

2018 Retirement Confidence Survey

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2018 RCS Overview

28th Annual Retirement Confidence Survey (RCS)

The RCS is the longest-running survey of its kind, measuring worker and retiree confidence about retirement, and is conducted by the Employee Benefit Research Institute (EBRI) and independent research firm Greenwald & Associates.

The 2018 survey of 2,042 Americans was conducted online January 3 through January 16, 2018. All respondents were age 25 or older. The survey includes 1,002 workers and 1,040 retirees.

Data were weighted by age, sex, and education. Unweighted sample sizes are noted on charts to provide information for margin of error estimates. The margin of error is ± 3.16 percentage points for all workers and ± 3.10 percentage points for all retirees

Please note percentages in the following tables and charts may not total to 100 due to rounding and/or missing categories. Any trend changes or differences in subgroups noted in text are statistically significant.

2018 RCS Underwriters

AARP
Conduent, HR Services
FINRA
J.P. Morgan
Lincoln Financial
Mercer
MetLife
Nationwide Financial
Principal Financial Group
T. Rowe Price
The Segal Group
U.S. Chamber
Vanguard
Wells Fargo

Key Findings

Worker confidence creeping up?

The share of workers who feel very confident in their ability to live comfortably in retirement remains low at just 17%, but another 47% are somewhat confident (Figure 1). Combining those that are very and somewhat confident, workers appear to be more confident in retirement than they were in 2017.

Retiree confidence on shaky ground?

Retirees remain more confident than workers, with a third (32%) very confident and another 44% somewhat confident that they will have enough money to live comfortably throughout retirement (Figure 2). Of note, however, are some of the decreases in confidence in specific aspects of retirement among retirees. Retirees are less likely than in 2017 to feel confident in their ability to handle basic expenses in retirement and less confident in their ability to handle medical expenses (Figure 3).

**2 in 3
workers**

confident in having
enough for a
comfortable retirement

only 17% very confident

**3 in 4
retirees**

confident in having
enough for a
comfortable retirement

only 32% very confident

Key Findings

Why are workers confident?

Workers appear to be very positive about their workplace defined contribution (DC) retirement plans and that may be impacting overall retirement confidence. Those with a DC plan are far more likely to be confident in their ability to live comfortably in retirement. More than 4 in 5 with a DC plan report being very or somewhat satisfied with the plan overall, and with the investment options available to them (Figure 4). Eight in ten workers expect that these plans will be a major or minor source of income for them in retirement.

Still, some workers may be guilty of false confidence and RCS data suggests they may be making some faulty assumptions:

- Workers expect to retire later than retirees actually do.
- Workers plan to work in retirement and 2 in 3 expect work for pay to be a major or minor source of income. Only 1 in 4 retirees say working is a source of income for them (Figure 5).
- Nearly 2 in 3 workers call debt a major or minor problem and more than 4 in 10 say it's negatively impacting their ability to save for retirement. At the same time, about one quarter of retirees say debt is negatively impacting their lifestyle (Figure 6).



Key Findings

Why are retirees less confident?

Retirees' overall confidence shows signs of decline, but their confidence in being able to afford medical and long-term care expenses in retirement is down significantly. Relatedly, their confidence that Social Security and Medicare will continue to provide benefits equal to what retirees receive today has decreased (Figure 7). At the same time, more than 4 in 10 retirees report that their health care expenses in retirement are higher than they expected, and another 1 in 4 say long-term care costs have been higher (Figure 8).

There are still other factors that may be dampening retiree optimism that are not measured in this survey, such as low interest rates. As in the past, 2 out of 3 retirees in this survey report that they aim to maintain or continue to grow their asset level in retirement (Figure 9). That said, these retirees report the value of their assets is largely where they would expect them (Figure 10).



Fewer retirees are confident:

- In their ability to afford medical care
- In their ability to afford long-term care
- That Medicare will continue as is

Key Findings



Confident workers and retirees are healthy workers and retirees

This year's RCS data emphasizes the impact health and health care expenses have on retirement confidence and financial well-being. Six in ten workers who are confident in retirement overall are in excellent or good health; among those not confident about retirement, only 28% report such good health. The same is true for retirees: 46% of confident retirees are in good health compared to just 14% who are not confident. Retirees in fair or poor health are more likely to have difficulty managing their money in retirement, including maintaining their pre-retirement lifestyle, managing day-to-day finances, and of course, managing health care costs.

