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News Release

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Legg Mason Survey Shows Only 31% Of U.S. Investors Believe They Will Have Enough Money Saved For A Comfortable Retirement

New York, New York — November 5, 2018 — Legg Mason, Inc. (NYSE: LM) Only a minority of the 1,000 U.S. investors surveyed by Legg Mason for its 2018 Global Investment Survey (LMGIS) believe they will have enough money saved to enjoy a comfortable life in retirement – a mere 31%.

Their pessimism was reflected in investing confidence: asked if they can "successfully choose investments that could last into their 80s or 90s," only 32% reported being "very confident." Generational differences were marked, and surprising: 60% of Millennials were very confident, but only 17% of Baby Boomers were equally confident.

If they come up short of their retirement funding target, close to 4 in 10 respondents (36%) reported they or their spouse would work longer and/or participate in the gig economy.
"The biggest risk investors face in retirement is outliving their financial assets," said Will Coleman, Legg Mason's Head of Retirement in the U.S. "They must plan, save and invest wisely so they can be certain they will have enough to live good, long lives. If not, rather than fishing or volunteering, many retirees may find themselves among the growing number of Americans working in the gig economy out of necessity, not a choice."
Yet saving for retirement is a critical priority: 86% responded that their investment goals are focused on long-term returns like retirement income or leaving an inheritance.

The sixth annual LMGIS was conducted between July and August 2018 among 1,000 U.S. investors who each reported planning to invest a minimum of $50,000 over the next 12 months.

EMOTIONAL DECISIONS CAN LEAD TO POOR CHOICES

A whopping 60% of Millennials – and 29% overall – reported making an emotional decision to sell in a 401K plan they later regretted. Other demographic splits included:

- 34% of men vs. 21% of women
- 54% of investors with kids in household vs. 13% without kids
- 41% of investors with annual income of $100,000 and over vs. 21% of investors with annual income under $100,000
- 47% of investors who self-identify their investment knowledge as "expert/advanced" vs. 11% as "beginner/rudimentary."

"Investors must be confident in selecting proper investments over the long term," Mr. Coleman said. "Uncertainty can derail well-considered plans and, worst of all, lead to emotional reactions to buy or sell that investors might regret. Even the most sophisticated can benefit from the help of experienced financial advisors, particularly for retirement."

“How retirement savers allocate their assets can make a big difference in both the timing and quality of their retirement. So, it’s crucial for them to know and maintain the right mix of investments, especially as they move closer to retirement,” said Tina Wilson, Head of MassMutual Investment Solutions Innovation. “Baby Boomers should be thinking in terms of preservation while Millennials need to emphasize growth.”

EQUITIES LEAD THE WAY IN 401K ALLOCATIONS

LMGIS respondents were overwhelmingly bullish on equities in their retirement holdings. By noteworthy margins, they reported higher concentrations of equity risk in their defined contribution 401K plans than in their investment portfolios overall. They also reported having surprisingly high levels of cash, given long-running bull markets.

Also surprising: 22% of employed investors– including 34% of Baby Boomers, but only 11% of Millennials – reported not knowing the details of their 401K allocations.

Average Overall Reported 401K Allocations* (among those who knew)

- 51% equities (28% in their other (non-401k) accounts)
- 15% fixed income
- 12% cash
- 11% target date funds
- 10% commodities

“It is surprising to see employed Baby Boomers with substantially higher allocations to equities in retirement accounts (60%), compared to their other (non-401k) accounts (34%),” observed Adam Petryk, President of Legg Mason affiliate QS Investors. “In general, as individuals get closer to retirement, their portfolios are more vulnerable to market volatility, as they have less time to recover from a large drawdown. Boomers may be making large allocations to equities in order to reach their retirement goals, but in doing so are not protecting the capital already accumulated from a potential market shock.”**

Given the differences in time horizons between Millennials and Baby Boomers, Mr. Petryk was also surprised that the LMGIS data showed employed Millennials hold less in equities in their 401K plans (43%) than employed Baby Boomers (60%).

Millennials v. Baby Boomers* (among those who are employed and knew)

- 43%/60% equities (18%/34% in their total investment allocation)
- 17%/14% fixed income
- 13%/13% cash
- 12%/8% target date funds
- 14%/5% commodities

“Since Millennials have a longer savings horizon until reaching retirement, one would expect them to hold a greater allocation to equities compared to Baby Boomers,” he said. “Younger investors have the luxury of time, and therefore can afford higher equity exposure to grow their portfolios.”

INNOVATION DRAWS INVESTOR INTEREST

The majority of investors reported they would be early adopters of innovative retirement investment strategies that:

- Had the potential for greater growth in positive markets (86%)
- Provided protection when markets go down (83%)
- Had the potential to provide greater diversification (81%).

Investors showed their practical sides when asked what they would do if they were given a lump sum windfall of $100,000. Their top three picks were:

- Save it for retirement (49%)
- Use it for short-term investments (38%)
- Pay off debts other than a mortgage (32%)

Just 22% said they would go on vacation, and 18% said they would buy a car.

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About the 2018 Legg Mason Global Investment Survey
The sixth annual Legg Mason Global Investment Survey was conducted by Research Plus Ltd. among 1,000 U.S. investors who plan to invest a minimum of $50,000 over the next 12 months. Fieldwork was conducted via an online survey between July 26 and August 24, 2018. To learn more about the survey findings, go to https://www.leggmason.com/global/campaigns/gis-2018.html.

About Legg Mason
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*Due to rounding, asset allocation percentages might not equal 100%.
**Diversification and asset allocation strategies do not assure a profit or protect against market loss.

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