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Will More of Us Be Working Forever?
The 2006 Retirement Confidence Survey

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- This *Issue Brief* reports findings from the 16th annual Retirement Confidence Survey® (RCS), which suggests that many American workers are not ready to undertake the task of financial planning for their own retirement and face the prospect of having to work far longer than they expect.
- ***Key indicators steady:*** Key indicators of retirement planning have held steady in recent years. The proportion of workers saving for retirement continues at 7 in 10 (70 percent), while those who report having attempted to calculate their savings needs for retirement remains at 42 percent.
- ***Modest savings:*** More than 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 $50,000 (52 percent). However, the large majority of workers who have not put money aside for retirement have little in savings at all: Three-quarters of these workers say their assets total less than $10,000 (75 percent).
- ***Expected benefits unlikely to materialize:*** Many workers are counting on employer-provided benefits in retirement that are increasingly unavailable. Only 40 percent of workers indicate they or their spouse currently have a defined benefit plan, yet 61 percent say they are expecting to receive income from such a plan in retirement. Likewise, workers are as likely to expect (37 percent) as retirees are to receive (40 percent) retiree health insurance through an employer, despite the fact that the number of employers offering this benefit is declining.
- ***Unrealistic replacement ratios:*** Worker suppositions about their financial needs for retirement are often based on what appear to be unrealistically low income replacement ratios. While a majority of workers say they prefer a standard of living in retirement that is the same or better than in their working years (59 percent), half think they can maintain a comfortable retirement on 70 percent or less of their preretirement income (50 percent).
- ***Ability to keep working?*** Some workers may have unrealistic expectations about how long they can continue to work. The average retiree today retired at age 62, but the average worker expects to retire at age 65. At the same time, workers are more than twice as likely to expect to work for pay in retirement (67 percent) as retirees are to have actually worked (27 percent).
- ***Some confidence levels not realistic:*** The RCS continues to find that one-quarter of workers are *very* confident about their financial security in retirement (24 percent), while more than 4 in 10 are *somewhat* confident (44 percent). However, at least some of those who say they are *very* confident may be *overconfident*. Twenty-two percent of *very* confident workers are not currently saving for retirement, 39 percent have less than $50,000 in savings, and 37 percent have not done a retirement needs calculation.
- ***Auto-enrollment well received:*** To boost participation, employer plans could be further enhanced by adding automatic options. A majority of employed workers favor automatic enrollment (69 percent), automatically increasing the percentage of salary contributed when an increase in pay is received (65 percent), and automatically investing contributions for the employee (59 percent). Plan participants and nonparticipants are equally likely to favor each of these automatic features.

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Overview

The 16th wave of the Retirement Confidence Survey (RCS) suggests that many American workers are not ready to undertake the task of financial planning for their retirement and face the prospect of having to work far longer than they expect. The RCS finds that Americans have opinions and behaviors that hinder their ability to realistically assess the preparations needed to ensure a financially secure retirement. While a majority of Americans have made some financial preparations, saving is more likely to take place when encouraged by an employer-provided retirement savings plan, such as a 401(k), than when left solely to individual initiative. Moreover, the findings suggest that although education has been moderately successful at boosting retirement preparation, options that default workers into more desirable retirement planning behavior may also have their place.

Findings in this year's RCS include:

- Key indicators of retirement planning have held steady in recent years. The proportion of workers[1] saving for retirement continues at 7 in 10 (70 percent), while the percentage who report having attempted to calculate their savings needs for retirement remains at 42 percent.
- More than 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 $50,000 (52 percent). However, the large majority of workers who have not put money aside for retirement have little in savings at all: Three-quarters of these workers say their assets total less than $10,000 (75 percent).
- Many workers are counting on employer-provided benefits in retirement that are increasingly unavailable. Only 40 percent of workers indicate they or their spouse currently have a defined benefit plan, yet 61 percent say they are expecting to receive income from such a plan in retirement. Likewise, workers are as likely to expect (37 percent) as retirees are to receive (40 percent) retiree health insurance through an employer, despite the fact that the number of employers offering this benefit is declining.
- Workers' suppositions about their financial needs for retirement are often based on what appear to be unrealistically low income replacement ratios. While a majority of workers say they prefer a standard of living in retirement that is the same or better than in their working years (59 percent), half think they can maintain a comfortable retirement on 70 percent or less of their preretirement income (50 percent).
- Some workers may have unrealistic expectations about how long they can continue to work. The average retiree today retired at age 62, but the average worker expects to retire at age 65. At the same time, workers are more than twice as likely to expect to work for pay in retirement (67 percent) as retirees are to have actually worked (27 percent).

The RCS continues to find that one-quarter of workers are *very* confident about their financial security in retirement (24 percent), while more than 4 in 10 are *somewhat* confident (44 percent). However, at least some of those who say they are *very* confident may be *overconfident*. Twenty-two percent of *very* confident workers are not currently saving for retirement, 39 percent have less than $50,000 in savings, and 37 percent have not done a retirement needs calculation.

Employer-provided retirement savings plans, such as 401(k)s, perform an important role in encouraging retirement savings. Eligible workers are much more likely to save through a plan offered by their employer (82 percent) than workers are overall to have an individual retirement account (IRA) in which they have contributed (36 percent). In addition, employer-sponsored plans account for a significant proportion of workers' retirement savings. Seven in 10 plan participants say that half or more of their household's *total* retirement savings are in their current employer's plan (70 percent).

To boost participation, employer plans could be further enhanced by adding automatic options. A majority of employed workers favor automatic enrollment (69 percent), automatically increasing the percentage of salary contributed when an increase in pay is received (65 percent), and automatically investing contributions for the employee (59 percent). Plan participants and nonparticipants are equally likely to favor each of these automatic features.

Employer-provided retirement education continues to play an important role. Among the 48 percent of workers receiving retirement planning information from an employer, 29 percent report modifying their retirement planning as a result of the material they receive. In addition, those receiving retirement planning information through an employer tend to report better retirement planning, including an increased likelihood of doing a retirement needs calculation. Half of all workers doing a calculation say they made changes as a result (51 percent).

