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Issue BRIEF

# The 2009 Retirement Confidence Survey: Economy Drives Confidence to Record Lows; Many Looking to Work Longer

*By Ruth Helman, Mathew Greenwald & Associates; Craig Copeland and Jack VanDerhei, EBRI*

## EXECUTIVE SUMMARY

**RECORD LOW CONFIDENCE LEVELS:** Workers who say they are very confident about having enough money for a comfortable retirement this year hit the lowest level in 2009 (13 percent) since the Retirement Confidence Survey started asking the question in 1993, continuing a two-year decline. Retirees also posted a new low in confidence about having a financially secure retirement, with only 20 percent now saying they are very confident (down from 41 percent in 2007).

**THE ECONOMY, INFLATION, COST OF LIVING ARE THE BIG CONCERNS:** Not surprisingly, workers overall who have lost confidence over the past year about affording a comfortable retirement most often cite the recent economic uncertainty, inflation, and the cost of living as primary factors. In addition, certain negative experiences, such as job loss or a pay cut, loss of retirement savings, or an increase in debt, almost always contribute to loss of confidence among those who experience them.

**RETIREMENT EXPECTATIONS DELAYED:** Workers apparently expect to work longer because of the economic downturn: 28 percent of workers in the 2009 RCS say the age at which they expect to retire has changed in the past year. Of those, the vast majority (89 percent) say that they have postponed retirement with the intention of increasing their financial security. Nevertheless, the median (mid-point) worker expects to retire at age 65, with 21 percent planning to push on into their 70s. The median retiree actually retired at age 62, and 47 percent of retirees say they retired sooner than planned.

**WORKING IN RETIREMENT:** More workers are also planning to supplement their income in retirement by working for pay. The percentage of workers planning to work after they retire has increased to 72 percent in 2009 (up from 66 percent in 2007). This compares with 34 percent of retirees who report they actually worked for pay at some time during their retirement.

**GREATER WORRY ABOUT BASIC AND HEALTH EXPENSES:** Workers who say they very confident in having enough money to take care of basic expenses in retirement dropped to 25 percent in 2009 (down from 40 percent in 2007), while only 13 percent feel very confident about having enough to pay for medical expenses (down from 20 percent in 2007. Among retirees, only a quarter (25 percent, down from 41 percent in 2007) feel very confident about covering their health expenses.

**HOW WORKERS ARE RESPONDING:** Among workers who have lost confidence in their ability to secure a comfortable retirement, most (81 percent) say they have reduced their expenses, while others are changing the way they invest their money (43 percent), working more hours or a second job (38 percent), saving more money (25 percent), and seeking advice from a financial professional (25 percent). Among all workers, 75 percent say they and/or their spouse have saved money for retirement, one of the highest levels ever measured by the RCS.

**IGNORANCE STILL A MAJOR FACTOR:** Many workers still do not have a good idea of how much they need to save for retirement. Only 44 percent of workers report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire—and an equal proportion (44 percent) simply guess at how much they will need for a comfortable retirement.

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***Report availability:*** This report, along with seven related 2009 RCS Fact Sheets, is available on the Internet at www.ebri.org The RCS Fact Sheets cover such topics as changing expectations about retirement, age, and gender.

The 2009 Retirement Confidence Survey was underwritten by more than two dozen organizations, listed on pg. 3.

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## 2009 Retirement Confidence Survey Underwriters

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# The 2009 Retirement Confidence Survey: Economy Drives Confidence to Record Lows; Many Looking to Work Longer

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## Introduction

The 19th wave of the Retirement Confidence Survey (RCS) finds that Americans' confidence in their ability to afford a comfortable retirement has dropped to its lowest level since the RCS first asked the question in 1993, reflecting worries about the economy and the cost of health care. In response, many workers[1] are adjusting their expectations about retirement, and some are taking steps to improve their financial preparation.

However, faulty assumptions and a lack of planning still hinder the ability of many Americans to realistically assess the preparations they need to take to ensure a financially secure retirement.

Findings in this year's RCS include:

- The percentage of <u>workers</u> *very* confident about having enough money for a comfortable retirement continued a two-year decline (13 percent, down from 27 percent in 2007 and 18 percent in 2008), reaching its lowest level since the RCS started asking the question in 1993. <u>Retiree</u> confidence in having a financially secure retirement has also dropped to a new low, with only 20 percent now saying they are *very* confident (down from 41 percent in 2007 and 29 percent in 2008).

- Confidence in specific financial aspects related to retirement also decreased. In particular, the percentage of workers *very* confident in having enough money to take care of basic expenses decreased to 25 percent (down from 40 percent in 2007 and 34 percent in 2008). In addition, the percentage *very* confident in having enough money to pay for medical expenses fell to 13 percent for workers (down from 20 percent in 2007 and 18 percent in 2008) and 25 percent for retirees (down from 41 percent in 2007 and 36 percent in 2008).

- Not surprisingly, workers overall who have lost confidence over the past year about having enough money for a comfortable retirement most often attribute it to the recent economic uncertainty (92 percent *a great deal* or *some*) and inflation and the cost of living (88 percent). However, more than 90 percent of those experiencing job loss or a move to a lower-paying job (95 percent), a decrease in the value of retirement savings (93 percent), or an increase in level of debt (91 percent) say that these events contributed *a great deal* or *some* to their loss of confidence.

- Workers apparently expect to work longer because of the economic downturn: Twenty-eight percent of workers in the 2009 RCS say the age at which they expect to retire has changed in the past year. Of those, the vast majority (89 percent) say that they have postponed retirement with the intention of increasing their financial security. Nevertheless, the median (mid-point) worker expects to retire at age 65, with 21 percent planning to push on into their 70s. The median retiree actually retired at age 62, and 47 percent of retirees say they retired sooner than planned.

- More workers are also planning to supplement their income in retirement by working for pay. The percentage of workers planning to work after they retire has increased to 72 percent in 2009 (up from 66 percent in 2007 and 63 percent in 2008). This compares with 34 percent of retirees who report they actually worked for pay at some time during their retirement.

- Workers who have lost confidence in their ability to secure a comfortable retirement say they are responding by taking some steps to improve their situation. Most (81 percent) say they have reduced their expenses, while others are changing the way they invest their money (43 percent), working more hours or a second job (38 percent), saving more money (25 percent), and seeking advice from a financial professional (25 percent).

- The percentage of all workers saying they and/or their spouse have saved money for retirement now stands at 75 percent, an increase over the percentages measured in 2004–2007 and one of the highest levels ever measured by the RCS. The proportion of retirees who report having saved for retirement has remained relatively constant at 62 percent.

- Many workers still do not have a good idea of how much they need to save for retirement. Only 44 percent of workers report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement. An equal proportion—44 percent of workers—simply guess at how much they will need to accumulate.

- Perhaps not surprisingly, those who were more knowledgeable about and prepared for retirement posted a sharper loss of confidence than those who were not. Among the percentage of workers who have done a retirement savings needs calculation, the percentage reporting they are *very* confident decreased from 29 percent in 2008 to 19 percent in 2009. (Among those not doing a calculation, the percentage *very* confident remained steady at 9 percent in 2009, compared with 8 percent in 2008.) Likewise, among those with $100,000 or more in savings and investments, the percentage dropped from 35 percent in 2008 to 26 percent in 2009.

