Retirement Confidence Survey 2000
Including Results from the RCS Minority Survey and the Small Employer Retirement Survey

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Issue Brief

The year 2000 represents the 10th anniversary of the Retirement Confidence Survey (RCS), and the third year for the Minority RCS and Small Employer Retirement Survey (SERS).

Key RCS findings over the past 10 years include:

- The fraction of workers saving for retirement has trended upward, and today 80 percent of households report that they have begun to save.
- The fraction of workers who have attempted to calculate how much they need to save for retirement has risen noticeably over the past several years. Today, 56 percent of households report that they have attempted the calculation.
- One-half of workers who have attempted such a calculation report that it has changed their behavior, such as saving more and/or changing where they invest their retirement savings. Workers who have done the calculation appear to be in better shape regarding their retirement finances.
- Worker confidence in the ability of Social Security to maintain benefit levels bottomed out in 1994 and 1995. Workers today are just as confident as they were in 1992, although the majority remain not confident in Social Security.
- Regarding overall retirement confidence, Hispanic-Americans tend to be the least confident among the surveyed minority groups that they will have enough money to live comfortably throughout their retirement years.

Key SERS findings include:

- While cost and administrative issues do matter to small employers, they are not the primary reasons for low plan sponsorship rates. Employee-related reasons are most often cited as the most important factor for not offering a retirement plan. Business-related reasons, such as profitability, are also a main decision-driver.
- It is important to note what small employers without plans do not know about plan sponsorship. Small employers that *do* sponsor a retirement plan report that offering a plan has a positive impact on both their ability to attract and retain quality employees and the attitude and performance of their employees. The survey results indicate that many small company nonsponsors may not be aware of such potential business benefits from plan sponsorship.
- In addition, many nonsponsors are unaware of the plan options available to them, in particular the ones created specifically for small employers, such as SIMPLE and SEP retirement plans. Therefore, some small employers may be making a premature decision not to sponsor a plan based on incomplete information.

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Introduction

The year 2000 represents the 10th anniversary for the Retirement Confidence Survey (RCS), and the third year for the Minority RCS and Small Employer Retirement Survey (SERS). A clear message running through the findings of these surveys is the value of education and information. The RCS shows a continuing upward trend in the proportion of workers who have tried to determine how much they need to save for retirement While all workers may not do this successfully, the mere act of trying is in itself an educational process and involves a certain degree of information gathering. This helps explain the finding that workers who have attempted such a calculation appear to be doing a better job of preparing for retirement: One-half have altered their saving behavior as a result of attempting such a calculation, they are more likely to be saving for retirement and tend to have accumulated larger amounts, they are more likely to report being on schedule or ahead of schedule with their retirement saving, and they have a greater degree of confidence in their overall retirement income prospects. These and other findings in the RCS support the point that expanding financial literacy must be a national goal if Americans are to achieve economic security in their retirement years.

The SERS makes clear the value of information by highlighting the lack of knowledge among many small employers that do not sponsor a retirement plan. Most small employers with plans report real business advantages from sponsoring a retirement plan for their workers, such as greater ability to recruit and retain good workers and/or a positive impact on employee attitude and performance. However, their peers without plans appear largely unaware of these direct potential business benefits, and furthermore are largely ignorant of the options that have been created in law specifically for them as potential plan sponsors (i.e., SIMPLE plans and SEPs—the savings incentive match plan for employees and simplified employer pension). These results highlight the need for education of employers in order to expand plan sponsorship.

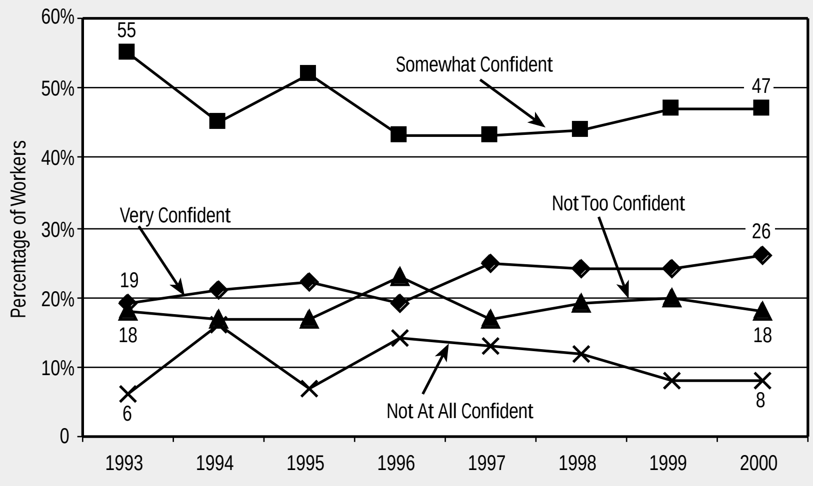
The message from the surveys' results is clear: More and better education programs should be part of any long-term efforts focused on improving the retirement income security prospects of American workers. Furthermore, education of potential plan sponsors about plan sponsorship options and benefits is every bit as important as education of workers regarding the need to improve planning for workers' retirement. This *Issue Brief* discusses the key findings from the 2000 RCS, the 2000 Minority RCS, and the 2000 SERS.

2000 RCS

Key questions have been used to track trends in retirement confidence and retirement planning behavior for much of the 10 years of the RCS, even though numerous changes have been made in the questionnaire. The picture portrayed by these trends is generally optimistic—slight upswings in retirement confidence are backed by significant changes in retirement planning and saving activities.

Over the past eight years, the proportion of workers who are very confident of having enough money to live comfortably throughout their retirement years has increased slightly from less than 20 percent to more than a quarter (19 percent in 1993; 26 percent in 2000). Larger increases are found among those who are very or somewhat confident that they are doing a good job of preparing for retirement (70 percent in 1993; 79 percent in 2000) and those who are very or somewhat confident in having enough money to pay for medical expenses during retirement (55 percent in 1993; 68 percent in 2000). Workers are also more likely than in previous years to be saving for retirement (61 percent in 1994; 76 percent in 2000) and to have calculated how much

Chart 1
Worker Confidence in Having Enough Money to Live Comfortably Throughout Retirement



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

money they will need to have saved by the time they retire (35 percent in 1993; 53 percent in 2000).

Other findings weaken these positive trends, however. The amounts that workers have accumulated for retirement are generally low, and many people appear to be falsely confident about their retirement security. Workers may also find that their retirement planning has been inadequate because they hold false expectations about the age at which they will be eligible for full Social Security retirement benefits, the age they will retire and the length of their retirement, and the sources of their income in retirement. This will be particularly true if current workers follow the pattern set by today's retirees. (See box on p. 20 for Personality Types and Retirement.)

Retirement Confidence

This year's survey reveals that almost 3 in 4 workers are confident of having enough money to live comfortably throughout their retirement years. This is almost identical to the proportion of workers expressing confidence in 1993, the first year this question was asked. However, in comparison with 1993, workers today are more likely to be very confident and less likely to be somewhat confident of having enough money (chart 1). Still, two-thirds of those who are confident in the 2000 survey are somewhat confident rather than very confident—that is, they should have enough money to live comfortably in retirement if everything goes right.

The increase in the proportion of workers saying they are very confident of having enough money for their retirement may be the result of small, but significant, increases in confidence about various financial aspects of retirement. In 1993, less than one-fourth of workers were *very* confident and less than one-half were *somewhat* confident that they were doing a good job of preparing financially. In 2000, 3 in 10 are very confident, while half are somewhat confident (table 1). The proportion of workers saying they are confident of having enough money to pay for medical expenses during retirement has increased from more than half in 1993 to 7 in 10 in 2000. At the same time, the proportion saying they are confident of having enough money to take care of basic expenses remains relatively stable. In addition, the increase in the proportion of workers who are very confident in their overall retirement income prospects may be the result of positive changes in planning and saving behavior as shown later.