Preparing—or Not—for Retirement

Saving for Retirement

A majority of Americans appear to be persuaded about the need to set aside money to prepare for retirement. The RCS finds that 7 in 10 workers and/or their spouses have saved money for retirement (70 percent) (Figure 1). While the proportion of workers having saved for retirement increased from 1994–2000, it declined significantly in 2001 and has remained fairly constant since then. In contrast, the proportion of retirees having saved for retirement has tended to increase very gradually, from roughly half in 1994–1997 to more than two-thirds in 2006 (68 percent).

Figure 1
Americans Having Saved Money for Retirement

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

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2006 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.

Not all workers who have saved for retirement are *currently* saving for this purpose. Less than two-thirds of workers report that they and/or their spouse are currently saving for retirement (64 percent). This percentage dipped slightly to 58 percent in 2004, but has otherwise remained level since the RCS first measured it in 2001.

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 and retirees are more likely than those not married to have set money aside. Other groups of workers more likely to have saved for retirement include those age 35 and older (compared with younger workers), homeowners (compared with nonowners), workers currently participating in a work-place retirement savings plan (compared with those not participating), those who have received retirement planning information from an employer within the past year (compared with those who have not), workers having attempted a retirement savings needs calculation (compared with those who have not), and those who expect to receive defined benefit income from an employer in retirement (compared with those who do not).

The stable proportion of American workers who save for retirement has both personal and national economic implications, since Americans are far more likely to save for retirement than they are to save for any other goal. The RCS finds that one-quarter of workers save for retirement and either have no other specific savings goal (16 percent) or save for nothing else (11 percent) (Figure 2). Two in 10 workers save for their children's or grandchildren's education (19 percent), and 1 in 10 each save for a home purchase or renovation (10 percent) or a vacation (9 percent). Smaller proportions of workers mention saving for an emergency (6 percent), their general well-being (5 percent), a car, truck, or van (4 percent), or name other goals. However, nearly 2 in 10 workers do not name any savings goal at all, saying they do not save toward anything specific (5 percent) or do not save at all (12 percent).

Figure 2
Worker Savings Goals, by Having Saved for Retirement
(multiple responses accepted)

		Have Saved for Retirement	
	Total	Yes	No
Retirement	70%	100%	NA
Children's or grandchildren's education	19	23	9%
A home purchase or renovation	10	10	9
A vacation	9	13	2
Money for an emergency	6	6	5
General well-being	5	5	6
A car, truck or van	4	5	2
A second home or vacation home	2	3	0
Health expenses	2	2	1
Other	7	7	9
Not saving for anything (else) specific	21	22	18
Not saving for anything else/at all	23	15	41

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Retirees are even less likely than workers to name specific savings goals, although 1 in 10 report saving for their general well-being (9 percent) and 5 percent each say they are saving for an emergency, a vacation, their children's or grandchildren's education, and health expenses. Roughly 3 in 10 retirees each are not saving for anything specific (29 percent) or at all (33 percent).

Many Americans have little money put away in savings and investments (Figure 3). Among RCS workers providing this type of information, more than 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 (53 percent). Approximately 1 in 10 workers each report total savings and investments of $25,000–$49,999 (12 percent), $50,000–$99,999 (12 percent), $100,000–$249,999 (11 percent), and $250,000 or more (12 percent). Retirees are somewhat less likely than workers to say their total household savings are less than $25,000 (42 percent) and more likely to say they have $250,000 or more (21 percent).

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 that median (midpoint) level of household assets of Americans is $172,900.[2] 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 three-quarters of workers under age 35 have total savings and investments less than $25,000 (73 percent versus 46 percent of older workers), one-quarter of workers age 55 and older cite assets of $250,000 or more (26 percent versus 10 percent of younger workers). As one might suspect, total savings and investments increase sharply with household income and with education. In addition, homeowners (compared with nonowners) and workers who have done a retirement savings needs calculation (compared with those who have not) tend to have higher levels of savings.

Figure 3
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	39%	54%	34%	31%	36%	30%
$10,000–$24,999	14	19	15	13	6	12
$25,000–$49,999	12	11	14	14	8	14
$50,000–$99,999	12	7	16	12	12	11
$100,000–$149,999	5	1	7	5	7	7
$150,000–$249,999	6	3	5	10	5	6
$250,000–$499,999	6	1	5	8	13	12
$500,000 or more	6	4	4	8	13	10

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Not surprisingly given that retirement is the primary savings goal, the greater part of savings and investments appear to be accumulated specifically for retirement. As a result, many workers may tap into their retirement savings for other needs, such as education, home purchase, or emergencies. Among workers who provided both their total assets and the amount accumulated specifically for retirement, three-quarters report that these amounts are very roughly the same (76 percent). Workers who have not saved for retirement generally have little saved at all; three-quarters say their savings and investments total less than $10,000 (75 percent), and another 12 percent have total assets of $10,000–$24,999.

Retirement Savings Needs

One reason for the modest totals of savings and investments may be that many workers do not know how much they need to save for retirement (Figure 4). Only 42 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. As with having saved for retirement, the proportion of workers attempting a needs calculation increased from 1994–2000, declined in 2001, and has remained statistically unchanged since that time.

Figure 4
Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement[a]

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

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2006 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.

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, and homeowners are more apt than nonowners, to have tried to do one. 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 with access to employer-provided retirement planning information or investment advice (compared with those not having access) more often report trying to do a calculation.

Some workers who report doing a calculation use professionals or standardized methods to determine how much they will need (Figure 5). More than one-third say they asked a financial advisor (35 percent) and approximately 1 in 10 each filled out a worksheet or form (10 percent) or used an online calculator (8 percent). However, one-third say they created their own estimate (33 percent), and about 1 in 10 each read or heard how much was needed (9 percent) or guessed (8 percent). By comparison, almost three-quarters of workers who have not done a calculation say they guess at this number (73 percent).

Figure 5

Method of Determining Savings Needed for Retirement, by Doing a Retirement Needs Calculation

(multiple responses accepted)

		Did Retirement Needs Calculation	
	Total	Yes	No
Guess	44%	8%	73%
Ask a financial advisor	19	35	5
Do your own estimate	17	33	4
Read or hear how much needed	11	9	13
Fill out a worksheet or form	5	10	<0.5
Use an online calculator	3	8	0
Base on cost of living/desired retirement lifestyle	3	1	4
Other	4	4	4

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Overall, the amount that workers think they need to accumulate for a comfortable retirement appears to be rather low (Figure 6). Three in 10 workers say they need to save less than $250,000 (30 percent), and another 2 in 10 mention a goal of $250,000–$499,999 (19 percent). Two in 10 think they need $500,000–$999,999 (21 percent), while about 1 in 10 each believes they need to save $1 million–$1.49 million (8 percent) or $1.5 million or more (10 percent).

