

Nationwide Retirement Institute Tax Efficient Retirement Income

November 2019

Presented by:



NFM-18922AO



Target Group and Method

- This survey was conducted online by *The Harris Poll* from April 18 – May 7, 2019 to a targeted subset of the U.S. population:
 - 1,301 U.S. adults aged 50 or older, who currently collect or plan to collect Social Security benefits, have at least \$150K in investable assets and fall into one of the following groups:
 - 10+ Years Retirees (n=426),
 - Recent Retirees (n=440), or
 - Future Retirees (n=435)
- Research participants were drawn from Harris' research sample partners.
 - Because the sample is based on those who were invited to participate in a panel (and not random), we cannot calculate estimates of theoretical sampling error.
 - Sample of all U.S. respondents aged 50+ were weighted to the U.S. Population of adults aged 50+ by age-gender, race/ethnicity, education, region, household income, investable assets and retired status.

Report Notes

- “Current Retirees” includes both affluent recent and >10-year retirees
- “Older Consumers” include all qualified respondents
- “Future Retirees” is used for affluent consumers who anticipate retiring within 10 years.
- An asterisk (*) in a data chart indicates that a response is less than .5% but greater than 0%
- Statistically significant differences between subgroups at 95% confidence level are noted where appropriate throughout the report with letters (A, B, C, etc.).

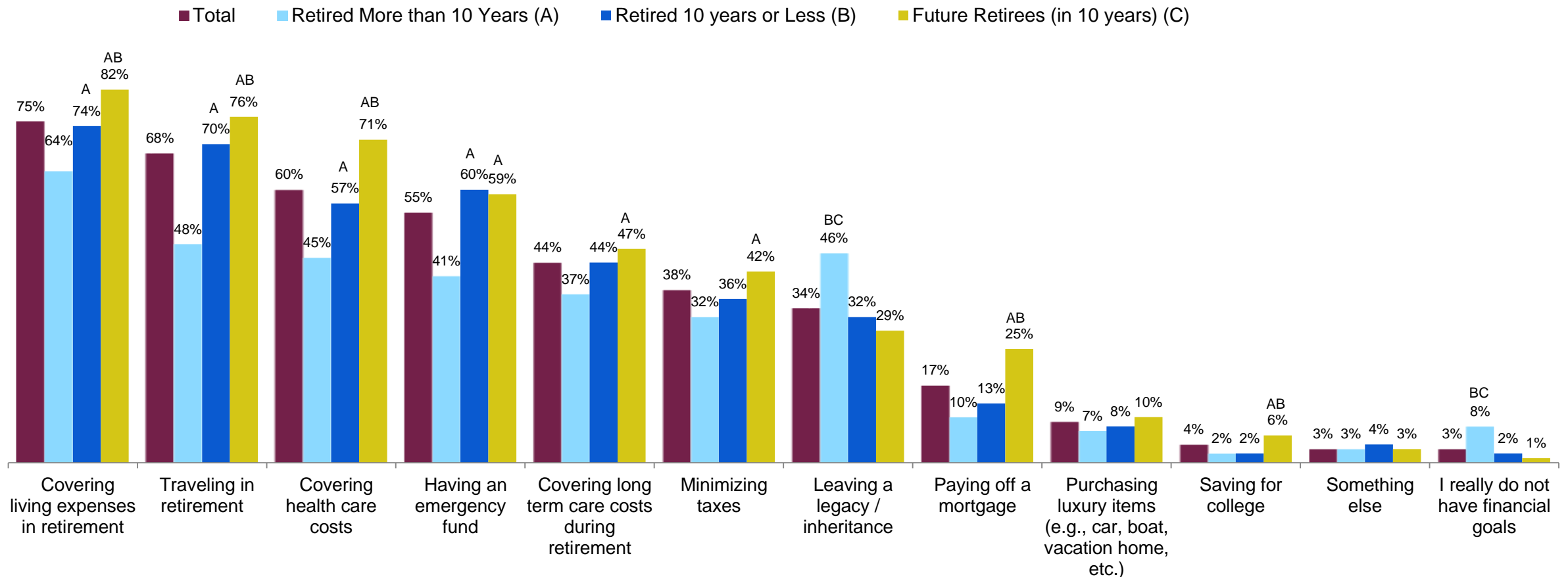
Retiree > 10 years (A)	Retiree 10 years or less (B)	Future Retiree (C)
62%	66%	72% A

- Ex. Statistically speaking, the 72% for Future Retirees is significantly higher at a 95% confidence level than the 62% for Retired 10+ group.

Both Current and Future Retirees have goals of covering living and health care expenses with their financial investments, as well as travelling in their retirement.

- Nearly half of >10-Year retirees hope to leave a legacy/inheritance.
- More than 2 in 5 Future Retirees hope to minimize taxes paid with their financial investments.

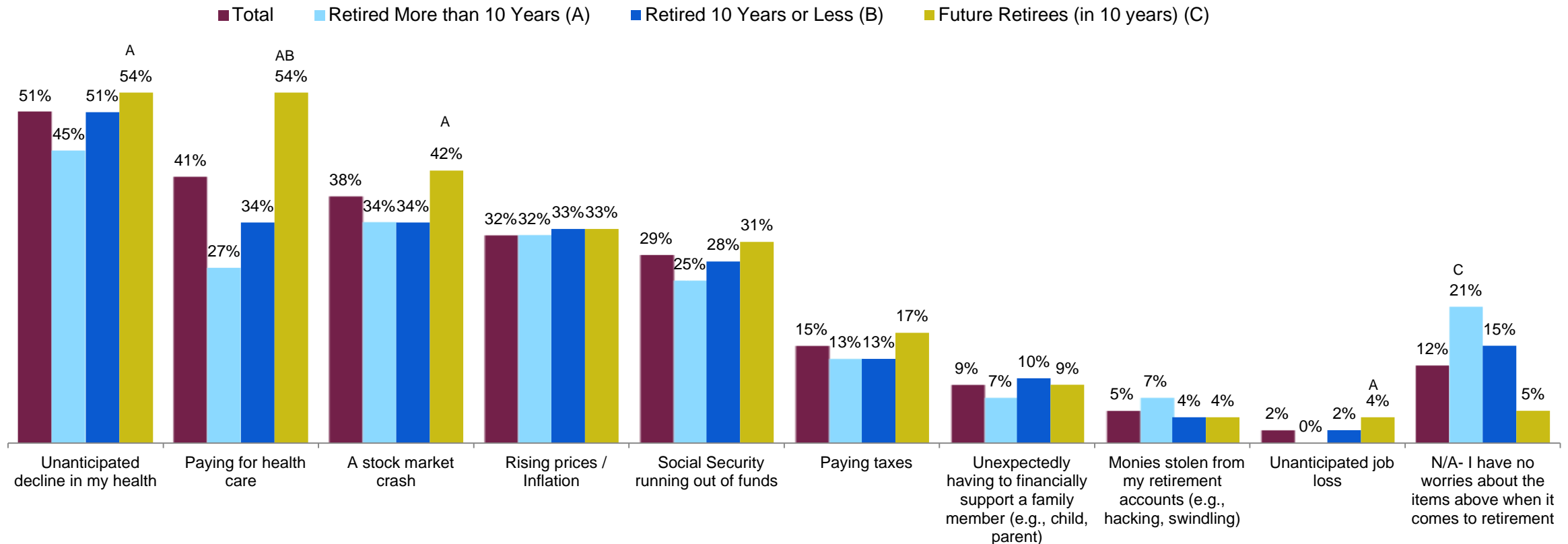
Financial Goals for Investments



Majorities of Future Retirees say unanticipated decline in their health and paying for health care are their main causes of stress ahead of retirement.

- For more than 2 in 5 Future Retirees, a stock market crash causes stress.

Causes of Stress in Retirement

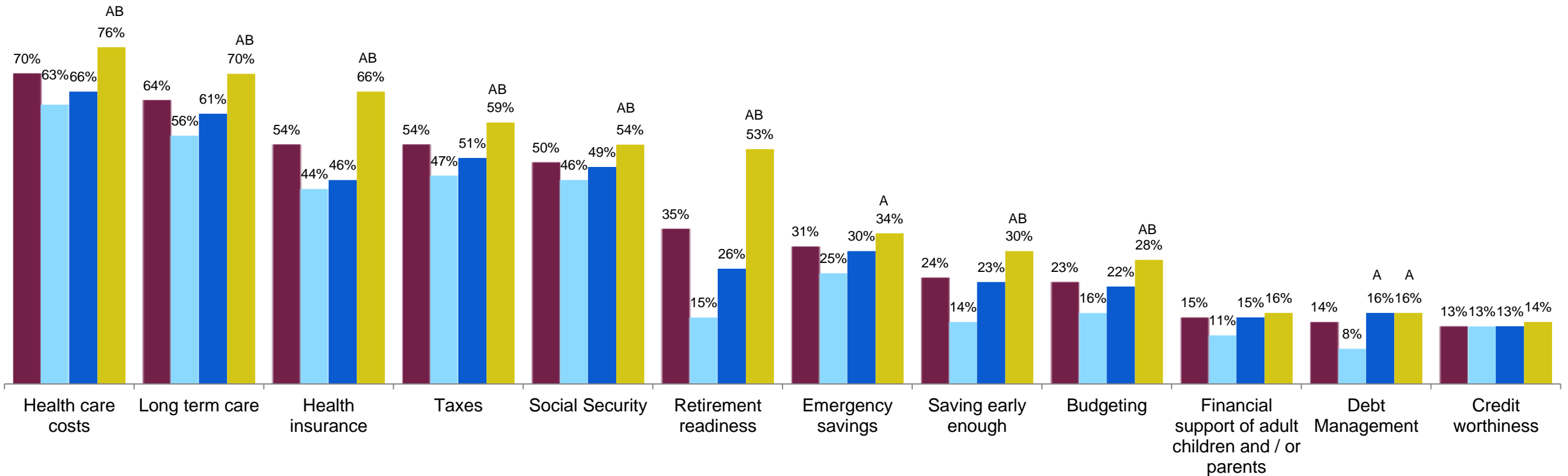


Both Current and Future retirees are most likely to be concerned with health care and long term care, as well as taxes.

- Future Retirees are more likely than Current Retirees to have concern about most topics.

Level of Concern with Financial Topics
(Summary of Very/Somewhat Concerned)

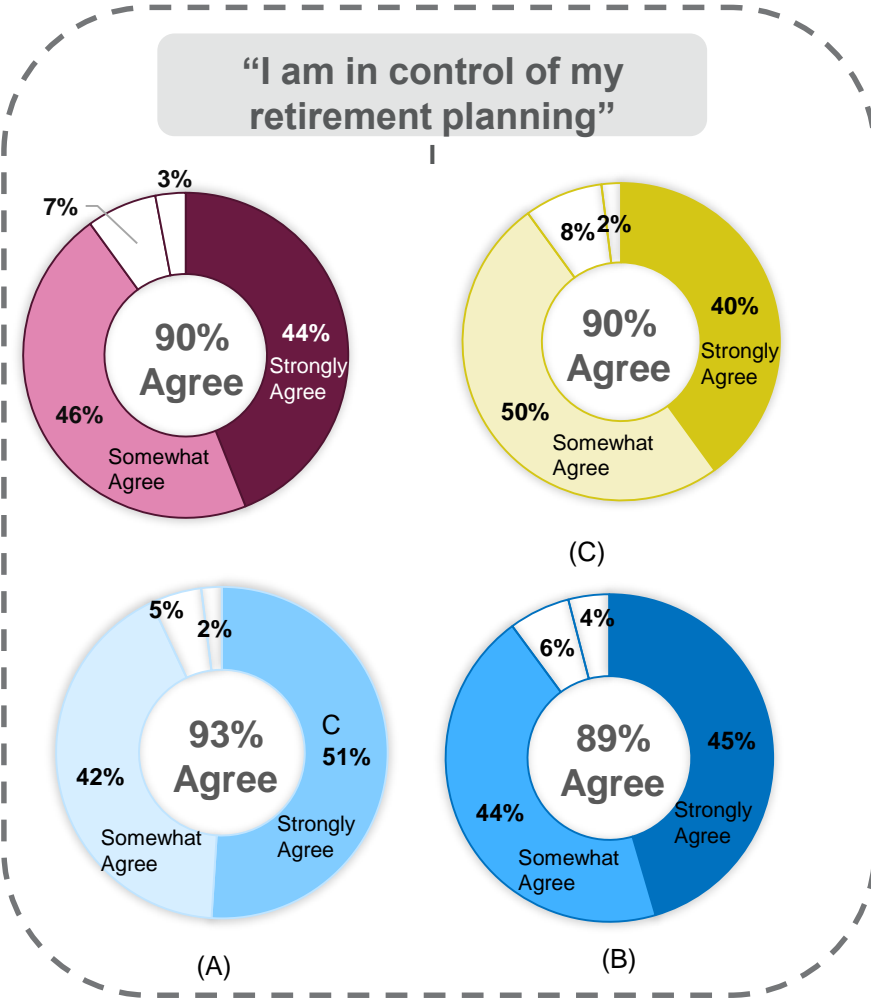
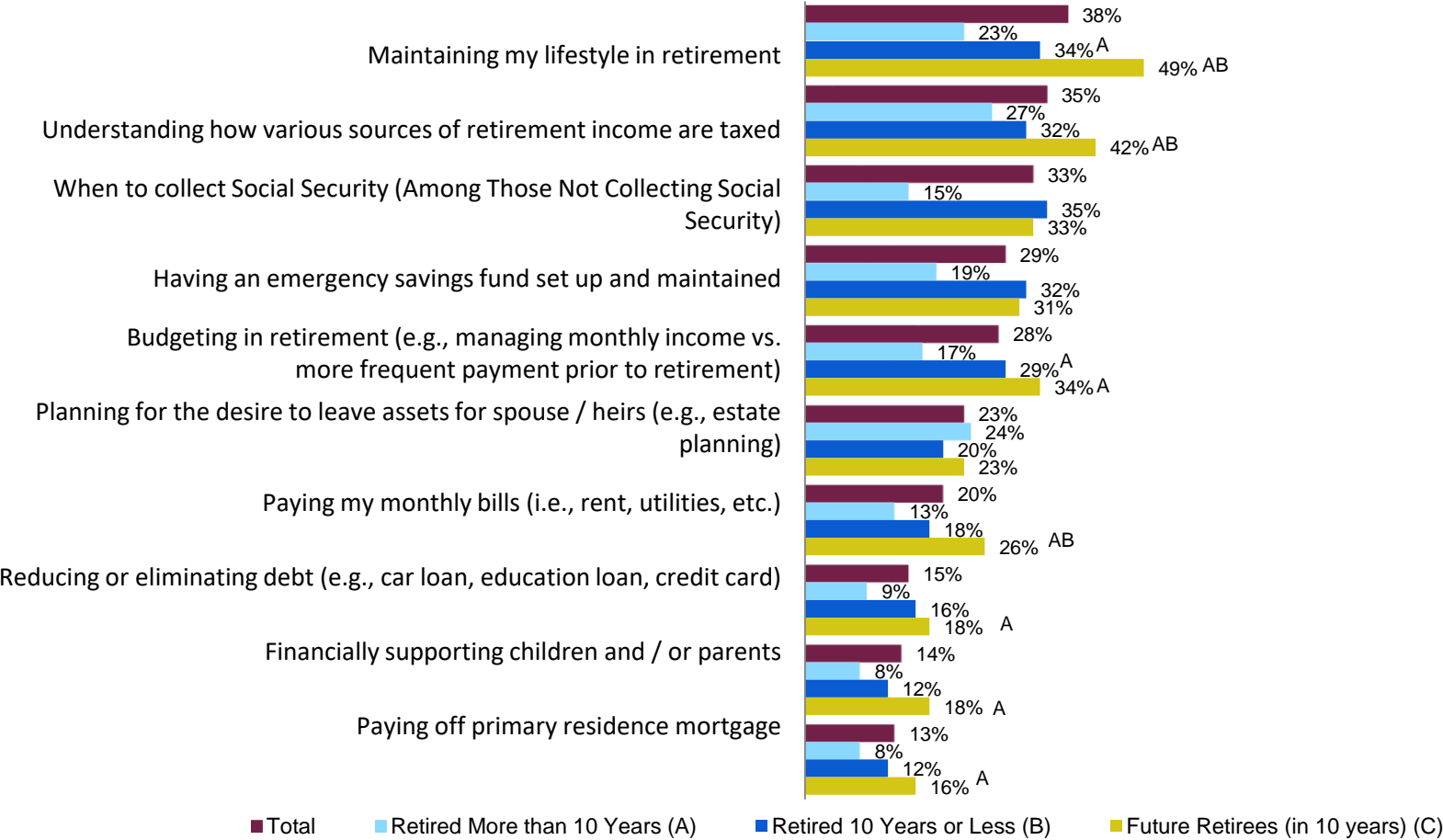
■ Total ■ Retired More than 10 Years (A) ■ Retired 10 years or Less (B) ■ Future Retirees (in 10 years) (C)



Thinking about controllable concerns in retirement, nearly half of Future Retirees are most likely concerned with maintaining their lifestyle in retirement and understanding how their retirement income will be taxed.

- That said, most Current and Future Retirees consider themselves in control of their retirement planning.

