POINTS OF VIEW
BENEFITS AND POLICY INSIGHTS
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DEFINING EXCELLENCE: NURSES' SAVINGS BEHAVIORS AND RETIREMENT READINESS

INTRODUCTION

Imagine finishing a 12-hour shift, rushing home, and grabbing a quick nap before picking up your children at school. In the evening, you study for upcoming training while inquiring about a weekend per diem shift at your secondary employer: a hospital in a neighboring town.

As a full-time primary caregiver both at work and at home, you may not have the time or wherewithal to care for your personal financial health, too. Although in the back of your mind you know you should be planning for retirement, you just can't make it a priority in the face of myriad competing pressures. In fact, you may wonder whether you'll be able to afford to retire one day.

Nurses are on the front lines of our health care delivery system, helping patients and their families, physicians, and staff with a seemingly endless series of critical issues. Required to perform in frequently stressful situations, it's understandable that they may not be focused on retirement. Nurses, like many others in the health care sector, need and deserve educational and guidance opportunities that help them prepare for retirement, even if that seems like a distant goal.

Fidelity INVESTMENTS

A SAVINGS-RATE INCREASE AS SMALL AS 1% COULD TRANSLATE INTO AN ADDITIONAL $180 OF MONTHLY RETIREMENT INCOME.

In this latest installment in our *Defining Excellence* series, we examine the savings behaviors of nearly 28,000 nurses enrolled in workplace retirement plans across the United States. Based on comprehensive analysis of plan data, this report offers plan sponsors a set of best practices and provides nurses suggestions for taking care of their own financial health.

KEY FINDINGS

- Pre-retiree nurses are on track to replace 59% of their ending net income, falling short of the suggested replacement guideline of 85%.[1]
- Nurses are not saving enough: Their average total savings rate is 12.9%, below the suggested total savings rate of 15%.[2] Younger nurses, in particular, need to consider increasing their total savings rates to improve their retirement readiness.
- A savings-rate increase as small as 1% could translate into an additional $180 of monthly retirement income.[3]
- Nurses respond well to guidance, taking positive steps following interactions.
- Best practices for providing guidance to nurses include in-person meetings, telephone consultations, and mailed materials.

NURSES IN THE 20–49 AGE GROUPS ARE SAVING WELL BELOW THE RECOMMENDED 15% TOTAL SAVINGS RATE.

NURSES' SAVING BEHAVIORS

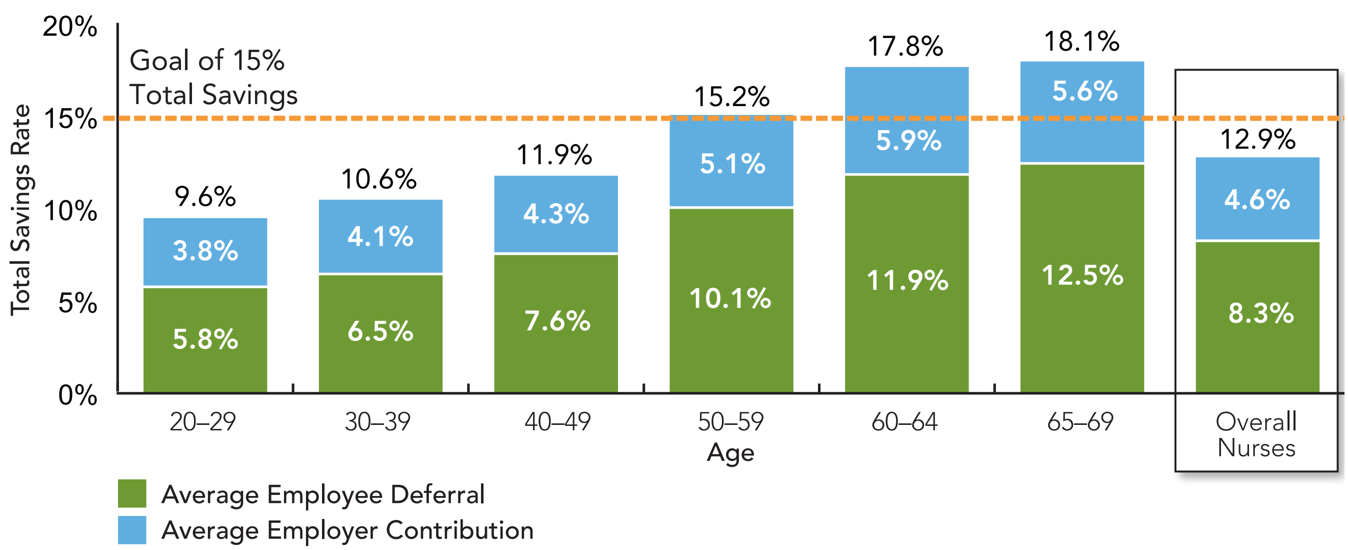
Like many in today's workforce, nurses often find themselves juggling competing demands on their income. Many are caught between two generations, having to support both their children and their parents. Fidelity Planning and Guidance Consultant Kevin Rodriguez, who provides hundreds of guidance sessions to nurses each year, states:

