

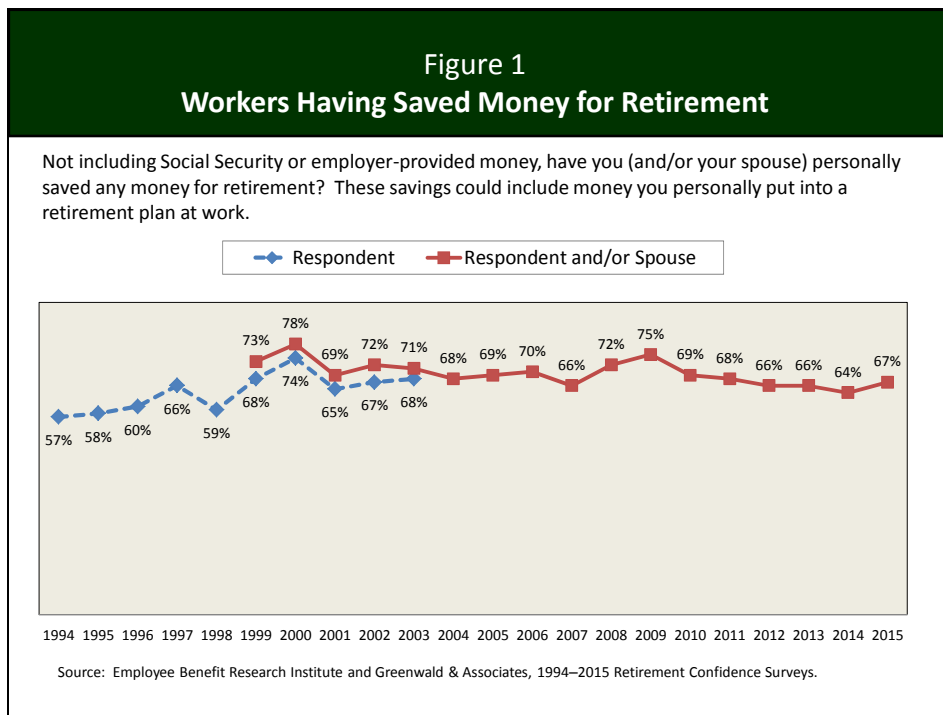
2015 RCS FACT SHEET #3

PREPARING FOR RETIREMENT IN AMERICA

Americans' confidence in their ability to secure a financially comfortable retirement increased in 2015. Is this reflected in actual savings and preparations for retirement?

Saving for Retirement

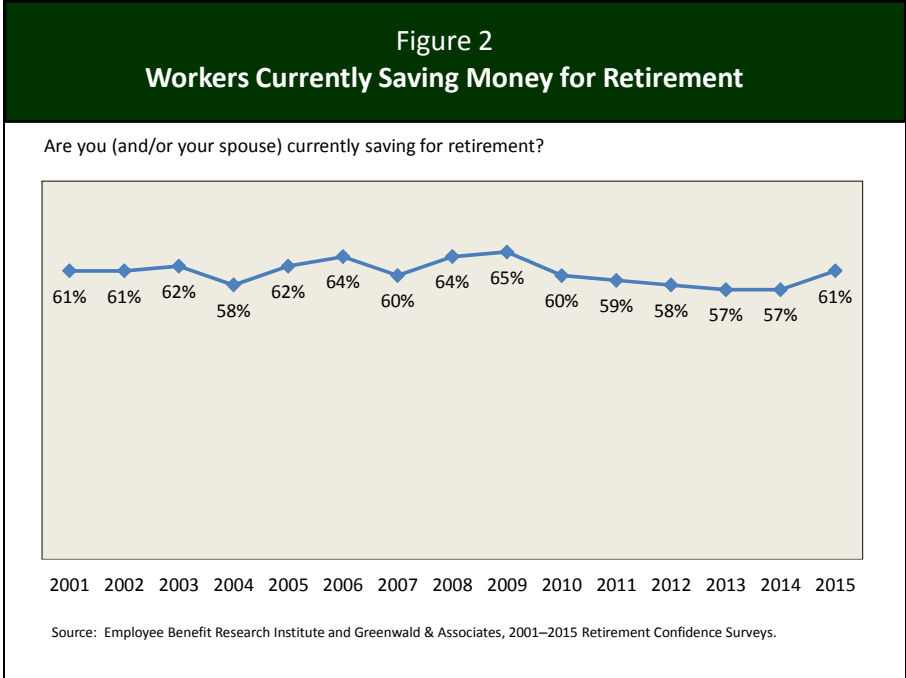
Two-thirds of workers (67 percent) in the 2015 Retirement Confidence Survey (RCS) report that they or their spouse have saved money for retirement. While this is below the level reported in 2009, when 75 percent reported having saved, it is consistent levels reported since that time (Figure 1). Nearly 8 in 10 workers employed full time report having saved for retirement (78 percent).