Controllable Concerns in Retirement (Summary of Very/Somewhat Concerned)

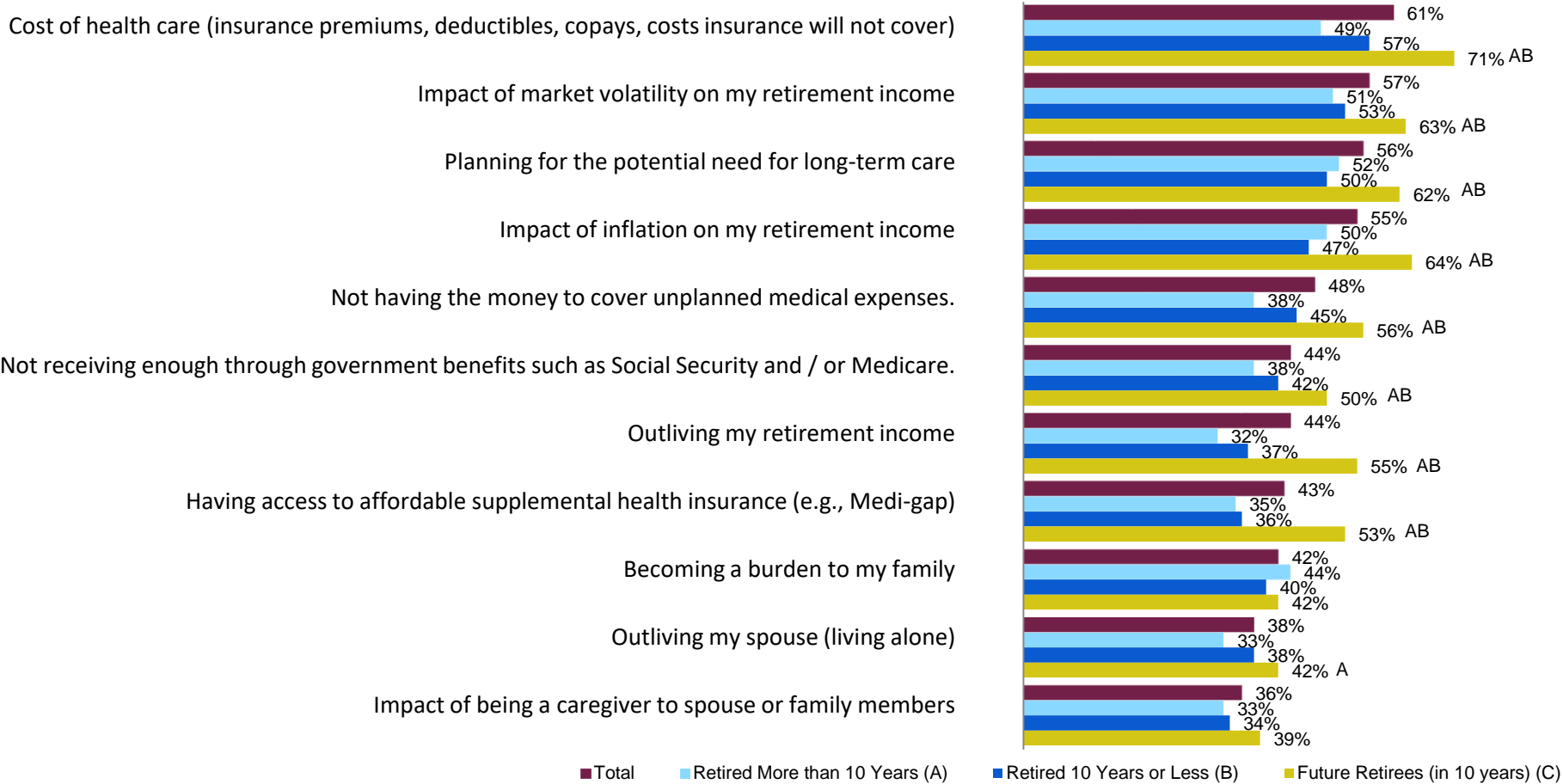


Base: Qualified Respondents: Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)
 Q3715a Thinking about once you are in retirement, how concerned are you with each of the following?
 Q790. How much do you agree or disagree with the following statement? I am in control of my retirement planning.

Thinking about uncontrollable concerns, both Current and Future Retirees are concerned about costs of health care, long-term care, and market volatility.

- Future Retirees are more likely than Current Retirees to be concerned about inflation, having money to cover unplanned medical expenses, and outliving their retirement income.

Uncontrollable Concerns in Retirement

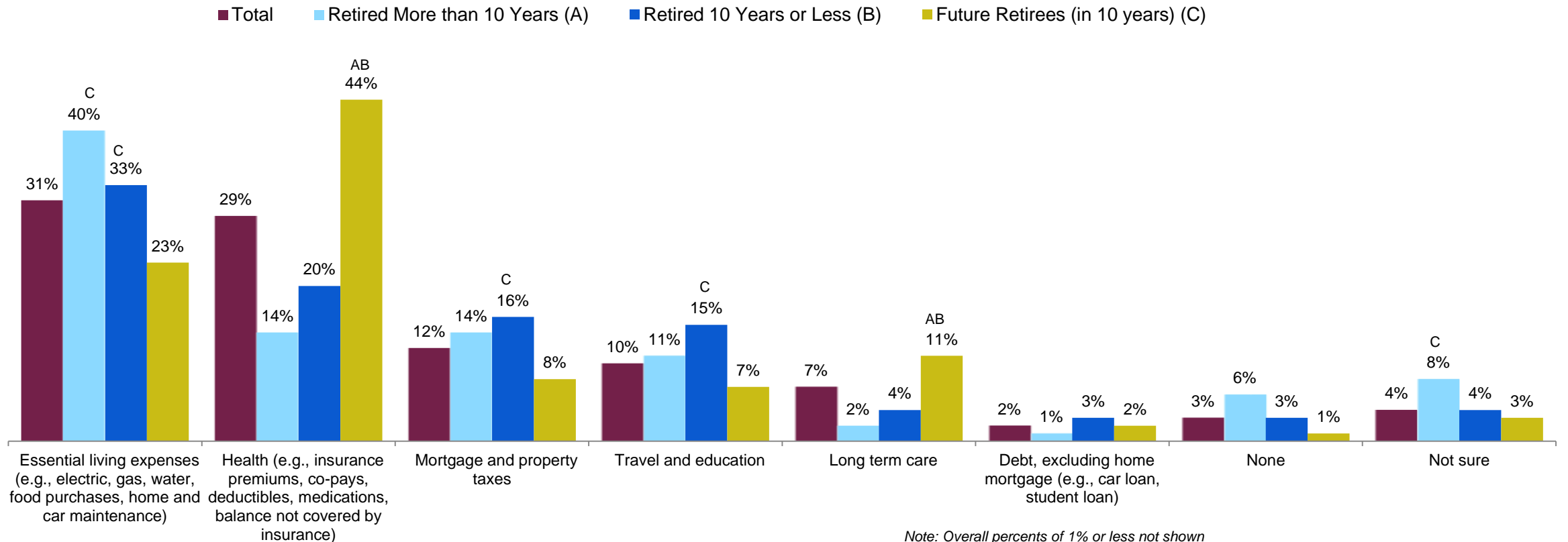


Base: Qualified Respondents: Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)
 Q3715b. Thinking about once you are in retirement, how concerned are you with each of the following?

Future Retirees are most likely to feel health-related expenses will be their biggest in retirement.

- Current retirees feel essential living expenses are their biggest expense, with health-related coming second.

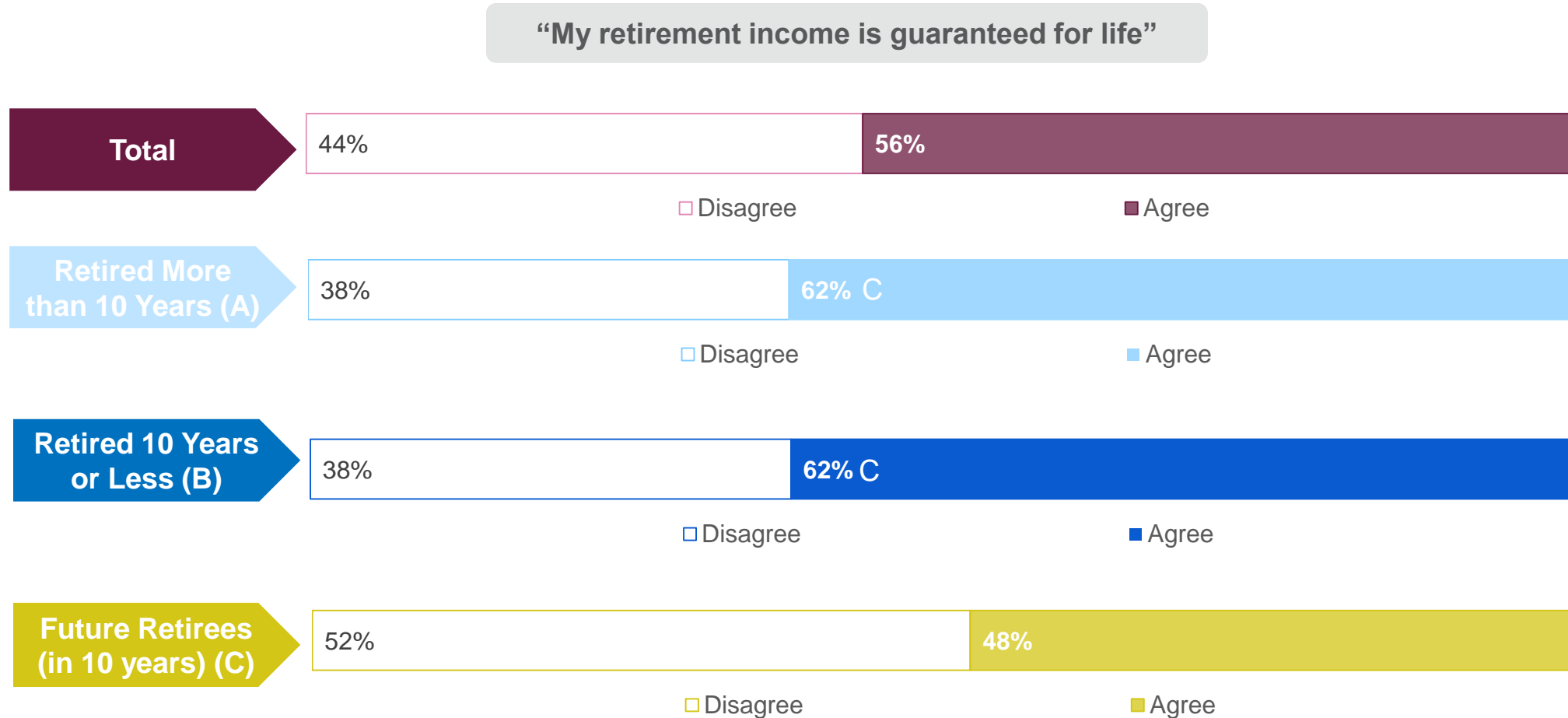
Biggest Expense in Retirement



Note: Overall percents of 1% or less not shown
(Percents include Taxes, Supplemental, Home improvements/equity, Rent/housing, Donations/charities)

About 3 in 5 Current Retirees agree their retirement income is guaranteed for life.

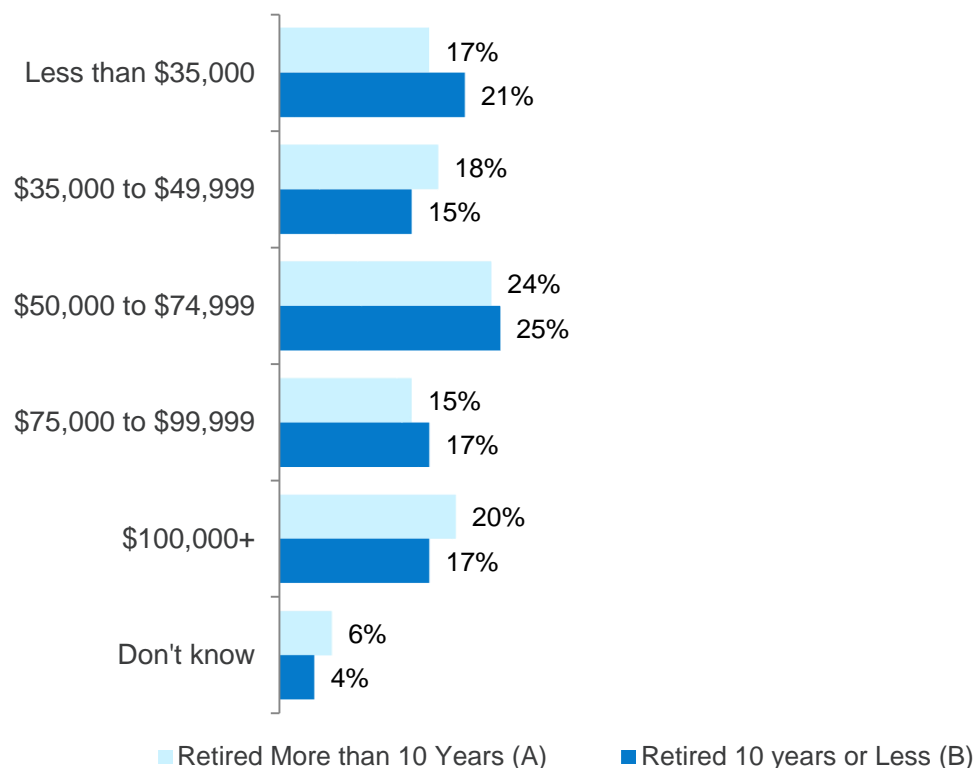
- Future retirees are less likely to agree with this concept.



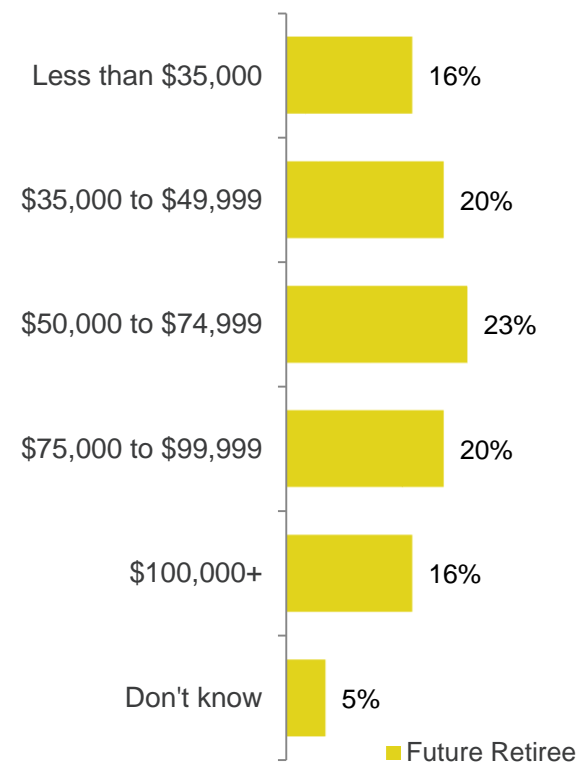
In general, Current Retirees and Future Retirees are spending and/or anticipate spending at similar levels during retirement.

- A majority say that amount is less than \$75K.

Yearly Spending in Retirement

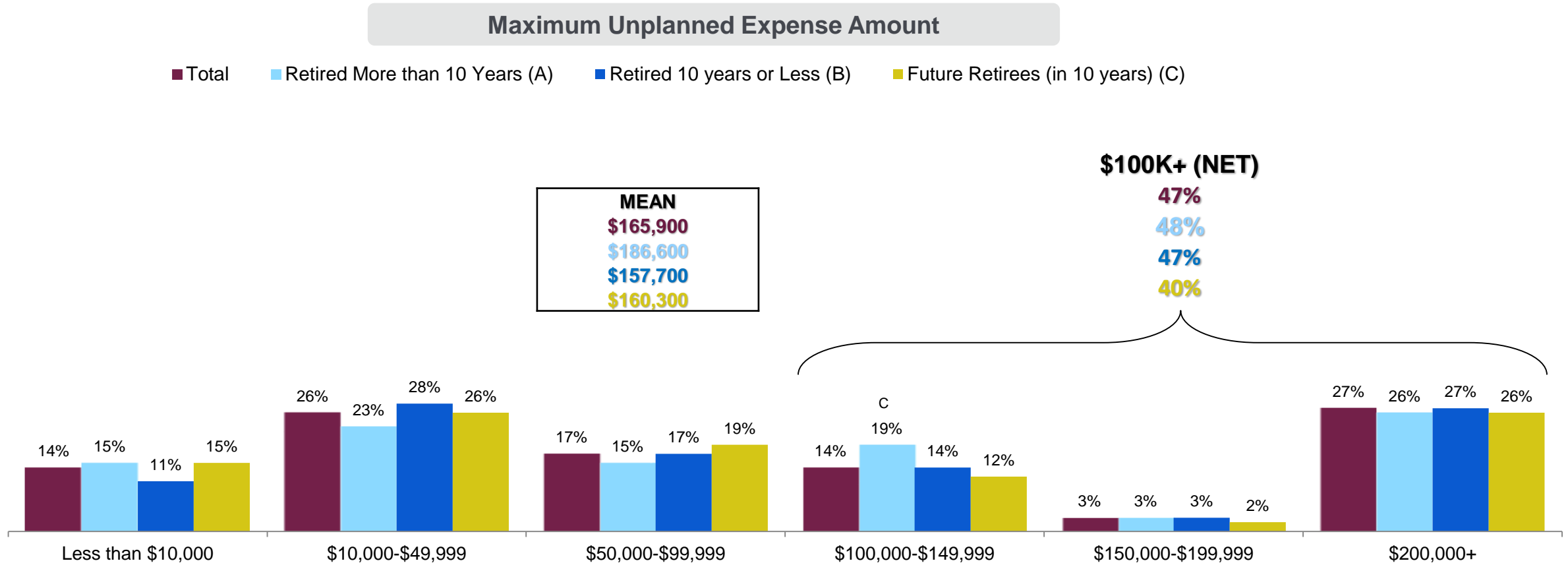


Anticipated Yearly Spending in Retirement



More than 2 in 5 Current and Future Retirees believe they can cover unplanned expenses of \$100K or more without going into debt.

- That said, roughly 2 in 5 overall believe they can only cover less \$50K.

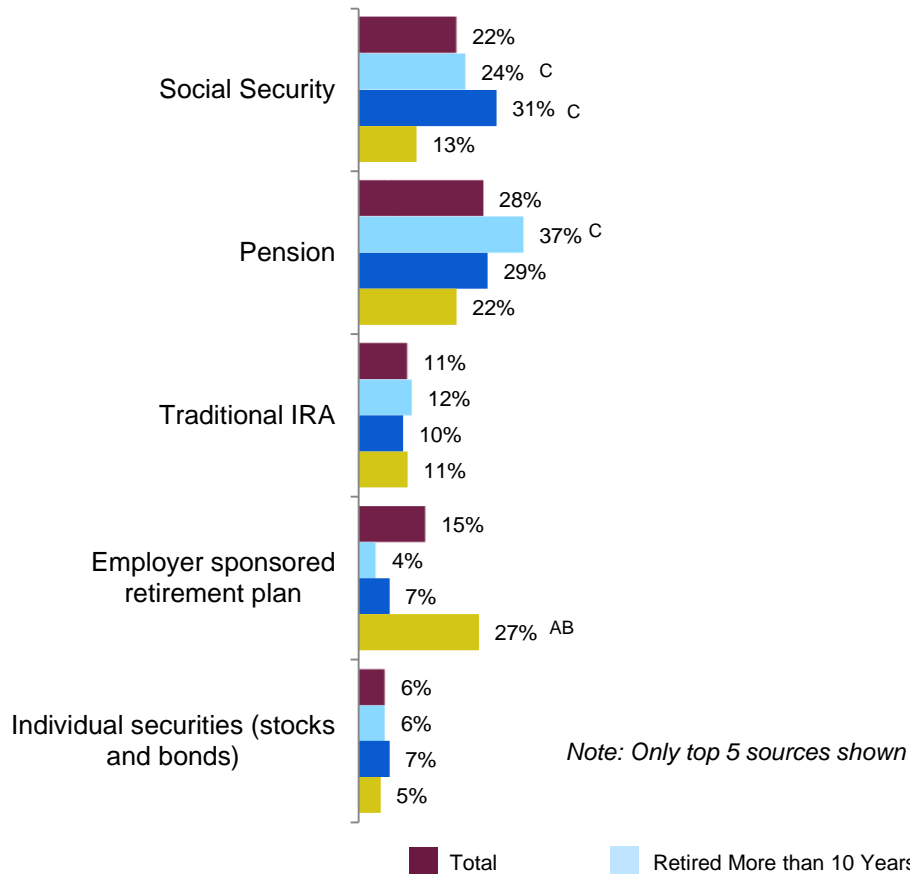


Future Retirees are most likely to depend on an employer sponsored retirement plan, followed by social security.

