

## 2007 RCS FACT SHEET

### RISK IN RETIREMENT

*Both workers and retirees seem to underestimate the high cost associated with health and long-term care in retirement, but there is some evidence that using a financial advisor helps individuals understand these risks better. In addition, workers may be overestimating the length of time they will be able to work.*

#### The Costs of Medical and Long-Term Care

The 2007 Retirement Confidence Survey (RCS) finds that about half of workers and retirees think that it is very or somewhat likely that they (and/or their spouse) will need long-term nursing care at some point in their life (Figure 1).

Figure 1  
**Likelihood of Needing Long-term Nursing Care**

	Workers	Retirees
Very likely	10%	10%
Somewhat likely	39	35
Not too likely	30	26
Not at all likely	17	19
Don't know	4	10

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

- Few workers and retirees report having private long-term care insurance to cover the cost of care in a nursing home, an assisted living facility, or at home (Figure 2). Many of those who report having such coverage may be mistaken, since industry estimates of private long-term care coverage are considerably lower.<sup>1</sup>

Figure 2  
**Workers and Retirees Currently Covered by Private Long-Term Care Insurance**

	Workers	Retirees
Covered	24%	35%
Not covered	74	64
Don't know	1	1

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

<sup>1</sup> Estimates of private long-term care insurance policy use show that 10.2 percent of Americans age 65 and older had this type of insurance in 2002.

- Workers estimate that they will need more money to cover health care costs in retirement than do retirees (Figure 3). Given the ever-increasing costs of health care, workers are probably correct in their higher estimations. However, just 13 percent of workers and even fewer retirees (2 percent) estimate that they will need \$500,000 or more to cover health care costs.

Figure 3  
**Amount of Savings Workers and Retirees Say They  
 Need to Cover Health Care Costs in Retirement**

	All Workers	Workers Used Professional Financial Advisor		Retirees
		Yes	No	
Less than \$50,000	12%	7%	14%	31%
\$50,000–\$99,999	20	18	20	19
\$100,000–\$249,999	20	21	20	14
\$250,000–\$499,999	11	14	10	2
\$500,000 or more	13	18	11	2
Don't know/No idea	23	22	23	32

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

- Workers who have used a financial advisor in the past year are less likely than workers who have not to estimate that less than \$50,000 will be adequate to cover health care costs in retirement.

**Time Spent in the Work Force**

- In comparison to when retirees report actually retiring, workers seem to overestimate how long they will remain in the work force (Figure 4). While fewer than 2 in 10 workers expect to retire prior to age 60, about one-third of retirees report retiring prior to age 60.

Figure 4  
**Workers Expected Age of Retirement and Retirees Actual Age of Retirement**

	Workers Expected Age	Retirees Actual Age
Before 60	17%	35%
60–64	21	32
65	27	13
66 or older	24	15
Never retire/Never worked	6	3

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

- Workers may not realize that they may have limited control over when they retire. The percentage of retirees reporting that they left the work force earlier than planned has fluctuated some over the years (Figure 5), but has been holding steady at about 4 in 10 since 2003. In the 2007 RCS, the majority of retirees retiring early say they left the work place due to reasons beyond their control, including downsizing, obsolete skills, health problems or a disability, or having to care for a family member.

Figure 5

**Retirees Reporting That They Retired Earlier Than Planned, 1992–2007**

1992	1997	2000	2002	2003	2004	2005	2006	2007
40%	49%	36%	45%	39%	37%	40%	38%	37%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2007 Retirement Confidence Surveys.

- Workers may also be overestimating their ability to continue working in their retirement years. Historically, about two-thirds of workers expect to work for pay while in retirement (Figure 6), but only about 3 in 10 retirees report doing so. In the 2007 RCS, more retirees report working for pay in retirement than in the past (37 percent).

Figure 6

**Percentage of Workers and Retirees Reporting That They Plan on Working or Have Worked For Pay in Retirement, 1998–2007**

	1998	2000	2001	2002	2003	2004	2005	2006	2007
Workers planning on working in retirement	62%	65%	61%	66%	70%	68%	66%	67%	66%
Retirees who have worked in retirement	22	22	26	24	28	32	26	27	37

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998–2007 Retirement Confidence Surveys.