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New Research from EBRI:

Between 4–14% More U.S. Households “At Risk” of Running Short of Money in Retirement Due to 2008–2009 Recession

WASHINGTON—Depending largely on age and income, between 4 percent and 14 percent of Americans who otherwise would have had adequate income to cover basic expenses in retirement became “at risk” of running short because of the housing and financial crisis of 2008–2009, according to a new report by the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI analysis, based on its retirement income adequacy models, notes that the likelihood of becoming “at risk” because of the economic crisis depends to a large extent on the size of the retirement account balances the household had in 401(k)-type plans and/or individual retirement accounts, as well as their relative exposure to fluctuations in the housing market. The resulting percentages of households that would not have been “at risk” without the 2008/2009 crisis that ended up “at risk” vary from a low of 3.8 percent to a high of 14.3 percent, EBRI found.

How much additional money would these households need to save to make up for their losses from the crisis? Looking at all Early Boomer households, EBRI finds they would *generally* need to save between 1 percent and 4 percent of compensation more each year between now and retirement age. However, the answer to that question varies greatly and depends on several key factors, such as the size of account balances and exposure to the equity market; proximity of the household to retirement age (the closer to retirement age, the fewer years of additional savings are possible); the relative level of preretirement income; and the desired probability of adequate retirement income.

“The impact of the 2008/2009 financial crisis affected people in many different ways, and this study helps to show which groups were affected and how much more they’ll need to save in order to recover,” said Jack VanDerhei, EBRI’s director of research and author of the report.

The analysis is based on data from EBRI’s 2010 Retirement Security Projection Model[®] (RSPM) and EBRI’s 2010 Retirement Readiness Rating[™] (RRR), which provide a benchmark for Americans’ prospects of having sufficient resources to cover basic expenses and uninsured health expenses in retirement. The full report appears in the February 2011 *EBRI Issue Brief*, “A Post-Crisis Assessment of Retirement Income Adequacy for Baby Boomers and Generation Xers,” online at www.ebri.org. The report is also being published simultaneously by the PostPartisan Foundation’s Campaign for Economic Security.

RSPM also provides additional percentages of compensation that various types of households will need to save each year until retirement age to have a 50, 70, or 90 percent probability of having sufficient retirement income to meet basic retirement expenditures and any uninsured health care costs for their full retirement. It shows how much more different age groups will need to save, depending on the probabilities they want of achieving adequate retirement savings. For instance:

- **50 percent chance of success:** The median percentage of additional compensation for Early Boomers wanting a 50 percent probability of retirement income adequacy are 3.0 percent of compensation each year until retirement age, to account for the financial and housing market crisis in 2008–2009. Similar values are 0.9 percent for Late Boomers and 0.3 percent for Gen Xers.
- **70 percent chance of success:** For a 70 percent probability of adequacy, these numbers increase correspondingly, with the largest impact on those closest to retirement age. The median percentage of additional compensation for Early Boomers wanting a 70 percent probability of adequacy is 3.8 percent, in order to account for the financial and housing market crisis.
- **90 percent chance of success:** The median percentage of additional compensation for Early Boomers wanting a 90 percent probability of adequacy is 4.3 percent to account for the financial and housing market crisis.

About EBRI: The Employee Benefit Research Institute is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. www.ebri.org

About the PostPartisan Foundation: The PostPartisan Foundation is a post-partisan think tank. The PostPartisan Foundation is launching the Campaign for Economic Security, with support from AARP, to work across party lines to develop innovative new ways to help Americans save for retirement in the wake of the economic crisis. www.economicsecurityproject.org

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