

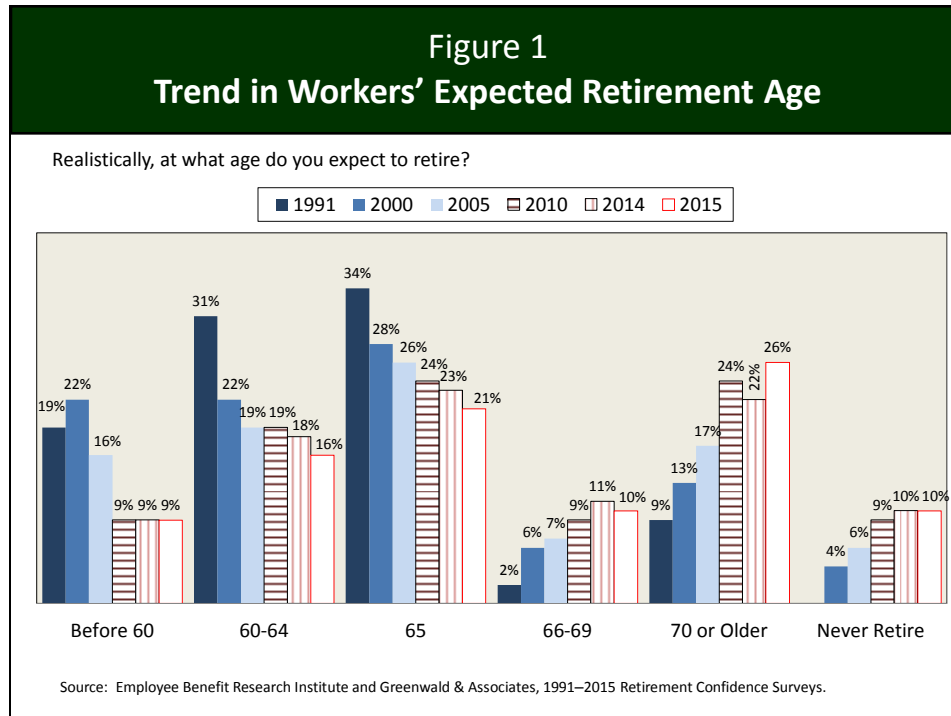
## 2015 RCS FACT SHEET #2

### EXPECTATIONS ABOUT RETIREMENT

*Despite an increase in retirement confidence, preparation levels for retirement have not changed. How, if at all, do workers expect to compensate for insufficient retirement savings?*

#### Postponing Retirement

While responses to a question asking the age at which workers expect to retire shows little change from one year to another, the age at which workers expect to retire has been slowly rising. In 1991, just 11 percent of workers expected to retire after age 65. Twenty-four years later, in 2015, 36 percent of workers report that they expect to retire after age 65, and 10 percent don't plan to retire at all. At the same time, the percentage of workers expecting to retire before age 65 has decreased, from 50 percent in 1991 to 25 percent in 2015 (Figure 1).

