

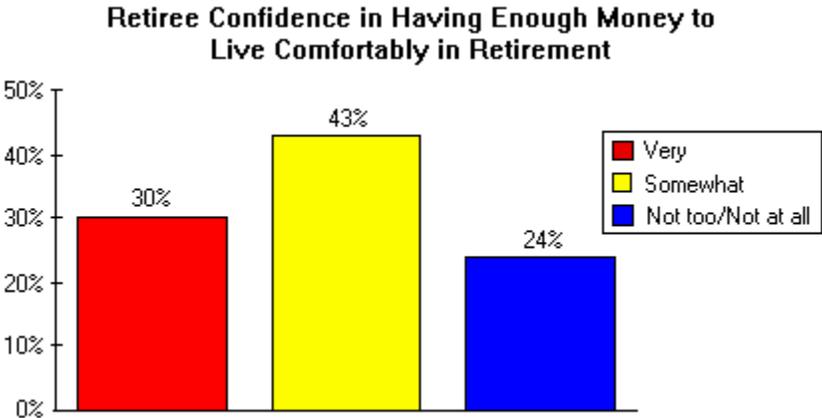
Retirement Not the Golden Age for All

1996 Retirement Confidence Survey Executive Summary

This year's Retirement Confidence Survey report, sixth in the series, focuses on the reality of retirement in America today. The report addresses important issues about the lifestyle of today's retirees and their confidence in the future. There are two different perspectives from which we will examine these and other issues:

- What is the status of today's retirees
- How does the reality of life for today's retirees compare to the expectations of today's workers

This research shows many retirees do not experience this stage of their lives as the stress free golden years they may have wanted. Indeed, when they are asked how confident they are that they will have enough money to live comfortably throughout their retirement, only 30% answer they are very confident. Of the remaining retirees, one quarter (24%) have little confidence and almost half (43%) are only somewhat confident that they will have enough money to live comfortably through retirement.

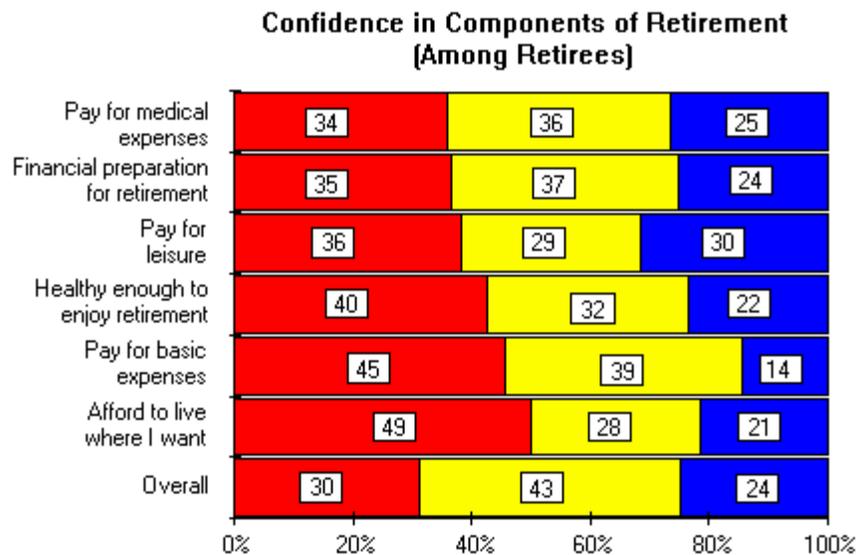


The 43% who are somewhat confident are an interesting group. They appear to be in a precarious position. A position where they feel as if their retirement will be comfortable only if everything goes their way. However, any problem with return on their investments, excessive inflation, Social Security benefits or a number of other issues could cause them serious difficulties.

This lack of confidence seems to be tied to three different but interrelated themes:

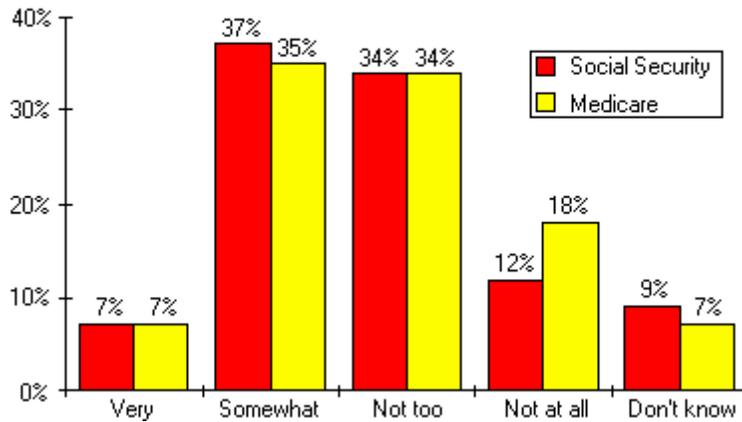
- Fear of declining health and medical expenses
- Lack of confidence in their own personal planning for retirement
- Concerns over the future of Social Security and Medicare benefits

