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Will Americans Ever Become Savers?
The 14th Retirement Confidence Survey, 2004

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- This *Issue Brief* reports on the findings from the 14th annual Retirement Confidence Survey (RCS), a comprehensive study of the attitudes and behaviors of American workers and retirees toward saving, retirement planning, and long-term financial security. The 2004 RCS interviewed 1,002 individuals (783 workers and 219 retirees) age 25 and older in the United States and found that key attitudes and behavior patterns about retirement have barely changed over the past few years. The RCS was first released in 1991 and is unique in its long-term ability to track public attitudes about saving and retirement.
- Many American workers have saved some money for retirement, but the *proportion* of Americans saying they have saved money for retirement has not increased since 2001. Moreover, 4 in 10 workers say they are not *currently* saving for retirement. Many of those with savings cite low levels of savings and investments.
- Some workers may have expectations about their retirement that cannot be achieved. They expect to be able to work until they reach the age they want to retire, and a majority expect to be able to work for pay in retirement. Some will find that ill health or job loss ruins these plans. Workers also tend to expect their financial standard of living in retirement to be at least as good as before retirement and to remain at least at that level throughout the length of their retirement. For some, this is unlikely, due to increasing medical costs, declining savings, and inflation.
- Some workers may be counting on employer-provided retirement benefits that they might never receive. Workers are as likely to expect to receive benefits from a defined benefit plan pension and retiree medical insurance as current retirees are to have actually received them. At the same time, employers are cutting back on the provision of these benefits, making it less likely that future retirees will receive them. In some cases, workers who do receive these types of benefits will find that they are not as rich as those received by retirees in the past.
- Few workers appear to have an idea of how much it takes to live comfortably in retirement. Only about 4 in 10 have taken steps to calculate how much they need to save by the time they retire in order live comfortably in retirement, and one-third of those say they don't know or can't remember the result of the calculation.
- Almost half of workers who have not saved for retirement feel at least some confidence about their ability to have a comfortable retirement. Some of these workers expect an employer to fund their retirement. Others are planning to save later, to rely on Social Security, to obtain support from family or friends, to work in retirement, or to manage through some other arrangement.
- Retirement education can lead to changes in savings behavior of a significant proportion of workers. More than 4 in 10 workers who tried to do a savings needs calculation report changing their retirement planning as a result. Similarly, almost 3 in 10 of those who received retirement education through the work place changed their retirement planning.

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Overview

Why aren't some Americans saving for retirement? Among those who are, are they saving enough? And what can be done about it? Despite recent changes in the economy and efforts to educate the population about retirement, the 14th annual wave of the Retirement Confidence Survey (RCS) finds that the proportion of Americans saving for retirement has remained constant, as have other key indicators of how Americans say they are preparing for retirement. The 2004 RCS provides several reasons why Americans are not saving enough for retirement, but at the same time points to some potential solutions to the American retirement savings problem.

- About 7 in 10 workers[1] report that they and/or their spouse have saved for retirement (68 percent). This proportion has remained statistically unchanged since 2001.
- Workers appear to have expectations about when they will be able to retire and about working in retirement that do not match the experience of current retirees. More than half expect to work to age 65 or beyond (54 percent), and almost 7 in 10 plan to work in retirement (68 percent). Not all will be able to do so, and many retirees who retire earlier than planned often do so involuntarily (for instance, for health reasons) and tend to be worse off financially than other retirees.
- Few workers have estimated how much it takes to fund a comfortable retirement. Slightly more than 4 in 10 have attempted to do a retirement needs calculation (42 percent), and some of these workers may have obtained little value from the process. One-third of those who attempted the exercise say they do not know or do not remember the result of the calculation (32 percent), while others report results that are out of line with their household income.
- Some Americans may be falsely confident about the adequacy of their retirement planning and savings. One-quarter of all workers are *very* confident of having enough money for a comfortable retirement (24 percent) and more than 4 in 10 are *somewhat* confident (44 percent). Almost half of workers who have not saved for retirement are at least *somewhat* confident about having enough money for retirement (47 percent), expecting that money for retirement will come from somewhere.
- Retirement education formats that allow people to participate, ask questions, and/or are personalized appear to be effective in changing retirement savings behavior. The RCS finds that paper-based information (benefit statements, brochures, newsletters) and group or individual meetings with financial planners are far more likely to be used than any computer-based or Internet resources. Doing a retirement savings needs calculation appears to be a particularly effective action to increasing savings. More than 4 in 10 workers who attempted to do a needs calculation say they made changes in their retirement planning as a result (43 percent), and of these, 57 percent started saving more for retirement.

