

# Pensions & Retirement Security: A Roadmap for Policy Makers

A Report on the American Public's Views on Pensions and Retirement Security

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Mathew Greenwald & Associates, Inc.



NATIONAL INSTITUTE ON  
**Retirement Security**

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# Overview

- Opinion research commissioned to assess Americans' views on retirement security, gauge views on steps that the new Congress/President can take.
- Findings indicate high level of American retirement insecurity: **83%** concerned about ability to retire in current economic environment.
- Americans believe pensions can help: nearly **9 in 10** believe all workers should have a pension plan, **55%** say a pension would ease their anxiety.
- Americans believe retirement is a shared responsibility between individual, government, employer.
- Support for government actions: strengthening Social Security, making it easier for employers to offer pensions, offering tax incentives to save.

# Key Findings – Widespread Retirement Insecurity

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- Current economic conditions have **83%** of Americans concerned about their ability to achieve a secure retirement.
- **71%** of Americans believe that, compared to previous generations, it is now harder to prepare for retirement.
- **51%** of Americans indicate that today's retirement system is worse than the system available to earlier generations. In the past, workers were more likely to have group pensions rather than individual accounts.
- Having **enough money to pay the bills and fulfill basic needs** is the most common definition of a secure retirement.

# Key Findings – Pensions Can Reduce Insecurity

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- Among Americans with pensions, **65%** are confident that their pension will be there when they retire.
- Only about **half** of Americans with 401(k)-type accounts believe they will have enough money to retire.
- Among those without a pension, **55%** say having a pension would ease their anxiety.
- **87%** believe all workers should have a pension so they can be self-reliant in retirement.

# Key Findings – Support for a Government Role

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- Americans view providing retirement security as a **shared responsibility** between individuals, employers, and government – **85%** agree, with 61% strongly agreeing.
- **Strengthening Social Security** is the most important step Congress and the new Administration can take to improve retirement security, according to respondents.
- Americans also favor tax incentives to help individuals save for retirement, and to help employers offer retirement plans.

# Key Findings – Policies to Promote Pensions

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- **84%** of Americans agree that government should make it easier for employers to offer traditional pensions.
- **79%** of Americans think it is a good idea for government to sponsor pension plans that small employers or individuals can join.
- **87%** of Americans think it is a good idea to provide tax incentives or other steps to encourage small employers to band together to offer pensions.

# Key Findings – What Americans Want in a Plan

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- Most desired **features** of retirement plans are portability, followed by employer contribution, continuation for a spouse after death, regular check that cannot be outlived.
- Respondents least interested in managing investments, having employer foot the entire bill.
- Americans want to take **individual responsibility/control and trust themselves most**, but say 401(k) savings may be a “gamble.”
- Americans are **divided** as to whether retirement plans should allow loans against retirement savings.

# Methodology

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- Nationwide telephone interview survey of 801 Americans age 25 or older developed by Mathew Greenwald Associates, Inc. on behalf of the National Institute on Retirement Security.
- Purpose was to obtain a benchmark of the American public's views regarding retirement, their retirement prospects, and steps policy makers could take to address retirement issues.
- Interviews were approximately 20 minutes in length and conducted between November 12 - 23, 2008 by trained, professional interviewers of National Research, LLC, a subsidiary of Greenwald & Associates.



# Methodology

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- Quantitative data from the survey was balanced to reflect the demographics of the United States in terms of age (among those 25+), income, and gender.
- The margin of error is plus or minus 3.5 percentage points.
- The primary data presented is quantitative. Participants' responses to an open-ended question are included to add additional insight into their quantitative answers.



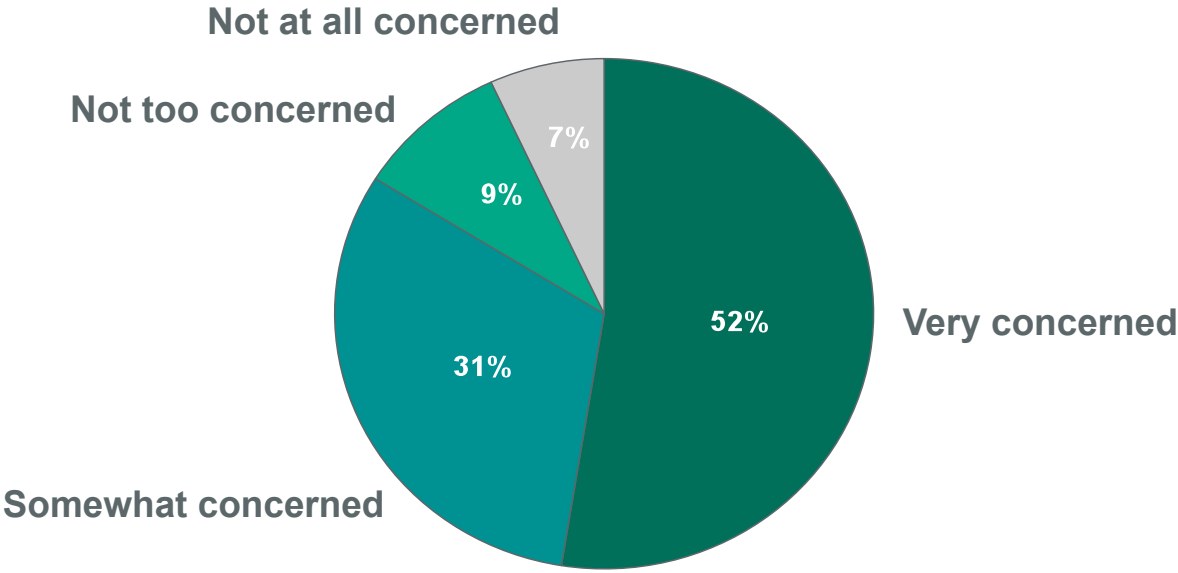
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# *How Do Americans Feel About Their Retirement Prospects?*



# More than eight out of ten Americans are concerned that current economic conditions will affect their ability to retire.

*How concerned are you about current economic conditions affecting your ability to achieve a secure retirement?*



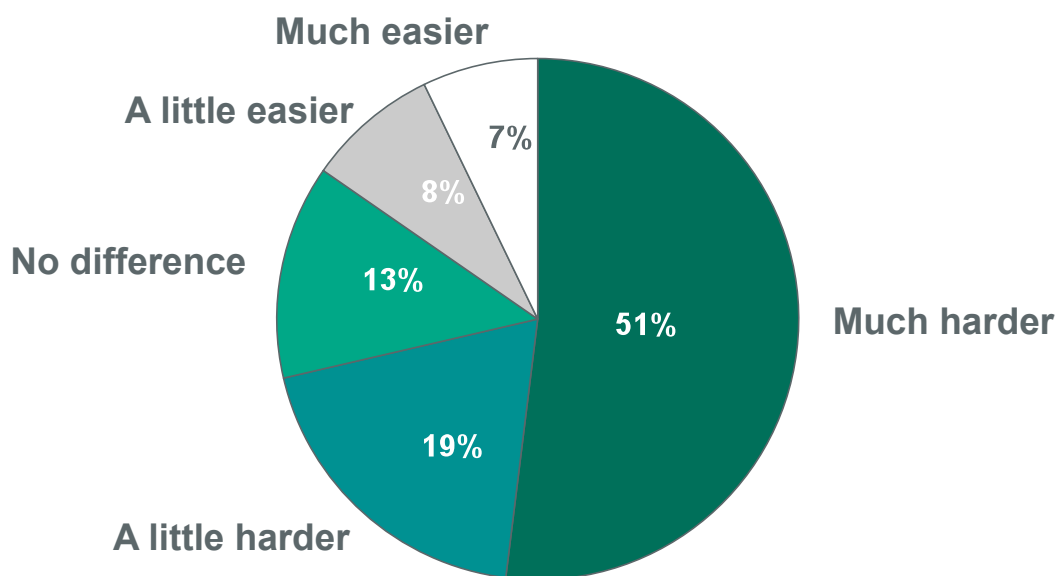
“If I had not lost a lot of money the last few weeks, I would have had a secure retirement. I just hope that it comes back.”