Planning for healthcare in retirement may pay off

Only 19% of workers and 39% of retirees have tried to calculate how much money they would need to cover healthcare costs in retirement (Figure 11). Retirees who made this calculation are less likely to have experienced higher-than-expected health costs and are more likely to say costs are as expected (Figure 12). Given the current lack of planning, it's not surprising that 7 in 10 employed workers and 6 in 10 employed retirees say that workplace education on health care planning for retirement would be helpful (Figure 13).

Key Findings

Mixed confidence on generating retirement income

Only half of workers are confident that they know how much income they will need each month in retirement or how to withdraw income from their savings and investments, with only 1 in 8 very confident.

Yet, 2 in 3 retirees report that converting their assets into income is a relatively easy task for them. Asked about their withdrawal strategies from DC plans or IRAs, many retirees aren't withdrawing much from these tax-advantaged plans. Four in ten simply withdraw the legally required minimum. Among those who withdraw more than the minimum, many withdraw as needed.

Retirees receive income from predictable, guaranteed sources

Two in three retirees report Social Security is a major source of income, while only about a third of workers believe Social Security will be a major source (Figure 14). More than 4 in 10 retirees report income from a defined benefit (DB) plan is a major source of income, while only 32% of workers expect a DB plan to be a major source for them in retirement. These income sources do not require a withdrawal strategy, per se, but there is some strategy involved in Social Security claiming.

Many don't think about the impact of the age at which they claim Social Security on their benefit amount

Nearly half of workers say they have thought about how the age at which they claim Social Security may impact their benefit amount; 66% of retirees say they did this (Figure 15). Yet, workers still plan to claim Social Security at a median age of 65 and retirees claimed or plan to claim at a median age 63 (Figure 16). Overall, only 23% of workers say they chose their planned claiming age with maximizing their benefits in mind.

Key Findings

Workers will depend heavily on income from DC plan assets

Workers expect to rely on their workplace DC retirement plans as a source of income in retirement far more than retirees report they have. Eight in ten believe this will be a major or minor source of income in retirement, compared to just 50% of retirees (Figures 17 and 18). Six in ten workers also expect income in retirement from an IRA, but this is down from last year when nearly two-thirds expected income from an IRA (Figure 19).



8 in 10

workers expect their workplace retirement savings plan will be a source of income in retirement versus half of retirees

Key Findings



Most retirees rolled assets out of DC plans

Among retirees who had assets in a DC plan at the time of retirement, over 4 in 10 rolled at least some of that money into an IRA, 3 in 10 left some money in the plan, and 2 in 10 cashed out and put the money into a different investment (Figure 20). A third of retirees who moved money out of their plan into a different investment vehicle say they did so because an advisor told them to (Figure 21).



Workers have somewhat different plans for their DC assets

While 3 in 10 workers with a DC plan “don’t know” what they will do with those assets when they retire, some have an idea (Figure 22). Three in ten plan to roll at least some money into an IRA, fewer than the 44% of retirees who did so. This is one possible explanation for why workers are now less likely to expect IRAs to be a source of income in retirement. One in four plan to leave at least some money in the plan, comparable to retirees. And perhaps most noteworthy, 2 in 10 workers say that they will use plan assets to purchase a product that provides guaranteed lifetime income, far more than the 7% of retirees who did this.

Key Findings

Workers show strong interest in guaranteed income

Eight in ten workers with a DC plan are very or somewhat interested in an in-plan investment option that would guarantee monthly income for life at retirement. Similarly, 8 in 10 express interest in taking money out of the plan at retirement and moving it into a financial product that would guarantee them monthly income for life (Figure 23).

Workers also express interest in longevity insurance—guaranteed income products that pay out once a specified age (such as age 80 or 85) is reached. Nearly half of workers (48%) report being very or somewhat interested in these products, compared to fewer than 2 in 10 retirees (Figure 24).



4 in 5 workers with a DC plan are interested in **guaranteed lifetime income options**