> ***"Nurses are generally stressed for time and are taking care of others all day long, so sometimes it is hard for them to focus on themselves. One of the biggest concerns I hear is 'Am I saving enough?' Many of the nurses I provide guidance to are helping put their children through college and may also be helping with elderly parents; there are a lot of demands on their paycheck. I remind them that even a small increase in savings can make a big difference over time."***

As Figure 1 shows, nurses in the 20–49 age groups are saving well below the suggested 15% total savings rate (employee deferrals plus employer contributions). Beyond age 50, many begin to think more seriously about retirement and attempt to catch up by saving at a much higher rate.

FIGURE 1. NURSES' TOTAL SAVINGS RATES

(Employee Deferral + Employer Contribution) From Qualified Retirement Plans, by Age

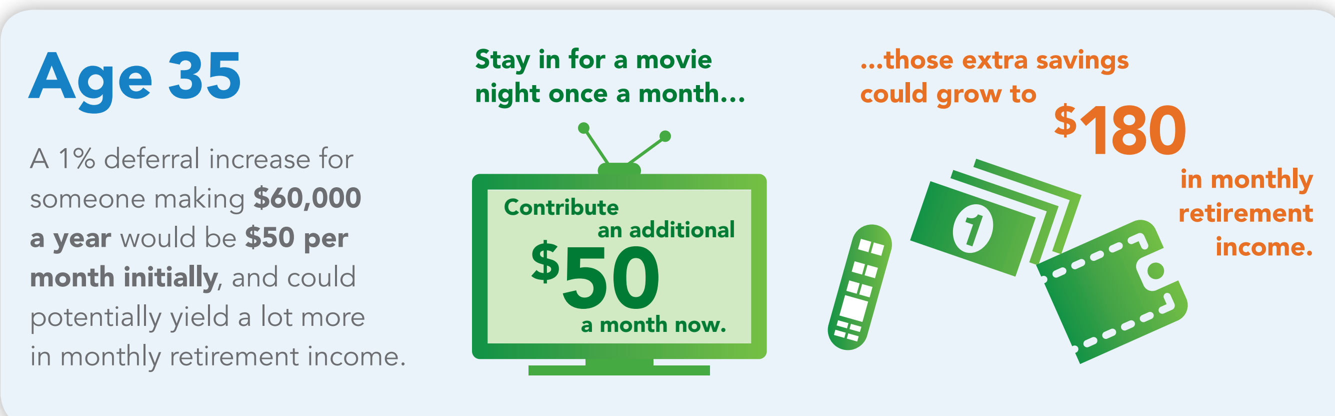


Among the challenges facing plan sponsors in the health care sector is motivating participants to save more. To address this need generally, Fidelity launched a savings campaign and Viewpoints article, *Saving Just 1% More Can Go A Long Way*[4]. The program encourages plan participants to increase their deferrals by just 1%, while providing easy-to-understand scenarios of the effects such an increase may have.

For example, imagine that Elena is a 35-year-old nurse earning $60,000 a year. She accepts the challenge and increases her deferral by 1%, which equates to saving an additional $50 per month. By the time Elena retires, she could be earning an additional $180 per month of retirement income and experience a total increase in income of $54,000 over the course of a 25-year retirement.[5]

SAVING 1% MORE CAN HELP BOOST RETIREMENT INCOME.

The reality is that saving just 1% more today could make all the difference down the road.



Hypothetical example assumes the individual saves until retirement age 67, lives through age 93, and receives a 1.5% real (inflation-adjusted) increase in wages per year. Rate of return is nominal 5.5%; 5.5% return consists of 3.2% real return and 2.3% inflation. This illustration assumes deferral percentage rate stays constant throughout the participant's working careers.

Estimated increases in monthly retirement income are in constant 2013 dollars. It is assumed that upon retirement the same real (inflation-adjusted) dollar amount is withdrawn annually through age 93.

Assumes the participant took no loans or hardship withdrawals from their workplace plan. Maximum annual qualified 401(k) retirement plan employee contribution limits in 2014 are $17,500 (or $23,000 if age is 50 or older).

All dollars shown (including increases to monthly retirement paycheck) are pre-tax dollars. Upon distribution, applicable federal, state, and local taxes are due. No federal, state or local taxes, inflation, or any account fees or expenses were considered. If they were, returns and monthly increase would be lower.

WHILE ACKNOWLEDGING A NEED FOR GUIDANCE, NURSES CITE A NUMBER OF OBSTACLES.

THE POWER OF GUIDANCE

In December 2013, Fidelity Investments published the Nurses Retirement Study,[6] a survey designed to gain insights into nurses' overall financial confidence and outlook toward retirement. One of the key findings was that 63% of the nurses surveyed are concerned they may never be able to retire. The study also found that 4 out of 5 nurses want help preparing for retirement.