Confidence in Social Security and Medicare has fluctuated over time, reaching its lowest levels in 1995 (chart 2 and chart 3). Currently, 7 percent of workers 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 (up from 3 percent in 1995), and 21 percent are somewhat confident (up from

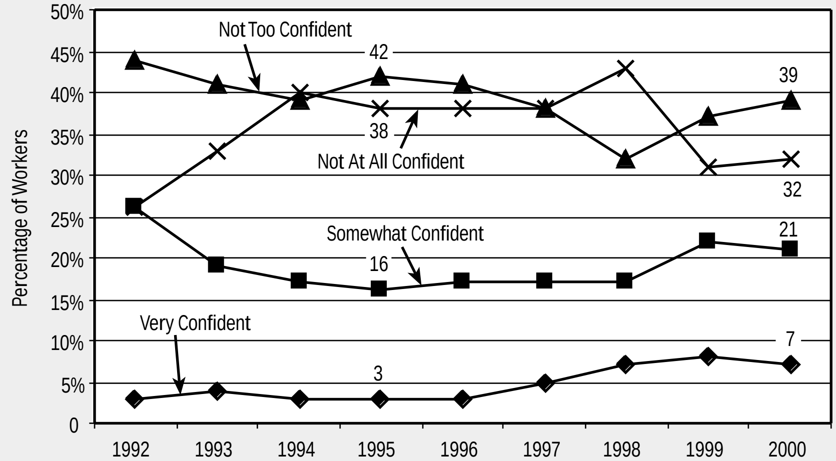
Table 1
Worker Confidence in Financial Aspects of Retirement

	Doing a Good Job Preparing Financially		Having Enough for Medical Expenses		Having Enough for Basic Expenses	
	1993	2000	1993	2000	1993	2000
Very Confident	23%	30%	22%	25%	40%	43%
Somewhat Confident	46	49	33	44	43	43
Not Too Confident	18	13	24	19	11	8
Not At All Confident	11	8	18	12	5	6

Source: Employee Benefit Research Institute, American Savings Education Council, Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

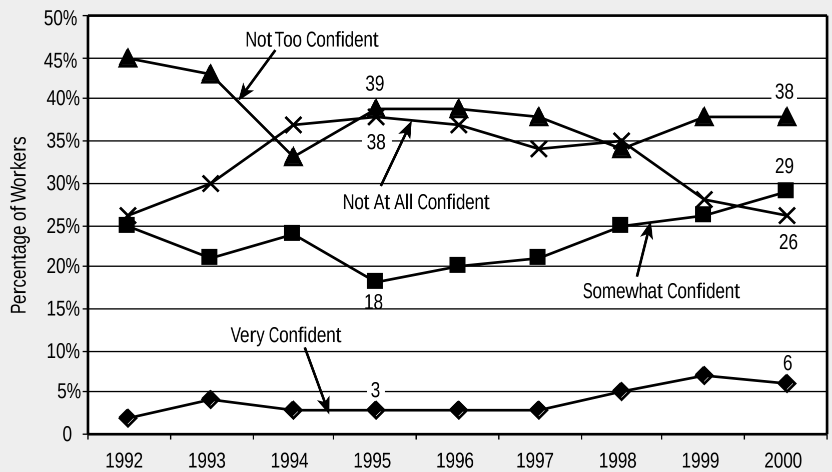
16 percent).[1] Likewise, 6 percent are very confident (up from 3 percent in 1995) and 29 percent are somewhat confident (up from 18 percent) that the Medicare system will continue to provide benefits of at least equal value. The majority of workers, however, are not confident that these programs will continue to provide benefits equivalent to those received today (71 percent not confident in Social Security; 64 percent not confident in Medicare).

Chart 2
Worker Confidence That Social Security Will Continue to Provide Benefits of Equal Value



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Chart 3
Worker Confidence That Medicare Will Continue to Provide Benefits of Equal Value



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Preparing for Retirement

The increasing confidence that workers feel about various financial aspects of their retirement may be the result of changes in the way they are preparing for it, as many American workers have become more proactive in their retirement planning and preparation.

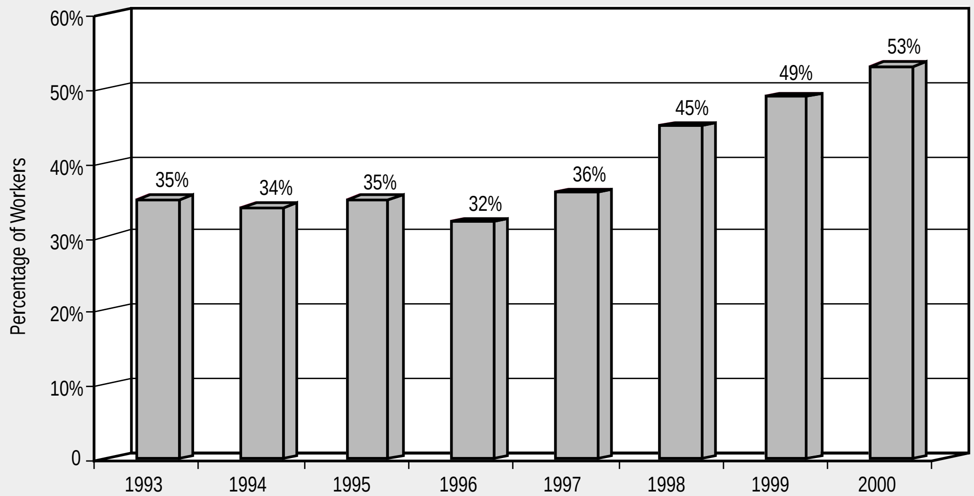
Seven in 10 workers in the 2000 survey say they have a savings or investing strategy for their retirement (70 percent), and 4 in 10 have thought about insurance coverage for long-term care or nursing home needs (41 percent). More than half say that they personally have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement. This represents a sharp increase over the percentage of respondents who reported having tried to do this calculation in the 1993 through 1997 surveys (chart 4).

However, 28 percent of the 2000 respondents who indicate they have tried to do a retirement needs calculation are unable to state the amount they will need to save. Fifteen percent calculate that they need to save less than $250,000, 1 in 10 each figure they need to save between $250,000 and $499,999 (9 percent) and between $500,000 and $999,999 (12 percent), and 2 in 10 say they need to save $1,000,000 or more (21 percent).

The large amounts that need to be saved do not seem to discourage workers about their retirement prospects. In fact, those who report they or their spouse have done a retirement needs calculation are more likely

[1] Under current law, the normal retirement age is being phased up from age 65 to age 67. In effect, this is a cut in future benefits from current levels for affected individuals.

Chart 4
Percentage of Workers Having Tried to Calculate How Much Money They Will Need to Save for Their Retirement



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

than those who have not to feel confident about having enough money for retirement (table 2).

In addition, 6 in 10 of those who have done a needs calculation say they are either ahead of schedule or on track when it comes to planning and saving for retirement (61 percent), while two-thirds of those who have not done this calculation feel they are behind schedule (68 percent) (table 3).

In this year's survey, half of those who have attempted to do the calculation say that they have made changes in their retirement planning as a result (51 percent). Among them, 54 percent say they have started to save more, and 26 percent have changed the allocation of their money, while smaller percentages have made other changes. (See Ballpark Estimate, p. 21.)

Saving—and Not Saving—for Retirement

The proportion of respondents saying that they have personally saved for retirement has increased over time from almost two-thirds in 1994 to three-fourths in 2000 (chart 5). A slightly larger proportion indicate that they or their spouse have saved for retirement (80 percent in 2000).

However, the amounts accumulated for retirement by workers as a whole are generally unimpressive. The majority of those who are able to provide an amount have accumulated less than $50,000, and almost one-fourth of all workers have saved less than $10,000 toward retirement. While respondents age 35 and over have generally accumulated more than younger respondents, just one-fourth of those age 35 and over report having saved at least $100,000 for retirement (24 percent of those ages ages 35–44; 27 percent of those ages 45–54; and 25 per-cent of those ages 55 and over).

Respondents reporting that they or their spouse have done a needs calculation are not only more likely than those who have not to be saving for retirement (88 percent versus 61 percent), they also tend to have accumulated larger amounts (table 4).

Two-thirds of

Table 2
Worker Confidence in Financial Aspects of Retirement By Calculation of Retirement Savings Needs: 2000

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Will Have Enough Money to Live Comfortably Throughout Their Retirement Years.				
Done needs calculation	38%	47%	12%	3%
Not done needs calculation	10	49	26	15
Will Have Enough Money to Take Care of Basic Expenses During Retirement.				
Done needs calculation	57	38	3	2
Not done needs calculation	25	50	13	12
Will Have Enough Money to Take Care of Medical Expenses During Retirement.				
Done needs calculation	33	49	13	4
Not done needs calculation	14	37	26	21

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Table 3
Schedule for Planning and Saving for Retirement: 2000

	All Workers	Done Needs Calculation	Not Done Needs Calculation
A Lot Ahead of Schedule	3%	4%	2%
A Little Ahead of Schedule	4	5	2
On Track	40	51	26
A Little Behind Schedule	25	23	26
A Lot Behind Schedule	27	15	41

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

savers say they automatically save a predetermined amount each pay period or each month (67 percent), but others cite less systematic methods as the primary strategy they use to save for retirement. Almost 1 in 10 each indicate they save whatever is left over at the end of the pay period or the end of the month (9 percent) and save when they feel they can afford to (8 percent). Three percent save unanticipated income or gifts as their primary strategy, and 10 percent use some other strategy.

