

# 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  $\pm 3.16$  percentage points for all workers and  $\pm 3.10$  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

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only 17% very confident

**3 in 4  
retirees**

confident in having  
enough for a  
comfortable retirement

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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).

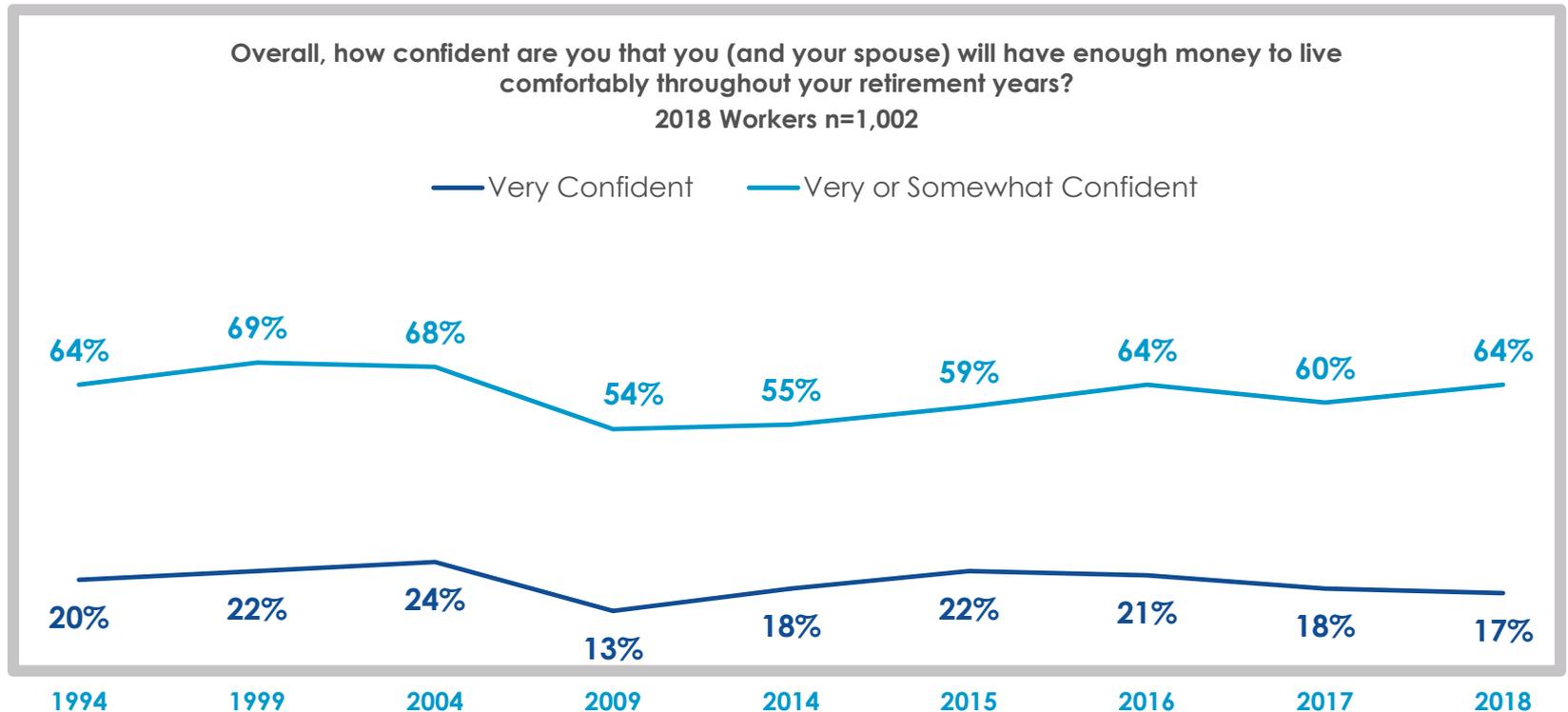
Workers also express interest in longevity insurance—guaranteed income products that pay out once a specified age (such as age 80 or 85) is reached. Nearly half of workers (48%) report being very or somewhat interested in these products, compared to fewer than 2 in 10 retirees (Figure 24).



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

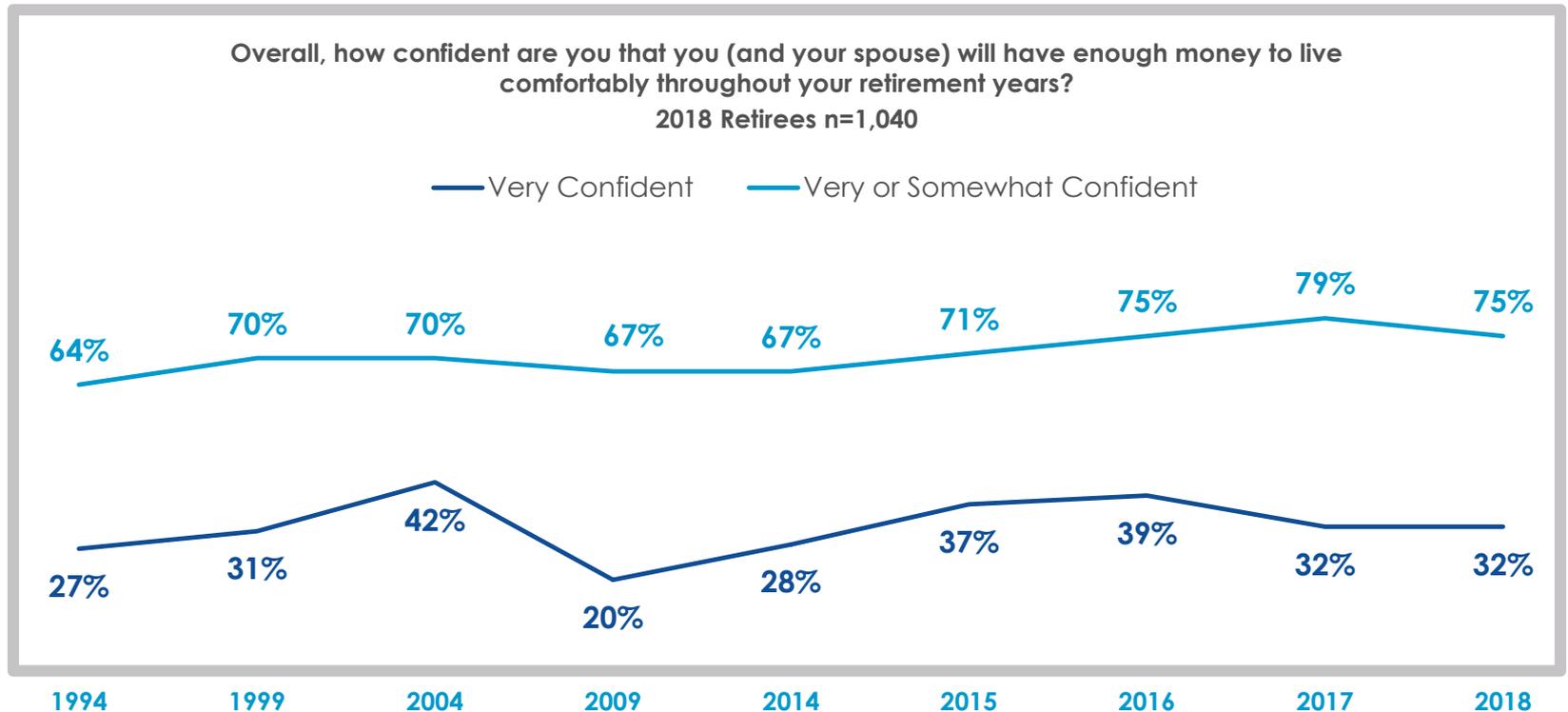
# Figure 1

Up slightly from last year, nearly 2 in 3 workers are confident they will have enough money for retirement, although only 17% feel *very confident*.



## Figure 2

1 in 3 retirees are *very confident* they will have enough money for retirement, though there are signs of decline.