Sixty-one percent of workers in the 2015 RCS report that they or their spouse are currently saving for retirement (up from 57 percent in 2013–2014, but still below the 65 percent measured in 2009) (Figure 2).

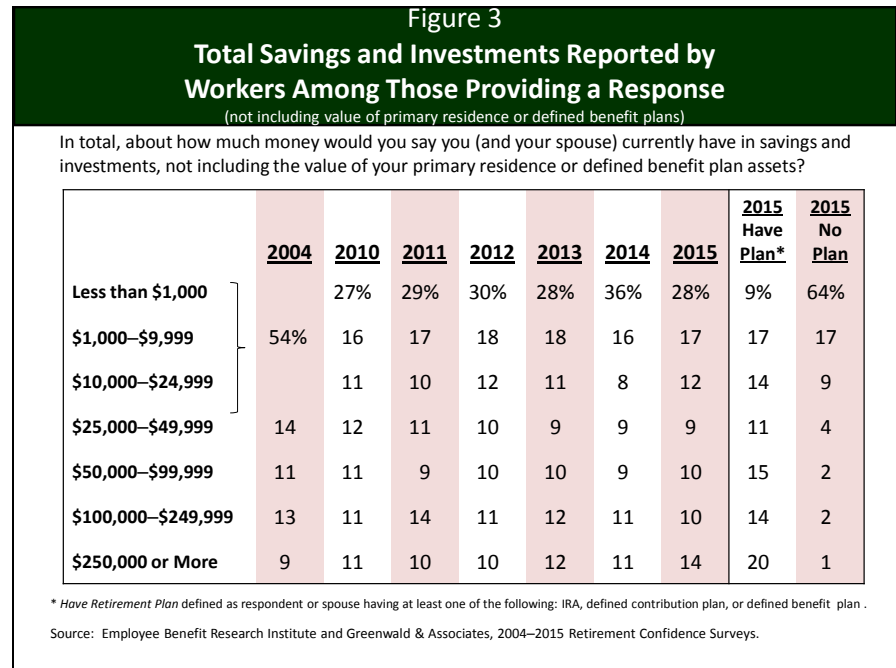
Worker households with a retirement plan, such as a DC or DB plan, or IRA, are more likely than those without such plans to report having saved for retirement (90 percent vs. 20 percent).

((more))



How Large is their Nest Egg?

A sizable percentage of workers say they have virtually no money in savings and investments. Among RCS workers providing this type of information, 57 percent report that the total value of their household’s savings and investments, excluding the value of their primary home and any defined benefit plans, is less than \$25,000. This includes 28 percent who say they have less than \$1,000 in savings. Approximately 1 in 10 each report totals of \$25,000–\$49,999 (9 percent), \$50,000–\$99,999 (10 percent), \$100,000–\$249,999 (10 percent), and \$250,000 or more (14 percent, up from 11 percent in 2014) (Figure 3). As one might suspect, total savings and investments increase sharply with household income, education, and health status.

