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FastFacts from EBRI:

Work Later In Retirement? For Many, It Won't Be Enough

WASHINGTON—If you can't afford to retire at 65, how long after that will you have to work before you have enough money?

A new analysis by the nonpartisan Employee Benefit Research Institute (EBRI) finds that for many people, it could be a very long time—for lower-income workers especially, well into their 70s.

But EBRI finds the biggest positive difference for those who keep working is if they also continue to contribute to a 401(k)-type retirement plan at work, as that keeps wages coming in while simultaneously increasing retirement savings.

“This is one of the biggest factors in whether a household at any age will reach its retirement adequacy targets. If a worker is still participating in a defined contribution plan after age 65, in most cases it makes at least a 10 percentage point improvement,” said Jack VanDerhei, EBRI research director and author of the report.

The analysis uses data from EBRI's Retirement Security Projection Model[®] (RSPM), and projects different levels of success (for 50 percent, 70 percent, and 80 percent of the time), based on different income groups. Not surprisingly, income makes a big difference—but results show that even some high-income workers will not have enough money in retirement to ensure basic retirement costs are covered.

- **Lowest-Income Group:** Only about 30 percent of these households have a 50–50 chance of having enough money to cover basic living expenses in retirement at age 65, but that improves to 35 percent if they work to age 67; 47 percent if retirement's deferred until age 69; about 50 percent if they retire at age 75; and 62 percent if they retire at 80. However, the percentage of “successful” households drops significantly if a higher chance of success is desired: For a 70 percent chance of retirement income adequacy, working to age 69 would be sufficient for only 15 percent of these households.
- **Highest-Income Group:** Not surprisingly, nearly 90 percent of these households already have at least a 50–50 chance of having adequate retirement income by age 65. This increases to about 95 percent if they keep working to age 69, but then levels off: This group mostly has enough money, so working later won't make a big difference. Again, these chances drop if a higher chance of success is desired (81 percent of the households would be “successful” 70 percent of the time if they work to age 69), but not as much as for the lower-income group.

Full results of the analysis are published in the June 2011 *EBRI Issue Brief*, “The Impact of Deferring Retirement Age on Retirement Income Adequacy,” online at www.ebri.org