

Retirement Confidence in America: Getting Ready for Tomorrow

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Special Report

and Issue Brief no. 156

- Most Americans are confident that they will achieve financial security in retirement. Two in three respondents to the 1994 EBRI/Greenwald Retirement Confidence Survey report being “very” or “somewhat” confident that they will have enough money to live comfortably throughout their retirement years (66 percent of workers, 66 percent of retirees). However, both groups of respondents are substantially more likely to be “somewhat” confident than “very” confident.
- Working Americans aged 26 and over can be divided into three groups: the roughly one-fifth who are “very” confident in their financial security in retirement (21 percent), the 45 percent who say they are “somewhat” confident, and the one-third who are either “not too” confident (17 percent) or “not at all” confident (16 percent) that they will be able to live comfortably in retirement.
- Over two in five Americans also say they are “very confident” that they will have enough money to take care of basic expenses during retirement and, for the second year in a row, confidence appears to be increasing in this area. The proportion of current workers and retirees who are “very confident” that they will be able to cover basic expenses increased roughly 10 percentage points from 1992 to 1993 and has inched up even further this year.
- Respondents have been segmented into four groups based on their Personal Confidence and Government Confidence Index scores—Doubly Assureds, Worrieds, Self-Sufficients, and Faithfuls.
- Current workers began saving at an earlier age. More than 6 in 10 current workers who have started saving for retirement say they started at age 30 or younger (61 percent). One-quarter say they started between age 31 and age 40 (25 percent), while 10 percent started saving after age 40. On average, current workers started saving for retirement at age 30. By comparison, retirees who saved money for retirement when working are less likely to say they started saving at age 30 or younger (28 percent). Indeed, fully one-third say they started saving in their thirties (32 percent) or after age 40 (35 percent). On average, retirees started saving for retirement at age 38.

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Methodology

The Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc. have conducted

a survey of Americans' views concerning their confidence regarding their financial security in retirement. The survey, which was funded by a number of financial services firms and associates, is the fourth in a series of surveys conducted on this topic as part of the Retirement Confidence Project.

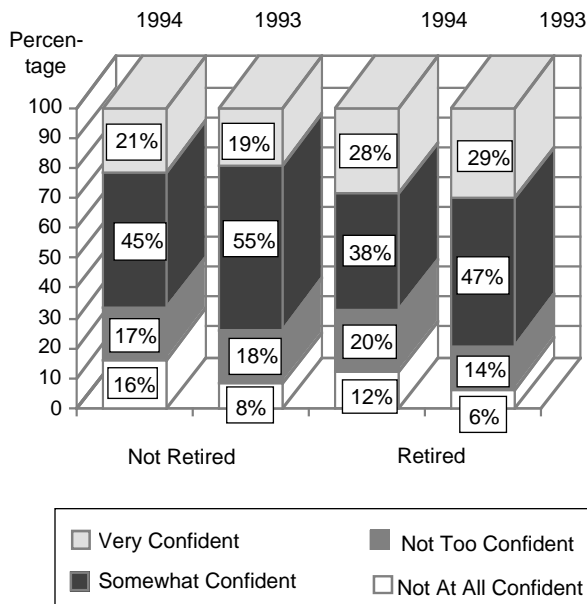
One thousand Americans over age 25 were surveyed, by telephone, between July 27 and August 19, 1994 by National Research, Inc. Random digit dialing was used to obtain a representative cross-section sample. This survey included some questions from previous

waves of the study, which were conducted in 1990, 1992, and 1993.

The wording of some survey questions varied, depending on whether the respondent was retired or not retired. Of those interviewed, 757 are not retired (including students, unemployed, and homemakers with employed spouses), and 243 are retired (including homemakers with retired spouses). The margin of error (95 percent confidence level) for this survey is approximately four percentage points for the total sample, four percentage points for the "not retired" sample, and eight percentage points for the "retired" sample.

This report of survey findings explains results from all survey questions, breaking out responses by demographic characteristics and, where appropriate, making comparisons with questions asked in previous waves of the study. The final section reports on a Retirement Confidence Index and the segmentation of the survey respondents on which it is based.

Chart 1
Confidence in Having Enough Money to Live Comfortably in Retirement



Survey Findings

Confidence in Retirement Security

Most Americans believe that they will be financially secure in retirement. Two-thirds of respondents indicate that they are *very* or *somewhat* confident that they will have enough money to live comfortably throughout their retirement years (66 percent for both workers and retirees¹ who are confident have declined slightly from 1993. As shown in chart 1, retirees are more likely than current workers

¹ For the purpose of asking certain questions, survey respondents were divided into two categories: retired or not retired. Of the 1,000 people interviewed, 757 (76 percent) were classified as not retired and 243 (24 percent) were classified as retired. (Homemakers have been classified as retired if their spouse is retired or not retired if their spouse is currently working. In this report "not retired" respondents are sometimes referred to as "workers," although a few are, in fact, unemployed, students, or homemakers who have employed spouses.)

to be “very” confident that they will have enough money to live comfortably in retirement (28 percent compared with 21 percent).

Working Americans aged 26 and over can be divided into three distinct groups in terms of their own view of retirement security: the roughly one-fifth who say they are “very confident” that they will be able to live comfortably in retirement (21 percent), the 45 percent who say they are “somewhat confident,” and the one-third who are “not too confident” or “not at all confident” in their retirement security (33 percent).

Those who are not confident that they will be able to live comfortably in retirement tend to be less affluent and less educated than average. Many have not started saving for retirement or even thought much about their retirement finances, and few in this group believe Social Security will provide them adequate income in their retirement. This differs from the views of many financial experts who contend that the less affluent have the least to worry about because Social Security income will replace a substantial proportion of their income in retirement, meaning their standard of living will not change dramatically.

By comparison, the most affluent working Americans tend to express higher levels of confidence in their ability to live comfortably in retirement. This group is more likely to have given thought to their retirement outlook, to have started saving for it, and to have started saving at an early age. While members of the above average income group tend to express high levels of confidence about their financial security in retirement, many analysts and experts argue they are saving at rates inadequate to maintain their standard of living once they reach retirement. However, others argue that members of the baby boom generation, in particular, are saving adequately and are currently enjoying a higher standard of living than their parents were at the same age.²

² For more information, see Paul Yakoboski, “Baby Boomers in Retirement: What Are Their Prospects?” EBRI Issue Brief no. 151 (Employee Benefit Research Institute, July 1994).

Reasons for Confidence in Retirement—Among the current workers who are “very confident” that they will have enough money to live comfortably in their retirement years (n=160), the largest proportions indicate feeling this way because of good planning (28 percent), having saved money through savings or payroll deduction plans (24 percent), or because of their investments (21 percent).

Employed Americans who are “somewhat confident” (n=340) are somewhat more likely to provide negative reasons rather than positive reasons for feeling this way. Sizable proportions are only “somewhat confident” in their financial security because of external events beyond their control such as the economy (19 percent), fear of the future (18 percent), or fear that Social Security will not be able to provide them enough money (9 percent). This group has taken some steps to ensure their financial security in retirement, but they feel vulnerable to external forces, which drives their need to begin saving more for their retirement years. If no problems arise for this group, they feel they will do fine financially in retirement. However, the fear of the unknown gives this group of respondents concern. The largest proportion of those who are not confident about being able to live comfortably in retirement (n=247) say they feel this way because they have not saved enough money (40 percent). Sizable proportions also blame the economy (25 percent) among the many reasons given.

Responses are similar for retired respondents. Many of those who are “very confident” that they will be able to continue to live comfortably in retirement (n=69) say this is because they saved money through savings or payroll deduction plans (38 percent), their pension or retirement funds are adequate (26 percent), or they have investments (23 percent).

Responses are primarily negative among retirees who are “somewhat confident” that they will be able to live comfortably in retirement (n=93). More than one-third are just “somewhat confident” because the economy is not doing well (35 percent). Roughly one-half fear

Table 1
Confidence in Ability to Cover Expenses In Retirement

How Confident Are You That You and Your Spouse...		Very Confident		Somewhat Confident		Not Too Confident		Not at All Confident	
		Not retired	Retired	Not retired	Retired	Not retired	Retired	Not retired	Retired
(percentage)									
Will Be Able to Afford to Live Where You Want to	1992	29%	48%	45%	37%	17%	8%	7%	5%
	1993	36	50	38	31	14	8	10	8
	1994	32	49	38	31	17	8	11	11
Will Have Enough Money to Take Care of Your Basic Expenses	1992	27	33	52	38	14	22	5	5
	1993	40	43	43	40	11	9	5	4
	1994	43	47	41	37	8	10	8	6
Are Doing/Have Done a Good Job of Preparing Financially for Retirement	1992	21	24	48	49	19	10	10	13
	1993	23	35	46	41	18	11	11	10
	1994	24	31	43	39	19	17	14	11
Will Have Enough Money to Take Care of Your Medical Expenses	1992	18	26	37	35	29	24	14	12
	1993	22	33	33	35	24	17	18	11
	1994	18	31	37	31	21	20	19	13
Will Have Enough Money to Pay for Most of the Recreational, Entertainment, or Travel Pursuits You Desire	1992	na	na	na	na	na	na	na	na
	1993	na	na	na	na	na	na	na	na
	1994	19	30	42	29	22	13	14	23
Will be Healthy Enough to Enjoy Your Retirement Years	1992	31	25	51	44	10	13	5	10
	1993	35	38	48	40	8	10	4	8
	1994	37	27	46	41	8	14	5	12

having to pay health and medical expenses (17 percent), while just under one-tenth cite the fear of the future (10 percent), insufficient savings (8 percent), and concern that Social Security will not be able to provide them enough money (8 percent).

Insufficient savings (28 percent), a negative economy (22 percent), having to pay for health or medical expenses (22 percent), and the Social Security system not being able to provide them with enough money (21 percent) are the most often cited reasons by retirees who are not confident that they will be able to live comfortably in retirement (n=76).

Level of Confidence in Specific Attributes of Retirement— Survey respondents were read a series of statements about their level of confidence concerning various aspects of retirement security, including retirement, health status, financial preparedness for retirement, and having enough money for retirement. The wording of these statements varied, as appropriate, for retirees and those not yet retired. Table 1 presents the results for this series of questions for retirees and current workers for the 1992, 1993, and 1994 survey waves.

Seven in ten Americans aged 26 and over say they are confident that they are doing or did a good job of

preparing financially for retirement (67 percent of workers, 70 percent of retirees). However, 31 percent of retirees feel “very confident” that they did a good job of preparing financially for retirement, compared with 24 percent of current workers who are this confident they are doing a good job.

Most respondents also indicate that they are “very” or “somewhat” confident that they will have enough money to take care of their basic living expenses (84 percent of both groups). While the proportions of both groups who were confident about being able to cover basic living expenses is unchanged from a year ago (83 percent for each group in 1993), the proportions who are “very confident” have increased slightly (43 percent compared with 40 percent for workers, 47 percent compared with 43 percent for retirees).

Very large majorities are also confident that they will be able to afford to live where they want to (70 percent of current workers, 80 percent of retirees). Retirees (49 percent) are substantially more likely than current workers (32 percent) to be “very confident” in this area.

Current workers (83 percent) are more likely than retirees (68 percent) to be confident that they will be healthy enough to enjoy their retirement years, and

this gap appears to be widening. While the proportion of current workers who were confident about being healthy was the same in 1993 (83 percent), it was 10 percentage points higher for retirees (78 percent).

