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The Retirement System in Transition: The 2007 Retirement Confidence Survey

by Ruth Helman, Mathew Greenwald & Associates; Jack VanDerhei, Temple University and EBRI Fellow; and Craig Copeland, EBRI

- ***Workers slow to see or adapt to a changing U.S. retirement system:*** The 17th annual wave of the Retirement Confidence Survey (RCS) suggests that American workers may be slow to recognize how the U.S. retirement system is changing, and those who are aware of these changes may not be adapting to them in ways that are likely to secure them a comfortable retirement.
- ***Half of workers less confident about pension benefits:*** The RCS finds pension-plan changes by employers have left nearly half of workers less confident about the benefits they will receive from a traditional pension plan, but that those experiencing a decline in retirement benefits often fail to react constructively. Moreover, although Americans will rely increasingly on 401(k) retirement savings plans and other personal savings and investments to fund their retirement security, data suggest that many may not follow professional investment advice when it is offered to them.
- ***Many workers counting on benefits that won't be there:*** Many workers are counting on employer-provided benefits in retirement that are increasingly unavailable. Only 41 percent of workers indicate they or their spouse currently have a defined benefit pension plan, yet 62 percent say they are expecting to receive income from such a plan in retirement. Likewise, workers are as likely to expect as retirees are to receive retiree health insurance through an employer, even though the number of employers offering this benefit to future retirees is declining.
- ***Many workers unlikely to heed investment advice even if they get it:*** More than half of workers indicate they would be likely to take advantage of professional investment advice offered by companies that manage employer-sponsored retirement plans. However, two-thirds of these workers say they would probably implement only some of the recommendations they receive and 1 in 10 think they would implement none of them.
- ***Americans overestimate long-term care coverage:*** One-quarter of workers and more than one-third of retirees report they have long-term care insurance (separate from health insurance, Medicare, and Medicaid) to help pay for care they might need in a nursing home, assisted living facility, or at home. But only 10 percent of Americans age 65 and older are estimated to have had private long-term care insurance in 2002, suggesting that many are counting on coverage they do not actually have.
- ***Most savings levels are modest:*** Almost half of workers saving for retirement report total savings and investments (not including the value of their primary residence or any defined benefit plans) of less than $25,000. The majority of workers who have not put money aside for retirement have little in savings at all: Seven in 10 of these workers say their assets total less than $10,000.
- ***Continued ignorance about Social Security coverage:*** Despite the longstanding increase in the eligibility age for Social Security, only a small minority of workers are aware of the age at which they can receive full retirement benefits from Social Security without a reduction for early retirement.

Ruth Helman is research director for Mathew Greenwald & Associates. Jack VanDerhei, Temple University, is research director of the EBRI Fellows Program. Craig Copeland is senior research associate at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the authors and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Introduction

The 17th wave of the Retirement Confidence Survey (RCS) suggests that American workers may be slow to recognize how the U.S. retirement system is changing, and those who are aware of these changes may not be adapting to them in ways that are likely to secure them a comfortable retirement.

The RCS finds pension-plan changes by employers have left nearly half of workers[1] less confident about the benefits they will receive from a traditional pension plan, but that those experiencing a decline in retirement benefits often fail to react constructively. Moreover, although Americans will increasingly rely on 401(k) retirement savings plans and other personal savings and investments to fund their retirement security, data suggest that many may not follow professional investment advice when it is offered to them.

Findings in this year's RCS include:

- Nearly half of workers report that recent changes to the employer pension system have made them less confident about the money they can expect to receive from a defined benefit (or "traditional") pension plan (45 percent). Seventeen percent of workers have personally experienced a reduction in the retirement benefits offered by their employer within the past two years. Of these, only one-third report they are saving more as a result (32 percent).
- Many workers are counting on employer-provided benefits in retirement that are increasingly unavailable. Only 41 percent of workers indicate they or their spouse currently have a defined benefit pension plan, yet 62 percent say they are expecting to receive income from such a plan in retirement. Likewise, workers are as likely to expect (41 percent) as retirees are to receive (43 percent) retiree health insurance through an employer even though the number of employers offering this benefit to future retirees is declining.
- More than half of workers indicate they would be likely to take advantage of professional investment advice offered by companies that manage employer-sponsored retirement plans (54 percent). However, two-thirds of these workers say they would probably implement only some of the recommendations they receive (66 percent) and 1 in 10 think they would implement none of them (11 percent).
- One-quarter of workers (24 percent) and more than one-third of retirees (35 percent) report they have long-term care insurance (separate from health insurance, Medicare, and Medicaid) to help pay for care they might need in a nursing home, assisted living facility, or at home. Estimates of private long-term care insurance policy use show that 10 percent of Americans age 65 and older had private long-term care insurance in 2002, suggesting that many are counting on coverage they do not actually have.
- Three-quarters of workers say that when it comes to withdrawing money from their savings and investments in retirement, they will try to strike a balance between making their savings last as long as possible and maintaining their standard of living (74 percent). Most will use relatively simple strategies to do this, taking what they need to cover their expenses (36 percent) or leaving their savings untouched for as long as possible (31 percent).
- Despite the longstanding increase in the eligibility age for Social Security, only a small minority of workers are aware of the age at which they can receive full retirement benefits from Social Security without a reduction for early retirement (18 percent).
- Many workers, particularly older workers, continue to be uncomfortable using the Internet to help manage their finances. Workers appear to be most comfortable using the Internet to obtain information about financial products (54 percent *very* or *somewhat* comfortable) or to use online financial calculators (54 percent) and least comfortable purchasing financial products online (29 percent).
- The percentage of workers who report they have saved money for retirement remains level at 66 percent. Likewise, the percentage of workers currently saving for retirement (60 percent) and the

percentage who report having attempted to calculate their accumulation needs for retirement (43 percent) remain level.

- Almost half of workers saving for retirement report total savings and investments (not including the value of their primary residence or any defined benefit plans) of less than $25,000 (49 percent). The majority of workers who have not put money aside for retirement have little in savings at all: Seven in 10 of these workers say their assets total less than $10,000 (70 percent).
- The RCS continues to find that one-quarter of workers are *very* confident about their financial security in retirement (27 percent), while more than 4 in 10 are *somewhat* confident (43 percent). However, at least some of those who say they are *very* confident may be overconfident: 24 percent of *very* confident workers are not currently saving for retirement, 43 percent have less than $50,000 in savings, and 37 percent have not done a retirement needs calculation.

The Retirement System in Transition

Employer-Provided Retirement Plans

Over the past few years, a number of changes have been made to the employer pension system. These changes have caused nearly half of workers to feel less confident about the amount of money they can expect to receive from an employer-provided traditional pension plan: Almost 2 in 10 report they are *much less* confident than they were five years ago (18 percent), while more than one-quarter are a *little less* confident (27 percent). Twenty-eight percent say their confidence is unchanged and 16 percent indicate their confidence has increased (Figure 1).