Saving for Retirement

How are American workers doing when it comes to saving for retirement? While a majority say they have saved some money, many have saved only a small amount.

A majority of workers report they have saved money for retirement, but fewer say they are currently saving and these proportions have not increased in recent years. Roughly 7 in 10 workers

[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.

report that they and/or their spouse have saved money for retirement (68 percent), and approximately 6 in 10 workers say they are *currently* saving for retirement (58 percent). Yet these proportions have remained constant since 2001, despite economic ups and downs and efforts at educating the American public about the importance of saving for retirement.

Figure 1
Workers Reporting Have Saved or Currently Saving Money for Retirement

	Have Saved Money[2]	Currently Save Money
1994	57%	NA
1995	58	NA
1996	60	NA
1997	66	NA
1998	59	NA
1999	73	NA
2000	78	NA
2001	69	61%
2002	72	61
2003	71	62
2004	68	58

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 1994–2004 Retirement Confidence Surveys.

Education and (not surprisingly) income tend to be the major factors in whether workers save for retirement. Moreover, married workers are more likely than those who are not married, and those who have attempted a retirement savings needs calculation are more apt than those who have not, to have saved.

Although some workers report having savings in addition to retirement savings, the total savings and investments of many American workers are low. Half of American workers say they have other savings or investments set aside in addition to what they may have in retirement savings (51 percent). However, the median assets of American families are low. The 2001 Survey of Consumer Finances found that median assets of all American families are only $136,010.[3] If the value of the primary home was excluded, the median value of family assets is only $47,000. The RCS has similar findings, with 45 percent of all workers reporting total household assets, excluding the value of their home, of less than $25,000. One in 10 each report total savings and investments of $25,000 to $49,999 (11 percent), $50,000 to $99,999 (9 percent), $100,000 to $249,999 (10 percent), and $250,000 or more (8 percent). (Eighteen percent say they do not know or refuse to provide the amount of their total assets.) In general, older workers are more likely to report higher amounts of assets. However, those age 45 to 54 and those age 55 and over are statistically equally likely to report each asset category. As one might suspect, total savings and investments increase sharply with household income.

[2] The addition of the phrase "and/or your spouse" to the question wording for married respondents starting in 1999 is responsible for approximately four to five percentage points of the increase between 1998 and 1999.
[3] EBRI estimates from the 2001 Survey of Consumer Finances. This includes all family financial and nonfinancial assets, including their primary residence but excluding the value of defined benefit pension plans and Social Security.

Figure 2
Total Savings and Investments, by Age
(Not Including Value of Primary Residence)

	All Workers	Ages 25–34	Ages 35–44	Ages 45–54	Ages 55+
Less than $25,000	45%	64%	48%	30%	29%
$25,000–$49,999	11	17	11	9	5
$50,000–$99,999	9	7	10	9	10
$100,000–$249,999	10	2	9	19	13
$250,000 or more	8	3	7	10	13
Don't know/Refused	18	8	15	24	30

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

Retirement Expectations

Many workers appear to have optimistic expectations about retirement and retirement income that might lead them to be complacent about their retirement savings needs.

Workers may be mistaken in thinking they can work long past the normal retirement age. Certainly, workers are planning to retire at a later age than current retirees actually retired. The average nonretired individual today plans to retire at age 65, while the average retiree retired at age 62. Almost 4 in 10 workers plan to retire prior to reaching age 65; 16 percent say they will retire before age 60 and 21 percent plan to retire between the ages of 60 and 64. One-fourth of workers say they will retire at age 65 (26 percent), and more than 2 in 10 intend to retire at age 66 or even later (22 percent).