Roughly 6 in 10 respondents are confident that they will have enough money to take care of their medical expenses in retirement (55 percent of current workers, 62 percent of retirees). The proportion of current workers who are confident has stayed the same since 1993 (55 percent). However, the proportion of retirees who are confident has dropped six percentage points from 68 percent, after increasing seven percentage points from the previous year (61 percent).

A new question in this 1994 series asked respondents their level of confidence that they will have enough money to pay for most of the recreational, entertainment, or travel pursuits they desire during retirement. Similar proportions of respondents in both groups, roughly 6 in 10, are confident that they will be able to pay for most of these things in retirement (61 percent of current workers, 59 percent of retirees). However, retirees are much more likely than current workers to say they are “very confident” that they will have enough money to pay for most of the recreational, entertainment, or travel pursuits they desire during retirement (30 percent compared with 19 percent).

In general, among both current workers and those who have already retired, those who are married, have more education, and have higher household incomes are more likely to be “very confident” about each of the statements regarding retirement security. Among current workers, younger respondents are more likely to feel “very confident” that they will be healthy enough to enjoy their retirement years, while those who are older are more likely to be confident that they are doing a good job of preparing financially for retirement, they will be able to afford to live where they want to, and they will have enough money to take care of basic expenses in retirement.

In a separate series of questions, respondents were asked to agree or disagree with two aspects of being

able to afford retirement: that they may have to spend much of their retirement savings for medical expenses or long-term care, and that their retirement expenses will be/are lower than when they were working. Many respondents believe they will have to spend much of their retirement savings for medical expenses or long-term care (58 percent of current workers, 57 percent of retirees). While the proportion of current workers who agree with this statement has remained the same since last year (59 percent), the proportion of retirees who agree has increased substantially (46 percent in 1993). One-half of current workers agree that when they retire, their living expenses will be lower than they are now (51 percent), slightly higher than the proportion who agreed in 1993 (47 percent). The proportion of retirees who agree “strongly” or “somewhat” with this statement has increased only slightly, from 48 percent in 1993 to 50 percent this year.

Saving for Retirement

While many experts feel that savings rates are lower now than they were 20–30 years ago, findings from this survey seem to indicate that current workers are actually doing a better job of saving than those who are currently retired. Six in ten current workers indicate that they have started saving for retirement (61 percent), excluding Social Security taxes or a pension plan their employer pays for but including money from salary reduction plans. Respondents with higher educational levels and those who are more affluent are more likely to report that they have started saving for retirement. Married respondents are also more likely to have started saving.

By comparison, 55 percent of the retirees indicate that they were able to save money for retirement, aside from Social Security taxes or a pension plan their employer paid for, but including money from salary reduction plans. As with current workers, retirees who are more educated, more affluent, and married are more likely to indicate that they saved money for retirement

when they were working.

In addition, current workers have begun saving at an earlier age than retirees say they did. More than 6 in 10 current workers who have started saving for retirement (n=463) say they started at age 30 or younger (61 percent).

One-quarter say they started between the ages of 31 and 40 (25 percent), while 10 percent started saving after age 40. On average, current workers started saving for retirement at age 30.

By comparison, retirees who saved money for retirement when working (n=134) are less likely to say they started saving at age 30 or younger (28 percent). Indeed, fully one-third say they started saving in their thirties (32 percent) or after age 40 (35 percent). On average, retirees started saving for retirement at age 38. Most current workers who have started saving for retirement report that they try to save regularly, that is, once a month, once a pay period, or in some other regular way (89 percent). Results are similar for retirees. Fully 81 percent of the retirees who saved money for retirement report that they tried to save money regularly.

Adequacy of Savings

Despite the fact that a majority of those surveyed have already begun saving for retirement, many individuals believe most Americans, including themselves, need to be saving more. An overwhelming majority of Americans feel that people in the United States do not save enough money to live comfortably in retirement. In 1994, 8 in 10 respondents said Americans do not save enough money for retirement (83 percent), 7 percent said they do save enough, and 7 percent said that some do and some do not. This is similar to 1990 and 1992, when 85 percent and 83 percent, respectively, felt Americans were not

Table 2
Reasons for Not Saving More Money for Retirement

	Major Reason	Minor Reason	Not a Reason
(percentage)			
Not Retired			
Paying for necessities prevents me from saving more	62%	21%	16%
I am saving for other major goals, such as a home or college education for my children	40	20	39
I will save more when I get closer to retirement	20	25	51
Life is too unpredictable for me to save more	20	28	50
Retirees			
Paying for necessities prevented me from saving more	47	22	28
I was saving for other major goals, such as a home or college education for my children	34	14	49
I wanted to save more when I got closer to retirement, but did not	27	26	44
Life is too unpredictable for me to have saved more	20	19	54

saving enough money for retirement.

In general, current workers feel they should be saving more money for retirement, and retirees feel they should have saved more. Fully 73 percent of current workers say they need to save more money than

they are currently saving in order to live comfortably in retirement. Two in ten say they are saving as much as they need to be (21 percent), while very few feel they are saving more than they need to be (3 percent). Results for retirees are similar. Nearly two-thirds feel they should have saved more money when they were working in order to live comfortably in retirement (63 percent). Three in ten claim they saved as much as they needed (30 percent), while few feel they saved more than needed (5 percent).

As level of education and income increase, the proportion of current workers who say they need to save more money for retirement decreases. Similarly, retirees who say they should have saved more for retirement tend to be those who are less educated and less affluent.

Reasons for Not Saving More for Retirement

Of four reasons provided for why respondents do/did not save more for retirement, paying for necessities is mentioned most often. Table 2 shows the responses to this series of questions for current workers and retirees. As shown in the table, 62 percent of current workers and 47 percent of retirees report they do/did not save more money for retirement because they spend/spent money paying for necessities. Among both groups, roughly one-half of those not identifying this as a major reason say it is a minor reason.

Four in ten current workers say a major reason

Table 3
**Investments for Current Workers; Investments
 Providing Payments for Retirees**

	Not Retired (percentage owning investments)	Retired (percentage receiving payments from investments)
Individual Retirement Account	41%	24%
Salary reduction plan, such as a 401(k) or 403(b)	44	8
Pension or retirement plan to which only your employer contributes money	51	42

they do not save more money for retirement is that they are saving for other major goals, such as a home or college education for their children (40 percent). Among the rest, more report that this is not a reason (39 percent) than report it as a minor reason (20 percent).

One-third of retirees say that saving for other major goals was a major reason they were not able to save more for retirement (34 percent). However, one-half indicate that this was not a reason at all (49 percent). Two in ten Americans who are currently working cite “life is too unpredictable for me to save more” (20 percent) and “I will save more when I get closer to retirement” (20 percent) as major reasons they do not save more for their retirement years. Roughly one-quarter report that these are minor reasons. Retirees are somewhat more likely to report that a major reason they did not save more was that they wanted to save more when they got closer to retirement (27 percent) rather than that life is too unpredictable (20 percent). Indeed, 53 percent say that wanting to save closer to retirement was a major or minor reason, while just 39 percent say that life being too unpredictable was a reason.

In general, among both current workers and retirees, those who are younger, less educated, and have lower annual household incomes are more likely to say that each is a major reason for why they are not able to save more money for retirement.

Types of Investments Owned

Respondents who are employed were asked if they currently have any of three types of investment plans. One-half of current workers indicate having a pension or retirement plan to which only their employer contributes money (51 percent). Slightly smaller proportions report having an individual retirement account (IRA) (41 percent), up slightly from 1993 (36 percent), but still lower than the proportion who reported having an IRA in 1990 (46 percent). Four in ten current workers also

report having a salary reduction plan such as a 401(k) or 403(b) (44 percent) (table 3).

Current workers who are more educated, have higher household incomes, and are married are more likely to report having an IRA, a salary reduction plan, and a pension or retirement plan to which only their employer contributes money. Older respondents are also more likely to report having an IRA.

Four in ten retired respondents indicate that they currently receive payments or benefits from a pension or retirement plan to which only their employer contributed money (42 percent). Roughly one-quarter receive money from an IRA (24 percent), while few receive money from a salary reduction plan (8 percent).

401(k) Plans

Respondents who have 401(k) plans or who receive money from them (among retirees) were asked a series of questions on the types of materials their employer has provided them, what those materials covered, and how those materials affected their 401(k) plan decisions. As shown in table 4, overall, of the respondents who have a 401(k) plan (n=353), one-half say they contribute or contributed (among retirees) the maximum amount their employer allows them to (52 percent).

Three-quarters say that their employer has provided them with educational materials or seminars regarding their salary reduction plan (72 percent). Of these respondents (n=253), 92 percent say they read the materials. Of those who read the materials (n=234), nearly all say they included a description of the investment options available to them (95 percent) and covered the advantages of saving in tax-deferred plans (92 percent). Three-fourths say the materials they read covered the principles of asset allocation and diversification (73 percent).

More than four in ten of those who read the materials about their 401(k) plan from their employer said the materials led them to change the allocation of

Table 4
401(k) Plan Ownership, Contributions, and Effect of Materials Received

	Total		Not Retired		Retired	
	(n)	%	(n)	%	(n)	%
Have Salary Reduction Plan	(1,000)	35	(757)	44	(243)	8
Typically Contribute(d) Maximum: Employer Provide(d) Educational Materials or Seminars about Plan	(353)	52	(333)	50	(20)	85
Read the Materials	(253)	92	(244)	92	(9)	100
Topics Covered Included	(234)		(225)		(9)	
Description of investment options available		95		96		89
Advantages of saving in tax-deferred plans		92		92		89
Principles of asset allocation and diversification		73		73		67
Materials Lead to	(234)		(225)		(9)	
Change the allocation of money among the options available		44		44		33
Increase the amount of contributions to the plan		33		33		44

their money among the options available (44 percent),

while one-third said the materials led them to increase the amount of their contributions to the plan (33 percent).

Various aspects of 401(k) plan ownership appear to be somewhat effective in predicting respondents' level of confidence in their ability to live comfortably in retirement. Respondents who received educational materials regarding their salary reduction plan from their employer and those who read those materials tend to be more confident in their retirement security than those who have not received materials or did not read them.

Amount of Thought Given to Retirement

Most working Americans aged 26 and over have given at least some thought to their own retirement (89 percent) (chart 2). Indeed, more than one-half reported that they have given a "great deal of thought" to their retirement (56 percent), and one-third have given it "a little bit of thought" (33 percent). Just 10 percent have not thought about their retirement at all.

Not surprisingly, as age increases, the proportion of current workers who have given a "great deal of thought" to their retirement also increases. Also, those with higher levels of education, higher annual household incomes, and those who are married are more likely to say they have given "a great deal of thought" to their retirement.

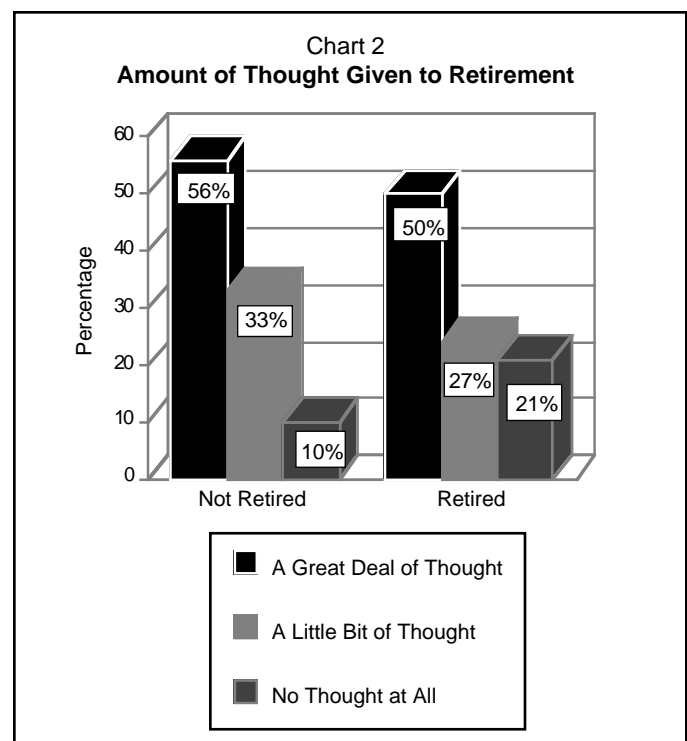
Fifty percent of retirees say they gave their retirement "a great deal of thought," and another 27 percent gave the issue "a little bit of thought." However, retirees are somewhat more likely than those currently employed to say they did not give their retirement any thought (21 percent) (chart 2).

