

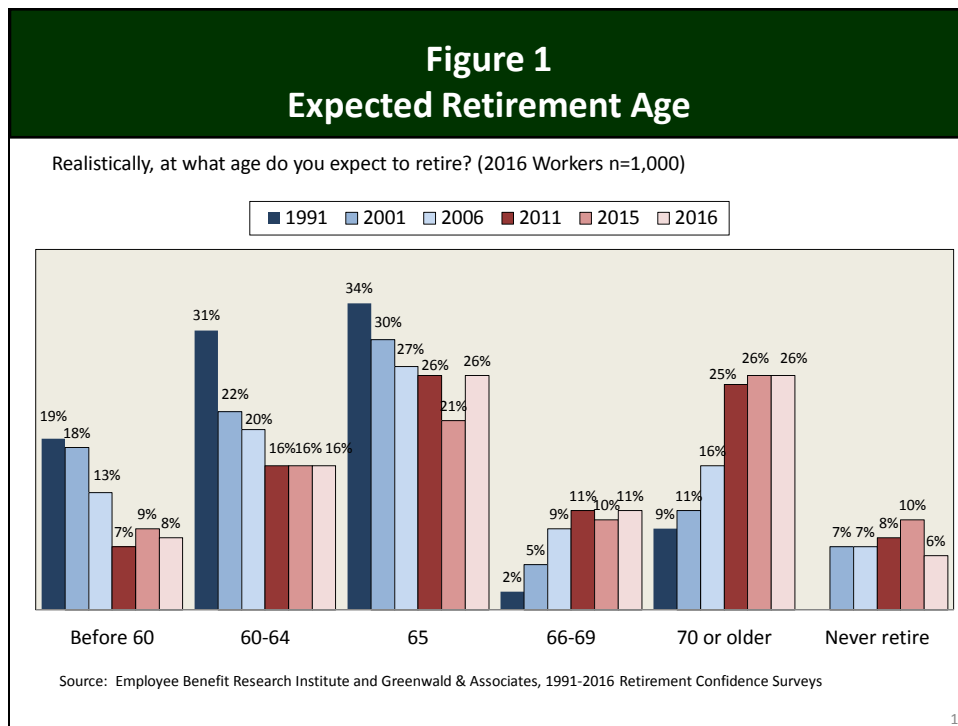
2016 RCS FACT SHEET #2

EXPECTATIONS ABOUT RETIREMENT

Despite gradual increases in retirement confidence, preparation levels for retirement have not changed. How, if at all, do workers expect to compensate for insufficient retirement savings? How do workers' expectations align with retirees' experiences?

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-five years later, in 2016, 37 percent of workers report that they expect to retire after age 65, and 6 percent say they don't plan to retire at all. At the same time, the percentage of workers who say they expect to retire before age 65 has decreased, from 50 percent in 1991 to 24 percent in 2016 (Figure 1).



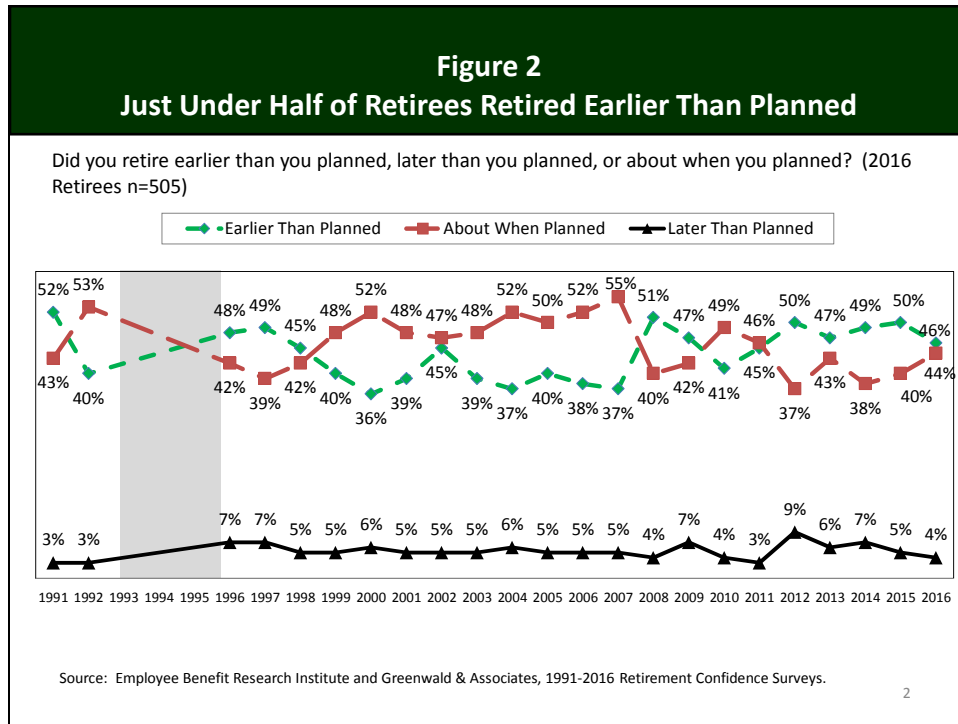
When asked whether the age at which they expect to retire has changed in the past year, nearly 1 in 5 workers said “yes” (17 percent). Of those workers, 77 percent said they expect to retire at a later age than they had planned just a year before.