## Declining Retirement Confidence

### Overall Retirement Confidence

Faced with concerns about the economy and the cost of living, as well as worries about the declining value of savings and the increase in health care expenses, American workers are reporting the lowest level of retirement confidence recorded since the RCS first began asking this question in 1993. Only 13 percent of workers in the 2009 RCS say they are *very* confident they will have enough money to live comfortably throughout their retirement years (down from 27 percent in 2007 and 18 percent in 2008). At the other extreme, 22 percent are now *not at all* confident they will have enough money to live comfortably (more than double the 10 percent level in 2007 and up from 16 percent in 2008). Forty-one percent report they are *somewhat* confident, while 22 percent are *not too* confident they will have enough money (Figures 1 and 1-A).

Figure 1

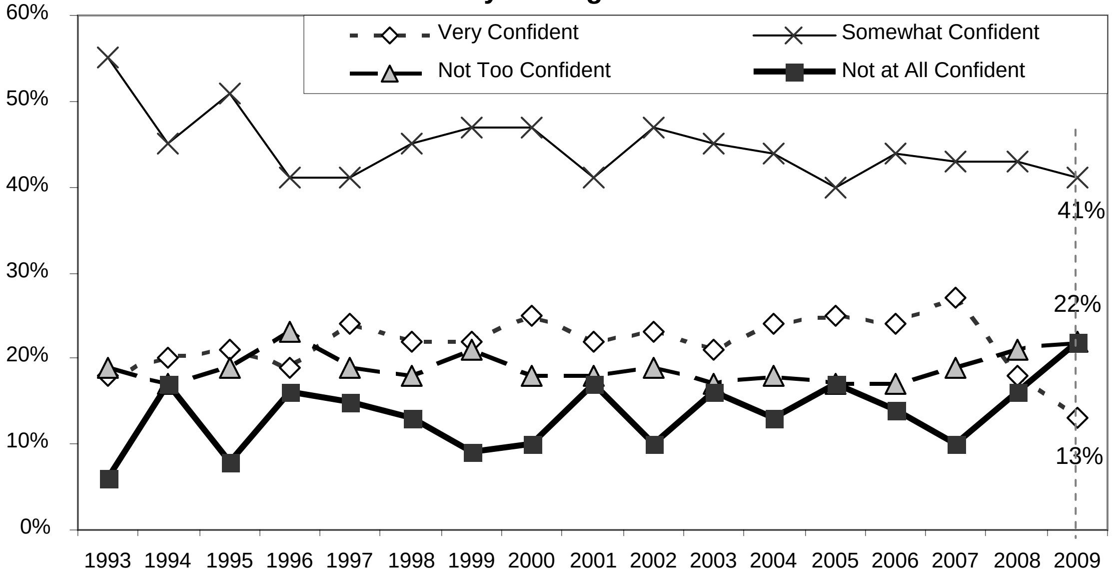
**Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| 2009 | 13% | 41% | 22% | 22% |
| 2008 | 18 | 43 | 21 | 16 |
| 2007 | 27 | 43 | 19 | 10 |
| 2006 | 24 | 44 | 17 | 14 |
| 2005 | 25 | 40 | 17 | 17 |
| 2004 | 24 | 44 | 18 | 13 |
| 2003 | 21 | 45 | 17 | 16 |
| 2002 | 23 | 47 | 19 | 10 |
| 2001 | 22 | 41 | 18 | 17 |
| 2000 | 25 | 47 | 18 | 10 |
| 1999 | 22 | 47 | 21 | 9 |
| 1998 | 22 | 45 | 18 | 13 |
| 1997 | 24 | 41 | 19 | 15 |
| 1996 | 19 | 41 | 23 | 16 |
| 1995 | 21 | 51 | 19 | 8 |
| 1994 | 20 | 45 | 17 | 17 |
| 1993 | 18 | 55 | 19 | 6 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2009 Retirement Confidence Surveys.

Figure 1-A

**RCS Trends: Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**




Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2009 Retirement Confidence Surveys.

*Retiree* confidence about having a financially secure retirement has also dropped to a new low. Only 20 percent now say they are *very* confident about having enough money to live comfortably throughout their retirement years (half the 41 percent level in 2007 and down from 29 percent in 2008). At the same time, 16 percent of retirees are *not at all* confident about having enough money (statistically equivalent to the 11 percent measured in 2007 and 17 percent in 2008) (Figure 2).

Figure 2

**Retiree Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| 2009 | 20% | 47% | 16% | 16% |
| 2008 | 29 | 35 | 17 | 17 |
| 2007 | 41 | 38 | 10 | 11 |
| 2006 | 40 | 33 | 12 | 13 |
| 2005 | 40 | 40 | 12 | 7 |
| 2004 | 42 | 27 | 16 | 13 |
| 2003 | 39 | 35 | 12 | 11 |
| 2002 | 40 | 32 | 16 | 11 |
| 2001 | 37 | 37 | 10 | 11 |
| 2000 | 34 | 41 | 14 | 11 |
| 1999 | 31 | 39 | 20 | 8 |
| 1998 | 19 | 28 | 24 | 24 |
| 1997 | 33 | 34 | 18 | 11 |
| 1996 | 26 | 42 | 20 | 8 |
| 1995 | 26 | 47 | 18 | 6 |
| 1994 | 27 | 37 | 21 | 13 |
| 1993 | 27 | 45 | 16 | 7 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2009 Retirement Confidence Surveys.

While all of the demographic groups examined show a decline in retirement confidence in the two-year interval between 2007 and 2009, some groups are especially likely in the past year to have lost confidence about having enough money for a financially secure retirement. Among workers ages 44–54, the percentage *very* confident decreased from 21 percent in 2008 to 10 percent in 2009, while the percentage *not at all* confident increased from 18 percent to 27 percent. Similarly, among workers with household income of $75,000 or more, the percentage *very* confident decreased from 33 percent in 2008 to 25 percent in 2009, while the percentage *not too* or *not at all* confident increased from 17 percent to 28 percent. At the same time, workers ages 25–34 and those with household income less than $35,000 show little, if any, change in retirement confidence between 2008 and 2009.

Loss of confidence over the past year in the ability to secure a financially comfortable retirement also appears to have occurred mainly among those who have taken steps to prepare for retirement. Among workers who have done a retirement savings needs calculation, the percentage reporting they are *very* confident decreased 10 percentage points (from 29 percent in 2008 to 19 percent in 2009), but confidence remained level among those who have not done a calculation (8 percent in 2008, 9 percent in 2009). Likewise, among those with $100,000 or more in savings and investments (excluding their primary residence), the percentage *very* confident decreased from 35 percent in 2008 to 26 percent in 2009, although it showed little change among those having lower levels of savings (12 percent in 2008, 11 percent in 2009).

Nevertheless, worker confidence in having enough money for a comfortable retirement continues to increase with household income. Worker confidence also increases with savings and investments and with improved health status. Others more often confident are men (compared with women), married workers (compared with those not married), those who expect to receive retirement benefits from both a defined benefit pension and a defined contribution retirement plan (compared with those who do not) and those who expect to have access to employer-provided retiree health insurance (compared with those who do not).

## Confidence in Other Financial Aspects of Retirement

Perhaps even more serious than the decline in retirement confidence in general is the decrease in confidence about being able to pay for basic expenses in retirement. Only 25 percent of American workers are now *very* confident that they will have enough money to pay for basic expenses during retirement (down from 40 percent in 2007 and 34 percent in 2008). However, there has been only a small increase in the percentage of workers saying they are *not at all* confident of paying for basic expenses (11 percent, up from 7 percent in 2007) (Figure 3).

