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Issue BRIEF

The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence

By Ruth Helman, Greenwald & Associates; and Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D., Employee Benefit Research Institute

AT A GLANCE

The 2015 annual Retirement Confidence Survey (RCS) marks the 25th year of the RCS, making it the longest-running survey of its kind in the nation. Among this year's highlights:

- Whether or not Americans have a retirement savings plan is a key factor in their outlook about having an affordable retirement. The 2015 RCS by EBRI/Greenwald & Associates finds that the nation's retirement confidence continues to rebound from the record lows experienced between 2009 and 2013—but this is based on the increasing optimism of those who indicate they and/or their spouse have a retirement plan.
- The percentage of workers confident about having enough money for a comfortable retirement, at record lows between 2009 and 2013, increased in 2014 and again in 2015. Twenty-two percent are now very confident (up from 13 percent in 2013 and 18 percent in 2014), while 36 percent are somewhat confident. Twenty-four percent are not at all confident (statistically unchanged from 28 percent in 2013 and 24 percent in 2014).
- The increased confidence since 2013 is strongly related to retirement plan participation. Among those with a plan, the percentage very confident increased from 14 percent in 2013 to 28 percent in 2015. In contrast, the percentage very confident remained statistically unchanged among those without a plan (10 percent in 2013, 9 percent in 2014, and 12 percent in 2015).
- Retiree confidence in having a financially secure retirement, which historically tends to exceed worker confidence levels, also increased, with 37 percent very confident (up from 18 percent in 2013 and 27 percent in 2014). The percentage not at all confident was 14 percent (statistically unchanged from 14 percent in 2013 and 17 percent in 2014).
- Worker confidence in the affordability of various aspects of retirement has also rebounded. In particular, the percentage of workers who are very confident in their ability to pay for basic expenses has increased (37 percent, up from 25 percent in 2013 and 29 percent in 2014). The percentages of workers who are very confident in their ability to pay for medical expenses (18 percent, up from 12 percent in 2011) and long-term care expenses (14 percent, up from 9 percent in 2011) are slowly inching upward.
- Cost of living and day-to-day expenses head the list of reasons why workers do not save (or save more) for retirement, with 50 percent of workers citing these factors. Nevertheless, many workers say they could save a small amount more. Seven in 10 (69 percent) state they could save $25 a week more than they are currently saving for retirement.

Ruth Helman is research director for Greenwald & Associates. Craig Copeland is senior research associate at the Employee Benefit Research Institute (EBRI). Jack VanDerhei is the research director at EBRI. This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the authors and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor in Americans' Retirement Confidence

By Ruth Helman, Greenwald & Associates; and Craig Copeland, Ph.D., and Jack VanDerhei, Ph.D., Employee Benefit Research Institute

Introduction

The 25th wave of the Retirement Confidence Survey (RCS) finds that Americans' confidence in their ability to afford a comfortable retirement has continued to rebound from the record lows experienced between 2009 and 2013. This increased level of confidence does not appear to be grounded on improved retirement preparations. In the aggregate, worker[1] savings remain low and only a minority appears to be taking basic steps needed to prepare for retirement. Instead, increasing confidence appears to be based on the increasing optimism of those who indicate they and/or their spouse have a retirement plan.

Findings in this year's RCS, the longest-running survey of its kind in the nation, include:

- The percentage of workers confident about having enough money for a comfortable retirement, at record lows between 2009 and 2013, increased in 2014 and again in 2015. Twenty-two percent are now very confident (up from 13 percent in 2013 and 18 percent in 2014), while 36 percent are somewhat confident. Twenty-four percent are not at all confident (statistically unchanged from 28 percent in 2013 and 24 percent in 2014).

- The increased confidence since 2013 is strongly related to retirement plan participation. Among those with a plan, the percentage very confident increased from 14 percent in 2013 to 28 percent in 2015. In contrast, the percentage very confident remained statistically unchanged among those without a plan (10 percent in 2013, 9 percent in 2014, and 12 percent in 2015).

- Retiree confidence in having a financially secure retirement, which historically tends to exceed worker confidence levels, has also increased, with 37 percent very confident (up from 18 percent in 2013 and 28 percent in 2014). The percentage not at all confident was 14 percent (statistically unchanged from 14 percent in 2013 and 17 percent in 2014).

- Worker confidence in the affordability of various aspects of retirement also rebounded. In particular, the percentage of workers who are very confident in their ability to pay for basic expenses increased (37 percent, up from 25 percent in 2013 and 29 percent in 2014). The percentages of workers who are very confident in their ability to pay for medical expenses (18 percent, up from 12 percent in 2011) and long-term care expenses (14 percent, up from 9 percent in 2011) are slowly inching upward.

- Sixty-seven percent of workers report they or their spouse have saved for retirement (statistically equivalent to 64 percent in 2014), although nearly 8 in 10 (78 percent) full-time workers say that they or their spouse have done so. Still, a sizable percentage of workers report they have virtually no savings and investments. Among RCS workers providing this type of information, 28 percent say they have less than $1,000, though those who indicate they and their spouse do not have a retirement plan, such as an IRA, DC or DB plan, are far more likely than those who have a plan to report this low level of savings (64 percent vs. 9 percent) and far less likely to report having saved at least $100,000 (3 percent vs. 35 percent).

- Cost of living and day-to-day expenses head the list of reasons why workers do not save (or save more) for retirement, with 50 percent of workers citing these factors. Nevertheless, many workers say they could save a small amount more. Seven in 10 (69 percent) state they could save $25 a week more than they are currently saving for retirement.

- Both workers and retirees are less likely than in the 2014 RCS to describe their level of debt as a problem. Fifty-one percent of workers (down from 58 percent in 2014) and 31 percent of retirees (down from 44 percent in 2014) indicate they have a problem with their level of debt. The types of debt most frequently reported are mortgages, credit card debt, and car loans.

- Almost two-thirds of workers (64 percent) say they feel they are behind schedule when it comes to planning and saving for retirement. However, this assessment may not be based on a careful analysis of their individual circumstances. Only 48 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, a level that has held relatively consistent over the past decade.

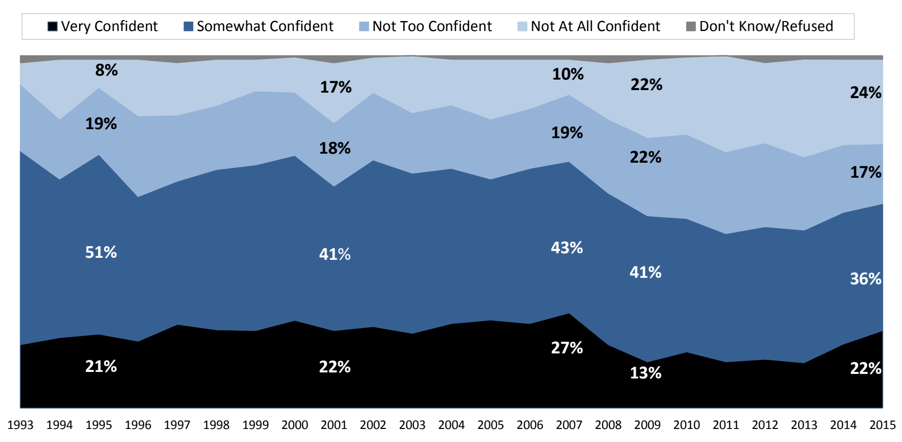
Retirement Confidence

Overall Retirement Confidence

American workers' confidence in their ability to retire comfortably, which languished at record lows between 2009 and 2013, continues to rebound. Twenty-two percent of workers are now very confident they will have enough money to live comfortably throughout their retirement years (up from 18 percent in 2014 and 13 percent in 2013). Thirty-six percent say they are somewhat confident. Twenty-four percent of workers are not at all confident that they will have enough money to live comfortably throughout their retirement years (still far above the low of 10 percent in 2007), and 17 percent are not too confident they will have enough money. While nearly half of all workers (49 percent) were not too or not at all confident of having enough money for retirement in 2013, 41 percent report these levels of confidence in 2015 (Figure 1).

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

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?

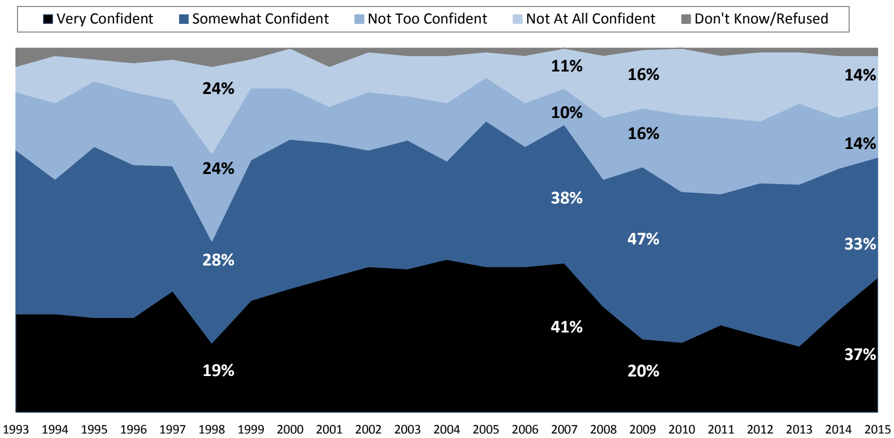


Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Retiree confidence about having a financially secure retirement has also increased. Thirty-seven percent of retirees are very confident about having enough money to live comfortably throughout their retirement years (up from 28 percent in 2014 and 18 percent in 2013) and 33 percent are somewhat confident. At the same time, 14 percent say they are not at all confident, and another 14 percent of retirees are not too confident. Like worker confidence, retiree confidence in having enough money for retirement has varied over the 25 years of the RCS, though the level of confidence expressed by those already in retirement has tended to outpace that of those yet to retire. Retirement confidence remained fairly steady at roughly 40 percent very confident and 10 percent not at all confident from 2002 through 2007, but the percentage stating they were very confident declined in 2008 and 2009 (Figure 2).

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

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Retirement confidence is strongly related to retirement plan participation, whether in a DC plan, a DB plan, or an IRA. Workers reporting they or their spouse have money in a DC plan or IRA or have a DB plan from a current or previous employer are more than twice as likely as those without any of these plans to be very confident (28 percent with a plan vs. 12 percent without a plan). Moreover, the increase in confidence between 2013 and 2015 occurred primarily among those with a plan. Among those with a plan, the percentage very confident increased from 14 percent in 2013 to 28 percent in 2015. In contrast, the percentage very confident remained statistically unchanged among those without a plan (10 percent in 2013, 9 percent in 2014, and 12 percent in 2015). Additionally, workers without a plan are three times as likely to say they are not at all confident about their financial security in retirement (14 percent with a plan vs. 44 percent without a plan) (Figure 3).

The RCS has consistently found a relationship between the level of debt and retirement confidence.[2] Just 6 percent of workers who describe their debt as a major problem say they are very confident about having enough money to live comfortably throughout retirement, compared with 35 percent of workers who indicate debt is not a problem. On the other hand, 56 percent of workers with a major debt problem are not at all confident about having enough money for a financially secure retirement, compared with 14 percent of workers without a debt problem (Figure 4).

Confidence in Other Financial Aspects of Retirement

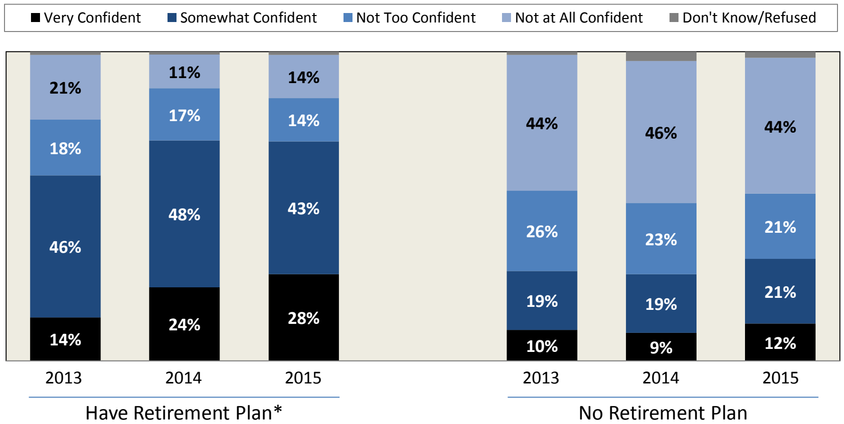
Workers

Worker confidence about their ability to pay for basic expenses in retirement continues to rebound from the lows measured in 2013. Thirty-seven percent of workers are now very confident that they will have enough money to pay for basic expenses during retirement (up from 29 percent in 2014 and 25 percent in 2013). At the same time, 15 percent are not at all confident about their ability to pay for basic expenses in retirement (statistically equivalent to 16 percent in 2013 and 2014) (Figure 5).

Although well below the confidence level observed regarding paying for basic expenses, worker confidence about having enough money to pay for medical expenses and long-term care expenses in retirement continues an incremental

Figure 3
Retirement Confidence Among Workers, by Retirement Plan Ownership, 2013–2015

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?

