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RCS
RETIREMENT CONFIDENCE SURVEY®

EMBARGOED FOR RELEASE UNTIL: Wednesday, February 27, 2002, at 12:01 a.m. EST

2002 Retirement Confidence Survey:

Age and Personality Affect How Individuals Save for Retirement

Survey findings to support focus on generations at National SAVER Summit

WASHINGTON, DC—A new survey released today at the start of the National SAVER Summit on Retirement Savings finds that age and personality are key factors that affect how individuals save for retirement.

The 2002 Retirement Confidence Survey (RCS) finds that in addition to an individuals' age and specific stage in life, their attitudes and behavior toward money and financial planning can also have an enormous impact on how much they actually save for their future. Factoring in all these elements is essential in helping to create targeted savings messages and education campaigns that speak to individuals of different generations and backgrounds¾one of the major points of focus of the SAVER Summit.

The 12th annual RCS, by the nonpartisan Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates (Greenwald), is a national survey that gauges the views and attitudes of nonretired (working) and retired Americans on various financial issues related to retirement planning. It is being released today in conjunction with the start of the three-day 2002 National SAVER Summit on Retirement Savings, co-hosted by U.S. Secretary of Labor Elaine L. Chao and congressional leaders.

The SAVER Summit will convene America's leading experts on saving and retirement planning to develop new strategies and action plans to encourage Americans to save more for their financial future. The 2002 Summit is mandated by the Savings Are Vital to Everyone's Retirement (SAVER) Act of 1997. President Bush will address the Summit Feb. 28.

In conjunction with this year's SAVER Summit theme, "Saving for a Lifetime: Advancing Generational Prosperity," the RCS focuses on how a person's age and personality type can affect saving and preparing for retirement.

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"Older workers ages 40-59 are more likely than younger workers ages 20-39 to report that they or their spouse have saved for retirement, yet those ages 20-39 plan to retire earlier," said Dallas Salisbury, president and CEO of EBRI. "Planners and savers are those who tend to be more careful and disciplined with their money, compared with impulsives and deniers. Knowing your personality type can help you take control of your financial future, and the RCS provides a benchmark to do that." Salisbury noted that strugglers may also be disciplined with their money, but often face low income or other impediments to saving.

Compared with last year's survey, respondents to the 2002 RCS appeared to be more confident in their saving for retirement. However, the RCS also found that most Americans do not appear to be doing a good job in planning and preparing for retirement, and that most Americans have saved only modest amounts for retirement.

Highlights regarding age differences among workers:

- ***Expected Retirement Age:*** The average worker today plans to retire at age 65. However, younger workers (ages 20-39) expect to retire earlier than older workers (ages 40-59): 37 percent of the younger group intends to retire at age 61 or earlier, compared with 26 percent of the older group. In contrast to these expectations, the average current retiree retired at age 62, in many cases for health or economic reasons (such as layoffs) beyond their control.

- ***How Much Money Workers Think They Will Need:*** Surprisingly, older workers are *no more likely* than younger workers to have a realistic estimate of their income needs in retirement. Financial experts say that retirees will need at least 70-80 percent of their preretirement income to maintain their current lifestyle; however, 17 percent of workers responding to the RCS expect that they will need *less than half* of their preretirement income in order to live comfortably in retirement, and a quarter (25 percent) expect they will need between 50–59 percent of their preretirement income.

- ***Income in Retirement:*** Workers are most likely to expect that their biggest source of income in retirement will come from personal savings, either from money they or their spouse put into a retirement plan at work (30 percent) or from other personal savings outside of work (14 percent). Interestingly, more than half (56 percent) of younger workers ages 20-39 say that their retirement income will depend largely on some form of personal savings, compared with only 38 percent of older workers. Older workers are more likely than younger workers to think that they will be able to rely on Social Security. By comparison, almost half of retirees age 60 and older report that Social Security is their biggest source of income in retirement.

- ***Retirement Savings:*** The amounts workers have accumulated for retirement as a whole are generally small. Almost half of all workers have saved less than $50,000 (47 percent), and 15 percent say they have nothing at all saved for retirement. While the amount accumulated generally increases with age, less than one-fourth of those ages 40-59 have saved $100,000 or more. The majority of workers expect to spend at least 20 years in retirement, so even with $100,000 saved, that would mean they would only have $5,000 per year to spend.

- ***Confidence:*** Workers ages 20-39, workers ages 40-59, and retirees ages 60 and older all feel equally confident about having enough money to live comfortably throughout their retirement years (69 percent, 70 percent and 70 percent, respectively). While those 60 and older are as confident as the other groups, they tend to be less likely than 40-59-year-olds to have saved for retirement. This may be because they feel more confident about the current amount of benefits they will be receiving from Social Security and Medicare than those still in the work force.

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- ***Preparation for Retirement:*** While the percentage of workers who say they have personally saved for retirement remained constant in 2002, only one-third (32 percent) of workers indicate that they have tried to calculate how much money they will need to save for a comfortable retirement, down from 39 percent last year. Older workers ages 40-59 are more likely to say they have done such a calculation (33 percent), compared with workers ages 20-39 (26 percent). The 2002 RCS shows that 45 percent of those who have attempted to do a retirement calculation have made changes in their retirement planning as a result.