Worker confidence in having enough money to pay for medical expenses and long-term care expenses in retirement has reached record lows. Just 13 percent of workers are now *very* confident about being able to pay for medical expenses (down from 20 percent in 2007 and 18 percent in 2008) and 10 percent are *very* confident about long-term care expenses (down from 17 percent in 2007 and 13 percent in 2008). At the same time, the percentages *not at all* confident about these factors have remained comparatively steady over the past year. Twenty-two percent report they are *not at all* confident about paying for medical expenses in retirement (up from 14 percent in 2007 but equal to 2008) and 30 percent indicate they are *not at all* confident about long-term care expenses (up from 21 percent in 2007 but statistically equivalent to the 27 percent measured in 2008).

In light of these changes, it is not surprising that workers' confidence that they are doing a good job of preparing financially for their retirement has gradually declined over the past two years. While the percentage of workers *very* confident that they are doing a good job preparing remained at a stable 25–26 percent between 2004 and 2007, it fell to 20 percent in the 2009 RCS. The percentage of workers *not at all* confident remained steady (14 percent, statistically equivalent to the 13 percent measured in 2007 and 12 percent measured in 2008).

Figure 3

**Worker Confidence in Financial Aspects of Retirement**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| Having enough money to take care of basic expenses | | | | |
| 2009 | 25% | 49% | 14% | 11% |
| 2008 | 34 | 45 | 12 | 9 |
| 2007 | 40 | 42 | 11 | 7 |
| 2006 | 35 | 47 | 9 | 9 |
| 2005 | 35 | 42 | 11 | 11 |
| 2004 | 36 | 47 | 8 | 8 |
| 1999 | 31 | 50 | 13 | 5 |
| 1994 | 40 | 41 | 9 | 9 |
| 1992 | 25 | 51 | 16 | 6 |
| Doing a good job of preparing for retirement | | | | |
| 2009 | 20% | 49% | 16% | 14% |
| 2008 | 23 | 48 | 16 | 12 |
| 2007 | 26 | 45 | 15 | 13 |
| 2006 | 25 | 50 | 14 | 12 |
| 2005 | 26 | 46 | 12 | 16 |
| 2004 | 26 | 47 | 14 | 12 |
| 1999 | 23 | 50 | 17 | 9 |
| 1994 | 22 | 42 | 20 | 15 |
| 1992 | 21 | 46 | 21 | 11 |
| Having enough money to take care of medical expenses | | | | |
| 2009 | 13% | 42% | 22% | 22% |
| 2008 | 18 | 37 | 21 | 22 |
| 2007 | 20 | 46 | 18 | 14 |
| 2006 | 19 | 42 | 20 | 17 |
| 2005 | 20 | 38 | 21 | 20 |
| 2004 | 21 | 40 | 21 | 17 |
| 1999 | 16 | 41 | 27 | 15 |
| 1994 | 17 | 36 | 22 | 21 |
| 1992 | 18 | 36 | 29 | 15 |
| Having enough money to pay for long-term care | | | | |
| 2009 | 10% | 32% | 26% | 30% |
| 2008 | 13 | 31 | 27 | 27 |
| 2007 | 17 | 36 | 23 | 21 |
| 2006 | 15 | 34 | 26 | 23 |
| 2005 | 17 | 30 | 25 | 26 |
| 2004 | 16 | 35 | 26 | 22 |
| 1998 | 12 | 33 | 28 | 26 |
| 1994 | NA | NA | NA | NA |
| 1992 | NA | NA | NA | NA |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2009 Retirement Confidence Surveys.

In general, decreases in confidence in these specific aspects of retirement by demographic subgroup follow the same pattern as for retirement confidence overall, with larger declines occurring among those ages 45 and older and those with household income of $35,000 or more.

Retirees tend to express higher levels of confidence than workers about each of these financial aspects of retirement, but they too show a marked decline in confidence. In particular, the percentages of retirees *very* confident about having enough money to pay for medical and long-term care expenses during retirement have decreased sharply. Twenty-five percent of retirees now say they are *very* confident about having enough money to pay for medical expenses, compared with 41 percent in 2007 and 36 percent in 2008. Similarly, 15 percent say they are *very* confident about paying for long-term care expenses, compared with 27 percent in 2007 and 24 percent in 2008. At the same time, the percentage *not at all* confident about long-term care expenses has risen from 24 percent in 2007 to 38 percent in 2009 (Figure 4).

Figure 4
**Retiree Confidence in Financial Aspects of Retirement**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| Having enough money to take care of basic expenses | | | | |
| 2009 | 34% | 45% | 12% | 9% |
| 2008 | 34 | 45 | 6 | 14 |
| 2007 | 48 | 35 | 8 | 8 |
| 2006 | 44 | 40 | 7 | 7 |
| 2005 | 41 | 42 | 11 | 5 |
| 2004 | 44 | 32 | 14 | 8 |
| 1999 | 45 | 36 | 12 | 7 |
| 1994 | 44 | 37 | 12 | 7 |
| 1992 | 28 | 37 | 25 | 5 |
| Did a good job of preparing for retirement | | | | |
| 2009 | 28% | 37% | 17% | 16% |
| 2008 | 26 | 43 | 11 | 17 |
| 2007 | 39 | 41 | 10 | 7 |
| 2006 | 42 | 35 | 12 | 10 |
| 2005 | 35 | 38 | 13 | 13 |
| 2004 | 38 | 31 | 13 | 16 |
| 1999 | 34 | 40 | 16 | 9 |
| 1994 | 33 | 38 | 15 | 11 |
| 1992 | 24 | 47 | 12 | 14 |
| Having enough money to take care of medical expenses | | | | |
| 2009 | 25% | 46% | 18% | 10% |
| 2008 | 36 | 34 | 11 | 15 |
| 2007 | 41 | 36 | 10 | 12 |
| 2006 | 42 | 32 | 15 | 10 |
| 2005 | 34 | 39 | 17 | 9 |
| 2004 | 36 | 36 | 16 | 11 |
| 1999 | 34 | 34 | 22 | 8 |
| 1994 | 30 | 31 | 21 | 14 |
| 1992 | 26 | 32 | 25 | 14 |
| Having enough money to pay for long-term care | | | | |
| 2009 | 15% | 29% | 17% | 38% |
| 2008 | 24 | 24 | 22 | 28 |
| 2007 | 27 | 33 | 15 | 24 |
| 2006 | 22 | 33 | 25 | 16 |
| 2005 | 23 | 30 | 19 | 24 |
| 2004 | 30 | 23 | 18 | 27 |
| 1998 | 19 | 28 | 24 | 24 |
| 1994 | NA | NA | NA | NA |
| 1992 | NA | NA | NA | NA |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2008 Retirement Confidence Surveys.

While retiree confidence about being able to afford basic expenses and having done a good job of preparing financially for retirement is similar to levels found in the 2008 RCS, they remain well below those observed in 2007. A third (34 percent) of retirees are *very* confident about having enough money to pay for basic expenses (down from 48 percent in 2007) and 28 percent are *very* confident about having done a good job of preparing (down from 39 percent in 2007). However, only a few retirees describe themselves as being *not at all* confident about basic expenses (9 percent) or their preparations (16 percent).

## Attitudes Regarding Financial Planning

Several key attitudinal measures about financial planning and preparing for retirement have also changed over time. When asked how well the statement "You think anyone can have a comfortable retirement, if they just plan and save" describes them, 63 percent say it describes them *very well* or *well* (down from 71 percent in 2002). Likewise, workers are less likely to report the statements "You enjoy financial planning" (48 percent, down from 57 percent in 2002) and "Over the long run, you believe stocks in general will be a very good investment" (48 percent, down from 60 percent in 2002) describe them *very well* or *well*. On the other hand, the percentage of workers who feel that preparing for retirement takes too much time and effort has increased (from 14 percent *very well* or *well* in 2002 to 21 percent in 2009) (Figure 5).