“A financially-secure retirement would mean that the money that I put away will actually be there for me when I do retire. The way the stock market is going, it's not there now.”

“The market returning to over 10,000 would make my retirement much more secure.”

# 71% of Americans believe it is harder today to prepare for retirement than it was for previous generations – only 15% believe it is easier.

*Do you feel that – compared to previous generations – it is easier or harder for people to prepare for retirement today, or is there no difference?*



"It's kind of hard [to prepare for retirement] right now and I really don't want to think about it."

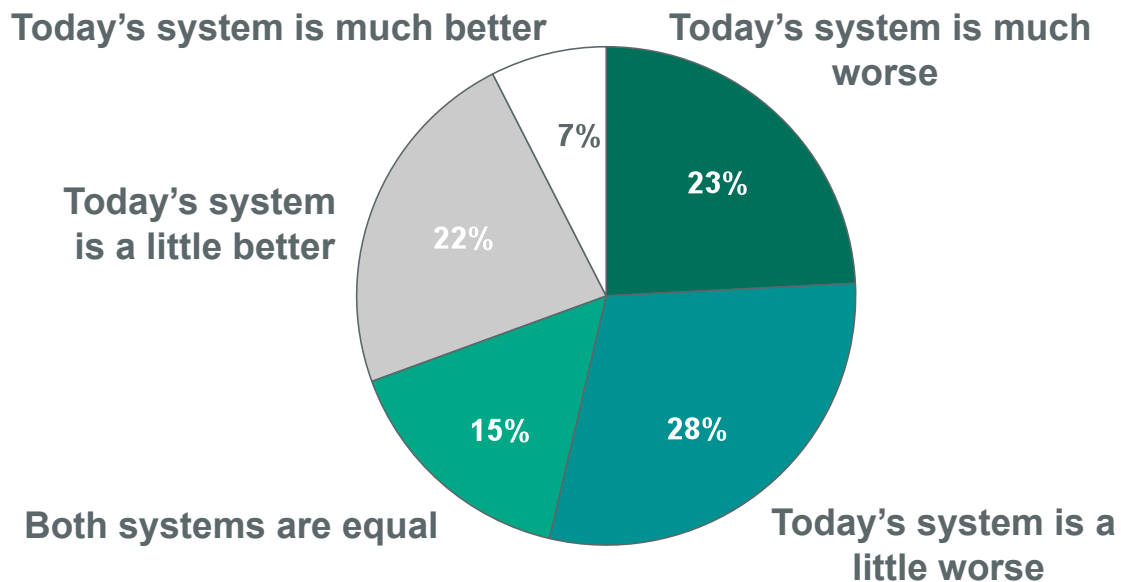
"If I weren't retired I would be very concerned about it. It would be hard to pay bills."

"I do not have a secure [retirement] plan or any idea how I'd get one."

"I don't believe there is such a thing [as a secure retirement]."

# Half of Americans believe the current retirement system is worse than the system of earlier generations with pensions.

*Which of the following statements do you think is most true regarding today's retirement system using 401(k) accounts versus the system of earlier generations, which used more employer-provided pensions?*



"A secure retirement would mean having a pension."

"A secure retirement certainly would mean having an adequate pension to carry me through."

"It is the mental stability and freedom from stress – knowing exactly what you're going to get each month so you can budget accordingly."

# The most common definition of a secure retirement is having enough money to pay for basic needs & bills.

*How would you define what a financially-secure retirement means to you?*

Being able to afford basic needs/Pay bills	34%
Living comfortably/Not having to worry about finances/Stress-free	16%
Being able to afford medical bills, health insurance, medicine	13%
Maintaining the lifestyle I had before retirement	12%
Being able to afford some extras (e.g., travel, entertainment, extras for children)	11%
Security/Stability/Guaranteed money/Financially sound/Protection against market fluctuations	7%
Being able to retire or stop working/Not working into old age	7%
Having personal savings/investments (general)	6%
Having “enough” money (where amount and purpose are not specified)	5%
Ability to do everything I want, when I want	4%

# The most common definition of a secure retirement is having enough money to pay for basic needs & bills.

*(cont'd)*

*How would you define what a financially-secure retirement means to you?*

Little to no debt	4%
Not being dependent on others (including gov't)/Being financially independent and self-sufficient	4%
Relying on Social Security/Living off of Social Security	4%
Having money in my 401(k)/IRA	3%
Enjoying life/Living happily/Having fun	3%
Having a pension	2%
Not outliving my money	2%
General concerns about economy/Social Security/Government role	2%
Other	13%
Don't know	6%
Refused	<0.5%



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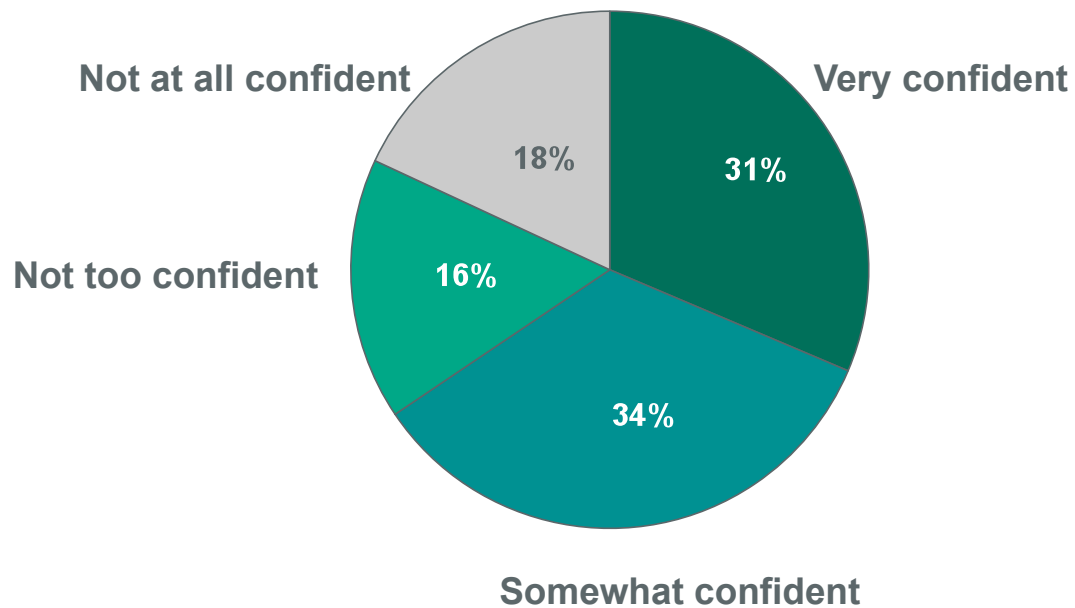
# *Does Having a Pension Reduce Retirement Insecurity?*





