

Retirement Survey & Insights Report 2023

RETIREMENT MINDSET MATTERS

Exploring the Mindset of Retirement Savers

In Collaboration With Sytoniq

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Methodology and Respondents

METHODOLOGY

Our findings are based on a July 2023 survey conducted by Goldman Sachs Asset Management and Qualtrics Experience Management to understand the realities of preparing for and living in retirement. We evaluate survey responses from 5,261 individuals - including 3673 working individuals across generations (Baby Boomers, Generation X, Millennials, and Generation Z), and 1588 retired individuals (aged 50-75).

To better understand how people make retirement savings decisions in the face of many competing priorities, we engaged behavioral economists Syntoniq. Syntoniq developed key questions in our survey to analyze four behavioral characteristics discussed throughout this

report—optimism, future orientation, risk-reward focus, and financial literacy (described further in the appendix). Syntoniq's analysis helped provide deeper insights into retirement planning behaviors.

In Collaboration With Syntoniq

Syntoniq is a behavioral finance technology company specializing in behavioral analysis that empowers individuals to better understand their financial decision-making and bridge the gap between their financial objectives and outcomes. Syntoniq brings together decades of combined research experience in behavioral science, social psychology, and quantitative finance to turn psychological insights into measurable value.

RESPONDENTS

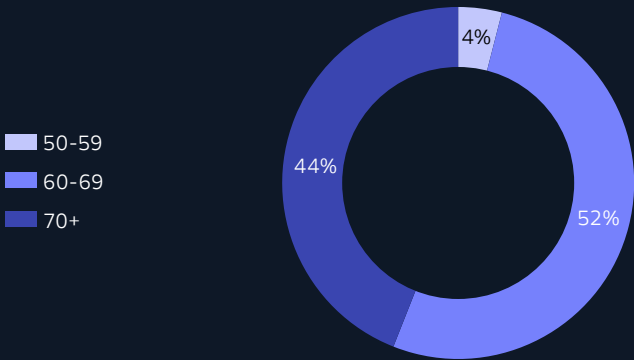
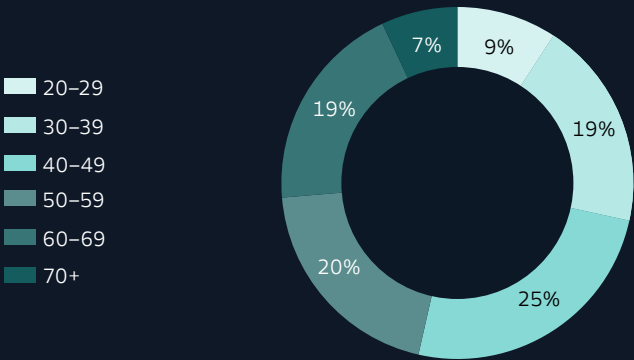
5,261

WORKING INDIVIDUAL

3,673

RETIRED

1,588



Executive Summary

Introduction

In the [Retirement Survey & Insights Report 2023](#), we once again explore the concept of the Financial Vortex, a term we use to describe the challenge of saving for retirement while juggling competing financial priorities. Despite recent economic improvements, this financial vortex continues to place strain on individuals of working age.

In this supplemental report, we asked Syntoniq to dive even deeper to uncover the behavioral factors that can influence individuals' long-term savings tendencies. Can a better understanding of underlying behavioral characteristics help explain why some people reach retirement prepared, while others do not? For example:

- Why are some people naturally better retirement savers?
- Why do some people not prioritize retirement savings?
- Why are some people better at navigating the financial vortex?

The analysis is based on four behavioral factors that influence financial decision-making and may help us better understand retirement challenges:

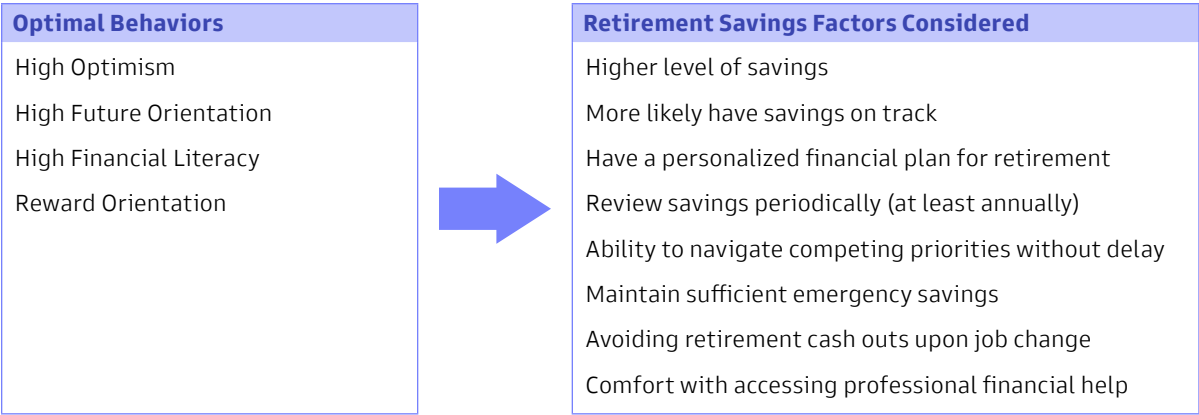
- [Optimism](#): The tendency to overestimate the probability of positive events.
- [Future Orientation](#): The connectivity one has to their future selves; the extent to which one is willing to wait for future rewards.
- [Risk vs. Reward Orientation](#): The pursuit of goals by focusing on security versus achievement.
- [Financial Literacy](#): The level of fluency and understanding of basic financial concepts.

Executive Summary

Determining Optimal Retirement Savings Behaviors

The analysis shows that these factors can significantly contribute to explaining long-term savings behavior and provides insight into the motivations that may drive savings, investing and planning actions. The “optimal” combination highlights potential benefits on long-term-savings behaviors and illustrates the potential shortfalls of a “suboptimal” combination.

The “optimal” set of traits accounts for only 10% of the survey’s working respondents and the “suboptimal” group accounts for ~5% of the survey’s working respondents (i.e., low optimism, low future orientation, low financial literacy, prevention or risk oriented). Therefore, 85% exhibit a blend of these “optimal” and “suboptimal” characteristics. While this report suggests that certain behaviors may be optimal and suboptimal in this context, we also recognize that there are both positive and negative attributes associated with each factor. By better understanding these key factors, we can be better placed to identify when these attributes may be impacting retirement savings practices, either positively or negatively.



Source: Goldman Sachs Asset Management, as of October 2023.

Executive Summary

Summary of Findings

Optimism: Individuals with high optimism more often take proactive actions with their savings, such as setting up personalized financial plans and actively changing investments in volatile markets.

Future Orientation: Individuals with high future orientation tend to have good savings behavior and are typically more financially prepared for retirement. They are more likely to maintain emergency savings, prioritize retirement planning, and engage in proactive financial behaviors, such as retirement savings reviews.

Risk vs. Reward Orientation: Individuals with a reward-orientation more often take proactive actions with their savings, such as setting up personalized financial plans, access financial help, prefer investment income in retirement, report less stress managing finances and have a higher level of savings.

Financial Literacy: Individuals with high financial literacy are more likely to review retirement savings periodically, have emergency savings, take defensive action during market events, report less stress managing finances and favor retirement income that is guaranteed and inflation protected.

Executive Summary

Taking Personalization to the Next level

One's behavioral mindset is an important level of personalization that we believe plan sponsors and advisors may want to consider. Motivating, engaging and supporting retirement savers requires the right mix of offerings and services to best align with how they make financial decisions. Below are some possible ways to think about enhancing retirement education, advice and plan design taking into account the analysis in this report.

- **Potentially Improve Engagement with Better Understanding of Motivation:** Better engagement can start with a better understanding of what motivates saving, spending and advice behaviors. Our findings illustrate that level of optimism and perception of the future can be critical to facilitate people seeing the rationale for future savings and having the confidence in their ability to achieve the goal. Promoting these factors can help motivate the right behaviors for long-term savings success.
- **Personalize for More Actionable Advice:** By understanding behavioral tendencies, a sponsor may be able to more effectively personalize education and advice. Incorporating motivations and their impact on one's preferences for products and services can help improve communicating offerings effectively and personalizing the retirement savings experience.
- **Account for Behavioral Preferences in Plan Design:** Most retirement savers seek some form of help to save and prepare for retirement, but their preferences can vary significantly. For example, more engaged participants tend to seek features to optimize their savings (i.e., planning features, more investment options, emergency savings, etc.) while those who struggle to save are more interested in guaranteed income options than planning resources. By incorporating behavioral preferences, sponsors can better align plan features with the needs of their employees.

Source: Goldman Sachs Asset Management, as of October 2023.

Top Ten Takeaways

1 One's intentions to reach retirement preparedness do not always match their retirement savings outcome. Yet, future generations expect personal savings to account for a larger percentage of income.

2 Those with "optimal" behaviors have an easier time preparing for retirement. Having high optimism, high future orientation, high financial literacy and reward orientation correlates with higher savings, more engagement, and more comfort navigating competing priorities.

3 Those with high optimism take more action. However, more action doesn't always translate into good decisions or smart action. Financial advice and counseling may be important to help this group navigate decisions.

4 Those with strong future-orientation save more. Strong future-orientation people prioritize long-term goals and may be more willing to live below their means in the present to meet those goals.

5 Savers most threatened by the Financial Vortex want professional help in investing. The qualities that make savers most vulnerable also correlate with an interest in automated features and guaranteed income options.

