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News from EBRI

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New Research from EBRI:

Measuring America's Retirement Deficit

WASHINGTON—How big is the retirement savings gap that most Americans are likely to face? New research from the nonpartisan Employee Benefit Research Institute (EBRI) indicates it varies widely by gender, marital status and other factors, but the aggregate national retirement savings deficit is about $4.13 trillion for all U.S. households between age 25 and 64.

However, that estimate is based on current Social Security benefits not being cut in the future. With the program's Old-Age, Survivors and Disability Insurance (OASDI) trust fund projected to be exhausted by 2033, EBRI estimates the retirement deficit will increase to $4.38 trillion at that time if no additional funding is provided and a pro rata reduction in Social Security benefits is allowed to take effect.

To illustrate just how important Social Security to Americans' ability to afford retirement, EBRI also estimates that if the program were to be eliminated this year, the aggregate national retirement deficit would increase by nearly 90 percent, to $7.87 trillion.

EBRI's new analysis is based on results from its proprietary Retirement Savings Projection Model (RSPM®), and estimates the size of the deficits that households are simulated to generate in retirement, or Retirement Savings Shortfalls (RSS). It follows on earlier simulation modeling of last year detailing the probability of households likely to not run short of money in retirement.

According to Jack VanDerhei, EBRI research director and author of the report, "the analysis demonstrates the extreme importance of longevity risk (the higher costs of living a long time) and nursing home and home health care costs in simulating Retirement Savings Shortfalls. Ignoring nursing home and home health care costs (or assuming another entity pays these costs) decreases the RSS by an average of 74 percent whereas the shortfalls for those in the latest relative longevity quartile average 14.8 times those in the earliest relative longevity quartile."

Among the study's other findings:

- The Retirement Savings Shortfalls show that for those on the verge of retirement (Early Baby Boomers), the deficits vary from $19,304 (per individual) for married households, increasing to $33,778 for single males and $62,734 for single females.
- While these RSS values may appear to be relatively small considering they represent the sum of present values that may include decades of deficits, it is important to remember that less than half of the simulated lifepaths modeled are considered to be "at risk." Looking only at those situations where shortfalls are projected shows that the values for Early Boomers vary from $71,299 (per

individual) for married households, increasing to $93,576 for single males and $104,821 for single females.

- RSS values are much smaller for Gen Xers with significant years of future eligibility for defined contribution plan participation. The deficit values for Gen Xers assumed to have no future years of eligibility (as if they were never simulated to be employed in the future by an organization that provides access to those plans) is $78,297 per individual. That shortfall decreases substantially (to $52,113) for those with one to nine years of future eligibility, and even further to $32,937 for those with 10–19 years of future eligibility. Gen Xers fortunate enough to have at least 20 years of future eligibility in those programs could find their average shortfall at retirement reduced to only $16,782.

The full report, "Retirement Savings Shortfalls: Evidence from EBRI's Retirement Security Projection Model,®" is published in the February *EBRI Issue Brief*, online at www.ebri.org

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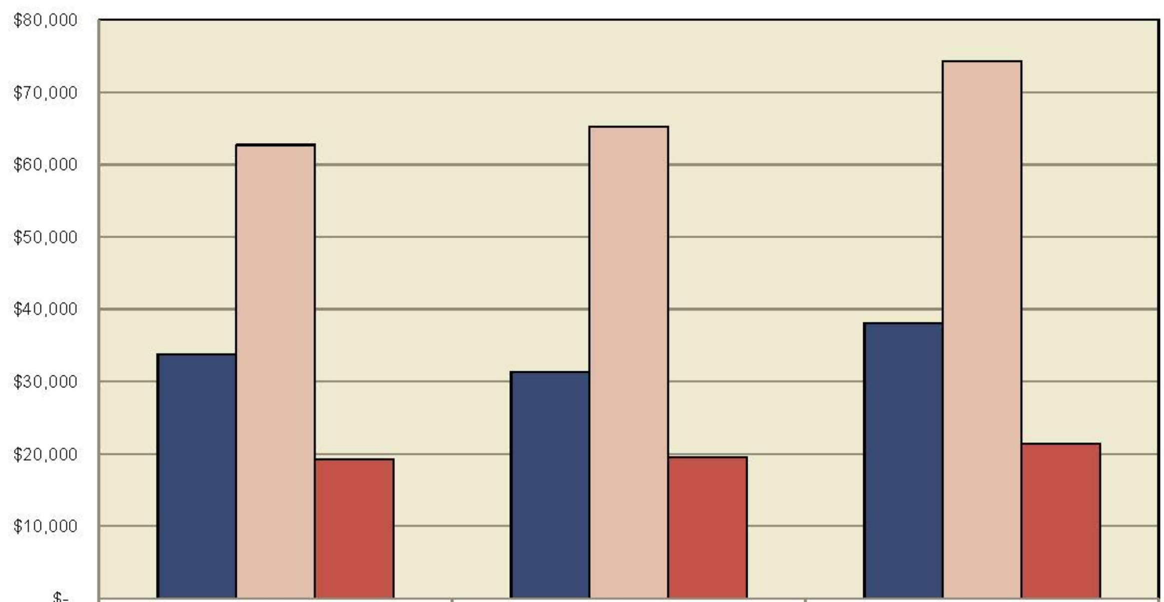
2014 Retirement Savings Shortfalls,*
by Age Cohort, Marital Status, and Gender



	Early Boomers	Late Boomers	Gen Xers
Single Male	$33,778	$31,342	$38,065
Single Female	$62,734	$65,277	$74,256
Married	$19,304	$19,566	$21,379

Sources: EBRI Retirement Security Projection Model® version 2163.
* The Retirement Savings Shortfalls (RSS) are determined as a present value of retirement deficits at age 65.

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