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Employee Benefit Research Institute

July 27, 2010 #175

FAST Facts

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2010 EBRI Retirement Readiness Rating:™

Auto-Enrollment Helping to Reduce Those "At Risk" of Running Short of Money in Retirement

WASHINGTON—How do the chances of running short of money in retirement change by age group? Have the chances changed over time, and if so, why?

The 2003 and 2010 Retirement Readiness Ratings™ from the nonpartisan Employee Benefit Research Institute (EBRI) provide a baseline projection of being "at risk" of having insufficient income to cover basic retirement expenses, as well as uninsured health care costs, for three age groups. It finds those closest to retirement are at greatest risk of running short of money, but that the risk levels are actually lower than they were seven years ago:

Chance of Being "At Risk" of Running Short of Money in Retirement, by Age Group, 2010 and 2003

	2010	2003
Early Baby Boomers (now ages 56–62)	47.2%	59.2%
Late Baby Boomers (now ages 46–55)	43.7	54.7
Generation Xers (now ages 36–45)	44.5	57.4

Source: July 2010 EBRI Issue Brief, www.ebri.org

The primary reason why "at-risk" levels are lower in 2010 than in 2003 is enactment of the Pension Protection Act of 2006, which led to increased adoption of automatic enrollment, automatic escalation of contributions, and diversified default investments in 401(k) plans. This in turn has led to increases in 401(k) participation rates, increased account accumulations, and better long-term retirement preparation prospects for many workers, especially those in lower-income brackets.

When the results of the analysis are classified by future eligibility in a defined contribution plan, such as a 401(k), the differences in the "at-risk" percentages are quite large. For example, Gen Xers with no future years of eligibility in a defined contribution plan have an "at-risk" level of 60 percent, compared with only 20 percent for those with 20 or more years of future eligibility.

Full details appear in the July 2010 *EBRI Issue Brief,* available at www.ebri.org