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Younger Investors Plan to Work in Retirement, T. Rowe Price IRA Survey Finds

Most will do so voluntarily, not out of financial necessity

BALTIMORE, April 16, 2012 /PRNewswire/ -- New research from T. Rowe Price (NASDAQ-GS: TROW) shows that most investors (69%) between the ages of 21-50 plan to work either part-time or full-time during their retirement years. Among those who plan to work at least part-time, most (75%) will do so because they want to stay active and involved; only 23% believe they will do so because they will not have saved enough money.

These findings are highlighted in a T. Rowe Price survey about Individual Retirement Accounts (IRAs) and the investing practices of Generation X (ages 35-50 for the purposes of this research) and Generation Y (ages 21-34). The study was conducted online in December 2011 by Harris Interactive on behalf of T. Rowe Price among 860 adults aged 21-50 who have at least one investment account.

"Beginning with the Baby Boom generation, a new vision of retirement has emerged — one that includes an active lifestyle and, for many people, continued work or even a second career," said Christine Fahlund, CFP®, senior financial planner with T. Rowe Price. "This survey suggests that, looking ahead, many younger investors are ready to adopt this relatively new approach to retirement, as well. It's encouraging that they plan to do this as a choice and not out of financial necessity. Of course, their ability to be flexible about their retirement date will require getting an early start on their savings."

Other survey findings among investors aged 21-50:

- The mean age at which they plan to retire is 62.
- The mean number of years they expect to live in retirement is 22.
- 77% expect tax rates will increase between now and when they retire.
- 43% expect a part-time job to be a source of income during their retired years.

"Successfully navigating retirement is, in many ways, an exercise in striking a proper balance between things like work and leisure, saving and spending," Ms. Fahlund said. "We often recommend that people in their 60s who are on track with their savings not wait until they retire to start experimenting with activities they were planning. The transition from career to retirement can be stressful and many people struggle with it. Taking a practice run while still receiving wages and benefits can help pre-retirees financially, emotionally, and psychologically."

Many pre-retirees have no idea what they want to do and may try something that they'll want to change later, Ms. Fahlund said. "We believe that beginning to incorporate more leisure in your 60s, when you're still likely to be in good health can be a fun way to make the transition from work to retirement easier," she added. "By working a little longer *and* playing, investors can maintain earned income to fund their activities, hold off on tapping their nest eggs earmarked for retirement, and defer taking Social Security payments. Delaying Social Security, in particular, positions people to have potentially considerably higher guaranteed payments — adjusted annually for inflation — for the rest of their lives."

An important caveat, Ms. Fahlund noted, is that investors who choose this approach to retirement generally should use some of the money from their additional years of salary for the funding they need, not their accumulated savings. In addition, investors should strive to put their financial houses in order before they fully retire, including paying off their mortgages and other debts and purchasing any big-ticket items they think they might need or want in retirement.

"Working and playing at the same time during their 60s won't be the ideal approach for everyone, but it underscores the need for young investors to begin saving for retirement as early and as much as possible," Ms. Fahlund said. "That's the key factor in eventually having enough money to start retirement and being able to stop working at a time of one's own choosing."

Harris Interactive is one of the world's leading custom market research firms. Known widely for the Harris Poll and for pioneering innovative research methodologies, Harris serves clients in over 215 countries and territories through its North American and European offices and a network of independent market research firms. For more information, please visit www.harrisinteractive.com.

Founded in 1937, Baltimore-based T. Rowe Price is a global investment management organization with $489.5 billion in assets under management as of December 31, 2011. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers a variety of sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research.

About the Survey

The survey was conducted online within the United States by Harris Interactive on behalf of T. Rowe Price from December 1-12, 2011, among 860 adults aged 21-50 who have at least one investment account. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For additional information about the survey, please contact Bill Benintende at bill_benintende@troweprice.com.

SOURCE T. Rowe Price Group