63%
of Nurses Concerned about Never Being Able to Retire

4 out of 5
Nurses Want Help Getting Ready for Retirement

Pervis Stepney, a Fidelity Planning and Guidance Consultant working with major health care providers in the Midwest, describes her experience providing guidance to nurses:

> ***"Many of the nurses I see are overwhelmed and apologetic about their lack of knowledge. But I reassure them that they do have control, and many of them don't realize how easy it is to take positive steps toward retirement. I've found that nurses like information and that education is the key to getting them retirement ready. Retirement planning doesn't have to be as hard as you think it is."***

While acknowledging a need for guidance, nurses cite a number of obstacles, including:

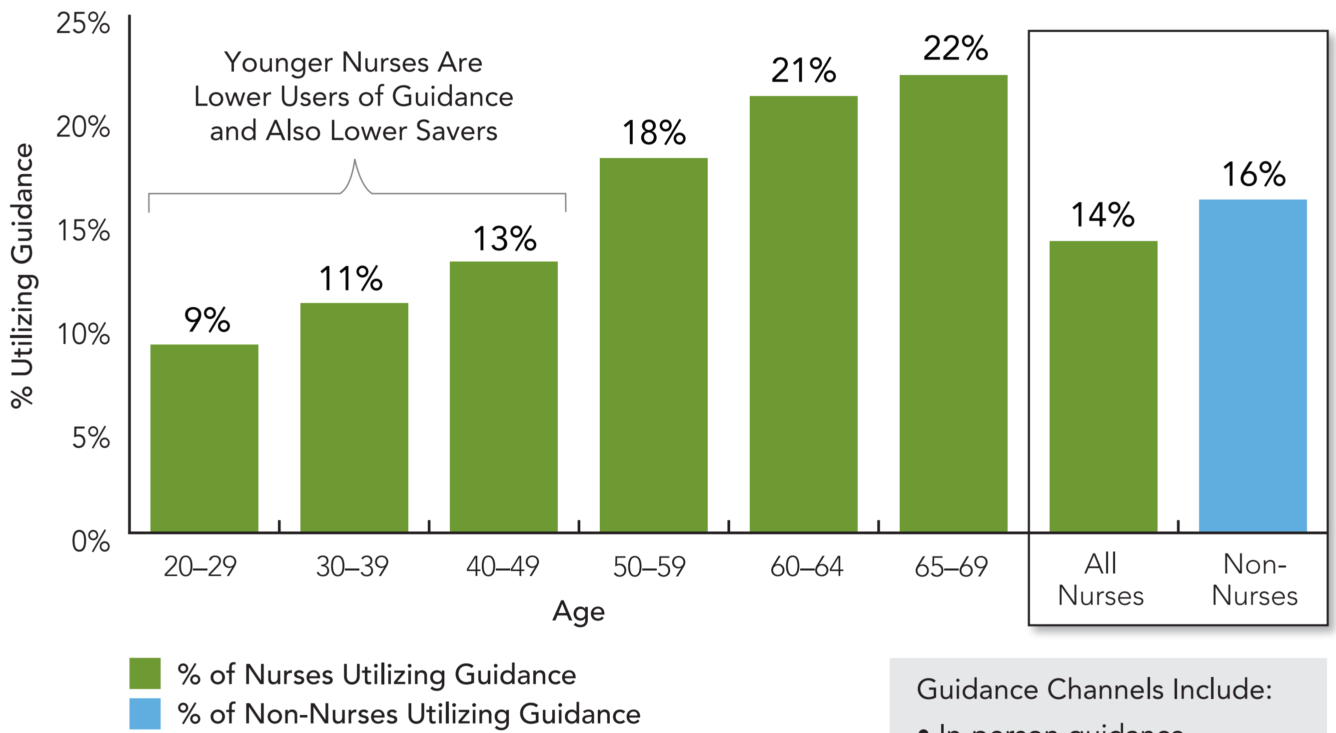
- **Lack of time:** Heavy workloads, training and continuing education (CE) requirements, the possibility of a second job, and responsibilities at home leave little time for thinking about retirement.
- **Work environment:** Nursing is certainly not a desk job; being on the go throughout their shifts leaves little opportunity for using any personal time they may have to address retirement planning needs.

Such impediments hamper nurses' ability to be proactive about their savings. In fact among nurses surveyed, only 1 in 4 (27%) nurses who admitted not saving enough reported that they plan to seek retirement planning and guidance over the next 12 months to help them save more.[7]

USE OF GUIDANCE IS CLEARLY LOWER AMONG YOUNGER NURSES.

As Figure 2 shows, only 14% of nurses get guidance through any of the major channels of in-person appointments, phone-based consultations, and self-directed, Web-based guidance tools. Use of guidance is clearly lower among younger nurses, coincidentally, the same age groups who are saving below the suggested 15% rate.