6 Lower financial literacy respondents are more action-oriented. Increasing savers' engagement in their retirement preparation can be paired with financial education and advice so that actions taken are well-informed and effective.

7 Savers become more risk-averse in retirement. As people become more focused on preventing risk they may favor defensive actions such as reducing their spending to manage further financial risk in retirement.

8 The most vulnerable savers have four traits in common: low optimism, low future-orientation, low financial literacy and risk rather than reward orientation. These people report the most financial stress, lower savings, less engagement in their retirement preparation, and less ability to manage competing priorities.

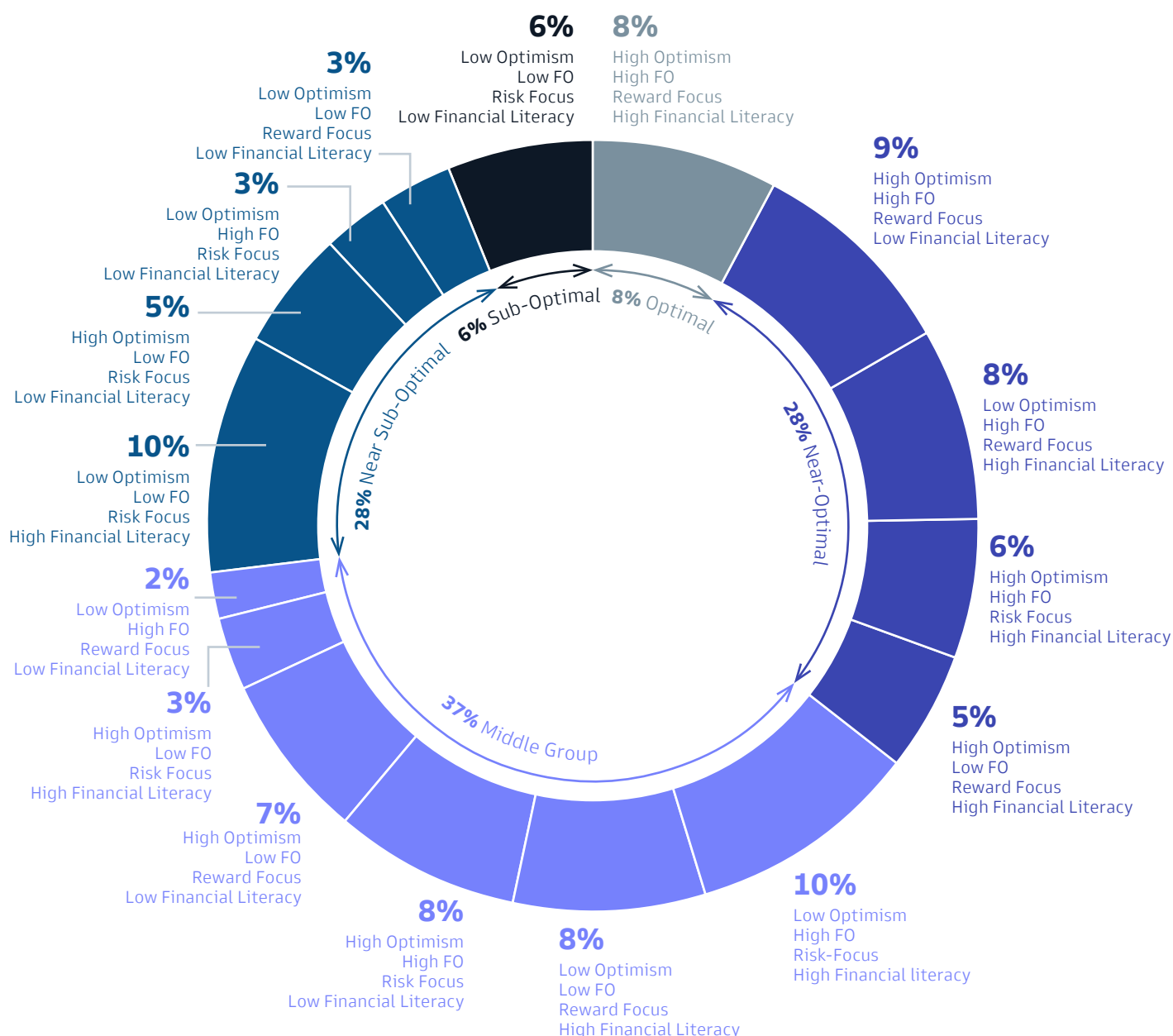
9 Product preferences can align with retirement mindset. Those with more action-oriented, proactive, optimistic attitudes tend to want options. They seek a broader range of advice services, tools, and investments to help manage their savings.

10 Savings can be buoyed by a positive view of the future. When people know what they're saving for and believe they can achieve it, this re-enforces their motivation to save.

Source: Goldman Sachs Asset Management, as of October 2023.

BEHAVIORAL FACTOR DEMOGRAPHIC ANALYSIS (WORKERS ONLY)

As previously discussed, we evaluated four behavioral factors to identify which correlate most positively to retirement savings behaviors. This population has been identified as “optimal” and those who exhibit the opposite behaviors as “sub-optimal.” However, more than 85% of the working population exhibits a blend of these characteristics. This chart is for illustration purposes only and provides an overview of the combination of behavioral attributes.



Optimal: High Optimism, High Future Orientation, Reward Oriented, High Financial Literacy

Near-Optimal: Three of the four optimal traits

Middle Group: Two of the four optimal traits

Near Sub-Optimal: One of the four optimal traits

Sub-Optimal: Low Optimism, Low Future Orientation, Risk Oriented, Low Financial Literacy

Source: Goldman Sachs Asset Management, as of October 2023.

CLOSING THE GAP BETWEEN INTENTIONS AND REALITY

In business, we often hear that “culture eats strategy for breakfast” because culture can be quite influential on the decision-making process.

The world of retirement planning is no different. Most people have the intentions to successfully retire. But why doesn't the outcome match?

As we explore the retirement savers' decision-making to understand what causes these gaps, we start with that fact that adults makes thousands of decisions each day. In retirement planning, we often hear one thing: “Save more”, but that doesn't always lead to reaching retirement prepared. There are many factors that can impact how and why people make retirement-related decisions and what might influence decisions that lead to reduced retirement outcomes.

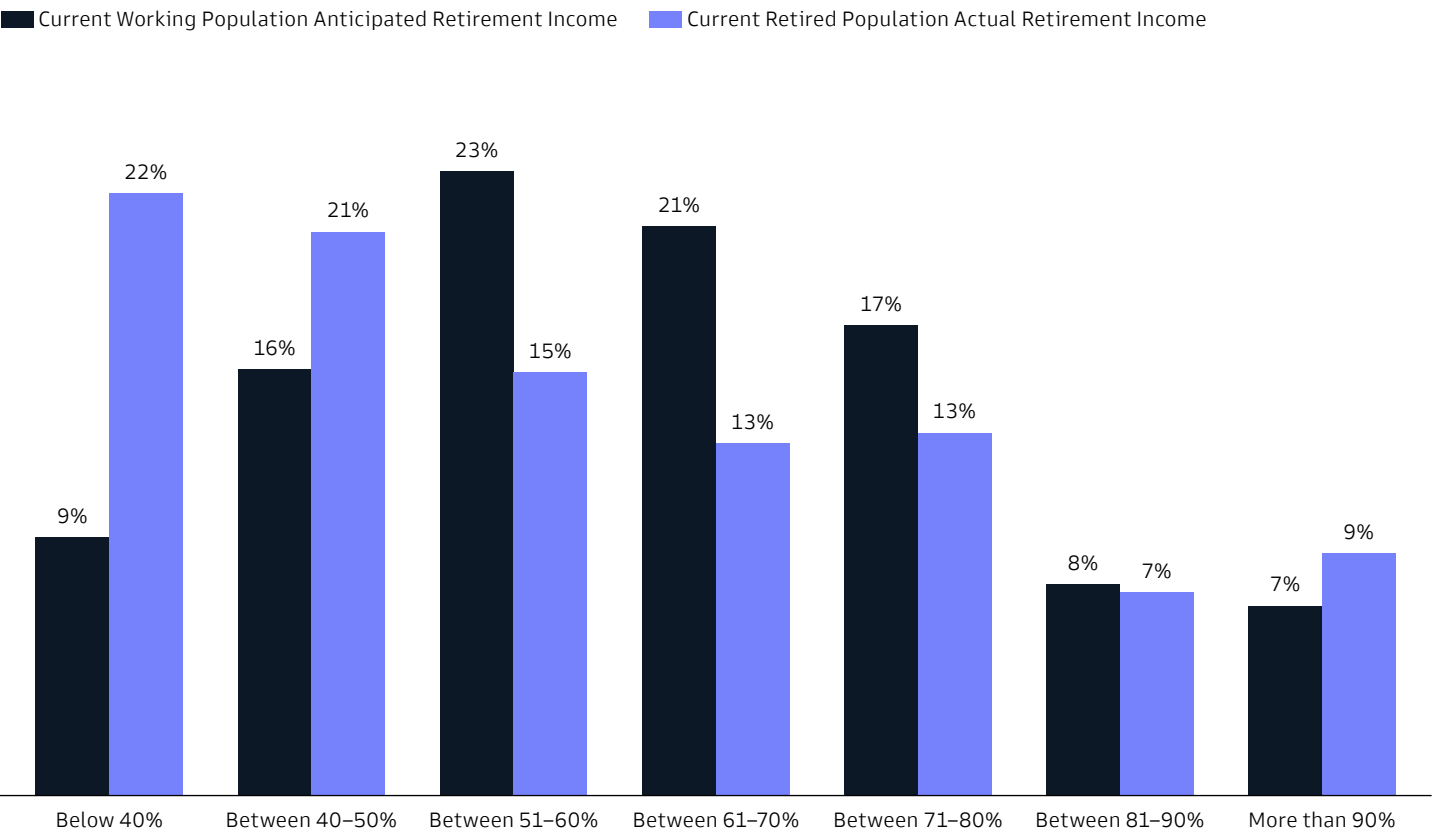
The Financial Vortex illustrates the growing set of challenges people are facing as they navigate competing priorities. How people navigate such decisions can be affected by their behavioral mindset.

