



The 2000 Retirement Confidence Survey Summary of Findings

Overview

This year's Retirement Confidence Survey represents the 10th annual wave of this study. Although there have been numerous changes to the questionnaire during these 10 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 is optimistic—slight upswings in retirement confidence are backed by significant changes in retirement planning and saving activities.

Over the past eight years, the proportion of workers who are very confident of having enough money to live comfortably throughout their retirement years has increased slightly from about one-fifth to one-fourth (19 percent in 1993; 26 percent in 2000). Larger increases are found among those who are very or somewhat confident that they are doing a good job of preparing for retirement (70 percent in 1993; 79 percent in 2000) and those who are very or somewhat confident in having enough money to pay for medical expenses during retirement (55 percent in 1993; 68 percent in 2000). Workers are also more likely than in previous years to be saving for retirement (61 percent in 1994; 76 percent in 2000) and to have calculated how much money they will need to have saved by the time they retire (35 percent in 1993; 53 percent in 2000).

Other findings weaken these positive trends, however. The amounts that workers have accumulated for retirement are generally low, and many people appear to be falsely confident about their retirement security. Workers may also find that their retirement planning has been inadequate because they hold false expectations about the age at which they will be eligible for full Social Security retirement benefits, the age they will retire, the length of their retirement, and the sources of their retirement income. This will be particularly true if current workers follow the pattern set by today's retirees.

Retirement Confidence

This year's survey reveals that almost three in four workers are confident of having enough money to live comfortably throughout their retirement years. This is almost identical to the proportion of workers expressing confidence in 1993, the first year this question was asked. In comparison with 1993, however, workers are more likely to be very confident and less likely to be somewhat confident of having enough money. Still, two-thirds of those who are confident in the 2000 survey are *somewhat* confident rather than *very* confident—that is, they should have enough money to live comfortably in retirement if everything goes right.

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

	1993	1994	1995	1996	1997	1998	1999	2000
Very confident	19%	21%	22%	19%	25%	24%	24%	26%
Somewhat confident	55	45	52	43	43	44	47	47
Not too confident	18	17	17	23	17	19	20	18
Not at all confident	6	16	7	14	13	12	8	8

The increase in the proportion of workers saying they are very confident of having enough money for their retirement may be the result of small, but significant, increases in confidence about various financial aspects of retirement as well as changes in actual retirement preparation. In 1993, less than one-fourth of workers were very confident and fewer than half were somewhat confident that they were doing a good job of preparing financially for retirement. In 2000, 3 in 10 are very confident, while half are somewhat confident. The proportion of workers saying they are confident of having enough money to pay for medical expenses during retirement has increased from over half in 1993 to 7 in 10 in 2000. At the same time, the proportion saying they are confident of having enough money to take care of basic expenses remains comparatively stable.

Worker Confidence in Financial Aspects of Retirement

	Doing a Good Job of Preparing Financially		Having Enough for Medical Expenses		Having Enough for Basic Expenses	
	1993	2000	1993	2000	1993	2000
Very confident	23%	30%	22%	25%	40%	43%
Somewhat confident	46	49	33	44	43	43
Not too confident	18	13	24	19	11	8
Not at all confident	11	8	18	12	5	6

Confidence in Social Security and Medicare has fluctuated over time, reaching its lowest levels in 1995. Currently, 7 percent of workers are very confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today (up from 3 percent in 1995), and 21 percent are somewhat confident (up from 16 percent).¹ Likewise, 6 percent are very confident (up from 3 percent in 1995) and 29 percent are somewhat confident (up from 18 percent) that the Medicare system will continue to provide benefits of at least equal value. The majority of workers, however, are not confident that these programs will continue to provide benefits equivalent to those received today (71 percent Social Security; 64 percent Medicare).

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Very confident	3%	4%	3%	3%	3%	5%	7%	8%	7%
Somewhat confident	26	19	17	16	17	17	17	22	21
Not too confident	44	41	39	42	41	38	32	37	39
Not at all confident	26	33	40	38	38	38	43	31	32

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Very confident	2%	4%	3%	3%	3%	3%	5%	7%	6%
Somewhat confident	25	21	24	18	20	21	25	26	29
Not too confident	45	43	33	39	39	38	34	38	38
Not at all confident	26	30	37	38	37	34	35	28	26

¹ Under current law, the normal retirement age is being phased up from age 65 to age 67. In effect, this is a cut in future benefits from current levels for affected individuals.

Preparing for Retirement

The increasing confidence that American workers feel about various financial aspects of their retirement may be the result of changes in the way they are preparing for it, as many have become more proactive in their retirement planning. Seven in 10 workers in the 2000 survey say they have a savings or investing strategy for their retirement (70 percent) and 4 in 10 have thought about insurance coverage for long-term care or nursing home needs (41 percent).

Over half of current workers say that they have personally 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. This represents a substantial increase over the proportions of respondents who reported having tried to do this calculation in the 1993 through 1997 surveys.