Figure 6

Amount of Savings Needed for Retirement, by Doing a Retirement Needs Calculation

		Did Retirement Needs Calculation	
	Total	Yes	No
Under $250,000	30%	23%	36%
$250,000–$499,999	19	17	20
$500,000–$999,999	21	23	20
$1 million–$1.49 million	8	11	5
$1.5 million or more	10	16	6
Don’t know/Don’t remember	9	6	11

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

This amount tends to decrease as age increases. Workers age 45 and older are more likely than younger workers to think they need to accumulate less than $100,000 for retirement. On the other hand, those under age 35 are more apt than older workers to believe they will need $1 million or more. Among those with household income of $50,000 or more, workers who do a calculation are more likely than those who do not to estimate that they need higher amounts.

Retirement Age

The age at which the average worker plans to retire has slowly crept upwards, from age 62 in 1996 to 65 in 2006. One-third of workers plan to retire prior to reaching age 65; 13 percent say they will retire before age 60 and 20 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 (25 percent). Although the retirement age of the average retiree has increased slightly, from 60 in 1996 to 62 in 2006, a gap remains between worker expectations and the experience of current retirees (Figure 7).

Figure 7
Planned and Actual Retirement Age

	Workers (planned)	Retirees (actual)
Before 55	6%	13%
55–59	7	16
60–61	10	11
62–64	10	23
65	27	14
66 and older	25	10
Never retire/never worked	7	7

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

While the average age at retirement is likely to continue to increase and many workers may work until their planned retirement age, others could find themselves retiring sooner. The RCS has consistently found that approximately 4 in 10 retirees leave the work force earlier than planned (38 percent in 2006). Many retirees who retired early cite negative reasons for leaving the work force before they expected, including health problems or disability (40 percent) or changes at their company, such as downsizing or closure (30 percent). Some retirees mention a mix of positive and negative reasons for retiring early, but just 12 percent offer *only* positive reasons. 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.

Like retirees, some workers are likely to find themselves vulnerable to an unplanned early retirement for health, family, and other reasons. There is some indication that workers may not be taking these factors into account when they determine their planned retirement age. For example, one might expect that workers describing their health as fair or poor would be planning on retiring at a younger age than those in better health. However, the planned retirement age distribution is roughly similar, regardless of health status.

Length of Retirement

Although individual workers may be significantly underestimating how long they will spend in retirement, it appears that workers, on average, have reasonable expectations about the length of their retirement. The average RCS worker expects to retire at age 65 and spend 20 years in retirement. One-quarter expect to be retired for 20–24 years (26 percent), 8 percent think they will be retired for 25–29 years, and 15 percent think they will live in retirement for 30 years or more. At the same time, 6 percent think they will live less than 10 years in retirement, 25 percent think they will live 10–19 years, and 19 percent say they are unable to estimate 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. However, men and women provide similar estimates of the length of time they will spend in retirement as well as similar expected ages at retirement, despite the fact that women, on average, live longer than men (Figure 8). Half of both men and women providing this information expect to live until at least age 85, and one-quarter expect to live until at least age 90. According to the 2005 OASDI Trustees Report, a 65-year-old man today can expect to live until age 82, while a 65-year-old woman can expect to live until age 85.[3]

Figure 8

Calculated Life Expectancy[a] for Workers, by Gender

	Males	Females
75% expect to live until age:	77	80
50% expect to live until age:	85	85
25% expect to live until age:	90	90
10% expect to live until age:	96	95

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.
[a] Life expectancy is calculated by adding expected age at retirement and expected length of retirement for workers providing both pieces of information.

Workers appear to have less of a grasp on the variability of life expectancy (Figure 9). 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 age. One in 10 workers think they have almost no chance of living until age 85 (10 percent) and 15 percent believe they have only a 25 percent chance of reaching that age. Only 15 percent say they have almost a 100 percent chance of living that long. Similarly, 6 in 10 workers think they have almost no chance (32 percent) or about a 25 percent chance (27 percent) of reaching age 90, while only 2 in 10 think they have about a 75 percent chance (13 percent) or a 100 percent chance (6 percent).

Older Americans tend to offer lower estimates of their chances of living until each of the target ages than those who are younger, despite the fact that they have already reached an older age. This is particularly evident when comparing the responses of workers (who have a median age of 43) and retirees (median age of 72). On the other hand, those in *excellent* or *very good* health tend to offer higher estimates than those in *fair* or *poor* health. Although women are more likely than men to live until each of these ages, workers respond similarly regardless of gender.

Figure 9

Worker and Retiree Estimated Chances of Living Until Specific Ages

	Almost 100% Chance	About a 75% Chance	About a 50% Chance	About a 25% Chance	Almost No Chance	Don't Know/ Refused
Age 85						
Workers	15%	26%	32%	15%	10%	2%
Retirees	14	17	32	26	6	5
Age 90						
Workers	6	13	20	27	32	2
Retirees	8	8	21	22	34	8
Age 95						
Workers	3	5	13	20	57	2
Retirees	3	3	8	13	63	9
Age 100						
Workers	3	2	6	13	75	2
Retirees	1	2	5	5	79	8

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Income Needs in Retirement

Even knowing that they must save more now to afford it, 6 in 10 workers say they would realistically prefer a retirement standard of living that is the same (47 percent) or higher (12 percent) than that of their working years (Figure 10). About 4 in 10 indicate they would give up some comfort in retirement in exchange for lower levels of saving in their working years (39 percent).

Figure 10
Worker Preferences for Standard of Living in Retirement

Given tradeoff between saving in working years and standard of living in retirement, worker would prefer a retirement standard of living that is:	
Higher than in working years	12%
The same as in working years	47
The same as in working years for the first 10 years of retirement, and then lower	17
Lower than in working years	21

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Nevertheless, many workers seem to have unrealistically low expectations about how much income they might need to maintain a comfortable lifestyle in retirement. Half of workers say they will need up to 70 percent of their preretirement income to live comfortably in retirement: 14 percent think they will need less than 50 percent, and 36 percent believe they will need 50–70 percent. Almost 3 in 10 think they can afford a comfortable retirement with 70–85 percent of their preretirement income (28 percent), while 7 percent expect to need 85–95 percent. Just 12 percent think their income in retirement will need to be about the same or higher than right before retirement.

