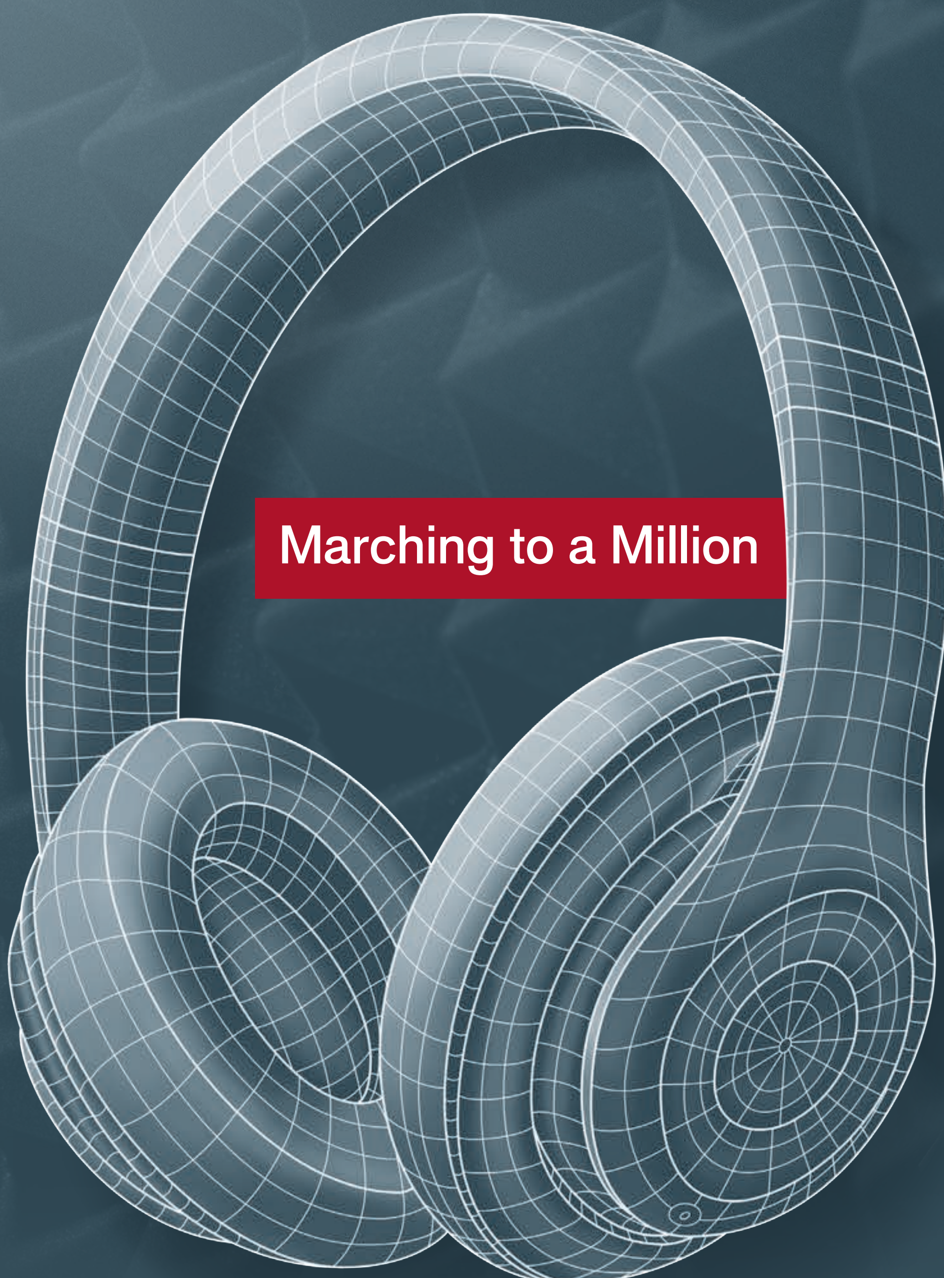
Janus Henderson
—KNOWLEDGE. SHARED—

MILLENNIALS AND RETIREMENT



Marching to a Million

THE FUTURE IS CLOSER THAN YOU THINK

What's the first thing that pops into your head when you hear the word "retirement"? If you're like most millennials, it's probably a vague image of some far-off future state you can barely imagine, much less be concerned about.

If retirement feels irrelevant, it's not surprising. You're just beginning your adult life, gaining independence, maybe starting a career. Your focus is on the here and now.

