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The 1999 Retirement Confidence Survey (RCS) Summary of Findings

Overview

The retirement envisioned by today's workers looks different in many respects from that now experienced by retirees. Current workers expect to work longer than current retirees actually worked before retiring, and many say they plan to work for pay after they retire because they enjoy working and want to stay involved—not because they need the money. Today's workers are also changing their expectations about their sources of income in retirement. Current retirees are most likely to identify Social Security as their most important source of income, but workers are most likely to say that personal savings will be their most important source of income in retirement.

For the past three years, approximately one-fourth of American workers have reported they are very confident of having enough money to live comfortably in retirement (24 percent in 1999) and approximately 45 percent have reported that they are somewhat confident (47 percent in 1999). However, there are several reasons to believe that many are falsely confident. Only half of all workers have even tried to determine how much they will need to save by the time they retire, only 36 percent have thought about insurance coverage for long-term care or nursing home needs, and just 16 percent report having accumulated $100,000 or more for retirement. In addition, many consider themselves savers rather than investors and report risk-adverse investment behavior.

Fear continues to be one of the primary motivators for saving for retirement. Not being able to count on Social Security, seeing people not prepare and struggle in retirement, and realizing that time is running out to prepare are among the major factors that respondents identify as giving them a lot of motivation to save. However, the availability of a retirement plan at work and earning enough money to be able to save are also powerful motivators.

The Changing Nature of Retirement

Many of today's workers will not be eligible to receive full benefits from Social Security until they are 67, but few respondents are aware that the Social Security normal retirement age is being phased up, from 65 to 67. A majority expects to reach full eligibility sooner than they actually will (59 percent). Many of these workers incorrectly expect to be eligible for full benefits at age 65 (37 percent of all workers), but some believe they will be eligible even before age 65 (22 percent of all workers). Almost 2-in-10 workers say they do not know when they will be eligible to receive full benefits from Social Security (19 percent). Only 16 percent are able to give the correct age at which they will be eligible for full benefits, and 5 percent believe they will be eligible later than they actually will be.

In general, the earlier that respondents are planning to retire, the earlier they believe they will be eligible for full benefits from Social Security. Forty-three percent of workers are planning to retire before age 65. Of these, one-fourth believe they will be eligible four or more years before they actually will be (25 percent), 4-in-10 think they will be eligible one to three years earlier than they actually will be (40 percent), and 17 percent do not know when they will be eligible for full benefits. Just 11 percent of those planning to retire before age 65 are able to give their correct eligibility age. In contrast, 18 percent of those planning to retire at age 65 and 24 percent of those planning to retire at age 66 or later give their correct eligibility age.

Nearly half of today's workers expect to retire at age 65 or later, and 5 percent expect they will never retire. In contrast to these expectations, however, most retirees report actual retirement ages younger than age 65.

Expected and Actual Retirement Age

	Expected (% of workers)	Actual (% of retirees)
Age 54 or younger	5%	20%
Age 55 to 59	13	16
Age 60	13	6
Ages 61 to 64	13	29
Age 65	30	14
Age 66 or older	17	12
Never retire	5	n/a

Source: 1999 Retirement Confidence Survey

For many retirees, this earlier retirement was not by design—more than 4-in-10 of today's retirees say they retired earlier than planned (43 percent). The youngest retirees—those born in 1933 or later—are especially likely to report retiring before age 60 or retiring earlier than expected.

If current workers follow the pattern set by today's retirees, many are also likely to retire earlier than planned, and many will do so for negative reasons. Four-in-10 of today's retirees who left the work force earlier than expected say they did so because of health problems or disability (40 percent). Other reasons cited for retiring earlier than planned are changes at the work place such as downsizing or closure (14 percent), family reasons (14 percent), and other work-related reasons (12 percent). Only a small proportion say they did so because they found they could afford an early retirement (14 percent).

