



News

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“THE NEW RETIREMENT SURVEY” FROM MERRILL LYNCH REVEALS HOW BABY BOOMERS WILL TRANSFORM RETIREMENT

*The Retirement Most Boomers Envision IS Achievable yet Standard
Retirement Planning Models Fail to Capture the Complexity of
Boomers’ Actual Plans and Aspirations*

NEW YORK, Feb. 22 — Merrill Lynch (**NYSE: MER**) today announced the findings of a new study that reveals how baby boomers envision their retirement and the coming decades of their lives. “*The New Retirement Survey*,” conducted for Merrill Lynch by Harris Interactive® in collaboration with Age Wave, builds upon conventional wisdom that boomers are not interested in pursuing a traditional retirement of leisure. The majority of boomers relate they plan to keep working and earning in retirement, but will do so by cycling between periods of work and leisure, thus creating a new model of retirement.

“Baby boomers fundamentally will reinvent retirement, and this has profound implications for how we at Merrill Lynch need to advise this generation of clients – individuals as well as retirement plan sponsors,” said James P. Gorman, President of the Global Private Client Group. “With boomers living longer and remaining engaged and employed beyond age 65, many of the traditional financial assumptions regarding retirement need to be reexamined. This survey provides a useful starting point.”

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The New Retirement Survey offers a complex and illuminating preview of the kind of lifestyles, workstyles and recreation activities that boomers envision for their future. With guidance from noted gerontologist and author Ken Dychtwald Ph.D., it offers unparalleled insight into the hopes, fears and motivations of this influential generation, as well as the coming impact on retirement, work, recreation, marriage, family, healthcare, housing, entitlements and the economy. Highlights include:

- **The new retirement “turning point.”** While 76% of boomers intend to keep working and earning in retirement, on average they expect to “retire” from their current job/career at around 64 and then launch into an entirely new job or career.
- **Taking advantage of their “longevity bonus,” boomers will create a whole new life stage.** Since Social Security established the “normal” retirement age at 65, life expectancy for a 65-year-old has increased by over seven years and continues to lengthen. As a result of living longer, this generation plans to be “younger” longer and work longer. Most boomers (65%) will stop working for pay and retire in the traditional sense at some point. However, that phase is more likely to begin in the late 60’s, than at age 60 or 65.
- **Boomers reject a life of either full-time leisure or full-time work.** When probed about their ideal work arrangement in retirement, the most common choice among boomers would be to repeatedly “cycle” between periods of work and leisure (42%), followed by part-time work (16%), start their own business (13%) and full-time work (6%). Only 17% hope to never work for pay again.
- **It’s not about the money.** While 37% of the boomer generation indicate that continued earnings is a very important part of the reason they intend to keep working, 67% assert that continued mental stimulation and challenge is what will motivate them to stay in the game.
- **The transformation of the "me" generation into the "we" generation.** The “me” generation has grown up – now with deep concerns for the well-being of their children, their parents and their communities. Boomers are now ten times more likely to “put others first” (43%) than “put themselves first” (4%).
- **The unpredictable cost of illness and healthcare is by far boomers’ biggest fear.** They are three times more worried about a major illness (48%), their ability to pay for healthcare (53%) or winding up in a nursing home (48%), than about dying (17%).

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- **Boomer women are better educated, more independent, are simultaneously juggling more work and family responsibilities and are more financially engaged than any generation in history.** Married boomer women are more than six times more likely to share responsibility for savings and investments compared to their mothers' generation (33% now vs. 5% then).
- **Boomer women are dreaming of retiring to Mars while boomer men hope to retire to Venus.** Boomer men are looking forward to working less, relaxing more, and spending more time with their spouse. While boomer women view the dual liberations of empty nesting and retirement as providing new opportunities for career development, community involvement and continued personal growth.
- **Financial preparedness is the gateway to retirement freedom and the antidote to retirementphobia.** Accumulating the resources boomers believe they need for retirement freedom (81%), rather than age (56%) or any other variable, was cited as the most decisive factor for when they choose to retire. And, recognizing the growing uncertainty of government entitlements, boomers who have a plan and feel prepared are twice as optimistic and far less fearful compared with those who do not.
- **One size doesn't fit all.** When it comes to retirement dreams and preparedness, there are five distinct and different boomer segments: the "Empowered Trailblazers," the "Wealth-Builders," the "Leisure Lifers," the "Anxious Idealists" and the "Stretched and Stressed." The survey revealed how each group is doing, their plans and ambitions for later life, their level of financial preparedness and how they intend to fund their future dreams.

"The results of this visionary study provide an unprecedented preview into the future of this influential generation. While there are some problem areas, it appears that boomer men and women are generally optimistic, innovative and hopeful – and they're definitely gearing up for a new model of retirement," said Dychtwald, co-author of the survey and president of Age Wave. "We asked boomers for their hopes, fears and thoughts about retirement and what we got was the systematic dismantling of all of our preconceptions about the future, for not only this generation, but for nearly all of society's institutions."

