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Statement Before the Senate Special Committee on Aging

Hearing on Initiatives to Educate the American Public About the Importance of Retirement Savings

by
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June 17, 199~~8~~ 9

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Summary

- While conventional wisdom maintains that low plan sponsorship rates among small employers are driven by high administrative burdens and cost placed on small employers, the 1999 Small Employer Retirement Survey (SERS) findings reveal that this view of the world is often too simplistic. In fact, nonsponsors report that employee-related reasons and revenue uncertainty are often more important reasons for not sponsoring a plan. This helps explain why actual coverage remains low despite repeated public policy initiatives designed to boost retirement plan coverage among small employers.

- Nonsponsors report that the two items most likely to lead to serious consideration of sponsoring a plan are an increase in profits and business tax credits for starting a retirement plan. The latter may be viewed as substitute for the former; i.e., the government cannot improve the profitability of a business, but it could subsidize the costs of starting a retirement plan for a small employer's workers.

- Many small employers without plans are unfamiliar with the different types of retirement plans available to them as potential plan sponsors, even those plans created specifically for small employers.

- For the past three years, approximately one-fourth of American workers have reported they are very confident of having enough money to live comfortably in retirement, and approximately 45 percent have reported that they are somewhat confident. There are several reasons, however, for believing that many are falsely confident. Only half of all workers have tried to determine how much they will need to save by the time they retire, and just 16 percent report having accumulated $100,000 or more for retirement. In addition, many consider themselves savers rather than investors and report risk-adverse behavior.

- Today's workers envision a retirement that looks different in many respects from that now experienced by retirees. Current workers not only expect to work longer than current retirees actually worked before retiring, many say they plan to work for pay after they retire because they enjoy working and want to stay involved. Today's workers are also changing their expectations about their sources of income in retirement. Current retirees are most likely to identify *Social Security* as their most important source of income, but current workers are most likely to say that *personal savings* will be their most important source of income in retirement.

- More than four-in-ten workers report receiving educational materials or seminars about retirement planing and saving in the past year from their employer. Four-in-ten of those who received some sort of educational materials from their employer say it caused them to begin (19 percent) or resume (21 percent) saving for retirement, while similar proportions say they changed the amount they were contributing to a retirement savings plan (40 percent) or changed the allocation of their money in a retirement savings plan (41 percent). In addition, those who reported receiving employer-provided materials are more likely than others to have also reported doing a retirement savings needs calculation.

Mr. Chairmen and members of the committee: I am Dallas Salisbury, president and CEO of the Employee Benefit Research Institute (EBRI), a nonprofit research and education organization in Washington, DC. I also serve as chairman and CEO of the American Savings Education Council (ASEC), a coalition of private- and public-sector organizations that aims to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC is an affiliate of the EBRI Education and Research Fund.

I am accompanied by Mathew Greenwald, president of Mathew Greenwald & Associates (MGA), a survey research firm in Washington, DC. EBRI, ASEC, and MGA sponsor the annual Retirement Confidence Survey (RCS), and this year, for the second time, sponsored the Small Employer Retirement Survey (SERS). It is our pleasure to be here today to release to the Congress these full surveys, details of which are in the testimony that follows. In the interest of time, we will concentrate on the Small Employer Retirement Survey. I ask that my full statement be entered into the written record.

1999 SERS Findings

Obstacles to Plan Sponsorship

According to the 1999 SERS, there are a number of reasons why more small employers do not offer retirement plans—it is not simply a matter of administrative cost and burden. Cost and administration-related issues do matter, but for many small employers they take a back seat to other issues. For some, the main driver is the financial reality of running a small business, i.e., their revenue is too uncertain to commit to a plan. For others, the most important reasons for not sponsoring a plan are employee-related, e.g., it is not a priority for an employer's workers, or the employer's work force has such high turnover that it does not make sense to sponsor a plan.