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

1993	35%
1994	34
1995	35
1996	32
1997	36
1998	45
1999	49
2000	53

However, 28 percent of the respondents who indicate they have tried to do a retirement needs calculation are unable to state the amount they will need to save. Fifteen percent calculate that they need to save less than \$250,000, 1 in 10 each figure they need to save between \$250,000 and \$499,999 (9 percent) and between \$500,000 and \$999,999 (12 percent), and 2 in 10 say they need to save \$1,000,000 or more (21 percent).

The large amounts that need to be saved do not seem to discourage workers about their retirement prospects. In fact, those who report they or their spouse have done 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: 2000

	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	38%	47%	12%	3%
Not done needs calculation	10	49	26	15
Will have enough money to take care of basic expenses during retirement				
Done needs calculation	57	38	3	2
Not done needs calculation	25	50	13	12
Will have enough money to take care of medical expenses during retirement				
Done needs calculation	33	49	13	4
Not done needs calculation	14	37	26	21

In addition, 6 in 10 of those who have done a needs calculation say they are either ahead of schedule or on track when it comes to planning and saving for retirement (61 percent), while two-thirds of those who have not done this calculation feel they are behind schedule (68 percent).

Progress in Planning and Saving for Retirement: 2000

	All Workers	Done Needs Calculation	Not Done Needs Calculation
A lot ahead of schedule	3%	4%	2%
A little ahead of schedule	4	5	2
On track	40	51	26
A little behind schedule	25	23	26
A lot behind schedule	27	15	41

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 (51 percent). Among them, 54 percent say they have started to save more, 26 percent have changed the allocation of their money, while smaller percentages have made other changes.

Saving—and Not Saving— for Retirement

The proportion of respondents saying that they have personally saved for retirement has increased over time from 61 percent in 1994 to 76 percent in 2000. A slightly larger proportion indicate that they or their spouse have saved for retirement (80 percent in 2000).

Percentage Saving for Retirement

1994	61%
1995	62
1996	64
1997	69
1998	63
1999	70
2000	76

The amounts accumulated for retirement by workers as a whole are generally unimpressive. The majority of those who are able to provide an amount report they have accumulated less than \$50,000, and almost one-fourth of all workers have saved less than \$10,000 toward retirement. While respondents ages 35 and over have generally accumulated more than younger respondents, just one-fourth of those ages 35 and over report having saved at least \$100,000 for retirement (24 percent of those ages 35–44; 27 percent of those ages 45–54; 25 percent of those ages 55 and over).

Respondents reporting that they or their spouse have done a needs calculation are not only more likely than those who have not to be saving for retirement (88 percent versus 61 percent), they also tend to have accumulated larger amounts.

Amount Accumulated for Retirement: 2000

	All Workers	Done Needs Calculation	Not Done Needs Calculation
Nothing	10%	1%	22%
Less than \$5,000	5	4	6
\$5,000–\$9,999	7	5	9
\$10,000–\$24,999	10	8	12
\$25,000–\$49,999	9	8	10
\$50,000–\$99,999	14	17	10
\$100,000 or more	21	31	8
Don't know/refused	25	26	22

Two-thirds of savers say they automatically save a predetermined amount each pay period or each month (67 percent), but others cite less systematic methods as the primary strategy they use to save for retirement. Almost 1 in 10 each indicate they save whatever is left over at the end of the pay period or the end of the month (9 percent) and save when they feel they can afford to (8 percent). Three percent save unanticipated income or gifts as their primary strategy, and 10 percent use some other strategy.

A number of different factors motivate people to save for retirement. Motivators cited more often are:

- Realizing that time was running out to prepare for retirement (22 percent).
- Needing to save in order to retire or to be independent in retirement (11 percent).
- Feeling they could not count on Social Security (10 percent).
- Advice from family and friends (9 percent).
- The availability of a retirement plan at work (7 percent).
- Thinking it is just common sense to save (7 percent).

Nonsavers are most likely to say having no income or not being able to afford it (23 percent) and having too many current financial responsibilities (22 percent) are the reasons they do not save for retirement.

Other reasons workers give for not saving are:

- It takes too much time and effort (15 percent).
- Health problems (8 percent).
- Lots of time remains until retirement (5 percent).

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 (51 percent). In addition, 7 in 10 workers who are already saving report that it is possible for them to save an extra \$20 per week (69 percent). Among those who say they could save this \$20 per week, 19 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 dining out or entertainment. Even at conservative interest rates, saving \$20 per week can compound to a significant nest-egg over time.

The Retirement

Readiness Rating

The Retirement Readiness Rating (R³) is designed to indicate how well individual workers are preparing for retirement. The scale runs from 0 to 25, with those scoring 25 apparently doing the best job of preparation. The items used to compute the score for each worker include saving for retirement, completing a savings needs calculation, establishment of an investing or savings strategy for retirement, and attitudes toward various aspects of preparing for retirement.

