



WORRIED ABOUT RETIREMENT: THE NEW NORMAL

Loss of confidence over workers' ability to manage financially in retirement has blurred the lines between working years and retirement. Rather than increasing their retirement savings now, more workers are expecting to work during their retirement years or delay their retirement dates.

There's plenty of sobering news in the 2011 Retirement Confidence Survey (RCS), the 21st annual study of how workers and retirees feel about their financial future. According to the Employee Benefits Research Institute (EBRI) and Matthew Greenwald & Associates, Inc., who conducted the study, 27% of workers surveyed reported being "not at all confident" about having enough money for a comfortable retirement. This percentage has grown from 22% in 2010, and is the highest level measured in the 21 years of the RCS. At the same time, the percentage of those "very confident" dipped to 13%—tying with 2009 for the lowest rate ever measured by the RCS in this category.

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. Just 10% of the sample had saved more than \$250,000 for retirement. That's in stark contrast to the 43% who have less than \$10,000 in savings, including 29% who have less than \$1,000. More than half of the workers, 56%, report total household savings and investments less than \$25,000. Those figures don't include the value of their homes or projected pension income from defined benefit plans.

Sixty eight percent of the workers say that they have saved money for retirement, either individually or with

→ A QUICK LOOK

- 27% of surveyed workers say they are "not at all confident" about retirement, the highest level the survey has ever measured in 21 years
- Retirees surveyed felt more secure; 17% saying they were "not at all confident"
- Three-quarters of surveyed workers plan to work in retirement
- 62% of workers say it is reasonably possible for them to save \$25 a week more than they are currently saving for retirement

a spouse. This is down from the record high of 75% in 2009, but statistically equivalent to the 2010 level.

WHO'S NOT WORRIED?

The most confident workers are those who have saved the most and have the highest household incomes. Perhaps this is because these groups are also the most likely to calculate estimations of how much income they will need in retirement.

Also confident are those who report that either they or their spouse expect retirement benefits from a defined benefit or defined contribution plan. The level of confidence also is higher for those workers whose employers provide retiree healthcare benefits, and for those who report not having a problem with debt.

People who have already retired are not quite as worried, reporting a confidence level statistically equivalent to the levels reported in 2010.

SAVINGS UNDER STRESS

About a third, 31%, of workers responded that they think they need less than \$250,000 to afford a comfortable retirement. Yet almost half, 45%, are not confident they and their spouse will be able to save as much as they think they need, and 70% say they are behind schedule in planning and saving for retirement.

Sixty-two percent of workers (68% of savers and 48% of non-savers) say it is reasonably possible for them to save \$25 a week more than they are currently saving for retirement.

“People’s expectations need to come closer to reality so they will save more and delay retirement until it is financially feasible.”

- Jack VanDehri,
EBRI Research Director

As in years past, many workers can only guess how much they need to save for retirement. In fact, 42%, report that guessing is their method to determine that amount.

Roughly a third of both workers and retirees admitted to covering basic expenses last year with money from their savings, IRA, 401(k), or investment account, or that they had to take a loan against those accounts. However, those with retirement savings were far less likely than those without these accounts to tap into their savings.

THE ‘NEW NORMAL’

Other survey findings show how workers’ attitudes towards retirement have shifted and how Americans are beginning to redefine retirement.

Looking at the results of the survey, it’s not surprising that this shift came about, in part, due to workers’ own lack of planning and saving. But some of the shift is also due to outside factors such as high unemployment rates; federal, state, and local government fiscal crises; rising health care costs; lower investment returns; an older population putting stress on Social Security and Medicare; and longer life expectancies.

The authors have called this gradual change in retirement expectations, and all the factors that influence it, “the new normal.” The new normal is marked by longer transitions between working and retiring:

- The age at which workers expect to retire is gradually rising. In 1991, half of workers planned to retire before age 65 (50 percent), compared with 23 percent in 2011.
- Twenty percent of workers say the age at which they expect to retire has increased in the past year.
- Seventy-four percent of workers now say they plan to work for pay after they retire. Twenty-three percent report that income from employment will be a major support during retirement.

The RCS is now the longest-running annual retirement survey of its kind in the nation.

The study, titled “The 2011 Retirement Confidence Survey: Confidence Drops to Record Lows, Reflecting the ‘New Normal’” was written by Ruth Helman of Mathew Greenwald & Associates, and Craig Copeland and Jack VanDerhei of Employee Benefit Research Institute. It was published by EBRI in March 2011 and is based on interviews with 1,258 randomly chosen individuals (1,004 workers age 25 and older and 254 retirees).