FIGURE 2. NURSES' UTILIZATION OF GUIDANCE BY AGE[8]



Guidance Channels Include:

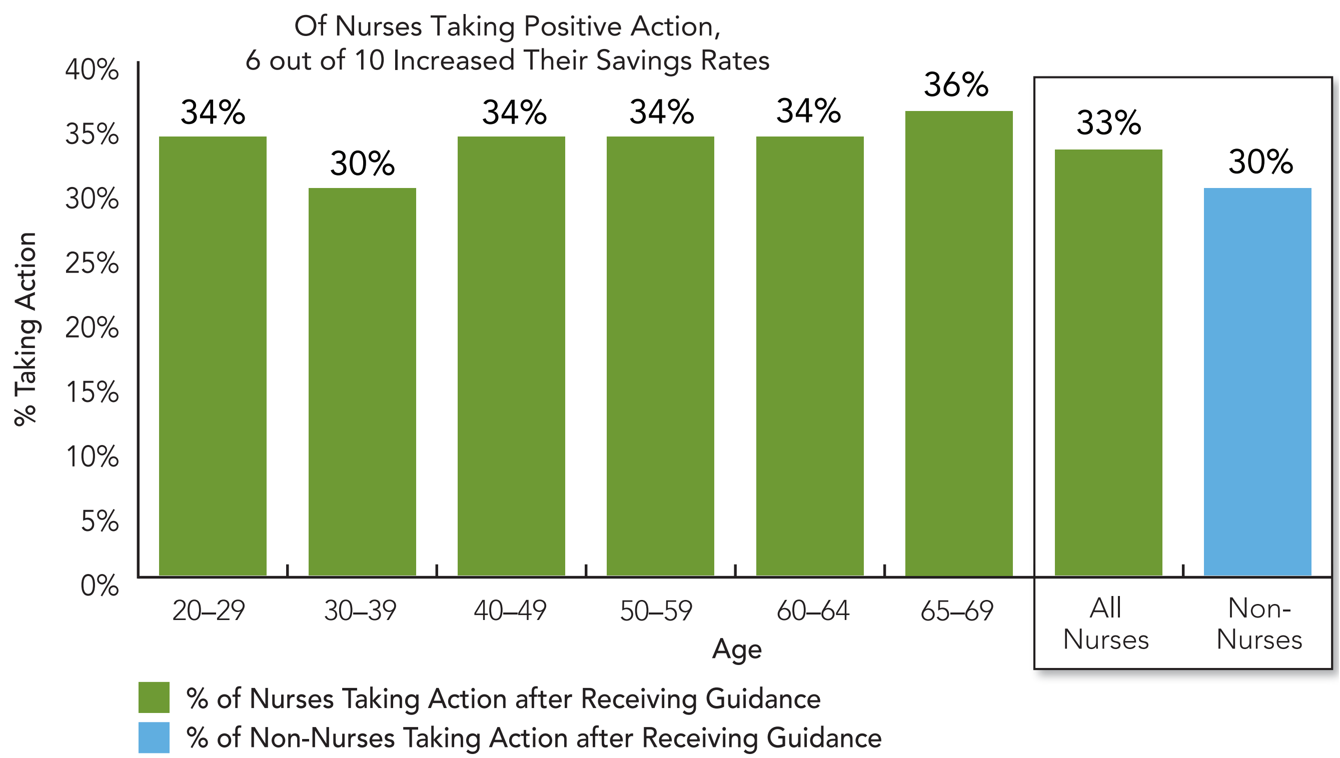
- In-person guidance
- Phone-based guidance
- Self-directed tools guidance

GUIDANCE IS EFFECTIVE AT HELPING NURSES MAKE THE CHOICE TO SAVE MORE, OPTIMIZE THEIR ASSET ALLOCATION, AND CREATE A PLAN FOR RETIREMENT.

Although use of guidance is slightly lower among nurses than non-nurses, those who do seek help are likely to take steps to improve their retirement readiness. Figure 3 shows that 33% of nurses take positive action[9]—such as increasing deferral rates—after receiving guidance, which is slightly more than the 30% of non-nurses who do so. Importantly, this rate of taking action is consistent across all age ranges.

Of the 33% who took action, 6 out of 10 (61%) increased their savings rate.[10] Fidelity's experience suggests that guidance is effective at helping nurses make the choice to save more, optimize their asset allocation, and create a plan for retirement.

FIGURE 3. NURSES' TAKE ACTION RATES AFTER RECEIVING GUIDANCE[11]



Positive Actions Taken Include:

- Increased deferral rates
- Changed asset allocation
- Made a fund exchange
- Consolidated assets
- Invested in a managed account
- Opened an IRA

MANY NURSES MAY HAVE ACCESS TO FREE GUIDANCE AS A BENEFIT FROM THEIR EMPLOYER THAT THEY ARE NOT AWARE OF.