# 65% of Americans with a pension are confident that it will be there at retirement.

*How confident are you that your pension will be there when it is time to retire?  
(Among non-retirees who have participated in a traditional pension plan)*



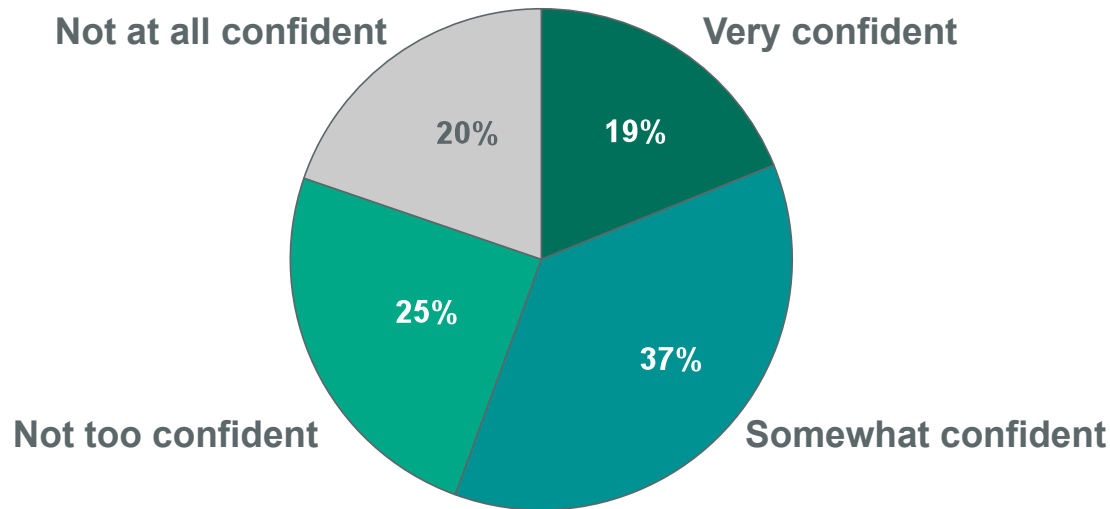
**“My pension funds ensure a secure future for me.”**

**“We [have a secure retirement because we] own our own house and get a very good pension.”**

**“My retirement is locked in a safe box and will never change until I die.”**

**44% of 401(k)-type plan participants are not confident they will have enough to retire. Only 19% are very confident, in contrast to 31% of pension plan participants.**

*How confident are you that you'll have enough money in your defined contribution account to retire when you want?  
(Among non-retirees who have participated in a 401(k), 403(b) or 457 retirement savings plan)*



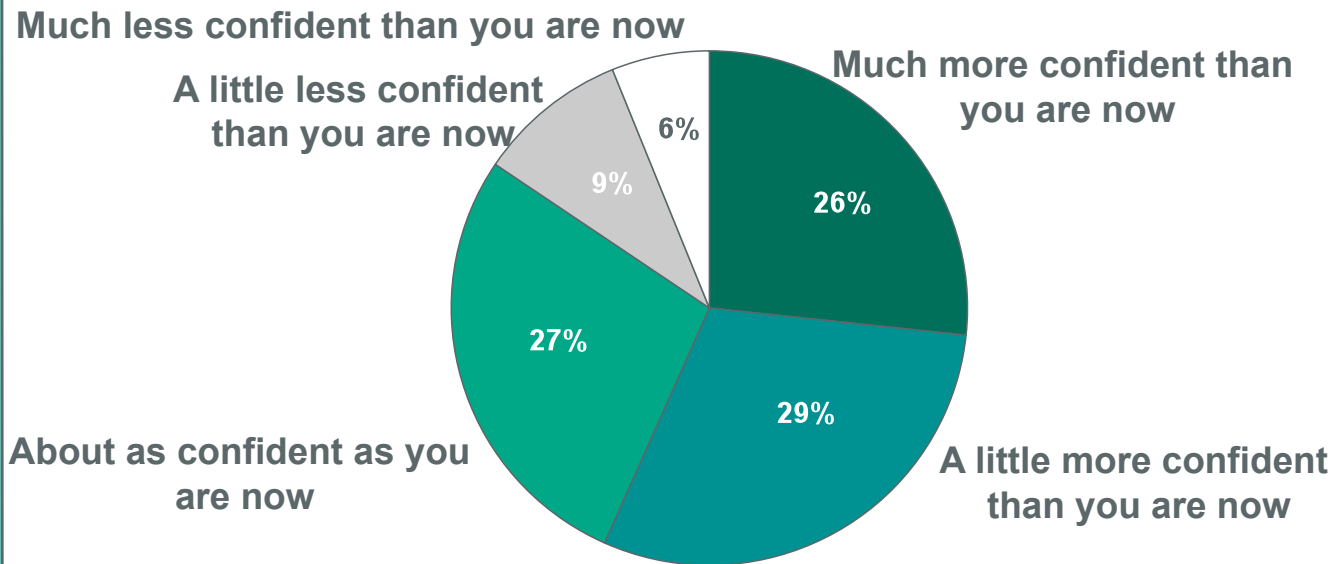
“A secure retirement to me would include a 401(k) balance that keeps going up instead of down.”

“Well, I wouldn’t consider any 401(k) plans secure.”

“A secure retirement is having my 401(k) money put away. Unfortunately... the way the economy is going now, I don’t feel that the money will be there when we retire.”

# 55% of Americans without a pension would be more optimistic about their retirement prospects if they had a pension.

*Would having a traditional pension plan at work make you feel any more or less confident about your chances of having a comfortable retirement?  
(Among those who have not participated in a pension plan)*



“A secure retirement for me would include benefits that are not affected by the stock market.”

“[A secure retirement would include] a pension, which allows you to live life as best as possible.”

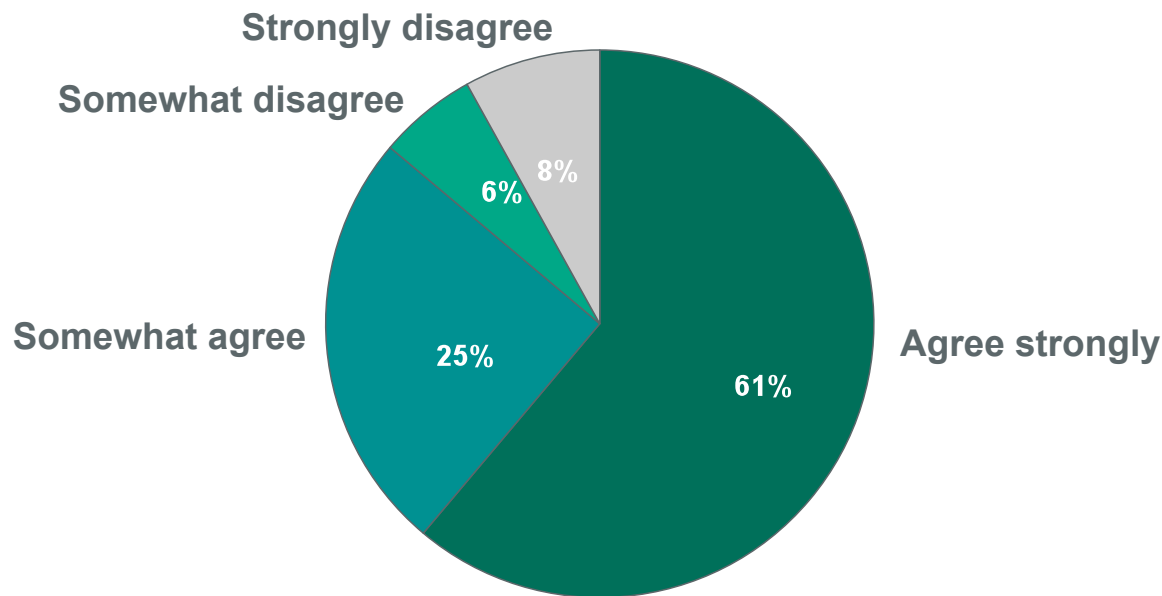


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***What Do Americans Believe Policy  
Makers Can Do To Address  
Retirement Insecurity?***

# More than four out of five Americans agree that individuals, employers and the government share the responsibility for funding retirement.