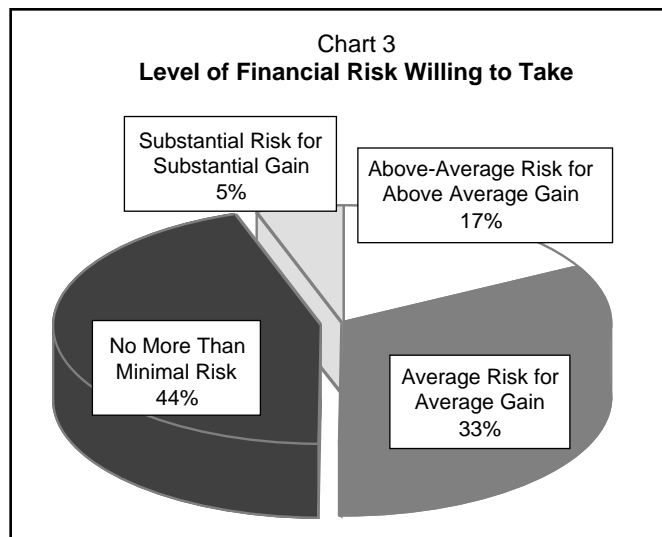
While many current workers have given a lot of thought to their retirement, just one-third have tried to

determine how much money they (and their spouse) will need to have

saved by the time they retire to live comfortably in their retirement years (34 percent), a proportion which is nearly identical to that found in 1993 (35 percent). Even smaller proportions of retirees say they tried to determine how much money they would need in order to live comfortably before they stopped working (27 percent). However, this number has increased somewhat since last year (19 percent).

Respondents who are employed, older, and more affluent are more likely to report that they have tried to determine how much money they will need to have saved by the time they retire. Respondents with no college experience are less likely to say they have tried to do these calculations.





they are not willing to take any more than minimal financial risk (44 percent), and another 33 percent say they are just willing to take

Most current workers are confident that they will be able to save the amount needed to live comfortably. Of those who have tried to figure out how much they will need (n=259), fully 74 percent say they are confident that they will be able to save that amount, with 37 percent saying they are “very confident.” Among the one-quarter who are not confident in their ability to save the amount they have determined they will need, 11 percent are “not too confident” and 14 percent are “not at all confident” in their ability to save that amount.

average risk for average gain. Less than one-quarter are willing to take above-average risk for above-average gain (17 percent) or substantial risk for substantial gain (5 percent) (chart 3).

More educated and affluent respondents, as well as those who are married, are more likely to feel “very confident” that they will be able to save the amount they will need to live comfortably in retirement.

Females, older respondents, those with no college experience, those with annual household incomes under \$25,000, and those who are retired are more likely to say that they will only take a minimal amount of financial risk.

Of the retirees who tried to determine how much money they would need to live comfortably (n=66), roughly one-half say they either were (48 percent) or were not (48 percent) able to save the required amount.

Respondents were asked to agree or disagree with the following statement: “People who are planning for retirement that is still many years away should put savings in investments like stocks and bonds rather than certificates of deposit and less risky investments, because stocks and bonds tend to do better over the long run.” A majority of both current workers (62 percent) and retirees (52 percent) agree with this statement. Three in ten respondents in both groups “agree strongly” (29 percent for each). Respondents are fairly evenly split between those who “disagree somewhat” (16 percent current workers, 11 percent retirees) or “strongly” (9 percent current workers, 14 percent retirees). Sizable proportions of those currently employed (13 percent) and those who have retired from the work force (22 percent) say they “do not know.”

Financial Decision-Making

At different points in the survey, respondents were asked questions about their financial decision-making. Respondents are much more likely to say that they are in control of their financial well-being and are directly responsible for it (70 percent) than that there are too many things that affect their financial well-being that are beyond their control (30 percent).

Sources of Retirement Income

As annual household income increases, the proportion of respondents who say they are in control of their financial well-being also increases. Also, those holding college degrees are more likely to say they are in control of their financial well-being.

Of eight sources of income in retirement, one-quarter of those who are currently working believe the most important source for their household will be personal savings or investments (27 percent), money their employer put into a pension plan (25 percent), or money they put into saving or retirement plans through work (23 percent). Just 14 percent of current workers say their most important source of retirement income will be

Level of Financial Risk

Most respondents indicate being conservative regarding financial risk. More than four in ten Americans say that

Table 5
Sources of Retirement Income

		Most Important	Major Source	Minor Source	Not a Source
(percentage)					
Money Your Employer Put into a Pension Plan	NR ^a	25%	25%	29%	20%
	R ^b	20	17	21	39
Money You Put into Savings or Retirement Plans through Work	NR ^a	23	31	28	17
	R ^b	15	22	20	40
Social Security	NR ^a	14	18	53	14
	R ^b	42	26	23	8
Your Own Personal Savings or Investments	NR ^a	27	27	31	14
	R ^b	14	20	33	29
Inheritances	NR ^a	2	6	36	54
	R ^b	2	6	15	75
Money from the Sale or Refinance of Your Home	NR ^a	1	11	39	45
	R ^b	3	6	12	76
Money You Continue to Earn from a Job	NR ^a	4	21	46	26
	R ^b	3	8	15	72
Support from Children or Other Family Members	NR ^a	2	2	26	69
	R ^b	—	2	9	88

Note: Question wording for married respondents included spouse's pension plans, savings, etc.

^aNot retired.

^bRetired.

Social Security, an indication that current workers recognize they will have to be more responsible for their retirement security than retirees have had to be in the past (table 5).

Current workers who are more affluent are more likely to say that their most important source of retirement income will be money their employer puts into a pension plan, savings or retirement plans through work, and personal savings and investments and less likely to say that Social Security will be their most important source of retirement income. Current workers who are more educated are also more likely to say that personal savings or investments will be their most important source of retirement income.

By comparison, among retirees, fully 42 percent say that Social Security is their household's most important source of income. One-half that many say the most important source is money their employer put into a pension plan (20 percent). A few report that the most important source is money they put into saving or retirement plans through work (15 percent) or their own personal savings or investments (14 percent).

Retirees who are more educated and those who are married are somewhat more likely to say that money their employer put into a pension plan is their most important source of retirement income. Retirees with annual household incomes under \$25,000 and those who are not married are much more likely to say that Social

Security is their most important source of income.

Respondents not naming a source as the "most important" one to their household in retirement were asked if it is/would be a major, minor, or not a source of income for them. Three in ten current workers not naming money they put into savings or retirement plans through work as their most important source say it will be a major source (31 percent). Nearly that many report that their own personal savings or investments (27 percent) or money their employer puts into a pension plan (25 percent) will be major sources of income in retirement. Fully 21 percent of those currently employed who do not say that money they continue to earn from a job will be the most important source say it will be a major source and another 46 percent say it will be a minor source.

Roughly one-fourth of the retirees not naming them as their household's most important source of retirement income say that Social Security (26 percent), money they put into savings or retirement plans through work (22 percent), and their own personal savings or investments (20 percent) are major sources of income.

Expectations for Retirement

Two-thirds of current workers expect to retire between age 56 and 65 (63 percent); 32 percent expect to retire at age 64 or 65. Seventeen percent say they expect to retire

Table 6
Current Standard of Living
Compared with Parents at Same Age

	Not Retired	Retired
	(percentage)	
A Lot Better Off	30%	37%
Somewhat Better Off	28	32
About the Same	22	14
Somewhat Worse Off	12	6
A Lot Worse Off	6	5
Parents Did Not Live as Long	0	2
Don't Know/Refused	2	5

Table 7
Standard of Living In Retirement
Compared with That When Working

	Not Retired	Retired
	(percentage)	
A Lot Better Off	11%	9%
Somewhat Better Off	16	11
About the Same	53	56
Somewhat Worse Off	13	15
A Lot Worse Off	4	7
Don't Know/Refused	2	2

from the work force before age 56, while 13 percent say they will retire after age 65. Respondents with higher annual household incomes are more likely to say they will retire at an earlier age.

More than 4 in 10 retirees say they retired between age 61 and 65 (44 percent); 18 percent retired at age 64 or 65. Twenty-five percent retired prior to age 56. Seven percent retired at age 66 or later. Again, retirees who are more affluent are more likely to report that they retired at an earlier age.

Most current workers and retirees see their current standard of living as being better than that of their parents when they were the same age. More than one-half of current workers say they are better off than their parents were at the same age (58 percent), and fully 30 percent believe they are a lot better off. Two in ten say they are doing about the same (22 percent), while a few report being somewhat worse off (12 percent) or a lot worse off (6 percent) than their parents were at that age (table 6).

Seven in ten retirees report that they are better off than their parents at the same age (69 percent), with 37 percent saying they are a lot better off. Just 14 percent believe their standard of living is about the same, and very few believe they are doing worse off than their parents (11 percent).

Among both current workers and retirees, those who are more educated and more affluent are more likely to feel they are better off than their parents were at the same age. Also, among current workers, younger respondents are more likely to feel they are worse off than their parents were at the same stage in life.

Asked about their standard of living in retirement compared with what it is now, one-half of current workers feel they

will be doing about the same (53 percent). These respondents are somewhat more likely to feel they will be better off in retirement (27 percent) than worse off (17 percent), compared with how they are doing now (table 7).

Similarly, 56 percent of retirees say their standard of living is about the same now as when they were working. Retirees are fairly evenly split between those who feel they are better off (20 percent) or worse off (22 percent) now compared with when they were working.

Most current workers expect to have enough or more than enough income to maintain an adequate standard of living in retirement. Six in ten say they will have just enough income to maintain an adequate standard of living (61 percent), while 22 percent feel they will have more than enough income. Fifteen percent feel they will not have enough income (table 8).

These proportions are similar to those when this question was last asked, in 1990. In that wave, 16 percent expected to have more than enough income in retirement, 58 percent expected to have just enough, and 23 percent did not expect to have enough.

Retirees were asked a similar question about their current standard of living. Seven in ten say they have enough income to maintain an adequate standard of living (70 percent). Retirees are evenly divided between those who feel they have more than enough income (14 percent) and those who say they do not have enough income (15 percent).

