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The 2008 Retirement Confidence Survey:®

Americans Much More Worried About Retirement, Health Costs a Big Concern

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- ***Retirement worries growing—***Americans' confidence in their ability to afford a comfortable retirement has dropped to its lowest level in seven years, reflecting worries about health costs, the economy, and home values, according to the 18th annual Retirement Confidence Survey® (RCS). Decreases in confidence occurred across all age groups and income levels but were particularly acute among younger workers and those with lower income.
- ***Overall retirement confidence drops sharply—***The percentage of workers *very* confident about having enough money for a comfortable retirement decreased sharply, from 27 percent in 2007 to 18 percent in 2008, a decline of 9 percentage points and the biggest one-year drop in the 18-year history of the survey. Retiree confidence in having a financially secure retirement has also decreased sharply, from 41 percent *very* confident to 29 percent, down 12 percentage points.
- ***Health care costs have become a big issue for retirees—***Among retirees who left the work force earlier than planned, more than half (54 percent) say they did so because of health problems or disability. Almost half of retirees (44 percent) say they have spent more than expected on health care expenses. More than half of retirees (54 percent) say they are now more concerned about their financial future than they were right after they retired, a 14 percentage-point increase from a year ago (40 percent in 2007).
- ***Workers may be waking up to the lack of health insurance in retirement—***The RCS finds that 34 percent of all workers now expect to have access to employer-paid health insurance in retirement, down 8 percentage points from last year (42 percent in 2007). Although 41 percent of retirees say they currently have access to health insurance through a former employer, many employers are eliminating health care coverage for future retirees.
- ***Retirement planning up, but still not high—***Less than half of workers (47 percent) say they and/or their spouse have tried to calculate how much money they will need for a comfortable retirement, up from the 42 percent measured in 2004–2006 and considerably higher than the low point of 29 percent recorded in 1996. As before, the 2008 RCS finds that doing a retirement savings calculation is particularly effective at changing worker behavior: 44 percent who calculated a goal changed their retirement planning, and of those almost two-thirds (59 percent) started saving or investing more.
- ***Most savings levels are modest—***The percentage of workers (72 percent) saying they have saved for retirement has returned to 2001–2006 levels after a slight dip in 2007 (66 percent). Forty-nine percent of workers report total savings and investments (not including the value of their primary residence or any defined benefit plans) of less than $50,000. Twenty-two percent of workers and 28 percent of retirees say they have no savings of any kind.

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The complete list of underwriters appears on page 22.

This document is available online at http://www.ebri.org/surveys/rcs/2008/ along with five 2008 RCS Fact Sheets that provide additional detail on:

- Costs of Health Care in Retirement
- Saving for Retirement in America
- Gender Comparisons Among Workers
- Age Comparisons Among Workers
- Attitudes About Social Security and Medicare

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Introduction

The 18th wave of the Retirement Confidence Survey® (RCS) finds that Americans' confidence in their ability to afford a comfortable retirement has dropped to its lowest level in seven years, reflecting worries about health costs, the economy, and home values. However, this decreased confidence does not appear to have affected the way most Americans plan and save for retirement. Moreover, the RCS finds that faulty assumptions still hinder a realistic assessment of the preparations needed to ensure a financially secure retirement.

Findings in this year's RCS include:

- The percentage of workers[1] *very* confident about having enough money for a comfortable retirement decreased sharply, from 27 percent in 2007 to 18 percent in 2008, the biggest one-year drop in the 18-year history of the survey. Retiree confidence in having a financially secure retirement has also decreased, from 41 percent *very* confident to 29 percent. At the same time, the percentage not confident has increased from 29 percent to 37 percent for workers and from 21 percent to 34 percent for retirees.
- Among retirees who left the work force earlier than planned, more than half (54 percent) say they did so because of health problems or disability. Health costs have become a major concern among retirees, as almost half of retirees (44 percent) say they have spent more than expected on health care expenses. More than half of retirees (54 percent) say they are now more concerned about their financial future than they were right after they retired, a 14 percentage-point increase from 40 percent in 2007.
- A third of all workers (34 percent) now expect to have access to employer-paid health insurance in retirement, down 8 percentage points from last year (42 percent in 2007). Although 41 percent of retirees say they currently have access to health insurance through a former employer, many employers are eliminating health care coverage for future retirees.
- Less than half of workers (47 percent) say they and/or their spouse have tried to calculate how much money they will need for a comfortable retirement, up from the 42 percent measured in 2004–2006 and considerably higher than the low point of 29 percent recorded in 1996. As before, the 2008 RCS finds that doing a retirement savings calculation is particularly effective at changing worker behavior: 44 percent who calculated a goal changed their retirement planning, and of those almost two-thirds (59 percent) started saving or investing more.
- Confidence in specific financial aspects related to retirement also decreased. In particular, the percentage *very* confident in having enough money to take care of basic expenses decreased from 40 percent in 2007 to 34 percent in 2008 for workers and from 48 percent to 34 percent for retirees. Among workers, there was an increase in those *not confident* about having enough money for medical expenses (from 32 percent in 2007 to 43 percent in 2008) and for long-term care expenses (from 44 percent to 54 percent).
- Retirees' loss of confidence is reflected in several attitudes they hold about their retirement finances. Retirees are less likely than in 2007 to believe they can always cut back on their lifestyle if it looks like they might use up all of their savings (61 percent, down from 70 percent). At the same time, 39 percent of retirees now think they are likely to live long enough to use up all of their savings (up from 29 percent in 2007).
- Both workers (26 percent, down from 31 percent) and retirees (50 percent, down from 60 percent) are less likely than in 2007 to express confidence that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today. While worker confidence about the future of Medicare benefits remained fairly stable (4 percent *very* confident, 30 percent *somewhat* confident), the percentage of retirees *very* confident about Medicare benefits dropped by nearly one-half (from 15 percent in 2007 to 8 percent).

