August 1998

What Is Your Savings Personality? The 1998 Retirement Confidence Survey

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Issue Brief

- This *Issue Brief* presents the findings of the 1998 Retirement Confidence Survey (RCS). The survey tracks Americans' retirement planning and saving behavior and their confidence regarding various aspects of their retirement. It also categorizes workers and retirees into six distinct groups, based on their very different views on retirement, retirement planning, and saving.

- The six personality types identified in the RCS are Deniers (10 percent of the population), Strugglers (9 percent), Impulsives (20 percent), Cautious Savers (21 percent), Planners (23 percent), and Retiring Savers (17 percent).

- The survey shows that working Americans have become more focused on retirement; 45 percent have tried to determine how much they need to save before they retire, up from 32 percent in 1996.

- Americans' growing attention to their retirement has not increased their retirement income confidence. Since 1993, the portion of working Americans who are very confident that they will have enough money to live comfortably throughout retirement has consistently ranged from 20 percent to 25 percent.

- Sixty-three percent of Americans have begun to save for retirement. Fifty-five percent of those not saving for retirement say it is reasonably possible for them to save $20 per week (over $1,000 per year). In addition, 57 percent of workers who have begun to save say that it is reasonably possible for them to save an additional $20 per week.

- The findings demonstrate the continuing need for broad-based educational efforts designed to make retirement savings a priority for individuals. The good news is the evidence that education can have a real impact at the individual level.

- For the first time, the 1998 RCS examined retirement planning, saving, and attitudes across ethnic groups (African-Americans, Hispanic-Americans, Asian-Americans, and whites). African-Americans are the least confident that they will have enough money to live comfortably in retirement. African-Americans and Hispanic-Americans are less likely than whites and Asian-Americans to have saved any money for retirement. Among those saving for retirement, individuals' confidence that they are investing their retirement savings wisely does not differ among ethnic groups. Hispanic-Americans are less likely than whites and Asian-Americans to have made an attempt to determine how much money they will need to have saved by the time they retire.

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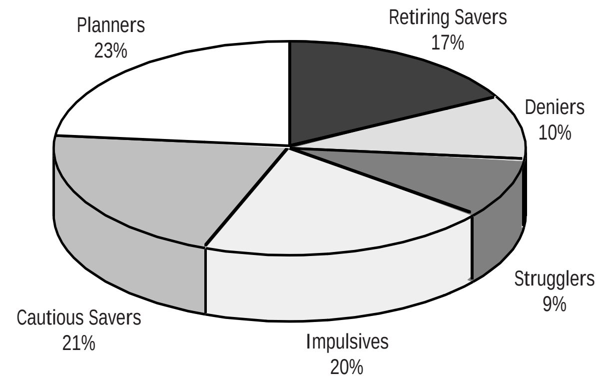
Paul Yakoboski and Pamela Ostuw of EBRI and Jennifer Hicks of Mathew Greenwald & Associates wrote this *Issue Brief* with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, members, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.



Source: 1998 Retirement Confidence Survey.

Introduction

The eighth annual Retirement Confidence Survey (RCS)[1] provides evidence that progress is being made in the quest for retirement income security in the 21st century. However, challenges remain. The RCS tracks Americans' retirement planning and saving behavior and their confidence regarding various aspects of their retirement. It also categorizes workers and retirees into distinct groups, based on their very different views on retirement, retirement planning, and saving.

Americans have become more focused on retirement planning. As evidence, 45 percent have tried to determine how much they need to save by retirement, up from 32 percent in 1996 and 36 percent in 1997. The increase is being driven by baby boomers (those born between 1946 and 1964). One-half of older boomers (those born between 1946 and 1953) have now tried to determine what they will need, up 12 percentage points from last year, while among younger boomers (born between 1954 and 1964) the number is up 15 percentage points, from 1997 to 47 percent in 1998. (The percentage of pre-retirees (born 1945 and earlier) and Generation X young adults (born between 1965 and 1973) who have tried to determine what they will need was essentially unchanged in the past year.) The increase is occurring among both men and women. In 1998, 49 percent of males and 40 percent of females have attempted such a calculation, compared with 39 percent of males and 32 percent of females in 1997.

The growing attention given to retirement, retirement planning, and saving by the media, employers, policymakers, and partnerships such as the American Savings Education Council (ASEC) is having an impact. The need to plan and save for retirement has come into sharper focus on Americans' radar screens.

Retirement Personalities

Analysis of workers' and retirees' responses to questions in the 1998 RCS reveals six distinct groups of Americans with very different attitudes toward retirement and financial matters.[2] According to the responses to 12 questions about financial behavior, saving for retirement, and planning for the future, the survey categorizes respondents[3] into six personality types: Deniers (10 percent), Strugglers (9 percent), Impulsives (20 percent), Cautious Savers (21 percent), Planners (23 percent) or Retiring Savers (17 percent) (chart 1).

Deniers: "Retirement is so far away."

Nearly all Deniers say that it is pointless to plan for retirement because they feel (or, in the case of retirees, felt when they were younger) that retirement is too far

[1] *The Retirement Confidence Survey (RCS) is sponsored by the Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald and Associates (MGA). It was underwritten by 33 public and private organizations; the Minority Special Report was underwritten by 14 public and private organizations.*

[2] *This analysis is modeled on a segmentation analysis done by Public Agenda and EBRI in the 1994 report,* Promises to Keep *(New York, NY: Public Agenda, 1994). Four of the six groups were originally identified in that study.*

[3] *The segmentation was accomplished through the use of K-Means Cluster Analysis. In this method, each respondent is assigned to a group based on the distance of their responses to the 12 questions from the cluster center. Cluster center solutions are iteratively estimated from the data. This type of analysis is based on nearest centroid sorting, with cases assigned to specific clusters based on their proximity to the cluster's center. Cases are assigned to the cluster whose center they are closest to.*

Nearly all Planners believe a comfortable retirement is achievable, if they just plan and save (91 percent versus 71 percent of all Americans).

away (95 percent versus 19 percent of all Americans). Members of this group also believe that preparing for retirement takes too much time and effort (40 percent versus 13 percent of all Americans). Deniers tend to be older Americans; a significant portion have already retired (42 percent); just one-quarter (28 percent) are working full-time. The experiences of Deniers who have retired show that retirement may not be "golden years" for this group. In fact, retired Deniers are most likely to report that they are having a worse time in retirement than they expected. This group has the lowest levels of educational achievement and household incomes. Among them, three out of five (61 percent) have no education beyond a high school diploma, while nearly three out of four (72 percent) report household incomes of less than $50,000 annually.

Strugglers: "Save?! If I have $5 left over after paying bills, I'll save it."

Among Strugglers, three out of four say that just when they think they have a handle on their finances, something happens that sets them back (74 percent versus 51 percent of all Americans). They are more likely than most others to believe that if they just save some money each month, they will be fine in retirement (46 percent versus 39 percent). Typically, Strugglers are middle-aged (35–54 years old), middle-income ($25,000–$50,000) families raising children. A vast majority (88 percent) have graduated from high school, and one-quarter (26 percent) of Strugglers have completed a four-year college. About one-half (49 percent) are working full time.

Impulsives: "I should plan and save, but . . . Oh, I need to buy a new suit!"

