



# The 2001 Retirement Confidence Survey Summary of Findings

## Overview

This year's Retirement Confidence Survey (RCS) represents the 11th annual wave of this study. Although there have been numerous changes to the questionnaire during these 11 years, certain key questions have tracked trends in retirement confidence and retirement planning behavior for much of this time. The picture portrayed by these trends for the past few years has been optimistic, with slight upswings in retirement confidence backed by significant changes in retirement planning and saving activities. In contrast, the 2001 RCS finds that retirement confidence has declined and that fewer nonretired individuals are engaging in retirement planning and savings activities than in recent years.

In the past year, the proportion of workers<sup>1</sup> who are very or somewhat confident of having enough money to live comfortably throughout their retirement years has decreased from more than 7 in 10 to less than two-thirds (72 percent in 2000, 63 percent in 2001). Similar decreases are found among those who are confident that they are doing a good job of preparing for retirement (77 percent in 2000, 70 percent in 2001) and those who are confident in having enough money to pay for basic expenses during retirement (84 percent in 2000, 78 percent in 2001).

Workers are less likely in 2001 than in 2000 to be saving for retirement and to have calculated how much money they will need to have saved by the time they retire. In fact, 6 in 10 now say they are behind schedule when it comes to planning and saving for retirement (60 percent, up from 54 percent in 2000).

## Retirement Confidence

After a number of years of steady increases in retirement confidence, this year's survey finds that workers' confidence in having enough money to live comfortably throughout their retirement years has fallen. While 72 percent of workers surveyed as part of the 2000 RCS were confident of having enough money, just 63 percent report being confident in 2001. At the same time, the percentage of workers who are not at all confident of having enough money for retirement has nearly doubled (10 percent in 2000, 17 percent in 2001).

**Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Very confident	18%	20%	21%	19%	24%	22%	22%	25%	22%
Somewhat confident	55	45	51	41	41	45	47	47	41
Not too confident	19	17	19	23	19	18	21	18	18
Not at all confident	6	17	8	16	15	13	9	10	17

<sup>1</sup> 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.

Given recent economic uncertainty, this decline in confidence is not unexpected. Despite increases in confidence in recent years, roughly two-thirds of those who are confident have consistently been *somewhat* confident rather than *very* confident. When respondents to the 1995 RCS were asked what they meant when they said they were only *somewhat* confident, the most frequent response was that they should have enough money to live comfortably in retirement if everything goes right. Fluctuations in the stock market and other recent economic events may mean that, for some at least, things are not going right at the moment.

Other confidence indicators have also fallen after several years of steady increases. In 2000, 77 percent of workers were confident that they were doing a good job of preparing financially for retirement; this year, 70 percent are confident. Likewise, confidence in having enough money for basic expenses in retirement has decreased to 78 percent from 84 percent in 2000. Finally, workers are less likely to be confident about having enough for medical expenses (58 percent, down from 66 percent in 2000) and for long-term care (44 percent, down from 51 percent).

#### Worker Confidence in Financial Aspects of Retirement

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Doing a good job of preparing financially for retirement				
1993	21%	47%	18%	12%
1999	23	50	17	9
2000	28	49	13	10
2001	27	43	16	13
Having enough money to take care of basic expenses				
1993	38	43	12	5
1999	31	50	13	5
2000	40	44	9	7
2001	37	41	12	10
Having enough money to take care of medical expenses				
1993	21	33	23	20
1999	16	41	27	15
2000	24	42	19	13
2001	20	38	22	19
Having enough money to pay for long-term care				
1993	na	na	na	na
1999	na	na	na	na
2000	16	35	29	19
2001	15	29	26	28

Certain demographic groups are more likely than others to have experienced a decline in retirement confidence. In general, confidence in the financial aspects of retirement is more likely to have fallen among workers between the ages of 35 and 54 than among older or younger workers and among those with annual household income of \$35,000 to \$74,999 than among those with higher or lower incomes.

