

## 2007 RCS FACT SHEET

## AGE COMPARISONS AMONG WORKERS

The 17<sup>th</sup> annual Retirement Confidence Survey (RCS) provides evidence to support the intuitive argument that the closer people are to retirement, the more likely they are to take steps to ensure they have a secure retirement. Comparing this year's data with data from the 1997 RCS suggests that while workers today, especially younger workers, may be more apt to be planning ahead for retirement, they may not be doing as well as workers of similar ages 10 year ago in actually saving for retirement.

**Saving for Retirement**

Probably because they are closer to retirement, workers age 45 and older are more likely than those ages 25–44 to say they (and/or their spouse) have saved for retirement (Figure 1).

- In addition, it seems that younger workers of today are behind when it comes to having saved for retirement. Taking into account a slight wording change,<sup>a</sup> today's workers ages 25–44 may be less likely than workers of the same age 10 years ago to say they have saved for retirement.

Figure 1

**Percentage of Workers Saying They Have Saved for Retirement, 1997 and 2007**

|      | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–55 | Ages<br>55+ |
|------|----------------|---------------|---------------|---------------|-------------|
| 1997 | 66%            | 64%           | 64%           | 68%           | 71%         |
| 2007 | 66             | 59            | 60            | 76            | 71          |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997 and 2007 Retirement Confidence Surveys.

- While workers age 45 and older are more likely than younger workers to say they (and/or their spouse) are currently saving for retirement, approximately one-third of workers age 45 and older are *not* currently saving (Figure 2).
- About half of all nonretired respondents in the RCS (regardless of age group) say they are offered a work-place retirement savings plan, such as a 401(k), by an employer. Approximately 4 in 10 in each age group report they contribute to this type of plan, with participation higher among workers age 45 or older.
- The likelihood of reporting household ownership of an individual retirement account (IRA) that includes money saved outside of an employer's retirement plan (not including rollover from work-plan savings) is higher among those age 45 and over. However, much of this difference may be explained by the fact that older workers tend to have higher household incomes. Workers of equal income appear equally likely to have an IRA with non-work place savings regardless of age.

Figure 2

**Selected Retirement Savings Indicators**

|   | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–55 | Ages<br>55+ |
|---|----------------|---------------|---------------|---------------|-------------|
| Currently saving for retirement                                       | 60%            | 52%           | 56%           | 69%           | 65%         |
| Offered a work-place retirement savings plan                          | 52             | 52            | 49            | 56            | 51          |
| Have an IRA with money saved outside of an employer's retirement plan | 44             | 35            | 43            | 48            | 53          |
| Contribute to work-place retirement savings plan                      | 42             | 39            | 39            | 47            | 43          |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

<sup>a</sup> The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately a 4 to 5 percentage point increase. Therefore, results from 1997 would be expected to be 4–5 percentage points higher than are shown.

- Most workers have little put away in savings and investments, but older workers are more likely than their younger counterparts to report higher amounts of assets (Figure 3).

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

|                     | All Workers | Ages 25–34 | Ages 35–44 | Ages 45–55 | Ages 55+ |
|---------------------|-------------|------------|------------|------------|----------|
| Less than \$25,000  | 49%         | 68%        | 52%        | 35%        | 32%      |
| \$25,000–\$49,999   | 10          | 9          | 10         | 11         | 9        |
| \$50,000–\$99,999   | 13          | 10         | 14         | 15         | 11       |
| \$100,000–\$249,999 | 15          | 8          | 15         | 19         | 20       |
| \$250,000 or more   | 14          | 5          | 9          | 21         | 28       |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

### Calculating Retirement Accumulation Needs

- Workers ages 45–55 are more likely than the youngest workers to indicate that they have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement (Figure 4). Otherwise, statistically, there is little difference in having calculated retirement accumulation needs by age.
- Workers under age 55 appear to be more likely to have done this calculation than workers the same age in 1997.
- Despite approaching retirement age, more than half of workers age 45 and older have not tried to do a retirement savings needs calculation.