Of eight things they might do in retirement, current workers are most likely to say they would like and expect to spend more time with their children and grandchildren (78 percent), maintain their preretirement lifestyle (71 percent), do volunteer work

Table 8
Sufficiency of Income
to Maintain an Adequate Standard
of Living In Retirement

	Not Retired (income expected)		Retired (income have)	
	1990	1994	1990	1994
	(percentage)			
More Than Enough	16%	22%	20%	14%
Just About Enough	58	61	62	70
Not Have Enough	23	15	16	15

Table 9
Expectations In Retirement

	Like and Expect To Do	Like But Do Not Expect To Do	Would Not Like To Do
(percentage)			
Not Retired			
Spend More Time with Your Children or Grandchildren	78%	27%	9%
Maintain Your Preretirement Lifestyle	71	18	10
Do Volunteer Work	68	10	20
Travel More Than You Do Now	63	19	17
Move to a New Home More Suitable for Retirement Living	38	13	46
Obtain More Education and Training	27	15	56
Own a Vacation Home	25	28	45
Start a New Career	13	13	76
	Have Done	Like and Expect To Do	Do Not Expect To Do
Retired			
Maintain Your Preretirement Lifestyle	52%	14%	33%
Spend More Time with Your Children or Grandchildren	51	14	30
Do Volunteer Work	39	10	50
Travel More Than You Do Now	30	13	58
Move to a New Home More Suitable for Retirement Living	16	9	73
Obtain More Education and Training	10	4	84
Own a Vacation Home	6	1	92
Start a New Career	6	4	89

(68 percent), and travel more than they do now (63 percent). Respondents who do not expect to do these things are fairly evenly divided between those who would like to do them but do not expect to and those who say they would not like to do them (table 9).

Nearly four in ten current workers say they would like and expect to move to a new home more suitable for retirement living (38 percent). However, many say they would not like to do this (46 percent). Roughly one-quarter say they would like and expect to obtain more education and training (27 percent) and own a vacation home (25 percent). Fifty-six percent would not like to obtain more education and training, while 45 percent would not like to own a vacation home.

Most current workers say they would not like to start a new career (76 percent). The rest are evenly split between those who would like to and expect to (13 percent) and those who would like to but do not expect to (13 percent).

A similar question was asked of retirees. One-half say they have maintained their preretirement lifestyle (52 percent), and another 14 percent say they expect to do that. One-half also say they have spent more time with their children and grandchildren (51 percent), and another 14 percent say they expect to do that (table 9).

Four in ten retirees indicate that they do volunteer work (39 percent) and 10 percent report that they

expect to. Three in ten say they travel more than they did when working (30 percent), with another 13 percent expecting to.

Most respondents say they do not expect to buy a vacation home (92 percent), start a new career (89 percent), obtain more education and training (84 percent), or move to a new home more suitable for retirement living (73 percent).

A separate question asked current workers if they think they will work on a part-time basis after they retire from their final full-time job. Fully two-thirds say they think they will work part time (65 percent). By comparison, among today's retirees, just 12 percent report that they do work full time or part time at jobs for which they are paid a fee.

Attitudes Toward Social Security and Medicare

As has been the case in previous study waves, more respondents feel they have a good understanding of the Social Security system than they do the Medicare system. While six in ten respondents are "very" or "somewhat" confident that they have a good understanding of how the Social Security system works (61 percent), 51 percent believe they have a good understanding of Medicare (table 10).

Table 10
Understanding of and Confidence in Social Security and Medicare

		Very Confident	Somewhat Confident	Not too Confident	Not at all Confident	Don't Know
<i>How confident are you that...</i>		(percentage)				
You Have a Good Understanding of How the Social Security System Works	(1992)	14%	48%	28%	10%	1%
	(1993)	20	38	27	15	1
	(1994)	21	40	25	12	2
You Have a Good Understanding of How the Medicare System Works	(1992)	12	31	35	20	3
	(1993)	16	31	29	21	2
	(1994)	17	34	27	20	2
The Social Security System Will Continue to Provide Benefits of Equal Value to the Benefits Received by Retirees Today	(1992)	5	28	42	23	2
	(1993)	7	24	39	26	4
	(1994)	6	22	36	33	3
The Medicare System Will Continue to Provide Benefits of Equal Value to the Benefits Received by Retirees Today	(1992)	3	25	44	24	3
	(1993)	5	24	40	26	4
	(1994)	6	25	31	33	5

Older respondents, those holding college degrees, and those who are more affluent are more likely to express confidence in their understanding of the Social Security and Medicare systems.

Roughly two-thirds of Americans aged 26 and over are *not* confident that either the Social Security (69 percent) or the Medicare system (64 percent) will continue to provide benefits of equal value to the benefits received by retirees today. The proportions of respondents who are “not at all confident” that these systems will be able to continue to provide benefits of equal value has increased somewhat: Social Security (23 percent in 1992, 26 percent in 1993, 33 percent in 1994); Medicare (24 percent in 1992, 26 percent in 1993, 33 percent in 1994).

Older respondents, those with less education, and lower annual household incomes are more likely to feel confident that the Social Security and Medicare systems will be able provide benefits of equal value to the benefits received by retirees today.

Reactions to Proposed Changes in Social Security System

Respondents were described five possible changes in the Social Security system that have been proposed by people who feel they may be necessary to ensure that the Social Security system has enough money to pay benefits for future retirees. They were then asked whether they favor or oppose these changes.

As shown in table 11, the largest proportion, by far, favor a measure to reduce benefits to high income

people receiving Social Security benefits (69 percent). Fully four in ten favor this measure strongly (41 percent).

Respondents are next most likely to support an increase in the taxable portion of Social Security benefits for retirees with incomes greater than \$30,000 per year. One-half favor this proposed change (50 percent), with 18 percent favoring it “strongly.”

The other three proposed changes are opposed by large majorities of respondents. More than eight in ten oppose reducing benefits to all people receiving Social Security (84 percent), with a majority opposing this measure “strongly” (61 percent). More than seven in ten oppose gradually raising the age when people collect Social Security benefits from 65 to 70 (72 percent); more than one-half oppose this “strongly” (52 percent). Two-thirds of Americans over age 25 oppose raising the payroll tax that all workers pay toward Social Security, either “somewhat” (21 percent) or “strongly” (44 percent).

Age, income, level of education, and employment status serve as good predictors of whether respondents favor or oppose these proposed changes to the Social Security system. In general, older respondents, those who are retired, those who are less educated, and those who are less affluent are more likely to oppose reducing benefits to all people receiving Social Security and reducing benefits to high-income people and are less likely to oppose raising the payroll tax that all workers pay toward Social Security, raising the age when people can begin collecting benefits, and increasing the taxable portion of benefits for retirees with incomes greater than \$30,000.

Table 11
Reactions to Proposed Changes in Social Security and Medicare Systems

		Strongly Favor	Somewhat Favor	Somewhat Oppose	Strongly Oppose	Don't Know
		(percentage)				
Reduce Benefits to High Income People Receiving Social Security ^a	(1990)	35%	28%	17%	18%	2%
	(1992)	34	29	19	15	3
	(1993)	44	26	14	13	3
	(1994)	41	28	14	14	3
Increase the Taxable Portion of Social Security Benefits for Retirees with Incomes Greater than \$30,000 per Year ^c	(1990)	b	b	b	b	b
	(1992)	b	b	b	b	b
	(1993)	22	30	19	26	3
	(1994)	18	32	22	24	5
Raise the Payroll Tax That All Workers Pay Toward Social Security ^{a,d}	(1990)	8	24	25	40	3
	(1992)	7	27	32	30	4
	(1993)	8	23	25	40	5
	(1994)	8	22	21	44	5
Gradually Raise the Age When People Collect Social Security Benefits from 65 to 70 ^a	(1990)	8	15	16	58	2
	(1992)	6	15	20	58	2
	(1993)	7	18	17	55	2
	(1994)	8	16	20	52	4
Reduce Benefits to All People Receiving Social Security ^a	(1990)	4	9	18	68	2
	(1992)	2	11	25	59	3
	(1993)	3	10	24	60	3
	(1994)	3	11	23	61	2

^aIn 1990, 1992, and 1993 the Medicare system was included in question wording.

^bQuestion not asked in 1990 or 1992.

^cIn 1993, asked as "Increase the tax rate on Social Security benefits..."

^dIn 1990, 1992, 1993, asked as "Raise all people's Social Security and Medicare payroll taxes."

Confidence Index

Introduction

As part of the data analysis for this study, three indices have been developed

to summarize the outlook of respondents regarding their retirement. The first examines how confident respondents are in their own abilities to prepare financially for retirement. The second index inspects their level of confidence in the federal government's ability to provide support to them in their retirement years. The third index, the retirement confidence index, is a combination of the first two.

The indices utilize the survey questions thought to best represent each person's level of confidence in his or her own ability or the government's ability to fund his or her retirement. Each question used to build the indices is measured on a four-point Likert scale. Responses have been transformed so that the higher the rating the higher the level of confidence.

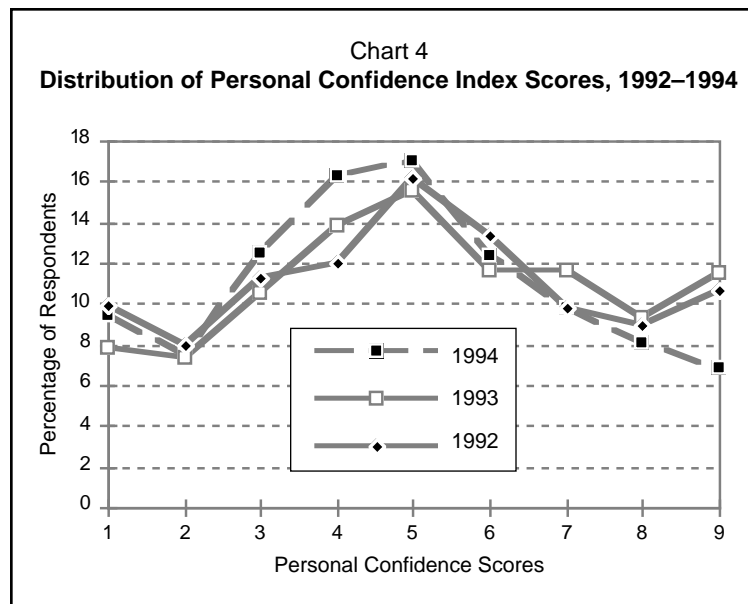
The index scores for personal confidence are

calculated by summing respondents' ratings to questions about how confident they are concerning four areas of retirement: the job they have done preparing financially for retirement, whether they will be able to cover basic expenses during retirement, whether they will be able to afford to live where they want to, and whether they will have enough money to pay for medical expenses.

The confidence in government scores are calculated by summing respondents' ratings to four questions. Two questions measure respondents' level of confidence in the government's ability to provide Social Security or Medicare benefits of equal value to the benefits received by retirees today. The other two questions measure respondents' level of confidence in their understanding of how the Social Security and Medicare systems work. These two questions have been combined to form one "understanding" measure. This "new" variable also ranges from one to four.

Personal Confidence Index

The personal confidence about retirement index is a measure of respondents' confidence in their own ability



to prepare themselves financially for retirement.³ The index includes their confidence concerning four areas of retirement:

- doing a good job of preparing financially,
- having enough money to take care of basic expenses,
- having the ability to afford to live where they want to, and
- whether they will have enough money to pay for their medical expenses.

Because many respondents indicate being at least “somewhat confident” in each of the four areas, “not too confident” and “not at all confident” responses have been combined for each of the questions. Thus, each “new” question has a three-point scale. As noted earlier, data for the questions have been transformed so that a rating of “three” indicates that respondents are “very confident.”

The personal confidence index has been constructed by summing the responses to these four questions for each respondent answering at least three of the questions. The resulting index scores range from 3 (not confident) to 12 (very confident). As shown in chart 4, this procedure produces an index where a few respondents have very high scores and a few have very low scores. The average score for the personal confidence index is 8.0, compared with 1993 and 1992, when the average scores were 8.2 and 7.8, respectively. The median score for the index is 8 this year, the same as it was last year and the year before.