The percentage of workers saying they have saved for retirement has returned to 2001–2006 levels (72 percent) after a slight dip in 2007 (66 percent). Forty-six percent of workers saving for retirement report total savings and investments (not including the value of their primary residence or any defined benefit plans) of less than $50,000. However, the large majority of workers who have not put money aside for retirement have little in savings at all: Seventy-six percent of these workers say their assets total less than $10,000.

Workers continue to try to push back their expected retirement age, often with the intention of improving their current financial situation or to increase their financial security in retirement. The typical worker expects to retire at age 65, and 20 percent of workers plan to push on into their 70s. However, the typical retiree retired at age 62 and 51 percent say they retired sooner than planned.

Some workers appear to be counting on employer-provided benefits in retirement that are increasingly unavailable. Only 41 percent of workers indicate they or their spouse currently have a defined benefit plan, yet 59 percent say they are expecting to receive income from such a plan in retirement.

Worker suppositions about their financial needs for retirement may be based on unrealistically low estimates about their spending in retirement. Fifty-eight percent of workers think their post-retirement spending will be lower than their spending pre-retirement. Forty-six percent of retirees report spending at this level and retirees overall are facing increasing financial pressures. Fifty-four percent of retirees say they are now more concerned about their financial future than they were right after they retired (up from 40 percent in 2007).

Declining Retirement Confidence

Overall Retirement Confidence

Perhaps because of the decline in consumer confidence, worries about health costs, the economy and job market, and the decline in home values, worker confidence in their financial prospects for retirement has reached a seven-year low. Only 18 percent of workers in the 2008 RCS say they are *very* confident they will have enough money to live comfortably throughout their retirement years (down from 27 percent in 2007, the biggest drop in the survey's history). Forty-three percent are *somewhat* confident for a total 61 percent of workers *very* or *somewhat* confident about their financial security in retirement, statistically equivalent to the 63 percent measured in 2001 (the most recent low point). Thirty-seven percent of workers are not confident they will have enough money to live comfortably, with 21 percent describing themselves as *not too* confident and 16 percent saying they are *not at all* confident (Figure 1).

Figure 1
Worker **Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
2008	18%	43%	21%	16%
2007	27	43	19	10
2006	24	44	17	14
2005	25	40	17	17
2004	24	44	18	13
2003	21	45	17	16
2002	23	47	19	10
2001	22	41	18	17
2000	25	47	18	10
1999	22	47	21	9
1998	22	45	18	13
1997	24	41	19	15
1996	19	41	23	16
1995	21	51	19	8
1994	20	45	17	17
1993	18	55	19	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2008 Retirement Confidence Surveys.®

Retirees have also had their confidence shaken about having a financially secure retirement. Only 29 percent now say they are *very* confident about having enough money to live comfortably throughout their retirement years, compared with approximately 40 percent in the 2001–2007 waves of the RCS. At the same time, 35 percent of retirees are not confident about having enough money (17 percent *not too* confident, 17 percent *not at all* confident), compared with roughly 25 percent in the nine previous surveys (Figure 2).

Decreases in confidence occurred across all age groups and income levels; however, these decreases were particularly acute among younger workers and those with lower income. The percentage saying they are *very* confident about having enough money for a comfortable retirement decreased from 31 percent in 2007 to 18 percent in 2008 among workers ages 25–34 and from 28 percent to 16 percent among workers ages 35–44. Similarly, it decreased from 14 percent to 5 percent among workers with household income under $35,000 and from 25 percent to 13 percent among those with income of $35,000–$74,999.

Figure 2
Retiree Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
2008	29%	35%	17%	17%
2007	41	38	10	11
2006	40	33	12	13
2005	40	40	12	7
2004	42	27	16	13
2003	39	35	12	11
2002	40	32	16	11
2001	37	37	10	11
2000	34	41	14	11
1999	31	39	20	8
1998	19	28	24	24
1997	33	34	18	11
1996	26	42	20	8
1995	26	47	18	6
1994	27	37	21	13
1993	27	45	16	7

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2008 Retirement Confidence Surveys.®

As would be expected, worker confidence in having enough money for a comfortable retirement increases with household income. Worker confidence also increases with savings and investments and with improved health status. Others more often confident are men (compared with women), married workers (compared with those not married), those who expect to receive retirement benefits from both a defined benefit pension and a defined contribution retirement plan (compared with those who do not), and those who expect to have access to employer-provided retiree health insurance (compared with those who do not).

The RCS provides some evidence that concerns about the present may be limiting Americans' ability to think about or plan for their future situation in retirement. When asked what they think is the most pressing financial issue facing most Americans today, just 5 percent of workers and 4 percent of retirees cited saving or planning for retirement. Instead, most mention:

- Making ends meet or the cost of living (17 percent of workers, 19 percent of retirees).
- Paying for health insurance or medical expenses (16 percent of workers, 25 percent of retirees).
- Making mortgage payments or paying for housing (16 percent of workers, 10 percent of retirees).
- Paying down debt or loans (13 percent of workers, 5 percent of retirees).
- Fuel or energy costs (9 percent of workers and retirees).
- Job uncertainty (6 percent of workers, 8 percent of retirees).

Confidence in Other Financial Aspects of Retirement

The 2008 RCS also finds that confidence has decreased in more specific financial aspects related to retirement. Although worker confidence continues to be highest in having enough money to pay for basic expenses during retirement, only 34 percent of workers report they are *very* confident about being able to afford basic expenses when they retire (down from a high of 40 percent in 2007). Forty-five percent are *somewhat* confident. Fewer are confident that they are doing a good job preparing financially for their retirement, with 23 percent *very* confident and 48 percent *somewhat* confident. Workers are least likely to feel confident about having enough money to meet medical expenses (18 percent *very* confident, 37 percent *somewhat* confident) and long-term care expenses (13 percent *very* confident, 31 percent *somewhat* confident). In fact, the percentages not confident in each of these financial aspects of retirement have increased from 32 percent in 2007 to 43 percent in 2008 for medical expenses and from 44 percent to 54 percent for long-term care expenses (Figure 3).

