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Confidence in Retirement Security Remains High Despite Pandemic, but Signals Change With Widespread Unemployment

Workers' Satisfaction With DC Plans Is High, but Reveals Some Crisis Impact

WASHINGTON – April 23, 2020 – The 2020 Retirement Confidence Survey (RCS), fielded in January, found 77 percent of retirees are confident in their ability to live comfortably throughout retirement, down slightly from 82 percent in 2019. Despite the subsequent pandemic, that number barely changed when the survey was re-fielded in late March (76 percent).

Now in its 30th year, the annual RCS is the longest-running survey of its kind, measuring worker and retiree confidence about retirement. It is conducted by the Employee Benefit Research Institute (EBRI) and independent research firm Greenwald & Associates. The RCS was conducted in early January, prior to the coronavirus crisis that is greatly impacting U.S. and global markets, businesses, and unemployment. Recognizing the impact these events may have had on RCS results and key metrics, the researchers re-fielded a supplemental survey of key questions from March 20–30, 2020.

Workers also remain surprisingly confident, except when job security was threatened. In January, 69 percent of all workers reported being very or somewhat confident in their ability to live comfortably throughout their retirement years, comparable to 2019. In March 2020, the percentage of workers feeling confident is statistically unchanged at 63 percent. However, those who fear the current pandemic may impact or has impacted their employment status exhibit lower confidence.

“Understandably, retirement confidence is significantly lower among those who say their employment status has negatively changed or anticipate it to negatively change within the next six months. Those who have experienced or worry about negative employment changes lag about 20 percentage points behind other respondents when it comes to confidence in having enough money to live comfortably in retirement, take care of basic needs, and cover medical and long-term care expenses in retirement,” said Craig Copeland, EBRI senior research associate and co-author of the report.

“In an attempt to give some context to the current crisis, the supplemental survey asked which of seven major issues is most critical in America today, and more than a third of retirees identify ‘health care’ as most pressing, followed by a quarter who cite ‘the economy.’ Workers are split evenly between the two. Only 3 percent cite Americans’ retirement readiness as most critical,” said Lisa Greenwald of independent research firm Greenwald & Associates.

“Retirement confidence continues to be closely related to having a retirement plan,” said Copeland. “Of workers who are confident, 96 percent contribute to a defined contribution (DC) plan, and 94 percent are currently saving for retirement. Good health also impacts confidence, with 68 percent of confident workers citing being in very good to excellent health.”

January's results show that three-quarters of workers are offered a defined contribution plan, and of those, about 9 in 10 claim they participate. As of late March, these findings remain unchanged. Workers who have a retirement plan, either an employer-sponsored DC plan or an individual retirement account (IRA), overwhelmingly report better retirement savings behaviors. More than 8 out of 10 workers with a retirement plan (84 percent) report that they have personally saved for retirement, compared with 17 percent without a plan. Similarly, workers with a plan are dramatically more likely to report total savings and investments of \$100,000 or more (56 percent with a plan vs. 7 percent without).

Plan participants are, and remain, highly satisfied with their employer-sponsored retirement plan. In January, 83 percent were very or somewhat satisfied with their plan overall. The same share expressed satisfaction with the investment options in their plan, which they select primarily based on performance/growth (43 percent), alignment with risk tolerance (34 percent), and consideration of fees (29 percent). While the selection criteria remain the same, satisfaction with plans both overall and with the investment options available is lower, but still strong, in March (76 percent each express satisfaction with the plan overall and with investment options).

Nearly half of workers (48 percent) in 2020 say they tried to calculate how much they need to save for retirement, an influential planning step, up from 42 percent in 2019 and 38 percent in 2018. Four in ten estimate they will need to save \$1 million or more, also up from 34 percent in 2019 and 27 percent in 2016. Workers who have attempted this calculation continue to be more confident in their retirement security than those who do not try.

Workers commonly save in their workplace retirement plans. Consequently, 8 in 10 workers (82 percent) expect income from a workplace retirement savings plan (separate from a pension plan) to be a major or minor source of income in retirement, while half of retirees (49 percent) report this is a major or minor source of income.

Furthermore, 57 percent of retirees report that they had savings in a workplace retirement savings plan at the time they retired. Of those, slightly more than 4 in 10 (44 percent) rolled their savings into an IRA, while 3 in 10 (31 percent) kept it in the plan. Retirees with DC plan and/or IRA assets do not report significant withdrawals for income, as 3 in 10 withdraw only the required minimum distribution and nearly as many report that they do not withdraw at all. In fact, three-quarters of retirees state that they aim to maintain, or even increase, their assets.

"Income remains a high priority for retirees. When asked to identify their guiding principle for managing finances in retirement — income stability vs. preserving principal and wealth — 3 in 4 of both retirees (76 percent) and workers (75 percent) select 'Income Stability: Ensuring a set amount of income for life,'" said Greenwald. Also notable, over half of workers suggest they expect a product that guarantees income for life, such as an annuity, will be a source of retirement income for them, whereas only about a third of retirees (36 percent) receive income from this type of product.

At the same time, half of retirees report that their overall expenses in retirement are as they expected. A third of retirees (34 percent in both January and March) report overall expenses in retirement are higher than expected. In January, pluralities of retirees reported that spending in several different categories was as expected, including health expenses. There is some indication of a changing scenario in March, as more retirees indicate spending on entertainment and leisure is higher than expected (21 percent in January vs. 30 percent in March) and more report spending to support a family member is

higher than expected (14 percent in January vs. 21 in March). Experiences with health care expenses were comparable from January to March, with 38 percent reporting higher than expected costs in January and 40 percent in March.

The survey report, ***2020 Retirement Confidence Survey Summary Report***, is available at ebri.org.

About the Survey:

The 2020 survey of 2,042 Americans was conducted online January 6 through January 21, 2020. All respondents were ages 25 or older. The survey included 1,018 workers and 1,024 retirees. In light of the potential impact the COVID-19 pandemic may likely have had on RCS results and key metrics, a supplemental survey of key questions was refiled from March 20–30, 2020. Data were weighted by age, gender, education, household income, and race using Census CPS data to reflect the composition of Americans ages 25 or older.

The survey was underwritten by Capital Group, Columbia Threadneedle, Invesco, J.P. Morgan, LGIMA, Lincoln Financial, Mercer, MetLife, Nationwide Financial, PIMCO, Principal Financial Group, T. Rowe Price, Segal, and Vanguard.

About EBRI:

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI conducts objective research and education to inform plan design and public policy, does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org.

About Greenwald & Associates:

Greenwald & Associates is a leading, independent research firm that has been specializing in retirement, employee benefits, and health care research for nearly 35 years. For more information, go to www.greenwaldresearch.com