



WORKER CONFIDENCE IN A COMFORTABLE RETIREMENT: TWO VIEWS

Two troublesome conclusions can be drawn from a current survey that explored workers' attitudes about how they'll manage financially in retirement. Those who've done some planning are very worried. Those who haven't done any planning are pinning their hopes on unrealistic expectations.

There's a glimmer of good news in the 2009 Retirement Confidence Survey (RCS), the 19th annual study of the way workers and retired people feel about their financial future. According to the Employee Benefits Research Institute (EBRI) and Matthew Greenwald & Associates, Inc., who conducted the study, 75% of the workers in the survey say that they have saved money for retirement, either individually or with a spouse. That's the highest rate ever.

Not surprisingly, those who have saved the most and have the highest household incomes remain confident about what the future holds for them. But just 12% of the sample has saved more than \$250,000. That's in stark contrast to the 40% who have less than \$10,000 in savings. Another 13% have saved between \$10,000 and \$25,000. Those figures don't include the value of their homes or projected pension income from defined benefit plans.

In a related finding, the workers who are the most confident about retirement are those who expect retirement benefits from both a defined benefit and a defined contribution plan. The level of confidence also is higher for those workers whose employers provide retiree healthcare benefits.

The rest of the news, however, isn't so good. In fact, some of it is bleak.

→ A QUICK LOOK

- Just 13% of workers are confident they can afford a comfortable retirement
- Just 25% are confident they'll be able to cover basic expenses
- Fewer than 50% have given retirement much thought or planning
- Just 44% of workers have tried to calculate how much retirement income they'll need—another 44% simply guess

GROWING WORRY ABOUT FINANCIAL SECURITY

Most notably, only 13% of workers are confident they'll have enough money for a comfortable retirement. That's the lowest level since the survey began. And 22% of workers are not at all confident they'll be able to live comfortably — which means, in effect, the same life style they live now. People who are already retired aren't quite as worried, but they are less confident than they were last year or the year before.

Perhaps even more disturbing is the concern that workers express about having enough money to cover even their basic expenses. Specifically, the survey found that just 25% of the respondents are confident they'll be able to pay their bills, cover their healthcare costs, and meet other necessities. That figure is down from a 40% confidence level in 2007.

WEAK ECONOMY CAUSES CONCERN

Overall, the people who are most concerned are those between 44 and 54, where the “most confident” dropped from 21% to 10% and the “not at all confident” increased from 18% to 27%. Ironically, this loss of confidence is strongest for those who are the most knowledgeable about their finances and have done some preparation for retirement: they’ve thought about the money they’ll have coming in, where it will come from, and how far it will go.

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Those surveyed also expressed concern, with justification, about the overall weakness in the economy, the shrunken value of their savings and investment accounts, and the increased cost of healthcare. Equally important, a number of people identified a decrease in the level of retirement benefits offered by their own or their spouse’s employer (24%), increased levels of debt (24%), the need to help others (23%), and the loss of a job or reduction in earnings (21%) as serious concerns affecting their expectations for retirement.

UNREALISTIC EXPECTATIONS

Other survey findings sound an even greater alarm:

- Fewer than 50% of workers have given much thought to their retirement needs or made plans to meet them. Or, to quote the survey’s executive summary: “Ignorance [is] still a major factor.” In fact, the findings confirm that faulty assumptions are rampant and lack of planning is the norm. For example, while 77% of workers expect retirement income from their own savings and investments, only 56% have opened such accounts. And while 56% of workers expect a defined benefit pension, only 41% are now eligible for one.
- While many workers report that delaying retirement is one way they hope to improve their situation, in reality a large proportion (47%) leave their full-time jobs earlier than they planned, and just 10% of those because they want to. Further, while 72% of workers expect to work after they retire, only 34% of retired people actually do so.
- The findings also indicate that people aren’t realistic about how much they’ll need to pay for healthcare and long-term care.

In short, the 2009 RCS is a sobering document about workers’ financial preparedness for retirement and their understanding of the realities of the situation.

The study, titled “The 2009 Retirement Confidence Survey: Economy Drives Confidence to Record Lows; Many Looking to Work Longer,” was reported by Ruth Helman of Matthew Greenwald & Associates and Craig Copeland and Jack VanDerhei of EBRI. It was published by EBRI in April 2009 and is based on interviews with 1,257 randomly chosen individuals (1,001 workers age 25 and older and 256 retired people).