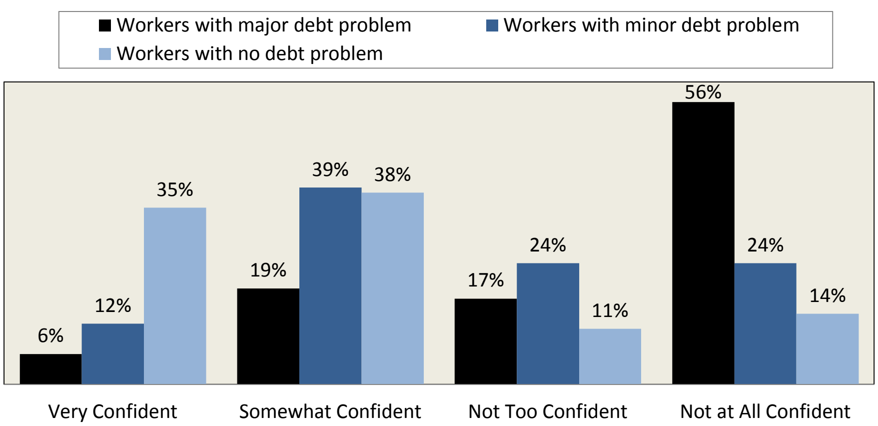


* *Have Retirement Plan* defined as respondent or spouse having at least one of the following: IRA, defined contribution plan, or defined benefit plan.

Source: Employee Benefit Research Institute and Greenwald & Associates, 2013–2015 Retirement Confidence Survey.

Figure 4
Retirement Confidence Among Workers, by Self-described Level of Debt

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?

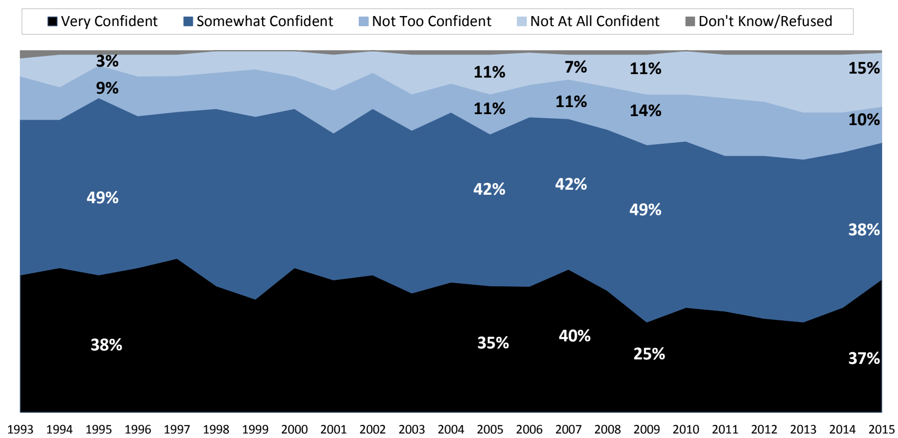


Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

increase from the lows observed in 2011. Almost 2 in 10 workers are very confident about being able to pay for medical expenses (18 percent, up from 12 percent in 2011) and long-term care expenses (14 percent, up from 9 percent in 2011). At the same time, the percentages of workers who are not at all confident about paying for medical expenses (23 percent, down from 29 percent in 2013) and long-term care expenses (32 percent, down from 39 percent in 2013) in retirement remain below the highs measured in 2013 (Figures 6 and 7).

Figure 5
Worker Confidence in Having Enough Money to Take Care of Basic Expenses in Retirement

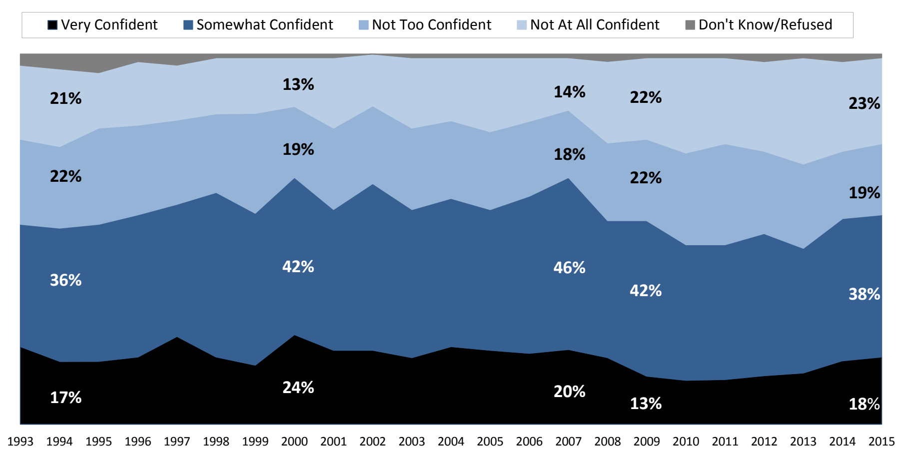
How confident are you that you will have enough money to take care of your basic expenses during your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Figure 6
Worker Confidence in Having Enough Money to Take Care of Medical Expenses in Retirement

How confident are you that you will have enough money to take care of your medical expenses during your retirement?



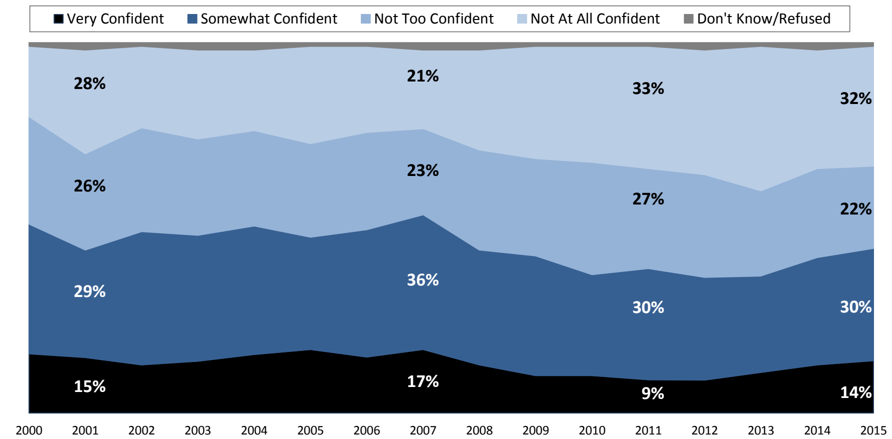
Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Retirees

Retirees, who are already immersed in that life stage, tend to express higher levels of confidence than workers at each of these financial aspects of retirement, and several confidence indicators show increases in 2015. The percentage of retirees who are very confident in having enough money to pay for basic expenses has increased to 44 percent, from 28 percent in 2013, approaching the 48 percent measured in the 2007 RCS. At the same time, 9 percent continue to be not at all confident about paying for basic expenses (Figure 8).

Figure 7
Worker Confidence in Having Enough Money to Pay for Long-Term Care

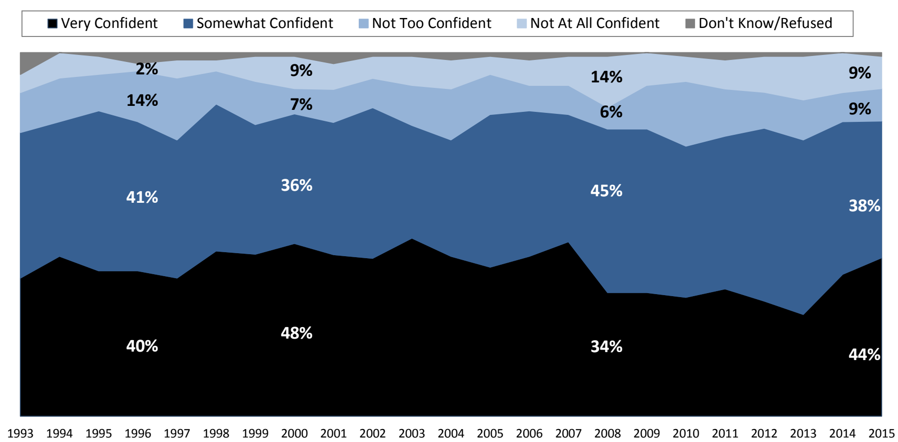
How confident are you that you will have enough money to pay for long-term care, such as nursing home or home health care, should you need it during your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2000–2015 Retirement Confidence Surveys.

Figure 8
Retiree Confidence in Having Enough Money to Take Care of Basic Expenses in Retirement

How confident are you that you will have enough money to take care of your basic expenses during your retirement?

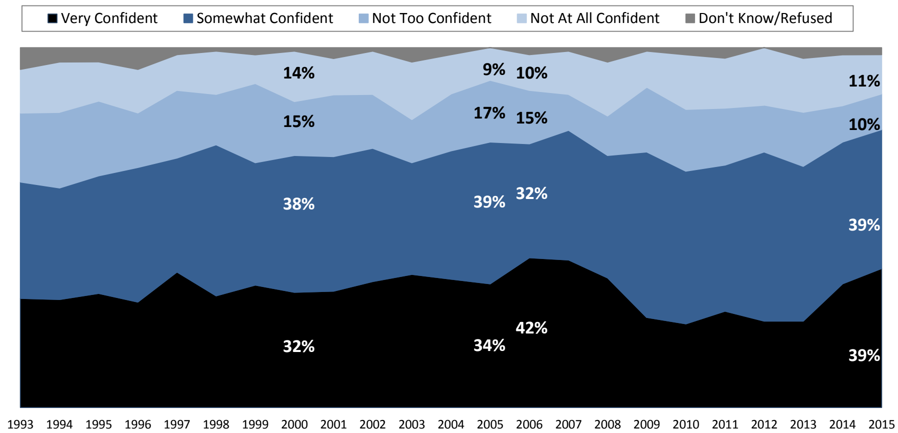


Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Similarly, the percentage of retirees who are very confident about having enough money to cover medical expenses has continued to increase, from 24 percent in 2013 to 39 percent this year. The percentage very confident about paying for long-term care expenses also continued its slow increase from 16 percent in 2013 to 25 percent in 2015. While the percentage not at all confident about having enough money to pay for medical care (11 percent in 2015 and 15 percent in 2013) does not show a statistically meaningful change, the percentage not at all confident about having enough money to pay for long-term care (23 percent in 2015 and 34 percent in 2013) decreased (Figures 9 and 10).

Figure 9
Retiree Confidence in Having Enough Money to Take Care of Medical Expenses in Retirement

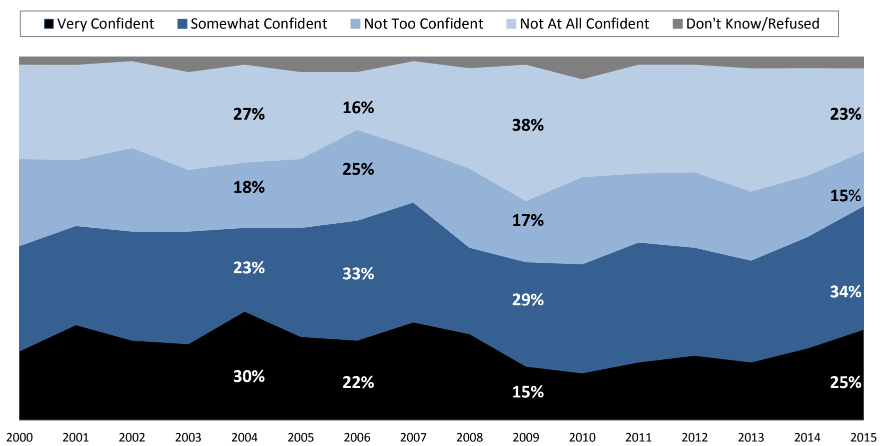
How confident are you that you will have enough money to take care of your medical expenses during your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Figure 10
Retiree Confidence in Having Enough Money to Pay for Long-Term Care

How confident are you that you will have enough money to pay for long-term care, such as nursing home or home health care, should you need it during your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2000–2015 Retirement Confidence Surveys.

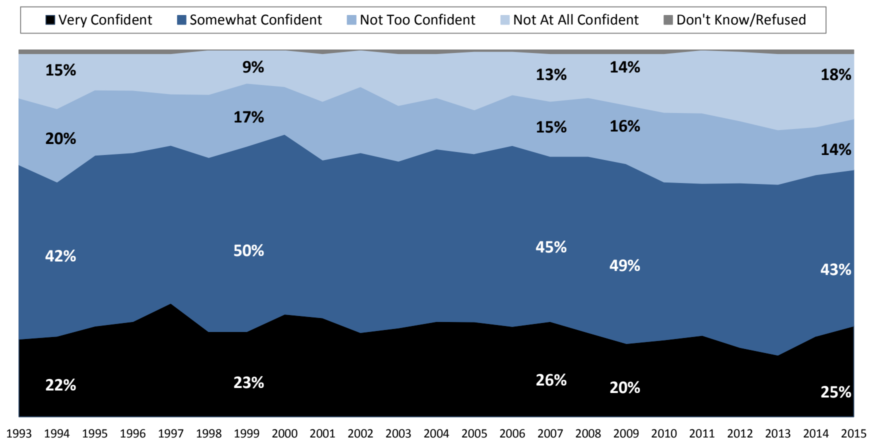
Preparing for Retirement

Retirement Planning

Worker confidence that they are doing a good job of preparing financially for retirement continues to rebound from the low in 2013. The percentage very confident, which declined to 17 percent in 2013, increased to 25 percent in 2015 (statistically equivalent to the levels measured between 2003 and 2007). However, the percentage not at all confident, which rose from 12 percent in 2008 to 21 percent in 2013, remains at 18 percent in this year's RCS. Combining that percentage with the 14 percent of workers who say they are not too confident shows that one-third (32 percent) indicate they lack confidence in their financial preparations for retirement, compared with two-thirds who are confident (25 percent very confident and 43 percent somewhat confident) (Figure 11).