Given the unique challenges that face this population, plan sponsors may ask, "How can we increase the utilization of education and guidance by nurses?" Fidelity's survey data show that nurses are apt to look to their families, online resources, and their employers for help with retirement planning. As Figure 4 indicates, nurses tend to find in-person, one-on-one meetings to be the most helpful resource available from employers.[12]

FIGURE 4. EMPLOYER AND RETIREMENT PLAN PROVIDER RESOURCES THAT NURSES FIND MOST HELPFUL

EMPLOYER AND RETIREMENT PROVIDER RESOURCES	% OF NURSES FINDING RESOURCE HELPFUL
In-person, one-on-one meetings	56%
Mailed materials	42%
Speaking with a provider phone representative	34%
In-person seminars	32%
Emailed materials	29%

As Figure 4 shows, effective retirement planning engagement for nurses may mean fewer email messages and more on-the-job guidance, coupled with mailed materials. Strong anecdotal evidence also suggests that smartphone usage among nurses is high, and the Fidelity Nurses Retirement Study indicates that nurses are more likely to use mobile apps when features such as viewing account balances, tracking investments, and accessing planning tools are available.[13]

Furthermore, many nurses may have access to free guidance as a benefit from their employer that they are not aware of. Building awareness about this key benefit is crucial for making sure nurses get the help they need to fine-tune their retirement plans.

NURSES' RETIREMENT READINESS

In contemplating retirement, the question nurses are most likely to ask is a simple one: How ready am I to retire? Many nurses have difficulty envisioning retirement, and some assume they will have to work as long as possible.

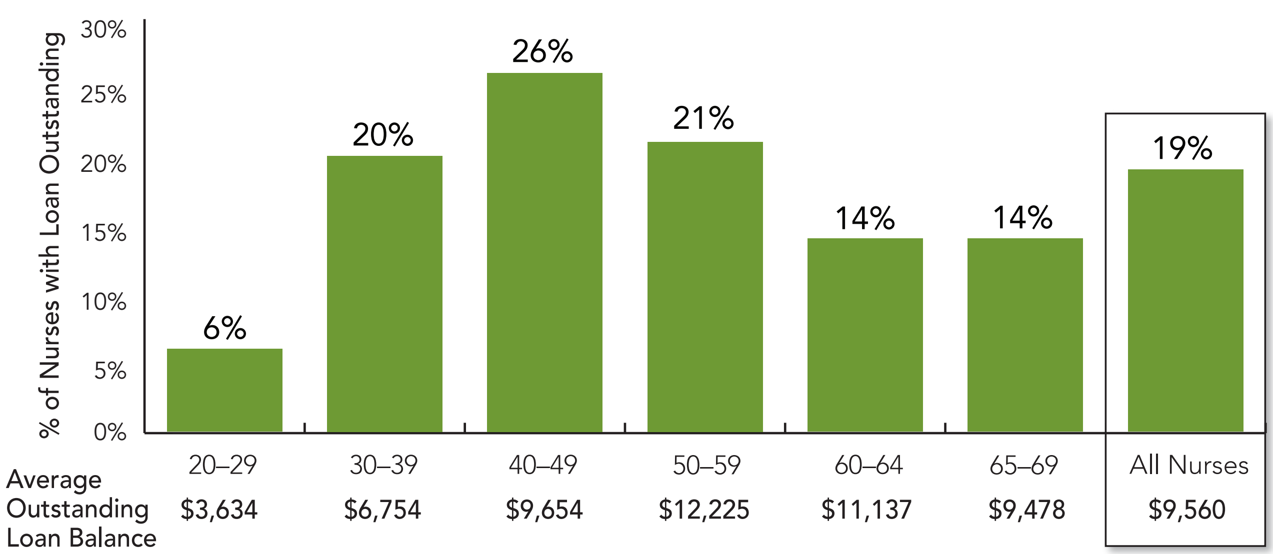
According to Damond Petersen, a Fidelity Planning and Guidance Consultant working with major health care providers in the West:

> ***"When I conduct guidance sessions with nurses, many of them don't think they will ever be able to retire. Some of them are retiring from full-time work and returning in per diem roles or as educators, providing continuing education and nurse orientations. I try to get them to focus on when and how they want to retire, to have them say what their needs are in retirement, and chart a course to get them there."***

Loans

One issue affecting nurses' retirement readiness is a high prevalence of loans from defined contribution account balances. Figure 5 shows that one in five nurses has an outstanding loan, with an average balance of slightly more than $9,500. Loan activity is highest among those in the 40–49 year age range.

FIGURE 5. NURSES' DEFINED CONTRIBUTION PLAN LOAN ACTIVITY BY AGE



Loans can adversely affect retirement readiness in two ways. First, while on loan, the funds are not invested in the market so opportunities for potential gains are missed. Second, loans are paid back with after-tax dollars, thus eliminating the tax advantages of qualified retirement plan savings for the loan amount.

Plan sponsors can help curb loan use by educating nurses on the risks of loan usage and by making plan design changes, such as allowing only one outstanding loan at a time and implementing waiting periods between loans.

