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New Research from EBRI:

Work to Age 70? For Many, That Still Won't Pay for Retirement

WASHINGTON—Contrary to some reports that working just a little bit longer—to age 70—will allow between 80 and 90 percent of households to have adequate income in retirement, new research by the nonpartisan Employee Benefit Research Institute (EBRI) shows that for approximately one-third of the households between the ages of 30 and 59 in 2007 that won't be enough.

The EBRI research, the latest in a series of detailed analysis of retirement income adequacy by the Institute, stems from projections that large numbers of Baby Boomer and Generation X workers are likely to run short of what they need to cover general expenses and uninsured health care expenses in retirement.

“It would be comforting from a public policy standpoint to assume that merely working to age 70 would be a panacea to the significant challenges of assuring retirement income adequacy, but this may be a particularly risky strategy, especially for the vulnerable group of low-income workers,” noted Jack VanDerhei, EBRI research director and author of the report.

Working longer can, however, have a positive impact. The new research, using results from EBRI's Retirement Security Projection Model,[®] shows that nearly two-thirds (64 percent) of households aged 50–59 in 2007 would be considered “ready” for retirement at age 70, compared with 52 percent of those same households if they were to retire at age 65. Moreover, the research indicates that a worker's participation status in a defined contribution (DC) retirement plan at age 65 will be extremely important due to the multi-year consequences for additional employee and employer contributions to the plan.

Among the key reasons for the differences between EBRI's estimates and other models is that EBRI's research is based on data from millions of actual 401(k) participants and its model incorporates longevity risk, investment risk, and the risk of potentially catastrophic health care costs (such as prolonged stays in a nursing home).

“While workers need to make their own decisions on the correct trade-offs of saving today vs. deferring retirement, they should be able to expect that those presenting alternatives be as accurate and complete as possible, avoiding simplistic ‘rules of thumb’ that may result in future retirees, through no fault of their own, coming up short,” VanDerhei observed.

The full report is published in the August 2012 *EBRI Notes*, “Is Working to Age 70 Really the Answer for Retirement Income Adequacy?” online at www.ebri.org

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