Figure 5
**Worker Attitudes About Financial Planning**

| | 1998 | 2000 | 2002 | 2009 |
|---|---|---|---|---|
| You think anyone can have a comfortable retirement, if they just plan and save | | | | |
| Describes respondent very well | 38% | 35% | 32% | 24% |
| Describes respondent well | 34 | 35 | 39 | 39 |
| Describes respondent not too well | 18 | 18 | 17 | 24 |
| Describes respondent not at all | 9 | 11 | 10 | 12 |
| Just when you think you have a handle on your finances, something always happens that sets you back from your financial goals | | | | |
| Describes respondent very well | 29% | 23% | 28% | 31% |
| Describes respondent well | 28 | 30 | 26 | 26 |
| Describes respondent not too well | 28 | 30 | 32 | 28 |
| Describes respondent not at all | 16 | 17 | 15 | 15 |
| You enjoy financial planning | | | | |
| Describes respondent very well | NA | 23% | 19% | 17% |
| Describes respondent well | NA | 39 | 38 | 31 |
| Describes respondent not too well | NA | 25 | 28 | 30 |
| Describes respondent not at all | NA | 13 | 14 | 21 |
| Over the long run—10 to 20 years—you believe stocks in general will be a very good investment | | | | |
| Describes respondent very well | NA | 28% | 22% | 17% |
| Describes respondent well | NA | 40 | 38 | 31 |
| Describes respondent not too well | NA | 16 | 20 | 31 |
| Describes respondent not at all | NA | 13 | 17 | 20 |
| You think preparing for retirement takes too much time and effort | | | | |
| Describes respondent very well | 3% | 7% | 4% | 9% |
| Describes respondent well | 8 | 8 | 10 | 12 |
| Describes respondent not too well | 31 | 32 | 38 | 36 |
| Describes respondent not at all | 57 | 52 | 49 | 42 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2009 Retirement Confidence Surveys.

Higher-income workers are more likely than those with lower income to agree that stocks will be a very good investment over the long run. Conversely, the likelihood of agreeing that something always happens to set them back financially increases as household income decreases. Younger workers are more apt than older workers to think that anyone can have a comfortable retirement if they just plan and save. Larger shares of men than women agree that anyone can have a comfortable retirement, they enjoy financial planning, and stocks are a good long-term investment.

## Reasons for Loss of Confidence

Although the RCS measured a 5 percentage-point decrease between 2008 and 2009 in the percentage of workers who are *very* confident about having enough money for a comfortable retirement, the proportion of workers who feel that they have lost confidence in their overall retirement prospects over the past year is much higher. Twenty-one percent report that they are now *much less* confident about having enough money for retirement than they were in January

2008. Another 33 percent say they are *a little less* confident. More than half of retirees also feel they have lost confidence about having enough money to live comfortably throughout their retirement years (18 percent *much less*, 36 percent *a little less* confident) (Figure 6).

Figure 6
**Change in Confidence About Having Enough Money to Live Comfortably Throughout Their Retirement Years Compared With Last Year**

| | Workers | Retirees |
|---|---|---|
| Much less confident | 21% | 18% |
| Somewhat less confident | 33 | 36 |
| About as confident | 28 | 32 |
| A little more confident | 11 | 7 |
| Much more confident | 5 | 6 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

Among workers, those age 45 and older (compared with younger workers) and women (compared with men) are especially likely to indicate they have lost confidence about their retirement security over the past year.

The RCS sought to explore the reasons behind this loss of confidence by asking workers whether they had experienced various financial events over the past year. Roughly half of workers report that the value of their retirement savings decreased (53 percent of those who had saved for retirement), their day-to-day expenses increased (52 percent), and the amount they paid for health care increased (46 percent). Substantial percentages also indicate that the amount they were able to save (41 percent), the value of their nonretirement savings (38 percent), and the value of their home (30 percent) decreased. Other negative financial experiences that workers report having in the past year include:

- An increase in the amount they pay in mortgage or rent (25 percent).
- A major illness or other medical event suffered by themselves or an immediate family member (25 percent).
- An increase in their level of debt (24 percent).
- A decrease in the level of retirement plan benefits offered by their or their spouse's employer (24 percent of those employed).
- Having to provide significant financial assistance to a family member or friend (23 percent).
- Loosing a job or having to move to a lower-paying job (21 percent).
- Home foreclosure (1 percent).

Workers who have lost confidence over the past year about having enough money for a comfortable retirement most often attribute this loss of confidence to the recent economic uncertainty (92 percent *a great deal* or *some*) and inflation and the cost of living (88 percent). While the overall effect of each of the events listed above is smaller, their effect on those who report experiencing them is quite high. In particular, more than 90 percent of those experiencing job loss or a move to a lower-paying job (95 percent), a decrease in the value of retirement savings (93 percent), or an increase in level of debt (91 percent) say that these events contributed *a great deal* or *some* to their loss of confidence. Surprisingly, given the national attention received by the decrease in home values, workers saying the value of their home declined over the past year were much less likely to attribute their loss of confidence to this particular factor (69 percent) (Figure 7).

Figure 7
**Percentage of Workers Reporting a Financial Occurrence Contributed to Their Loss of Confidence, Among Those Less Confident About Retirement**

| | Among All Workers Who Lost Confidence | | Among Workers Who Lost Confidence and Experienced Event | |
|---|---|---|---|---|
| | *A Great Deal* | *Some* | *A Great Deal* | *Some* |
| The recent economic uncertainty, in general | 64% | 28% | 64% | 28% |
| Inflation and the cost of living | 49 | 39 | 49 | 39 |
| The decrease in the value of your retirement savings | 26 | 23 | 49 | 44 |
| The increase in your day-to-day expenses | 24 | 23 | 44 | 44 |
| The decrease in the amount you were able to save | 24 | 20 | 47 | 39 |
| The increase in health expenses | 22 | 24 | 42 | 46 |
| The decrease in the value of your nonretirement savings | 19 | 21 | 39 | 43 |
| You (or your spouse) losing your job or moving to a lower paying job | 16 | 6 | 69 | 26 |
| The increase in your level of debt | 14 | 12 | 50 | 41 |
| The decrease in the value of your home | 11 | 19 | 25 | 44 |
| The major illness or other medical event | 10 | 10 | 37 | 36 |
| The increase in the amount you pay in mortgage or rent | 10 | 8 | 40 | 34 |
| Provide significant financial assistance to a family member or friend | 9 | 9 | 37 | 37 |
| The level of retirement plan benefits decreased | 8 | 14 | 28 | 50 |
| Your home foreclosure | 1 | 0 | 65 | 9 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

## Confidence in Entitlement Programs

While still not high, confidence in Social Security's ability to maintain the value of benefits paid to retirees appears to have recovered from a slight dip measured in 2008 (Social Security is the federal program that provides income support for the aged and disability coverage for eligible workers and their dependents). Six percent of workers are *very* confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today, and 26 percent are *somewhat* confident (up from 5 percent *very* and 21 percent *somewhat* confident in 2008). Nevertheless, 39 percent of workers are *not at all* confident that that future Social Security benefits will match or exceed the value of today's benefits. Confidence that Social Security will continue to provide benefits that are at least equal to today's value is higher among workers age 55 and older than among younger workers, and retirees are more likely than workers to be confident about the future value of Social Security benefits. Retiree confidence about the value of Social Security benefits has also recovered from the slight dip measured in the 2008 RCS (Figure 8).