Many financial planners suggest that workers plan for a retirement income replacement ratio of at least 70 percent of their preretirement income. Indeed, if workers equate comfort with current retirees' standard of living, they may find they have underestimated (Figure 11). Many retirees report they have higher income replacement ratios: One-third of retirees (34 percent) say their current income is about the same as their preretirement income (meaning about a 100 percent replacement of their preretirement income), 2 in 10 say their current income is higher (21 percent), and more than 4 in 10 state it is lower (44 percent). (Retirees were not asked to account for inflation.)

Figure 11
Percentage of Preretirement Income Needed in Retirement

	Workers (needed in retirement)	Retirees (current income)
Lower (don't know percentage)	NA	6%
Less than 50%	14%	17
50%–70%	36	13
70%–85%	28	6
85%–95%	7	1
95%–105% (about the same)	6	34
105% or more (higher)	6	21
Don't know/Refused	3	2

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

The percentage of preretirement income that workers think they will need is related to household income. Those with less than $35,000 in household income are more likely than higher-income workers to think their income in retirement will need to equal or exceed their preretirement income for them to live comfortably in retirement. On the other hand, those with higher income are more apt to think they will need 85 percent or less of their preretirement income to live comfortably. The income replacement ratio mentioned by workers appears to have little relationship to the amount they think they need to accumulate for retirement, even when household income and expectations of income from a defined benefit plan are taken into account.

Although there is a weak relationship among workers between the amount of replacement income they think they will need and health status, many workers may be failing to take health care costs sufficiently into account when estimating their needs. Consistent with RCS findings from previous years, workers are as likely to expect to have access to employer-provided health insurance coverage in retirement (37 percent) as current retirees are to receive it (40 percent) (Figure 12), despite the fact that many employers are modifying or eliminating access to such coverage for future retirees. In addition, workers provide similar estimates of how much income they will need, regardless of whether they expect to have such coverage.

Figure 12
Availability of Employer-Provided Health Insurance Coverage in Retirement

	Workers (Expected)	Retirees (Reported)
Yes (net)	37%	40%
Employer paid	16	13
Retiree paid	9	11
Costs shared by employer and retiree	10	14
Uncertain who pays	2	2
No	58	59
Don’t know	5	<0.5

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Workers offered an employer-provided retirement savings plan are more apt than those without this type of plan to expect retiree health coverage. Others who more often say they will receive this type of coverage include workers expecting to receive retirement income from a defined benefit plan (compared with those who are not), those employed in the public sector (compared with private-sector workers), and those with income of at least $35,000 (compared with lower-income workers).

Even with their relatively high levels of income replacement and benefit coverage, many retirees are facing financial pressures. Half of retirees report they are on a fixed budget (52 percent) and almost 4 in 10 indicate that inflation has affected their retirement lifestyle more than they had expected (37 percent). More than 4 in 10 are now *more* concerned about their financial future than they were right after they retired (42 percent) (Figure 13). These retirees most often mention that this is 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), overestimating 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).

Figure 13
Retirees’ Concern About Their Financial Future, Compared With Right After They Retired

Much more concerned	17%
Somewhat more concerned	25
About the same	11
Somewhat less concerned	29
Much less concerned	16

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Retirees with household income under $35,000 are more likely than those with higher income to report facing these pressures. In addition, retirees without income from a defined benefit plan are more likely than those with such income to say they are now *much more* concerned about their financial future.

Sources of Retirement Income

Many workers may be basing their expectations about where their retirement income will come from on shaky assumptions. While more than 6 in 10 retirees cite guaranteed sources, such as Social Security (43 percent) and an employer-provided pension (20 percent), as their largest source of income in retirement, almost half of workers are planning to rely on their own savings for their largest source (Figure 14). Fourteen percent each say they expect that money from a work-place retirement savings plan, such as a 401(k), or an IRA will provide their largest share. Two in 10 say it will come from other personal savings or investments (20 percent). In contrast to retirees, approximately one-third of workers expect their largest share of income will come from Social Security (20 percent) or an employer-provided pension (14 percent). Far fewer say the largest share of their retirement income will come from employment (6 percent), the sale or refinancing of their home (3 percent), an inheritance (3 percent), or some other source.

Figure 14
Largest Expected and Actual Sources of Income in Retirement

	Workers (Expected)	Retirees (Reported)
Personal savings (net)	48%	22%
A work-place retirement savings plan, such as a 401(k)	14	4
Money from an IRA	14	7
Other personal savings or investments	20	11
Social Security	20	43
A traditional employer-provided pension	14	20
Employment	6	2
The sale or refinancing of your home	3	1
An inheritance	3	1
Support from your children or other family members	2	1
A lump-sum distribution from a cash balance plan or traditional pension	1	3
Don't know/Refused	3	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

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 needed income. (Surprisingly, even 2 in 10 of those who say they and their spouse have not saved for retirement mention some form of savings as their largest source of retirement income.) 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. 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.

While some workers may be underestimating how much income their accumulated savings will generate, others may be expecting to rely on employer-provided benefits that they may not receive. Workers are as likely to expect that they will receive retirement income from a defined benefit (or "traditional") pension plan (61 percent) as retirees are to receive it (62 percent). At the same time, only 4 in 10 workers report they and/or their spouse currently have this type of plan (40 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.

In addition to problems with workers' assumptions about retirement income from savings and defined benefit plans, the large majority of workers do not know the age at which they can receive full Social Security retirement benefits without a reduction for early retirement. Notwithstanding the past seven years of individual benefit statements being mailed to the U.S. population from the Social Security Administration, almost half of workers believe they will be eligible for unreduced benefits sooner than they actually will (48 percent). One-third incorrectly think they will be eligible for unreduced benefits at age 65 (31 percent of all workers), and 2 in 10 think they will be eligible even before age 65 (17 percent). More than 2 in 10 workers say they do not know when they will be eligible to receive full benefits from Social Security (22 percent). (In reality, the Social Security normal retirement age varies from age 65 to age 67, by year of birth.)

Only 19 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 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.

