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Minority Workers Remain Confident About Retirement, Despite Lagging Preparations and False Expectations

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- **2007 Minority Retirement Confidence Survey**—African-American and Hispanic workers are at least as likely as American workers overall to feel confident about their retirement security even though their savings and preparations lag behind, according to findings of the 2007 Minority Retirement Confidence Survey (MRCS). While some differences in preparation can be attributed to differences in income distribution, other findings show that minorities are less prepared even when comparisons are made among workers with similar levels of household income.
- **Minority retirement savings rates are falling:** Less than half of African-American (48 percent, down from 62 percent in 2003) and Hispanic (41 percent, down from 60 percent in 2003) workers say they have saved money for retirement, making them less likely than American workers overall (66 percent) to have saved.
- **Most minorities with savings have modest amounts:** More than half of African-Americans and Hispanics report having less than \$10,000 in savings and investments, compared with approximately one-third of all workers.
- **Most minorities (and most workers overall) do not try to figure out their retirement needs:** Roughly one-quarter of African-Americans and Hispanics have tried to calculate how much they need to save for a comfortable retirement—a significant decline from recent years. Among workers overall, less than half (43 percent) say they have tried to do a calculation.
- **Higher expectations of employer-provided retirement benefits:** MRCS results suggest that many African-Americans and Hispanics are counting on employer-provided retirement benefits they may not receive:
 - **Pensions:** Regardless of income, African-Americans are more likely than workers overall and Hispanics to say a defined benefit pension plan will be a *major* source of funding for their retirement, even though private-sector pension coverage is declining. More than a third of African-Americans and Hispanics appear to be expecting to receive this benefit from a future employer, compared with less than a quarter of all workers.
 - **Retiree health insurance:** More than 5 in 10 African-Americans, compared with 4 in 10 of all workers, expect to have access to retiree health insurance through an employer. Like pensions, these benefits are increasingly unlikely to be offered to future retirees.
 - **Long-term care:** A larger share of African-Americans and Hispanics also think they will have private coverage for long-term care expenses, compared with American workers overall. This is individually paid (not employer-paid) coverage, and very few workers currently choose to buy it.
- **Yet retirement confidence is high:** Minority groups are statistically just as confident as all American workers (around 70 percent) that they will live comfortably throughout their retirement years. However, among those with household income of \$25,000 or less, minority workers are considerably more likely than workers overall to feel confident.

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The 2007 Minority Retirement Confidence Survey (MRCS) is an “oversample” from the 2007 Retirement Confidence Survey (RCS), which measures the opinions of all American workers and retirees. This involves a sampling procedure often used to study the attitudes or behavior of groups that make up a small proportion of the total population.

Results of the full 2007 RCS were published in the April 2007 *EBRI Issue Brief*, and are available online at <http://www.ebri.org/surveys/rcs/2007/>

Previous Minority RCS reports were conducted in 2003 (<http://www.ebri.org/surveys/rcs/2003/>), 2001 (<http://www.ebri.org/surveys/rcs/2001/>), 1999 (<http://www.ebri.org/surveys/rcs/1999/>), and 1998 (<http://www.ebri.org/pdf/surveys/rcs/1998/rcs-ethnicgroups.pdf>).

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Table of Contents

Overview.....	4
Preparing for Retirement	5
Saving for Retirement.....	5
Retirement Savings Needs	8
The Retirement System in Transition	9
Expected Sources of Income.....	9
Employer-Provided Retirement Plans.....	11
Retiree Health Coverage.....	12
Retirement Confidence	15
Overall Confidence	15
Confidence in Entitlement Programs	16
MRCS Methodology.....	18
Endnotes	18

Figures

Figure 1, Percentage of African-Americans Who Have Saved.....	5
Figure 2, Reported Total Savings and Investments of African-American Workers, Among Those Reporting Amount, by Age.....	5

Figure 3, Percentage of Hispanics Who Have Saved.....	6
Figure 4, Reported Total Savings and Investments of Hispanic Workers, Among Those Reporting Amount, by Birthplace	6
Figure 5, Selected Savings Indicators, by Race/Ethnicity	7
Figure 6, Reported Total Savings and Investments, Among Those Reporting Amount, by Race/Ethnicity	7
Figure 7, Percentage of African-American Workers Who Have Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement.....	8
Figure 8, Percentage of Hispanic Workers Who Have Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement	8
Figure 9, Amount of Savings Needed for Retirement, by Race/Ethnicity	9
Figure 10, Expected Sources of Income in Retirement, Among African-Americans.....	9
Figure 11, Expected Sources of Income in Retirement, Among Hispanics.....	10
Figure 12, Expectations That a Defined Benefit Pension Plan or Social Security Will Provide a Major Source of Retirement Income, by Race/Ethnicity and Household Income.....	11
Figure 13, Confidence Regarding Benefits from Traditional Pension Plan, by Race/Ethnicity	12
Figure 14, Percentage of Workers Expecting Access to Health Insurance Though an Employer in Retirement, by Race/Ethnicity and Household Income.....	14
Figure 15, Percentage of Workers Reporting Private Long-Term Care Insurance, by Race/Ethnicity and Household Income	14
Figure 16, Amount of Money Needed to Cover Health Care Expenses in Retirement, by Race/Ethnicity	14
Figure 17, African-American Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years	15
Figure 18, Hispanic Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years.....	15
Figure 19, Confidence in Having Enough Money to Live Comfortably Throughout Retirement, Among Those with Less than \$25,000 in Household Income, by Race/Ethnicity	16
Figure 20, African-American Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today, by Household Income.....	16
Figure 21, Hispanic Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today, by Education and Birthplace	17
Figure 22, Hispanic Confidence that Social Security and Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today.....	17

Overview

The 2007 Minority Retirement Confidence Survey (MRCS) suggests that although minority workers¹ are at least as likely as workers overall to feel confident about their retirement security, their preparations lag behind. While some differences in preparation can be attributed to differences in income distribution, other findings show that minorities are less prepared even when comparisons are made among workers with similar levels of household income.