- For Current Retirees, social security and pensions are the primary source.

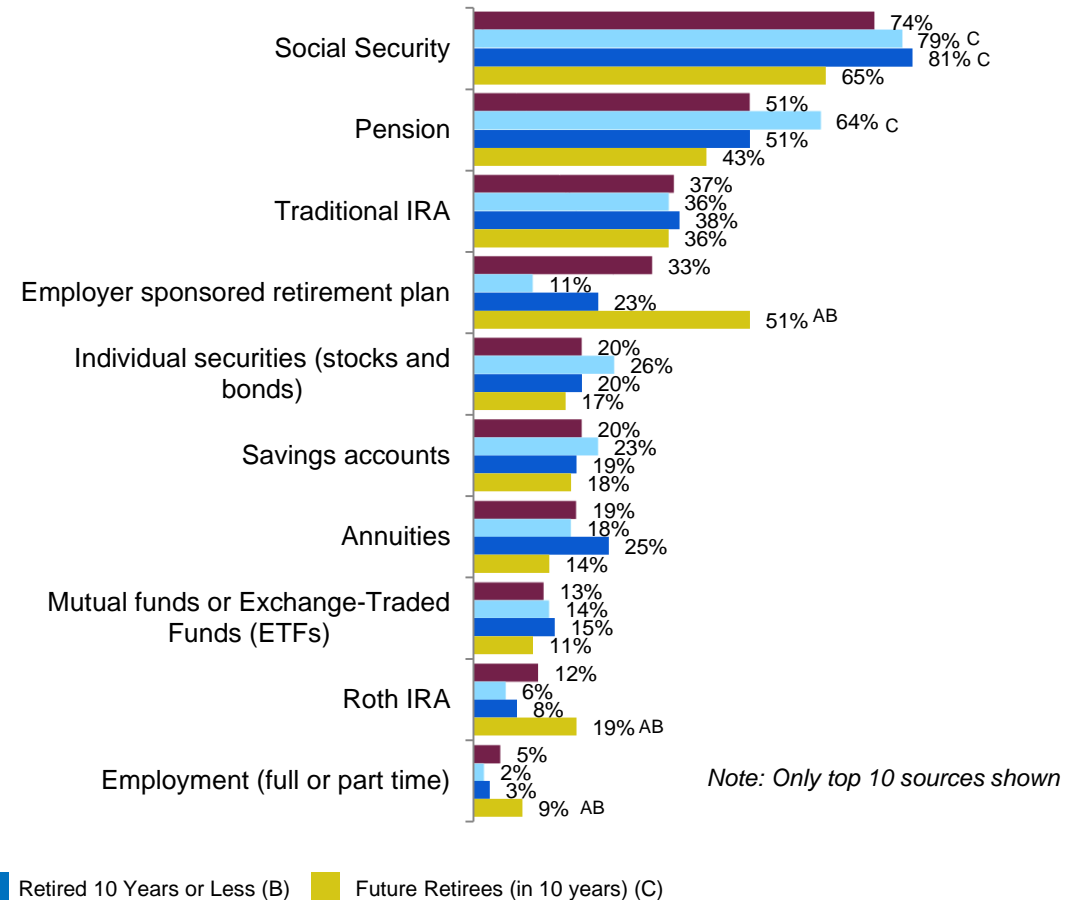
Primary Source (Top 5 Ranked #1)

(Top 5 Ranked #1)



Main Sources (Top 10 Ranked #1,2,3)

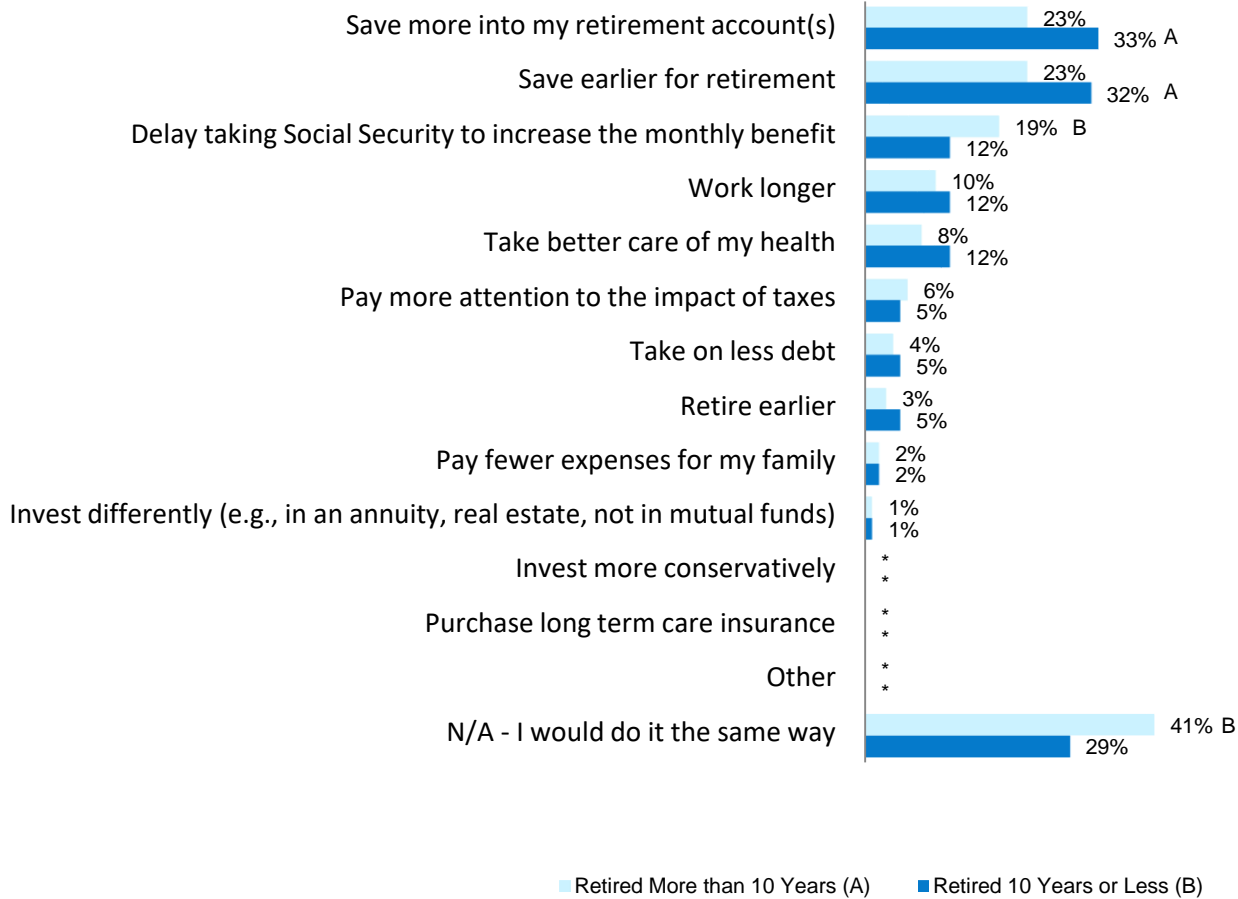
(Top 10 Ranked #1,2,3)



For full list of responses, please see Appendix.

If they had it to do over, Current Retirees would most likely have saved more or saved earlier. 1 in 5 >10 Years Retirees would have delayed taking Social Security.

Changes to Retirement Plan If Doing Over

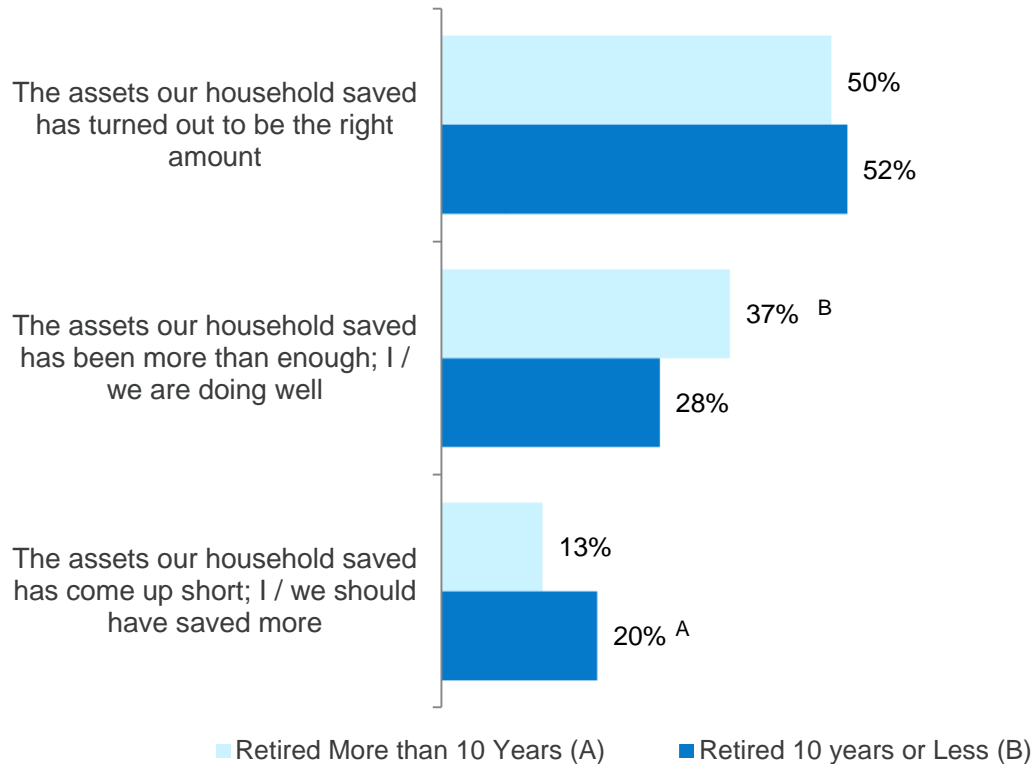


Base: Retired Respondents: Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440)
 Q3712. If you had to plan for your retirement all over again, what, if anything, would you do differently? Please select up to two responses.

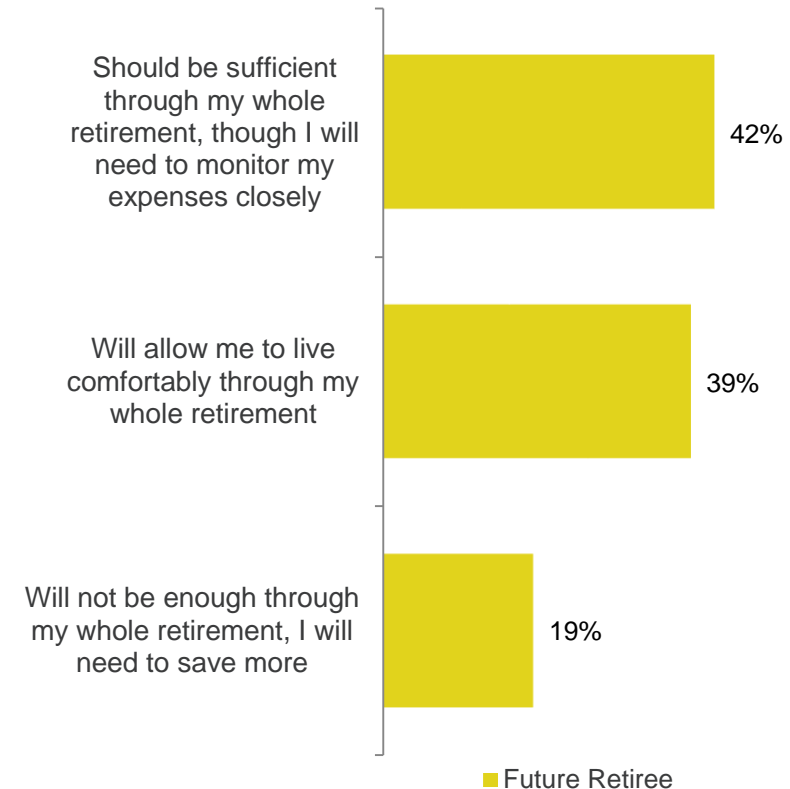
While about half of Current Retirees say they think their household savings were just about right in their retirement, a small portion feel it was not enough.

- Nearly 1 in 5 Future Retirees do not believe they have enough saved for their full retirement.

Assessment of Savings in Retirement



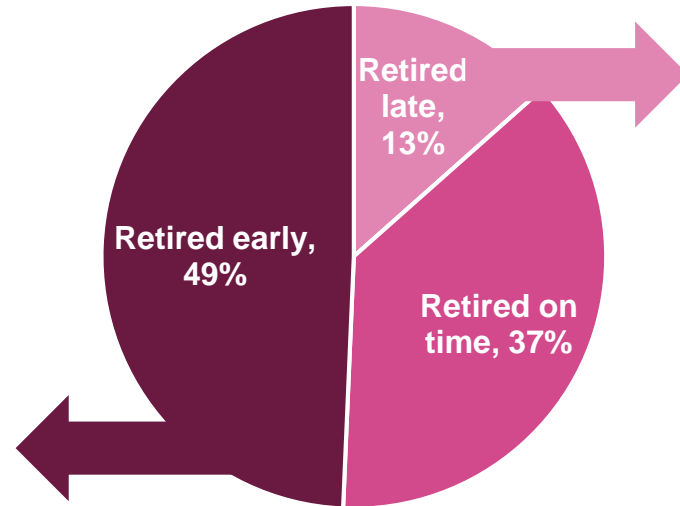
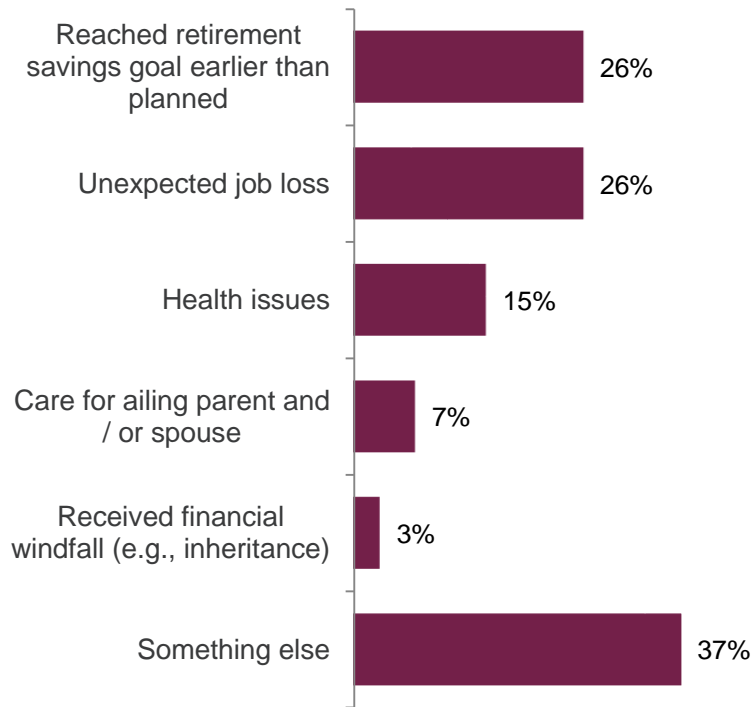
Expectation of a Million Dollars of Savings in Retirement



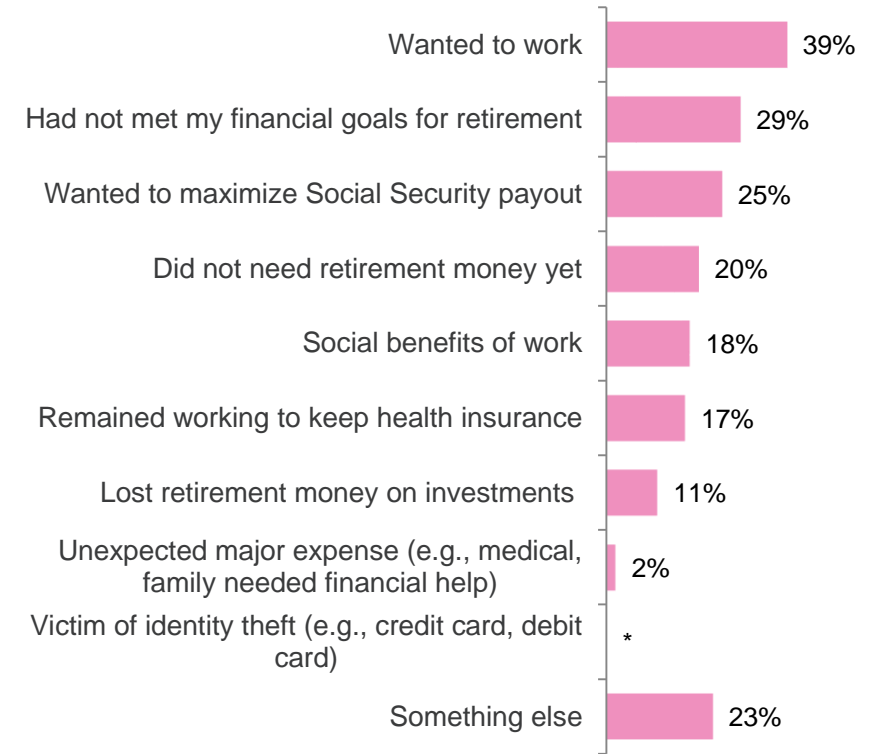
For Current Retirees who retired earlier than planned, about a quarter did so because they met their financial goals, but a quarter had an unexpected job loss.

- For those who retired later than planned, many either hadn't met their financial goals or wanted to continue working.

Retired Earlier Than Expected



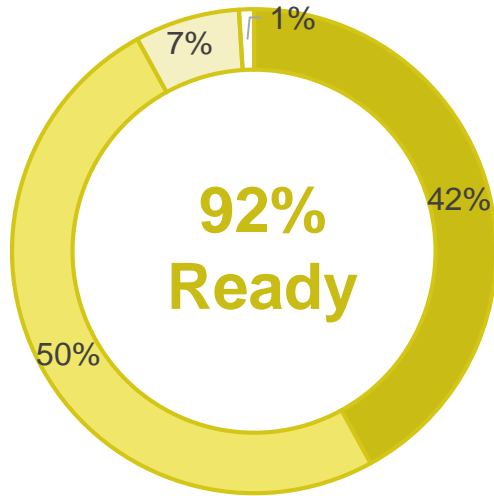
Retired Later than Expected



Most Future Retirees feel they are financially ready for retirement.

