RCS RETIREMENT CONFIDENCE SURVEY®

# The 2003 Retirement Confidence Survey Summary of Findings

## Overview

Despite continuing financial uncertainty and worsening consumer confidence overall, the 13th annual wave of the Retirement Confidence Survey (RCS) finds that retirement confidence has decreased only slightly. The 2003 RCS points to several reasons for this lack of change, while revealing an underlying and growing unease among some Americans about specific aspects of their retirement.

One might have expected that retirement confidence would have declined substantially over the past year, given recent economic events and stock market performance, rather than exhibiting only a small degree of change. However, there are a number of things that might help to explain this. First, some people have made changes, planning on working longer and saving a little more (apparently they think this is enough). Second, many are relatively unaffected by the stock market turmoil, having either little or nothing invested in it. Many do not have a good sense of how much it takes to fund a comfortable retirement, so they may not be fully aware of how much they have been set back. Finally, retirement lies in the future—sometimes far in the future. It very difficult for people to calculate the effects of current economic events on something that will not take place for another 15 or 30 years. Those with the knowledge to calculate the effects are very often those who can most afford to deal with them. Perhaps, after all, it is not surprising that retirement confidence has shown so little change.

- The percentage of workers[1] *not at all* confident of having enough money to live comfortably throughout their retirement years increased from 10 percent in 2002 to 16 percent. At the same time, however, the proportions *very* confident (23 percent in 2002, 21 percent in 2003) and *somewhat* confident (47 percent in 2002, 45 percent in 2003) have remained relatively level, declining directionally but not statistically.

- While confidence of most other financial indicators also remains unchanged, the percentage of workers saying they are *very* confident in having enough money to take care of basic expenses in retirement has dropped slightly, from 38 percent in 2002 to 33 percent. This decline is particularly acute among those ages 45 to 54.

- One-fourth of workers age 45 and older have decided to postpone their retirement age within the past year (24 percent), largely in order to increase their financial security in retirement. Moreover, workers overall are hopeful that they will be able to work longer, on average, than current retirees have worked. One-fourth of workers say they will retire at age 65 (25 percent), and another quarter intend to retire at age 66 or later (24 percent, up from 18 percent in 2002).

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[1] 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.

- Half of workers expect they will need less than 70 percent of their pre-retirement income to live comfortably in retirement (49 percent). Less than 2 in 10 anticipate needing 80 percent or more (17 percent).

- Fewer than 4 in 10 workers say they actually have calculated how much money they will need to have saved by the time they retire (37 percent, up from 32 percent in 2002). Just one-third of those who have done the calculation did so within the past year (32 percent). Moreover, many who say they have done a calculation have used less-than-reliable methods or obtained dubious results.

- Three in 10 workers continue to say they have not saved for retirement (29 percent). Regardless of whether or not they have saved for retirement, half have no stocks or stock mutual funds, either inside or outside of a workplace retirement savings plan (48 percent).

## Retirement Confidence

The 2003 RCS finds that workers' overall level of confidence in having enough money to live comfortably throughout their retirement years generally remains unchanged despite continuing economic uncertainty and declining consumer confidence. The percentage of workers saying they are *very* confident about having enough money (23 percent in 2002 and 21 percent in 2003) and the percentage saying they are only *somewhat* confident (47 percent in 2002 and 45 percent in 2003) have not changed significantly. At the same time, the percentage of workers who are *not at all* confident of having enough money for retirement returned to the level found in 2001, up from 10 percent in 2002 to 16 percent.

The percentage of American workers saying they are *very* confident of having enough money to live comfortably in retirement has historically been fairly stable, particularly within the last seven years. The percentages of workers saying they are *somewhat* confident or *not at all* confident have been slightly more volatile over time. This suggests that there may be a core group of workers—those who are *very* confident—who feel they are taking the steps necessary to ensure a comfortable retirement and they remain confident regardless of the state of the economy. Those who feel some uncertainty may be more likely to shift between *somewhat, not too,* and *not at all* confident as their individual circumstances and financial outlooks change.

