2020 Retirement Confidence Survey
Lisa Greenwald Comments
April 23, 2020

Thanks, Craig.

Over the past decades, the RCS has clearly demonstrated that the workplace is where retirement savings happens. We've fielded this study through the decline of traditional pension plans and have observed the increasing reliance on employer-sponsored defined contribution plans. Fifteen years ago, in 2005, 69% of workers expected a workplace DC plan to be a major or minor source of income in retirement, and 34% of retirees reported it was. In January 2020, more than 8 in 10 workers expected a DC plan to be a source of income and half of retirees reported that it is. More workers expect income from a DC retirement plan than personal savings and investments (73%) or from IRAs (67%).

Income from DC plans is second only to Social Security as an expected source of retirement income. 87% of workers expect Social Security income, and 92% of retirees report that it is a major or minor source. These numbers are virtually unchanged from 30 years ago. In 1991, 90% of workers and 86% of retirees expected or had Social Security as a source of retirement income.

Given the importance of workplace retirement plans, it's encouraging that more than 8 in 10 workers participating in a plan are satisfied with their plans both overall and with the investment options available to them. In January, 83% were very or somewhat satisfied with these. By March, however, this satisfaction started to recede – 76% expressed satisfaction with their plans overall and with their investment options, a notable decline despite remaining high overall.

Two-thirds of workers (66%) are confident in their ability to select the right retirement products and investments for their situation. Only 19% are very confident, however, and many suggest they could use more help.

This January, nearly half of workers (48%) said that they have tried to calculate how much they need to save for retirement, up from 2019. They're also increasingly estimating that they'll need $1 million or more to live comfortably in retirement; 39% of workers think they need this much, up from 2019. Interestingly, only a quarter of retirees estimated they would need $1 million or more.

Despite the good news that half have attempted a calculation, 85% of workers indicate they want help calculating retirement savings targets from their employer's workplace education or financial wellness programs, including 40% who feel this would be very helpful. Underscoring, to me, a real lack of awareness of available retirement plan tools, only 24% of workers claim that they are currently offered help calculating retirement savings goals.

In addition, 35% of workers feel that workplace education focused on how to convert retirement savings into retirement income would be very helpful. More than 4 in 10 workers are seeking help specifically with developing an investment strategy to produce income in retirement (42%).

In January, more than half of workers (54%) agreed that other financial priorities were more important than saving for retirement, and it's hard to believe that sentiment isn't growing as we speak, unfortunately. 8 in 10 workers thought a workplace financial wellness program to help them manage competing financial priorities would be helpful, including 29% who called it very helpful.

As this crisis progresses and continues to impact employment, employee benefits, and workplace retirement plans, it's prudent to consider how workers' benefits and financial wellness needs will grow moving forward, and shift perhaps to a heavier emphasis on non-retirement needs, such as emergency savings, debt management, saving for education, and healthcare costs, both now and in retirement – all things that workplace financial wellness programs aim to address.

I will now turn to Matt Greenwald, who has seen the RCS through 30 years of market ups and downs and decades of policy and industry change, to offer his perspectives.

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Matt Greenwald's Comments
April 23, 2020

Thanks, Lisa.

When we did the first Retirement Confidence Survey in 1991, I had a hypothesis about how results would unfold over time. We believed that workers would become increasingly aware that they were under-saving for retirement and that would drive down their confidence in being able to live comfortably throughout retirement. It did not work out that way.

A lot has changed since 1991, much of it positive. We have learned the power of automatics, and there has been a major effort at financial literacy and education. New financial products have been developed, such as target date funds. But the proportion of workers who said they were confident they would have enough money to live comfortably in retirement was 74% in 1993 and 69% in 2020. That's not a lot of change in that long period of time.

Just because there was little change, that does not mean we did not learn a great deal. When we ask people to state if they will have enough money to live comfortably throughout retirement, we are asking a long-term question and we are also asking them about their comfort level with the lifestyle they can afford. I want to comment about each aspect of that.

First, I think this survey shows the extent to which people want to believe they will be alright over the long-term. For a great many, it is a probably a combination of optimism and wishful thinking..

We have also learned just how adaptable Americans are. Retirees whose incomes have gone down significantly often report that they are living a comfortable lifestyle. People often adjust in retirement and it appears that many workers feel that they will be able to adjust too.

Another thing we have learned is the level of impact of dramatic changes in the economy. In January of 2009, just months after the stock market decline that started in September of the previous year, the proportion of workers confident reached its lowest point of 54%. It was 10 percentage points higher the previous year. Thus, major market disruptions, after they have set in for a while, do push long-term projections down, but not all that dramatically. Good news has less of an impact. From that low point, after an unprecedented 11-year bull market, and a strong economy with record-low unemployment, the proportion very or somewhat confident had only returned to 69%, the place it was in 1999.

There is one worker expectation the RCS has consistently revealed that I think is very important – the expectation of working well beyond average retirement age and expecting to receive income from work in retirement. The RCS shows that these expectations are often unrealistic. Our surveys have revealed, from the beginning, that over seven in ten workers expect to get income from work after they retire. But relatively few retirees actually do. This year, only 31% reported income from work.

In 1991, only 9% of workers said they expected to work to age 70 or beyond. By 2020, this had more than tripled to 31%. Despite this movement, the median age people retire has remained stable: age 62. One of the primary reasons is found in the RCS results: the age of retirement is not always an individual's choice. A lot of factors change plans, such as poor health, disability, and loss of a job. In 1991, only 43% of retirees said they retired when they planned to. It was just about unchanged in 2020: 46%. About half of retirees, through all the years of our survey, have said they have retired before they planned.

The Retirement Confidence Survey, after 30 years of surveying, shows that the main adjustment people have made, in preparing for what is often a 20-year period or more, the last stage of their life, is to plan to do something in the future – to keep working or work after retirement – rather than doing the hard work right now of saving more and doing the necessary calculations and planning to make that last stage of life one of financial security. It has been our hope that conducting the RCS and releasing the findings will act to encourage many to save more and prepare better. Obviously, we are not stopping our efforts now.