



The 2003 Texas Retirement Confidence Survey Summary of Findings

Overview

While Texas workers resemble American workers overall in many ways when it comes to planning and saving for retirement,¹ a Retirement Confidence Survey (RCS) conducted in the state of Texas finds that Texas workers as a group lag slightly behind American workers overall on some key measures of retirement planning and saving:

- Texas workers are less likely than workers nationally to say they or their spouse have saved for retirement (66 percent vs. 71 percent) and to say they are *currently* saving (57 percent vs. 62 percent). Texas workers are also less likely to have savings or investments in addition to what they have set aside for retirement (45 percent vs. 51 percent).
- Just over one-third of Texas workers (36 percent), compared with more than 4 in 10 workers nationally (43 percent), report they or their spouse have tried to calculate how much they need to save by the time they retire in order to have a comfortable retirement.
- Forty-six percent of Texas workers, compared with 39 percent of American workers overall, think they will need less than 60 percent of their preretirement income to live comfortably in retirement.
- Texas workers age 45 and older are less likely than their national counterparts to say they have decided within the past year to postpone retirement (16 percent of Texas workers vs. 24 percent of workers nationally).
- At the same time, Texas workers are just as likely as workers nationally to be *very* confident that they have done a good job preparing for retirement (24 percent each) and that they will not outlive their retirement savings (24 percent vs. 20 percent).
- Texas workers are also just as likely as American workers overall to be *very* confident about having enough money to live comfortably throughout their retirement years (24 percent vs. 21 percent), to take care of basic expenses (34 percent vs. 33 percent), and to take care of medical expenses (22 percent vs. 18 percent).

¹ In the Texas 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.

Retirement Confidence in Texas

Among Workers:

One-fourth of Texas workers are *very* confident they will have enough money to live comfortably throughout their retirement (24 percent), but more than 4 in 10 are only *somewhat* confident they will have enough money (44 percent). When it comes to more specific financial aspects of retirement, one-third are *very* confident about having enough money for basic expenses in retirement (34 percent), while approximately one-fourth each are *very* confident they are doing a good job of preparing financially for their retirement and that they will not outlive their retirement savings (24 percent each). Almost as many are *very* confident that they will have enough money for medical expenses (22 percent), and a slightly smaller share are *very* confident they will have enough money to pay for long-term care during their retirement (17 percent). Texas workers closely mirror workers nationally on these measures.

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				
Texas	34%	43%	14%	9%
National	33	45	10	11
Doing a good job of preparing financially for retirement				
Texas	24	42	18	15
National	24	45	15	14
Having enough money to live comfortably throughout your retirement years				
Texas	24	44	19	12
National	21	45	17	16
Not outliving your retirement savings				
Texas	24	40	18	15
National	20	42	16	17
Having enough money to take care of medical expenses				
Texas	22	38	21	18
National	18	40	22	19
Having enough money to pay for long-term care				
Texas	17	36	25	23
National	14	34	26	24

Anglo-American workers in Texas show greater confidence than minorities do about their financial preparations for retirement. While these differences are not always apparent in the proportion who say they are *very* confident about their preparations, they become quite noticeable when those who say they are *somewhat* confident are also included. Many of these differences are due to income disparities between these racial and ethnic groups. For example, Anglo-Americans in Texas (24 percent) are as likely as African-Americans (21 percent) and Asian-Americans (18 percent), though more likely than Hispanic-Americans (16 percent), to say they are very confident about having enough money for a comfortable retirement. However, almost half of Anglo-Americans (46 percent), compared with smaller proportions of African-Americans (36 percent), Asian-Americans (29 percent), and Hispanic-Americans (26 percent), indicate they are *somewhat* confident. When income is controlled, there are no differences between Anglo-Americans and African-Americans, though some differences between Anglo-Americans and Asian-Americans or Hispanic-Americans remain.

Among Retirees:

Texas retirees, like Texas workers, have confidence levels similar to those found nationally. Nearly 4 in 10 Texas retirees are *very* confident that they will have enough money to live comfortably throughout their retirement years (37 percent). Another third are somewhat confident that they will have enough money (34 percent). Four in 10 each are very confident that they will have enough money to take care of basic expenses during retirement (41 percent) and that they will have enough money for medical expenses in retirement (39 percent). Almost the same proportion are very confident that they did a good job of preparing financially for retirement (37 percent) and that they will not outlive their retirement savings (36 percent). Nearly 3 in 10 are very confident that they will have enough money to pay for long-term care (28 percent).