Reasons for Not Offering a Retirement Plan	*Most Important*	*Major*
• Revenue is too uncertain to commit to a plan.	19%	50%
• A large portion of workers are seasonal, part time, or high turnover.	19	42
• Employees prefer wages and/or other benefits.	17	53
• It costs too much to set up and administer.	12	30
• Required company contributions are too expensive.	10	51
• Too many government regulations.	3	32
• Vesting requirements cause too much money to go to short-term employees.	2	38
• Don't know where to go for information on starting a plan.	2	5
• Benefits for the owner are too small.	1	17
• Other reasons.	12	17

Nineteen percent of nonsponsors said that the most important reason for not offering a plan was that revenue is too uncertain to permit the company to commit to a plan. One-half (50 percent) of all nonsponsors said that this was a major reason they do not sponsor a plan.

Having a large portion of workers who are seasonal, part time, or high turnover was cited by 19 percent as the most important reason for not sponsoring a plan. An additional 17 percent said employee preferences for wages and/or other benefits was the most important reason. Therefore, 36 percent of those without plans cited some sort of employee-related reason as the most important reason for not offering a plan.

Twelve percent said the most important reason was that it cost too much to set up and administer a plan. Ten percent said the most important reason was that required company contributions are too expensive[1]; for 3 percent, the most important reason was "too many government regulations." Therefore, 25 percent of nonsponsors cited a cost and/or administration-related reason as the most important reason for not offering a plan.

So, while cost and administrative issues do matter, they are not the sole reason for low plan sponsorship rates among small employers. In fact, based on small employer responses, they are not the *most important* reasons for the majority of nonsponsors: employee-related reasons are most often cited as the most important factor for not offering a plan, and business profitability is also a main decision-driver. This may explain why plan sponsorship rates remain low despite repeated legislative efforts to boost them.[2]

Comparative Profiles: Companies With Retirement Plans and Those Without Plans

Small employers that sponsor retirement plans tend to be distinctly different from small employers without plans, in terms of revenue levels and the composition of their work force. These findings bolster the finding above that low coverage rates are driven by more than just issues of administrative cost and burden.

Small employers that offer retirement plans tend to have higher revenues than small employers that do not have retirement plans.

Approximate Gross Revenue in Previous Year	*Plan Sponsor*	*No Plan*
Less than $2 million	34%	63%
$2 million or more	48	18
Not Reported	19	20

[1] Plans exist in which employers as plan sponsors are not legally required to make contributions. For example, employer contributions are not required with a 401(k) plan—the sponsor could choose not to match participant contributions and to pass the administrative costs on to the plan. However, if the 401(k) is established as a SIMPLE plan, then company contributions are required.

[2] The Small Business Job Protection Act of 1996 created a simplified retirement plan for small business (100 or fewer employees) called the savings incentive match plan for employees (SIMPLE). A SIMPLE plan can be either an individual retirement account (IRA) for each employee or a 401(k) plan. It is too soon to fairly evaluate the impact of SIMPLE plans on the small employer market.

Small employers offering retirement plans tend to employ different types of workers than those that do not sponsor a plan—their employees tend to be older, have higher earnings, have more formal education, and tend to remain with the company longer.

Age of Most Full-Time Employees	*Plan Sponsor*	*No Plan*
Under age 30	11%	23%
30–39 years	62	51
Ages 40 and older	24	25

Annual Salary of Most Full-Time Employees	*Plan Sponsor*	*No Plan*
Less than $20,000	9%	32%
$20,000–$40,000	73	58
Over $40,000	11	8

Educational Level of Most Full-Time Employees	*Plan Sponsor*	*No Plan*
High school or less	41%	58%
Some college	35	31
College degree or more	20	9

Length of Time Most Full-Time Employees Stay With Company	*Plan Sponsor*	*No Plan*
Less than 3 years	8%	27%
Between 3 and 9 years	56	45
10 years or more	31	24

What Do Small Employers Know About Retirement Plans?

Many nonsponsors are unfamiliar with the different retirement plan types available to them as potential plan sponsors, especially the options created specifically for small employers. Most nonsponsors said they have never heard of or are not too familiar with savings incentive match plan for employees (SIMPLE) plans, created specifically for small employers. The same holds for simplified employee pensions (SEPs). By comparison, very few nonsponsors said they have never heard of or are not too familiar with 401(k) plans.