Figure 11
Worker Confidence in Financial Preparation for Retirement

How confident are you that you are doing a good job of preparing financially for your retirement?

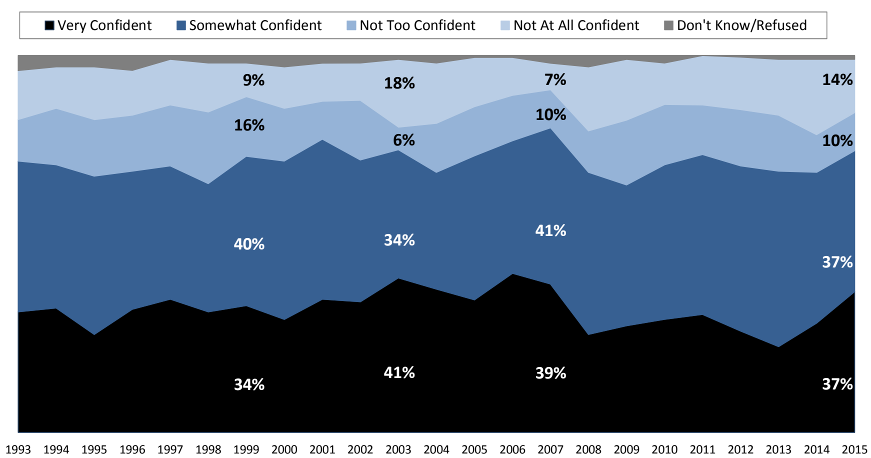


Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

The percentage of retirees who are very confident that they had done a good job of preparing for retirement rose in the 2015 RCS to 37 percent. This percentage fell from 42 percent in 2006 to 26 percent in 2008 and remained steady statistically through 2014. Another 37 percent are somewhat confident. That said, 14 percent of retirees continue to be not at all confident about having done a good job (statistically unchanged from the 15 percent who expressed that sentiment in 2013) (Figure 12).

Figure 12
Retiree Confidence in Financial Preparation for Retirement

How confident are you that you did a good job of preparing financially for your retirement?

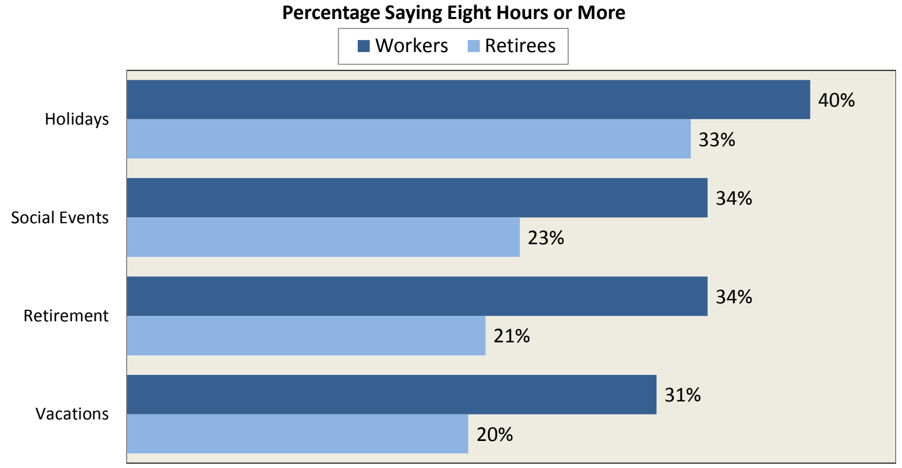


Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

However, workers and retirees say they spend little time doing retirement planning—less than they spend planning for the holidays. While 4 in 10 (40 percent) workers and one-third (33 percent) of retirees say they spent eight or more hours planning for the holidays in the past year, only one-third (34 percent) of workers and 2 in 10 (21 percent) retirees report they spent that amount of time planning for retirement.[3] These are approximately the same as the percentages that report spending eight or more hours planning for social events (34 percent of workers and 23 percent of retirees) and vacations (31 percent of workers and 20 percent of retirees) in the past year (Figure 13).

Figure 13
Percentage Spending Eight or More Hours Planning for Various Events

How much time would you say you have spent in the past year planning for the following events?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Despite their professed confidence in their preparations for retirement, nearly two-thirds (64 percent) of workers say they are a lot (36 percent) or a little (28 percent) behind when it comes to planning and saving for retirement. The percentage saying they are behind schedule in the 2015 RCS is lower than in 2011 (70 percent), but higher than the percentage measured 10 years ago (55 percent in 2005). One-quarter (25 percent) report they are on track (down from 37 percent in 2005), and 11 percent describe themselves as ahead of schedule (up from 7 percent in 2005) (Figure 14).

Savings and Investments

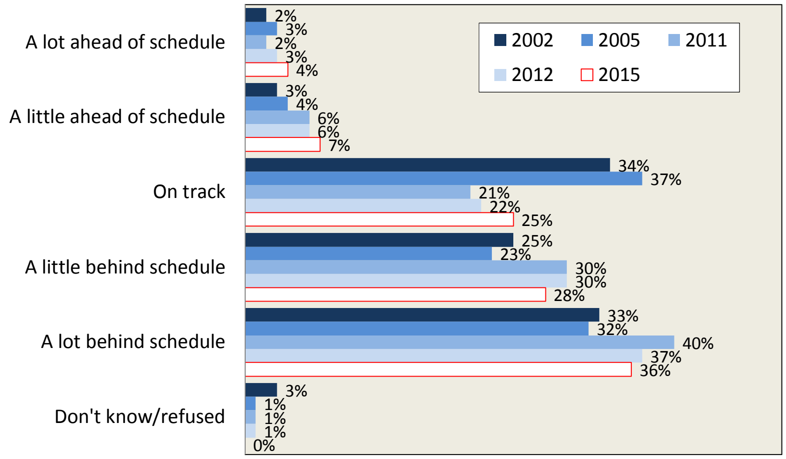
One might expect that the increase in retirement confidence noted above would be based on an improvement in retirement preparations, but this does not appear to be the case for many workers. The percentage of workers who reported they and/or their spouse had saved for retirement increased briefly in 2009 (to 75 percent), but declined to 66 percent in 2012 and virtually remains at that level (67 percent in 2015) (Figure 15). The percentage of retirees having saved for retirement climbed slowly from 59 percent in 2000 to 74 percent in 2011 but now stands at 63 percent (Figure 16).

Moreover, not all workers who have saved for retirement are currently saving for this purpose. Sixty-one percent of workers in the 2015 RCS report that they and/or their spouse are currently saving for retirement (up from 57 percent in 2013–2014, but still below the 65 percent measured in 2009) (Figure 17). Worker households with a retirement plan, such as a DC or DB plan, or an IRA, are more likely than those without such plans to report having saved for retirement (90 percent vs. 20 percent).

A sizable percentage of workers say they have virtually no money in savings and investments. Among RCS workers providing this type of information, 57 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. This includes 28 percent who say they have less than $1,000 in savings. Approximately 1 in 10 each report totals of $25,000–$49,999 (9 percent), $50,000–$99,999 (10 percent), $100,000–$249,999 (10 percent), and $250,000 or more (14 percent, up from 11 percent in 2014) (Figure 18). Retirees provide similar estimates of total household savings (Figure 19).[4]

Figure 14
Worker Assessment of Progress in Planning and Saving for Retirement

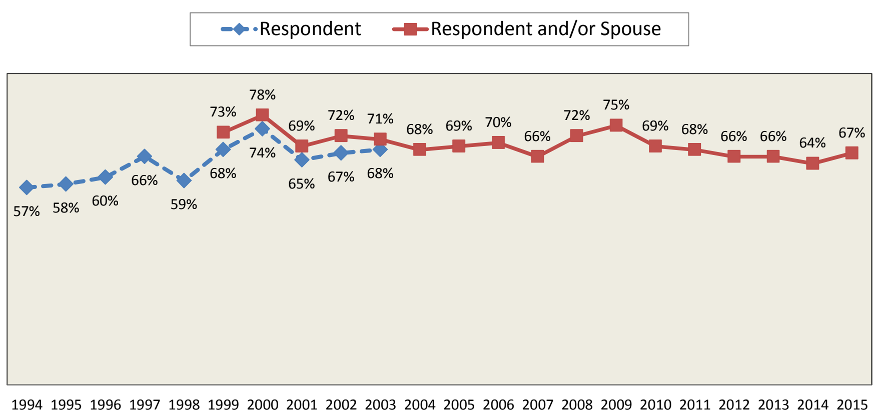
When it comes to planning and saving for retirement, would you say that you are ahead of schedule, on track, or behind schedule?



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, 2002–2015 Retirement Confidence Surveys

Figure 15
Workers Having Saved Money for Retirement

Not including Social Security or employer-provided money, have you (and/or your spouse) personally saved any money for retirement? These savings could include money you personally put into a retirement plan at work.

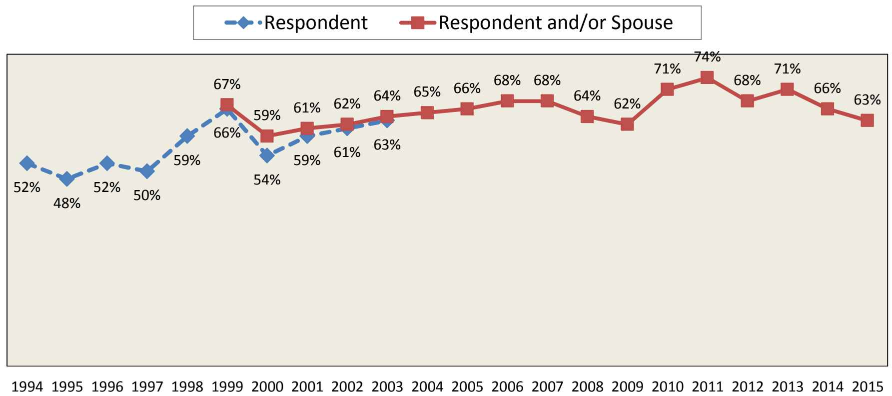


Source: Employee Benefit Research Institute and Greenwald & Associates, 1994–2015 Retirement Confidence Surveys.

The majority of those who indicate they and their spouse do not have a retirement plan (DC, DB, or IRA) say their assets total less than $1,000, compared with approximately 1 in 10 of those who have a plan (among workers, 64 percent vs. 9 percent; among retirees, 61 percent vs. 12 percent). At the same time, those without a retirement plan are far less likely than those with a plan to report assets of $100,000 or more (among workers, 3 percent vs. 34 percent; among retirees, 11 percent vs. 45 percent).

Figure 16
Retirees Having Saved Money for Retirement

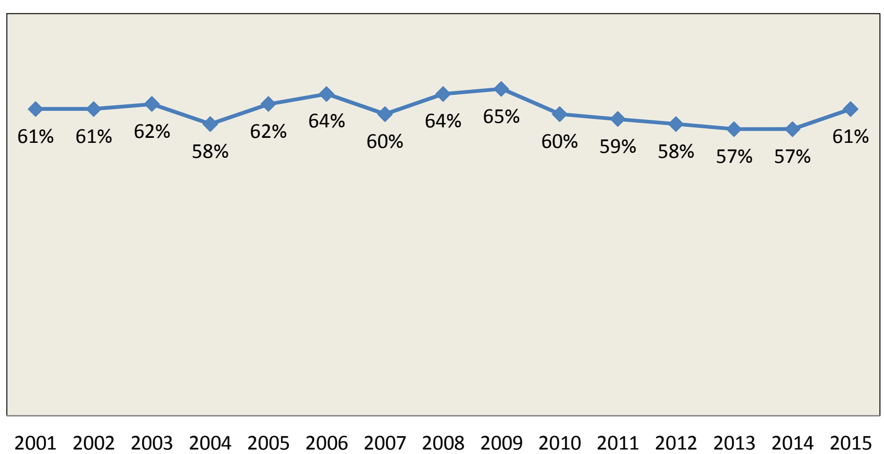
Not including Social Security or employer-provided money, did you (and/or your spouse) personally save any money for retirement before you retired? These savings could include money you personally put into a retirement plan at work.



Source: Employee Benefit Research Institute and Greenwald & Associates, 1994–2015 Retirement Confidence Surveys.

Figure 17
Workers Currently Saving Money for Retirement

Are you (and/or your spouse) currently saving for retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2001–2015 Retirement Confidence Surveys.

Older workers also tend to report higher amounts of assets. Seventy-seven percent of workers ages 25–34 have total savings and investments of less than $25,000, compared with 42 percent of workers ages 45 and older. At the same time, 23 percent of workers ages 45 and older cite assets of $250,000 or more (versus less than 4 percent of workers ages 25–34).