A majority of workers expect to work for pay in retirement to supplement their income. In 2006, two-thirds of workers say they expect to work for pay after they retire (67 percent). While the 2006 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 27 percent of the 2006 retirees report having actually worked for pay at some time during their retirement. Those who worked most often say they wanted to stay active and involved (96 percent) or enjoyed working (79 percent), but more than 7 in 10 also identify at least one financial reason for having worked (72 percent).

Workers who plan to work in retirement are subject to the same stresses that can lead to an unplanned early retirement. It is noteworthy that while expectations among workers of obtaining paid employment in retirement do not appear to vary significantly by age, just 32 percent of retirees who left the work force within the past 10 years report having worked for pay after they retired. Although work for pay during retirement may increase, it is unlikely that all who would like to work will be able to do so. For some, this may result in reduced resources during retirement, and these workers' retirement security is likely to be in jeopardy.

Risks in Preparing for and Managing Retirement

Some workers may be underestimating the likelihood of risks that can hinder their ability to prepare for retirement (Figure 15). Workers were asked to assess the likelihood that each of six possible risks would occur. Seven in 10 say that inflation going up by 7 percent or more a year is *very* (31 percent) or *somewhat* (42 percent) likely to occur. Roughly half believe that they or their spouse are likely to have to provide a relative with financial assistance (22 percent *very* likely, 32 percent *somewhat* likely), will be unable to work for six months or more (16 percent, 30 percent), or will encounter medical expenses not covered by insurance (18 percent, 27 percent). Somewhat fewer feel that they or their spouse will have to retire two or more years early (11 percent, 30 percent). Of the six risks, workers are least likely to think they are at risk for losing their home and/or most of their possessions due to an unexpected event (6 percent, 23 percent). Perhaps because they have fewer resources to fall back on and therefore may be more concerned about the consequences, workers with assets under $25,000 are more apt than those with higher assets to say each of these events is likely to occur. Lower-income workers and those in *fair* or *poor* health are also more likely than their counterparts to assess most of these events as likely.

Figure 15
Worker Assessment of Selected Risks

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely	Don't Know
Inflation goes up by 7% or more a year	31%	42%	18%	6%	3%
You have to provide a relative with financial assistance	22	32	25	20	1
You or someone in your family has large medical expenses that are not covered by insurance	18	27	31	23	1
You (or your spouse) are unable to work for six months or more	16	30	34	18	1
You (or your spouse) have to retire two or more years earlier than expected	11	30	33	25	1
You lose your home and/or most of your possessions due to an unexpected event	6	23	42	28	1

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Retirees were asked about a set of risks that could potentially affect their ability to manage their finances in retirement (Figure 16). Of these, they are most likely to say that an annual inflation rate of 7 percent or more is likely (33 percent *very* likely, 37 percent *somewhat* likely). Two-thirds of retirees think it likely that they will live longer than expected (31 percent, 34 percent), and half think it likely that they or their spouse will require long-term care or assisted living (15 percent, 35 percent). Fewer believe it likely that they or their spouse will have large medical expenses not covered by Medicare or insurance (8 percent, 27 percent), have to provide financial assistance to a relative (10 percent, 20 percent), or lose their home and/or most of their possessions in an unexpected event (5 percent, 17 percent).

Figure 16
Retirees' Assessment of Selected Risks

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely	Don't Know
Inflation goes up by 7% or more a year	33%	37%	15%	5%	10%
You live longer than expected	31	34	15	8	11
You (or your spouse) require long-term care or assisted living	15	35	28	13	9
You have to provide a relative with financial assistance	10	20	28	41	1
You (or your spouse) have large medical expenses that are not covered by Medicare or insurance	8	27	32	28	4
You lose your home and/or most of your possessions due to an unexpected event	5	17	39	35	4

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Retirees are most likely to insure against the risk of high medical costs. More than half of retirees without employer-provided health coverage say they have purchased a Medicare supplement plan (52 percent). This means that almost 3 in 10 of RCS retirees do not report having health insurance coverage other than Medicare (28 percent), either through their employer or purchased on their own.[4] Two in 10 retirees state they have purchased long-term care insurance (21 percent), while 1 in 10 have looked into purchasing this type of coverage (11 percent). Retirees are less likely to insure against longevity. Just 12 percent of all retirees (10 percent of those without income from a defined benefit plan) have purchased an annuity. Those with household income of at least $35,000 and those with savings and investments of $50,000 or more are more likely than their counterparts to report having purchased long-term care insurance.

Since workers may have many years left before retirement, it is not surprising that only 6 percent each report purchasing long-term care insurance or an annuity. Older workers are more likely than younger workers to say they have bought a long-term care policy.

Retirement Confidence or Overconfidence

Overall Retirement Confidence

Despite continuing lack of preparation and recent employer announcements about cutbacks in retiree benefits, Americans continue to express a fair degree of confidence about their financial prospects in retirement (Figure 17). One-quarter of workers are *very* confident they will have enough money to live comfortably through their retirement years (24 percent), while more than 4 in 10 describe themselves as *somewhat* confident (44 percent). Three in 10 workers, however, are less confident that they will have enough money to live comfortably throughout their retirement years, with 17 percent describing themselves as *not too* confident and 14 percent saying they are *not at all* confident. There has been little consistent change in these proportions in recent years.

Figure 17
Workers' Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Very confident	19%	24%	22%	22%	25%	22%	23%	21%	24%	25%	24%
Somewhat confident	41	41	45	47	47	41	47	45	44	40	44
Not too confident	23	19	18	21	18	18	19	17	18	17	17
Not at all confident	16	15	13	9	10	17	10	16	13	17	14

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996–2006 Retirement Confidence Surveys.

Perhaps because they are already living in retirement, retirees are considerably more likely than workers to be *very* confident that they will have enough money to live comfortably throughout their retirement years (Figure 18). Four in 10 retirees are *very* confident (40 percent), and one-third are *somewhat* confident (33 percent). Retiree confidence has also remained relatively stable over the past few years.

Figure 18
Retirees' Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Very confident	26%	33%	19%	31%	34%	37%	40%	39%	42%	40%	40%
Somewhat confident	42	34	28	39	41	37	32	35	27	40	33
Not too confident	20	18	24	20	14	10	16	12	16	12	12
Not at all confident	8	11	24	8	11	11	11	11	13	7	13

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996–2006 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 men (compared with women), married workers (compared with those not married), and homeowners (compared with nonowners).

