do this to continue their recovery from the crisis and to prepare for the new retirement, but also to be ready in the event of another crisis.

Two-thirds (68%) of middle-income Boomers are worried about another financial crisis in their lifetime.

Worry about another financial crisis

Among middle-income Boomers



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Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

Boomers have reduced their spending.

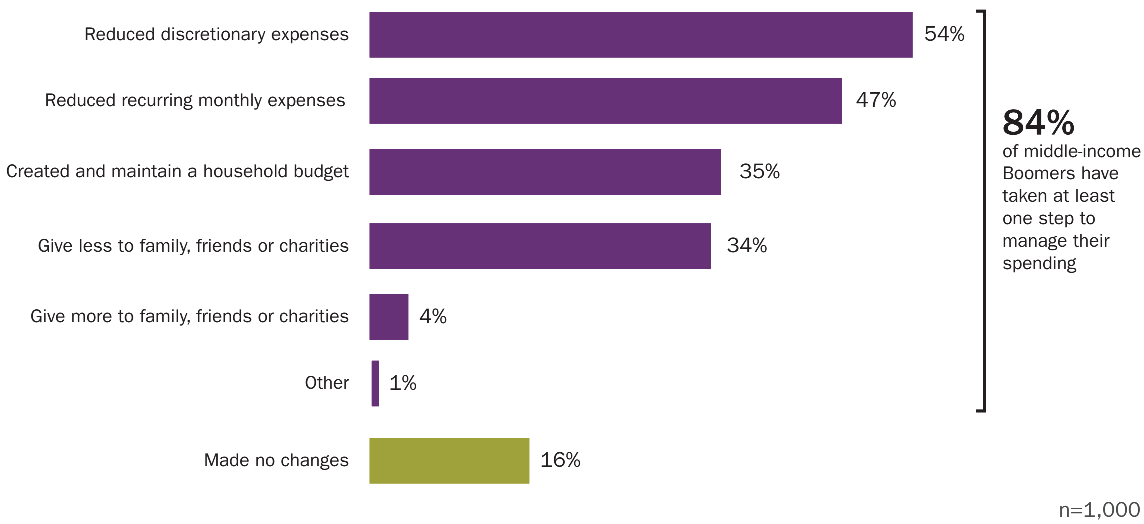
More than eight in 10 (84%) middle-income Boomers have taken at least one action to manage their spending behavior since the start of the financial crisis in 2007.

- More than half (54%) have reduced their discretionary expenses.
- Nearly half (47%) have reduced their recurring monthly expenses.
- More than one-third (35%) created and maintain a household budget.
- One-third (34%) give less to family, friends or charity.

Only about one in six (16%) middle-income Boomers have made no changes to their spending behavior.

Changes in spending behavior since the crisis

Among middle-income Boomers



Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

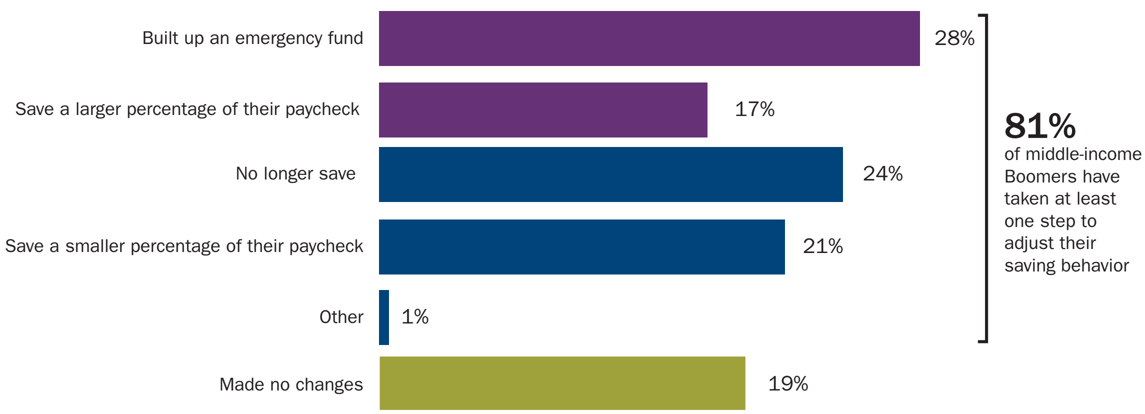
Impact on saving behavior is mixed.

Following the financial crisis, eight in 10 (81%) middle-income Boomers took at least one step to adjust their saving behavior. Nearly three in 10 (28%) Boomers have built up an emergency fund, and nearly two in 10 (17%) now save a larger percentage of their paycheck.