For this reason, we use behavioral science principles to understand what drives retirement planning decisions. Helping individuals understand how they make retirement decisions and how they can balance trade-offs can help more people effectively navigate the vortex and prepare for retirement.

In this supplemental report to the Navigating the Financial Vortex series, we seek to understand:

- What behavioral traits make individuals better retirement savers?
- What behavioral traits tend to be seen in disengaged retirement savers?
- What behavioral traits can help navigate the financial vortex?
- What might cause retirement savers to not be good retirement spenders?
- How might sponsors and advisers leverage this information as they consider better plan design and participant engagement strategies?

Current Working Population's Anticipated Retirement Income Exceeds Current Retired Population's Actual Income



Source: Goldman Sachs Asset Management, as of October 2023.

BEHAVIORAL FINANCE 101

Traditional economic models often assume that humans are rational, cost-benefit calculating creatures with stable preferences that act to maximize wealth at all times. Behavioral science challenges these core assumptions and starts with the basic premise that people’s decisions are not always optimal, but rather are influenced by emotions, biases, and mental blind spots.¹

In certain cases, these biases and emotional influences can be beneficial.² Throughout our evolution, the human brain developed “shortcuts” as a survival mechanism. For example, certain emotions and fears might get us to take action and move away from danger without having to think about it.³

However, these cognitive simplifications can also lead to biases that show the limits of people’s rationality and self-control.⁴ In financial decision-making, this can result in a range of behaviors that make it more difficult for people to reach retirement savings goals, such as making investments based on overly optimistic expectations, having a savings strategy that is too conservative, or prioritizing short-term financial needs and desires.

BEHAVIORAL TRAITS EVALUATED

To evaluate long-term retirement savings from a behavioral science point of view, we seek to understand what influences attitudes, preferences, and behaviors, such as levels of optimism, long-term orientation, risk-reward perspective and financial literacy.

In collaboration with Syntoniq, our behavioral finance research partner on this project, we provide the analysis of four aspects asked about in the survey that may impact financial decision-making:

- Optimism
- Future Orientation
- Risk vs. Reward Focus
- Financial Literacy

Analyzing these relationships can allow us to provide insights with actionable implications, which may be helpful for tailored planning strategies and client engagement interventions. These traits are not inherently good or bad. Each can have negative and positive consequences depending on the context and situation, how they combine with other factors, and ultimately how they impact the individual.

Behavioral Traits	Retirement Relevance
Optimism: <ul style="list-style-type: none">▪ Overestimating probability of positive events and underestimating probability of negative events▪ Overconfident: perception better than reality	Potential Influences <ul style="list-style-type: none">▪ Level of financial engagement▪ Willingness to take risk▪ Plan for emergency provisions▪ Readiness for higher levels of personal debt
Future Orientation: <ul style="list-style-type: none">▪ One’s connectivity with their future-selves	Potential Influences <ul style="list-style-type: none">▪ Flexibility and effectiveness to plan for retirement▪ Spending, saving, and money management
Risk-Reward Focus: (Promotion vs Prevention orientation) <ul style="list-style-type: none">▪ Promotion: Eager pursuit of goals focusing on achievement—reward focus▪ Prevention: Vigilant pursuit of goals focusing on security and protection—risk focus	Potential Influences <ul style="list-style-type: none">▪ Type of investment portfolio▪ Attitudes such as saving more or spending less▪ Approach to building retirement wealth—through aggressive saving or investing
Financial Literacy: <ul style="list-style-type: none">▪ Reflects a person’s level of fluency and understanding of basic financial concepts, such as compound interest and diversification	Potential Influences <ul style="list-style-type: none">▪ Financial planning and saving▪ Future satisfaction with personal financial situation▪ Willingness to take risk▪ Taking on high-cost debt

Source: Goldman Sachs Asset Management, as of October 2023.

1. Thaler, R. H. (2015). Misbehaving: The making of behavioral economics. W. W. Norton & Company.

2. Haselton, M. G., Nettle, D., & Andrews, P. W. (2015). The evolution of cognitive bias. The handbook of evolutionary psychology, 724-746.

3. Simon, H. A. (1982). Models of bounded rationality. MIT Press.

4. Kahneman, D. (2011). Thinking, fast and slow. Allen Lane.

OPTIMISM

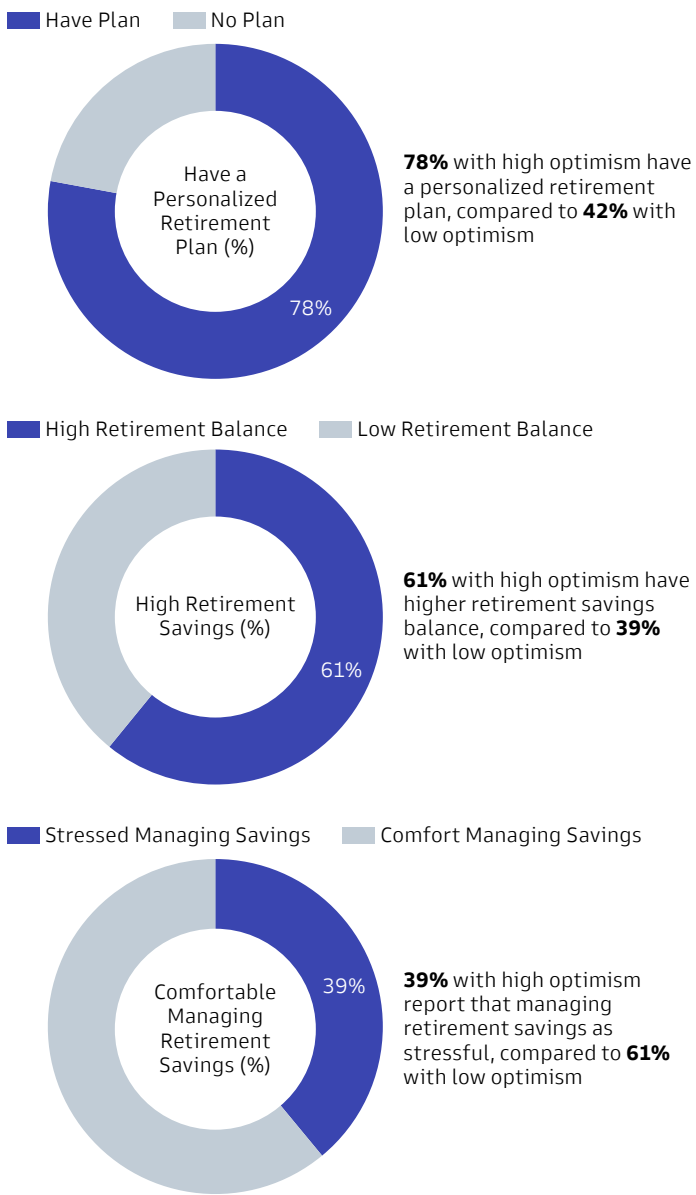
People tend to overestimate the probability of positive events and underestimate the probability of negative events happening to them in the future. For example, we may underestimate our risk of getting cancer and overestimate our future success on the job market.¹ One type of overoptimism (OO) is overconfidence, which is observed when people’s subjective confidence in their own ability is greater than their objective (actual) performance.²

Results show that high optimism individuals tend to have favorable retirement expectations, evident in their belief that they are ahead of schedule in savings and can meet their retirement goals/needs. They also expect to retire earlier than average. In addition, high optimism individuals are more likely to have started personalized financial plans and review their retirement savings at least annually.

We have also seen that the high optimism group reports lower financial stress about retirement savings. While OO is usually taken as evidence of bias (e.g., inflated confidence about meeting financial goals), its association with positive outcomes like reviewing retirement savings and lower financial stress highlights some positive aspects of being an optimist more generally.

High optimism is also evident in differences between working-age and retired groups. Actual retirement incomes (as a percentage of working-age income) generally are lower than working-age people expect them to be, illustrating the difference between our intentions and actual outcomes. Similarly, being able to retire due to sufficient savings is expected by a greater percentage of individuals of working age than cited as a factor for their retirement by retirees, and the proportion of people who expect retirement due to job loss is smaller than the proportion of retirees who report to have experienced it. Findings about high optimism in aggregate working-age vs retired samples are particularly striking given the broad expectation that younger generations will need to rely on personal savings to a much larger degree than existing retirees.

Attributes of High Optimism (Based on Survey Findings)



Demographic Attributes of High Optimism



Source: Goldman Sachs Asset Management, as of October 2023.
1. Sharot, T. (2011). The optimism bias. *Current Biology*, 21(23), R941-R945.
2. Pallier, G., Wilkinson, R., Danthiir, V., Kleitman, S., Knezevic, G., Stankov, L., & Roberts, R. D. (2002). The role of individual differences in the accuracy of confidence judgments. *Journal of General Psychology*, 129(3), 257-299.

