Jack VanDerhei Remarks
2007 Retirement Confidence Survey Briefing
April 11, 2007

Good morning, ladies and gentlemen. Thank you for joining us for the release of the 17th annual Retirement Confidence Survey.

My name is Jack VanDerhei. I am a professor at Temple University in Philadelphia and research director of the fellows program at Employee Benefit Research Institute. With me today is Matt Greenwald, president of Greenwald & Associates, the survey research firm responsible for compiling today's findings.

The program today will be as follows: I will make a few opening remarks. Then, Matt Greenwald will go over the major survey findings. Finally, we will be happy to answer your questions.

Let me begin by reminding you that the Retirement Confidence Survey, now in its 17th year, is the country's most established and comprehensive study of the attitudes and behavior of American workers and retirees toward all aspects of saving, retirement planning, and long-term financial security. The survey is sponsored by EBRI and Mathew Greenwald & Associates and is underwritten by more than two dozen organizations.

The survey contains a core set of questions that is asked annually, allowing key attitudes and self-reported behavior patterns to be tracked over time. Sample questions include: how confident are Americans about their retirement income prospects, including Social Security and Medicare; how much money have they saved for their future and where are they putting their money; and who they turn to for retirement investment information and advice. The survey strives to be timely by covering issues that are of current interest to policymakers and retirement benefits specialists. For example, this year's survey asks if workers have seen their traditional pension benefits frozen or reduced, and if so, what they're doing about it. It also includes questions about how much employees believe they will allow their contributions to increase under automatic escalation provisions. This is especially timely given the enactment of the new provisions for automatic enrollment as part of the Pension Protection Act last August.

Overall, this year's survey finds that while a majority of workers remain generally confident about their retirement prospects, many are not really planning to save enough for their own retirement and face the prospect of having to work far longer than they expect if they hope to achieve a comfortable retirement. Matt Greenwald will talk in just a moment about what workers are doing—or not doing—in response to declining defined benefit pension benefits.

On the issue of workers not saving enough, let me cite three examples from the survey:

- Among RCS workers providing this type of information, nearly half report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than $25,000. This says the level of savings is generally pretty low.

- Worker assumptions about their financial needs for retirement are often based on what appear to be unrealistically low values. 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. 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. EBRI research published in September 2006 shows that in the vast majority of cases, that's simply not enough.
- Some workers appear to be expecting to rely on employer-provided benefits they are unlikely to receive. Workers are as likely to expect that they will receive retirement income from a defined benefit pension plan (62 percent) as current retirees are to receive it (63 percent). At the same time, only 4 in 10 workers report they and/or their spouse currently have this type of plan (41 percent). This means that up to 20 percent of workers are counting on getting this benefit from a future employer—a scenario that is becoming increasingly unlikely as companies cut back on their defined benefit offerings.

Recent research has found that when a traditional pension is frozen, many workers in the pension are unlikely to get a benefit of equal value contributed to their 401(k) plan. Each case is different, but it's clear that people currently working should factor into their retirement planning the long-term trend away from traditional defined benefit pensions and toward 401(k)-type plans.

Of those workers who have personally experienced a reduction in the retirement benefits offered by their (or their spouse's) employer within the past two years, few say they have taken significant steps to improve their retirement security in the face of these reductions. One-third report they are saving more, either on their own (24 percent) or in an employer's plan (8 percent).

Finally, I would like to mention that we often hear that workers are looking for tools to help them measure the progress they are making in reaching their retirement objectives. Two years ago EBRI updated such a tool — called the Ballpark Estimate. Workers can answer a series of questions and get a reasonably accurate understanding of how they are doing by using the Ballpark Estimate. The Ballpark is available free at www.ChoosetoSave.org, and can be filled out online or in paper format. Later this year we plan to enhance our Web site tools by allowing individuals to see how the amount of money needed to be saved will change as a result of modifying a number of different assumptions, such as retirement age, asset allocation, and the degree of annuitization affecting the chance of having adequate retirement income for life.

Now, let's hear from Matt Greenwald. After that we will take your questions.

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