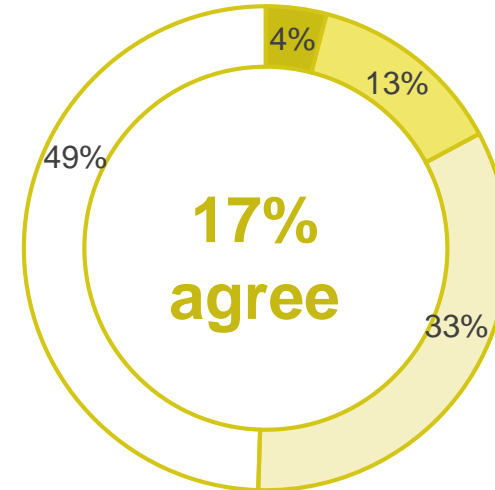
- That said, about 1 in 7 feel as though no matter what they do, they are never going to be ready.

Financial Readiness for Retirement



■ Definitely ready / on track ■ Somewhat ready
■ Not ready / behind ■ Not at all ready

“No matter what I do I am never going to be ready to retire” (Among future retirees)



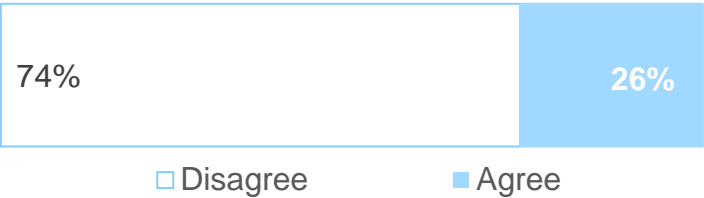
■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree

About a quarter of Retirees believe they have paid several thousands of dollars more in taxes in retirement than they expected.

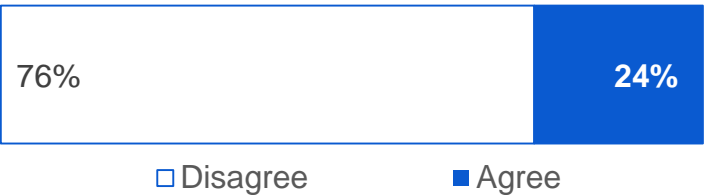
- That said, roughly half of Retirees believe their taxes have stayed about the same in retirement.

“I have paid several thousands of dollars more in taxes in retirement than I expected.”

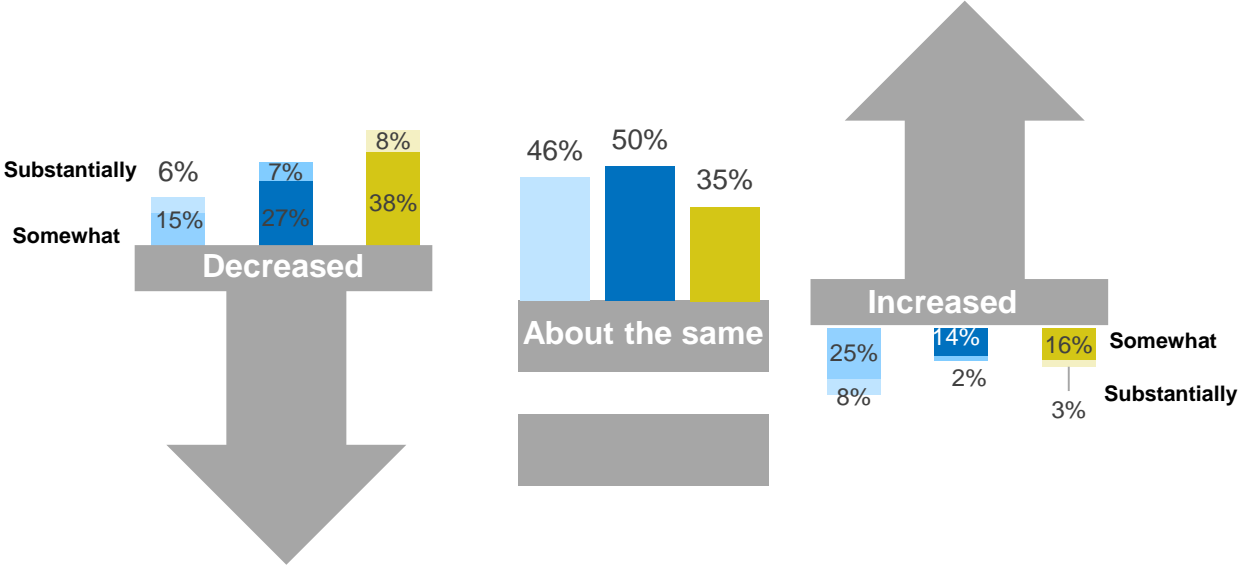
Retired More than 10 Years (A)



Retired 10 Years or Less (B)



Actual/Anticipated Change in Taxes in Retirement



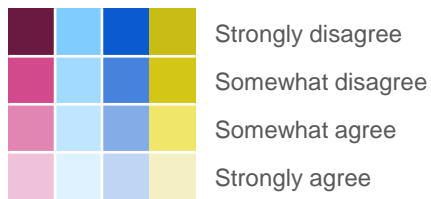
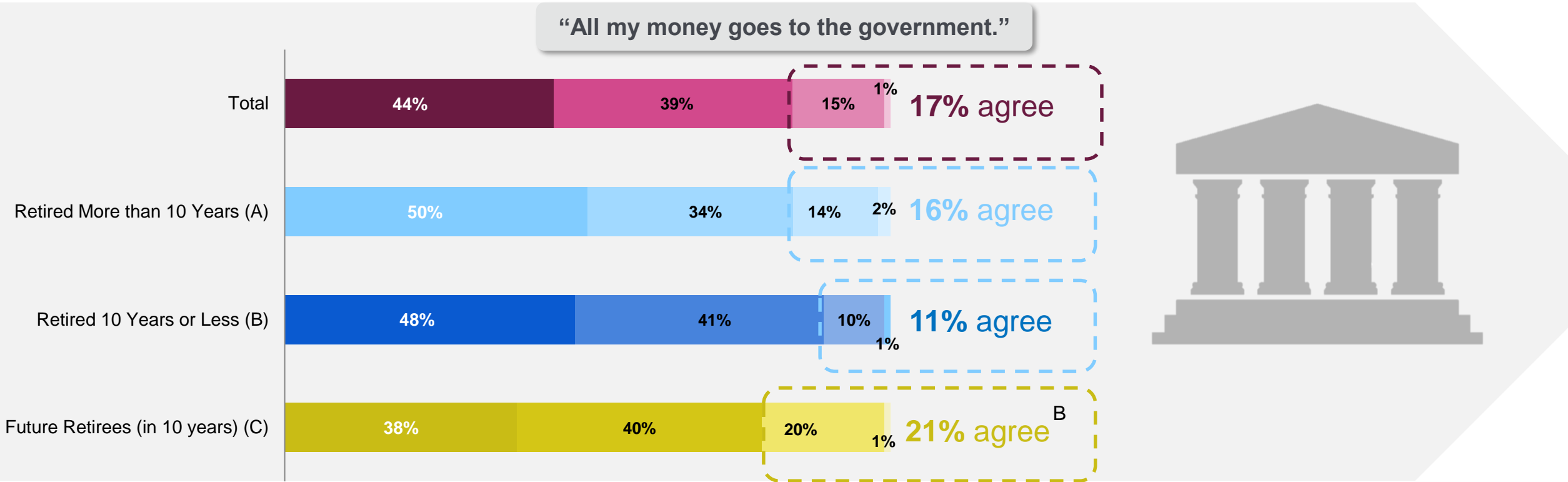
Legend: Retired More than 10 Years (A) | Retired 10 Years or Less (B) | Future Retirees (in 10 years) (C)

Base: Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440)
 Q845. How much do you agree or disagree with the following statements?
 I have paid several thousands of dollars more in taxes in retirement than I expected.
 Q3855. Have your taxes increased, decreased, or stayed about the same in your retirement?

Base: Will Retire; Future Retirees (in 10 years) (n=435)
 Q3860. Do you anticipate your taxes increasing, decreasing or staying the same in retirement?

About 1 in 5 Future Retirees feel that all of their money goes to the government.

- Recent retirees are less likely to believe this; however, >10-Year Retirees seem to be in closer agreement with Future Retirees.

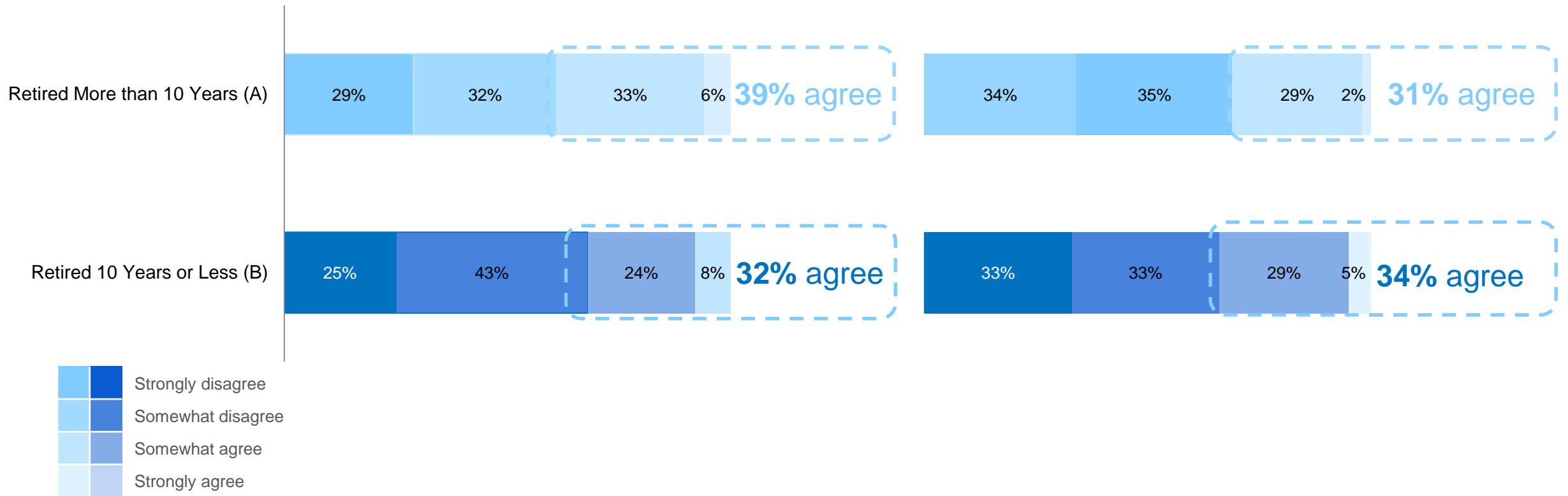


Sizeable minorities of Current Retirees say they did not consider how taxes would affect their retirement income when planning for retirement.

- Similar percentages say they wish they would have better prepared for this.

“I did not consider how taxes would affect my retirement income when I was planning for retirement.”

“I wish I would have better prepared for paying taxes in retirement.”



Base: Qualified Respondents; Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440).

Q845. How much do you agree or disagree with the following statement? I did not consider how taxes would affect my retirement income when I was planning for retirement.

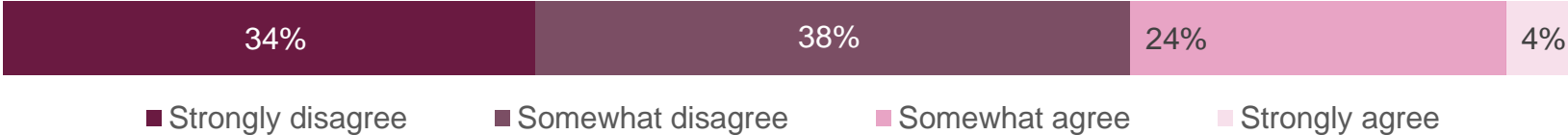
Q845. How much do you agree or disagree with the following statement? I wish I would have better prepared for paying taxes in retirement.

Nearly 2 in 5 Future Retirees are terrified of what taxes will do to their retirement income.

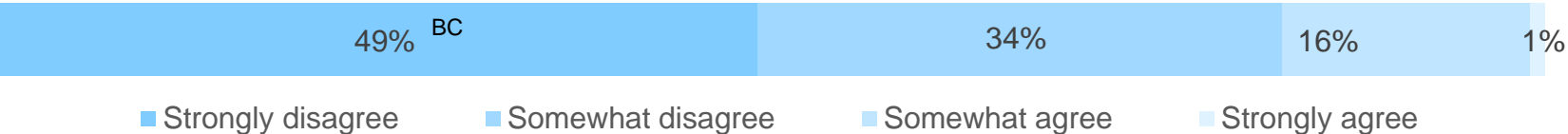
- Roughly 1 in 4 Recent Retirees and 1 in 5 >10-Year Retirees share this sentiment.

“I am terrified of what taxes will do to my retirement income.”

Total



Retired More than 10 Years (A)



Retired 10 Years or Less (B)



Future Retirees (in 10 years) (C)



% Agree

28%

18%

23%

38%^{AB}

Base: Qualified Respondents: Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)

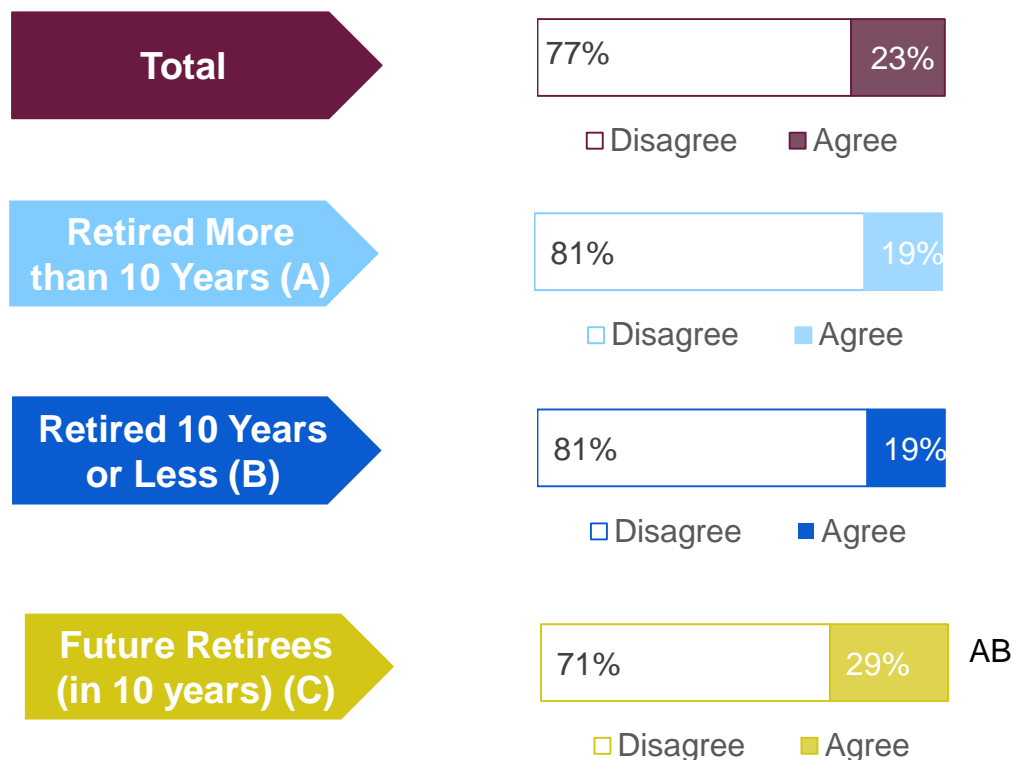
Q845. How much do you agree or disagree with the following statements?

I am terrified of what taxes will do to my retirement income.

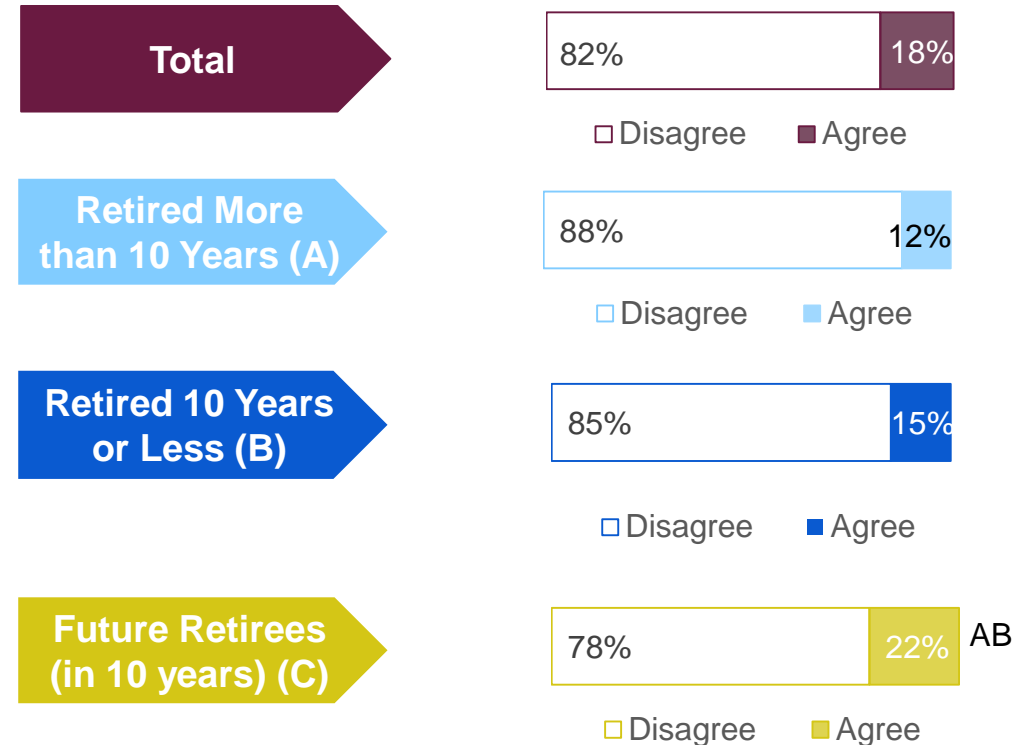
About 3 in 10 Future Retirees feel they put too much retirement income into taxable income sources, while about 1 in 5 feel they put too much into tax deferred income sources.

- About 1 in 5 Current Retirees feel they put too much in retirement income into taxable income sources.

“I put too much of my retirement income in taxable income sources.”