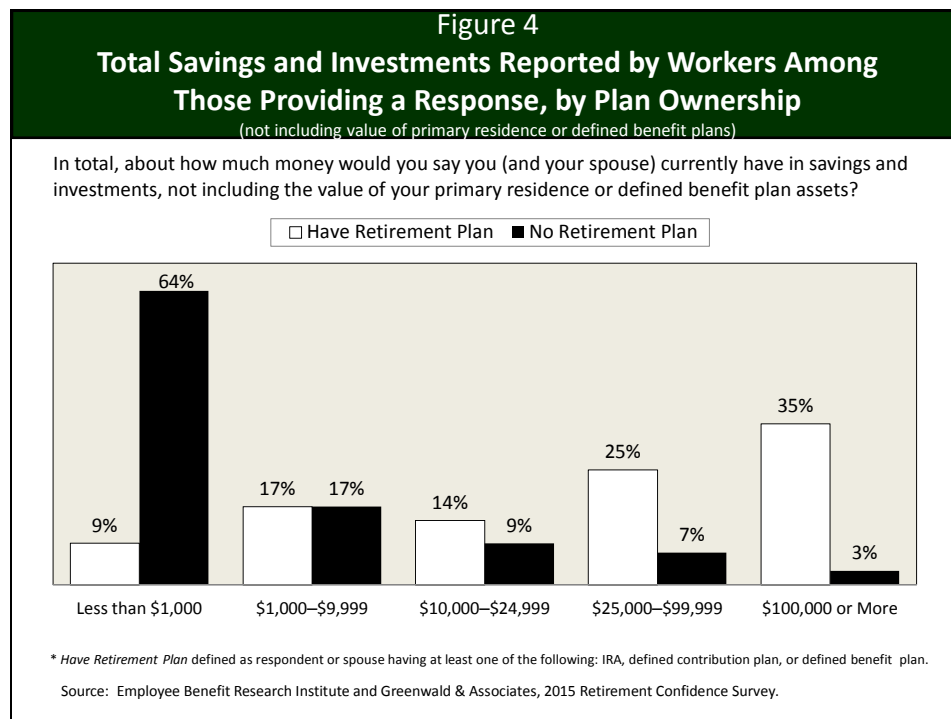


Moreover, the majority of those who indicate they and their spouse do not have a retirement plan (DC, DB, or IRA) say their assets total less than \$1,000, compared with approximately 1 in 10 those who have a plan (64 percent vs. 9 percent). At the same time, those without a retirement plan are far less likely than those with a plan to report assets of \$100,000 or more (3 percent vs. 34 percent).

Retirement Plans

One of the primary vehicles that workers use to save for retirement is an employer-sponsored retirement savings plan, such as a 401(k). Indeed, 71 percent of employed workers (48 percent of all workers in the RCS) report they are offered such a plan by their current employer, and more than three-quarters (83 percent) of eligible employees (40 percent of all workers) say they contribute money to their employer's plan.

Workers with some sort of retirement plan, whether through their employer or an IRA, have significantly more in savings and investments than do those without a plan (Figure 4). Furthermore, on a household level these workers tend to have retirement savings in multiple vehicles. Almost two-thirds (63 percent) of those with money in an employer plan also report they or their spouse have money invested in an IRA (which may have originated as a rollover from an employment-based plan) and 49 percent say they have retirement savings in addition to money in their employer's plan and an IRA. Moreover, the vast majority (87 percent) of workers with a defined benefit plan through their current or previous employer also have money in an employer retirement savings plan.



Can They Save More?

Many workers acknowledge they can save more than they are currently saving. Seven in 10 (69 percent, up from 62 percent in 2011) say it is possible for them to save \$25 a week more than they are currently saving. This includes 55 percent of workers who have not saved any money for retirement. What would they have to give up to save this money for retirement? Almost half (46 percent) report they would give up eating out or take-out food. Others would give up:

- Soft drinks or snacks from vending machines (13 percent).
- Movies, videos, DVDs or streaming (12 percent).
- Coffee from specialty shops (11 percent).
- Lottery tickets (8 percent).

However, one-quarter (24 percent) state they would not need to give up anything to save the extra \$25 a week.

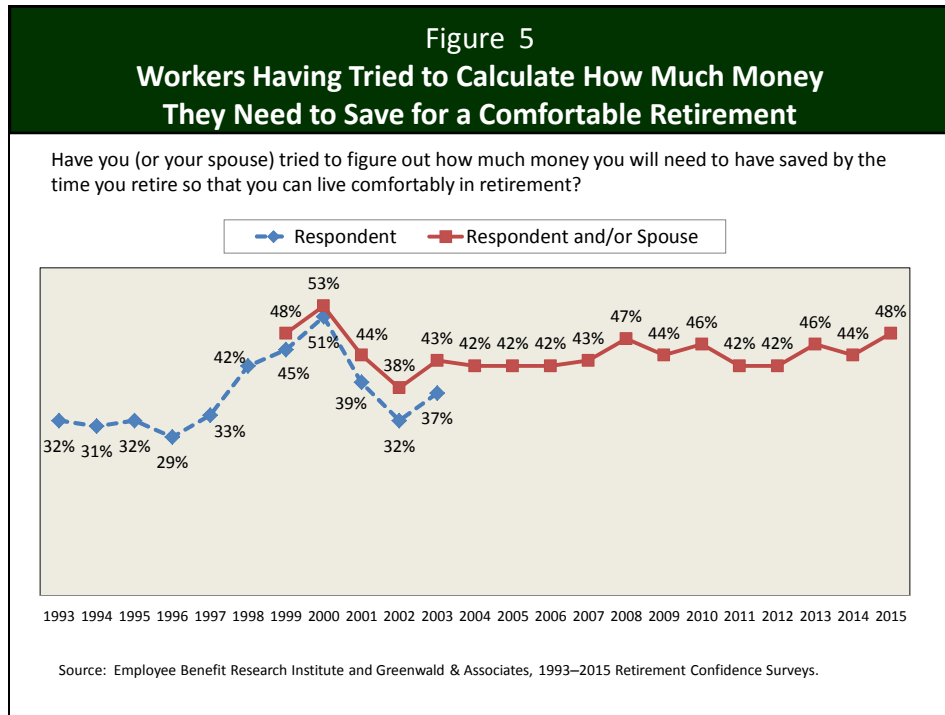
But if they can save more, why aren't they doing so? Half—50 percent—say they simply can't afford it due to the cost of living and the press of day-to-day expenses. Other reasons for not saving, or not saving more, for retirement include:

- Currently unemployed or underemployed (11 percent).
- Education expenses (8 percent).
- Paying off non-mortgage debt (7 percent).
- Paying off a mortgage or housing expenses (5 percent).