*To what extent do you agree or disagree that, ideally, retirement should be funded by individuals, employers, and the government?*



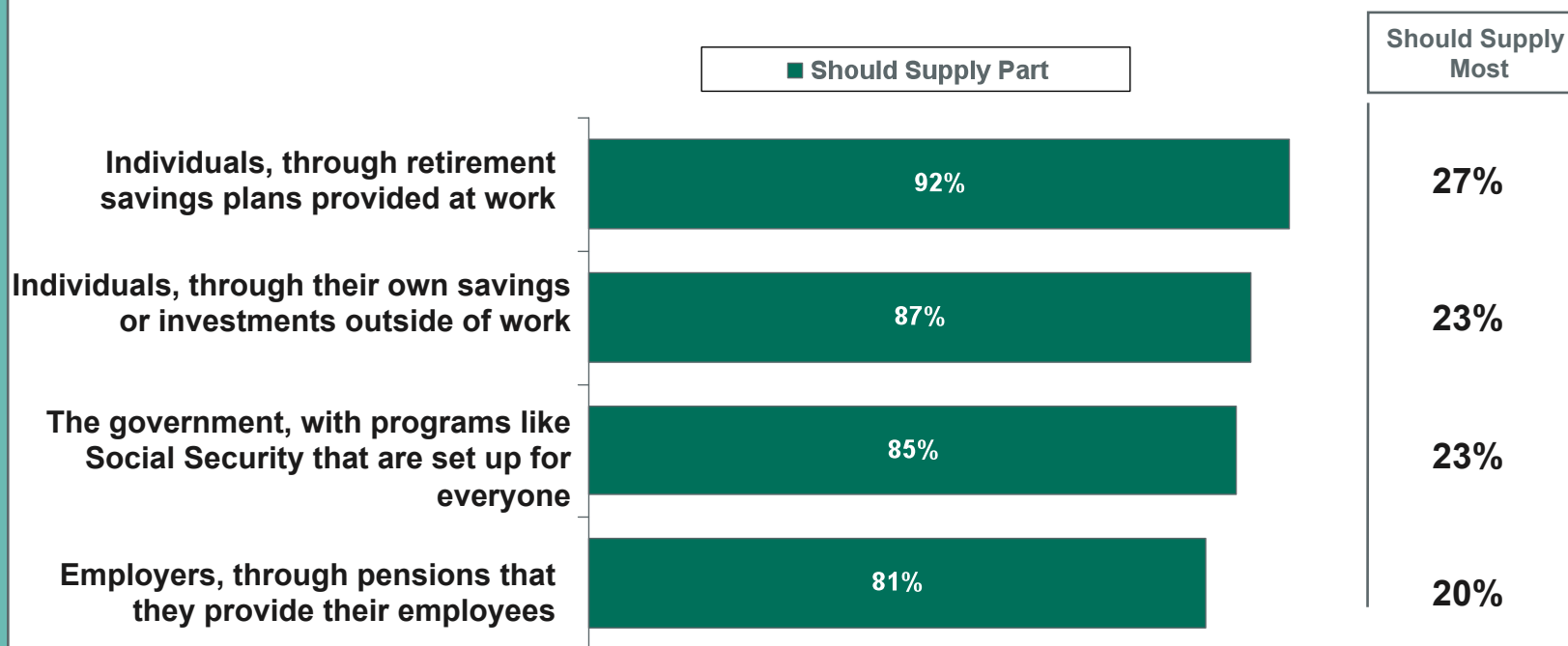
"A secure retirement would include some supplement from the government, but also my own retirement savings as well."

"A secure retirement would include a fixed income for the rest of our life, Social Security, and our 401(k), which is gone."

# Although they believe government and employers have a role to play, Americans feel that individuals bear the largest responsibility for funding their retirement.

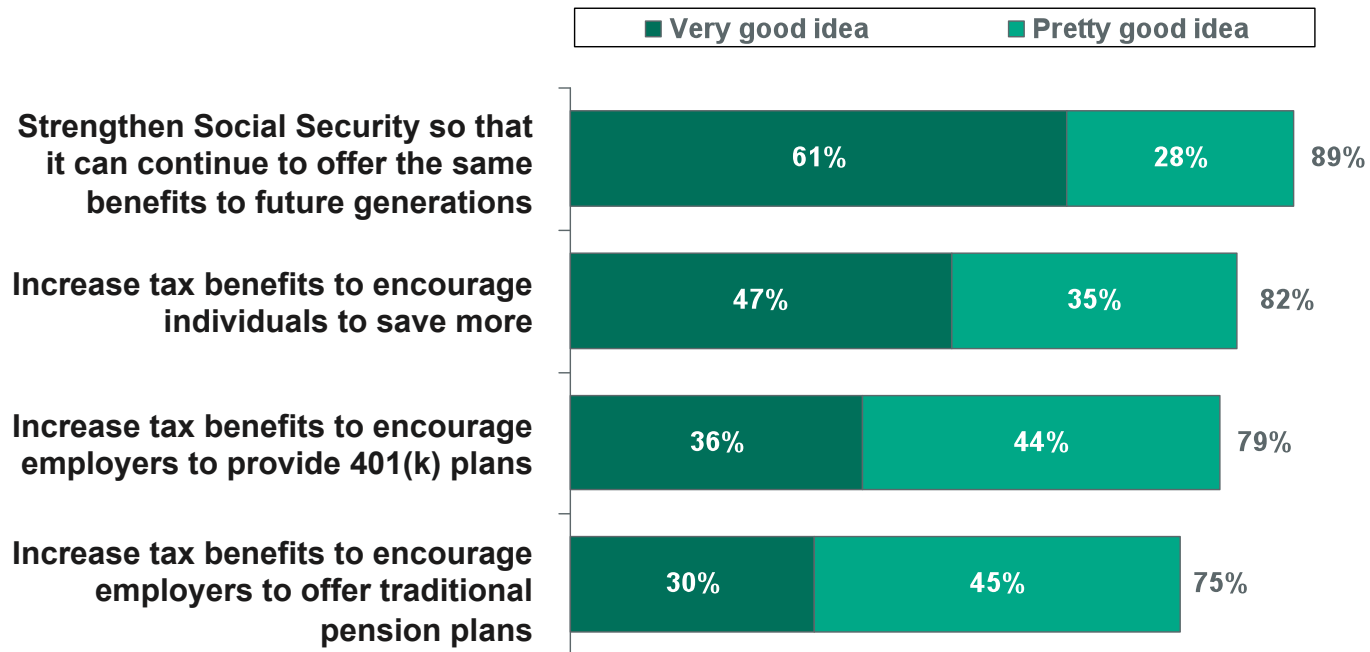
*Who should be responsible for supplying at least part of the average American's retirement income?*

