

2005 RCS FACT SHEET

SAVING FOR RETIREMENT IN AMERICA

Retirement confidence remains stable—but total retirement savings are modest, many workers guess at how much they need to save for retirement, and lack of discipline may prevent some from saving more.

Retirement Confidence

- The 2005 Retirement Confidence (RCS) finds that the percentage of workers who are *very* confident about having enough money to live comfortably in retirement has remained basically stable since 1998. Interestingly, RCS data over the past 12 years continue to show that retirement confidence overall among workers does not seem to be affected by either stock market performance or varying economic conditions.

Figure 1
Confidence In Having Enough Money to Live Comfortably Throughout Retirement, 1993–2005

	1993	1995	1998	2000	2001	2002	2003	2004	2005
Very confident	18%	21%	22%	25%	22%	23%	21%	24%	25%
Somewhat confident	55	51	45	47	41	47	45	44	40
Not too confident	19	19	18	18	18	19	17	18	17
Not at all confident	6	8	13	10	17	10	16	13	17

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2005 Retirement Confidence Surveys.

- Workers who have not saved for retirement, but nonetheless feel confident that they will have a comfortable retirement (37 percent of nonsavers), cite the following reasons for their confidence: They will get money from an employer (19 percent); they have a job or will always work (19 percent); they will rely on other money or property (9 percent); they have faith (8 percent); they have other investments, savings, or stock (8 percent); they have been planning or use sound money management (8 percent).

How Well Are Americans Saving?

- Roughly 7 in 10 workers report that they and/or their spouse have saved money for retirement (69 percent), and approximately 6 in 10 workers say they are *currently* saving for retirement (62 percent). While the proportion of workers having saved for retirement is higher than 10 years ago, it has remained constant since 2001.

Figure 2
Percentage of Workers Who Say They and/or Their Spouse Have Saved for Retirement, 1994–2005^a

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
57%	58%	60%	66%	59%	68%	74%	65%	67%	68%	68%	69%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2005 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.

- As would be expected, older workers tend to have saved more than younger workers, but overall savings levels tend to be modest. More than half of all workers report less than \$50,000 in total savings and investments (excluding their home).

Figure 3
Reported Total Savings and Investments, by Age (Not Including Value of Primary Residence)

	All Workers	Ages 25–34	Ages 35–44	Ages 45–54	Ages 55+
Less than \$25,000	52%	70%	50%	41%	39%
\$25,000–\$49,999	13	12	15	14	12
\$50,000–\$99,999	11	9	14	13	7
\$100,000–\$249,999	12	5	10	17	23
\$250,000 or more	11	4	10	16	19

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

- Education and (not surprisingly) income tend to be the major factors in whether workers save for retirement. Moreover, married workers are more likely than those who are not married, and those who have attempted a retirement savings needs calculation are more apt than those who have not, to have saved.
- Workers are far more likely to save for retirement than they are to save for any other goal. In fact, one-quarter of workers save only for retirement and have no other savings goal (26 percent).

Figure 4
Savings Goals
 (multiple responses accepted)

Retirement	69%
Your children's or grandchildren's education	20
A home purchase or renovation	11
Money for an emergency	9
General well-being	8
A vacation	8
A car, truck, or van	4
A second home or vacation home	3
Money for health expenses	2
Children/inheritance/family	1
Debt reduction	2
Other	5
No savings goals	16

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

- Although many American workers are not saving for retirement and overall levels of savings remain low, 6 in 10 workers say that, when it comes to their finances, they are more likely to worry about tomorrow than live for today. At the same time, half say they are more willing to live for today than they were five years ago.

Figure 5
Living for Today vs. Living for Tomorrow

	All Workers
When it comes to your finances,	
Would you say you are someone who is:	
More likely to worry about tomorrow	59%
More likely to live for today	30
Equally likely to do both	10
Compared with five years ago, would you say you are now:	
More willing to live for today	51%
Less willing to live for today	37
No change	8
Don't know	4

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

Do Americans Know How Much to Save?

- Over time, roughly 4 in 10 workers have taken the time and effort to complete a retirement needs calculation—the basic planning step that can help individuals determine how much money they are likely to need in retirement and how much they will need to save to meet that goal. After increasing through 2000, the percentage of workers reporting having done the calculation dropped during the economic downturn of 2001–2002 but now appears to have stabilized.