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				
Texas	41%	33%	14%	11%
National	49	31	11	8
Doing a good job of preparing financially for retirement				
Texas	37	34	17	10
National	41	34	6	18
Having enough money to live comfortably throughout your retirement years				
Texas	37	34	16	11
National	39	35	12	11
Having enough money to take care of medical expenses				
Texas	39	30	13	17
National	37	31	12	16
Not outliving your retirement savings				
Texas	36	26	14	17
National	30	33	15	16
Having enough money to pay for long-term care				
Texas	28	24	18	24
National	21	31	17	27

Retirees with annual household income of at least \$35,000 are more likely than those with lower income to be *very* confident about each of these financial aspects of retirement.

— Preparing for Retirement in Texas —

Texas workers, like workers in the United States overall, spend little time planning for their retirement. While 7 in 10 say they have spent four or more hours planning for holidays (70 percent) and 6 in 10 say they have spent four or more hours planning for social events in the past year (59 percent), just over half have spent this amount of time planning for retirement (55 percent).

This lack of attention may be reflected in their preparations. Just two-thirds of Texas workers, compared with 7 in 10 workers nationally, say they have saved for retirement (66 percent of Texas workers vs. 71 percent of American workers), and roughly 6 in 10 are currently saving for retirement (57 percent vs. 62 percent). While 7 in 10 Anglo-Americans in Texas report having saved (71 percent), Asian-Americans are less likely to have done so (60 percent). African-Americans (48 percent) and Hispanic-Americans (42 percent) are least likely to say they have saved for retirement. Although Anglo-Americans (39 percent), African-Americans (40 percent), and Asian-

Americans (36 percent) with household incomes under \$35,000 are equally likely to have saved, Hispanic-Americans in this income category are less likely to have done so (21 percent). Additionally, Anglo-Americans (86 percent) with income of \$35,000 or more are more likely than Asian-Americans (74 percent) and Hispanic-Americans (73 percent) with income in this category to have saved, possibly due to continuing income disparity within this category.

Almost 6 in 10 Texas workers who have saved for retirement say they currently have an individual retirement account (IRA) or other tax-qualified retirement savings outside of a work-place retirement savings plan (57 percent, as do 57 percent of workers nationally who have saved for retirement). Asian-American workers in Texas are most likely to say they currently have an IRA or some other tax-qualified retirement savings outside of a work-place retirement savings plan (74 percent). Six in 10 Anglo-Americans (59 percent) and half of Hispanic-Americans (49 percent) report having tax-qualified retirement savings outside of work, as do 43 percent of African-Americans. Even among those with household income of at least \$35,000, Asian-Americans (81 percent) are more likely than others to report having this type of savings (67 percent of Anglo-Americans, 57 percent of African-Americans, 58 percent of Hispanic-Americans). Among those with household income under \$35,000, however, these groups are equally likely to report having tax-qualified savings outside of work.

The average age at which Texas savers say they began saving for retirement is 30, but those who have not saved think it would have been wise to have begun even earlier, at an average age of 25. African-American workers (29 percent) are more likely than Anglo-American (18 percent) and Asian-American (16 percent) workers to say they began saving before the age of 25.

Less than half of Texas workers have savings or investments in addition to what they have set aside for retirement (45 percent), compared with half of workers nationally (51 percent). While more than half of Anglo-American (51 percent) and Asian-American (54 percent) workers say they have nonretirement savings and investments, just one-quarter of African-American (27 percent) and Hispanic-American (24 percent) workers report having such savings or investments. Among those with household income of \$35,000 or more, Anglo-Americans (66 percent), African-Americans (56 percent) and Asian-Americans (67 percent) are more likely than Hispanic-Americans (37 percent) to have nonretirement savings and investments. However, those with household income under \$35,000 are equally likely to have such savings and investments regardless of race or ethnicity.

Among Texas workers who have saved for retirement or have other savings or investments, almost 6 in 10 say they own life insurance that they purchased on their own (58 percent), and more than half own stock or bond mutual funds (53 percent). More than one-third have cash in a safe place at home or safe deposit box (36 percent), one-fourth own certificates of deposit (26 percent), and 23 percent have fixed or variable annuities.

**Types of Savings and Investment Vehicles Owned
by Those Having Some Type of Savings**

	Texas Workers	American Workers
Life insurance purchased on own, not through employer	58%	NA
Stock or bond mutual funds	53	54%
Cash in a safe place at home or safe deposit box	36	30
Certificates of deposit	26	27
Fixed or variable annuities	23	23

Product ownership varies slightly by racial or ethnic group. For example, African-American workers in Texas (72 percent) are more likely than Anglo-American (60 percent), Asian-American (48 percent), and Hispanic-American (53 percent) workers to own life insurance they purchased on their own. Six in 10 Anglo-Americans (58 percent) and Asian-Americans (61 percent), but only about one-third of African-Americans (30 percent) and Hispanic-Americans (34 percent), own stock or bond mutual funds. In addition, African-Americans (49 percent) are more likely than Anglo-Americans (37 percent), Asian-Americans (33 percent), and Hispanic-Americans (25 percent) to say they have cash in a safe place at home or in a safe deposit box.