A number of different factors motivate people to save for retirement. Motivators cited most often are:

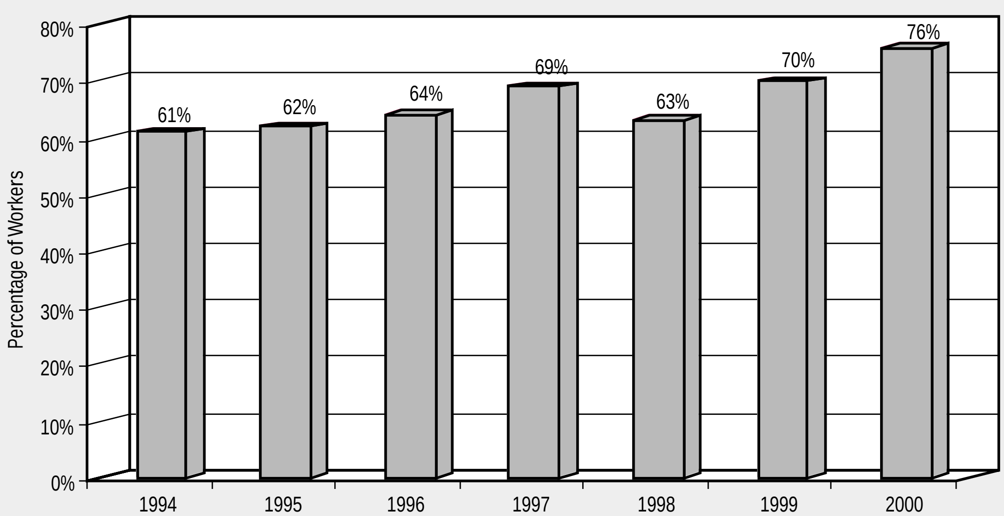
- Realizing that time was running out to prepare for retirement (22 percent).
- Needing to save in order to retire or to be independent in retirement (11 percent).
- Feeling they could not count on Social Security (10 percent).
- Advice from family and friends (9 percent).
- The availability of a retirement plan at work (7 percent).
- Thinking it is just common sense to save (7 percent).

Nonsavers are most likely to say having no income or not being able to afford it (23 percent) and having too many current financial responsibilities (22 percent) are the reasons they do not save for retirement. Other reasons workers give for not saving are:

- It takes too much time and effort (15 percent).
- Health problems (8 percent).
- Lots of time remains until retirement (5 percent).

Half of workers who are not currently saving for retirement say that it is reasonably possible for them to save $20 per week for retirement (51 percent). In addition, 7 in 10 workers who are already saving report that it is possible for them to save an additional $20 per week (69 percent). Among those who say they could save this $20 per week, 19 percent say they would not have to give up anything to do so. Those who would have to sacrifice

Chart 5
Percentage of Workers Saving for Retirement



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Table 4

Amount Accumulated for Retirement by Workers: 2000

	All Workers	Done Needs Calculation	Not Done Needs Calculation
Nothing	10%	1%	22%
Less than $5,000	5	4	6
$5,000–$9,999	7	5	9
$10,000–$24,999	10	8	12
$25,000–$49,999	9	8	10
$50,000–$99,999	14	17	10
$100,000 or More	21	31	8
Don't Know/Refused	25	26	22

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

are most likely to say they would cut back on dining out or entertainment. Even at conservative rates of return, saving $20 per week can compound to a significant nest-egg over time.

The Retirement Readiness Rating

The Retirement Readiness Rating is designed to indicate how well individual workers are preparing for retirement. The scale runs from 0 to 25, with those scoring 25 apparently doing the best job of preparation. The items used to compute the score for each worker include saving for retirement, completing a savings needs calculation, establishment of an investing or savings strategy for retirement, and attitudes toward various aspects of preparing for retirement.

Based on the results of this scale, fewer than 1 in 10 American workers appears to be doing a very good job of preparing for retirement (8 percent with score of 21–25) (table 5). More than 3 in 10, with a score of 16–20, appear to be doing a good job (35 percent), and almost 3 in 10 appear to be doing an okay job (28 percent with score of 11–15). Two in 10 appear to be doing a poor job (19 percent with score of 6–10) and 1 in 10 seems to be doing a very poor job (9 percent with a score of 0–5). Not surprisingly, those with household income of $75,000 or more are more likely to score highly, but those who are married, those who receive retirement savings information from an employer, and those who expect to rely primarily on personal savings (either through a retirement plan at work or outside of work) or employer-funded plans are also more likely to score highly.

The Retirement Readiness Rating shows that many workers may be falsely confident regarding their retirement prospects. Although those who are very confident about having enough money for retirement are more likely than others to score highly, only one-fourth receive scores in the 21–25 point range (table 5).

Therefore, many of the workers who say they are confident about having enough money for retirement appear likely to be falsely confident.

Worker Expectations

Many of today's workers will not be eligible to receive full benefits from Social Security until they are age 67, but most continue to be unaware of this phased increase in the Social Security normal retirement age from 65 to 67. More than half expect to reach full eligibility sooner than they actually will (55 percent). Many of these incorrectly expect to be eligible for full retirement benefits at age 65 (32 percent of all workers), but some believe they will be eligible even before age 65 (22 percent of all workers). Almost 2 in 10 workers say they do not know when they will be eligible to receive full benefits from Social Security (17 percent). Only 18 percent are able to give the correct age at which they will be eligible for full retirement benefits and 6 percent believe they will be eligible later than they actually will be.

Table 5

Retirement Readiness Rating by Worker Confidence in Having Enough Money for Retirement: 2000

		Have Enough Money for Retirement		
R^3 Score	All Workers	Very Confident	Somewhat Confident	Not Confident
Very Good (21–25)	8%	24%	4%	1%
Good (16–20)	35	59	35	11
Okay (11–15)	28	14	36	28
Poor (6–10)	19	3	19	33
Very Poor (0–5)	9	0	5	27

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Table 6
Expected and Actual Retirement Age: 2000

	Expected (percentage of workers)	Actual (percentage of retirees)
Age 54 or Younger	9%	14%
Age 55 to 59	13	19
Age 60	12	6
Ages 61 to 64	10	31
Age 65	28	10
Age 66 or Older	19	13
Never Retire	4	NA

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Nearly half of today's workers expect to retire at age 65 or later, a proportion that has seen little change since 1991 (45 percent in 1991; 47 percent in 2000). In contrast to these expectations, however, most retirees report actual retirement ages younger than age 65 (table 6).

For many retirees, this earlier retirement was not by design. More than one-third of today's retirees say they retired earlier than planned (36 percent). Based on past RCS surveys, this is typically due to negative circumstances beyond their control, such as health problems or changes at their company. The youngest retirees—those born in 1933 or later—are especially likely to report retiring before age 60 or retiring earlier than expected. If current workers follow the pattern set by today's retirees, many are also likely to retire earlier than planned and for reasons beyond their control.

Many workers—particularly those who plan to work the longest and, therefore, may be more at risk for an unplanned early retirement—may be preparing for an unrealistically short retirement. Half of men reaching age 65 can expect to be alive at 82, and some will make it to 100 and older, while half of women reaching age 65 can expect to be alive at 86, and some will make it to 100 and older. Yet almost 2 in 10 workers expect that their retirement will last for 10 years or less (18 percent), and an additional 15 percent believe their retirement will last 11–19 years. One-fourth think their retirement will last 20–24 years (25 percent), 9 per-cent believe it will last 25–29 years, and 2 in 10 expect it to last 30 years or more (19 percent). Sixteen percent are unable to say how long they expect to be retired.

Today's retirees are most likely to rely on Social Security or employer-provided money as their most important source of income in retirement (table 7). Just 2 in 10 retirees find that their personal savings are their most important source of income. In contrast, more than half of current workers expect personal savings to be their most important source of income in retirement (table 7). Only 2 in 10 workers expect to rely most on employer-provided money, and only 1 in 10 expect Social Security will provide their most important source of income. This strongly suggests an absence of under-standing of what will be needed in retirement by most Americans; this misunderstanding may be mitigated by the annual mailing of Social Security benefit statements, which began in 1999.