*Who should be responsible for supplying MOST of the average American's retirement income?*



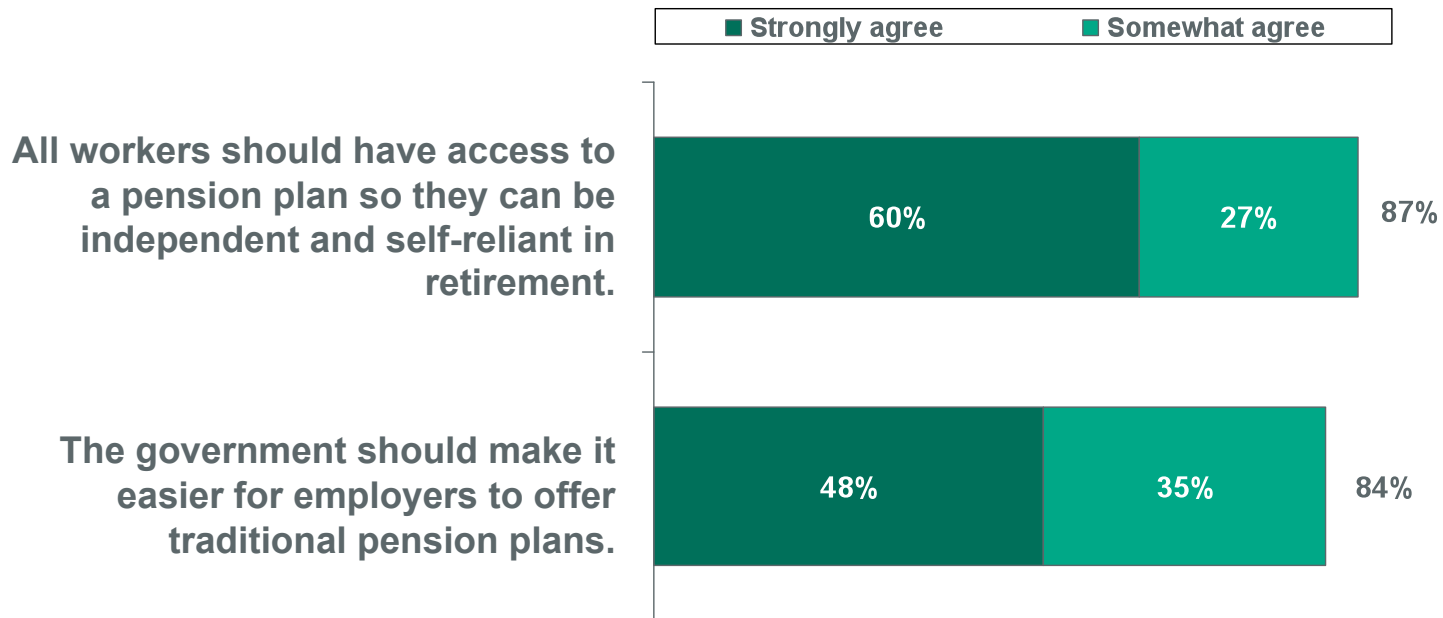
# Strengthening Social Security is the most important action the new President and Congress can take to restore retirement security. Americans also favor tax incentives to foster retirement security.

*How would you rate the following ideas that the new President and Congress might take to improve retirement security?*



**Nearly nine out of ten Americans believe that all workers should have access to a pension plan, and nearly as many feel the government should make it easier for employers to offer pensions.**

*To what extent do you agree or disagree with the following statements?*

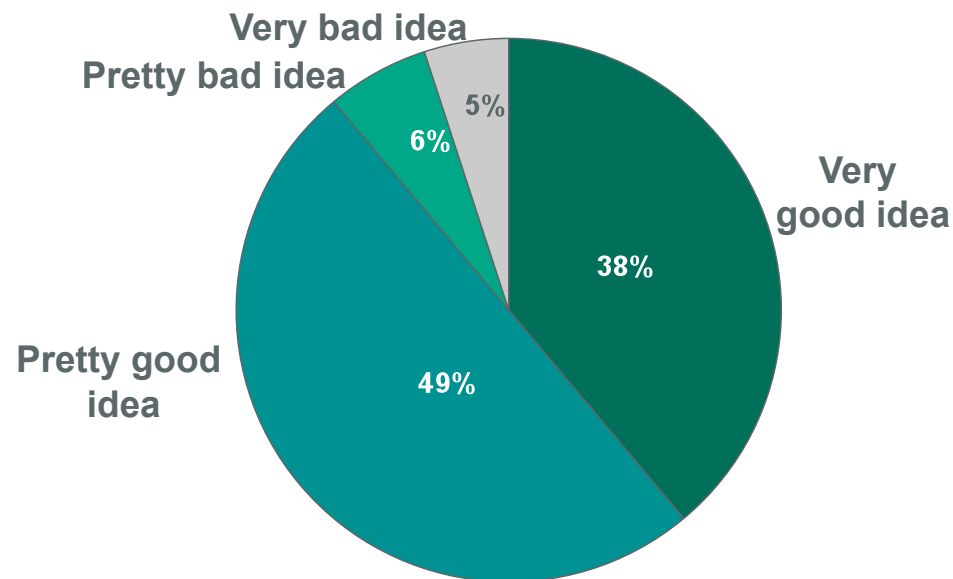




# Nearly nine out of ten Americans favor government incentives that would encourage small employers to band together to offer traditional pension plans.

*Some believe that the government should provide tax incentives or take other steps to encourage small employers to band together to offer a traditional pension program that small employers or individuals can join and invest in.*

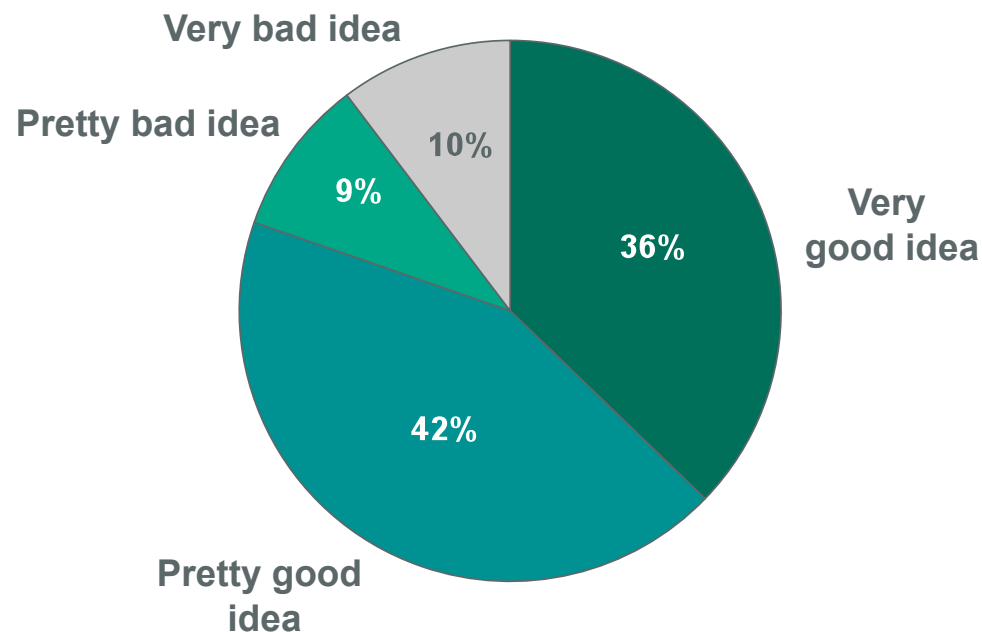
*Do you think that this is a...?*



## Further, eight out of ten Americans support government sponsorship of traditional pension plans for small employers & individuals.