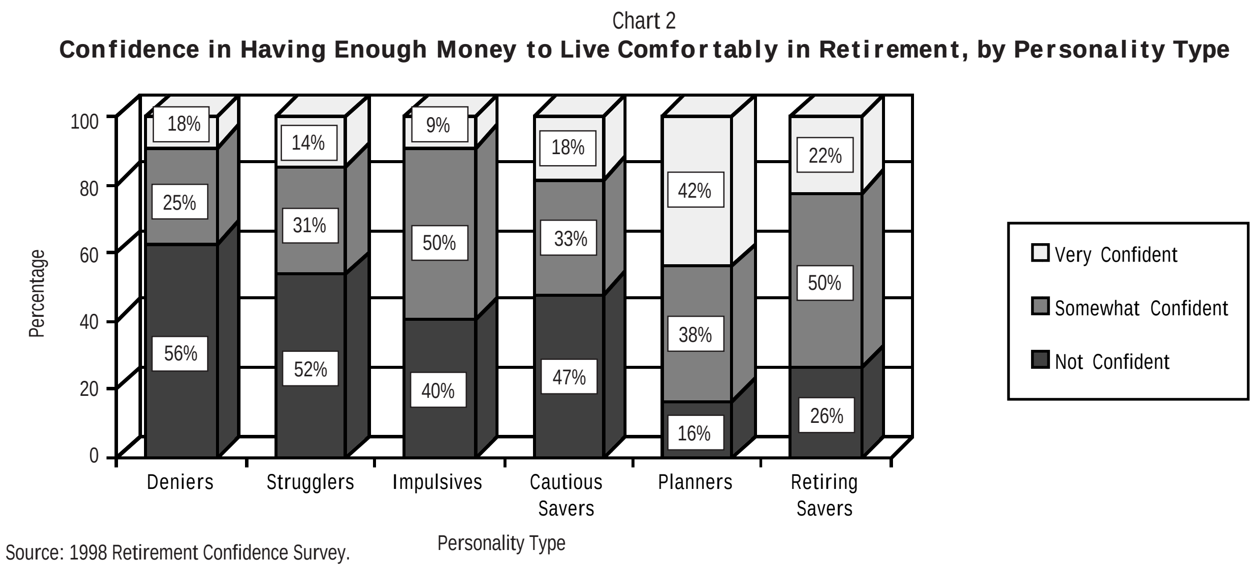
Impulsives believe that a comfortable retirement is achievable with a little planning and saving (91 percent versus 71 percent of all Americans), but they cannot seem to get there themselves. For most Impulsives, financial setbacks are common (78 percent versus 51 percent of all Americans) and impulse purchasing occurs frequently (39 percent versus 25 percent of all Americans). Impulsives tend to be younger Americans—three out of five are younger than age 45 (60 percent). While most are married (60 percent), a significant proportion are divorced or separated (20 percent)—more than in any other group. Among Impulsives, three out of five (61 percent) are financially responsible for children, and two-thirds (66 percent) are in dual-income households. While nearly all Impulsives (91 percent) have graduated from high school, slightly more than one in five (22 percent) are college graduates (22 percent). Most (57 percent) report annual household incomes between $25,000 and $75,000.

Cautious Savers: "I put a set amount into savings each month and hope it will be enough."

Cautious Savers are conservative with their finances; nine out of 10 consider themselves to be more savers than investors (90 percent versus 57 percent of all Americans). More than many of the other groups, they say that they always research and plan for a big purchase (84 percent) and that they are disciplined savers (73 percent). Cautious Savers do think about their retirement; they have a more meticulous approach to retirement than do Deniers, Strugglers, or Impulsives, but are not as meticulous as Planners. Cautious Savers tend to be younger baby boomers (ages 35–44). About one-quarter (27 percent) of this group have a college degree. One-third have middle incomes (33 percent earn between $25,000 and $50,000), but Cautious Savers are representative of all income levels.

Planners: "I am saving, investing, and planning for a secure future."

Nearly all Planners believe a comfortable retirement is achievable, if they just plan and save (91 percent versus



71 percent of all Americans). Similar proportions say they are disciplined savers (90 percent versus 68 percent of all Americans). More than members of any other group, Planners are financial risk-takers (45 percent versus 30 percent of all Americans). They have also taken the time to determine how much money they will need to save for their retirement (65 percent versus 45 percent of all Americans). About one-half of Planners expect to retire at age 60 or earlier. For the most part, Planners are married (69 percent), and some are financially responsible for children (40 percent). Planners are high achievers. Slightly less than one-half (46 percent) have graduated from college, and a similar proportion (47 percent) have annual household incomes of $50,000 or more. This group has the highest proportion of men (55 percent).

Retiring Savers: "I've been sacrificing and saving for years, now I am enjoying it."

Retiring Savers are older Americans who are already retired or are planning to retire. This portion of the population has been saving for retirement and is now poised to reap the rewards.

Retiring Savers say they are more savers than investors (91 percent versus 57 percent of all Americans), and that they are disciplined in their savings (86 percent versus 68 percent of all Americans). This group is averse to taking financial risks (52 percent versus 38 percent of all Americans). Virtually all of the Retiring Savers report that they pay off their credit cards at the end of each month (99 percent versus 51 percent of all Americans).

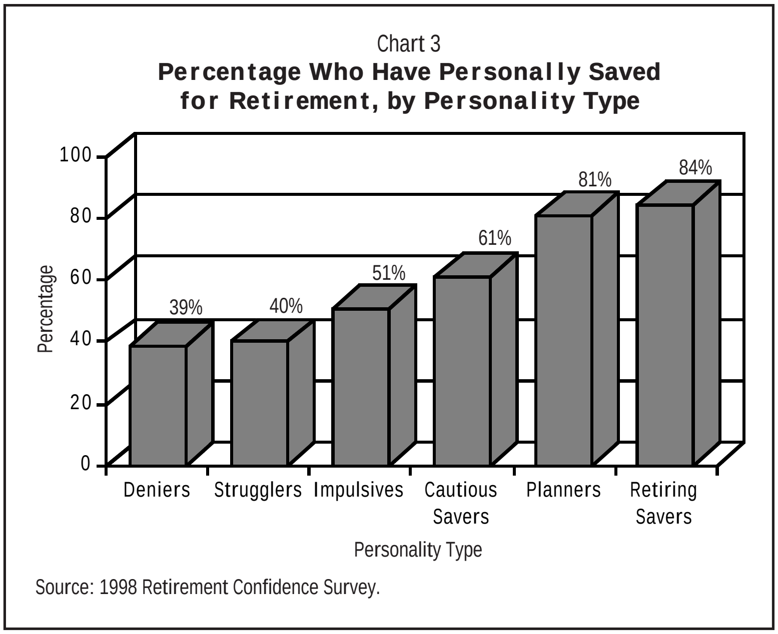
Those in this group who are already retired are truly having golden years—for them retirement is better than expected (48 percent). While nearly all in this group have graduated from high school (93 percent), a significant proportion have also graduated from college (31 percent). This group is middle- to high-income, reporting between $25,000 and $50,000 (30 percent) or more than $50,000 (30 percent).

Personality Types Save for Retirement Differently, Have Different Expectations

The two groups with the least confidence that they will have enough money to live comfortably in retirement are Deniers and Strugglers—a majority of whom are not confident (56 percent of Deniers and 52 percent of Strugglers). Despite this, nearly one out of four Deniers is optimistic that he or she will have enough money for a comfortable retirement (18 percent are very confident) (chart 2).

The Impulsives and Cautious Savers are a little more confident about their income prospects for their golden years; however, they are still concerned. One-half (50 percent) of Impulsives are somewhat confident about their financial security, while 4 out of 10, or 40 percent, indicate they are not confident. A large proportion of Cautious Savers are not confident, either (47 percent). However, Cautious Savers say they are more optimistic about their retirement income prospects than Impulsives: About one in five (18 percent) is very confident, and one-third (33 percent) are somewhat confident.

Not surprisingly, Planners and Retiring Savers are the groups with the highest proportions of individuals who are confident about their retirement. In fact, among Planners more than 4 out of 10 (42 percent)



indicate that they are very confident, the highest proportion among any of the personality types. Nearly as many are somewhat confident (38 percent). Just one Planner out of six (16 percent) is not confident. Retiring Savers are not quite as secure as Planners about their retirement income; however, one out of five (22 percent) is very confident, and another 50 percent are somewhat confident. One-quarter (26 percent) are not confident.