Plan Type	*Never Heard Of*	*Not Too Familiar With*
SIMPLE plans	36%	20%
Simplified employee pensions (SEPs)	46	24
401(k) plans	3	12

In addition, many small employers simply lack information, or are even misinformed, about retirement plan options and what plan sponsorship actually entails. The 1999 SERS contained a seven-question true/false "quiz" regarding retirement plan sponsorship. The *Small Biz Retirement Quiz* covered topics such as the cost of sponsoring a plan, what an employer as sponsor can do, and what a plan sponsor is required by law to do.

While there were some differences in overall scoring to the quiz between plan sponsors and nonsponsors, it was not as great as some might expect.

Small Biz Retirement Quiz Scores	*Plan Sponsor*	*Nonsponsors*
6 or 7 correct answers	26%	19%
3 to 5 correct answers	62	62
Up to 2 correct answers	11	19

The findings indicate that, on deciding to sponsor a plan, a small employer then turns to the knowledge and expertise of an outside professional to implement and run the plan. So a lack of knowledge may not be as large a deterrent as the reasons discussed earlier—employers learn what they need to know when they need to know it. It is clear, however, that the majority of small employers without plans are largely unfamiliar with the plan options that have been created specifically for them. This likely changes when they decide to sponsor a plan, but not before.

Potential Motivators for Retirement Plan Sponsorship

The potential exists for increased plan sponsorship.

Likelihood of Starting a Plan in the Next Two Years	
Very likely	15%
Somewhat likely	24
Not too likely	24
Not at all likely	36

Those likely to start a plan are somewhat more likely to report that the most important reason they don't currently have a plan is revenue uncertainty and less likely to say it is because a large portion of their workers are seasonal, part time, or high turnover. It therefore appears that they feel continued improvement in their business conditions will allow them to start a plan within the next couple of years.

In addition, nonsponsors reporting that they are likely to start a plan in the next two years are generally more familiar with different plan types than are those not likely to start a plan. They also score slightly higher, on average, on the *Small Biz Retirement Quiz*. This provides some indication that their growing interest has led them to learn about the options available.

Percentage Very or Somewhat Familiar With Plan Type	*Likely to Start Plan*	*Not Likely*
401(k) plan	91%	81%
Profit-sharing plan	85	71
SIMPLE plan	49	40
SEP	39	22

What, then, would lead to increased plan coverage? Nonsponsors were read a list of items and asked if any would make them seriously consider sponsoring a retirement plan. Percentages who say the following would lead them to consider plan coverage:

- An increase in business profits. 69%
- Business tax credits for starting a plan. 67
- A plan with reduced administrative requirements. 55
- Allowing key executives to save more in a retirement plan. 52

- Demand from employees. 46
- Availability of easy-to-understand information. 44
- Lengthening of vesting requirements. 33
- Other. 10

Why do small employers that sponsor retirement plans voluntarily choose to provide this benefit? Several reasons are cited by those that do, but the top two are: a) the positive effect on employee attitude and performance, and b) the competitive advantage for the company in employee recruitment and retention. Thus, in many cases, there are direct business benefits to the employer from sponsoring a retirement plan.

Implications for the Small Employer Issue

Major drivers of low retirement plan sponsorship among small employers are who they employ and the uncertainty of revenue flows. While issues of administrative cost and burden matter, they are only part of the puzzle. Therefore, the solution is not simply "build it and they will come," by creating simpler and simpler small-business retirement plans. Rather, it is build it and they will come once the business reaches a certain level of profitability and stability, and once retirement planning and saving is more of a priority for the small employer's workers. It is at that point that the new vehicles created by policymakers specifically for small employers will begin to realize their full potential.

As the survey shows, 39 percent of small employers without plans say they are very or somewhat likely to start a plan in the next two years; with changes, this number could be expected to rise. Long-term solutions to increased coverage among small employers include: education of workers, so that they view retirement planning and saving as a personal priority and communicate their desire for a retirement plan to their employer; ongoing good economic conditions, so that business profits and the affordability of plan sponsorship improves; or, as the survey indicates, policy changes such as simplification and tax credits that help make plans more affordable. We do not say this to endorse policy changes, as that is not our role; rather, it is to make clear that there are actions Congress could take to expand small employer plan sponsorship.