*Some believe that government should sponsor a traditional pension program that small employers or individuals can join and invest in.*

*Do you think that this is a...?*



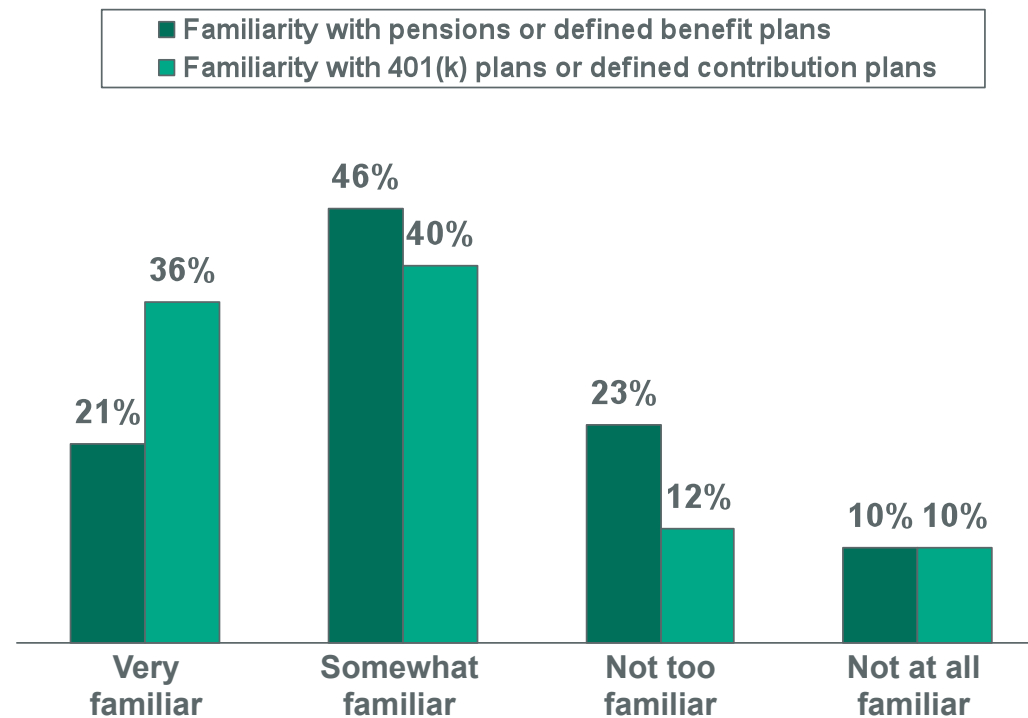


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# *What Features are Americans Looking for in a Retirement Plan?*

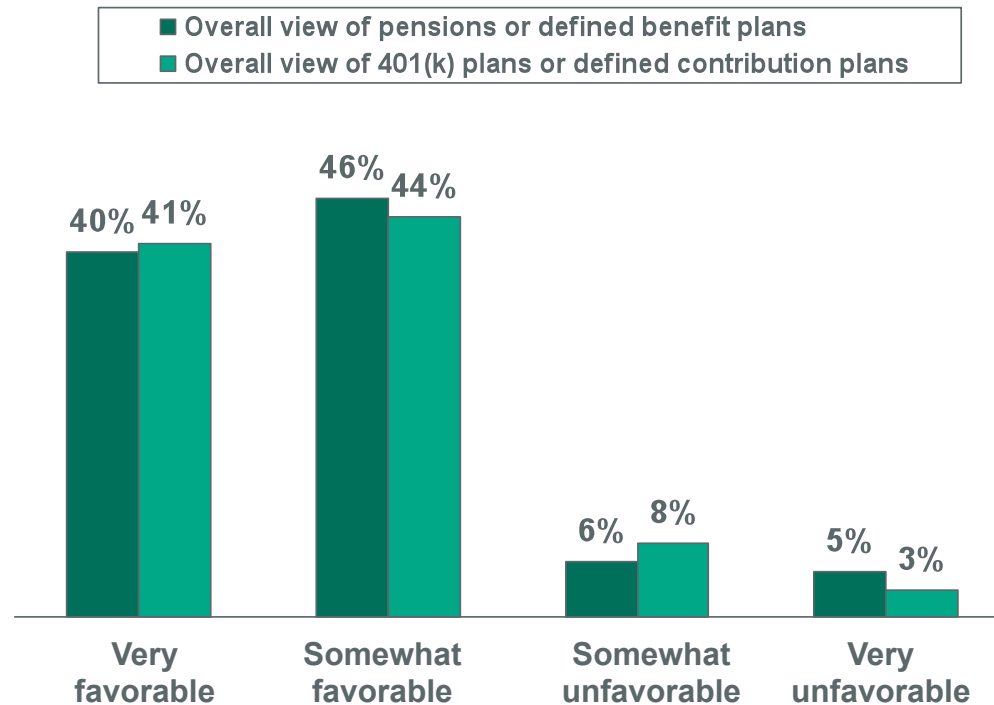
# Americans are more familiar with 401(k)-type plans than pension or defined benefit plans.

*How familiar are you with traditional pensions or defined benefit plans?  
How familiar are you with 401(k) plans or defined contribution plans?*