You also have multiple obstacles standing in your way. There's a good chance you have student loan debt (nearly 40% of millennials do). Housing costs are sky high, making home ownership – a coveted milestone among previous generations at your age – seem wholly unattainable.

TWITTER 5m ago

@JHIAdvisorsUS just tweeted:
25% of millennials expecting to retire between 66 and 75 have no retirement savings.

source: Morning Consult and Business Insider, April 2019

On top of these challenges, your generation is subject to widespread (and largely unfounded) criticism. Even though millennials are the best-educated and most diverse generation in U.S. history, they are generally thought to be less savvy than previous age groups when it comes to managing money.

Granted, there is a good amount of research out there to support that notion: According to the National Institute on Retirement Security (NIRS), two-thirds of working millennials have nothing saved for retirement. Furthermore, while 66% work for an employer that offers a retirement plan, only 34% participate in their employer's plan.

But other research tells a different story: For example, Bank of America's 2018 "Better Money Habits" report reveals that more millennials have a savings goal than other generations, and they are saving at rates equal to Gen X.

Here at Janus Henderson, I've seen many positive examples of young people who are actively engaged in planning for their future. I recently invited several of my millennial colleagues to talk about how they are preparing for retirement. I found many common themes – and some surprising differences.

In all cases, however, it was clear that each of these individuals understands the importance of saving for retirement. And in many cases, they're making significant strides toward that goal: They have started their March to a Million. As you read their stories, I hope you find something you can relate to – and possibly aspire to.

Ben Rizzuto

Retirement Director, Janus Henderson Investors

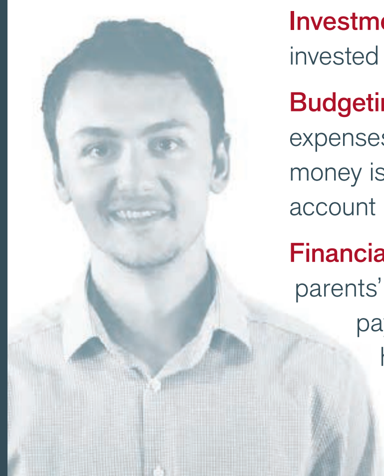
MILLENNIALS AT JANUS HENDERSON

#JHMILLENIALS

> “You see millennials opting for smaller living spaces and consolidating everything else, so they have more money for experiences.”

JERRY

After experiencing the financial strain of renting his own apartment during college, Jerry decided to “take the hit to his pride” and move back in with his mom and dad. He feels the money he's saving on rent makes good long-term financial sense and should allow him to purchase a home in a few years.



Plans to retire at: Age 70-75

Investments: Not currently invested in the markets

Budgeting tools: Tracks expenses in Excel; excess money is moved to a savings account

Financial goals: Move out of parents' house, put a down payment on a place of his own

Top money lesson learned from parents: Don't spend money you don't have.

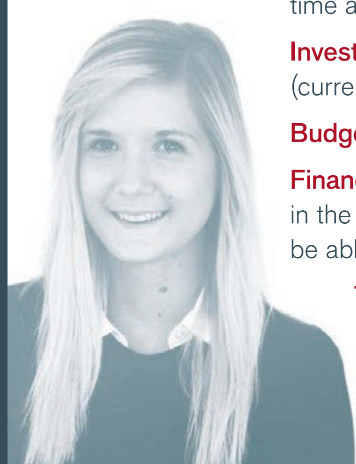
On how millennials view money: Since we don't rely on cash anymore, we lose track of what we actually have because it's all on a plastic card.

On Social Security: It's that little paper card I got when I was born.

> “I think that we absolutely will be the generation to determine what retirement truly means.”

HADLEY

With her background in personal training, Hadley values health and wellness. Her family has a private charitable foundation through which she can provide two grants to nonprofits of her choosing every year – an experience that has helped shape her understanding of financial planning.



Plans to retire at: Age 60, but will continue working part time as long as possible

Investments: Roth 401(k); (currently deferring 8%)

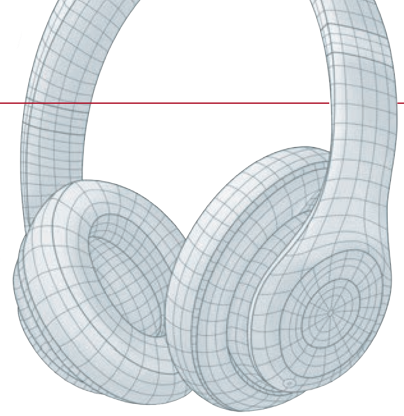
Budgeting tools: Mint app

Financial goals: Buy a house in the next few years; be able to travel

Top money lesson learned from parents: Save at least something of what you earn.