Although retirees tend to express higher levels of confidence than workers about each of these financial aspects of retirement, they too show a marked decline in confidence. The percentage of retirees *very* confident about having enough money to pay for basic expenses decreased from 48 percent in 2007 to 34 percent in 2008. Many retirees are now only *somewhat* confident of being able to cover these expenses (45 percent, up from 35 percent in 2007). Likewise, the percentage of retirees *very* confident that they had done a good job of preparing for retirement decreased from 39 percent in 2007 to 26 percent in 2008, with 43 percent *somewhat* confident. Confidence about having enough money to pay for medical expenses (36 percent *very* confident, 34 percent *somewhat* confident) and long-term care (24 percent *very* confident, 24 percent *somewhat* confident) are statistically unchanged from recent years (Figure 4).

Several attitudes may bolster worker and retiree confidence in their financial security in retirement. Eighty-two percent of workers and 61 percent of retirees (down from 70 percent in 2007) believe they can always cut back on their lifestyle in retirement if it looks like they might use up all of their savings. Sixty-five percent of workers and 53 percent of retirees feel they (or their spouse) are knowledgeable about investments and investment strategies. At the same time, however, 49 percent of workers and 39 percent of retirees (up from 29 percent in 2007) think they may outlive their savings (Figure 5).

Higher-income workers are more likely than those with lower income to agree that they can cut back on their lifestyle and are knowledgeable about investments. Others more apt to consider themselves knowledgeable about investments are retirement savers (compared with nonsavers) and retirement savings plan participants (compared with nonparticipants). Larger shares of women than men agree they could live long enough to use up all of their savings.

Confidence in Entitlement Programs

Confidence in Social Security's ability to maintain the value of benefits paid to retirees, which in the RCS has never been high, shows a slight decline. Twenty-six percent of workers report they are *very* or *somewhat* confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today, compared with 31 percent in 2007. At the same time, 71 percent are *not too* (34 percent) or *not at all* (37 percent) confident that future Social Security benefits will match or exceed the value of today's benefits. Worker confidence that Social Security will continue to provide benefits that are at least equal to today's value increases sharply with age, and retirees are more likely than workers to be confident about the future value of Social Security benefits. Nevertheless, 2008 retirees are less likely than 2007 retirees to describe themselves as *very* or *somewhat* confident (50 percent in 2008 vs. 60 percent in 2007) (Figure 6).

Worker concern about Medicare's level of benefits has been relatively stable. Four percent of workers are *very* confident that the Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today, while 30 percent are *somewhat* confident in the system's benefit levels. However, 64 percent are *not too* (35 percent) or *not at all* (29 percent) confident that Medicare's benefits will continue to equal or exceed the benefits received by beneficiaries today. Again, worker confidence about the future value of Medicare benefits increases with age, and retirees are more likely than workers to be confident. Even so, retirees are about half as likely as in 2007 to report they are *very* confident in the value of the future benefits paid by Medicare (8 percent, down from 15 percent in 2007) (Figure 7).

Figure 3
Worker Confidence in Financial Aspects of Retirement

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Having enough money to take care of basic expenses				
2008	34%	45%	12%	9%
2007	40	42	11	7
2006	35	47	9	9
2005	35	42	11	11
2004	36	47	8	8
2003	33	45	10	11
1998	35	49	10	6
1993	38	43	12	5
1992	25	51	16	6
Doing a good job of preparing for retirement				
2008	23%	48%	16%	12%
2007	26	45	15	13
2006	25	50	14	12
2005	26	46	12	16
2004	26	47	14	12
2003	24	45	15	14
1998	23	47	17	12
1993	21	47	18	12
1992	21	46	21	11
Having enough money to take care of medical expenses				
2008	18%	37%	21%	22%
2007	20	46	18	14
2006	19	42	20	17
2005	20	38	21	20
2004	21	40	21	17
2003	18	40	22	19
1998	18	44	21	15
1993	21	33	23	20
1992	18	36	29	15
Having enough money to pay for long-term care				
2008	13%	31%	27%	27%
2007	17	36	23	21
2006	15	34	26	23
2005	17	30	25	26
2004	16	35	26	22
2003	14	34	26	24
1998	12	33	28	26
1993	NA	NA	NA	NA
1992	NA	NA	NA	NA

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2008 Retirement Confidence Surveys.®

Figure 4

Retiree **Confidence in Financial Aspects of Retirement**

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Having enough money to take care of basic expenses				
2008	34%	45%	6%	14%
2007	48	35	8	8
2006	44	40	7	7
2005	41	42	11	5
2004	44	32	14	8
2003	49	31	11	8
1998	45	40	9	3
1993	38	40	11	5
1992	28	37	25	5
Did a good job of preparing for retirement				
2008	26%	43%	11%	17%
2007	39	41	10	7
2006	42	35	12	10
2005	35	38	13	13
2004	38	31	13	16
2003	41	34	6	18
1998	32	34	19	13
1993	32	40	11	13
1992	24	47	12	14
Having enough money to take care of medical expenses				
2008	36%	34%	11%	15%
2007	41	36	10	12
2006	42	32	15	10
2005	34	39	17	9
2004	36	36	16	11
2003	37	31	12	16
1998	31	42	14	12
1993	30	32	19	12
1992	26	32	25	14
Having enough money to pay for long-term care				
2008	24%	24%	22%	28%
2007	27	33	15	24
2006	22	33	25	16
2005	23	30	19	24
2004	30	23	18	27
2003	21	31	17	27
1998	19	28	24	24
1993	NA	NA	NA	NA
1992	NA	NA	NA	NA

