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New Research from EBRI:

Most Americans Are Off to a Reasonably Successful Start of Retirement

WASHINGTON—Over the 12-year period from 1992–2004, the majority of 65- to 75-year-old Americans appear to have started their retirement reasonably successfully in terms of income and total wealth, but some have not done as well, according to a report released today by the nonpartisan Employee Benefit Research Institute (EBRI).

The report examined those currently between ages 65 and 75 to determine their levels of wealth (total assets minus total debt) in retirement, how those levels have changed, and whether this group is on track for a financially secure retirement. The report appears in the February 2007 *EBRI Issue Brief*, available at www.ebri.org, and is based on data from the Health and Retirement Study (HRS), which is primarily sponsored by the National Institute on Aging and the Social Security Administration.

Overall, about 53 percent of Americans who have reached age 65 recently were found to have no decline in household income, the *Issue Brief* said, and 71 percent were found to have no decrease in total wealth during the 12-year period. About 60 percent had a decline in either household income or total wealth, but less than 20 percent had a decline in both.

The outlook did not look as good for those in the study period who experienced a decline in wealth. The *Issue Brief* reported the following findings:

- The median decline in **total wealth** over the 1992–2004 period was roughly 50 percent for this group.
- The median average annual decline in **total wealth** for this group surpassed 5 percent, putting these individuals at significant risk of running out of money in retirement.
- Those seeing a decline in **financial wealth** (wealth not attributable to one's home) were posting a median decrease of about twice the level that research suggests is advisable. This was probably due to excessive spending rather than investment loss.

Research has shown that, generally, individuals should spend less than 5 percent of their assets each year in retirement to have a high likelihood of not running out of money within 30 years. When individuals' assets decline faster than 5 percent a year, chances go up that they will exhaust their savings sometime in retirement.

The HRS shows that individuals with the highest amounts of pension/annuity income tended to fare better than those with little or none of this type of income, the *Issue Brief* reported. However, 60 percent of those in the HRS sample did not have pension income, and future generations of Americans will face a smaller likelihood of receiving pension/annuity income from employment-based arrangements as private-sector retirement coverage shifts to defined contribution (401(k)-type) plans. The importance of individual decision-making increases with these trends, the *Issue Brief* says, and education is needed in helping Americans manage their money in retirement.

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