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

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Very confident | 18% | 20% | 21% | 19% | 24% | 22% | 22% | 25% | 22% | 23% | 21% |
| Somewhat confident | 55 | 45 | 51 | 41 | 41 | 45 | 47 | 47 | 41 | 47 | 45 |
| Not too confident | 19 | 17 | 19 | 23 | 19 | 18 | 21 | 18 | 18 | 19 | 17 |
| Not at all confident | 6 | 17 | 8 | 16 | 15 | 13 | 9 | 10 | 17 | 10 | 16 |

While workers exhibit little change in retirement confidence overall, confidence in the ability to afford basic expenses in retirement has dropped slightly since 2002. The percentage of workers saying they are *very* confident of having enough money to take care of basic expenses during their retirement is 33 percent in the 2003 RCS, down from 38 percent in 2002. Generally standing at 38 percent or higher, this is the lowest level this indicator has reached since it dipped to this level in 1999 (31 percent). Conversely, the percentage saying they are *not at all* confident in having enough money for basic expenses increased from 6 percent in 2002 to 11 percent this year, returning to its 2001 level (10 percent).

Two in 10 workers remain *very* confident in having enough money for medical expenses (20 percent in 2002 vs. 18 percent in 2003), but workers are slightly less likely to be *somewhat* confident (45 percent vs. 40 percent) and more likely to be *not at all* confident (14 percent vs. 19 percent). Other confidence indicators about the financial aspects of retirement remain unchanged, however. Roughly one-fourth of workers continue to say they are *very* confident that they are doing a good job of preparing for retirement (23 percent in 2002 vs. 24 percent in 2003), while almost half say they are *somewhat* confident (49 percent vs. 45 percent). Additionally, the percentages of those saying they are *very* confident (13 percent in 2002, 14 percent in 2003) and *somewhat* confident (36 percent in 2002, 34 percent in 2003) that they will have enough money to pay for long-term care remained statistically unchanged.

**Worker Confidence in Financial Aspects of Retirement**

| | Very Confident | Somewhat Confident | Not Too Confident | Not at All Confident |
|---|---|---|---|---|
| Having enough money to take care of basic expenses | | | | |
| 1993 | 38% | 43% | 12% | 5% |
| 2000 | 40 | 44 | 9 | 7 |
| 2001 | 37 | 41 | 12 | 10 |
| 2002 | 38 | 46 | 10 | 6 |
| 2003 | 33 | 45 | 10 | 11 |
| Doing a good job of preparing financially for retirement | | | | |
| 1993 | 21% | 47% | 18% | 12% |
| 2000 | 28 | 49 | 13 | 10 |
| 2001 | 27 | 43 | 16 | 13 |
| 2002 | 23 | 49 | 18 | 10 |
| 2003 | 24 | 45 | 15 | 14 |
| Not outliving your retirement savings | | | | |
| 1993 | na | na | Na | na |
| 2000 | na | na | Na | na |
| 2001 | na | na | Na | na |
| 2002 | na | na | Na | na |
| 2003 | 20% | 42% | 16% | 17% |
| Having enough money to take care of medical expenses | | | | |
| 1993 | 21% | 33% | 23% | 20% |
| 2000 | 24 | 42 | 19 | 13 |
| 2001 | 20 | 38 | 22 | 19 |
| 2002 | 20 | 45 | 21 | 14 |
| 2003 | 18 | 40 | 22 | 19 |
| Having enough money to pay for long-term care | | | | |
| 1993 | na | na | Na | na |
| 2000 | 16% | 35% | 29% | 19% |
| 2001 | 15 | 29 | 26 | 28 |
| 2002 | 13 | 36 | 28 | 22 |
| 2003 | 14 | 34 | 26 | 24 |

The percentages who are *very* confident about having enough money for a comfortable retirement and about each of the financial aspects of retirement increase as household income rises.

## Retirement Expectations Among Workers

One way that some workers may be bolstering their confidence about retirement is by changing some of their retirement expectations. One-third of workers age 45 and older say that, in the past year, they have changed the age at which they plan to retire. Most of those who change their retirement age say they decided to retire at an older age (75 percent) rather than a younger age (25 percent). And most of those who make this decision do so for economic reasons:

- Having to work longer to make up for losses in stock market
- Wanting to make sure they are financially secure
- Eligibility age of Social Security is increasing
- Cost of living higher than expected

The average nonretired individual today plans to retire at age 65. Four in 10 plan to retire prior to reaching age 65; 16 percent say they will retire before age 60 and 21 percent plan to retire between the ages of 60 and 64. One-fourth of workers say they will retire at age 65 (25 percent), and another quarter intend to retire at age 66 or even later (24 percent, up from 18 percent in 2002).