The personality types with the lowest levels of confidence about retirement income prospects are also the groups with the smallest proportions saving for retirement (chart 3). Majorities of Deniers and Strugglers report they are not personally saving for retirement—just two out of five in each group have started saving (39 percent of Deniers, 40 percent of Strugglers). Deniers give many reasons for not saving, including that they just do not think about it or that they expect retirement to work itself out. Strugglers are not saving because they have too many current financial responsibilities.

About one-half of Impulsives are saving for retirement. Those who are saving indicate they were motivated to start by their peers or by the realization that time is running out. Impulsives who are not saving say they have too many current financial responsibilities. Slightly more Cautious Savers are putting money away for retirement (61 percent). Cautious Savers say they were scared into saving because they have seen people who did not prepare for retirement and are struggling as a result.

Planners and Retiring Savers are twice as likely as Deniers or Strugglers to have personally saved money for retirement. Indeed, more than four out of five in each group have personal money set aside for retirement (81 percent of Planners, 84 percent of Retiring Savers). Planners indicate they were motivated to begin saving for retirement by a financial planner. For Retiring Savers, major motivational factors include realizing that time was running out to save or seeing others who did not prepare struggle during their retirement years.

The personality types differ significantly on their expected sources of financial support during retirement (table 1). The groups who are not yet saving are looking to the government and employers to provide retirement income, while those who are saving are looking to themselves as a major source of income. Deniers and Strugglers are relying on Social Security more than any other groups. In fact, more than one-half of Deniers (58 percent) and nearly as many Strugglers (49 percent) report that Social Security will be a major source of retirement income. Impulsives believe that they will have two major sources of retirement income: pensions (53 percent) and work-based savings plans they use to save their own money (45 percent). Cautious Savers indicate that they will rely on a mixture of retirement income sources.

Table 1
Expected Major Sources of Retirement Income, by Personality Type

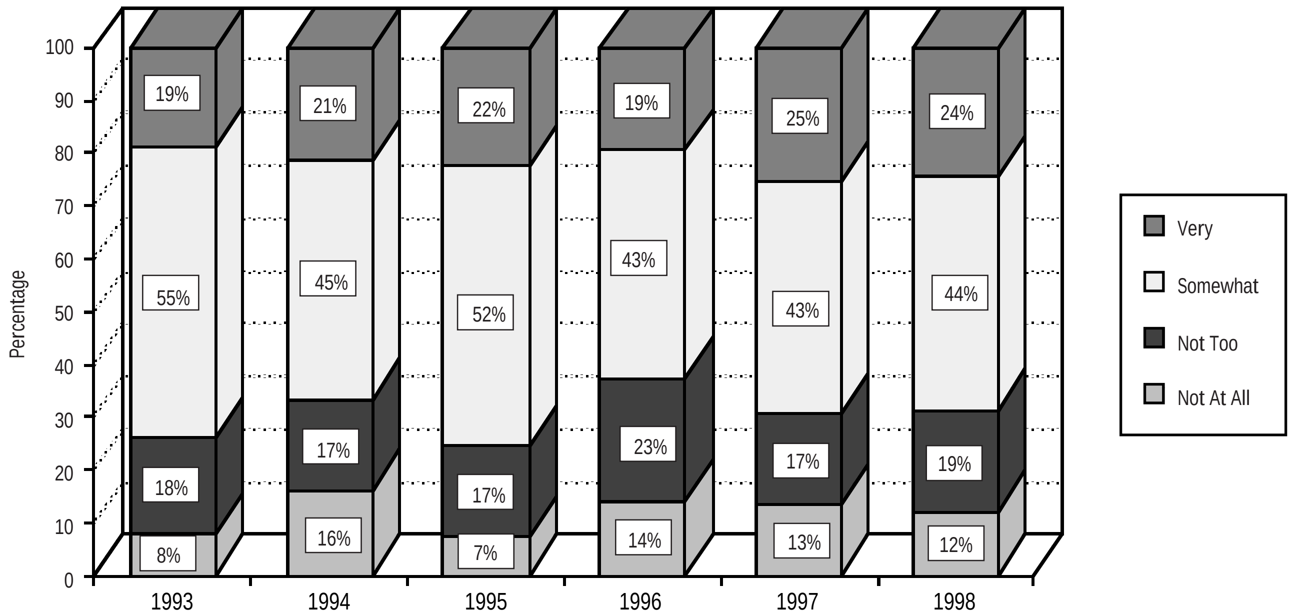
	Deniers	Strugglers	Impulsives	Cautious Savers	Planners	Retiring Savers
Social Security	58%	49%	29%	37%	22%	40%
Pension	36	36	53	43	47	46
401(k)-Type Plan	20	30	45	36	48	38
Personal Savings	13	14	20	25	44	35

Source: 1998 Retirement Confidence Survey.

Planners have the highest proportion

Chart 4

Worker Confidence in Having Enough Money to Live Comfortably in Retirement



Source: Retirement Confidence Survey (1993–1998).

who report that they will rely on their own personal savings—one-half (48 percent) say their contributions to a 401(k)-type plan will be a major source of retirement income, and just slightly fewer (44 percent) say other personal savings and investments will be a major source. Retiring Savers are counting on Social Security (40 percent) and pensions (46 percent) as major sources of income; however, they are more likely than other groups (excluding Planners) to indicate that personal savings and investments will be a major source of retirement income (35 percent).

Confidence Check

While Americans have become more focused on their retirement, this focus has not translated into increased confidence about their retirement income adequacy. Since 1993, a consistent 19 percent to 25 percent of working Americans have been very confident that they will have enough money to live comfortably through their retirement years (chart 4). In 1998, 24 percent of workers say they are very confident that they will have enough money for a comfortable retirement, 44 percent are somewhat confident, and 31 percent are not confident. This is despite a very strong economy and Americans' increased attention to the issue. Some may find this puzzling, but the reason may simply be that as more Americans focus on retirement and try to determine how much money they really need to save, the answer has them worried and it has rattled their confidence. This is probably a good thing, as a reality check is the first step toward positive action.

As further evidence in support of this hypothesis, the 1998 RCS indicates that workers' confidence in their financial preparations for retirement dropped during the past year. In 1998, only 25 percent of workers are very confident that they are doing a good job of preparing financially for retirement, compared with 32 percent in 1997. Over the past year, the percentage of those who said they were somewhat confident in their financial preparations increased from 44 percent to 47 percent, and the percentage who were not confident in their preparation increased from 23 percent to 28 percent.

Confidence across Generations

Among workers, those belonging to Generation X are more confident than the members of any other generation about their retirement income prospects (table 2). Thirty-two percent of Generation Xers are very confident that they will have enough money for a comfortable retirement, compared with 25 percent of pre-retirees, 22 percent of younger boomers, and 18 percent of older boomers.

Table 2
Confidence You Will Have Enough Money for a Comfortable Retirement

	Pre-Retirees	Older Boomers	Younger Boomers	Generation X
Very Confident	25%	18%	22%	32%
Somewhat Confident	40	46	47	44
Not Too Confident	19	25	17	11
Not At All Confident	15	10	11	13

Source: 1998 Retirement Confidence Survey.

At the same time, it appears that the number of older boomers who are not confident in their retirement income prospects is increasing, while the number of Generation Xers who are not confident about their prospects is decreasing. Thirty-five percent of older boomers are not confident in their retirement income prospects in 1998, compared with 26 percent in 1997. Twenty-four percent of Generation Xers are not confident in their retirement income prospects in 1998, compared with 32 percent in 1997.

Confidence by Gender

While males appear to be somewhat more confident than females, the differences are not statistically significant. Twenty-seven percent of males are very confident in their retirement income prospects, as are 21 percent of females. In addition, 28 percent of males are not confident in their prospects, and 34 percent of females are not. Furthermore, there were no significant changes in male or female confidence levels in the past year.