OPTIMISM

High optimism may also have a significant influence on financial decisions related to market events (i.e., recent high inflation period) which also saw considerable market volatility. Interestingly, those with high level of optimism are more likely to take offensive financial action, meaning that they actively manage their situation. They are more likely to change their investment allocation, hire a financial / digital advisor and / or add to their emergency savings.

Those with low optimism, however, were more defensive and passive. They took fewer actions during this period. Their primary point of engagement was to decrease their spending level, which may speak to a bias on controlling what they can control.

High optimism is an important behavioral trait that can have a meaningful impact on long-term financial decision-making and, therefore retirement savings.

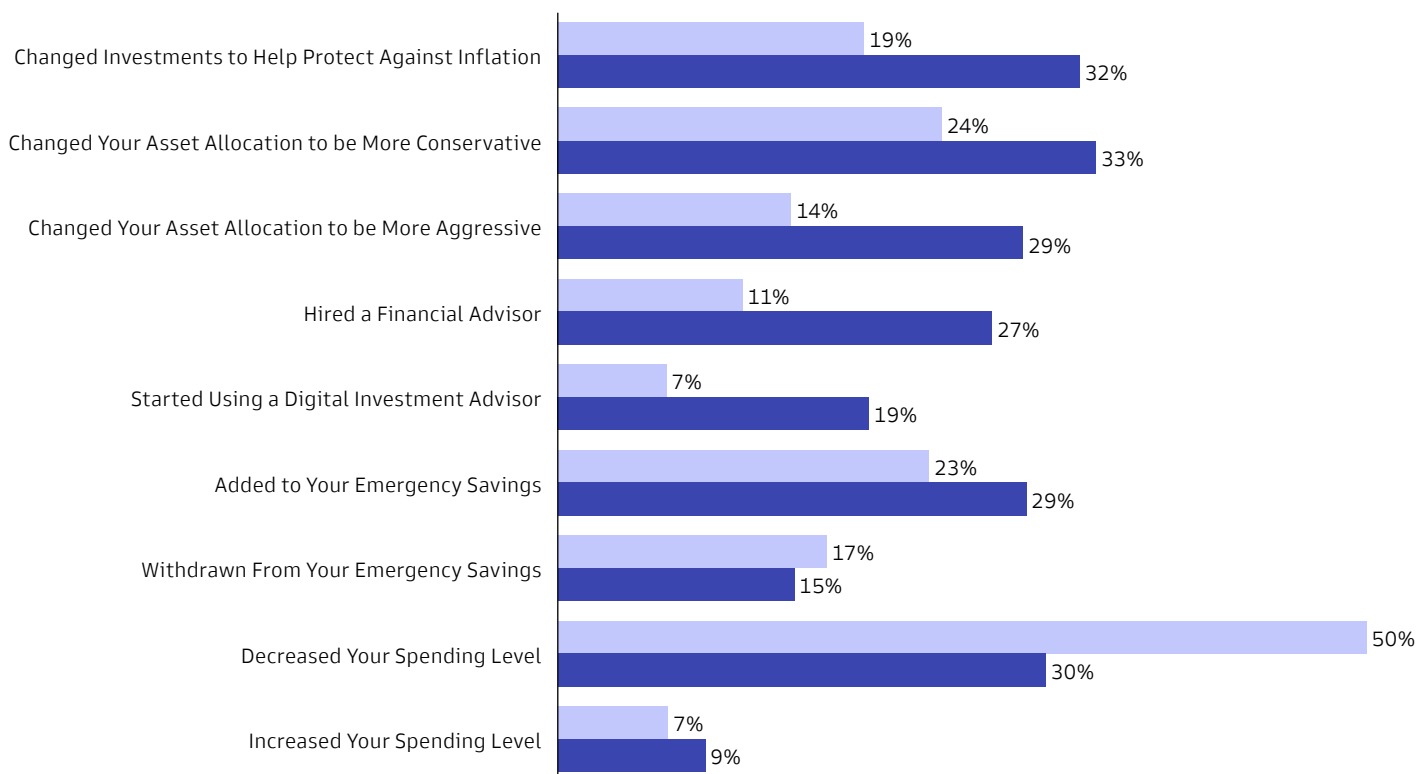


High Optimistic Savers Are...

- More likely to have higher than average savings
- Typically, more engaged with their retirement savings
- More likely to say financial vortex has a significant impact
- Typically report less stress managing savings
- More likely to have expectations that are overly optimistic (over-estimate the positives, under-estimate the negatives)
- More likely to take “offensive” proactive actions in light of financial adversity
- Less likely to take steps that impede current lifestyle (e.g., lower spending)

Actions Taken Given Inflationary Environment, By Optimism (High vs Low)

Low High



Source: Goldman Sachs Asset Management, as of October 2023.

FUTURE ORIENTATION (FO)

Individuals differ in how they take their future into account when making decisions. This tendency is termed future orientation. Consumers are frequently faced with options that involve varying costs and benefits. Some savers prefer a bird in the hand, while others prefer two in the bush; others are willing to wait in the hope of better payoffs in the future. Time-discounting research suggests that many prefer rewards in the present, even if the payoff may be greater in the future.¹

We find that individuals with high FO tend to have more emergency savings, prioritize retirement planning, and are more likely to engage in proactive financial behaviors. This trait can contribute to adopting personalized financial plans, engaging in retirement savings reviews, and holding higher retirement savings. These results are not unexpected, as a greater FO suggests a greater focus on saving than spending and a greater interest in being financially prepared for retirement.

We further find that FO does not affect reported financial stress, but it can influence retirement income preferences, with a preference for investment income over annuity income, part-time income, or real estate income. This seems to reflect the long-term perspective of individuals with high FO.

Low FO individuals are more likely to cash out their retirement plans upon job changes or make a withdrawal from their emergency savings. They are also more likely to say that credit card debt and monthly expenses interfere with retirement savings, particularly if they don't have a financial plan.

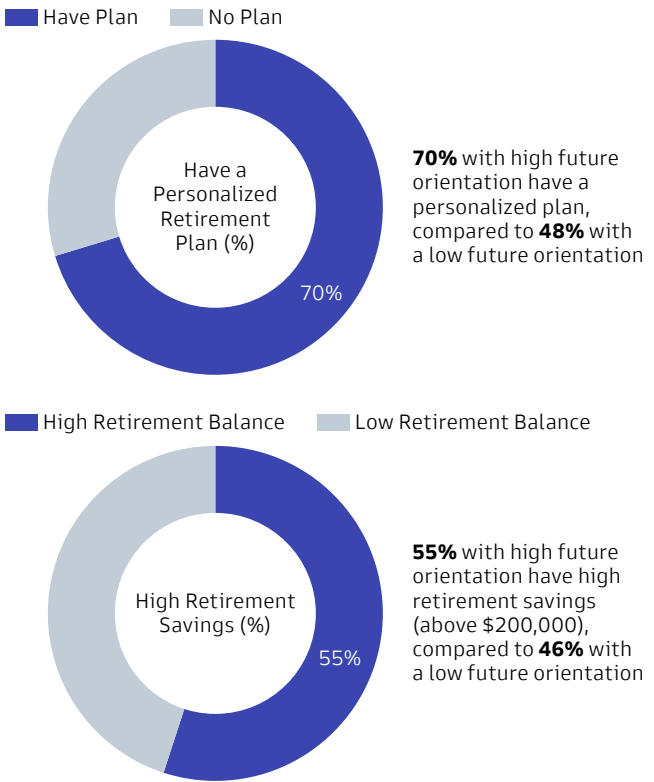
Results for the low FO group can be particularly helpful as they can identify individuals who are more likely to be influenced by financial obligations that compete with retirement savings.

Finally, 66% with high future orientation are classified as "savers" in the analysis, while only 8% of those with low future orientation are viewed as savers. Conversely, 32% of low FO are classified as in our study as spenders and 4% with high FO are spenders.

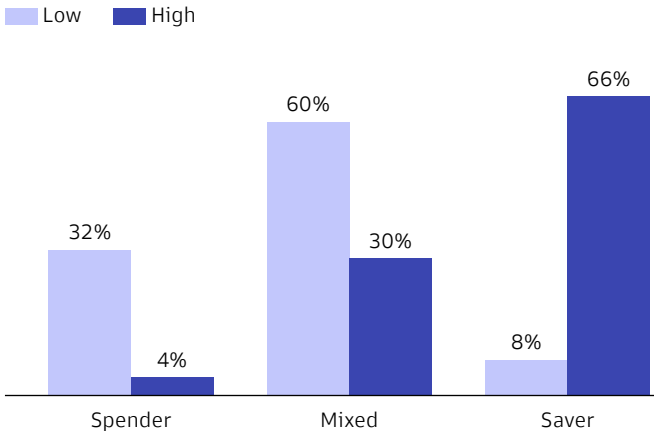
Demographic Attributes of High Future Orientation



Attributes of High Future Orientation (based on survey findings)



Savers vs Spenders Mentality, by Future Orientation



Source: Goldman Sachs Asset Management, as of October 2023.
1. Frederick, S., Loewenstein, G., & O'Donoghue, T. (2002). Time discounting and time preference: A critical review. Journal of Economic Literature, 40, 351-401. 129(3), 257-299.