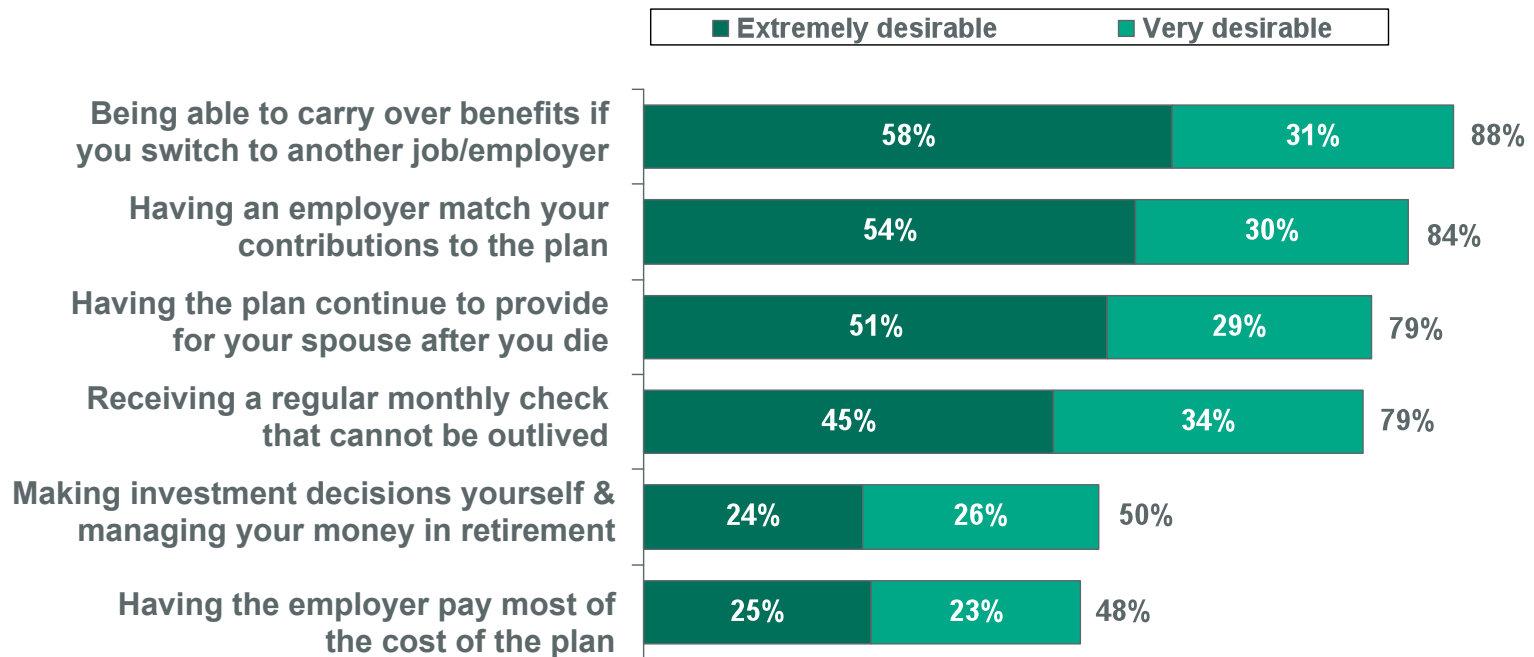
# Americans view pensions as favorably as defined contribution plans. Almost nine out of ten have favorable views toward these products.

*How would you describe your overall view of pensions or other defined benefit plans?  
How would you describe your overall view of 401(k)s or other defined contribution plans?*



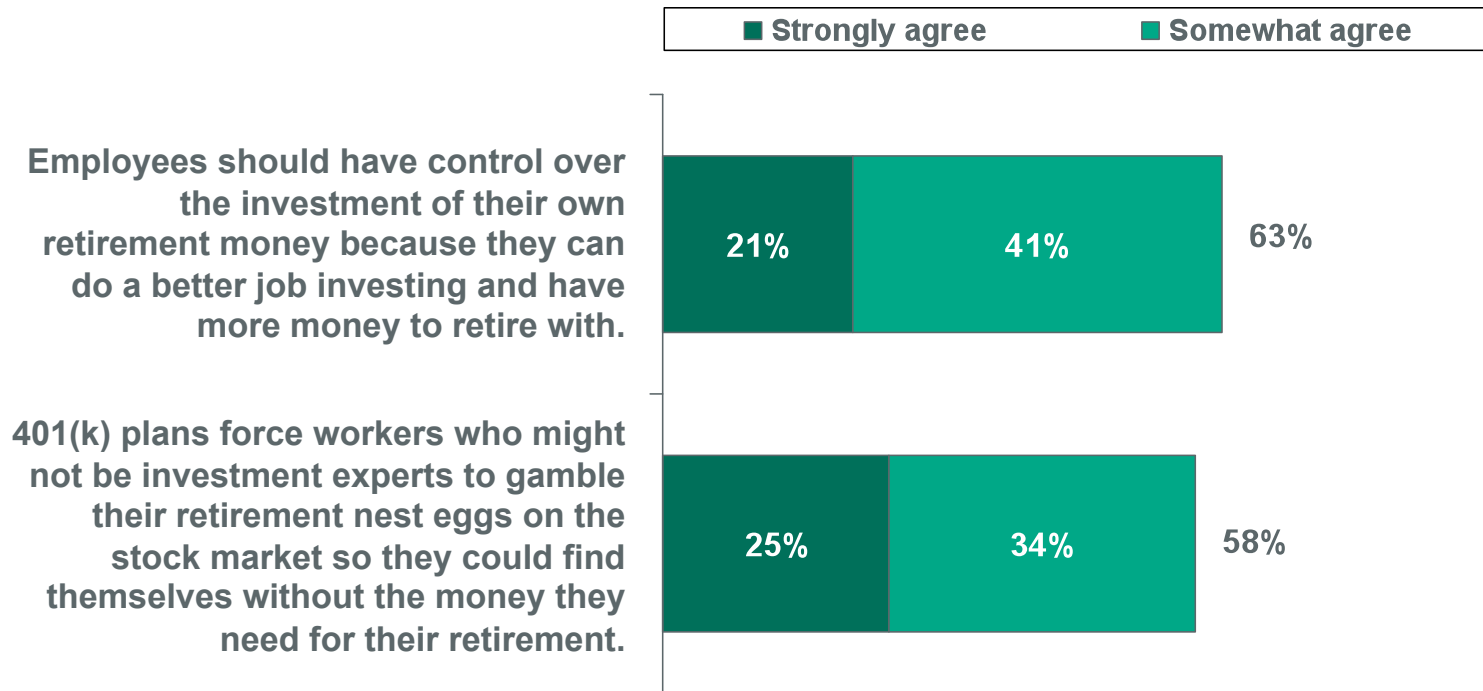
# Portability is the most desired retirement plan feature, followed by employer contributions, continuation of benefits for a spouse after death, and a regular check that cannot be outlived.

*How desirable are the following features that retirement plans might have?*



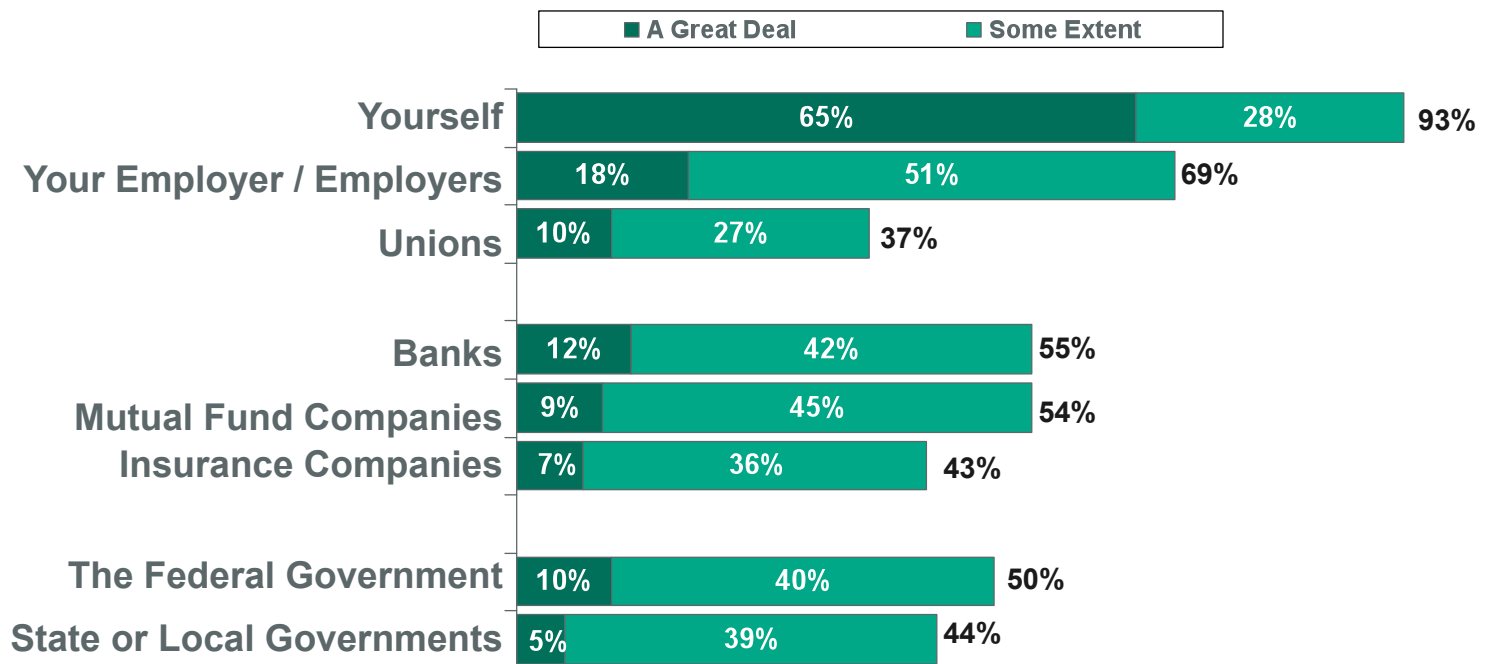
# Americans like having control, but believe that their 401(k) plans may be a gamble.