Figure 1
Change in Worker Confidence Regarding Benefits From Traditional Pension, by Expectation of Receiving Benefits From Traditional Pension

		Expect Benefits From Traditional Pension?	
	All Workers	Yes	No
Much less confident	18%	12%	29%
A little less confident	27	31	22
Just as confident	28	34	18
A little more confident	10	13	5
Much more confident	5	7	3
Never expected benefits	6	1	16
Don’t know	5	3	7

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Workers who do not expect to receive retirement income from a defined benefit pension plan (compared with those who do) and those not saving for retirement (compared with savers) are more likely to report they have *much less* confidence in the amount of benefits they will receive. Lower-income workers are more likely than those with higher income to say they are *less* confident, while higher-income workers are more apt to say their confidence is unchanged.

Some workers appear to be expecting to rely on employer-provided benefits they are unlikely to receive. Workers are as likely to expect that they will receive retirement income from a defined benefit pension plan (62 percent) as current retirees are to receive it (63 percent). At the same time, only 4 in 10 workers report they and/or their spouse currently have this type of plan (41 percent). This means that up to 20 percent of workers are counting on getting this benefit from a future employer—a scenario that is becoming increasingly unlikely as companies cut back on their defined benefit offerings.

A minority of workers have personally experienced a reduction in the retirement benefits offered by their (or their spouse’s) employer within the past two years (17 percent). Of these, few say they have taken significant steps to improve their retirement security in the face of these reductions. One-third report they are saving more, either on their own (24 percent) or in an employer’s plan (8 percent). More than 1 in 10 say they are trying to stay healthy (12 percent). Other actions reported include planning on working in retirement (5 percent), making greater use of financial planning or investment information (5 percent), planning to postpone retirement (4 percent), and seeking advice from a financial professional (4 percent). Almost 4 in 10 indicate they have done nothing in response to the reduction in benefits. Workers age 55 and older are more likely than younger workers to report a reduction in benefits.

Retiree Health Insurance

Even though many employers are eliminating health care coverage for future retirees, 4 in 10 workers continue to expect they will have access to employer-provided health insurance when they retire (41 percent). This is consistent with RCS findings from previous years and makes workers as likely to expect access as current retirees are to receive it (43 percent) (Figure 2).

Figure 2
Availability of Employer-Provided Health Insurance Coverage in Retirement

	Workers (Expected)	Retirees (Reported)
Yes (net)	41%	43%
Employer paid	18	14
Retiree paid	8	10
Costs shared by employer and retiree	13	17
Uncertain who pays	3	1
No	53	57
Don't know	5	0

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Workers expecting benefits from a defined benefit plan are more apt than those not expecting such benefits to think they will have retiree health coverage. Others who more often say they will receive this type of coverage include workers employed in the public sector (compared with private-sector workers), those planning to retire at age 65 or before (compared with those planning to retire later), those under age 55 (compared with older workers), those who have saved for retirement (compared with nonsavers), and those with income of at least $35,000 (compared with lower-income workers).

Managing Savings in Retirement

As defined benefit pension plans become less available, personal savings and investments will become an increasingly important component of retirement funding. It will be critical for retirees to manage their nest egg so that it produces income throughout their retirement. However, workers tend to think of the decision about how much money to withdraw each year from their savings and investments as a balancing act. Three-quarters say they will try to strike a balance between making their savings last as long as possible and maintaining their standard of living during the first few years of retirement (74 percent). Almost 2 in 10 say they will strive to make their savings last as long as possible, even if it means their standard of living slowly declines (18 percent). Just 3 percent state they will maintain their standard of living, even if it means they eventually run out of money. Retirees report similar goals (Figure 3).

Figure 3
Goals When Withdrawing Savings in Retirement

	Workers (Expected)	Retirees (Actual)
Making your savings last as long as possible, even if it means/meant your standard of living slowly declines	18%	15%
Maintaining your standard of living, even if it means/meant you eventually run out of money	3	5
Maintaining a balance between the two	74	65
Won't/Don't withdraw money	1	8
Don't know	3	8

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Current workers anticipate using simple strategies in order to achieve these goals. More than one-third say they will simply take what they need to cover their expenses (36 percent), and 3 in 10 will try to leave their savings untouched for as long as possible (31 percent). Fewer anticipate using the comparatively complex strategies of taking only the earnings on their investments (18 percent) or taking a constant percentage or amount of money (10 percent). Equal proportions of current retirees report having used these approaches. Approximately one-third each take what they need to cover their expenses (35 percent) or try to leave their savings untouched (33 percent). Only one-quarter of retirees take the earnings on their investments (17 percent) or take a constant percentage or amount (8 percent).

Workers more likely to say they will take only the earnings or a constant percentage are those who have saved for retirement (compared with nonsavers), those who have calculated how much they need to accumulate (compared with those who have not), those expecting to receive money from a work-place savings plan, such as a 401(k) (compared with those who are not), and those with household income of at least $75,000 (compared with lower-income workers). The likelihood of planning to use these approaches also increases as their retirement savings goal increases.

Eligibility Age for Social Security

It was 24 years ago, in 1983, that Congress passed legislation gradually increasing the Social Security normal retirement age. Nonetheless, only a small minority of workers are aware of the age at which they can receive full Social Security retirement benefits without a reduction for early retirement. Half of workers believe they will be eligible for unreduced benefits sooner than they actually will (51 percent). Three in 10 incorrectly think they will be eligible for unreduced benefits at age 65 (30 percent of all workers), and 2 in 10 think they will be eligible even before age 65 (21 percent). Two in 10 workers say they do not know when they will be eligible to receive full benefits from Social Security (20 percent). (In reality, the Social Security normal retirement age varies from age 65 to age 67, by year of birth.)

Only 18 percent of workers are able to give the correct age at which they will be eligible for full retirement benefits, and 9 percent believe they will be eligible later than they actually will be. The percentage responding correctly is unchanged from when the question was first asked in 2000. Another consistent finding is that knowledge increases sharply among workers age 55 and older, who are more than twice as likely as younger workers to respond correctly.

The Social Security Administration has mailed individual benefit statements to the U.S. population annually for the past eight years, specifying individuals' normal retirement age and estimating their annual Social Security benefits. However, more than 2 in 10 workers do not remember receiving a statement in the past year (22 percent). Larger shares of those under age 35 than older workers say they did not receive a benefit statement. The likelihood of reporting they did not receive a statement in the past year goes up as household income or education goes down. Others more likely to state they did not receive a benefit statement are those not saving for retirement (compared with savers) and those who have not done a savings needs calculation (compared with those who have done a calculation).

Investment Advice

In 2006, Congress enacted a law allowing companies that manage employer-sponsored retirement plans (such as 401(k) plans) to offer investment advice to employees. Two in 10 workers state they would be *very* likely to take advantage of such a service if it were available at a modest cost (19 percent).[2] More than one-third report they would be *somewhat* likely to take advantage of the service (35 percent), while approximately 2 in 10 each would be *not too* (21 percent) or *not at all* (22 percent) likely. Workers more often saying they would be likely to use the service are those who consulted a professional advisor in the past year (compared with those who did not), women (compared with men), and workers under age 55 (compared with older workers). The likelihood of using the service also increases as household income increases.