Findings in this year's MRCS include:

- Less than half of African-American (48 percent, down from 62 percent in 2003) and Hispanic (41 percent, down from 60 percent in 2003) workers have saved money for retirement, making them less likely than workers overall (66 percent) to have saved.
- More than half of African-Americans (54 percent) and Hispanics (55 percent) report having less than \$10,000 in savings and investments, compared with approximately one-third of all workers (35 percent).
- Roughly one-quarter of African-Americans (27 percent, down from 46 percent in 1999 and 36 percent in 2003) and Hispanics (23 percent, down from 34 percent in 1999 and 31 percent in 2003) have tried to calculate how much they need to save for a comfortable retirement. In contrast, 43 percent of workers overall say they have tried to do a calculation.
- Regardless of income, African-Americans (39 percent) are more likely than workers overall (30 percent) and Hispanics (22 percent) to say a defined benefit pension plan will be a *major* source of funding for their retirement. Both African-Americans (41 percent) and Hispanics (38 percent) are also more likely than workers in general (25 percent) to think Social Security will be a *major* source of income.
- Many African-Americans and Hispanics may be counting on money from a defined benefit pension plan that they may not receive. Up to 37 percent of African-Americans and 36 percent of Hispanics appear to be expecting to receive this benefit from a future employer, compared with 21 percent of all workers.
- More than half of African-Americans (53 percent), compared with 4 in 10 of all workers (41 percent) expect to have access to retiree health insurance through an employer. A larger share of African-Americans (34 percent) than workers overall (24 percent) and Hispanics (18 percent) also think they have private coverage for long-term care expenses.
- Seven in 10 workers overall (70 percent), African-Americans (72 percent), and Hispanics (69 percent) say they will have enough money to live comfortably throughout their retirement years. However, among those with household income of \$25,000 or less, minority workers are considerably more likely than workers overall to feel confident.
- Minority workers express higher levels of confidence about the future of Social Security and Medicare. Half of Hispanics are *very* or *somewhat* confident about Social Security (51 percent) and Medicare (52 percent), while 4 in 10 African-Americans are confident about these programs (40 percent confident about Social Security, 43 percent confident about Medicare). In contrast, 3 in 10 workers overall (30 percent) report they are *very* or *somewhat* confident about Social Security and fewer than 4 in 10 (37 percent) are confident about Medicare.

Preparing for Retirement

Saving for Retirement

As with American workers overall, many minority workers are neglecting the most basic step in preparing for retirement: saving money. The financial prospects of those who retire without a cushion of accumulated savings are not likely to be good.

African-Americans—Less than half of African-American workers (48 percent) say they (and/or their spouse) have personally saved money for retirement. A slightly smaller proportion (45 percent) indicate they (and/or their spouse) are currently saving, and only one-third (34 percent) report having savings or investments other than what they have set aside for retirement. The likelihood of saving for retirement or for other purposes increases sharply as household income rises. The proportion reporting they have saved for retirement in the 2007 MRCS is lower than in 2003 (62 percent) and 2000 (57 percent), although the proportions of all African-Americans currently saving for retirement and having nonretirement savings have not changed significantly (Figure 1).

Figure 1
Percentage of African-Americans Who Have Saved

	Have Saved for Retirement	Currently Saving for Retirement	Have Nonretirement Savings
2007	48%	45%	34%
2003	62	52	35
2001	54	49	39
2000	57	NA	30
1999	55	NA	NA
1998	49	NA	NA

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

Four in 10 African-American workers (39 percent) participate in a work-place retirement savings plan, such as a 401(k) plan, and 3 in 10 (30 percent) state they have an IRA with money saved outside of an employer's retirement plan. Participation increases sharply as household income increases. Differences in participation in a work-place plan by household income are largely a matter of access. While nearly half of African-American workers overall (48 percent) are offered a retirement savings plan, the percentage offered a plan by income level ranges from a low of 20 percent for those with income less than \$19,000 to a high of 76 percent among those with income of \$75,000 or more. Still, those with income less than \$19,000 are less likely than others to contribute to this type of plan even when access is taken into account.

Among African-Americans reporting the total amount of their savings and investments, more than half (54 percent) indicate they have less than \$10,000. Three in 10 (29 percent) have \$10,000–\$49,999 and roughly 1 in 10 each have \$50,000–\$99,999 (7 percent) or \$100,000 or more (10 percent). As might be expected, savings increase as household income increases and as age increases, although African-Americans are equally likely to report savings less than \$10,000 regardless of age (Figure 2).

Figure 2
Reported Total Savings and Investments of African-American Workers, Among Those Reporting Amount, by Age
(not including value of primary residence or defined benefit plans)

	All African-Americans	Age		
		25–44	45–54	55+
Less than \$10,000	54%	55%	52%	53%
\$10,000–\$24,999	16	17	18	7
\$25,000–\$49,999	13	14	10	11
\$50,000–\$99,999	7	7	7	9
\$100,000–\$249,999	7	4	8	16
\$250,000 or more	4	3	4	4

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

Hispanics—Four in 10 Hispanic workers (41 percent) report they (and/or their spouse) have personally saved money for retirement. However, only one-third (34 percent) indicate they (and/or their spouse) are currently saving. Even fewer (29 percent) say they have savings or investments other than what they have set aside for retirement. The likelihood of saving for retirement or for other purposes increases sharply as household income rises. Native-born Hispanics are also at least twice as likely as foreign-born to have saved for retirement (62 percent vs. 31 percent), be currently saving for retirement (53 percent vs. 25 percent), and have nonretirement savings (45 percent vs. 22 percent).

