

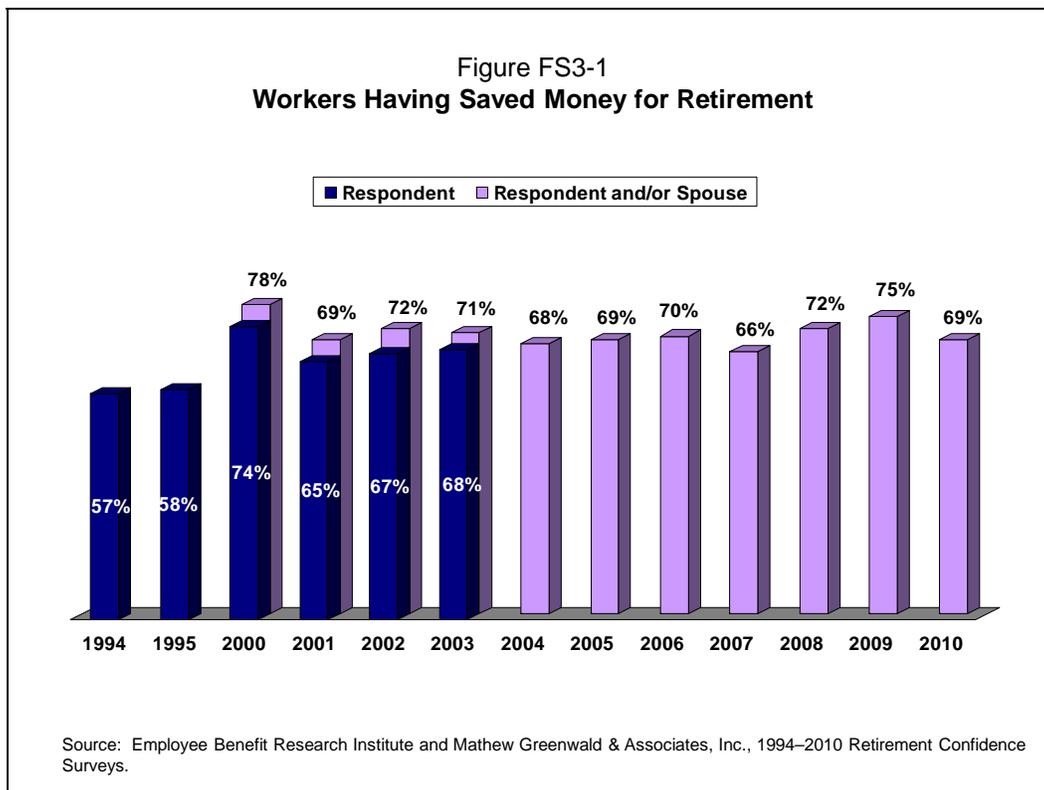
PREPARING FOR RETIREMENT IN AMERICA

At the same time that Americans' confidence in their ability to secure a financially comfortable retirement appears to be stabilizing, the RCS finds that many people may be falling further behind in their preparations for retirement.

How Well Are Americans Saving?

Sixty-nine percent of workers in the 2010 Retirement Confidence Survey (RCS) report that they and/or their spouse have saved money for retirement. While this percentage is statistically equivalent to the percentages saying they saved for retirement in 2001–2008, it represents a decline from the 75 percent observed in 2009 (Figure FS3-1).

In addition, the percentage of workers saying they are currently saving for retirement has decreased from 65 percent in 2009 to 60 percent in the 2010 RCS.



The large majority of workers who have not saved for retirement say they cannot afford to save (79 percent of nonsaving workers).

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Reported Savings

More than half of workers report they have less than \$25,000 in total savings and investments (excluding their home and defined benefit plans) (54 percent). One-quarter have less than \$1,000 (27 percent, up from 20 percent in 2009).

While 29 percent reported savings and investments of at least \$100,000 in 2007, just 22 percent of 2010 workers report having this level of financial assets (Figure FS3-2).