However, two in 10 (21%) middle-income Boomers report that they now save a smaller percentage of their paycheck and one-quarter (24%) say they no longer save. One in five (19%) have made no changes to their saving behavior.

Changes in saving behavior since the financial crisis

Among middle-income Boomers



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Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

Boomers adopt a more defensive investment stance.

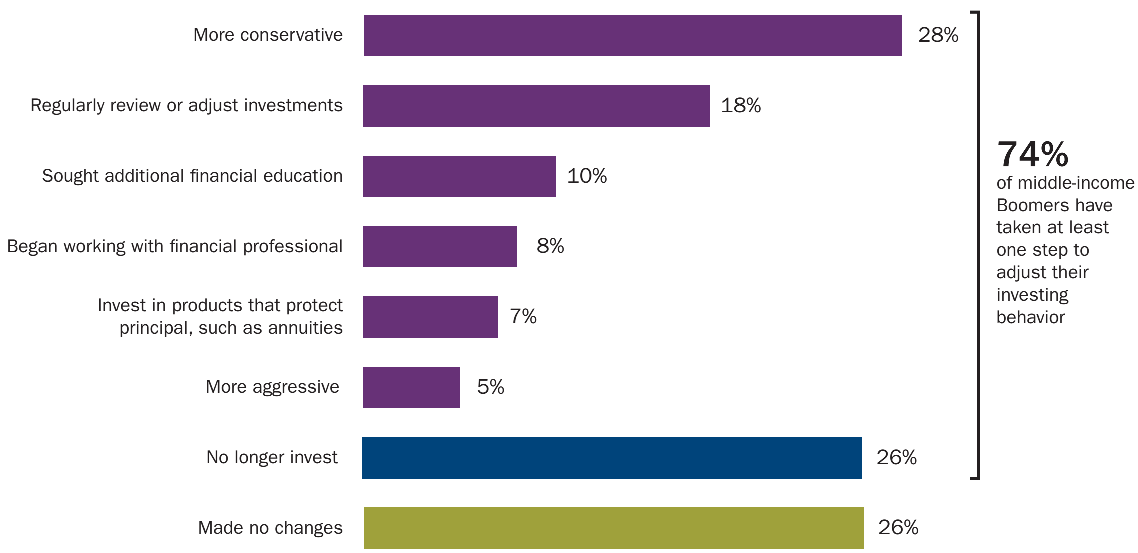
While they are more comfortable with their investment choices, still three-quarters (74%) of middle-income Boomers have changed their investment behavior as a result of the financial crisis, most commonly taking defensive measures, such as making more conservative investment choices (28%) or regularly reviewing or adjusting investments (18%).

One-quarter (26%) of middle-income Boomers report that they no longer invest as a result of the crisis.

One in 10 said they sought out additional financial education on their own (10%) or began working with a financial professional (8%).

Changes in investment behavior since the crisis

Among middle-income Boomers



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Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

Boomers who work with financial professionals are more confident.

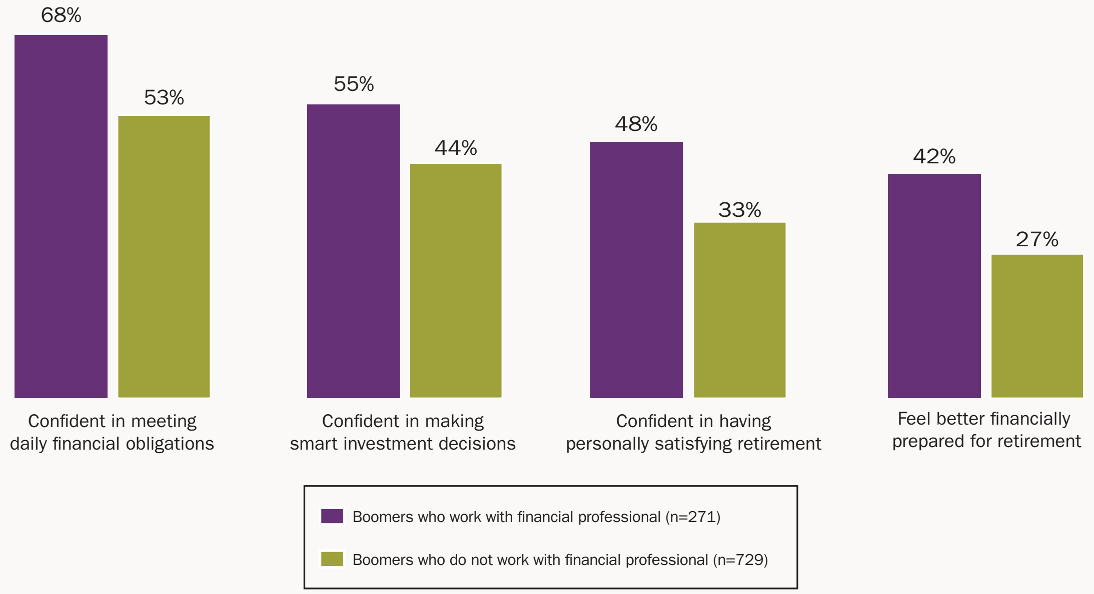
According to a 2014 study by the Center for a Secure Retirement, six in 10 (59%) middle-income Boomers do not receive professional financial guidance of any kind.[v] However, seeking the help of a financial professional makes Boomers more confident in their ability to meet daily financial obligations, make smart investment decisions and have a personally satisfying retirement. They also feel better financially prepared for retirement.