1999 RCS Findings

Making Retirement Preparation a Priority for Individuals

The findings above raise the issue of where we currently stand in terms of making retirement planning and saving a priority for American workers. The 1999 Retirement Confidence Survey (RCS), released by EBRI, ASEC and MGA earlier this week, addresses this and related issues. The RCS found that seven-in-ten workers are confident that they will have enough money for a comfortable retirement. Majorities are also confident about having enough money for basic expenses, about their financial preparations for retirement, about having enough money to support themselves in retirement no matter how long they live, and about having enough money for medical expenses. Most of those who are confident are *somewhat* confident rather than *very* confident—that is, they should have enough money if everything goes right.

How confident are you that:	*Very Confident*	*Somewhat Confident*	*Not Too Confident*	*Not at All Confident*
You will have enough money to live comfortably throughout your retirement years:	24%	47%	20%	8%
You will have enough money to take care of your basic expenses during your retirement:	34	49	12	4
You are doing a good job of preparing financially for your retirement:	25	51	16	8
You will have enough money to support yourself in retirement, no matter how long you live:	19	51	19	9
You will have enough money to take care of your medical expenses when you retire.	17	43	25	13

Should workers be as confident about their retirement as they are? Perhaps not, based on results of the *Retirement Readiness Rating,* which we have unveiled just this week. The *Retirement Readiness Rating* is designed to indicate how well individual workers are preparing for retirement. The scale runs from 0 to 25, with those scoring 25 apparently doing the best job of preparation. The items used to compute the score for each worker include saving for retirement, completing a savings needs calculation, establishment of an investing or savings program for retirement, and attitudes towards various aspects of preparing for retirement.

Based on the results of this scale, less than one-in-ten American workers appears to be doing a very good job of preparing for retirement (8 percent with a score of 21 to 25). Three-in-ten, with a score of 16 to 20, appear to be doing a good job (31 percent) and a similar proportion appear to be doing an okay job (32 percent with score of 11 to 15). Two-in-ten appear to be doing a poor job (19 percent with score of 6 to 10) and one-in-ten seems to be doing a very poor job (10 percent with a score of 0 to 5). Not surprisingly, those with household income of $75,000 or more are more likely to score highly, but those who are married, those who work for businesses with more than 100 employees, and those who expect to rely primarily on personal savings (either through a retirement plan at work or outside of work) or employer-funded plans are also more likely to score highly.

The *Retirement Readiness Rating* only partially confirms respondents' self evaluations. Although those who are very confident about having enough money for retirement are more likely than others to score highly, only one-fourth scored in the 21 to 25 point range. Therefore, many of the workers who say they are confident about having enough money for retirement appear to be falsely confident.

Retirement Readiness Rating by Confidence in Having Enough Money for Retirement

RRR Score	*All Workers*	*Very Confident*	*Somewhat Confident*	*Not Confident*
Very good (21-25)	8%	26%	3%	<.5%
Good (16-20)	31	48	36	8
Okay (11-15)	32	17	38	33
Poor (6-10)	19	8	19	29
Very poor (0-5)	10	1	3	30

Several indicators provide evidence supporting the fact that many workers may be falsely confident. Even though the proportion of workers who have tried to determine how much they need to save by the time they retire has increased steadily since 1996, only half of current workers have tried to do this calculation (49 percent in 1999, compared with 32 percent in 1996). Those expecting to retire before age 59 or between the ages of 60 and 64 are more likely than those planning to retire later to say they have done this calculation. Curiously, however, those who have done the calculation are only slightly more likely than those who have not to be able to provide the correct age at which they will be eligible for full benefits from Social Security.

In addition, while three-fourths say they have established an investing or savings program for their retirement (74 percent) and seven-in-ten are saving for retirement (70 percent), the amounts accumulated by workers as a whole are generally unimpressive. On average, however, those who have done a needs calculation have saved considerably more than those who have not done the calculation.