Figure FS3-2
**Total Savings and Investments Reported by Workers,
 Among Those Providing a Response**
 (not including value of primary residence or defined benefit plans)

	<u>2002</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Less than \$1,000	} 50%	} 52%	} 39%	} 35%	} 36%	20%	27%
\$1,000–\$9,999						19	16
\$10,000–\$24,999			14	13	13	13	11
\$25,000–\$49,999	13	13	12	10	12	11	12
\$50,000–\$99,999	15	11	12	13	12	12	11
\$100,000–\$249,999	15	12	11	15	15	12	11
\$250,000 or more	7	11	12	14	12	12	11

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002–2010 Retirement Confidence Surveys.

The likelihood of having saved for retirement increases with age, education, and household income. Moreover, married workers and those who have attempted a retirement savings needs calculation are more likely than their counterparts to have saved.

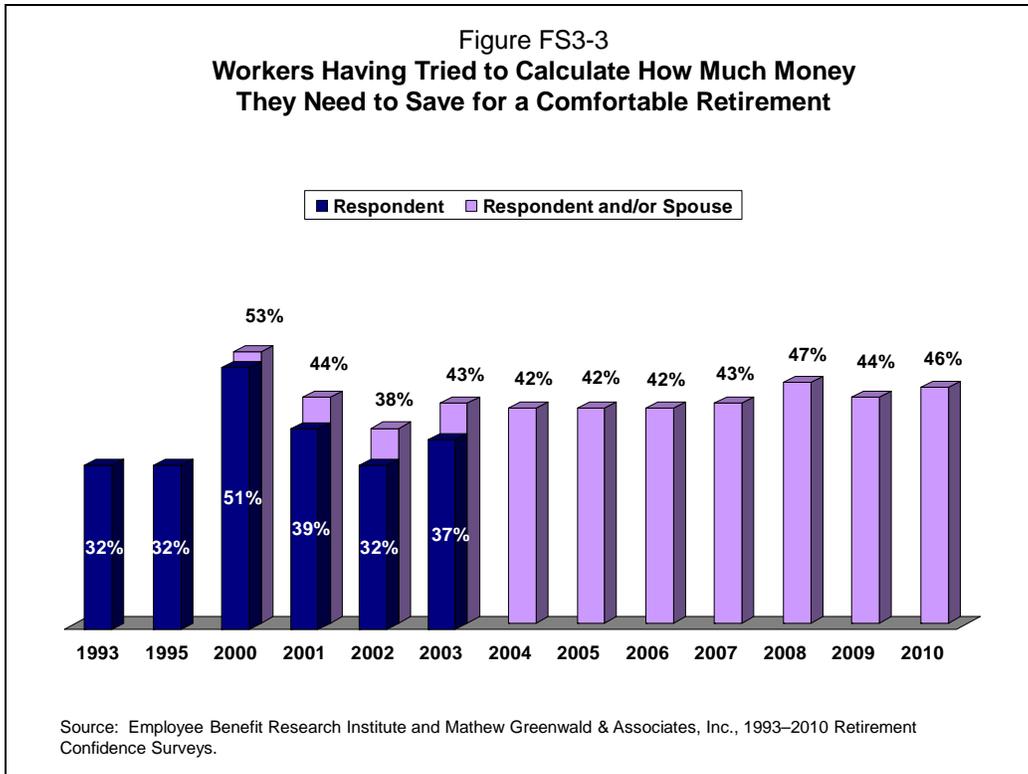
Thirty-two percent of workers who have saved for retirement state they are *very* confident that they are investing their retirement savings wisely. This represents an increase over the 24 percent of workers saying they were *very* confident in 2009, but is still well below the 45 percent observed in 1998.

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Do Americans Know How Much to Save?

Forty-six percent of 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.

The percentage of workers who have done this calculation has remained about the same since 2003 (Figure FS3-3).



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Amount of Savings Needed

Forty-one percent of all workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement. Seventeen percent feel they need between \$250,000 and \$499,999, while 29 percent think they need to save less than \$250,000 for a comfortable retirement.

Workers who have performed a retirement needs calculation are more than three times as likely as those who have not (28 percent vs. 8 percent) to expect they will need to accumulate at least \$1 million before retiring (Figure FS3-4).