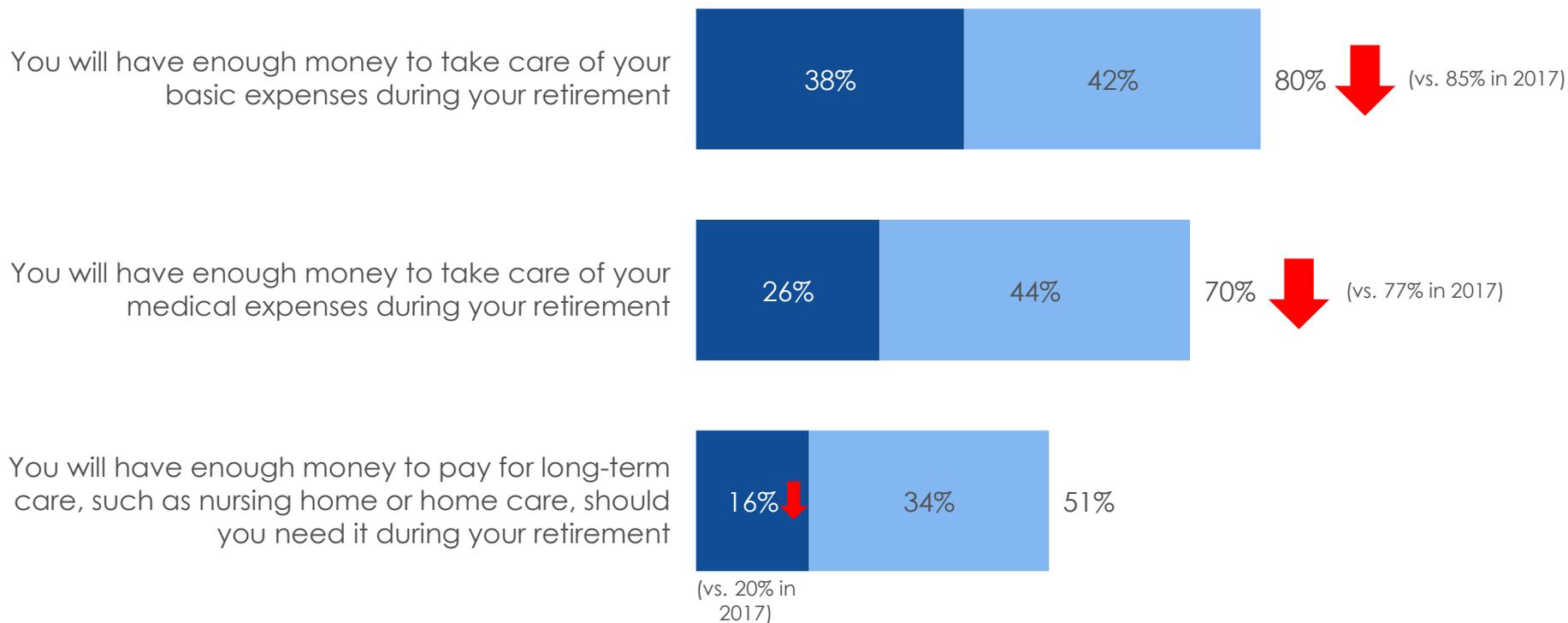
\*Down from 2017 at the 93% confidence level, which is below the standard 95% confidence level used in this study for determining statistical significance

# Figure 3

Retirees are less confident than they were last year that they will have enough for basic expenses, medical expenses or long-term care.

How confident are you (and your spouse) about the following aspects related to retirement?  
Retirees n=1,040

■ Very Confident      ■ Somewhat Confident



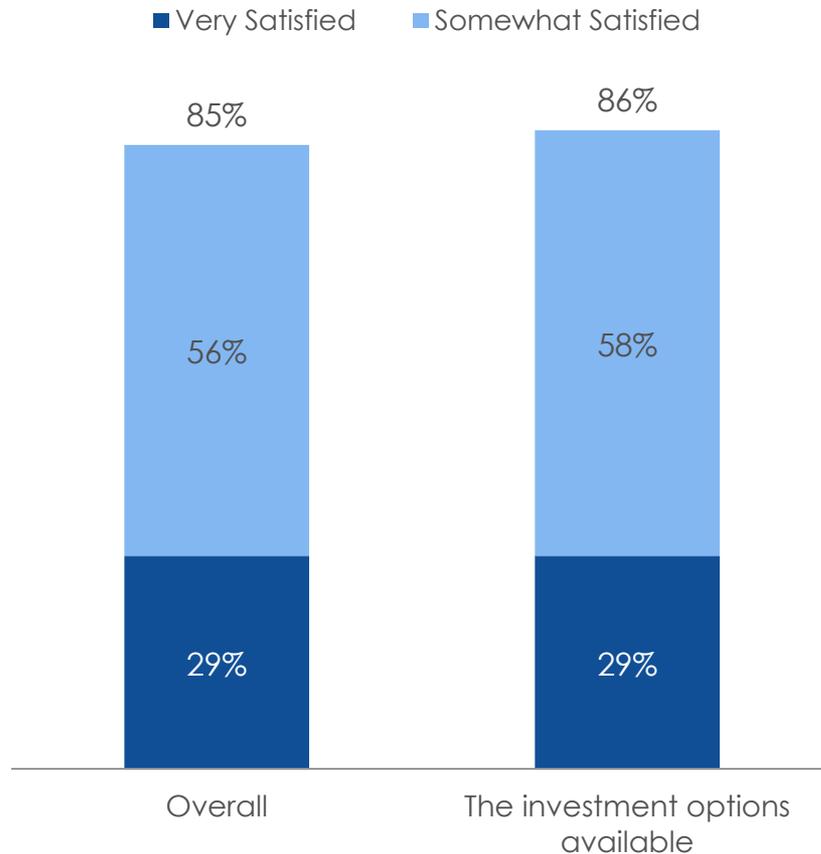
↑ = Up significantly from previous year      ↓ = Down significantly from previous year

## Figure 4

More than 4 in 5 are satisfied with their retirement savings plan overall and the investment options available.

How satisfied are you with the following aspects of your workplace retirement savings plan?

Workers offered an employer-sponsored retirement savings plan n=576



### In Depth

Workers within five years of retirement are more likely than those six or more years away from retirement to be satisfied with the plan overall (94% vs. 87%).

Those who have an advisor are more likely to be satisfied with the plan overall (93% vs. 84% without an advisor).

## Figure 5

A large majority of workers expect working for pay to provide them income in retirement. Just 26% of retirees actually receive income from work.

To what extent (do you expect/is) each of the following (to be) a source of income in retirement?  
2018 Workers who expect to retire n=904, Retirees n=1,040



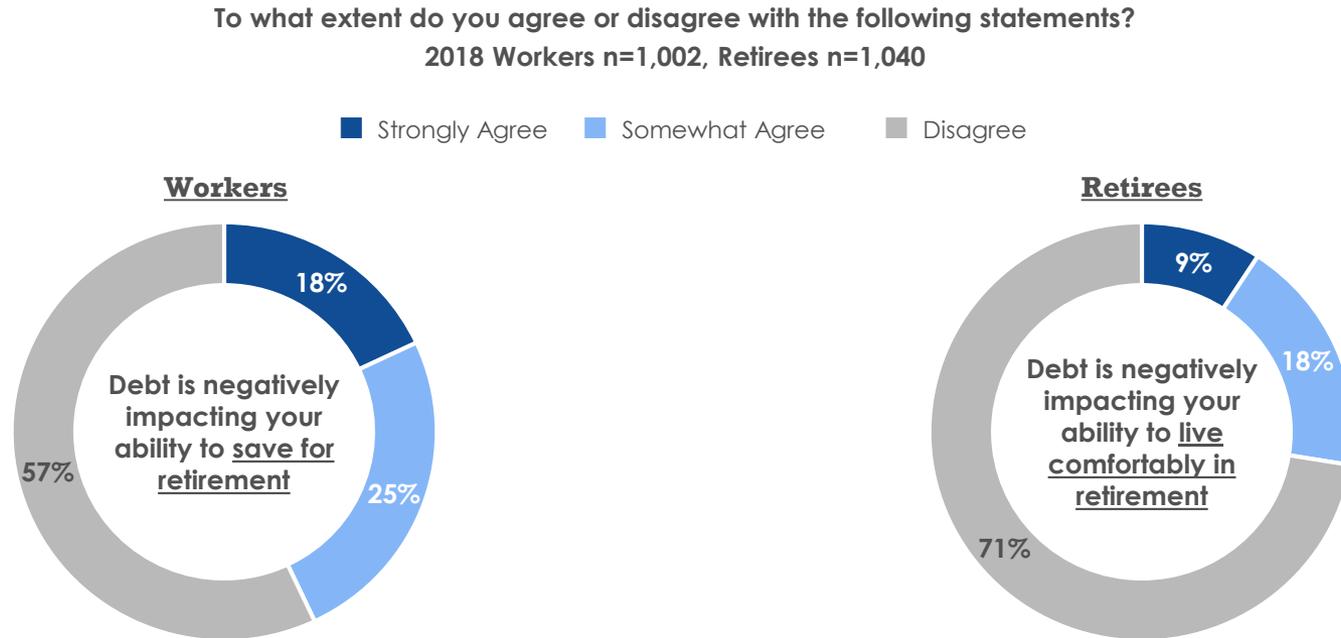
### In Depth

Nearly nine in ten workers who say they will work for pay in retirement say this will be a source of income for them (87%), although just 30% expect it to be a *major* source of income.

