Script for Mathew Greenwald
2012 Retirement Confidence Survey
March 13, 2012

Thank you Jack, and good morning. We have now conducted 22 years of Retirement Confidence Surveys, and in the process we have gained a great deal of insight on the topic of financial preparation for retirement which so deeply affects how most Americans spend a considerable portion of their lives. I would like to offer, very briefly, some key points from this year's survey.

First, as Jack reported, retirement confidence has stagnated: it dropped to a record low last year and did not recover much, despite significant improvements in the economy. Now, just 14% of workers are very confident that they will be able to live comfortably in retirement. Almost twice that percentage – 23% – are not at all confident. Why hasn't confidence increased? I think a key is concern about our economic futures. Just a few examples:

- Only 8% are very confident that the economy will grow an average of at least 3% a year for the next 10 years.
- Only 7% are very confident inflation will average no more than 4% for the next 10 years.
- Just 16% are very confident that their investments will grow in value. Even among those with at least $100,000 in savings and investments, just 22% are very confident their investments will grow.
- With all of that, it's not surprising that only 17% are very confident they will be able to save the amount they need for retirement.

Second, many workers cannot, at this time, respond to their financial stress by saving more. Instead, the proportion reporting saving for retirement has gone down. In 2009, three-quarters of workers said they saved for retirement. That dropped to 69% in 2010 and 66% in 2012. This drop occurred primarily among workers who have household income under $35,000. In 2009, half of workers in this income group reported saving for retirement compared to just one-third this year.

Fifty-eight percent of workers with household income under $35,000 now say they have less than $1,000 in savings.

It's no wonder that 67% of workers feel behind schedule when it comes to planning and saving for retirement, an increase of 12 percentage points from the 55% who felt behind schedule in 2005. Or looking at it another way, only 31% of workers feel they are on track or ahead of schedule in preparing for retirement, compared with 44% in 2005. Workers are falling further behind, and they know it.

Third, this does not mean that workers are blind to the challenge of funding their retirements and are not making any adjustments at all. A strongly increasing numbers of workers are planning to work longer, in some cases far longer, than workers planned to work just a decade and two ago. The planned retirement age for workers has increased slowly but steadily since we first started conducting the RCS. In 1991 – the first year we conducted the survey – just 11% of workers planned to work past age 65. This percentage increased to 17%

in 1997, to 24% in 2007, to 37% in 2012. There are several ways of looking at this. You might think it is easy for people to forgo saving more now and instead to think they will work longer in ten, twenty or thirty years. Promises to do something in the future is easier than action today. But I do think these expectations are sincere and that many will work longer and will, I believe, considerably re-shape the workplace in doing it. And in planning to delay retirement many are planning to sacrifice a good deal of freedom to travel and be free of the constraints of work.

As a long-term observer of plans to retire, there is something I like about planning to work longer: it is an acceptance of the cost of not saving enough. But I also know that many retirees have told us that they were forced to retire before they planned to, often because of disability or poor health. In many occupations, it is difficult to get the job done as people get into their 60s. So the plan to work longer is positive in some respects, but risky in others. Many who depend on working late into their 60s and 70s to get the financial resources they need will unfortunately be forced to leave the workforce without the savings they hoped for.

Perhaps even more risky is the plan to supplement retirement income from with work for pay later in life. Seventy-nine percent of workers say they expect that employment will provide them with a source of income in retirement. Paid employment could certainly help to stretch scanty resources in retirement, but the experience of current retirees suggests that it may not be that easy to do. Just 27% of current retirees report that paid employment is actually a source of income in their own retirement, and only 28% are very confident that they could find paid employment if they should need it in retirement.

Finally, some things can be done to increase saving for retirement, even in the current environment. For example, there is one step that employers who offer defined contribution plans should consider: automatic enrollment into a retirement plan when a worker joins the company and automatic increases in the amount of contribution from each participants' paycheck each year up to a certain point. The way these systems work employees can opt out if they wish. But most do not and these automatic plans add to retirement savings. This year's Retirement Confidence Survey asked workers participating in their employers' plans at what point they would discontinue automatic increases of their contribution if their employer automatically increased the percentage of salary contributed to the plan by one percentage point each year. The results surprised me: 20% say they would allow it to increase to at least 15% of salary before discontinuing the increase. Another 20% would allow it to increase to between 10% and 14%. Even among participants with household income under $35,000, three in ten respond that they would stay in the auto-escalation program until their contribution reached at least 10%. This suggests that auto-escalation programs have the potential to increase workplace retirement plan contributions beyond their current levels and in a way that workers find acceptable.

That concludes my remarks. I will turn it back to Steve and look forward to any questions you may have.