The first two themes emerge as we begin to look at the details behind the overall confidence rating. Being able to afford to pay for medical expenses emerges as the area with the lowest confidence rating followed closely by having done adequate financial preparation for retirement and being able to pay for most leisure pursuits. Consistent with their concern about financial preparedness, only 56% of retirees report they have any money they themselves saved for retirement. Of these, 76% did not begin saving until they were 40 or older!



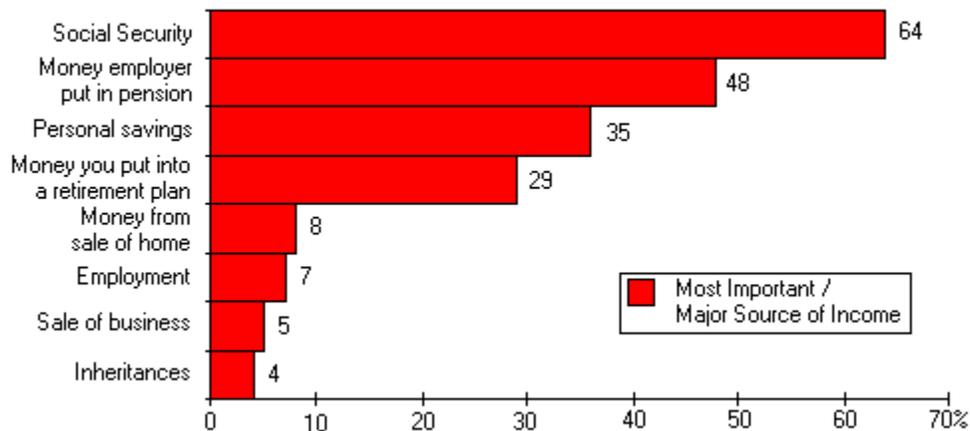
The third theme contributing to relatively low confidence for today's retirees is uncertainty about two major sources of financial support -- Social Security and Medicare. Fewer than half of today's retirees have strong confidence that the Social Security and Medicare systems will continue to provide benefits of equal value to the benefits they receive today. Only 7% of retirees are very confident that these two vital programs will continue to provide them with the benefits to which they have become accustomed.

Confidence in Social Security and Medicare Among Retirees



The importance of this lack of confidence about the continuing value of Social Security in driving overall concerns about retirement is clear. Social Security is the most important source of income for retirees; almost two-thirds report it is either their most important or a major source of income. Money an employer put into a pension plan is a distant second (48%). Only one-third mention their own savings and 29% mention money they put into a savings or retirement plan through work.

Sources of Retirement Income



While only 7% of retirees report that employment is an important source of income for them, 23% report having had a part time job at some point after their retirement.

Twenty-two percent of retirees report that their lifestyle has deteriorated since they first retired. About the same proportion feel that their lifestyle will worsen over the next few years.

Changes in Standard of Living		
	Expected to Change Over Next Several Years	Current Vs. First Year of Retirement
Better	11%	20%
About the Same	59	55
Worse	21	22

Money and health problems are the main reasons retirees give to explain their declining lifestyle.

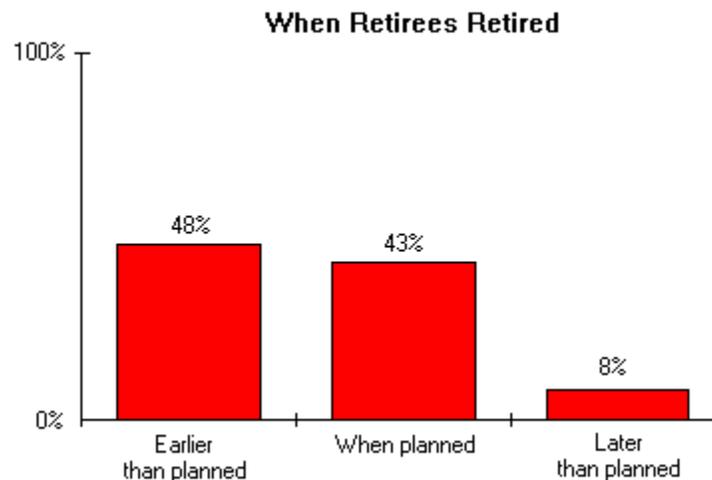
Reasons for Lifestyle Getting Worse	
Limited Funds, Money	28%
Poor Health	28
Inflation	15
Medical Expenses	11
Spouse Died	11