Many workers acknowledge their savings shortfalls for retirement, stating they need to save a sizeable, perhaps unmanageable, chunk of their total household income in order to live comfortably in retirement. While one-third

(33 percent) think they need to save less than 20 percent of their income, 19 percent say they need to save between 20 and 29 percent of their income and another 20 percent indicate they need to save 30 percent or more. However, more than one-quarter (27 percent) say they do not know how much they should be saving (Figure 20).

Figure 18
Total Savings and Investments Reported by Workers Among Those Providing a Response
(not including value of primary residence or defined benefit plans)

In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence or defined benefit plan assets?

	2004	2010	2011	2012	2013	2014	2015	2015 Have Plan*	2015 No Plan
Less than $1,000		27%	29%	30%	28%	36%	28%	9%	64%
$1,000–$9,999	54%	16	17	18	18	16	17	17	17
$10,000–$24,999		11	10	12	11	8	12	14	9
$25,000–$49,999	14	12	11	10	9	9	9	11	4
$50,000–$99,999	11	11	9	10	10	9	10	15	2
$100,000–$249,999	13	11	14	11	12	11	10	14	2
$250,000 or More	9	11	10	10	12	11	14	20	1

* *Have Retirement Plan* defined as respondent or spouse having at least one of the following: IRA, defined contribution plan, or defined benefit plan .

Source: Employee Benefit Research Institute and Greenwald & Associates, 2004–2015 Retirement Confidence Surveys.

Figure 19
Total Savings and Investments Reported by Retirees Among Those Providing a Response
(not including value of primary residence or defined benefit plans)

In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence or defined benefit plan assets?

	2004	2010	2011	2012	2013	2014	2015	2015 Have Plan*	2015 No Plan
Less than $1,000		27%	28%	28%	31%	29%	35%	12%	61%
$1,000–$9,999	49%	15	14	19	16	17	11	10	13
$10,000–$24,999		14	12	8	8	12	7	9	5
$25,000–$49,999	13	11	6	9	9	8	8	11	5
$50,000–$99,999	7	6	11	8	9	7	10	14	5
$100,000–$249,999	17	15	12	12	10	11	10	15	5
$250,000 or More	15	12	17	15	17	17	19	30	6

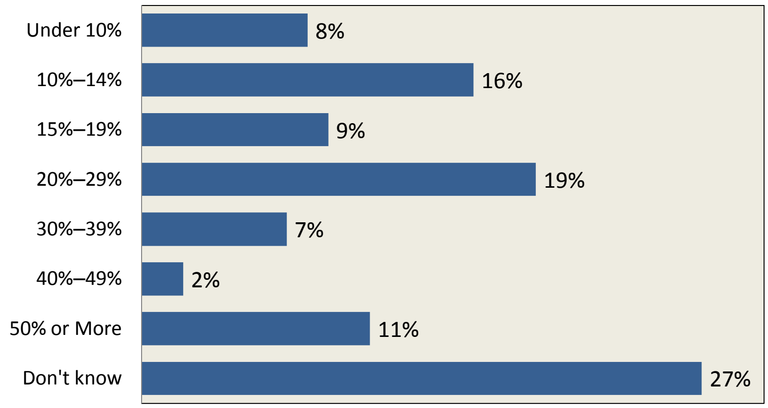
**Have Retirement Plan* defined as respondent or spouse having at least one of the following: IRA, defined contribution plan, or defined benefit plan.

Source: Employee Benefit Research Institute and Greenwald & Associates, 2004–2015 Retirement Confidence Surveys.

The percentage of income that some workers report needs to be saved to ensure a comfortable retirement may seem unlikely, but it may not be far afield from what they may actually need. The average amount individuals report they need to save increases as their retirement confidence decreases. In fact, workers age 45 or older who are not at all confident about having enough money for a comfortable retirement think they need to save 42 percent of their total household income, on average, from now until they retire (Figure 21). Not surprisingly, those who are not confident about their retirement prospects are also more likely to say they do not know how much they need to save. As one might expect, the percentage of workers who report they need to save each year is inversely related to current levels of saving and investments. Further, those without a household retirement plan (DC, DB, or IRA) are more likely than those with a plan to think they need to save at least 50 percent of their income (18 percent vs. 8 percent) and to say they do not know how much they need to save (39 percent vs. 22 percent).

Figure 20
Percentage of Household Income That Workers Think They Need to Save to Live Comfortably in Retirement

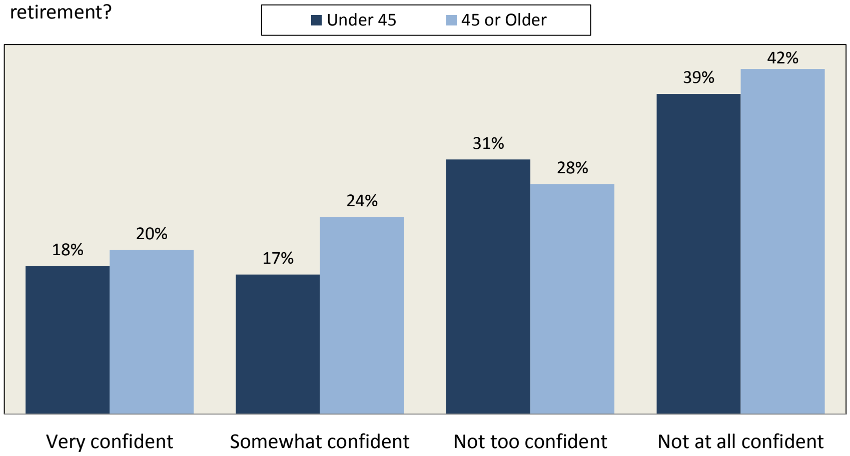
About what percentage of your total household income do you think you (and your spouse) need to save each year from now until you expect to retire so you can live comfortably throughout your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Figure 21
Average Percentage of Income Needing to be Saved for Workers to Live Comfortably in Retirement, by Retirement Confidence and Age

About what percentage of your total household income do you think you (and your spouse) need to save each year from now until you expect to retire so you can live comfortably throughout your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

In fact, many workers acknowledge they can save more than they are currently saving. Seven in 10 (69 percent, up from 62 percent in 2011) say it is possible for them to save $25 a week more than they are currently saving. This includes 55 percent of workers who have not saved any money for retirement. What would they have to give up to save this money for retirement? Almost half (46 percent) report they would give up eating out or take-out food. Others would give up:

- Soft drinks or snacks from vending machines (13 percent).
- Movies, videos, DVDs or streaming (12 percent).
- Coffee from specialty shops (11 percent).
- Lottery tickets (8 percent).

However, one-quarter (24 percent) state they would not need to give up anything to save the extra $25 a week.

But if workers recognize they need to save more to ensure a comfortable retirement and also acknowledge they can save at least $25 a week more, why aren't they doing so? Half—50 percent—say they simply can't afford it due to the cost of living and the press of day-to-day expenses. Other reasons for not saving, or not saving more, for retirement include:

- Currently unemployed or underemployed (11 percent).
- Education expenses (8 percent).
- Paying off non-mortgage debt (7 percent).
- Paying off a mortgage or housing expenses (5 percent).

However, 1 in 10 (10 percent) report they don't need to save or save more and 6 percent say they haven't thought about it.

Debt

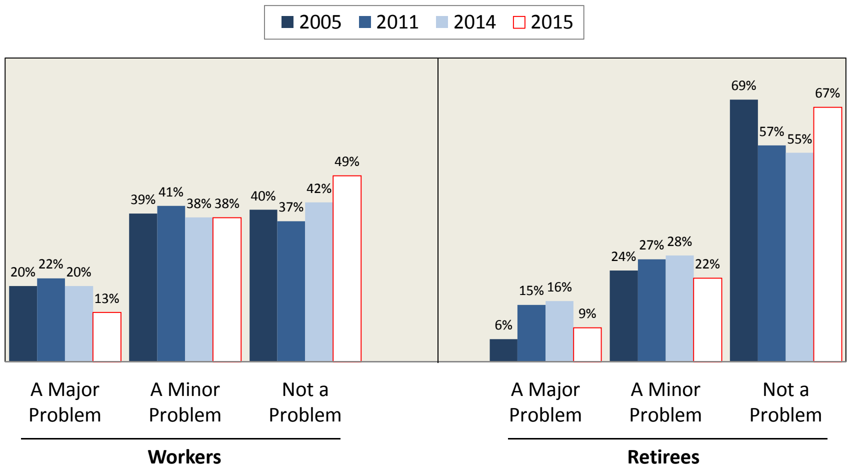
Americans are less likely now than in the early years of this decade to describe their debt as a problem. Thirteen percent of workers (down from 20 percent in 2014) and 9 percent of retirees (down from 16 percent) report their level of debt is a major problem. An additional 38 percent of workers and 22 percent of retirees describe it as a minor problem. Forty-nine percent of workers say debt is not a problem for them, an increase of 7 percentage points from the 42 percent measured last year and 12 percentage points from the 37 percent in 2011. Two-thirds (67 percent) of retirees surveyed report they do not have a problem with debt, up sharply from the 55 percent who said the same in 2014, but that percentage was still below the 69 percent in 2005 (Figure 22). Among workers, the most frequently reported types of debt are mortgages (46 percent), car loans (38 percent), and credit card debt (37 percent). Retirees most often report having a mortgage (23 percent), credit card debt (27 percent), home equity line of credit (17 percent), or car loan (17 percent) (Figure 23).

Only one-quarter (26 percent) of employed workers say they think that it is even somewhat likely that they would be unable to work for six months or longer due to an illness or disability. Most say they think it is not too (34 percent) or not at all (36 percent) likely they would be unable to work for six months or more for such a reason. In fact, only half (50 percent) of employed workers report having long-term disability insurance, either through their employer or on their own.

Even with long-term disability insurance, a six-month disability can have major consequences for retirement and retirement preparations. Yet many workers fail to recognize this. When asked about the likely consequences of a six-month disability on their retirement and preparations for retirement, one-third (33 percent) say it would have no effect and another 7 percent state it would have little impact. Others recognize the potential consequences of such an event, most often saying it would have a major impact/effect (14 percent); they would have to make up lost savings when they returned to work (9 percent); they would have to stop or reduce their retirement contribution (7 percent); they would be unable to retire (7 percent); or they would have to dip into savings (5 percent). One in 10 (10 percent) are unable to say what the effect might be.

Figure 22
Worker and Retiree Perception of Debt Load

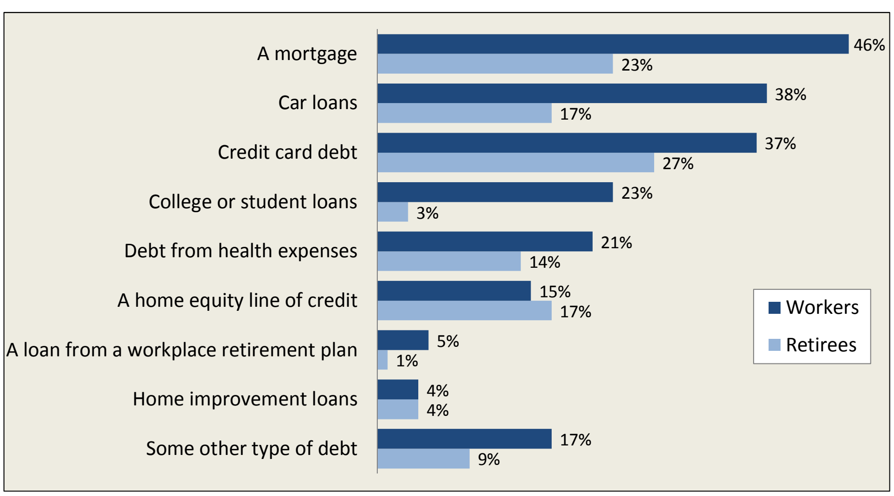
Thinking about your current financial situation, how would you describe your level of debt?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2005–2015 Retirement Confidence Surveys.

Figure 23
Types of Debt Owned by Workers and Retirees

Do you (and your spouse) currently have any of the following types of debt?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Retirement Plans

One of the primary vehicles that workers use to save for retirement is an employer-sponsored retirement savings plan, such as a 401(k). Indeed, 71 percent of employed workers (48 percent of all workers in the RCS) report they are offered such a plan with their current employer, and more than three-quarters (83 percent) of eligible employees (40 percent of all workers) say they contribute money to their employer's plan.