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2008 Retirement Confidence Surveys.®

Figure 5
Attitudes About Managing Money in Retirement

	Workers 2007	Workers 2008	Retirees 2007	Retirees 2008
You (and your spouse) can always cut back on your lifestyle in retirement if it looks like you might use up all of your savings				
Strongly agree	47%	45%	35%	30%
Somewhat agree	37	37	35	32
Somewhat disagree	10	9	11	11
Strongly disagree	4	7	14	19
Neither/Don't know	1	2	5	6
You (or your spouse) are knowledgeable about investments and investment strategies				
Strongly agree	23%	19%	59%	18%
Somewhat agree	43	47	21	35
Somewhat disagree	18	18	18	14
Strongly disagree	14	14	19	26
Neither/Don't know	2	3	3	6
You (and your spouse) are not likely to live long enough to use up all of your savings				
Strongly agree	17%	15%	24%	17%
Somewhat agree	30	30	30	26
Somewhat disagree	24	25	13	16
Strongly disagree	23	24	16	23
Neither/Don't know	6	5	16	16

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007–2008 Retirement Confidence Surveys.®

Figure 6
Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Workers				
2008	5%	21%	34%	37%
2007	7	24	34	34
2006	6	27	33	34
2005	8	23	33	35
2004	7	28	31	32
2003	7	26	35	31
1998	6	16	31	44
1993	4	19	41	33
1992	3	27	44	24
Retirees				
2008	14%	36%	31%	16%
2007	17	43	18	18
2006	19	44	22	13
2005	21	37	26	12
2004	18	39	26	11
2003	27	36	22	11
1998	19	34	31	11
1993	14	36	34	6
1992	13	33	35	15

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007–2008 Retirement Confidence Surveys.®

Preparing—or Not—for Retirement

Saving for Retirement

It would be heartening to find that Americans are reacting to their decreased confidence in having a financially secure retirement by improving their retirement preparations. In fact, the percentage of workers saying they and/or their spouse have saved money for retirement now stands at 72 percent. However, this is statistically similar to the percentages measured in 2001–2006 and appears to be a recovery from a brief dip to 66 percent measured in 2007. While the percentage of workers having saved for retirement increased from 1994–2000, it declined significantly in 2001 and has remained fairly constant since then. The proportion of retirees having saved for retirement has also remained relatively constant in recent years (around 64 percent) (Figure 8).

Figure 7
Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received by Retirees Today

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Workers				
2008	4%	30%	35%	29%
2007	6	30	33	28
2006	5	29	36	28
2005	7	30	33	28
2004	6	31	35	26
2003	5	34	36	25
1998	4	24	34	36
1993	3	21	43	30
1992	1	26	45	25
Retirees				
2008	8%	44%	32%	13%
2007	15	44	22	13
2006	12	50	26	10
2005	20	42	24	9
2004	16	37	31	11
2003	19	44	26	8
1998	12	35	39	11
1993	12	32	32	14
1992	10	28	39	17

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1992–2008 Retirement Confidence Surveys.®

Not all workers who *have* saved for retirement are *currently* saving for this purpose. Sixty-four percent of workers report that they and/or their spouse are currently saving for retirement. This percentage has fluctuated very slightly since the RCS first measured it in 2001, reaching a low of 58 percent in 2004 and a high of 64 percent in 2006 and 2008.

Some workers are also failing to compensate for a decrease in employer-provided retirement benefits. As in the 2007 RCS, 17 percent of workers report the level of retirement benefits offered by their or their spouse's employer has decreased in the past two years. Of these, about one-quarter state they are trying to compensate by saving more on their own (17 percent) or in an employer's plan (7 percent), although small proportions say they are making greater use of financial planning or investment information (7 percent), looking for an employer with better benefits, or working longer hours or a second job (4 percent). Nevertheless, nearly half (46 percent) indicate they have done nothing as a result of the changes.

Not surprisingly, the likelihood of having saved for retirement among both workers and retirees is strongly related to household income. The proportion saying they have saved for retirement also increases as education levels rise or health status improves. In addition, married workers and retirees are more likely than those not married to have set money aside. Other groups of workers more likely to have saved for retirement

Figure 8
Americans Having Saved Money for Retirement

	Workers		Retirees
	Have Saved Money[a]	Currently Save Money	Have Saved Money[a]
2008	72%	64%	64%
2007	66	60	68
2006	70	64	68
2005	69	62	66
2004	68	58	65
2003	71	62	64
2002	72	61	62
2001	69	61	61
2000	78	NA	59
1999	73	NA	67
1998	59	NA	59
1997	66	NA	50
1996	60	NA	52
1995	58	NA	48
1994	57	NA	52

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2008 Retirement Confidence Surveys.®
[a] The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately 4 to 5 percentage points of the increase between 1998 and 1999.

include those age 35 and older (compared with younger workers), workers currently participating in a workplace retirement savings plan (compared with those not participating), workers having attempted a retirement savings needs calculation (compared with those who have not), and those who expect to receive defined benefit income from an employer in retirement (compared with those who do not).

Fifty-one percent of workers and 46 percent of retirees have savings other than what they may have set aside for retirement (Figure 9). In fact, 46 percent of workers and 38 percent of retirees report having both retirement and non-retirement savings. Approximately one-quarter say they have retirement savings only (27 percent of workers, 26 percent of retirees), and less than 10 percent have non-retirement savings only (6 percent of workers, 8 percent of retirees). Unfortunately, 22 percent of workers and 28 percent of retirees say they have no savings of any kind.