Expected reliance on personal savings as the most important source of income increases as age

Table 7
Expected and Actual Most Important Source of Retirement Income: 2000

	Expected (percentage of workers)	Actual (percentage of retirees)
Personal Savings (net)	53%	20%
Money respondent put into a retirement plan at work	32	5
Other personal savings, not including work-related retirement plans	20	15
Employer-Funded Plans	19	29
Social Security	11	38
Employment	7	2
Sale of Home or Business	4	3
Other Government Programs	3	3

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Retirement Confidence Survey.

Table 8
Minority Worker Confidence in Having Enough Money to Live Comfortably Throughout Retirement: 2000

	All Workers	African-Americans	Hispanic-Americans	Asian-Americans
Very Confident	26%	24%	19%	31%
Somewhat Confident	47	42	34	44
Not Too Confident	18	24	33	18
Not At All Confident	8	8	13	6

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Minority Retirement Confidence Survey.

decreases, while expected reliance on Social Security increases as age increases. In comparison with actual experience reported by the youngest retirees, current workers age 55 and over are more likely to anticipate that Social Security will be their most important source of income (28 percent versus 16 percent) and less likely to cite money from an employer-funded retirement plan (21 percent versus 39 percent). As the population ages, reality sinks in.

While just 7 percent of workers expect to rely on employment for their most important source of retirement income, two-thirds indicate they expect it to be a major (18 percent) or minor (50 percent) source of income. This contrasts sharply with the experience of retirees, just 2 in 10 of whom report that employment is a major (4 percent) or minor (15 percent) source of retirement income. Current workers age 55 and over are more likely to say they expect to work in retirement (59 percent) than retirees under age 66 are to indicate that they actually worked (30 percent). Looking at the earliest years in which this question was asked, respondents have consistently said they expected to work in retirement at far higher rates than they actually have worked.

Minority Findings

For the third year, additional respondents in three minority groups (African-Americans, Hispanic-Americans, and Asian-Americans) were surveyed as part of the Minority RCS. Results of the survey show similarities as well as differences between individuals in these groups.

Regarding overall retirement confidence, Hispanic-Americans tend to be the least confident that they will have enough money to live comfortably throughout their retirement years (table 8). Hispanic-Americans also tend to be less confident than other groups about specific financial aspects of retirement. Forty-five percent of Hispanic-Americans are not confident that they are doing a good job of preparing financially for their retirement. In comparison, 27 percent of African-Americans, 24 percent of Asian-Americans, and 21 percent of all workers are not confident about this aspect of retirement. Just 18 percent of Asian-Americans are not confident they will have enough money to take care of basic expenses during their retirement. Similarly, 22 percent of African-Americans are not confident. However, 41 percent of Hispanic-Americans respond that they are not confident they will have enough money for basic expenses in retirement (14 percent of all workers are not confident).

When asked about confidence in having enough money to take care of medical expenses in retirement, 36 percent of African-Americans and 37 percent of Asian-Americans say they are not confident. Thirty-one percent of all workers are not confident of having enough money to take care of medical expenses, and 50 percent of Hispanic-Americans are not confident. All groups are least likely to be confident of having enough money to pay for long-term care, such as nursing home or home health care, should they need it during retirement. Fifty-eight percent of Hispanic-Americans are not confident of having enough money to pay for this type of care, while 46 percent of all workers, 46 percent of African-Americans, and 43 percent of Asian-Americans are not confident of having enough money to pay for long-term care.

Minority Income in Retirement

African-Americans are most likely to expect that personal savings will be their most important source of income in retirement (43 percent). This includes both personal savings for retirement through a plan at work and retirement savings outside of work. Sixteen percent expect that money provided by an employer (i.e., a pension or an employer's contribution to a retirement account) will be their most important source of retirement income. The same percentage (16 percent) say they expect Social Security to be most important.

Hispanic-Americans cite personal savings most often as their expected most important source of income in retirement (32 percent). Twenty percent expect Social Security to be most important, and almost as many

Table 9
Minority Worker Preparations for Retirement: 2000

	All Workers	African-Americans	Hispanic-Americans	Asian-Americans
Household Has Saved for Retirement	80%	62%	52%	73%
Vehicles Used to Save for Retirement				
A 401(k) plan	77	68	58	73
A savings account or certificate of deposit	70	65	61	66
An individual retirement account	57	42	33	60
Cash in a safe place	17	26	26	15
A 403(b) plan	7	6	9	7
A Keogh account	6	4	6	8
Have Other Savings or Investments	47	39	28	42
Household Has Done a Retirement Savings Needs Calculation	57	44	31	50
Savers Who Could Save Another $20 per Week for Retirement	69	73	69	77
Nonsavers Who Could Save $20 per Week for Retirement	51	55	60	61

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Minority Retirement Confidence Survey.

(18 percent) think that money from an employer will be their most important source of retirement income.

Asian-Americans also cite personal savings, money provided by an employer, and Social Security most often as their most important source of retirement income. In comparison with other groups, however, Asian-Americans are more likely to indicate personal savings will be most important (58 percent) and less likely to say Social Security will be most important (7 percent). Eighteen percent report that money from an employer will be their most important source of income.

Minority Preparations

Asian-American respondents are most likely to say that they and/or their spouse are saving for retirement, followed by African-Americans (table 9). More than half of Hispanic-American households have begun saving for retirement. Savers use a number of different vehicles for this purpose. Majorities of retirement savers in each minority group report having used 401(k) plans and savings accounts or certificates of deposit. Also used to save for retirement by large proportions of respondents are individual retirement accounts (IRAs) and cash in a safe place at home or safe deposit box. All respondents were asked whether they currently had any other savings or investments in addition to what they may have put aside for retirement. Approximately 4 in 10 Asian-Americans and African-Americans report such savings, while approximately 3 in 10 Hispanic-Americans do so (table 9).

Half of Asian-American households and more than 4 in 10 African-American households have tried to figure out how much money they will need to have saved by the time they retire so that they can live comfortably in retirement (table 9). Three in 10 Hispanic-American households have attempted to do this calculation. Savers were asked if they thought it would be reasonably possible for them to save $20 more per week than they are currently saving for retirement. A large majority of savers in each of the minority groups indicate that they could. Individuals without any personal retirement savings were also asked if they thought it would be reasonably possible for them to save $20 per week for retirement, and more than one-half in each group said they could (table 9).

Regardless of whether or not they saved, respondents were asked whether they thought they were on track, ahead of schedule, or behind schedule when it comes to planning and saving for retirement. Fewer than 1 in 10 in each minority group say they are ahead of schedule (table 10). Forty percent of Asian-Americans, 34 percent of African-Americans, and 26 percent of Hispanic-Americans indicate they are on track, while 66 percent of Hispanic-Americans, 55 percent of African-Americans, and 44 percent of Asian-Americans feel they are behind schedule.

Many individuals in each minority group say

Table 10
Schedule for Planning and Saving for Retirement: Minority Workers

	All Workers	African-Americans	Hispanic-Americans	Asian-Americans
A Lot Ahead of Schedule	3%	2%	< 0.5%	< 0.5%
A Little Ahead of Schedule	4	5	5	6
On Track	40	34	26	40
A Little Behind Schedule	25	22	20	27
A Lot Behind Schedule	27	32	46	17
Don't Know	1	2	2	10

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Minority Retirement Confidence Survey.

they expect to work for pay after they retire. Sixty-seven percent of Hispanic-Americans, 62 percent of Asian-Americans, and 58 percent of African-Americans think they will work for pay in retirement. Two-thirds of all workers from the RCS indicate they expect to work for pay in retirement (67 percent).

Saving Motivators

The top reason African-Americans savers begin saving for retirement is they realize time is running out to prepare for retirement (25 percent). Somewhat fewer cite needing to save in order to retire (13 percent) and a family event, such as a marriage, birth of a child, or parent's retirement (11 percent), as reasons they began saving. The top reason for not saving for retirement given by African-Americans who are not saving is that they cannot afford to do so (23 percent). Eighteen percent do not save because they have too many current financial responsibilities, and 10 percent say it takes too much time and effort. An additional 13 percent of African-American nonsavers are unable to say why they have not saved for retirement.

Among Hispanic-American savers, 23 percent say realizing time was running out to prepare for retirement was the reason they started to save for retirement, and 21 percent report the fact that they need to save if they want to retire motivated them. Somewhat fewer indicate a family event, such as a marriage, birth of a child, or parent's retirement motivated them to begin saving (12 percent). The most common reason cited by Hispanic-American nonsavers for not saving is that they have too many current financial responsibilities (24 percent). Twenty-two percent say they are not saving because they cannot afford to do so, and 15 percent think it takes too much time and effort. Twenty percent of these Hispanic-Americans are unable to say why they have not saved for retirement.