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 (46 percent in 2016) (Figure 2). Many who retired earlier than planned say they did so because of a hardship, such as a health problem or disability (55 percent). A third state that they retired early because they could afford to do so (33 percent). A quarter say they wanted to do something else (25 percent).^a



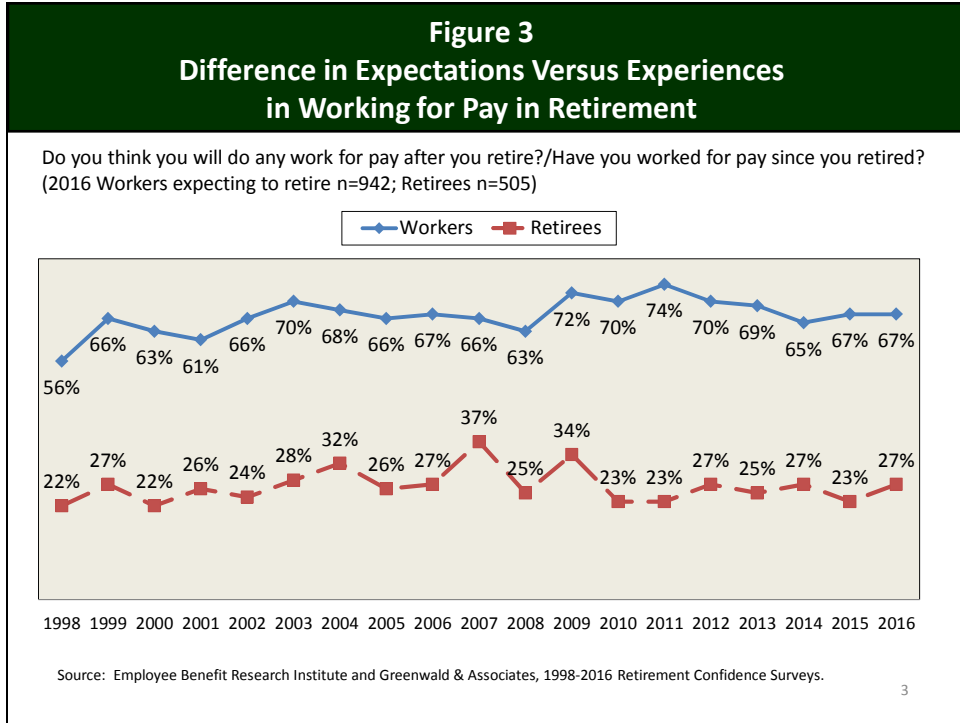
This tendency to retire earlier than planned may explain the considerable gap that exists between workers’ expectations and retirees’ experience. Just 8 percent of workers say they plan to retire before age 60, compared with 35 percent of retirees who report they retired that early. On the other hand, 26 percent of workers plan to wait at least until age 70 to retire, compared with 8 percent of retirees who say they have actually done 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.

Working for Pay in Retirement

Two-thirds (67 percent) of workers plan to work for pay in retirement, compared with just 27 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 3).

^a Retirees could have retired for more than one reason.