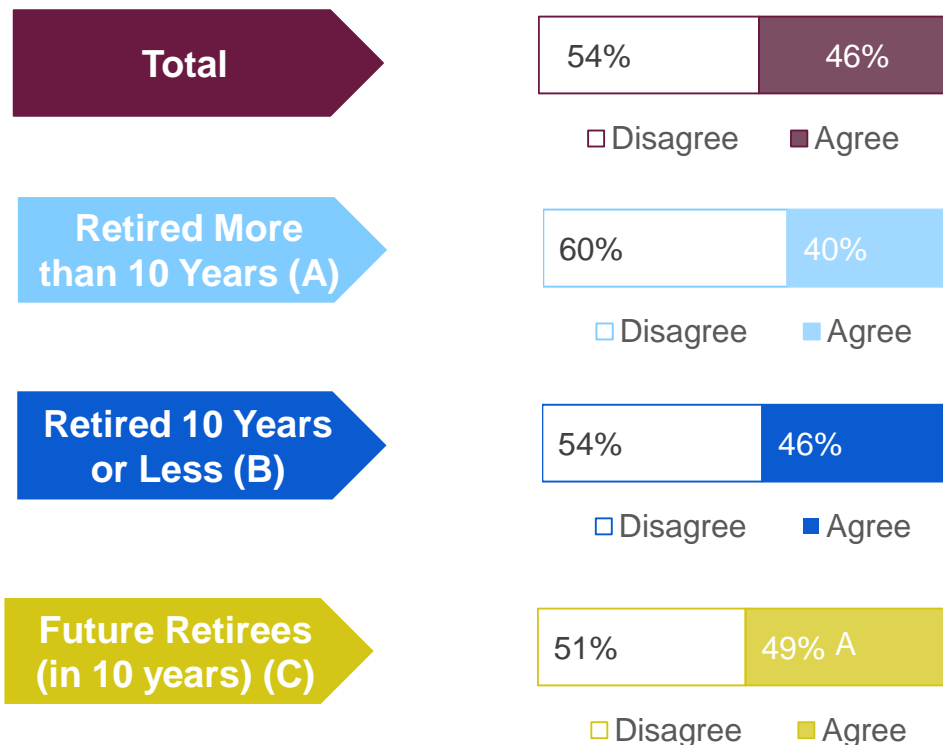
“I put too much of my retirement income in tax deferred income sources.”



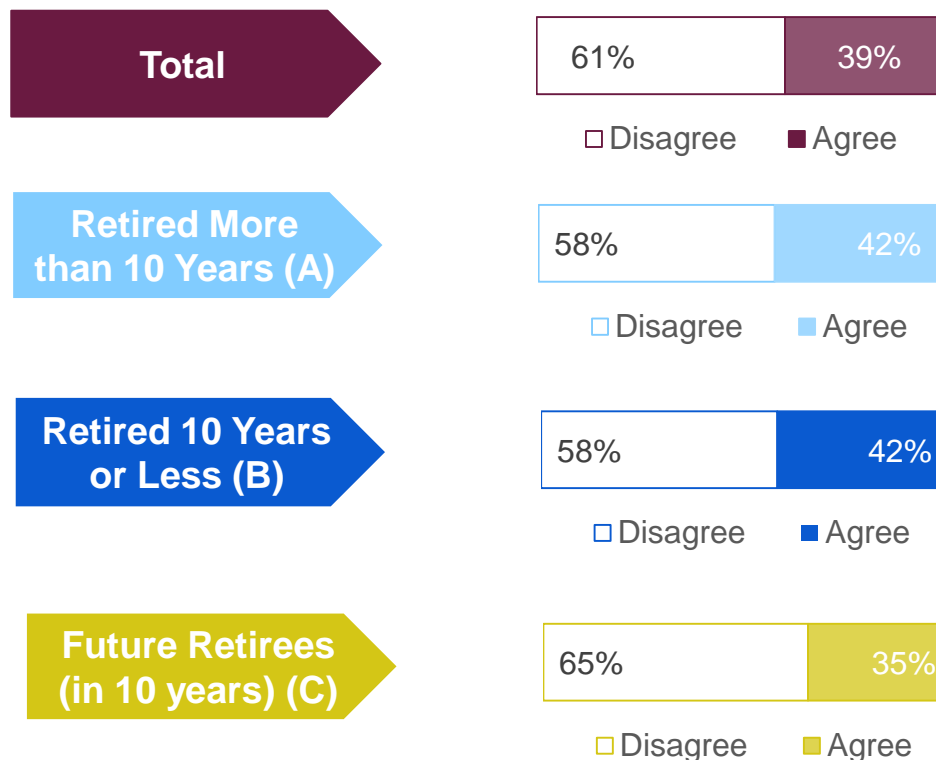
Nearly half of Future Retirees say they know how to leverage taxable, tax-deferred, and tax-free accounts, and only a third *rarely* consider the taxes they will pay in retirement.

- >10-Year Retirees are less likely to think they know how to leverage the various accounts.

“When thinking about taxes in retirement, I know how to leverage taxable, tax-deferred and tax-free accounts.”

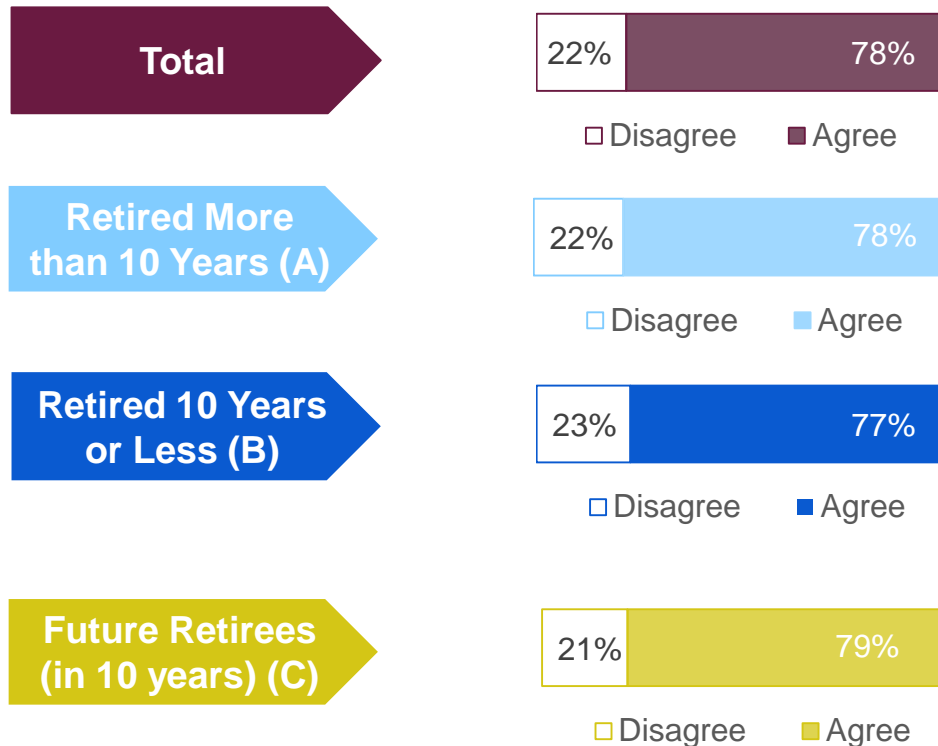


“I rarely consider the taxes I am paying / will pay in retirement.”

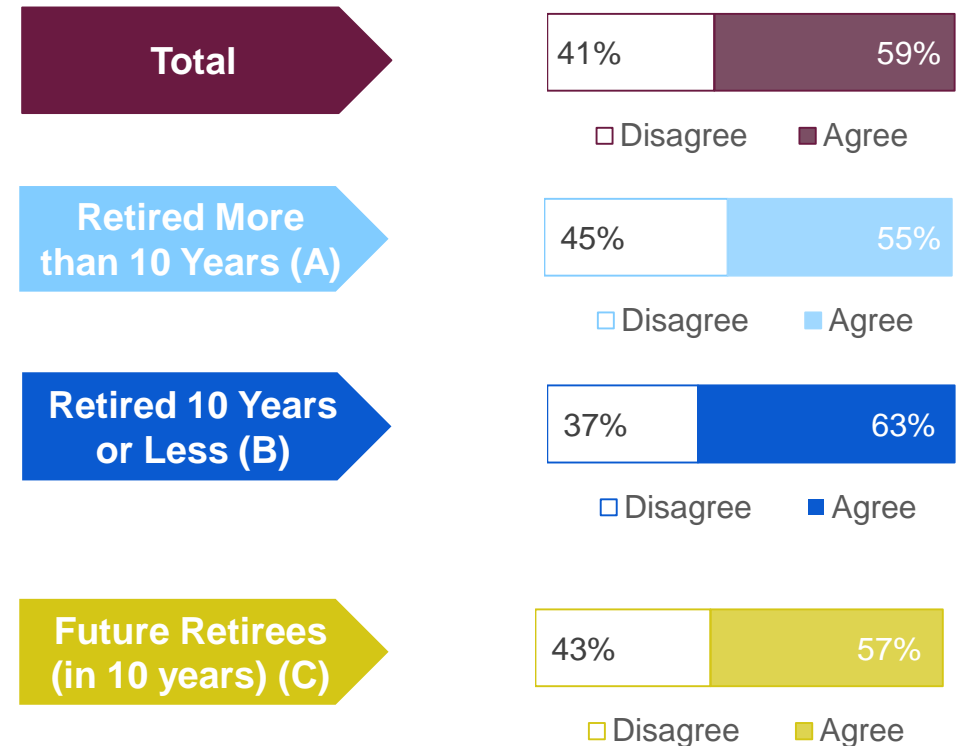


While a large majority of both Current and Future Retirees say they know what tax bracket they are in, a smaller percentage know how to avoid getting into a higher one.

“I know what tax bracket I am in.”



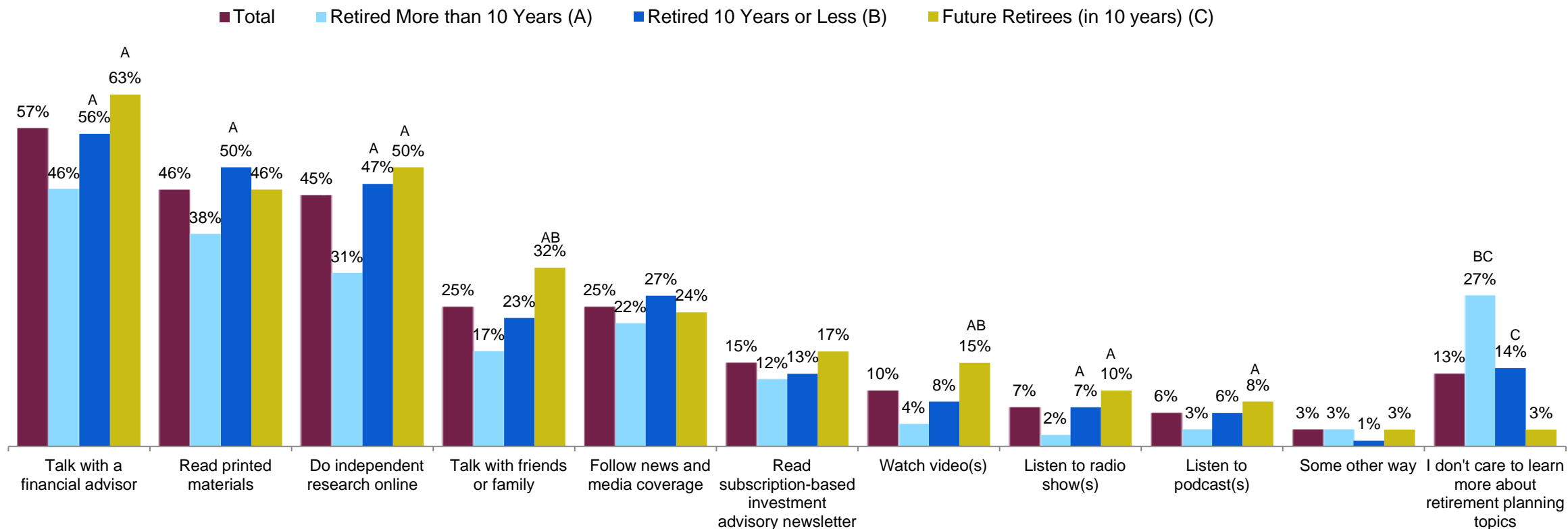
“I know how to avoid getting into a higher tax bracket.”



Overall, Current and Future Retirees are most likely to prefer using a financial advisor for learning about retirement planning.

- Reading printed materials and online research are also in the top 3 for all.

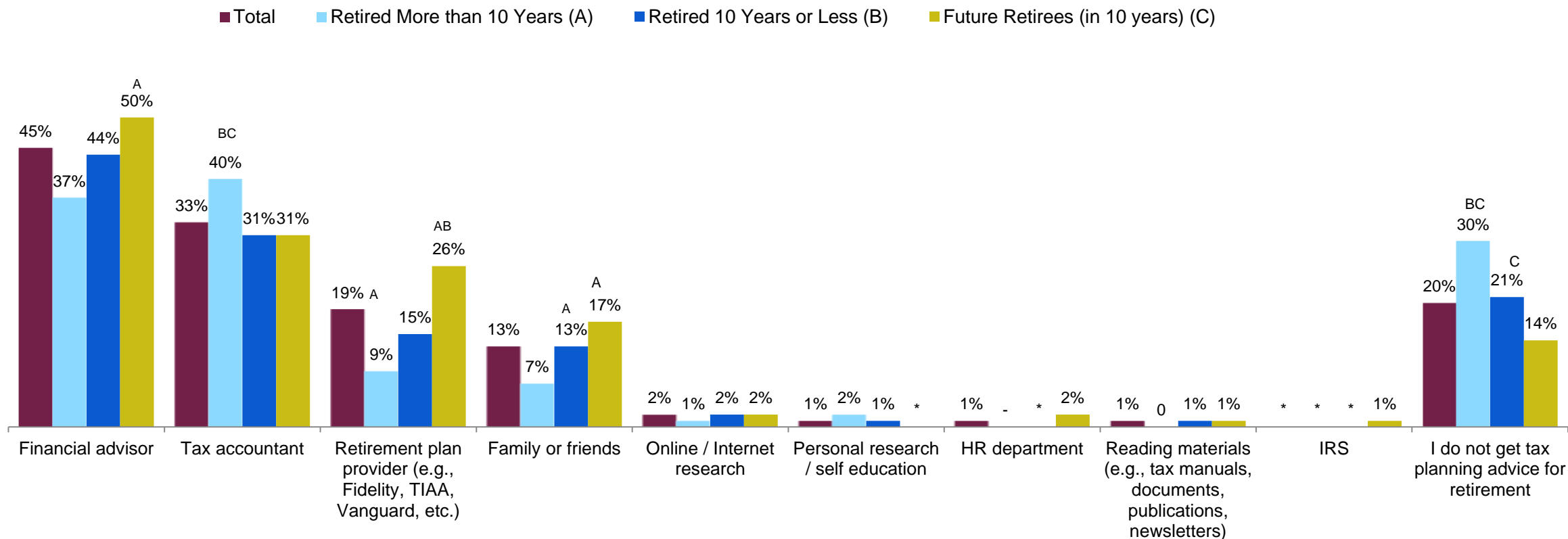
Preferred Sources of Information For Learning About Retirement Planning



Future and Recent Retirees are most likely to use a financial advisor for tax information during retirement.

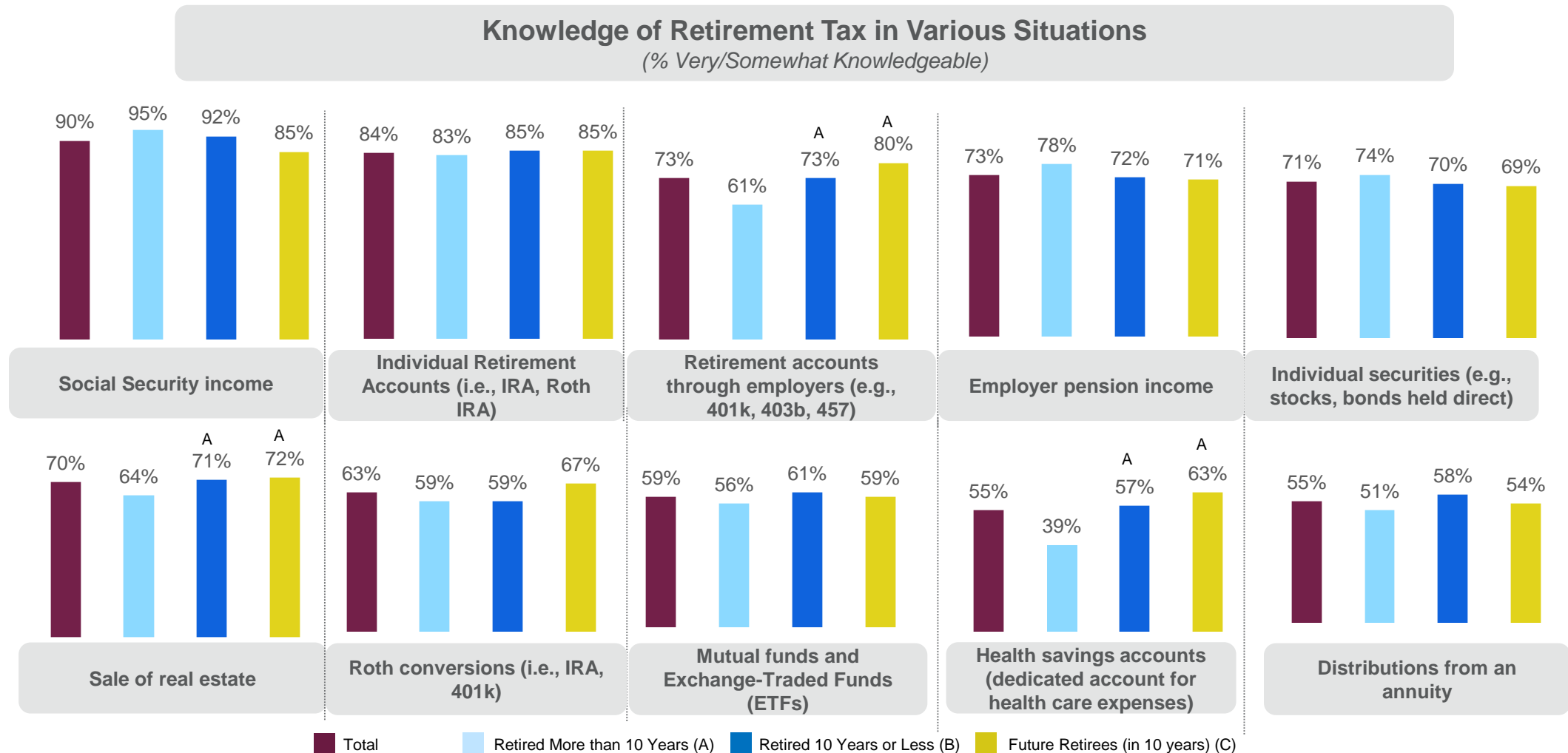
- >10-Year Retirees are most likely to use a tax accountant, followed closely by a financial advisor.
- One in five Current and Future Retirees do not get any tax planning advice.

Source Turn To For Tax in Retirement Information



Most Current and Future retirees feel knowledgeable about taxes on social security income, IRAs, and pensions.

