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National Survey of Workers and Retirees from BlackRock:

MOST WORKERS NOT SAVING FULL AMOUNT PERMITTED BY THEIR 401(K) PLAN

**Yet, Rate of Savings Increases
With Time in the Plan, Retirees Report**

**More Than Nine in 10 Workers
Find Target Date Savings Concept Appealing**

**BlackRock Retirement Expert:
Plan Sponsors Need to Review Target Date Offering,
Ensure Good Match with Workforce Needs and Goals**

New York, September 19, 2012 – A nationwide poll, conducted by BlackRock, Inc. (NYSE: BLK), of 1,035 retired Americans and 1,002 American workers participating in [Defined Contribution \(DC\) retirement plans](#), has found that most workers are failing to save as much as they could for retirement – risking the regret now felt by retirees who had made that same mistake.

The survey, conducted in March this year, also found that nearly six of 10 workers (58 percent) currently are not saving the maximum amount of money permitted by their 401(k) plan. At the same time, nearly three of 10 retirees (27 percent) agree they didn't save as much in their plan as they could have –but what's more, nearly eight of 10 of them now regret it.

The polls also show that, while the retirement “savings gap” remains a troubling reality, long-term participation in a DC plan, including a 401(k), can have a significant, positive impact on retirement savings effectiveness.

The full survey findings can be read at <https://www2.blackrock.com/us/defined-contribution/news-insight/research/retirement-survey>

“When it comes to saving for retirement, defined contribution plans are evidently making a difference – a difference that we believe is more and more vital as fewer workers are covered by traditional pensions,” said Chip Castille, Managing Director and head of BlackRock’s US & Canada Defined Contribution Group. “But clearly there is more work to be done in motivating workers to make the most of the savings potential of their DC benefit. Sufficient savings is the single most important factor in leading to a comfortable life in retirement.

“Plan sponsors also have an increasingly urgent responsibility to ensure that their plan’s savings options are well matched to participant needs and goals,” he said.

Savings Critical in Sustaining Retirement Income

The polls show that many of today’s retirees are successfully meeting the financial challenges of life post-employment. Just over half (51 percent) of retirees are confident about having enough money to live comfortably in retirement, and about four in 10 say they are somewhat confident they can make ends meet in retirement.

But only one quarter (25 percent) of today’s workers are confident about having enough money to live comfortably in retirement and only 14 percent are very confident that they are saving enough now to get the monthly income they want in retirement.

Importantly, about eight of 10 retirees polled report having pension income, but defined benefit plans cover just 53 percent of the workers polled.

“For many retirees, secure pension income is a major factor supporting a sense of financial stability and confidence in retired life,” Castille said. “One of the key challenges of the DC system is to ensure that workers are accumulating the savings that they’ll need to generate a meaningful level of retirement income – income that, in most instances, will no longer be automatically delivered to them via a defined benefit plan.”

“Lessons Learned”: Max Out Savings

When it comes to the retirement savings exercise, as well as planning for retirement generally, 92 percent of workers believe they have something to learn from the experiences of today’s retirees.

Many retirees practiced good “planning behaviors” when working, but many did make some mistakes along the way, particularly in the area of saving.

Nearly one in three retirees say they didn't make a financial plan for saving for retirement early enough in their work life and, of those, about eight of 10 regret it (32 percent call it a major regret).

"When it comes to 'lessons learned,' the message from today's retirees to today's workers is straightforward: Make a plan for retirement saving early and, above all, save as much as you possibly can," Castille said.

Closing the Retirement Savings Gap

In the crucial area of savings, workers preparing for retirement have clearly fallen behind the curve. The difference between what people have saved and what they need to save for retirement is estimated at \$6.6 trillion¹.

Retirement savings behaviors need to be strengthened, yet the poll suggests that DC retirement plans are starting to fulfill much of their promise as critical savings vehicles. Nearly half of workers strongly agree that their plan provides an easy way to save; 46 percent strongly agree that their plan offers an incentive to save via the company match.

Long term participation in a DC plan can have a significant impact on retirement savings, the BlackRock poll shows. Among retirees, those who spent more than 20 years in the DC system are more likely than those with less time (5-10 years) to say that they saved the amount of money permitted annually by their plan (79 percent vs. 62 percent).

"The positive impact that DC has on retirement saving builds over time," Castille said. "We need to get workers into the DC system as soon as possible and maintain their maximum participation throughout their working years."

Finding the Right Savings "Fit": Target Date Funds

With DC playing a growing role in the retirement savings process, one increasingly prevalent savings tool will be the target date fund – a fund with a variety of investments automatically rebalanced and reallocated over time seeking to become more conservative, and lower the chance of losing money as the worker nears their planned retirement age.

About 80 percent of DC plan sponsors currently offer target date funds, according to a separate poll of 118 sponsors conducted by BlackRock.

More than nine of 10 workers find the target date fund concept appealing – and about one third very appealing. Younger workers, age 25 to 34, are even more likely to find the concept very appealing (44 percent) than workers age 55 to 59 (29 percent).

Following the passage of the Pension Protection Act (PPA) in 2006 and the Department of Labor's validation of the target date fund concept by accepting them as a qualified default investment alternative (QDIA), plan sponsors now have a mechanism for effectively "jump starting" the savings process for participants by automatically enrolling them in such funds.

The BlackRock poll suggests that workers welcome the development: More than six of 10 workers indicated they would react positively if their employer automatically moved their retirement assets into a target date fund, and about the same number of retirees said their reaction would have been the same.

Indeed, many workers would be comfortable with an employer taking "automatic" support for savings even further: Nearly four of 10 say they would be willing to have an employer automatically increase annually the amount of retirement savings deducted from a paycheck. A similar percentage of retirees indicated they would have been comfortable with their employer taking this step during their working years.

Castille: Critical for Sponsors to Choose Target Date Fund with Care

As the poll suggests, today's workers have strongly embraced the target date concept – making it all the more critical for plan sponsors to be painstaking in their selection of a target date option. "Sponsors need to ensure that they are employing a target date strategy that is well aligned with the distinctive characteristics of their workforce as well as their overall goals for the plan," said Castille.

With target date funds becoming more widely used, fundamental differences in target date strategies have emerged, Castille noted. "It's critical that plan sponsors are aware of the impact these differences can have on their participants' retirement savings, particularly as DC plans continue to emerge as a top savings vehicle," he said.

According to Castille, sponsors need to recognize that target date funds have varying objectives and investment approaches that can impact investment performance as well as a fund's suitability for a particular participant population. "Sponsors should consider whether their workforce has unique needs – based on age, for example - that might benefit from a customized solution," he said.

"Perhaps most importantly, sponsors need to assess the characteristics and attributes of potential product providers, and be sure to seek out a provider offering the requisite flexibility, sound investment process, track record of innovation and performance, and commitment to supporting employee participation," he said.

"Not all target date funds are created equal," Castille said. "Proper due diligence aligned with good understanding of plan and participant realities can help a sponsor ensure that their target date fund well supports their employees' essential savings objectives."

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For more information on the BlackRock survey, please visit www.BlackRock.com/RetirementSurvey.

The surveys of 1,035 retirees and 1,002 workers were conducted on the Internet during March 2012 by Boston Research Group on behalf of BlackRock's U.S. Defined Contribution business. BlackRock also polled 118 executives managing DC plans, in an Internet survey conducted during that same month. All of the retirees and workers polled have had at least five years of participation in a workplace retirement savings plan. The samples of 1,035 retirees and 1,002 workers each have a maximum sampling error of +/- 3.1 percentage points at a 95 percent confidence level.

¹Source: Center for Retirement Resource at Boston College.

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