

## AGE COMPARISONS AMONG WORKERS

*The 16<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 1996 RCS also suggests that workers today, especially younger workers, are doing at least as well as workers of similar ages 10 years ago on the two key measures of planning and saving for retirement.*

### Saving for Retirement

- Probably because they are closer to retirement, workers age 35 and older are more likely than those ages 25–34 to say they (and/or their spouse) have saved for retirement (Figure 1). However, this does not mean that younger workers are behind when it comes to having saved for retirement. While small sample sizes<sup>1</sup> and slight wording changes<sup>2</sup> make a firm determination difficult, today's workers ages 25–34, like those ages 35–54, may be more likely than workers of the same age 10 years ago to say they have saved.

Figure 1  
**Percentage of Workers Saying They Have Saved for Retirement, 1996 and 2006**

|      | All Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages 55+ |
|------|-------------|---------------|---------------|---------------|----------|
| 1996 | 60%         | 53%           | 60%           | 61%           | 77%      |
| 2006 | 70          | 61            | 75            | 74            | 72       |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996 and 2006 Retirement Confidence Surveys.

- While younger workers are less likely than workers age 35 and older to say they (and/or their spouse) are currently saving for retirement, approximately one-third of workers ages 35 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. Between 4 and 5 in 10 in each age group report they contribute to this type of plan.
- 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 rollovers 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.

<sup>1</sup> The margin of error for each age group varies with the size of the group and the percentage measured, but ranges from approximately 6 to 8 percentage points at the 95 percent confidence level.

<sup>2</sup> The additional 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.

Figure 2  
Selected Retirement Savings Indicators

|  | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>55+ |
|--|----------------|---------------|---------------|---------------|-------------|
| Currently saving for retirement  | 64%            | 58%           | 66%           | 69%           | 63%         |
| Contribute to a work-place retirement savings plan                             | 45             | 41            | 46            | 49            | 40          |
| Have an IRA that includes money saved outside of an employer's retirement plan | 36             | 31            | 34            | 39            | 43          |

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

- 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 benefit plans)

|                     | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>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.

### Calculating Retirement Accumulation Needs

- Not surprisingly, older workers are more likely than younger workers to indicate 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). In addition, workers under age 55 today appear to be more likely to have done this calculation than workers the same age in 1996.
- Despite approaching retirement age, 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, 1996 and 2006<sup>a</sup>

|      | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>55+ |
|------|----------------|---------------|---------------|---------------|-------------|
| 1996 | 29%            | 24%           | 28%           | 31%           | 42%         |
| 2006 | 42             | 35            | 39            | 46            | 49          |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996 and 2006 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  
**Amount of Savings Needed for Retirement**

|                            | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>55+ |
|----------------------------|----------------|---------------|---------------|---------------|-------------|
| Less than \$250,000        | 30%            | 26%           | 27%           | 33%           | 38%         |
| \$250,000–\$499,999        | 19             | 20            | 18            | 19            | 17          |
| \$500,000–\$999,999        | 21             | 23            | 26            | 17            | 15          |
| \$1 million–\$1.49 million | 8              | 11            | 6             | 9             | 4           |
| \$1.5 million or more      | 10             | 15            | 10            | 9             | 6           |
| Don't know/Don't remember  | 9              | 4             | 11            | 9             | 14          |
| Refused                    | 1              | <0.5          | <0.5          | 3             | 3           |

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

### Retirement Expectations

- Workers of all ages appear to be planning to retire later, on average, than similarly aged workers were in 1996 (Figure 6). In particular, the percentage planning to retire at age 66 or older has increased for almost every age group.