Approaches to financial preparedness must be transformed

By rejecting traditional retirement and planning to work or cycle between work and leisure, boomers will have increased earning, savings and investment compounding years. And they will not have to tap retirement savings as their primary source of income until much later than is usually promoted.

“Boomers pioneering this ‘new retirement’ can readily attain their financial goals. It starts with savings, but it requires a new planning model that considers all of the elements of their retirement dream, as well as their total financial picture,” said Michael Falcon, chief operating officer of the Merrill Lynch Retirement Group. “This new approach to retirement offers individual investors and retirement plan participants significant benefits as they can take advantage of additional years of compounding investment returns and fewer years of distribution; thereby making retirement savings goals more attainable.”

New planning illustrator shows yesterday’s calculators are outdated

Merrill Lynch also unveiled today the new Retirement Illustrator, located at totalmerrill.com/retirement. The *New Retirement Illustrator* is an online calculator that illustrates how a new phase that balances work and leisure, changes all financial planning elements. It reflects a departure from a time when an advisor could insert a client’s simple financial profile into a calculator to determine assets at a particular point in the future when they could be drawn down upon. That model fails to capture the complexity of boomers’ lives particularly that they may want and be able to earn partial incomes after their retirement “turning point.”

Another component of the totalmerrill.com/retirement Web site, called “Explore,” looks at retirement dreams from a lifestyle perspective, asking questions like: “What drives you in terms of work goals? Do you seek additional education?” There is also a “Learn” component that helps boomers map out the advice and planning they need, from investments and financing to personal banking and estate planning.

Survey Methodology

Harris Interactive® fielded the online and telephone survey for Merrill Lynch and Ken Dychtwald, between February 5 and March 1, 2004 among a nationwide cross section of 2,348 U.S. adults ages 40-58 of whom 1,061 were men and 1,287 were women. Data were weighted to reflect the total U.S. adult population ages 40-58 for age, sex, race, region, education and household income. For the telephone survey, data were weighted for the number of voice/telephone lines in the household. For the online survey, propensity score weighting was done to adjust for respondents' propensity to be online.

In theory, with samples of this size, one could say with 95 percent certainty that the results for the overall sample have a sampling error of plus or minus 2 percentage points. Sampling errors for the results of the following sub-samples: men (1,061), women (1,287) and married women (763) are higher and vary. The online sample is not a probability sample.

More about *The New Retirement Survey*

Merrill Lynch, in an effort to better understand boomers, their aspirations, the financial implications of those aspirations, and to better serve this market segment undertook a major research effort with the help of Ken Dychtwald and Harris Interactive®. The results, *The New Retirement Survey* at Merrill Lynch, are an important step in Merrill Lynch's ongoing, long-term commitment to serve the complete financial needs of this generation. For more information on this survey, please visit totalmerrill.com/retirement.

Merrill Lynch is one of the world's leading financial management and advisory companies, with offices in 36 countries and total client assets of approximately \$1.6 trillion. As an investment bank, it is a leading global underwriter of debt and equity securities and strategic advisor to corporations, governments, institutions and individuals worldwide. Through Merrill Lynch Investment Managers, the company is one of the world's largest managers of financial assets. Firmwide, assets under management total \$501 billion. For more information on Merrill Lynch, please visit www.ml.com.

Age Wave was created in 1986 to guide leading companies and government groups worldwide in product and service development – geared to aging boomer and mature population segments. The company’s far reaching explorations and innovative solutions have fertilized and catalyzed a broad spectrum of industry sectors from vitamins and cookies to automotive design and retail merchandising to mutual funds and health insurance. Age Wave’s services include groundbreaking primary and secondary research, cutting-edge brainstorming, business development guidance and a wide range of highly acclaimed presentations, communications and education programs. (www.AgeWave.com)

Harris Interactive Inc. (www.harrisinteractive.com), the 15th largest and fastest-growing market research firm in the world, is a Rochester, N.Y.-based global research company that blends premier strategic consulting with innovative and efficient methods of investigation, analysis and application. Known for *The Harris Poll*[®] and for pioneering Internet-based research methods, Harris Interactive conducts proprietary and public research to help its clients achieve clear, material and enduring results. Harris Interactive combines its intellectual capital, databases and technology to advance market leadership through U.S. offices and wholly owned subsidiaries: London-based HI Europe (www.hieurope.com), Paris-based Novatris (www.novatris.com), Tokyo-based Harris Interactive Japan, through newly acquired WirthlinWorldwide (www.wirthlinworldwide.com), a Reston, Virginia-based research and consultancy firm ranked 25th largest in the world, and through an independent global network of affiliate market research companies.

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