While only 3-in-10 retirees say they have worked for pay since they retired (29 percent), an increasing proportion of workers indicate they expect to work for pay in retirement (68 percent, up from 61 percent in 1998). Both workers and retirees are most likely to identify enjoying work and wanting to stay involved as a major reason for working in retirement (64 percent and 62 percent, respectively). Yet workers, more so than retirees, also say major reasons they will work in retirement are to keep health insurance and other benefits (37 percent vs. 16 percent), to have money to make ends meet (37 percent vs. 26 percent), and to be able to afford extras (36 percent vs. 26 percent). Workers not confident they will have enough money for their retirement and those with lower household incomes are particularly likely to identify these other reasons.

Today's retirees are most likely to rely on Social Security or employer-provided money as their most important source of income in retirement. Just 2-in-10 retirees find that their personal savings are their most important source of income. In contrast, half of current workers expect personal savings to be their most important source of income in retirement. Only 1-in-5 expects to rely most on employer-provided money and only 1-in-10 expects Social Security to be their most important source of income. Not surprisingly, expected reliance on personal savings as the most important source of income increases as age *decreases*, while expected reliance on Social Security *increases* with age.

Expected and Actual Most Important Source of Retirement Income

	Expected (% of workers)	Actual (% of retirees)
Personal savings (net)	49%	18%
Money respondent put into a retirement plan at work	32	8
Other personal savings, not including work-related retirement plans	17	10
Employer-funded plans	20	30
Social Security	12	39
Employment	11	3
Sale of home or business	5	2
Other government programs	1	4

Source: 1999 Retirement Confidence Survey

Workers are increasingly confident that Social Security and Medicare will continue to provide benefits of equal value to what they provide today. Three-in-10 respondents say they are very or somewhat confident that Social Security will continue to provide benefits of equal value in 1999 (30 percent) compared with just 2-in-10 in 1996 (20 percent). Likewise, 33 percent say they are very or somewhat confident that Medicare will continue to provide benefits of equal value in 1999, compared with 23 percent in 1996. Still, at least two-thirds of current workers are not confident that each of these programs will continue to provide benefits equivalent to those received today (69 percent not confident in Social Security and 66 percent not confident in the Medicare program).

Retirement Confidence and the Retirement Readiness Rating

Seven-in-10 workers are confident that they will have enough money for a comfortable retirement. Majorities are also confident about having enough money for basic expenses, about their financial preparations for retirement, about having enough money to support themselves in retirement no matter how long they live, and about having enough money for medical expenses. Most of those who are confident are somewhat confident rather than very confident—that is, they should have enough money if everything goes right.

Retirement Confidence

How confident are you that:	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
You will have enough money to live comfortably throughout your retirement years?	24%	47%	20%	8%
You will have enough money to take care of your basic expenses during your retirement?	34	49	12	4
You are doing a good job of preparing financially for your retirement?	25	51	16	8
You will have enough money to support yourself in retirement, no matter how long you live?	19	51	19	9
You will have enough money to take care of your medical expenses when you retire?	17	43	25	13

Source: 1999 Retirement Confidence Survey

Should workers be as confident about their retirement as they are? The *Retirement Readiness Rating* (or R^3) is designed to indicate how well individual workers are preparing for retirement. The scale runs from 0 to 25, with those scoring 25 apparently doing the best job of preparation. The factors used to compute the score for each worker include saving for retirement, completing a savings needs calculation, establishing an investing or savings program for retirement, and attitudes toward various aspects of preparing for retirement.

Based on the results of this scale, less than 1-in-10 American workers appears to be doing a very good job of preparing for retirement (8 percent with an R^3 score of 21 to 25). Three-in-10, with an R^3 score of 16 to 20, appear to be doing a good job (31 percent), and a similar proportion appear to be doing an adequate job (32 percent with an R^3 score of 11 to 15). Two-in-10 appear to be doing a poor job (19 percent with an R^3 score of 6 to 10) and 1-in-10 seems to be doing a very poor job (10% percent with an R^3 score of 0 to 5). Not surprisingly, those with household incomes of $75,000 or more are more likely to score highly, but those who are married, those who work for businesses with more than 100 employees, and those who expect to rely primarily on personal savings (either through a retirement plan at work or outside of work) or employer-funded plans are also more likely to score highly.

