

FOR IMMEDIATE RELEASE: March 29, 2013

Contact: Stephen Blakely, EBRI: 202/775-6341, blakely@ebri.org
Jack VanDerhei, EBRI (co-author), 202/775-6327, vanderhei@ebri.org

New Research from EBRI:

Use of On-line Calculators, Financial Advisors Lead to Far More Realistic Retirement Savings Targets

WASHINGTON—The use of online calculators and retirement advisors has been linked to higher levels of retirement confidence – and with justification, according to new research from the nonpartisan Employee Benefit Research Institute (EBRI).

According to EBRI, the savings targets set by those in the lowest-income quartile who had sought the input of a financial advisor reduced the risk of running short of money in retirement by anywhere from 9 to nearly 13 percentage points, depending on family status and gender. Those in the lowest-income quartile who used an online calculator decreased their probability of running short of money in retirement by anywhere from 14 to more than 18 percentage points.

As for those who “guessed” at those retirement savings targets, the analysis also finds that for all four income quartiles, those who did so—as many Americans still do, according to the 2013 Retirement Confidence Survey—were less likely to choose an adequate target.

The EBRI report uses new data from the recently released 2013 Retirement Confidence Survey, analyzed using a modified version of the EBRI Retirement Security Projection Model[®] (RSPM). It assesses the probability that respondent households would not run short of money in retirement if they did, in fact, accumulate the amount they said would be required in the 2013 RCS.

“As American workers bear a growing responsibility for accumulating retirement income and managing the drawdown of those savings during retirement, it is more important than ever that households be able to set adequate targets for their retirement savings,” said Jack VanDerhei, EBRI research director and co-author of the report. “Unfortunately, just over a quarter of the RCS respondents used either an on-line calculator or a financial advisor. Nearly half —about 45 percent—were more likely to simply guess at their savings needs.”

The full article is published in March *EBRI Notes*,[®] “A Little Help: The Impact of On-line Calculators and Financial Advisors on Setting Adequate Retirement-Savings Targets: Evidence from the 2013 Retirement Confidence Survey,” available at www.ebri.org

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which includes a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or www.asec.org

###