It appears that confidence in personal financial preparation for retirement is slipping among both males and females. Thirty-six percent of males were very confident in their personal financial preparation in 1997, compared with 29 percent in 1998, and 22 percent were not confident in 1997, compared with 24 percent in 1998. Among females, 27 percent were very confident in 1997, compared with 22 percent in 1998, and 25 percent were not confident in 1997, compared with 32 percent in 1998.

Sources of Income

When workers are asked what they expect to be their most important retirement income source, the 1998 percentage expecting it to be personal savings drops significantly from 1997—down to 39 percent from 51 percent (table 3). What

Table 3
Expected Most Important Sources of Retirement Income among Current Workers

	1997	1998
Personal Savings	51%	39%
Employer-Funded Plans	24	26
Social Security	12	13
Employment	9	10
Sale of Home or Business	a	4
Inheritance	a	2
Support from Children/Family	1	1
Other Government Programs	a	1

Source: The Retirement Confidence Survey (1997 and 1998).
[a]Not asked in 1997.

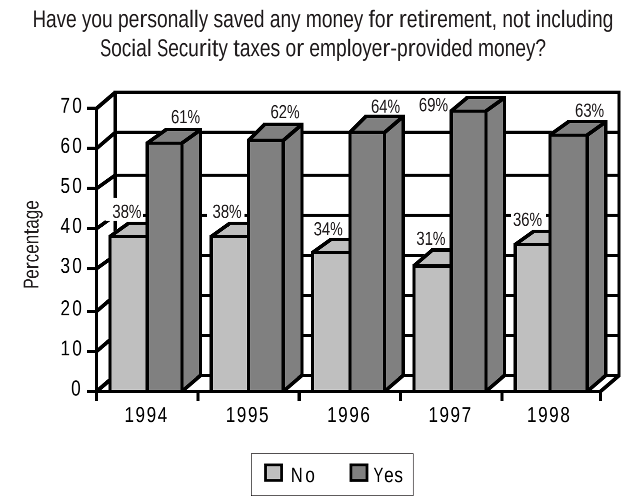
changed? One possibility is that, as more people focus on retirement, determine what they will need, and consider what they have already put aside, their confidence in their ability to save enough for retirement decreases.

Only 13 percent of workers expect Social Security to be their most important source of retirement income. This compares with 42 percent of current retirees who say that Social Security is their most important source. In addition, 21 percent of workers do not expect Social Security to be an income source at all in retirement. As a savings motivator, it may be good that most workers do not expect Social Security to be their most important source of retirement income. (Social Security was always intended to be a floor or base to build on, rather than a significant source of income in retirement.) However, many people apparently are overly pessimistic about Social Security, expecting to receive nothing from the system. And the younger they are, the more likely they are to feel this way (44 percent of Generation Xers do not expect to receive income from Social Security once they retire.)

The sources of expected retirement income vary notably across generations. While 30 percent of pre-retirees and 29 percent of older boomers expect personal savings to be their most important source of retirement income, 47 percent of younger boomers and 52 percent of Generation Xers expect it to be most important. Older boomers are the most likely (35 percent) to expect an employer-funded plan to be their most important income source, compared with 20 percent to 23 percent of pre-retirees, younger boomers, and Generation Xers. Twenty-three percent of pre-retirees, 16 percent of older boomers, 9 percent of younger boomers, and 3 percent of Generation Xers expect Social Security to be their most important income source in retirement. There are no notable differences between male and female workers in expected retirement income sources.

Sixty-one percent of current workers think that

Chart 5
Workers Personally Saving for Retirement



Source: Retirement Confidence Survey (1994–1998).

they will work for pay after they retire. For most, financial need does not appear to be a primary motivator. Forty-six percent say having money to buy extras and 38 percent say having money to make ends meet are major reasons for working during retirement. Sixty percent say that enjoying work and wanting to stay involved is a major reason for working during retirement; more than one-half (56 percent) say that having a satisfying way to spend their time is a major reason.

Individual Saving

According to the 1998 RCS, 63 percent of Americans have begun to save on their own for retirement. While this is good news in the sense that the majority of Americans are saving for retirement, the finding also means that one-third are not. These savings figures have remained essentially unchanged since the question was first asked in 1994 (chart 5). We also know that this one-third tends to consist of younger workers and workers with lower incomes, often one in the same. Sixty-nine percent of preretirees have begun to save for their retirement, compared with 55 percent of Generation Xers. Eighty-four percent of those earning $75,000 or more have begun to save, compared with 31 percent of those earning under $25,000. As for a gender differential, 69 percent of male workers say they have begun to save for retirement, compared with 57 percent of female workers.

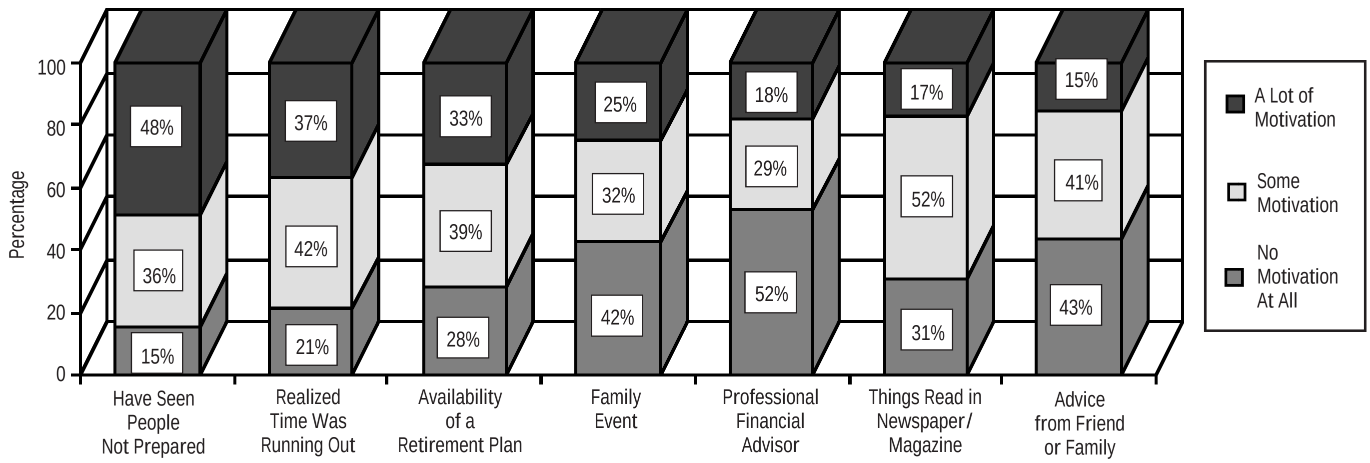
What motivates individuals to begin saving for retirement? Unfortunately, the reality is that the top two motivators are negative in nature (chart 6). First is having observed someone not prepare and then struggle in retirement. Almost one-half (48 percent) say this provides a lot of motivation, and an additional 36 percent say it provides some motivation. Second is the realization that time is running out to prepare for retirement. Thirty-seven percent say this provides a lot of motivation, and 42 percent say it provides some motivation. While fear is often a great motivator, and it is true that a significant minority of current retirees are experiencing financial challenges (see section below), these findings signal that more needs to be done to help nonsavers realize the advantages of beginning to save early with even seemingly small amounts of money. The third-ranked motivator is the availability of a retirement plan at work.

It is not surprising that there are dramatic differences in retirement confidence between workers who have saved for retirement and those who have not. Thirty-one percent of savers are very confident about their overall retirement income prospects, compared with 13 percent of nonsavers. Forty-nine percent of nonsavers are not confident in their retirement income prospects, compared with 20 percent of savers. When asked about specific aspects of retirement, confidence among savers is always significantly higher than that of nonsavers (table 4).