Projected Income Replacement

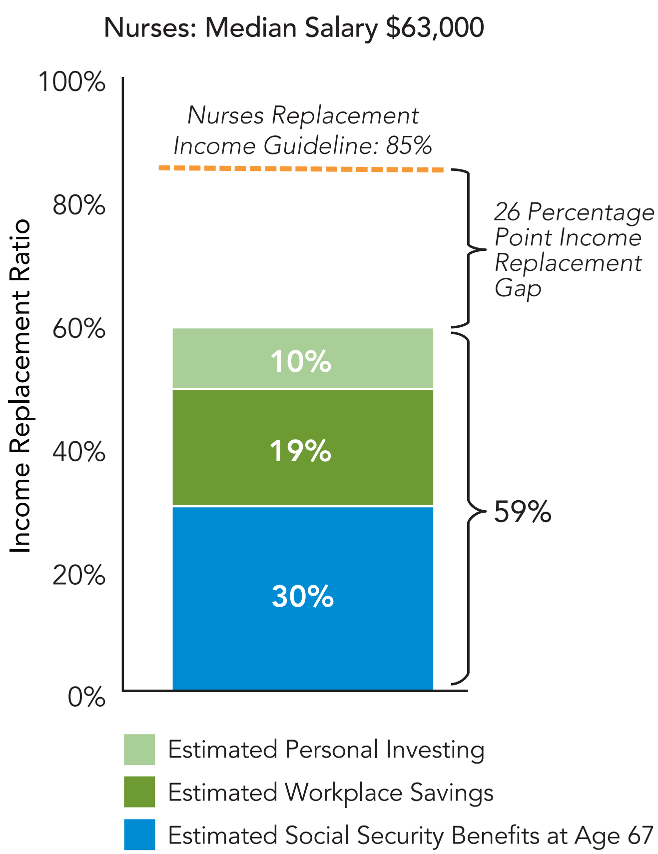
To determine whether an individual is on track for retirement security, Fidelity suggests participants aim for certain income replacement rates in retirement. For the average nurse whose salary typically falls between $50,000 and $80,000, Fidelity's suggested income replacement target is 85% of final net pay.[14]

To assess the retirement readiness of nurses in the dataset, Fidelity gathered retirement savings data across workplace and governmental sources. Looking more closely at nurses' financial profiles, the Fidelity Nurses Retirement Study found that approximately two-thirds of pre-retiree nurses hold an Individual Retirement Account (IRA),[15] and it is likely that a higher percentage hold an IRA, a brokerage account, a health savings account (HSA), or some other form of personal investing account. To provide a fuller view of retirement readiness, this analysis includes projections on such personal investing accounts.[16]

Figure 6 illustrates the relative contributions to retirement savings of the three major savings sources: Social Security (blue), workplace plans (green), and personal investing (light green). Taken together, these sources project an overall replacement rate of 59% of preretirement income, falling 26 percentage points short of the target replacement rate of 85%.

THE SINGLE MOST IMPORTANT THING THAT NURSES CAN DO IS SIMPLE: SAVE MORE.

FIGURE 6. ESTIMATED INCOME REPLACEMENT RATES OF NURSES WHO HOLD A WORKPLACE AND A PERSONAL INVESTING ACCOUNT



While it is impossible without an in-depth guidance interaction to determine the income replacement rate an individual will require in retirement, Fidelity's general proposal is to target an income replacement rate of 71%–95% (not inclusive of health and lifestyle considerations), based on current income level. Fidelity also suggests that nurses establish individualized long-term retirement income plans and utilize guidance sessions to help them manage and update such plans throughout their careers.

With all the competing priorities and varied responsibilities nurses have to manage, retirement savings is understandably often pushed to the bottom of the list. However, the single most important action that nurses can take is simple: save more. It may seem like retirement savings is a difficult problem to solve, but even small changes early in a nurse's career can have big benefits down the road.

PROMOTE ON-SITE AND PHONE-BASED GUIDANCE OPPORTUNITIES AND LINK THEM WITH NURSE-SPECIFIC PROGRAMS, SUCH AS NATIONAL NURSES WEEK.

SUGGESTIONS AND BEST PRACTICES FOR PLAN SPONSORS

- Implement automatic annual increase programs and increase the default deferral rate to 6% in automatic enrollment programs to promote increased savings rates.
- Utilize a target date fund or a managed account as a default investment.
- Drive guidance utilization among younger nurses with new-hire orientation materials that emphasize retirement program benefits and the power of saving early.
- Involve Chief Nurse Officer and Nurse Managers to help promote financial planning and education resources available to nurses.
- Promote on-site and phone-based guidance opportunities and link them with nurse-specific programs, such as National Nurses Week.
- Increase the effectiveness of retirement education by utilizing multi-channel communications and experimenting with mobile-based communications.
- Allow only one outstanding loan at a time and implement waiting periods between loans.

