

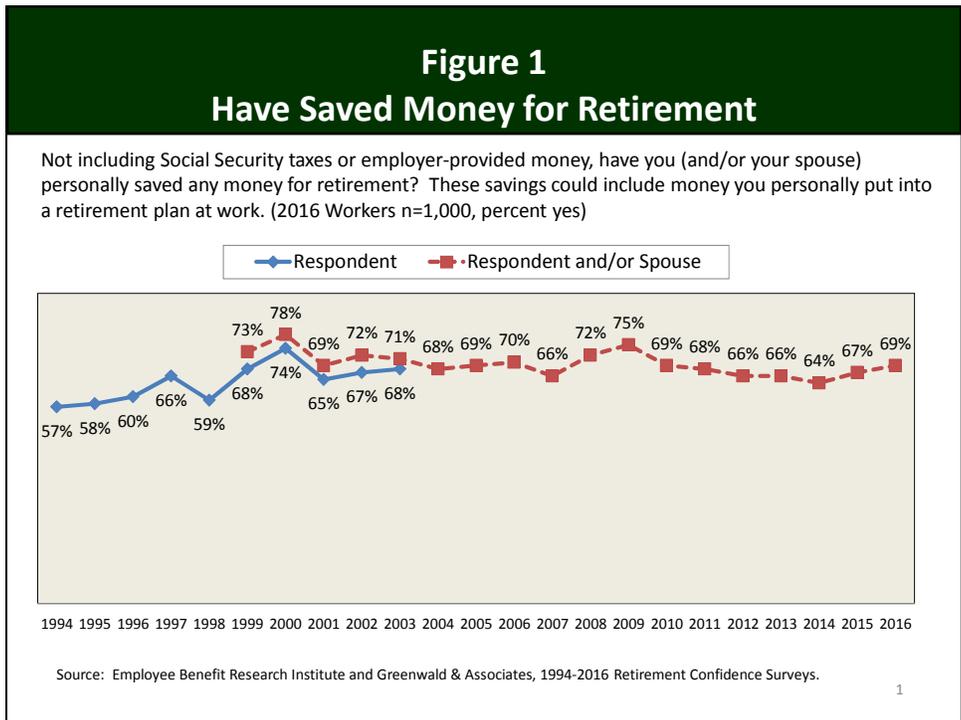
2016 RCS FACT SHEET #3

PREPARING FOR RETIREMENT IN AMERICA

Americans' confidence in their ability to secure a financially comfortable retirement increased slightly in 2016. Is this reflected in actual savings and preparations for retirement?