- ***Sources of Financial Information:*** Among the 41 percent of workers who say they received educational materials from their employer in the past 12 months, 82 percent report receiving a retirement benefit statement or a brochure. Newsletters or magazines are the next most-prevalent source of financial information (for 68 percent), followed by seminars (66 percent), access to a financial planner (61 percent) or workbooks or worksheets (58 percent). Workers ages 40-59 are more likely than those ages 20-39 to say they receive newsletters and magazines (72 percent vs. 58 percent), and less likely to say they receive information through the Internet, Intranet, or on-line services (38 percent vs. 57 percent).

Mathew Greenwald, whose firm conducted the survey, said the 2002 RCS asked respondents about their financial and retirement savings attitudes. Responses were used to segment respondents into five personality types, each of which approaches retirement preparation in very a different way. "For example, impulsives have good intentions but tend not to follow through on them," Greenwald said. "So while they think anyone can have a comfortable retirement, they aren't taking the necessary steps to ensure that they have one themselves."

Highlights regarding personality differences among all Americans:

- ***Planners:*** The RCS found that 23 percent of Americans are disciplined savers and financial risk takers. They enjoy financial planning and believe anyone can have a comfortable retirement if they just plan and save.

- ***Savers:*** The RCS found that 19 percent of Americans are careful with their money and are seldom set back by unexpected events. But their risk-adverse behavior makes them savers rather than investors.

- ***Strugglers:*** The RCS found that 18 percent of Americans, although generally not impulse shoppers, frequently suffer financial setbacks. Many consider themselves disciplined savers, but they can be easily deterred from achieving their savings goals by unexpected events.

- ***Impulsives:*** The RCS found that 24 percent of Americans believe a comfortable retirement is possible and many are willing to take financial risks, but they are not disciplined savers. Instead, they are prone to impulse buying and financial setbacks.

- ***Deniers:*** The RCS found that 15 percent of Americans dislike financial planning and seldom plan ahead even for more immediate financial concerns. They do not feel that a comfortable retirement is within their reach.

- The distribution of personality types varies by age group, but no one type dominates a group.

- Not surprisingly, planners and savers are more likely than strugglers, impulsives, and deniers to report that they have saved $100,000 or more for retirement. They are also far more likely than other groups to report that they are ahead or on track in planning and saving for retirement (61 percent and 56 percent, respectively).

"The 2002 RCS reports that the likelihood of being a planner or a saver increases with education or household income," said ASEC President Don Blandin. "It is important that we continue to develop savings tools and messages that reach out not only to individuals of different ages, but also to those in other specific categories such as lower-income workers, women, or even those who work for small employers that do not offer retirement plans."

More than 100 financial planning calculators, as well as educational video and audio messages are available at **www.choosetosave.org**, a Web site developed for the general public to aid in savings education and retirement planning. A number of other interactive savings tools, including the ***Retirement Personality Profiler***, the ***Retirement Readiness Rating Quiz***, and the ***Ballpark Estimate,*** retirement planning worksheet, are available at the EBRI and ASEC Web sites at: **www.ebri.org** and **www.asec.org**

These findings are part of the 12th annual Retirement Confidence Survey (RCS), a survey that gauges the views and attitudes of working-age 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 in January 2002 through 20-minute telephone interviews with 1,000 individuals (771 workers and 229 retirees) age 25 and older in the United States. In addition, an oversample of 116 individuals ages 20–24 was collected in order to provide supplemental data for the 20–39 age group analysis. Random digit dialing was used to obtain a representative cross section of the U.S. population. Starting with the 2001 wave of the RCS, all data are weighted by age, sex, and education to reflect the actual proportions in the adult population. In this year's report, data for the previous waves of the RCS have also been weighted to allow for consistent comparisons; consequently, some data in the 2002 RCS may differ slightly from data published in previous waves of the RCS.

In theory, each sample of 1,000 yields a statistical precision of plus or minus three percentage points (with 95 percent certainty) of what the results would be if all Americans age 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 impossible to quantify the errors that may result from them.

The 2002 RCS data collection was funded by grants from 20 public and private organizations, with staff time donated by EBRI, ASEC, and Greenwald. RCS materials and a list of underwriters may be accessed at the EBRI and ASEC Web site: www.ebri.org/rcs and www.asec.org

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 works through its partners to educate Americans on all aspects of personal finance and wealth development, including credit management, college savings, home purchase, and retirement planning. ASEC develops and distributes educational materials, all of which are available in hard copy and on the ASEC Web sites: www.asec.org and www.choosetosave.org ASEC is a program of the EBRI Education and Research Fund.

Mathew Greenwald & Associates, Inc., is a full-service market research company with an expertise in financial services research. Founded in 1985, Greenwald & Associates has conducted public opinion and customer-oriented research for more than 100 organizations, including many of the nation's largest companies and foremost associations.

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