New Principal® Survey Finds Middle-Income Households Are Exceeding Their Retirement Savings Expectations

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DES MOINES, Iowa--(BUSINESS WIRE)--Nov. 11, 2024-- In a new survey from Principal Financial Group®, middle-income households are generally applying strong retirement savings habits and behaviors, even as they balance competing financial priorities.

According to the survey, Principal® Real Life Retirement Journeys, 77% of middle-income households (those with between $50,000 and $99,999) are saving for retirement at an average rate of 7.8% of their income before receiving additional contributions from their employers. Additionally, 40% of the middle-income household respondents anticipate their retirement will be better than the one they first envisioned.

“Americans should be encouraged to know the priority they have placed on saving for retirement is meaningful and beneficial to their futures,” said Teresa Hassara, senior vice president of workplace savings and retirement solutions at Principal. “Many are within range of a recommended minimum savings rate of 15%[1] when you include the typical employer match of 4-6%, which helps put them on the right path for a secure retirement.”

In total, 93% of individuals surveyed said saving for retirement is important, even when it’s financially difficult. More than half said their retirement aspirations were first influenced by family members (65%) and/or friends or peers (52%). However, while family and friends were reported to be the most influential in inspiring them to start saving, the survey found employers, financial professionals, and retirement plan service providers to be increasingly more helpful sources of information when they began saving.

Most Influential vs. Most Helpful to Start Saving for Retirement

	Most Influential	Most Helpful
Family & Friends	29%	26%
Employer	9%	20%
Financial Professional	9%	16%
Retirement Plan Service Provider	7%	17%

Principal reviewed the survey findings in tandem with personal finance expert Jean Chatzky[2], CEO and founder of *HerMoney*, who shared, “As vital as our family and friends are to helping shape our values, beliefs, and opinions, there are often limitations on both what they know and what they can do to support our financial goals. Individuals who use resources offered through their employer’s plan – in some cases at no additional cost – or who get help from a financial professional typically express higher levels of confidence in their ability to make decisions and reach their goals. It’s important for people to understand their access to help does not depend on their age or how much money they have.”

While the survey results illustrate positive momentum for retirement savings, it also found nearly one-third (30%) of middle-income households have made a withdrawal from their retirement accounts to adjust for changes in their personal financial situations. Of those middle-income households that reported taking a withdrawal, the four most common reasons were to:

1. Address large purchases that were not optional such as urgent home or car repairs (38%)
2. Cover lost income due to the loss of their job or their spouse’s/partner’s job (30%)
3. Repay medical debt (18%)
4. Pay for expenses related to an adult child or parent (18%)

When asked how taking a withdrawal impacted their financial progress, 85% of middle-income households reported they didn’t want to withdraw retirement funds early but had no choice and 57% reported being able to get back to the amount they were saving before withdrawing funds early.

More information about the Principal® Real Life Retirement Journeys Survey is available at principal.com.

[1] Based on analysis conducted by the Principal Financial Group®, October 2024. The estimate assumes a 40-year span of accumulating savings and the following facts: retirement at age 65; 15% individual rate including employer contributions; Social Security providing 40% replacement of income: 4.5% withdrawal of retirement savings; 6% annual market returns; 2% annual inflation; and 3% annual wage growth over 40 years in the workforce. This estimate is based on a goal of replacing about 80% of salary. The assumed rate of return for the analysis is hypothetical and does not guarantee any future returns nor represent the

return of any particular investment. Contributions do not take into account the impact of taxes on pre-tax distributions. Individual results will vary. Participants should regularly review their savings progress and post-retirement needs as savings depends on many factors, including lifestyle, Social Security replacement, and retirement age.

[2] Jean Chatzky is a compensated financial commentator, is not affiliated with any company of the Principal Financial Group. The views she expresses are not necessarily those of the Principal Financial Group or any member company.

About the Principal® Real Life Retirement Journeys Survey

The Principal® Real Life Retirement Journeys Survey had responses from 1,000 employees between the ages of 18 and 64, with pre-tax household incomes of $50,000 or more, who are currently working or who have previously worked for an employer who offers(ed) retirement savings benefits. The survey was conducted online between August 23, 2024, and September 1, 2024.

About Principal Financial Group®

Principal Financial Group® (Nasdaq: PFG) is a global financial company with nearly 19,000 employees[3] passionate about improving the wealth and well-being of people and businesses. In business for 145 years, we're helping approximately 68 million customers[3] plan, protect, invest, and retire, while working to support the communities where we do business, and build a diverse, inclusive workforce. Principal® is proud to be recognized as one of the 2024 World's Most Ethical Companies ® by Ethisphere[4], a member of the Bloomberg Gender Equality Index, and a "Best Place to Work in Money Management [5]." Learn more about Principal and our commitment to building a better future at principal.com.

[3] As of September 30, 2024
[4] Ethisphere, 2024
[5] Pensions & Investments, 2023

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