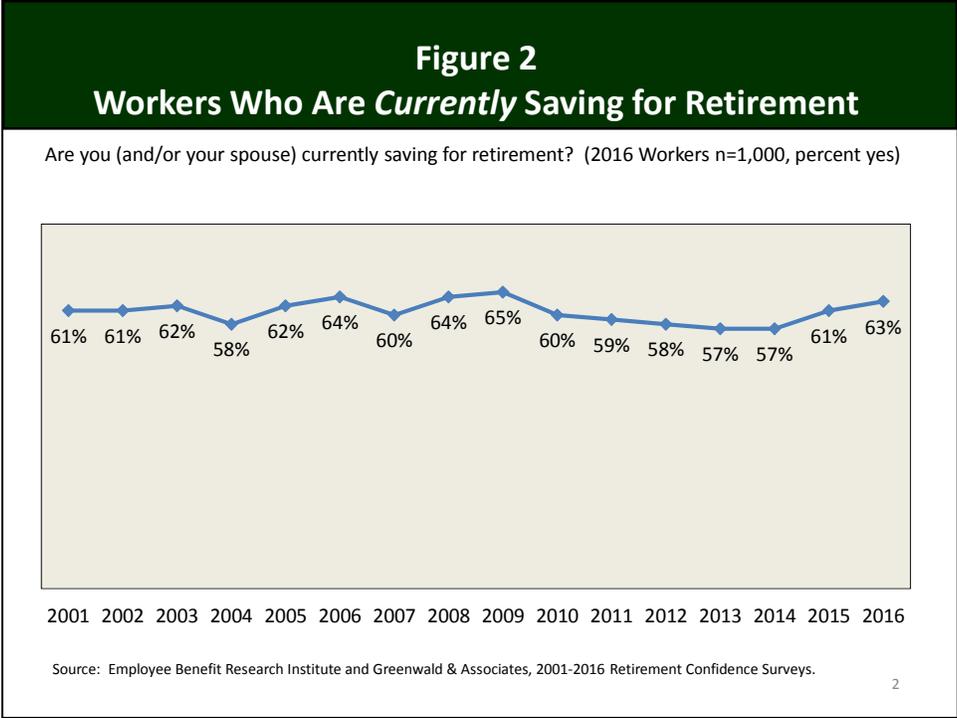
Saving for Retirement

Nearly 7 in 10 workers (69 percent) in the 2016 Retirement Confidence Survey (RCS) report that they or their spouse have saved money for retirement. While this is below the level reported in 2009, when 75 percent reported having saved, it is consistent with levels reported since that time (Figure 1).

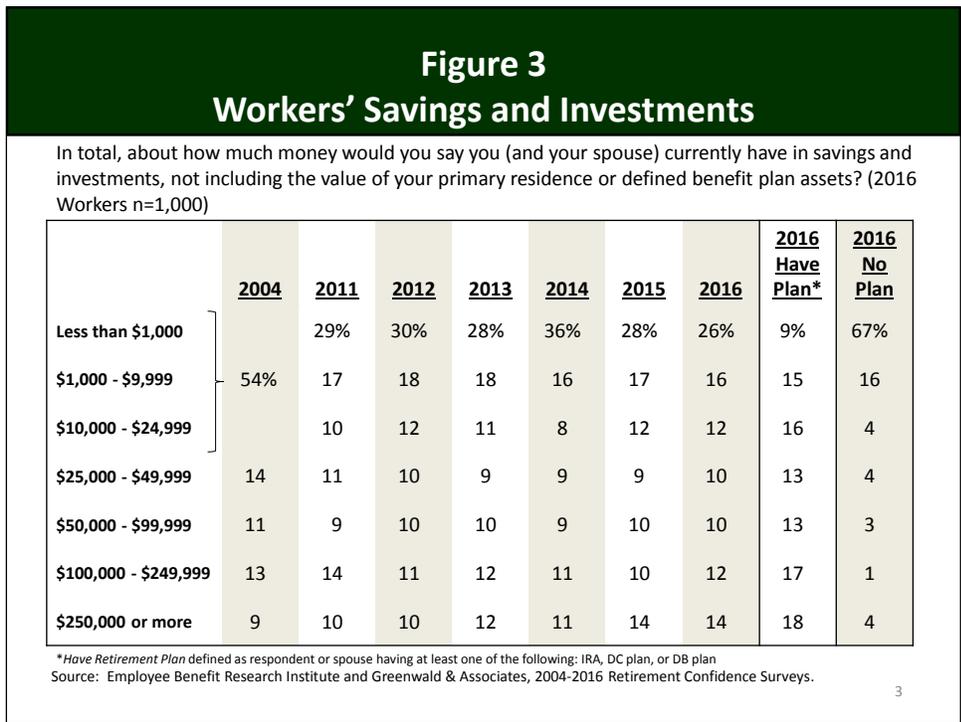


Sixty-three percent of workers in the 2016 RCS report that they or their spouse are *currently* saving for retirement (up from 61 percent in 2015, but still below the 65 percent measured in 2009) (Figure 2).

Workers who have any retirement plan are more likely than those who do not have such a plan to report having personally saved for retirement (88 percent vs. 21 percent).



How Large is Their Nest Egg?



A sizable percentage of workers say they have virtually no money in savings and investments. Among RCS workers providing this type of information, 54 percent report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit (DB) plans, is less than \$25,000. This includes 26 percent who say they have less than \$1,000 in savings.

Approximately 1 in 10 each report totals of \$25,000–\$49,999 (10 percent), \$50,000–\$99,999 (10 percent), \$100,000–\$249,999 (12 percent), and \$250,000 or more (14 percent, same as in 2015) (Figure 3). As one might expect, total savings and investments increase sharply with household income and education, and health status.