The *Retirement Readiness Rating* only partially confirms respondents' self evaluations. Although those who are very confident about having enough money for retirement are more likely than others to score highly, only one-fourth score in the 21 to 25 R^3 range. Therefore, many of the workers who *say* they are confident about having enough money for retirement appear to be falsely confident.

Retirement Readiness Rating by
Confidence in Having Enough Money for Retirement

R^3 Score	All Workers	Very Confident	Somewhat Confident	Not Confident
Very good (21–25)	8%	26%	3%	<.5%
Good (16–20)	31	48	36	8
Adequate (11–15)	32	17	38	33
Poor (6–10)	19	8	19	29
Very poor (0–5)	10	1	3	30

Source: 1999 Retirement Confidence Survey

Several indicators provide evidence supporting the fact that many workers may be falsely confident. Even though the proportion of workers who have tried to determine how much they need to save by the time they retire has increased steadily since 1996, only half of all current workers have actually tried to do this calculation (49 percent in 1999, compared with 32 percent in 1996). Those expecting to retire before age 59 or between the ages of 60 and 64 are more likely than those planning to retire later to say they have done this calculation. Curiously, however, those who have done the calculation are only slightly more likely than those who have not to be able to provide the correct age at which they will be eligible for full benefits from Social Security.

In addition, while three-fourths say they have established an investing or savings program for their retirement (74 percent), and 7-in-10 are saving for retirement (70 percent), the amounts accumulated by workers as a whole are generally unimpressive. On average, however, those who have done a needs calculation have saved considerably more than those who have not done the calculation.

Amount Accumulated for Retirement by Workers

	All Workers	Done Needs Calculation	Not Done Needs Calculation
Nothing	9%	4%	14%
Less than $5,000	8	4	10
$5,000–$9,999	7	5	9
$10,000–$24,999	11	9	14
$25,000–$49,999	10	8	11
$50,000–$99,999	12	15	8
$100,000 or more	16	26	6
Don't know/refused	28	29	27
Median	$29,514	$66,532	$14,054

Source: 1999 Retirement Confidence Survey

While the median amount saved increases by age (ages 25–39, $20,588; ages 40–49, $45,238; ages 50–59, $71,250), workers ages 60 and older have accumulated less ($39,286 median amount saved)—perhaps because they are more likely to expect to rely on Social Security for a major portion of their retirement income. To put these accumulations in perspective, assume a single male, age 65, purchases a life annuity today.[1] With $71,250, he could purchase a nominal monthly annuity for life of $631; with $39,286, he would get a monthly annuity of only $348. Finally, workers planning to retire earlier are generally better prepared than those who are planning to retire at age 65 or later.

Median Amounts Accumulated by Expected Age at Retirement

Age 59 or younger	$76,563
Age 60 to 64	$41,912
Age 65	$23,438
Age 66 or older	$19,375

Source: 1999 Retirement Confidence Survey

This is good news, in that those planning to retire earlier are apparently building the financial resources with which to do so. However, the fact that workers planning to work longer before retiring have generally accumulated less than others is of special concern, since these are the workers most at risk for involuntary early retirement.

Saving—and Not Saving—for Retirement

Seven-in-10 workers report they are personally saving money for retirement (70 percent)—an increase from 63 percent who reported saving for retirement in 1998. A slightly larger proportion of workers report that they and/or their spouse are saving for retirement (75 percent).

Several different factors motivate people to save for retirement. Major motivators cited by more than 1-in-5 workers are:

- Feeling they could not count on Social Security (53 percent).
- Starting to earn enough money to be able to save (49 percent).
- Having seen people not prepare and, therefore, struggle in retirement (48 percent).
- The availability of a retirement plan at work (48 percent).
- Realizing that time was running out to prepare for retirement (39 percent).
- The advice of a financial professional (24 percent).
- A family event, such as marriage, birth of a child or parents' retirement (21 percent).