Figure 9
Americans Having Non-Retirement Savings

	Workers	Retirees
2008	51%	46%
2007	54	49
2004	51	48
2003	51	40
2002	48	38
2001	40	37
2000	44	35

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2000–2008 Retirement Confidence Surveys.®

Many Americans have little money put away in savings and investments. Among RCS workers providing this type of information, 49 percent 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. The percentages of workers reporting other categories of total savings and investments vary in a narrow range just above 10 percent: $25,000–$49,999 (12 percent), $50,000–$99,999 (12 percent), $100,000–$249,999 (15 percent), and $250,000 or more (12 percent). Retirees provide somewhat lower estimates of total household savings. In particular, they are more likely to say their total household savings are less than $10,000 (51 percent of retirees, up from 32 percent in 2007) (Figure 10).

Figure 10
Reported Total Savings and Investments Among Those Providing a Response
(not including value of primary residence or defined benefit plans)

	<$10,000	$10,000–$24,999	$25,000–$49,999	$50,000–$99,999	$100,000–$249,999	$250,000+
Workers						
2008	36%	13%	12%	12%	15%	12%
2007	35	13	10	13	15	14
2006	39	14	12	12	11	12
2005	52		13	11	12	11
2004	54		14	11	13	9
2003	56		15	11	11	7
2002	50		13	15	15	7
Retirees						
2008	51%	9%	9%	6%	13%	12%
2007	32	13	10	12	20	14
2006	30	12	14	11	13	21
2005	43		20	7	11	19
2004	49		14	7	17	15
2003	54		9	12	13	12
2002	45		7	14	19	15

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002–2008 Retirement Confidence Surveys.®

These findings are similar to some other estimates of American household assets. Quantifiable data from the 2004 Survey of Consumer Finances (conducted by the U.S. Federal Reserve Board) found that the median (midpoint) level of household assets of all Americans is $172,900.[2] This includes the value of the primary home, which had a median value of $160,000 for those who owned a home.

Older workers tend to report higher amounts of assets. Sixty-seven percent of workers under age 35 have total savings and investments less than $25,000, compared with 42 percent of older workers. At the same time, 21 percent of workers age 45 and older cite assets of $250,000 or more (versus 5 percent of younger workers). As one might suspect, total savings and investments increase sharply with household income and with education. Workers who have done a retirement savings needs calculation (compared with those who have not) tend to have higher levels of savings. In addition, those who have saved for retirement are more likely than those who have not saved for retirement to have substantial levels of savings. In fact, 76 percent of workers without retirement savings say their assets total less than $10,000.

Retirement Savings Needs

One reason for the modest totals of savings and investments may be that many workers do not know how much they need to save for retirement. Only 47 percent of workers report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement. The percentage of workers attempting a needs calculation is higher than the 42 percent measured from 2004–2006, but is statistically unchanged from 2007’s 43 percent (Figure 11).

The likelihood of doing a retirement savings needs calculation increases with household income, education, and the amount of savings and investments. In addition, married workers are more likely than unmarried workers to have tried to do one. Workers age 45 and older (compared with younger workers), retirement savers (compared with nonsavers), and participants in a defined contribution plan (compared with nonparticipants and those not offered a plan) more often report trying to do a calculation.

Instead of doing a retirement needs calculation, 43 percent of workers guess at how much they will need to accumulate. Nineteen percent each report asking a financial advisor and doing their own estimate. Others read or hear how much is needed (9 percent), use an online calculator (7 percent), fill out a worksheet or form (4 percent), or base an estimate on their current expenses or their desired retirement lifestyle (2 percent) (Figure 12).

Figure 11
Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement[a]

2008	47%
2007	43
2006	42
2005	42
2004	42
2003	43
2002	38
2001	44
2000	53
1999	48
1998	42
1997	33
1996	29
1995	32
1994	31

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994–2008 Retirement Confidence Surveys.®

[a] The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately 4 to 5 percentage points of the increase between 1998 and 1999.

Figure 12
Method of Determining Savings Needed for Retirement, by Doing a Retirement Needs Calculation
(multiple responses accepted)

		Did Retirement Needs Calculation	
	All Workers	Yes	No
Guess	43%	8%	72%
Ask a financial advisor	19	33	5
Do your own estimate	19	35	3
Read or hear how much needed	9	7	12
Use an online calculator	7	15	<0.5
Fill out a worksheet or form	4	9	0
Base on current expenses or desired retirement lifestyle	2	<0.5	3
Other	4	2	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

Overall, the amounts that workers think they need to accumulate for a comfortable retirement appear to be rather low. Twenty-five percent of workers say they need to save less than $250,000, and another 16 percent mention a goal of $250,000–$499,999. Twenty-three percent think they need $500,000–$999,999, while about 10 percent each believe they need to save $1 million–$1.9 million (11 percent) or $2 million or more (7 percent). However, savings goals tend to increase as household income rises (Figure 13).

Younger workers think they will need more money in retirement: Workers age 55 and older are more likely than younger workers to think they need to accumulate less than $500,000 for retirement, while those under age 35 are more apt than older workers to believe they will need $1 million or more. Similarly, women are more likely than men to think they will need savings of less than $100,000, but less likely to think they will need at least $2 million. Among those with household income of $50,000 or more, workers who do a retirement needs calculation are more likely than those who do not to estimate that they need higher amounts.

Figure 13
Amount of Savings American Workers Think They Need for Retirement, by Household Income[a]

	All Workers	Household Income <$35,000	$35,000–$74,999	$75,000+
Less than $250,000	25%	49%	25%	13%
$250,000–$499,999	16	11	22	15
$500,000–$999,999	23	10	28	28
$1 million–$1.49 million	9	4	7	14
$1.5 million–$1.9 million	2	<0.5	2	4
$2 million or more	7	4	3	14
Don't know/Don't remember	12[a]	18	10	6

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®
[a] 11 percent of respondents did not report their income. They are included in the total column but not in the income groups.