**Figure 4**  
**Percentage of Workers Having Tried to Calculate How Much Money They Will Need to Save for Retirement, 1997 and 2007<sup>a</sup>**

|      | All Workers | Ages 25–34 | Ages 35–44 | Ages 45–55 | Ages 55+ |
|------|-------------|------------|------------|------------|----------|
| 1997 | 33%         | 28%        | 31%        | 38%        | 42%      |
| 2007 | 43          | 38         | 40         | 49         | 44       |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997 and 2007 Retirement Confidence Surveys.

<sup>a</sup>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.

- Younger workers tend to be more likely than older workers to think they will need to accumulate higher amounts for retirement (Figure 5).

**Figure 5<sup>a</sup>**  
**Amount of Savings Needed for Retirement**

|                           | All Workers | Ages 25–34 | Ages 35–44 | Ages 45–55 | Ages 55+ |
|---------------------------|-------------|------------|------------|------------|----------|
| Less than \$250,000       | 26%         | 20%        | 27%        | 28%        | 29%      |
| \$250,000–\$499,999       | 18          | 18         | 19         | 18         | 14       |
| \$500,000–\$999,999       | 20          | 22         | 20         | 21         | 16       |
| \$1 million–\$1.9 million | 11          | 20         | 8          | 9          | 7        |
| \$2 million or more       | 8           | 10         | 8          | 6          | 7        |
| Don't know/Don't remember | 19          | 11         | 17         | 17         | 27       |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

<sup>a</sup> These data are shown by gender in the 2007 RCS Fact Sheet “Gender Comparisons Among Workers,” Figure 3.

- Younger workers are more likely than older workers to use information available over the Internet for making retirement savings and investment decisions. Younger workers are also more likely to feel very comfortable doing activities online to prepare for retirement, including purchasing financial products, shifting money between accounts, obtaining advice from financial professionals, using calculators to assist with financial decisions, and obtaining information about financial products. Given the trend in recent years toward increased online service provision, employers and financial providers must address the uncertainty older age groups have in using the Internet to manage finances.

### Retirement Expectations

- Workers of all ages appear to be planning to retire later, on average, than similarly aged workers were in 1997 (Figure 6). In particular, the percentage planning to retire at age 66 or older has increased for every age group.

Figure 6  
Expected Age at Retirement

|                 | All Workers |      | Ages 25–34 |      | Ages 35–44 |      | Ages 45–55 |      | Ages 55+ |      |
|-----------------|-------------|------|------------|------|------------|------|------------|------|----------|------|
|                 | 1997        | 2007 | 1997       | 2007 | 1997       | 2007 | 1997       | 2007 | 1997     | 2007 |
| Less than 60    | 18%         | 17%  | 24%        | 26%  | 19%        | 16%  | 14%        | 16%  | 10%      | 8%   |
| Ages 60–64      | 27          | 21   | 27         | 19   | 23         | 20   | 30         | 20   | 31       | 25   |
| Age 65          | 29          | 27   | 27         | 24   | 34         | 30   | 28         | 28   | 25       | 22   |
| Age 66 or older | 17          | 24   | 15         | 19   | 18         | 22   | 17         | 26   | 19       | 32   |
| Never retire    | 8           | 6    | 6          | 6    | 7          | 5    | 9          | 6    | 14       | 5    |
| Don't know      | <0.5        | 6    | 0          | 6    | 0          | 7    | 1          | 3    | 0        | 7    |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1997 and 2007 Retirement Confidence Surveys.

- Seven 7 in 10 workers under age 55 (69 percent) expect to work for pay after retirement, compared with 55 percent of workers age 55 or older.
- Workers under age 55 are more likely than older workers to expect that they (and/or their spouse) will receive benefits from a work-place retirement savings plan (76 percent vs. 61 percent), defined benefit or cash balance plan (64 percent vs. 55 percent), or retiree health insurance (43 percent vs. 32 percent) when they retire (Figure 7).

