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New Research from EBRI:

EBRI's 2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many

WASHINGTON—Americans' confidence in their ability to afford a comfortable retirement remains low—which may reflect a growing awareness of the savings realities ahead, according to the 23rd annual Retirement Confidence Survey (RCS), the longest-running survey of its kind.

The percentage of workers confident about having enough money for a comfortable retirement is essentially unchanged from the record lows observed in 2011. While more than half express some level of confidence (13 percent are very confident and 38 percent are somewhat confident of being able to afford a comfortable retirement), 21 percent are not too confident, and 28 percent are not at all confident. The latter figure is the highest level of those not at all confident recorded during the 23 years of the survey.

Retiree confidence in having a financially secure retirement is also unchanged, with the 18 percent very confident (statistically equivalent to the 21 percent measured in 2012) a record low reading for that group, while 14 percent are not at all confident (statistically equivalent to 19 percent in 2011).

One reason that retirement confidence has remained low despite a brightening economic outlook is that some workers may be waking up to just how much they may need to save. Asked how much they believe they will need to save to achieve a financially secure retirement, a striking number of workers cite large savings targets: 20 percent say they need to save between 20–29 percent of their income and nearly one-quarter (23 percent) indicate they need to save 30 percent or more.

“Aggressive as those savings targets appear to be, they may not be based on a careful analysis of their individual circumstances,” according to Jack VanDerhei, EBRI research director, and co-author of the report. “Only 46 percent report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.”

However, he noted that, as in prior versions of the RCS, workers who have done a retirement-savings-needs calculation tend to have higher savings goals, and are more confident, than workers who have not. These and other findings are contained in the 23rd annual RCS, conducted by the nonpartisan Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc. Full results of the 2013 RCS are published in the March 2013 *EBRI Issue Brief*, released today and available online at EBRI's website, www.ebri.org. Several fact sheets, detailing various aspects of the survey's findings, are also available. The survey was underwritten by nearly two dozen organizations.

Other reasons weighing on worker confidence may include more immediate financial concerns about job uncertainty and debt as well as concerns about the cost of retirement. Nevertheless, worker savings remain modest, and less than half appear to be taking the basic steps needed to prepare for retirement, according to the report. Among workers providing this information in the RCS, more than half (57 percent) report less than \$25,000 in total household savings and investments (excluding the value of their primary homes and any defined benefit pension plans).

Debt may be another factor standing in the way of saving: 55 percent of workers and 39 percent of retirees report having a problem with their level of debt. “Many lack even a short-term cushion,” noted Matt Greenwald of Greenwald & Associates, which conducted and co-sponsored the survey. “Only about half of workers and a comparable number of retirees say they could definitely come up with \$2,000 if an unexpected need arose within the next month.”

The RCS finds that retirement savings may be taking a back seat to these more immediate financial concerns: Just 2 percent of workers and 4 percent of retirees identify saving or planning for retirement as the most pressing financial issue.

Among the other major findings in this year’s RCS:

Job uncertainty (still) looms large. Echoing the findings of the 2012 RCS, both workers and retirees are most likely to identify job uncertainty (30 percent of workers and 27 percent of retirees) as the most pressing issue facing Americans today. However, a year ago, 42 percent of workers cited that as the most pressing issue.

Savings levels decline despite growing concerns. Although one might expect that American workers would react to their lack of retirement confidence by improving their preparations, that does not appear to be the case. The percentage of workers who reported they and/or their spouses had saved for retirement increased briefly in 2009 (to 75 percent), but this percentage has slowly declined and now stands at 66 percent.

Employer-sponsored retirement plans remain key. One of the primary vehicles that workers use to save for retirement is an employer-sponsored retirement savings plan, such as a 401(k). Eighty-two percent of eligible workers say they participate in such a plan with their current employer, and another 8 percent of eligible workers report they have money in such a plan, although they are not currently contributing

Daily pressures holding back savings. Cost of living and day-to-day expenses heads the list of reasons why workers do not contribute (or contribute more) to their employer’s plan, with 41 percent of eligible workers citing this factor.

Health care cost concerns outpace basic expenses. Confidence about other financial aspects of retirement reached record lows in 2013, continuing the decline from highs recorded in 2007. In particular, increases are seen in the percentage of workers not at all confident about their ability to pay for basic expenses (16 percent, up from 12 percent in 2011 but statistically equivalent to 13 percent in 2012). Larger concerns were medical expenses (cited by 29 percent, up from 24 percent in 2012), and long-term care expenses (39 percent, up from 34 percent in 2012).

Many (still) guess at savings needs. Workers often guess at how much they will need to accumulate (45 percent), rather than doing a systematic retirement-needs calculation. Eighteen percent indicated they did their own estimate and another 18 percent asked a financial advisor, while 8 percent used an on-line calculator and another 8 percent read or heard how much was needed.

Few seek financial advice, fewer take it. Just 23 percent of workers and 28 percent of retirees report they have obtained investment advice from a professional financial advisor who was paid through fees or commissions. Of these workers, 27 percent followed all of it, but more disregarded some of the advice by only following most (41 percent) or some (27 percent).

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