## Confidence in Social Security and Medicare

Contrary to the trend for retirement confidence, which has declined since 2000, worker confidence in Social Security and Medicare has continued to increase steadily from the lows measured in 1995. This year, one-third of workers report they are confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today (34 percent, up from 19 percent in 1995 and 28 percent in 2000).<sup>2</sup> Likewise, 4 in 10 are confident that the Medicare system will continue to provide benefits of at least equal value (39 percent, up from 21 percent in 1995 and 35 percent in 2000). The majority of workers, however, continue to be not confident that these programs will continue to provide benefits equivalent to those received today (65 percent for Social Security; 57 percent for Medicare).

**Worker Confidence That Social Security Will Continue to Provide Benefits of Equal Value**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Very confident	4%	4%	3%	3%	5%	6%	7%	7%	8%
Somewhat confident	19	18	16	17	17	16	21	21	26
Not too confident	41	38	42	40	36	31	38	39	33
Not at all confident	33	39	38	38	39	44	33	33	32

**Worker Confidence That Medicare Will Continue to Provide Benefits of Equal Value**

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Very confident	3%	3%	2%	3%	3%	4%	7%	6%	7%
Somewhat confident	21	24	19	20	21	24	24	29	32
Not too confident	43	32	38	38	37	34	38	38	31
Not at all confident	30	37	38	37	34	36	30	27	26

Confidence in Social Security, but not in Medicare, has a strong relationship to age. While almost 6 in 10 of those age 55 or older are confident that Social Security will continue to provide benefits of equal value (58 percent), roughly 2 in 10 of those ages 25–34 say they are confident (22 percent).

Many workers greatly underestimate the amount they will receive from Social Security when they retire. Twelve percent of workers who plan to retire state they will get nothing from Social Security, even after being probed as to whether they really believe they will get nothing or whether they think it will only be a small percentage of their preretirement income. Another 17 percent think they will get less than 20 percent of their preretirement income from Social Security (15 percent of those with household incomes of less than \$50,000 think they will receive a percentage in this range). Thirty-two percent (27 percent of those with household incomes of less than \$50,000) expect that between 20 percent and 39 percent of their preretirement income will be replaced by money from Social Security. On average, older respondents expect that Social Security will replace a larger share of their preretirement income than younger respondents do.

Why are workers not confident about Social Security and Medicare? Many say they are not confident because the system is going bankrupt, with too many retirees and not enough workers paying into the system. Others say they are not sure it will be there or do not have faith in the system, the government

<sup>2</sup> Under current law, the normal retirement age is being phased up from age 65 to age 67. In effect, this is a cut in the total value of future benefits for affected individuals. However, a test of question wording suggests that respondents understand the phrase “equal value” to mean “an equal level of benefits” in this context.

does a poor job in administering the system, and the government borrows from the programs and puts the money toward other things.

**Reasons Why Workers Are Not Confident About Social Security and Medicare**

Most Frequently Mentioned Reasons	Social Security	Medicare
It is going bankrupt, with too many retirees and not enough workers paying into the system	25%	12%
Not sure it will be there, don't have faith	15	14
The government does a poor job	10	15
The government borrows from program and puts money toward other things	9	1
Baby boomers and Generation Xers won't receive full benefits	8	3
The media reports that it won't be there	7	5
Abuse/mishandling	4	6
Negative about the president or Republican party	3	6
Benefits will be smaller or cut	2	9
Costs are rising	0	8

On the other hand, workers who are very or somewhat confident about Social Security and Medicare say their confidence is based on their faith in the system, in the government, or in voters keeping an eye on politicians. Nevertheless, some of those who are confident express reservations.

