Dallas Salisbury Remarks

Release of 2005 Retirement Confidence Survey

April 5, 2005

Good morning, ladies and gentlemen.

My name is Dallas Salisbury, and I am president and chief executive of the Employee Benefit Research Institute. Thank you for joining us today for the release of the 15th annual Retirement Confidence Survey — sponsored by EBRI and Mathew Greenwald & Associates, Inc. We have had a great partnership. The RCS continues to be the only comprehensive retirement survey that is done consistently, as others come and go. Even when Social Security, retirement, and income inadequacy are not "top of mind," we continue to conduct the RCS so that we have trendlines on key issues. We also add special questions each year.

Today we are also releasing *EBRI Issue Brief* Number 280: "Encouraging Workers to Save: The 2005 Retirement Confidence Survey." The public can review all of these materials online—at no cost—at www.ebri.org.

I am going to highlight a few of the special questions and responses, and then Mathew Greenwald, president of Greenwald & Associates, will present the overall findings of this year's RCS.

The release of the RCS comes at a time when policymakers in Washington have turned a spotlight on retirement issues. Hardly a day passes that the media does not carry a story about some aspect of retirement or retirement planning. This heightened attention to the role of the individual in retirement planning kicked up after Enron and Worldcom, as the decline of defined benefits and the rise of 401(k) moved to the popular press. The call by President Bush for carved out individual accounts in Social Security and for investment in the markets as only heightened the attention.

We do not know how the Social Security debate will turn out, and Congress is still debating pension reform, but all of the discussions revolve around the same questions: how can we get people to save more money and plan for retirement.

The 15th RCS was used to gain insight on these questions.

- While most Americans save for retirement through the workplace, steps can be taken to make workplace retirement savings plans even more successful. 72% of nonparticipants say they would be *much more* or *somewhat more* likely to participate if the plan had a matching contribution of up to 5% of salary.
- 66% say they would be *much more* or *somewhat more* likely to participate if the plan offered a "lifecycle" fund;

- 55% say they would be more likely if there was a provision that automatically raised their contributions by a fixed amount or percentage when they receive a pay raise;
- 35% say a managed account would persuade them to participate.
- Automatic enrollment in 401(k) plans, as opposed to waiting for the worker to sign up, could also increase plan participation and savings. 40% of non-participants say they would be *very* likely to stay in the plan if their employer automatically enrolled them in one, and 26% would be *somewhat* likely to do so.
- Employers with a retirement plan can help their workers achieve investment diversification through the investment options they offer. Employers looking to help employees make more informed investment allocations may be able to do so more efficiently by offering lifestyle or lifecycle funds. Among participants not currently offered these types of funds, 23% say they would be *very* likely to participate in a lifecycle fund, 21% would be *very* likely to participate in a lifestyle fund, and 15% would be *very* likely to participate in a managed account.
- Workers are more likely to save through the workplace than on their own. 82% of eligible workers say they participate in a workplace retirement savings plan; 38% of workers have an individual retirement account (IRA).
- Promoting plans that allow automatic withdrawals from individual bank accounts may not significantly increase non-workplace savings. In this case, ignorance is not the issue: 68% of those who do not currently use automatic withdrawals for retirement savings are already aware that they have this option.

What makes the RCS special is that we have tracked workers' attitudes to a core set of questions for a long time and we have a treasure trove of data from which to compare this year's results. I mention again, that the survey results, the IB and fact sheets can be found on our website, www.ebri.org.

Mathew Greenwald, will now present the full results from this 15th RCS. Matt?

Following Matt.

Thank you Matt.

With the oldest of the nation's 76 million baby boomers only a few years from the date when they will be eligible to take early Social Security benefits, the issue of retirement and retirement planning is likely to remain at the top of policymakers' agendas for many years to come.

We hope these findings help illuminate those discussions.

We also hope that individuals will take away 10 tips from this year's survey. And that employers, unions, service firms and policy makers will all do things to make it easy for individuals to do all of these things:

1. Study your Social Security benefit statement when it arrives in the mail. Pay special attention to the age at which you will be eligible for full benefits, the projected benefit amount, and the relatively low percentage of final pay that it will provide.
2. Prepare a budget for income and expenses (a spending and savings plan that puts you in financial control).
3. Get an estimate of how long you may live (based upon family history and personal health, using an interactive Internet tool at www.choosetosave.org).
4. Use the Ballpark Estimate® to get a sense of how much you need to be saving to be ready for retirement (find it at www.choosetosave.org).
5. Sign up for your savings plan at work for automatic payroll deduction savings (the money is saved before you see it — or open and IRA and have your bank shift money automatically every payday).
6. Set up your savings plan so that you increase the percentage of income you save every time you get a raise.
7. Either monitor and adjust where your savings are invested over time, or pick an investment option that does it for you (a "lifecycle" or "lifestyle" or asset-allocation fund will be automatic).
8. Think about your health and health care in all of your savings decisions. About 40% of those who retire earlier than planned do so for health reasons. And, retiree health and long-term care are expensive. Medicare Part B premiums went up over 17% last year, and an added 14% increase was just announced.
9. Don't make the decision to retire until you have a plan (for income, health coverage, and living for the rest of your life: for how fast you can spend your money if you do not want to outlive it, and, if you do not want to have to manage that, consider using at least part of your savings for an annuity)
10. Have the time of your life, because you made the decision to Choose to Save®.

Now, let us move to your questions.