The proportions of Hispanics saying they have saved for retirement or are currently saving in the 2007 MRCS have declined from the highs measured in 2003 (60 percent saved for retirement, 50 percent currently saving). However, the proportion having nonretirement savings has not shown a statistically significant change (Figure 3).

Figure 3
Percentage of Hispanics Who Have Saved

	Have Saved for Retirement	Currently Saving for Retirement	Have Nonretirement Savings
--	---------------------------	---------------------------------	----------------------------

2007	41%	34%	29%
2003	60	50	29
2001	50	44	26
2000	47	NA	26
1999	48	NA	NA
1998	39	NA	NA

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

One-quarter of Hispanic workers (26 percent) participate in a work-place retirement savings plan, such as a 401(k) plan, and 2 in 10 (20 percent) state they have an IRA with money saved outside of an employer’s retirement plan. Participation increases sharply as household income increases, ranging from 6 percent in a work-place plan and 5 percent in a non-rollover IRA (among those with less than \$19,000 in household income) to 60 percent participation in a work-place plan and 49 percent participation in a non-rollover IRA (among those with income of \$75,000 or more). In addition, native-born Hispanics are more likely than foreign-born to participate in both types of plans. To some extent, participation in a work-place plan is a matter of access, as higher-income and native-born Hispanics are more likely to be offered a plan. However, differences in participation by income and birthplace are apparent when the data are controlled for access, though the magnitude of the differences decreases.

Among Hispanics reporting the total amount of their savings and investments, more than half (55 percent) report they have less than \$10,000. Fewer than 2 in 10 (17 percent) have \$10,000–\$24,999 and roughly 1 in 10 each have \$25,000–\$49,999 (11 percent) or \$50,000–\$99,999 (7 percent). Only 10 percent say they have at least \$100,000 in accumulated savings. Not unexpectedly, savings increase rapidly as household income rises. Native-born workers also tend to report higher levels of savings than do those who are foreign-born (Figure 4). Reported financial assets do not appear to increase significantly by age.

Figure 4
**Reported Total Savings and Investments of Hispanic Workers,
Among Those Reporting Amount, by Birthplace**
(not including value of primary residence or defined benefit plans)

	Birthplace		
	All Hispanics	Native	Foreign
Less than \$10,000	55%	43%	61%
\$10,000–\$24,999	17	13	19
\$25,000–\$49,999	11	14	9
\$50,000–\$99,999	7	16	2
\$100,000–\$249,999	6	10	4
\$250,000 or more	4	4	4

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

Differences by Race/Ethnicity—African-American workers are less likely than workers overall to say they have saved for retirement or are currently saving. However, Hispanic workers are the least likely to report these savings behaviors. Similarly, African-Americans and Hispanics are less likely than workers overall to report they have savings other than those earmarked for retirement (Figure 5). Although the differences between workers overall and African-Americans seem to be the result of disparities in household income, some differences remain when comparing Hispanics with others of similar income levels, particularly among those with household income of at least \$50,000.

Figure 5
Selected Savings Indicators, by Race/Ethnicity

	All Workers	African-Americans	Hispanics
Have saved for retirement	66%	48%	41%
Offered a work-place retirement savings plan	52	48	35
Currently saving for retirement	60	45	34
Participate in a work-place retirement savings plan	42	39	26
Have nonretirement savings	54	34	29
Have an individual retirement account, or IRA, with money saved outside of an employer's plan	44	30	20

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

African-Americans and Hispanics are also less likely than workers overall to participate in a retirement savings plan or have an IRA with money saved outside of the workplace. Although no differences in work-place plan participation are apparent when data are compared within income groups, African-Americans with household income less than \$25,000 and Hispanics at all income levels remain less likely than their counterparts among workers overall to have a nonrollover IRA.

On the whole, minority workers tend to report lower levels of household savings and investments than do workers overall (Figure 6). Some of these differences are the result of disparity in income distributions. Nevertheless, among those with at least \$75,000 in household income,² African-Americans (16 percent) and Hispanics (30 percent) are less likely than workers overall (44 percent) to have assets of \$150,000 or more.

Figure 6
Reported Total Savings and Investments, Among Those Reporting Amount, by Race/Ethnicity
(not including value of primary residence or defined benefit plans)

	All Workers	African-Americans	Hispanics
Less than \$10,000	35%	54%	55%
\$10,000–\$24,999	13	16	17
\$25,000–\$49,999	10	13	11
\$50,000–\$99,999	13	7	7
\$100,000–\$249,999	15	7	6
\$250,000 or more	14	4	4

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

Retirement Savings Needs

Many workers may not be saving sufficiently for retirement because they do not know how much they need to accumulate to maintain their desired standard of living throughout their retirement.

African-Americans—Only a minority of African-American workers may know how much they need to save for retirement. Fewer than 3 in 10 (27 percent) indicate they (or their spouse) have tried to calculate how much money they need to accumulate by the time they retire to enjoy a comfortable retirement. The percentage saying they have tried to do a calculation in 2007 is the lowest measured since the MRCS was first conducted in 1998 (Figure 7).

Figure 7
Percentage of African-American Workers Who Have Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement

2007	27%
2003	36
2001	32
2000	43
1999	46
1998	37

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

The propensity to attempt a retirement needs calculation increases as household income rises, with those having at least \$75,000 about four times as likely as those with less than \$19,000 to say they have tried to do one (52 percent vs. 13 percent).

Given their current income, it is not surprising that African-Americans tend to provide low estimates of how much they need to save for retirement. Fifteen percent say they need to save less than \$100,000, and roughly 2 in 10 each think they will need \$100,000–\$249,999 (22 percent) or \$250,000–\$499,999 (17 percent). Only 14 percent believe they will need at least \$1 million to ensure a comfortable retirement. Younger workers under age 45 are more apt than older workers to say they will need \$1 million or more (20 percent vs. 7 percent). In addition, those with income of at least \$35,000 are more likely than those with lower income to give larger amounts.