Overwhelmingly, nonsavers are most likely to say having too many current financial responsibilities is the major reason they do not save for retirement (66 percent). Other reasons workers give for not saving are:

- Having other savings goals, such as a house or education (36 percent).
- No retirement savings plan offered at work (31 percent).
- Expecting to have a pension (26 percent).
- Lots of time remains until retirement (24 percent).
- Not knowing where to start (18 percent).
- Social Security will take care of them (16 percent).
- Being unable to find savings information that they understand and trust (15 percent).
- Not being confident in their ability to make good decisions about saving (13 percent).

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[1] This assumes that $9.41 buys an annuity of $1/year payable monthly (D.M. McGill, K.N. Brown; J.J. Haley, and S.J. Schieber, *Fundamentals of Private Pensions*, Seventh Edition, Philadelphia, PA: University of Pennsylvania Press, 1996).

Almost 6-in-10 workers who are not currently saving for retirement say that it is reasonably possible for them to save $20 per week for retirement (57 percent). In addition, 7-in-10 workers who are already saving report that it is possible for them to save an additional $20 per week (69 percent). Among those who say they could save this additional $20 per week, 12 percent say they would not have to give up anything to do so. Those who would have to sacrifice are most likely to say they would cut back on dining out or entertainment.

Today's Retirees

Four-in-5 retirees say their standard of living in retirement is at least as good as it was just before they retired (42 say it is better, 39 percent say it is about the same). A similar proportion says their experience in retirement in terms of having enough money to take care of basic expenses is at least as good as expected (44 percent better than expected, 37 percent same as expected), while a slightly smaller proportion says their experience in having enough money to cover medical expenses is as least as good as expected (40 percent better than expected, 35 percent same as expected). However, while a majority of retirees have found that the financial aspects of their retirement met or exceeded their expectations, 1-in-5 retirees is living a retirement that is in some sense financially disappointing.

Retirees with higher incomes are more likely than others to say that their retirement experiences are better than expected, but so are those relying on money from an employer as their most important source of income. In contrast, those relying on Social Security as their most important source of income, those who retired early, and nonsavers are more likely than others to find their retirement experiences worse than expected.

The Role of the Employer

Employers play a major role in ensuring adequate retirement preparation. Most obviously, 4-in-10 of all workers report that they expect money provided by their employer will be a major source of income in retirement (40 percent) and the same proportion say it will be a minor source (41 percent). Even more important, however, 46 percent expect that money they put into a retirement plan at work will be a major source of income, and 3-in-10 report it will be a minor source (31 percent). Further, the availability of a retirement plan at work is credited by almost half of savers with giving them a lot of motivation to save (48 percent) and the lack of a plan is cited by 3-in-10 nonsavers as a major reason they do not save (31 percent).

Over 4-in-10 workers report receiving educational materials or seminars about retirement planing and saving in the past year from their employer (42 percent). Half of those who received employer-provided materials say they received brochures (50 percent), and another third received newsletters or magazines (31 percent). Four-in-10 of those who received some sort of educational materials from their employer say it caused them to begin (19 percent) or resume (21 percent) saving for retirement, while similar proportions say they changed the amount they were contributing to a retirement savings plan (40 percent) or changed the allocation of their money in a retirement savings plan (41 percent). In addition, those who reported receiving employer-provided materials are more likely than others to have also reported doing a retirement savings needs calculation.

Personality Types

An analysis of the workers and retirees in the 1999 RCS reveals five distinct groups of Americans who feel very differently about their attitudes toward their finances and planning for retirement. As shown by their scores on the *Retirement Readiness Rating,* Planners appear to be the best prepared for retirement, followed by Savers, Strugglers, Impulsives, and Deniers. Descriptions of each personality type follow.

Retirement Readiness Rating by Personality Type

R^3 Score	Planners	Savers	Strugglers	Impulsives	Deniers
Very good (21–25)	16%	10%	2%	1%	0%
Good (16–20)	46	34	25	17	11
Adequate (11–15)	26	42	39	36	21
Poor (6–10)	9	11	20	32	36
Very poor (0–5)	2	3	13	15	32

Source: 1999 Retirement Confidence Survey

- ***Planners*** (35 percent of all Americans) believe anyone can have a comfortable retirement if they just plan and save (90 percent). This group is composed of disciplined savers (86 percent). They always research and plan for big purchases (92 percent), enjoy financial planning (77 percent) and are willing to take substantial financial risk for substantial financial gain (42 percent). Approximately three-fourths are confident they are investing their retirement savings wisely (73 percent). Not surprisingly, almost 9-in-10 are confident that they will have enough money to live comfortably in retirement (88 percent), almost all believe they will have enough money to take care of basic expenses (95 percent), and more than three-fourths believe they will have enough money to take care of medical expenses (76 percent).