To facilitate analyses, respondents have been further divided into four groups based on their personal confidence index score. The proportion of respondents in each of the four groups is presented in table 12. As shown in the table, respondents with scores of 5 or lower

³ These are questions 25b through 25e for nonretired persons or questions 25b through 25e for retired persons on the survey. Respondents who answered “do not know” to more than one of the questions used to construct the index have been excluded from the analysis.

have been classified as “very low” on the personal confidence index (18 percent), while a score of 6 or 7 places respondents “low” on the

index (24 percent). Those with scores of 8 or 9 are considered to be “high” in personal confidence (30 percent), and those with scores of 10 or more are classified as “very high” on the index (29 percent).

Results of the personal confidence index show that 29 percent of respondents are “very high” on the personal confidence index this year, compared with 32 percent who were “very high” last year. The proportion who are “very low” in personal confidence is 18 percent this year, compared with 16 percent last year.

A description of the groups, based on the questions used to construct the personal confidence index is presented in table 13. As would be expected, very large majorities of the respondents who are “high” or “very high” on the index are confident about their retirement outlook in each of the four areas. However, those who are “very high” in personal confidence are somewhat more likely than those who are “high” to be confident about the job they did preparing financially for retirement (98 percent compared with 85 percent) and much more likely to be confident that they will have enough money to pay medical expenses (96 percent compared with 74 percent). This has also been the case in previous years, although to a lesser extent in 1992.

Among those ranking “low” on the index, only 3 in 10 are confident they will have enough money to pay medical expenses (30 percent). Comparatively, roughly 6 in 10 are confident that they have prepared well financially (56 percent) and that they will be able to afford to live where they want to (63 percent), and a very large majority are confident that they will have enough money to take care of basic living expenses during retirement (86 percent).

Few respondents ranking “very low” on the personal confidence index are confident in any of these

Table 12
**Size and Percentage of Personal Confidence
 Index Groups, 1992–1994**

Index Groups	1992		1993		1994	
	(n)	(%)	(n)	(%)	(n)	(%)
Very Low (Low through 5)	132	17	124	16	173	18
Low (6 or 7)	224	29	188	24	227	24
High (8 or 9)	228	29	211	27	285	30
Very High (10 through High)	193	25	251	32	281	29

four areas. However, they are more likely to be confident that they will have enough money to pay their basic expenses (31 percent) than on any of the other three measures of personal confidence, and this proportion has increased considerably since 1992 (15 percent) and 1993 (20 percent).

A leading factor in determining respondents' level of personal confidence is household income. As illustrated in chart 5, more than one-half of those scoring "very low" on the personal confidence index have household incomes below \$25,000 annually (56 percent), compared with only 10 percent of those rating "very high" on the index. Accordingly, 42 percent of the respondents "very high" on the confidence index report household incomes exceeding \$50,000 annually, six times the proportion of those ranked "very low" on the index (7 percent).

A second factor in determining respondents' level of personal confidence is education level. Four in ten of those measuring "very high" on the index are college graduates (42 percent)—more than twice the proportion of college graduates among those in the "very low" group. Indeed, as shown in chart 6, there is a linear relationship between level of education and scores on their personal confidence index. Specifically, as the scores on the personal confidence increase, so does the proportion of respondents who have graduated from college.

Another leading factor that helps determine respondents' level of personal confidence is age. Many of

Table 13
Description of Personal Confidence Index Groups

Index Groups		Personal Confidence Index			
		Very low	Low	High	Very high
		(percentage very/somewhat confident)			
Did a Good Job of Preparing Financially for Retirement	1992	11%	66%	90%	96%
	1993	15	57	89	97
	1994	7	56	85	98
Will Be Able to Afford to Live Where They Want to During Retirement Years	1992	16	75	95	100
	1993	15	65	95	100
	1994	11	63	93	99
Will Have Enough Money to Take Care of Their Basic Expenses During Retirement	1992	15	76	97	97
	1993	20	89	99	99
	1994	31	86	97	100
Will Have Enough Money to Take Care of Medical Expenses During Retirement	1992	5	29	82	95
	1993	7	27	73	98
	1994	2	30	74	96

the respondents who are "very high" or "high" on the index are over age 54, while higher proportions of those who score "very low" or "low" in personal confidence are 35–54 years old. Likewise, those scoring "very low" on the index are slightly more likely than those with "very high" scores to be aged 35–54 (chart 7).

Table 14 presents the demographic characteristics of each of the four personal confidence index groups. Respondents in the "very low" group are less likely than those in the other three groups to be married and more likely to be divorced or separated. While there is little difference in the proportions who are employed, those in the "very high" group are more likely to be retired than those "low" or "very low" in personal confidence.

Also, respondents who are in the "very high" group are more likely to own their home (84 percent), while those in the "very low" group are considerably less likely (56 percent).

Confidence in Government Index

The confidence in government index reflects respondents' confidence in the federal government's two primary programs for the elderly and an evaluation of how well they feel they understand how these programs work. Like the personal confidence index, data for the questions used in the construction of the index are first transformed so that a "4" indicates the highest level of confidence in the government, while a "1" represents the

Chart 5
Personal Confidence Index by Household Income

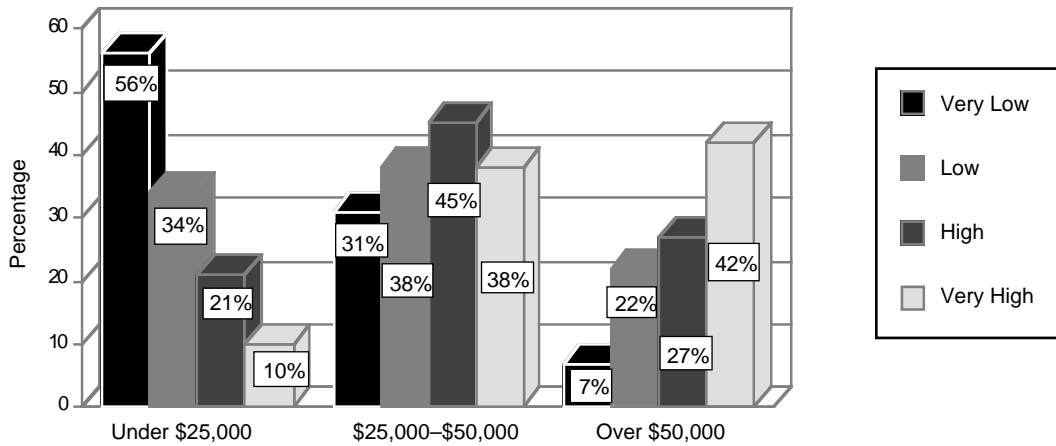


Chart 6
Personal Confidence Index by Percentage Holding College Degrees

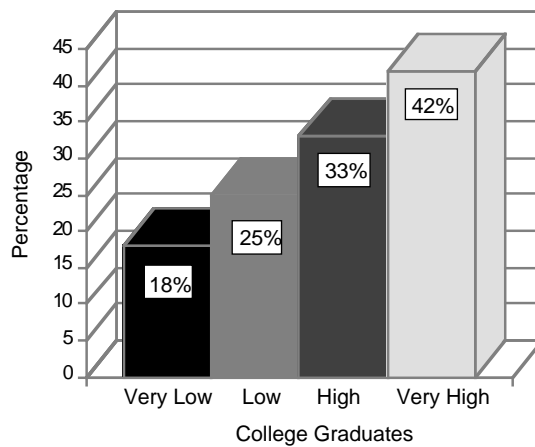


Chart 7
Personal Confidence Index by Age

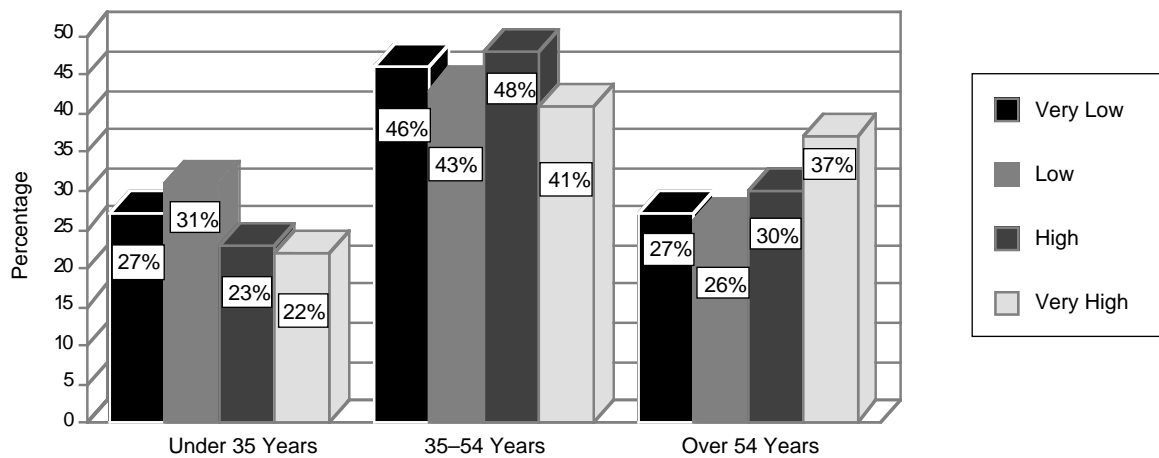


Table 14
Profile of Personal Confidence Index Groups by Selected Demographics

	Personal Confidence Index											
	Very low			Low			High			Very high		
	'92	'93	'94	'92	'93	'94	'92	'93	'94	'92	'93	'94
	(percentage)											
Gender												
Male	42%	40%	46%	49%	44%	49%	51%	48%	52%	59%	56%	47%
Female	58	60	54	51	56	52	49	52	48	41	44	53
Age												
26-34	23	26	27	25	27	31	25	21	23	26	19	22
35-44	38	27	25	34	25	26	27	25	27	26	22	20
45-54	20	20	21	16	19	17	16	18	20	12	18	21
55-64	8	15	13	13	15	8	15	17	12	17	14	14
65 and over	11	12	14	13	14	18	17	19	17	19	27	23
Marital Status												
Married	62	54	54	63	68	67	69	64	68	68	67	71
Divorced or separated	19	22	22	14	13	14	9	11	11	9	9	11
Widowed	6	7	10	7	7	8	9	11	5	11	9	8
Single, never married	13	18	14	16	11	12	13	13	15	11	14	11
Household Income												
Under \$25,000	43	55	56	26	32	34	24	31	21	16	16	10
\$25,000-\$34,999	22	12	19	25	24	15	18	18	19	18	17	15
\$35,000-\$49,999	20	20	13	22	22	23	25	27	26	24	25	23
\$50,000-74,999	9	8	4	17	17	15	19	13	16	24	23	23
\$75,000 or more	2	2	3	6	3	7	8	6	12	13	14	19
Don't know/refused	5	3	6	5	2	6	6	5	7	5	6	10
Employment Status												
Employed full time	55	55	58	63	56	59	63	56	62	58	57	54
Employed part time	9	11	10	5	12	8	6	4	8	9	4	8
Unemployed/laid-off	8	7	5	5	5	4	5	5	1	2	2	2
Retired	18	15	17	17	15	19	20	25	20	25	29	26
Homemaker	8	9	7	8	10	7	5	9	8	6	7	8
Full-time student	2	2	1	2	2	1	1	2	1	1	1	3
Education												
Some high school	20	24	21	9	9	18	8	10	10	8	6	5
High school graduate	35	34	32	28	34	29	29	37	30	25	23	25
Some college/trade or business school	27	29	27	33	37	29	31	23	26	29	30	29
College graduate	18	15	18	30	21	25	33	31	33	38	42	42
Home Ownership												
Own	na	na	56	na	na	71	na	na	73	na	na	84
Rent	na	na	39	na	na	26	na	na	26	na	na	15

lowest. Respondents who answered “do not know” to more than one of the four questions used to construct the government index have been excluded from the analysis.

