2010 Retirement Confidence Survey: Americans’ Confidence Stabilizing, But Preparations for Retirement Continue to Erode

WASHINGTON—Americans’ confidence in their ability to retire appears to be stabilizing, now that the economic volatility of the recession has abated, but their self-described preparations for retirement continue to erode, according to the 2010 Retirement Confidence Survey (RCS) released today by the nonpartisan Employee Benefit Research Institute (EBRI) and Mathew Greenwald and Associates, a market research firm.

However, the RCS also finds that a growing number of American workers are also planning to delay retirement—which has negative implications for the U.S. job market, where unemployment is high and layoffs continue to grow. As older workers stay at their jobs longer, the RCS results suggest that fewer existing jobs are likely to open up.

And Americans continue to lack confidence in institutions. They are most likely to express confidence in private employers and least likely to express confidence in the federal government. Both workers and retirees expressing low levels of confidence in banks and insurance companies.

“Americans’ attitudes toward retirement have clearly tracked the economy the last couple of years, and that seems to be the case in 2010,” said Jack VanDerhei, EBRI research director and co-author of the survey. “Unfortunately, while their attitudes are stabilizing, their preparation for retirement is not. A distressing number of people have no savings at all.”

The 2010 RCS marks the 20th wave of this survey, which is the longest-running public opinion study of its kind on Americans’ attitudes on retirement and savings. The survey is co-sponsored by EBRI and Mathew Greenwald and Associates, which fielded the questions in January. More than 30 organizations provided funding for this year’s survey, which is online at www.ebri.org.

In addition to looking at long-term trends on workers pushing back their expected retirement age—which had been steadily growing even before the recent economic recession—this year’s RCS also reveals several other major trends that this unique survey has been tracking over the past two decades. Among the survey’s key points:

- **Stabilizing confidence:** The percentage of workers very confident about having enough money for a comfortable retirement remains steady at 16 percent, which is statistically equivalent to the 20-year low of 13 percent measured in 2009. Retiree confidence about having a financially secure retirement has also stabilized, with 19 percent saying now they are very confident (statistically equivalent to the 20 percent measured in 2009).
• **Basic expenses:** Worker confidence about paying for basic expenses in retirement has rebounded slightly, with 29 percent now saying they are very confident about having enough money to pay for basic expenses during retirement (up from 25 percent in 2009, but still down from 34 percent in 2008). The percentage of retirees indicating they are very confident about paying for basic expenses has stayed level at 33 percent (statistically equivalent to the 34 percent observed in 2009).

• **Financial aspects of retirement:** The percentages of workers very confident about other financial aspects of retirement have held steady at 12 percent for medical expenses, 10 percent for long-term care expenses, and 21 percent for doing a good job of preparing for retirement. However, the percentages not confident continue to creep upward, from 44 percent in 2009 to 51 percent in 2010 for medical expenses, from 56 percent to 61 percent for long-term care expenses, and from 30 percent to 35 percent for doing a good job of preparing for retirement.

• **Fewer are saving:** Fewer workers report that they and/or their spouse have saved for retirement (69 percent, down from 75 percent in 2009 but statistically equivalent to 72 percent in 2008). Moreover, fewer workers say that they and/or their spouse are currently saving for retirement (60 percent, down from 65 percent in 2009 but statistically equivalent to percentages measured in other years).

• **Ranks of those with no savings are growing:** An increased percentage of workers report they have virtually no savings and investments. Among RCS workers providing this type of information, 27 percent say they have less than $1,000 in savings (up from 20 percent in 2009). In total, more than half of workers (54 percent) report that the total value of their household’s savings and investments, excluding the value of their primary home and any defined benefit plans, is less than $25,000.

• **Workers postponing retirement:** One-quarter of workers (24 percent) report they have postponed their planned retirement age in the past year. Among the reasons cited for delaying retirement are the poor economy (29 percent of those postponing retirement), a change in their employment situation (22 percent), inadequate finances (16 percent), and the need to make up for losses in the stock market (12 percent).

• **Later retirement expected:** Although the age at which workers report they expect to retire shows little change from 2009, a longer-term look finds significant change. In particular, the percentage of workers who expect to retire after age 65 has increased over time, from 11 percent in 1991 to 14 percent in 1995, 19 percent in 2000, 24 percent in 2005, and 33 percent in 2010.

• **Institutional confidence:** Americans continue to lack confidence in institutions. They are most likely to express confidence in private employers (23 percent of workers and 27 percent of retirees very confident) and least likely to feel confidence in the federal government (11 percent of workers and 8 percent of retirees). Just 19 percent of workers and 22 percent of retirees report they are very confident about banks, while 12 percent of workers and 13 percent of retirees say they are very confident about insurance companies. Moreover, the percentages of retirees somewhat confident about banks (45 percent, down from 51 percent in 2009), insurance companies (42 percent, down from 56 percent), and the federal government (30 percent, down from 45 percent) are declining.

• **Clueless about savings goals:** Many workers continue to be unaware of how much they need to save for retirement. Less than half of workers (46 percent) report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.
• **Some reality testing on savings needs:** The savings goals cited by workers who have done a retirement needs calculation have increased over time. In the 2000 RCS, 31 percent said they needed to accumulate at least $500,000 for retirement. This percentage gradually increased to 43 percent in 2005 and 54 percent in 2010.

• **Investing confidence ticks up:** Those who have saved for retirement have recovered some confidence in their ability to invest their savings wisely. Thirty-two percent of workers indicate they are very confident (up from 24 percent in 2009) and another 54 percent are somewhat confident. Retirees who have saved for retirement show a similar rebound in confidence that they are investing their savings wisely, with 82 percent saying they are very or somewhat confident (up from 70 percent in 2009).

• **Sources of retirement income:** Over time, the RCS has observed changes in workers’ expected sources of retirement income. In particular: fewer workers are expecting to receive retirement income from Social Security (77 percent, down from 88 percent in 1991) and defined benefit plans (56 percent, down from 62 percent in 2005). However, more workers report they will rely on employer-sponsored retirement savings plans (75 percent in 2010, up from 69 percent in 2005) and employment income (77 percent, up from 70 percent in 2005).

• **Guaranteed income products:** Few workers report they are likely to purchase a financial product or select a retirement plan option that pays them guaranteed income each month for the rest of their life. Only 11 percent indicate they are very likely to do so, while 35 percent say they are somewhat likely. Only 14 percent of retirees report they purchased a guaranteed-income product or selected a guaranteed-income option from a retirement plan.

**Methodology**

These findings are part of the 20th annual Retirement Confidence Survey (RCS), a survey that gauges the views and attitudes of working-age and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted in January 2010 through 20-minute telephone interviews with 1,153 individuals (902 workers and 251 retirees) age 25 and older in the United States. Random digit dialing was used to obtain a representative cross section of the U.S. population. To further increase representation, a cell phone supplement was added to the sample.

In theory, the weighted sample of 1,153 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if all Americans age 25 and older were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

**About EBRI and MGA**

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