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2018 RCS: Retiree Confidence in Critical Aspects of Retirement Security Declines, While Workers' Overall Confidence Creeps Up

WASHINGTON – This year's Retirement Confidence Survey (RCS) finds only a third of retirees very confident in their ability to live comfortably throughout retirement (32 percent). While this is comparable to last year, retiree confidence in having enough money to cover basic expenses and medical expenses has dropped: 80 percent say they are very/somewhat confident about covering basic expenses this year compared to 85 percent in 2017; and 70 percent say they are very/somewhat confident about covering medical expenses this year vs. 77 percent in 2017. In addition, retirees' confidence that Medicare and Social Security will continue to provide benefits equal to what retirees receive today has significantly declined compared to last year, with fewer than half saying they are very or somewhat confident (46 percent very or somewhat confident in Medicare this year vs. 52 percent in 2017; 45 percent very or somewhat confident in Social Security vs. 51 percent in 2017). Only 7 percent of retirees say they are very confident that each of these will continue to provide the same level of benefits they do today.

This is the 28th annual RCS by the nonpartisan Employee Benefit Research Institute (EBRI) and research firm Greenwald & Associates. It is the longest-running survey of its kind in the nation, exploring the retirement outlook of both workers and retirees.

"Retirees continue to be more confident in their retirement security than workers," noted Craig Copeland, EBRI senior research associate and co-author of the report. "Just 17 percent of American workers say they are *very confident* in their ability to live comfortably throughout retirement, compared with nearly a third of retirees who say that are very confident. However, nearly two in three workers (64 percent) say they feel *very or somewhat confident* in their ability to retire comfortably." Copeland points out that the percentage of workers who say they are at least somewhat confident is up from 60 percent in 2017.

"Health care expenses in retirement appear to be playing a notable role in retirees' confidence. Retirees are less confident in being able to afford medical expenses and the share *very confident* in affording long-term care also declined," said Lisa Greenwald, executive vice president of Greenwald & Associates, and co-author of the report. "Half of retirees say they didn't even try to calculate health expenses before retirement, and more than four in ten retirees say their health care expenses are higher than they expected. However, those that did the calculation are less likely to report health is costing them more than expected," she said.

A key disconnect reported in the survey is between workers' expectations about relying on income from work in retirement, compared to retirees' actual experience: 68 percent of workers expect income from working to be either a major or a minor source of income in retirement, whereas only 26 percent of retirees say that this income is a major or minor source. Workers also have different expectations around Social Security than retirees have experienced: only a third of workers (36 percent) expect Social Security to be a major source of retirement income, compared to 67 percent of retirees who report that Social Security is a major source of income in retirement.

Workers may be looking for different ways to fill the retirement income gap.

- Eight in ten workers (81 percent) say they expect that a workplace retirement savings plan, such as a 401(k) or 403(b), will be a major or minor source of income.
- By comparison, half of retirees (48 percent) say this type of plan is not a source of income for them.
- Those with a defined contribution (DC) plan like a 401(k) are far more likely to say they are confident in their ability to live comfortably in retirement: 76 percent of workers with a DC plan are at least somewhat confident in their ability to live comfortably in retirement versus 46 percent of those without a DC plan.

“Satisfaction with DC plans is very important because that will encourage their use in building up assets for retirement. However, the data suggest many plan participants don't know what to do with their DC plan assets at retirement. Three in ten (31 percent) say they don't know whether they will roll the money into an IRA, keep it in the plan, or cash it out,” Copeland said. “At the same time, participants are interested in guaranteed lifetime income options either inside or outside of their plan, which could be due to the lower expected reliance of workers on other guaranteed income sources like Social Security and traditional pension plans.”

Four in five current DC participants express interest in putting some or all of their money in guaranteed lifetime income products, regardless of whether the product is an in-plan investment option or a separate product purchased outside of the plan at the time of retirement. Furthermore, 21 percent of current DC participants say they will use their money in their plan to purchase a product that provides guaranteed monthly income for life, a notably larger share than the 7 percent of retirees who report that they have purchased such a product with DC assets.

The survey report, “The 2018 Retirement Confidence Survey,” is available [here](#).

About the Survey: The survey was conducted from Jan. 3, 2018 to Jan. 16, 2018, through online interviews with 2,042 individuals (1,002 workers and 1,040 retirees) ages 25 and older in the United States. The results have a margin of error of plus or minus 3.16 percentage points for all workers and 3.1 percentage points for all retirees.

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