However, the 2007 RCS finds that those who choose to take advantage of the opportunity to *receive* investment advice might not benefit from it because they may decide to not act on the recommendations. Of those indicating they are likely to seek this advice, only 2 in 10 say they would implement all of the recommendations they receive as long as they trusted the source (21 percent). Two-thirds indicate they would implement only those recommendations that were in line with their own ideas (66 percent), and 1 in 10 would likely implement none of the recommendations (11 percent).

While questions asking intent often produce unreliable data, these results are relatively consistent with reported behavior from the 2006 RCS. Among workers offered professional investment advice through their employer, 53 percent report requesting and receiving specific recommendations on how they should invest their money. However, only 13 percent subsequently implemented all of the recommendations. Instead, 57 percent implemented some of the recommendations, and 30 percent did not implement any.

More and more, retirement plan providers are turning to the Internet to provide information and allow participants to manage their own retirement accounts. The success of this channel is dependent on worker acceptance, but many workers—especially older ones—have reservations about using the Internet for various financial activities. More than half say they are *very* or *somewhat* comfortable with the comparatively innocuous activities of obtaining information about financial products (54 percent) or using calculators (54 percent) online. However, fewer say they are comfortable shifting money from one account or investment to another online (43 percent), obtaining advice from financial professionals (34 percent), or purchasing financial products online (29 percent) (Figure 4).

Figure 4
Worker Comfort With Performing Financial Activities Online

	Very Comfortable	Somewhat Comfortable	Not Too Comfortable	Not at All Comfortable
Shifting money from one account or investment to another online	23%	20%	15%	40%
Using calculators online to assist you with financial decisions, such as how much to save, how much you can afford to borrow, which loan you should choose, etc.	22	31	12	32
Obtaining information about financial products online	20	34	14	30
Purchasing financial products online	10	19	21	49
Obtaining advice from financial professionals online	9	25	24	42

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

The likelihood of being comfortable doing each of these activities online is strongly related to age and falls sharply as age increases. It increases as household income or education increases. Men, more often than women, say they are comfortable shifting money or purchasing financial products online.

Preparing—or Not—for Retirement

Saving for Retirement

Although the majority of Americans appear to be persuaded about the need to set aside money to prepare for retirement, the 2007 RCS finds a slight decline in the proportion of workers saying they and/or their spouses have saved money for retirement (66 percent, down from 70 percent in 2006) (Figure 5). While the proportion of workers having saved for retirement increased from 1994–2000, it declined significantly in 2001 and remained fairly constant from 2001–2006. In contrast, the proportion of retirees having saved for retirement has increased very gradually, from roughly half in 1994–1997 to more than two-thirds in 2006 and 2007 (68 percent).

Not all workers who *have* saved for retirement are *currently* saving for this purpose. Six in 10 workers report that they and/or their spouse are currently saving for retirement (60 percent). This percentage has fluctuated very slightly since the RCS first measured it in 2001, reaching a low of 58 percent in 2004 and a high of 64 percent in 2006.

Not surprisingly, the likelihood of having saved for retirement among both workers and retirees is strongly related to household income. The proportion saying they have saved for retirement also increases as education levels rise or health status improves. In addition, married workers are more likely than those not

Figure 5
Americans Having Saved Money for Retirement

	Workers		Retirees
	Have Saved Money [a]	Currently Save Money	Have Saved Money [a]
2007	66%	60%	68%
2006	70	64	68
2005	69	62	66
2004	68	58	65
2003	71	62	64
2002	72	61	62
2001	69	61	61
2000	78	NA	59
1999	73	NA	67
1998	59	NA	59
1997	66	NA	50
1996	60	NA	52
1995	58	NA	48
1994	57	NA	52

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2007 Retirement Confidence Surveys.
[a] The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately 4 to 5 percentage points of the increase between 1998 and 1999.

married to have set money aside. Other groups of workers more likely to have saved for retirement include those age 45 and older (compared with younger workers), workers currently participating in a work-place retirement savings plan (compared with those not participating), workers having attempted a retirement savings needs calculation (compared with those who have not), and those who expect to retire at age 65 or earlier (compared with those who expect to retire later). Workers saying they consulted a professional financial advisor for investment advice in the past year are also more likely than those who did not consult an advisor to report they are currently saving for retirement.

Roughly 4 in 10 workers (45 percent) and retirees (41 percent) report other savings or investments in addition to the money they have set aside for retirement (Figure 6). Nevertheless, one-quarter of workers and retirees indicate they have no savings at all (25 percent of workers and 24 percent of retirees). Among both groups, the likelihood of having no savings decreases as household income increases, education increases, or health status improves.

Figure 6
Americans With Savings

	Workers	Retirees
Retirement savings only	21%	27%
Other savings only	9	8
Both	45	41
No savings	25	24

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Many Americans have little money put away in savings or investments (Figure 7). Among RCS workers providing this type of information, nearly half report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than $25,000 (49 percent). Approximately 1 in 10 workers each report total savings and investments of $25,000–$49,999 (10 percent), $50,000–$99,999 (13 percent), $100,000–$249,999 (15 percent), and $250,000 or more (14 percent). Retirees provide similar estimates of household savings.

Figure 7

Reported Total Savings and Investments Among Those Providing Response, by Age

(not including value of primary residence or defined benefit plans)

	Worker Age Group					
	All Workers	Ages 25–34	Ages 35–44	Ages 45–54	Ages 55+	All Retirees
Less than $10,000	35%	50%	36%	24%	26%	32%
$10,000–$24,999	13	18	16	10	5	13
$25,000–$49,999	10	9	10	11	9	10
$50,000–$99,999	13	10	14	15	11	12
$100,000–$149,999	8	7	7	9	11	8
$150,000–$249,999	7	1	9	10	9	12
$250,000–$499,999	7	1	4	12	11	5
$500,000 or more	7	4	4	9	17	9

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

These findings are similar to some other estimates of American household assets. Quantifiable data from the 2004 Survey of Consumer Finances (conducted by the U.S. Federal Reserve Board) found the median (midpoint) level of household assets of Americans is $172,900.[3] This includes the value of the primary home, which had a median value of $160,000 for those who owned a home.

Older workers tend to report higher amounts of assets. While nearly 7 in 10 workers under age 35 have total savings and investments of less than $25,000 (68 percent vs. 42 percent of older workers), 3 in 10 workers age 55 and older cite assets of $250,000 or more (28 percent vs. 11 percent of younger workers). As one might suspect, total savings and investments increase sharply with household income and with education. Workers who have done a retirement savings needs calculation (compared with those who have not) tend to have higher levels of savings. In addition, workers who have saved for retirement report much higher levels of savings and investments than those who say they have not set money aside for retirement.

Retirement Savings Needs

One reason for the modest totals of savings and investments may be that the majority of workers have not calculated how much they need to save for retirement (Figure 8). Only 43 percent of workers report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement. This proportion increased from 1994–2000, declined in 2001, and has remained statistically unchanged since that time.