Moreover, the majority of those who indicate they and their spouse do not have a retirement plan (DB, defined contribution (DC), or individual retirement account (IRA)) say their assets total less than \$1,000, compared with approximately 1 in 10 of those who have a plan (67 percent vs. 9 percent). At the same time, those without a retirement plan are far less likely than those with a plan to report assets of \$100,000 or more (6 percent vs. 35 percent).

Retirement Plans

One of the primary vehicles that workers use to save for retirement is an employer-sponsored retirement savings plan, such as a 401(k). Indeed, 78 percent of employed workers (53 percent of all workers in the RCS) report they are offered such a plan by their current employer, and more than 8 in 10 (85 percent) of eligible employees (45 percent of all workers) say they contribute money to their employer’s plan.

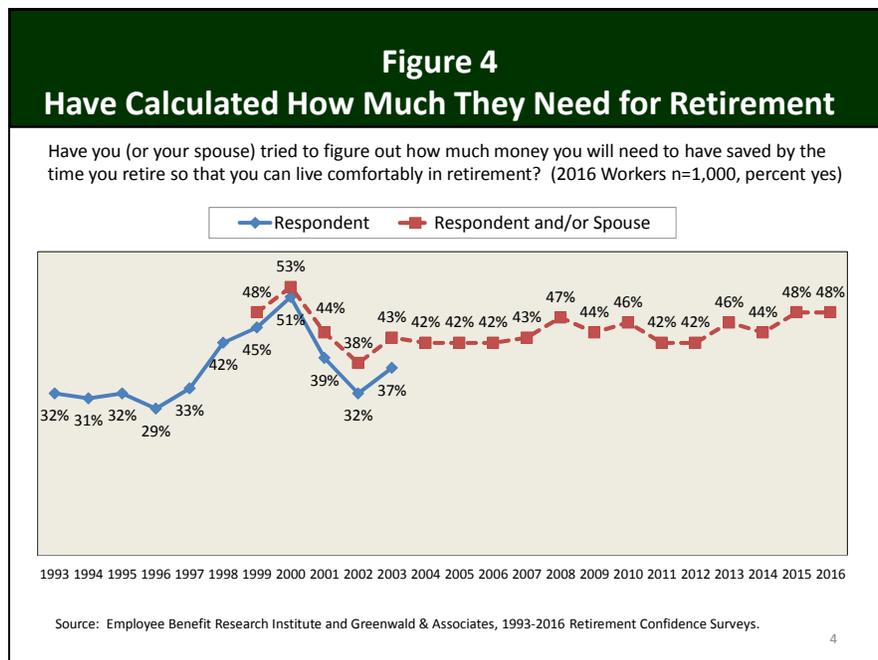
Workers with some sort of retirement plan, whether through their employer or an IRA, have significantly more in savings and investments than do those without a plan (Figure 3). Furthermore, on a household level these workers tend to have retirement savings in multiple vehicles. About two-thirds (66 percent) of those with money in an employer plan also report they or their spouse have money invested in an IRA (which may have originated as a rollover from an employment-based plan). Moreover, the majority (90 percent) of workers with a DB plan through their current or previous employer also have money in an employer retirement savings plan.