However, even savers do not appear to be extremely confident. In no aspect of retirement are more than 50 percent of savers "very confident." Why isn't confidence higher among retirement savers? A possible explanation is that only 57 percent have tried to determine how much they need to save for retirement, and 46 percent are very confident that they are investing their retirement savings wisely, while 47 percent are somewhat confident and 7 percent are not confident (chart 7). Therefore, even though most workers are saving, nearly one-half are not saving with a goal in

Chart 6
Motivational Factors in Saving for Retirement—Workers

Among workers who have saved for retirement



Source: 1998 Retirement Confidence Survey.

mind. Rather, they are flying blind and in some sense hoping that they save enough. Furthermore, many retirement savers think that they are investing their saving wisely, but they are not really sure. It is not surprising then that their confidence is not higher.

Retirement Investing

Among retirement savers, men express more confidence about investing their retirement savings, and they are more likely to report enjoying making investment decisions. Fifty-two percent of men say that they are very confident that they are investing their retirement savings wisely, compared with 38 percent of females, and 70 percent of men say that they enjoy making investment decisions about retirement savings, compared with 53 percent of females. Pre-retirees appear to be the most confident generation when it comes to retirement investments (53 percent are very confident that they are investing wisely), and younger boomers appear to be the least confident (38 percent are very confident). Generation Xers are the most likely to report enjoying making investment decisions concerning their retirement income (72 percent, compared with about 60 percent for the other three generations of workers).

What information sources do retirement savers use when making their investment decisions? The most frequently used source is input from a spouse (table 5). Most retirement savers also use written material provided through a work-based plan, other written material, and the advice of a financial professional. Only one-fifth of retirement savers currently use computer software and Internet/on-line services. What do savers find most

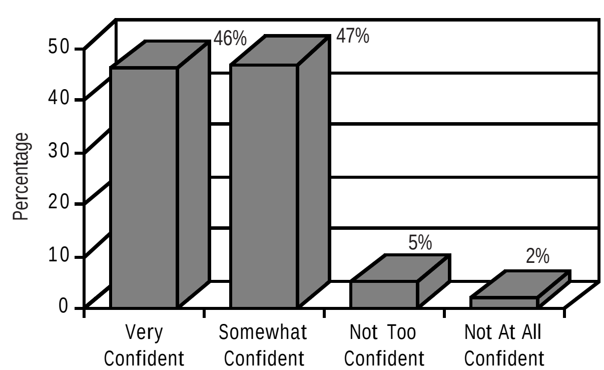
Table 4
Prospects for Retirement

	Savers	Nonsavers
Percentage Very Confident In:		
Having enough money for basic living expenses	49%	21%
Their financial preparations for retirement	35	10
Having enough money for medical expenses	27	7
Having enough money for travel, recreation, etc.	24	7
Having enough money for long-term care	17	6

Source: 1998 Retirement Confidence Survey.

Chart 7
Workers' Confidence in Investing Retirement Savings Wisely

Among those who have saved for retirement



Source: 1998 Retirement Confidence Survey.

Table 5
Information Sources for Retirement Savings Investment Decisions

	Used	Most Helpful
Input from spouse/partner	80%	18%
Advice of financial professional	56	28
Written material through a plan at work	61	15
Other written material	63	13
Advice of family or friends	47	10
Information from television or radio	41	4
Information from seminars	21	2
Computer software	19	0
Internet or on-line services	23	5

Source: 1998 Retirement Confidence Survey.

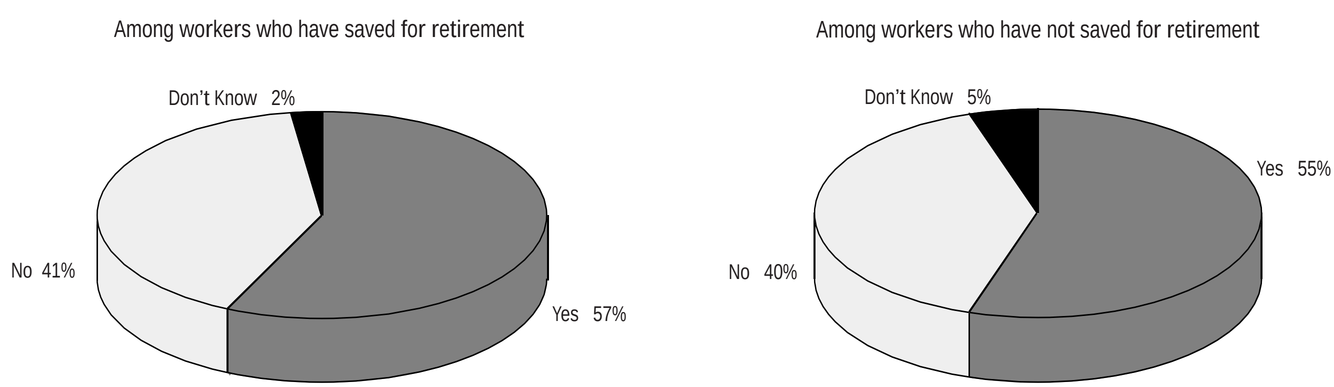
helpful? The most helpful sources of information are the advice of a financial professional, followed by input from a spouse, written material provided through a work-based retirement plan, and other written material (table 5). Both males and females cite a financial professional most often as their most helpful source of information, and women are significantly more likely to do so. Across generations, savers cite a financial professional most often as the most helpful source.

Can We Do More?

The 1998 RCS reveals room for improvement. Specifically, it indicates that most working Americans could do more in terms of saving for retirement (chart 8). Fifty-five percent of those not saving for retirement say it is reasonably possible for them to save $20 per week for this purpose. In addition, 57 percent of workers who have begun to save for their retirement say that it is reasonably possible for them to save $20 per week more than they are currently saving. Among nonsavers, essentially the same percentages of males and females—59 percent of males and 53 percent of females—say that they could save $20 per week. The same holds true among those already saving for retirement: 55 percent of males and 59 percent of females say that they could save an additional $20 per week.

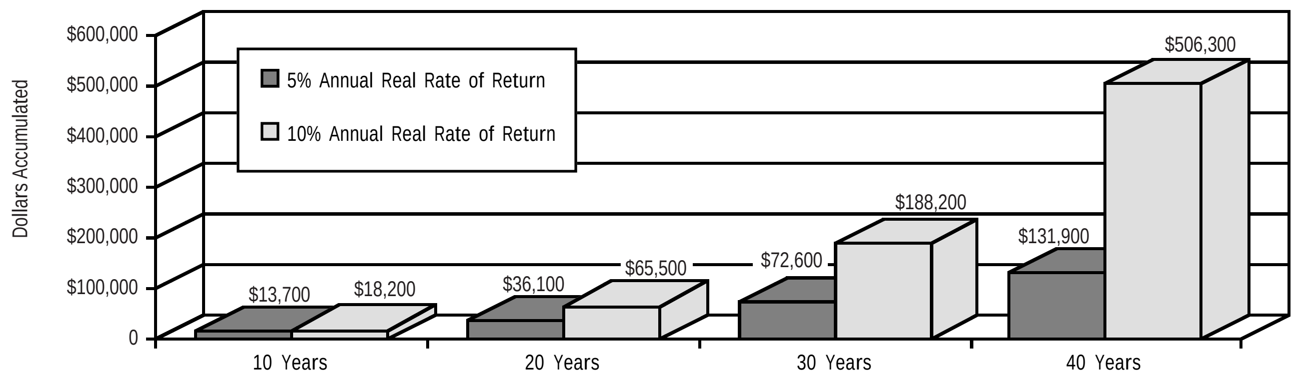
While $20 per week may not seem like a lot of money, it is more than $1,000 per year, and over the years this savings could make a real difference for an individual. The power of compound interest will help a 25-year-old saving $20 a week, assuming a 5 percent annual real rate of return over 40 years, accumulate a $132,000 nest egg. With a 10 percent annual real rate of return, $20 per week for 40 years will compound into over $500,000 (chart 9). The message is clear that seemingly small amounts of money saved on a regular basis over long periods of time can accumulate into a nest egg that would make a difference in retirement.