Workers with a major debt problem (38%) and those not confident they will have enough money in retirement (33%) are more likely than workers on average to expect working for pay to be a major source of income.

## Figure 6

Debt has a more negative impact on workers' ability to save for retirement than it has on retirees' ability to live comfortably in retirement.



### In Depth

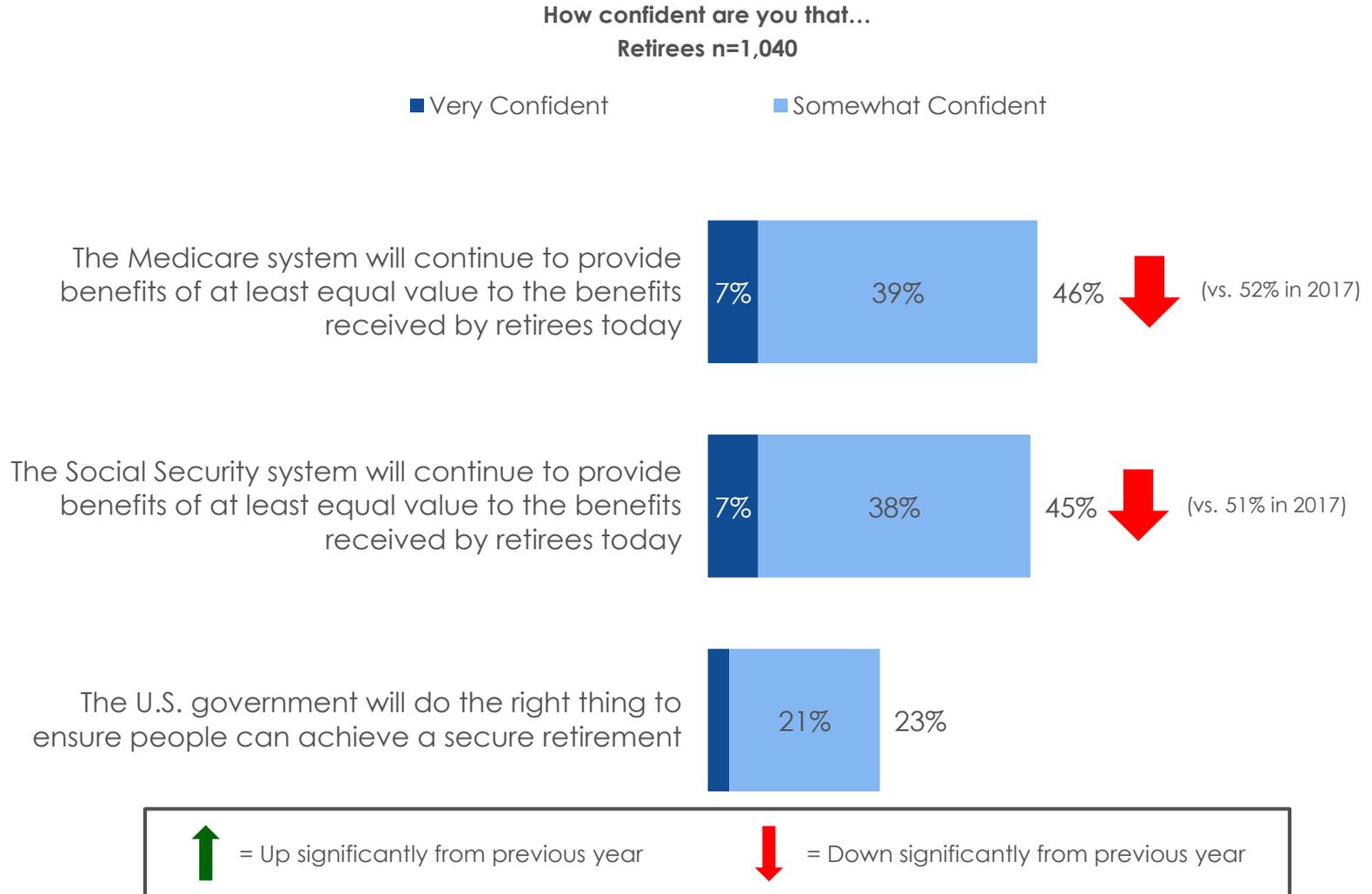
Working women are more likely than men to *strongly agree* that debt is negatively impacting their ability to save for retirement (21% vs. 15%).

Workers not confident they will have enough money for retirement and those without a retirement savings plan are more likely to indicate debt is negatively impacting their ability to save.

Retirees ages 65 or younger are more likely than the average retiree to *strongly agree* that debt is negatively impacting their retirement lifestyle.

# Figure 7

Retiree confidence in Medicare and Social Security has dropped compared to previous years – fewer than half feel confident in these systems.



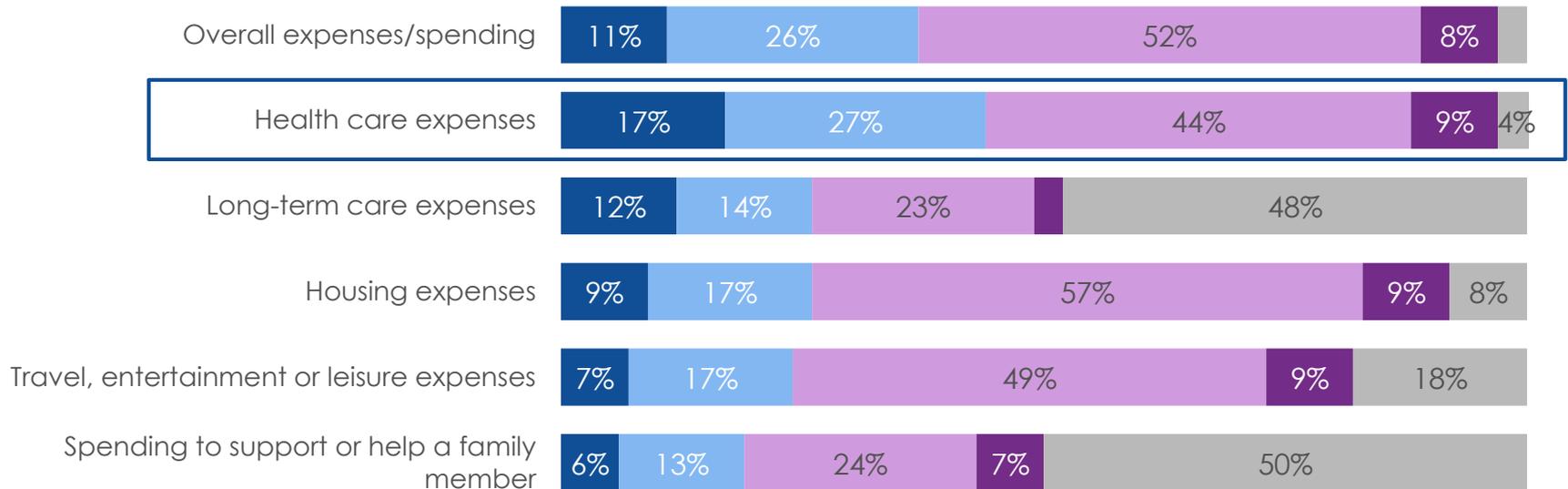
# Figure 8

Retirees are most likely to say their health care costs are higher than what they expected when they first retired.

Compared with what you expected when you first retired, would you say the following are higher or lower for you now than you expected?

2018 Retirees n=1,040

■ Much Higher Than Expected     ■ Somewhat Higher Than Expected     ■ About the Same  
■ Lower Than Expected     ■ Not Applicable/Refused



### In Depth

Retirees in fair or poor health are more likely than average retirees to say expenses overall (50%), health care (55%) and long-term care expenses (36%) have been higher than they expected.