For example, more than half (55%) of middle-income Boomers who work with a financial professional are very or mostly confident in their ability to make smart investment decisions, compared to just four in 10 (44%) of those who do not work with a financial professional.

Meanwhile, half (48%) of middle-income Boomers who work with a financial professional are extremely or very confident in their ability to have a personally satisfying retirement, compared to just one-third (33%) of those who do not work with a financial professional.

Impact of working with a financial professional

Among middle-income Boomers



Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

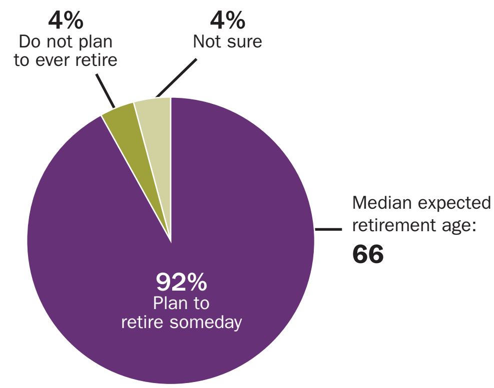
Retirement redefined

Despite the challenges brought on by the financial crisis, middle-income Boomers are still planning to retire—they are simply adjusting their retirement expectations.

More than nine in 10 (92%) nonretired middle-income Boomers still expect to retire. Less than one in 10 (8%) do not plan to ever retire or are unsure.

Plans to retire

Among middle-income Boomers who are not already retired



n=589

Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

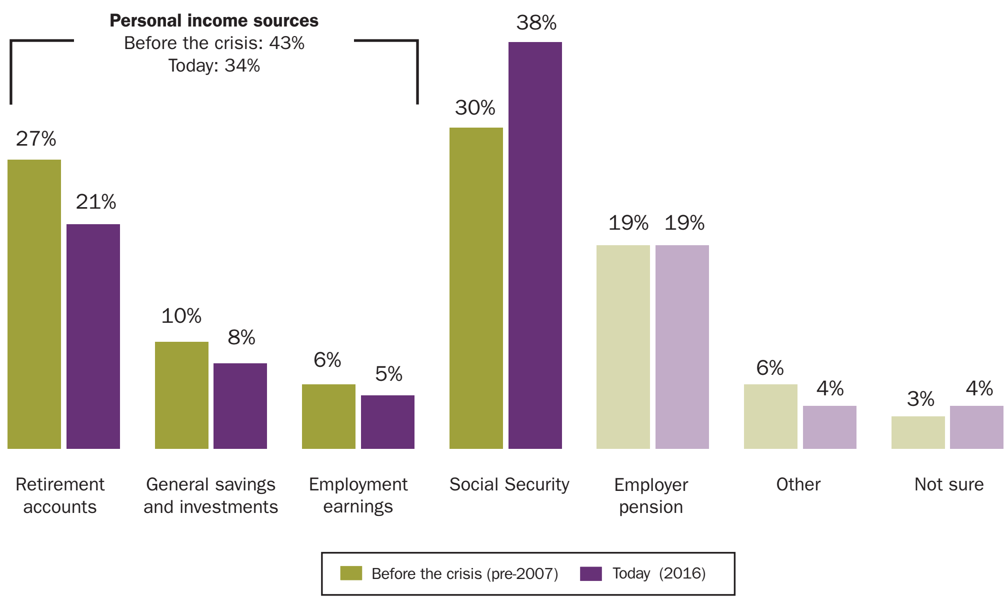
More Boomers plan to depend on Social Security.

Before the crisis, about four in 10 (43%) middle-income Boomers planned to rely on personal savings or earnings (retirement accounts, general savings and investments, and employment) for their primary source of retirement income. That number has dropped to one in three (34%), with the difference mainly moving to Social Security.