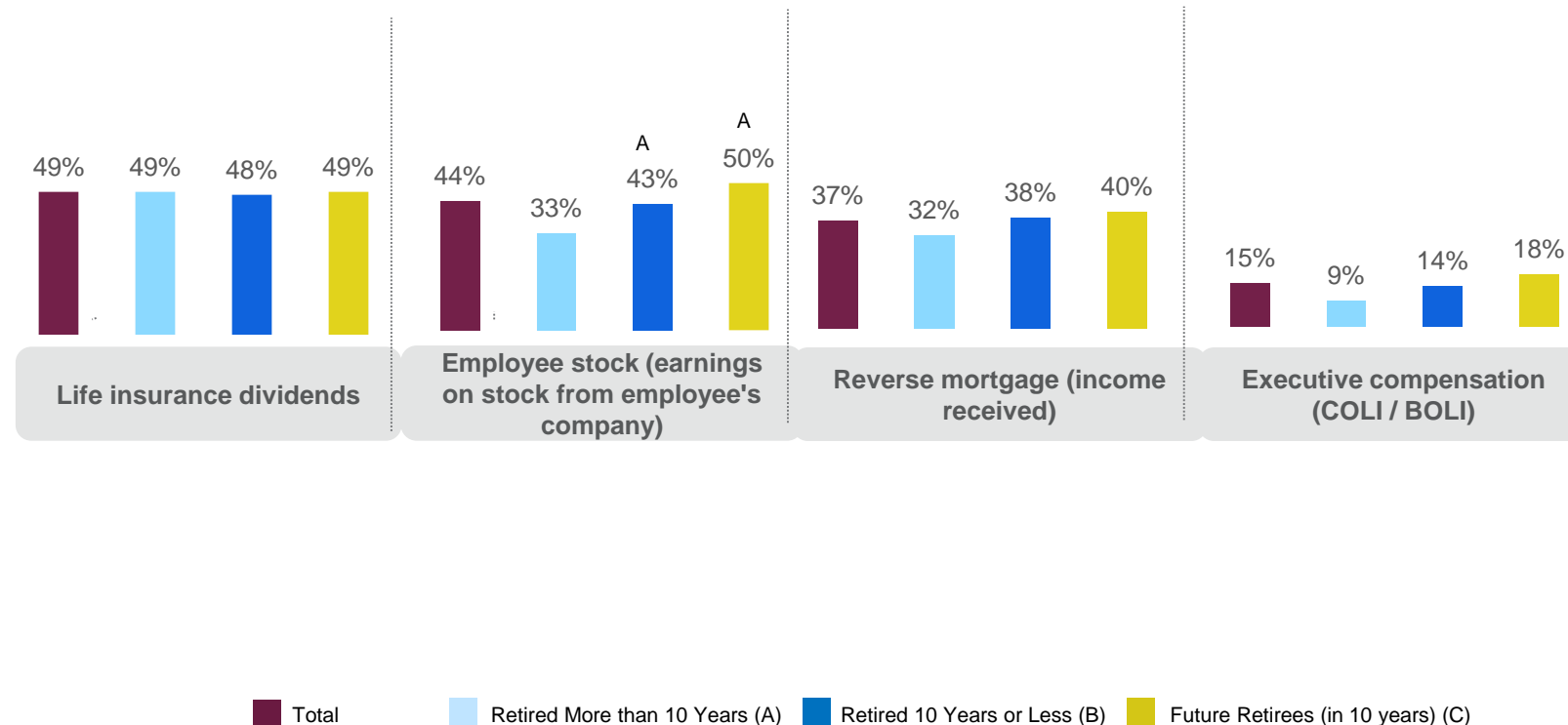
- Fewer feel knowledgeable about taxes associated with things like Mutual Funds/ETFs, HSAs, and annuities.



Only a minority of Current and Future Retirees feel knowledgeable about taxation topics like life insurance dividends, employee stock, and reverse mortgages.

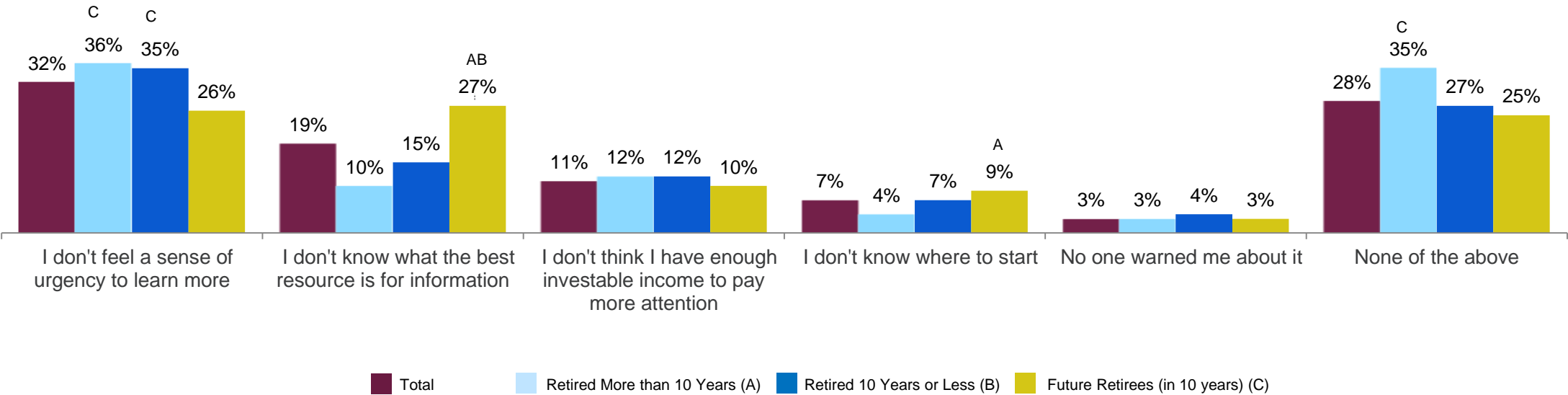
- Perhaps not surprisingly, very few feel knowledgeable about executive compensation.

Knowledge of Retirement Tax in Various Situations (Cont.)
 (% Very/Somewhat Knowledgeable)



For those who do not feel knowledgeable about topics, many feel they have no sense of urgency to learn more or that they don't know what the best information source is.

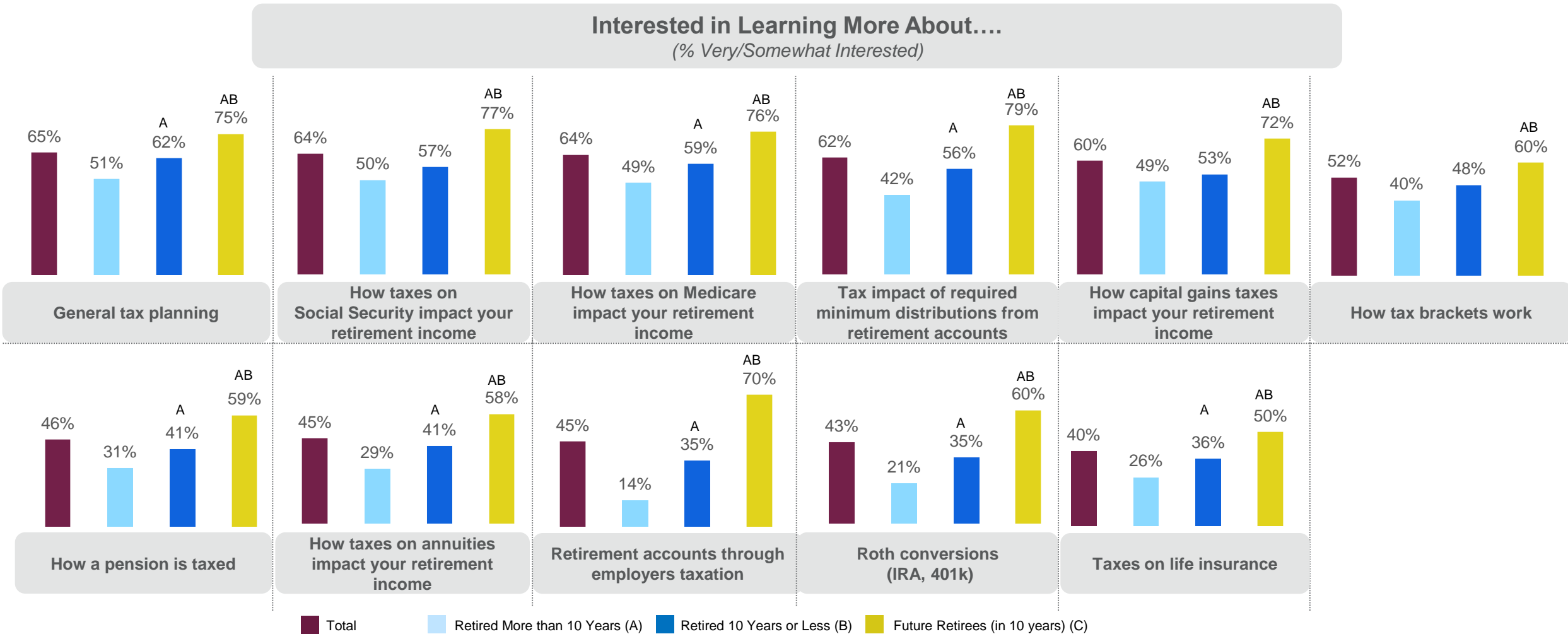
Reasons for Not Feeling Knowledgeable
 (Among those who do not feel very/somewhat knowledgeable on topics)



Base: Not Knowledgeable About Tax Impacts (n=1036)
 Q3804. What is the main reason you do not feel more knowledgeable about taxes in retirement?

About 3 in 4 Future Retirees are interested in learning more about tax planning and impact of taxes for social security, Medicare, capital gains, and required minimum distributions.

- More than 3 in 5 Recent Retirees are interested in general tax planning.

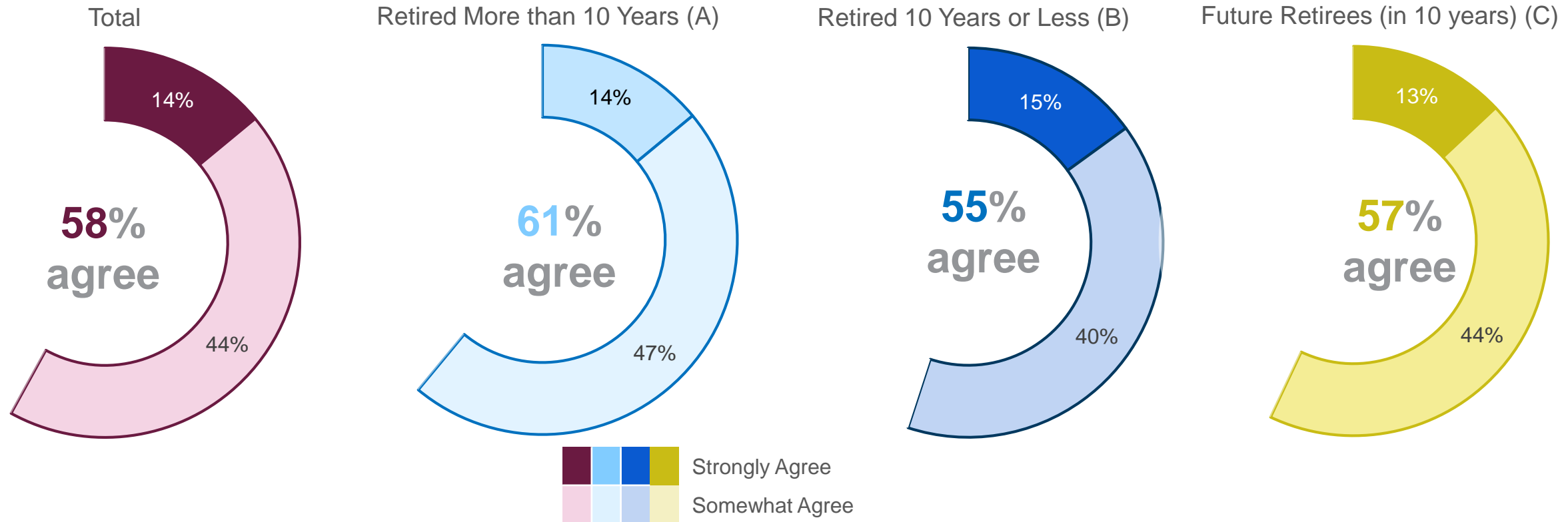


Base: Qualified Respondents; Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)
Q3803. For each of the following topics, how interested are you in learning more about them?

Fewer than 3 in 5 Future Retirees agree they know how to use tax planning to get a desired outcome during tax season—but only about 1 in 8 say they strongly agree.

- >10-Year Retirees are the most likely group to agree with they know how to use tax planning to get the desired outcome from a tax season.

“I know how to use tax planning to get the desired outcome that I would like from the IRS during tax season (i.e. a refund, owe money, or break even)”.

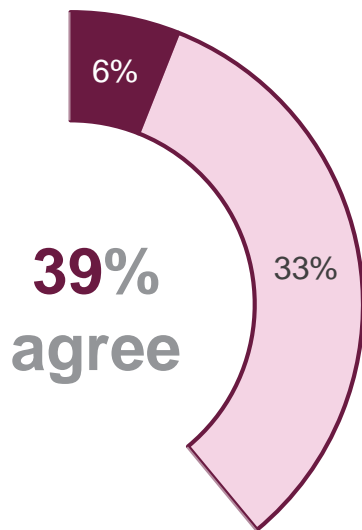


Half of Future Retirees wish the better understood how their income in retirement will be taxed.

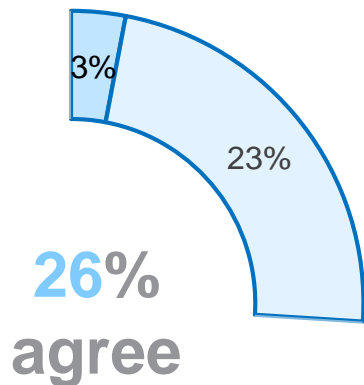
- Current Retirees are less likely to wish to better understand this.

“I wish I better understood how my income in retirement is / will be taxed.”

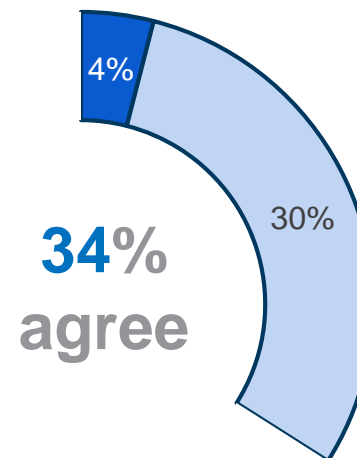
Total



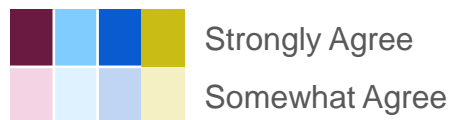
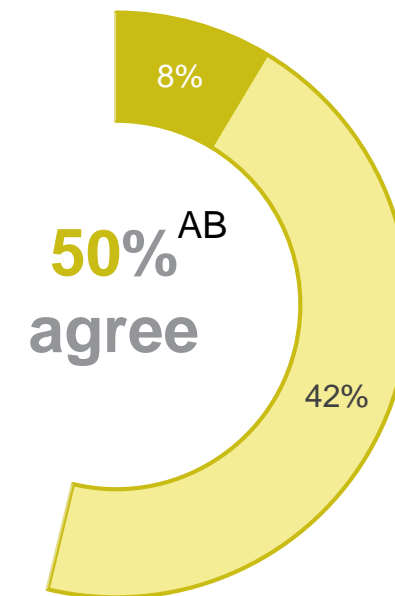
Retired More than 10 Years (A)



Retired 10 Years or Less (B)



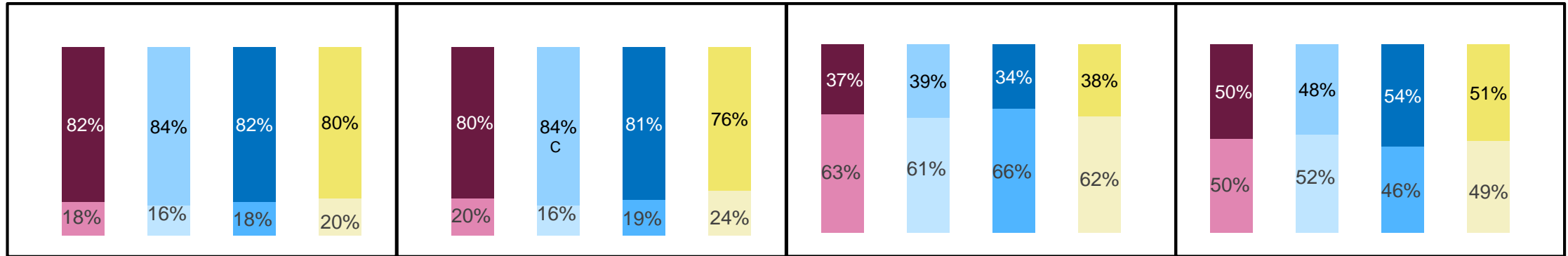
Future Retirees (in 10 years) (C)



When tested, Current and Future Retirees know basic facts like our tax system does not use a flat tax, but less likely to know that brokerage investments pay ordinary income tax.

- Overall, a majority know that they pay two to three times more than other do, given their tax bracket.

Tested Knowledge

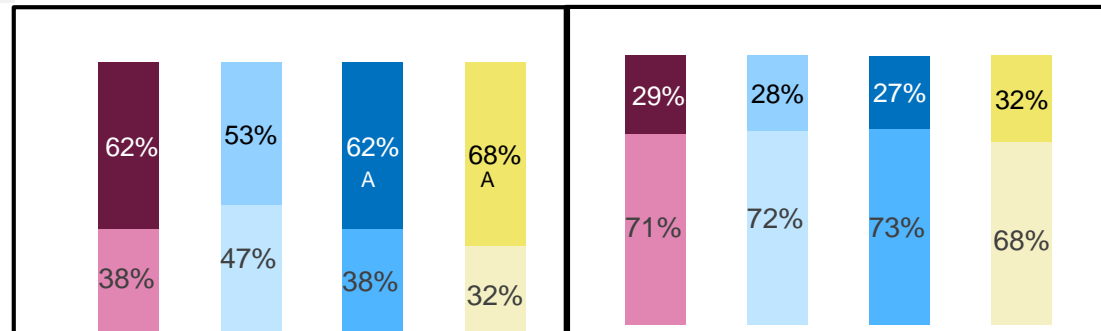


Our current tax system uses a flat tax. [F]

Social Security income is taxable. [T]

Short-term capital gains are taxed at the same rate as ordinary income. [T]

Long-term capital can be taxed at two differing tax rates. [T]



Depending on your tax bracket you may pay two to three times more than others do. [T]

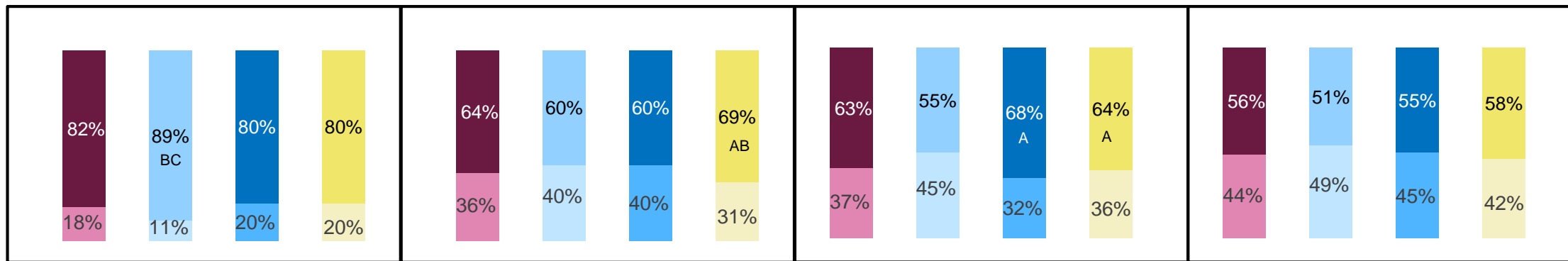
Brokerage (taxable) investments pay ordinary income tax. [F]

■ Total
 ■ Retired More than 10 Years (A)
 ■ Retired 10 Years or Less (B)
 ■ Future Retirees (in 10 years) (C)

When tested, majorities of both Current and Future Retirees have good knowledge of pensions, Roth retirement accounts, and roll overs.