Hispanics—Less than a quarter of Hispanic workers (23 percent) report they (or their spouse) have tried to calculate the amount of savings needed for a comfortable retirement. This percentage has fluctuated over time and is lower in the 2007 MRCS than in 1999 or 2001 (Figure 8).

Figure 8
Percentage of Hispanic Workers Who Have Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement

2007	23%
2003	31
2001	32
2000	25
1999	34
1998	22

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

The percentage of Hispanics who have tried to calculate how much they need for a comfortable retirement increases sharply as household income rises. Native-born workers (36 percent, compared with 16 percent of foreign-born) are also more likely to have attempted a savings needs calculation.

Like African-Americans, Hispanic workers tend to provide low estimates of how much they need to save for retirement. Two in 10 say they will need to save less than \$100,000 or \$100,000–\$249,999 (19 percent each). One in 10 (11 percent) think they will need \$250,000–\$499,999 and approximately 2 in 10 (18 percent) believe they will need \$500,000 or more to ensure a comfortable retirement. One in 10 (11 percent) say they could not do the calculation, and 2 in 10 (21 percent) are unsure of how much they need to accumulate.

Those with at least \$75,000 in household income or some college education are more likely than their counterparts to think they need larger amounts. Moreover, the likelihood of being uncertain as to how much is needed for a comfortable retirement decreases as household income or education increase. Foreign-born workers are also more likely to say they do not know (24 percent vs. 15 percent of native-born).

Differences by Race/Ethnicity—Smaller shares of African-American (27 percent) and Hispanic (23 percent) workers than workers overall (43 percent) report they have tried to figure out how much they need for retirement. These differences persist for Hispanics, but not for African-Americans, when workers with similar income levels are compared.

Differences in accumulation needs between African-Americans and workers overall are primarily the result of differences in household income (Figure 9). Nevertheless, among those with income of at least \$75,000, African-Americans (16 percent) and Hispanics (13 percent) are less likely than workers overall (33 percent) to think they will need \$1 million or more. Hispanic workers, particularly those with household income less than \$50,000, also tend to be more likely to say they could not do the calculation or do not know how much they will need.

Figure 9
Amount of Savings Needed for Retirement, by Race/Ethnicity

	All Workers	African-Americans	Hispanics
Less than \$100,000	10%	15%	19%
\$100,000–\$249,999	16	22	19
\$250,000–\$499,999	18	17	11
\$500,000–\$999,999	20	13	11
\$1 million or more	18	14	7
Could not do calculation	2	3	11
Don't know/don't remember	13	14	21 ³

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

The Retirement System in Transition

Expected Sources of Income

Although future retirees are likely to finance their retirement differently than current retirees, most minority workers still expect their retirement funding to come from traditional income sources.

African-Americans—African-American workers expect their income in retirement to come from a variety of sources. Roughly 4 in 10 each say that Social Security (41 percent), a defined benefit pension plan (39 percent), an employer-sponsored retirement savings plan (37 percent), and employment (36 percent) will be *major* sources of their (and their spouse's) income in retirement. Nevertheless, they more often indicate Social Security (26 percent), a retirement savings plan (23 percent), and other personal savings (18 percent) will provide the *largest* share of their income in retirement (Figure 10).

Figure 10
Expected Sources of Income in Retirement, Among African-Americans

	Major Source	Minor Source	Largest Share
Social Security	41%	38%	26%
An employer-provided traditional pension or cash balance plan	39	33	11
An employer-sponsored retirement savings plan, such as a 401(k)	37	32	23
Employment	36	34	8
Other personal savings or investments, not in a work-related retirement plan	27	34	18
The sale or refinancing of your home	11	21	1

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

Expected reliance on Social Security as a *major* source of income decreases as household income rises and increases as age increases. In contrast, reliance on a defined benefit pension, retirement savings plan, or other personal savings increases as household income rises. Reliance on a retirement savings plan or other personal savings also decreases as age rises. African-American men are more likely than women to think that a defined benefit pension plan will play a major role in financing their retirement (45 percent vs. 34 percent). Those under age 45 (75 percent, compared with 64 percent of older workers) or with some college education (77 percent, compared with 64 percent of those with less education) are more likely to be counting on employment for retirement income, while college graduates say they are expecting their home to help finance their retirement more often than do those with less education (48 percent vs. 29 percent).

Hispanics—Four in 10 Hispanic workers expect employment (41 percent) or Social Security (38 percent) to provide a *major* source of income for their retirement. More than 2 in 10 each look to an employer-sponsored retirement savings plan (24 percent), a defined benefit pension plan (22 percent), and other personal savings (21 percent) as *major* sources of retirement income. Only 14 percent will use the equity in their home as a *major* source of financing. All the same, Hispanics expect some form of savings, either in a retirement savings plan (20 percent) or other non-workplace savings (18 percent), or Social Security (24 percent) to provide their *largest* share of income (Figure 11).

Figure 11
Expected Sources of Income in Retirement, Among Hispanics

	Major Source	Minor Source	Largest Share
Employment	41%	30%	11%
Social Security	38	37	24
An employer-sponsored retirement savings plan, such as a 401(k)	24	36	20
An employer-provided traditional pension or cash balance plan	22	37	8
Other personal savings or investments, not in a work-related retirement plan	21	33	18
The sale or refinancing of your home	14	22	3

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

The likelihood of expecting income from a defined benefit plan, defined contribution plan, or other personal savings increases as household income rises and is higher for native-born workers (compared with foreign-born). At the same time, the propensity to expect retirement funding from a defined benefit pension plan, other personal savings, or employment decreases as age increases. Those more likely to say Social Security will provide a *major* source of income are those age 45 and older (47 percent vs. 34 percent of younger workers), those with household income less than \$35,000 (48 percent vs. 28 percent with higher income), and those who are more comfortable using Spanish (44 percent vs. 30 percent more comfortable using English).