**Reasons Why Workers Are Confident About Social Security and Medicare**

Most Frequently Mentioned Reasons	Social Security	Medicare
Have faith, believe in the system	19%	12%
It will always be there, the government will take care of us	13	20
Not sure it will be there	9	3
Politicians won't risk tampering with it, voting retirees will keep an eye on them	5	6
Depends on the president or government	5	2
Believe in the president or government	5	4

**Preparing for Retirement**

While the past few years have seen many Americans become more proactive about their retirement planning, findings from the 2001 RCS suggest that this trend has undergone a reversal in the past year. In 2000, more than half of workers said that they had tried to calculate how much money they needed to save by the time they retire so that they can live comfortably in retirement (51 percent). This year less than half indicate they have tried to do this calculation (46 percent). When respondents are made aware of the components of a retirement needs calculation through questions about how much of their preretirement income they will need in retirement, how much they expect to receive from Social Security, and how much they expect to receive from a pension or defined benefit plan, the percentage of workers saying they have tried to calculate how much money they need to save for a comfortable retirement decreases further to 39 percent. (Forty-four percent say they *or their spouse* have tried to figure this amount.)

**Percentage Having Tried to Calculate How Much Money They Will Need to Save**

1993	32%
1994	34
1995	32
1996	29
1997	33
1998	42
1999	45
2000	51
2001	46
2001 (revised)	39

Workers with higher household incomes or more formal education are more likely than those with lower household incomes or less education to report attempting a retirement savings needs calculation. Similarly, married workers are more likely than those who are not married to have tried to do one. The decline from 2000 to 2001 in the percentage of workers saying they have tried to do a retirement needs calculation occurs among all demographic groups.

Two in 10 of the 2001 respondents<sup>3</sup> who indicate they have tried to do a retirement needs calculation report figuring that they need to save less than \$250,000 (20 percent), 1 in 10 each figure they need to save between \$250,000 and \$499,999 (11 percent) and between \$500,000 and \$999,999 (11 percent), and 2 in 10 say they need to save \$1,000,000 or more (19 percent). However, a sizable minority are unable to provide the result of their retirement needs calculation (30 percent), and 7 percent report they could not do the calculation.

The large amounts that need to be saved do not seem to discourage workers about their retirement prospects. Despite the downward trend in retirement confidence, those who report they or their spouse have tried to do a retirement needs calculation are more likely than those who have not to feel confident about having enough money for retirement.

**Confidence in Financial Aspects of Retirement by Calculation of Retirement Savings Needs: 2001**

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Will have enough money to live comfortably throughout their retirement years				
Done needs calculation	33%	42%	13%	10%
Not done needs calculation	14	41	22	22
Doing a good job of preparing financially for retirement				
Done needs calculation	40	43	11	5
Not done needs calculation	17	42	19	21
Will have enough money to take care of basic expenses during retirement				
Done needs calculation	53	36	5	5
Not done needs calculation	25	45	16	14
Will have enough money to take care of medical expenses during retirement				
Done needs calculation	27	42	18	12
Not done needs calculation	13	35	25	25

Nevertheless, the decrease in retirement confidence has generally been steeper among those who have tried to do a calculation than among those who have not, particularly with respect to medical expenses and long-term care. In 2001, 69 percent of those who have attempted a calculation and 48 percent of those who have not are confident of having enough money for medical expenses (compared with 82 percent and 49 percent, respectively, in 2000), and 57 percent of those who have attempted a calculation and 34 percent of those who have not are confident of having enough for long-term care (compared with 65 percent and 34 percent in 2000). Three-fourths of those who have tried to do a calculation (75 percent) and 55 percent of those who have not are confident of having enough money for a comfortable retirement (compared with 85 percent and 57 percent in 2000).

<sup>3</sup> This and subsequent references to 2001 respondents doing a retirement needs calculation refer to the revised methodology as described in the beginning of the "Preparing for Retirement" section.

Workers are less likely in 2001 than in 2000 to say they are on track and more likely to say they are behind schedule when it comes to their progress in planning and saving for retirement. Those report trying to do a retirement needs calculation remain more likely than those who have not to say they are on track or ahead of schedule.