Retirement Age

The age at which workers say they plan to retire has slowly crept upwards, from a midpoint of age 62 in 1996 to age 65 in 2006–2008. Thirty-two percent of workers plan to retire prior to reaching age 65; 11 percent say they will retire before age 60; and 21 percent plan to retire between the ages of 60 and 64. Twenty-four percent of workers say they will retire at age 65, while 29 percent intend to retire at age 66 or even later. Although the retirement age of the average retiree has increased from 60 in 1996 to 62 in 2006–2008, a gap remains between worker expectations and the experience of current retirees (Figure 14).

Figure 14
Planned and Actual Retirement Age

	Workers (Planned)	Retirees (Actual)
Before 55	3%	20%
55–59	7	19
60–61	11	10
62–64	11	23
65	24	14
66–69	9	4
70 or older	20	6
Never retire/never worked	7	2
Don't know	7	3

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

Workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence. Others planning to retire later include workers not expecting benefits from a defined benefit pension plan (compared with those who expect these benefits), private-sector workers (compared with public-sector workers), and those with less than $75,000 in household income (compared with those with higher income).

Consistent with the fact that expected age of retirement has continued to creep upwards, 18 percent of workers state that in the past year they have changed the age at which they expect to retire (down from a high of 32 percent in 2003). Of these, 79 percent say they postponed retirement. Among the reasons given for postponing retirement are:

- The need to pay bills or to make new purchases (28 percent).
- Wanting to make sure they have enough money (17 percent).
- The cost of living is higher than expected (15 percent).
- The poor economy (15 percent).

While the average age at retirement is likely to continue to increase and many workers may work until their planned retirement age, others could find themselves retiring sooner. The RCS has consistently found that a large proportion of retirees leave the work force earlier than planned (51 percent in 2008). Many retirees who retired early cite negative reasons for leaving the work force before they expected, including health problems or disability (54 percent), changes at their company, such as downsizing or closure (33 percent), and having to care for a spouse or another family member (25 percent). Others say work-related reasons (22 percent) or outdated skills (14 percent) played a role. Some retirees mention a mix of positive and negative reasons for retiring early, but just 7 percent offer *only* positive reasons. The consequences of an unplanned early retirement can be heavy. Retirees who retire earlier than planned are more likely than those who retire on time or later than planned to say they are *not* confident about having a comfortable retirement or about having enough money for basic expenses in retirement. They are also more likely to indicate they are now more concerned about their financial future than they were right after they retired.

Like retirees, some workers are likely to find themselves vulnerable to an unplanned early retirement for health, family, and other reasons. There is some indication that workers may be not be taking these factors into account when they determine their planned retirement age. For example, one might expect that workers describing their health as *fair* or *poor* would be planning on retiring at a younger age than those in better health. However, the planned retirement age distribution is roughly similar, regardless of health status.

Length of Retirement

The length of retirement is a key component of retirement planning, and many Americans report taking it into consideration when they do their financial planning. Sixty-six percent of workers and 42 percent of retirees say they consider the number of years they (and their spouse) will spend in retirement. Those with at least a bachelors' degree are especially likely to take this factor into account.

Although individual workers may be significantly underestimating how long they will spend in retirement, it appears that workers, on average, have reasonable expectations about the length of their retirement. The typical RCS worker expects to retire at age 65 and spend 20 years in retirement. Twenty-seven percent expect to be retired for 20–24 years, 10 percent think they will be retired for 25–29 years, and 17 percent think they will live in retirement for 30 years or more. At the same time, 6 percent think they will live less than 10 years in retirement, 23 percent think they will live 10–19 years, and 16 percent say they do not know how long they will live.

Workers planning to retire at earlier ages tend to expect they will spend longer in retirement than those who plan to retire at older ages. However, men and women provide similar estimates of the length of time they will spend in retirement as well as roughly similar expected ages at retirement, despite the fact that women, on average, live longer than men. Fifty percent of both men and women providing this information expect to live until at least age 85, and 25 percent expect to live until at least age 90 (both men and women). Ten percent each think they will live until age 95.[3] According to the 2007 OASDI Trustees Report, a 65-year-old man today can expect to live until age 81, while a 65-year-old woman can expect to live until age 85.[4]

Expectations About Income and Spending in Retirement

Income Needs in Retirement

Another reason for the apparently inadequate levels of savings reported by workers is that some may underestimate their spending needs in retirement. Fifty-eight percent of workers think their post-retirement spending will be lower than their pre-retirement spending. Twenty-four percent say their spending in the first five years of retirement will be much lower than in the five years before retirement and 34 percent indicate their spending will be a little lower. Another 31 percent think their post-retirement spending will be about the same as pre-retirement. In contrast, current retirees are less likely than workers to say their spending in the first five years of retirement is lower (46 percent) and more likely to say it is higher (19 percent) (Figure 15).

Figure 15
Post-Retirement vs. Pre-Retirement Spending

	Workers (Planned)	Retirees (Actual)
Much lower than before you retired	24%	22%
A little lower	34	23
About the same	31	33
A little higher	7	11
Much higher than before you retired	3	8

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

Many retirees are facing financial pressures. Fifty-four percent of retirees say they are now more concerned about their financial future than they were right after they retired (up from 40 percent in 2007). One reason for this increased concern may be the high cost of health care. Forty-four percent report that they have spent more on health care expenses than they had expected to spend.

Workers may also be failing to take health care costs sufficiently into account when estimating their retirement needs, but the 2008 RCS suggests that some workers may now have more realistic expectations about the likelihood of having access to employer-provided health insurance when they retire (34 percent, down from 41 percent in 2007). Forty-one percent of retirees state they have access to health insurance through an employer, but many employers are eliminating health care coverage for future retirees (Figure 16).