Confidence in Other Financial Aspects of Retirement

The 2006 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 (Figure 19). More than one-third of workers are *very* confident they can meet their basic expenses in retirement (35 percent), while almost half are *somewhat* confident they will do so (47 percent). Slightly fewer are confident that they are doing a good job preparing financially for their retirement, with one-quarter *very* confident (25 percent) and half *somewhat* confident (50 percent). Fewer workers are confident they will have enough money to meet medical expenses (19 percent *very* confident, 42 percent *somewhat* confident) or long-term care expenses (15 percent, 34 percent) in retirement. As with overall confidence, confidence about each of these specific aspects of retirement has remained relatively stable. However, workers are less likely than 10 years ago to say they are very confident about having enough money to cover basic expenses (35 percent in 2006, down from 40 percent in 1996).

Figure 19
Workers' 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				
2006	35%	47%	9%	9%
2005	35	42	11	11
2004	36	47	8	8
2001	37	41	12	10
1996	40	42	11	6
Doing a good job of preparing financially for retirement				
2006	25	50	14	12
2005	26	46	12	16
2004	26	47	14	12
2001	27	43	16	13
1996	26	46	17	10
Having enough money to take care of medical expenses				
2006	19	42	20	17
2005	20	38	21	20
2004	21	40	21	17
2001	20	38	22	19
1996	18	38	24	17
Having enough money to pay for long-term care				
2006	15	34	26	23
2005	17	30	25	26
2004	16	35	26	22
2001	15	29	26	28
1998	12	33	28	26

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996–2006 Retirement Confidence Surveys.

Retirees tend to express higher levels confidence than workers about each of these financial aspects of retirement. More than 4 in 10 each are *very* confident about having enough money to pay for basic expenses (44 percent), having done a good job of preparing for retirement (42 percent), and being able to pay for medical expenses (42 percent). In addition, more than 3 in 10 each are *somewhat* confident (40 percent about basic expenses, 35 percent about their retirement preparation, 32 percent about medical expenses). Like workers, retirees are least likely to express confidence about having enough money to pay for long-term care. More than 2 in 10 say they are *very* confident (22 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 as confidence in having enough money to live comfortably throughout retirement increases, and the likelihood of having money saved for retirement or having an IRA opened with money saved outside an employer's retirement plan also increases with confidence. Similarly, the tendency to perform a retirement savings needs calculation increases with confidence in having enough money to live comfortably. At the same time, 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 and to have access to employer-provided educational material or investment advice.

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 more than twice as likely to expect to live 30 years or more in retirement. They are also 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 not confident to prefer a standard of living in retirement that is the same or better than in their working years.

Nevertheless, there is considerable room for improvement in saving for retirement among at least some of those who say they are *very* confident. Twenty-two percent of *very* confident workers are not currently saving for retirement, 39 percent have less than $50,000 in savings, 32 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 (Figure 20). Fewer than 1 in 10 workers say they are *very*

Figure 20

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Workers											
Very confident	3%	5%	6%	7%	7%	8%	6%	7%	7%	8%	6%
Somewhat confident	17	17	16	21	21	26	25	26	28	23	27
Not too confident	40	36	31	38	39	33	38	35	31	33	33
Not at all confident	38	39	44	33	33	32	30	31	32	35	34
Retirees											
Very confident	7	14	19	17	26	28	27	27	18	21	19
Somewhat confident	36	34	34	34	33	38	31	36	39	37	44
Not too confident	36	33	31	33	27	20	30	22	26	26	22
Not at all confident	11	9	11	12	9	7	8	11	11	12	13

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996–2006 Retirement Confidence Surveys.

confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today (6 percent), and more than one-quarter are *somewhat* confident (27 percent). At the same time, two-thirds are *not too* (33 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.

Similarly, 5 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 29 percent are *somewhat* confident in the system (Figure 21). Many more, however, are *not too* (36 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 21
Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Workers											
Very confident	3%	3%	4%	7%	6%	7%	5%	5%	6%	7%	5%
Somewhat confident	20	21	24	24	29	32	28	34	31	30	29
Not too confident	38	37	34	38	38	31	40	36	35	33	36
Not at all confident	37	34	36	30	27	26	26	25	26	28	28
Retirees											
Very confident	5	10	12	12	22	14	18	19	16	20	12
Somewhat confident	35	31	35	39	40	49	38	44	37	42	50
Not too confident	35	34	39	36	23	16	26	26	31	24	26
Not at all confident	16	17	11	12	7	13	16	8	11	9	10

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996–2006 Retirement Confidence Surveys.

Retirees are less likely than in 2005 to say they are *very* confident (12 percent, down from 20 percent) that Medicare will continue to provide benefits of equal value; however, confidence levels are considerably higher than those measured in 1996 (*very* confident increased from 5 percent in 1996 to 12 percent in 2006; *somewhat* confident from 35 percent to 50 percent). Worker confidence in the value of Medicare benefits also remains above 1996 levels (*very* confident increased from 3 percent in 1996 to 5 percent in 2006; *somewhat* confident from 20 percent to 29 percent).

While a majority of Americans know who runs the Medicare system, some appear to be confused. When asked to identify the organization that runs the Medicare system, two-thirds of workers (67 percent) and three-quarters of retirees (75 percent) correctly name the federal government. Two in 10 workers (20 percent) and 8 percent of retirees identify the state government, while small percentages specify private health insurance companies (6 percent of workers, 3 percent of retirees). In addition, 10 percent of workers and 14 percent of retirees say they do not know who runs Medicare.

Information Sources for Retirement Planning

Despite the American savings rate, level of debt, and other negative financial indicators, many workers spend time reading about money and financial matters (Figure 22). In fact, two-thirds report having read about this topic in the month prior to the survey: 23 percent say they spent up to an hour, 19 percent say they spent one to two hours, and 24 percent indicate they spent three hours or more. This means that workers are more likely to spend time reading about money and financial matters than they are to spend time reading about home, lifestyle, and fashion (54 percent), sports (53 percent), or celebrity or entertainment news (51 percent). Nevertheless, workers are most likely to spend time reading about news and current events (87 percent).

Figure 22
Time Spent by Workers Reading About Selected Topics

	No Time	Up to 1 Hour	1–2 Hours	3 Hours or More
News and current events	13%	15%	17%	55%
Money and financial matters	34	23	19	24
Home, lifestyle, and fashion	46	23	17	15
Sports	47	19	14	20
Celebrity or entertainment news	49	26	16	9

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

The amount of time spent reading about finance increases sharply as household income or education rises. In addition, men say they spend more time than women, and retirement savers report spending more time than nonsavers, reading about this topic.