Worker concern about Medicare's level of benefits continues to be relatively stable (Medicare is the federal health care insurance program for the elderly and disabled). Five percent of workers are *very* confident that the Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today, while 33 percent are *somewhat* confident in the system. However, 61 percent are *not too* (35 percent) or *not at all* (26 percent) confident that Medicare's benefits will continue to equal or exceed the benefits received by beneficiaries today. Again, worker confidence about the future value of Medicare benefits is higher among those age 55 and older, and retirees are more likely than workers to be confident. Even so, the proportion of retirees *very* confident in the value of the future benefits paid by Medicare remains below the level measured in 2007 (9 percent, down from 15 percent in 2007 and statistically equivalent to 8 percent in 2008) (Figure 9).

Figure 8
**Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| Workers | | | | |
| 2009 | 6% | 26% | 28% | 39% |
| 2008 | 5 | 21 | 34 | 37 |
| 2007 | 7 | 24 | 34 | 34 |
| 2006 | 6 | 27 | 33 | 34 |
| 2005 | 8 | 23 | 33 | 35 |
| 2004 | 7 | 28 | 31 | 32 |
| 1999 | 7 | 21 | 38 | 33 |
| 1994 | 4 | 18 | 38 | 39 |
| 1992 | 3 | 27 | 44 | 24 |
| Retirees | | | | |
| 2009 | 13% | 43% | 24% | 17% |
| 2008 | 14 | 36 | 31 | 16 |
| 2007 | 17 | 43 | 18 | 18 |
| 2006 | 19 | 44 | 22 | 13 |
| 2005 | 21 | 37 | 26 | 12 |
| 2004 | 18 | 39 | 26 | 11 |
| 1999 | 17 | 34 | 33 | 12 |
| 1994 | 16 | 35 | 30 | 10 |
| 1992 | 13 | 33 | 35 | 15 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2009 Retirement Confidence Surveys.

Figure 9
**Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| Workers | | | | |
| 2009 | 5% | 33% | 35% | 26% |
| 2008 | 4 | 30 | 35 | 29 |
| 2007 | 6 | 30 | 33 | 28 |
| 2006 | 5 | 29 | 36 | 28 |
| 2005 | 7 | 30 | 33 | 28 |
| 2004 | 6 | 31 | 35 | 26 |
| 1999 | 7 | 24 | 38 | 30 |
| 1994 | 3 | 24 | 32 | 37 |
| 1992 | 1 | 26 | 45 | 25 |
| Retirees | | | | |
| 2009 | 9% | 50% | 26% | 13% |
| 2008 | 8 | 44 | 32 | 13 |
| 2007 | 15 | 44 | 22 | 13 |
| 2006 | 12 | 50 | 26 | 10 |
| 2005 | 20 | 42 | 24 | 9 |
| 2004 | 16 | 37 | 31 | 11 |
| 1999 | 12 | 39 | 36 | 12 |
| 1994 | 13 | 30 | 26 | 21 |
| 1992 | 10 | 28 | 39 | 17 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2009 Retirement Confidence Surveys.

## Changing Expectations About Retirement

### Retirement Age

Perhaps in response to their loss of confidence about their retirement finances, workers report they are adjusting some of their expectations about retirement. Twenty-eight percent of workers in the 2009 RCS say the age at which they expect to retire has changed in the past year. Of those, the vast majority (89 percent) say that their expected retirement age has increased. While these may seem to be large percentages, they are similar to those reported in some other years of the RCS. In particular, 32 percent of workers in the 2003 RCS indicated their expected retirement age had changed in the past 12 months, and 75 percent of those said their retirement had been postponed (Figure 10). Workers age 45 and older are somewhat more likely than younger workers to say their expected retirement age has changed.

Figure 10
**Percentage of Workers Reporting a Change in Retirement Age in the Past 12 Months**

| | % Reporting Change In Retirement Age | % Postponing Retirement (of those reporting change) |
|---|---|---|
| 2009 | 28% | 89% |
| 2008 | 18 | 79 |
| 2005 | 21 | 84 |
| 2004 | 16 | 66 |
| 2003 | 32 | 75 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2003–2009 Retirement Confidence Surveys.

Almost two-thirds of workers delaying their retirement age (63 percent) say that this change occurred after September 2008. Among the reasons given for this change are:

- The poor economy (36 percent, up from 15 percent in 2008).
- The need to make up for losses in the stock market (28 percent, up from 3 percent).
- Wanting to make sure they have enough money (24 percent, up from 17 percent).
- Job loss or change in employment (10 percent, not mentioned in 2008).
- The cost of living is higher than expected (9 percent, down from 15 percent).
- Uncertainty about the stock market (7 percent, not mentioned in 2008).
- The need to pay bills or pay for new purchases (6 percent, down from 28 percent).

Nevertheless, worker responses to a question asking the actual age at which they expect to retire has shown little change since the 2008 RCS. The age at which workers say they plan to retire has crept upward slowly over time, from a midpoint of age 62 in 1991 to age 65 in 2004–2009. Twenty-six percent of workers plan to retire prior to reaching age 65; 9 percent say they will retire before age 60 and 17 percent plan to retire between the ages of 60 and 64. Twenty-three percent of workers say they will retire at age 65, while 31 percent intend to retire after age 65 and 10 percent say they will never retire (up from 6 percent in 2008) (Figure 11).

Figure 11
**Planned Retirement Age, Among Workers**

| | Before Age 60 | Age 60–64 | Age 65 | Age 66 or Older | Never Retire | Don't Know |
|---|---|---|---|---|---|---|
| 2009 | 9% | 17% | 23% | 31% | 10% | 6% |
| 2008 | 11 | 21 | 24 | 30 | 6 | 7 |
| 2007 | 17 | 21 | 27 | 24 | 6 | 5 |
| 2006 | 13 | 20 | 27 | 25 | 7 | 7 |
| 2005 | 16 | 19 | 26 | 24 | 6 | 9 |
| 2004 | 16 | 21 | 26 | 22 | 6 | 9 |
| 1999 | 17 | 24 | 31 | 18 | 5 | 5 |
| 1994 | 22 | 28 | 31 | 11 | <.5 | 8 |
| 1991 | 19 | 31 | 34 | 11 | NA | 5 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1991–2009 Retirement Confidence Surveys.

Although the median retirement age for retirees in this survey has increased from 59 in 1991 to age 62 in 2003, a gap remains between worker expectations and the experience of current retirees (Figure 12). Workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence. Others planning to retire later include workers not expecting benefits from a defined benefit pension plan (compared with those who expect these benefits), nonsavers (compared with those who have saved for retirement), and workers age 35 or older (compared with younger workers).

Figure 12
**Comparison of Planned and Actual Retirement Age**

| | Workers (Planned) | Retirees (Actual) |
|---|---|---|
| Before 55 | 3% | 18% |
| 55–59 | 6 | 17 |
| 60–64 | 17 | 37 |
| 65 | 23 | 12 |
| 66–69 | 10 | 5 |
| 70 or older | 21 | 5 |
| Never retire/never worked | 10 | 6 |
| Don't know | 6 | 2 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

While the average age at retirement is likely to continue to increase and many workers may work until their planned retirement age, others could find themselves retiring sooner. The RCS has consistently found that a large proportion of retirees leave the work force earlier than planned (47 percent in 2009). Many retirees who retired early cite negative reasons for leaving the work force before they expected, including health problems or disability (42 percent), changes at their company, such as downsizing or closure (34 percent), and having to care for a spouse or another family member (18 percent). Others say work-related reasons (22 percent) or outdated skills (13 percent) played a role. Some retirees mention a mix of positive and negative reasons for retiring early, but just 10 percent offer *only* positive reasons.

The consequences of an unplanned early retirement can be heavy. Retirees who retire earlier than planned are more likely than those who retire on time or later than planned to say they are *not* confident about having enough money for basic expenses in retirement.