Figure 6  
**Expected Age at Retirement, 1996 and 2006**

|                     | All<br>Workers |      | Ages<br>25–34 |      | Ages<br>35–44 |      | Ages<br>45–54 |      | Ages<br>55+ |      |
|---------------------|----------------|------|---------------|------|---------------|------|---------------|------|-------------|------|
|                     | 1996           | 2006 | 1996          | 2006 | 1996          | 2006 | 1996          | 2006 | 1996        | 2006 |
| Less than 60        | 21%            | 13%  | 30%           | 16%  | 20%           | 15%  | 18%           | 11%  | 7%          | 6%   |
| Ages 60–64          | 24             | 20   | 23            | 19   | 19            | 19   | 30            | 17   | 28          | 30   |
| Age 65              | 34             | 27   | 31            | 28   | 38            | 25   | 33            | 35   | 36          | 16   |
| Age 66 or older     | 11             | 25   | 8             | 22   | 13            | 28   | 11            | 24   | 15          | 29   |
| Never Retire        | 3              | 7    | 3             | 7    | 3             | 5    | 2             | 7    | 4           | 9    |
| Don't know/ refused | 7              | 8    | 5             | 8    | 7             | 7    | 6             | 6    | 10          | 11   |

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1996 and 2006 Retirement Confidence Surveys.

- Regardless of age, roughly two-thirds of workers expect to work in retirement.
- Younger workers are more likely than older workers to expect that they (and/or their spouse) will receive benefits from a work-place retirement savings plan when they retire (Figure 7). In general, workers of different ages seem equally likely to expect to receive benefits from a defined benefit plan or retiree health insurance. However, given the current decline in defined benefit and retiree health insurance benefits, some workers—particularly younger workers—could be counting on benefits they may not receive.

Figure 7  
**Workers Expecting to Receive Employer-Provided Retirement Benefits**

|   | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>55+ |
|---|----------------|---------------|---------------|---------------|-------------|
| Money from a work-place retirement savings plan | 75%            | 79%           | 74%           | 77%           | 66%         |
| Money from a defined benefit plan               | 61             | 55            | 64            | 63            | 59          |
| Retiree health insurance                        | 37             | 38            | 38            | 37            | 33          |

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

- Younger workers are more likely than older workers to expect that their largest source of retirement income will come from some form of personal savings (Figure 8). On the other hand, older workers 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<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>55+ |
|--|----------------|---------------|---------------|---------------|-------------|
| Personal savings or investments that are not in a work-related retirement plan                             | 34%            | 41%           | 36%           | 29%           | 28%         |
| Social Security  | 20             | 14            | 17            | 22            | 29          |
| A work-place retirement savings plan, such as a 401(k), tax-deferred annuity or 403(b), or 457 plan        | 14             | 15            | 11            | 17            | 13          |
| A traditional employer-provided pension that guarantees you a set amount each month for life in retirement | 14             | 10            | 19            | 13            | 12          |
| Employment   | 6              | 8             | 5             | 4             | 4           |
| The sale or refinancing of your home   | 3              | 3             | 4             | 4             | 3           |
| An inheritance   | 3              | 2             | 3             | 3             | 2           |
| Support from your children or other family members   | 2              | 3             | 0             | 3             | 5           |
| A lump-sum distribution from an employer-provided cash balance or defined benefit plan                     | 1              | <0.5          | 1             | 2             | 1           |
| Don't know/refused   | 3              | 4             | 3             | 3             | 4           |

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

((more))

### Retirement Confidence

- Younger workers are 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 the Social Security and Medicare systems will continue to provide benefits of at least equal value to the benefits received by retirees today (Figure 9).

Figure 9

#### Percentage Very Confident in Financial Aspects of Retirement

|   | All<br>Workers | Ages<br>25–34 | Ages<br>35–44 | Ages<br>45–54 | Ages<br>55+ |
|---|----------------|---------------|---------------|---------------|-------------|
| You will have enough money to live comfortably throughout your retirement years   | 24%            | 28%           | 20%           | 22%           | 26%         |
| You will have enough money to take care of basic expenses during retirement   | 35             | 39            | 33            | 35            | 34          |
| You are doing a good job of preparing financially for retirement  | 25             | 28            | 23            | 23            | 25          |
| You will have enough money to take care of medical expenses during retirement   | 19             | 27            | 18            | 14            | 19          |
| You will have enough money to pay for long-term care during retirement  | 15             | 19            | 13            | 11            | 17          |
| The Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today | 6              | 5             | 5             | 5             | 12          |
| The Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today        | 5              | 4             | 4             | 5             | 10          |

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