

CHANGING EXPECTATIONS ABOUT RETIREMENT

Over the past few years, many American workers have begun to question their ability to secure a financially comfortable retirement. How, if at all, are workers adjusting their expectations about retirement to compensate?

Postponing Retirement

A quarter of workers in the 2010 Retirement Confidence Survey (RCS) say the age at which they expect to retire has increased in the past year (24 percent). Statistically, this is similar to the percentage indicating they were planning to postpone retirement in 2009 (25 percent) and an increase over the percentage planning to postpone retirement in 2008 (14 percent).

The poor economy (29 percent) and a change in employment situation (22 percent) are the most frequently cited reasons for postponing retirement, followed by inadequate finances (16 percent) and the need to make up for losses in the stock market (12 percent) (Figure FS2-1).

Figure FS2-1
Reasons for Postponing Retirement, Among Workers Saying They Postponed Their Expected Retirement Age

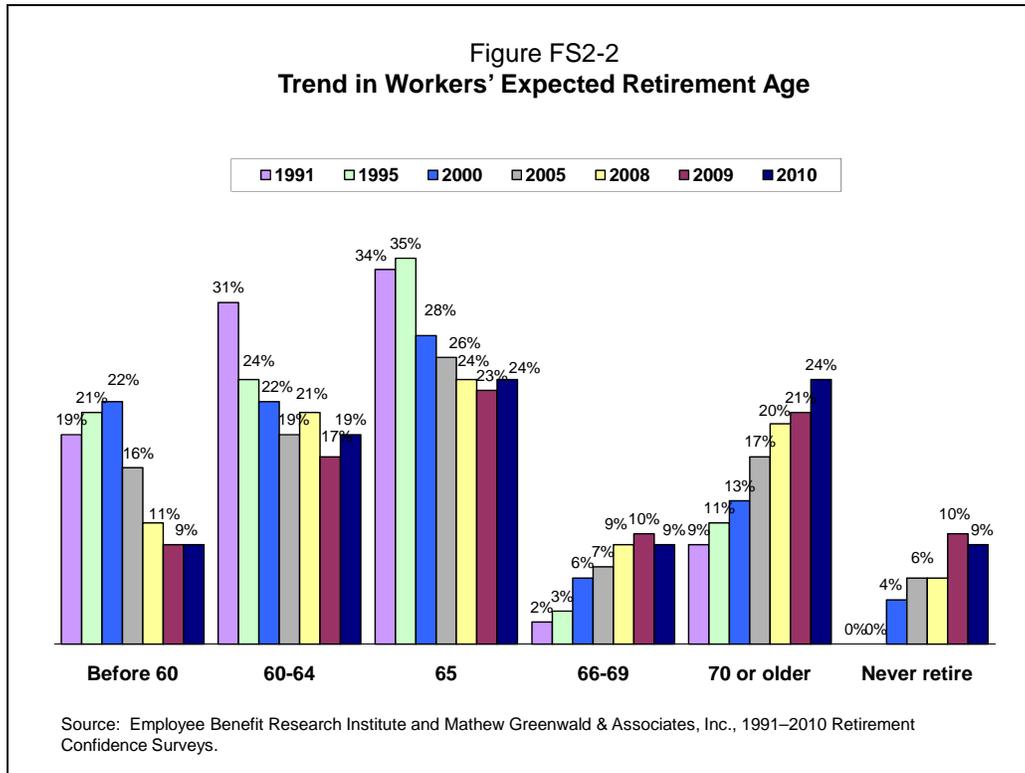
Poor economy	29%
Change in employment situation	22%
Finances, can't afford to retire	16%
Need to make up for losses in the stock market	12%
Lack of faith in Social Security/government	7%
Cost of living in retirement will be higher than expected	7%
Need to pay current expenses first	6%
Want to make sure you have enough money to retire comfortably	6%
Aren't sure how the stock market will perform	5%
Health care costs	4%
Law changed the minimum retirement age	4%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2010 Retirement Confidence Survey.