Figure 3
Planned and Actual Retirement Age

	Workers	Retirees
Ages 54 or younger	5%	9%
Ages 55–59	11	17
Ages 60–61	9	6
Ages 62–64	12	29
Age 65	26	15
Age 66 or older	22	13
Never retire/Did not expect to retire	6	3

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

The average age at retirement is increasing, and many workers may work until their planned retirement age. However, the RCS has consistently found that approximately 4 in 10 retirees leave the work force earlier than planned (37 percent in 2004). Many retirees who retired early cite negative reasons for leaving the work force before they expected, including health problems or disability (35 percent) or changes at their company, such as downsizing or closure (28 percent). The consequences of an unplanned early retirement can be dire. 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 other financial aspects of retirement. It is possible that some workers will continue to find themselves vulnerable to an unplanned early retirement for some of the same reasons in the future. Like current retirees who found themselves retiring early, many of these workers may also find that their retirement planning has been inadequate.

Some workers are counting on working longer to make up for inadequate savings, a solution that may not work. Thirteen percent of workers age 45 and over say that, in the past year, they have postponed the age at which they plan to retire (down from 24 percent in 2003). While the 2004 RCS did not ask for reasons why workers decided to work longer, the 2002 and 2003 RCS documented that most of those who make this decision do so for economic reasons: having to work longer to make up for lost savings, wanting to make sure they are financially secure, the increasing eligibility age for Social Security, and a higher than expected cost of living. However, workers who delay their retirement are subject to the same stresses that lead to an unplanned early retirement as other workers. Many of these workers may not be able to make up for their inadequate savings due to poor health or lack of job opportunities.

Many workers have unrealistic expectations about how much of their preretirement income they will need when they retire. One in 10 workers think they will need less than 50 percent of their preretirement income in order to live comfortably in retirement (10 percent), while almost 3 in 10 believe they will need 50 to 70 percent (28 percent). Another 3 in 10 think they will need 70 to 85 percent (28 percent) and one in 10 expect to need 85 to 95 percent of their preretirement income (11 percent). Just 8 percent think their income in retirement will need to be about the same as right before retirement and 7 percent expect to need a higher income. Many financial planners suggest that workers plan for a retirement income of at least 70 percent of their preretirement income. Four in 10 retirees say their current income is about the same as their preretirement income (39 percent), 13 percent say their current income is higher, and almost half say it is lower (45 percent). (Retirees were not asked to account for inflation.)

Figure 4
Percentage of Preretirement Income Needed in Retirement

	Workers (Income Needed in Retirement)	Retirees (Current Income)
Lower (don't know percentage)	NA	7%
Less than 50%	10%	13
50%–70%	28	15
70%–85%	28	7
85%–95%	11	3
95%–105% (about the same)	8	39
105% or more (higher)	7	13
Don't know/Refused	7	2

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

The percentage of preretirement income that workers think they will need is related to household income. Those with less than $35,000 in household income are more likely than those with higher household income to think their income in retirement will need to equal their preretirement income for them to live comfortably in retirement. On the other hand, those with higher income are more apt to think they will need 70 percent or less of their preretirement income to live comfortably.

Some workers may be overly optimistic about their standard of living in the years immediately after their retirement. About two-thirds of workers believe that they will be at least as comfortable in the years immediately after retirement as they were before retirement. This includes 45 percent who think they will have the same standard of living as right before retirement and 2 in 10 who think they will be able to afford a more comfortable standard of living than that (19 percent). Only about one-third think their standard of living will decline in the years immediately after retirement (35 percent). While some workers will be able to maintain their preretirement standard of living in the years immediately after their retirement, many others will find that their standard of living declines. This may be especially true for those planning on a low income-replacement ratio. While job-related expenses decline or are eliminated in retirement, other expenses remain constant (such as housing and living expenses and property taxes) and may rise (such as leisure and medical expenses). Those more likely to think their standard of living will decline tend to be those who have household income less than $35,000, who do not own a home, who are not married, who have not saved for retirement, who do not expect to receive employer-sponsored health insurance, or who do not expect to receive money from an employer-sponsored retirement plan.