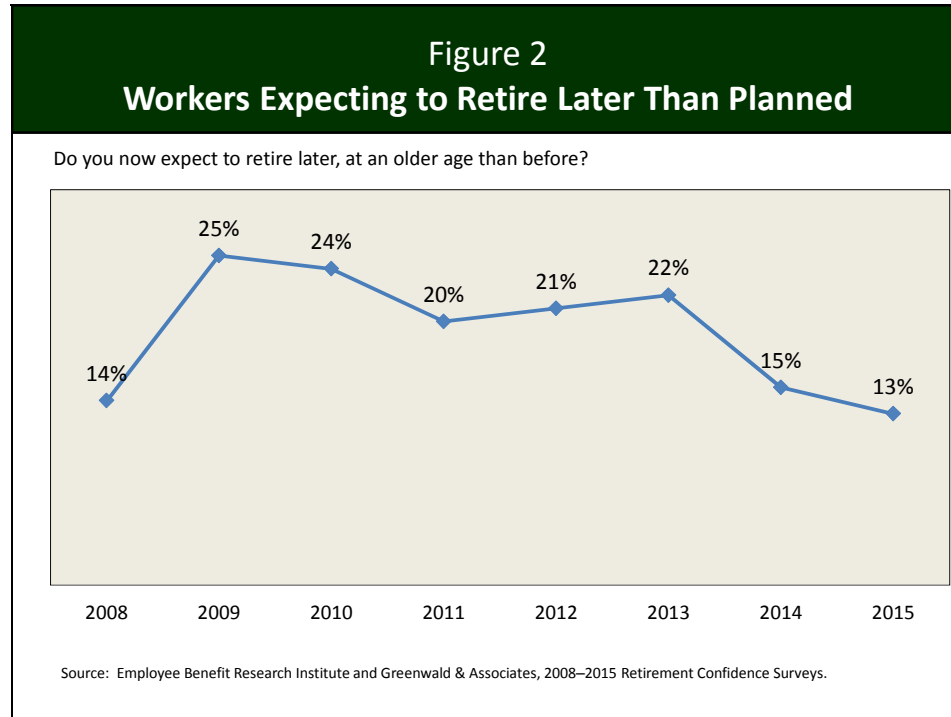


This trend of increasing retirement age expectations may be slowing, however. Between 2009 and 2012, between 20 and 25 percent of workers reported that the age at which they expected to retire increased in the past year. Since that time however, fewer workers have reported postponing the age at which they expect to retire. Only 13 percent of workers report increasing the age at which they expect to retire in the past year, compared with 22 percent in the 2013 RCS (Figure 2.)

The 2014 RCS found that workers planning to delay retirement gave the following reasons:

- The poor economy (25 percent).
- Inadequate finances or can't afford to retire (18 percent).
- A change in employment situation (17 percent).

- Needing to pay for health care costs (12 percent).
- Lack of faith in Social Security or government (9 percent).
- Higher-than-expected cost of living (9 percent).
- Wanting to make sure they have enough money to retire comfortably (8 percent).

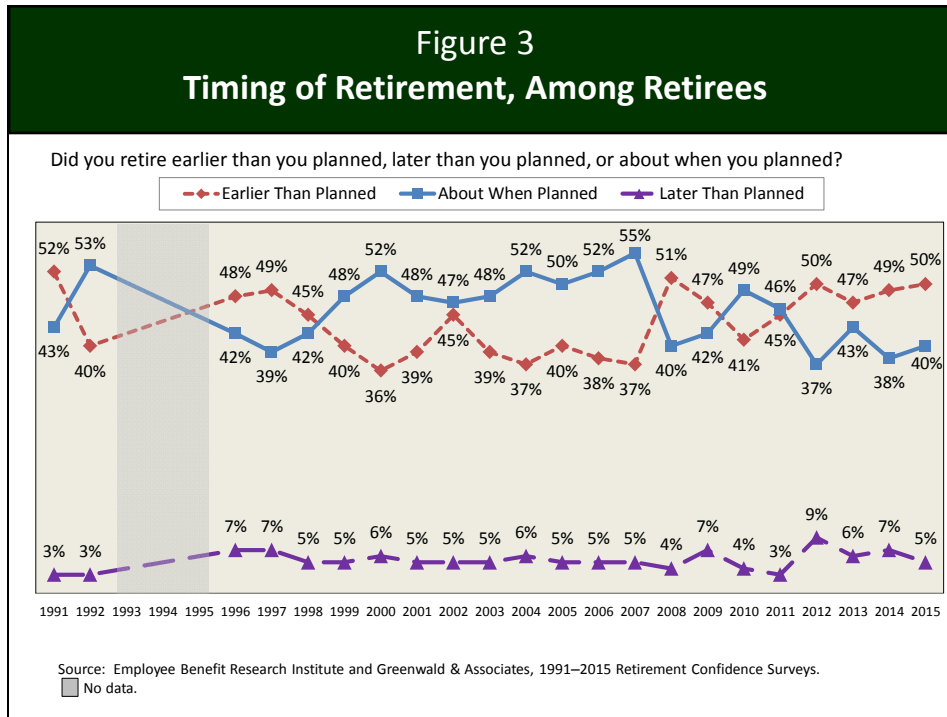


The RCS has consistently found that a large percentage of retirees leave the workforce earlier than planned (50 percent in 2015) (Figure 3). Many who retired earlier than planned did so because of a hardship, such as a health problem or disability (60 percent), though some state that they retired early because they could afford to do so (31 percent).

This tendency to retire earlier than planned may explain the considerable gap that exists between workers' expectations and retirees' experience. Just 8 percent of workers say they plan to retire before age 60, compared with 36 percent of retirees who report they retired that early. On the other hand, 26 percent of workers plan to wait at least until age 70 to retire, compared with 6 percent of retirees who actually did so.