Seventeen percent of Asian-American savers say they started saving for retirement because they need to save in order to be able to retire. An additional 15 percent indicate they began saving because they wanted to live comfortably in retirement and not fear being poor. Roughly 1 in 10 each cite advice from family or friends (9 percent), not being able to count on Social Security (9 percent), and realizing that time was running out (8 percent). A large percentage of Asian-American savers also say they do not know what motivated them to begin saving for retirement (15 percent). Asian-American nonsavers are most likely to say that they have not saved because lots of time remains until retirement (24 percent). Fewer cite not being able to afford to save for retirement (19 percent) and it takes too much time and effort (13 percent). Another 15 percent of Asian-American nonsavers are unable to say why they have not saved for retirement.

Small Employer Challenge

Low plan sponsorship rates among small employers is an issue that policymakers have continually revisited over time, and yet the gap persists.[2] According to data from the Bureau of Labor Statistics (BLS),[3] in a completely voluntary system (on the part of employers) that involves a number of rules and regulations,[4] 79 percent

[2] *Most recently, the Small Business Job Protection Act of 1996 created the savings incentive match plan for employees (SIMPLE), a simplified retirement plan with fewer administrative requirements, specifically for small businesses. Employers with 100 or fewer employees on any day during the year and who do not maintain another employment-based retirement plan can adopt SIMPLE plans, which can be either a SIMPLE individual retirement account (IRA) or SIMPLE 401(k).*

[3] *See U.S. Department of Labor, Bureau of Labor Statistics,* Employee Benefits in Medium and Large Private Establishments, 1997, *Bulletin 2517 (Washington, DC: U.S. Government Printing Office, 1999).*

[4] *The Employee Retirement Income Security Act of 1974 (ERISA) is the federal law that governs the operation of private retirement plans. For a full discussion, see Paul Yakoboski, "Overview of the U.S. Employment-Based Retirement Income System," Employee Benefit Research Institute Policy Forum, The Next 25 Years of ERISA: The Future of Private Retirement Plans (Washington, DC, Dec. 1, 1999).*

Table 11
Small Employer Reasons for Not Offering a Retirement Plan

	Most Important	Major
Employee-Related Reasons.		
Employees prefer wages and/or other benefits	21%	38%
A large portion of workers are seasonal, part time, or high turnover	18	40
Business-Related Reasons.		
Revenue is too uncertain to commit to a plan	13	45
The business is too new	11	22
Cost and Administration-Related Reasons.		
It costs too much to set up and administer	9	33
Required company contributions are too expensive	8	43
Too many government regulations	3	24
Other Reasons.		
Vesting requirements cause too much money to go to short-term employees	3	35
Don't know where to go for information on starting a plan	2	5
The benefits for the owner are too small	3	23
Owner has a deferred compensation arrangement	1	3
Other reasons	6	6

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Small Employer Retirement Survey.

of full-time employees participated in an employment-based retirement plan in 1997. However, retirement plan participation is notably lower among small employers. According to BLS data,[5] 46 percent of full-time workers in small private establishments participated in an employment-based retirement plan in 1996.

The third annual Small Employer Retirement Survey (SERS) provides insights into the challenge presented by the small employer market. SERS results show that the lack of retirement plan sponsorship is not simply an issue of administrative cost and burden involved in establishing and running a plan; it also involves the financial reality of running a small business—revenue streams that are uncertain and/or a business that is too new to consider a plan. In addition, it involves work force issues—employees with preferences for cash and nonretirement benefits and/or employees who are largely seasonal, part time, or high turnover.

Furthermore, it is just as important to note what small employers *without* plans do *not* know about plan sponsorship. Small employers that *do* sponsor a retirement plan report that offering a plan has a positive impact on both their ability to attract and retain quality employees and on the attitude and performance of their employees. The survey results indicate that many small company nonsponsors may not be aware of such potential business benefits from plan sponsorship. In addition, many nonsponsors are unaware of the plan options available to them, in particular the ones created specifically for small employers, such as the SIMPLE and SEP retirement plans. *Therefore, some small employers may be making a premature decision not to sponsor a plan, based on incomplete information.*

Obstacles to Plan Sponsorship

There are a number of reasons why more small employers do not offer retirement plans—it is not simply a matter of administrative cost and burden. Cost and administration-related issues do matter, but for many small employers they take a back seat to other issues (table 11).

Twenty-one percent say employee preferences for wages and/or other benefits are the most important reason for not sponsoring a plan. Having a large portion of workers who are seasonal, part-time, or high turnover is cited by 18 percent. Therefore, 38 percent of those without plans cite some sort of *employee-related* reason as the most important reason for not offering a plan.

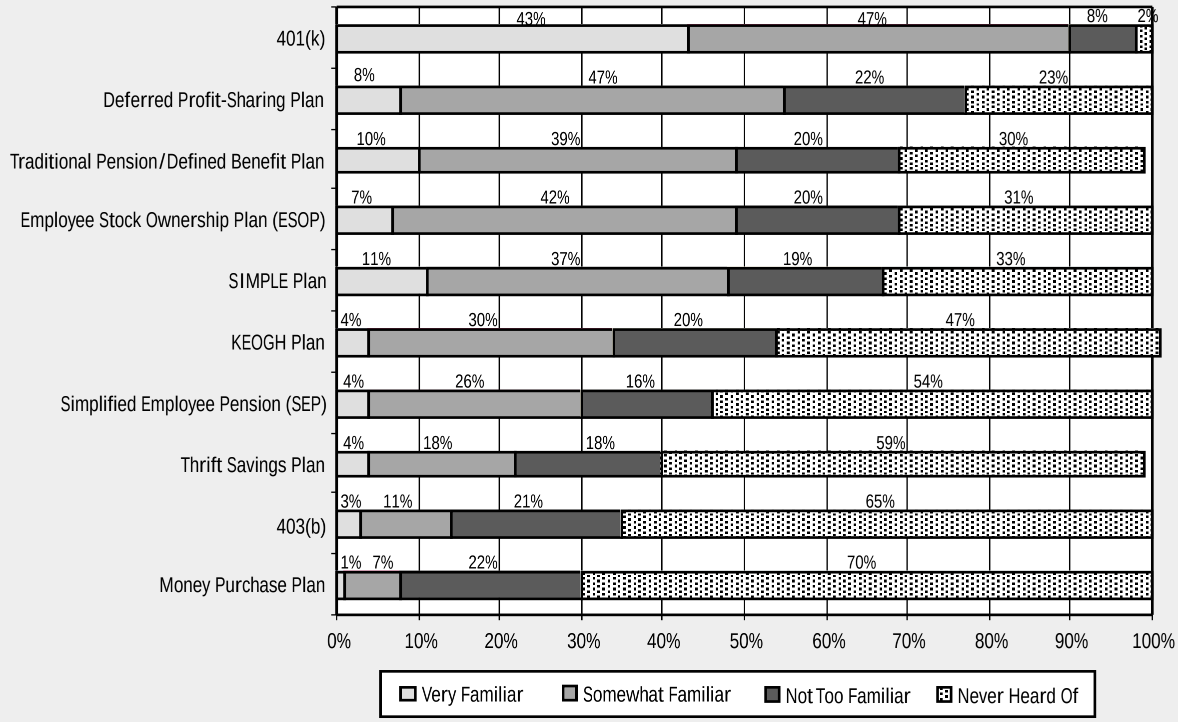
Thirteen percent of nonsponsors say that the most important reason for not offering a plan is that revenue is too uncertain for the company to commit to a plan. Having a business that is too new is cited by 11 percent. Therefore, 24 percent of those without plans cite some sort of *business-related* reason as the most important reason for not offering a plan.

Nine percent say the most important reason is that it costs too much to set up and administer a plan. Eight percent say the most important reason is that required company contributions are too expensive;[6] for 3 percent, the most important reason is "too many

[5] *See U.S. Department of Labor, Bureau of Labor Statistics,* Employee Benefits in Small Private Establishments, 1996, *Bulletin 2507 (Washington, DC: U.S. Government Printing Office, 1999).*

[6] *Plans exist in which employers as plan sponsors are not legally required to make contributions. For example, employer contributions are not required with a 401(k) plan—the sponsor could choose not to match participant contributions and to pass the administrative costs on to the plan. However, if the 401(k) is established as a SIMPLE plan, then company contributions are required.*

Chart 6
Familiarity of Retirement Plan Options Among Small Employers Without Retirement Plans



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Small Employer Retirement Survey.

government regulations." Therefore, 20 percent of nonsponsors cite a *cost and/or administration-related* reason as the most important reason for not offering a plan.