**Planned and Actual Retirement Age**

| | Workers | Retirees |
|---|---|---|
| Age 54 or younger | 6% | 11% |
| Ages 55–59 | 10 | 18 |
| Ages 60–61 | 11 | 8 |
| Ages 62–64 | 10 | 25 |
| Age 65 | 25 | 13 |
| Age 66 or older | 24 | 12 |
| Never retire/Did not expect to retire | 6 | 2 |

If a significant portion of workers extend their working lives to age 65 and beyond as they intend, this will represent a shift in current retirement patterns since current retirees report having left the work force at a younger age. The average retiree today retired at age 62. In fact, 4 in 10 retirees left the work force earlier than they had planned (39 percent). Most retirees who retired early cite negative reasons for leaving the work force before they expected, including health problems or disability (50 percent) or changes at their company, such as downsizing or closure (23 percent). On the other hand, some of those who retired early give positive reasons, such as being able to afford an early retirement (39 percent) or wanting to do something else (22 percent). Yet it is likely that many workers will continue to find themselves vulnerable to an unplanned early retirement for some of the same reasons in the future.

Overall, half of workers expect to spend at least 20 years in retirement. One-fourth believe their retirement will last 20–24 years (27 percent), 8 percent expect it will last 25–29 years, and 17 percent think it to last 30 years or more. However, 17 percent believe that their retirement will last for 10 years or less, and another 12 percent expect their retirement will last 11–19 years. Eighteen percent are unable to say how long they expect to be retired. Workers who anticipate retiring at younger ages tend to say they will spend a longer period of time in retirement.

Workers appear to underestimate the proportion of their preretirement income that they will need to live comfortably in retirement. Half of workers expect that they will need less than 70 percent of their pre-retirement income (49 percent). Only 16 percent anticipate needing 70 percent to 79 percent of their preretirement income to live comfortably, and fewer than 2 in 10 anticipate needing 80 percent or more (18 percent).

**Percentage of Preretirement Income Needed in Retirement**

| | Workers |
|---|---|
| Less than 50 percent | 15% |
| 50–59 percent | 24 |
| 60–69 percent | 10 |
| 70–79 percent | 16 |
| 80–89 percent | 8 |
| 90–99 percent | 2 |
| 100 percent or more | 8 |
| Don’t know | 17 |

Workers are most likely to expect that the largest share of their income in retirement will come from personal savings, either from money they or their spouse put into a retirement plan at work (12 percent) or from other personal savings outside of work (18 percent). Eighteen percent expect that their largest source of income will come from a defined benefit plan, and 13 percent expect Social Security to provide this source of income. One in 10 each mention that their largest source of income will be employment (12 percent) or employer-provided money in a defined contribution plan (12 percent), while somewhat fewer cite money from the sale of a business (4 percent) or their home (3 percent).

**Expected and Actual Largest Sources of Income in Retirement**

| | Workers | Retirees |
|---|---|---|
| Money provided by an employer through a pension | 18% | 23% |
| Other personal savings or investments that are not in a work-related retirement plan | 18 | 10 |
| Social Security | 13 | 44 |
| Money you (and/or your spouse) put into a workplace retirement savings plan | 12 | 4 |
| Part-time or full-time employment | 12 | 3 |
| Money or stock provided by an employer through a contribution to a workplace retirement savings plan | 12 | 2 |
| Money from the sale of a business | 4 | 2 |
| Other government income programs, such as SSI or veterans’ benefits | 3 | 6 |
| Money from the sale of your home | 3 | 2 |
| Support from your children or other family members | 2 | <.5 |

Younger workers ages 25–44 are more likely than older workers age 45 or older to assume that some form of personal savings will be needed to provide the largest share of their retirement income (33 percent vs. 24 percent). Older workers are somewhat more likely than younger ones to think that they will be able to rely on Social Security.

Seven in 10 nonretired respondents say they think they will work for pay after they retire (70 percent), almost three times the proportion of retirees who indicate they actually worked for pay in retirement (28 percent). Moreover, 7 in 10 workers indicate they expect full- or part-time employment to be a major (20 percent) or minor (50 percent) source of income in their retirement. This contrasts with the experience of retirees, 3 in 10 of whom report that employment is a major (8 percent) or minor (20 percent) source of retirement income.

The majority of today's workers continue to be unaware of the phased increase in the Social Security normal retirement age from 65 to 67, despite the fact that most will not be eligible to receive full retirement benefits from Social Security until they are 67. Half expect to reach full eligibility sooner than they actually will (51 percent). Many of these incorrectly expect to be eligible for full retirement benefits at age 65 (33 percent of all workers), but some believe they will be eligible even before age 65 (19 percent). Only 16 percent are able to give the correct age at which they will be eligible for full retirement benefits, and 6 percent believe they will be eligible later than they actually will be. One-fourth of workers say they do not know when they will be eligible to receive full benefits from Social Security (24 percent).