The likelihood of doing a retirement savings needs calculation increases with household income, education, and the amount of savings and investments. In addition, married workers are more likely than unmarried workers to have tried to do a calculation. Workers age 45 and older (compared with younger workers), retirement savers (compared with nonsavers), participants in a defined contribution plan (compared with nonparticipants and those not offered a plan), and those who consulted a financial advisor for investment advice (compared with those who did not) more often report trying to do a calculation.

Figure 8
Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement[a]

2007	43%
2006	42
2005	42
2004	42
2003	43
2002	38
2001	44
2000	53
1999	48
1998	42
1997	33
1996	29
1995	32
1994	31

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2007 Retirement Confidence Surveys.
[a] The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately 4 to 5 percentage points of the increase between 1998 and 1999.

Overall, the amount that workers think they need to accumulate for a comfortable retirement appears to be rather low (Figure 9). One-quarter of workers say they need to save less than $250,000, and another 2 in 10 mention a goal of $250,000–$499,999 (18 percent). Two in 10 think they need to save $500,000–$999,999 (20 percent), while 1 in 10 each believe they need to save $1 million–$1.9 million (11 percent) or $2 million or more (8 percent). The amount tends to increase as household income increases.

Figure 9
Amount of Savings American Workers Think They Need for Retirement, by Household Income

		Household Income		
	Total	<$35,000	$35,000–$74,000	$75,000+
Less than $250,000	26%	43%	28%	13%
$250,000–$499,999	18	14	24	14
$500,000–$999,999	20	13	23	26
$1 million–$1.49 million	7	5	8	10
$1.5 million–$1.9 million	3	2	2	7
$2 million or more	8	6	3	16
Don't know/Don't remember	18[a]	16	13	13

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.
[a] 11% of respondents did not report their income. They are included in the total column but not in the income groups.

The amount of savings needed for retirement can be expressed as a multiple of current earnings (Figure 10).[4] Among workers of all ages, 3 in 10 have a savings goal that is less than five times their current household income (30 percent), 27 percent name a goal that is 5.0–9.9 times their income, and 15 percent have a goal 10.0–14.9 times their income. Another 15 percent cite a goal 15.0–24.9 times their income, while 13 percent name a goal of at least 25 times their current household income. Ballpark E$timate Monte Carlo simulations suggest that target multiples (to obtain a 90 percent chance of having adequate retirement income to cover basic expenses plus non-covered health care costs throughout retirement) for someone retiring at age 65 would be 11.9 for high-income males, 13.9 for high-income females, 42.0 for low-income males, and 54.2 for low-income females.[5]

Figure 10
Amount of Savings American Workers Think They Need for Retirement Expressed as a Multiple of Current Earnings, for All Ages

Multiple of Current Earnings	Percentage of Respondents
0–up to 5	30%
5–up to 10	27
10–up to 15	15
15–up to 20	8
20–up to 25	7
25–up to 30	3
30–up to 35	1
35–up to 40	1
40–up to 45	1
45–up to 50	1
50 or more	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Younger workers think they will need more money in retirement: Workers age 55 and older are more likely than younger workers to think they need to accumulate less than $100,000 for retirement, while those under age 35 are more apt than older workers to believe they will need $1 million or more. Similarly, women are more likely than men to think they will need savings of less than $100,000, but less likely to think they will need at least $1 million. Those who do not expect to receive defined benefit (pension) income are more likely than those who do to say they will need at least $1 million. Among those with household income of $50,000 or more, workers who do a retirement needs calculation are more likely than those who do not to estimate that they need higher amounts.

Retirement Age

The age at which workers say they plan to retire has slowly crept upward, from a midpoint of 62 in 1996 to age 65 in 2006 and 2007. About 4 in 10 workers plan to retire before reaching age 65, 17 percent say they will retire before age 60, and 21 percent plan to retire between the ages of 60 and 64. More than one-quarter of workers say they will retire at age 65 (27 percent), while one-quarter intend to retire at age 66 or even later (24 percent). Although the retirement age of the typical retiree has increased from 60 in 1996 to 62 in 2006 and 2007, a gap remains between worker expectations and the experience of current retirees (Figure 11).

Figure 11
Planned and Actual Retirement Age

Retirement Age	Workers (Planned)	Retirees (Actual)
Before 55	7%	14%
55–59	10	21
60–61	10	7
62–64	11	25
65	27	13
66 and older	24	15
Never retire/never worked	6	3
Don’t know	5	0

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence. Others planning to retire later include workers in *excellent*, *very good*, or *good* health (compared with those in poorer health), those not expecting benefits from a defined benefit pension plan (compared with those who expect these benefits), private-sector workers (compared with public-sector workers), women (compared with men), and those with less than $75,000 in household income (compared with those with higher income).

The average age at retirement is likely to increase and many workers may work until their planned retirement age, but others could find themselves retiring sooner. The RCS has consistently found that approximately 4 in 10 retirees leave the work force earlier than planned (37 percent in 2007). Many retirees who retired early cite negative reasons for leaving the work force before they expected, including health problems or disability (28 percent), changes at their company, such as downsizing or closure (28 percent), and having to care for a spouse or another family member (25 percent). Others say other work-related reasons (18 percent) or obsolete skills (13 percent) played a role. The consequences of an unplanned early retirement can be heavy. Retirees who retire earlier than planned are more likely than those who retire on time or later than planned to say they are not confident about having a comfortable retirement or about having enough money for basic expenses in retirement. They are also more likely to indicate they are now more concerned about their financial future than they were right after they retired.

Length of Retirement

The length of retirement is a key component of retirement planning, and many Americans report taking it into consideration when they do their financial planning. Six in 10 workers (60 percent) and more than 4 in 10 retirees (43 percent) say they consider the number of years they (and their spouse) will spend in retirement. Those with a bachelors' degree are especially likely to take this factor into account.

Although individual workers may significantly underestimate how long they will spend in retirement, it appears that workers, on average, have reasonable expectations about the length of their retirement. The typical RCS worker expects to retire at age 65 and spend 20 years in retirement. One-quarter expect to be retired for 20–24 years (24 percent), 1 in 10 think they will be retired for 25–29 years (11 percent), and 17 percent think they will live in retirement for 30 years or more. At the same time, 7 percent think they will live less than 10 years in retirement, 22 percent think they will live 10–19 years, and 19 percent say they do not know how long they will live.

Workers planning to retire at earlier ages tend to expect they will spend longer in retirement than those who plan to retire at older ages. Men and women provide roughly similar estimates of the length of time they will spend in retirement, but women plan to retire slightly later than men. Half of both men and women providing this information expect to live until at least age 83 (men) or 85 (women), and one-quarter expect to live until at least age 90 (Figure 12). According to the 2006 OASDI Trustees Report, a 65-year-old man today can expect to live until age 81, while a 65-year-old woman can expect to live until age 84.[6]

Figure 12
Calculated Life Expectancy[a] for Workers, by Gender

	Men	Women
75% expect to live until age:	78	80
50% expect to live until age:	83	85
25% expect to live until age:	90	90
10% expect to live until age:	95	95

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.
[a] Life expectancy for workers is calculated by adding expected age at retirement and expected length of retirement for workers providing both pieces of information.