The majority of workers are imprecise when it comes to projecting their standard of living over the length of their retirement. When workers think about planning for retirement, many may forget about the effects of inflation. The only sources of regular income in retirement that are likely to provide protection against inflation are Social Security and the type of defined benefit pension plans frequently offered to public-sector employees. Few private-sector employer pensions are inflation protected and most people do not purchase annuities with inflation protection. Investments can provide a cushion against inflation and can also help to defray costs that increase in retirement (such as medical costs), but some people may lack the financial knowledge to manage their investments effectively so that the money lasts their lifetime. Yet 6 in 10 workers do not expect their standard of living to decline during retirement, including 37 percent who expect the standard of living they will be able to afford to stay the same and 22 percent who think their standard of living will become more comfortable as they age. Likely making a more realistic assessment, another 4 in 10 think it will become less comfortable as they age (38 percent). Again, lower income workers and nonsavers are more likely to think their standard of living will decline over time.

Most workers continue to be unaware of the phased increase in the age at which they can receive Social Security retirement benefits without a reduction for early retirement, despite the importance of Social Security to retirement income security. More than half of workers believe they will be eligible for unreduced benefits sooner than they actually will (54 percent). One-third incorrectly think they will be eligible for unreduced benefits at age 65 (32 percent of all workers), but 2 in 10 think they will be eligible even before age 65 (21 percent). Only 19 percent are able to give the correct age at which they will be eligible for full retirement benefits, and 5 percent believe they will be eligible later than they actually will be. Two in 10 workers say they do not know when they will be eligible to receive full benefits from Social Security (21 percent). These percentages are statistically unchanged from when the question was first asked in 2000. Workers age 55 and over are more likely than younger workers to respond correctly.

Figure 5
Knowledge of Eligibility Age for Unreduced Social Security Retirement Benefits, by Age Group

	All Workers	Ages 25–54	Age 55+
4 or more years earlier	20%	20%	17%
1–3 years earlier	34	35	30
Correct	19	15	42
Later	5	6	2
Don't know	21	23	10

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

Workers may overestimate the likelihood of receiving certain retirement benefits from their employer, and this may help to make them overconfident about their retirement prospects. Half of workers say they and/or their spouse expect to receive money from a defined benefit plan (52 percent), making them as likely to expect to receive these benefits on a household basis as retirees actually are to have received them (50 percent). In addition, more than one-third of workers report they and/or their spouse expect to receive retiree health insurance (35 percent), compared with 4 in 10 retirees (41 percent). Employers have been cutting back on the provision of these types of benefits, and the expectation of receiving these benefits should increase with age. Yet younger workers are as likely as older workers to think they will receive them. Workers who expect to receive these benefits may be mistakenly counting on them to help them in retirement. These workers are more likely to be confident about their financial prospects in retirement than are those who do not expect to receive such benefits. For example, 29 percent of those expecting to receive benefits from a defined benefit plan are *very* confident of having enough money for a comfortable retirement, compared with 18 percent of those who do not expect to receive such benefits. Likewise, 33 percent of those who think they will receive retiree health insurance are *very* confident, compared with 19 percent of those who do not think they will receive insurance.

Many workers expect to work for pay in retirement. Two-thirds of workers say they plan to work in retirement (68 percent). Reasons for working include various motivations: keeping health insurance or other benefits (43 percent), wanting money to make ends meet (36 percent), wanting money to buy extras (36 percent), and helping support children or other relatives (21 percent), as well as enjoy work and wanting to stay involved (64 percent) and trying a different career (16 percent). However, only 3 in 10 workers do not identify a financial motive as one of their reasons for working in retirement (29 percent). Just one-third of retirees report having actually worked for pay at some time during their retirement (32 percent). Although work for pay during retirement is rising, it is unlikely that all of the workers who would like to work in retirement will be able to do so. Many will find themselves unable to work for health reasons.

Retirement Preparations

Few workers have a good idea of how much it takes to fund a comfortable retirement or give thought to key retirement issues. Even those who save may not be taking advantage of available vehicles to save for retirement.

The majority of American workers have not tried to calculate how much they need to save for retirement. Only 42 percent of workers report they and/or their spouse have tried to calculate how much money they will need to save by the time they retire so that they can live comfortably in retirement. This percentage is basically unchanged since 2001.

Figure 6
Workers Having Tried to Calculate How Much Money They Will Need to Save[4]

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

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 1994–2004 Retirement Confidence Surveys.