Figure FS3-4
**Amount of Savings Workers Say They Will Need for Retirement,
 by Doing a Retirement Needs Calculation**

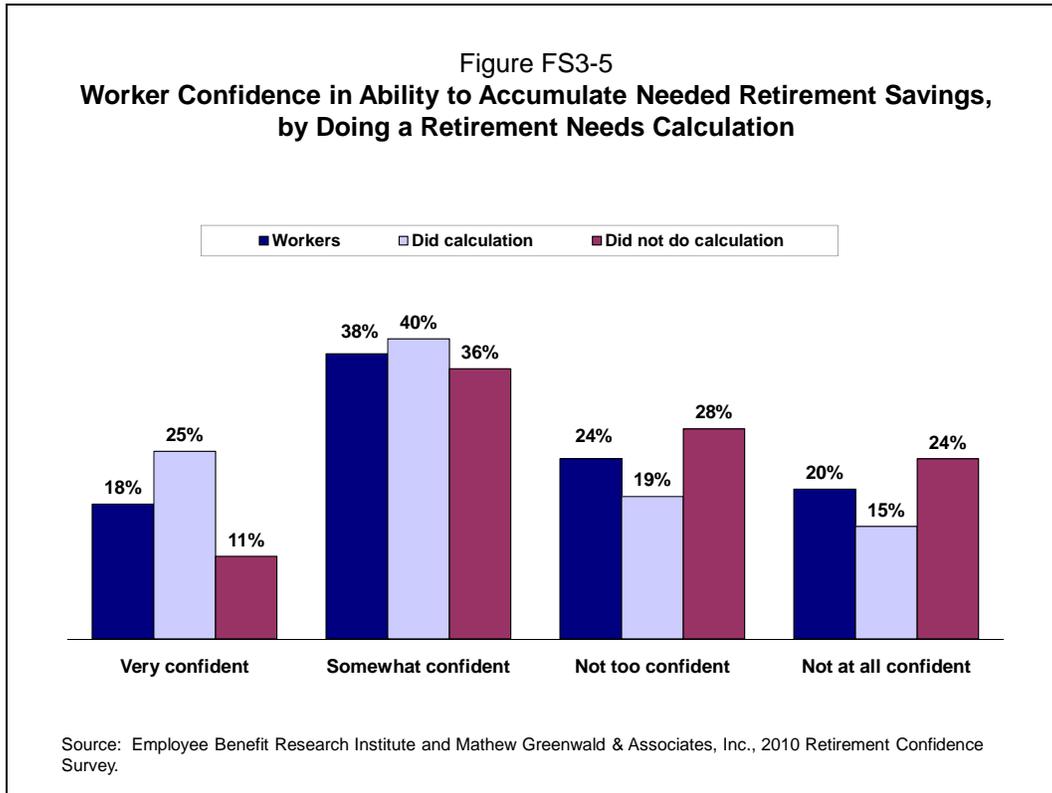
	Did Retirement Needs Calculation		
	All Workers	Yes	No
Under \$250,000	29%	19%	39%
\$250,000–\$499,999	17	16	18
\$500,000–\$999,999	24	26	23
\$1,000,000–\$1,499,999	8	12	4
\$1,500,000 or More	9	16	4
Don't Know/Don't Remember	13	11	12

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

Among workers who do a calculation, retirement savings goals have gradually increased over time. In 2000, just 31 percent of those who had done a calculation believed they needed to accumulate at least \$500,000 for retirement. This percentage increased to 43 percent in 2005 and stands at 54 percent in the 2010 RCS.

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Workers who have done a retirement needs calculation tend to be considerably more confident than those who have not about their ability to reach their goal, despite the fact that those doing a calculation tend to name higher retirement savings goals. Twenty-five percent who have done a calculation, compared with 11 percent who have not, say they are *very* confident that they will be able to accumulate the amount they need. At the other extreme, 24 percent who have not done a calculation, compared with 15 percent who have, report they are *not at all* confident in their ability to save the needed amount (Figure FS3-5).