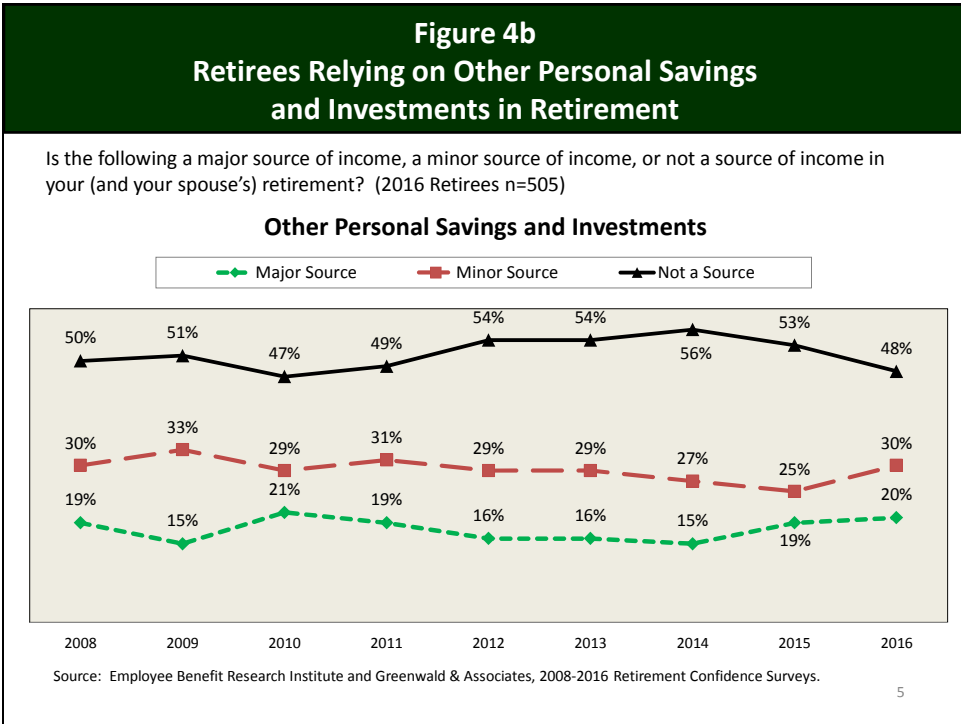
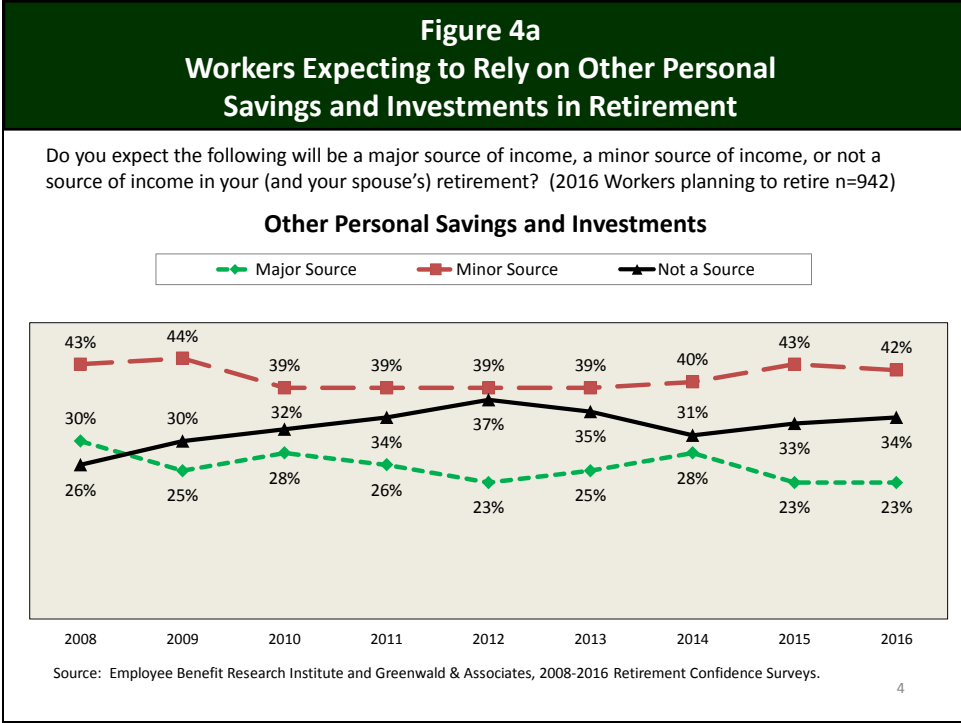
Almost all retirees who worked for pay in retirement give a positive reason for doing so, saying they did so because they want to stay active and involved (82 percent), they enjoy working (80 percent), or a job opportunity came along (49 percent). However, they report that financial reasons also played a role in that decision, such as wanting money to buy extras (57 percent), needing money to make ends meet (51 percent), a decrease in the value of their savings or investments (43 percent), or keeping health insurance or other benefits (32 percent).^b

Sources of Retirement Income

While almost all retirees (91 percent) report that Social Security provides a source of retirement income for them and their spouse's retirement (62 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.

Eighty-four 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 (77 percent), an individual retirement account or IRA (70 percent), and other personal savings and investments (65 percent). Seventy-five percent expect employment to provide them with a source of income in retirement and 56 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 (Figures 4a and 4b).

^b Retirees could have worked for pay in retirement for more than one reason.



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