

NEWS RELEASE

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2004 Retirement Confidence Survey:

Percentage of Americans Saving Stagnant Since 2001

Unrealistic Expectations for Retirement Contribute to Lull in Savings

WASHINGTON, DC—What will it take to get more Americans to save and plan for retirement? Despite a recovering economy and efforts to educate the population about the importance of planning and saving for retirement, the percentage of Americans who say they are saving for retirement remains stagnant. This, according to the 14th annual national Retirement Confidence Survey (RCS) released today by the Employee Benefit Research Institute (EBRI), American Savings Education Council (ASEC), and Mathew Greenwald & Associates (Greenwald).

The 2004 RCS provides several reasons why some Americans are not saving for retirement, and also offers some insight into what kind of educational approaches are most effective in prompting individuals to change their financial behavior. Apparently, unrealistic expectations and not knowing how much they will need to retire comfortably add to American workers' optimistic sense of confidence that they will be adequately prepared for retirement.

"In the 14 years that we have done the RCS, the aggregate level of worker confidence in having enough money to retire comfortably seems to remain unrelated to whatever economic conditions exist," stated Dallas Salisbury, president and CEO of EBRI. "This year, one-quarter (24 percent) of workers are *very* confident and more than 4 in 10 (44 percent) are *somewhat* confident. Almost half of workers (47 percent) who have not saved for retirement are at least *somewhat* confident about having enough money in retirement, with expectations that their retirement money will inevitably come from somewhere. America appears to be a nation of optimists when it comes to retirement, but for some people the retirement dream may turn into a nightmare."

The 2004 RCS shows that 58 percent of workers say they are currently saving for retirement, but the amount they have saved is low. The survey finds that 45 percent of all workers report total household assets, excluding the value of their home, of less than \$25,000. The proportion of workers who say they are currently saving for retirement has remained unchanged since 2001 (58 percent in 2004 vs. 62 percent in 2003, 61 percent in 2002, and 61 percent in 2001).

Additionally, the survey also shows that some techniques to educate workers and change the way they handle their finances are more successful than others. Even with all the computer technology and Internet information now available to consumers, most who receive education through an employer say they found personalized, one-on-one, and print communication most helpful.



“Overcoming the growing and constant drumbeat of ways and reasons to go into debt, including the new home purchase section ads that present the house price as a monthly payment with no reference to interest expense or total cost, makes the educational challenge greater with each passing day,” added Salisbury. “A debt-financed ownership society will not allow Americans to retire. That takes real savings.”

The RCS is a comprehensive study of the attitudes and behaviors of American workers and retirees toward saving, retirement planning, and long-term financial security. The RCS contains a core set of questions that is asked annually, allowing for key attitudes and behavior patterns to be tracked over time. The RCS was first released in 1991 and is unique in its long-term ability to track public attitudes about saving and retirement.

Possible Reasons Why Workers Are Not Saving:

- ***They think they can work long past the normal retirement age:*** More than half of workers (54 percent) expect to work to age 65 or older, and almost 7 in 10 (68 percent) plan to work in retirement. However, the average retiree retired at age 62. In addition, the 2004 RCS finds that 4 in 10 retirees (37 percent) left the work force earlier than planned. Many cited negative/unexpected reasons for retiring early such as health problems or disability (35 percent) or changes in their company such as downsizing or closure (28 percent).
- ***Low expectations of how much they will need to live in retirement:*** Ten percent of workers think they will need less than 50 percent of their preretirement income to live comfortably in retirement; 28 percent believe they will need 50–70 percent; 28 percent think they will need 70–85 percent; and 11 percent expect to need 85–95 percent of their preretirement income. In contrast, 39 percent of retirees say their current income is about the same as their preretirement income; 13 percent say it is higher; and 45 say it is lower. Many financial experts say that retirees will need at least 70–80 percent of their preretirement income to live comfortably in retirement.
- ***Most do not expect their standard of living to change in retirement:*** About two-thirds (64 percent) of workers believe that they will be at least as comfortable in the years immediately following retirement as they were before retirement. Six in 10 workers do not expect their standard of living to decline as they age during retirement (59 percent).
- ***Most do not know when they will be eligible for Social Security retirement benefits without a reduction for early retirement:*** Despite the importance of Social Security to retirement income, most workers do not know when they will be eligible for full Social Security benefits. Fifty-four percent of workers believe they will be eligible to receive full benefits earlier than the law permits, and 6 percent think later. Only 19 percent of workers are able to answer this question correctly. Many continue to be unaware of the phased increase in the normal retirement age from 65 to 67.
- ***Able but not all willing:*** Interestingly, there seems to be no real “demographic” difference (e.g., income, age, sex, etc.) between workers who say they are *willing* to cut back spending today to have more money in retirement later and those who are *not willing*. Almost one-quarter of workers say they are *very* willing to cut back on spending today (23 percent) and nearly 4 in 10 say they are *somewhat* willing (38 percent). That leaves 2 in 5 workers who say they are *not too* willing (19 percent) or *not at all* willing (15 percent) to cut back. The reasons most cited by workers—*willing* and *not willing*—for not being able to cut back spending are similar: they cannot afford to cut back; they have other priorities; or they are already saving enough.
- ***The government and employers should play a bigger role:*** Almost half of Americans feel the government or the employer should shoulder more of the burden for retirement security. Thirty percent of workers feel the government should pay for a greater share, and 21 percent say the employer should be asked to pay a greater share. Only 7 percent of workers indicate the individual should pay a greater share.

