



Workers More Worried About Retirement

March 15, 2011 (PLANSponsor.com) – Working Americans are a lot less confident about their retirement prospects, according to a new report.

In fact, more than a quarter (27%) of surveyed workers now say they are “not at all confident” about retirement, up 5 percentage points from the level measured just one year ago, while the percentage of workers saying they are “very confident” of a comfortable retirement ties with 2009 at 13% for the lower rate ever measured by the Retirement Confidence Survey (RCS).

However, the RCS notes that the increase in the percentage of workers not at all confident about having enough money for a comfortable retirement appears to be largely due to a loss of confidence among those who have less than \$100,000 in savings. According to the report, this percentage increased sharply among those with savings less than \$25,000 (up from 19% in 2007 to 43% this year), and between \$25,000–\$99,999 (soaring from 7% in 2007 to 22% in 2011).

It was apparently also a function of whether you are still a worker or not; retiree confidence in having a financially secure retirement was stable, with 17% saying they are not at all confident and 24% being very confident, findings that the authors of the RCS said were statistically equivalent to 2010 levels.

“To me, these are positive findings: People are increasingly recognizing the level of savings realistically needed for a comfortable retirement. We know from previous surveys that far too many people had false confidence in the past,” said Jack VanDerhei, EBRI research director and co-author of the report. “People’s expectations need to come closer to reality so they will save more and delay retirement until it is financially feasible.”

Of course, those retirement savings have taken a hit in the past year. The RCS found that roughly a third of both workers and retirees said they had to dip into their savings last year to pay for basic expenses. However, the RCS also found that those who had retirement savings, such as a 401(k) or an individual retirement account (IRA), were far less likely than others to tap into their savings.

Survey co-author Mathew Greenwald, of Greenwald & Associates, said that “Many people are planning to work longer and retire later because they know they simply can’t afford to leave the work place—both for the paycheck and for the benefits.” He added: “Unfortunately, many retirees also tell us they left the work force earlier than they planned, either because of health problems or layoffs. So it may not necessarily be a bad thing that those who can work longer choose to do so.”

In fact, more workers now expect to work for pay in retirement. Three-quarters (74%) report they plan to work in retirement (compared with 70% last year), three times the percentage of retirees who say they actually worked for pay in retirement (23%).

VanDerhei noted that the RCS finds that many systemic conditions are forcing Americans to redefine retirement, such as high unemployment rates; federal, state, and local government fiscal crises; rising health care costs; lower investment returns; a surge in the older population, putting stress on social insurance programs such as Social Security and Medicare; longer life expectancies; and various other long-term factors.



Other key findings from the RCS:

The RCS found that while nearly six-in-ten (59%) of all workers say they are currently saving for retirement, more than half (56 percent) say they have less than \$25,000 in savings and investments, excluding the value of their primary residence and any defined benefit (pension) plans. About a third (31%) of workers say they will need less than \$250,000 to afford a comfortable retirement, but 45% are not too or not at all confident they and their spouse will be able to save as much as they think they need, and 70% say they are a little or a lot behind schedule in planning and saving for retirement.

Asked to evaluate their progress in planning and saving for retirement, 70% said they were a little or a lot behind schedule. That was 15 percentage points higher than the 55% of workers who felt behind schedule in 2005.

However, nearly half (42%) say they determined their retirement savings needs – by guessing.

When it comes to having enough set aside for medical expenses in retirement, 48% were very or somewhat confident in doing so, compared with half that were either not too or not at all confident in their ability to do so. Current retirees were sharply more optimistic on this score, however; 68% were confident, compared with 30% who were not confident.

A full one-in-five workers say they now intend to retire later (at an older age) than they had planned. Of those who say they will retire later, the main reasons cited were:

- 36% - the poor economy
- 16% - a lack of faith in Social Security
- 16% - a lack of faith in the government
- 15% - a change in employment situation
- 13% - can't afford to retire

Confirming findings from earlier waves of the RCS, almost half of current retirees (45%) say they retired earlier than they planned, mainly because of a health problem or disability.

This is the 21st annual RCS, and is conducted by the nonpartisan Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc., making it the longest-running annual retirement survey of its kind in the nation, according to a press release. Full results of the 2011 RCS are published in the March 2011 EBRI Issue Brief, available online at <http://www.ebri.org>. The survey was underwritten by more than two dozen organizations.

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