

NEWS RELEASE

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2000 Retirement Confidence Survey:

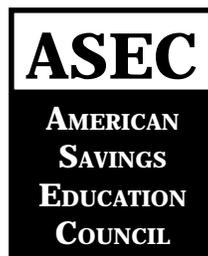
Individuals Who Calculate Their Retirement Needs Are Better Prepared For Retirement

WASHINGTON, DC—The exercise of trying to figure out how much you need to save for retirement can put you ahead in the savings game, according to results of the 2000 Retirement Confidence Survey (RCS) released today. Workers who have attempted such a calculation appear to be doing a better job of preparing for retirement than those who have not.

The RCS, now in its 10th year, shows an upward trend in the proportion of workers who feel very confident about having enough money to live comfortably throughout their retirement years. This year's survey, co-sponsored by the nonpartisan Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates (MGA), reveals that almost 26 percent of Americans are very confident of having enough money to live comfortably throughout their retirement years. This compares with 19 percent of workers in 1993 who said they were very confident in their overall retirement income prospects.

This year's RCS also finds that many American workers have become more proactive in their retirement planning. More than half (53 percent) say that they have tried to calculate how much money they will need to save for a comfortable retirement, compared with 35 percent in 1993. Seventy percent say they have a savings or investing strategy for their retirement, and 4 in 10 (41 percent) have thought about insurance coverage for long-term care or nursing home needs.

"Educating Americans that saving matters is beginning to make a difference," said Dallas L. Salisbury, president and CEO of EBRI. "More Americans choose to save each year, and more are calculating their retirement needs and building a realistic plan for retirement, which the RCS shows may include part-time work for an increasing number of retirees."



The survey finds that workers who have attempted a retirement needs calculation appear to be doing a better job of preparing for retirement:

- Sixty-one percent say they are either ahead of schedule or on track when it comes to planning and saving for retirement, while 68 percent of those who have not done the calculation feel they are behind schedule.
- Fifty-one percent have altered their saving behavior as a result of attempting such a calculation (of these, 54 percent say they have started to save more and 26 percent have changed the allocation of their money).
- More people are likely to be saving for retirement (88 percent of those who have done a calculation versus 61 percent of those who have not done a calculation) and have accumulated larger amounts.

Overall, individuals who have done a retirement needs calculation have a greater degree of confidence in their overall retirement income prospects. (See ASEC's *Ballpark Estimate* retirement planning worksheet at www.asec.org/tools for a useful calculator.)

"As Americans live longer and Baby Boomers move closer to retirement, it is more important than ever to focus on the need to save," said Don Blandin, president of ASEC. "The RCS shows we've made some progress in the past decade, but we've still got a long way to go before achieving a nation of savers."

This is the 10th anniversary of the RCS. Some of the key trends that have emerged over the years are:

- Increase in overall retirement confidence: 26 percent of workers in 2000 are very confident of having enough money to live comfortably throughout their retirement years, compared with 19 percent in 1993.
- Continued confidence in Social Security: Although confidence in Social Security and Medicare have fluctuated over time, workers are as likely now as in 1993 to be very or somewhat confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today (24 percent in 1993 vs. 28 percent in 2000).
- Increase in percentage of people saving for retirement: 76 percent of workers in 2000 say they are saving for retirement, compared with 61 percent in 1994.

Other highlights from the survey include:

- The amounts accumulated for retirement by workers as a whole are generally unimpressive. The majority of those who are able to provide an amount have accumulated less than \$50,000, and almost one-fourth of all workers have saved less than \$10,000 toward retirement.
- Many workers—particularly those who plan to work the longest and therefore may be more at risk for an unplanned early retirement—may be preparing for an unrealistically short retirement. Half of men reaching age 65 can expect to be alive at 82, and some will make it to 100 and older, while half of women reaching age 65 can expect to be alive at 86, and some will make it to 100 and older. Yet, almost 2 in 10 workers (18 percent) expect that their retirement will last for 10 years or less, and an additional 15 percent believe their retirement will last 11 to 19 years.
- Many of today's workers will not be eligible to receive full Social Security benefits until they are 67, but most continue to be unaware of the phased increase in the normal retirement age from 65 to 67. Fifty-five percent of current workers think they will be eligible for full benefits before they actually will be. Seventeen percent of workers say they do not know when they will be eligible for full benefits. Thirty-eight percent of current retirees cite Social Security as their main source of income.