SUGGESTIONS AND BEST PRACTICES FOR NURSES

- Make retirement planning a priority.
- Manage debt load to bolster retirement savings opportunities and eliminate the need to take a loan from your defined contribution account.
- Strive to have a total savings rate (your deferrals plus your employer's contribution) equal 15% of your income. At a minimum, try to save enough to take advantage of your employer's matching contribution.
- Take the 1% challenge!
- Adjust your asset allocation according to your age and risk profile.
- Meet with a Planning and Guidance Consultant to help keep you on track toward retirement readiness.

STUDY METHODOLOGY

Dataset: Findings herein are derived primarily from data from Fidelity Investments' workplace investing and personal investing divisions. The dataset covers more than 88,000 health care workers. Included within the dataset are 27,700 nurses and 60,900 non-nurses.

Fidelity Workplace Data Methodology: Retirement plan data from 29 plans were gathered and analyzed. Data gathered and analyzed include participant indicative data, contribution data, asset allocation data, loans and withdrawals data, participant guidance data, and certain types of plan design data. All plans recordkept by Fidelity Investments as of 12/31/13. Unless otherwise noted, findings and conclusions are based on data as of, or for the 12-month period ending December 31, 2013.

For the Projected Income Replacement Figure 6, the following methodology was used:

- Workplace data for each individual participant in the dataset was projected to retirement age of 67 and then in retirement to age 93 using Monte Carlo simulations.
- 250 Monte Carlo simulations were used for the projections for each participant. Monte Carlo simulations are based on historical index performance and were utilized to project asset growth until age 93, assuming consistent contributions through age 67, and also assuming no loans or withdrawals before retirement.
- Projected asset allocation for each individual was based on their asset allocation as of 12/31/13, modeled with a static asset allocation mirroring their current holdings. All other participants with 100% target date fund holdings were rebalanced annually following the Fidelity Equity Glidepath.
- Monte Carlo analyses were conservatively conducted on workplace plan data using a 90% confidence level, where 90% of the simulations fell above the estimates shown in Figure 6, and 10% of simulations fell below the estimates. The projections are hypothetical in nature, do not reflect actual investment results, and are not a guarantee of future results. Results may vary with each modeling projection and confidence level chosen and as assumptions and actual results and behaviors change over time.
- Workplace retirement plan contributions were based on contributions made in the past 12 months and assumed to be made each year until the year of retirement, with withdrawals then commencing for each year through the year of assumed end of life, which is 93 years old for planning purposes.
- All workplace plan data were projected to be withdrawn from throughout retirement using a systematic withdrawal program (SWP). SWP modelling is based on the projected account balance at age 67, and models equal monthly payments over 27 years (to 93 years old). An algorithm is used to create equal monthly payments for 27 years such that at the time of the final payout, each account balance is projected to reach $0.

- Each individual's salary is projected to grow at a real rate (net of inflation) at 1.5% per year. This is the net effect of inflation-adjusted promotions and salary increases over a lifetime of work.
- To arrive at a percentage of income replacement, the annual retirement income (from the SWP) for each individual is divided by the projected age 67 salary. These calculations are averaged for all nurses in the dataset and are shown in Figure 6 as the green portion of the stacked bar chart "estimated workplace savings."

Fidelity Personal Investing Data Methodology: Personal investing data from 6,100 individuals (1,485 nurses and 4,615 non-nurses) were gathered and analyzed. This data includes account balance information from Individual Retirement Accounts (IRAs), brokerage accounts, and Health Savings Accounts (HSAs) held at the Fidelity Personal Investing division by individuals in the dataset who also held a workplace retirement plan account with Fidelity Workplace Investing division. Unless otherwise noted, findings and conclusions are based on data as of December 31, 2013.

For the Projected Income Replacement Figure 6, the following methodology was used:

- Looking more closely at nurses' financial profile, the Fidelity Nurses Retirement Study found that approximately two-thirds of pre-retiree nurses hold an IRA, and it is likely that a higher percentage hold an IRA, a brokerage account, an HSA, or some other form of personal savings account. To provide a fuller view of retirement readiness, this income replacement analysis includes projections on such personal investing accounts.
- Data for nurses (n = 1,485) that held at least one type of personal investing account (IRA, brokerage, or HSA) and that also held a workplace investing account with Fidelity Investments were used as a proxy for the impact of nurses' personal investing accounts on retirement readiness.
- Personal investing accounts were also modeled using 250 Monte Carlo simulations for the projections for each participant. Monte Carlo simulations are based on historical index performance and were utilized to project asset growth, assuming no additional contributions to personal investing accounts, and also assuming no withdrawals before retirement.
- Projected asset allocation for each individual was assumed to mirror a target date fund and rebalance annually following the Fidelity Equity Glidepath.
- Monte Carlo analyses were conservatively conducted on personal investing account data using a 90% confidence level, where 90% of the simulations fell above the estimates shown in Figure 6, and 10% of simulations fell below the estimates. The projections are hypothetical in nature, do not reflect actual investment results, and are not a guarantee of future results. Results may vary with each modeling projection and confidence level chosen and as assumptions and actual results and behaviors change over time.
- Personal investing account data for nurses who held both a personal and a workplace savings account with Fidelity were projected to retirement age of 67 and then in retirement to age 93 using Monte Carlo simulations.