The age at which workers expect to retire is gradually rising. In 1991, half of workers planned to retire before age 65 (50 percent), compared with 28 percent in 2010.

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In the 2010 RCS, more than half of workers say they expect to retire at age 65 or later (57 percent, compared with 45 percent in 1991). Moreover, workers are now more than twice as likely to indicate they will retire at age 70 or later (24 percent, up from 9 percent in 1991) (Figure FS2-2).

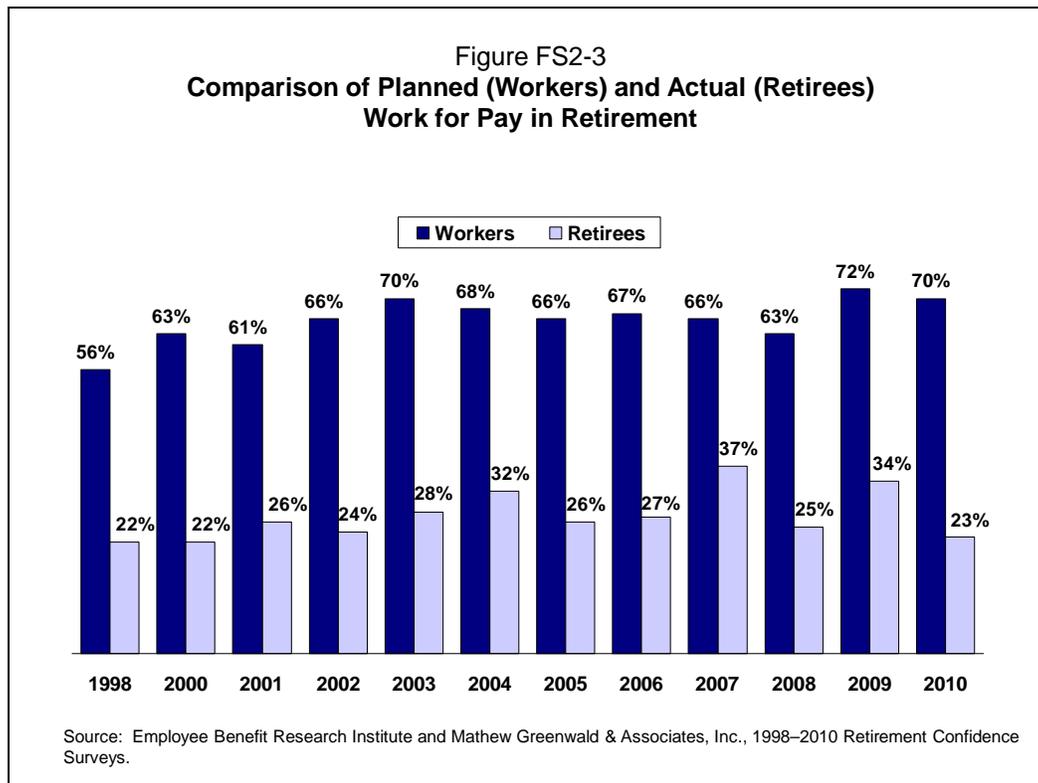


However, about 40 percent of retirees report each year that they retired sooner than they had planned (41 percent in 2010), often for negative reasons such as a health problem or disability (54 percent) or company downsizing or closure (26 percent). While a majority of workers feel that they will still be able to retire comfortably even if they are forced to retire two years earlier than planned (61 percent), retirees who left the work force earlier than planned consistently report lower levels of confidence about their retirement security than do those who retired on time or later than planned.

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Working for Pay in Retirement

Seventy percent of workers now say they plan to work for pay after they retire. This is statistically equivalent to the percentages indicating they would work for pay in 2009 and in 2002–2007 (Figure FS2-3).



Retirees are far less likely to report having worked for pay in retirement than workers are to say they will work. Only one-quarter of retirees in the 2010 RCS (23 percent) say they have worked for pay since they retired. Moreover, very few of those who have not worked for pay in retirement think it likely that they will return to paid employment sometime in the future (4 percent *very likely*, 6 percent *somewhat likely*).

