

Imagine: New Study Explores Employees' Hopes and Fears about Retirement

What are people's expectations and fears about retirement? What are their aspirations for a "good" retirement? A recent ING co-sponsored survey, authored by Shlomo Benartzi (UCLA), Sheena Iyengar (Columbia) and Alessandro Previtero (UCLA) offers some interesting insights.

The ING Institute for Retirement Research is sponsoring Professors Benartzi, Iyengar and Previtero in pursuing additional research about how best to use these and other behavioral finance insights to encourage meaningful and positive change in the behavior of participants.

We welcome the participation of our own clients in pursuing this and other research... please contact your ING Financial Advisers, LLC office to learn more about this work.



Worst Case Scenario...

For nearly half of respondents, pride seems to have stepped into the picture – their worst case scenario, or fear, about retirement was being in a financial position where they had to ask their children for help!

A distant and surprising second considering the visibility of retiree health-care costs in the media and the many questions and issues surrounding Medicare and Medicaid coverage, was the inability to pay for a very expensive medical procedure for one's self or spouse.

While respondents greatly fear being in the position of being dependent on their children, they did not have an overwhelming fear of not having the resources to financially support their children in a medical need, with only 11% citing that as their greatest fear. Nor was pitching in to help children... in an ideal retirement, only 5%.

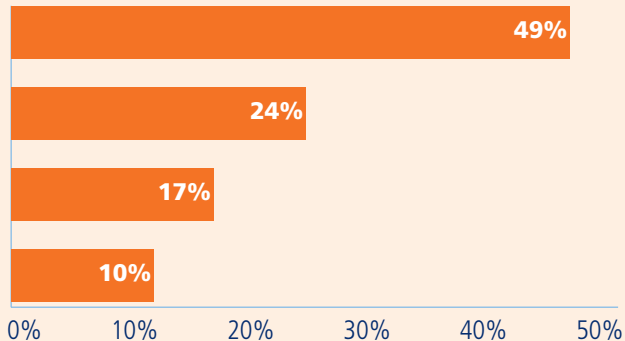
I cannot afford living expenses & need to ask my children for financial support

I cannot afford to pay for a very expensive medical procedure for myself or my spouse

I cannot afford to help my son or daughter pay for a very expensive medical procedure

I cannot afford to live in my house and must sell it to live somewhere less expensive

Online study conducted February – May, 2008.
2667 respondents to "greatest retirement fear" question(s).



Source: Benartzi, Iyengar and Previtero, ING co-sponsored research, in progress.

Turn the page for the **best case scenario** ⇨

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NEW STUDY EXPLORES EMPLOYEES' HOPES AND FEARS ABOUT RETIREMENT

Best Case Scenario...

Respondents' expectations of a "comfortable" retirement were relatively modest, in keeping with the general decline in retirement confidence overall. For fully 60 percent (of positive respondents), their "best case" scenario was simply the ability to maintain an existing lifestyle. Only a quarter (25%) had a grander vision that involved travel or new hobbies.

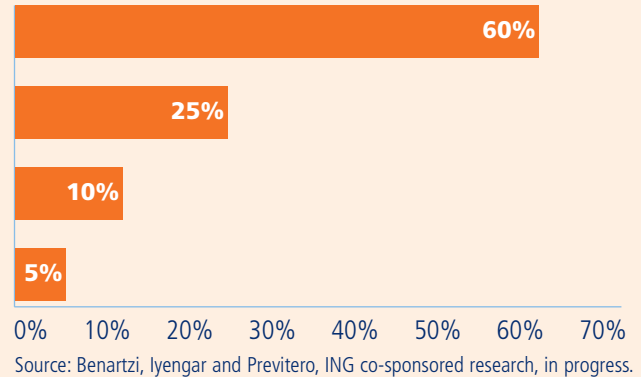
I can live a comfortable life and maintain my lifestyle without worrying about financial needs such as paying the bills or health expenses

I can afford to travel or pursue other hobbies that I didn't have time for while working

I can have the freedom to retire early... or keep working but not because I need to

I can provide for my children's or grandchildren's financial needs, such as education or a house down payment

Online study conducted February - May, 2008.
159 respondents to "greatest retirement hope" question(s).



Still fewer – 10 percent – aspired to having the freedom to retire early and "helping children" in one way or another (financially) was a distant last-best-case with only 4%.

Interestingly, when asked specifically to describe their "best case" retirement, almost a quarter of all respondents still provided a negative write-in response to the question "Suppose you decide to save more than you think you should be saving? What could happen to you after you stop working in a best case scenario?"

Engaging the Imagination to Engage Behavior

"Affective" communication, or engaging people's emotions and aspirations to change behavior, is new avenue of research for behavioral economists and academics investigating the dynamics of human choice. Understanding employees' deepest fears and hopes is interesting – and a first step – toward encouraging more productive retirement behavior: Employees who (first) join the plan, then regularly increase their contributions, and make asset allocation decisions that are appropriate to their own situations (i.e. not driven by fear of loss, or questionable decision-making rules of thumb!).

The logical follow up to this study is to take these and other survey findings out for "Field Testing" – to create enrollment and Defined Contribution Plan exercises that explore how powerful these messages – and different ways of delivering them – may be in a real world environment.

The ING Institute for Retirement Research is sponsoring Professors Benartzi, Iyengar and Previtero in pursuing additional research about how best to use these and other behavioral finance insights to encourage real change in the behavior of participants who may ultimately be jeopardizing their own retirement security through low – or non-existent – contributions to the plan, or inefficient asset allocation.

For more information about behavioral finance and insights into employee retirement plan behavior, visit www.ing.com/us/sponsorIIRR.

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