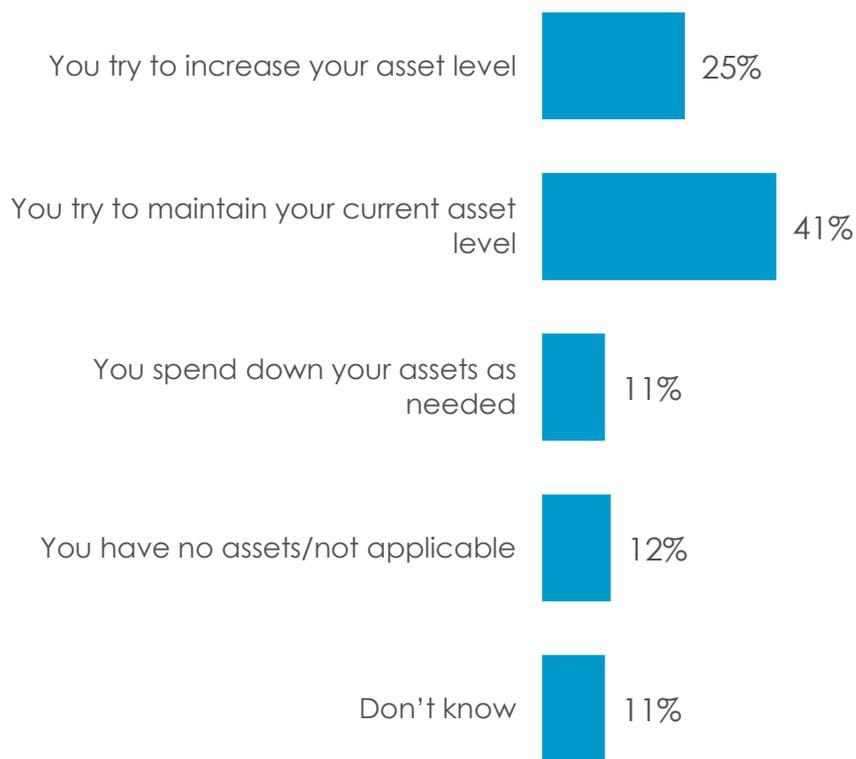
Those who have required long-term care within the past 5 years are twice as likely to say its expense was *much higher* than they expected (22% vs. 11% who have not needed long-term care).

## Figure 9

As seen in prior years, retirees do not want to spend down their assets. 2 in 3 retirees aim to maintain or increase their level of assets.

Which one of the following best represents your behavior when it comes to your level of assets?

2018 Retirees n=1,040



### In Depth

Retirees who are very confident they will have enough money for retirement are more likely than those less confident to say they try to increase their asset level.

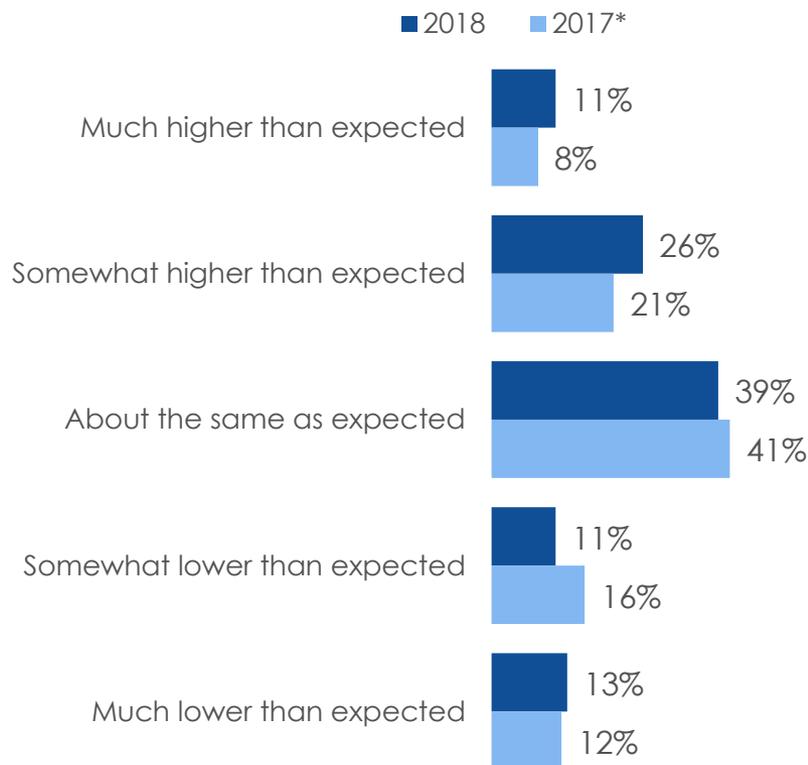
Those who claimed (or plan to claim) Social Security at age 66 or older are more likely than their counterparts to say they aim to increase their level of assets.

# Figure 10

Despite higher expenses, 3 in 4 retirees say the current value of their assets is about the same or higher than they expected.

Compared with what you expected when you first retired, would you say the current value of your assets is...?

2018 Retirees n=1,040



### In Depth

Retirees who have a retirement savings plan and those who waited (or plan to wait) to claim Social Security until at least age 70 are more likely to say their current asset values are higher than they expected.

Retired men are more likely than retired women to say the current value of their assets is higher than what they expected when they first retired (42% vs. 33%).

\*2017 asked: Compared with what you expected when you first retired, would you say your current account balances are...?

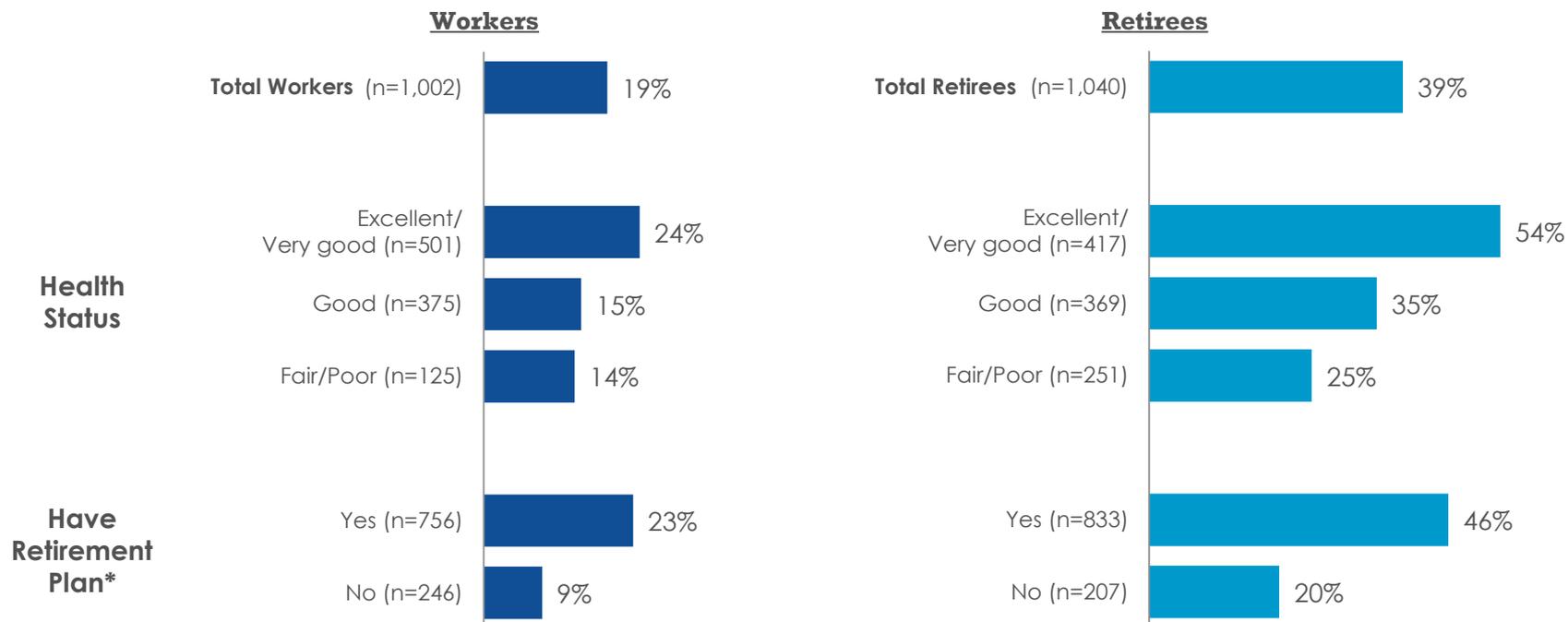
# Figure 11

Just 1 in 5 workers and 4 in 10 retirees say they have calculated how much money they will need to cover health expenses in retirement.