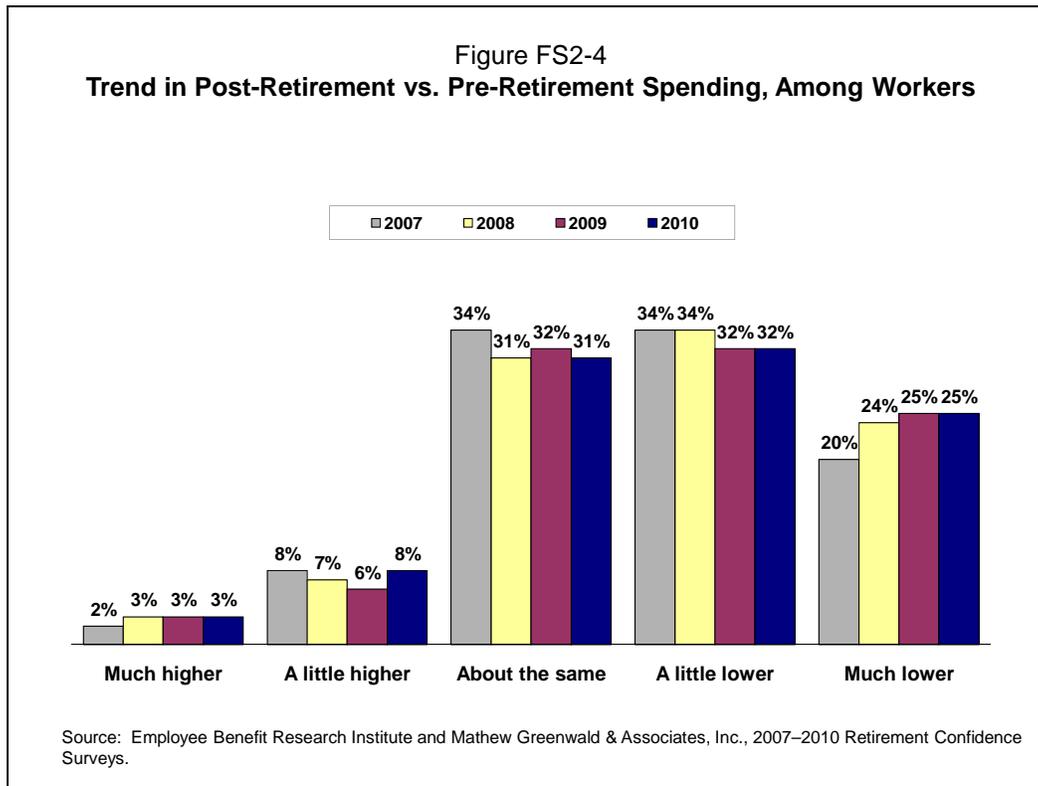
Large majorities of retirees who worked in retirement say reasons for doing so include wanting to stay active and involved (92 percent) and enjoying working (86 percent). However, almost all retirees who worked in retirement name at least one financial reason for doing so (90 percent), such as wanting money to buy extras (72 percent), a decrease in the value of their savings or investments (62 percent), needing money to make ends meet (59 percent), and keeping health insurance or other benefits (40 percent).

Many workers are also planning to rely on income from employment to support them in retirement. Three-quarters of workers say that employment will provide them (and their spouse) with a *major* (27 percent) or *minor* (50 percent) source of income in retirement (77 percent total, up from 68 percent in 2000).

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Spending in Retirement

More than half of workers expect their spending in the first five years of retirement to be *a little* lower (32 percent) or *much* lower (25 percent) than their spending in the five years before they retire. Further, the percentage saying they expect their spending to be *much* lower increased from 20 percent in 2007 to 25 percent in 2009 (Figure FS2-4).