Chart 8
Could You Save $20 per Week More for Retirement?



Source: 1998 Retirement Confidence Survey.

Chart 9
Impact of Saving Another $20 per Week



Source: Employee Benefit Research Institute calculations.

One in Five Is Disappointed

Saving even seemingly small amounts over time may be crucial to avoiding the very real risk of disappointment in retirement. Between one-fifth and one-quarter of retirees say that their retirement has in some way fallen short of expectations. This should serve as a wakeup call for many current workers. Even though most retirees are not having a negative experience, would current workers like 1 in 5 odds that their retirement will be financially troubled and/or disappointing?

In 1998, 20 percent of retirees report that their overall standard of living has been worse than they expected at the time they retired, 40 percent say better, and 38 percent say about the same. Furthermore, 22 percent say their actual experience has been worse than expected in terms of having enough money to cover medical expenses; 26 percent say it has been worse in terms of having enough money to pay for most of the recreational, entertainment, or travel pursuits they desire; and 27 percent say it has been worse in terms of having enough money to help out their children and/or grandchildren. In addition, 45 percent are not confident that they will have enough money to cover long-term care, should it be needed.

Current workers should also note that 43 percent of current retirees retired earlier than they had planned. We know from previous RCS surveys that individuals often retire early as a result of negative economic events and not because they wanted to leave the work force or felt that they could afford to do so. Twenty-four percent of retirees have worked since they retired (6 percent full time and 18 percent part time), but most are not working for the money. Fifty-six percent report that a major reason for working is that they enjoy it and want to stay involved, and 44 percent say a major reason is that it provides a satisfying way to spend their time. Thirty-four percent say a major reason is to have money to buy extras, and 28 percent say it is to make ends meet.

As for income sources in retirement, 42 percent of current retirees say that Social Security is their most important source, 22 percent cite money from an employer-funded plan, and 19 percent cite personal savings.

Education to the Rescue?

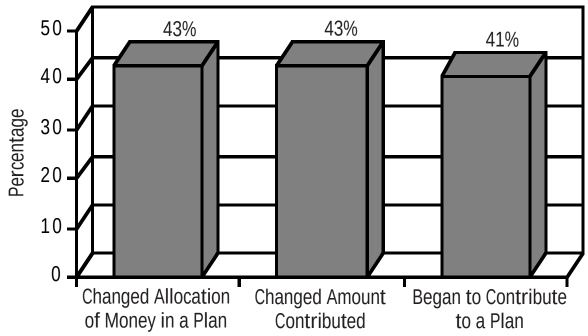
The 1998 RCS findings demonstrate the continuing need for broad-based educational efforts designed to make retirement savings a priority for individuals. Calls for “more and better education” may seem trivial to some, but the reality is that retirement income security is a long-term challenge that requires personal discipline and action, and education must be a major part of our efforts. The good news in the current survey is the evidence that education can have a real impact at the individual level (chart 10).

Among workers who have received educational material or attended seminars about retirement planning and savings through their employer in the past year,[4] 43 percent report that the material led them to

[4] *All workers, not just workers participating in an employment-based retirement plan, were asked whether an employer had provided them with educational material or seminars about retirement planning and saving in the past twelve months. Thirty-nine percent responded that they had received such material or been offered such a seminar.*

Chart 10
Actions Resulting from Employer-Provided Information on Retirement Saving and Planning

Among workers who were provided information



Source: 1998 Retirement Confidence Survey.

change the amount they contribute to a retirement savings plan, and 43 percent say that it led them to reallocate the money in their retirement savings plan. In addition, 41 percent say employer-provided information led them to begin contributing to a retirement savings plan.

Furthermore, a comparison of workers who receive retirement savings education at work with those who do not reveals significant differences in their confidence concerning where they stand today and what they think of their future prospects. Among those receiving retirement education materials in the past year:

- Seventy-three percent have begun to save for their retirement, compared with 57 percent of those who have not received information from their employer.
- Fifty-six percent—more than one-half—have attempted to determine how much they need to save for retirement, compared with 38 percent of those who have not received information from their employer.
- Thirty-one percent are very confident in their financial preparations for retirement, compared with 22 percent of those who have not received information from their employer.
- Fifty-one percent of savers are very confident that they are investing wisely, compared with 41 percent of savers who have not received employer information.
- Twenty-four percent are not confident about their overall retirement prospects, compared with 35 percent of those who have not received information from their employer.

Table 6
Forms of Employer-Provided Retirement Planning Information

	Received	Most Useful
Brochures	45%	30%
Seminars	32	22
Newsletters/magazines	25	13
Workbooks/worksheets	17	9
One-on-one counseling	15	11
Telephone access to financial information	12	2
Videos	5	2
Computer software/Internet/on-line services	4	1

Source: 1998 Retirement Confidence Survey.

Workers were also asked about the form of the educational material they received from their employer and what they found to be the most useful (table 6). Forty-five percent received information through brochures, and 30 percent found this to be the most useful to them. Thirty-two percent received information through seminars, and 22 percent found this to be most useful. Twenty-five percent received information from newsletters and/or magazines, and 13 percent found this to be the most useful. Seventeen percent received workbooks and/or worksheets, 15 percent received one-on-one counseling, and 12 percent received information via telephone access to financial information. Computer software/on-line services/Internet access and videos were the least frequently cited means of receiving information.

Minorities

The 1998 RCS surveyed additional respondents in three minority groups (African-Americans, Hispanic-Americans, and Asian-Americans), as called for by the organizers of the 1998 National Summit on Retirement Savings. (For more information on the Summit, see box on p.17). This survey of retirement confidence, expectations, and planning for retirement reveals interesting similarities and differences in attitudes and expectations among these ethnic groups. While analysis indicates that these findings are primarily influenced by educational and income differences across ethnic groups, it also finds that ethnicity is a factor in differing attitudes toward retirement.

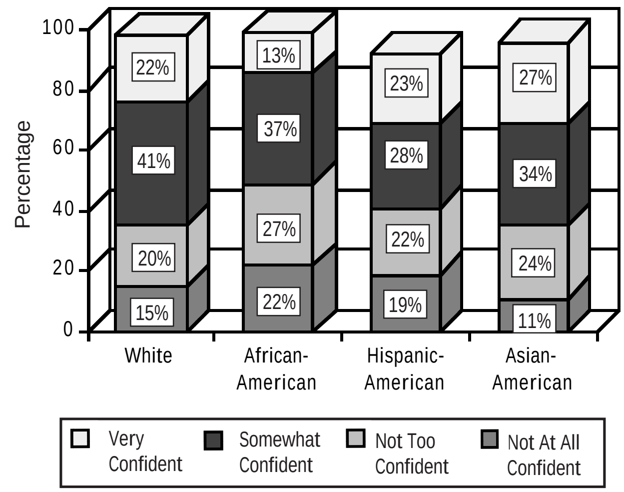
Retirement Confidence by Race

When asked whether Americans in general are saving enough for retirement, Asian-Americans and Hispanic-Americans express the most confidence that Americans are saving enough to live comfortably throughout their retirement years (19 percent and 15 percent, respectively). Respondents were also asked about their confidence in their own retirement preparations. African-Americans are the least confident that they will have enough money to live comfortably in retirement: 13 percent are very confident of this, and 49 percent are not confident (chart 11).