Workers with higher household incomes or more formal education are more likely than those with lower household incomes or less education to report attempting a retirement savings needs calculation. Similarly, married workers are more likely than those who are not married to have tried to do one.

The results reported by those who say they have tried to do a calculation suggest that a substantial proportion have obtained little value from the process. Consistent with previous years, 32 percent of workers say they do not know or do not remember the result of the savings need calculation. (Just 3 percent report they could not do the calculation.) Other results reported by respondents may also raise some doubts about the results of the savings needs calculations performed by workers. Sixteen percent say they need to save less than $250,000, about 1 in 10 each figure they need to save between $250,000 and $499,999 (7 percent) and between $500,000 and $999,999 (10 percent), and 2 in 10 say they need to save $1,000,000 or more (22 percent). While these amounts tend to increase with household income, 7 percent of those with household income of $75,000 or more expect to need less than $250,000, while 12 percent of those with less than $35,000 say they will need $1,000,000 or more.

Most of those who have done a retirement savings calculation are confident they can reach their goal, possibly engendering an unfounded sense of safety among those workers who have miscalculated their goal or the steps they must take to reach it. Almost 4 in 10 are *very* confident (37 percent) and another 4 in 10 are *somewhat* confident (42 percent) they can reach their savings goal by the time they retire. Just 1 in 10 each are *not too* (10 percent) or *not at all* (11 percent) confident. Confidence is related to household income, increasing as household income increases.

[4] 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.

Nevertheless, even among those with less than $35,000 in household income one-third are *very* confident they can reach their goal (32 percent) and another 37 percent are *somewhat* confident.

Workers have not given much thought to key retirement issues. Just one-third say they have given *a lot* of thought to how to manage their money in retirement so they do not outlive their savings (34 percent). Another 4 in 10 have given this issue *a little* thought (40 percent). Three in 10 report having given *a lot* of thought to how to pay for health expenses not fully covered by Medicare (30 percent), while 4 in 10 have given it *a little* thought (40 percent). Fewer have given *a lot* (20 percent) or *a little* (35 percent) thought to how to pay for long-term care in a nursing home or home health care costs in retirement. The percentage giving thought to each of these issues increases with age, but even among those age 55 and over bare majorities say they have given *a lot* of thought to how to manage their money so they do not outlive their savings and how to pay for health care expenses.

Figure 7
Thought Given to Financial Needs in Retirement, by Age

	All Workers	Ages 25–44	Ages 45–54	Ages 55+
How to manage your money in retirement so you do not outlive your savings				
A lot of thought	34%	25%	39%	58%
A little thought	40	44	38	26
No thought	26	30	22	16
How to pay for health expenses not fully covered by Medicare, such as deductibles and prescription drugs				
A lot of thought	30	20	37	54
A little thought	40	40	41	36
No thought	30	39	22	10
How to pay for long-term care in a nursing home or home health care costs not covered by Medicare				
A lot of thought	20	14	23	40
A little thought	35	33	41	34
No thought	44	53	35	27

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

The majority of workers who participate in a work-place retirement savings plan say they have not changed the percentage of salary saved in the past year. As in previous years, more than 8 in 10 employed workers report participating in a work-place retirement savings plan, such as a 401(k), 403(b), or 457 plan (82 percent). Of these, only 27 percent report having increased the percentage of their salary that they contribute to their plan in the past year. Five percent have decreased their contribution. When these workers are asked why they do not contribute, more than 4 in 10 say they cannot afford to or they need the money for current obligations (42 percent). Other reasons cited for not contributing include not being eligible (19 percent), investing elsewhere (10 percent), just not having done it yet (8 percent), and changing jobs or retiring soon (7 percent).

A large proportion of workers with savings are not investing in the stock market. Half of workers who have savings and investments report having stock or bond mutual funds (50 percent) and 4 in 10 say they hold individual stocks (41 percent, down from 48 percent in 2003), but 4 in 10 indicate they have neither of these types of investments (40 percent). Nearly all workers with savings say they own bank or thrift accounts (93 percent). Almost 4 in 10 own individual bonds (37 percent), while one-third own money market accounts (33 percent). About one-fourth each own real estate other than their primary residence (27 percent) and/or certificates of deposit (24 percent). Two in 10 report owning fixed or variable annuities (20 percent). Three in 10 workers who have saved for retirement or have other savings or investments report saving cash in a safe place at home or in a safe deposit box (31 percent).