On how she views retirement: I just can't imagine a day where I got up without something to do. Not necessarily make money, but to make something. To create something. To change something.

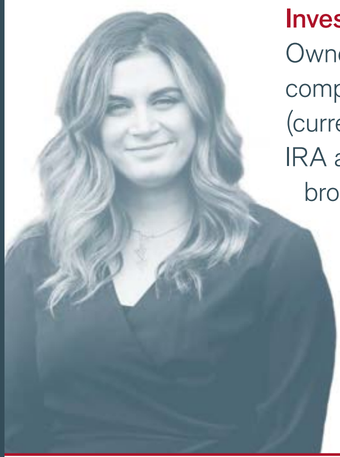
On Social Security: I think it's something that's going to begin to affect my generation the most.



"Most millennials are very distrustful of the market and investing because they don't understand it. They understand cash."

CAITLIN

After being seriously injured in a bicycling accident in college, Caitlin received a significant settlement and wanted to make sure she used it wisely. The first thing she did with the funds was to pay off her student loans – around $40,000 – in full.



Plans to retire at: Age 65 or 70

Investments: Employee Stock Ownership Program, company-sponsored 401(k) (currently deferring 10%), Roth IRA and non retirement brokerage account

Financial goals: Increase earnings; put more money into 401(k) and Roth IRA

Top money lesson learned from parents: Invest in yourself now so you'll have more later.

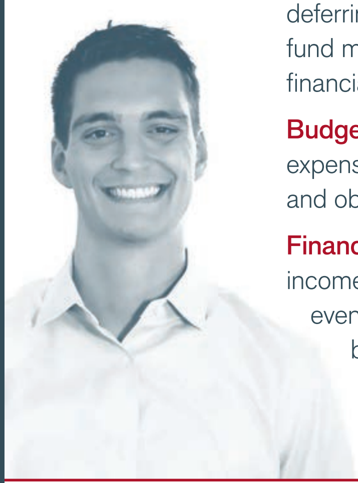
On Social Security: I don't think my generation should count on it covering the cost of living.

On retirement savings goals: You have to think of retirement like paying yourself an annual salary.

"I'd say I'm probably more engaged with my retirement goals than most people my age because of where I work."

KILIAN

Half of Kilian's family is from Barcelona, Spain, and traveling to visit them was an important part of his life growing up. He came to prioritize spending money on travel and experiences. He receives financial planning guidance from his parents' financial advisor and meets with him once a year.



Plans to retire at: Mid-60s

Investments: 401(k) (currently deferring 5%); money market fund managed by parents' financial advisor

Budgeting tools: Separating expenses into needs, wants and obligations

Financial goals: Increase income; save to prepare for big events later in life, such as buying a house

Top money lesson learned from parents: The value of compound interest.

On Social Security: It would be nice if I can get a check each month when I retire, but I don't rely on it.

On the financial crisis: I think it made me more skeptical about investments at a young age and always asking, 'Why would I do this? What's the benefit? What's the potential risk?'

> I live a debt-free life.

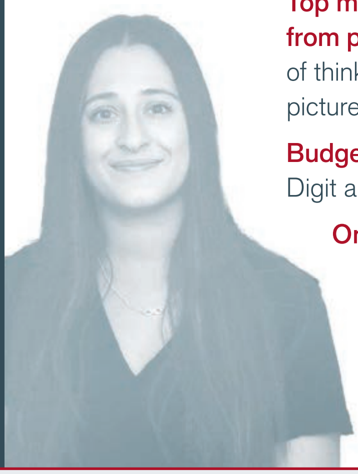
NADIA

When her parents divorced, Nadia found that the dynamic of her parents providing for the family separately made saving a higher priority. Her mother and father both expected her to save up money to buy the things she wanted, which instilled in her the mindset that at least half of what she earned should be saved.

Investments: 401(k) (currently deferring 10%)

Financial goals: Buy a house within the next few years

Plans to retire at: Late 50s



Top money lesson learned from parents: The importance of thinking about the big picture.