#### Progress in Planning and Saving for Retirement, by Trying to Do a Retirement Needs Calculation

	All Workers		Done Needs Calculation		Not Done Needs Calculation	
	2000	2001	2000	2001	2000	2001
A lot ahead of schedule	3%	2%	4%	4%	2%	1%
A little ahead of schedule	4	3	5	4	2	3
On track	38	33	49	45	25	23
A little behind schedule	25	26	25	25	25	26
A lot behind schedule	29	34	17	21	44	45

In this year's survey, half of those who have attempted to do the calculation report that they have made changes in their retirement planning as a result (50 percent). Of these, 53 percent say they have started to save more, 24 percent have changed the allocation of their money, while smaller percentages have made other changes.

## Saving—and Not Saving— for Retirement

Like other key indicators, the percentage of respondents saying they have personally saved for retirement has decreased slightly in the past year, from 75 percent in 2000 to 71 percent in 2001. When respondents are asked more detailed questions about the retirement planning process before being asked whether they have saved money for retirement, however, the proportion decreases further to two-thirds of all workers (65 percent). (Sixty-nine percent say they *or their spouse* have saved money for retirement.)

#### Percentage Having Saved for Retirement

1994	61%
1995	58
1996	60
1997	66
1998	59
1999	68
2000	75
2001	71
2001 (revised)	65

The amounts accumulated for retirement by workers as a whole are generally small. The majority has saved less than \$50,000 (50 percent), and 2 in 10 say they have nothing saved (19 percent). While the median amount accumulated generally increases with age (\$4,000 for ages 25–34; \$10,000 for ages 35–44; \$36,740 for ages 45–54; \$33,980 for ages 55 and over), only one-fourth of those ages 45–54 (24 percent) and age 55 and over (23 percent) report having saved \$100,000 or more. Respondents with more formal education or higher levels of household income also report having accumulated more for retirement.

Workers reporting that they or their spouse have done a retirement needs calculation are not only more likely than those who have not to be saving for retirement (79 percent vs. 55 percent), they tend to have accumulated larger amounts.

**Amount Accumulated for Retirement, by Trying to Do a Retirement Needs Calculation: 2001**

	All Workers	Done Needs Calculation	Not Done Needs Calculation
Nothing	19%	6%	28%
Less than \$5,000	8	8	9
\$5,000–\$9,999	6	4	7
\$10,000–\$24,999	10	10	10
\$25,000–\$49,999	7	8	8
\$50,000–\$99,999	8	10	7
\$100,000 or more	15	25	8
Don't know/ refused	27	30	24

Six in 10 workers report they are currently saving for retirement (61 percent), and 9 in 10 of those who have personally saved for retirement are currently saving (89 percent). Almost two-thirds of those who have saved say they automatically save a predetermined amount each pay period or each month (64 percent), but others cite less systematic methods as the primary strategy they use to save for retirement. Approximately 1 in 10 each indicate they save whatever is left over at the end of the pay period or the end of the month (10 percent) and save when they feel they can afford to (12 percent). Two percent save unanticipated income or gifts as their primary strategy, and 11 percent use some other strategy.

Half of workers report that an employer contributed money to a retirement account in their name or their spouse's name last year (49 percent), and two-thirds of employed respondents indicate that their current employer offers them a retirement savings plan that allows them to make before-tax contributions, such as a 401(k), 403(b), or 457 plan (66 percent). Of those offered such a plan, three-fourths say they contribute money to the plan (76 percent). Those who contribute to the plan tend to offer the following explanations for how they decided on the amount of money to contribute:

- It is the maximum they can afford (31 percent).
- It is the maximum amount that is matched by their employer (17 percent).
- It is the maximum amount allowed by the plan (11 percent).
- The percentage match declines after this point (9 percent).
- They were automatically enrolled (4 percent).
- It is the maximum amount allowed by law (4 percent).
- They picked a number or guessed (4 percent).
- They decided on a percentage of earnings (4 percent).