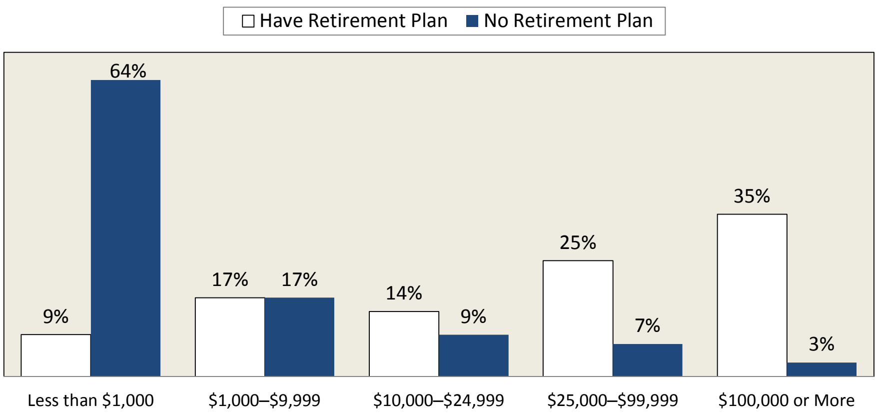
Workers with some sort of retirement plan, whether through their employer or an IRA, have significantly more in savings and investments than do those without a plan (Figure 24). Furthermore, on a household level these workers tend to have retirement savings in multiple vehicles. Almost two-thirds (63 percent) of those with money in an employer plan also report they or their spouse have money invested in an IRA (which may have originated as a rollover from an employment-based plan) and 49 percent say they have retirement savings in addition to money in their employer's plan and an IRA. Moreover, the vast majority (87 percent) of workers with a defined benefit plan through their current or previous employer also have money in an employer retirement savings plan.

Figure 24

Total Savings and Investments Reported by Workers Among Those Providing a Response, by Plan Ownership

(not including value of primary residence or defined benefit plans)

In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence or defined benefit plan assets?



* *Have Retirement Plan* defined as respondent or spouse having at least one of the following: IRA, defined contribution plan, or defined benefit plan.

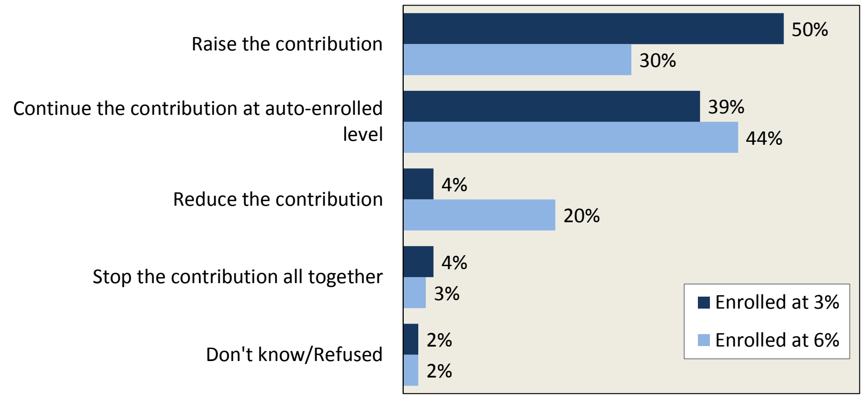
Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Workers participating in a defined contribution plan were asked what they would do if they changed jobs and their new employer automatically enrolled them into the workplace retirement plan, deferring 3 percent or 6 percent of their salary into the plan. At a 3 percent deferral rate, half (50 percent) of participants report they would raise their contribution. Another 39 percent would let the 3 percent deferral stand. Just 4 percent each would reduce the contribution or stop the contribution altogether. At a 6 percent deferral rate, 3 in 10 (30 percent) would raise the contribution and 44 percent would continue the contribution at 6 percent. Two in 10 (20 percent) would reduce the contribution and 3 percent would stop it altogether (Figure 25).

If their employer were to implement auto-escalation, increasing the percentage of salary contributed to the plan by 1 percent each year, many plan participants indicate they would be likely to let their contribution continue to escalate to 10 percent or more. While 4 percent would stop the auto-escalation before it reached 5 percent, one-quarter (24 percent) would let it continue to between 5 percent and 9 percent. Others would allow their contribution to reach 10 percent–14 percent (24 percent), 15 percent–19 percent (11 percent), or 20 percent or more (11 percent). However, a few say it depends on circumstances or their finances (6 percent) or that they do not know how high they would let their contribution rise (12 percent) (Figure 26).

Figure 25
Likely Reaction of Plan Participants if Auto-enrolled at 3% and 6%

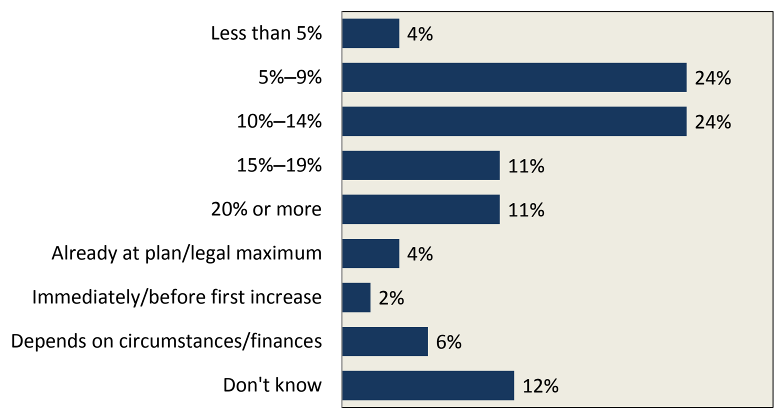
Suppose you changed jobs and your new employer automatically enrolled you into their workplace retirement plan, deferring 3%/6% of your salary into the plan. Which one of the following do you think you would be most likely to do?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Figure 26
Likely Percentage of Salary at Which Plan Participants Would Discontinue Auto-escalation

Suppose your employer automatically increased the percentage of your salary contributed to the plan by 1% each year. How high do you think you would let your contribution go before you discontinued the automatic increases?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

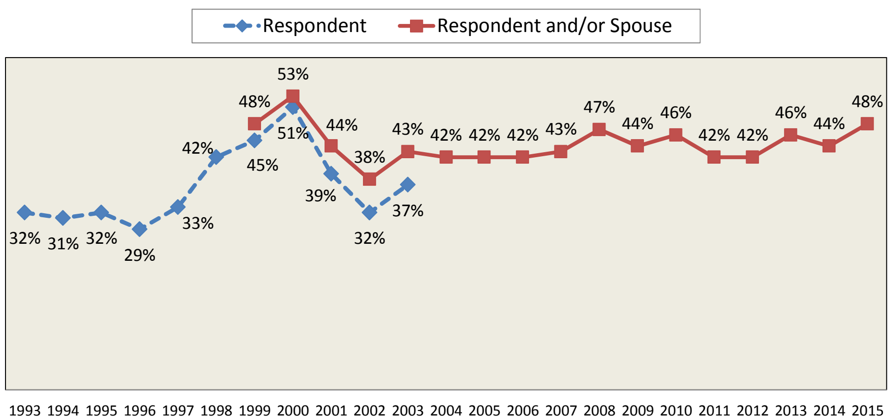
In recent years, a number of organizations have developed calculators to estimate how much a certain level of savings would be likely to provide as monthly income in retirement. Almost two-thirds (64 percent) of plan participants report they currently receive this type of information from their employer. Furthermore, a large majority of plan participants say they find, or would find, this information very (51 percent) or somewhat (37 percent) useful. Just 1 in 10 indicate it would be not too (6 percent) or not at all (5 percent) useful.

Target Setting

A sense of savings shortfall notwithstanding, many workers continue to be unaware of how much they need to save for retirement. Less than half (48 percent) of workers report they and/or their spouse have ever tried to calculate how much money they will need to have saved so that they can live comfortably in retirement. The 48 percent that report trying to do a retirement-savings-needs calculation in the 2015 RCS is statistically comparable to many of the percentages reported from 2008–2014 (Figure 27).

Figure 27
Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement

Have you (or your spouse) tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

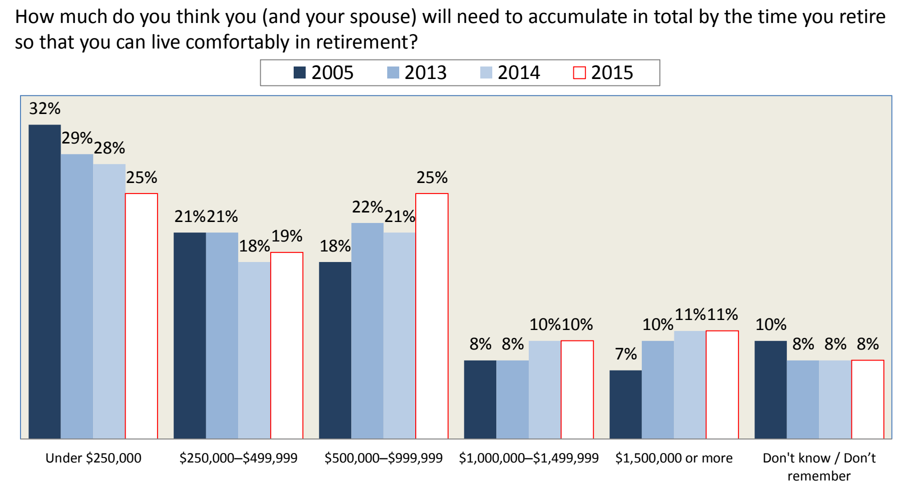
The likelihood of trying to do a retirement savings needs calculation increases with household income, education, and financial assets. Workers reporting they or their spouse have a DC, DB, or IRA plan are twice as likely as those who do not have such a plan to have tried a calculation (60 percent vs. 23 percent). In addition, married workers (compared with unmarried workers) and retirement savers (compared with nonsavers) more often report trying to do a calculation.

The methods of obtaining the estimate of retirement savings needs are quite varied. Workers often guess at how much they will need to accumulate (39 percent), rather than doing a systematic retirement needs calculation. Twenty-six percent indicate they did their own estimate and 22 percent say they asked a financial adviser. Other methods of obtaining this estimate include using an online calculator (10 percent), reading or hearing how much is needed (10 percent), asking someone other than a financial adviser (6 percent), and filling out a worksheet or form (6 percent).

Considering the aggressive savings target percentages acknowledged earlier, it is not surprising that most workers (65 percent) say they need $250,000 or more saved to retire comfortably (Figure 28).

As found in prior iterations of the RCS, workers who have done a retirement savings needs calculation tend to report higher savings goals than do workers who have not done the calculation. In this year's RCS, 29 percent of workers who have done a calculation, compared with 12 percent of those who have not, estimate they need to accumulate at least $1 million for retirement. At the other extreme, 20 percent of those who have done a calculation, compared with 29 percent who have not, think they need to save less than $250,000 for retirement. Savings goals tend to increase with household income. In particular, those with household incomes of at least $75,000 are almost three times as likely as those with lower incomes to report they need to accumulate at least $1 million for retirement (35 percent vs. 12 percent). Also consistent with prior RCS findings, despite higher savings goals, workers who have done a retirement savings needs calculation are more likely to feel very confident about affording a comfortable retirement (33 percent vs. 12 percent who have not done a calculation).

Figure 28
Amount of Savings Workers Think They Need for Retirement



Source: Employee Benefit Research Institute and Greenwald & Associates, 2005–2015 Retirement Confidence Surveys.

In addition to estimating their retirement savings needs, some workers and retirees have taken other steps to prepare for retirement. These include thinking about how they would occupy their time in retirement (63 percent of workers and 54 percent of retirees), estimating how much income they would need each month in retirement (45 percent of workers and 47 percent of retirees), and estimating the amount of their Social Security benefit at their (planned) retirement age (40 percent of workers and 53 percent of retirees). Fewer have talked with a professional financial adviser about retirement planning (35 percent of workers and 29 percent of retirees), calculated how much they would likely need for retirement health expenses (25 percent of workers and 37 percent of retirees), and prepared a formal, written financial plan for retirement (16 percent of workers and 22 percent of retirees). Nearly 2 in 10 of both workers and retirees (18 percent and 20 percent) have not taken any of these steps. Among workers, the likelihood of having undertaken each of these steps except consideration of how to occupy time in retirement increases with age. In fact, workers currently age 55 and older are more likely to report having done many of these tasks than have current retirees (Figure 29).

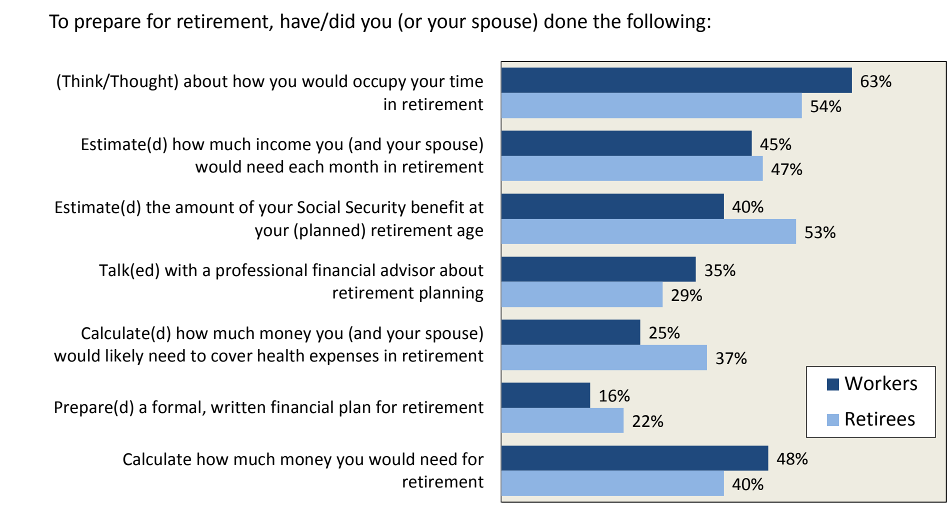
While investment education and advice from an online provider could be a valuable and affordable tool for many, retirees in particular appear resistant to the idea of using it. While just 4 percent of workers report being very interested in obtaining investment education and advice online, 22 percent say they are somewhat interested. Nevertheless, the majority of workers are not too (26 percent) or not at all (48 percent) interested. Among retirees, just 1 in 10 indicates any interest in online delivery of investment education and advice. Instead, three-quarters (73 percent) are not at all interested and 16 percent are not too interested (Figure 30).

