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EBRI's Spring Policy Forum:

Retirement Income Adequacy: How Big Is the Gap?

WASHINGTON—The nonpartisan Employee Benefit Research Institute (EBRI) today published a summary of its May 2010 policy forum, which addressed the topic “Retirement Income Adequacy: How Big Is the Gap and How Might the Market Respond?”

The summary highlights new EBRI research presented at the policy forum and numerous experts’ reaction to it. As the summary notes, EBRI has been providing assessments of national retirement income adequacy using its proprietary Retirement Security Projection Model[®] (RSPM) since 2003. The 2010 EBRI Retirement Readiness Rating[™] (RRR), based on the model, provides a benchmark for Americans by age and income cohort, and their prospects for having sufficient resources to cover basic expenses and uninsured health expenses.

This latest update includes consideration of the effects of automatic enrollment in 401(k) plans, auto-escalation of contributions, and default investments. Preliminary results of the update were presented at the policy forum, followed by the experts’ comments. Representatives of several financial firms discussed how these factors are likely to affect the financial products American workers and retirees will be able to choose from in retirement.

Among other things, the update found that more than two-fifths (41 percent) of Americans in the lowest preretirement income level will have insufficient resources to cover basic expenses and uninsured health costs after 10 years in retirement. By age group, almost one-half of the Early Baby Boomer cohort (those currently ages 56–62) are at risk of running short of money to cover basic expenditures in retirement.

This was EBRI’s 66th policy forum held in Washington, DC, and was attended by about 100 policy and professional experts. The summary of the forum appears in the August 2010 *EBRI Notes*, available at www.ebri.org

Full details of the 2010 EBRI Retirement Readiness Rating[™] appear in the July 2010 *EBRI Issue Brief*, available at <http://tinyurl.com/26e9cep>

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