

2007 RCS FACT SHEET

SAVING FOR RETIREMENT IN AMERICA

Retirement confidence remains stable—but total savings are modest and many workers may not know how much they need to save to achieve a comfortable retirement.

Retirement Confidence

The 2007 Retirement Confidence Survey (RCS) finds that the percentage of workers who are *very* confident about having enough money to live comfortably in retirement has increased gradually since 1993, when 18 percent of workers were very confident (Figure 1). Interestingly, RCS data over the past 14 years continue to show that retirement confidence overall among workers does not seem to be affected by either stock market performance or varying economic conditions.

Figure 1
Confidence in Having Enough Money to Live Comfortably Throughout Retirement, 1993–2007

	1993	1997	2000	2002	2003	2004	2005	2006	2007
Very confident	18%	24%	25%	23%	21%	24%	25%	24%	27%
Somewhat confident	55	41	47	47	45	44	40	44	43
Not too confident	19	19	18	19	17	18	17	17	19
Not at all confident	6	15	10	10	16	13	17	14	10

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2007 Retirement Confidence Surveys.

- Forty-nine percent of workers who have not saved for retirement nonetheless feel confident that they will have a comfortable retirement.

How Well Are Americans Saving?

- Two-thirds of workers report that they and/or their spouse have saved money for retirement, and 6 in 10 workers say they are currently saving for retirement (60 percent). The proportion of workers having saved for retirement has fallen since a high-mark in 2000 (78 percent) and has remained constant since 2001 at about 7 in 10 (Figure 2).

Figure 2
Percentage of Workers Who Say They and/or Their Spouse Have Saved for Retirement, 1994–2007^a

1994	1997	2000	2002	2003	2004	2005	2006	2007
57%	66%	78%	72%	71%	68%	69%	70%	66%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2007 Retirement Confidence Surveys.

^a 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 between 1998 and 1999.

- As would be expected, older workers tend to have saved more than younger workers, but overall savings levels tend to be modest (Figure 3). About half of workers reporting this information say they have less than \$25,000 in total savings and investments (excluding their home and defined benefit plans).

Figure 3
Reported Total Savings and Investments
(not including value of primary residence or defined benefit 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.

- Education and (not surprisingly) income tend to be major factors in whether workers save for retirement (Figure 4). Moreover, married workers are more likely than those who are not married, and those who have attempted a retirement savings needs calculation are more apt than those who have not, to have saved.
- Somewhat surprisingly, workers who expect to work in retirement are *more* likely to report having saved for retirement than are workers who do not expect to work in retirement.

Figure 4
Workers Who Report Having Saved for Retirement by Key Characteristics
Percentage of All Workers Who
Have Saved for Retirement

Education:	
High school or less	50%
Some college	71
Bachelors degree or more	86
Household Income:	
Less than \$35,000	37
\$35,000–\$74,999	67
\$75,000 or more	90
Marital Status	
Married	74
Not married	53
Done Household Needs Calculation:	
Yes, have done calculation	85
No, have not	52
Expecting to work during retirement:	
Yes, expect to work	69
No, do not expect to work	60

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

- Many workers expect savings to provide them with a large portion of their income in retirement (Figure 5). Six in 10 savers and even 3 in 10 nonsavers say that some form of personal savings will supply them with their largest source of retirement income. Not surprisingly, workers who have not saved for retirement are more likely than those who have to expect the largest share will come from Social Security or employment.

**Figure 5
Largest Expected Sources of Retirement Income**

	All Workers	Have Saved for Retirement	
		Yes	No
Personal savings (net)	50%	60%	31%
A workplace retirement savings plan, such as a 401(k)	28	32	21
Other personal savings or investments	22	28	10
Social Security	14	7	26
A employer-provided traditional pension or cash balance plan	13	16	9
Employment	11	7	19
The sale or refinancing of your home	2	2	1
Real estate income	1	1	0
Other	2	2	4
Don't know	5	5	7

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

- More than 6 in 10 workers say money from a defined benefit pension plan will provide them with income in retirement, while 4 in 10 expect employer-provided retiree health insurance (Figure 6). Although those who currently have a defined benefit pension plan are more likely than those who do not to report that they will receive employer-provided benefits in retirement, substantial portions of those currently without this benefit also expect to receive them.

**Figure 6
Workers Expecting to Receive Employer-Provided Retirement Benefits**

	All Workers	Currently Have Traditional Pension Plan	
		Yes	No
Money from a work-place retirement savings plan	74%	90%	62%
Money from a defined benefit plan	62	90	41
Retiree health insurance	41	61	26

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

Do Americans Know How Much to Save?

- Over time, roughly 4 in 10 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. After increasing through 2000, the percentage of workers reporting having done the calculation dropped during the economic downturn of 2001–2002, but now appears to have stabilized (Figure 7).

Figure 7
Percentage of Workers and/or Their Spouses Who Have Done a Retirement Needs Calculation, 1993–2007^a

1993	1997	2000	2002	2003	2004	2005	2006	2007
32%	33%	53%	38%	43%	42%	42%	42%	43%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2007 Retirement Confidence Surveys.

^a 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 between 1998 and 1999.

- Only about 4 in 10 workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement (Figure 8). About two in 10 think they will need between \$250,000 and \$499,999, and 3 in 10 think they need to save less than \$250,000 for a comfortable retirement.
- Those workers who do not expect to receive retirement income from a defined benefit pension or cash balance plan are almost twice as likely as those who do to estimate that they will need to save at least \$1 million.

Figure 8
Amount of Savings Workers Say They Need for Retirement

	All Workers	Expect Retirement Income From Pension or Cash Balance Plan	
		Yes	No
Less than \$250,000	26%	25%	29%
\$250,000–\$499,999	18	20	12
\$500,000–\$999,999	20	24	15
\$1 million–\$1.9 million	11	8	16
\$2 million or more	8	6	11
Don't know/Don't remember	18	16	17

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

- Many American workers may not realize how much income it could take to provide their desired standard of living in retirement. Half of workers who have not done a retirement needs calculation expect to be comfortable or well off during the first part of their retirement (Figure 9).

Figure 9
Expected Standard of Living During the First Five Years of Retirement

	All Workers	Did Retirement Needs Calculation	
		Yes	No
Well Off	6%	8%	5%
Comfortable	52	62	44
Adequate	32	26	37
Struggling	10	4	14

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

- Performing a retirement needs calculation may not only guide workers in their savings goals, but may also help provide workers with a more realistic forecast of spending post-retirement. Workers who have not done a retirement needs calculation are more likely than those who have to expect their post-retirement spending to be much lower than their spending during the five years prior to retirement (Figure 10). Meanwhile, workers who completed a needs-calculation are more likely than those who have not to expect post-retirement spending to be higher than or about the same as their spending pre-retirement.

Figure 10

Workers Expected Spending During the First Five Years of Retirement as Compared to Spending During the Five Years Before Retirement

	All Workers	Did Retirement Needs Calculation	
		Yes	No
Much higher	2%	2%	3%
A little higher	8	9	7
About the same	34	39	31
A little lower	34	34	34
Much lower	20	15	23

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