**Knowledge of Eligibility Age for Full Social Security Retirement Benefits, by Age Group**

| | All Workers | Ages 25–44 | Age 45+ |
|---|---|---|---|
| 4 or more years earlier | 17% | 18% | 11% |
| 1–3 years earlier | 35 | 33 | 38 |
| Correct | 16 | 11 | 24 |
| Later | 6 | 7 | 5 |
| Don't know | 24 | 28 | 18 |

Perhaps because they are closer to retirement age, older workers are more likely than younger workers to provide an accurate response to the question regarding eligibility age and less likely to say they do not know.

## Preparing for Retirement

While the 2003 RCS shows a reversal of a downward trend in retirement planning by American workers, perhaps in response to recent economic circumstances, it also documents the need for further education in order to promote better and more effective planning retirement behavior. This year almost 4 in 10 nonretired respondents indicate they have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement (37 percent). (Forty-three percent say they *or their spouse* have tried to figure this amount.) This is up from 32 percent in 2002 and is equivalent to the level reported in 2001 (39 percent).

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

| | |
|---|---|
| 1993 | 32% |
| 1994 | 31 |
| 1995 | 32 |
| 1996 | 29 |
| 1997 | 33 |
| 1998 | 42 |
| 1999 | 45 |
| 2000 | 51 |
| 2001 | 39 |
| 2002 | 32 |
| 2003 | 37 |

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.

Fifteen percent of the 2003 respondents who indicate they have tried to do a retirement needs calculation report figuring that they need to save less than $250,000, less than 1 in 10 each figure they need to save between $250,000 and $499,999 (7 percent) and between $500,000 and $999,999 (9 percent), and 2 in 10 say they need to save $1,000,000 or more (17 percent). As in previous years, however, a sizable minority is unable to provide the result of their retirement needs calculation (36 percent), and 3 percent report they could not do the calculation.

One-third of workers who have tried to calculate how much money they will need to have saved by the time they retire report doing this calculation within the past year (32 percent). However, two-thirds admit to figuring this amount less recently; 32 percent say they did the calculation one to two years ago and 34 percent report doing the calculation more than two years ago.

Workers who report doing a savings needs calculation say they used various methods to determine the amount they would need, some of which may be unlikely to lead to accurate results. Just one-third report using some kind of worksheet or form, either on paper or online, to help them determine the amount they would need to save (34 percent). Another quarter say they have this amount calculated for them by a financial advisor (24 percent). The remainder calculate or estimate this amount on their own (25 percent), guess (5 percent), or hear or read that that is how much is needed (2 percent). One in 10 workers report they do not know how they derived their total (9 percent).

The savings needs calculation does work as a method for focusing attention on retirement planning. In this year's survey, 4 in 10 who have attempted to do the calculation report that they have made changes in their retirement planning as a result (40 percent). Of these, 64 percent say they have started to save more (including 6 percent who began saving for the first time), 26 percent have changed the allocation of their money, while smaller percentages have made other changes.

Two-thirds of workers report having personally saved for retirement (68 percent). This proportion is statistically unchanged from the results of the 2002 RCS (67 percent) and 2001 RCS (65 percent). It remains below the high of 74 percent of workers who said they saved in the 2000 RCS (71 percent say they *or their spouse* have saved money for retirement in 2003).

**Percentage Having Saved for Retirement**

| | |
|---|---|
| 1994 | 57% |
| 1995 | 58 |
| 1996 | 60 |
| 1997 | 66 |
| 1998 | 59 |
| 1999 | 68 |
| 2000 | 74 |
| 2001 | 65 |
| 2002 | 67 |
| 2003 | 68 |

Workers with higher household incomes or more formal education are more likely than those with lower household incomes or less education to have saved for retirement. Moreover, married workers are more likely than those who are not married, and those who have attempted a needs calculation are more apt than those who have not, to have saved.

Not all workers who say they or their spouse have saved for retirement are *currently* saving. Among those who have saved, 87 percent say they or their spouse are *currently* saving for retirement. This represents 62 percent of all workers.

Most workers report they could be saving more for retirement than they currently do. Seven in 10 of those who have saved for retirement say it is reasonably possible for them to save $20 per week more than they are currently saving for retirement (73 percent). Among those who have not saved for retirement, more than half say they could save this amount of money each week (54 percent).

Despite their somewhat undisciplined attitude toward saving for retirement, workers are more likely to cite retirement as their most important savings goal than any other (30 percent). About 1 in 10 each cite education (13 percent) and a home purchase or renovation (10 percent). Fewer mention any other single goal as most important. Two in 10 say they have no particular goals in mind for their savings (21 percent), while 7 percent say they do not know what their most important goal is.