Based on the results of this scale, fewer than 1 in 10 American workers appear to be doing a very good job of preparing for retirement (8 percent with a R³ score of 21 to 25). More than 3 in 10, with a score of 16 to 20, appear to be doing a good job (35 percent), and almost 3 in 10 appear to be doing an adequate job (28 percent with a score of 11 to 15). Two in 10 appear to be doing a poor job (19 percent with score of 6 to 10) and 1 in 10 seems to be doing a very poor job (9 percent with a score of 0 to 5). Not surprisingly, those with household incomes of \$75,000 or more are more likely to score highly, but those who are married, those who receive retirement savings information from an employer, and those who expect to rely primarily on personal savings (either through a retirement plan at work or outside of work) or employer-funded plans are also more likely to score highly.

The Retirement Readiness Rating indicates that many workers may be falsely confident of their retirement prospects. Although those who are very confident about having enough money for retirement are more likely than others to score highly, only one-fourth receive scores in the 21–25 point range. Therefore, many of the workers who say they are confident about having enough money for retirement appear likely to be falsely confident.

**Retirement Readiness Rating, by Confidence in
Having Enough Money for Retirement: 2000**

R ³ Score	All Workers	Have Enough Money for Retirement		
		Very Confident	Somewhat Confident	Not Confident
Very good (21–25)	8%	24%	4%	1%
Good (16–20)	35	59	35	11
Adequate (11–15)	28	14	36	28
Poor (6–10)	19	3	19	33
Very poor (0–5)	9	0	5	27

Worker Expectations

Many of today's workers will not be eligible to receive full retirement benefits from Social Security until they are age 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 (32 percent of all workers), but some believe they will be eligible even before age 65 (22 percent of all workers). Almost 2 in 10 workers say they do not know when they will be eligible to receive full benefits from Social Security (17 percent). Only 18 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.

Nearly half of today's workers expect to retire at age 65 or later, a proportion that has seen little change since 1991 (45 percent in 1991; 47 percent in 2000). In contrast to these expectations, however, most retirees report actual retirement ages younger than age 65.

Expected and Actual Retirement Age: 2000

	Expected (% of workers)	Actual (% of retirees)
Age 54 or younger	9%	14%
Age 55–59	13	19
Age 60	12	6
Ages 61–64	10	31
Age 65	28	10
Age 66 or older	19	13
Never retire	4	NA

For many retirees, this earlier retirement was not by design. Over one-third of today's retirees say they retired earlier than planned (36 percent). Based on past RCS surveys, this is typically due to negative circumstances beyond their control, such as health problems or changes at their company. 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.

Many workers—particularly those who plan to work the longest and, therefore, may be more at risk for an unplanned early retirement—may be preparing for an unrealistically short retirement. Half of men reaching age 65 can expect to be alive at 82, and some will make it to 100 and older, while half of women reaching age 65 can expect to be alive at 86, and some will make it to 100 and older. Yet almost 2 in 10 workers expect that their retirement will last for 10 years or less (18 percent), and an additional 15 percent believe their retirement will last 11 to 19 years. One-fourth think their retirement will last 20 to 24 years (25 percent), 9 percent believe it will last 25 to 29 years, and 2 in 10 expect it to last 30 years or more (19 percent). Sixteen percent are unable to say how long they expect to be retired.

Today’s retirees are most likely to rely on Social Security or employer-provided money as their most important source of income in retirement. Just 2 in 10 retirees find that their personal savings are their most important source of income. In contrast, more than half of current workers expect personal savings to be their most important source of income in retirement. Only 2 in 10 workers expect to rely most on employer-provided money, and only 1 in 10 expects Social Security will provide their most important source of income.

Expected and Actual Most Important Source of Retirement Income: 2000

	Expected (% of workers)	Actual (% of retirees)
Personal savings (net)	53%	20%
Money respondent put into a retirement plan at work	32	5
Other personal savings, not including work-related retirement plans	20	15
Employer-funded plans	19	29
Social Security	11	38
Employment	7	2
Sale of home or business	4	3
Other government programs	3	3

Expected reliance on personal savings as the most important source of income increases as age decreases, while expected reliance on Social Security increases as age increases. In comparison with actual experience reported by the youngest retirees, current workers age 55 and over are more likely to anticipate that Social Security will be their most important source of income (28 percent versus 16 percent) and less likely to cite money from an employer-funded retirement plan (21 percent versus 39 percent).

While just 7 percent of workers expect to rely on employment for their most important source of retirement income, two-thirds indicate they expect it to be a major (18 percent) or minor (50 percent) source of income. This contrasts sharply with the experience of retirees, just 2 in 10 of whom report that employment is a major (4 percent) or minor (15 percent) source of retirement income. Current workers age 55 and over are more likely to say they expect to work in retirement (59 percent) than retirees under age 66 are to indicate that they actually worked (30 percent).

RCS Methodology

These findings are part of the 10th annual Retirement Confidence Survey (RCS), a survey that gauges the views and attitudes of working 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 2000 through 20-minute telephone interviews with 1,000 individuals (779 workers and 221 retirees) age 25 and over. Random digit dialing was used to obtain a representative cross section of the U.S. population and interview quotas were established by sex of respondent to reflect the actual proportions in the population.

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 over 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 more than 250 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. (MGA), a Washington, DC-based market research firm.

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