



REVISITING RETIREMENT CONFIDENCE

An increasing percentage of workers feel they haven't done a very good job of preparing for retirement. Some concede they've done nothing at all.

When it comes to retirement savings, there are two distinct groups: The first calculates how much they need to live comfortably and save to meet that goal. The second neglects to plan and accumulates few if any savings, hoping for the best but worried things may not work out. According to the 2010 Retirement Confidence Survey (RCS), workers in the first camp are more confident this year than they were last year that they will enjoy a financially secure future. But among those who haven't saved, there is a growing sense that all is not well.

That dichotomy is played out in a number of ways in the RCS, the 20th that the Employee Benefits Research Institute (EBRI) has conducted. On one hand, the record-low confidence levels reflected in the 2008 and 2009 surveys seem to have stabilized or even rebounded slightly. Workers who are very confident they'll be able to afford basic retirement expenses has moved back up to 29%, from its all-time low of 25% in 2009, though still well below the 40% that expressed that view in 2007. In contrast, the percentage of those who are not at all confident they'll be able to cover their basic needs increased slightly to a record high of 12%.

A chief concern, especially for the unprepared, seems to be the potential costs they'll face for medical expenses and long-term care after they retire. Fully 26% say they are not at all confident they will be able to pay their medical bills, and 31% express similar concern about being able to afford long-term care. That may help to explain why an increasing percentage—35% in 2010, up from 29% in 2009—feel they haven't done a very good job of preparing for retirement.

→ A QUICK LOOK

- The percentage of those saving at least something for retirement has dropped from 75% in 2009 to 69% in 2010.
- 35% of respondents feel they haven't done a very good job of preparing for retirement.
- 81% of workers eligible for an employer-sponsored savings plan participate.
- 59% of savers who used a retirement income needs calculator increased their savings rate.

IT'S ALL ABOUT SAVING

Failure to plan for retirement is directly linked to some disheartening information about the percentage of people who save, which dropped from 75% in 2009 (a ten-year high) to 69% in 2010. (That figure is about average for the decade.)

Americans with little or no savings are a growing part of the US population, including 29% of those in the 2010 RCS. That's consistent with other research into the strikingly low savings rate in the country as a whole. The primary reason for not saving, according to 79% of responding workers, is that they can't afford to. Among the other reasons: 6% said they had other priorities, 5% said they hadn't gotten around to it, and 3% said they didn't know enough about saving.

Even for those who have saved, moreover, there is cause for concern. Although 69% of workers say they have saved some money for retirement, either on their own or with a spouse, and 60% say they are saving now, 54% of those respondents have assets totaling less than \$25,000, not including the value of their primary home. Even more worrisome, 27% had assets of less than \$1,000, an increase from the 20% reporting that situation in 2009. While the RCS doesn't explain this increase, it is reasonable to speculate that people have been forced to tap whatever savings they did have as a consequence of lingering unemployment or other aspects of the recession.)

Disturbingly, some workers who report that they haven't saved for retirement aren't always as aware of the consequences as they might be. For example, 23% of workers who said they were very confident about having enough money to live comfortably in retirement aren't saving, and 44% of those who have saved less than \$50,000 felt the same way.

WHEN SAVING WORKS

It's no surprise that workers with higher incomes, more education, and in better health save more. Similarly, those over 45 tend to save more than younger workers. Significantly, so do workers who participate in an employer-sponsored retirement savings plan. In the 2010 survey, 73% of employed workers had access to such a plan—a slightly higher figure than some other researchers have found—and 81% of those people were enrolled.

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In fact, the survey findings show that these plans “may be among the most effective vehicles available for encouraging workers to save for retirement,” and more effective than individual retirement accounts (IRAs). Workers who participate in an employer plan are “almost three times as likely” to save as those who do not. They are also more likely to have accumulated at least \$50,000. In light of the RCS findings, two ways to encourage more saving, may be to:

- Create programs designed to reach out to those who aren't following up on the opportunity to save at work.
- Encourage workers to calculate their retirement savings needs

Fifty-nine percent of savers in the survey reported that they began to save more after doing a calculation of their needs—and an increasing percentage of respondents put the amount they would need at \$500,000 or more.

Ruth Helman, Craig Copeland, and Jack VanDerhel, “The 2010 Retirement Confidence Survey: Confidences Stabilizing, But Preparations Continue to Erode,” EBRI Issue Brief, no. 340, March 2010.