Specific Areas of Concern—African-Americans and Hispanic-Americans are less confident about many specific retirement-related issues. Specifically, 43 percent of African-Americans and 51 percent of Hispanic-Americans are not confident that they will have enough money for leisure activities. In terms of having enough money to support themselves in retirement no matter how long they live, 43 percent of both African-Americans and Hispanic-Americans say they are not confident. Additionally, 26 percent of African-Americans and 37 percent of Hispanic-Americans are not confident that they will have enough money for basic expenses in retirement. African-Americans are less confident that they will have enough money to pay for long-term care if they need it. Fifty-nine percent of African-Americans were not confident of this aspect of retirement, compared with 48 percent of whites. Hispanic-Americans are less confident than whites that they are doing a good job of preparing financially for retirement (48 percent and 26 percent, respectively). Hispanic-Americans and Asian-Americans are less confident that they will have enough money for medical expenses in retirement: one-half of Hispanic-Americans and 41 percent of Asian-Americans were not confident, compared with 29 percent of whites.

African-Americans and Hispanic-Americans are also less likely to have personally begun saving for retirement, which could influence their confidence levels.

Chart 11
Workers' Confidence in Their Overall Retirement Income Prospects, by Race/Ethnicity



Source: 1998 Retirement Confidence Survey.

Additionally, Hispanic-Americans are less likely to have received any employer-provided educational materials about retirement planning and saving; this could also affect their confidence levels.

Investment Confidence—Among those saving for retirement, individuals' confidence that they are investing their retirement savings wisely does not differ significantly among ethnic groups. Ninety-two percent of whites are confident they are investing wisely, along with 90 percent of Asian-Americans, 88 percent of Hispanic-Americans, and 83 percent of African-Americans.

Retirement Expectations and Planning

Sources of Income—Almost two-thirds of African-Americans expect their most important source of income in retirement to be either Social Security (32 percent) or money from an employer, such as a pension or contribution to a retirement account (31 percent) (table 7). The third most likely source is money personally saved in a work-related plan or outside work (19 percent).

The most important expected source of retirement income identified most often by Hispanic-Americans is Social Security (25 percent) (table 7). Another one-fifth (21 percent) cited money personally saved. Seventeen percent of Hispanic-Americans expect part- or full-time employment to be their most important retirement income source.

Asian-Americans are most likely to choose

Table 7
Most Important Expected Source of Retirement Income, by Race/Ethnicity

	White	African-American	Hispanic-American	Asian-American
Money personally saved (in a work-related plan or outside work)	32%	19%	21%	41%
Money from an employer, like a pension or contribution to a retirement account	25	31	14	21
Social Security	24	32	25	14
Part- or full-time employment	6	4	17	7
Money from the sale of your home or business	3	2	6	5
Other government income programs, such as SSI[a] or veterans' benefits	2	4	7	1
An inheritance	2	2	0	4
Support from your children or other family	1	1	3	4

Source: 1998 Retirement Confidence Survey.
[a]Supplemental Security Income.

money personally saved as their most important source of income in retirement (41 percent) (table 7). This is followed by money from an employer (21 percent) and Social Security (14 percent).

Whites respond that money personally saved will be their most important source of income in retirement (32 percent), followed by money from an employer (25 percent) and Social Security (24 percent) (table 7).

Retirement Preparations—African-Americans and Hispanic-Americans are less likely than whites and Asian-Americans to have personally saved any money for retirement (excluding Social Security taxes and employer-provided money). Just over one-half of African-Americans (52 percent) and 62 percent of Hispanic-Americans have not begun saving for their retirement. Among whites and Asian-Americans, 33 percent and 36 percent, respectively, have not yet begun to save (chart 12).

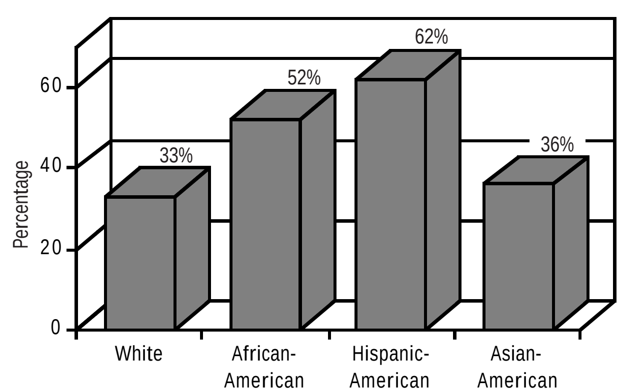
When asked if it would be reasonably possible to save an additional $20 per week for retirement, Asian-Americans are most likely to agree. Eighty-seven percent of Asian-Americans said they could save the money each week; 69 percent of whites, 68 percent of African-Americans, and 67 percent of Hispanic-Americans said they could.

Hispanic-Americans are less likely than whites and Asian-Americans to have made an attempt to determine how much money they will need to have saved by the time they retire in order to live comfortably in retirement. Almost three-quarters (72 percent) of Hispanic-Americans have not completed a savings needs calculation, compared with 61 percent of African-Americans, 54 percent of whites, and 51 percent of Asian-Americans.

Hispanic-Americans are also less likely than whites to have received any employer-provided educational materials or have been provided the opportunity to attend any seminars about retirement planning and saving in the last 12 months. Sixty-nine percent of Hispanic-Americans, 64 percent of Asian-Americans, 62 percent of African-Americans, and 61 percent of whites had not been provided any materials or seminar opportunities.

Motivators to Begin Saving—African-Americans report that they were motivated to begin saving for retirement by seeing people who were unprepared struggle in retirement; 6 in 10 (60 percent) say that this gave them a lot of motivation to start saving. Almost one-half (48 percent) of African-Americans say they received a lot of motivation from the realization that time was running out to prepare for retirement.

Chart 12
Americans Who Have Not Personally Saved for Retirement, by Race/Ethnicity



Source: 1998 Retirement Confidence Survey.

These same two motivators also are the major factors that influence Hispanic-Americans, Asian-Americans, and whites. Fifty-one percent of Hispanic-Americans respond that seeing people unprepared for retirement provided them with a lot of motivation to start saving for their own retirement, and about one-third (32 percent) were motivated by the feeling that time was running out to prepare.

Among Asian-Americans, 37 percent said that seeing others struggle in retirement provided them with a lot of motivation to begin saving, and 39 percent said the realization that time was running out provided a lot of motivation.

Among white respondents, 42 percent received a lot of motivation from seeing people who were unprepared struggle in retirement. About one-third (32 percent) said that realizing time was running out to prepare for retirement provided a lot of motivation for them to begin saving.

Why Not Save?

At least one-half or more of individuals across all ethnic groups choose "too many current financial responsibilities" as a major reason why they have not begun to save for retirement. Sixty-six percent of whites, 53 percent of Asian-Americans, 52 percent of Hispanic-Americans, and 49 percent of African-Americans also cited this reason.

At least one-half or more of individuals across all ethnic groups choose "too many current financial responsibilities" as a major reason why they have not begun to save for retirement.

Another major reason selected by African-Americans is that they expect to have a pension (34 percent). Similarly, 26 percent of whites also say that a major reason they are not saving for retirement is that they expect to have a pension. Twenty-six percent of whites respond that a major reason they have not begun to save for retirement is that economic events, such as inflation and unemployment, are too uncertain. The uncertainty of economic events is one of the major reasons that Hispanic-Americans have not started to save for retirement (39 percent cite this as a reason). Thirty-five percent of Asian-Americans report that a major reason for not saving is that they have lots of time until retirement.

Conclusion

There are no quick fixes or "silver bullets" that will ensure retirement income security for today's workers. The good news is that Americans are increasingly focused on savings and retirement planning. This focus has not led to increased confidence, however, probably because more individuals are developing an appreciation for the magnitude of the task before them. Therefore, now is the opportune time to reach out to American workers with more and better education about retirement planning and saving.

Much remains to be done. One-third of workers have not yet begun to save for retirement. More than one-half admit they could save more, whether or not they are already saving. And many retirement savers do not appear to be very confident in their investment decisions. But evidence shows education can have a real impact on behavior at the individual level. While calls for "more and better education" may seem mundane and trite to some, if we view retirement income security as a long-term challenge, education must be the central focus of our efforts.