“Doing a retirement needs calculation every year can help you to determine if you are on track to reach your financial goals,” said Don Blandin, president of ASEC. “Yet, the 2004 RCS shows that only 42 percent of workers report that they and/or their spouse have tried to calculate how much money they will need to save by the time they retire to live comfortably. The survey finds that doing a savings need calculation appears to be effective in prompting people to make changes in their financial behavior.”

Specifically, 43 percent of workers who did a retirement needs calculation made changes in their retirement planning as a result: 57 percent started saving more; 19 percent changed the allocation of their money; 13 percent researched other methods to save for retirement (e.g., new products, financial planners, etc.); 2 percent lowered their debt; and 1 percent started saving for the first time.

“Another finding from this year’s RCS is that workers may be overestimating the likelihood of receiving some retirement benefits from their employer,” said Mathew Greenwald, president of Greenwald. “Employers have cut back substantially on the provision of defined benefit pension plans and retiree medical benefits, yet even younger workers are just as likely to expect to receive these benefits as current retirees are to have them.”

Financial Education Is Still Effective in Changing People’s Behavior. See below for additional RCS findings in this area:

- Workers are more likely to find paper-based information and individual or group meetings more useful than computer-based or Internet resources.
- Eighty percent of workers who receive retirement information from their employer say they used retirement benefit statements; 63 percent used brochures; and 53 percent used newsletters/magazines. Forty-three percent used seminars or group meetings, and 41 percent took advantage of individual access to a financial planner.
- Fewer report using online investment advice services (24 percent); other online services (21 percent); software programs (13 percent); or videos and CD-ROMS (12 percent).
- Retirement education in the work place reaches only a minority. One-third of workers (55 percent of plan participants) report receiving retirement educational materials or seminars from an employer or work-related retirement plan provider in the past 12 months (34 percent, down from 47 percent in 2003).
- Workers who are offered investment advice implement only some of the advice. Of the 43 percent of workers offered investment advice through their employer who say they requested and received investment advice for retirement purposes: 9 percent implemented all the recommendations; 67 percent implemented some of the recommendations; and 24 percent implemented none of the recommendations.

More than 100 financial planning calculators and interactive tools, including the *Ballpark Estimate* preretirement planning worksheet, *Retiree Health Savings Calculator*, and the *Retirement Personality Profiler*, as well as video and audio educational messages, are available at www.choosetosave.org, a Web site developed for the general public to aid in savings education and retirement planning.

These findings are part of the 14th 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 2004 through 20-minute telephone interviews with 1,002 individuals (783 workers and 219 retirees) age 25 and older in the United States. 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 2004 RCS may differ slightly from data published in previous waves of the RCS.

The 2004 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

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ASEC is a program of the nonpartisan, nonprofit Employee Benefit Research Institute Education and Research Fund (EBRI-ERF) (www.ebri.org). 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 educational materials are available at www.asec.org and www.choosetosave.org

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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