Workers who are offered a retirement savings plan but do not contribute money to it most often say the reasons they do not contribute are:

- They can't afford to or they need the money for current obligations (29 percent).
- They are not eligible for the plan (11 percent).
- They have not worked for their employer long enough (9 percent).
- They just haven't done it yet (6 percent).
- The plan offered isn't a good plan (6 percent).
- They are too old (5 percent).
- They don't understand how the plan works (4 percent).

Almost half of workers who are not currently saving for retirement say that it is reasonably possible for them to save \$20 per week for retirement (47 percent). In addition, two-thirds of workers who are already saving report that it is possible for them to save an extra \$20 per week (65 percent). Among those who say they could save this \$20 per week, 15 percent say they would not have to give up anything to do so. Those who would have to sacrifice are most likely to say they would cut back on entertainment or dining out.

## — The Role of the Employer —

More than one-third of workers report that an employer has provided them with educational material or seminars about retirement planning and saving in the past 12 months (35 percent). This represents a decrease from the high of 41 percent reported in 1999. Workers who receive educational materials tend to report more proactive retirement planning and savings behavior than those who do not receive these materials. Among other actions, they are more likely to say they have tried to do a retirement needs calculation (53 percent vs. 32 percent) and to have made changes as a result of doing the calculation (66 percent vs. 37 percent). They are also more likely to report that they have personally saved for retirement (86 percent vs. 55 percent), they are currently saving for retirement (82 percent vs. 50 percent), and they automatically save a predetermined amount (77 percent vs. 53 percent).

Those who receive these types of educational materials and opportunities most frequently report receiving them in the form of employee benefit statements (89 percent) and brochures (85 percent). More than half say they receive newsletters or magazines, individual access to a financial planner, workbooks or worksheets, and seminars. Notably, the use of Intranet, Internet, and online services increased from 4 percent in 1998 to 47 percent in 2001. This increase may help to explain the reported decrease in the incidence of employer-provided educational materials. Educational materials delivered through Internet or online services are less visible than materials delivered in more traditional ways because they have no physical presence. As retirement plan providers shift their educational materials to this delivery method, worker reports of employer-provided materials may continue to decrease.

### Educational Materials and Opportunities Provided by Employer and Their Effectiveness, Among Those Reporting Their Employer Provides Educational Materials or Opportunities

	Provided by Employer	Effectiveness (among those provided with each item)			
		Very Effective	Somewhat Effective	Not Effective	Not Used
Employee benefit statements	89%	43%	38%	8%	10%
Brochures	85	17	54	9	19
Newsletters/magazines	59	21	49	13	16
Individual access to a financial planner	57	37	28	4	30
Investment advice	57	32	40	7	21
Workbooks/worksheets	54	28	40	10	22
Seminars	54	33	35	8	23
Intranet, Internet, or online services	47	38	30	6	25
Videos	20	19	36	13	32
Computer software	15	45	11	12	32

Recipients of each type of material or opportunity were asked to rate its effectiveness. These workers are most likely to say the computer software (45 percent) and employee benefit statements (43 percent) they received are very effective. In addition, one-third or more report finding online services (38 percent), individual access to a financial planner (37 percent), seminars (33 percent), and investment advice (32 percent) very effective.



## Worker Expectations

The majority of today's workers will not be eligible to receive full retirement benefits from Social Security until they are 67, but most continue to be unaware of this phased increase in the Social Security normal retirement age from 65 to 67. More than half expect to reach full eligibility sooner than they actually will (55 percent). Many of these incorrectly expect to be eligible for full retirement benefits at age 65 (34 percent of all workers), but some believe they will be eligible even before age 65 (21 percent of all workers). Two in 10 workers say they do not know when they will be eligible to receive full benefits from Social Security (20 percent). Only 15 percent are able to give the correct age at which they will be eligible for full retirement benefits, and 7 percent believe they will be eligible later than they actually will be.