Workers may have less of a grasp on the variability of life expectancy. Many may be planning for a retirement that lasts for as long as they think they will live and failing to consider that they could easily live beyond that anticipated age. One in 10 workers think they are *not at all* likely to live until age 85 (11 percent) and 15 percent believe they are *not too* likely to reach that age. Only 32 percent say they are *very* likely to live that long. On the other hand, approximately 1 in 10 workers say they are *very* likely to live until at least age 95 (7 percent) and one-quarter think they are *somewhat* likely to live that long (23 percent) (Figure 13).

Figure 13
Worker and Retiree Estimated Likelihood of Living Until Specific Ages

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely	Don't Know/ Refused
Age 85					
Workers	32%	40%	15%	11%	3%
Retirees	45	35	9	6	4
Age 95					
Workers	7	23	33	33	4
Retirees	12	23	25	32	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Women are more likely than men to say they are likely to live until each of the target ages. The likelihood of indicating they will live until each age also increases as household income or education increases or as health status improves.

Informing individuals of the probability of reaching these ages may have only a limited effect on savings rates. Fewer than 2 in 10 workers say they would be *very* likely to save more knowing that people in their age group had about a 25 percent chance of living to age 90 (if male) or 92 (if female). More than one-third say this information would make them *somewhat* likely to save more (36 percent), while nearly half indicate they would be *not too* (25 percent) or *not at all* (20 percent) likely to save more. Workers more likely to increase their savings based on this information include women (compared with men) and those under age 45 (compared with older workers). The likelihood of acting on this information also increases as current health status improves.

Information Sources for Retirement Planning

On average, American workers spent 19 hours—equivalent to about two and one-half business days—planning for retirement last year. This was more than the average of 11 hours spent planning for vacations and equal to the amount of time workers spent planning for the holidays (19 hours). Workers who have done a retirement needs calculation (compared with those who have not) or are participating in a retirement savings plan at work (compared with nonparticipants) are especially likely to report having spent 10 or more hours on the task of planning for retirement.

Workers use a wide variety of sources for information when making retirement savings and investment decisions. Depending on the specific source, this means that many may be using unprofessional or unreliable information in developing their plan for retirement. More than 7 in 10 workers saving for retirement use written material received at work (73 percent). Roughly 6 in 10 savers have consulted a financial professional (64 percent) or family, friends, or co-workers (62 percent). Six in 10 have referenced retirement plan benefit statements (61 percent), and approximately half have used information found over the Internet (52 percent) or in newspapers or magazines (49 percent). Fewer report having used information from television or radio (32 percent), computer software (28 percent), seminars (21 percent), or online professional advice services (19 percent) to help with these decisions (Figure 14).

Perhaps not surprisingly, among the sources of retirement information identified in the RCS, savers most often say they find advice from a financial professional to be *most* helpful (40 percent). Less often, they report finding advice from family, friends, or co-workers (18 percent) or written material received from work (15 percent) most helpful. One in 10 or fewer indicate that their most helpful sources of information are the Internet (6 percent), retirement plan benefit statements (5 percent), and newspapers or magazines (4 percent). No more than 2 percent of workers who have saved for retirement find any of the other tested sources of information to be most helpful in their retirement savings and investment decisions.

Figure 14
Retirement Educational Materials Used and Found Most Helpful, Among Workers Saving for Retirement

	Used	Most Helpful
Written material received from your employer or your employer's retirement plan provider	73%	15%
The advice of a financial professional	64	40
The advice of family, friends, or co-workers	62	18
Retirement plan benefit statements	61	5
Information available over the Internet	52	6
Newspapers or magazines	49	4
Information from television or radio	32	2
Computer software	28	<0.5
Information from seminars	21	1
Online professional investment advice services	19	1

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

The likelihood of finding a financial professional *most* helpful increases as household income or assets increase and is higher among workers participating in a retirement savings plan at work than among nonparticipants. On the other hand, workers with less than $35,000 in household income (compared with higher-income workers) or less than $25,000 in assets (compared with higher-asset workers) are more likely to report finding advice from family and friends most helpful in making their retirement savings and investment decisions.

Three in 10 workers report they have sought investment advice from a professional financial advisor within the past year (29 percent). The propensity to have consulted a professional advisor increases as household income, financial assets, or education increase and is higher among those participating in a retirement savings plan (compared with nonparticipants).

Expectations About Income and Spending in Retirement

Retirement Spending

When workers envision their standard of living in retirement, most see themselves *comfortable* or *well off*. Half expect their standard of living in the first five years of retirement will be *comfortable* (52 percent) and 6 percent think they will be *well off*. However, one-third think their standard of living will be merely *adequate* (32 percent), while 1 in 10 expect to *struggle* (10 percent). These worker expectations appear similar to the experiences reported by retirees (Figure 15).

Figure 15
Standard of Living in First Five Years of Retirement

	Workers (Expected)	Retirees (Actual)
Well off	6%	8%
Comfortable	52	50
Adequate	32	29
Struggling	10	12

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Workers who expect to retire before age 65 are more likely than those planning to retire later to say they will be *well off* in retirement, while those expecting to retire after age 65 are more apt than their counterparts to describe their expected standard of living as *adequate* or *struggling*. Others describing their retirement standard of living as *adequate* or *struggling* include workers age 55 and older (compared with younger workers), those not expecting to finance their retirement using money from an employer-provided retirement plan (compared with those who do), and those not expecting to receive employer-provided retiree health insurance (compared with those expecting this benefit). In addition, workers who have saved for retirement are more likely than those who have not to describe their expected standard of living in retirement as *comfortable* and less likely to describe it as *struggling*. Finally, the expectations about standard of living in retirement improve as household income or savings goal increase.

More than half of workers think their post-retirement spending will be lower than their spending pre-retirement. Two in 10 say their spending in the first five years of retirement will be *much lower* than in the five years before retirement (20 percent) and one-third indicate their spending will be a *little lower* (34 percent). Another third think their post-retirement spending will be *about the same* as pre-retirement (34 percent). In contrast, current retirees are as likely to say their spending in the first five years of retirement is *the same* (42 percent) as they are to say it is lower (45 percent) (Figure 16).

Figure 16
Post-Retirement vs. Pre-Retirement Spending

	Workers (Expected)	Retirees (Actual)
Much lower than before you retired	20%	20%
A little lower	34	24
About the same	34	42
A little higher	8	7
Much higher than before you retired	2	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Workers under age 45 are more likely than older workers to say their spending in retirement will be higher than pre-retirement and less likely to say their spending will be about the same. Although those describing their health as *excellent*, *very good*, or *good* are more likely than those describing it as *fair* or *poor* to say their spending will be lower in retirement, 41 percent of those in *fair* or *poor* health expect their expenses to be lower. Moreover, it appears that anticipated spending among workers is unrelated to expectations about receiving employer-provided health insurance in retirement.