To prepare for retirement have/did you (or your spouse) calculate(d) how much money you (and your spouse) would likely need to cover health expenses in retirement?

2018 Workers n=1,002, Retirees n=1,040

Percent Yes



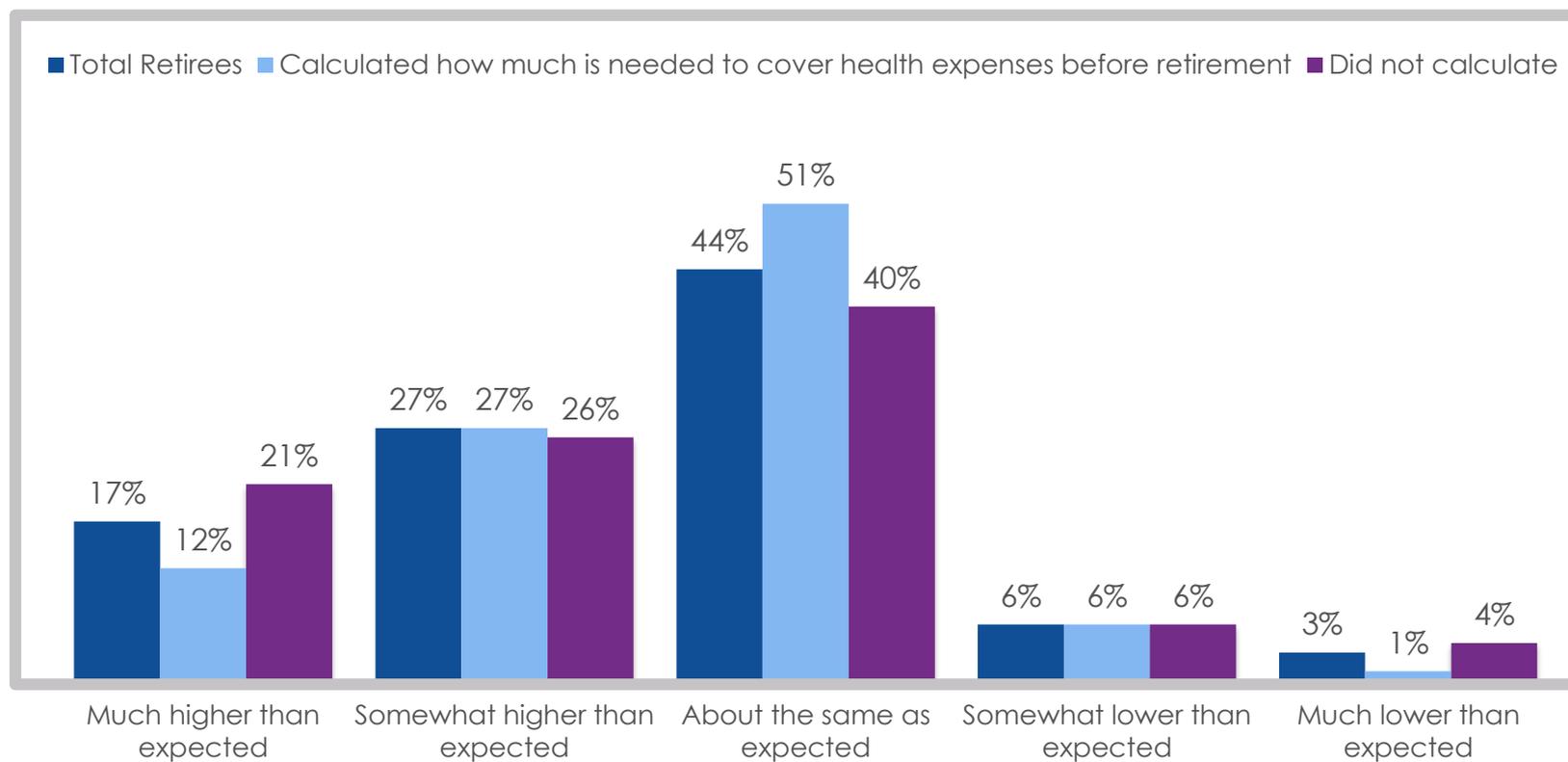
Workers ages 55 or older are more likely to have calculated how much they would need to cover health expenses (28% vs. 17% of younger workers).

\*Have Retirement Plan defined as respondent or spouse having at least one of the following: IRA, DC plan, or DB plan

## Figure 12

Retirees who calculated how much they would need for health care are more likely to say health expenses in retirement have been as expected.

**Health Care Expenses in Retirement by Planning for Health Care**  
2018 Retirees n=1,040



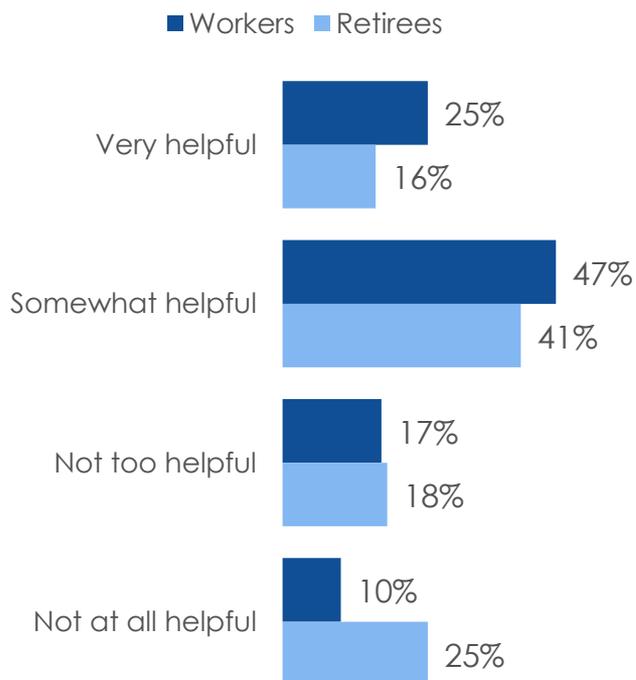
## Figure 13

More than 7 in 10 workers say it would be helpful if their workplace offered education on planning for health care expenses in retirement.

How helpful, if at all, do you think the following workplace educational or financial well-being programs would be in helping you better prepare or save for retirement?

Workers employed full- or part-time n=763, Retirees employed full- or part-time n=64

### Planning for Health Care Expenses in Retirement



### In Depth

Among workers employed full- or part-time, women (76% vs. 68% of men), those who have saved for retirement (74% vs. 64% who have not) and those who have any type of a retirement savings plan (75% vs. 58%) are more likely to say planning for health care expenses in retirement would be helpful if their workplace offered it.

## Figure 14

Just 36% of workers say Social Security will be a *major source* of income, while 2 in 3 retirees say it is a *major source* of their income in retirement.

To what extent (do you expect/is) each of the following (to be) a source of income in retirement?  
Workers who plan to retire or have retired n=904, Retirees n=1,040



