



Outlook for Retirement Savers, Small-to-Mid-sized Business Owners Uncertain at Start of New Year

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DES MOINES, Iowa--(BUSINESS WIRE)--Jan. 22, 2025-- American workers and business owners were uncertain heading into 2025 as inflation and high interest rates persisted, along with a changing policy environment with the onset of a new presidential administration. With expertise spanning the retirement and small business landscape, Principal Financial Group® research points to current realities for employees and small-to-mid-sized businesses in America today.

Retirement Landscape in 2025

Saving for retirement is the top financial priority for Americans, according to recent Principal® research. Nearly nine-in-10 people (88%) are building their retirement nest eggs in some way with the vast majority (89%) utilizing their employers' retirement plan to save. Additionally, 58% of Americans surveyed are committing at least 9% of their annual income towards retirement. Yet, many report feeling behind on their retirement goals (34%) and are uncertain they will maintain their standard of living after leaving the workforce (32%).¹

"Retirement savers were resilient in 2024, socking away money at a robust rate despite inflation and interest rate pressures," said Chris Littlefield, president of Retirement and Income Solutions at Principal. "However, the same Americans who are showing strong savings behaviors and momentum also lack confidence in their retirement readiness. That's where we focus at Principal – helping set people up for success while building confidence in the choices they're making. Our decades of retirement expertise in the workplace helps us support employees of all kinds with services that include advice, income solutions, and education."

The disconnect between how people are saving for retirement and how they feel about their retirement readiness could stem from misconceptions around savings benchmarks and planning for income in retirement.

Over half of employees surveyed (56%) believe they should have at least 30 times their annual salary saved by age 65 to live comfortably in retirement when 10 times may be sufficient. Additionally, 54% think they can safely withdraw 10% or more of their retirement savings annually without outliving their nest eggs despite a common retirement planning rule of thumb being approximately 4%.^{2 3}

While there is a knowledge gap around best practices for saving and planning for income in retirement, two-thirds (66%) of employees recognize they need help. Nearly three-quarters (72%) of employees are comfortable getting retirement savings help from a financial professional, and 62% are comfortable receiving it from their employer.⁴ And, the benefits of increased participation and engagement can be significant considering eight-out-of-10 people say financial professionals provide confidence they've made the right decisions.⁵

"People are seeking more comprehensive help and advice as they plan for retirement, which is increasing the importance of taking a holistic view of their needs in retirement beyond just the amount they need to save," Littlefield said.

Economic Outlook for Small-to-Mid-sized Businesses

The landscape for small-to-mid-sized businesses is softening from record hiring and growth in the first half of 2024 to cautious optimism and stable staffing. Recent survey data from the [Principal® Financial Well-Being IndexSM](#) shows most business owners (64%) are balancing optimism about their own 12-month outlooks with declining confidence in the U.S. economy (14-point decrease) and their local economies (12-point decrease) since last July.

Economic inflation remains the top concern for both employers and employees, with findings showing both groups continue to feel pinched. Notably, only 44% of employees report their wages are keeping up with inflation.

At the same time, the outlook for hiring and retention has softened. Employer concerns about employee retention fell from 46% in July 2024 to 32% in November 2024, while concerns about attracting talent dropped from 39% to 33%.

"We've seen ongoing small business growth, reaching post-pandemic highs in 2024. While we expect to see that growth continue, we could see a slowdown as business owners continue to battle inflation," said Amy Friedrich, president of Benefits & Protection at Principal. "It will be critical for small-to-mid-sized business owners to closely watch the impact of new economic policies – particularly those with tax implications – along with changes in credit and lending markets and adjust accordingly to do what's right for their employees, customers, and the health of their business."

Click the links for more results and insights from the latest [Principal® Real Life Retirement Journeys](#) and [Principal® Financial](#)

[Well-Being IndexSM](#) surveys.

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¹ [Principal Real Life Retirement Journeys survey, August 2024](#)

² [Principal Financial Well-Being Index Survey, November 2024](#)

³ *For illustrative purposes only. As of December 2024, assuming an individual has saved 10 times their salary at age 65 and a 4.5% initial withdrawal rate, 2% inflation, and a 5% post-retirement rate of return, funds for retirement may be enough to last until about age 99-100. The assumed rate of return is hypothetical and does not guarantee any future returns nor represent the returns of any particular investment. The assumption does not reflect the impact of taxes on pre-tax distributions as well as other personal factors such as time and age at maximum income level, life events, children, college expenses, and other financial responsibilities. Individual taxpayer circumstances may vary.*

⁴ [Principal Financial Well-Being Index Survey, November 2024](#)

⁵ [Principal Real Life Retirement Journeys survey, August 2024](#)

⁶ As of September 30, 2024

⁷ As of September 30, 2024

⁸ *Ethisphere*, 2024

⁹ *Pensions & Investments*, 2024

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