Like retirees, some workers are likely to find themselves vulnerable to an unplanned early retirement for health, family, and/or other reasons. There is some indication that workers may not be taking these factors into account when they determine their planned retirement age. For example, one might expect that workers describing their health as *fair* or *poor* would be planning on retiring at a younger age than those in better health. However, those in *fair* or *poor* health are actually planning to retire at a slightly older age than their counterparts in better health.

## Working for Pay in Retirement

More workers are also planning to supplement their income in retirement by working for pay. The RCS has consistently found that approximately two-thirds of workers plan to work for pay after they retire, but this percentage has increased to 72 percent in 2009 (up from 66 percent in 2007 and 63 percent in 2008). It should be noted, however, that the RCS has also found consistently that far fewer retirees actually work for pay at some time during their retirement (34 percent in 2009) (Figure 13).

Figure 13
**Percentage Working for Pay in Retirement**

| | Workers (Planned) | Retirees (Actual) |
|---|---|---|
| 2009 | 72% | 34% |
| 2008 | 63 | 25 |
| 2007 | 66 | 37 |
| 2006 | 67 | 27 |
| 2005 | 66 | 26 |
| 2004 | 68 | 32 |
| 1999 | 66 | 27 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1999–2009 Retirement Confidence Surveys.

Retirees who worked for pay in retirement most often say they did so because they enjoyed working (79 percent, down from 93 percent in 2008) or wanted to stay active and involved (76 percent, down from 91 percent), but the percentage who worked solely for positive reasons has remained steady over the past year (25 percent in 2008, 23 percent in 2009). The large majority also identify at least one financial reason for having worked, such as wanting money to make ends meet (60 percent) or wanting money to buy extras (52 percent). Yet few retirees who have not already worked for pay in retirement anticipate returning to paid employment. Just 5 percent say it is *very* likely they will work for pay some time in the future, and 9 percent say it is *somewhat* likely.

## Income Needs in Retirement

Perhaps reacting to an assessment of how much money they will have to spend rather than an assessment of how much it will cost to maintain an acceptable lifestyle, workers have adjusted their expected spending in retirement downward over the past two years. One-quarter of workers now say their spending in the first five years of retirement will be *much* lower than in the five years before they retire (25 percent, up from 20 percent in 2007). Another 32 percent indicate their spending will be *a little* lower, and an equal percentage say their spending will be about the same (32 percent) (Figure 14).

Figure 14
**Post-Retirement vs. Pre-Retirement Spending**

| | Workers (Planned) | Retirees (Actual) |
|---|---|---|
| Much lower than before you retired | 25% | 26% |
| A little lower | 32 | 23 |
| About the same | 32 | 35 |
| A little higher | 6 | 7 |
| Much higher than before you retired | 3 | 7 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

The spending level that workers anticipate in retirement is related to household income. Those with less than $35,000 in household income are more likely than higher-income workers to think their spending in retirement will exceed their preretirement spending. On the other hand, those with higher income are more apt to think they will be able to reduce their spending in retirement.

While some retirees are facing financial pressures, many are continuing to draw down savings and investments as usual. Half (51 percent) report the monthly amount they withdrew from savings and investments to cover their expenses in the last three months of 2008 was the same as the amount withdrawn each month earlier in the year. While 14 percent indicate they reduced this amount in the last quarter of 2008, a similar proportion (19 percent) say their monthly withdrawals increased. Nevertheless, 40 percent of retirees indicate that, so far in their retirement, their spending on health care has been higher than expected. Just 8 percent say health care spending has been lower than anticipated.

Workers may be failing to take health care costs sufficiently into account when estimating their retirement needs, but the 2009 RCS suggests that some workers may be gradually readjusting their expectations about the likelihood of having access to employer-provided health insurance when they retire (36 percent, down from 41 percent in 2007 and statistically equivalent to 34 percent in 2008). Forty-one percent of retirees state they have access to health insurance through an employer, but many employers are eliminating health care coverage for future retirees (Figure 15).

Workers expecting benefits from a defined benefit pension plan are more apt than those not expecting such benefits to think they will have retiree health coverage. Others who more often say they will receive this type of coverage include workers with income of at least $75,000 (compared with lower-income workers) and those who are married (compared with unmarried workers).

Figure 15
**Availability of Employer-Provided Health Insurance Coverage in Retirement**

| | Workers (Expected) | Retirees (Reported) |
|---|---|---|
| 2009 | 36% | 41% |
| 2008 | 34 | 41 |
| 2007 | 41 | 43 |
| 2006 | 37 | 40 |
| 2005 | 40 | 42 |
| 2004 | 35 | 41 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2004–2009 Retirement Confidence Surveys.

## Sources of Retirement Income

Workers continue to expect to cobble together their retirement income from a variety of sources. Although 81 percent report they expect to receive at least some income from Social Security, personal savings will also play a large role. Roughly 7 in 10 workers each say they anticipate receiving retirement income from an employer-sponsored retirement savings plan (75 percent), an individual retirement account (IRA) (63 percent), and other personal savings and investments (70 percent). Fifty-nine percent indicate they will receive income from an employer-sponsored traditional pension or cash balance plan. In contrast, retirees more often say they receive income from Social Security (92 percent) and are less likely to rely on any form of personal savings (Figure 16). The percentages of workers and retirees expecting income from each source remains unchanged from those observed in previous waves of the RCS.

Figure 16
**Sources of Income in Retirement**

| | Workers (Expected) | Retirees (Reported) |
|---|---|---|
| Social Security | 81% | 92% |
| An employer-sponsored retirement savings plan, such as a 401(k) | 75 | 40 |
| Other personal savings or investments | 70 | 47 |
| An individual retirement account or IRA | 63 | 41 |
| An employer-provided traditional pension or cash balance plan | 59 | 58 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

Not surprisingly, workers with higher household income or higher levels of assets are more likely than lower-income or lower-asset workers to cite savings as a source of retirement income, but many of these workers may not be saving at rates necessary to provide the needed income. Lower-income workers are more likely than those with higher household income to say that Social Security will be a major source of retirement income. In addition, workers age 55 and older are more likely than younger workers (particularly those ages 25 to 34) to say they will rely on income from Social Security.

Some workers have not yet begun to build the sources of income from which they expect to draw income in retirement, while others appear to be relying on employer-provided benefits that, in reality, they are unlikely to receive.

For instance, 77 percent of workers say they are expecting retirement income from non-workplace savings or investments, yet only 56 percent report having these types of savings. Workers are statistically as likely to expect that they will receive retirement income from a defined benefit (or "traditional") pension plan (59 percent) as retirees are to receive it (58 percent). However, only 41 percent of workers report they and/or their spouse currently have this type of plan with a current or previous employer, so the difference of 17 percentage points may be expecting to receive the benefit from a future employer—a scenario that is becoming increasingly unlikely, since private-sector employers in particular have been cutting back on their defined benefit offerings.

## Preparing—or Not—for Retirement

### Saving for Retirement

In addition to changing their expectations about retirement, many workers who have lost confidence in their ability to secure a comfortable retirement are responding by taking some steps to improve their situation. The large majority of these workers (81 percent) say they have reduced their expenses. Others are changing the way they invest their money (43 percent) and working more hours or a second job (38 percent). Steps taken by fewer of these workers include:

- Saving more money (25 percent).
- Seeking advice from a financial professional (25 percent).
- Moving to a less expensive home or area (11 percent).

The RCS provides some evidence of these actions. The percentage of all workers saying they and/or their spouse have saved money for retirement now stands at 75 percent, an increase over that measured in 2004–2007. While the percentage of workers having saved for retirement increased from 1994–2000, it declined significantly in 2001 and has hovered around 70 percent since then. The proportion of retirees having saved for retirement has remained relatively constant in recent years (at 62 percent) (Figure 17).