Two questions measure respondents’ level of confidence in the government’s ability to provide Social Security and Medicare benefits of equal value to the benefits received by retirees today.⁴

Two questions measure how confident respondents are that they understand how these programs work.⁵ These two questions have been combined to form one “understanding” measure. This “new” variable

ranges from 1 to 4. Respondents who were confident of their understanding of both programs received a 4, while those who were not confident of their understanding of either program received a 1. Those confident in their understanding of Social Security but not confident in their understanding of Medicare received a 2. Correspondingly, those confident in their understanding of Medicare but not confident in their understanding of Social Security received a 3.

As shown in table 15, more than 4 in 10 respondents are “not at all confident” that they understand how

⁴ These questions are #46b and #46d on the survey.

⁵ These questions are #46a and #46c on the survey.

Table 15
**Confidence in “Understanding”
 Social Security and Medicare Programs**

	1992	1993	1994
	(percentage)		
Very Confident	30%	32%	29%
Somewhat Confident	27	20	19
Not Too Confident	7	11	9
Not At All Confident	36	38	43

the Social Security and Medicare systems work (43 percent). By comparison, 3 in 10 report they are “very confident” that they understand the programs (29 percent), 19 percent are “somewhat confident” and 9 percent are “not too confident.” Confidence in understanding the Social Security and Medicare programs has declined somewhat. Indeed, the proportion of respondents who are “not at all confident” that they understand how the programs work has gone from 36 percent in 1992, to 38 percent in 1993, to 43 percent this year.

The confidence in government index is created by adding the new “understanding” score with respondents’ level of confidence in the government’s ability to provide equal Social Security and Medicare benefits. The confidence in government scores range from 2 to 12 where a 2 is “not at all confident” and a 12 is “very confident” in the government. This year’s distribution is shown in chart 8 along with the distributions from previous study waves. As shown in the chart, the results for each of the survey waves are similar. All three indices are have the same mean scores (6.6).

As with the personal confidence index, respondents have been divided into four fairly even sized groups based on their level of confidence in the government. Results are similar to those found in previous study waves. Respondents with a score of 4 or less are classified as “very low” on the confidence in government index (18 percent), while a score of 5 or 6 places respondents “low” on the index (36 percent). Those with scores of

7 or 8 are considered to have “high” confidence in the government (24 percent), and those with scores of at least 9 are classified as “very high” on the index (22 percent) (table 16).

A description of the four groups, based on the questions used to construct the confidence in government index, is presented in table 17. Almost by definition, nearly all of the respondents who have “very high” scores are confident that both the Social Security (79 percent) and Medicare (90 percent) systems will provide equal benefits to those offered today. By comparison, roughly one-third of those who have “high” scores on the index feel this way. Few of the respondents with “low” scores have this much confidence in the government and hardly any of the respondents with “very low” scores are confident in the government’s abilities.

Similarly, nearly all of the respondents in the “very high” group are confident that they have a good understanding of how these two systems work (98 percent). Nearly three-quarters of those in the “high” group express this level of confidence (72 percent), while about one-half that many in the “low” group do so

(36 percent). Just 2 percent of those in the “very low” group are confident that they have a good understanding of how the Social Security and Medicare systems work.

The percentage of respondents who are “very” or “somewhat” confident in their understanding of these programs appears to be increasing among respondents in all groups and especially

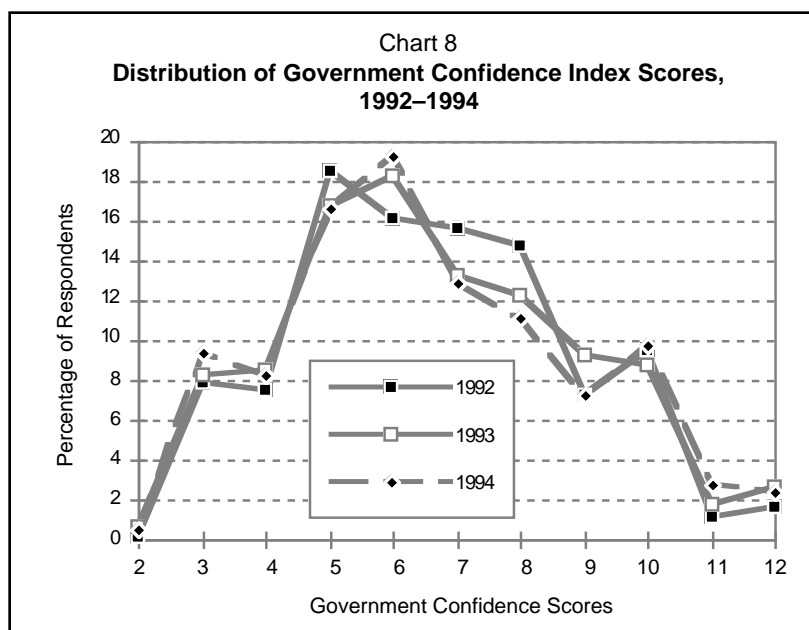


Table 16
**Size and Percentage of Government
 Confidence Index Groups, 1992–1994**

Index Groups	1992		1993		1994	
	(n)	(%)	(n)	(%)	(n)	(%)
Very Low (Low through 4)	120	15%	135	17%	175	18%
Low (5 or 6)	269	35	270	35	345	36
High (7 or 8)	235	30	197	26	232	24
Very High (9 through High)	153	20	172	22	214	22

those who are “low” and “high” on the index.

Because many of the older respondents are already collecting from Social Security and Medicare, age is a leading factor in determining respondents’ level of confidence in the government’s ability to help support them in their later years. As shown in chart 9, as the level of confidence in government scores increases, the proportion of respondents in each of the groups who are younger than age 45 decreases. Accordingly, respondents in the “very high” group are substantially more likely to be aged 55 and over. Interestingly, the proportions of respondents between age 45 and age 54 are fairly evenly distributed among the four groups of confidence in government index scores.

The demographic characteristics of the groups are examined in table 18. Respondents scoring “high” or “very high” in the government confidence index are much more likely to be retired than those scoring “low” or “very low.” The proportion who report annual household incomes of \$75,000 or more has changed from 3 percent in 1992 to 8 percent in 1993 to 10 percent this year.

Comparing the Two Indices

A correlation analysis has been used to examine the

relationship between the two indices. This analysis reveals a fairly low positive relationship between the personal and government indices (Pearson’s $r = 0.21$), meaning that they measure different dimensions of retirement confidence. This value indicates that only 4 percent (Pearson’s r squared = 0.04) of the variability in either of the indices can be explained by the other. A cross tabulation showing the relationship is presented in table 19 for all three survey waves.

The respondents have been examined further by grouping them according to their scores on the *two* indices. Based on their level of confidence (very high/high or very low/low) on each index, respondents have been divided into four segments. The segments are shown in chart 10 and are explained below:

<i>Doubly Assureds</i>	31 percent of the total in 1994; 34 percent in 1993; 32 percent in 1992. They are <i>high</i> in personal confidence and <i>high</i> in confidence in the government concerning retirement.
<i>Worrieds</i>	26 percent of the total in 1994; 27 percent in 1993; 28 percent in 1992. They are <i>low</i> in personal confidence and <i>low</i> in confidence in the government concerning retirement.

Table 17
Description of Government Confidence Index Groups

		Government Confidence Index			
		Very low	Low	High	Very high
		(percentage very/somewhat confident)			
Confident That the Social Security System Will Continue to Provide Benefits of Equal Value to the Benefits Received by Retirees Today	1992	1%	10%	43%	84%
	1993	1	8	38	84
	1994	2	8	30	79
Confident That the Medicare System Will Continue to Provide Benefits of Equal Value to the Benefits Received by Retirees Today	1992	0	5	32	85
	1993	1	9	32	84
	1994	0	7	36	90
Confident That You Have a Good Understanding of How the Social Security and Medicare Systems Work	1992	0	21	56	95
	1993	0	30	66	95
	1994	2	36	72	98

Chart 9
Government Confidence Index by Age

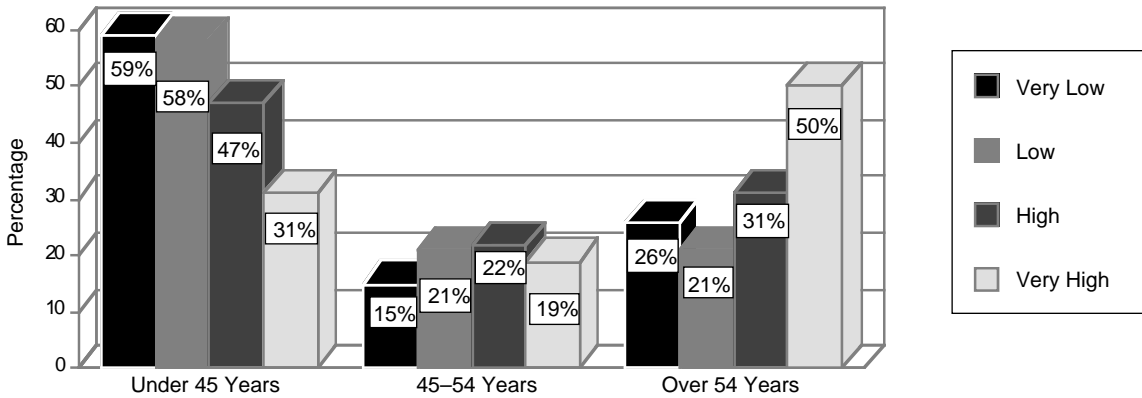


Table 18
Profile of Government Confidence Index Groups by Selected Demographics

	Confidence in Government Index											
	Very low			Low			High			Very high		
	1992	1993	1994	1992	1993	1994	1992	1993	1994	1992	1993	1994
	(percentage)											
Gender												
Male	50%	52%	51%	50%	49%	48%	48%	40%	45%	56%	55%	52%
Female	50	48	49	50	52	53	52	60	55	44	45	48
Age												
26-34	29	33	31	27	27	31	23	18	22	21	14	15
35-44	35	28	28	36	29	27	26	28	25	23	13	17
45-54	16	22	15	15	17	21	20	20	22	11	17	19
55-64	14	8	13	12	13	10	12	17	10	19	21	16
65 and over	6	10	13	10	14	11	20	17	21	26	36	33
Marital Status												
Married	61	64	61	67	66	66	69	67	70	65	60	65
Divorced or separated	16	16	18	16	14	16	9	12	8	9	9	12
Widowed	6	4	9	5	5	5	10	9	7	14	19	10
Single, never married	18	15	13	13	15	13	13	12	14	12	12	14
Household income												
Under \$25,000	28	35	31	22	31	24	28	24	25	27	33	31
\$25,000-\$34,999	23	19	21	20	17	15	18	22	16	25	15	18
\$35,000-\$49,999	18	21	17	26	27	26	20	27	21	26	19	20
\$50,000-\$74,999	22	16	14	19	15	16	17	17	19	15	17	14
\$75,000 or more	7	8	9	9	6	12	9	7	12	3	8	10
Don't know/refused	3	2	8	4	3	7	7	3	8	4	8	7
Employment Status												
Employed full time	68	65	66	65	62	69	55	56	50	54	41	42
Employed part time	7	7	7	5	8	7	8	9	11	8	3	8
Unemployed/laid-off	6	6	3	6	3	3	3	4	4	3	5	1
Retired	14	10	13	13	18	13	24	19	22	31	43	39
Homemaker	5	10	7	7	7	6	9	10	10	3	8	6
Full-time student	0	2	1	2	2	1	1	3	2	1	1	2
Education												
Some high school	10	12	15	31	10	12	9	9	10	15	10	14
High school graduate	28	32	27	30	30	26	32	29	28	31	35	35
Some college/trade or business school	32	34	26	39	30	33	27	31	23	28	23	25
College graduate	31	22	32	36	31	29	32	31	38	26	32	27
Home Ownership												
Own	na	na	67	na	na	71	na	na	78	na	na	73
Rent	na	na	31	na	na	27	na	na	21	na	na	24