Nearly half of today's workers expect to retire at age 65 or later (46 percent, up from 41 percent in 1991). Those who have not saved for retirement are especially likely to plan to retire at age 65 or later or to never retire (49 percent of savers vs. 59 percent of nonsavers). In contrast to these expectations, however, most retirees report actual retirement ages younger than age 65.

**Expected and Actual Retirement Age: 2001**

	Expected (percentage of workers)	Actual (percentage of retirees)
Ages 54 or younger	5%	15%
Ages 55–59	12	16
Age 60	10	5
Ages 61–64	13	29
Age 65	30	14
Ages 66 or older	16	12
Never retire	7	NA

For many retirees, this earlier retirement was not by design. Four in 10 of today's retirees say they retired earlier than planned (39 percent). This is frequently due to negative reasons beyond their control, such as health problems (51 percent), changes at their company (25 percent), or other work-related reasons (25 percent). The youngest retirees—those born in 1933 or later—are especially likely to report retiring before age 60 or retiring earlier than expected. If current workers follow the pattern set by today's retirees, many are also likely to retire earlier than planned and for reasons beyond their control.

Overall, a majority of workers expect to spend at least 20 years in retirement. One-fourth think their retirement will last 20–24 years (26 percent), 9 percent believe it will last 25–29 years, and nearly 2 in 10 expect it to last 30 years or more (18 percent). However, 15 percent expect that their retirement will last for 10 years or less, and another 11 percent believe their retirement will last 11–19 years. Twenty percent are unable to say how long they expect to be retired.

Two in 10 workers expect that they will need less than 50 percent of their preretirement income in order to live comfortably in retirement (19 percent), and one-fourth expect they will need between 50 percent and 59 percent (24 percent). Only 16 percent anticipate needing 70 percent to 79 percent of their preretirement income to live comfortably, and one-fourth anticipate needing 80 percent or more (24 percent). This means that workers expect to live more frugally than current retirees are now living. More than half of retirees have a retirement income that is at least 80 percent of their preretirement income (56 percent), and another 8 percent have a retirement income that is 70 percent to 79 percent of their preretirement income. Just one-fourth report their current income is less than 60 percent of their preretirement income (25 percent).

### Percentage of Preretirement Income Needed and Available in Retirement

	Expected Need (percentage of workers)	Actual Experience (percentage of retirees)
Less than 50%	19%	17%
50–59%	24	8
60–69%	13	7
70–79%	16	8
80–89%	10	4
90–99%	2	1
100% or more	12	51

Two-thirds of workers indicate they expect full- or part-time employment to be a major (16 percent) or minor (52 percent) source of income in their retirement. This contrasts sharply with the experience of retirees, just 2 in 10 of whom report that employment is a major (6 percent) or minor (12 percent) source of retirement income. Current workers are more than twice as likely to say they expect to work in retirement (61 percent) as retirees are to indicate that they actually worked (26 percent).

## RCS Methodology

These findings are part of the 11th 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 of 2001 through 20-minute telephone interviews with 1,000 individuals (762 workers and 238 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. 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. In this year's report, data for previous waves of the RCS have also been weighted to allow for consistent comparisons; consequently, some data in the 2001 RCS may differ slightly with data published in previous waves of the RCS.

In theory, each sample of 1,000 yields a statistical precision of plus or minus 3 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 difficult or 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; the American Savings Education Council (ASEC), a partnership of private- and public-sector institutions dedicated to raising public awareness of what is needed to ensure long-term personal financial independence and part of the EBRI Education and Research Fund; and Mathew Greenwald & Associates, Inc., a Washington, DC-based market research firm.

The 2000 RCS data collection was funded by grants from 26 public and private organizations, with staff time donated by EBRI, ASEC, and Greenwald. RCS materials and a list of underwriters may be accessed at the ASEC and EBRI Web sites: [www.asec.org](http://www.asec.org) or [www.ebri.org/rcs](http://www.ebri.org/rcs)