The three most frequently given reasons for expecting a future deterioration in standard of living are financial -- cost of living increases 51%, inadequate income 14% and higher taxes 10%.

Lack of confidence in the future is one strong negative influence on the quality of retirement life, another seems to be disappointment that the reality of retirement does not meet pre-retirement hopes and plans. While the majority of retirees report that retirement is about what they expected, a sizable number, 9%-27%, are disappointed. The major areas where retirement is worse than expected are health and the ability to cover medical expenses.

Retirement Lifestyle Compared to Pre-Retirement Expectations			
	Worse Than Expected	About the Same	Better Than Expected
Overall Life Style	13%	59%	27%
Health	27	52	19
Money to Cover Medical Expenses	21	57	19
Money for Leisure Pursuits	19	60	15
Money to Cover Basic Expenses	12	64	22
Afford Living Where You Want	9	73	15

For many retirees, reality did not match up with their expectations from the very beginning of their retirement -- almost half retired earlier than they had planned.



The reasons given for early retirement tend to be negative and out of the individual's control. The single most frequently given reason is health problems (38%). This is followed by job elimination (16%), buy out/early retirement offer (10%) and problems in the workplace (7%). The fact that a relatively high proportion of retirees were forced into early retirement is another reason explaining their lack of adequate financial preparation.

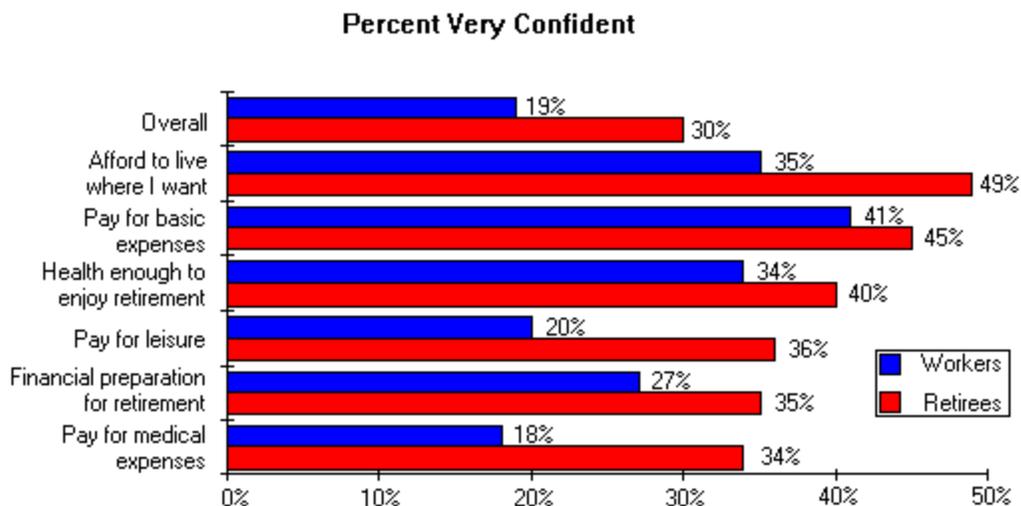
Overall, these results demonstrate that many of today's retirees are not leading an untroubled life. About one-quarter of them have serious question about their ability to lead a comfortable retirement and an additional 43% feel that they are in a precarious position.

They are concerned about their financial security, unsure if they will be able to pay for basic expenses, including medical expenses. A major reason for this concern seems to be lack of confidence that the Social Security and Medicare systems will continue to provide benefits at todays levels.