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 questionable or unprofessional information in developing their plan for retirement. Almost 9 in 10 married workers who have saved for retirement say they use input from their spouse when making retirement savings and investment decisions (87 percent) and more than 7 in 10 savers use written material received at work (72 percent). Less than two-thirds of workers saving for retirement say they have referenced newspapers or magazines (64 percent), the advice of a financial professional (63 percent), and the advice of family or friends (63 percent) to help them make financial decisions about retirement. Fewer report having used information from the Internet (46 percent), television or radio (35 percent), computer software (24 percent), seminars (21 percent), or online professional advice services (20 percent) to help with these decisions.

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) (Figure 23). Less often, they report finding written material received from work (15 percent) or advice from family or friends (13 percent) most helpful. One in 10 or fewer indicate that their most helpful sources of information are input from their spouse (10 percent), newspapers or magazines (8 percent), and the Internet (5 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.

The likelihood of finding a financial professional most helpful is higher among workers with household income of at least $75,000 (compared with lower-income workers) and those who have completed college (compared with those having less education). On the other hand, workers with less than $25,000 in assets (compared with higher-asset workers) and those under age 45 (compared with older workers) are more likely to report finding advice from family and friends most helpful in making their retirement savings and investment decisions.

Figure 23
Retirement Educational Materials Used and Found Most Helpful, Among Workers Saving for Retirement

	Used	Most Helpful
Input from your spouse	87%	10%
Written material received from your employer or your employer's retirement plan provider	72	15
Newspapers, magazines, or other written material	64	8
The advice of a financial professional	63	40
The advice of family, friends, or co-workers	63	13
Information available over the Internet	46	5
Information from television or radio	35	2
Computer software	24	1
Information from seminars	21	2
Online professional investment advice services	20	2

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Doing a retirement savings calculation seems to be an effective tool for changing savings behavior. Half of workers who do a calculation report they make changes as a result (51 percent). Most often, those who make changes say they started saving more money (59 percent), but other steps they take include changing their investment mix (20 percent), researching other savings methods (7 percent), and reducing debt (6 percent).

Employer-Provided Education and Advice

Retirement planning materials provided by an employer or retirement plan provider can also be effective in persuading some workers to change their behavior. Almost half of workers state that they have received retirement educational materials or seminars from an employer or work-related retirement plan provider in the past 12 months (48 percent). Among these workers, 3 in 10 report modifying their retirement planning as a result of the material they receive (29 percent), most frequently by saving more (48 percent of those making modifications) or changing their investment mix (33 percent).

In addition, a substantial proportion of workers using a financial professional to help them with retirement savings and investment decisions obtain access to this professional through their employer. Although half of workers getting information from a financial professional seek one on their own (49 percent), nearly 3 in 10 say they had access through work (28 percent). Two in 10 mention another arrangement (21 percent), such as a friend or family member who is a financial professional.

More than one-quarter of workers report their employer offers them access to professional financial advice (27 percent), but many of these workers implement only some of the advice they receive, preferring to make their own investment decisions. Among workers offered professional investment advice through their employer, 69 percent say this advice was offered in person, 23 percent indicate this advice was offered online, and 13 percent say it was offered over the telephone (Figure 24). Similar to previous years, of the 53 percent who say they subsequently received specific recommendations on how they should invest their money, only 13 percent implemented all of the recommendations. Instead, 57 percent implemented some of the recommendations, and 30 percent did not implement any. Workers with household income of at least $35,000 are more likely than lower-income workers to say that their employer offers them access to this type of investment advice.

Workers who do not currently have access to professional investment advice through their employer would be most likely to take advantage of such advice if it were made available in-person rather than online or over the telephone. More specifically, 3 in 10 say they would be *very* likely to use in-person investment advice if it were offered by their employer (30 percent), and 4 in 10 would be *somewhat* likely to do so (42 percent). Fewer workers are likely to take advantage of investment advice if it is provided online (14 percent *very* likely, 36 percent *somewhat* likely) or by telephone (9 percent *very* likely, 25 percent *somewhat* likely).[5]

Figure 24

Likelihood of Using Employer-Provided Retirement Investment Advice, Among Workers Without Access

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely
In person	30%	42%	12%	16%
Online	14	36	19	29
By telephone	9	25	28	38

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Enhancing Employer Plans

Workers are more likely to save in a tax-qualified retirement plan at work than they are to save on their own. Forty-five percent of all workers (82 percent of eligible workers[6]) say they participate in an employer-sponsored retirement savings plan, but just 36 percent have an IRA to which they can contribute outside of work (26 percent of workers report having an IRA that includes money rolled over from an employer's retirement plan). The likelihood of participating in either an employer-sponsored plan or an IRA opened with money saved outside of work increases as household income rises.

Employer-sponsored plans also represent a significant proportion of workers' retirement savings (Figure 25). Six in 10 plan participants say half or more of the money that they and their spouse saved in the past 12 months for retirement was put into their employer's plan (60 percent). Seven in 10 state that half or more of their household's *total* retirement savings are in this plan (70 percent). Plan participants under age 45 (compared with older participants), those with fewer assets (compared with higher-asset participants), and private-sector participants (compared with public-sector participants) are especially likely to report all or almost all of their total retirement savings are in their employer's plan.

Figure 25

Proportion of Retirement Savings in Employer's Plan, Among Plan Participants

	Retirement Savings of Past 12 Months	Total Retirement Savings
All or almost all	25%	28%
About three-fourths	15	15
About half	21	28
About one-fourth	30	21
Almost none	7	5
Don't know	3	3

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Employer matches have been somewhat effective in boosting participation in 401(k)-type plans, but are not successful for all workers. Eighty-seven percent of employees offered a plan with a match report participating, compared with 70 percent without a match. At the same time, less than 4 in 10 workers are aware of the Saver's Credit (36 percent), an effort by the federal government to boost participation in tax-qualified retirement savings plans by essentially "matching" with federal tax dollars a percentage of money contributed by eligible individuals. The proportion aware of the Saver's Credit decreases to one-quarter among those with household income less than $35,000.