Table 19
Cross Tabulation of Personal and Government Confidence Indices

Personal Confidence	Confidence in Government				
	Very low	Low	High	Very high	
(percentage of all respondents)					
Very Low	1992	5%	6%	4%	2%
	1993	4	8	3	2
	1994	5	8	3	3
Low	1992	5	11	9	4
	1993	6	9	6	3
	1994	5	9	6	4
High	1992	3	10	10	6
	1993	3	11	8	6
	1994	5	10	7	7
Very High	1992	3	7	7	8
	1993	4	8	9	11
	1994	3	9	8	8

Chart 10
Name and Size of Segments, 1994

		Confidence in Government	
		Low	High
Personal Confidence	Low	Worrieds 26%	Faithfuls 16%
	High	Self-Sufficientes 28%	Doubly Assureds 31%

Self Sufficientes 28 percent of the total in 1994; 26 percent in 1993; 23 percent in 1992. They are *high* in personal confidence and *low* in confidence in the government concerning retirement.

Faithfuls 16 percent of the total in 1994; 13 percent in 1993; 18 percent in 1992. They are *low* in personal confidence and *high* in confidence in the government concerning retirement.

Following is a brief profile of the segments. The data are shown in table 20 and table 21. Annual household income, level of education, and the percent owning

their home are shown for each of the segment groups in chart 11.

Doubly Assureds are the most optimistic about their retirement years. Nearly all in this segment are confident that they have taken the proper steps in preparing themselves financially for retirement. They are also more likely than other groups to have faith in the government's ability to provide Social Security and Medicare benefits equal to those received by retirees today. Indeed, the proportion who feel Medicare benefits will be equal to those received by retirees today has steadily increased since 1992. Similar to Faithfuls, more than 8 in 10 Doubly Assureds are confident that they understand how the Social Security and Medicare programs work.

Doubly Assureds tend to be older than respondents in other segments—3 in 10 are aged 65 and over. Correspondingly, this segment has the highest proportion of retirees, and less than one-half are employed full time. However, Doubly Assureds are fairly affluent, as roughly one-third report annual household incomes of \$50,000 or more. Nearly 4 in 10 of this group's members hold college degrees, the same proportion as Self-Sufficientes that are graduates, and more than that of Worrieds and Faithfuls. They are the segment most likely to own their primary residence. Doubly Assured are less likely this year to employed full-time (46 percent) than in 1992 (55 percent).

Worrieds are very concerned about funding their retirement. In general, they do not feel that they have done an adequate job of preparing financially for retirement, and very few have confidence in the federal government's ability to support them. Most also do not feel they have a good understanding of how the Social Security and Medicare programs work, although confidence is rising in this area.

Worrieds are more likely to be female than male and more 6 in 10 are under age 45. Less than one-fourth hold college degrees, and they tend to be less affluent. Also, the proportion reporting incomes of \$25,000 or less has increased 10 percentage points since 1992.

Table 20
Attitudinal Profile of the Four Segments

	Confidence in Government Index											
	Worrieds			Faithfuls			Self-sufficients			Doubly assureds		
	1992	1993	1994	1992	1993	1994	1992	1993	1994	1992	1993	1994
Personal Factors	(percentage very/somewhat confident)											
Think they did a good job of preparing financially for retirement	42%	38%	30%	51%	41%	42%	93%	90%	91%	92%	96%	91%
Think they will be able to afford to live where they want to during their retirement years	47	42	38	62	52	45	97	98	96	98	97	96
Think they will have enough money to take care of their basic expenses during retirement	50	59	61	58	67	64	98	99	97	98	99	100
Think they will have enough money to take care of medical expenses during retirement	17	18	14	25	22	25	85	81	80	91	90	90
Government Factors												
Confident that the Social Security system will continue to provide benefits of equal value to the benefits received by retirees today	6	5	6	52	53	51	9	7	6	63	52	55
Confident that the Medicare system will continue to provide benefits of equal value to the benefits received by retirees today	4	7	2	44	46	56	3	5	7	59	60	65
Confident that they have a good understanding of how the Social Security and Medicare systems work	12	21	23	68	79	83	18	19	26	74	80	85

Self-Sufficients are very skeptical about the federal government's ability to assist them during retirement, but most feel good about their own ability to prepare financially. Nearly all Self-Sufficients are confident in their ability to prepare financially for retirement, think they will be able to afford to live where they want to, and think they will have enough money to take care of their basic expenses. Self-Sufficients are on par with Worrieds regarding confidence in the Social Security and Medicare programs to provide equal benefits to those received by retirees currently.

Nearly 6 in 10 Self-Sufficients are under age 45. Self-Sufficients are the most educated of the four segments—nearly 4 in 10 hold college degrees, and more than two-thirds have at least some college experience. Accordingly, they are the most affluent segment, having the largest proportion of respondents with household incomes exceeding \$50,000.

Faithfuls do not feel that they have done a good job of preparing themselves financially for retirement and are only slightly more confident than Worrieds in that respect. However, this group has much more faith in the federal government. Roughly one-half are confident that they will receive Social Security and Medicare benefits of equal value to the benefits received by retirees today. Furthermore, more than 8 in 10 are

confident that they have a good understanding of how these programs work.

This group tends to be less educated and not as affluent as other segments. Less than one-quarter hold college degrees, and almost one-half report annual household incomes below \$25,000. Indeed, the proportion reporting incomes under \$25,000 is substantially higher than it was in either 1992 or 1993. They tend to be older than Worrieds or Self-Sufficients; one-fourth are aged 65 and over.

Retirement Confidence Index

A retirement confidence index has been constructed by combining the personal confidence and confidence in government index scores (before being collapsed into the four categories). The result produces an index with scores ranging from 6 to 24. This index is shown in chart 12 along with the indices from 1992 and 1993, which are similar. The average score of the retirement confidence index is 14.6, the median is 15.0. In 1993, the average score was 14.8; the median was 15. In 1992, the average score was 14.4; the median was 14. The average retirement confidence index scores for various demographic groups are presented in table 22. As would be expected, as respondents' annual household income increases, so

Table 21
Demographic Profile of the Four Segments

	Confidence in Government Index											
	Worrieds			Faithfuls			Self-sufficients			Doubly assureds		
	1992	1993	1994	1992	1993	1994	1992	1993	1994	1992	1993	1994
Gender	(percentage)											
Male	48%	43%	46%	44%	40%	50%	53%	57%	52%	56%	49%	47%
Female	52	57	54	56	60	50	47	43	48	44	51	53
Age												
26-34	26	29	33	20	22	22	29	29	29	23	14	17
35-44	39	27	26	30	26	25	33	30	28	22	19	20
45-54	16	21	20	19	14	17	14	16	19	15	20	22
55-64	11	12	10	11	20	12	15	11	13	16	18	14
65 or older	8	12	11	20	17	25	10	14	12	24	29	28
Marital status												
Married	63	64	61	63	60	62	67	67	68	70	65	70
Divorced or separated	17	19	20	14	13	12	14	10	13	6	10	9
Widowed	4	4	8	10	13	9	7	5	4	13	14	8
Single, never married	16	13	11	13	15	17	12	18	14	12	10	13
Household income												
Under \$25,000	30	44	40	35	37	49	16	20	14	23	25	17
\$25,000-\$34,999	24	17	18	23	23	14	16	18	15	20	17	19
\$35,000-\$49,999	22	22	20	20	21	16	26	29	27	24	24	22
\$50,000-\$74,999	15	13	11	13	14	10	26	18	19	18	19	20
\$75,000 or more	5	3	4	3	1	7	13	11	18	9	10	13
Don't know/refused	4	2	7	6	4	5	4	4	8	6	6	9
Employment status												
Employed full time	63	57	65	55	54	47	70	69	71	55	47	46
Employed part time	7	13	9	6	10	9	4	3	6	9	5	10
Unemployed/laid-off	8	6	5	3	5	5	4	3	2	3	4	2
Retired	13	13	12	25	19	27	14	18	13	28	34	32
Homemaker	7	10	6	10	9	7	7	6	7	5	9	8
Full-time student	2	2	1	1	2	2	1	2	1	11	2	2
Education												
Some high school	12	15	18	16	10	21	7	5	8	9	9	7
High school graduate	28	32	28	35	39	33	23	29	24	30	29	30
Some college/trade or business school	33	37	32	27	27	23	33	25	30	28	27	25
College graduate	27	16	22	23	24	22	37	41	38	34	34	38
Home Ownership												
Own	na	na	64	na	na	65	na	na	75	na	na	81
Rent	na	na	33	na	na	31	na	na	26	na	na	22

does the average retirement confidence index score. In addition, respondents aged 55 and over, college graduates, retirees, and those who own their primary residence have somewhat higher average retirement confidence index scores. Respondents who are separated or divorced have somewhat lower retirement index scores.

Widowed respondents appear to less confident than in 1993. Indeed, the average retirement confidence score for widowed respondents has decreased from 16.4 in 1993 to 14.8 this year. On the other hand, retired respondents feel somewhat more confident in their retirement security. The average retirement confidence index score for retirees was 15.5 in 1992, compared with 16.3 this year.

Respondent Profile

The demographic characteristics of survey respondents are presented in table 23. Re-

spondents are fairly evenly divided among five age groups, with the average age being 48. Nearly one-half of all respondents are younger than age 45 (49 percent), while one-third are aged 55 and over (32 percent). The average age among retirees is 70, and 79 percent are aged 65 and over.

