



EBRI News

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18th Annual Retirement Confidence Survey:®

Workers Show Record Drop in Retirement Confidence, Health Care and Economy Are Major Concerns

WASHINGTON—Reflecting the growing concern over health care costs and economic issues, American workers' confidence in being able to afford a comfortable retirement decreased over the past year by a rate unmatched in the 18 years of the Retirement Confidence Survey® (RCS), according to results released today.

The percentage of workers *very* confident about having enough money for a comfortable retirement decreased sharply, from 27 percent in 2007 to 18 percent in 2008, the biggest one-year drop in the 18-year history of the survey. *Retiree* confidence in having a financially secure retirement also decreased, from 41 percent to 29 percent, a drop of 12 percentage points. Decreases in confidence occurred across all age groups and income levels but was particularly acute among younger workers and those with lower income.

RCS results indicate health costs in particular have become a big concern for retirees: Among retirees who left the work force earlier than planned, more than half (54 percent) say they did so because of health problems or disability. Almost half of retirees (44 percent) say they have spent more than expected on health care expenses. More than half of retirees (54 percent) say they are now more concerned about their financial future than they were right after they retired, a 14 percentage-point increase from a year ago (40 percent in 2007).

“In the nearly two decades we have been conducting the RCS, this year’s results show a very dramatic reduction in the public’s confidence about having a comfortable retirement. The economy and health costs are major concerns,” said Dallas Salisbury, president of the nonpartisan Employee Benefit Research Institute (EBRI), which conducted the survey with Mathew Greenwald & Associates. “If there is a silver lining, it’s that Americans finally may be waking up to the realities of being able to afford retirement.”

In addition, the survey found that about half of workers (47 percent) say they and/or their spouse have tried to calculate how much money they will need for a comfortable retirement, up considerably from the low point of 29 percent measured in 1996. As before, the 2008 survey finds that doing a retirement savings calculation is particularly effective at changing worker behavior: 44 percent who calculated a goal changed their retirement planning, and of those almost two-thirds (59 percent) started saving or investing more.

The RCS is the country’s longest-running and most comprehensive study of the attitudes and behavior of American workers and retirees toward all aspects of saving, retirement planning, and long-term financial security. Full results of the survey appear in the April 2008 *EBRI Issue Brief* available online at www.ebri.org/RCS/2008/, along with five RCS Fact Sheets that provide additional detail on health costs, saving for retirement, gender issues, age issues, and attitudes on Social Security and Medicare. The survey was funded by contributions from 40 underwriters.

The survey picked up several other signs of public unease about retirement:

- **Overall concerns about basic expenses:** Confidence in specific financial aspects related to retirement decreased. In particular, the percentage *very* confident in having enough money to take care of basic expenses decreased from 40 percent in 2007 to 34 percent in 2008 for *workers* and from 48 percent to 34 percent for *retirees*.

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- **Worker health concerns:** Measured another way, workers said they are increasingly *not confident* about having enough money for medical expenses (43 percent in 2008, up from 32 percent in 2007) and for long-term care expenses (54 percent in 2008, up from 44 percent last year).
- **Retiree concerns:** Retirees' loss of confidence is reflected in several attitudes they hold about their retirement finances. Retirees are less likely than in 2007 to believe they can always cut back on their lifestyle if it looks like they might use up all of their savings (61 percent, down from 70 percent). At the same time, 39 percent of retirees now think they are likely to live long enough to use up all of their savings (up 10 percentage points from 29 percent in 2007).
- **Retiree health coverage:** Barely one-third of all workers now expect to have access to employment-based health insurance in retirement, down 8 percentage points (from 42 percent in 2007 to 34 percent in 2008). Although 41 percent of retirees say they currently have access to health insurance through a former employer, many employers are eliminating health care coverage for future retirees.
- **Confidence by age and income:** The percentage saying they are *very* confident about having enough money for a comfortable retirement decreased from 31 percent in 2007 to 18 percent in 2008 among workers ages 25–34, and from 28 percent to 16 percent among workers ages 35–44. Similarly, it decreased from 14 percent to 5 percent among workers with household income under \$35,000 and from 25 percent to 13 percent among those with income of \$35,000–\$74,999.

The survey also provides some evidence that concerns about the present may be limiting Americans' ability to think about or plan for their future situation in retirement. When asked what they think is the most pressing financial issue facing most Americans today, just 5 percent of workers and 4 percent of retirees cited saving or planning for retirement. Instead, most mention:

- Making ends meet or the cost of living (17 percent of workers, 19 percent of retirees).
- Paying for health insurance or medical expenses (16 percent of workers, 25 percent of retirees).
- Making mortgage payments or paying for housing (16 percent of workers, 10 percent of retirees).
- Paying down debt or loans (13 percent of workers, 5 percent of retirees).
- Fuel or energy costs (9 percent of workers and retirees).
- Job uncertainty (6 percent of workers, 8 percent of retirees).

The 2008 Retirement Confidence Survey[®] was conducted in January 2008 through 20-minute random telephone interviews with 1,322 individuals (1,057 workers and 265 retirees) age 25 and older in the United States. The survey has a margin of error of plus or minus 3 percentage points. Details of the methodology appear in the April 2008 *EBRI Issue Brief*.

EBRI is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. www.ebri.org

Underwriters of the 2008 RCS include 40 organizations: Alliance Bernstein, Allstate, American Express, Ameriprise Financial, Inc., American Institute of Certified Public Accountants, Aon Consulting, Inc., AT&T, Barclays Global Investors, Buck Consultants, CalSTRS, CitiStreet, Deere & Company, ELM Income Group, Financial Engines, Financial Industry Regulatory Authority, Genworth Financial, Goldman, Sachs & Co., Goldman Sachs Asset Management, Hewitt Associates, IBM, Investment Company Institute, Mass Mutual Financial Group, Mercer, MFS/SunLife, PIMCO, Principal Financial Group, Procter & Gamble, Pyramis Global Advisors, Rockefeller Foundation, Russell Investment Group, Segal Company, Society for Human Resource Management, State Street Corp., Towers Perrin, and the Charter Partners of the American Savings Education Council: AARP, Fidelity Investments, InCharge Education Foundation, MetLife, Nationwide Financial Services, Prudential Retirement.