

Understanding the Link Between Retirement Confidence and Retirement Planning

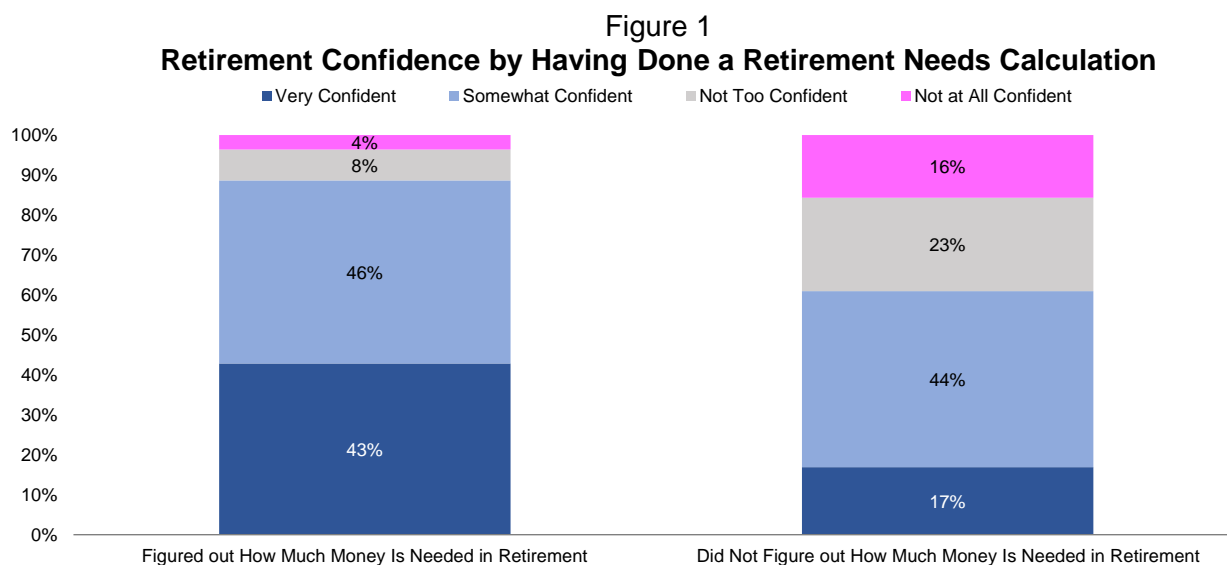
How important is the planning process when it comes to retirement confidence? This *Fast Fact* explores this question by examining workers' stated retirement confidence and the actions they have undertaken to prepare for retirement.

The findings are based on the results of the 2022 Retirement Confidence Survey (RCS), conducted by the Employee Benefit Research Institute and Greenwald Research. The RCS has annually asked, "Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?" In 2022, a near-survey-high proportion of workers report being somewhat or very confident in having enough money to live comfortably throughout retirement, at 73 percent.¹ Among those taking retirement planning actions, the correlation with higher retirement confidence is evident, as this *Fast Fact* shows.

Figuring out How Much to Save

An initial step that workers can take to prepare for retirement is to figure out how much money they need in retirement. In order to see if workers are taking this initial step, the RCS asks, "Have you (or your spouse) tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?" Forty-four percent of workers say they have done this calculation.

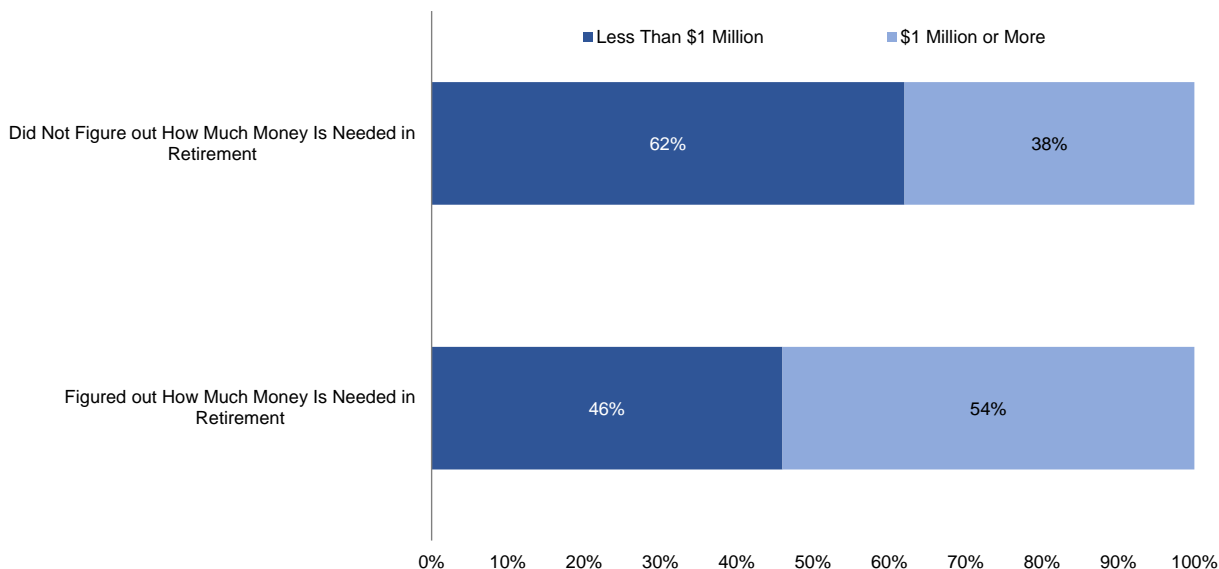
Of those who say they have done the calculation, 89 percent say they are confident in having enough money to live comfortably throughout retirement, including 43 percent who say they are very confident (Figure 1). This compares with 61 percent of those who say they did not do the calculation having this confidence, with just 17 percent being very confident.