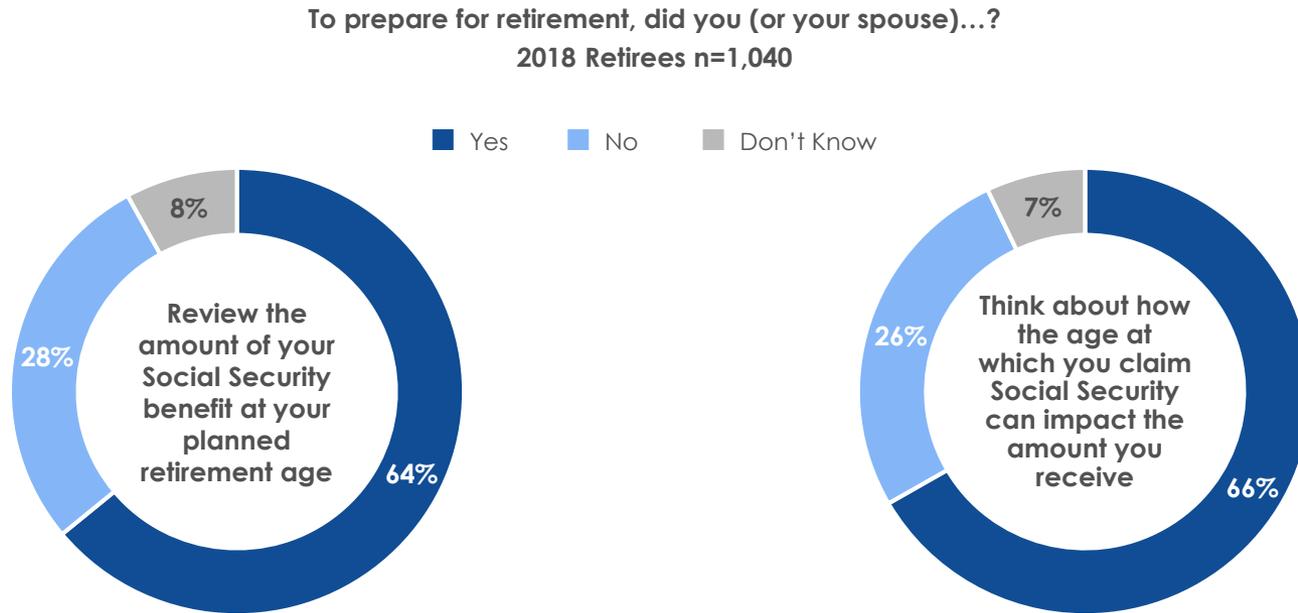
### In Depth

Older workers and retirees are more likely to say Social Security will be or is a source of income in retirement (93% of workers ages 45 or older vs. 80% younger; 95% of retirees ages 70 or older vs. 87% younger).

Those with lower incomes are more likely to expect Social Security to be a *major source* of income (45% of workers with less than \$75k vs. 27% with \$75k or more; 79% of retirees with less than \$75k vs. 49% with \$75k or more).

## Figure 15

2 in 3 retirees say they thought about how the age at which they claim Social Security can impact their benefit amount.



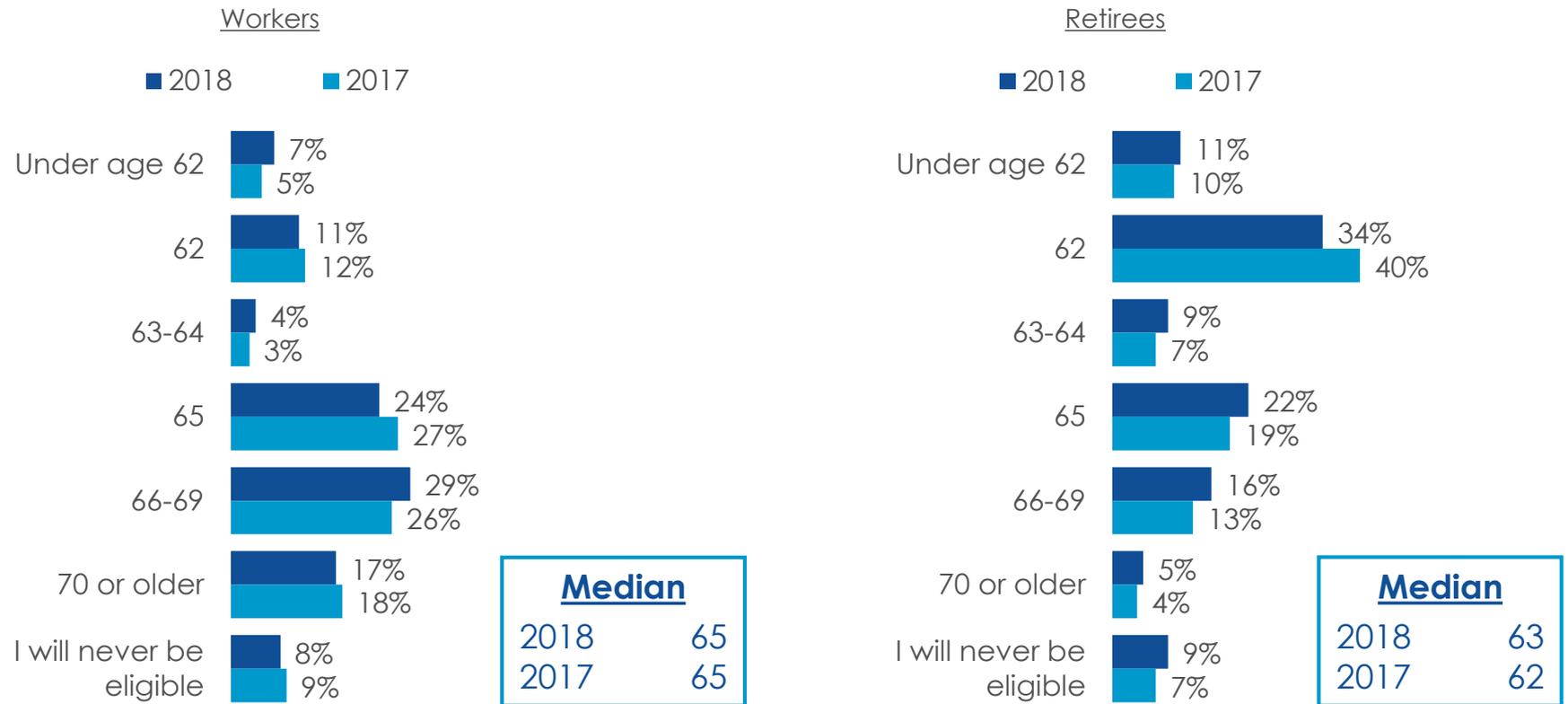
### In Depth

Retirees who consider debt to be a major problem are more likely than their counterparts to say they did *not* review their Social Security benefit amount at their retirement age or think about impacts that the age they claim can have on the benefit amount.

# Figure 16

Retirees' median claiming age for Social Security is age 63, while workers expect to claim at age 65.

At what age (will you or did you) begin to take Social Security retirement benefits?  
2018 Workers n=508, Retirees n=932

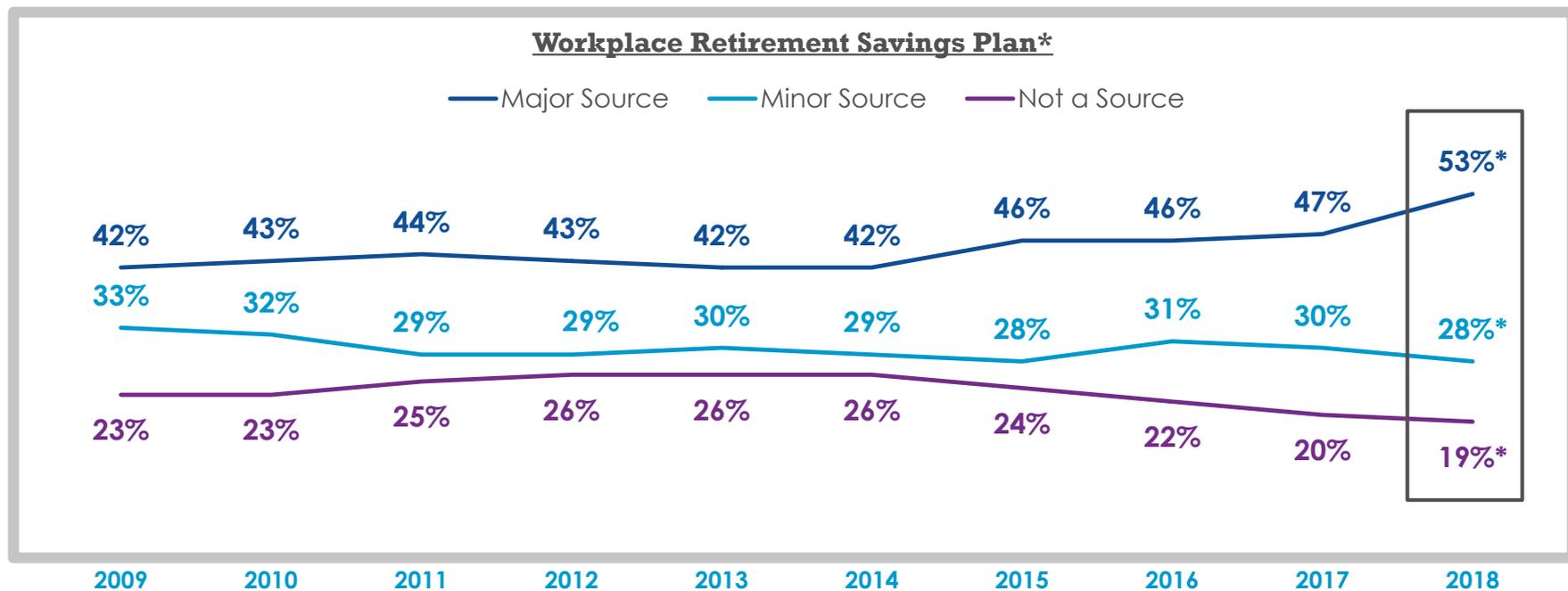


Figures and n-sizes presented exclude those who answered "Don't know" or refused to answer

# Figure 17

8 in 10 workers expect their workplace retirement savings plan to be a source of retirement income, including half who say it will be a *major source*.