Expectations About Retirement

Retirement Age

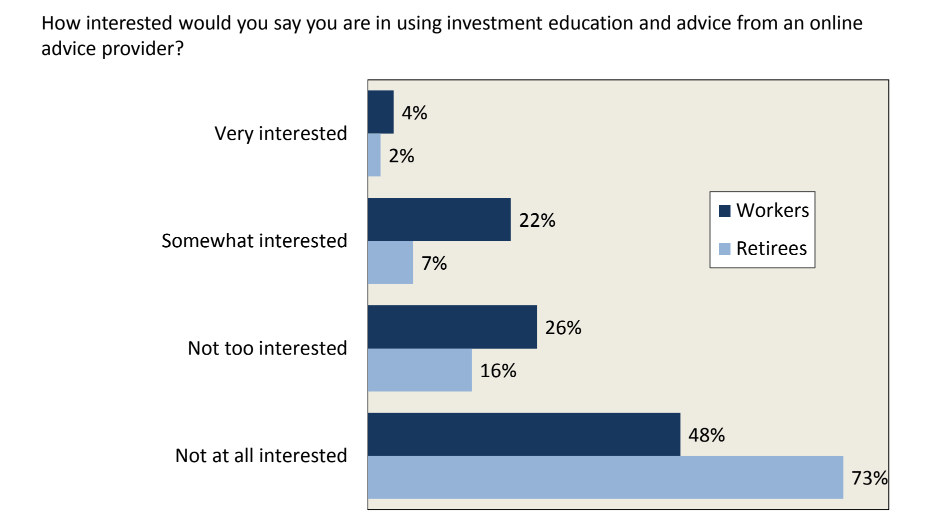
Some workers are adjusting some of their expectations about when to retire, perhaps in recognition of the fact that their financial preparations for retirement may be inadequate. Sixteen percent of workers in the 2015 RCS say the age at which they expect to retire has changed in the past year, and of those, the large majority (81 percent) report their expected retirement age has increased. However, increasing retirement confidence may be dampening the perceived need to postpone retirement, as the overall percentage of workers postponing retirement has decreased from 22 percent in 2013 to 15 percent in 2014 and 13 percent in 2015 (Figure 31).

Figure 29
Planning Steps Taken by Workers and Retirees to Prepare for Retirement



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Figure 30
Interest in Using an Online Investment Education and Advice Provider



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

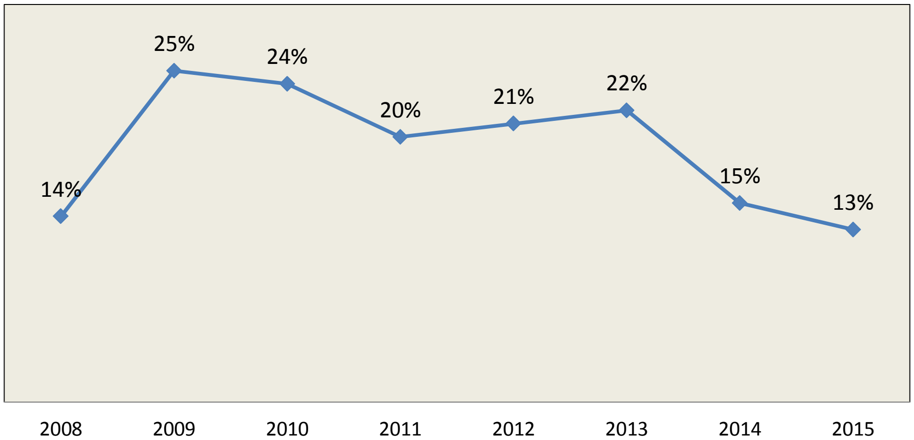
The 2014 RCS found that workers planning to delay retirement gave the following reasons:

- The poor economy (25 percent).
- Inadequate finances or can't afford to retire (18 percent).

- A change in employment situation (17 percent).
- Needing to pay for health care costs (12 percent).
- Lack of faith in Social Security or government (9 percent).
- Higher-than-expected cost of living (9 percent).
- Wanting to make sure they have enough money to retire comfortably (8 percent).

Figure 31
Workers Expecting to Retire Later Than Planned

Do you now expect to retire later, at an older age than before?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2008–2015 Retirement Confidence Surveys.

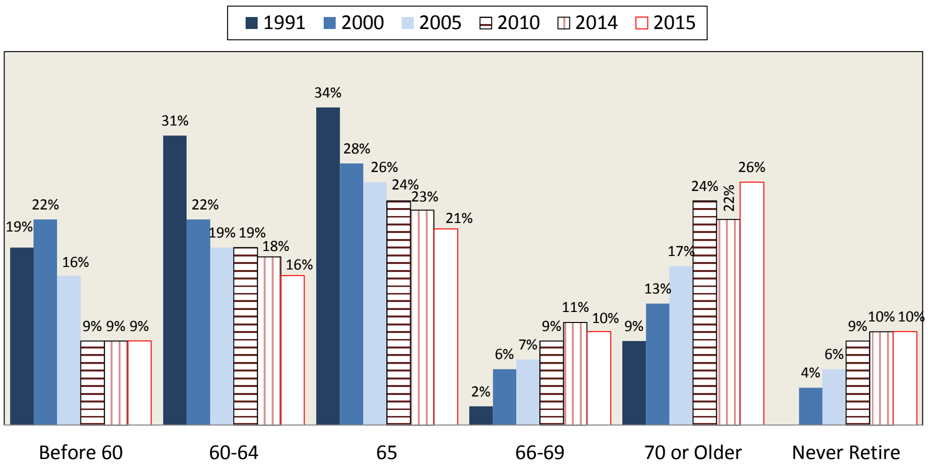
While responses to a question asking the age at which workers expect to retire shows little change from one year to another, the long-term trend shows that the age at which workers plan to retire has crept upward over time. In particular, the percentage of workers who expect to retire after age 65 has increased, from 11 percent in 1991, to 19 percent in 2000, 24 percent in 2005, 33 percent in 2010, and 36 percent in the 2015 RCS (Figure 32). Additionally, 1 in 10 in the 2015 RCS (10 percent) say they never plan to retire. Nevertheless, the median (midpoint) age at which workers expect to retire has remained stable at 65 for most of this time.

The actual retirement age reported by retirees has changed even more slowly. In 1991, only 8 percent of retirees said they retired after age 65. This percentage is 14 percent in 2015 (statistically equivalent with the 16 percent measured in 2014) (Figure 33). The median (midpoint) age at which retirees report they retired has remained at age 62 throughout this time.

This difference between workers' expected retirement age and retirees' actual age of retirement suggests that a considerable gap exists between workers' expectations and retirees' experience. Just 9 percent of workers say they plan to retire before age 60, compared with 36 percent of retirees who report they retired that early. Sixteen percent of workers plan to retire between the ages of 60–64, although 29 percent of retirees retired in that age range. On the other hand, 26 percent of workers plan to wait (compared with 6 percent of retirees who actually waited) at least until age 70 to retire and 10 percent of workers indicate they will never retire. 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.

Figure 32
Trend in Workers' Expected Retirement Age

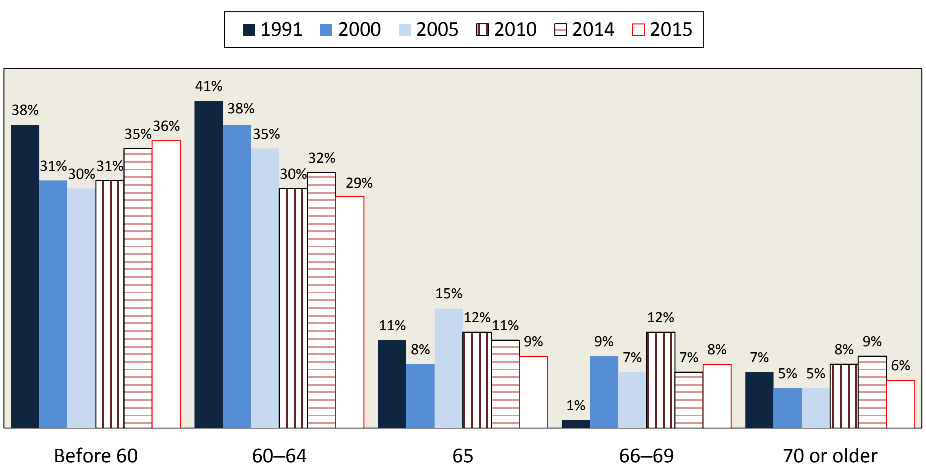
Realistically, at what age do you expect to retire?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1991–2015 Retirement Confidence Surveys.

Figure 33
Trend in Retirees' Actual Retirement Age

How old were you when you retired?

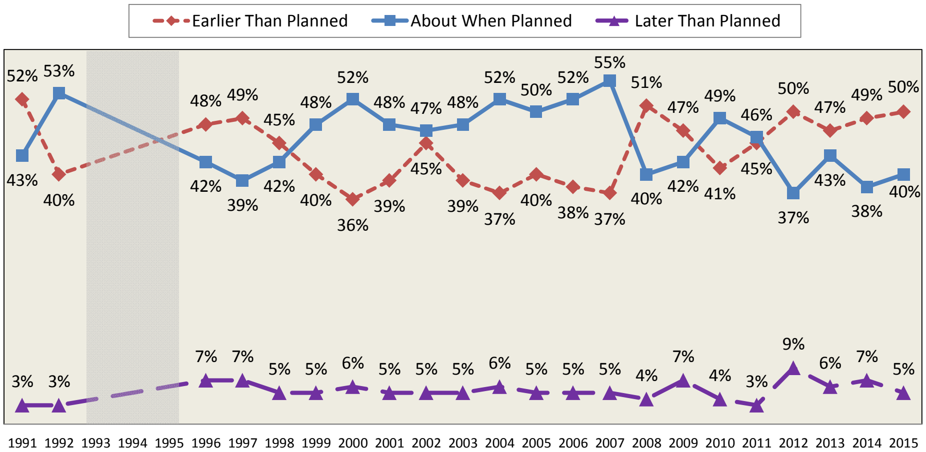


Source: Employee Benefit Research Institute and Greenwald & Associates, 1991–2015 Retirement Confidence Surveys

One reason for the gap between workers' expectations and retirees' experience is many Americans find themselves retiring unexpectedly. The RCS has consistently found that a large percentage of retirees leave the work force earlier than planned (50 percent in 2015) (Figure 34). Many retirees who retired earlier than planned cite hardships for leaving the work force when they did, including health problems or disability (60 percent), changes at their company, such as downsizing or closure (27 percent), and having to care for a spouse or another family member (22 percent). Others say changes in the skills required for their job (10 percent) or other work-related reasons (22 percent) played a role. Of course, some retirees mention positive reasons for retiring early, such as being able to afford an earlier retirement (31 percent) or wanting to do something else (17 percent).

Figure 34
Timing of Retirement, Among Retirees

Did you retire earlier than you planned, later than you planned, or about when you planned?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1991–2015 Retirement Confidence Surveys.
No data.

The financial consequences of an unplanned early retirement can be heavy. Retirees who retire earlier than planned are more likely than those who retire when expected or later to say they are not confident about having enough money for a comfortable retirement or about paying for basic expenses, medical expenses, and long-term care expenses.

Working for Pay in Retirement

In another expectations gap, the RCS has consistently found that workers are far more likely to expect to work for pay in retirement than retirees are to have actually worked. The percentage of workers planning to work for pay in retirement now stands at 67 percent, compared with just 23 percent of retirees who report they worked for pay in retirement (Figure 35).

Almost all retirees who worked for pay in retirement in the 2014 RCS gave a positive reason for doing so, saying they did so because they enjoyed working (83 percent) or wanted to stay active and involved (79 percent). However, they said that financial reasons also played a role in that decision, such as wanting money to buy extras (54 percent), needing money to make ends meet (52 percent), a decrease in the value of their savings or investments (38 percent), or keeping health insurance or other benefits (34 percent).