Two-thirds of respondents are married (65 percent). Similar proportions are divorced or sepa-

Chart 11
Selected Demographic Characteristics of Segments

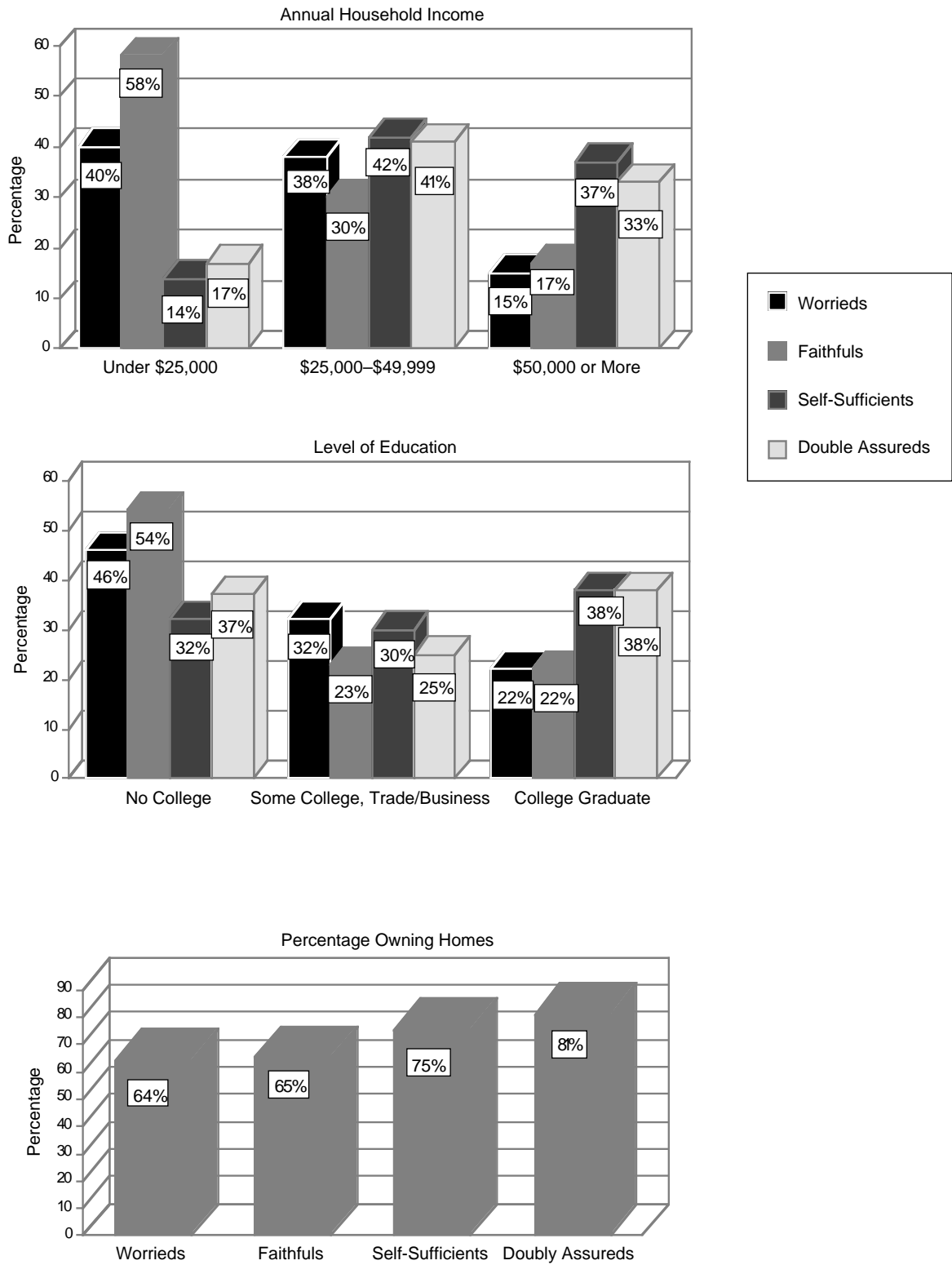


Chart 12
Distribution of Personal Confidence Index Scores, 1992–1994

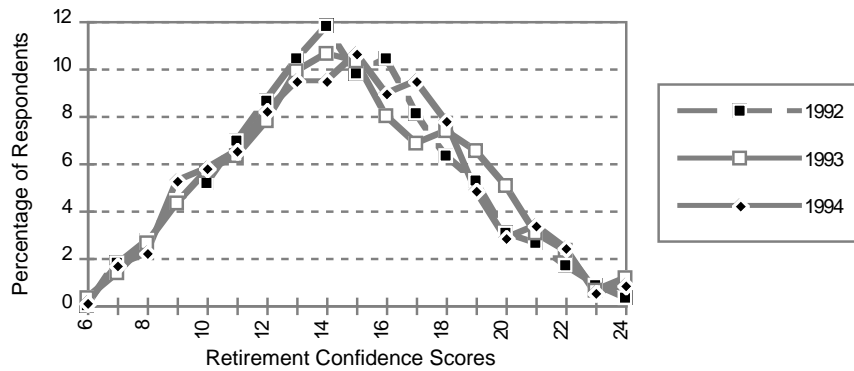


Table 22
Average Retirement Confidence Scores for Selected Demographic Groups

	Average Retirement Confidence Index Score		
	1992	1993	1994
All Respondents	14.5	14.8	14.6
Gender			
Male	14.8	15.2	14.7
Female	14.1	14.4	14.6
Age			
26–34	14.3	13.9	13.7
35–44	13.8	14.1	14.1
45–54	14.1	14.8	14.8
55–64	15.1	15.4	15.1
65 or older	15.9	16.4	16.2
Marital status			
Married	14.6	14.9	14.9
Divorced or separated	13.9	13.4	13.5
Widowed	15.7	16.4	14.8
Single, never married	14.0	14.4	14.6
Household income			
Under \$25,000	13.7	13.7	13.2
\$25,000–\$34,999	14.3	14.8	14.4
\$35,000–\$49,999	14.9	14.9	15.0
\$50,000–\$74,999	14.8	15.6	15.5
\$75,000 or more	15.2	16.7	16.1
Employment status			
Employed full time	14.3	14.5	14.2
Employed part time	14.9	13.1	14.4
Unemployed/laid-off	12.8	13.7	13.1
Retired	15.5	16.5	16.3
Homemaker	14.0	14.5	14.6
Full-time student	13.6	14.1	15.9
Education			
Some high school	14.0	13.5	13.3
High school graduate	14.4	14.6	14.6
Some college/trade or business school	14.3	14.5	14.5
College graduate	14.8	15.8	15.3
Home Ownership			
Own	a	a	15.1
Rent	a	a	13.6

^aNot asked.

rated (14 percent) or single (13 percent), while 8 percent are widowed. Retirees, naturally, are more likely to be widowed than those currently working (28 percent compared with 2 percent).

Roughly two-thirds of respondents are employed (65 percent)—either full-time (57 percent) or part-time (8 percent). Just over 2 in 10 are retired (22 percent). In addition, of the respondents who are currently employed full time or part time (n=652), a few say they have retired from a previous career (7 percent).

Among the respondents who are married (n=651), more than one-half say their spouse is employed full-time (54 percent), while another 10 percent say he or she is employed part time. Two-thirds of married, employed respondents indicate that their spouse is employed full time (65 percent), another 14 percent say their spouse is a homemaker. By comparison, 64 percent of married retirees say their spouse is also retired, while 11 percent say their spouse is employed full time.

Three in ten respondents hold college degrees (31 percent). Nearly that many have attended some college (27 percent), while 42 percent have no college experience. Those currently employed are more likely than retirees to report having graduated from college (35 percent compared with 21 percent).

Nearly 4 in 10 respondents report an annual household income between \$25,000 and \$49,999 (38 percent). Just over one-quarter cite household incomes under \$25,000 (28 percent) or \$50,000 or more (26 percent). Retirees tend to have lower household incomes than those who are employed. Indeed, while 32 percent of those employed report annual household incomes of \$50,000 or more, just 10 percent of retirees do so.

Six in ten respondents say they are not financially responsible for any children under age 18 (59 percent). Three in ten are responsible for one or two

Table 23
Characteristics of Survey Respondents

	Total (n=1,000)	Employed (n=652)	Retired (n=220)	Other (n=128)
	(percentage)			
Age				
26–34	25%	32%	na	31%
35–44	24	32	0	22
45–54	20	24	2	27
55–64	12	10	19	11
65 or older	20	2	79	9
Average age in years	48	41	70	44
Marital Status				
Married	65	66	58	74
Divorced or separated	14	15	7	16
Widowed	8	2	28	5
Single, never married	13	17	7	5
Employment Status				
Employed full time	57	88	na	na
Employed part time	8	12	na	na
Unemployed or laid-off	3	na	na	22
Retired	22	na	100	na
Homemaker	7	na	na	57
Full-time student	2	na	na	12
Other/don't know/refused	1	na	na	9
[If Married (n=651)]				
Spouse's Employment Status				
Employed full time	54	65	11	62
Employed part time	10	12	4	11
Unemployed or laid-off	3	2	2	6
Retired	17	3	64	14
Homemaker	12	14	15	4
Full-time student	0	0	na	1
Other/don't know/refused	4	5	4	2
Education				
No college	42	34	57	51
Some college	27	30	20	27
College graduate	31	35	21	21
Household Income				
Less than \$25,000	28	20	50	32
\$25,000–\$49,999	38	40	31	38
\$50,000 or more	26	32	10	21
Number of Children Under 18, Financially Responsible For				
None	59	48	95	51
One or two	28	38	2	24
Three or more	11	12	1	23
Own or Rent Primary Residence				
Own	72	71	77	69
Rent	26	27	22	27
[If Own (n=720)]				
Paying Off a Mortgage				
Yes	63	78	19	69
No/paid off	28	18	60	22
No/paid in cash or house given	9	5	20	9
[If Paying Off Mortgage (n=453)]				
Number of Years Left on Mortgage				
10 years or less	29	26	48	38
11–20 years	30	32	18	23
More than 20 years	30	32	18	26
Geographic Area				
Northeast	18	17	17	22
South	34	36	30	34
Midwest	29	28	35	22
West	19	19	17	23

children (28 percent), while 11 percent are responsible for three or more.

Seven in ten respondents report owning their own residence (72 percent). Retirees (77 percent) are slightly more likely to own their home than those who are employed (71 percent).

Among those who do own their primary residence (n=720), two-thirds are paying off a mortgage (63 percent). Three in ten indicate that their mortgage is paid off (28 percent), while 9 percent say they either paid cash for their home or that it was given to them. Retirees are much more likely than those still employed to say they are not paying off a mortgage (80 percent compared with 23 percent).

The respondents who are paying off a mortgage (n=453) are fairly evenly divided among those who have 10 years or less left to pay (29 percent), 11–20 years left (30 percent), or more than 20 years left (30 percent). Retirees (48 percent) are more likely than those who are currently employed (26 percent) to say they have just 10 years or less left to pay on their mortgage.

Respondents were also asked a few demographic questions that are not presented in table 23. The average monthly mortgage payment for those who are paying off a mortgage is \$644, while the average monthly mortgage payment for respondents who have paid off their mortgage was \$324. Roughly one-quarter of the respondents say they paid off their mortgage either between 1990 and 1994 (24 percent) or between 1980 and 1989 (26 percent). Fifteen percent say they paid off their mortgage during the 1970s, while 12 percent paid off their mortgage earlier. Among those who are renting, the average currently monthly rent payment is \$458.

Seventeen percent of those who are retired or employed say either they or their spouse owns a business. Most of these businesses employ fewer than four people (71 percent). Indeed, 39 percent employ just one person. Twelve percent have eight or more people in the company.

The 1994 EBRI/Greenwald Retirement Confidence Survey was funded by grants from the following organizations: AT&T, Aid Association for Lutherans, American Council of Life Insurance, The Boston Company, Buck Consultants, Coopers & Lybrand, Hewitt Associates LCC, John Hancock Mutual Life Insurance Co., Massachusetts Mutual Life Insurance Co., Milliman and Robertson, Minnesota Mutual, The Prinicpal Financial Group, The Prudential, TIAA-CREF, William M. Mercer Companies, Inc., and the members of the Employee Benefit Research Institute.

We are currently enlisting the support of organizations who are interested in sponsoring the 1995 EBRI/Greenwald Retirement Confidence Survey. The cost of sponsorship for the 1995 survey is \$5,000. Sponsorship includes participation in two meetings during which we will discuss the format and content of the survey; sponsors will receive a copy of the full report and raw survey data. Please contact EBRI President Dallas Salisbury at (202) 775-6341 for more information or to sign up as a sponsor.

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Special Report

and Issue Brief Number 156

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EBRI Issue Brief is registered in the U.S. Patent and Trademark Office
ISSN: 0887-137X 0887-1388/90 \$.50 + .50 .

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