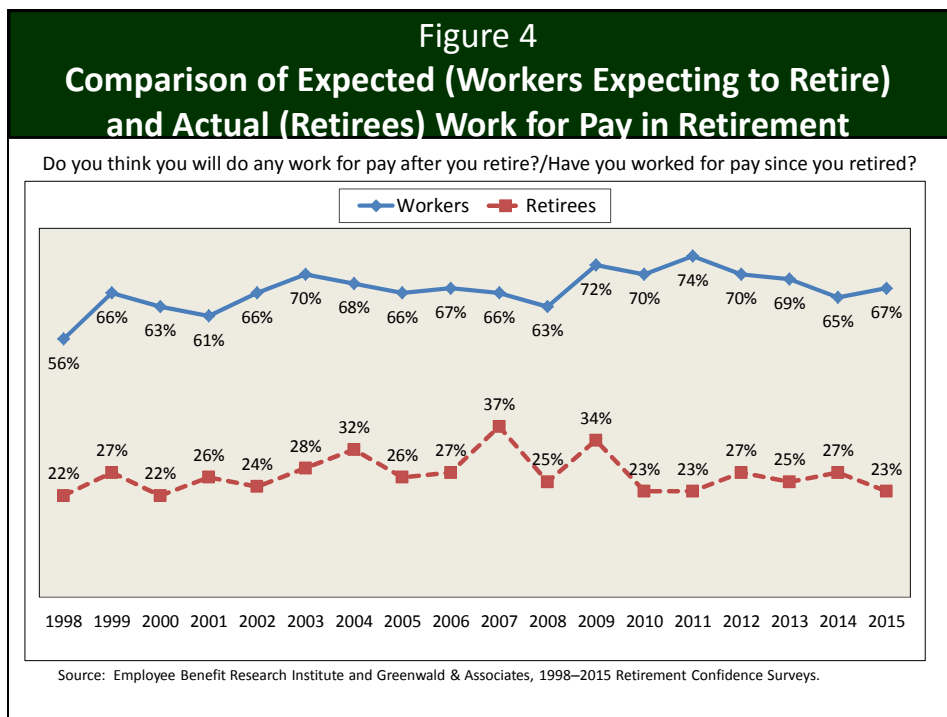
As one might expect, workers who are not confident about their financial security in retirement plan to retire later, on average, than those who express confidence.

((more))



## Working for Pay in Retirement

Two-thirds (67 percent) of workers plan to work for pay in retirement, compared with just 23 percent of retirees who report they have actually worked for pay in retirement. In fact, the RCS has consistently found that workers are far more likely to plan to work for pay in retirement than retirees are to have actually worked (Figure 4).



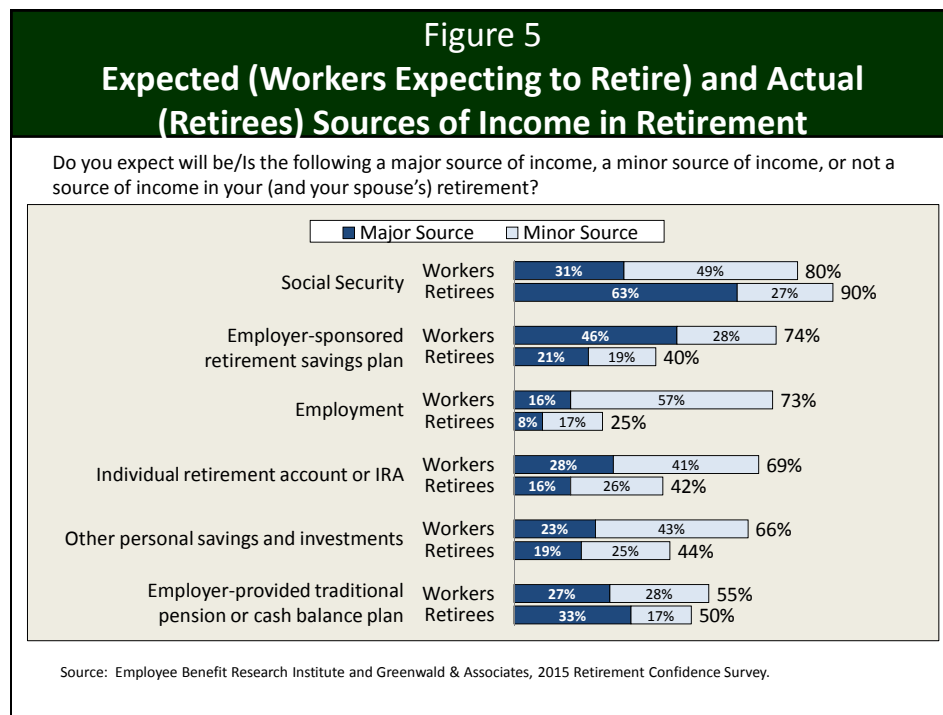
Almost all retirees who worked for pay in retirement in the 2014 RCS gave a positive reason for doing so, saying they did so because they enjoyed working (83 percent) or wanted to stay active and involved (79 percent). However, they reported that financial reasons also played a role in that decision, such as wanting money to buy extras (54 percent), needing money to make ends meet (52 percent), a decrease in the value of their savings or investments (38 percent), or keeping health insurance or other benefits (34 percent).

