

NEWS RELEASE

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2001 Retirement Confidence Survey:

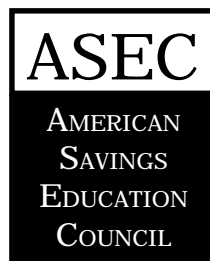
Fewer American Workers Are Saving for Retirement

WASHINGTON, DC—The number of American workers who say they are saving for retirement is dropping after years of steady growth, according to the *2001 Retirement Confidence Survey* (RCS), which was released today by the nonpartisan Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates. The 11th annual RCS is a national survey that gauges the views and attitudes of nonretired (working) and retired Americans on various financial issues related to retirement planning.

The 2001 RCS shows the percentage of individuals who say they have personally saved for retirement decreased from 75 percent in 2000 to 71 percent in 2001 (compared with 61 percent in 1994 and 59 percent in 1998). The changes in individual behavior regarding retirement savings may in part be attributed to recent declines in consumer confidence, employment, the economy, and the equity markets.

In addition, the survey shows that today's workers feel less confident in regard to having enough money to live comfortably in retirement and fewer are trying to figure out how much they will need to save for a comfortable retirement. The 2001 RCS reports 63 percent of workers feel confident that they will have enough money to live comfortably in retirement, compared with 65 percent in 1994, 67 percent in 1998, and 72 percent last year. Seventy-eight percent of workers feel confident that they will have enough money to pay for basic expenses during retirement in 2001 versus 84 percent in 2000. Finally, the percentage of workers who *do not* feel confident about having enough money for a comfortable retirement jumped from 10 percent in 2000 to 17 percent in 2001.

"The decline in retirement confidence has occurred as public attention to the high cost of prescription drugs and long-term care has increased," said Dallas Salisbury, president and CEO of EBRI. "Fifty-one percent of those who retire early say it is for a medical reason, and confidence in having the funds for medical expenses or for long-term care is very low."



—More—

Social Security

Many workers underestimate how much money they will receive from their Social Security benefits. Twenty-three percent expect Social Security benefits to replace between 20–29 percent of their preretirement income (household income right before they retire); 17 percent think they will get less than 20 percent; and 12 percent state they will get nothing from Social Security. The Social Security Administration says Social Security should replace about 40 percent of preretirement earnings of average earners; 80 percent for the lowest earners; and 27 percent for those at the maximum taxable wage base of \$80,400 (about 11 percent of workers make more than this amount).

The percentage of workers who feel confident that Social Security will continue to provide benefits of equal value to today's retirees continues to increase over the years—from 19 percent in 1995, to 28 percent in 2000, to 34 percent in 2001. At the same time, 55 percent of today's workers continue to be unaware of the phased increase in the Social Security retirement age from 65 to 67 (which can affect how they plan for their retirement).

Preparing for retirement

The portion of Americans who say they have tried to calculate how much money they need to save for a comfortable retirement fell from 51 percent in 2000 to 46 percent in 2001. The percentage of workers who say they have tried to do a retirement needs calculation decreases to 39 percent when survey respondents are probed more specifically about different aspects of their retirement planning process (e.g., how much of their preretirement income they will need in retirement, how much they expect to receive in Social Security benefits, how much they expect to receive from pension or other defined benefit plan, etc.). (Sixty-five percent of respondents who answered these same questions say they have saved for retirement, versus the 71 percent who did not.)

“This year we gathered two sets of responses for the RCS asking whether people saved for retirement and if people actually calculated for their financial needs during retirement,” explained Mathew Greenwald, president of Mathew Greenwald & Associates. “The differences between the two sets of responses suggest that asking people to think about the elements that go into putting together a good retirement savings plan makes some people reconsider the adequacy of their own retirement planning and saving activities. The revised results show that 65 percent of people save money for retirement; however, a smaller percentage actually sit down and do the math.”

“Half of workers who say they did a savings need calculation say they changed their retirement planning as a result,” said Don Blandin, president of ASEC. “The mere act of calculating your retirement numbers makes you more aware of all the elements that affect your financial future, such as Social Security, and turns you into a more disciplined saver.”

Financial elements to consider when doing a retirement needs calculation:

- Money provided by an employer, such as a pension or a contribution to a retirement account.
- Money you (and/or your spouse) put into a retirement plan at work, such as a 401(k) plan.
- Other personal savings or investments (not in a work-related retirement plan).
- Money from the sale of your home or business.
- Part-time employment or full-time employment (in retirement).
- Support from your children or other family members.
- Social Security.
- Other government income programs, such as SSI or veterans' benefits.

More than 100 financial planning calculators, as well as educational video and audio messages are available at www.choosetosave.org, a Web site developed for the general public to aid in savings education and retirement planning. A number of other interactive savings tools including the *Retirement Personality Profiler*,

the *Retirement Readiness Rating Quiz*, and the *Ballpark Estimate* retirement planning worksheet are available at the EBRI and ASEC Web sites at: www.ebri.org and www.asec.org

The 11th annual Retirement Confidence Survey (RCS) gauges the views and attitudes of working and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted within the United States between January and February 2001, through 20-minute telephone interviews with 1,000 individuals (762 workers and 238 retirees) age 25 and older. Random digit dialing was used to obtain a representative cross section of the U.S. population and interview quotas were established by sex of respondent to reflect the actual proportions in the population. Starting with the 2001 wave of the RCS, all data are weighted by age, sex and education to reflect the actual proportions in the adult population. In this year's report, data for previous waves of the RCS have also been weighted to allow for consistent comparisons; consequently, some data in the 2001 RCS may differ slightly with data published in previous waves of the RCS.

In theory, each sample of 1,000 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) and each sample of 200 yields a statistical precision of plus or minus 7 percentage points of what the results would be if the entire population age 25 and older were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is difficult or impossible to quantify the errors that may result from them.

The 2001 RCS data collection was funded by grants from 26 public and private organizations, and the special report on the minorities' data collection was funded by grants from 11 organizations. Staffing was donated by EBRI, ASEC, and Greenwald. RCS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/rcs

Founded in 1978, EBRI's mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is a private, nonprofit, nonpartisan public policy research organization based in Washington, DC. EBRI does not lobby and does not take positions on legislative proposals.

ASEC is a coalition of private- and public-sector institutions that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC works through its partners to educate Americans on all aspects of personal finance and wealth development, including credit management, college savings, home purchase, and retirement planning. ASEC develops and distributes educational materials, all of which are available in hard copy and on the ASEC Web sites: www.asec.org and www.choosetosave.org ASEC is a program of the EBRI Education and Research Fund.

Mathew Greenwald & Associates, Inc. is a full-service market research company with an expertise in financial services research. Founded in 1985, Greenwald & Associates has conducted public opinion and customer-oriented research for more than 100 organizations, including many of the nation's largest companies and foremost associations.

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