Thirty-six percent of Texas workers, compared with 43 percent of American workers, indicate they 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. The proportions doing a needs calculation vary widely by racial and ethnic group—Anglo-American and Asian-American workers (45 percent each) are most likely to indicate they or their spouse have tried to calculate how much money they will need to have saved, followed by African-American workers (26 percent). Hispanic-American workers (15 percent) are least likely to say they have attempted this calculation. While differences between some groups appear to be income-related, not all differences may be explained by income. Hispanic-Americans with household income under \$35,000 (10 percent) continue to be less likely than Anglo-Americans (25 percent) and Asian-Americans (37 percent) with equivalent income to report having tried to do a calculation. Likewise, Hispanic-Americans with income of \$35,000 or more (19 percent) are much less likely than Anglo-Americans (54 percent), African-Americans (47 percent), and Asian-Americans (52 percent) with similar income to do a calculation.

Texas workers who have tried to do the calculation are more likely than American workers overall to think they will need to save less than \$500,000 by the time they retire (30 percent of Texas workers vs. 22 percent of American workers). One in 10 each think they will need \$500,000 to less than \$1 million (10 percent vs. 9 percent), and roughly 1 in 7 believe they will need to save \$1 million or more (16 percent vs. 17 percent).

Total Savings Needed For Retirement

	Texas Workers	American Workers
Less than \$250,000	20%	15%
\$250,000–\$499,999	10	7
\$500,000–\$999,999	10	9
\$1 million–\$1.49 million	7	6
\$1.5 million or more	9	11
Could not do calculation	3	3
Spouse calculated	2	5
Don't know/Don't remember	31	36
Refused	7	7

Workers with higher household incomes or more formal education are more likely than those with lower household incomes or less education to report attempting a retirement savings needs calculation. They are also more likely to say they need to save higher amounts.

When it comes to rating their knowledge of investing and saving for retirement, Texans look remarkably like the general population. One in 10 workers rate their knowledge as comprehensive (9 percent), while 44 percent consider it to be general. Three in 10 rate it as limited (30 percent), and 16 percent say they know nothing about saving and investing. Retirees describe their

knowledge of investing and saving for retirement similarly. Fifteen percent rate their knowledge as comprehensive, one-third each consider it to be general (33 percent) or limited (32 percent), and 2 in 10 say they know nothing about the subject (20 percent).

Self Assessment of Knowledge of Investing and Saving for Retirement

	Texas Workers	American Workers	Texas Retirees	American Retirees
Comprehensive knowledge	9%	10%	15%	12%
General knowledge	44	46	33	34
Limited knowledge	30	31	32	28
Know nothing about investing or saving	16	12	20	25

African-American (23 percent) and Asian-American (25 percent) workers in Texas are more likely than Anglo-American workers (10 percent) to say they have no knowledge of investing and saving for retirement, while Hispanic-American workers are most likely to do so (43 percent). While some differences in self-assessment of savings and investment knowledge disappear once household income is controlled, a few differences remain. Most notably, among those with under \$35,000 in household income, Asian-Americans (57 percent) and Hispanic-Americans (61 percent) are considerably more likely than Anglo-Americans (18 percent) and African-Americans (27 percent) to say they know nothing.

While Texas workers who save for retirement are most likely to say they use input from a spouse (84 percent) or the advice of family, friends, or co-workers (60 percent) when making retirement savings and investment decisions, the source they find most helpful is the advice of a financial professional (32 percent). Sixteen percent each find input from a spouse or advice of family friends, or co-workers most helpful, and 13 percent say written material received at work is most useful. However, there is some variation by ethnicity on what Texas workers find most helpful. In particular, Asian-American workers are more likely than others to find information available over the Internet helpful (17 percent).

**Retirement Experience
and Expectations**

On average, Texas retirees left the work force at the same age as American retirees nationally (62 years), but they are somewhat less likely to say that they never expected to retire (2 percent of Texas retirees vs. 9 percent of American retirees). Conversely, Texas workers are more likely to say they will never retire (10 percent of Texas workers vs. 6 percent of American workers nationally), though both groups on average say they expect to retire at age 65. Seventeen percent of Texas workers expect to retire before age 60, 2 in 10 think they will retire between the ages of 60 and 64 (20 percent), one-fourth plan to retire at age 65 (25 percent), and nearly 2 in 10 think they will retire at age 66 or later (18 percent). Hispanic-American workers may be less likely than others to have thought about the timing of their retirement. Two in 10 say they do not know when they will retire (20 percent), compared with 7 percent of Anglo-Americans, 8 percent of Asian-Americans, and 13 percent of African-Americans.