Saving at the Work Place

Employer-sponsored retirement savings plans are an important savings vehicle for American workers. Seventy-three percent of employed workers report their employer offers them a plan. Of those, 81 percent say they contribute to the plan.

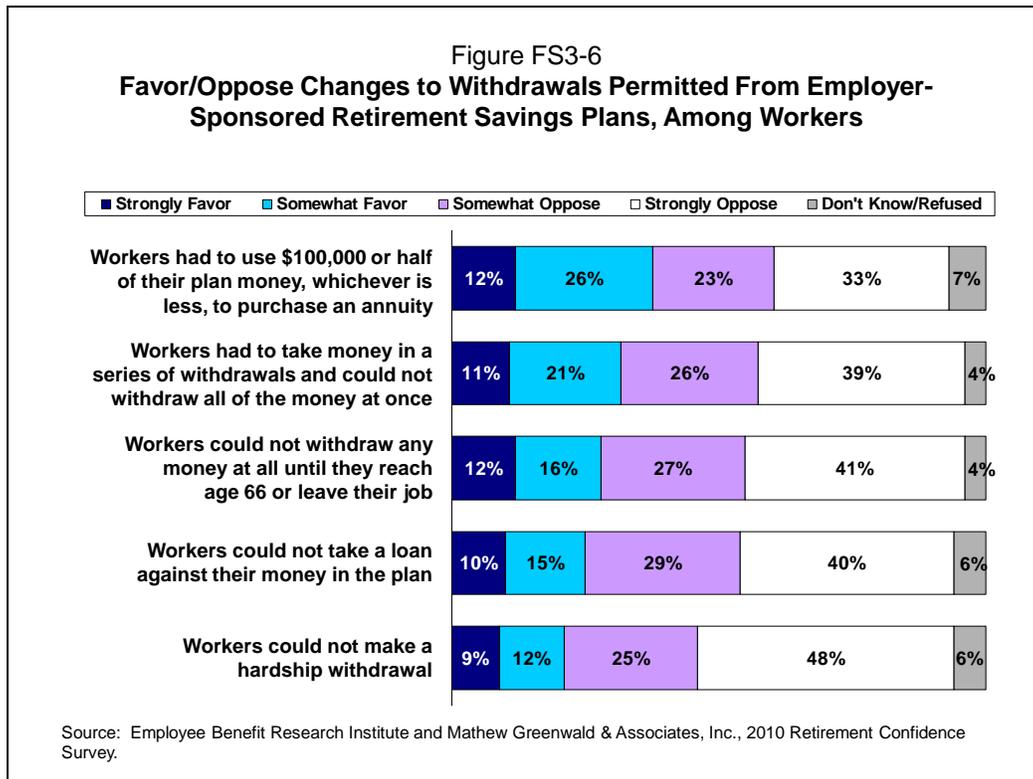
Workers who participate in a retirement savings plan at work (56 percent) are considerably more likely to have saved at least \$50,000 than those who are offered a plan but choose not to participate (21 percent) or are not offered a plan (19 percent). They are much less likely than others to report having saved less than \$10,000 (13 percent vs. 58 percent who choose not to participate and 64 percent not offered a plan).

Furthermore, workers are more likely to report having money in a retirement savings plan with a current or previous employer (57 percent) than to say they have money in an individual retirement account (or IRA), including IRA rollovers from an employer plan (46 percent).

While it is desirable to limit access to the money contributed to retirement savings plans so that plan money lasts as long as possible and is not depleted before retirement, only a minority of workers favor changes to the way withdrawals are made from these accounts.

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Thirty-eight percent of workers say they favor requiring individuals to use \$100,000 or half of their plan money, whichever is less, to purchase a product at retirement that will pay guaranteed income each month for life. Fewer, 32 percent, favor requiring workers to take their money in a series of withdrawals at retirement rather than withdrawing all of the money at one time (Figure FS3-6).



Only about one-quarter each favor changing employer-sponsored retirement savings plans so that workers could not withdraw any money at all until they reach age 66 or leave their job, whichever comes sooner (28 percent), could not take a loan against the money in the plan (25 percent), or could not take a hardship withdrawal (21 percent).

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