Comparisons by Race/Ethnicity—Although racial and ethnic groups differ in their expectations about the sources of their retirement income, many of these differences are due to the income disparities between the groups. Nonetheless, differences in expectations appear robust when it comes to sources of regular retirement income. Regardless of income, African-Americans (39 percent) are more likely than workers overall (30 percent) and Hispanics (22 percent) to say a defined benefit pension plan will be a *major* source of their retirement funding. Likewise, African-Americans (41 percent) and Hispanics (38 percent) are more likely than workers overall (25 percent) to think that Social Security will provide them with a *major* source of income (Figure 12).

Figure 12
**Expectations That a Defined Benefit Pension Plan or Social Security Will Provide
 a Major Source of Retirement Income, by Race/Ethnicity and Household Income**

	All Workers	African- Americans	Hispanics
Defined benefit pension plan			
All income levels	30%	39%	22%
Less than \$25,000	9	32	20
\$25,000–\$49,999	27	45	19
\$50,000–\$74,999	43	49	33
\$75,000 or more	38	47	33
Social Security			
All income levels	25	41	38
Less than \$25,000	53	50	51
\$25,000–\$49,999	28	45	34
\$50,000–\$74,999	16	29	29
\$75,000 or more	15	23	30

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

Employer-Provided Retirement Plans

Within the past five years, a number of employers have changed the retirement benefits they offer new employees, substituting a defined contribution plan for a defined benefit pension plan. At the same time, defined benefit plan participants are more likely to be in a plan that allows for a lump-sum distribution. Both of these changes put more onus on the individual worker to save and make good choices for a financially secure retirement.

African-Americans—Recent changes to the employer pension system have caused nearly half of African-American workers to feel less confident about the amount of money they can expect to receive from an employer-provided traditional pension plan. Nearly 2 in 10 (18 percent) say they are *much less* confident than five years ago, while 3 in 10 (31 percent) are *a little less* confident. More than 2 in 10 (22 percent) report their confidence is unchanged, and a similar proportion of them are more confident (14 percent *a little more*, 7 percent *much more* confident). African-Americans with at least \$75,000 in household income are more likely than those with less income to indicate they are just as confident (43 percent vs. 19 percent) and less likely to say they are less confident (34 percent vs. 52 percent).

Still, many African-Americans may be counting on money from a defined benefit pension plan that they may not receive. Although 72 percent expect to receive income from a pension plan, just 35 percent report they have this type of plan with a current or previous employer. This means that at least 37 percent of African-American workers are expecting to receive this benefit from a future employer.

More than 2 in 10 employed African-Americans (22 percent) indicate they have personally experienced a reduction in the retirement benefits offered by their employer within the past two years. Those with household income less than \$19,000 are more likely than higher-income African-Americans to report their employer has reduced their benefits (41 percent vs. 19 percent).

Four in 10 of those who have experienced a reduction in benefits mention they are saving more as a result: 26 percent are saving more on their own and 13 percent are saving more in an employer plan. However, fully one-third (33 percent) say they are not doing anything in response to the reduction in benefits. Other actions mentioned include making greater use of financial planning and investment information (9 percent) and trying to stay healthy (6 percent).

Hispanics—Less than 4 in 10 Hispanics report that recent changes to the employer pension system have caused them to feel *much less* (12 percent) or *a little less* (25 percent) confident about the amount of money they can expect to receive from a traditional pension plan. Three in 10 (29 percent) say they are just as confident as before, and 2 in 10 (20 percent) are now more confident. The likelihood of being *much less* confident increases as education increases. Moreover, native-born Hispanics are more likely than foreign-born (17 percent vs. 9 percent) to indicate they are now *much less* confident.

Nevertheless, many Hispanics could be expecting income from a defined benefit pension plan that they may not receive. Although 59 percent expect to receive income from a pension plan, only 23 percent say they have this type of plan with a current or previous employer. Therefore, up to 36 percent of Hispanic workers are expecting to receive this benefit from a future employer.

Two in 10 employed Hispanics (20 percent) report they have personally experienced a reduction in the retirement benefits offered by their employer within the past two years. Those with household income less than \$19,000 are more likely than higher-income Hispanics to report their employer has reduced their benefits (36 percent vs. 19 percent).

Unfortunately, those who have experienced a reduction in benefits most frequently say they have done nothing in response (36 percent). Two in 10 say they are saving more, either on their own (16 percent) or in an employer's plan (5 percent). Others say they are trying to stay healthy (10 percent), making greater use of financial planning and investment information (7 percent), and looking for an employer with better benefits (6 percent).

Differences by Race/Ethnicity—Larger shares of workers overall (45 percent) and African-Americans (49 percent) than Hispanics (37 percent) say they are less confident about the benefits they can expect to receive from a defined benefit pension plan. These differences are largest among those with household income under \$50,000. At the same time, African-Americans (21 percent) and Hispanics (20 percent), particularly those with income between \$50,000–\$74,999, are more likely than workers overall (16 percent) to indicate they are now more confident (Figure 13).

Figure 13
Confidence Regarding Benefits from Traditional Pension Plan, by Race/Ethnicity

	All Workers	African-Americans	Hispanics
Much less confident	18%	18%	12%
A little less confident	27	31	25
Just as confident	28	22	29
A little more confident	10	14	14
Much more confident	5	7	6
Never expected benefits	6	3	4
Don't know	5	5	9

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

The gap between those who expect to receive retirement income from a defined benefit pension plan and those who have this type of plan with a current or previous employer is larger for minority workers than for workers overall. Up to 37 percent of African-American and 36 percent of Hispanic workers are expecting to receive a pension from a future employer, compared with 21 percent of workers overall.

