



## Generations: Going Separate Ways

Research shows that various generations have different ideas of how to best prepare for retirement.

**B**aby boomers may be the closest generation to retirement, but they're not the only age group planning for the day they'll stop working. According to research from T. Rowe Price, 66% of working Americans said contributing to a 401(k) or another type of tax-deferred retirement account was a top financial priority.

While various generations are at different levels of preparedness, T. Rowe Price's study also indicates that the age groups have different ideas about how to best get ready.

### KEY POINTS

- Three generations make up the majority of Americans.
- T. Rowe Price research indicates that the generations have varying levels of preparedness for retirement.
- Whatever your age, how much you set aside and how long you save are two factors that have the most impact on your long-term goals.

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## How best to achieve your retirement savings goal varies considerably depending on your age and personal circumstances.

### Millennials

While it may be youthful optimism, the millennials surveyed by T. Rowe Price possess a positive attitude about their current and future financial status. Millennials who are saving in a 401(k) plan are outpacing financial expectations. Of those who are working, many report being well positioned for financial success. Not only are millennials contributing to their 401(k)s at a similar rate to Gen Xers, they also have more time on their side—the efforts they make now to save and invest for their future have decades to realize growth potential.

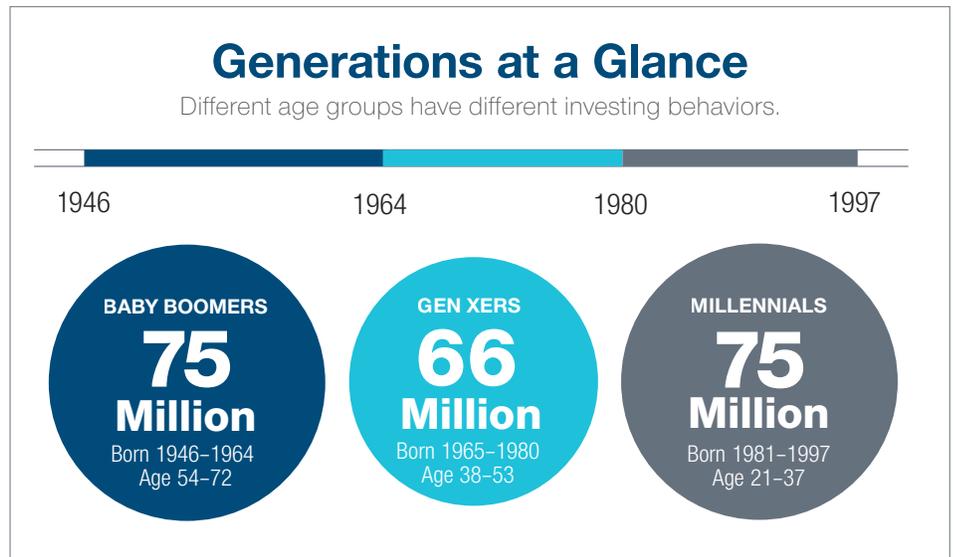
The study also indicates, however, that millennials lack the knowledge needed to go it alone—58% say they would benefit from having someone help with spending and debt management. These millennials could rely on automated plan services (if offered) to get started, as well as advice and guidance to keep them on track.

### Gen Xers

Gen Xers are well into their careers and have seen their earnings rise since their 20s. But their financial demands have increased as well, including often supporting young children and aging parents simultaneously—which can make it challenging to prioritize savings goals. That dichotomy shows up in the T. Rowe Price study; about 70% of Gen X workers feel somewhat or very comfortable that they will be able to meet their financial goals in retirement. However, 28% of Gen Xers surveyed believe they may run out of money in retirement, given the savings they have in place right now (versus 22% of millennials).

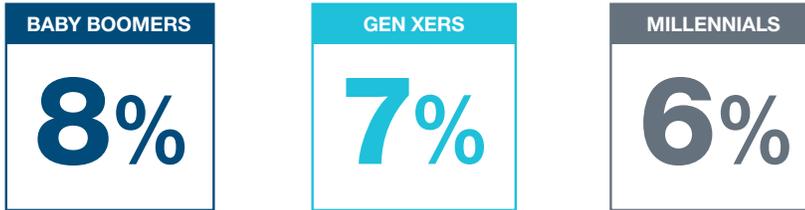
### Baby Boomers

As a group, baby boomers have prioritized their retirement savings and contribute more than any other generation. Recent baby boomer retirees are reporting that many in their cohort are faring quite well with managing their finances and are transitioning into retirement with adequate savings. In fact, according to T. Rowe Price’s research, retirees who are in their first five years of retirement are living on an average of 67% of their preretirement income, and 88% say that they are satisfied with retirement so far.



Source: Pew Research Center analysis of U.S. Census figures (demographic data and age ranges).

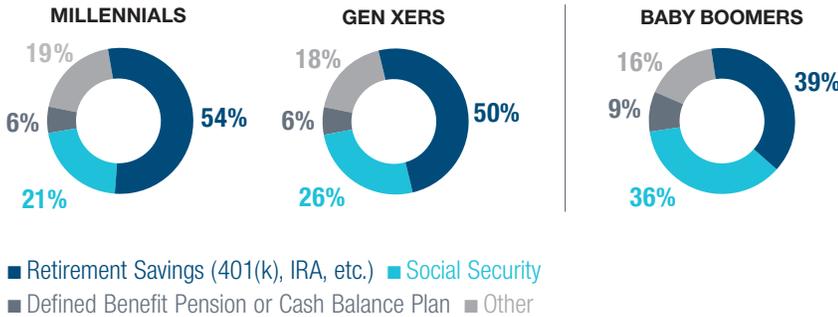
Median percentage of salary contributed to retirement savings.



**How Will They Fund Retirement?**

Millennials and Gen Xers expect about half of their retirement income to come from their own personal retirement savings.

But Baby Boomers expect Social Security to provide about as much income as their own retirement savings.



Source: December 2014 and December 2015 Brightwork Partners survey for T. Rowe Price (retirement-related statistics).

**The common threads**

How best to achieve your retirement savings goal varies considerably depending on your age and personal circumstances.

However, whatever your age, how much you set aside and how long you save are the two factors that have the most impact on your long-term goals. They are also the factors most in your control. Regardless of your age, consider the following steps:

**1. Take advantage of any company match.**

Contribute at least enough to your workplace plan to receive the full company match, if offered by your plan. That way, you'll receive the maximum amount of additional money to which you're entitled.

**2. Save at least 15% of your gross income.**

Contributing to retirement accounts at the 15% level (including any employer matching contributions) can help you cover your expenses over a retirement that may last three decades or longer. If you're not able to save 15% right away, start by contributing 6% of your salary. Then, increase your contributions by one or two percentage points each year until you reach the 15% target.

**3. Consider Roth contributions.**

A Roth IRA or Roth contributions to your employer's plan, if available, can be a good choice for your retirement savings if you don't expect your tax bracket to decrease in retirement or if you already have significant traditional assets and won't need all of those funds for income.

**4. Maintain appropriate equity exposure for your age.**

Equities offer greater long-term potential return than other asset classes, such as fixed income and cash. Your age and tolerance for risk will help you determine the precise amount of equities to hold. ■

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