Inside the Numbers

BY NEVIN E. ADAMS

Employees who have done a retirement needs assessment are more confident about their prospects than those who have not, and those who sought the services of a paid financial advisor set more realistic savings goals than those who did not.

Most of us have seen those commercials with images of an overweight person who has participated in a new diet and/or exercise regimen, alongside an "after" image that shows dramatic improvement, or perhaps that rusty old car whose finish is restored with a single application of some new polish. These before-and-after images make for compelling testimonials because they purport to provide a comparison of the way things are with the way they might be.

There is even a school of thought (and some academic evidence to support the notion) that individuals can be successfully motivated to engage in better savings behaviors by allowing them to interact with "age-progressed" renderings of themselves that help them better picture, and thus relate to, the needs of their future self.

However, while a picture can sometimes be worth a thousand words, one of the more compelling aspects of EBRI's Retirement Confidence Survey (RCS) is the picture it provides of the difference in perspective — and expectations — of those for whom retirement is a future event, and those who are already living it.

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Higher Expectations

Consider that in this year's survey more than one in five workers said the age at which they expected to retire has increased in the past year. As recently as 2009, 25% indicated that expectation. Looking back to 1991, only about one in 10 workers expected to retire later than age 65, and fully half of employee respondents expected to retire before age 65. But in the 2013 RCS, 36% of workers expected to retire later than that, and 7% said they didn't expect to retire at all.

So, what's the experience of current retirees? Nearly half (47%) said they had retired sooner than planned — and that number has never been less than 36% going all the way back to 1991. The number of retirees who retired later than expected? Less than 10%. In fact, the median (midpoint) age at which retirees report they actually retired has remained at age 62 throughout this time.

Those earlier-than-expected retirements are triggered by a variety of circumstances, both positive and negative — some by choice, and some involuntary. More than half (55%) cited health problems or disabilities; one in five cited downsizing or closure (20%); and still others noted having to care for spouses or other family members (23%); and there were those who said changes in the skills required for their jobs (9%) or other work-related reasons (20%) played a role. Some retirees do mention positive reasons for retiring early, such as being able to afford an earlier retirement (32%) or wanting to do something else (19%), but just 7% offer only positive reasons.

More than two-thirds of workers (69%) say they plan to work for pay after they retire — but only one in four (25%) retirees say they have done so.

Income Sources

There are also different expectations about sources of retirement income. According to the RCS, workers today are less likely to expect Social Security income in retirement (77%) than today's retirees are to report having this income (93%). They are also half as likely to expect Social Security to be a major share of their income in retirement (33%) as retirees are to say that Social Security is a major share of their income (70%). EBRI research has shown that 60% of Americans age 65 or older received at least 75% of their income from Social Security.

Nearly half of workers age 45 and older have not 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 — and that's pretty much how things stood a decade ago. Statistically, workers are no more likely to have done this calculation in 2013 than in 2003, according to the 2013 Retirement Confidence Survey, though the likelihood of trying to do a retirement savings needs calculation increases with age.

Retirement plan advisers know that retirement planning requires a number of critical assumptions — the age at which the individual hopes to retire, the amount of income they need and for how long, the sources of retirement income that will be available to you and in what amount(s), among other things. The RCS findings have shown that workers who have done a retirement needs assessment are more confident about their prospects than those who have not, and subsequent EBRI analysis has shown that those who sought the services of a paid financial advisor set more realistic savings goals than those who did not. We've found that workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence.

But what we've also seen in the RCS findings is that it's one thing to plan to retire later — and another altogether to be able to do so.

ABOUT THE SURVEY

The Retirement Confidence Survey, sponsored by the Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates, is the longest-running annual retirement survey of its kind in the nation. More information about the Retirement Confidence Survey is available online at http://www.ebri.org/surveys/rcs/.

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