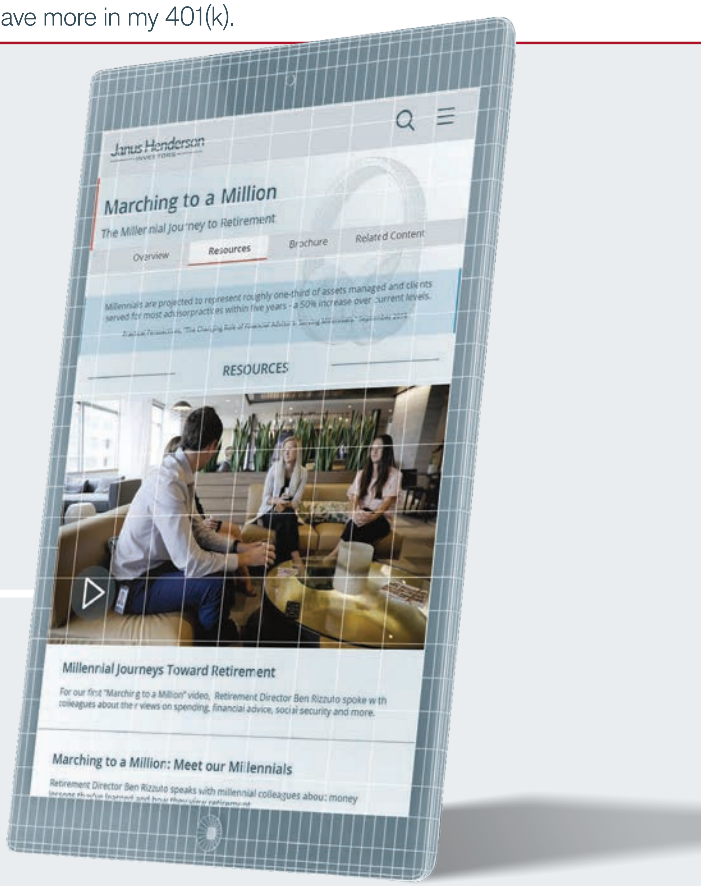
Budgeting tools: Acorns and Digit apps

On Social Security: I have heard some people say that by the time I'm in retirement, I won't even have Social Security. That's why I have more in my 401(k).

On financial advisors: You only really go to them if you have a big chunk of money. I don't think I'm well versed on what a financial advisor does for you.

On student loan debt: I think people are sometimes embarrassed about it. But if you have student loan debt, it shouldn't be a big deal because everyone deserves an education.

Interested in hearing more from our millennials? Check out additional resources, including videos, podcasts and articles available online.

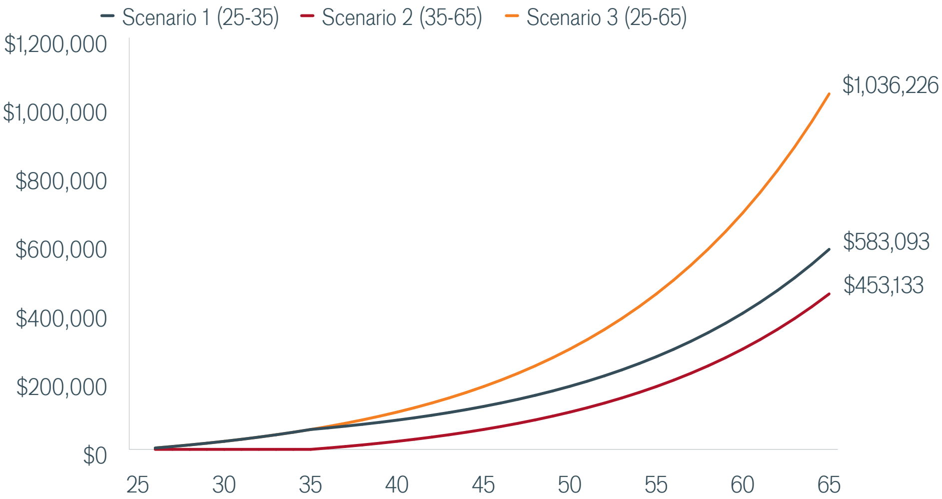


WHAT IS THE MILLENNIAL "MAGIC NUMBER"?

A million dollars is often cited as what people should aim for as their "retirement number." While it may have been an adequate sum to strive for 25 or 30 years ago, you will likely need to save more to sustain your lifestyle through retirement. Not only will you most likely live longer, but today's financial realities – not being able to rely on Social Security or pensions and increased health care costs, for example – will also demand more income over a longer period.