Amount Accumulated for Retirement by Workers

Amount	*All Workers*	*Done Needs Calculation*	*Not Done Needs Calculation*
Nothing	9%	4%	14%
Less than $5,000	8	4	10
$5,000-$9,999	7	5	9
$10,000-$24,999	11	9	14
$25,000-$49,999	10	8	11
$50,000-$99,999	12	15	8
$100,000 or more	16	26	6
Don't know/refused	28	29	27
Median	*$29,514*	*$66,532*	*$14,054*

While the median amount saved increases by age (25-39, $20,588; 40-49, $45,238; 50-59, $71,250), workers ages 60 and older have accumulated less ($39,286)—perhaps because they are more likely to be expecting to rely on Social Security for a major portion of their retirement income. To put these accumulations in perspective, assume a single male, age 65, purchases a life annuity today.[3] With $71,250 he could purchase a nominal monthly annuity for life of $631. The median amount saved for workers ages 60 and older—$39,286—would produce a monthly annuity of $348.

Finally, workers planning to retire earlier are generally better prepared than those who are planning to retire at age 65 or later.

Median Amounts Accumulated by Expected Age at Retirement

Age 59 or younger	*$76,563*
Age 60 to 64	*$41,912*
Age 65	*$23,438*
Age 66 or older	*$19,375*

While this is good news in that those planning to retire earlier are apparently building the financial resources with which to do so, the fact that workers planning to work longer before retiring have generally accumulated less than others is of particular concern, since these are the workers most at risk for involuntary early retirement.

[3] Assume $9.41 buys an annuity of $1/year payable monthly (McGill, D.M.; K.N. Brown; J.J. Haley, and S.J. Schieber. *Fundamentals of Private Pensions*. Seventh Edition (Philadelphia, PA: University of Pennsylvania Press, 1996).

The Changing Nature of Retirement

Many of today's workers will not be eligible to receive full benefits from Social Security until they are 67, but few respondents are aware that an increase in the normal retirement age for Social Security is currently being phased in, from age 65 to 67. A majority of workers expects to reach full eligibility sooner than they actually will (59 percent). Many of these incorrectly expect to be eligible for full benefits at age 65 (37 percent of all workers), but some believe they will be eligible even before age 65 (22 percent of all workers). Almost two-in-ten workers say they do not know when they will be eligible to receive full benefits from Social Security (19 percent). Only 16 percent are able to give the correct age at which they will be eligible for full benefits and five percent believe they will be eligible later than they actually will be.

In general, the earlier respondents are planning to retire, the earlier they believe they will be eligible for full benefits from Social Security. Forty-three percent of workers are planning to retire before age 65. Of these, one-fourth believes they will be eligible four or more years before they actually will be (25 percent), almost three-in-ten think they will be eligible one to three years earlier than they actually will be (29 percent), and 17 percent do not know when they will be eligible for full benefits. Just 11 percent of those planning to retire before age 65 are able to give their correct eligibility age. In contrast, 18 percent of those planning to retire at age 65 and 24 percent of those planning to retire at age 66 or later give their correct eligibility age.

Nearly half of today's workers expect to retire at age 65 or later and 5 percent expect they will never retire. In contrast to these expectations, however, most retirees report actual retirement ages younger than age 65.

Expected and Actual Retirement Age

	Expected (% of workers)	*Actual (% of retirees)*
Age 54 or younger	5	20
Age 55 to 59	13	16
Age 60	13	6
Ages 61 to 64	13	29
Age 65	30	14
Age 66 or older	17	12
Never retire	5	NA

For many retirees, this earlier retirement was not by design—over four-in-ten of today's retirees say they retired earlier than planned (43 percent). The youngest retirees—those born in 1933 or later—are especially likely to report retiring before age 60 or retiring earlier than expected.

If current workers follow the pattern set by today's retirees, many are also likely to retire earlier than planned and many will do so for negative reasons. Four-in-ten of today's retirees who left the workforce earlier than expected say they did so because of health problems or disability (40 percent). Other reasons cited for retiring earlier than planned are changes at the work place, such as downsizing or closure (14 percent), family reasons (14 percent), and other work-related reasons (12 percent). Only a small proportion say they did so because they found they could afford an early retirement (14 percent).

While only three-in-ten retirees say they have worked for pay since they retired (29 percent), an increasing proportion of workers indicate they expect to work for pay in retirement (68 percent, up from 61 percent in 1998). Both workers and retirees are most likely to identify enjoying work and wanting to stay involved as a major reason for working in retirement (64 percent and 62 percent, respectively). Yet workers, more so than retirees, also say major reasons they will work in retirement are to keep health insurance and other benefits (37 percent vs. 16 percent), to have money to make ends meet (37 percent vs. 26 percent), and to be able to afford extras (36 percent vs. 26 percent). Workers not confident they will have enough money for their retirement and those with lower household incomes are particularly likely to identify these other reasons.

