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2016 Retirement Confidence Survey:

Retirement Confidence Stable, But Preparations Still Lag

WASHINGTON, DC—While overall confidence about being able to afford a comfortable retirement has plateaued among American workers, preparations to save for retirement are still lagging, according to the 2016 Retirement Confidence Survey (RCS) by the nonpartisan Employee Benefit Research Institute (EBRI) and Greenwald and Associates.

The 2016 RCS, the 26th annual survey and the longest-running study of its kind, finds that the recovery in retirement confidence from the post-2008 economic recession is continuing to hold. Specifically, the percentage of workers *very confident* about having enough money for a comfortable retirement, at record lows between 2009 and 2013, increased from 13 percent in 2013 to 22 percent in 2015, and has leveled off at 21 percent in 2016. Also, those *somewhat confident* increased from 36 percent in 2015 to 42 percent in 2016, while the percentage *not at all confident* decreased from 24 percent in 2015 to 19 percent in 2016, the RCS found.

Workers reporting they or their spouse have money in a defined contribution (DC) plan or individual retirement account (IRA) or have benefits in a defined benefit (DB) plan from a current or previous employer are more than twice as likely as those without any of these plans to be very confident (26 percent with a plan vs. 10 percent without a plan). Additionally, workers without a plan are more than three times as likely to say they are not at all confident about their financial security in retirement (11 percent with a plan vs. 38 percent without a plan).

“Among those who are confident about retirement, it’s overwhelmingly among those who have a retirement plan,” said Jack VanDerhei, EBRI research director and co-author of the 2016 RCS. “Even if you control for discrepancies in age and income, the likelihood that a respondent is either somewhat or very confident that they will have enough money to live comfortably throughout their retirement years is 22 percentage points higher for those who have an IRA, DC plan, and/or DB plan than their counterparts without a retirement plan.”

How are those who aren’t saving enough planning to cope with the shortfall? By either saving more later or working longer, they say—even though many retirees say they were unable to work longer because they were forced to leave the workforce earlier than planned (such as health problems or disability).

Among Americans who know they are saving less than they need for retirement, about 20 percent say they will have to save more later, while 15 percent say they will have to work in retirement and 14 percent say they will have to retire later.

Among the major findings of the 2016 RCS:

Workers

- **Assets:** A sizable percentage of workers say they have no or very little money in savings and investments. These workers without savings are concentrated among those without a retirement plan. Among RCS workers providing this type of information and not having a retirement plan, 83 percent report that the total

value of their household's savings and investments, excluding the value of their primary home and any DB plans, is less than \$10,000. In contrast, 35 percent of workers with a retirement plan say their value of these assets is \$100,000 or more.

- **Saving:** The RCS finds that the percentage of workers who reported they and/or their spouse had saved for retirement peaked in 2009 (to 75 percent), but declined to the mid- to high-60 percent level thereafter and remains at that level (69 percent in 2016).
- **Debt:** The presence of debt has a significant impact on workers' confidence. In 2016, just 9 percent of workers who describe their debt as a major problem say they are very confident about having enough money to live comfortably throughout retirement, compared with 32 percent of workers who indicate debt is not a problem. On the other hand, half of workers with a major debt problem are not at all confident about having enough money for a financially secure retirement, compared with 12 percent of workers without a debt problem.
- **Retirement planning:** Workers' confidence that they are doing a good job of preparing financially for retirement continues to rebound from the low in 2013. While less than one-third (28 percent) indicate they lack confidence in their financial preparations for retirement and more than two-thirds indicate they are confident (28 percent very confident and 43 percent somewhat confident), less than half (48 percent) of workers report they and/or their spouse have ever tried to calculate how much money they will need to have saved so that they can live comfortably in retirement. More than a third of all workers (39 percent) simply guess at how much they will need to accumulate, rather than doing a systematic retirement needs calculation.

Retirees

- **Confidence:** Retiree confidence in having enough money for a comfortable retirement, which historically tends to exceed worker confidence levels, continued to increase in 2016, reaching 39 percent who are very confident (up from 18 percent in 2013). The percentage not at all confident was 12 percent (statistically unchanged from 14 percent in 2013).
- **Debt:** Retirees are more likely than workers to describe their level of debt as *not* a problem. Sixty-seven percent of retirees and 44 percent of workers indicate they do not have a problem with their level of debt.
- **Leaving the workforce:** As before, the RCS finds a considerable gap exists between workers' expectations and retirees' experience about leaving the workforce. The percentage of workers who expect to retire after age 65 has increased, from 11 percent in 1991 to 37 percent in 2016; however, only 15 percent of retirees in 2016 said they actually retired after age 65 and many report they left the workforce for reasons beyond their control, such as health or changes at their company.

Full results of the latest RCS are published in the March 2016 *EBRI Issue Brief*, "The 2016 Retirement Confidence Survey: Worker Confidence Stable, Retiree Confidence Continues to Increase," along with six RCS Fact Sheets, at online at www.ebri.org

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