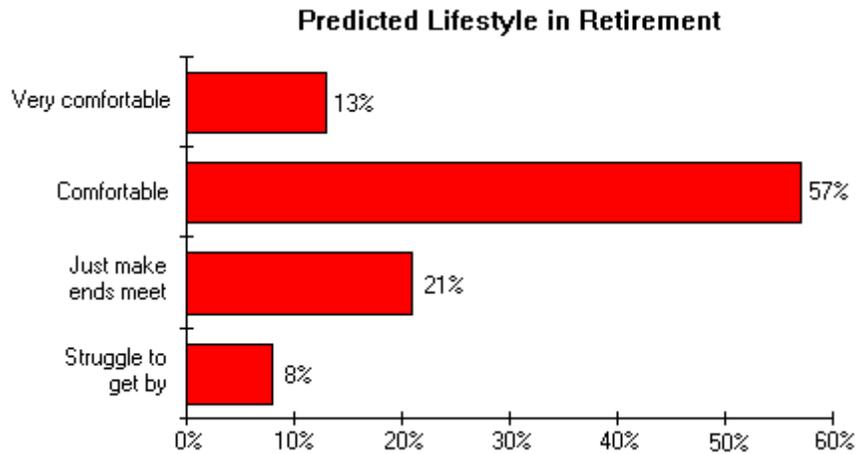
Retiree/Worker Comparisons

The second perspective from which to view today's retirees is to compare them to today's workers.

For each aspect of retirement, today's workers are less confident about their futures than retirees. The gap in confidence ranges from a high of 16 points for the ability to pay for leisure activities and medical expenses to a low of 4 points for the ability to pay for basic expenses.



Consistent with their level of confidence in specific aspects of retirement, 30% of today's workers think that they will just make ends meet or they will struggle to get by in their retirement.



Confidence in the future of Social Security and Medicare is dramatically lower among workers. In this group, 79% are not too or not at all confident that Social Security will continue to provide benefits of equal value to those provided today, and 76% are not confident about the future of Medicare benefits.

There are also dramatic differences between the actual sources of income for today's retirees and the expectations of today's workers about their sources of retirement income. The greatest difference is for Social Security. Today's workers are much less likely to mention Social Security as the most important or a major source of retirement income. Indeed, 23% think they will receive no income at all from Social Security.

Percent Mentioning as the Most Important or Major Source of Retirement Income		
	Retirees	Workers
Social Security	64%	26%
Money your employer put into a pension plan	48	50
Your own personal savings	36	58
Money you put into a savings or retirement plan through work	29	61
Money from sale or refinance of your home	8	13
Part or full time employment	7	25
Sale of a business	5	9
Inheritances	4	9
Support from children or other family members	-	2

Workers are much more likely to look to themselves for retirement income. They expect money they have saved either through a workplace program (61%) or on their own (58%) to support them in retirement, and, in fact, more of them have set aside some money for retirement (64%) than have current retirees (56%).

Workers also think that employment will be much more important for them than it is for retirees today. Indeed, almost two-thirds (65%) of them think that they will work after retirement. While a majority (51%) of workers who predict they will be employed after retirement say they will do so to stay active, a sizable number say they will work for financial security (20%) or due to necessity (19%).

Worker's increased belief that their savings will be the mainstay of their retirement is traceable to many causes. Certainly their lack of confidence in the Social Security system plays a role, but there are other factors at work as well. For example, increased availability of investment options such as IRAs and 401(k)s have made saving easier. Among today's worker, 61% have an employer who offers a retirement savings plan that allows the worker to make before tax contributions compared to only 30% of retirees who had access to such a plan when they were employed.

Summary

A sizable number of Americans are not confident that they will have enough money to live comfortably throughout their retirement. This holds true for both those who are currently retired and those who are currently working.

Confidence among workers is lower than that of retirees on all dimensions, and worker confidence is dropping. In 1996 the proportion of workers who are very or somewhat confident dropped a dramatic 12 points from 74% to 62%.

Both groups show their lowest confidence in their ability to pay for medical expenses. This is followed by confidence in adequate financial planning for retirement and the ability to pay for leisure activities.

Concerns over medical expenses and financial planning are tied to at least two strong findings: (1) Both groups lack confidence that Social Security and Medicare will continue to pay benefits equivalent in value to today's benefits. For example, only 7% of retirees are very confident that Social Security will continue to provide equivalent benefits and 23% of workers expect no income from Social Security after they retire. (2) Almost half of current retirees were forced to retire before they planned. For these people there was no chance for them to complete their financial plan.

Lack of confidence in their future has led to productive attitudes on the part of some workers. More than today's retirees workers are accepting responsibility for their own retirement. They say that much of their income will have to come from their own savings.

Perhaps, if today's workers turn their attitudes about self reliance, savings and planning into concrete actions, they will face a retirement that is better than their current expectations and the reality of today's retirees.