National Summit on Retirement Savings

The first National Summit on Retirement Savings, called for by the Savings Are Vital to Everyone's Retirement Act of 1997 (SAVER Act) was held on June 4–5, 1998, in Washington, DC. The Summit was co-hosted by the President and the congressional leadership in the House and Senate. The SAVER Act calls for a second Summit in 2001 and a third in 2005.

The purpose of the Summit was to increase public awareness of the importance of retirement planning and to identify ways to promote greater retirement savings by all Americans. The Summit was a great resource for sharing ideas to advance the public's knowledge and understanding of retirement savings. As called for in the SAVER Act, this Summit was a public/private partnership planned by the U.S. Department of Labor and the American Savings Education Council in consultation with the Administration and Congress. This bipartisan Summit was presided over equally by representatives of the executive and legislative branches.

The National Summit on Retirement Savings called for a broad-based effort to educate Americans about the need to plan and save more for retirement. Primary recommendations of the delegates included:

- The federal government should expand on educational efforts such as the Department of Labor's Retirement Savings Campaign.
- State and local governments should launch their own initiatives, such as those being undertaken in Oregon, to make citizens more aware of retirement-savings issues.
- The media should provide more coverage to retirement-savings issues, as WJLA-TV has done in Washington, DC, with the *Choose to Save*™ campaign.
- Private-sector organizations should actively support such education campaigns, as Fidelity Investments did in its partnership with WJLA on the *Choose to Save*™ campaign.
- Employers of all sizes should undertake extensive retirement savings efforts, such as those undertaken by IBM and Hard Rock Cafe.

Key Outreach Initiatives

Numerous public and private agencies have joined forces to help Americans prepare financially for retirement. These diverse partners have created and field-tested many of the resources that will be needed to make saving a national priority in the years ahead.

The **American Savings Education Council (ASEC)** is a coalition of over 250 private- and public-sector institutions and is a part of the Education and Research Fund (ERF) of the Employee Benefit Research Institute (EBRI). ASEC, through its coalition of institutional partners, undertakes initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC works to build individual and employer awareness of the basic principles of saving and retirement planning, including all potential sources of economic security. ASEC's goal is to make saving and retirement planning a vital concern of all Americans.

EBRI and ASEC have developed *Choose to Save*,™ a media campaign for spreading the word about retirement savings. In its inaugural effort, EBRI and ASEC joined forces with one television station and three radio stations in Washington, DC, to air a series of public service announcements urging people to save for retirement.

WJLA-7, the local ABC affiliate, produced the television announcements. The campaign also highlighted the *Ballpark Estimate*, a one-page form developed by ASEC that enables individuals to make quick and easy estimates of what they will need to save and invest each year to meet their retirement objectives.

WJLA-7 also prepared its own weekly news stories on the retirement-savings issue, hosted a town meeting, and aired a one-hour *Choose to Save*™ prime-time news special on June 12, 1998.

The Washington-area *Choose to Save*™ project was underwritten by Fidelity Investments. The public service announcements are available for use in other media markets.

The **U.S. Department of Labor**, along with the U.S. Department of Treasury and 65 public and private organizations, launched a Retirement Savings Education Campaign in July 1996. Through this unique public-private partnership, the Labor Department served as the catalyst for the creation of the nonprofit American Savings Education Council (ASEC) (see above).

The Department of Labor sponsored a Working Women's Summit in 1996. The Department's brochure, "Women and Pensions—What Women Need to Know and Do," provides a checklist of questions and answers women should consider concerning their retirement savings. The brochure is part of a kit that also includes a fact sheet spelling out issues women face in planning for retirement.

Through partnerships with the Small Business Administration and the National Association of Women Business Owners, the Labor Department has provided thousands of small businesses with helpful materials about the new SIMPLE plans, SEP/IRAs and other savings vehicles.

The Retirement Savings Campaign's signature brochure, "Top Ten Ways to Beat the Clock and Save for Retirement," describes basic steps individuals should take to ensure their financial security.

During the last three years, the Labor Department has distributed several different print public service announcements, in both English and Spanish, encouraging individuals to save for retirement.

Spearheaded by the **Securities and Exchange Commission (SEC)**, a broad coalition of government, business, and consumer organizations has launched a grassroots education project called the Facts on Saving and Investing Campaign, with the slogan: "Get the facts. It's your money. It's your future."

The campaign published "The Facts on Saving and Investing," which explains the need for increased financial literacy. The campaign also has assembled a "Financial Facts Tool Kit," which includes a variety of educational materials on how to get started in developing a financial plan, how to understand investment choices, how to manage money and investments, and how to get more information on saving and investing.

Other Outreach Activities

Members of Congress are also working to educate people in their states about the importance of retirement savings. Examples of such efforts include Senator Charles Grassley (R-IA) and Representative Earl Pomeroy (D-ND), each of whom hosted retirement savings workshops in their respective states.

The Pension Benefit Guaranty Corporation publishes *Your Guaranteed Pension*.

The Consumer's Almanac, developed by the American Financial Services Association, is a 32-page booklet designed to help individuals organize their finances, incorporate long-range goals such as financing retirement or paying for children's education into family budgets, and manage credit wisely.

The Jump$tart Coalition, a group of about 20 federal agencies, universities, and non-profit associations, seeks to improve understanding of personal finance among young adults.

The American Bankers Association sponsors an annual "National Teach Children to Save Day," in which bankers around the country visit elementary schools to teach children about the importance of saving money.

The Girl Scouts of the U.S.A. has developed "Money Smarts," a comprehensive personal finance project and resource guide for girls.

Girls Inc., is developing a money management curriculum for girls.

The Cooperative State Research, Education and Extension Service, U.S. Department of Agriculture offers educational programs in personal finance, with an emphasis on saving for retirement, through partner universities and county offices nationwide.

The Internal Revenue Service has many resources to help taxpayers understand financial issues facing them in retirement.

The General Services Administration offers many free and low-cost publications about retirement planning.

The U.S. Federal Trade Commission offers advice on how to guard against fraudulent investment schemes.

For more information, visit the Web site of the National Summit on Retirement Savings, located at http://www.saversummit.org/backgrnd.pdf.

RCS Underwriters

The 1998 Retirement Confidence Survey was underwritten by grants from the following organizations: Aid Association for Lutherans, American Bankers Association, American Compensation Association, American Council of Life Insurance, American Express Financial Services, American General Retirement Services/ VALIC, Aon Consulting, AT&T, Barclays Global Investors, CIGNA Corporation, Citibank N.A., Diversified Investment Advisors, Ernst & Young, LLP, Fidelity Institutional Retirement Services Co., Investment Company Institute, John Hancock Mutual Life Insurance Co., Lucent Technologies, ManuLife Financial, Massachusetts Mutual Life Insurance Co., Milliman & Robertson, Inc., Money Education Services, National Council of La Raza, National Federation of Independent Business, Nationwide Life Insurance Co., PaineWebber Retirement Plans, The Principal Financial Group, Prudential Investments, Scudder Kemper Investments, Society for Human Resource Management, State Street Global Advisors, TIAA-CREF, T. Rowe Price, Union Labor Life Insurance Co., and The Vanguard Group.

Minority Special Report Underwriters

The 1998 Minority Special Report was underwritten by grants from the following organizations: American Bankers Association, American Express Financial Services, AT&T, CIGNA Corporation, Diversified Investment Advisors, ManuLife Financial, National Council of La Raza, National Federation of Independent Business, Nationwide Life Insurance Co., The Principal Financial Group, Prudential Investments, Scudder Kemper Investments, T. Rowe Price, and Union Labor Life Insurance Co.

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EBRI Issue Brief (ISSN 0887-137X) is published monthly at $300 per year or is included as part of a membership subscription by the Employee Benefit Research Institute, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Periodicals postage rate paid in Washington, DC. POSTMASTER: Send address changes to: *EBRI Issue Brief*, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Copyright 1998 by Employee Benefit Research Institute. All rights reserved, No. 200.

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