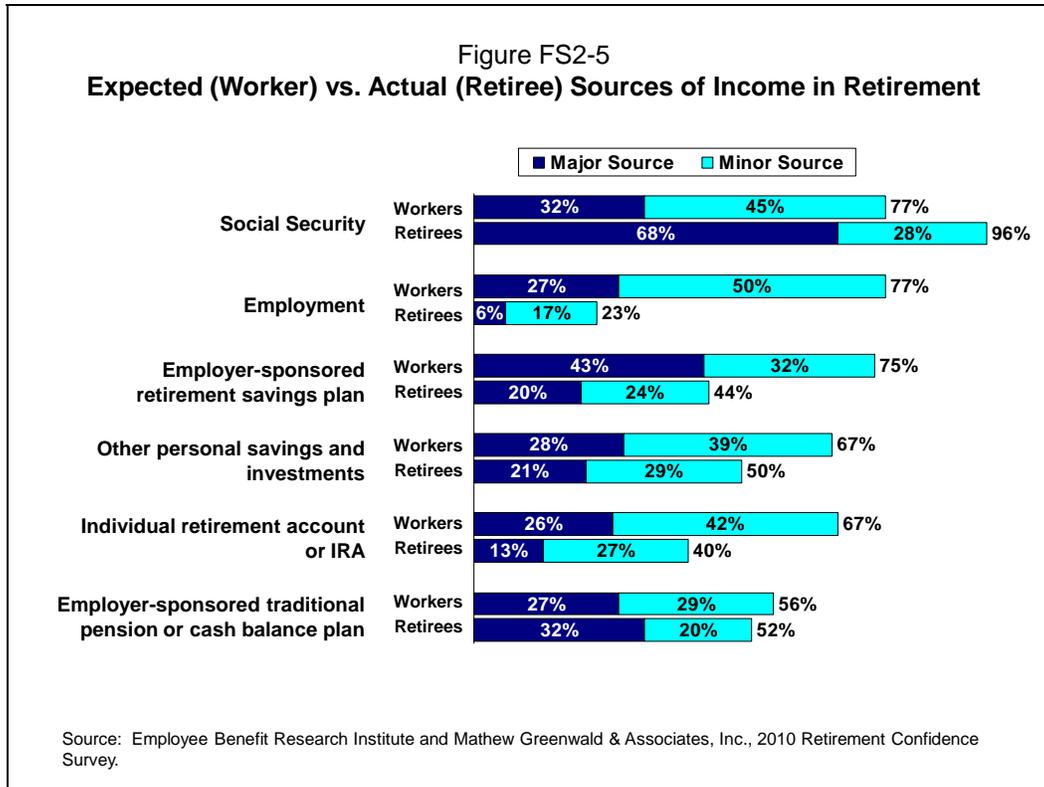
Retirees are as likely to indicate their spending in retirement is higher or about the same as it was before retiring (50 percent) as they are to say their spending is lower (49 percent). Part of the reason for this is that many retirees find they must spend more than they expected on health care expenses (40 percent in 2009).

Lack of employer-provided retiree health insurance may make further demands on income in retirement. One-third of workers expect to receive this type of insurance from an employer (35 percent, down from 40 percent in 2005), making workers as likely to expect insurance as current retirees are to report receiving it (34 percent). Many employers are eliminating health care coverage for future retirees, so some workers who expect to receive it may find themselves disappointed.

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Sources of Income in Retirement

More so than current retirees, workers are likely to piece together their retirement income from a number of sources. While retirees are most likely to indicate that Social Security (96 percent) and traditional pension plans (52 percent) are sources of retirement income, more than half of workers say they will rely on Social Security (77 percent), employment (77 percent), employer-sponsored retirement savings plans (75 percent), IRAs (67 percent), other personal savings (67 percent), and traditional pension plans (56 percent) for their retirement income (Figure FS2-5).



Although workers remain as likely to expect income from a defined benefit plan as retirees are to receive it (56 percent of workers, 52 percent of retirees), the percentage of workers expecting income from such a plan has decreased from its high of 62 percent in 2005.

In addition, workers' expected reliance on other personal savings and investments (including an IRA) has decreased slightly, from 84 percent in 2008 to 78 percent in 2010.

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