

Finding Six: Retirement Funding Ratios Vary Substantially by Industry, with Public Sector Workers Most Prepared for Retirement

Authors

Spencer Look, FSA
Associate Director of Retirement Studies
Morningstar Retirement
Spencer.Look@morningstar.com

Jack VanDerhei, PhD
Director of Retirement Studies
Morningstar Retirement
Jack.VanDerhei@morningstar.com

Finding Six Summary

- A. In our study,¹ when analyzing funding ratios across industries, we noted that the public sector is the most prepared for retirement with only about 29% of workers in this industry projected to experience retirement shortfalls.
- B. The public sector is followed by the finance, insurance, and real estate industry, the miscellaneous services industry,² and the manufacturing industry.

Exhibit 7: Percentage of Americans Ages 20+ by Industry with Retirement Funding Ratio Less than Displayed Value

Funded Ratio	Agriculture	Mining and Construction	Manufacturing	Wholesale and Retail Trade	Finance, Insurance, & Real Estate	Misc. Services	Public Sector
0.5	19%	8%	5%	15%	6%	7%	4%
0.6	27%	15%	10%	23%	10%	11%	7%
0.7	34%	22%	16%	31%	15%	17%	11%
0.8	41%	31%	23%	39%	21%	23%	16%
0.9	46%	39%	31%	47%	28%	31%	22%
1	51%	47%	39%	55%	35%	38%	29%
1.1	60%	61%	54%	67%	46%	52%	44%
1.2	67%	71%	66%	76%	56%	62%	56%
1.3	72%	77%	73%	81%	62%	69%	65%
1.4	75%	81%	78%	84%	67%	75%	72%
1.5	100%	100%	100%	100%	100%	100%	100%

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes. Household data is from the 2022 Survey of Consumer Finances. Household members are assumed to retire at 65 and claim Social Security upon retirement. Portfolio returns are from Morningstar Investment Management. Note that the funded ratio 1.5 category includes results in which the funded ratio is above 1.5. Refer to the main study for more information: <https://www.morningstar.com/business/insights/research/retirement-crisis-401k>.

Commentary on Findings:

- ✗ We noted that the industries with better retirement adequacy results were the industries with a larger share of employers sponsoring a retirement plan. The public sector is the industry with the highest likelihood of a worker having access to a retirement plan.

¹ Refer to the main study: <https://www.morningstar.com/business/insights/research/retirement-crisis-401k>

² The miscellaneous services industry refers to a variety of professions.

- × Results were better for industries wherein DB plans are more common. The public sector stood out here, as did the manufacturing sector and miscellaneous services sector.
- × Income level is an important factor, impacting the level of contribution rates and the likelihood of having a DB plan (and the accrual rates). We observed that the finance, insurance, and real estate industry had the highest median income level, which helps explain why a smaller portion of those workers are projected to run short of money. Conversely, median income levels were lowest for the wholesale and retail trade industry, which helps account for why more workers in this industry are projected to experience shortfalls.
- × Fourth, employer size also matters, as larger employers are more likely to provide retirement benefits. In particular, we noted that the industry with the largest portion of workers projected to experience shortfalls—the agriculture industry—had the smallest median employer size.

Disclosures

©2024 Morningstar Investment Management LLC. All Rights Reserved. The Morningstar name and logo are registered marks of Morningstar, Inc. Morningstar Retirement offers research- and technology-driven products and services to individuals, workplace retirement plans, and other industry players. Associated advisory services are provided by Morningstar Investment Management LLC, a registered investment adviser and subsidiary of Morningstar, Inc.

The information contained in this document is the proprietary material of Morningstar. Reproduction, transcription, or other use, by any means, in whole or in part, without the prior written consent of Morningstar, is prohibited. Opinions expressed are as of the current date; such opinions are subject to change without notice. Morningstar or its subsidiaries shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses or opinions or their use.

This commentary is for informational purposes only. The information, data, analyses, and opinions presented herein do not constitute investment advice, are provided solely for informational purposes and therefore are not an offer to buy or sell a security. Please note that references to specific securities or other investment options within this piece should not be considered an offer (as defined by the Securities and Exchange Act) to purchase or sell that specific investment. The performance data shown represents past performance. Past performance does not guarantee future results. This commentary contains certain forward-looking statements. We use words such as “expects”, “anticipates”, “believes”, “estimates”, “forecasts”, and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.