Today's retirees are most likely to rely on Social Security or employer-provided money as their most important source of income in retirement. Just two-in-ten retirees find that their personal savings are their most important source of income. In contrast, half of current workers expect personal savings to be their most important source of income in retirement. Only one-in-five expects to rely most on employer-provided money and only one-in-ten expects Social Security will provide their most important source of income. Not surprisingly, expected reliance on personal savings as the most important source of income increases as age decreases, while expected reliance on Social Security increases as age increases.

Expected and Actual Most Important Source of Retirement Income

Income Source	*Expected (% of workers)*	*Actual (% of retirees)*
Personal savings (net)	49%	18%
Money respondent put into a retirement plan at work	32	10
Other personal savings, not including work-related retirement plans	17	8
Employer-funded plans	20	30
Social Security	12	39
Employment	11	3
Sale of home or business	5	2
Other government programs	1	4

Workers are increasingly confident that Social Security and Medicare will continue to provide benefits of equal value to today's. Three-in-ten respondents say they are very or somewhat confident that Social Security will continue to provide benefits of equal value in 1999 (30 percent) compared to just two-in-ten in 1996 (20 percent). Likewise, 33 percent say they are very or somewhat confident that Medicare will continue to provide benefits of equal value in 1999, compared with 23 percent in 1999. Still, at least two-thirds of current workers are not confident that each of these programs will continue to provide benefits equivalent to those received today (69 percent and 66 percent).

Saving—and Not Saving—for Retirement

Seven-in-ten workers report they are personally saving money for retirement (70 percent)—an increase from 63 percent who reported saving for retirement in 1998. A slightly larger proportion of workers report that they and/or their spouse are saving for retirement (75 percent).

A number of different factors motivate people to save for retirement. Reasons cited by more than one in five workers for giving them a lot of motivation are:

- Feeling they could not count on Social Security (53 percent)
- Starting to earn enough money to be able to save (49 percent).
- Having seen people not prepare and, therefore, struggle in retirement (48 percent).
- The availability of a retirement plan at work (48 percent).;
- Realizing that time was running out to prepare for retirement (39 percent).;
- The advice of a financial professional (24 percent).
- A family event, such as marriage, birth of a child or parents' retirement (21 percent).

Overwhelmingly, non-savers are most likely to say having too many current financial responsibilities is a major reason they do not save for retirement (66 percent). Other reasons that workers give for not saving are:

- Having other savings goals, such as a house or education (36 percent).
- No retirement savings plan offered at work (31 percent).
- Expecting to have a pension (26 percent).
- Lots of time remains until retirement (24 percent).
- Not knowing where to start (18 percent).
- Social Security will take care of them (16 percent).
- Being unable to find savings information that they understand and trust (15 percent).
- Not being confident in their ability to make good decisions about saving (13 percent).

Almost six-in-ten workers who are not currently saving for retirement say that it is reasonably possible for them to save $20 per week for retirement (57 percent). In addition, seven-in-ten workers who are already saving report that it is possible for them to save an additional $20 per week (69 percent, up from 57 percent in 1998). Among those who say they could save this $20 per week, 12 percent say they would not have to give up anything to do so. Those who would have to sacrifice are most likely to say they would cut back on dining out or entertainment.

The Role of the Employer

The employer plays a major role in ensuring adequate retirement preparation. Most obviously, four-in-ten of all workers report that they expect employer provided money will be a major source of income in retirement (40 percent) and the same proportion say it will be a minor source (41 percent). Even more important, however, 46 percent expect that money they put into a retirement plan at work will be a major source of income and three-in-ten report it will be a minor source (31 percent). Further, the availability of a retirement plan at work is credited by almost half of savers with giving them a lot of motivation to save (48 percent) and the lack of a plan is cited by three-in-ten non-savers as a major reason they do not save (31 percent).

