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EBRI Projects Decrease in America's Retirement Deficit

However, Certain Workers at Much Greater Risk Than Others

Washington, D.C. – March 7, 2019 — A new study from the Employee Benefit Research Institute (EBRI) projects that the retirement deficit for U.S. households with heads ages 35–64 decreased 13.7 percent from $4.44 trillion (in current dollars) in 2014 to $3.83 trillion in 2019. The largest improvement was experienced by younger workers, with those ages 35–39 projected to have a 22 percent decrease in their average deficits.

The study, "***Retirement Savings Shortfalls: Evidence from EBRI's 2019 Retirement Security Projection Model***," also finds that the percentage of these households projected to have a "successful" retirement (defined as NOT running short of money in retirement) increased from 57.7 percent in 2014 to 59.4 percent in 2019.

Eligibility for participation in a defined contribution plan was found to have a significant impact. "The average retirement deficit for households with heads ages 35–39 with no future years of eligibility in a defined contribution plan is $78,046 per individual," said Jack VanDerhei, EBRI research director and author of the study. "This is more than five times the deficit for those fortunate enough to have at least 20 years of future eligibility in a defined contribution plan." The results illustrate the importance of expanding coverage to those not currently eligible to participate in an employer-sponsored retirement plan.

Additional findings:

- **Low-wage workers will see bigger deficits than high-wage workers:** The average deficit projected for those in the youngest cohort (ages 35–39) ranges from $13,852 for households in the highest pre-retirement income quartile to $104,805 for those in the lowest quartile.
- **Women face a larger deficit than men:** For those ages 60–64, the average retirement deficit ranges from $12,640 per individual for households married at retirement where the wife dies first (widowers) to $15,782 for households married at retirement where the husband dies first (widows). It ranges from $24,905 for single males to $62,127 for single females.
- **Longevity risk is a critical factor:** Overall, the deficit for those in the longest relative longevity quartile averages 10.2 times those in the shortest relative longevity quartile.
- **Reductions in Social Security benefits would have a material impact:** A 23 percent pro rata reduction in Social Security retirement benefits starting in 2034 would increase deficits by an average of 17 percent for those currently ages 35–39.

The EBRI Retirement Security Projection Model (RSPM) was developed in 2003 to provide an assessment of national retirement income adequacy. It is able to project retirement deficits by various age, income, gender, and marital status cohorts. It is flexible enough to examine potential changes to the system, such as the impact of legislative and regulatory proposals as well as changes in retirement plan design.

RSPM provides valuable analysis for employers, providers, and policymakers as they seek to understand the drivers of retirement security and the possible outlooks for various cohorts over time. Copies of the report are available at ebri.org.