- Future Retirees are the most likely to know that a Roth retirement account is tax-free when you withdraw.

Tested Knowledge



Pensions are not taxable. [F] Roth retirement accounts are tax-free when you withdraw. [T] Roll overs from an employer's retirement plan to an individual retirement plan is taxable. [F] Converting from a traditional IRA to a Roth IRA is taxable. [T]



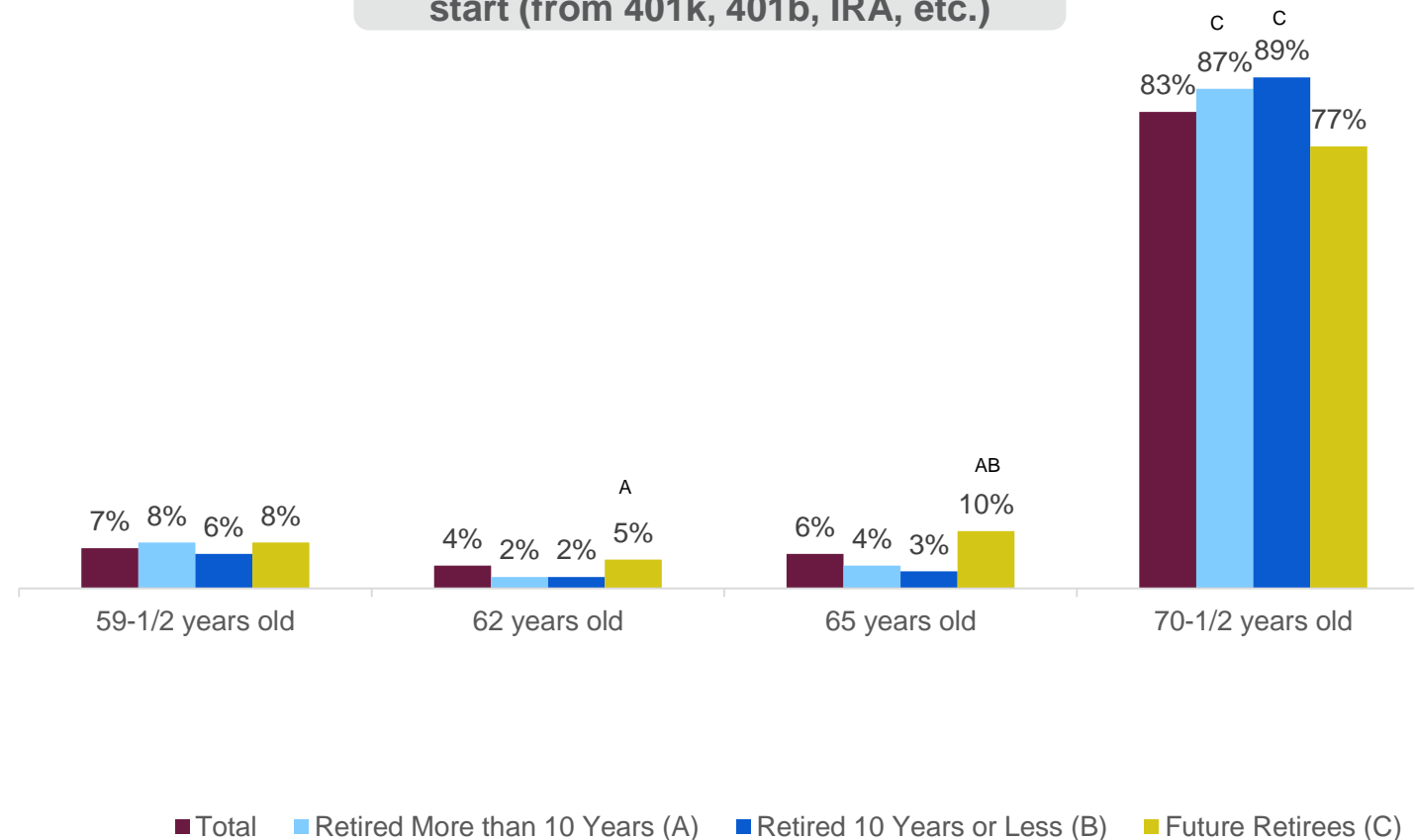
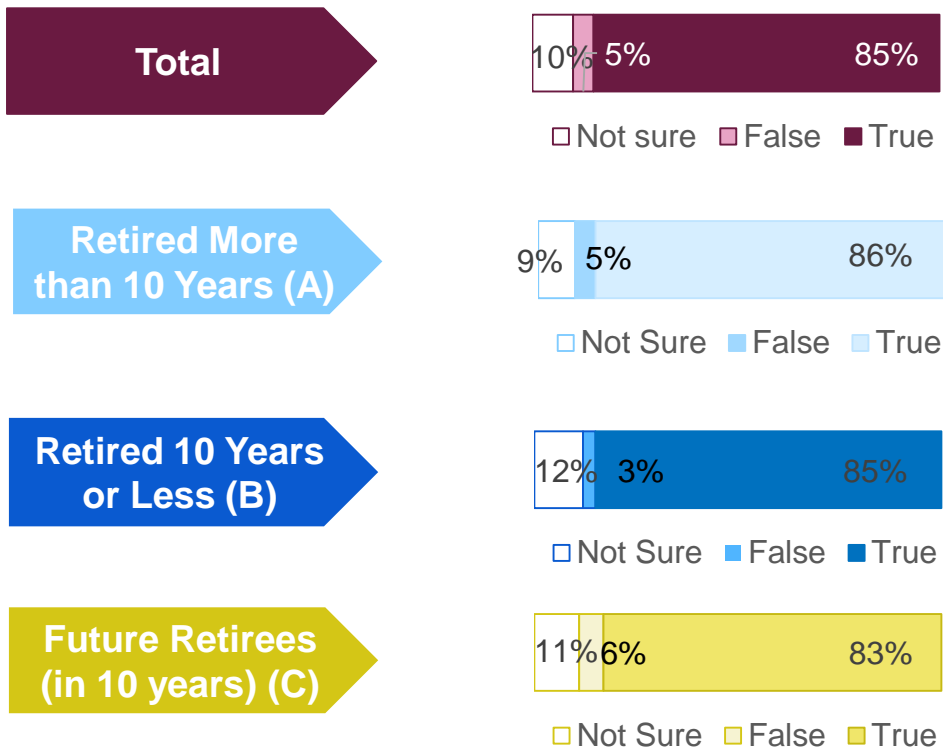
Total
 Retired More than 10 Years (A)
 Retired 10 Years or Less (B)
 Future Retirees (in 10 years) (C)

Large majorities of both Current and Future Retirees know tax deferral allows one to invest without paying tax until withdrawal.

- Similar percentages know 70 ½ years old is the correct age when they are required to take minimal distributions.

“Tax deferral allows you to invest without paying tax until withdrawal.” (True)

When required minimum distributions start (from 401k, 401b, IRA, etc.)

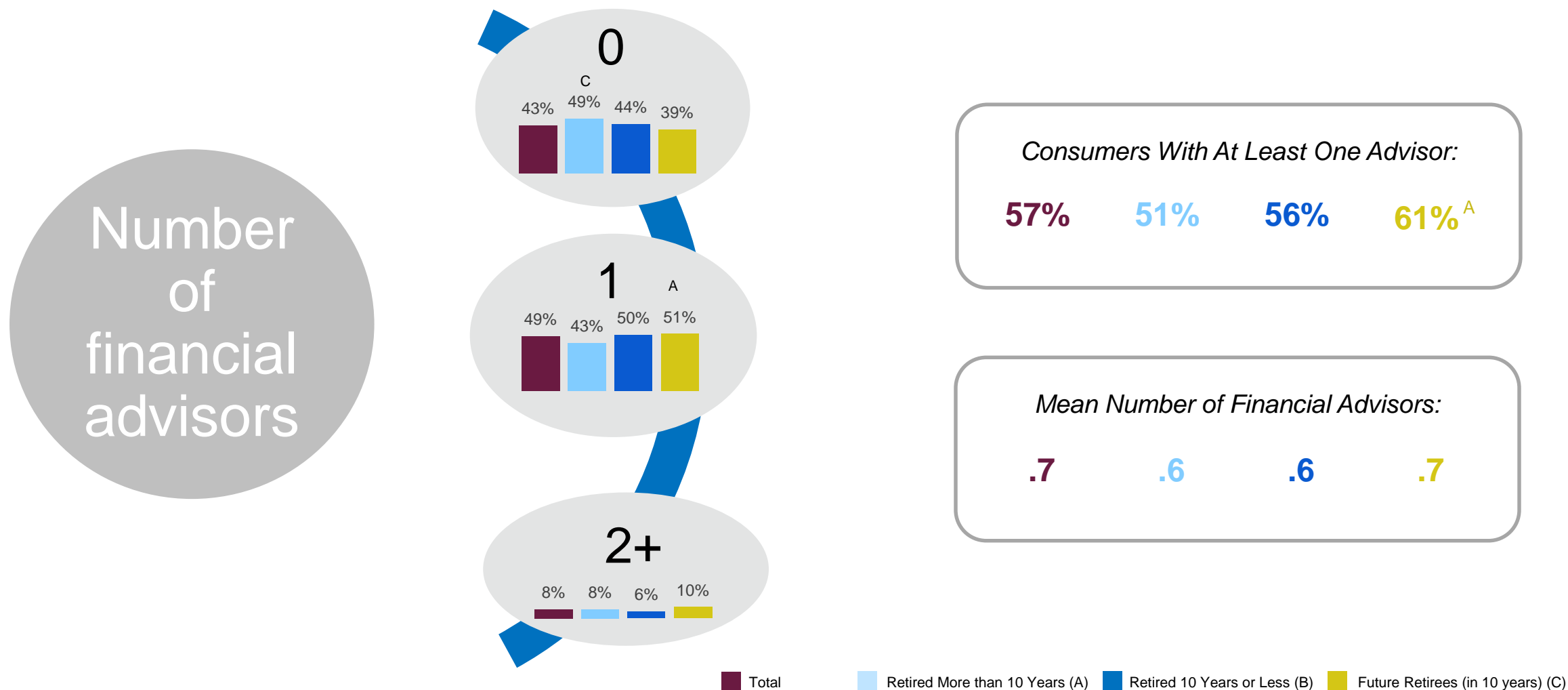


Base: Qualified Respondents: Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)

Q847. How much do you agree or disagree with the following statement? I have access to in-service withdrawals from my 401(k).

Q880. When are you required to take withdrawals from retirement accounts (such as, 401k, 403b, IRA, etc.)?

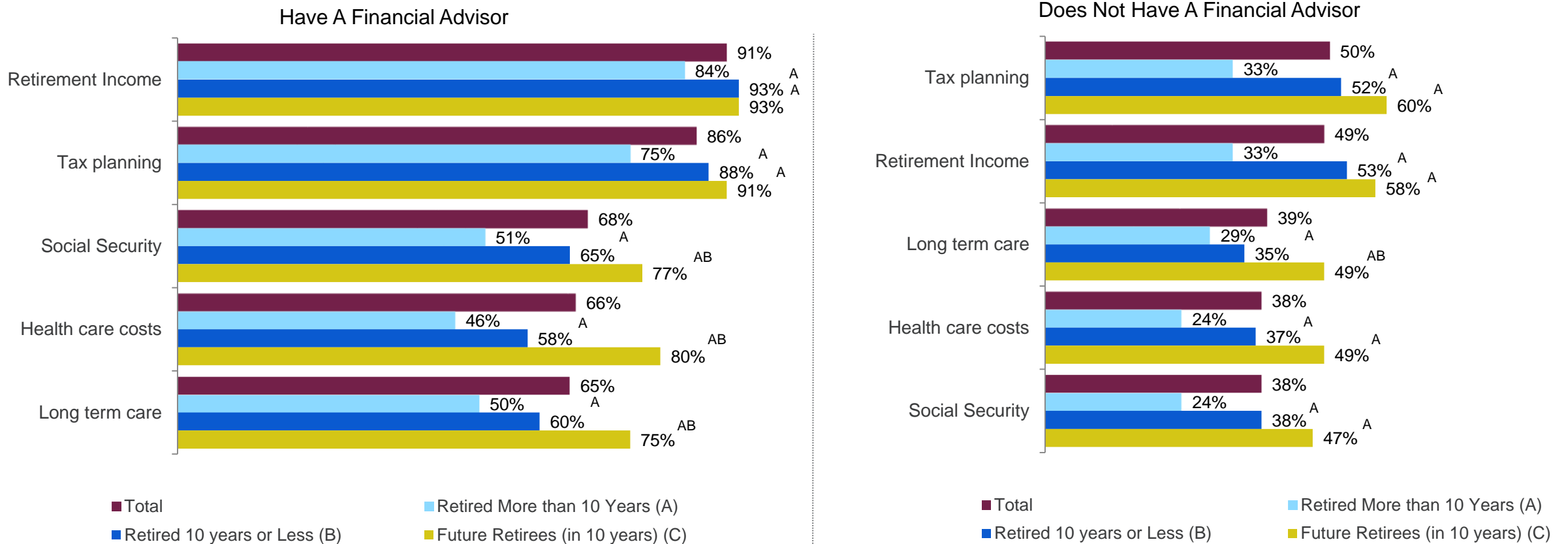
Overall, a majority of Current and Future Retirees use at least one financial advisor—and roughly 1 in 10 use 2 or more.



Many Current and Future Retirees who work with an advisor feel retirement income and tax planning are important to discuss.

- Future Retirees who work with a financial advisors are more likely than Current Retirees to view social security, health care costs, and long term costs as important.
- Roughly 3 in 5 Future Retirees who do not work with an advisor believe tax planning and retirement income are important to discuss with one.

Importance of Financial Advisor Discussing Topics (Very/Somewhat Important)



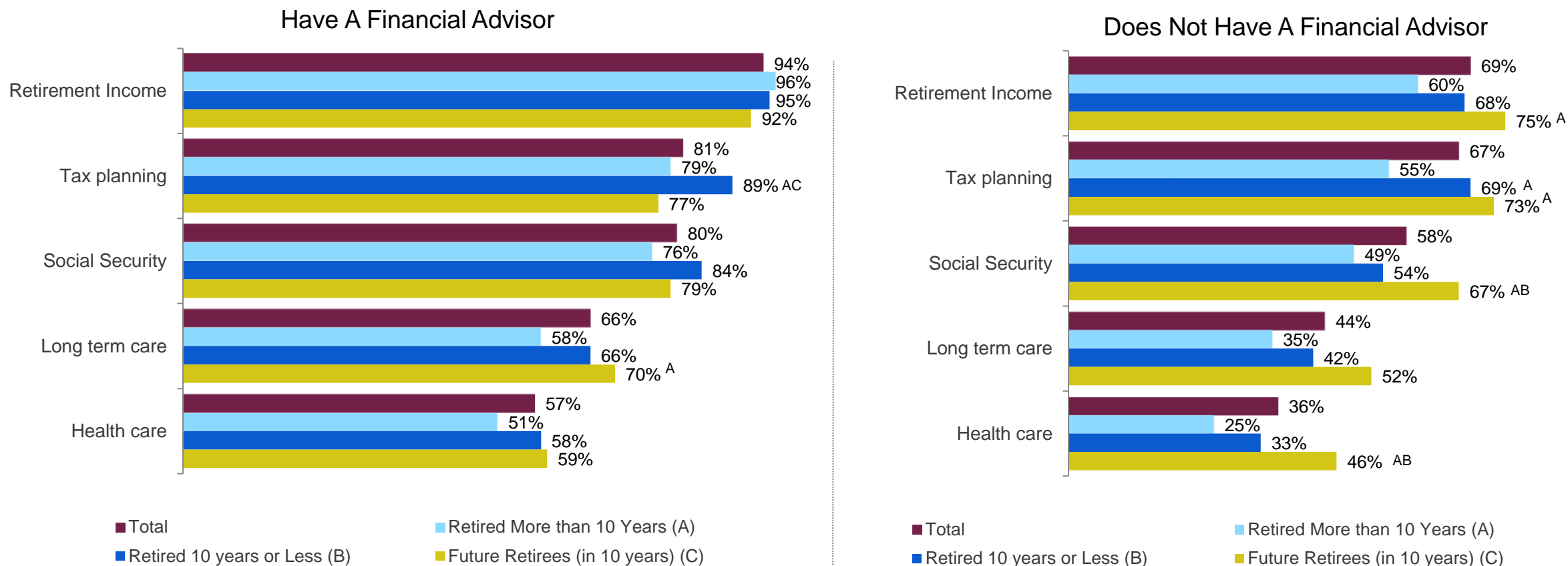
Base: Qualified Respondents: Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)

Q1230. How important is it that your professional financial advisor discusses the following topics with you? If you have more than one financial advisor, please think of the one you currently use most often. / How important is it that a professional financial advisor discusses the following topics with you?

Most Current and Future Retirees working with a financial advisor think retirement income is a topic the professional is well equipped to discuss. Far fewer think health care is.

- Those who do not currently work with a financial advisor are slightly less likely to share this confidence in financial advisors' abilities.