So, while cost and administrative issues do matter, they are not the primary reasons for low plan sponsorship rates among small employers. In fact, based on small employer responses, they are not the *most important* reasons for the majority of nonsponsors: Employee-related reasons are most often cited as the most important factor for not offering a plan, and business-related reasons, such as profitability, are also a main decision-driver. This may explain why plan sponsorship rates remain low despite repeated legislative efforts to boost them.[7]

Is Knowledge (or Lack of Knowledge) an Issue?

Nonsponsor responses indicate that revenue stability, work force issues, and cost and administration concerns are all major factors in their decision not to currently sponsor a retirement plan. In addition, however, there is the possibility that a lack of familiarity with available plan options, along with a lack of awareness of the potential business advantages resulting from plan sponsorship, may lead some small employers to a premature decision not to offer a plan.

Many nonsponsors are unfamiliar with the different retirement plan types available to them as potential plan sponsors, especially the options created specifically for small employers and designed to be less costly to establish and administer (chart 6). One-third (33 percent) of nonsponsors say they have never heard of the savings incentive match plan for employees (SIMPLE), and an additional 19 percent report that they are not too familiar with SIMPLE plans. The same holds for simplified employee pensions (SEPs); 54 percent of nonsponsors report that that they have never heard of SEPs, and an additional 16 percent say they are not too familiar with SEPs. By comparison, very few nonsponsors say they have never heard of or are not too familiar with 401(k) plans.

Furthermore, there are potential business

[7] The Small Business Job Protection Act of 1996 created a simplified retirement plan for small business (100 or fewer employees) called the savings incentive match plan for employees (SIMPLE). A SIMPLE plan can be either an individual retirement account (IRA) for each employee or a 401(k) plan. It is too soon to fairly evaluate the impact of SIMPLE plans on the small employer market.

benefits from plan sponsorship that nonsponsors simply may not be aware of and therefore may not have factored into their decision not to offer a plan. Among small employers that *do* sponsor a retirement plan, 47 percent report that plan sponsorship has had a major impact on their ability to hire and retain good employees (an additional 40 percent report a minor impact). One-third (34 percent) of small plan sponsors report that plan sponsorship has had a major impact on employee attitude and performance (an additional 49 percent report a minor impact) (chart 7).

By comparison, among nonsponsors, only 11 percent report that not offering a retirement plan has had a major impact on their ability to hire and retain good employees (58 percent report no impact at all), and 6 percent report that not offering a plan has had a major impact on employee attitude and performance (67 percent report no impact at all) (chart 8). It is likely that such positive impacts from plan sponsorship would not exist for some of these employers, but it is also possible that some of these employers may simply be unaware of the potential business benefits of plan sponsorship.

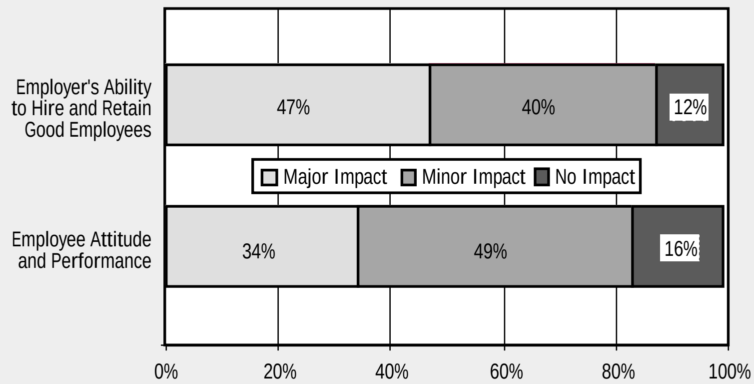
Reinforcing evidence is provided when small plan sponsors were asked why they offer a plan. The top two reasons reported as most important are 1) competitive advantage for the business in employee recruitment and retention (35 percent), and 2) positive effect on employee attitude and performance (21 percent) (table 12).

Potential Motivators for Retirement Plan Sponsorship

The potential exists for increased plan sponsorship among small employers. Sixteen percent of companies without a retirement plan say they are very likely to start offering a plan in the next two years, and an additional 23 percent are somewhat likely. Twenty-nine percent of nonsponsors report that they are not too likely to start a plan, and 31 percent are not at all likely.

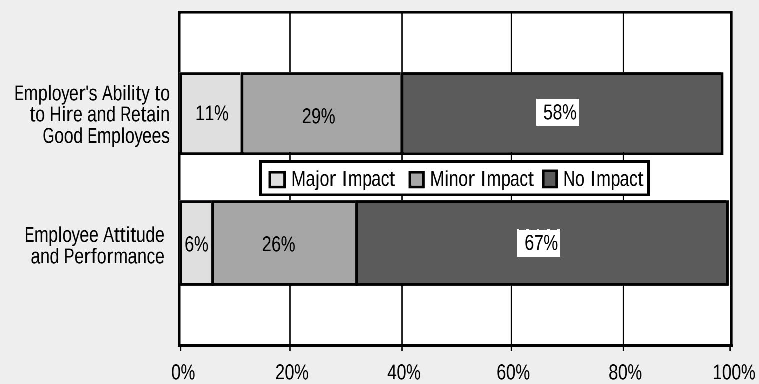
Those likely to start a plan are more likely than those that are not to report that the most important reason they do not currently have a plan is because their business is too new. They are less likely to say it is because a large portion of their workers are seasonal, part time, or high turnover. It therefore appears that they feel continued improvement in their business

Chart 7
Impact of Offering a Retirement Plan to Employees (Small Plan Sponsors)



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Small Employer Retirement Survey.

Chart 8
Impact of Not Offering a Retirement Plan to Employees (Small Plan Nonsponsors)



Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Small Employer Retirement Survey.

Table 12
Most Important Reasons Why Small Plan Sponsors Offer a Plan

Competitive Advantage in Employee Recruitment and Retention	35%
Positive Effect on Employee Attitude and Performance	21
Employers Have an Obligation to Provide a Plan for Workers	13
Tax Advantages for Employees	8
Employees Demand or Expect It	5
Tax Advantages for Key Executives	5
Availability of an Employer Tax Deduction	2

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2000 Small Employer Retirement Survey.

conditions will allow them to start a plan within the next couple of years.

What would lead to increased plan coverage? Nonsponsors were read a list of items and asked if any would make them seriously consider sponsoring a retirement plan. Percentages who say the following would lead them to consider plan coverage are:

• An increase in business profits	69%
• Business tax credits for starting a plan	65
• A plan with reduced administrative requirements	52
• Availability of easy-to-understand information	50
• Demand from employees	49
• Allowing key executives to accumulate more in a retirement plan	35
• Lengthening of vesting requirements	27
• Other	6

Conclusion

Interesting trends emerged from the 10th annual RCS:

- The fraction of workers who are *very confident* in their overall retirement income prospects increased from 19 percent in 1993 to 26 percent in 2000 (there was a corresponding decrease in those who are *somewhat confident*, from 55 percent to 47 percent over the same period).
- Worker confidence in the ability of Social Security to maintain benefit levels bottomed out in 1994 and 1995. Workers today are just as confident in Social Security as they were in 1992, though the majority remain not confident.
- Similar findings emerged for Medicare, with worker confidence bottoming out in 1995 and 1996. In 2000, worker confidence in the ability of Medicare to maintain benefit levels is above that of 1992.
- The fraction of workers saving for retirement has trended upward over time, and today 80 percent of households report that they have begun to save for retirement.
- The normal retirement age for full Social Security benefits is rising from age 65 to 67, but 54 percent of workers expect to be eligible for full benefits before they actually will be, and 17 percent admit they do not know when they will be eligible.
- The fraction of workers who have attempted to calculate how much they need to save for retirement has risen noticeably over the past several years. Today, 56 percent of households report that they have attempted the calculation.
- One-half of workers who have attempted to calculate their retirement saving needs report that it has resulted in a change in their behavior, such as saving more and/or changing where they invest their retirement savings. Workers who have done the calculation also appear to be in better shape regarding their retirement finances and preparation.
- Regarding overall retirement confidence, Hispanic-Americans tend to be the least confident among the surveyed minority groups that they will have enough money to live comfortably throughout their retirement years.

Key findings from the third annual SERS include:

- There are multiple reasons why most small employers do not offer a retirement plan. Some are employee-related, and others are business-related or cost and administration-related.
- Most small employers without plans are largely unaware of the plans that have been created specifically for them (i.e., SIMPLE and SEP plans).
- Small employers that sponsor plans report direct business benefits as a result, such as a positive impact on recruiting and retaining good employees, and a positive impact on employee attitude and performance.
- It appears that many small nonsponsors are unaware of these potential business benefits from retirement plan sponsorship.