Confidence in Retirement Preparations

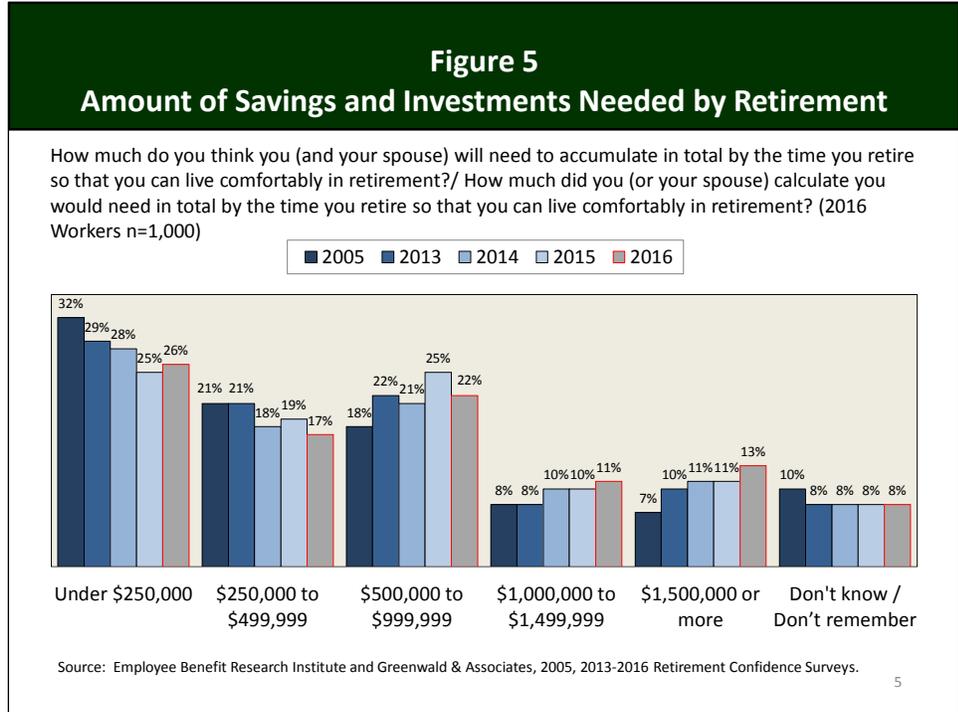
Three-quarters of workers are confident about their ability to do a good job planning for retirement. Almost twice as many workers who have any sort of retirement plan feel more confident in their retirement planning (84 percent) than workers without such a plan (44 percent).

Have They Tried to Figure Out How Much They Need?

Less than half (48 percent) of workers report they and/or their spouse have ever tried to calculate how much money they will need to have saved so that they can live comfortably in retirement. The 48 percent that report trying to do a retirement-savings-needs calculation in the 2016 RCS is statistically comparable to the percentages reported from 2008–2015 (Figure 4).



Consistent with previous years, the likelihood of trying to do a retirement-savings-needs calculation increases with household income, education, and financial assets. In addition, workers reporting they or their spouse have a plan (DC, DB, or IRA) are twice as likely as those who do not have such a plan to have tried a calculation (58 percent vs. 23 percent).



Forty-seven percent of all workers think they need to accumulate at least \$500,000 by the time they retire to live comfortably in retirement. Seventeen percent say they need between \$250,000 and \$499,999, while 26 percent think they need to save less than \$250,000 for a comfortable retirement (Figure 5). As might be expected, savings goals tend to increase as household income rises. Workers who have a retirement savings plan (DC,

DB, or IRA) are more likely to say they need upwards of \$500,000 (52 percent) compared with workers without such a plan (32 percent).

Workers who have done a retirement savings needs calculation tend to report higher savings goals than do workers who have not done the calculation. Thirty-three percent of workers who have done a calculation, compared with 20 percent of those who have not, estimate they need to accumulate at least \$1 million for retirement. At the other extreme, 23 percent of those who have done a calculation, compared with 35 percent who have not, think they need to save less than \$250,000 for retirement. Despite higher savings goals, workers who have done a retirement-savings-needs calculation are more likely to feel very confident about affording a comfortable retirement (30 percent vs. 13 percent who have not done a calculation).

In addition to estimating their retirement savings needs, some workers say they have taken other steps to prepare for retirement. These include thinking about how they would occupy their time in retirement (67 percent), estimating how much income they would need each month in retirement (49 percent), and estimating the amount of their Social Security benefit at their planned retirement age (40 percent). Fewer say they have talked with a professional financial adviser about retirement planning (36 percent), calculated how much they would likely need for retirement health expenses (27 percent), and prepared a formal, written financial plan for retirement (17 percent). Among workers, the likelihood of having undertaken each of these steps increases with age. However, preparing a formal, written financial plan for retirement plateaus among workers age 55 or older.

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