Many retirees are facing financial pressures. Four in 10 say they are now *much more* (13 percent) or *somewhat more* (27 percent) concerned about their financial future than they were right after they retired. The 2007 RCS did not explore reasons for this increased concern, but retirees in the 2006 RCS most often mentioned that this was due to higher-than-expected general expenses or inflation (48 percent). Fewer cite unexpected or rising medical expenses (13 percent), not saving enough money (8 percent), underestimating Social Security or pension benefits (6 percent), misjudging how long their savings would last (5 percent), or investments not doing as well as expected (3 percent).

Sources of Retirement Income

While 6 in 10 retirees cite guaranteed sources, such as Social Security (40 percent) or an employer-provided defined benefit pension (21 percent), as their largest source of income in retirement, half of workers are planning to rely on their own savings for their largest source. Almost 3 in 10 workers say they expect that most of their money in retirement will come from a work-place retirement savings plan, such as a 401(k) (28 percent), and more than 2 in 10 say it will come from other personal savings or investments (22 percent). In contrast to current retirees, fewer than 3 in 10 workers expect their largest share of income will come from Social Security (14 percent) or an employer-provided pension (13 percent). Fewer say the largest share of their retirement income will come from employment (11 percent), the sale or refinancing of their home (2 percent), or some other source (3 percent) (Figure 17).

Figure 17
Largest Expected and Actual Sources of Income in Retirement

	Workers (Expected)	Retirees (Reported)
Personal savings (net)	50%	24%
A work-place retirement savings plan, such as a 401(k)	28	6
Other personal savings or investments	22	18
Social Security	14	40
A traditional employer-provided pension	13	21
Employment	11	2
The sale or refinancing of your home	2	2
Something else	3	4
Don't know/Refused	5	5

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Not surprisingly, workers with higher household income or higher levels of assets are more likely than lower-income workers to cite savings as their largest share of retirement income, but many of these workers may not be saving at rates necessary to provide the income needed to maintain their lifestyle in retirement. Workers employed in the private sector are also more apt than those in the public sector to be counting on savings. At the same time, public-sector workers are depending on pension income more often than those in the private sector—also not surprising, given the higher level of defined benefit pension sponsorship in the public sector. In addition, lower-income workers are more likely than those with higher household income to say that their largest share will come from Social Security or employment.

A majority of workers expect to work for pay in retirement to supplement their income. In 2007, two-thirds of workers say they expect to work for pay after they retire (66 percent). While the 2007 RCS did not ask about reasons for working in retirement, the 2004 RCS documented that all but 3 in 10 workers expecting to work for pay in retirement identified at least one financial motive for doing so. However, only 37 percent of current retirees (up from 27 percent in 2006) report having actually worked for pay at some time during their retirement. Again, the 2007 RCS did not ask about retirees' reasons for working in retirement; nevertheless, the 2006 RCS found that while those who worked most often said they wanted to stay active and involved (96 percent) or enjoyed working (79 percent), more than 6 in 10 also identified at least one financial reason for having worked (63 percent).

Managing Risk

Lifetime Income

Few workers appear interested in obtaining lifetime guaranteed income by purchasing an annuity or choosing an annuity option from a retirement plan. Only 1 in 10 say they are *very* likely to purchase a financial product or select a retirement plan option that will pay them guaranteed income for life when they retire (11 percent). Another 4 in 10 say they will be *somewhat* likely to do so (39 percent). It is worth noting that this question illustrates how the wording of a question can affect responses: The likelihood of purchase appears to be lower when the word "annuity" is included in the question, as opposed to the phase "income each month for the rest of your life"—which is what an income annuity provides (Figure 18).

Figure 18
Likelihood of Workers Purchasing an Annuity

How likely do you think you and your spouse will be:	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely	Don't Know
To purchase a financial product or select a retirement plan option that will pay you guaranteed income each month for the rest of your life	11%	39%	25%	21%	4%
To purchase an income annuity or select an annuity option from a retirement plan	7	32	29	27	5

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Regardless of how the question is phrased, the stated likelihood of purchase is higher for workers under age 45 (compared with older workers), women (compared with men), and those expecting a retirement savings plan to help fund their retirement (compared with those who are not). Likelihood of purchasing an annuity (but not a financial product that pays guaranteed income) increases as health status improves.

Many Americans have attitudes that may lead them to be overly confident about their ability to manage financial risks to their retirement. More than 8 in 10 workers (84 percent) and 7 in 10 retirees (70 percent) agree that they can always cut back on their lifestyle if it looks like they might use up all of their savings. Similarly, two-thirds of workers (66 percent) and 6 in 10 retirees (59 percent) agree that they (or their spouse) are knowledgeable about investments and investment strategies. Approximately 6 in 10 think that people do not need to be sophisticated investors to manage their savings in retirement (62 percent of workers and 60 percent of retirees), and roughly half agree that they (and their spouse) are not likely to live long enough to use up all of their savings (47 percent of workers and 54 percent of retirees) (Figure 19).

Figure 19
Agreement With Statements About Risk

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
You can always cut back on your lifestyle in retirement if it looks like you might use up all your savings					
Worker	47%	37%	10%	4%	1%
Retiree	35	35	11	14	5
You (or your spouse) are knowledgeable about investments and investment strategies					
Worker	23	43	18	14	2
Retiree	21	39	18	19	4
People don't need to be sophisticated investors to manage their savings in retirement					
Worker	23	39	22	15	2
Retiree	24	36	26	10	4
You (and your spouse) aren't likely to live long enough to use up all of your savings					
Worker	17	30	24	23	6
Retiree	24	30	13	16	16

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Higher-income workers are more likely than those with lower income to agree that they can cut back on their lifestyle and are knowledgeable about investments. Others more apt to consider themselves knowledgeable about investments are retirement savers (compared with nonsavers) and retirement savings plan participants (compared with nonparticipants). Larger shares of women than men agree they can cut back on their spending and that people do not need to be sophisticated investors to manage their savings, while men are more likely to think they are not likely to live long enough to use up all of their savings. Finally, agreement with each of these statements tends to increase as retirement confidence increases.