One implication of these findings is that progress is being made at the individual worker level, but much work remains. In particular, the data indicate that future educational efforts need to include a focus on getting workers to calculate how much they need to save and accumulate for retirement. Such an exercise appears to motivate positive behavior changes among many workers. Furthermore, while all workers may not do this successfully, the mere act of trying can itself be an educational process and involve a certain degree of information gathering. This likely explains the finding that workers who have attempted such a calculation appear to be doing a better job of preparing for retirement.

Another implication is that educational efforts focused on small employers should not only inform them about their plan options and what the various options entail in terms of cost and administration, but they should also focus on the potential business benefits that can result from plan sponsorship. Given such information, some small employers may actually ask themselves if they can afford *not* to sponsor a retirement plan.

RCS and SERS Methodology

The RCS is a survey that gauges the views and attitudes of working and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The 2000 survey was conducted in January and February of 2000 through 20-minute telephone interviews with 1,000 individuals (779 workers and 221 retirees) age 25 and over. Random digit dialing was used to obtain a representative cross section of the U.S. population. Minority RCS findings are based on additional oversamples of minority group workers, specifically African-Americans, Hispanic-Americans, and Asian-Americans (200 interviews were conducted within each of the three groups).

The SERS was designed to gauge the views and attitudes of America's small employers (with five to 100 full-time workers) regarding retirement plans and related issues. The survey was conducted within the United States between Jan. 3 and Feb. 4, 2000, through 15-minute telephone interviews with 300 companies with a retirement plan and 300 companies without a retirement plan. Within each sample, quotas were established to ensure adequate representation by size of business.

In theory, each sample of 1,000 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 over were surveyed with complete accuracy. In theory, each sample of 200 yields a statistical precision of plus or minus 7 percentage points (with 95 percent certainty) of what the results would be if all members of each minority group age 25 and over were surveyed with complete accuracy. In theory, each sample of 300 yields a statistical precision of plus or minus 6 percentage points (with 95 percent certainty) of what the results would be if all businesses with five to 100 full-time workers were surveyed with complete accuracy.

There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is difficult or impossible to quantify the errors that may result from them.

The RCS, Minority RCS, and SERS were co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization; the American Savings Education Council (ASEC), a partnership of more than 250 private- and public-sector institutions dedicated to raising public awareness of what is needed to ensure long-term personal financial independence, and part of the EBRI Education and Research Fund; and Mathew Greenwald & Associates, Inc. (MGA), a Washington, DC-based market research firm.

The 2000 RCS data collection was funded by grants from 26 public and private organizations, and the special report on the minorities data collection was funded by grants from 13 organizations, with staff time donated by EBRI, ASEC, and MGA. RCS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/rcs.

The 2000 SERS data collection was funded by grants from 10 organizations, with staff time donated by EBRI, ASEC, and MGA. SERS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/sers.

2000 RCS Underwriters

The 2000 Retirement Confidence Survey was underwritten by grants from the following organizations: AARP, American Academy of Actuaries, American Council of Life Insurers, American General Retirement Services/ VALIC, Aon Consulting, AT&T, Barclays Global Investors, Charles Schwab, CIGNA Corporation, Fidelity Institutional Retirement Services Co., Financial Engines, Hewitt Associates, John Hancock Mutual Life Insurance, Lucent Technologies, Milliman & Robertson, Inc., mPower/401k Forum, National Council of La Raza, Nationwide Financial, OppenheimerFunds, Principal Financial Group, Prudential Retirement Services, Society for Human Resource Management, TIAA-CREF, T. Rowe Price Associates, The Vanguard Group, and WorldatWork.

2000 Minority RCS Underwriters

The 2000 Minority Retirement Confidence Survey was underwritten by grants from the following organizations: AARP, WorldatWork, AT&T, Charles Schwab, CIGNA Corporation, Eli Lilly and Company, Hewitt Associates, National Council of La Raza, Nationwide Financial, OppenheimerFunds, Principal Financial Group, T. Rowe Price Associates, The Vanguard Group, and WorldatWork.

2000 SERS Underwriters

The 2000 Small Employer Retirement Survey was underwritten by grants from the following organizations: WorldatWork, American Society of Pension Actuaries, Charles Schwab, CIGNA Corporation, Nationwide Financial, OppenheimerFunds, Principal Financial Group, Transamerica Insurance & Investments, T. Rowe Price Associates, The Vanguard Group, and WorldatWork.

The Choose to Save® Forum on Retirement Security and Personal Saving

The Choose to Save® Forum on Retirement Security and Personal Saving, held April 4–6, 2000, in Washington, DC, brought together individuals to brainstorm and discuss initiatives to help Americans better prepare financially for their retirement. Delegates participated in two separate breakout sessions: The first focused on increasing participation in retirement plans, and the latter focused on preserving assets saved for retirement. Delegates received agenda background materials prior to the forum to assist in their preparation for the breakout discussions.

Five keynote speakers were featured throughout the course of the forum. Lawrence H. Summers, secretary of Treasury, announced plans for the National Partners for Financial Empowerment (NPFE). U.S. Reps. Benjamin L. Cardin (D-MD) and Rob J. Portman (R-OH), discussed the prospects for pension reform legislation and implications for retirement security and personal savings. Kenneth S. Apfel, commissioner of the Social Security Administration, discussed Social Security in the context of Internet-based information and services. Frank Sesno, senior vice president and Washington bureau chief of CNN, discussed the role of the news media with regard to savings issues.

At the end of the forum, delegates were presented with a menu of initiatives that emerged from the previous day's breakout sessions and from Treasury's outline of objectives for NPFE. Delegates were first asked to rank the initiatives (on a scale of 1 to 9, with 9 being the highest) based on how likely each is to achieve maximum results with minimum resources. The original menu of items (with initial average score):

A.	Create a national media campaign to raise public awareness	(6.9)
B.	Create and maintain a Web site	(5.1)
C.	Form local-level partnerships	(4.4)
D.	Inform consumers how to use credit wisely	(5.6)
E.	Bring more "unbanked" individuals into the mainstream	(3.9)
F.	Education materials tailored to low-income immigrant cultures	(4.3)
G.	Promote consumer financial literacy in grades K–12	(7.0)
H.	Help employees with financial retirement planning	(6.3)
I.	Encourage more employers to offer retirement plans	(6.5)
J.	Publish best practices in personal financial literacy	(4.2)
K.	Promote "negative election" as a default 401(k) design feature	(6.8)
L.	Promote accessibility to financial planning and investment advice for individuals	(6.2)
M.	Promote retirement asset preservation/rollover through use of waivers recognizing forgone future accumulation	(6.7)
N.	Require automatic rollover of lump sums as a default design feature	(6.7)
O.	Promote financial planning tools and Web sites through SSA benefit statement mailings	(6.9)

The delegates then re-ranked the top five initiatives emerging from the first-round voting (six in practice, since there was a tie for the no. five spot), after a period of discussion on their relative merits and shortcomings. The final-rank ordering was:

1. Create a national media campaign to raise public awareness.
2. Promote negative election as a default design feature.
3. Promote consumer financial literacy in grades K–12.
4. Promote financial planning tools and Web sites through SSA benefit statement mailings.
5. Promote preservation/rollover through the use of waivers recognizing forgone future accumulations.
6. Require automatic rollover of lump sums as a default design feature.

For full information on the Choose to Save® Forum on Retirement Security and Personal Saving, go online at www.choosetosave.org

RCS
RETIREMENT CONFIDENCE SURVEY®

Personality Types and Retirement

Attitudes That Define Personality Types

When it comes to planning and saving for retirement, there are five different personality types with distinctly different attitudes toward spending, saving, investing, and retirement: Planners (27 percent of all Americans), Savers (23 percent), Strugglers (16 percent), Impulsives (18 percent), and Deniers (15 percent).

