Mercer

welcome to brighter

It's a tough economy. But who has it tougher?

Mercer analysis shows that different generations are subject to different stresses in the modern workforce.

Findings from the fourth annual Mercer Retirement Readiness Barometer

Are millennials priced out of retirement?

Those priced out of homeownership will face increased costs until the ends of their lives.

Assume two millennials start saving for retirement at 25, both contributing **10%** annually to their workplace savings program:

+50% A renter may need appropriately 50% more in savings to retire in comparison to a homeowner.

Homeownership means lower housing costs in retirement — and home equity means flexibility.

Regional differences in housing prices only add to the challenge — and to mounting debt.

Do baby boomers need to take on more risk?

Boomers may look at the markets with worry — but moving to "safe" investments may have long-term consequences.

The drop in markets in 2022 reduced retirement income by **7%** compared to 2021.

Retirees may be tempted to duck and cover. But that would be a mistake. If an investor moves to guaranteed investment certificates (GICs) in the first three years of retirement:

-10% The probability of being retirement ready is reduced by 10% compared to a balanced investor.

Lower-risk investments tend to generate lower asset growth — and people today need more money in retirement due to longer lifespans.

Investment diversification is still needed when investing during retirement to make money last longer.

How organizations can support their multigenerational workforces:

Is your workforce retirement ready?

Understand your member demographics and any regional differences.

Does your workplace program align with employee needs?

Consider flexibility or additional savings plans.

Are members supported at different life stages?

Consider holistic financial wellness resources to engage members throughout their lives.

Do employees need help transitioning to retirement?

Consider plan design options or specialized investment strategies.

Make a plan to ensure all your employees are retirement ready.

The Mercer Retirement Readiness Barometer measures the age at which different personas can comfortably retire based on their participation within an employer-sponsored DC plan and benefits provided by the government (such as CPP/QPP/OAS).

The above analysis is based on Mercer retirement readiness analytics using data from proprietary Mercer databases and tools. The millennial model assumes the individual starts saving for retirement at age 25, with a starting salary of $60,000, contributing 10% annually through a workplace savings program, and invests in a balanced fund.

The boomer model assumes the individual in question retires at 65 with a salary of $80,000 per annum and has been saving at 10% for 20 years.

Retirement readiness is defined as a 75% probability of not running out of money before death if an appropriate level of income (66% of preretirement income for the boomer and 69% for the millennial) is maintained throughout retirement (including government benefits).

Contact your Mercer consultant today.

A business of Marsh McLennan