Health Expenses

As access to employer-provided retiree health insurance declines and potential Medicare benefits decrease (given the program's projected funding shortfall), new retirees are likely to find themselves increasingly responsible for the cost of their own health care, nursing care, prescription drugs, and health insurance in retirement. However, some workers may not be adequately factoring these costs into their retirement planning. Approximately 1 in 10 workers think they will need to accumulate less than $50,000 to cover these costs in retirement (12 percent) and 2 in 10 each think they will need $50,000–$99,999 (20 percent) and $100,000–$249,999 (20 percent). Less than one-quarter think they will need at least $250,000. Almost one-quarter of workers have no idea how much they will need (23 percent) (Figure 20). One recent study calculated that, assuming Medicare benefits remain at current levels, couples will need approximately $300,000–$550,000 to cover health expenses in retirement.[7]

Figure 20
Savings Needed to Cover the Cost of Health Care, by Total Accumulation Needs

	All Workers	Worker Total Accumulation Needs			Retirees
		<$250,000	$250,000–$999,999	$1 million +	
Less than $50,000	12%	23%	9%	7%	31%
$50,000–$99,999	20	27	22	12	19
$100,000–$249,999	20	22	27	21	14
$250,000–$499,999	11	6	17	12	2
$500,000–$999,999	8	4	9	16	1
$1 million +	5	2	2	19	1
No idea	23	17	13	12	31

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

Regardless of whether some workers are underestimating the cost of health care in retirement, many workers appear to be giving these costs some consideration when thinking about how much they will need to accumulate for retirement. Those who have obtained investment advice from a professional financial advisor are less likely than those who have not to report they will need less than $50,000 and more likely to say they will need $75,000 or more. In addition, workers, on average, provide higher estimates of the amount needed than do retirees.

One reason people may underestimate the amount of money needed to cover health-related costs is that many workers do not think they will ever need long-term nursing care. Almost 2 in 10 workers state they are *not at all* likely to need long-term care at some point in their lives (17 percent). Another 3 in 10 say they are *not too* likely to need such care (30 percent) and 4 in 10 say it is *somewhat* likely (39 percent). Only 1 in 10 think it is *very* likely that they will need long-term nursing care at some point in their lives (10 percent). Retirees respond similarly. Studies have found that 30–40 percent of those reaching age 65 will use nursing home care before they die.[8]

Workers with a college degree are more likely than those with less education to think they will need long-term nursing care. In addition, men are more apt than women to indicate they are *not at all* likely to need such care.

Some Americans may also underestimate the amount of money needed for retiree health expenses due to a mistaken belief that they have private coverage for long-term care. One-quarter of workers (24 percent) and more one-third of retirees (35 percent) report they have long-term care insurance (separate from health insurance, Medicare, and Medicaid) to help pay for care they might need in a nursing home, assisted living facility, or at home. Estimates of private long-term care insurance policy use show that 10 percent of Americans age 65 and older had private long-term care insurance in 2002, suggesting that many are counting on coverage they do not actually have.[9]

Workers in *fair* or *poor* health are more likely than those in better health to report having private long-term care coverage. Also, those expecting to receive employer-provided retiree health insurance are more likely than those who do not to report having private long-term care coverage.

Although one might expect workers in *fair* or *poor* health to predict higher health care costs in retirement, this is not the case. In fact, those describing their health as *fair* or *poor* are more than twice as likely as those in better health to think they will need less than $50,000 to cover health expenses. And while they are more apt than their counterparts to say they are *very* likely to need long-term nursing care, they are also more likely to report they have private long-term care insurance.

Retirement Confidence

Overall Retirement Confidence

Despite continuing lack of preparation and employer cutbacks in retiree health benefits, Americans continue to express a fair degree of confidence about their financial prospects in retirement. Approximately one-quarter of workers are *very* confident they will have enough money to live comfortably through their retirement years (27 percent), while more than 4 in 10 describe themselves as *somewhat* confident (43 percent). Three in 10 workers, however, are less confident that they will have enough money to live comfortably throughout their retirement years, with 19 percent describing themselves as *not too* confident and 10 percent saying they are *not at all* confident. There has been little consistent change in these proportions in recent years (Figure 21).

Figure 21
Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
2007	27%	43%	19%	10%
2006	24	44	17	14
2005	25	40	17	17
2004	24	44	18	13
2003	21	45	17	16
2002	23	47	19	10
2001	22	41	18	17
2000	25	47	18	10
1999	22	47	21	9
1998	22	45	18	13
1997	24	41	19	15

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997–2007 Retirement Confidence Surveys.

Perhaps because they are already living in retirement, retirees are considerably more likely than workers to be confident that they will have enough money to live comfortably throughout their retirement years. Four in 10 retirees are *very* confident (41 percent), and one-third are *somewhat* confident (38 percent). Retiree confidence has also remained relatively stable over the past few years (Figure 22).

Figure 22
Retiree Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
2007	41%	38%	10%	11%
2006	40	33	12	13
2005	40	40	12	7
2004	42	27	16	13
2003	39	35	12	11
2002	40	32	16	11
2001	37	37	10	11
2000	34	41	14	11
1999	31	39	20	8
1998	19	28	24	24
1997	33	34	18	11

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997–2007 Retirement Confidence Surveys.

As would be expected, worker confidence in having enough money for a comfortable retirement increases with household income. Worker confidence also increases with savings and investments, and improved health status. Others more often confident are married workers (compared with those not married), those who expect to receive retirement benefits from both a defined benefit pension and a defined contribution retirement plan (compared with those who do not), those who expect to have access to employer-provided retiree health insurance (compared with those who do not), and those who have consulted a professional financial advisor (compared with those who have not).

Confidence in Other Financial Aspects of Retirement

The 2007 RCS continues to find that worker confidence is highest in having enough money to pay for basic expenses during retirement, and lowest in being able to afford medical or long-term care expenses. Four in 10 workers each are *very* (40 percent) and *somewhat* (42 percent) confident they can meet their basic expenses in retirement. Slightly fewer are confident that they are doing a good job preparing financially for their retirement, with one-quarter *very* confident (26 percent) and 45 percent *somewhat* confident. Fewer workers are confident they will have enough money to meet medical expenses (20 percent *very* confident, 46 percent *somewhat* confident) or long-term care expenses (17 percent, 36 percent) in retirement. As with overall confidence, confidence about each of these specific aspects of retirement has remained relatively stable. However, workers are more likely than in 2006 to say they are *very* confident about having enough money to cover basic expenses (40 percent in 2007, up from 35 percent in 2006) (Figure 23).

Retirees tend to express higher levels of confidence than workers about each of these financial aspects of retirement. Nearly half of current retirees are *very* confident about having enough money to pay for basic

Figure 23
Worker Confidence in Financial Aspects of Retirement

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Having enough money to take care of basic expenses				
2007	40%	42%	11%	7%
2006	35	47	9	9
2005	35	42	11	11
2002	38	46	10	6
1997	43	41	10	6
Doing a good job of preparing for retirement				
2007	26	45	15	13
2006	25	50	14	12
2005	26	46	12	16
2002	23	49	18	10
1997	31	43	14	11
Having enough money to take care of medical expenses				
2007	20	46	18	14
2006	19	42	20	17
2005	20	38	21	20
2002	20	45	21	14
1997	24	36	23	15
Having enough money to pay for long-term care				
2007	17	36	23	21
2006	15	34	26	23
2005	17	30	25	26
2002	13	36	28	22
1998	12	33	28	26

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997–2007 Retirement Confidence Surveys.

expenses (48 percent) and more than one-third are *somewhat* confident (35 percent). Four in 10 each are *very* confident about being able to pay for medical expenses (41 percent) and having done a good job of preparing for retirement (39 percent). In addition, roughly 4 in 10 each are *somewhat* confident (36 percent about medical expenses, 41 percent about their retirement preparation). Like workers, retirees are least likely to express confidence about having enough money to pay for long-term care. More than one-quarter say they are *very* confident (27 percent), while one-third are *somewhat* confident (33 percent). Again, confidence has remained fairly stable over time.