All racial and ethnic groups seem equally likely to report they have personally experienced a decrease in the level of retirement benefits offered by their employer. Roughly 2 in 10 workers overall (17 percent), African-Americans (22 percent), and Hispanics (20 percent) report their employer has decreased their benefits.

Retiree Health Coverage

As employers pull back from providing health insurance coverage for retirees, it will become increasingly important for workers to consider how they will pay for retirement health care expenses as part of their retirement planning. However, minority workers appear to overstate the amount of coverage they are likely to have for health and long-term care expenses in retirement.

African-Americans—More than half of African-American workers (53 percent) expect to have access to health insurance coverage through an employer after they retire, with almost one-quarter (23 percent) saying premiums will be paid by the employer, 1 in 10 (10 percent) expecting they will pay the premiums themselves, and the remainder saying that they and their employer will share the cost (17 percent) or do not know how it will be paid (3 percent). Those with at least \$50,000 in household income (63 percent,

compared with 48 percent with lower income) and younger workers (56 percent, compared with 40 percent age 55 and older) are more likely to expect they will have access to this coverage. Those who are saving for retirement are also more apt to think they will have coverage (65 percent vs. 43 percent).

Nearly half of African-American workers think they are *very* (14 percent) or *somewhat* (32 percent) likely to need long-term care at some point in their lives, with men (19 percent) more likely than women (10 percent) to say they are *very* likely to need this type of care. One-third (34 percent) think they have private long-term care insurance to help them cope with these expenses. The majority of these workers are likely to be mistaken, since estimates of private long-term care insurance policy use show that only 10 percent of Americans age 65 and older had this type of coverage in 2002.⁴

Although a recent study calculated that couples will need approximately \$300,000–\$550,000 to cover health expenses in retirement (assuming Medicare benefits remain at current levels),⁵ nearly 6 in 10 of African-Americans expect to need less than \$250,000 to cover the cost of their health care, prescription drugs, and health insurance in retirement. Roughly 2 in 10 each think they will need less than \$50,000 (22 percent), \$50,000–\$99,999 (19 percent), and \$100,000–\$249,999 (17 percent). One in 10 each expect they will need \$250,000–\$499,999 (9 percent) or \$500,000 or more (11 percent). Two in 10 African-Americans (21 percent) state they have no idea how much money they will need to cover these expenses. Those with a college degree are more likely than others to think they will need at least \$100,000 (52 percent vs. 33 percent with less education).

Hispanics—Four in 10 Hispanic workers (41 percent) report they will have access to health insurance coverage through an employer after they retire. Almost 2 in 10 (18 percent) say premiums will be paid by the employer and 1 in 10 (10 percent) say they will pay the premiums themselves, with the remaining share saying they will share the cost with their employer (10 percent) or do not know how it will be paid (3 percent). Native-born Hispanics are more likely than foreign-born to think they will have retiree health insurance (49 percent vs. 37 percent). Others more likely to expect coverage are workers with household income of \$50,000 or more (53 percent, compared with 35 percent of lower-income Hispanics). Workers age 55 and older are more apt than younger workers to report they will *not* have coverage (60 percent vs. 47 percent).

Close to 6 in 10 Hispanics say they are *very* (17 percent) or *somewhat* (40 percent) likely to need long-term care at some point in their lives. Notably, those who preferred to take the interview in Spanish (68 percent vs. 45 percent of English speakers) and foreign-born workers (61 percent vs. 51 percent) more often say they are likely to need this type of care. Moreover, men more often say they are *very* likely to need long-term care (22 percent vs. 12 percent of women).

At the same time, nearly 2 in 10 Hispanics believe they have private long-term care insurance, separate from health insurance, Medicare, and Medicaid, that will help them pay for care they might need in a nursing home, assisted living facility, or at home. Among those more likely to think they have this coverage are those with household income of \$75,000 or more (34 percent, compared with 16 percent with less income) and high school graduates (24 percent, compared with 12 percent of those who have not completed high school).

Mistaken expectations of health and long-term care coverage may be one reason why half of Hispanic workers report they will need less than \$250,000 to cover their retirement medical expenses, including health care, long-term care, prescription drug and health insurance. Roughly 2 in 10 each think they will need less than \$50,000 (18 percent) and \$50,000–\$99,999 (20 percent), while 14 percent expect to need \$100,000–\$249,999. Only 1 in 10 (10 percent) indicate they will need \$250,000 or more. However, nearly 4 in 10 (37 percent) state they are not sure how much they will need. Those with at least \$50,000 in household income (36 percent, compared with 19 percent of lower-income Hispanics) and native-born workers (35 percent, compared with 19 percent of foreign-born) more often expect to need \$100,000 or more to cover retirement medical expenses.

Comparisons by Race/Ethnicity—African-American workers (53 percent) are more likely to expect to receive access to retiree health insurance through an employer than are workers overall or Hispanics (41 percent each) (Figure 14). Except among those with \$50,000–\$74,999 in household income, differences in the percentage expecting this coverage persist across income categories.

Figure 14
**Percentage of Workers Expecting Access to Health Insurance Though
 an Employer in Retirement, by Race/Ethnicity and Household Income**

	All Workers	African- Americans	Hispanics
All income levels	41%	53%	41%
Less than \$25,000	26	48	34
\$25,000–\$49,999	34	58	34
\$50,000–\$74,999	49	54	51
\$75,000 or more	50	68	55

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

A larger share of Hispanics (57 percent) than workers overall (49 percent) and African-Americans (46 percent) think they are likely to need long-term care. This difference seems to be due to the higher levels of likelihood cited by foreign-born Hispanics. There seem to be no differences among native-born workers by race/ethnicity. On the other hand, a larger share of African-Americans (34 percent) than workers overall (24 percent) and Hispanics (18 percent) believe they have private long-term care coverage. In the 2007 MRCS, these differences are especially apparent among those with household incomes less than \$25,000 and \$50,000–\$74,999 (Figure 15).