Figure 7<sup>a</sup>  
Workers Expecting to Receive Employer-Provided Retirement Benefits

|   | All Workers | Ages 25–34 | Ages 35–44 | Ages 45–55 | Ages 55+ |
|---|-------------|------------|------------|------------|----------|
| Money from a retirement savings plan                  | 74%         | 80%        | 72%        | 79%        | 61%      |
| Money from a traditional pension or cash balance plan | 62          | 65         | 60         | 67         | 55       |
| Retiree health insurance                              | 41          | 43         | 42         | 45         | 32       |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

<sup>a</sup> These data are shown by gender in the 2007 RCS Fact Sheet “Gender Comparisons Among Workers,” Figure 6.

- Workers under age 45 are more likely than older workers to expect that their largest source of retirement income will come from some sort of personal savings, be it through a work-place savings plan or through other personal savings or investments (Figure 8). On the other hand, workers ages 55 and older are more likely to expect that Social Security will provide the largest share of their income in retirement.

Figure 8  
**Largest Expected Source of Income in Retirement**

|  | All Workers | Ages 25–34 | Ages 35–44 | Ages 45–55 | Ages 55+ |
|--|-------------|------------|------------|------------|----------|
| Personal savings or investments (net)  | 50%         | 53%        | 57%        | 48%        | 36%      |
| Employer-sponsored retirement savings plan                                   | 28          | 30         | 33         | 28         | 16       |
| Other personal savings or investments, not in a work-related retirement plan | 22          | 23         | 23         | 20         | 20       |
| Social Security  | 14          | 5          | 12         | 15         | 27       |
| Employer-provided traditional pension or cash balance plan                   | 13          | 13         | 9          | 16         | 18       |
| Employment   | 11          | 16         | 11         | 8          | 8        |
| Sale or refinancing of your home   | 2           | 2          | 2          | 1          | 1        |
| Real estate income   | 1           | 1          | <0.5       | 1          | 2        |
| Other  | 2           | 3          | 3          | 2          | 2        |
| Don't know   | 5           | 6          | 4          | 6          | 4        |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

**Retirement Confidence**

- Younger workers are statistically at least as likely as older workers to say they are very confident about many financial aspects of retirement, but they are less likely than workers age 55 and older to be very confident that Social Security will continue to provide benefits of at least equal value to the benefits received by retirees today (Figure 9).

Figure 9<sup>a</sup>  
**Percentage of Workers Very Confident in Financial Aspects of Retirement**

|   | All Workers | Ages 25–34 | Ages 35–44 | Ages 45–55 | Ages 55+ |
|---|-------------|------------|------------|------------|----------|
| You will have enough money to live comfortably throughout your retirement years   | 27%         | 31%        | 28%        | 21%        | 30%      |
| You will have enough money to take care of basic expenses during retirement   | 40          | 43         | 38         | 40         | 42       |
| You are doing a good job of preparing financially for retirement  | 26          | 25         | 24         | 26         | 32       |
| You will have enough money to take care of medical expenses during retirement   | 20          | 20         | 18         | 19         | 26       |
| You will have enough money to pay for long-term care during retirement  | 17          | 18         | 17         | 16         | 18       |
| The Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today | 7           | 3          | 7          | 6          | 11       |
| The Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today        | 6           | 4          | 7          | 7          | 8        |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.

<sup>a</sup>These data are shown by gender in the 2007 RCS Fact Sheet “Gender Comparisons Among Workers,” Figure 7.

- Workers younger than age 55 are more likely than older workers to describe their expected standard of living during the first five years of retirement as comfortable; whereas older workers are more likely to describe their initial retirement standard of living as adequate or struggling (Figure 9).
- Correspondingly, workers age 45 and older are more likely to expect to spend less money during their first five years of retirement than are younger workers.

Figure 9

**Expected Standard of Living During the First Five Years of Retirement**

|             | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–55 | Ages<br>55+ |
|-------------|----------------|---------------|---------------|---------------|-------------|
| Well Off    | 6%             | 8%            | 7%            | 4%            | 5%          |
| Comfortable | 52             | 58            | 53            | 51            | 41          |
| Adequate    | 32             | 27            | 32            | 31            | 40          |
| Struggling  | 10             | 7             | 7             | 13            | 14          |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey.