

Script for Jack VanDerhei
2013 Retirement Confidence Survey
March 19, 2013

Good morning. I'm Jack VanDerhei, research director at the Employee Benefit Research Institute. I will make some brief remarks about the top-line survey results and then turn it over to Matt Greenwald.

Retirement confidence has plateaued at historically low levels. The longevity of the RCS project has allowed us to track American's attitudes and planning for retirement over more than two decades, and it has tracked a continued decline to the lowest levels we've seen. Not only do workers lack confidence about their ability to secure a financially secure retirement overall, but more and more they lack confidence in their ability to pay for medical expenses and even basic expenses such as food, clothing and shelter.

Why is that? After all, there have been signs that the economy is improving, and one would expect retirement confidence to improve in response. First, the RCS shows that people know retirement is expensive: Workers say they are far more confident about being able to pay for basic expenses in retirement than they are about having enough money to pay for medical expenses and long-term care costs.

Perhaps another reason is that some workers may be waking up to a realization of just how much money is needed to secure a comfortable retirement. In fact, many workers believe that they have to save substantial, perhaps even unreachable, percentages of their income each year to achieve a comfortable retirement.

In many cases these savings targets are aggressive, but they may not be based on a careful analysis of their individual circumstances. The RCS continues to find that far too many people simply don't or won't take the first basic step to plan for a comfortable retirement.

Other factors may also be playing a role in Americans' historic low levels of confidence. Job security and financial security continue to be Americans' major concern, not retirement. In addition, a significant percentage of Americans carry what they see as a problematic amount of debt. Not surprisingly, those who say their debt is not a problem report much higher levels of retirement confidence than those who say their debt is a major problem.

A few of the numbers behind these trends:

With respect to confidence levels among workers, just 13 percent continue to be very confident and 38 percent are somewhat confident about having enough money for a comfortable retirement (statistically equivalent to 2012 levels). Twenty-eight percent are not at all confident and another 21 percent are not too confident.

Among retirees, confidence is also stable: 18 percent are very confident in having a financially secure retirement and 14 percent not at all confident.

Worker confidence in their ability to afford even basic expenses in retirement is slipping. Only 25 percent are now very confident about their ability for basic expenses – a slow decline from 40 percent in 2007 – and 16 percent are not at all confident, up from 12 percent two years ago.

Health care expenses in retirement and long-term care expenses can be devastating, and workers are increasingly likely to say they are not at all confident about being able to cover these expenses in retirement. Twenty-nine percent of workers now state they are not at all confident about having enough money to pay for medical expenses in retirement, while 39 percent are not at all confident about being able to pay for long-term care.

Many workers have more immediate worries than saving for retirement: 30 percent identify job uncertainty as the most pressing financial issue facing most Americans today. Sixty percent of workers consider their current level of debt to be a problem.

But putting off saving – or saving adequately – for retirement will make the problem of financing retirement even worse. Currently, 20 percent of workers think they need to save between 20 and 29 percent of their income each year to secure a comfortable retirement. Twenty-three percent think they need to save 30 percent or more of their income. Workers age 45 or older who are not at all confident about having enough money for a comfortable retirement think they need to save an average of 43 percent.

More than half of workers—53 percent—haven't even tried to calculate how much they will need to save for a comfortable retirement. While most workers still have an idea of how much they might need to accumulate for retirement in total, 45 percent admit they guess at how much they need to save.

Despite the aggressive savings targets put forth by many, 29 percent of workers think they need to save less than \$250,000 in total, while another 21 percent mention goals between \$250,00 and \$500,000.

Two-thirds (66 percent) of workers continue to report they and/or their spouses have saved for retirement, but only 57 percent say they are currently saving, a continued decline from the high of 65 percent measured in 2009. And the RCS has consistently found that a distressingly large number of workers say they have virtually no savings and investments—something Matt will go into in more detail in a minute.

So the results of the 2013 Retirement Confidence Survey suggest that the recent low levels of retirement confidence may be at least partly the result of an increasing awareness of the challenges many Americans face in trying to achieve a financially secure retirement.

I'll now turn it over to Matt Greenwald.