FUTURE ORIENTATION (FO)

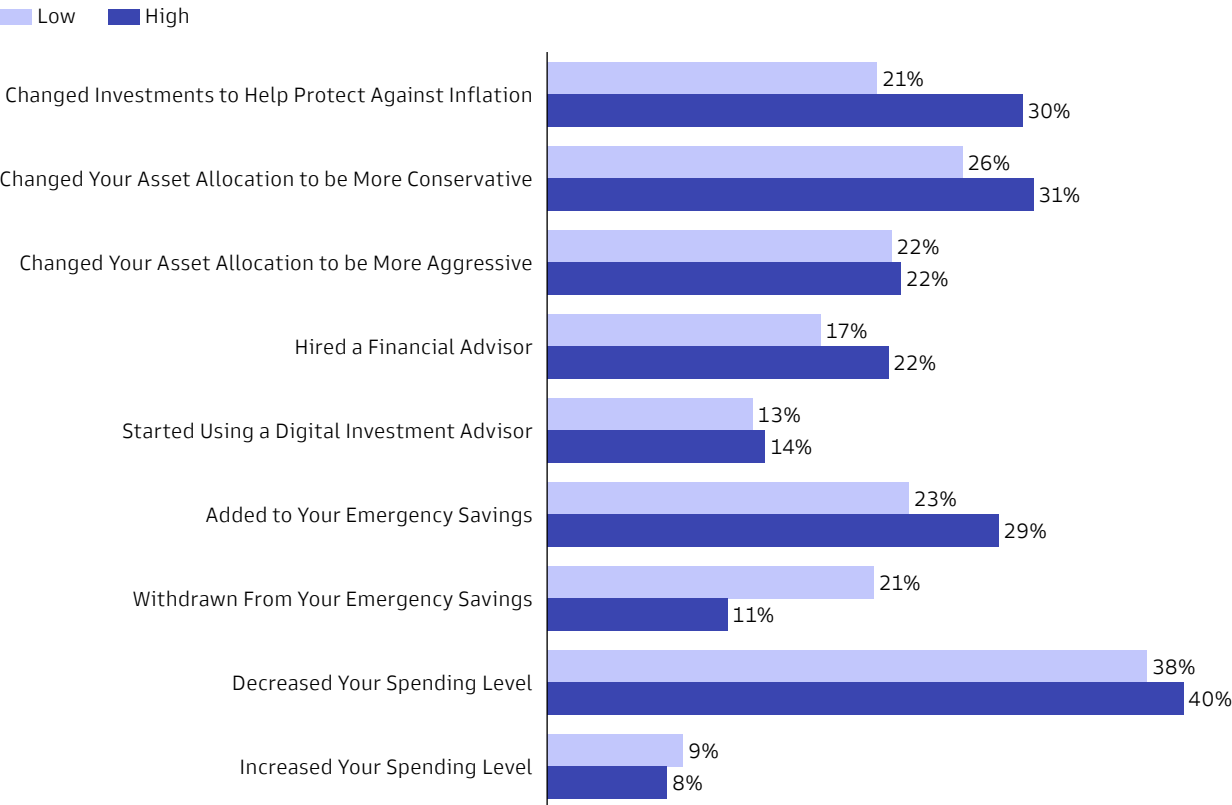
Future orientation can impact the actions individuals may take in the face of financial uncertainty, as suggested by their actions from the recent high inflationary period in the last few years (also marked by high market volatility). Though high FO respondents tend to be action oriented, they may be inclined to take defensive action rather than offensive action when facing uncertainty. For example, they may be more likely to adjust their portfolio allocation to be more conservative when facing inflation. Additionally, they may be more likely to hire a financial advisor and increase their emergency savings. Similar to low FO respondents, high FO individuals are inclined to reduce spending during these market conditions, unlike high optimistic respondents.



High Future-Oriented Savers Typically...

- Prioritize long-term financial savings
- Higher-than-average savings
- More engaged
- More action-oriented in light of financial adversity but actions more defensive in nature

Actions Taken Given Inflationary Environment, by Future Orientation



Source: Goldman Sachs Asset Management, as of October 2023.

RISK-REWARD FOCUS (PROMOTION VS PREVENTION ORIENTED)

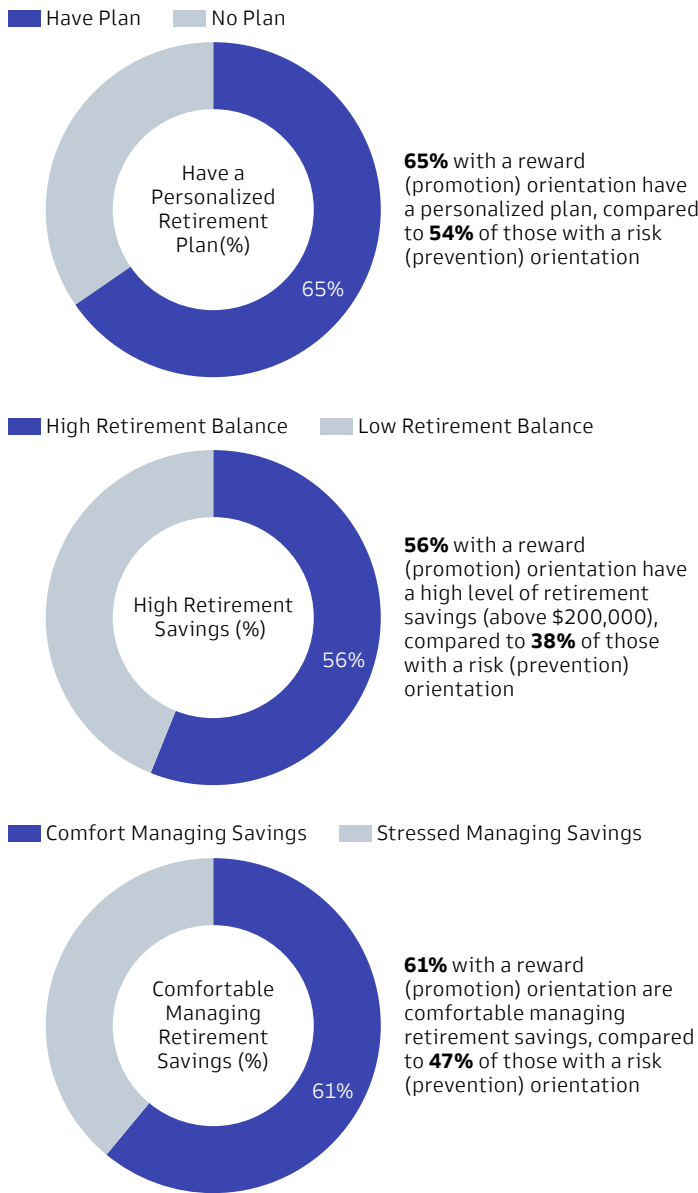
The theory of risk-reward focus differentiates a promotion focus (PRO) from a prevention focus (PRE) or, in other words, a reward vs. risk-orientation.¹ The former involves the eager pursuit of goals with a focus on achievement, whereas the latter involves the vigilant pursuit of goals with a focus on security and protection.

PRO individuals eagerly pursue positive outcomes to reap rewards. PRE individuals tend to be cautious and try to avoid negative outcomes. The age profile of PRO vs. PRE individuals is in line with that of related traits, such as risk tolerance. A greater PRO among people with partners and higher socioeconomic status is likely due to the relative security provided by those circumstances.

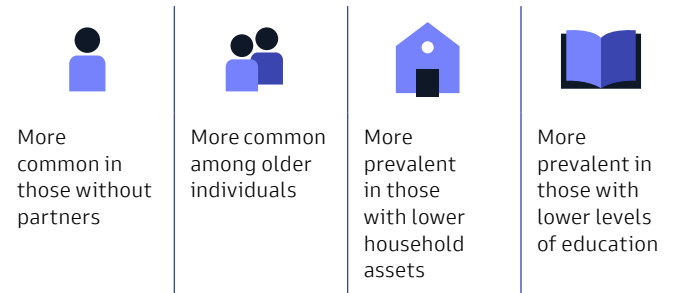
Results show that PRO aligns with proactive financial behaviors, such as having a personalized financial plan and reviewing retirement savings. Individuals with PRO also report lower levels of financial stress around managing retirement savings and place greater importance on generating income from (diversified) investments during retirement. Alternatively, PRE is negatively correlated with optimism and is also associated with reporting greater financial stress. PRE has a small association with cautious financial behaviors, such as decreased spending, as well as preferences, like guaranteed retirement income.

While we might expect a desire for financial security implied by PRE to be associated with a greater likelihood of having a financial plan and reviewing savings, findings suggest this to be more the result of the proactivity that comes with PRO. A PRO orientation may also inoculate against financial stress to some extent, which is more likely to be reported by the more loss-oriented PRE. On the positive side, the cautious attitude that comes with PRE can provide a counterbalance to excessive optimism.

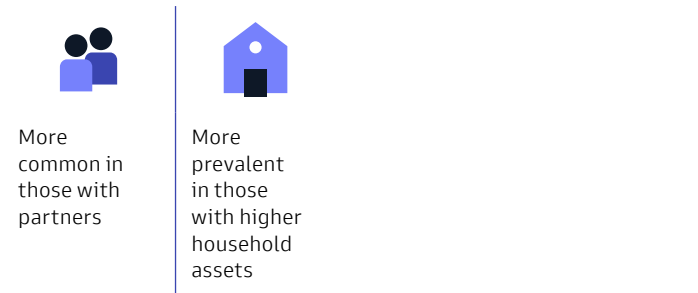
Attributes of Reward Oriented Respondents (based on survey findings)



Demographic Attributes of Risk Orientation



Demographic Attributes of Reward Orientation



Source: Goldman Sachs Asset Management, as of October 2023.
1. Higgins, E. T. (1998). Promotion and prevention: Regulatory focus as a motivational principle. In M. P. Zanna (Ed.), Advances in Experimental Psychology, Vol. 30 (pp. 1-46). Academic Press.