Figure 15
**Percentage of Workers Reporting Private Long-Term
 Care Insurance, by Race/Ethnicity and Household Income**

	All Workers	African- Americans	Hispanics
All income levels	24%	34%	18%
Less than \$25,000	19	36	14
\$25,000–\$49,999	27	26	17
\$50,000–\$74,999	21	52	19
\$75,000 or more	29	34	34

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

African-American (22 percent) and Hispanic workers (18 percent) appear more likely than workers overall (12 percent) to assume they will need less than \$50,000 to cover their health care costs in retirement (Figure 16). However, these differences are apparently due to income disparity. Workers at similar levels of household income seem equally likely to report they will need this little to pay for these expenses.

Figure 16
Amount of Money Needed to Cover Health Care Expenses in Retirement, by Race/Ethnicity

	All Workers	African- Americans	Hispanics
Less than \$50,000	12%	22%	18%
\$50,000–\$99,999	20	19	20
\$100,000–\$249,999	20	17	14
\$250,000–\$499,999	11	9	4
\$500,000–\$999,999	8	5	4
\$1 million or more	5	5	2
No idea/don't know	23	21	37

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

Retirement Confidence

Overall Confidence

Despite lack of preparation and employer cutbacks in retirement benefits, minority workers, like American workers overall, tend to be fairly confident about their financial security in retirement. Yet only about a quarter are *very* confident.

African-Americans—One quarter of African-American workers (26 percent) report they are *very* confident about having enough money to live comfortably throughout their retirement, and close to half (45 percent) say they are *somewhat* confident. Only 1 in 10 (9 percent) indicate that they are *not at all* confident about having enough money. These proportions have fluctuated over time, with uncertainty highest in 2001 and 2003 (Figure 17).

Figure 17
African-American Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	1998	1999	2000	2001	2003	2007
Very confident	14%	25%	27%	23%	20%	26%
Somewhat confident	49	42	38	31	37	45
Not too confident	23	21	27	23	21	19
Not at all confident	14	12	9	21	20	9

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

Confidence increases as household income rises. Among those with household income of \$75,000 or more, 9 in 10 report they are *very* or *somewhat* confident (45 percent each).

Hispanics—Three in 10 Hispanic workers (30 percent) feel *very* confident about having enough money to live comfortably throughout their retirement. Four in 10 (39 percent) say they are *somewhat* confident. Just 6 percent are *not at all* confident about having enough money. Hispanic confidence about retirement is at an all-time high after having reached its lowest point in 2001 (13 percent *very* and 32 percent *somewhat* confident) (Figure 18).

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

	1998	1999	2000	2001	2003	2007
Very confident	27%	19%	18%	13%	20%	30%
Somewhat confident	28	37	29	32	40	39
Not too confident	26	27	36	34	20	22
Not at all confident	12	16	16	20	17	6

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

Confidence increases as household income rises. Moreover, native-born Hispanics (79 percent, compared with 65 percent of foreign-born) are more likely to express confidence.

Differences by Race/Ethnicity—American workers appear equally likely to feel confident about their financial prospects in retirement, regardless of race/ethnicity. However, among those with household income under \$25,000, African-Americans and Hispanics are more likely than workers overall to express confidence (Figure 19).

Figure 19
**Confidence in Having Enough Money to Live Comfortably Throughout Retirement,
 Among Those With Less than \$25,000 in Household Income, by Race/Ethnicity**

	All Workers	African- Americans	Hispanics
Very confident	12%	24%	28%
Somewhat confident	27	44	30
Not too confident	29	20	28
Not at all confident	31	11	12

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

Confidence in Entitlement Programs

Most workers have little confidence that Social Security and Medicare will provide future retirees with benefits equal to those received by retirees today. Although funding problems with Medicare are more acute than those with Social Security, workers have slightly higher levels of confidence about Medicare than about Social Security.

African-Americans—Only 1 in 10 African-American workers (9 percent) say they are *very* confident that Social Security will continue to provide benefits that are at least equal to those received by retirees today. Three in 10 (31 percent) are *somewhat* confident, while one-third (34 percent) are *not at all* confident. While African-Americans appear equally likely to say they are *very* confident in Social Security regardless of household income, those with income less than \$35,000 more often say they are *somewhat* confident (Figure 20).

Figure 20
**African-American Confidence That Social Security Will Continue to Provide Benefits
 of at Least Equal Value to Benefits Received by Retirees Today, by Household Income**

	All African- Americans	Household Income				
		<\$19,000	\$19,000– \$34,999	\$35,000– \$49,999	\$50,000– \$74,999	\$75,000+
Very confident	9%	9%	7%	12%	4%	4%
Somewhat confident	31	40	40	33	22	21
Not too confident	26	17	23	37	34	36
Not at all confident	34	33	31	17	39	38

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

African-Americans express similar levels of confidence about the future benefits provided by Medicare. One in 10 (10 percent) say they are *very* confident, one-third (32 percent) are *somewhat* confident, and roughly one-quarter each are *not too* (27 percent) or *not at all* (26 percent) confident. A larger share of men (15 percent) than women (7 percent) report they are *very* confident that Medicare will continue to pay benefits that are at least equal to those received by current retirees.