Since employer-sponsored retirement plans are effective at stimulating family savings, enhancing these plans would be likely to increase personal savings. Automatically enrolling workers into a plan is a way of "defaulting" workers into the savings option, and workers generally express favorable opinions about different features of an automatic plan (Figure 26). In particular, 7 in 10 employed workers say they favor an employer automatically enrolling workers into a plan and setting up contributions through payroll deduction (34 percent *strongly* favor, 35 percent *somewhat* favor). They are almost as likely to favor a feature that would automatically increase the percentage of salary contributed when they receive a raise (32 percent, 33 percent). Six in 10 employed workers favor automatic investment of contributions (23 percent, 36 percent).

Figure 26
Favorability Toward Automatic Features of Employer-Sponsored Plans, Among Employed Workers

	Strongly Favorable	Somewhat Favorable	Neutral	Somewhat Oppose	Strongly Oppose
Your employer would enroll you in the plan and set up your contribution through payroll deduction, unless you choose not to participate.	34%	35%	2%	13%	15%
The percentage of your salary contributed to the plan would automatically increase when you get a raise, unless you choose for this not to happen.	32	33	1	16	17
Your contributions would automatically be invested for you unless you choose investments on your own.	23	36	2	19	19

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

The RCS findings suggest that most nonparticipants would not object to the introduction of these features into their employer's plan. Both current plan participants and nonparticipants appear equally likely to report favoring each of these automatic features, although participants are somewhat more likely to say they *strongly* favor automatic enrollment. In addition, while employed workers with household income of at least $35,000 are more likely than lower-income workers to say they favor automatic enrollment, more than half of lower-income workers favor each of these features.

Based on interest expressed by workers, employers choosing funds for the automatic investment feature of a plan might wish to consider lifecycle funds, professionally managed accounts, and balanced funds, rather than more conservative investment funds such as a money market fund. One-third of employed workers indicate they would be *very* interested (34 percent) and 4 in 10 would be *somewhat* interested (39 percent) in having their retirement plan dollars invested in a lifecycle fund (which becomes more conservative as retirement nears) (Figure 27). One-quarter would be *very* interested (26 percent) and more than 4 in 10 would be *somewhat* interested (44 percent) in a professionally managed account (where an independent investment manager makes investment decisions based on their specific circumstances). Similarly, more than 2 in 10 say they would be *very* interested (22 percent) and half would be *somewhat* interested (51 percent) in a balanced fund (a mix of stocks and bonds with moderate risk). Employed workers are less likely to express interest (11 percent *very* interested, 50 percent *somewhat* interested) in an investment like a money market fund.[7] Expressed interest in the lifecycle fund decreases as age increases.

Current plan participants are more likely than nonparticipants to express interest in lifecycle funds and balanced funds. Nevertheless, more than 6 in 10 nonparticipants say they would be interested in each of these fund options. Interest in lifecycle funds and balanced funds increases as household income increases.

Figure 27

Interest in Automatic Investment Options, Among Employed Workers

	Very Interested	Somewhat Interested	Not Too Interested	Not at All Interested
A mix of stocks and bonds, often called a lifecycle fund, based on your expected retirement date. When you're a long way from retirement, the fund is invested more aggressively, with higher risk and the potential for higher returns. As you near retirement, the fund is invested more conservatively to lower risk.	34%	39%	11%	15%
A professionally managed account where an independent investment manager handles investment decisions based on your specific circumstances. Changes are made as market conditions or personal circumstances change.	26	44	15	14
A mix of stocks and bonds, typically called a balanced fund, with a moderate risk that the fund could lose money, but generally the gains would be higher than the rate of inflation	22	51	10	16
An investment like a money market fund with little risk of losing money, but with gains likely to be only slightly higher than the rate of inflation	11	50	18	20

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

Despite interest in these types of options, workers still prefer to make their own decisions (Figure 28). Employed workers more often say that they, making their own investment decisions, can do the best job of achieving their retirement savings objectives (47 percent). One-quarter believe that having all of their contributions directed into a professionally managed account would be most effective (25 percent). Despite high interest overall, fewer select a lifecycle fund (13 percent) or balanced fund (11 percent) as the single most effective option.[8]

Figure 28

Investment Option Most Likely to Achieve Retirement Savings Objectives, Among Employed Workers

You make your own investment decisions	47%
All contributions automatically go into the professionally managed account	25
All contributions automatically go into the lifecycle fund	13
All contributions automatically go into the balanced fund	11
Don't know	4

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

While professionally managed accounts are not the automatic investment option most likely to generate interest, those workers who are interested in this type of fund appear more likely to be loyal. Almost half of those saying they are *very* interested in a professionally managed account indicate that this option would be most effective in helping them achieve their objectives (46 percent). In comparison, 26 percent of those *very* interested in a lifecycle fund feel that type of fund is the most effective option, and only 15 percent of those *very* interested in a balanced fund say it would be most likely to help them reach their retirement savings goals.

RCS Methodology

These findings are part of the 16th 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 2006 through 21-minute telephone interviews with 1,252 individuals (1,000 workers and 252 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 the 2005 and 2006 RCS are also weighted by retiree status due to the oversamples of nonretired Americans. Data for waves of the RCS conducted before 2001 have been weighted to allow for consistent comparisons; consequently, some data in the 2006 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 three 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 2006 RCS data collection was funded by grants from about two dozen public and private organizations, with staff time donated by EBRI and Greenwald. RCS materials and a list of underwriters may be accessed at the EBRI Web site: http://ebri.org/surveys/rcs/

Endnotes

[1] In the RCS, *retiree* refers to individuals who are retired or who are age 65 or older and not employed full time. *Worker* refers to all individuals who are not defined as retirees, regardless of employment status.

[2] 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.

[3] 2005 OASDI Trustees Report, Table V.A4.—Cohort Life Expectancies, www.ssa.gov/OACT/TR/TR05/V_demographic.html#wp156683

[4] Many low-income retirees would qualify for Medicaid in addition to their Medicare benefits, eliminating the need to purchase or have a private source of supplemental coverage.

[5] Respondents were not informed of the relative cost differences among these options.

[6] It is likely that this percentage is slightly higher than the actual participation rate, since some workers who do not participate in an employer-sponsored retirement savings plan are not aware of their eligibility.

[7] Respondents were not informed of the relative cost differences among these options.

[8] Respondents were not informed of the relative cost differences among these options.

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