Perception of Financial Advisor's Expertise (Summary of Yes)



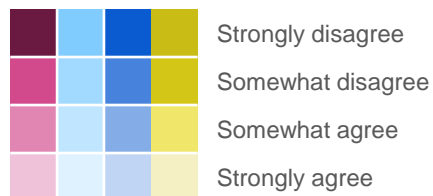
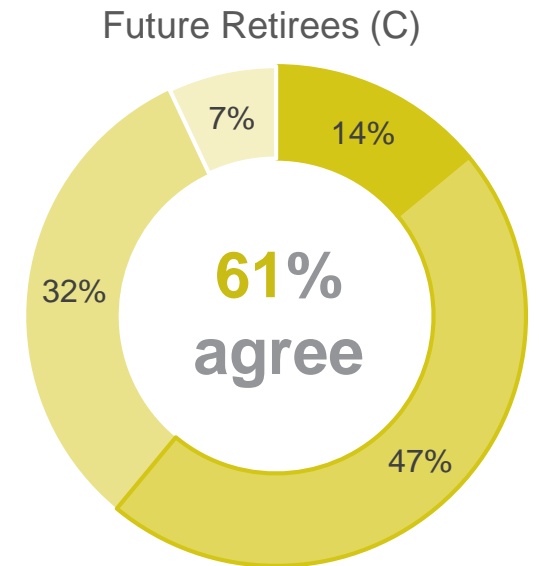
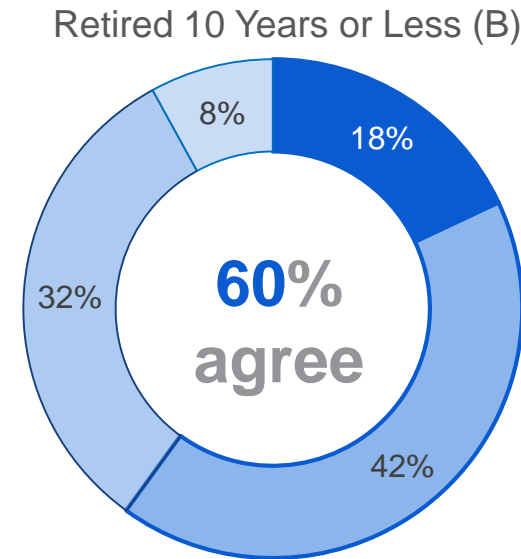
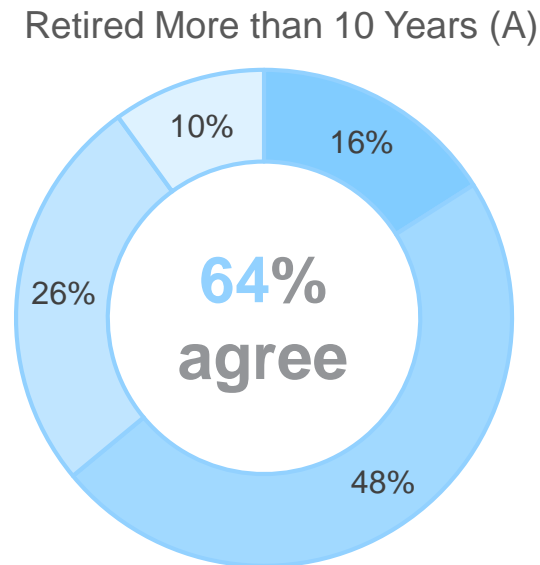
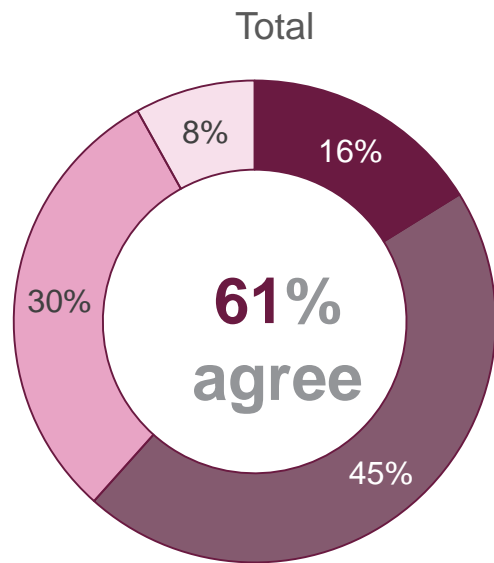
Base: Qualified Respondents; Total (n=1301); Retired More than 10 Years (n=426); Retired 10 Years or Less (n=440); Future Retirees (in 10 years) (n=435)

Q1235. Do you feel your professional financial advisor is well equipped to discuss the following topics with you? Do you feel a professional financial advisor is well equipped to discuss the following topics with you?

Roughly 3 in 5 Current and Future Retirees who do not have a financial advisor generally feel skeptical about the advice these professionals provide.

- Overall, nearly 1 in 6 strongly agree.

**“I generally am skeptical of the advice financial advisors provide.”
(With No Financial Advisor)**



Base: Qualified Respondents: Total (n=634); Retired More than 10 Years (n=203); Retired 10 Years or Less (n=218); Future Retirees (in 10 years) (n=213)

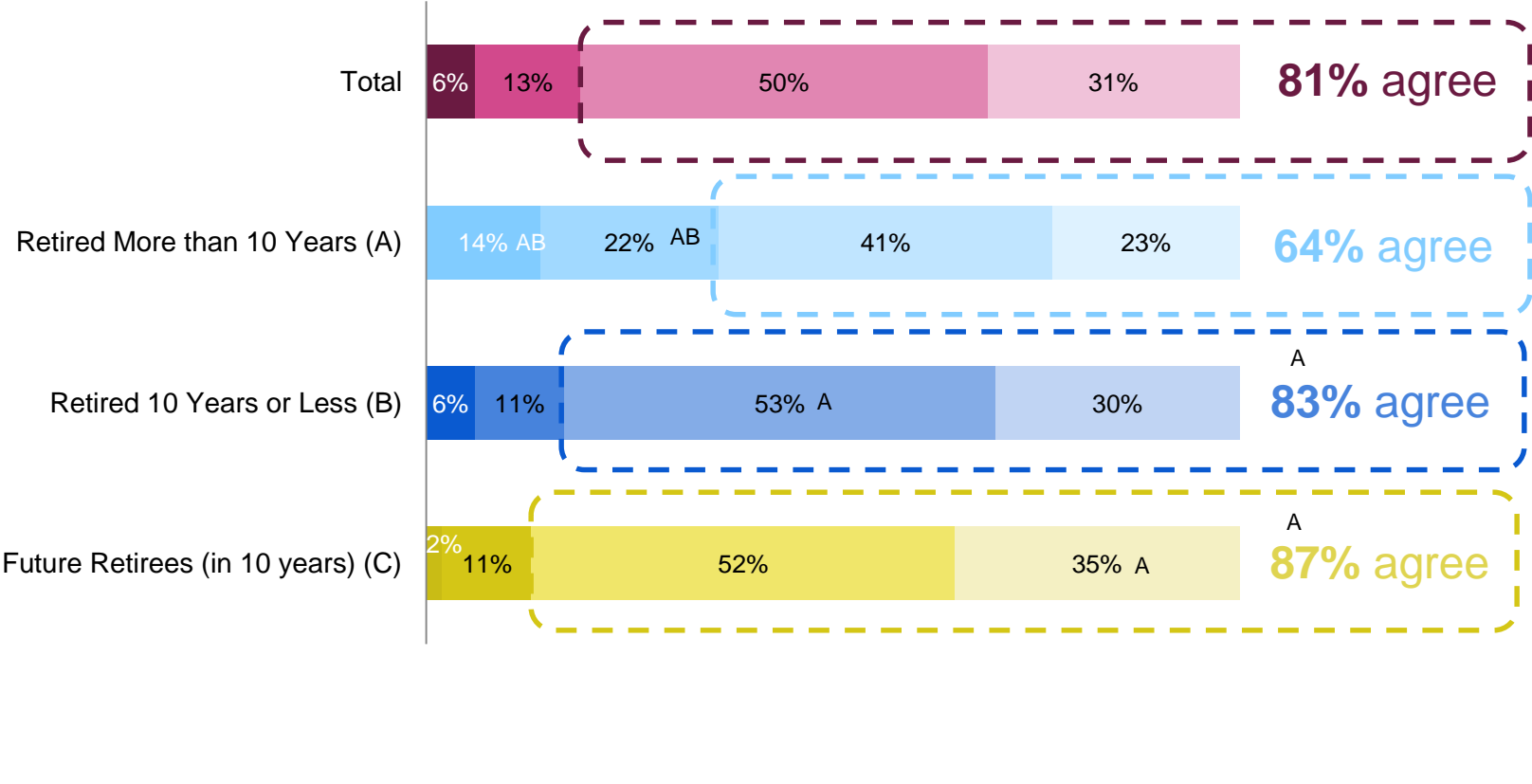
Q790. How much do you agree or disagree with the following statements?

I am terrified of what taxes will do to my retirement income.

For those who work with a financial advisor, more than 4 in 5 Recent and Future Retirees expect their financial advisor to help them plan for taxes in retirement.

- Fewer than 2 in 3 >10-Year Retirees agree with this.

“I expect my financial advisor to help me plan for taxes in retirement.”
(Among those with a financial advisor)

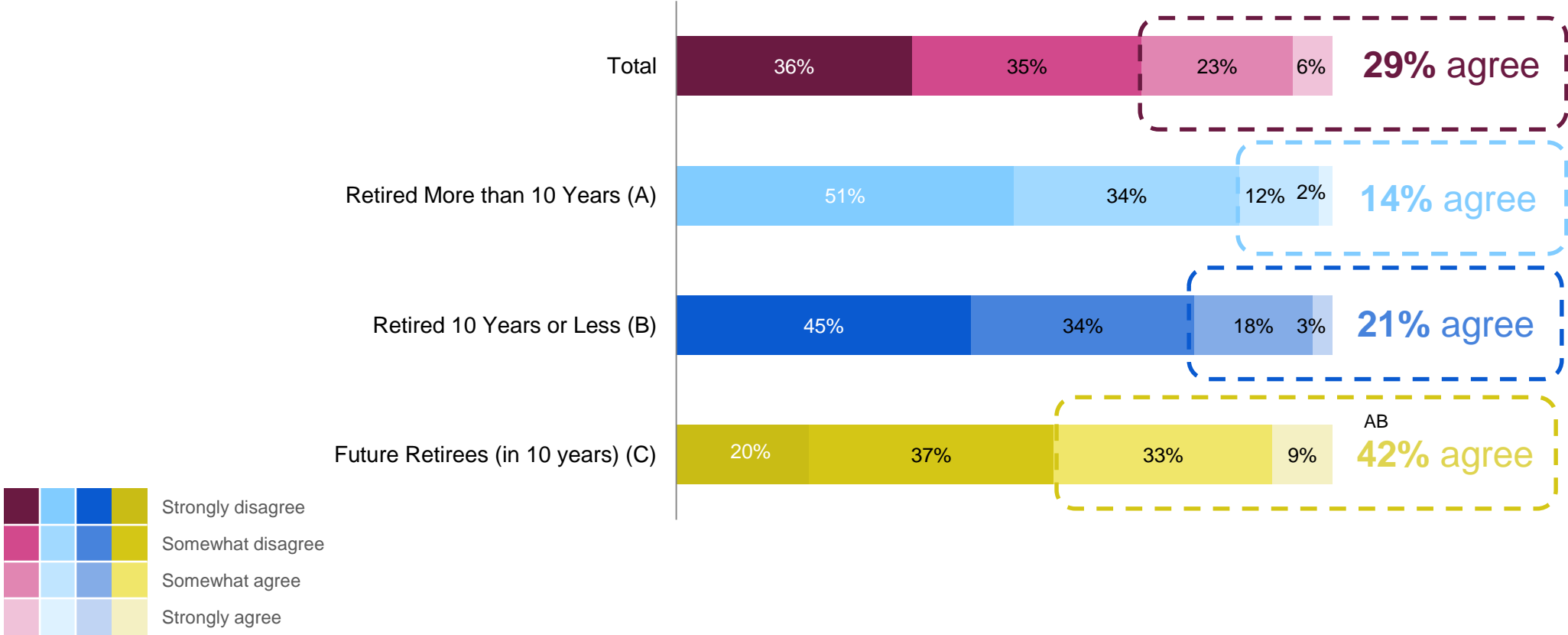


Base: Qualified Respondents Who Have a Financial Advisor: Retired More than 10 Years (n=223), Retired 10 Years or Less (n=222), Future Retirees (in 10 years) (n=222)
 Q845. How much do you agree or disagree with the following statement? I expect my financial advisor to help me plan for taxes in retirement.

More than 2 in 5 Future Retirees say they would switch financial advisors for someone who could help them plan taxes in retirement.

- Current retirees are much less likely to agree with this sentiment.

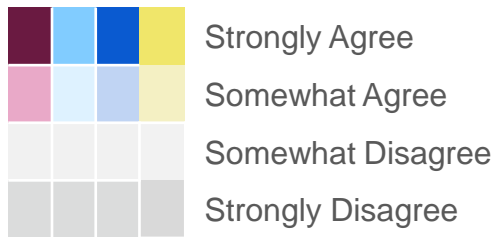
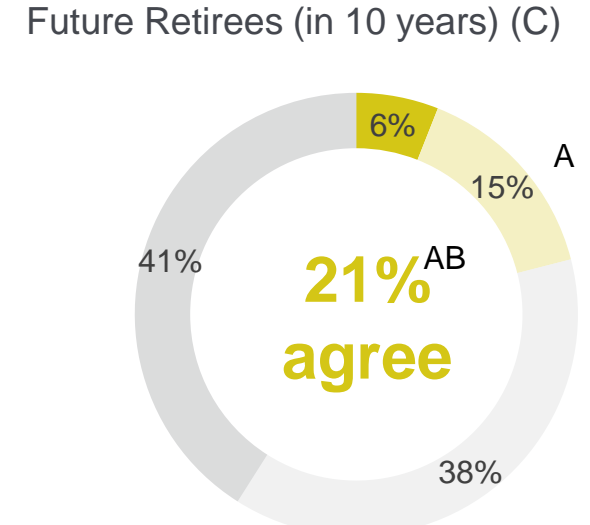
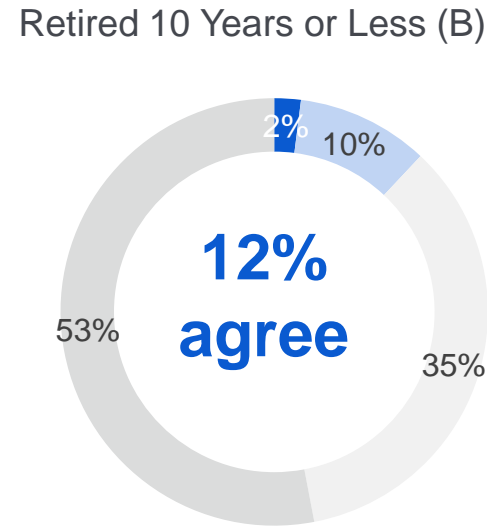
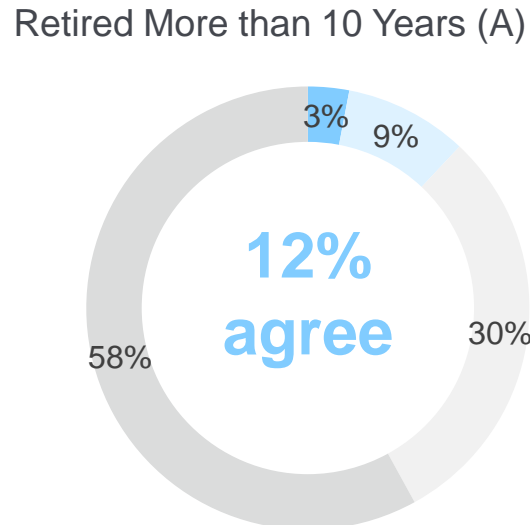
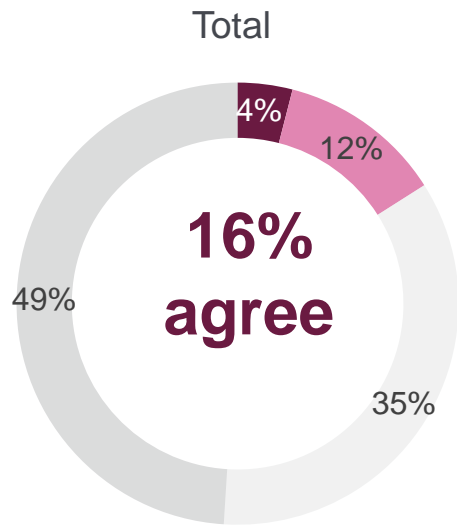
“I would switch financial advisors for someone who could help me plan for taxes in retirement.”



Nearly 1 in 5 Future Retirees feel alone when it comes to their retirement planning.

- About 1 in 10 Current Retirees also feel this way.

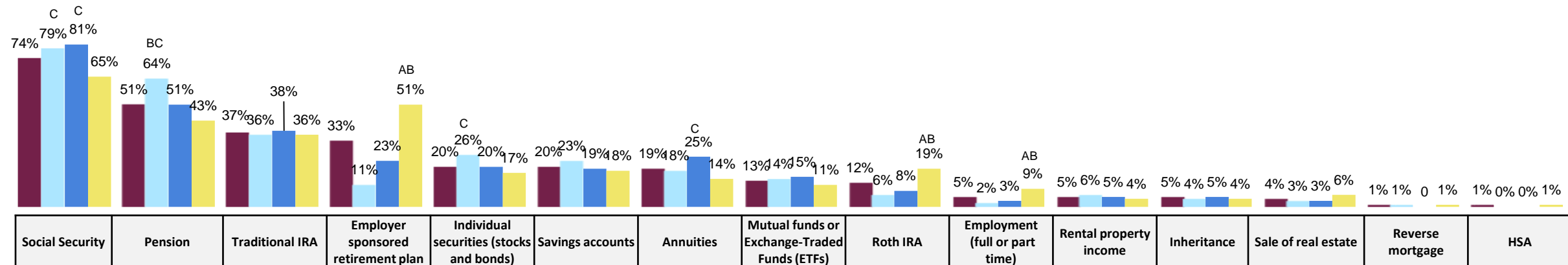
“I feel alone when it comes to my retirement planning.”



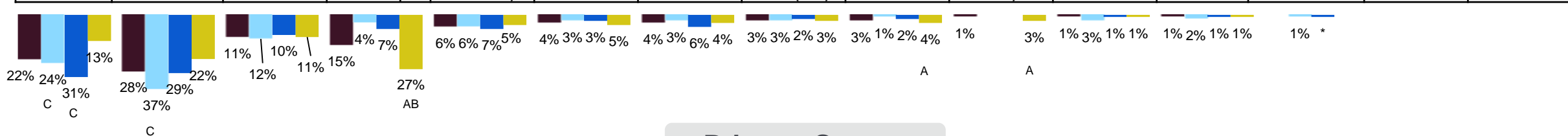
Future Retirees are most likely to depend on an employer sponsored retirement plan, followed by social security.

- For Current Retirees, social security and pensions are the primary source.

Top 3 Sources



Primary Source



■ Total
 ■ Retired More than 10 Years (A)
 ■ Retired 10 Years or Less (B)
 ■ Future Retirees (in 10 years) (C)

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