

2006 RCS FACT SHEET

SAVING FOR RETIREMENT IN AMERICA

Retirement confidence remains stable—but total savings are modest and many workers guess at how much they need to save for retirement.

Retirement Confidence

- The 2006 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 (Figure 1). 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, 1994–2006

	1994	1996	1998	2001	2002	2003	2004	2005	2006
Very confident	20%	19%	22%	22%	23%	21%	24%	25%	24%
Somewhat confident	45	41	45	41	47	45	44	40	44
Not too confident	17	23	18	18	19	17	18	17	17
Not at all confident	17	16	13	17	10	16	13	17	14

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2006 Retirement Confidence Surveys.

- Forty-four percent of workers who have not saved for retirement nonetheless feel confident that they will have a comfortable retirement. While the 2006 RCS did not ask confident nonsavers why they felt this way, these reasons were explored in the 2005 RCS. Most often, 2005 confident nonsavers said they would get money from an employer (19 percent) or they have a job or will always work (19 percent). Smaller percentages mentioned relying on other money or property (9 percent); having faith (8 percent); having other investments, savings, or stock (8 percent); or planning or using sound money management (8 percent).

How Well Are Americans Saving?

- 7 in 10 workers report that they and/or their spouse have saved money for retirement, and over 6 in 10 workers say they are currently saving for retirement (64 percent). While the proportion of workers having saved for retirement is higher than 10 years ago, it has remained constant since 2002 (Figure 2).

Figure 2
Percentage of Workers Who Say They and/or Their Spouse Have Saved for Retirement, 1994–2006^a

1994	1996	1998	2000	2001	2002	2003	2004	2005	2006
57%	60%	59%	74%	65%	67%	68%	68%	69%	70%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2006 Retirement Confidence Surveys.

^aThe 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 (Figure 3). More than half of workers report less than \$25,000 in total savings and investments (excluding their home and defined benefit plans).

Figure 3
Reported Total Savings and Investments
(not including value of primary residence or defined benefit plans)

	All Workers	Ages 25–34	Ages 35–44	Ages 45–54	Ages 55+
Less than \$25,000	53%	73%	49%	43%	43%
\$25,000–\$49,999	12	11	14	14	8
\$50,000–\$99,999	12	7	16	12	12
\$100,000–\$249,999	11	4	12	14	11
\$250,000 or more	12	5	9	16	26

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

- Education and (not surprisingly) income tend to be the major factors in whether workers save for retirement (Figure 4). 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, almost one-quarter of workers either save only for retirement (11 percent) or do not save at all (12 percent).

Figure 4
Savings Goals, By Having Saved for Retirement
(multiple responses accepted)

	All Workers	Have Saved for Retirement	
		Yes	No
Retirement	70%	100%	0%
Children’s or grandchildren’s education	19	23	9
A home purchase or renovation	10	10	9
A vacation	9	13	2
Money for an emergency	6	6	5
General well-being	5	5	6
A car, truck, or van	4	5	2
A second home or vacation home	2	3	0
Health expenses	2	2	1
Other	8	7	9
Not saving for anything specific	21	22	18
Not saving for anything else/at all	23	15	41

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

- Many workers expect savings to provide them with a large portion of their income in retirement (Figure 5). Six in 10 savers and even 2 in 10 nonsavers say that some form of personal savings will supply them with their largest source of retirement income. Not surprisingly, workers who have not saved for retirement are more likely than those who have to expect the largest share will come from Social Security, employment, or family.

Figure 5
Largest Expected Sources of Income in Retirement

	All Workers	Have Saved for Retirement	
		Yes	No
Personal savings (net)	48%	60%	19%
A work-place retirement savings plan, such as a 401(k)	14	18	5
Money from an IRA	14	17	5
Other personal savings or investments	20	25	9
Social Security	20	12	38
A traditional employer-provided pension	14	14	13
Employment	6	3	11
The sale or refinancing of your home	3	3	4
An inheritance	3	3	2
Support from your children or other family members	2	<0.5	7
A lump-sum distribution from a cash balance plan or traditional pension	1	1	2
Don't know/Refused	3	3	3

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 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).

Figure 6
Percentage of Workers and/or Their Spouses Who Have Done a Retirement Needs Calculation, 1994–2006^a

1994	1996	1998	2000	2001	2002	2003	2004	2005	2006
31%	29%	42%	53%	44%	38%	43%	42%	42%	42%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2006 Retirement Confidence Surveys.

^aThe 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 about 4 in 10 workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement (Figure 7). Two in 10 think they will need between \$250,000 and \$499,999, and 3 in 10 think they need to save less than \$250,000 for a comfortable retirement.

Figure 7
Amount of Savings Workers Say They Need for Retirement

Under \$250,000	30%
\$250,000–\$499,999	19
\$500,000–\$999,999	21
\$1 million–\$1.49 million	8
\$1.5 million or more	10
Don't know/Don't remember	9

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 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. More than 4 in 10 workers say they guessed at the total (Figure 8).
- 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 complete a worksheet or form. Still, one-third of these workers create their own estimate (which may be more or less accurate), and roughly 1 in 10 each admit they guess or have only read or heard how much is needed.

Figure 8
**Method of Determining Savings Needed for Retirement,
 by Doing a Retirement Needs Calculation**
 (multiple responses accepted)

	Total	Did Retirement Needs Calculation	
		Yes	No
Guess	44%	8%	73%
Ask a financial advisor	19	35	5
Do your own estimate	17	33	4
Read or hear how much needed	11	9	13
Fill out a worksheet or form	5	10	<.5
Use an online calculator	3	8	0
Base on cost of living/desired retirement lifestyle	3	1	4
Other	4	4	4

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.

- Many American workers may not realize how much income it could take to provide a comfortable standard of living in retirement or to maintain their preretirement standard of living. Half think they can have a comfortable retirement with less than 70 percent of their preretirement income, and nearly 3 in 10 believe they will be comfortable with 70 to 85 percent (Figure 9).
- Yet many financial planners suggest that workers plan for a retirement income replacement ratio of at least 70 percent of their preretirement income, and more than half of current retirees have income that is the same or better than their pre-retirement income. (Retirees were not asked to account for inflation.) Moreover, retirees with less income than before retirement tend to be more likely than other retirees to have strict spending limits, to feel the effects of inflation more than expected, and to report increased financial concerns.

Figure 9
Percentage of Preretirement Income in Retirement

	Workers	Retirees
	(Needed in Retirement)	(Current Income)
Lower (don't know percentage)	NA	6%
Less than 50%	14%	17
50%–70%	36	13
70%–85%	28	6
85%–95%	7	1
95%–105% (about the same)	6	34
105% or more (higher)	6	21
Don't know/Refused	3	1

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2006 Retirement Confidence Survey.