Half of workers report they have other savings or investments besides what they have put aside for retirement (51 percent). Among workers who have saved for retirement or have other savings or investments, nearly all say they own bank or thrift accounts (92 percent). Roughly half of these workers own stock or bond mutual funds (54 percent) and/or individual stock (48 percent), while 4 in 10 own individual bonds (38 percent). About one-fourth each own certificates of deposit (27 percent), real estate other than their primary residence (27 percent), and/or fixed or variable annuities (23 percent). Three in 10 workers who have saved for retirement or have other savings or investments report saving cash in a safe place at home or in a safe deposit box (30 percent).

**Types of Savings and Investment Vehicles Owned by Those Having Some Type of Savings**

| | |
|---|---|
| Bank or thrift accounts, such as checking or savings accounts | 92% |
| Stock or bond mutual funds | 54 |
| Individual stock, including stock of an employer | 48 |
| Individual bonds, including U.S. savings bonds | 38 |
| Cash in a safe place at home or safe deposit box | 30 |
| Certificates of deposit | 27 |
| Real estate other than your primary residence | 27 |
| Fixed or variable annuities | 23 |
| Other | 8 |

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 three-fourths 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 (73 percent). Of those offered such a plan, three-fourths say they contribute money to the plan (78 percent) and one-third of these respondents report increasing their contribution within the past year (32 percent, 13 percent of all workers).

Nearly half of workers indicate that an employer or work-related retirement plan provider has given them educational material or seminars about retirement planning and saving in the past

12 months (47 percent). Eighteen percent of workers receiving these educational materials report that they have made changes in their retirement planning as a result of the material they received from their employer. These workers most often mention starting to save more (40 percent), changing the allocation of their money (37 percent), and starting to save for the first time (12 percent) as the changes they have made.

One-fourth of workers report that an employer has provided them with access to investment advice for retirement purposes in the past 12 months (23 percent). Of those offered access, half say this access was given in person (54 percent), 7 percent say it was offered online, and nearly 4 in 10 say it was offered both online and in person (37 percent). Two in 10 of those offered access say they requested specific recommendations on how they should invest their money (20 percent). Roughly 6 in 10 of those who say they requested recommendations indicate that they implemented the investment advice they received (57 percent).

Despite this education, there remains a widespread lack of knowledge about key financial issues to which workers must give considerably more forethought before retirement. More than 4 in 10 workers say they have given *a lot of* thought to the need for health insurance coverage for themselves and their spouse in retirement (44 percent), but only 3 in 10 each have given the same amount of thought to the possibility of having to pay for health care expenses not covered by Medicare (31 percent) and how to manage their money in retirement so they do not outlive their savings (29 percent). Just 2 in 10 have given *a lot of* thought to the need for long-term care insurance for nursing home or home health care (18 percent).

**Thought Given to Various Retirement Issues, by Age Group**

| | A Lot of Thought | A Little Thought | No Thought |
|---|---|---|---|
| The need for health insurance coverage for you (and your spouse) | | | |
| All workers | 44% | 39% | 18% |
| Ages 25–44 | 36 | 45 | 19 |
| Age 45+ | 56 | 29 | 16 |
| The possibility of having to pay for health care expenses not covered by Medicare | | | |
| All workers | 31 | 45 | 25 |
| Ages 25–44 | 23 | 48 | 28 |
| Age 45+ | 42 | 39 | 19 |
| How to manage your money in retirement so you do not outlive your savings | | | |
| All workers | 29 | 48 | 23 |
| Ages 25–44 | 24 | 52 | 25 |
| Age 45+ | 37 | 42 | 21 |
| The need for long-term care insurance for nursing home or home health care | | | |
| All workers | 18 | 42 | 40 |
| Ages 25–44 | 12 | 42 | 46 |
| Age 45+ | 27 | 42 | 30 |

Workers age 45 and older are considerably more likely than younger respondents to have thought about these issues. Still, at most half say they have given *a lot of* thought to them.

## RCS Methodology

These findings are part of the 13th 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 2003 through 20-minute telephone interviews with 1,000 individuals (782 workers and 218 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. Data for the previous waves of the RCS have also been weighted to allow for consistent comparisons; consequently, some data in the 2003 RCS may differ slightly with data published in previous waves of the RCS. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

In theory, each sample of 1,000 yields a statistical precision of plus or minus three 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 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.

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