Figure 17
**Americans Having Saved Money for Retirement**

| | Workers | | Retirees |
|---|---|---|---|
| | *Have Saved Money*[a] | *Currently Save Money* | *Have Saved Money*[a] |
| 2009 | 75% | 65% | 62% |
| 2008 | 72 | 64 | 64 |
| 2007 | 66 | 60 | 68 |
| 2006 | 70 | 64 | 68 |
| 2005 | 69 | 62 | 66 |
| 2004 | 68 | 58 | 65 |
| 2003 | 71 | 62 | 64 |
| 2002 | 72 | 61 | 62 |
| 2001 | 69 | 61 | 61 |
| 2000 | 78 | NA | 59 |
| 1999 | 73 | NA | 67 |
| 1998 | 59 | NA | 59 |
| 1997 | 66 | NA | 50 |
| 1996 | 60 | NA | 52 |
| 1995 | 58 | NA | 48 |
| 1994 | 57 | NA | 52 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2009 Retirement Confidence Surveys.
[a] The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately 4 to 5 percentage points of the increase between 1998 and 1999.

Not all workers who *have* saved for retirement are *currently* saving for this purpose. Sixty-five percent of workers report that they and/or their spouse are currently saving for retirement. This percentage has fluctuated very slightly since the RCS first measured it in 2001, reaching a low of 58 percent in 2004 and a high of 65 percent in this year's RCS (but is statistically unchanged from the 64 percent measured in 2008).

Not surprisingly, the likelihood of having saved for retirement among both workers and retirees is strongly related to household income. The proportion saying they have saved for retirement also increases as education levels rise or health status improves. In addition, married workers are more likely than those not married to have set money aside. Other groups of workers more likely to have saved for retirement include those age 35 and older (compared with younger workers), workers currently participating in a work place retirement savings plan (compared with those not participating), and workers having attempted a retirement savings needs calculation (compared with those who have not).

### Retirement Savings

Many Americans have little money put away in savings and investments. Among RCS workers providing this type of information, 53 percent report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than $25,000. In fact, 20 percent say they have less than $1,000 in savings. Approximately 1 in 10 workers each report total savings and investments of $25,000–$49,999 (11 percent), $50,000–$99,999 (12 percent), $100,000–$249,999 (12 percent), and $250,000 or more (12 percent). Retirees provide similar estimates of total household savings (Figure 18).[2]

Figure 18
**Reported Total Savings and Investments, Among Those Providing a Response**
(not including value of primary residence or defined benefit plans)

| | <$10,000 | $10,000–$24,999 | $25,000–$49,999 | $50,000–$99,999 | $100,000–$249,999 | $250,000+ |
|---|---|---|---|---|---|---|
| Workers | | | | | | |
| 2009 | 40% | 13% | 11% | 12% | 12% | 12% |
| 2008 | 36 | 13 | 12 | 12 | 15 | 12 |
| 2007 | 35 | 13 | 10 | 13 | 15 | 14 |
| 2006 | 39 | 14 | 12 | 12 | 11 | 12 |
| 2005 | 52 | | 13 | 11 | 12 | 11 |
| 2004 | 54 | | 14 | 11 | 13 | 9 |
| 2002 | 50 | | 13 | 15 | 15 | 7 |
| Retirees | | | | | | |
| 2009 | 40% | 16% | 13% | 9% | 10% | 12% |
| 2008 | 51 | 9 | 9 | 6 | 13 | 12 |
| 2007 | 32 | 13 | 10 | 12 | 20 | 14 |
| 2006 | 30 | 12 | 14 | 11 | 13 | 21 |
| 2005 | 43 | | 20 | 7 | 11 | 19 |
| 2004 | 49 | | 14 | 7 | 17 | 15 |
| 2002 | 45 | | 7 | 14 | 19 | 15 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002–2009 Retirement Confidence Survey.

These findings are similar to some other estimates of American household assets. Quantifiable data from the 2007 Survey of Consumer Finances (conducted by the U.S. Federal Reserve Board) found that median (midpoint) level of household assets of all Americans who have an asset is $221,500.[3] This includes the value of the primary home, which had a median value of $200,000 for those who owned a home. Since then, home values have declined nationwide.

Older workers tend to report higher amounts of assets. Seventy-three percent of workers under age 35 have total savings and investments of less than $25,000, compared with 45 percent of older workers. At the same time, 20 percent of workers age 45 and older cite assets of $250,000 or more (versus 6 percent of younger workers). As one might suspect, total savings and investments increase sharply with household income and with education. Workers who have done a retirement savings needs calculation (compared with those who have not) tend to have higher levels of savings. In addition, those who have saved for retirement are more likely than those who have not saved to have substantial levels of savings. In fact, 57 percent of workers who have not saved for retirement say their assets total less than $1,000.

Just one-quarter of workers (24 percent) are *very* confident that they are investing their retirement savings wisely (down from 45 percent in 1998). Another 54 percent are *somewhat* confident that their savings are wisely invested. Part of the reason for this lack of confidence may be that both workers and retirees lack confidence in some types of financial institutions. Just 3 percent of workers and 2 percent of retirees report they are *very* confident about investment companies, compared with 21 percent of workers and 27 percent of retirees who are *very* confident about banks (Figure 19). This lack of confidence in investment companies is widespread but is particularly apparent among those age 55 and older.

Figure 19
**Confidence in Various Types of Institutions**

| | Very Confident | Somewhat Confident | Not too Confident | Not at all Confident |
|---|---|---|---|---|
| Banks | | | | |
| Workers | 21% | 56% | 14% | 9% |
| Retirees | 27 | 51 | 12 | 9 |
| Insurance companies | | | | |
| Workers | 14 | 53 | 20 | 13 |
| Retirees | 11 | 56 | 20 | 12 |
| The federal government | | | | |
| Workers | 11 | 48 | 21 | 18 |
| Retirees | 11 | 45 | 22 | 22 |
| Investment companies | | | | |
| Workers | 3 | 34 | 34 | 26 |
| Retirees | 2 | 31 | 24 | 37 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

Although few rate media reports as *very* important when it comes to bolstering confidence in investment companies (14 percent of workers, 11 percent of retirees), a majority say that the company's reputation is *very* important when it comes to giving them confidence about companies that provide financial products (60 percent, 59 percent, respectively). Other factors selected by about half of workers and retirees as *very* important are investment performance (54 percent, 44 percent), the company's credit rating (53 percent each), and a long-term relationship (48 percent, 45 percent) (Figure 20).

Figure 20
**Important Factors in Promoting Confidence in Investment Companies**

| | Very Important | Somewhat Important | Not too Important | Not at all Important |
|---|---|---|---|---|
| The company's reputation | | | | |
| Workers | 60% | 28% | 4% | 7% |
| Retirees | 59 | 24 | 4 | 11 |
| The investment performance of the company's products | | | | |
| Workers | 54 | 33 | 6 | 7 |
| Retirees | 44 | 25 | 6 | 23 |
| The credit rating of the company | | | | |
| Workers | 53 | 31 | 8 | 8 |
| Retirees | 53 | 21 | 7 | 13 |
| A long-term relationship | | | | |
| Workers | 48 | 35 | 8 | 9 |
| Retirees | 45 | 29 | 9 | 13 |
| A recommendation from a third party | | | | |
| Workers | 19 | 50 | 14 | 16 |
| Retirees | 10 | 36 | 18 | 33 |
| Media reports | | | | |
| Workers | 14 | 43 | 19 | 24 |
| Retirees | 11 | 39 | 17 | 29 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

The likelihood of citing the company's reputation, investment performance, and credit rating is higher among those with at least $35,000 in household income than among those with lower incomes. Moreover, recommendations from a third party are more apt to be important to workers under age 45 than among older workers.