Today, four in 10 (38%) middle-income Boomers expect to rely on Social Security for their primary source of retirement income. Before the crisis, that number was less than one in three (30%).

Expected primary source of retirement income

Among middle-income Boomers



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Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

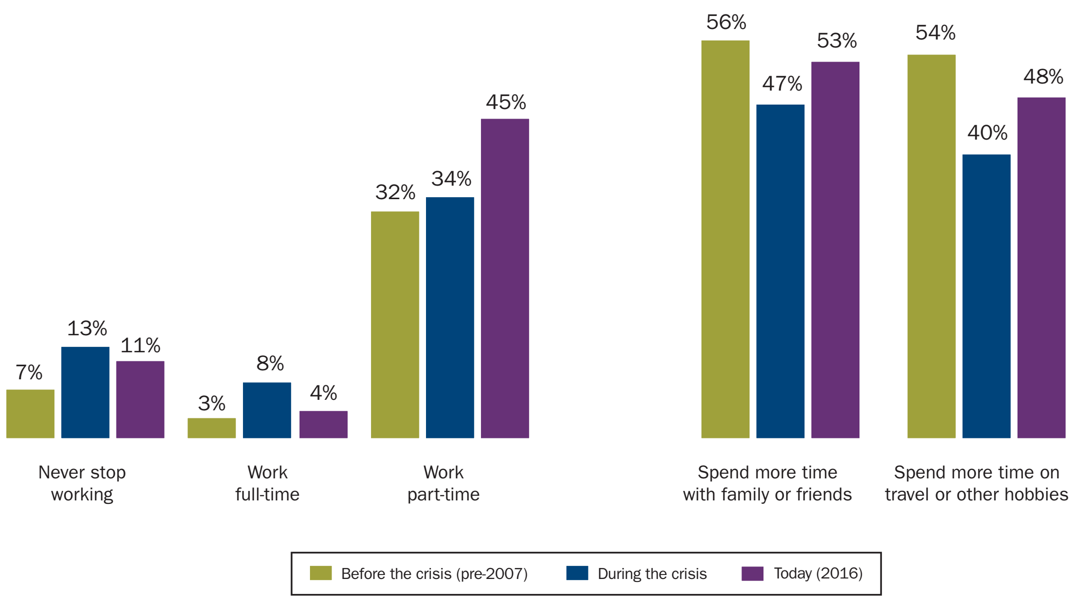
More Boomers expect to work in retirement.

Following the financial crisis, more Boomers expect that at least part-time work will be a part of their retirement experience. However, this does not come at the expense of more traditional retirement pursuits, such as spending time with family and friends, travel and hobbies.

- Before the crisis, just over one-third (35%) of middle-income Boomers expected to work full-time or part-time in retirement, but today half (48%) expect to work full-time or at least part-time.
- Before the crisis, 7% expected that they would never stop working, but today, that number has risen to one in 10 (11%).
- During the crisis, the number of middle-income Boomers who expected to never stop working nearly doubled (from 7% to 13%) and the number who expected to work full-time more than doubled (from 3% to 8%).

Expectations for work in retirement
Among middle-income Boomers

Expectations for play in retirement
Among middle-income Boomers



n=1,000

Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

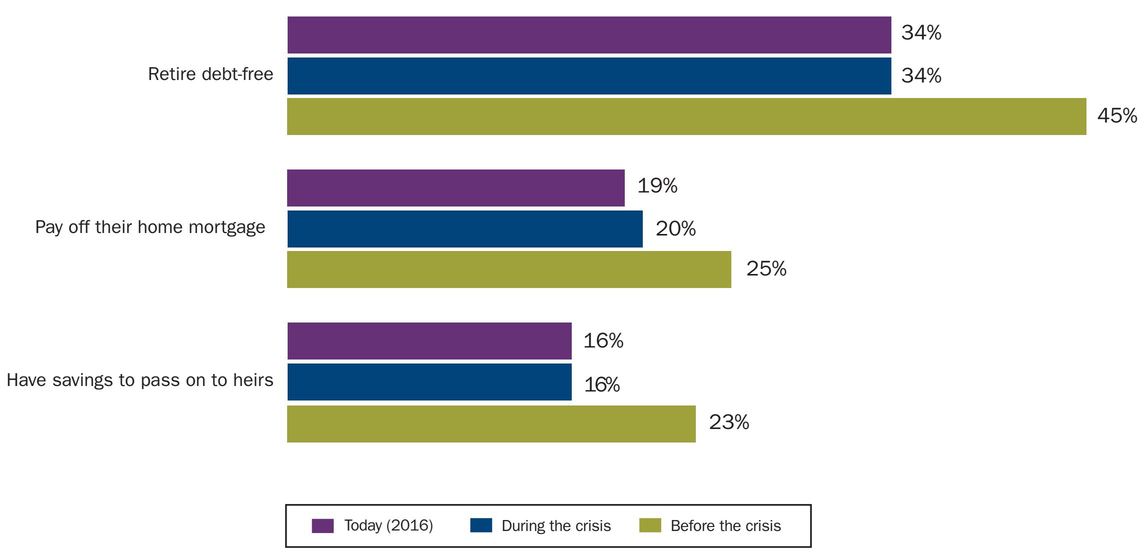
Lowered expectations for financial independence.