A financial rationale for working in retirement is even more important to workers. Among those expecting to work for pay in retirement in the 2014 RCS, 81 percent indicated they would need the money to make ends meet, and three-quarters (74 percent) wanted to keep health insurance or other benefits. Nevertheless, workers gave other reasons as well, saying they want to stay active and involved (90 percent), and enjoy working.

### Sources of Retirement Income

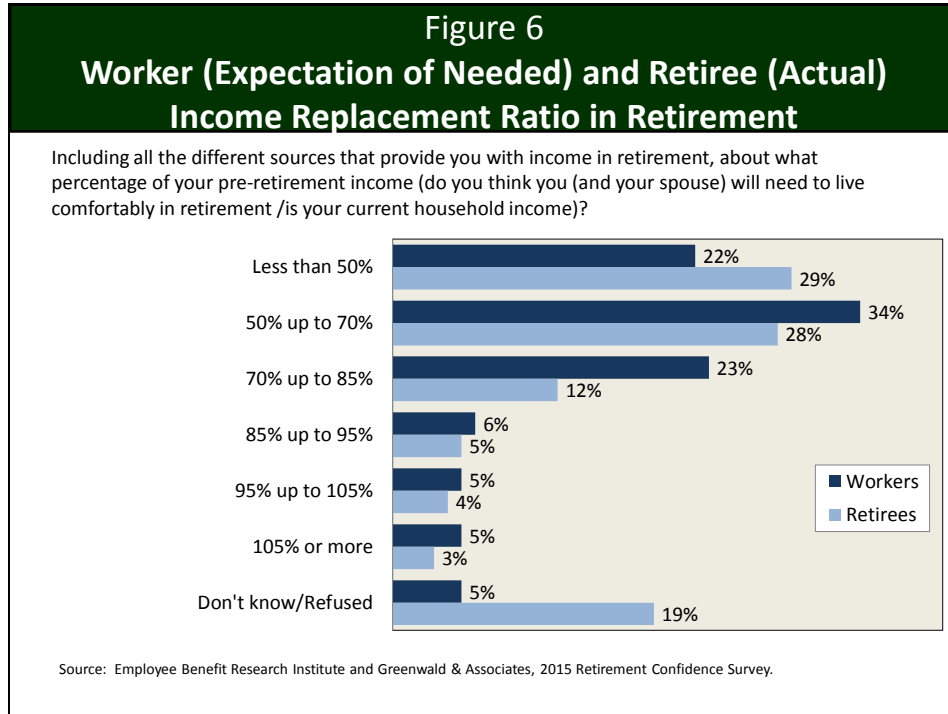
While the majority of retirees (90 percent) report that Social Security provides a source of income for their and their spouse's retirement (63 percent say it is a major source of income), workers and their spouses continue to expect to draw their retirement income from a wide variety of sources. (Social Security is the federal program that provides income replacement for the aged and disability coverage for eligible workers and their dependents).

Eighty percent of current workers expect Social Security to be a major or minor source of income in retirement, but they believe that personal savings will also play a large role. At least two-thirds each say they anticipate receiving retirement income from an employer-sponsored retirement savings plan (74 percent), an individual retirement account or IRA (69 percent), and other personal savings and investments (66 percent). Seventy-three percent expect employment to provide them with a source of income in retirement and 55 percent expect to receive income from an employer-sponsored traditional pension or cash balance plan. In contrast to workers, retirees are less likely to expect to rely on any form of personal savings or on employment for their income in retirement (Figure 5).



## Income Needs in Retirement

All in all, more than half (56 percent) of workers expect to be able to manage in retirement with no more than 70 percent of their pre-retirement income. Another 23 percent expect to be able to manage with 70–85 percent of pre-retirement income. Just 16 percent of workers say they will need an income replacement ratio in retirement of at least 85 percent. These ratios appear to be in line with retirees’ reported experience. Fifty-seven percent of retirees say their income in retirement is no more than 70 percent of their pre-retirement income, 12 percent say it is 70–85 percent, and 12 percent say it is at least 85 percent (5 percent of workers and 17 percent of retirees are unable to estimate the replacement ratio (Figure 6).



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