Figure 8

Types of Savings and Investment Vehicles Owned by Those Having Some Type of Savings

Bank or thrift accounts, such as checking or savings accounts	93%
Stock or bond mutual funds	50
Individual stock, including stock of an employer	41
Individual bonds, including U.S. savings bonds	37
Money market accounts	33
Cash in a safe place at home or safe deposit box	31
Real estate other than your primary residence	27
Certificates of deposit	24
Fixed or variable annuities	20
Other	10

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

Only a minority of workers take advantage of a tax-qualified retirement savings plans outside of work to save for retirement. Forty-two percent of workers (61 percent of those who have saved for retirement) report they currently have an IRA or some other tax-qualified savings plan outside of work. This percentage is strongly related to household income and age, increasing as household income or age increase.

Retirement Confidence

Many workers have at least some confidence about their finances in retirement and that confidence may prevent them from making changes to their retirement plans.

While only a small proportion of American workers are very confident they will have a comfortable retirement, close to half are somewhat confident they will have one. One-quarter of workers are *very* confident they will have enough money to live comfortably through their retirement years (24 percent) and more than 4 in 10 are *somewhat* confident (44 percent). Unfortunately, even someone just *somewhat* confident may have enough confidence to keep from feeling too uncomfortable about their retirement finances and, therefore, from taking action to improve them. Fewer than 2 in 10 workers are *not too* confident about having enough money to live comfortably in retirement (18 percent) and 13 percent are *not at all* confident. Confidence about having enough money to live comfortably in retirement has remained fairly constant over the past few years.

Figure 9
Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Very confident	18%	20%	21%	19%	24%	22%	22%	25%	22%	23%	21%	24%
Somewhat confident	55	45	51	41	41	45	47	47	41	47	45	44
Not too confident	19	17	19	23	19	18	21	18	18	19	17	18
Not at all confident	6	17	8	16	15	13	9	10	17	10	16	13

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 1993–2004 Retirement Confidence Surveys.

Workers who have not saved for retirement are often still confident about their retirement prospects. Almost half of workers who have not saved for retirement indicate they are confident they will have enough money for retirement (47 percent). Asked why, their responses, taken as a whole, suggest they believe the money will come from someplace. One-third say they will have money from an employer (34 percent), 1 in 10 say they will save later (11 percent) or Social Security will be enough (9 percent). Other reasons cited include having other money or property, an inheritance, faith, support from friends and family, willingness to work, and even the possibility of winning the lottery.

Confidence in other financial aspects of retirement may also bolster feelings about the adequacy of retirement planning and savings. Workers are most likely to be *very* confident about having enough money to pay for basic expenses during retirement. Almost 4 in 10 are *very* confident (36 percent), while another 47 percent are *somewhat* confident. One-quarter are *very* confident they are doing a good job preparing financially for their retirement, and 47 percent are *somewhat* confident. Twenty-three percent are *very* confident and 40 percent are *somewhat* confident that they will not outlive their retirement savings. Workers are least likely to express confidence about having enough money for medical and long-term care expenses in retirement. Two in 10 are *very* confident (21 percent) and 4 in 10 are *somewhat* confident (40 percent) about having enough money to pay for medical expenses, while 16 percent are *very* confident and 35 percent are *somewhat* confident about having enough for long-term care.

Figure 10
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				
1993	38%	43%	12%	5%
2001	37	41	12	10
2002	38	46	10	6
2003	33	45	10	11
2004	36	47	8	8
Doing a good job of preparing financially for retirement				
1993	21	47	18	12
2001	27	43	16	13
2002	23	49	18	10
2003	24	45	15	14
2004	26	47	14	12
Not outliving your retirement savings				
1993	NA	NA	NA	NA
2001	NA	NA	NA	NA
2002	NA	NA	NA	NA
2003	20	42	16	17
2004	23	40	20	14
Having enough money to take care of medical expenses				
1993	21	33	23	20
2001	20	38	22	19
2002	20	45	21	14
2003	18	40	22	19
2004	21	40	21	17
Having enough money to pay for long-term care				
1993	NA	NA	NA	NA
2001	15	29	26	28
2002	13	36	28	22
2003	14	34	26	24
2004	16	35	26	22

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 1993–2004 Retirement Confidence Surveys.