While they have raised their expectations for work in retirement, Boomers have lowered their expectations for financial independence.

- Before the crisis, nearly half (45%) of middle-income Boomers expected to retire debt-free, but today only about one-third (34%) expect to do so.
- Those who believe they will pay off their home mortgage has dropped from one-quarter (25%) to just one in five (19%).
- One in six (16%) expect to have savings to pass on to heirs, compared to nearly one-quarter (23%) prior to the crisis.

Expectations for financial independence in retirement

Among middle-income Boomers



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Source: Bankers Life Center for a Secure Retirement, *10 Years After the Crisis: Middle-Income Boomers Rebounding But Not Recovered*, 2017.

Recommendations for middle-income Boomers

Watch your spending.

Many Boomers are realizing they will not be as financially independent in retirement as they once expected they would be, and more than eight in 10 middle-income Boomers took steps to manage their spending behavior following the financial crisis. Create and maintain a household budget that minimizes your monthly bills and discretionary spending. Also make a concerted effort to pay down debt before retiring to create more financial flexibility.

Save, save, save.

Many Boomers are relying on Social Security to be their primary source of retirement income, but it was never designed to fully replace one's savings or wages. There are a wide range of affordable and secure options available to help you save for your retirement, provide you income and protect your assets, such as annuities.

Invest wisely.

Consider tax-deferred investment options, including 401(k), IRAs and Roth IRAs. Consider working with a financial professional to help you build your plan and find products that can protect your investments. Boomers who sought the help of a financial professional feel more confident in their financial decision making and more optimistic about their retirement expectations.

Be prepared for anything.

Even in good times, there are many things that can impact your financial security. Create or update a will and power of attorney. Plan for any unexpected costs that can arise, especially expenses related to retirement, such as long-term care or critical illness. Critical illness insurance products, for example, can provide additional financial protection for a number of unanticipated, yet common, conditions such as cancer, heart attack or stroke. In addition, consider life insurance to help you and your loved ones feel more secure.

Stay in the workforce.

If possible, consider remaining in or rejoining the workforce. Employment income will relieve pressure on other sources of income and provide more money to spend on the things you really want. Plus, many jobs may provide access to valuable employee benefits.

About the Center for a Secure Retirement

The Bankers Life Center for a Secure Retirement is the company's research and consumer education program. Its studies and consumer awareness campaigns provide insight and practical advice to help everyday Americans achieve financial security in retirement.

About Bankers Life

With a history dating back to 1879, Bankers Life provides a broad selection of life and health insurance products designed especially for Americans who are near or in retirement.

With over 300 offices across the country, Bankers Life's nearly 5,000 insurance agents live and work in the communities they serve. Our agents take the time to get to know their customers, listen to their needs and values, and are dedicated to helping them meet their goals for a secure retirement.

Learn more

To learn more about Bankers Life, visit BankersLife.com or call (800) 231-9150.

Endnotes

[i] Calculated from data found in: United States Census Bureau, Historical Income Tables: Households, *Table H-6. All Races by Median and Mean Income: 1975 to 2015*, http://www2.census.gov/programs-surveys/cps/tables/time-series/historical-income-households/h06ar.xls, accessed December 8, 2016.

[ii] Pew Research Center, *The Lost Decade of the Middle Class*, http://www.pewsocialtrends.org/2012/08/22/the-lost-decade-of-the-middle-class/, August 22, 2012, Chapter 7: Income and Wealth by Income Tier..

[iii] MarketWatch.com, *How the Bubble Destroyed the Middle Class*, http://www.marketwatch.com/story/how-the-bubble-destroyed-the-middle-class-2011-07-08, July 8, 2011.

[iv] Bureau of Labor Statistics, *Employment Situation Summary: November 2016*, www.bls.gov/new.release/empsit.nr0.htm, December 2, 2016.

[v] Center for a Secure Retirement, *The Middle-Income Boomer Retirement Gap: Savings, Education and Advice*, November 2014, p. 19.

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