Overconfidence

Given the conflicting responses that workers provide with respect to confidence and retirement preparation, many workers may be *overconfident* about their retirement security. A general public opinion survey such as the RCS cannot provide a definitive answer to whether workers are preparing adequately for retirement; however, the RCS does provide some strong indications. First, workers who are *very* confident about their retirement financial prospects appear to be better prepared, on average, than those who are *somewhat* confident. In turn, those who are *somewhat* confident appear to be better prepared overall than those who are not confident.

For example, the reported total of savings and investments increases along with confidence in having enough money to live comfortably throughout retirement increases. Also, not surprisingly, confidence increases along with the likelihood of having money saved for retirement; an individual retirement account (IRA) opened with money saved outside an employer's retirement plan; and savings in addition to those earmarked for retirement. Similarly, the tendency to perform a retirement savings needs calculation increases with confidence, and retirement savings goals also tend to rise with confidence. Perhaps some of the increased preparation among the more-confident workers is due to the fact that they are generally more likely than less-confident workers to participate in an employment-based retirement plan.

Workers who are most confident about their financial security in retirement also tend to expect to get the most out of retirement. Workers who are *very* confident that they will have enough money to live comfortably throughout their retirement years are more likely than those who are less confident to plan to retire before age 65 and less likely to expect that they will work for pay after they retire. At the same time, *very* confident workers are more likely than those who are less confident to look forward to a retirement standard of living that is *comfortable* or *well off.*

Nevertheless, there is considerable room for improvement in preparing for retirement among at least some of those who say they are *very* confident. One-quarter of *very* confident workers are not currently saving for retirement (24 percent), 43 percent have less than $50,000 in savings, 38 percent do not have an IRA opened with money saved outside of an employer's retirement plan, and 37 percent have not done a retirement needs calculation. In addition, 14 percent of those offered a retirement savings plan by their employer are not contributing.

Confidence in Entitlement Programs

Although confidence about both Social Security and Medicare has increased over the past 10 years, concern about the future of both programs is high. Fewer than 1 in 10 workers say they are *very* confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today (7 percent), and one-quarter are *somewhat* confident (24 percent). At the same time, two-thirds are *not too* (34 percent) or *not at all* (34 percent) confident that future Social Security benefits will match or exceed the value of today's benefits. Worker confidence that Social Security will continue to provide benefits that are at least equal to today's value increases sharply with age, and retirees are more likely than workers to be confident about the future value of Social Security benefits (Figure 24).

Similarly, 6 percent of workers are *very* confident that the Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today, while 30 percent are *somewhat* confident in the system. Many more, however, are *not too* (33 percent) or *not at all* (28 percent) confident that Medicare's benefits will continue to equal or exceed the benefits received by beneficiaries today. Again, worker confidence about the future value of Medicare benefits increases with age, and retirees are more likely than workers to be confident (Figure 25).

Figure 24

Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today

		Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Workers	2007	7%	24%	34%	34%
	2006	6	27	33	34
	2005	8	23	33	35
	2004	7	28	31	32
	2003	7	26	35	31
	2002	6	25	38	30
	2001	8	26	33	32
	2000	7	21	39	33
	1999	7	21	38	33
	1998	6	16	31	44
	1997	5	17	36	39
Retirees	2007	17	43	18	18
	2006	19	44	22	13
	2005	21	37	26	12
	2004	18	39	26	11
	2003	27	36	22	11
	2002	27	31	30	8
	2001	28	38	20	7
	2000	26	33	27	9
	1999	17	34	33	12
	1998	19	34	31	11
	1997	14	34	33	9

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997–2007 Retirement Confidence Surveys.

Figure 25

Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today

		Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Workers	2007	6%	30%	33%	28%
	2006	5	29	36	28
	2005	7	30	33	28
	2004	6	31	35	26
	2003	5	34	36	25
	2002	5	28	40	26
	2001	7	32	31	26
	2000	6	29	38	27
	1999	7	24	38	30
	1998	4	24	34	36
	1997	3	21	37	34
Retirees	2007	15	44	22	13
	2006	12	50	26	10
	2005	20	42	24	9
	2004	16	37	31	11
	2003	19	44	26	8
	2002	18	38	26	16
	2001	14	49	16	13
	2000	22	40	23	7
	1999	12	39	36	12
	1998	12	35	39	11
	1997	10	31	34	17

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997–2007 Retirement Confidence Surveys.

RCS Methodology

These findings are part of the 17th annual Retirement Confidence Survey (RCS), a survey that gauges the views and attitudes of working-age 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 in January 2007 through 21-minute telephone interviews with 1,252 individuals (1,001 workers and 251 retirees) age 25 and older in the United States. Random digit dialing was used to obtain a representative cross section of the U.S. 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. Data from 2005–2007 RCS are also weighted by retiree status due to the oversamples of non-retired Americans. Data for waves of the RCS conducted before 2001 have been weighted to allow for consistent comparisons; consequently, some data in the 2007 RCS may differ slightly with data published in previous waves of the RCS. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

In theory, each sample of 1,252 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if all Americans 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 impossible to quantify the errors that may result from them. Question wording and individual question sample size are available on request.

The RCS was co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm. The 2007 RCS data collection was funded by grants from 30 organizations and Charter Partners with the American Savings Education Council (ASEC) (see next page), with staff time donated by EBRI and Greenwald. RCS materials may be accessed at the EBRI Web site: www.ebri.org/rcs

Endnotes

[1] In the RCS, the term *retiree* refers to an individual who is retired or who is age 65 or older and not employed full time. *Worker* refers to any individual who is not defined as a retiree, regardless of employment status.

[2] The question wording did not specify a cost in specific dollars for the service.

[3] Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," *Federal Reserve Bulletin*, Vol. 92 (February 2006): A1–A38.

[4] No assumptions have been made about wage growth when calculating the multiples. Therefore, they are more meaningful for workers approaching retirement than for younger workers.

[5] Jack VanDerhei, "Measuring Retirement Income Adequacy: Calculating Realistic Income Replacement Rates," *EBRI Issue Brief* no. 297, September 2006.

[6] 2006 OASDI Trustees Report, Assumptions and Methods Underlying Actuarial Estimates, www.ssa.gov/OACT/TR/TR06/V_demographic.html#wp172303

[7] See Paul Fronstin, "Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement." *EBRI Issue Brief* no. 295 (Employee Benefit Research Institute, July 2006).

[8] For example, see P. Kemper and C.M. Murtaugh, "Lifetime use of nursing home care," *The New England Journal of Medicine*, Vol. 324 (February 18, 1991): 595–600.

[9] Richard Johnson and Joshua Wiener, "A Profile of Frail Older Americans and Their Caregivers," *The Retirement Project Occasional Paper* (Urban Institute, February 2006): www.urban.org/publications/311284.html

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