Figure 16
Availability of Employer-Provided Health Insurance Coverage in Retirement

	Workers (Expected)	Retirees (Reported)
2008	34%	41
2007	41	43
2006	37	40
2005	40	42
2004	35	41

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2004–2008 Retirement Confidence Surveys.®

Workers expecting benefits from a defined benefit (pension) plan are more apt than those not expecting such benefits to think they will have retiree health coverage. Others who more often say they will receive this type of coverage include workers expecting to receive retirement income from a defined contribution plan (compared with those who are not), those employed in the public sector (compared with private-sector workers), those with income of at least $35,000 (compared with lower-income workers), and those who are married (compared with unmarried workers).

Sources of Retirement Income

Workers expect to cobble together their retirement income from a variety of sources. Although 80 percent report they expect to receive at least some income from Social Security, personal savings will also play a large role. Roughly 70 percent of workers each say they anticipate receiving retirement income from an employer-sponsored retirement savings plan (74 percent), an individual retirement account (IRA) (69 percent), and other personal savings and investments (73 percent). Fifty-nine percent indicate they will receive income from an employer-sponsored traditional pension or cash balance plan. In contrast, retirees more often say they receive income from Social Security (94 percent) and are less likely to rely on any form of personal savings (Figure 17).

Figure 17
Sources of Income in Retirement

	Workers (Expected)	Retirees (Reported)
Social Security	80%	94%
An employer-sponsored retirement savings plan, such as a 401(k)	74	36
Other personal savings or investments	73	48
An individual retirement account or IRA	69	34
An employer-provided traditional pension or cash balance plan	59	53

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

Not surprisingly, workers with higher household income or higher levels of assets are more likely than lower-income workers to cite savings as a source of retirement income, but many of these workers may not be saving at rates necessary to provide the needed income. Workers employed in the private sector are also more apt than those in the public sector to be counting on savings. Instead, public-sector workers are depending on pension income more often than those in the private sector—also not surprising, given the higher level of defined benefit pension sponsorship in the public sector. In addition, lower-income workers are more likely than those with higher household income to say that their retirement income will come from Social Security.

Some workers have not yet begun to build the sources of income from which they expect to draw income in retirement. Eighty-four percent of workers say they are expecting retirement income from non-workplace savings or investments. At the same time, only 56 percent report having these types of savings. Interestingly, this discrepancy is not apparent among workers expecting to receive income from a workplace savings plan—74 percent of workers plan to use it as a source of income in retirement and 70 percent say they currently have such a nest egg.

Others appear to be relying on employer-provided benefits they are unlikely to receive. Workers are statistically as likely to expect that they will receive retirement income from a defined benefit or traditional pension plan (59 percent) as retirees are to receive it (53 percent). However, only 41 percent of workers report they and/or their spouse currently have this type of plan and 13 percent of workers expecting to rely on this type of income admit that they expect to receive the benefit from a future employer—a scenario that is becoming increasingly unlikely as companies cut back on their defined benefit offerings.

Working for Pay in Retirement

A majority of workers expect to supplement their income by working for pay in retirement. The RCS has consistently found that approximately two-thirds of workers plan to work for pay after they retire (63 percent in 2008). While large majorities of these workers say they will work because they want to stay active and involved (87 percent) or they enjoy working (79 percent), similar proportions admit to financial reasons: wanting money to make ends meet (78 percent), wanting money to buy extras (78 percent), and keeping health insurance or other benefits (77 percent). Moreover, all but 5 percent of workers expecting to work for pay in retirement identified at least one financial motive for doing so.

At the same time, the RCS has also found consistently that far fewer retirees actually work for pay at some time during their retirement (25 percent in 2008). Those who worked most often say they enjoyed working (93 percent) or wanted to stay active and involved (91 percent), but 75 percent also identify at least one financial reason for having worked.

Improving Retirement Preparation

Moving Workers to Action

It may take more than a superficial review of workers' planning for retirement to shake their confidence in the effectiveness of their preparations. In the 2008 RCS, workers were asked at both the beginning and end of the survey about their confidence that they were doing a good job of preparing financially for their retirement. Although it was hypothesized that respondents would have less confidence in their retirement preparations at the end of the survey than at the start, that was not the case (Figure 18). In fact, when comparing individual worker responses, 66 percent gave identical answers to both questions. The remaining workers were as likely to gain confidence as they were to lose confidence by completing the survey.

Figure 18
Confidence in Doing a Good Job of Preparing Financially for Retirement

	Start of Survey	End of Survey
Very confident	23%	21%
Somewhat confident	48	47
Not too confident	16	18
Not at all confident	12	12

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

One tool that appears to be particularly effective in changing behavior is the retirement savings calculation. Forty-four percent of those who calculated a goal amount report having made changes to their retirement planning as a result. Most often, these workers say they started saving or investing more (59 percent). Other actions reported include:

- Changing their investment mix (20 percent).
- Reducing debt or spending (7 percent).
- Enrolling in a retirement savings plan at work (5 percent).
- Deciding to work longer (3 percent).
- Researching other ways to save for retirement (3 percent).

Enhancing the calculation tool so it can develop responses more tailored to each individual's situation and to provide a range of possible answers based on different scenarios may prompt workers to further action. Fifty-six percent of workers report they would prefer a retirement calculation tool that asked for seven to 10 pieces of detailed information and gives an answer to fit their personal situation to one that asks for only a few pieces of basic information and gives more generic answers (31 percent). Likewise, workers say they prefer a tool that gives a range of answers based on different scenarios (72 percent) to one that gives a single answer based on the most likely scenario (23 percent) (Figure 19). Younger workers (compared with older workers) and college graduates (compared with those having less education) are especially likely to prefer the more complex calculators.