To what extent do you expect each of the following to be a source of income in retirement?  
2018 Workers planning to retire n=904



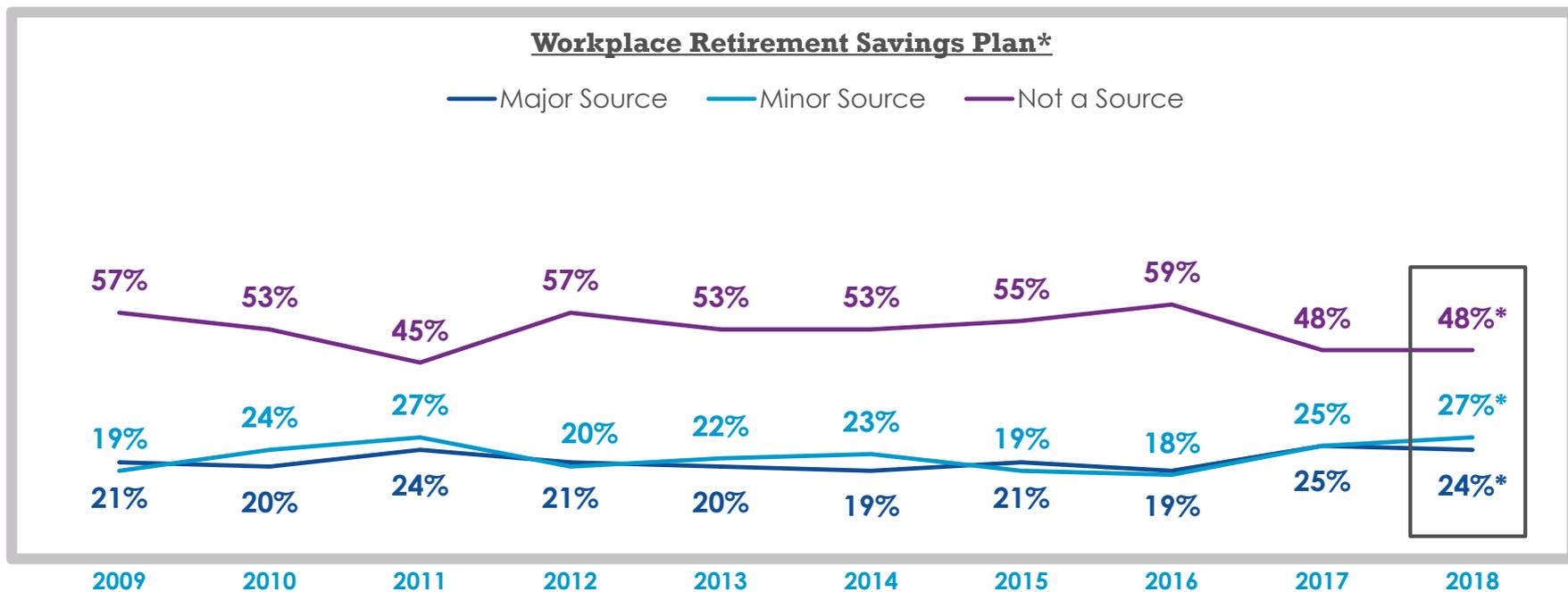
Workers who expect to claim Social Security at age 66 or older are more likely to expect a workplace retirement savings plan to be a source of income (93% vs. 80% who plan to claim younger).

\*Previously asked "Employer-sponsored Retirement Savings Plan"

# Figure 18

Only about half of retirees say a workplace retirement savings plan has been a source of income in retirement.

To what extent is each of the following a source of income in retirement?  
2018 Retirees n=1,040



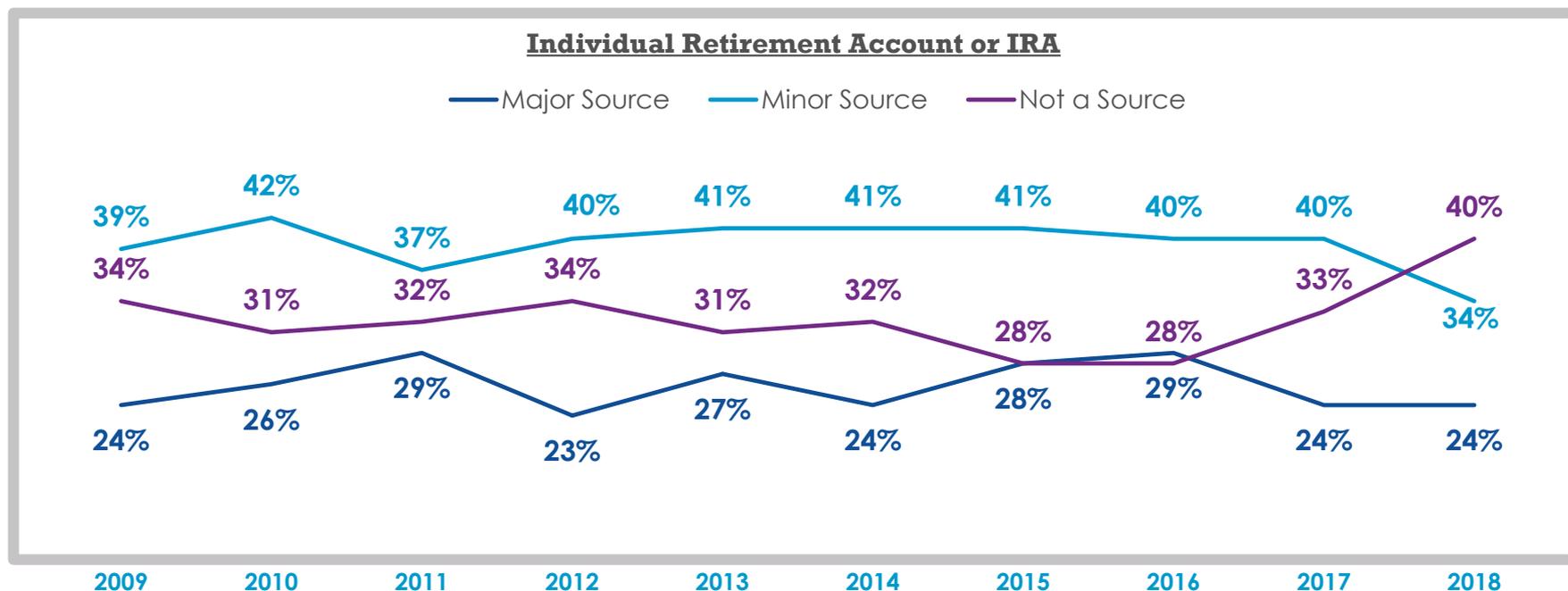
Retirees who are zero to five years into retirement are more likely than retirees on average to say a workplace retirement savings plan is a source of income (60%).

\*Previously asked "Employer-sponsored Retirement Savings Plan"

# Figure 19

Down significantly from last year, just under 6 in 10 workers expect their income in retirement to come from an IRA.

To what extent do you expect each of the following to be a source of income in retirement?  
2018 Workers planning to retire n=904



Workers with an advisor (83%) and those who expect to claim Social Security at age 70 or older (82%) are more likely than workers on average to expect an IRA to be a source of income in retirement.

## Figure 20

More than 4 in 10 retirees with a DC plan rolled at least some of that money into an IRA. In total, 7 in 10 took at least some of their money out of the plan.

Did you do any of the following with the money you had in your workplace retirement savings plan? Please select all that apply.

Retirees who had DC plan at time of retirement n=659



### In Depth

Retirees who claimed or plan to claim Social Security at age 70 or older are more likely than average retirees to have rolled money from their workplace retirement savings plan into an IRA (68%).

# Figure 21

1 in 3 retirees moved money out of their plan because a financial professional advised them to do so.

