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1100 13th St. NW • Suite 878 • Washington, DC 20005
(202) 659-0670 • www.ebri.org • Fax: (202) 775-6312

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CONTACT: Jack VanDerhei, EBRI, (202) 775-6327, vanderhei@ebri.org
Stephen Blakely, EBRI, (202) 775-6341, blakely@ebri.org

New Research From EBRI:

Nursing Home Costs a Big Factor in Americans' Retirement Adequacy Deficit

WASHINGTON—Recent analysis by the nonpartisan Employee Benefit Research Institute (EBRI) finds that the average retirement savings shortfall is about $48,000 per individual—and that adding nursing home and home health care costs would in some cases almost double that amount.

EBRI's research uses the Institute's unique Retirement Security Projection Model® to estimate the total national aggregate and individual retirement deficits at age 65 for three cohorts of workers (Early and Late Baby Boomers and Generation Xers). First presented in testimony before the Senate HELP Committee last week, EBRI's analysis finds the aggregate national retirement savings shortfall is $4.6 trillion, for an overall average of $47,732 per individual. The average shortfall varies by age, gender, and marital status.

In the more detailed analysis published today in the October issue of *EBRI Notes* (online at www.ebri.org), EBRI says that adding nursing home and home health care expense increases the average individual retirement savings shortfall for married households by $25,317. Single males experience an average increase of $32,433, while single females have an increase of $46,425.

"This helps quantify just how large of an impact nursing home and home health care expenses can have on people in retirement," said Jack VanDerhei, EBRI research director and author of the report.

EBRI's estimates are present values (stated in 2010 dollars) at age 65, and represent the additional individual average amount needed at age 65 to eliminate expected deficits in retirement. EBRI notes this aggregate deficit assumed that Americans will receive current-law Social Security benefits.

Reflecting the importance of Social Security, the EBRI analysis finds that if Social Security retirement benefits were eliminated, the aggregate retirement income deficit would almost double, to $8.5 trillion, or an individual average of approximately $89,000.

EBRI's Retirement Security Projection Model® has been developed since the late 1990s to estimate how much money Americans will need for "basic" expenses (food, shelter, etc.) and uninsured health care costs in retirement, and what financial resources they are likely to have at retirement age. Earlier this year, EBRI released its 2010 Retirement Readiness Rating,™ which showed the degree to which Baby Boomers and GenXers are likely to be "at risk" of running short of money in retirement.

((more))

For instance, EBRI has found that 70 percent of households in the lowest one-third when ranked by preretirement income were classified as "at risk." EBRI's analysis also presents the percentage of compensation different groups would need in terms of additional savings to have a 50, 70, or 90 percent probability of retirement income adequacy.

The retirement savings shortfalls presented in EBRI's new research are determined as a present value of retirement deficits at age 65 for three age cohorts: Early Boomers (born between 1948–1954, now ages 56–62), Late Boomers (born between 1955–1964, now ages 46–55), and Generation Xers (born between 1965–1974, now ages 36–45).

The full report is titled, "Retirement Savings Shortfalls for Today's Workers," in the October issue of *EBRI Notes*, available online at www.ebri.org

EBRI's Oct. 7 testimony before the Senate Committee on Health, Education, Labor and Pensions is online at http://bit.ly/b6yMXu

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