RISK-REWARD FOCUS (PROMOTION VS PREVENTION ORIENTED)

Risk-reward focus impacts the actions an individual may take in the face of financial uncertainty, as evidenced by their actions from the recent high inflationary period in the last few years (also marked by high market volatility). PRO respondents are slightly more action oriented than PRE respondents. For example, PRO individuals are more likely to change their portfolio to account for inflation or be more aggressive. They are more likely to hire a financial / digital advisor. While decreasing spending was the top action taken by both PRE and PRO respondents, PRE respondents are likely to rely on this action more heavily than PRO respondents.

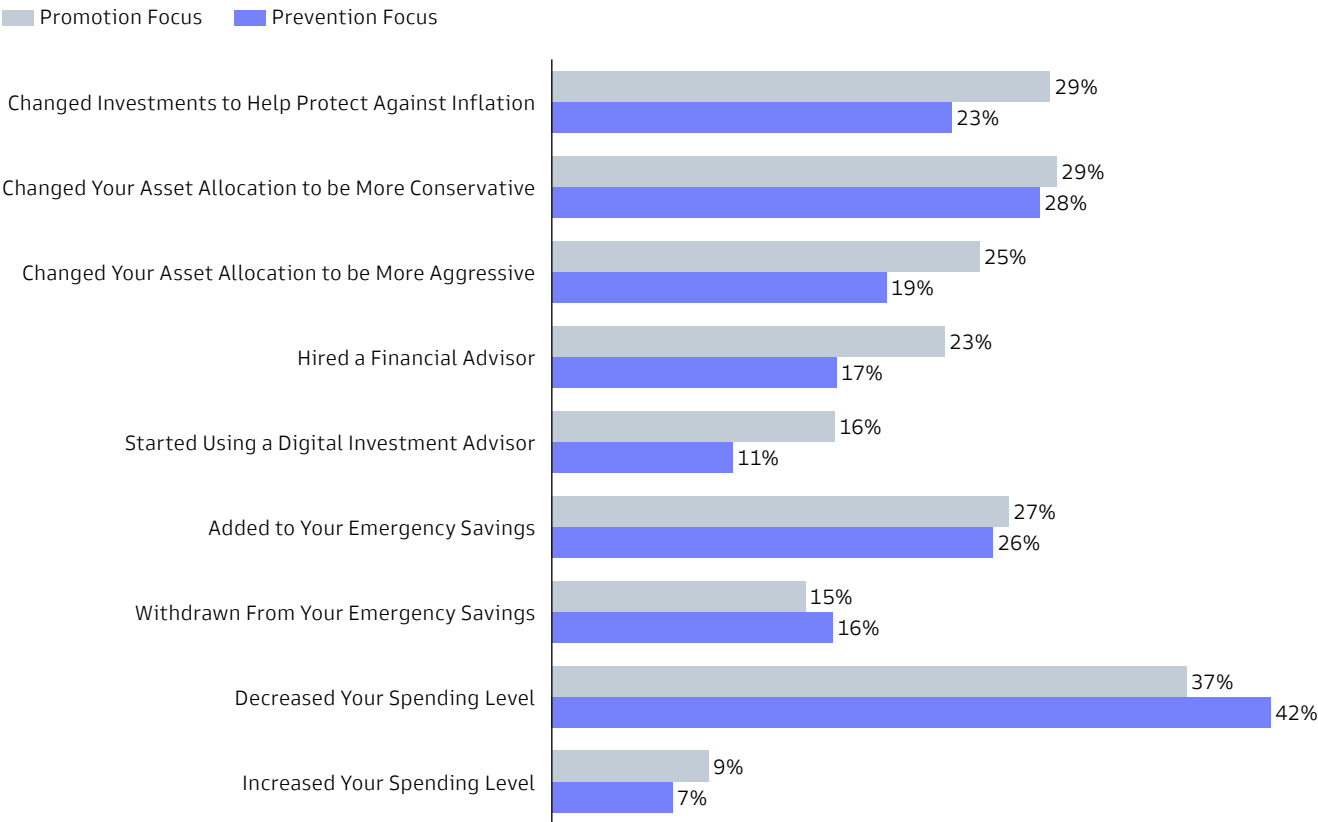


Risk-Reward Focus Impact on Savers

Reward-Oriented:

- More likely to take proactive steps to manage savings (i.e., have a financial plan for retirement)
- More likely to have higher savings
- Less likely to report be stress in managing retirement savings
- More likely to engage financial help (advisors or digital platforms)

Actions Taken Given Inflationary Environment, by Risk/Reward (Prevention/Promotion) Focus



Source: Goldman Sachs Asset Management, as of October 2023.

FINANCIAL LITERACY

Financial literacy (FL) reflects a person’s level of understanding of basic financial concepts, such as compound interest and diversification.¹

Individuals high on FL exhibit more positive financial behaviors, such as reviewing their retirement savings, having emergency savings, and keeping their spending in check. Since FL can be acquired through financial management and planning, it is important to note that it can be both a cause and effect of some financial behaviors. Similar to PRE, FL reduces high optimism to some extent.

FL is associated with having more financial concerns about retirement savings, particularly inflation, possibly because FL sensitizes individuals to financial issues. FL also plays a role in retirement service preferences, with high FL favoring guaranteed, consistent, and inflation-protected income, while low FL is more likely to favor income from a single source (vs diversified sources).

Individuals with lower financial knowledge are more likely to cash out their retirement savings upon job changes. In addition, they are not only more likely to seek financial advice, but also to say that other financial issues interfere with retirement savings. Yet low-literacy respondents are somewhat more confident in being on track with their retirement savings and able to meet their financial goals.

Demographic Attributes of High Financial Literacy



More common among older individuals



More prevalent in those with partners

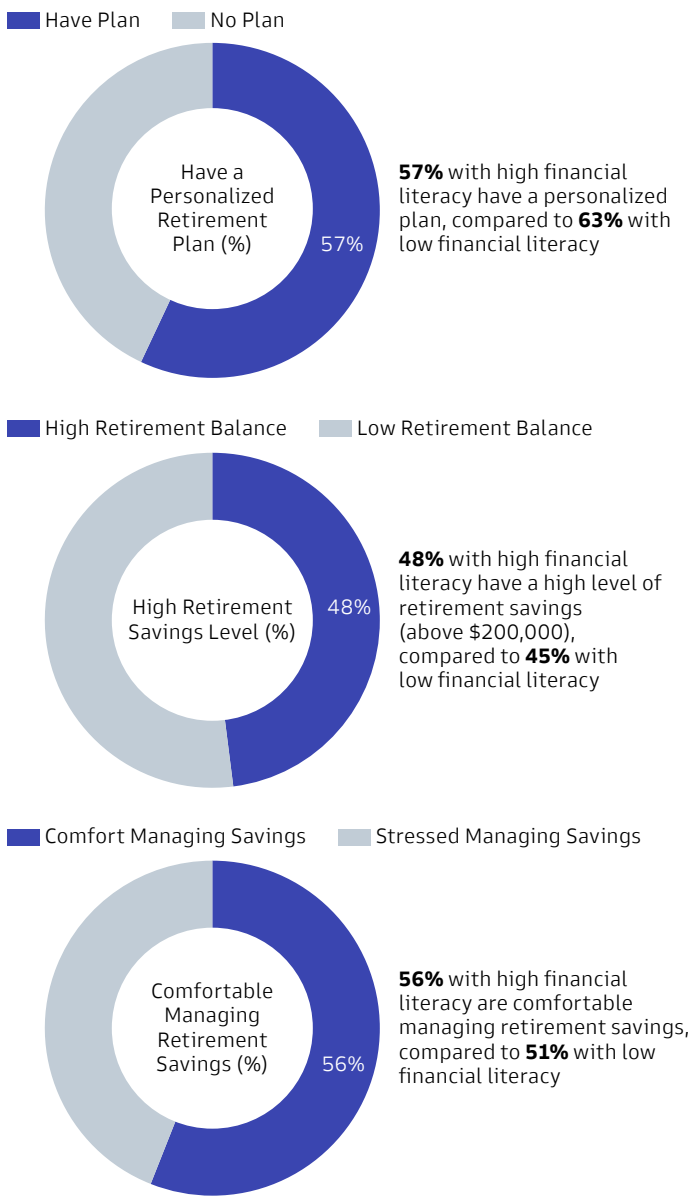


More prevalent for those with higher household assets



More prevalent for those with higher levels of education

Attributes of High Financial Literacy (based on survey results)



Source: Goldman Sachs Asset Management, as of October 2023.
1. Van Rooij, M. C., Lusardi, A., & Alessie, R. J. (2012). Financial literacy, retirement planning and household wealth. The Economic Journal, 122 (560), 449-478.

FINANCIAL LITERACY

The ability to successfully navigate an inflationary environment can be related to one's level of financial literacy, as shown by the chart below. Low FL respondents tend to be more action oriented than high FL. While less action oriented, high FL are generally more conservative when they take action, such as increasing their emergency savings and decreasing overall spending levels.

FL provides the basic financial understanding to evaluate and make financial decisions.