Why did you move the money out of your workplace retirement savings plan? Please select all that apply.

Retirees who put plan money into another investment n=454



## In Depth

Retired men are more likely to say they moved their money because the investment options were better (43% vs. 30% of women) or that they did not like leaving money in an old employer's plan (29% vs. 20%). Retired women are more likely to say they were forced to liquidate the retirement plan after they left their job (21% vs. 13% of men).

Retirees with an advisor are more likely to have moved money out of their workplace retirement savings plan due to better investment options in the new account (46% vs. 27% without an advisor), they received professional advice to do so (52% vs. 16%) or because they did not like leaving money in an old employer's plan (30% vs. 19%).

## Figure 22

3 in 10 workers “don’t know” what they will do with the money in their DC plan at retirement. 1 in 4 plan to leave assets in the plan and 2 in 10 will purchase guaranteed income, far more so than retirees.

Which of the following are you most likely to do with the money in your retirement savings plan when you retire? Please select all that apply.

Workers participating in retirement savings plan n=502, Retirees who had DC plan at time of retirement n=659



### In Depth

Workers with an advisor are more likely than those without one to say they will roll the money from their retirement savings plan into an IRA (41% vs. 27%).

Those who expect to claim Social Security before age 65 are more likely than those who plan to wait until they are at least 70 to say they will purchase a product that guarantees monthly income for life (32% vs. 10%).

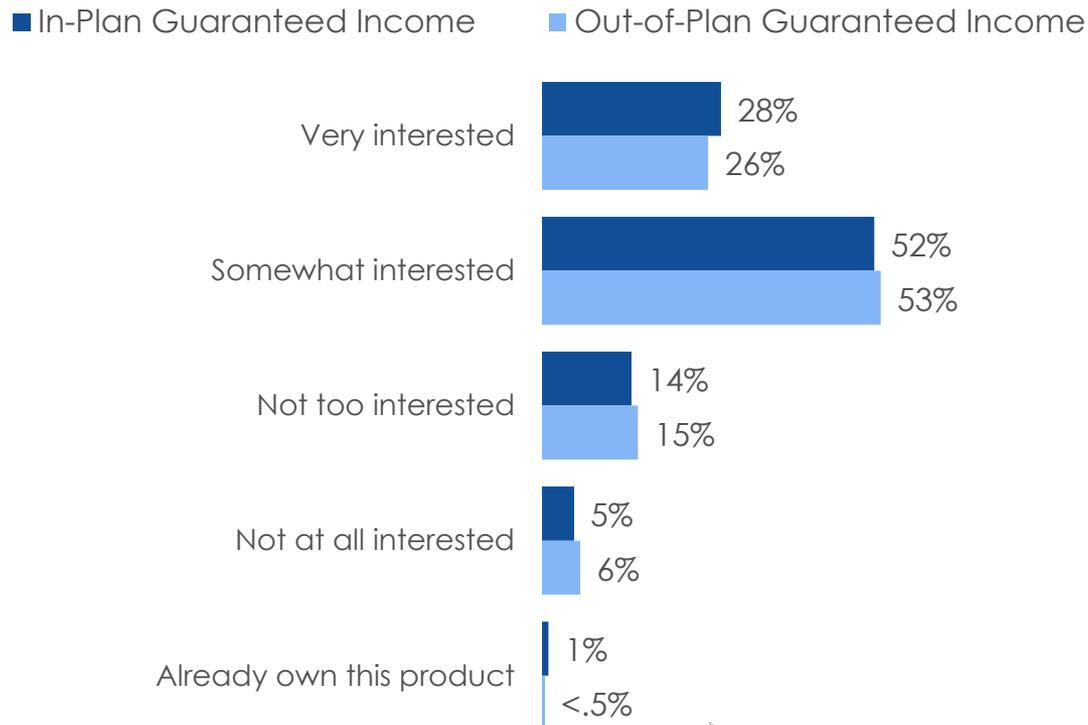
Those at least six years away from retirement are also more likely to say they will purchase a product that guarantees income for life (24% vs. 9% within 5 years of retiring).

## Figure 23

4 in 5 workers express interest in guaranteed lifetime income, regardless of whether the product is an in-plan investment option or a separate product purchased at the time of retirement.

How interested would you be in putting some or all of your workplace retirement plan savings into an investment option within your plan today that would guarantee you monthly income for life when you retire? / When you retire, how interested would you be in rolling some or all of your workplace retirement plan savings out of the plan and into a financial product that would guarantee you monthly income for life?

Workers participating in DC plan n=502

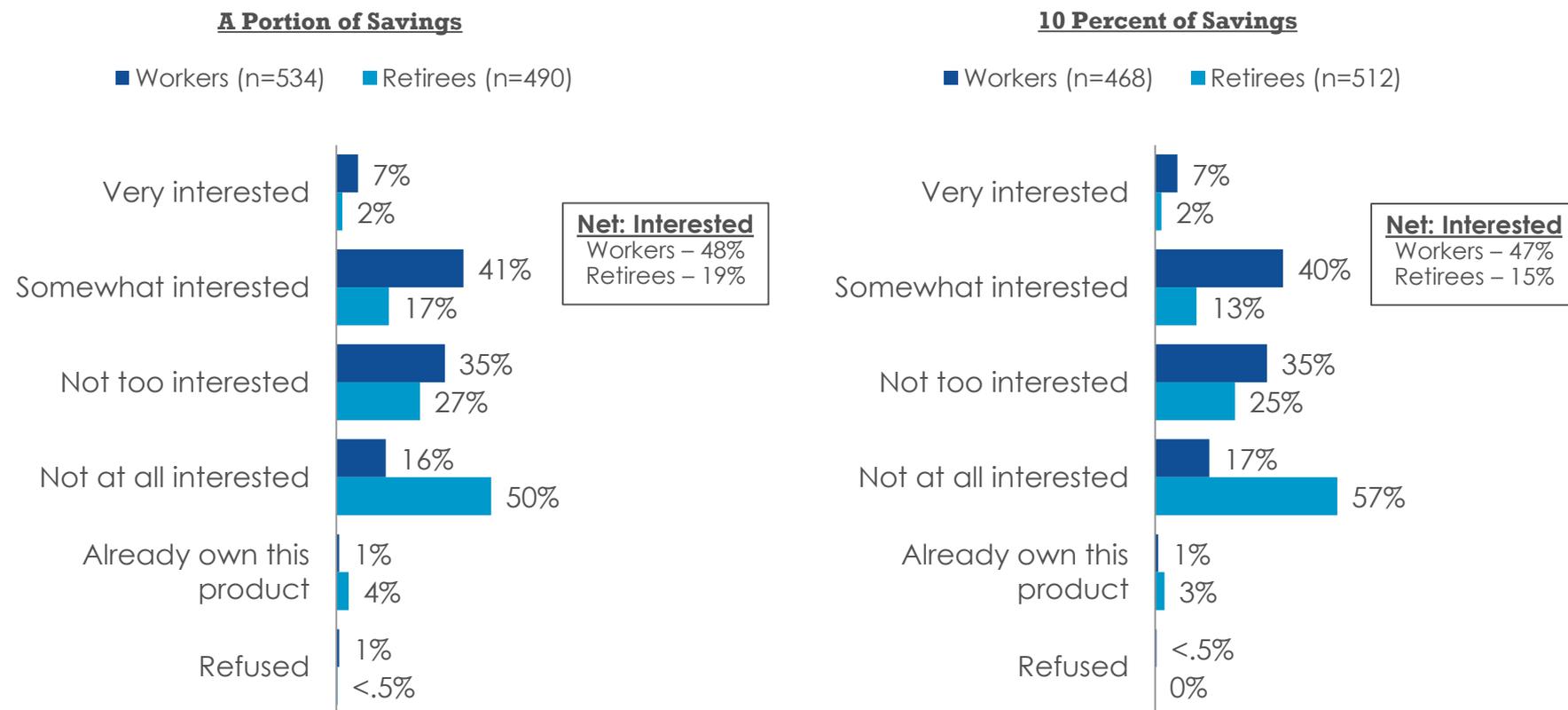


# Figure 24

Workers also express interest in longevity insurance. Nearly half of workers are at least somewhat interested.

(When you retire,) How interested do you think you will be (are you) in purchasing an insurance product with (a portion/10%) of your savings that begins providing guaranteed monthly income at some point in the future, such as age 80 or 85?

Split Sample, Ages 84 or younger



# About Us



## About EBRI

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