- ***Savers*** (18 percent of all Americans) are very much like planners. They are disciplined savers (88 percent), many research and plan for large purchases (80 percent), and most enjoy financial planning (67 percent). But they are more cautious than planners—almost all pay off their credit cards at the end of every month (95 percent)—and their caution leads to risk-adverse investment behavior. Half are not willing to take any financial risks, no matter what the gain (51 percent) and they characterize themselves as savers, not investors (93 percent). Still, they are confident about their retirement. A large majority believe they will have enough money to live comfortably (85 percent), will have enough money to take care of basic expenses (92 percent) and are doing a good job preparing financially for their retirement (89 percent).

- ***Strugglers*** (20 percent of Americans) share many of the attitudes of planners and savers. They are disciplined savers (65 percent) who tend to research and plan for large purchases (84 percent). Cautious in their behavior, they consider themselves to be savers rather than investors (94 percent). But the fact that they are frequently set back from their financial goals by unexpected events (69 percent) makes them much less confident about their retirement prospects. Although three-fourths believe they will have enough money for basic expenses (77 percent), only 6-in-10 are confident they will have enough money to live comfortably throughout retirement (59 percent).

- ***Impulsives*** (15 percent of all Americans) think that anyone can have a comfortable retirement if they just plan and save (86 percent), but few consider themselves to be disciplined savers (34 percent). In fact, they are frequently set back from their financial goals (90 percent), frequently spend money when they do not plan to buy anything (51 percent), and tend to carry credit card debt (67 percent). Over half believe that they will have enough money to live comfortably throughout their retirement years (56 percent), despite the fact that a similar proportion has accumulated less than $25,000 toward their retirement (54 percent).

- ***Deniers*** (13 percent of Americans) feel it is pointless to plan for retirement (59 percent) and, more than any other group, they think retirement planning takes too much time and effort (35 percent). Many are impulse shoppers (42 percent), are frequently set back from their financial goals (68 percent), or unwilling to take any financial risks no matter what the gain (46 percent). Half of this group is not confident about having enough money to live comfortably in retirement (50 percent) and 4-in-10 are not even confident of having enough money to take care of basic expenses (40 percent).

RCS Methodology

The ninth annual Retirement Confidence Survey (RCS) gauges the views and attitudes of working 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 within the United States between January 4 and February 28, 1999, through 20-minute telephone interviews with 1,002 individuals (751 workers and 251 retirees) ages 25 and older. Random digit dialing was used to obtain a representative cross-section of the U.S. population and interview quotas were established by sex of respondent to reflect the actual proportions in the population.

In addition to the 1,002 Americans in the base survey sample, African-Americans, Hispanic-Americans, and Asian-Americans were oversampled to permit analysis of these minority groups. A total of 200 interviews were completed within each ethnic group (totaling 600 interviews) among working adults, using targeted lists to supplement random digit dialing. Among Hispanic-Americans, interviews were conducted in English or Spanish, according to the preference of the respondent.

In theory, a sample of 1,002 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if the entire population age 25 and older were surveyed with complete accuracy. Likewise, each of the minority samples of 200 has a precision of plus or minus 7 percentage points (with 95 percent certainty) of what the results would be if every member of the working minority population 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 difficult or impossible to quantify the errors that may result from them.

The RCS is co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization; the American Savings Education Council (ASEC), a partnership of more than 250 private- and public-sector institutions dedicated to raising the public awareness of what is needed to ensure long-term personal financial independence, and a part of the EBRI Education and Research Fund; and Mathew Greenwald & Associates, Inc. (MGA), a Washington, DC-based market research firm.

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