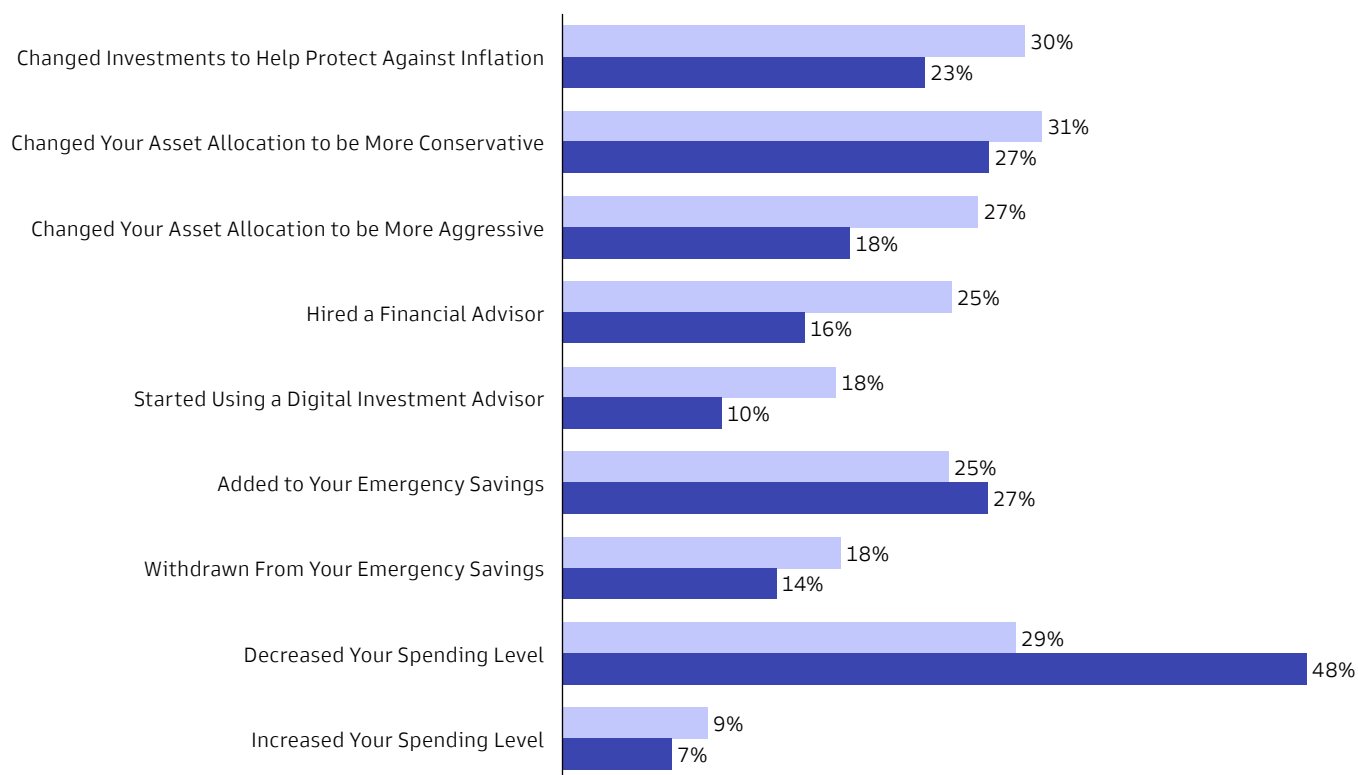


High Financial Literacy Typically...

- More likely to have positive financial behaviors, (i.e., reviewing their retirement savings, having emergency savings, and keeping their spending in check)
- More likely to take defensive actions during market events
- Less likely report stress in managing retirement savings, but generally have more financial concerns
- Favors retirement income that is guaranteed, stable & consistent, and inflation-protected

Actions Taken Given Inflationary Environment, by Financial Literacy (Low/High)¹

Low (0-2 Correct) High (3-5 Correct)



Source: Goldman Sachs Asset Management, as of October 2023.

1. Number of financial literacy questions answered correctly.

HAVING A RETIREMENT STATE OF MIND

To better understand an “optimal” set behaviors that may promote long-term-savings, we consolidated the benefits of all four behavior factors and evaluated the results based on those with opposite behaviors. Based on the analysis, “optimal” retirement savings behavior might include:

- High Optimism
- High Future Orientation
- High Financial Literacy
- Promotion (i.e. Reward) Orientation

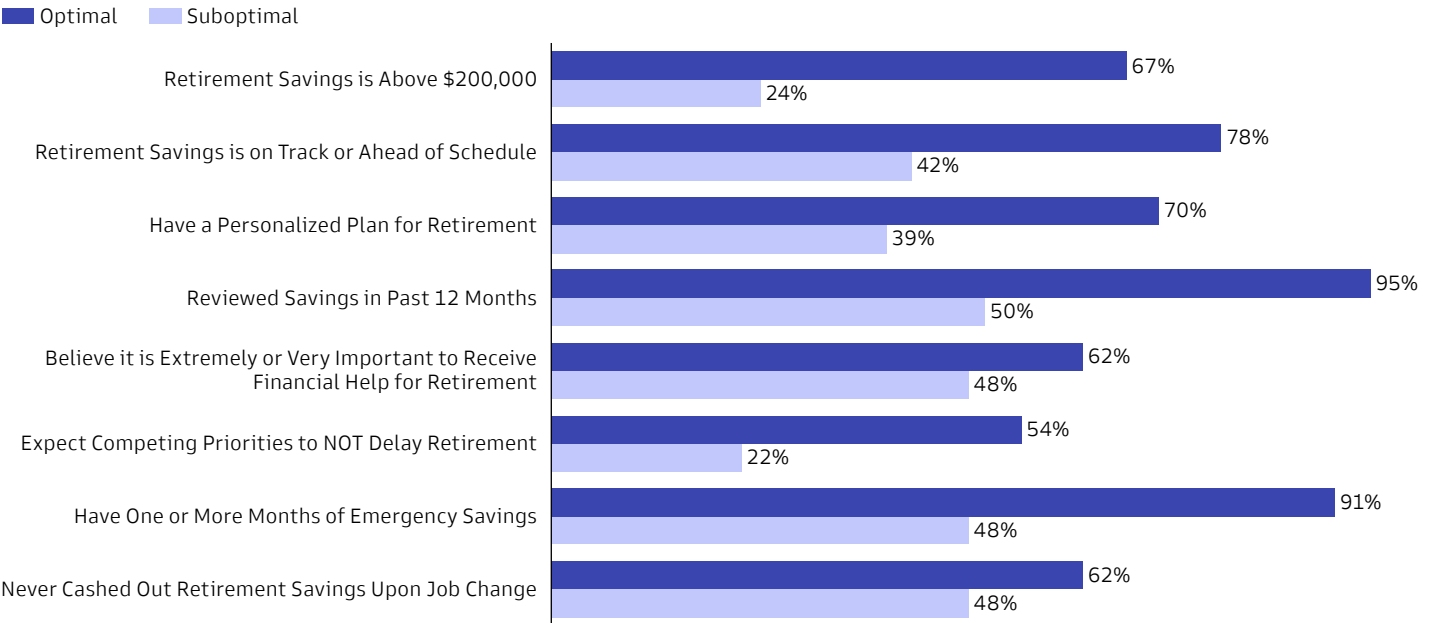
As illustrated below, the combination of traits help us identify those with:

- Higher level of savings
- Savings are on track
- Have a personalized financial plan for retirement
- Review savings periodically (at least annually)
- Expect competing priorities to not delay retirement
- Desire to maintain sufficient emergency savings
- Avoiding retirement cash outs upon job change
- Preference with use professional financial help

This “optimal” set of traits accounts for only 8% of our working respondents and the “suboptimal” group accounts for ~6% of our working respondents (i.e., low optimism, low future orientation, low financial literacy, prevention or risk oriented).

Therefore, more than 85% of the working respondents exhibit a blend of these characteristics. By understanding these key factors, we believe we are better placed to magnify potential positive effects and watch out for potential negative effects.

Optimal vs. Suboptimal Retirement Savings Behaviors



Source: Goldman Sachs Asset Management, as of October 2023.

LEARNINGS

We believe behavioral mindset is an important level of personalization that plan sponsor and advisors may want to consider. How to motivate, engage, and support retirement savers with a mix of offerings and services can start with better understanding how individuals make and what motivates their financial decisions.

Below are plan design, engagement and participant education considerations that may be worth considering through this lens.

Plan Design

Financial advisory services are most desired by savers seeking to optimize their retirement strategy	Providing a range of investment options, student loan, emergency savings and financial advice plan features may allow those most engaged to effectively manage their savings.
Guaranteed income is most desired by savers who may struggle to have adequate savings	Guaranteed income may support those less engaged, less financially literate, and less prone to actively manage their savings. Those with prevention focus (in many cases, our retiree respondents) typically prefer guaranteed income and financial advice.
Behavioral finance can be an important part of personalization	Behavioral mindset is another factor in personalization that may meaningfully contribute to managing retirement savings. Personalized education and advice can reduce the clutter and focus people on the decisions they need to make (i.e., what is relevant to this person, at this moment, and how could it improve their retirement savings progress?).

Engagement

Promoting optimism and future orientation may improve savings behavior	We believe being able to visualize and identify with future goals can be critical to driving positive savings behavior. Communication campaigns or services that promote improving your future self may engage workers in a "retirement state of mind."
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Participant Education

Educate employees to avoid behavioral blind spots	Helping workers understand their behavioral tendencies can be one strategy to try to potentially avoid pitfalls. Sponsors may be able to prepare individuals with tailored education to ensure they engage their "retirement state of mind" when making financial decisions.
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Source: Goldman Sachs Asset Management, as of October 2023.

WHAT BEHAVIORS LEAD TO IMPROVED RETIREMENT SAVINGS OUTCOMES?

To understand what characteristics may lead to better retirement outcomes, we analyzed respondents with savings most on track for retirement, are proactively engaging with their savings and are avoiding key pitfalls that derail savings.