However, 1 in 10 (10 percent) report they don't need to save or save more and 6 percent say they haven't thought about it.

Have They Tried to Figure Out How Much They Need?

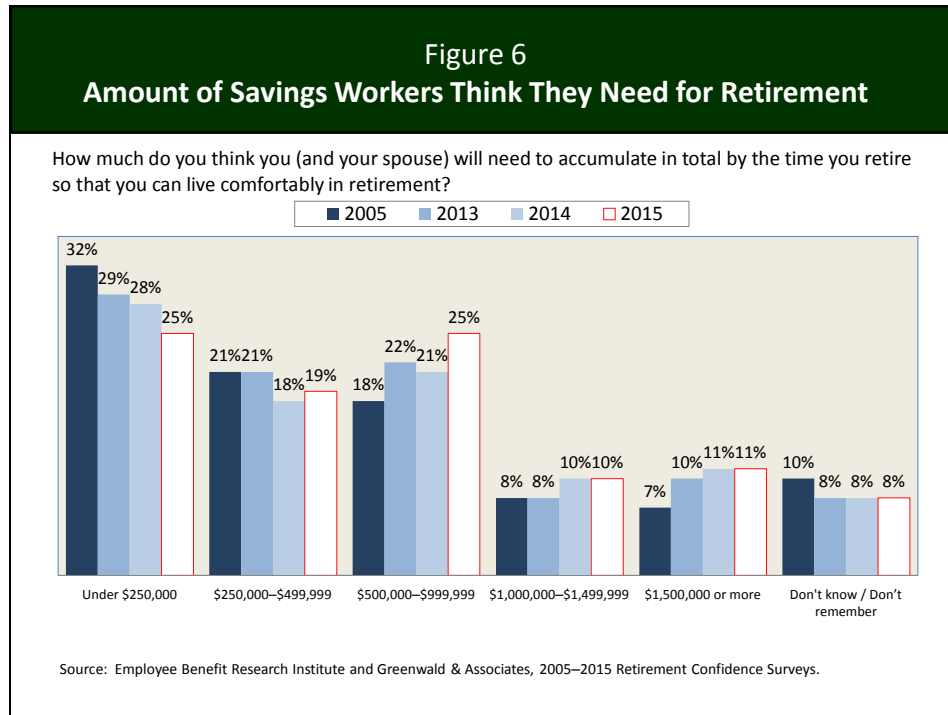
Less than half (48 percent) of workers report they and/or their spouse have ever tried to calculate how much money they will need to have saved so that they can live comfortably in retirement. The 48 percent that report trying to do a retirement-savings-needs calculation in the 2015 RCS is statistically comparable to many of the percentages reported from 2008–2014 (Figure 5).



The likelihood of trying to do a retirement-savings-needs calculation increases with household income, education, and financial assets. In addition, workers reporting they or their spouse have a DC, DB, or IRA

plan are twice as likely as those who do not have such a plan to have tried a calculation (60 percent vs. 23 percent).

Forty-six percent of all workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement. Nineteen percent say they need between \$250,000 and \$499,999, while 25 percent think they need to save less than \$250,000 for a comfortable retirement (Figure 6). As might be expected, savings goals tend to increase as household income rises.



Workers who have done a retirement savings needs calculation tend to report higher savings goals than do workers who have not done the calculation. Twenty-nine percent of workers who have done a calculation, compared with 12 percent of those who have not, estimate they need to accumulate at least \$1 million for retirement. At the other extreme, 20 percent of those who have done a calculation, compared with 29 percent who have not, think they need to save less than \$250,000 for retirement. Despite higher savings goals, workers who have done a retirement savings needs calculation are more likely to feel very confident about affording a comfortable retirement (33 percent vs. 12 percent who have not done a calculation).

In addition to estimating their retirement savings needs, some workers have taken other steps to prepare for retirement. These include thinking about how they would occupy their time in retirement (63 percent), estimating how much income they would need each month in retirement (45 percent), and estimating the amount of their Social Security benefit at their planned retirement age (40 percent). Fewer have talked with a professional financial adviser about retirement planning (35 percent), calculated how much they would likely need for retirement health expenses (25 percent), and prepared a formal, written financial plan for retirement (16 percent). Nearly 2 in 10 (18 percent) have not taken any of these steps. Among workers, the likelihood of having undertaken each of these steps except consideration of how to occupy time in retirement increases with age.

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