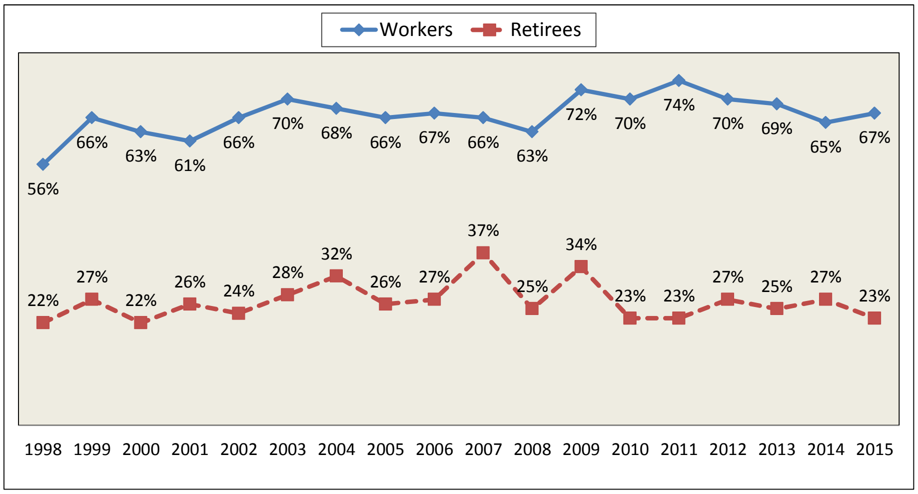
A financial rationale for working in retirement is even more important to workers. Among those expecting to work for pay in retirement in the 2014 RCS, 81 percent indicated they would need the money to make ends meet, and three-quarters (74 percent) wanted to keep health insurance or other benefits. Nevertheless, workers gave other reasons as well, saying they want to stay active and involved (90 percent), and enjoy working.

Sources of Retirement Income

While the majority of retirees (90 percent) report that Social Security provides a source of income for them and their spouse (63 percent say it is a major source of income), workers and their spouses continue to expect to draw their retirement income from a wide variety of sources. (Social Security is the federal program that provides income replacement for the aged and disability coverage for eligible workers and their dependents).

Figure 35
Comparison of Expected (Workers Expecting to Retire) and Actual (Retirees) Work for Pay in Retirement

Do you think you will do any work for pay after you retire?/Have you worked for pay since you retired?

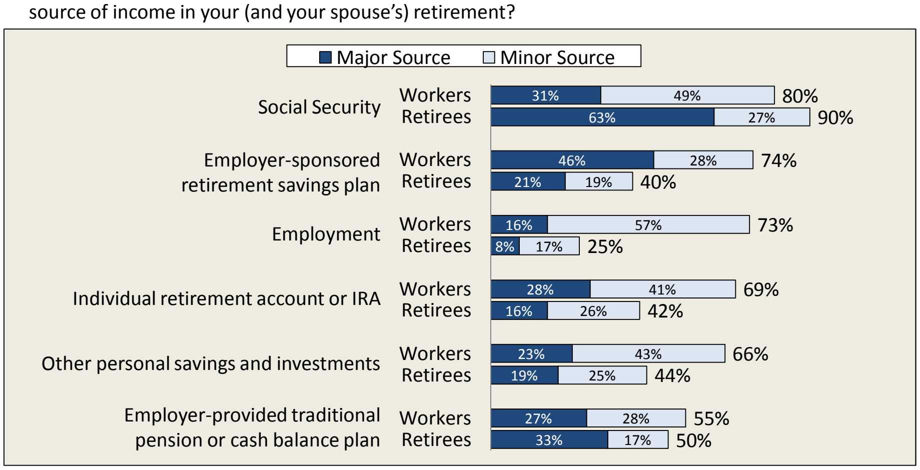


Source: Employee Benefit Research Institute and Greenwald & Associates, 1998–2015 Retirement Confidence Surveys.

Eighty percent of current workers expect Social Security to be a major or minor source of income in retirement, but they believe that personal savings will also play a large role. At least two-thirds each say they anticipate receiving retirement income from an employer-sponsored retirement savings plan (74 percent), an IRA (69 percent), and other personal savings and investments (66 percent). Seventy-three percent expect employment to provide them with a source of income in retirement and 55 percent expect to receive income from an employer-sponsored traditional pension or cash balance plan. In contrast to workers, retirees are less likely to expect to rely on any form of personal savings or on employment for their income in retirement (Figure 36).

Figure 36
Expected (Workers Expecting to Retire) and Actual (Retirees) Sources of Income in Retirement

Do you expect will be/Is the following a major source of income, a minor source of income, or not a source of income in your (and your spouse's) retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

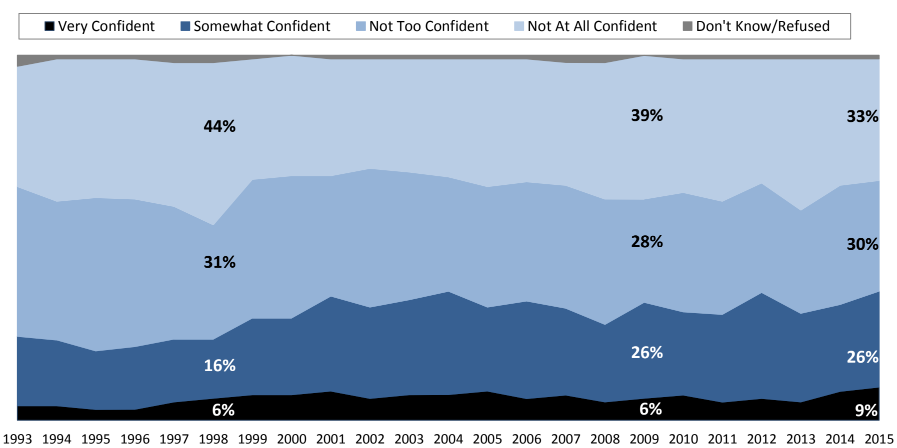
It should be noted that although 55 percent of workers expect to receive benefits from a defined benefit (pension) plan in retirement, only 32 percent report that they and/or their spouse currently have such a benefit with a current or previous employer.

Confidence in Entitlement Programs

The reason that workers may be less likely to expect than retirees are to receive income from Social Security is because confidence in Social Security's ability to maintain the current value of benefits paid to retirees is low. Just 9 percent of workers are very confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today, and 26 percent are somewhat confident. One-third (33 percent) of workers are not at all confident that future Social Security benefits will match or exceed the value of today's benefits (Figure 37).

Figure 37
Worker Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received Today

How confident are you that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Confidence that Social Security will continue to provide benefits that are at least equal to today's value is higher among workers ages 45 and older than among younger workers, and retirees are more likely than workers overall of any age to be confident about the future value of Social Security benefits. Sixteen percent of retirees say they are very confident about the future value of Social Security benefits (Figure 38).

Worker confidence in Medicare's current level of benefits being maintained in the future is also low (Medicare is the federal health care insurance program for the elderly and disabled). Just 8 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 35 percent are somewhat confident in the system. Twenty-six percent are not at all confident that Medicare's benefits will continue to equal or exceed the benefits received by beneficiaries today (Figure 39).

Worker confidence about the future value of Medicare benefits is higher among those ages 45 and older, and retirees are more likely than workers overall of any age group to be confident. Even so, just 12 percent of retirees are very confident in the value of the future benefits paid by Medicare, while 14 percent report they are not at all confident (Figure 40).

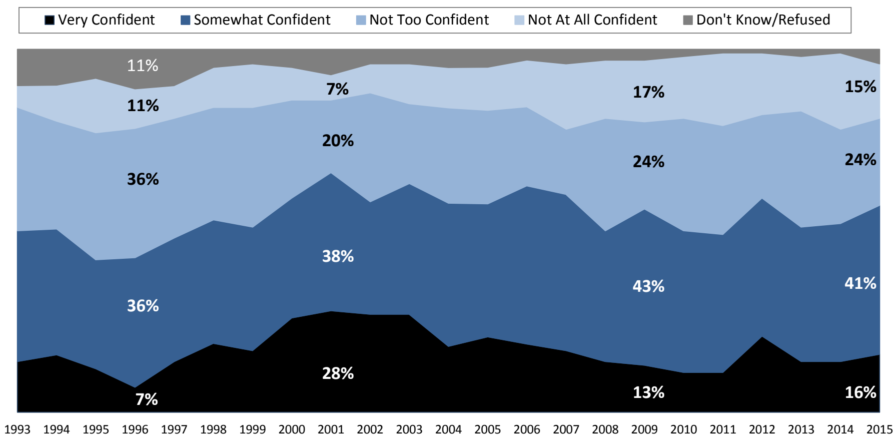
Income Needs in Retirement

All in all, more than half (56 percent) of workers expect to be able to manage in retirement with no more than 70 percent of their preretirement income. Another 23 percent expect to be able to manage with 70–85 percent of preretirement income. Just 16 percent of workers say they will need an income replacement ratio in retirement of at least 85 percent. The cited income replacement rates are in line with retirees' reported experience. Fifty-seven percent of retirees say their income in retirement is no more than 70 percent of their preretirement income, 12 percent say it is 70–85 percent, and 12 percent say it is at least 85 percent (5 percent of workers and 19 percent of retirees are unable to estimate the replacement ratio) (Figure 41).

Figure 38

Retiree Confidence That Social Security Will Continue to Provide Benefits of at Least Equal Value to Benefits Received Today

How confident are you that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today?

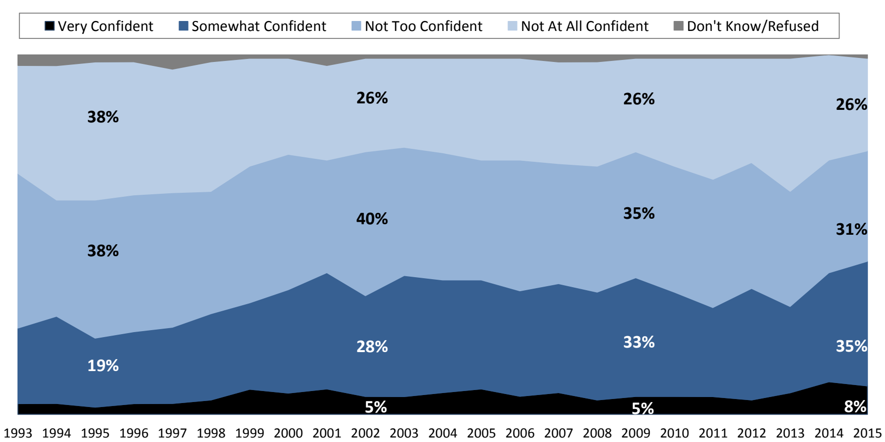


Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Figure 39

Worker Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received Today

How confident are you that the Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today?

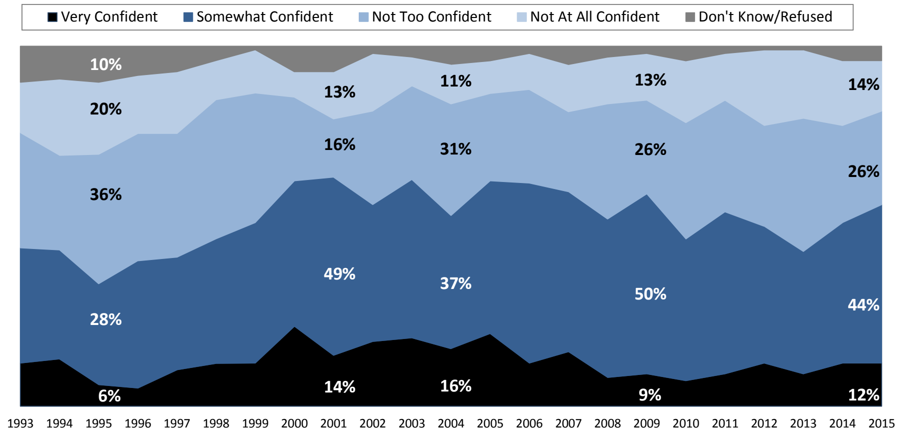


Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Income in retirement is often needed not only to support the immediate household, but also to provide support to relatives and friends. Three in 10 (29 percent) workers and 2 in 10 (20 percent) retirees report they are currently providing financial support to a relative or friend. Among those who provide this type of support, the most common recipients are children age 18 or older (38 percent of workers and 58 percent of retirees), children under 18 (37 percent of workers and 10 percent or retirees), parents or parents-in-law (22 percent of workers and 5 percent of retirees), and grandchildren (6 percent of workers and 24 percent of retirees).