Source: 2022 Retirement Confidence Survey, EBRI and Greenwald Research.

In addition to more likely being confident, those who say they figured out how much money they need to save are more likely to say they need a higher level of savings. Fifty-four percent of those having done the calculation say they need to have saved \$1 million or more by retirement compared with 38 percent of those who had not done the calculation (Figure 2).

Figure 2
Amount Said Needed for Retirement by Having Done a Retirement Needs Calculation



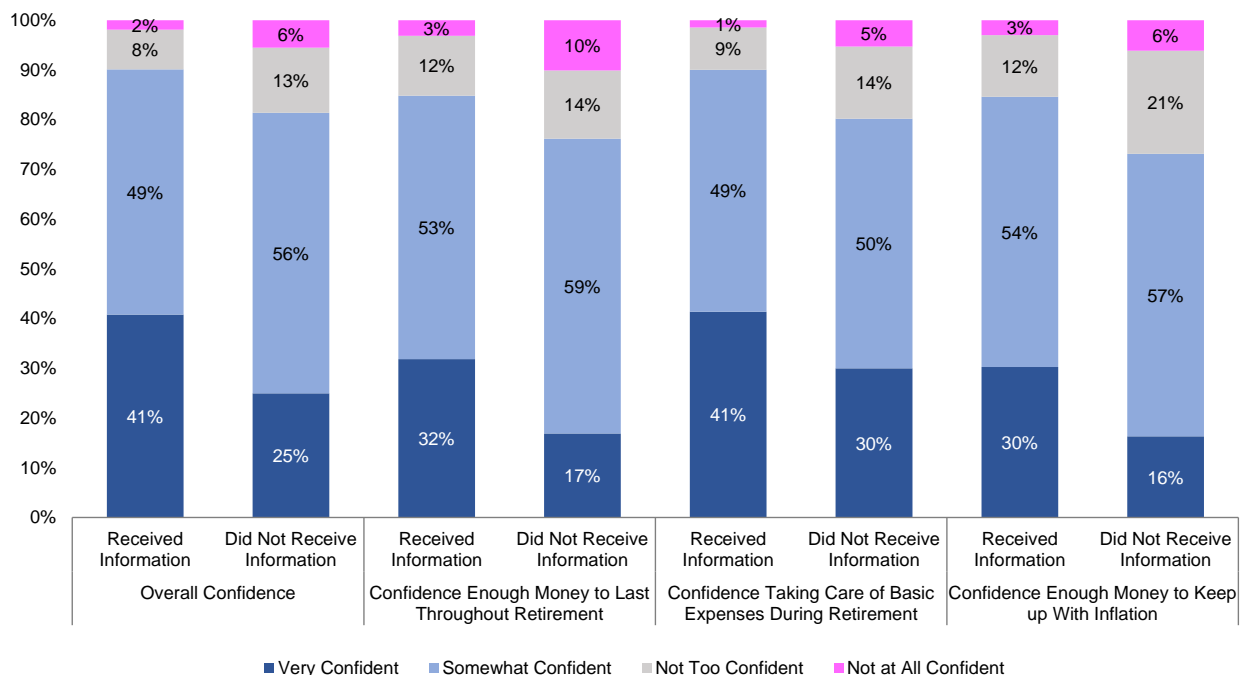
Source: 2022 Retirement Confidence Survey, EBRI and Greenwald Research.

Estimating Monthly Income in Retirement From Savings

Another step that workers can take to prepare for retirement is to estimate how much monthly income their savings will provide. The RCS asks those currently contributing to a workplace retirement savings plan, “In recent years, a number of organizations have developed calculators to estimate how much a certain level of savings will provide as monthly income in retirement. Based on your current account balance and annual contributions, these calculators will provide estimates of what might be available from these plans in terms of monthly income. Do you receive this type of information from your employer?” Sixty percent of those currently contributing to a plan say they received this information, and 87 percent of those currently contributing to a plan report being confident in having money to live comfortably in retirement vs. 58 percent of those not currently contributing to a plan.