African-American confidence about the benefits provided by Social Security and Medicare has varied over time, though it has not shown any pattern. Confidence in both programs was highest in 1999 (38 percent *very* or *somewhat* confident about Social Security, 42 percent about Medicare) and 2007 (40 percent about Social Security, 43 percent about Medicare). It was lowest in 1998 (24 percent about Social Security, 27 percent about Medicare).

Hispanics—More than 1 in 10 Hispanic workers (13 percent) state they are *very* confident that Social Security will continue to provide benefits that are at least equal to those received by retirees today. Almost 4 in 10 (38 percent) are *somewhat* confident, while more than 2 in 10 (22 percent) are *not at all* confident. Those who have not completed a high school education are especially likely to feel *very* confident about the future of Social Security, and confidence decreases as education increases. Foreign-born Hispanics are also

more likely than native-born to say they are confident (Figure 21). At the same time, men are more likely than women to be *not at all* confident (27 percent vs. 17 percent), while women are more likely than men to indicate they are *not too* confident (31 percent vs. 19 percent).

Figure 21
Hispanic Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today, by Education and Birthplace

	All Hispanics	Education			Birthplace	
		Some high school	High school graduate	Some college or more	Native	Foreign
Very confident	13%	21%	10%	6%	8%	15%
Somewhat confident	38	39	42	34	31	42
Not too confident	25	20	23	29	28	23
Not at all confident	22	16	23	30	32	18

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

Hispanic confidence about the future benefits provided by Medicare follow similar patterns. Fourteen percent say they are *very* confident, almost 4 in 10 (38 percent) are *somewhat* confident, and almost 3 in 10 (28 percent) are *not too* confident. Fifteen percent report they are *not at all* confident. Four percent say they do not know their level of confidence. Again, foreign-born workers are more apt than native-born to express confidence in the future of Medicare. Confidence that Medicare will continue to pay benefits that are at least equal to those received by retirees today decreases as education or household income rise.

Hispanic confidence about the future of Social Security and Medicare are higher in 2007 than in any previous MRCS, with half now reporting they are *very* or *somewhat* confident about each program (Figure 22).

Figure 22
Hispanic Confidence That Social Security and Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today

	1998	1999	2000	2001	2003	2007
Social Security						
Very confident	13%	11%	13%	6%	7%	13%
Somewhat confident	21	19	19	24	25	38
Not too confident	31	36	41	36	42	25
Not at all confident	33	31	26	29	24	22
Medicare						
Very confident	10	11	11	8	7	14
Somewhat confident	26	23	22	33	24	38
Not too confident	39	44	39	38	44	28
Not at all confident	22	20	24	16	22	15

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., and The Rockefeller Foundation, 1998–2007 Minority Retirement Confidence Survey.

Comparisons by Race/Ethnicity—Minority workers tend to feel more confident about both Social Security and Medicare. Hispanic workers are the most likely to express confidence about Social Security (51 percent *very* or *somewhat* confident) and Medicare (52 percent). Larger shares of Hispanics than others say they are confident in almost every income category.

African-Americans are more likely than workers overall to report they are confident about both programs (Social Security: 40 percent of African-Americans vs. 30 percent of workers overall; Medicare: 43 percent of African-Americans vs. 37 percent of workers overall). In particular, more than 4 in 10 African-Americans with household income \$25,000–\$49,999 (42 percent) report they are *very* or *somewhat* confident about Social Security, compared with 28 percent of workers overall. Forty-five percent feel confident about the future of Medicare, compared with 32 percent of workers overall.

MRCS Methodology

These findings are part of the 2007 Minority Retirement Confidence Survey (MRCS), a survey that gauges the views and attitudes of working-age African-Americans and Hispanics, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted Jan. 2–Feb. 8, 2007 through 21-minute telephone interviews with 500 African-Americans and 504 Hispanics age 25 and older in the United States. Potential respondents were targeted based on census tract density (for African-Americans) and Spanish surnames (for Hispanics), and interviews were conducted in English or Spanish based on respondent preference. Data for 2007 and 2003 are weighted by age, sex, and education to reflect the actual proportions in the U.S. population. Hispanic data are also weighted by birth. Data prior to 2003 have been weighted to allow for consistent comparisons; consequently, some data in the 2007 MCS may differ slightly with data published in previous waves. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

Comparison data for workers overall are from the 2007 Retirement Confidence Survey (RCS), a survey that included 1,001 workers age 25 and older in the United States. The 2007 RCS was conducted in January 2007 using random-digit dialing. These data are weighted by age, sex, and education to reflect the actual proportions in the adult population. Because the oversamples of African-Americans and Hispanics in the MRCS were collected independently, the findings for the oversamples may differ from findings for the small sample of minorities in the 2007 RCS.

In theory, each sample of 500 yields a statistical precision of plus or minus four percentage points (with 95 percent certainty) of what the results would be if all African-Americans or Hispanics age 25 and older were surveyed with complete accuracy. A sample of 1001 theoretically yields a precision of plus or minus three percentage points. 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.

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Endnotes

¹ In the MRCS, the term *worker* refers to any individual who is not retired, regardless of employment status.

² Among U.S. households with household income of \$75,000 or more, the median household income is higher for non-Hispanic whites than for African-Americans or Hispanics and this has the potential to affect responses. However, the MRCS sample size and question wording does not allow this type of analysis.

³ A higher percentage of Hispanics than other workers responded that they did not know to almost every question in the 2007 MRCS. This should be kept in mind when interpreting comparisons by race/ethnicity.

⁴ Richard Johnson and Joshua Wiener, “A Profile of Frail Older Americans and Their Caregivers,” *The Retirement Project Occasional Paper* (Urban Institute, February 200): www.urban.org/publications/311284.html

⁵ See Paul Fronstin, “Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement,” *EBRI Issue Brief*, no. 297 (Employee Benefit Research Institute, September 2006).

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