Enhancing Employer Plans

Workers are more likely to save in a tax-qualified retirement plan at work than they are on their own. Forty-six percent of all workers (77 percent of *eligible* workers[5]) say they participate in an employer-sponsored retirement savings plan, but just 40 percent have an IRA to which they can contribute outside of work (33 percent of workers report having an IRA opened with money rolled over from an employer's retirement plan.) The likelihood of participating in either an employer-sponsored plan or an IRA opened with money saved outside of work increases as household income rises.

Figure 19
Worker Preferences for Retirement Calculator

Which would you prefer?	
One that asks for 7 to 10 pieces of detailed information and gives an answer to fit your personal situation	56%
One that asks for 3 or 4 pieces of basic information and gives an answer that fits most people like you	31
Neither/would not use tool	5
Don't know/Refused	8
One that gives you a range of answers based on different scenarios	72%
One that gives you a single answer based on the most likely scenario	23
Neither/would not use tool	3
Don't know/Refused	2

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

Employer matches have been somewhat effective in boosting participation in 401(k)-type plans, but are not successful for all workers. Eighty-three percent of workers offered a plan with a match report participating, compared with 69 percent without a match.

Adding a Roth 401(k) may be another way to encourage workers to save for their retirement. Twenty-four percent of workers state they would be *very* interested in this type of plan and 38 percent say they would be *somewhat* interested. Thirty-four percent indicate they would be *not too* (13 percent) or *not at all* (21 percent) interested (Figure 20). Interest is higher among workers ages 25–34 (vs. older workers) and women (vs. men).

Figure 20
Worker Interest in Roth 401(k), by Age Group

		Age Group			
	All Workers	25–34	35–44	45–54	55+
Very interested	24%	32%	23%	21%	20%
Somewhat interested	38	45	43	37	26
Not too interested	13	10	14	13	14
Not at all interested	21	12	15	27	35

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey.®

Preserving Retirement Assets

Many workers do not preserve all of the retirement savings they accumulate in defined contribution plans when they move from one employer to another. Forty-six percent of workers report they participated in a retirement savings plan with one or more of their previous employers. About 40 percent of these workers say they left some or all of the money in the plan (43 percent) or rolled some or all of the money into an IRA (38 percent) when they terminated their employment. Twenty-nine percent indicate they rolled money over into a plan with their new employer. However, 30 percent report spending some or all of the money or using it to pay off debt and 26 percent put it into personal savings or investments, thereby sacrificing some of their savings in early withdrawal penalties.

In addition, 55 percent of workers do not receive any advice when they leave their employer about what to do with the money they accumulated in their retirement savings plans. Those that do receive advice generally report getting advice from a professional financial advisor (74 percent). Smaller proportions also say they received advice from their retirement plan provider (50 percent), another financial services company (39 percent), or a relative, friend or co-worker (25 percent). Nine percent indicate they consulted an online professional financial advice service.

However, it appears that more workers could be encouraged to seek advice. Sixty-nine percent report that if they were leaving an employer and had money in a retirement savings plan, they would be *very* or *somewhat* likely to seek advice from their retirement plan provider. Almost as many say they would be likely to look to a financial services company retained by their employer to provide advice (65 percent) or an independent financial services company or advisor (59 percent). Fifty-two percent would be likely to turn to a relative, friend, or co-worker, while 41 percent would think about accessing an online professional financial advice service retained by their employer (Figure 21). Workers under age 45 are more apt than older workers to indicate they would seek advice from each of these sources.

Figure 21
Likelihood of Seeking Advice from Selected Sources
(when leaving an employer with money in a retirement savings plan)

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely
Your retirement plan provider	27%	42%	13%	17%
A financial services company retained by your employer to provide advice	19	46	14	20
An independent financial services company or advisor	21	38	19	21
A relative, friend, or co-worker	20	32	17	31
An online professional financial advice service retained by your employer	9	32	22	36

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993–2008 Retirement Confidence Surveys.®

RCS Methodology

These findings are part of the 18th annual Retirement Confidence Survey® (RCS), a survey that gauges the views and attitudes of working-age and retired Americans regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted in January 2008 through 20-minute telephone interviews with 1,322 individuals (1,057 workers and 265 retirees) age 25 and older in the United States. Random digit dialing was used to obtain a representative cross section of the U.S. population. To further increase representation, a cell phone supplement was added to the sample for the first time in 2008. Starting with the 2001 wave of the RCS, all data are weighted by age, sex, and education to reflect the actual proportions in the adult population. Data for waves of the RCS conducted before 2001 have been weighted to allow for consistent comparisons; consequently, some data in the 2008 RCS may differ slightly with data published in previous waves of the RCS. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

In theory, the weighted sample of 1,322 yields a statistical precision of plus or minus 3 percentage points (with 95 percent certainty) of what the results would be if all Americans age 25 and older were surveyed with complete accuracy. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

The RCS was co-sponsored by the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan public policy research organization; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm. The 2008 RCS data collection was funded by grants from 40 public and private organizations, with staff time donated by EBRI and Greenwald. RCS materials and a list of underwriters may be accessed at the EBRI Web site: www.ebri.org/rcs

Endnotes

[1] In the RCS, *retiree* refers to individuals who are retired or who are age 65 or older and not employed full time. *Worker* refers to all individuals who are not defined as retirees, regardless of employment status.

[2] Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," *Federal Reserve Bulletin*, Vol. 92 (February 2006): A1-A38.

[3] Life expectancy is calculated by adding expected age at retirement and expected length of retirement for workers providing both pieces of information.

[4] *2007 OASDI Trustees Report, Assumptions and Methods Underlying Actuarial Estimates*, http://www.socialsecurity.gov/OACT/TR/TR07/V_demographic.html#wp151333

[5] It is likely that this percentage is slightly higher than the actual participation rate, since some workers who do not participate in an employer-sponsored retirement savings plan are not aware of their eligibility.

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