Figure 6
Percentage of Workers and/or Their Spouses Who Have Done a Retirement Needs Calculation, 1993–2005^a

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
32%	31%	32%	29%	33%	42%	48%	53%	44%	38%	43%	42%	42%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2005 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.

- Only one-third of all workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement. Two in 10 think they will need between \$250,000 and \$499,999, and one-third think they need to save less than \$250,000 for a comfortable retirement.

Figure 7
Amount of Savings Needed for Retirement

Under \$250,000	32%
\$250,000–\$499,999	21
\$500,000–\$999,999	18
\$1 million–\$1.49 million	8
\$1.5 million or more	7
Don't know/Don't remember	10
Refused	2

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

- Perhaps many think they need to save so little for a comfortable retirement because they have not really thought through the retirement planning issues involved. Almost half of all workers say they guessed at the total.
- Those who say they do a savings needs calculation tend to be more proactive. More than one-third consult a financial advisor and 1 in 10 each complete an online calculator or a worksheet or form. Still, almost 4 in 10 of these workers create their own estimate (which may be more or less accurate) and 1 in 10 admit they guess.

Figure 8
Method Used to Calculate Savings Needed for Retirement, by Doing a Retirement Needs Calculation
 (multiple responses accepted)

	All Workers	Did Retirement Needs Calculation	
		Yes	No
Guess	46%	10%	76%
Do your own estimate	21	37	7
Ask a financial advisor	18	35	5
Read or hear that is how much needed	7	6	7
Fill out a worksheet or form	5	10	0
Use an on-line calculator	5	11	<0.5
Cost of living or lifestyle	2	1	4
Spouse calculated	1	1	1
Other	3	2	3

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

What Keeps People Back?

- More than half of workers say they are behind schedule when it comes to planning and saving for retirement: Thirty-two percent think they are *a lot behind* and 23 percent think they are *a little behind*. Almost 4 in 10 believe they are *on track*, and 7 percent consider themselves *ahead* of schedule.
- Workers who are *behind* schedule are most likely to say that high expenses—particularly everyday (49 percent), child-rearing (39 percent), and medical (35 percent) expenses—play a *major* role in keeping them behind. Other things they say keep them behind schedule include career choice and job loss or frequent job changes.

Figure 9
Factors Keeping Workers Behind Schedule in Planning and Saving for Retirement, Among Workers Behind Schedule in Planning and Saving for Retirement

	Major Role	Minor Role	No Role
High expenses	51%	31%	17%
Career choice	33	30	37
Job loss or frequent job changes	31	18	50
Wanting a comfortable lifestyle	29	43	27
Lack of financial discipline	28	44	28
Poor investing	17	23	60

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

- Debts can also prevent people from adequately saving for retirement, and 6 in 10 workers describe their level of debt as a problem. Twenty percent say it is a *major* problem, and 39 percent say it is a *minor* problem. Nonsavers (35 percent) are more than twice as likely as savers (14 percent) to describe their level of debt as a *major* problem.
- Of the different types of debt examined in the RCS, workers are most likely to carry mortgage (56 percent), credit card (51 percent), and car loan (47 percent) debt. Fewer say they have college or student loans (19 percent) or home improvement loans (12 percent).

- Many workers could trim some expenses to increase savings if they were more disciplined. In particular, both savers and nonsavers could save by spending money less frequently on meals prepared outside the home and on convenience items. While the amounts involved in each individual purchase may be small, the savings can add up over time and compound with interest into significant amounts.

Figure 10
Common Worker Expenditures (Once a Week or More Often), by Retirement Saving Status

	All Workers	Currently Saving for Retirement?	
		Yes	No
A meal in a restaurant or takeout	67%	74%	54%
A soft drink or snack from a vending machine or convenience store	59	55	66
A movie, video, or DVD	24	29	17
A lottery ticket	12	11	14
Coffee from specialty coffee shops, sometimes referred to as designer coffee	11	12	11

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.

Source: 2005 Retirement Confidence Survey—Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc. On the Internet at www.ebri.org/rcs, and www.greenwaldresearch.com