Changing Expectations About Retirement

Over the past few years, many American workers have begun to question their ability to secure a financially comfortable retirement. How, if at all, are workers adjusting their expectations about retirement to compensate?

Postponing Retirement

Twenty percent of workers in the 2011 Retirement Confidence Survey (RCS) say the age at which they expect to retire has increased in the past year. Statistically, this is similar to the percentage indicating they were planning to postpone retirement in 2010 (24 percent).

The poor economy (36 percent), followed by lack of faith in Social Security or the government (16 percent) and a change in employment situation (15 percent) are the most frequently cited reasons for postponing retirement (Figure 1).

The age at which workers expect to retire is gradually rising. In 1991, half of workers planned to retire before age 65 (50 percent), compared with 23 percent in 2011.

In the 2011 RCS, more than half of workers say they expect to retire at age 65 or later (62 percent, compared with 45 percent in 1991). Moreover, workers are now more than twice as likely to indicate they will retire at age 70 or later (25 percent, up from 9 percent in 1991) (Figure 2).
However, about 40 percent of retirees report each year that they retired sooner than they had planned (45 percent in 2011). Those who retire early often do so for negative reasons, such as a health problem or disability (63 percent) or company downsizing or closure (23 percent). Retirees who left the work force earlier than planned consistently report lower levels of confidence about their retirement security than do those who retired on time or later than planned.

Working for Pay in Retirement

Seventy-four percent of workers now say they plan to work for pay after they retire. This is statistically equivalent to the percentage indicating they would work for pay in 2009, but represents an increase from those measured in other years (Figure 3).
Retirees are far less likely to report having worked for pay in retirement than workers are to say they will work. Only 23 percent of retirees in the 2011 RCS say they worked for pay since they retired. Moreover, very few of those who have not worked for pay in retirement think it is likely that they will return to paid employment some time in the future (2 percent very likely, 8 percent somewhat likely).

Large majorities of retirees who worked in retirement in the 2010 RCS say reasons for doing that include wanting to stay active and involved (92 percent) and enjoying working (86 percent). However, almost all retirees who worked in retirement name at least one financial reason for doing so (90 percent), such as wanting money to buy extras (72 percent), a decrease in the value of their savings or investments (62 percent), needing money to make ends meet (59 percent), and keeping health insurance or other benefits (40 percent).

Many workers are also planning to rely on income from employment to support them in retirement. Three-quarters of workers say that employment will provide them (and their spouse) with a major (24 percent) or minor (53 percent) source of income in retirement (77 percent total, up from 68 percent in 2001 but statistically equivalent to 79 percent in 2009 and 77 percent in 2010).

**Sources of Income in Retirement**

More so than current retirees, workers are likely to piece together their retirement income from a number of sources. While retirees are most likely to indicate that Social Security (91 percent) and traditional pension plans (51 percent) are sources of retirement income, more than half of workers say they will rely on Social Security (77 percent), employment (77 percent), employer-sponsored retirement savings plans (73 percent), IRAs (66 percent), other personal savings (65 percent), and traditional pension plans (56 percent) for their retirement income (Figure 4).
Although workers remain as likely to expect income from a defined benefit plan as retirees are to receive it (56 percent of workers, 51 percent of retirees), the percentage of workers expecting income from such a plan remains below the high of 62 percent in 2005.

The lack of employer-provided retiree health insurance may make unanticipated demands on income in retirement. More than one-third of workers expect to receive this type of insurance from an employer (36 percent), making workers more likely to expect insurance than current retirees are to report receiving it (27 percent) (Figure 5). Many employers are eliminating health care coverage for future retirees, so some workers who expect to receive it may find themselves disappointed.