- Top reasons retirees listed for working after retirement: enjoy work and want to stay involved (75 percent); have enough money to buy extras (30 percent); keep health insurance and other benefits (25 percent); have money to make ends meet (21 percent); try a different career (14 percent); and help to support children or other household members (9 percent).
- Fifty-one percent of nonsavers say they could save \$20 per week for retirement. Sixty-nine percent of savers say they could save an additional \$20 per week for retirement. While seemingly small, this amount could add up to a substantial sum over time: \$20 saved each week equals \$1,040 over the course of one year, and in 25 years this amount could grow to \$50,000 (assuming a 5 percent annual rate of return).

Additional findings:

- **Minority RCS:** Included in the third annual Retirement Confidence Survey is a detailed analysis of the retirement saving and planning attitudes of minority groups (African-Americans, Hispanic-Americans, and Asian-Americans). Regarding overall retirement confidence, 31 percent of Asian-Americans are very confident that they will have enough money to live comfortably throughout their retirement years, compared with 24 percent of African-Americans and 19 percent of Hispanic-Americans. All three minority groups list personal savings as their most important expected source of retirement income.

In terms of planning for retirement, Hispanic-Americans tend to be less confident than other groups about specific financial aspects of retirement. Forty-five percent of Hispanic-Americans are not confident that they are doing a good job of preparing financially for their retirement, compared with 27 percent of African-American households and 24 percent of Asian-American households.

Half of Asian-American households, 45 percent of African-American households, and 31 percent of Hispanic-Americans have tried to figure out how much money they will need to save to live a comfortable retirement. Regardless of whether or not they have saved, fewer than 1 in 10 in each minority group say they are ahead of schedule when it comes to planning and saving for retirement. Many individuals in each minority group say they expect to work for pay after they retire (67 percent of Hispanic-Americans, 62 percent of Asian-Americans, and 58 percent of African-Americans).

- **Savings tools:** Two planning tools were created in conjunction with the survey. The Retirement Personality Profiler is an interactive questionnaire that allows individuals to determine which of five distinct personality groups they fall under based on their attitudes toward their finances and planning for retirement. The five retirement personality types (and the percentage of Americans falling into each) are: Planners (27 percent), Savers (23 percent), Strugglers (16 percent), Impulsives (18 percent), and Deniers (15 percent).

The Retirement Readiness Rating (R³) indicates how well workers are preparing for retirement. The scale runs from 0 to 25, with those scoring 25 apparently doing the best job of preparing. Individuals can take a short quiz to determine their rating and also get feedback. Based on the results of the survey and the R³ scale, fewer than 1 in 10 American workers appears to be doing a very good job of preparing for retirement.

Both quizzes, the *Ballpark Estimate* retirement worksheet, and other interactive savings tools are available at the EBRI and ASEC web sites: www.ebri.org and www.asec.org

The 10th annual Retirement Confidence Survey (RCS) gauges the views and attitudes of working and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted within the United States between January and February 2000, through 20-minute telephone interviews with 1,000 individuals (779 workers and 221 retirees) ages 25 and older. Random digit dialing was used to obtain a representative cross section of the U.S. population and interview quotas were established by sex of respondent to reflect the actual proportions in the population.

In addition to the 1,000 Americans in the base survey sample, African-Americans, Hispanic-Americans, and Asian-Americans were oversampled to permit analysis of these minority groups. 200 interviews were completed within each ethnic group (totaling 600 interviews) among working adults, using targeted lists to supplement random digit dialing. Among Hispanic-Americans, interviews were conducted in English or Spanish, according to the preference of the respondent.

In theory, each sample of 1,000 yields a statistical precision of plus or minus three percentage points (with 95 percent certainty) and each sample of 200 yields a statistical precision of plus or minus seven percentage points of what the results would be if the entire population ages 25 and older were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is difficult or impossible to quantify the errors that may result from them.

The 2000 RCS data collection was funded by grants from 26 public and private organizations, and the special report on the minorities' data collection was funded by grants from 13 organizations. Staffing was donated by EBRI, ASEC, and MGA. RCS materials and a list of underwriters may be accessed at the EBRI web site: www.ebri.org/rcs

The RCS is co-sponsored by the Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates, Inc. (MGA).

Founded in 1978, EBRI's mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is a private, nonprofit, nonpartisan public policy research organization based in Washington, DC. EBRI does not lobby and does not take positions on legislative proposals.

ASEC is a coalition of private- and public-sector institutions that undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC's goal is to make saving; investing; and planning for different life stages, including retirement, a vital concern of Americans. ASEC is part of the Employee Benefit Research Institute Education and Research Fund (EBRI-ERF), a 501(c)(3) nonprofit, educational organization.

MGA is a full-service market research and consulting firm located in Washington, DC, that specializes in all aspects of survey research design and analysis, focus group and one-on-one qualitative research; new product development and testing; marketing, communications and advertising research; attitude tracking surveys; market segmentation; and database marketing and analysis.

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