	Planners	Savers	Strugglers	Impulsives	Deniers
	(Percentages saying statement describes them very well or well.)				
I am disciplined at saving.	93%	82%	69%	47%	34
I always research and plan for a big purchase.	91	89	85	81	28
I pay off my credit cards at the end of every month.	91	89	12	10	29
Over the long run, 10 to 20 years, I believe stocks in general will be a very good investment.	86	61	57	77	46
I enjoy financial planning.	84	63	60	62	19
I think anyone can have a comfortable retirement, if they just plan and save.	82	67	79	63	47
I am willing to take substantial financial risk for substantial financial gain.	53	17	22	56	21
I thought that if I just save(ed) some money each month, I will/would be fine in my retirement.	36	66	66	27	27
I am more of a saver than an investor.	30	86	94	12	37
I am not willing to take any financial risks, no matter what the gain.	13	65	32	14	45
I frequently spend money when I do not plan to buy anything.	12	29	22	35	43
I find/found it harder to save for retirement than other things.	12	43	50	32	63
Just when I think I have a handle on my finances, something always happens to set me back from my financial goals.	10	44	73	71	71
It is pointless to plan for retirement because it is too far away to know what I will need.	4	25	17	3	49
I think preparing for retirement takes too much time and effort.	3	27	11	5	37

Preparations for Retirement

Planners are the clear leaders in their preparations for retirement, followed closely by savers. Deniers are furthest behind—and least confident—about their retirement.

	Planners	Savers	Strugglers	Impulsives	Deniers
Workers and Retirees					
Very/somewhat confident will have enough money to take care of basic expenses in retirement.	96%	88%	84%	84%	70 %
Very/somewhat confident are doing/did a good job preparing financially for retirement.	96	83	76	73	53
Have saved for retirement.	93	81	75	78	45
Very/somewhat confident will have enough money to live comfortably throughout retirement years.	92	81	71	70	51
Most important source of income will be/is personal savings.	62	37	43	55	23
Most important source of income will be/is Social Security.	6	18	21	10	34
Workers Only					
Have an investing or savings strategy for retirement.	89	68	62	74	41
Have tried to figure out how much money they will need to have saved by the time they retire.	77	52	54	58	25
Have thought about insurance coverage for long-term care or nursing home needs.	53	33	46	42	23

Source: 2000 Retirement Confidence Survey.

BALLPARK E$TIMATE®

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you'll need when you retire.

So let's play ball!

If you are married, you and your spouse should each fill out your own Ballpark Estimate worksheet taking your marital status into account when entering your Social Security benefit in number 2 below.

1. How much annual income will you want in retirement? (Figure 70% of your current annual gross income just to maintain your current standard of living. Really.) $__________

2. Subtract the income you expect to receive annually from:
   - Social Security—If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000, enter $14,500 (For married couples - the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher) -$__________
   - Traditional Employer Pension – a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) -$__________
   - Part-time income -$__________
   - Other -$__________

This is how much you need to make up for each retirement year: =$__________

Now you want a ballpark estimate of how much money you'll need in the bank the day you retire. So the accountants went to work and devised this simple formula. For the record, they figure you'll realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below. $__________

Age you expect to retire:		Your factor is:
	55	21.0
	60	18.9
	65	16.4
	70	13.6

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below. +$__________

Age you expect to retire:		Your factor is:
	55	8.8
	60	4.7

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). -$__________

If you want to retire in:		Your factor is:
	10 years	1.3
	15 years	1.6
	20 years	1.8
	25 years	2.1
	30 years	2.4
	35 years	2.8
	40 years	3.3

Total additional savings needed at retirement: =$__________

Don't panic. *Those same accountants devised another formula to show you how much to save each year in order to reach your goal amount. They factor in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.*

6. To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below. =$__________

If you want to retire in:		Your factor is:
	10 years	.085
	15 years	.052
	20 years	.036
	25 years	.027
	30 years	.020
	35 years	.016
	40 years	.013

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See? It's not impossible or even particularly painful. It just takes planning. And the sooner you start, the better off you'll be.

This worksheet simplifies several retirement planning issues such as projected Social Security benefits and earnings assumptions on savings. It also reflects today's dollars; therefore you will need to re-calculate your retirement needs annually and as your salary and circumstances change. You may want to consider doing further analysis, either by yourself using a more detailed worksheet or computer software or with the assistance of a financial professional. 5/00

RCS
RETIREMENT CONFIDENCE SURVEY®

WHAT IS YOUR R³—RETIREMENT READINESS RATING?

So you think you're preparing well for your retirement, but are you really? Use this quiz to determine your Retirement Readiness Rating (R^3). Your R^3 is an indicator of how good a job you're actually doing in financial preparation for retirement. It may help you flag some action items that, up to now, you may have neglected or overlooked. And if you have, it provides some resources to point you in the right direction and help you get started!

Answer each question (truthfully!) and enter the points earned (indicated in parentheses) on the line provided.

1. Have you (or your spouse) personally saved any money for retirement? Do not include Social Security taxes or employer-provided money. Saving could include money you put into a plan at work, such as a 401(k).
   Yes (4) No (0) _____ points

2. Have you (or your spouse) tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?
   Yes (3) No (0) _____ points

3. Do you have an investing or savings strategy for your retirement?
   Yes (2) No (0) _____ points

4. Have you thought about insurance coverage for long-term care or nursing home needs?
   Yes (2) No (0) _____ points

5. When it comes to planning and saving for retirement, would you say that you are on track, a little ahead of schedule, a lot ahead of schedule, a little behind schedule, or a lot behind schedule?
   A lot ahead of schedule (2) A little ahead/On track (1) Behind Schedule (0) _____ points

6. How confident are you (and your spouse) about the following issues related to retirement? Would you say that you are *very* confident, *somewhat* confident, *not too* confident, or *not at all* confident…
   a. …that you are doing a good job of preparing financially for your retirement?
      Very confident (2) Somewhat confident (1) Not too/not at all confident (0) _____ points

   b. …that you will have enough money to take care of your medical expenses when you retire?
      Very confident (2) Somewhat confident (1) Not too/not at all confident (0) _____ points

7. How well does each of the following statements describe you? Would you say it describes you very well, well, not too well, or not at all?
   a. I am disciplined at saving.
      Very well (2) Well (1) Not too well (0) Not at all (0) _____ points

   b. I am not willing to take any financial risks, no matter what the gain.
      Very well (0) Well (0) Not too well (1) Not at all (2) _____ points

   c. If I just save some money each month, I will be fine in my retirement.
      Very well (0) Well (0) Not too well (1) Not at all (2)

   d. I think preparing for retirement takes too much time and effort.
      Very well (0) Well (0) Not too well (1) Not at all (2) _____ points

How did you do? Add up your points and *see page 23 to see how you stack up* Total Score: _____ points

What Next?

If you scored ***0–5***, you need to get started. But you are not alone; 9 percent of American workers fall into this group. What should you do? Choose to save, now! Only 1 percent of Americans in this group have begun to save for retirement, but one-half say that they could save $20 per week for retirement. That's over $1,000 per year, which could really add up over time. Assuming a modest 5 percent rate of return, saving $20 a week would result in more than $50,000 over 25 years! For information on getting started, check out ASEC's *The Power to Choose* brochure (www.asec.org or 1-800-998-7542).

If you scored ***6–10***, you have work to do. Nineteen percent of American workers fall into this group with you. There's a 60 percent chance you have begun to save. If not, choose to save! Fifty-six percent of nonsavers in this group say they could put away $20 per week. Assuming a modest 5 percent rate of return, saving $20 a week would result in more than $50,000 over 25 years! For information on getting started, check out ASEC's *The Power to Choose* brochure (www.asec.org or 1-800-998-7542). Once you're saving (or if you already are), get a plan. Only 12 percent of this group has tried to figure out how much they need to save. Take 10 minutes to do the *Ballpark Estimate* worksheet (www.asec.org or 1-800-998-7542) and establish a savings goal!

If you scored ***11–15***, you've taken the first big step. Now take the second! Twenty-eight percent of American workers are in this group, and 90 percent of them have begun to save for their retirement. However, less than half have tried to figure out how much they need to save. Take 10 minutes to do the *Ballpark Estimate* worksheet (www.asec.org or 1-800-998-7542) and establish a savings goal! As Yogi Berra once said, "If you don't know where you're going, you will end up somewhere else."

If you scored ***16–20***, you're off to a good start. Thirty-five percent of working Americans are in this group—99 percent have *begun* to save and 91 percent have tried to figure out how much they *need* to save. But are you on target? Seventy-four percent say they could save another $20 per week for retirement. So if you are not on target, put a little more away. Forty-three percent of this group have not thought about long-term care insurance. Have you?

If you scored ***21–25***, you are among the few. Only 8 percent of working Americans scored at this level. You are saving, you have tried to determine how much you need to save, and you have a savings and/or investing strategy for your retirement. Evaluate your progress periodically to make sure you stay on track. Is there anything you might have missed? Almost 20 percent of this group have not thought about long-term care insurance. Have you?

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EMPLOYEE BENEFIT RESEARCH INSTITUTE ®

Issue Brief

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