Figure 40
Retiree Confidence That Medicare Will Continue to Provide Benefits of at Least Equal Value to Benefits Received Today

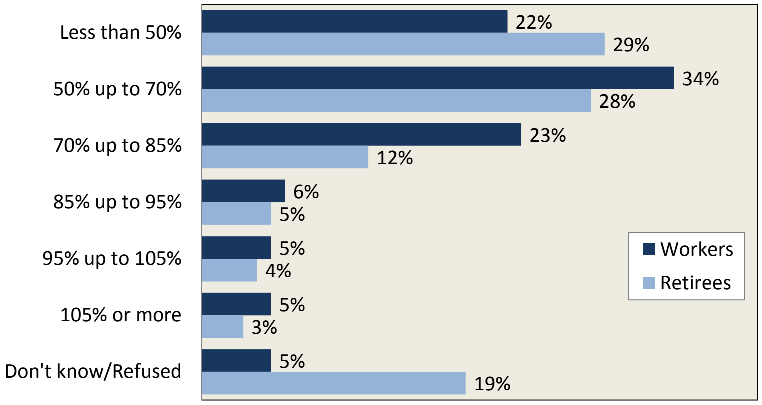
How confident are you that the Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Figure 41
Worker (Expectation of Needed) and Retiree (Actual) Income Replacement Ratio in Retirement

Including all the different sources that provide you with income in retirement, about what percentage of your pre-retirement income (do you think you (and your spouse) will need to live comfortably in retirement /is your current household income)?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

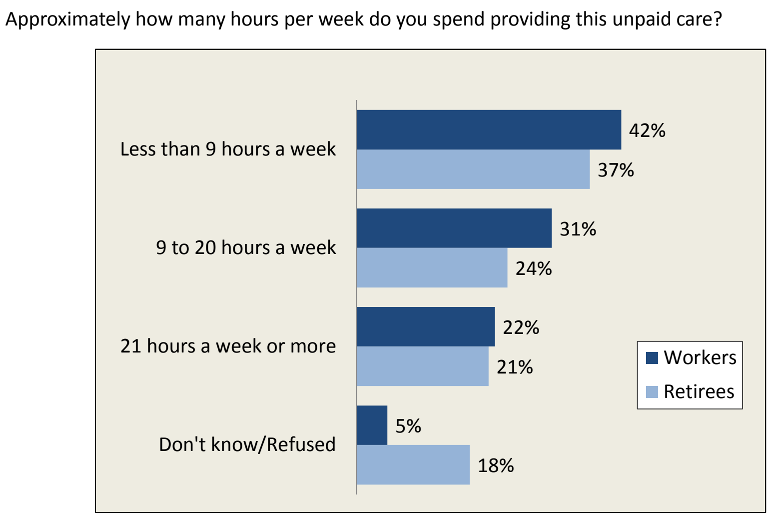
The provision of unpaid care can also put a strain on resources by increasing expenses and decreasing the time and energy available for other activities. Twenty-three percent of workers and 16 percent of retirees state they are currently providing unpaid care to a relative or friend. Among those providing such care, the most frequent recipient of this care is a parent or parent-in-law (53 percent of workers and 28 percent of retirees). They also provide care to:

- A friend (13 percent of workers and 11 percent of retirees).

- A child age 18 or older (10 percent and 22 percent).
- A sibling (10 percent and 13 percent).
- A child under 18 (8 percent and 5 percent).
- A grandchild (4 percent and 13 percent).
- Some other relative (15 percent and 13 percent).

While retirees are often thought of providing this type of care for their spouse, just 5 percent of retirees and 4 percent of workers name their spouse as a recipient of their care. The plurality of those who provide unpaid care do so for less than nine hours a week (42 percent of workers and 37 percent of retirees), but sizable percentages provide this care for nine to 20 hours a week (31 percent and 24 percent) or 21 hours or more (22 percent and 21 percent) (5 percent of workers and 18 percent of retirees providing unpaid care are unable to estimate the number of hours) (Figure 42).

Figure 42
Number of Hours a Week Spent Providing Unpaid Care, Among Workers and Retirees Providing Care



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

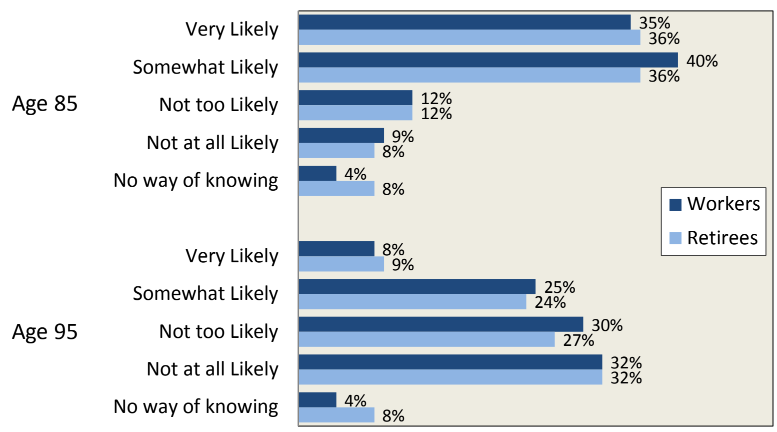
Longevity

Most workers and retirees expect to live at least until age 85, but only a minority thinks they are at least somewhat likely to reach age 95. Among workers, 35 percent say they are very likely to live to age 85 and 40 percent say they are somewhat likely to do so. Similarly, 36 percent of retirees under the age of 85 expect to live until that age, and another 36 percent think it somewhat likely they will do so. On the other hand, just 8 percent of workers and 9 percent of retirees feel they are very likely to live until age 95 and one-quarter say it is somewhat likely (25 percent of workers and 24 percent of retirees). One-third each state it is not at all likely that they will reach age 95 (Figure 43).

Workers express a moderate level of interest in purchasing an insurance product when they retire that begins providing guaranteed monthly income at some point in the future, such as age 80 or 85. Eight percent of workers indicate they are very interested and 30 percent report they are somewhat interested. However, interest among retirees is very low, with just 1 in 10 saying they are very (2 percent) or somewhat (8 percent) interested in purchasing this type of product. Instead, 70 percent of retirees say they are not at all interested (Figure 44).

Figure 43
Worker and Retiree Expectation of Living to Ages 85 and 95

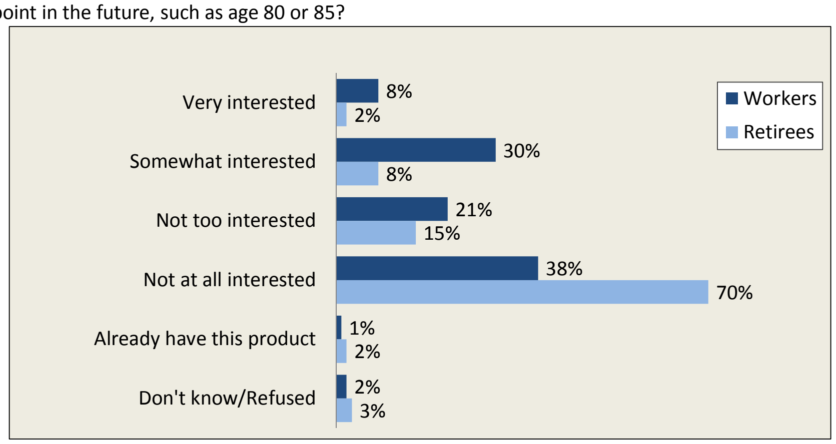
How likely do you think you will be to live until at least age 85/95?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Figure 44
Worker and Retiree Interest in Longevity Insurance

(When you retire,) How interested (do you think you will be/are you) in purchasing an insurance product with a portion of your savings that begins providing guaranteed monthly income at some point in the future, such as age 80 or 85?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

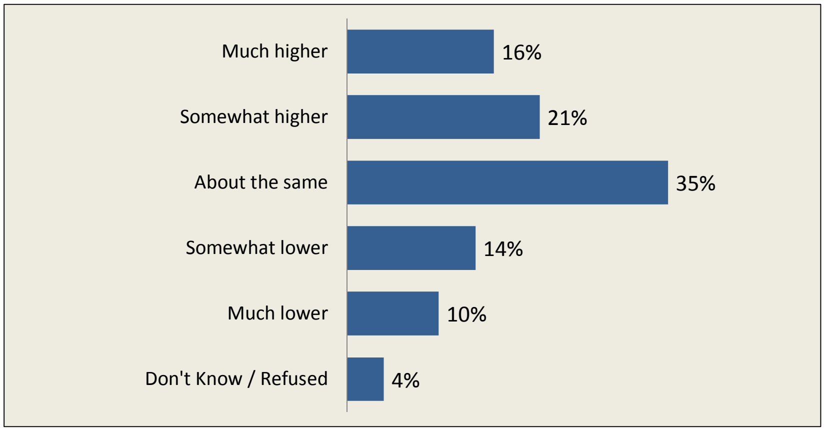
Managing Finances in Retirement

Four in 10 (40 percent) retirees with savings of at least $50,000 report having been concerned that stock market fluctuations might reduce the total value of their savings and investments just before they retired. Perhaps in response, 41 percent made adjustments to the way their money was invested in the last three years before they retired. Half (50 percent) of those who made these adjustments moved to more conservative investments. Sixteen percent moved to income-producing investments. Smaller percentages made other adjustments, such as changing the company or adviser handling the investment (9 percent), moving to a less conservative investment (7 percent), and buying or selling property (4 percent).

Compared with what they expected when they first retired, retirees are more likely to say their expenses in retirement are higher than expected (37 percent) rather than lower (24 percent). Thirty-five percent report their expenses are about the same as expected (Figure 45). Those who have a problem with debt are especially likely to say their expenses are higher.

Figure 45
How Retiree Experience With Retirement Expenses Matches With Expectations

Compared with what you expected when you first retired, would you say your *expenses* in retirement are higher, about the same, or lower than you expected them to be at this point in time?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

Retirees who retire before age 65 most often pay for medical expenses in retirement before becoming eligible for Medicare using retiree health insurance through a previous employer (37 percent). Other methods early retirees use to pay for their retirement health expenses include paying privately (18 percent), health insurance through their spouse (16 percent), government health insurance (13 percent), and individually purchased health insurance (10 percent).

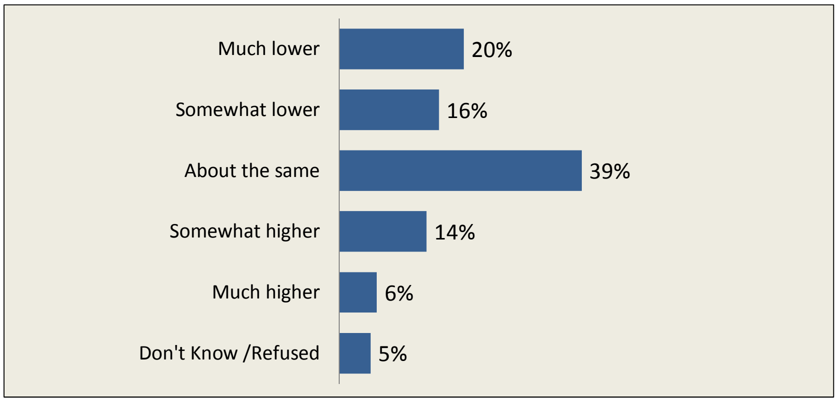
Retirees draw down money from their savings and investments to pay for day-to-day expenses (24 percent), major expenses such as the purchase of a car or major appliance (23 percent), health expenses (16 percent) and travel (13 percent). While many may have planned for these withdrawals, more than one-third (36 percent) of retirees find the level of their savings and investments is lower than expected at this point in their retirement. Four in 10 (39 percent) report the level is about as expected, and 20 percent find it is higher than expected (Figure 46).

Those reporting the level of their savings and investments is lower than expected think it is primarily because they have been unable to add to their savings and investments (27 percent), they have withdrawn more than expected (19 percent), investment performance has been worse than expected (12 percent), or they paid off debt or a mortgage (12 percent). Those saying their level of savings and investments is higher than expected attribute it to better-than-expected investment performance (34 percent), their ability to add to their savings (20 percent), withdrawing less than expected (14 percent), and paying off a debt or a mortgage (12 percent).

One-third (34 percent) of retirees report having moved since they retired, generally to homes that are easier to manage (43 percent of those who have moved). Others moved closer to family (38 percent), to a different city or part of the country (37 percent), downsized (35 percent), or chose a less expensive home (28 percent). The 66 percent of retirees who have not moved since retirement say that if they were to do so, they would look for a smaller (28 percent), easier-to-manage (24 percent) home. Sixteen percent say they would look for a less expensive home, while 15 percent would move closer to family.

Figure 46
How Retiree Experience With Level of Savings and Investments Matches With Expectations

Compared with what you expected when you first retired, would you say your current level of savings and investments are higher, about the same, or lower than you expected them to be at this point in time?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey.

RCS Methodology

These findings are part of the 25th 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 and February 2015 through 20-minute telephone interviews with 2,004 individuals (1,003 workers and 1,001 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. 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 2015 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 samples of 1,003 workers and 1,001 retirees yield a statistical precision of plus or minus 3.5 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 Greenwald & Associates, a Washington, DC-based market research firm. The 2015 RCS data collection was funded by grants from a number of public and private organizations, with staff time donated by EBRI and Greenwald & Associates. RCS materials and a list of underwriters may be accessed at the EBRI website: www.ebri.org/surveys/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] For example, in 2014 just 3 percent of workers who described their debt as a major problem said they were very confident about having enough money to live comfortably throughout retirement, compared with 29 percent of workers who indicated debt was not a problem. On the other hand, 49 percent of workers with a major debt problem were not at all confident about having enough money for a financially secure retirement, compared with 16 percent of workers without a debt problem.

[3] The last time the question was asked in 2003, the percentages spending more than eight hours planning for retirement were approximately the same (36 percent for workers and 21 percent for retirees).

[4] These findings are in line with other estimates of assets owned by American families. Estimates of data from the 2013 Survey of Consumer Finances (SCF) (conducted by the U.S. Federal Reserve Board) find that the median amount of financial (liquid countable assets, i.e., stocks, bonds, money, individual account retirement plans, etc.) assets for American families was $17,500 in 2013. For those families owning an individual account retirement plan, the median financial asset level was $103,010, while for the families without such plans it was $1,500. (Source: unpublished estimates from the SCF by the Employee Benefit Research Institute, 2015).

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