Over four-in-ten workers report receiving educational materials or seminars about retirement planing and saving in the past year from their employer (42 percent). Half of those who received employer-provided materials say they received brochures (50 percent) and another third received newsletters or magazines (31 percent). Four-in-ten of those who received some sort of educational materials from their employer say it caused them to begin (19 percent) or resume (21 percent) saving for retirement, while similar proportions say they changed the amount they were contributing to a retirement savings plan (40 percent) or changed the allocation of their money in a retirement savings plan (41 percent). In addition, those who reported receiving employer-provided materials are more likely than others to have also reported doing a retirement savings needs calculation.

Personality Types

An analysis of the workers and retirees in the 1999 RCS reveals that there are five distinct groups of Americans who feel very differently about their attitudes towards their finances and towards planning for retirement. As shown by their scores on the *Retirement Readiness Rating*, Planners appear to be the best prepared for retirement, followed by Savers, Strugglers, Impulsives and Deniers.

Retirement Readiness Rating by Personality Type

RRR	*Planners*	*Savers*	*Strugglers*	*Impulsives*	*Deniers*
Very good (21-25)	16%	10%	2%	1%	0%
Good (16-20)	46	34	25	17	11
Okay (11-15)	26	42	39	36	21
Poor (6-10)	9	11	20	32	36
Very poor (0-5)	2	3	13	15	32

Planners (35 percent of Americans) believe anyone can have a comfortable retirement if they just plan and save (90 percent). This group is composed of disciplined savers (86 percent). They always research and plan for big purchases (78 percent), enjoy financial planning (77 percent) and are willing to take substantial financial risk for substantial financial gain (42 percent). Approximately three-fourths are confident they are investing their retirement savings wisely (73 percent). Not surprisingly, almost nine-in-ten are confident that they will have enough money to live comfortably in retirement (88 percent), almost all believe they will have enough money to take care of basic expenses (95 percent), and more than three-fourths believe they will have enough money to take care of medical expenses (76 percent).

Savers (18 percent of Americans) are very much like planners. They are disciplined savers (88 percent), many research and plan for large purchases (80 percent), and most enjoy financial planning (67 percent). But they are more cautious than planners—almost all pay off their credit cards at the end of every month (95 percent)—and their caution leads to risk adverse behavior. Half are not willing to take any financial risks, no matter what the gain (51 percent) and they characterize themselves as savers, not investors (93 percent). Still, they are confident about their retirement. A large majority believes they will have enough money to live comfortably (85 percent), will have enough money to take care of basic expenses (92 percent) and are doing a good job preparing financially for their retirement (89 percent).

Strugglers (20 percent of Americans) share many of the attitudes of planners and savers. They are disciplined savers (65 percent) who tend to research and plan for large purchases (84 percent). Cautious in their behavior, they consider themselves to be savers rather than investors (94 percent). But the fact that they are frequently set back from their financial goals by unexpected events (69 percent) makes them much less confident about their retirement prospects. Although three-fourths believes they will have enough money for basic expenses (77 percent), only six-in-ten are confident they will have enough money to live comfortably (59 percent).

Impulsives (15 percent of Americans) think that anyone can have a comfortable retirement if they just plan and save (86 percent), but few consider themselves to be disciplined savers (34 percent). In fact, they are frequently set back from their financial goals (90 percent), frequently spend money when they do not plan to buy anything (51 percent), and tend to carry credit card debt (67 percent). Over half believes that they will have enough money to live comfortably throughout their retirement years (56 percent) despite the fact that a similar proportion has accumulated less than $25,000 towards their retirement (54 percent).

Deniers (13 percent of Americans) feel it is pointless to plan for retirement (59 percent) and, more than any other group, they think retirement planning takes too much time and effort (35 percent). Many are impulse shoppers (42 percent), frequently set back from their financial goals (68 percent), or unwilling to take any financial risks no matter what the gain (46 percent). Half of this group is not confident about having enough money to live comfortably in retirement (50 percent) and four-in-ten are not even confident of having enough money to take care of basic expenses (40 percent).

Implications

Americans continue to be more focused on retirement planning and saving, but this focus has not translated into increased confidence. While most are saving, many still have no idea how much they need to save. The majority of all workers, whether already saving or not, admit they could do more. These findings indicate progress that has been made since the 1998 National Summit on Retirement Savings, but they still make clear the need for continued focus on educational efforts leading up to the 2001 National Summit.

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