2014 RCS FACT SHEET #2

CHANGING EXPECTATIONS ABOUT RETIREMENT

Despite an increase over the past year, retirement confidence levels still indicate a general uneasiness among workers in the prospect of securing a financially comfortable retirement. How, if at all, do workers expect to compensate for insufficient retirement savings?

Postponing Retirement

While responses to a question asking the age at which workers expect to retire shows little change from one year to another, the age at which workers expect to retire has been slowly rising. In 1991, just 11 percent of workers expected to retire after age 65. Twenty-three years later, in 2014, 33 percent of workers report that they expect to retire after age 65, and 10 percent don’t plan to retire at all. At the same time, the percentage of workers expecting to retire before age 65 has decreased, from 50 percent in 1991 to 27 percent (Figure 1).

This trend of increasing retirement age expectations may be slowing, however. Since 2009, between 20 and 25 percent of workers have reported that the age at which they expect to retire increased in the past year. Fewer expressed that opinion in 2014. Only 15 percent of workers report an increase in their expected retirement age in the past year, compared with 22 percent in the 2013 RCS (Figure 2).

Nevertheless, the median (midpoint) age at which workers expect to retire has remained stable at 65 for most of the history of the RCS.
Workers who have noted a change in expected retirement age in 2014 most often cite the poor economy (25 percent), the inability to afford retirement (18 percent), and a change in their employment situation as reasons for postponing retirement (Figure 3).
The RCS has consistently found that a large percentage of retirees leave the workforce earlier than planned (49 percent in 2014) (Figure 4). Many who retire earlier than they had planned often do so for negative reasons, such as a health problem or disability (61 percent), though some state that they retired early because they could afford to do so (26 percent).

This tendency to retire earlier than planned may explain the considerable gap that exists between workers’ expectations and retirees’ experience. Just 9 percent of workers say they plan to retire before age 60, compared with 35 percent of retirees who report they retired that early. On the other hand, 22 percent of workers plan to wait at least until age 70 to retire, compared with 9 percent of retirees who actually did so.

As one might expect, workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence.

**Working for Pay in Retirement**

Two-thirds (65 percent) of workers plan to work for pay in retirement, compared with just 27 percent of retirees who report they have actually worked for pay in retirement. In fact, the RCS has consistently found that workers are far more likely to plan to work for pay in retirement than retirees are to have actually worked.

Workers most often cite needing to stay active and involved as a reason to work in retirement (90 percent). That said, financial reasons also play an important role in this decision for many, both positive (82 percent plan to work to have money to buy extras), and negative (81 percent want money to make ends meet) (Figure 5).
Is... a major reason, minor reason, or not a reason why you will work for pay after you retire. (2014 Workers who will work for pay n=610)

<table>
<thead>
<tr>
<th>Reason for Working</th>
<th>Major reason</th>
<th>Minor reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Needing to stay active and involved</td>
<td>67%</td>
<td>23%</td>
</tr>
<tr>
<td>Needing money to buy extras</td>
<td>38%</td>
<td>44%</td>
</tr>
<tr>
<td>Enjoying working</td>
<td>51%</td>
<td>30%</td>
</tr>
<tr>
<td>Needing money to make ends meet</td>
<td>47%</td>
<td>34%</td>
</tr>
<tr>
<td>Keeping health insurance or other benefits</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>Trying a different career</td>
<td>15%</td>
<td>24%</td>
</tr>
</tbody>
</table>


Sources of Income in Retirement
More than half of workers expect to be able to rely on Social Security (80 percent), employment (74 percent), employer-sponsored retirement savings plans (71 percent), IRAs (65 percent), other personal savings (68 percent), and traditional pension plans (57 percent) for a major or minor source of their retirement income (Figure 6).

Figure 6
Trend in Workers’ Expectation of Employment During Retirement
Do you expect the following will be a major source of income, a minor source of income, or not a source of income in your (and your spouse’s) retirement? (2014 Workers planning to retire n=911)

Employment During Retirement

Despite a small decrease in 2014, 62 percent of retirees indicate that Social Security is a *major* source of income in retirement. In addition to Social Security, some retirees also rely on traditional pension plans—thirty-six percent of current retirees cite pensions as a major source, and 18 percent say they are a minor source—but a sizeable minority (43 percent) of current retirees say those are not a source of retirement income at all. As for employer-sponsored retirement savings plans, while they are not a source of retirement income for 53 percent of current retirees, they do represent a major source for nearly one in five (19 percent) and a minor source for nearly a quarter (23 percent).