Script for Mathew Greenwald

2011 Retirement Confidence Survey
March 15, 2011

Thank you, Jack, and good morning. In the 21 annual surveys we have conducted on the retirement confidence of Americans we have gained a great deal of insight on this key topic which so deeply affects how most of us spend the final years, and decades, of our lives. I would like to offer, very briefly, six key points from this year's survey.

First, as Jack reported, retirement confidence has hit a new low, even lower than during the depths of the Great Recession. Now, an even 50% are not too or not at all confident that they will be able to live comfortably in retirement, almost double what it was in the year 2000. Further, only 13% are very confident. It was twice that just four years ago.

Why such a drop? Our analysis shows the decline came almost entirely among the people with financial assets of less than $100,000. One hundred thousand dollars is, indeed, a lot of money. And those who have not saved at least this amount have finally figured out their savings really are inadequate for a retirement that—on average—lasts about 20 years. For those with financial assets over $100,000, confidence has not dropped much. But, unfortunately, even those levels of accumulation will not allow many of them to maintain the lifestyle they want, or in perhaps many cases, even feel is acceptable. But by and large, these higher accumulators have not come to grips with that yet.

Second, there are some important things about financially preparing for retirement that people <<**must**>> know to do a good job, and, unfortunately, that most Americans <<**do not**>> know. Perhaps one of the most important things they should know is what their savings goal should be in order to have the retirement lifestyle they want. Most workers have not even tried to figure how much they should accumulate. In 2000, 53% of workers tried do so; but by 2011, it had dropped to 42%.

When we ask people how much they need to save by the time they can retire, significant proportions provide us with figures that are far below what financial experts state is prudent. In fact 31% of Americans say they need to save less than $250,000 for a retirement that can last more than 30 years. Interestingly, only a quarter are very confident that they can reach savings goals that are often far lower than they should be.

Third, there is one key thing that many are not doing that they should and can do, and they know it. Only 59% of workers are currently saving for retirement. But 62% of workers state that they can save $25 a week more than they are now, and that includes half of the people who are not saving at all. And what would people have to give up if they saved more for retirement? Well, one-third would dine out less, one fifth would have to cut back on entertainment or leisure activities, and one in ten say they would not have to really cut back on anything to save more for retirement. The sacrifice of saving more for retirement would not be that great, but many have not yet formed the habit of doing it. I said people know they are not doing enough. Now, 70% of workers say they are behind schedule when it comes to planning for retirement, a substantial increase from six years ago when only 55% thought they were behind schedule. We just have not changed that <<**sense>>** of being behind into <<**action>>** to catch up.

Fourth, what is the main thing Americans are doing to prepare financially for retirement? It is clearly the plan to work longer. The first year we conducted a Retirement Confidence Survey, in 1991, half of the workers we interviewed planned to retire before age 65. Now it is less than half that: 23%. During this same time period, the proportion planning to retire at ages 70 and over almost tripled, from 9% to 25%. During that time period, the normal age for claiming full Social Security benefits went from age 65 to age 66. But that appears to have absolutely nothing to do with the tendency to plan to work longer. This year 26% of workers plan to retire in their 65th year and 2% plan to retire in their 66th year.

As a long-term observer of plans to retire, there is something I like about planning to work longer: it is an acceptance of the cost of not saving enough. But I also know that many retirees have told us that they retired before they planned to, often because of disability or poor health. In many occupations, it is difficult to get the job done as people get into their 60s. So the plan to work longer is positive in some respects, but risky in others. It should not allow people to get off the hook and delay accumulating.

Fifth, workers express a significant degree of concern that Social Security and Medicare will not provide them with the benefits that current beneficiaries are getting. Large majorities are very or somewhat concerned that Medicare premiums will rise faster than inflation, (92%); that Medicare benefits will simply be reduced (88%); that Social Security payments will be reduced (87%); and that the age of eligibility for Social Security benefits will be raised prior to their retirements (76%). Despite this concern, there does not appear to be an effort to accumulate more to protect against these risks.

Sixth and finally, the configuration of changes we see this year, I believe, indicates a more promising environment for education—especially low confidence and increased recognition among at least some of how much is needed for a comfortable retirement. But what do people want to be informed about? Fortunately, the Retirement Confidence Survey gives us some guidance.

Almost six in ten workers in an employer retirement plan said they would find each of the following very valuable:

- A statement about how much they should save so they can maintain their current lifestyle after they retire (58%).
- A statement about how much retirement income they should expect from the money they currently have in their retirement account (55%).
- A statement about how much retirement income they could expect from the money in the plan if they continue to save at the rate they are currently saving (55%).

I think these and other workers are basically saying one thing. The road to a financially secure retirement is often unmarked and murky, and these signposts along the way would help.

That concludes my remarks. I will turn it back to Steve and look forward to any questions you may have.