Level of Retirement Savings

Although all four behavioral variables contribute towards retirement savings, high optimism may have the highest positive impact on retirement savings.

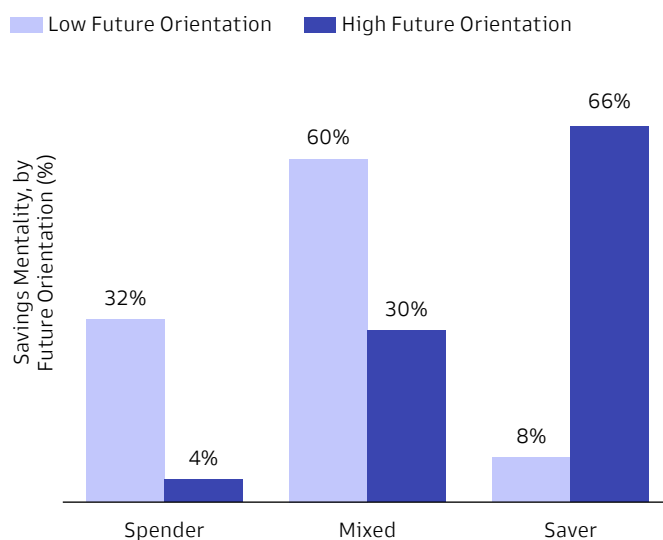
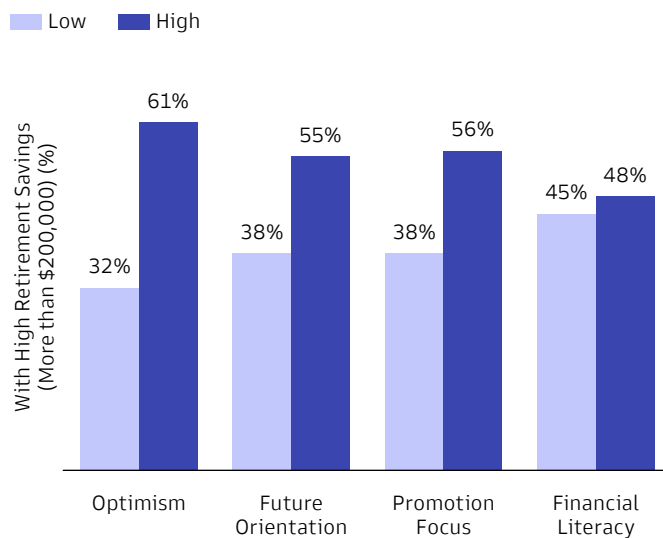
Those with high optimism are more likely to state that their retirement savings are on track or ahead of schedule (83% vs 41%). Those with high future orientation are similarly on track or ahead of schedule (73% vs 50%). In stark contrast, only 31% of those with both low traits reported being ahead of schedule with their savings.

Engagement

There is a greater likelihood of having a personalized retirement plan among those with high optimism (78% vs 42% with low), reward focus (65% vs 55% with risk focus), as well as those with high future orientation (70% vs 48% with low). The proportion of people who have a personalized financial plan is particularly high for those with both high optimism and high future orientation (83%) and lowest for people with low optimism and low future orientation (33%).

Future Orientation Drives Savings Mentality

Having a future orientation can be meaningfully important to developing successful long-term savings behaviors. This is evident in the sharp contrast of those who are more highly focused on their current lifestyle compared to those with future oriented priorities (i.e., have established budgets, and who seek to live below their means to prioritize a balanced long-term and short-term saving strategy.)



Takeaways



- High optimism, future orientation, financial literacy as well as a promotion mindset can all contribute to an optimal retirement savings mindset
- Future orientation and high optimism can be critically important to drive and motivate positive savings behavior

WHY RETIREMENT SAVERS STRUGGLE TO BECOME RETIREMENT SPENDERS?

After decades of saving and preparing for retirement, a retirement saver needs to switch to a retirement spender. However, the behaviors that made someone a good retirement saver, may impact their ability to spend their savings in retirement.

Our study found that 42% of retirees receive less than half of their pre-retirement income. Forty percent are spending less than anticipated but only half (52%) of retirees are satisfied with their level of income. Is it because they don't have sufficient savings or because they are not willing to spend their savings?

This presents an interesting behavioral question because it highlights how these underlying behaviors may persist into retirement and potentially hold individuals back from fully enjoying their retirement.

As discussed in the report, positive retirement savings behavior is typically driven by having a vision of your future (e.g., a rationale to save and look forward to), having high optimism (believing in a bright future that you can achieve), having high financial literacy and a reward- oriented mindset.

Do retirees carry their saving mindset into retirement? Our research shows the answer is mixed. We see shifts from reward-orientation to risk-orientation, from high optimism to low optimism, and from low financial literacy to high financial literacy. Interestingly, future orientation increases slightly as one ages but then drops in retirement.

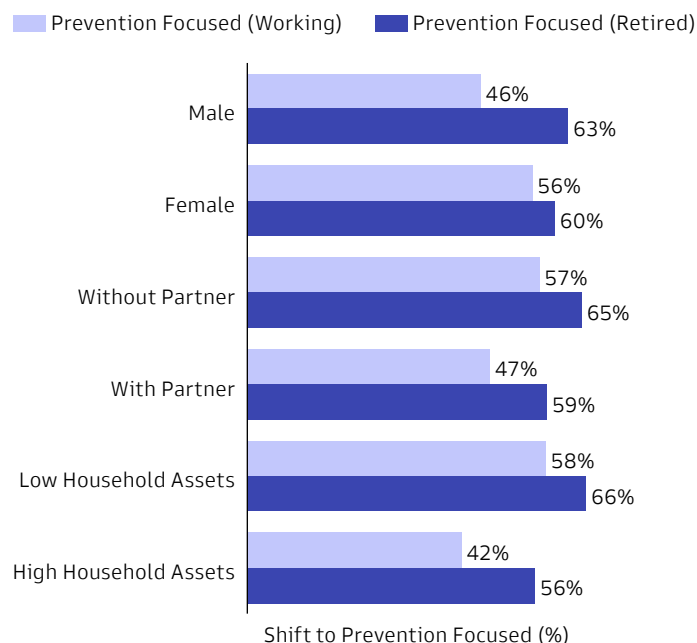
How Might This Impact Retirement Spending Behavior?

Naturally, we expect these changes will impact one's behavior in retirement.

- More risk-oriented people become defensive in with actions and reduced spending is a key action taken during market volatility or uncertain times
- Lower optimism leads to lower confidence in generating future income, which may curb spending
- Future orientation may emphasize more risks than opportunity, such as longevity risk or future healthcare needs

Optimism and confidence can be important in understanding retiree spending behavior. What resources and services might improve confidence in being able to generate future income yet provide the flexibility to address what the future throws at you?

Prevention Orientation Increases for Retirees Across Demographics



Takeaways



- Retirees with a high future orientation may become focused on longevity risk, future healthcare risk, etc. For retirees with limited options to manage these competing risks, the result may be a defensive income strategy (i.e., conservative spending behaviors)
- Confidence in being able to generate future retirement income may impact one's willingness to spend. However, confidence in one's ability to generate income often declines into the future. This too may lead to conservative spending. Services / features that improve confidence in income strategy may unlock beneficial spending for retirees

Methodology Appendix

Optimism

Syntoniq assessed an individual's optimism by comparing the following:

- An individual's reported confidence in meeting their retirement savings goals versus the amount of retirement savings concerns they had.
- Whether an individual expected a delay in retirement due to competing financial priorities versus their average impact rating of competing financial priorities.
- An individual's guess of the number of financial literacy questions they thought they answered correctly versus the actual number of questions they answered correctly.

Future Orientation

In order to assess Future Orientation, Syntoniq calculated an average score from respondents' answers from the following questions:

- Whether an individual is willing to sacrifice their immediate happiness or well-being in order to achieve future outcomes.
- How an individual would best describe their financial saving or spending personality.
- Whether an individual often thinks what their life would be like 10 years from now.

While items 1 and 3 used scaled answers, item 2 was based on the selected number of characteristics indicating long-term versus short-term financial perspectives (e.g., saving versus spending).¹

Risk-Return Focus

Risk-Return Focus is measured by the following scaled items:

- Whether an individual generally focuses on preventing mistakes and avoiding failure versus whether the individual strives to achieve success and pursue goals.
- Whether an individual finds growth and fulfillment or stability and security more important.
- Whether when it comes to trying out new things, an individual often finds themselves focusing on losses or gains.

Financial Literacy

Financial literacy was measured by an individual's number of correct responses to five multiple-choice questions.

- Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
- Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
- If interest rates rise, what will typically happen to bond prices?
- A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.
- Buying a single company's stock usually provides a safer return than a stock mutual fund (i.e., portfolio of stocks).

Source: Syntoniq, as of October 2023.

1. Individuals who reported that they always make sure they can save for long-term goals (like retirement), keep a monthly budget and save for goals, and try to live below their means so they can grow savings were assessed to have a long-term financial perspective. Individuals who reported that they see the value in spending income to improve quality of life, find it difficult to keep up with their expenses (and do not have much room for savings at the moment), and believe it is more important to live for today than save for tomorrow were assessed to have a short-term financial perspective.

Disclosures

Baby Boomers refers to people born between 1946 and 1964.

Generation X refers to people born between 1965 and 1980.

Millennials refers to people born between 1981 and 1996.

Generation Z refers to people born between 1997 and 2012.

Savers and spenders' delineation refers to response to question, "How would you best describe your financial saving or spending personality? Select the top two responses."

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