Texas workers age 45 and older are less likely than their national counterparts to say they have decided within the past year to postpone retirement (16 percent of Texas workers vs. 24 percent of

workers nationally). Instead, over three-fourths say the age at which they expect to retire has not changed (76 percent vs. 66 percent). Seven percent (compared with 8 percent nationally) have decided within the last year to retire at a younger age. Among those age 45 and older living in Texas, Asian-Americans (6 percent) are less likely than Anglo-Americans (16 percent), African-Americans (18 percent), and Hispanic-Americans (14 percent) to report they have postponed their retirement age in the past year.

On average, Texas workers anticipate a retirement of about the same length as workers nationwide—about 20 years. Three in 10 think they will be retired for 19 years or less (29 percent), one-third think they will be retired for 20 to 29 years (35 percent), and one in seven believe they will be retired for 30 years or more (14 percent). However, two in 10 do not know how long their retirement will last (20 percent). Hispanic-Americans (52 percent) are far more likely than Anglo-Americans (16 percent), African-Americans (33 percent), and Asian-Americans (21 percent) not to know this key component of retirement planning.

Like American workers overall, Texas workers may underestimate the proportion of their preretirement income that they will need to live comfortably in retirement. In fact, they are even more likely than American workers to expect that they will need less than 60 percent of their preretirement income (46 percent vs. 39 percent). Another 1 in 10 think they will need 60 percent to 69 percent of their preretirement income (11 percent). Anglo-Americans, African-Americans, Asian-Americans, and Hispanic-Americans do equally poorly at estimating the proportion of their preretirement income that they will need to live comfortably. Almost 6 in 10 Anglo-Americans (57 percent) and Hispanic-Americans (56 percent), and half of African-Americans (50 percent) and Asian-Americans (49 percent), say they will need less than 70 percent of their preretirement income. Between 1 and 2 in 10 each say they do not know how much they will need (11 percent of Anglo-Americans, 14 percent of African-Americans, 21 percent of Asian-Americans, and 14 percent of Hispanic-Americans).

Only 17 percent of Texas workers anticipate needing 70 percent to 79 percent of their preretirement income to live comfortably, and only 14 percent anticipate needing 80 percent or more. Financial advisors generally recommend planning on having 70 percent–80 percent of preretirement income in order to enjoy a comfortable retirement.

Percentage of Preretirement Income Needed in Retirement

	Texas Workers	American Workers
Less than 50 percent	18%	15%
50–59 percent	28	24
60–69 percent	11	10
70–79 percent	17	16
80–89 percent	6	8
90–99 percent	1	2
100 percent or more	7	8
Don't know	13	17

Two-thirds of Texas workers say they think they will work for pay after they retire (68 percent), almost three times the proportion of Texas retirees who indicate they actually worked for pay in retirement (26 percent of Texas retirees). Seven in 10 Anglo-American workers (70 percent), almost two-thirds of Asian-American workers (64 percent), and just over half of African-American (52 percent) and Hispanic-American (54 percent) workers say they think they will work for pay

after they retire. In particular, Anglo-American women (68 percent) are more likely than African-American (48 percent) and Hispanic-American (47 percent) women to expect to work. While improved health status in retirement and increased interest in work may lead to increased work force participation by retirees, some future retirees who are relying on employment for retirement income may find themselves disappointed.

RCS Methodology

These findings are part of a Retirement Confidence Survey in the state of Texas. The results of this survey are compared with the 13th annual Retirement Confidence Survey, 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 Texas state survey was conducted from February 6 to March 10, 2003 through 14-minute interviews with 1,000 individuals (780 workers and 220 retirees) age 25 and older. The national survey was conducted in January 2003 through 20-minute telephone interviews with 1,000 individuals (782 workers and 218 retirees) age 25 and older in the United States. Random digit dialing was used to obtain a representative cross section of the Texas and U.S. population; however, the Texas population was stratified in order to obtain approximately equal numbers of interviews in six Texas regions. 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 the previous waves of the RCS have also been weighted to allow for consistent comparisons; consequently, some data in the 2003 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 addition to the general population sample in Texas, oversamples of 200 African-American, 200 Asian-American, and 200 Hispanic-American workers were obtained in order to ensure that sufficient numbers of respondents from these minority groups would be obtained for analysis. Among Hispanics, interviews were conducted either in English or Spanish, according to the preference of the respondent. Data for the minority oversamples are weighted by age, sex, and education to reflect the actual proportions in each minority population ages 25–64.

In theory, each sample of 1,000 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. Each sample of 200 yields a statistical precision of plus or minus 7 percentage points (with 95 percent certainty) of what the results would be if all members of the minority group 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.

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