The percentages that are *very* confident about having enough money for a comfortable retirement and about each of the financial aspects of retirement increase as household income rises. Savers are also more likely than nonsavers to be *very* confident.

Education as Key

Retirement educational materials and information can be effective in changing people's behavior. Doing a retirement savings needs calculation and educational formats that allow people to ask questions and/or are personalized may be most effective.

Workers are most likely to find helpful educational formats that allow them to ask questions, provide personalized materials, or consist of materials they can hold. Those workers who received educational materials or seminars from an employer or work-related retirement plan provider in the past year are most likely to say they used materials that ended up in their own hands: retirement benefit statements (80 percent), followed by brochures (63 percent), and newsletters or magazines (53 percent). More than 4 in 10 each say they used seminars or group meetings (43 percent), individual access to a financial planner (41 percent), and workbooks or worksheets (41 percent). Fewer report using online investment advice services (24 percent), other online services (21 percent), software programs (13 percent), and videos or CD-ROMS (12 percent). When asked which formats they found most helpful, these workers tend to point to those formats in which they can interact with an expert and have their questions answered. Two in 10 each indicate individual access to a financial planner (23 percent), seminars or group meetings (20 percent), and retirement benefit statements (20 percent) proved most helpful.

Figure 11
Retirement Educational Materials Used and Found Most Helpful

	Used	Most Helpful
Retirement benefit statements	80%	20%
Brochures	63	6
Newsletters/magazines	53	7
Seminars or group meetings	43	20
Individual access to a financial planner	41	23
Workbooks or worksheets	41	5
Online investment advice	24	6
Other online services	21	2
Software programs	13	1
Videos or CD-ROMS	12	<0.5
None of these	NA	8

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

Doing a retirement savings calculation changes savings behavior. More than 4 in 10 workers who attempted to do a retirement savings calculation report that they made changes to their retirement planning as a result of doing the calculation (43 percent, down from 51 percent in 2000). Fifty-seven percent of these workers say they started saving more for retirement. Smaller percentages indicate they changed the allocation of their money (19 percent), researched other savings methods (13 percent), or made other changes (10 percent).

Educational material received through an employer is slightly less effective in increasing savings and is as likely to result in a change in allocation as in an increase in savings. Almost 3 in 10 of those receiving educational materials from an employer or work-related retirement plan provider in the past year say they made changes in their retirement planning as a result (28 percent). These workers are statistically as likely to change the allocation of their money (43 percent) as they are to increase their savings. Four in 10 indicate they started to save more money (39 percent), 5 percent say they started saving for the first time, and 2 percent started saving again after they had stopped.

Only a minority say they have received retirement education at the work place. Just one-third of workers report receiving retirement educational materials or seminars from an employer or work-related retirement plan provider in the past 12 months (34 percent, down from 47 percent in the 2003 RCS). Just 55 percent of these workers who participate in a retirement savings plan at work say they received them in the past year. Perhaps because workers who have higher household income or more education are more likely to have access to a retirement plan at work, those with higher income or more education are more likely than those with lower income or less education to report receiving these educational materials.

Many workers who are offered investment advice implement only some of the advice. Among the 21 percent of workers who report they are offered employer-provided access to investment advice for retirement purposes, the large majority say this advice is offered in person (78 percent). Only 16 percent indicate this advice is offered online and just 15 percent say it is offered over the telephone. Of the 43 percent who say they subsequently requested and received this advice, 9 percent implemented all of the recommendations, 67 percent implemented some of the recommendations, and 24 percent implemented none of the recommendations. This corresponds to findings from the 2003 RCS, which found that most workers would prefer to have suggestions from a professional and then make their own decisions (53 percent) or to look into investments on their own and make their own decisions (21 percent). Far fewer would prefer to use suggestions from a professional and use their recommendations most of the time (16 percent) or have a professional manage their investments for them (7 percent).