Being provided this information is correlated with higher confidence in various aspects of retirement (Figure 3). For example, 41 percent of those receiving this information say they are very confident in having enough money to live comfortably throughout retirement compared with 25 percent of those not receiving this information. Furthermore, nearly twice as many are very confident in having enough money to last throughout retirement, approximately a third more are very confident in having enough money to take care of basic expenses during their retirement, and nearly twice as many are very confident in having enough money to keep up with the cost of living/inflation between those receiving the information and those not receiving this information.

Figure 3
Overall Retirement Confidence and Other Aspects of Retirement Confidence by Having Received Information to Calculate the Amount of Monthly Income From Assets Saved

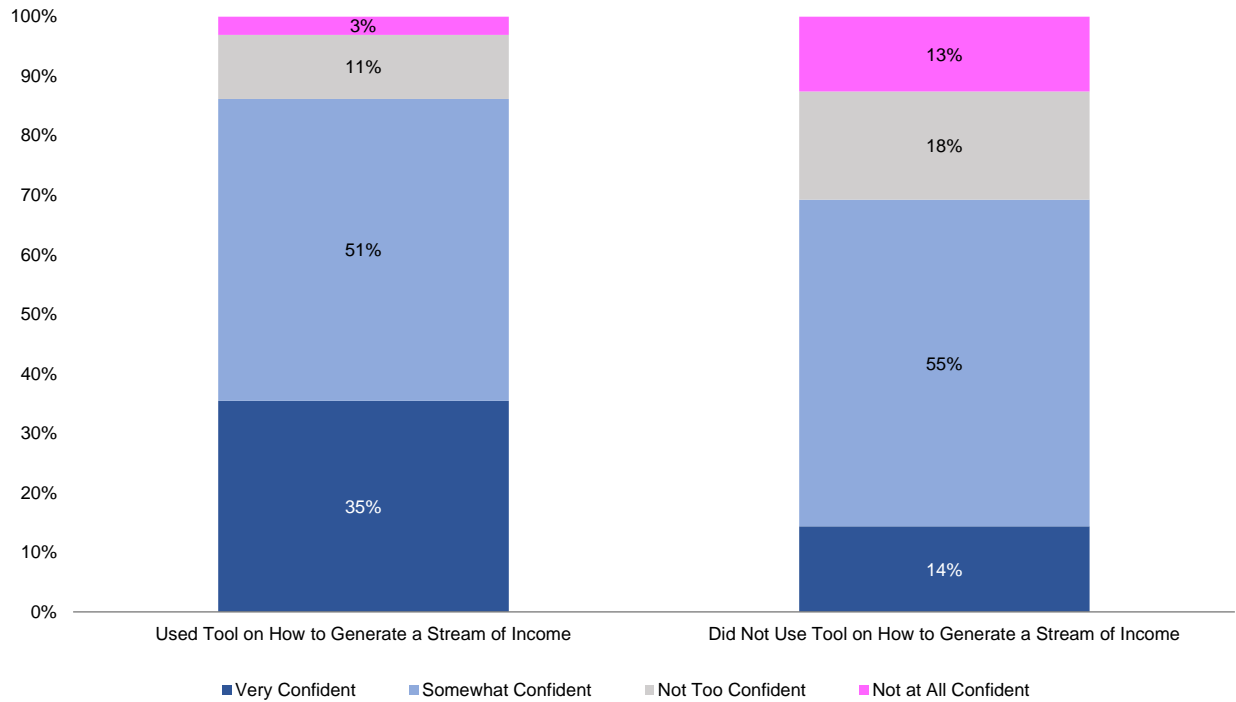


Source: 2022 Retirement Confidence Survey, EBRI and Greenwald Research.

Using Tools and Resources on How to Generate a Stream of Income From Retirement Savings

Those offered a retirement savings plan could also use tools or resources that help them in how to generate a stream of income from their retirement savings. Specifically, the RCS asks those whose employer offers a retirement savings plan, “How often would you say you use the following resources available through your workplace retirement plan? The tools and resources available to help you determine how to generate a stream of income from your savings.” For those who say they used these tools or resources at least once, 86 percent are somewhat or very confident in having enough money to live comfortably throughout retirement compared with 69 percent of those not using these tools and having an employer offering a retirement savings plan (Figure 4). Again, the percentage using these tools who report being very confident is much higher than the percentage who did not use these tools.

Figure 4
Retirement Confidence by Having Used a Tool for Determining How to Generate a Stream of Income



Source: 2022 Retirement Confidence Survey, EBRI and Greenwald Research.

Conclusion

An important finding from the RCS is that those who seek out or are provided more information on how much to save or how to generate a stream of income in retirement are more likely to be confident, including a significantly higher proportion who report being very confident, in their retirement prospects. Unfortunately, only a minority of workers are exposed to this information, either because they have not made the effort or because they do not have access to a workplace retirement savings plan. In particular, the percentage of workers who have tried to figure out how much money they need to have saved by retirement has not moved substantially since the RCS began despite more tools being available and increased messaging of the need to save. If retirement prospects are going to improve more generally, new ideas for engagement in savings are needed.

¹ See [2022 Retirement Confidence Survey Summary Report](#).

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