

# The Retirement Picture

## Your Retirement Hopes: Filled With Holes?

(NAPSA)—If you're like many Americans, you may expect to enjoy a comfortable retirement, but you probably haven't taken the actions needed to turn those hopes into reality.

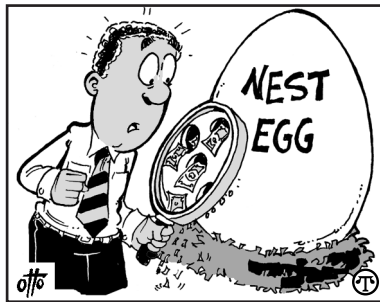
The latest survey showed many Americans' retirement expectations are like a piece of Swiss cheese—full of holes. For example, many have accumulated only modest retirement savings, underestimating the share of their pre-retirement income they are likely to need in retirement, and have made no estimate of how much they will need to live comfortably once they retire.

The Retirement Confidence Survey (RCS), begun in 1991, is the country's most established and comprehensive study of the attitudes and behavior of American workers and retirees toward all aspects of saving, retirement planning and long-term financial security. The survey is sponsored by the Employee Benefit Research Institute and Matthew Greenwald & Associates.

Here are some of the survey results:

- **Saving:** More than two-thirds (68 percent) of current workers say they and their spouses have accumulated less than \$50,000 in retirement savings.

- **Health care costs:** Nearly six in 10 (58 percent) of current workers say they and their spouses do not expect to receive any health insurance from their employers when they retire. Recent EBRI research showed that individuals age 55 who live to age 90 would need to have accumulated \$210,000 (by age 65) to pay for insurance to supplement



**THE SURVEY FOUND that many workers are counting on personal savings in retirement that are unlikely to materialize.**

Medicare and out-of-pocket medical expenses in retirement—far more than all but 10 percent of workers currently have saved for all retirement expenses.

- **Longevity:** Two-thirds (66 percent) of current workers think they have some chance that they will live until age 90—or spend 25 years in retirement, assuming they retire at age 65. These findings suggest many workers may not be planning and saving enough to finance the full amount of time they expect to spend in retirement, thereby increasing the odds that they will outlive their retirement savings.

- **Income replacement:** Fourteen percent of current workers said they thought they would need less than 50 percent of their pre-retirement income to live comfortably in retirement. Another 36 percent expected to need 50 to 70 percent. However, 62 percent of current retirees say their income is 70 percent or more of their pre-retirement income.

- **Planning:** Nearly six in 10 current workers (59 percent) said they hope to have a retirement

standard of living equal to or higher than their working years. But when current workers were asked if they or their spouse have calculated how much money they will need to retire comfortably, nearly six in 10 (58 percent) said no.

“Recent research has found that when a ‘traditional’ pension is frozen, many workers in the pension are unlikely to get an equal benefit value contributed to their 401(k) plan,” said Jack Vanderhei, a Temple University professor, EBRI fellow, and co-author of the Retirement Confidence Survey. “Each case is different, but it’s clear that people currently working should factor into their retirement planning the long-term trend away from ‘traditional’ defined benefit pensions and toward 401(k)-type plans.”

He added: “We find there are a lot of people who need to be saving more than they are, if they hope to be able to afford a comfortable retirement.”

“Working ‘in retirement’ may be one partial solution,” said Michael Falcon, chief operating officer of the Retirement Group at Merrill Lynch—a sponsor of the EBRI study, as well as its own *New Retirement Survey*. “Seventy-seven percent of our respondents say that ideally, they would work either full-time, part-time, or cycle back and forth between work and leisure before they quit work completely,” Falcon said. “Working beyond normal retirement can obviously help financially, but Americans also say they are interested in working to stay socially and physically active.”

To learn more about the survey, visit [www.ebri.org](http://www.ebri.org).