## Employer Plans

One of the primary vehicles that workers use to save for retirement is an employer-sponsored retirement savings plan, such as a 401(k). Seventy-eight percent of eligible workers[4] (44 percent of all workers) say they participate in such a plan, and the likelihood of participating increases as household income or education rise.

The large majority of workers participating in the plan (72 percent) state that they have not changed the percentage of their salary contributed to the plan in the past year. However, 16 percent say they increased the percentage contributed and 11 percent decreased the percentage.

Half of participants (49 percent) report that they last reviewed how their money is invested in the plan and made any necessary adjustments in the last quarter of 2008. Twenty-one percent say they last reviewed their asset allocation earlier in 2008, while the remainder admit they last reviewed their plan investments in 2007 (12 percent) or even earlier (13 percent). The majority of those indicating they reviewed their allocations in October–December 2008 also say they previously reviewed their plan allocations in January–September 2008 (68 percent). But some state their previous review occurred in 2007 (17 percent) or earlier (11 percent).

Very few participants (9 percent) state they currently have a loan from their work-place retirement savings plan. These respondents are more likely to have obtained the loan in the second half of 2008 (15 percent in October–December 2008 and 19 percent in July–September 2008) than in the first half (13 percent). Yet half report their loan dates to 2007 (14 percent) or even earlier (37 percent).

## Retirement Savings Needs

One indicator of retirement planning that has not shown an improvement is the percentage of workers doing a retirement needs calculation, which means that many workers still do not have a good idea of how much they need to save for retirement. Only 44 percent of workers report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement. This is comparable to the percentages measured from 2003–2008 (Figure 21).

Figure 21
**Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement[a]**

| | |
|---|---|
| 2009 | 44% |
| 2008 | 47 |
| 2007 | 43 |
| 2006 | 42 |
| 2005 | 42 |
| 2004 | 42 |
| 2003 | 43 |
| 2002 | 38 |
| 2001 | 44 |
| 2000 | 53 |
| 1999 | 48 |
| 1998 | 42 |
| 1997 | 33 |
| 1996 | 29 |
| 1995 | 32 |
| 1994 | 31 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2009 Retirement Confidence Surveys.
[a] The addition of the phrase “and/or your spouse” to the question wording for married respondents starting in 1999 is responsible for approximately 4 to 5 percentage points of the increase between 1998 and 1999.

The likelihood of doing a retirement savings needs calculation increases with household income, education, and the amount of savings and investments. In addition, married workers are more likely than unmarried workers to have tried to do one. Workers age 45 and older (compared with younger workers), retirement savers (compared with nonsavers), and participants in a defined contribution plan (compared with nonparticipants and those not offered a plan) more often report trying to do a calculation.

Instead of doing a systematic retirement needs calculation, 44 percent of workers continue to guess at how much they will need to accumulate. Approximately 2 in 10 each report doing their own estimate (26 percent) and asking a financial advisor (18 percent). Others read or hear how much is needed (9 percent), use an online calculator (7 percent), or fill out a worksheet or form (5 percent) (Figure 22).

Figure 22
**Method of Determining Savings Needed for Retirement, by Doing a Retirement Needs Calculation**
(multiple responses accepted)

| | | Did Retirement Needs Calculation | |
|---|---|---|---|
| | All Workers | Yes | No |
| Guess | 44% | 14% | 70% |
| Do your own estimate | 26 | 46 | 10 |
| Ask a financial advisor | 18 | 33 | 5 |
| Read or hear how much needed | 9 | 9 | 9 |
| Use an online calculator | 7 | 16 | <.5 |
| Fill out a worksheet or form | 5 | 11 | 0 |
| Advice of friends/family | 2 | 1 | 3 |
| Base it on what you will have | 2 | <.5 | 2 |
| Other | 3 | 1 | 4 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.

As previous waves of the RCS have found, the amounts that workers think they need to accumulate for a comfortable retirement continue to appear to be rather low. Twenty-eight percent of workers say they need to save less than $250,000, and another 19 percent mention a goal of $250,000–$499,999. Twenty-three percent think they need $500,000–$999,999, while about 1 in 10 each believe they need to save $1 million–$1.49 million (8 percent) or $1.5 million or more (9 percent). However, savings goals tend to increase as household income rises (Figure 23).

Figure 23
**Amount of Savings American Workers Think They Need for Retirement, by Household Income[a]**

| | | Household Income | | |
|---|---|---|---|---|
| | All Workers | <$35,000 | $35,000–$74,999 | $75,000+ |
| Less than $250,000 | 28% | 37% | 34% | 15% |
| $250,000–$499,999 | 19 | 24 | 21 | 17 |
| $500,000–$999,999 | 23 | 18 | 23 | 30 |
| $1 million–$1.49 million | 8 | 5 | 4 | 14 |
| $1.5 million–$1.9 million | 3 | 1 | 2 | 7 |
| $2 million or more | 6 | 3 | 4 | 8 |
| Don't know/Don't remember | 11 | 10 | 10 | 8 |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2009 Retirement Confidence Survey.
[a] 7 percent of respondents did not report their income. They are included in the total column but not in the income groups.

Younger workers think they will need more money in retirement. In particular, workers under age 55 are less likely than older workers to think they need to accumulate less than $500,000 for retirement. Workers who do a retirement needs calculation are more likely than those who do not to estimate that they need higher amounts.

Despite speculation that workers may hesitate to do a retirement savings calculation because they are afraid of being discouraged by the results, those who have done a retirement needs calculation continue to be more likely than those who have not to say they are *very* confident about having a comfortable retirement (19 percent vs. 9 percent). Moreover, those who think they need to accumulate at least $1 million in retirement savings are more than twice as likely as those who think they need less than $250,000 to be *very* confident (22 percent vs. 10 percent).

## RCS Methodology

These findings are part of the 19th annual Retirement Confidence Survey (RCS), a survey that gauges the views and attitudes of working-age and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted in January 2009 through 20-minute telephone interviews with 1,257 individuals (1,001 workers and 256 retirees) age 25 and older in the United States. Random digit dialing was used to obtain a representative cross section of the U.S. population. To further increase representation, a cell phone supplement was added to the sample. Starting with the 2001 wave of the RCS, all data are weighted by age, sex, and education to reflect the actual proportions in the adult population. Data for waves of the RCS conducted before 2001 have been weighted to allow for consistent comparisons; consequently, some data in the 2009 RCS may differ slightly with data published in previous waves of the RCS. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

In theory, the weighted sample of 1,257 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if all Americans age 25 and older were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

The RCS was co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm. The 2009 RCS data collection was funded by grants from about two-and-a-half dozen public and private organizations, with staff time donated by EBRI and Greenwald. RCS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/rcs

## Endnotes

[1] In the RCS, retiree refers to individuals who are retired or who are age 65 or older and not employed full time. Worker refers to all individuals who are not defined as retirees, regardless of employment status.

[2] Although the RCS does not detect a decrease in the value of the savings and investments owned by workers and retirees, this may be due to the broad response categories used to collect this information.

[3] Brian K. Bucks, Arthur B. Kennickell, Traci L. Mach, and Kevin B. Moore, "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin,* Vol. 95 (February 2009): A1-A55.

[4] It is likely that this percentage is slightly higher than the actual participation rate, since some workers who do not participate in an employer-sponsored retirement savings plan are not aware of their eligibility.

# Issue BRIEF

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