Still, a million dollars is a good starting point, and it's more achievable than you may realize. The key is to start early and be consistent with your saving efforts.

When You Start Matters!



The example provided is hypothetical and is for illustrative purposes only. It does not represent the returns of any particular investment. Assumes 8% annual growth rate and reinvestment of all income. It does not account for taxes. A program of regular investing does not assure a profit or protect against depreciation in a declining market.

The three hypothetical scenarios presented above demonstrate how the age at which you start saving and how long you save dramatically affects your ending balance. In each scenario, we assume a career starting at age 25 and retirement occurring at age 65.

- **Scenario 1:** You save $39 per week ($4,000 per year) starting at age 25 then stop contributing at age 35. Assuming an 8% rate of return, you'll still end up with $583,093 when you retire.
- **Scenario 2:** You start saving $39 per week ($4,000 per year) at age 35 and continue until age 65, ending up with $453,132.
- **Scenario 3:** You save $39 per week ($4,000 per year) starting at age 25 and continue to do so until age 65, accumulating a total of $1,036,226.

Even though the early starter in scenario 1 contributed only a total of $40,000 compared to the late saver's $120,000 contribution in scenario 2, the extra 10 years of growth in scenario 1 generated an additional $129,960.

Our target contribution amount of $4,000 includes any combination of individual savings and employer match or contribution. Based on a starting salary of $40,000, with a deferral rate of 5% and a dollar-for-dollar company match, an employee would need to save only $39 per week. As shown in the third scenario, by starting early and being consistent, you don't necessarily need a large amount of savings to reach the $1 million goal.

TWITTER 6m ago

@JHIAdvisorsUS just Tweeted:
A 25-year-old who saves just $39 per week over 40 years – assuming a 8% rate of return – would accumulate a million dollars by age 65.

Don't Delay, Start Today

Each of the full-time colleagues I spoke with – except for Jerry, who did not have access to a company 401(k) plan at the time of his interview – had enrolled in the employer-sponsored retirement plan. And I was impressed to learn that they are all deferring at least 5% of their income to the plan to meet the minimum for the company match, with two colleagues funneling 10% to their retirement portfolios. That's an uncommon level of long-term perspective and discipline, but in my view, it's exactly what it takes to keep marching to a million.

Don't have access to an employer-sponsored retirement plan? That doesn't mean you can't start investing for the future. Seek out other options such as an IRA. As the chart illustrates, an early start can pay off in a big way.

Leverage Technology to Reach Your Goals

As part of the generation that never knew a time without smartphones, you're probably aware of the thousands of apps that can help you manage your budget, track your savings goals, monitor your investments and more. I would urge you to take advantage of all the high-tech personal finance tools you can get your hands on.

Don't Let Student Loan Debt Drag You Down

Student loan debt is nothing new, but the burden for millennials is on a whole different level compared to previous generations.

If you're one of the nearly 40% of your peers with outstanding student loan debt, I don't need to tell you how frustrating and overwhelming it feels to carry this burden. But I can offer some suggestions on how you can get a handle on your debt.

- **Increase your payments.** It takes discipline, but this is one of the most effective ways to save on interest costs over the long term. For example, if you're paying 8% interest on $100,000 of student loans, paying an extra $100 per month would save you $5,554 in interest costs and allow you to pay off the loan about a year sooner.
- **Consolidate and refinance your loans.** If you have multiple student loans, you may be able to pool them into one consolidated loan with potentially lower interest rates. You will generally need to have a steady income and a good credit score to do this, but it is always a good idea to explore the option.
- **Sign up for auto-pay.** While it may not have a huge impact on your debt, putting your payments on autopilot will at least ensure that you don't miss a payment. Signing up for automatic payments may also lower your interest rate. Federal student loan servicers (and many private loan lenders) offer a 0.25% discount.
- **Keep up retirement plan contributions while you pay down debt.** While it's important to make timely payments toward your student loans, returns from investing have historically been higher than the average interest rate on student loans. Make sure you're deferring as much of your income as you can to your 401(k) plan or IRA while keeping up with your student loan payments.