- Withdrawals are assumed to commence starting at age 67 for each year through the year of assumed end of life, which is 93 years old for planning purposes.
- Personal investing data was projected to be withdrawn from throughout retirement using a systematic withdrawal program (SWP). SWP modelling is based on personal investing projected account balances at age 67, and models equal monthly payments over 27 years (covering the average lifespan up to 93 years old). An algorithm is used to create equal monthly payments for 27 years such that at the time of the final payout, the account balance is projected to reach $0.
- Salary projections were conducted exactly as in the Workplace data projections—each individual's salary is projected to grow at a real rate (net of inflation) of 1.5% per year.
- To arrive at a percentage of income replacement derived from personal investing, the annual retirement income (from the SWP) for nurses with personal investing accounts held at Fidelity Investments is divided by the projected age 67 salary. These calculations are averaged and are shown in Figure 6 as the light green portion of the stacked bar chart "estimated personal investing."

Estimated Social Security Benefits Methodology: The Social Security retirement benefit estimate is based on the participant's date of birth, most recent earned income amount, and the retirement age. The Social Security estimate is not impacted by factors such as account balances, contribution rates, asset mix, or projected market conditions. Social Security retirement benefits are adjusted by the application of a Cost of Living Adjustment (COLA) increase as provided by the Social Security Administration. An SSA premium table is used to calculate the adjustment. For more information, visit the Social Security Administration Web site at: http://ssa.gov.

[1] Individual retirement spending needs vary from person to person, often significantly. Individuals are encouraged to use a planning tool to explore their actual spending needs, especially within 10 years of retirement.

[2] Suggested total savings rate of 15% is a general guideline only and assumes no workplace pension. If an employee were to have a workplace pension, an individual assessment would need to be made to provide guidance as to an appropriate target savings rate.

[3] Pre-tax retirement income paycheck estimate, assuming a 5.5% fixed rate of return. Estimated increases in retirement monthly income are in constant 2013 dollars. See additional details at: https://www.fidelity.com/viewpoints/retirement/take-our-one-percent-challenge.

[4] https://www.fidelity.com/viewpoints/retirement/take-our-one-percent-challenge.

[5] Pre-tax retirement income paycheck estimate, assuming a 5.5% fixed rate of return. See additional details at: https://www.fidelity.com/viewpoints/retirement/take-our-one-percent-challenge.

[6] Fidelity Investments Nurses Retirement Study: http://www.fidelity.com/inside-fidelity/individual-investing/fidelity-study-shows-increase, December 2013.

[7] Fidelity Investments Nurses Retirement Study, ibid.

[8] Guidance utilization data is for the 12-month period from October 2012 to September 2013.

[9] Taking positive action within 90 days after receiving guidance—either representative-led or self-directed. Positive actions include: increased deferral rates, changed asset allocation, made an exchange, consolidated assets, invested in a managed account, and opened a retail IRA.

[10] After receiving guidance, 33.4% of nurses took action (increase deferral rates, adjusted asset allocation, exchanged funds, consolidated accounts, and related activities), with 20.4% of nurses increasing deferrals.

[11] Guidance utilization data is for the 12-month period from October 2012 to September 2013. Taking action includes increasing deferral rates, adjusting asset allocation, exchanging funds, consolidating accounts, and related activities.

[12] Fidelity Investments Nurses Retirement Study: http://www.fidelity.com/inside-fidelity/individual-investing/fidelity-study-shows-increase, December 2013.

[13] Fidelity Investments Nurses Retirement Study: ibid.

[14] For incomes less than $50,000 per year, the guidance is a 95% income replacement target; for incomes from $80,000 to $120,000, the guidance is 77%; and for incomes above $120,000, the guidance is 71%. Estimated income replacement rate ranges are not inclusive of health or lifestyle considerations. To learn more about target income replacement rates and how they vary with lifestyle and health considerations, please read the *Fidelity Viewpoints*® article, "What Will You Spend in Retirement?" at https://www.fidelity.com/viewpoints/personal-finance/what-to-spend-in-retirement.

[15] Fidelity Investments Nurses Retirement Study, ibid.

[16] Individual Retirement Accounts (IRAs), brokerage accounts, Health Savings Accounts (HSAs), and related personal investing accounts projections based on nurses who have both a workplace account and a personal investing account with Fidelity Investments. All personal retirement savings data as of 12/31/13.

Guidance provided by Fidelity is educational in nature, is not individualized, and is not intended to serve as the primary or sole basis for your investment or tax planning decisions.

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