



EBRI News

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New Research From EBRI:

College Faculty Are Better Prepared for Retirement Than Other Working Americans, Study Reports

WASHINGTON—College and university faculty are doing a better job of planning and saving for retirement than other working Americans, making faculty members more confident about their retirement prospects, according to a study released today.

“Higher-education retirement systems stand out as participant success stories, although not without challenges,” says the study, published in the March 2006 *EBRI Notes*, a publication of the nonpartisan Employee Benefit Research Institute (EBRI). The study is available at www.ebri.org.

The study is based on a survey of college and university faculty members conducted by EBRI, Mathew Greenwald & Associates, a survey research firm, and the TIAA-CREF Institute, part of TIAA-CREF, the leading provider of retirement services in the academic, research, medical, and cultural fields. The goal was to gain a better understanding of the retirement planning and savings behavior of college and university faculty, to gauge faculty perceptions regarding various aspects of retirement, and to contrast the preparations of faculty members with other working Americans.

Overall, the survey finds faculty members’ confidence about their retirement prospects well-founded. A higher percentage of faculty members have begun to save for retirement compared with other working Americans, and faculty members are likely to have a better idea than other workers of how much money they will need to live comfortably in retirement.

Here are some of the key findings from the Retirement Confidence Survey of College and University Faculty:

- Thirty-five percent of higher-education faculty members are very confident they will have enough money to live comfortably in retirement and 51 percent are somewhat confident. By comparison, 34 percent of all working Americans are either not too confident or not at all confident, 40 percent are somewhat confident and only 25 percent are very confident.
- Ninety-five percent of higher-education faculty have begun to save for retirement compared with 69 percent of all working Americans.
- Sixty-six percent of higher-education faculty have tried to determine how much money they will need to live comfortably in retirement compared with 42 percent of working Americans.

In addition, the survey finds that higher-education faculty members appear to have a more realistic grasp of how much of their preretirement income they will need to replace to live comfortably after they retire. Thirty-seven percent said they will need 70 percent to less than 85 percent of their previous income. By comparison, 23 percent of all workers selected this range. Forty-one percent of all workers believe they will need 50 percent to less than 70 percent, and 18 percent said less than 50 percent. Among faculty members, by comparison, 31 percent and 9 percent, respectively, picked these ranges.

“While more realistic in the aggregate than workers in the general population,” the study says, “many college and university faculty members nonetheless appear to underestimate the amount of income they will need to replace in retirement, as the general rule-of-thumb calls for 70–80 percent income replacement rates in order to maintain preretirement standards of living.”

The study notes that higher-education faculty members tend to be older, have higher education levels, and have higher incomes than the working population as a whole. In addition, according to the study, more higher-education faculty members are covered by a retirement plan than other working Americans—85 percent, compared with 59 percent. Both defined benefit and defined contribution plans are common in higher education and higher-education defined contribution plans are structured differently than private-sector 401(k) plans. Many faculty members—at least at public institutions—can choose the option that best meets their needs. “These factors contribute to better retirement outcomes,” the study says.

The study contrasts the results of the college and university faculty members with the 2005 EBRI Retirement Confidence Survey (RCS) to draw comparisons between higher-education faculty and all working Americans. The higher-education survey included responses from 1,307 individuals, was taken between March and May 2005, and has a margin of error of 3 percentage points. The Retirement Confidence Survey involved interviews with 1,253 individuals in January 2005 and had a margin of error of 3 percentage points. EBRI and Greenwald sponsor the RCS. The 2005 RCS is available at www.ebri.org/surveys/rcs/2005/

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