People are most likely to use investment advice when it is provided in person. Workers who do not have access to professional investment advice through their employer say they are most likely to take advantage of such advice if it is available in person rather than online or over the telephone. Almost 3 in 10 say they are *very* likely to use in-person investment advice (28 percent), and 4 in 10 are *somewhat* likely to use it (40 percent). Fewer are likely to take advantage of investment advice if it is provided online (19 percent *very*, 25 percent *somewhat*) or by telephone (12 percent *very*, 21 percent *somewhat*).

Reasons for Optimism and Pessimism

When people save, they most often save for retirement. Retirement is most often cited as people's most important savings goal. Almost half of workers with savings either report having only retirement savings or cite retirement as their most important goal (48 percent). Far fewer say their most important savings goal is to live comfortably or enjoy life (10 percent) or their children's or grandchildren's education (10 percent). Just 5 percent say their goal is a home purchase or renovation and smaller percentages cite other savings goals.

By their own admission, American workers can do better. More than 7 in 10 of workers who save for retirement say they could save an additional $20 a week for retirement (72 percent), and more than half of those who do not save indicate they could save $20 a week for retirement (54 percent).

This is consistent with results from earlier waves of the RCS. Even many with lower household income say they could save more. Among those with household income less than $35,000, roughly half of savers (56 percent) and nonsavers (48 percent) report they could save $20 more for retirement than they do now. Furthermore, many would not have to make difficult sacrifices to save this $20 a week. Asked what they would need to give up, many cite entertainment or leisure activities (21 percent of savers, 22 percent of nonsavers), dining out (28 percent of savers, 18 percent of nonsavers), or clothing expenditures (6 percent of savers, 3 percent of nonsavers). Moreover, about 1 in 10 say they would not need to give up anything (7 percent of savers, 13 percent of nonsavers).

Many workers say they are willing to cut back on their spending so that they can save more for retirement. Almost one-quarter say they are very willing (23 percent) and nearly 4 in 10 say they are somewhat willing (38 percent). Unfortunately, digging deeper into why they are not following through suggests that they are not really as willing to cut back as they say they are. Asked why they are not cutting back, they respond they cannot afford to cut back, they have other priorities, or are already saving enough. Those who are not willing to cut back respond with the same reasons.

Figure 12
Reasons Why Workers Do Not Cut Back Now and Have More to Spend in Retirement

	Workers Saying They Are Willing to Cut Back	Workers Saying They Are Not Willing to Cut Back
Can't afford to cut back/spend less	29%	41%
Have other priorities now	26	19
Already saving enough/don't need to cut back	25	22
Will save more later	4	2
Haven't thought about it/don't know enough	3	0
Don't want to/ enjoying my money now/not focused on the future	2	9
Other	2	3
Don't know/refused	10	5

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, Inc., 2004 Retirement Confidence Survey.

Almost half of Americans feel the government or the employer should shoulder more of the burden for retirement security rather than themselves. When asked who should be asked to pay for a greater share of financial security in retirement than they do now, 3 in 10 say the government should be asked to pay for a greater share (30 percent) and 2 in 10 say the employer should be asked to pay for a greater share (21 percent). Just 7 percent indicate the individual should pay a greater share. Among those more likely to say the government or employer should be asked to pay more are those with lower household income, those who have less education, those who are not married, those who have not saved for retirement, and those who are not confident about Social Security.

RCS Methodology

These findings are part of the 14th 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 2004 through 20-minute telephone interviews with 1,002 individuals (783 workers and 219 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. 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 the previous waves of the RCS have also been weighted to allow for consistent comparisons; consequently, some data in the 2004 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, each sample of 1,002 yields a statistical precision of plus or minus three 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; the American Savings Education Council (ASEC), a partnership of private- and public-sector institutions dedicated to raising public awareness of what is needed to ensure long-term personal financial independence and part of the EBRI Education and Research Fund; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm.

The 2004 RCS data collection was funded by grants from 20 public and private organizations, with staff time donated by EBRI, ASEC, and Greenwald. RCS materials may be accessed at the ASEC and EBRI Web sites: www.asec.org or www.ebri.org/rcs

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