TWITTER 8m ago

@JHIAdvisorsUS just Tweeted:
% of College Students with Student Debt by Generation
Silent Generation: 10%
Baby Boomers: 24%
Gen X: 36%
Millennials: 40%

TWITTER 12m ago

@JHIAdvisorsUS just Tweeted:
More than 44 million Americans owe roughly $1.5 trillion in student loans.

TWITTER 42m ago

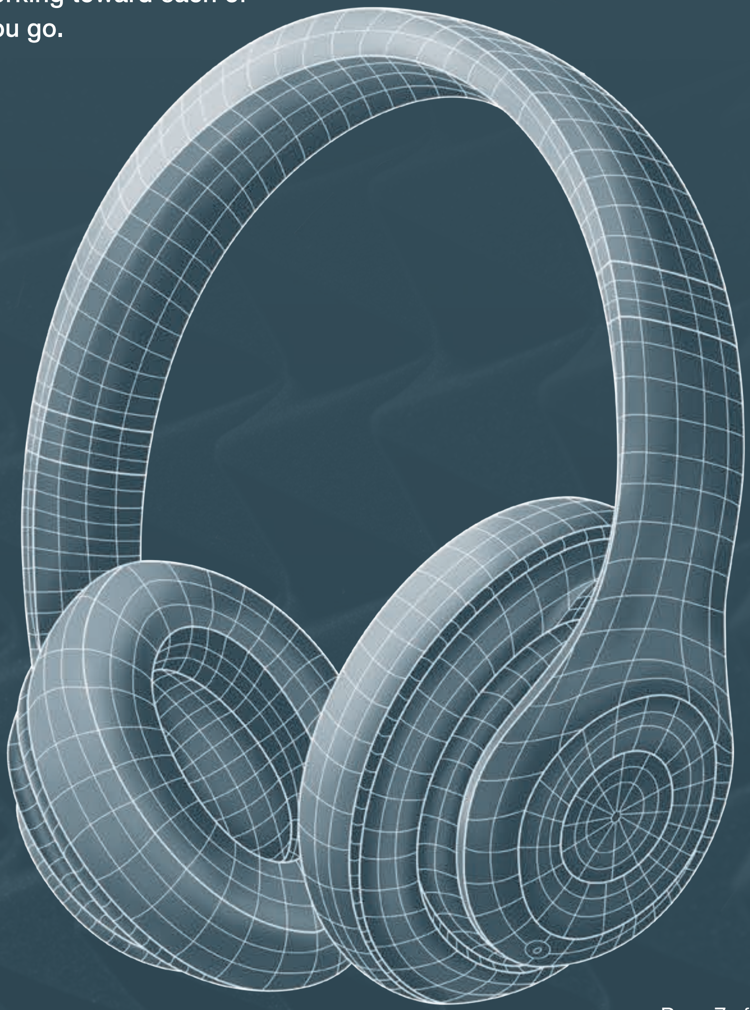
@JHIAdvisorsUS just Tweeted:
For more strategies to help you manage student loan debt, visit the Department of Education's website (www.ed.gov) and click on "Student Loans."

READY TO TAKE THE FIRST STEPS TOWARD YOUR GOAL?

Janus Henderson worked with financial advisors and plan sponsors to develop some key steps to help you start your March to a Million:

1. Make sure you're enrolled in your company's retirement plan. If you're not sure how much to defer to the plan, or which investment options to choose, seek advice from your human resources department and/or plan sponsor.
2. If you don't have access to a company-sponsored plan, consider opening another type of savings account, such as a Roth or Traditional IRA.
3. Set up bills, debts and savings on auto-pay. It's much easier to make timely payments and divert a set amount of income to a savings account if it's all done automatically.
4. Create a list of your current financial goals (e.g., paying off a credit card, consolidating student loans or saving for a down payment on a house). Come up with a specific plan for working toward each of those goals and update your progress as you go.

If you have questions, schedule time to sit down with a family member, financial advisor, plan administrator or other trusted advisor. Getting the right advice and education is critical in this stage of your journey.



Knowledge. Shared

At Janus Henderson, we believe that strategic, thoughtful investing that is focused on one's long-term objectives – not short-term market trends – can help investors at all stages of life make meaningful progress toward their goals. As reflected in our **Knowledge. Shared** ethos, we believe that making our expertise and insights widely available is key to helping clients make well-informed investment decisions.

If you'd like to delve deeper into our research on millennials, visit us online to explore our videos, podcasts and other content related to this topic.

For more information, please visit **janushenderson.com.**

Janus Henderson
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