*To what extent do you agree or disagree with the following statements?*



# Americans trust the government and employers – but trust themselves most – to ensure sufficient retirement income.

*How much do you trust each of the following to do what they can to make sure you will have sufficient retirement income?*

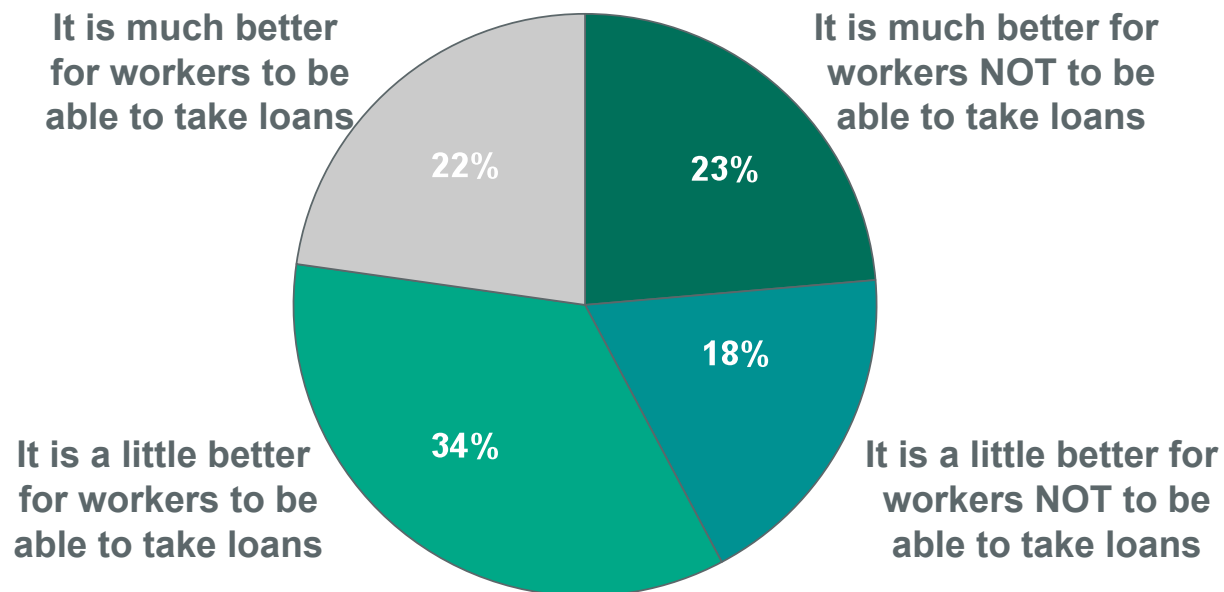




# Americans are divided about whether workers should be allowed to take loans from their retirement plans.

*Retirement plans, such as 401(k)s, allow people to take loans from their accounts, while traditional pension plans do not allow money to be withdrawn until retirement.*

*Which statement do you agree with most?*



"A financially-secure retirement should be composed of a defined benefit portion that you don't have any access to [so it] will be there when you retire."



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***The Path Forward:  
Sensible Solutions to Retirement  
Insecurity***

# Getting Back to Basics

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- Restore the stable 3-Legged Retirement-Security Stool: Social Security, Pensions, Individual Savings (401(k), 403(b), IRA, etc.).
- Pension Renaissance: 21<sup>st</sup> century pension system that simultaneously meets the needs of employers, workers, economy.
- Pensions for 21<sup>st</sup> century would be:
  - Portable
  - Secure
  - Shared Responsibility
  - Affordable

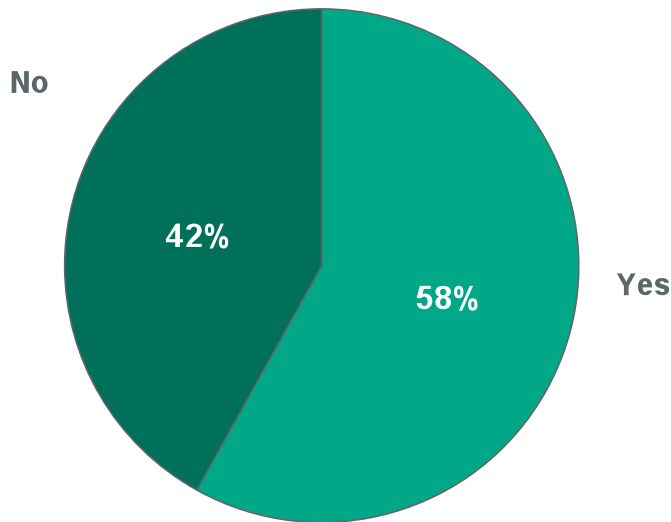


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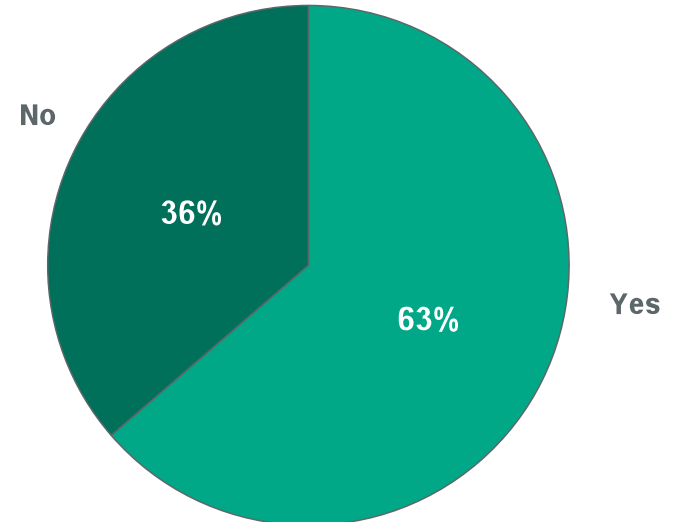
# *Demographic Characteristics of Survey Participants*

## Nearly six out of ten respondents have a pension; defined contribution plans are slightly more common.

*Have you ever participated in a traditional pension plan through any of the places you have worked?*



*Have you ever participated in a 401(k), 403(b) or 457 retirement savings plan through any of the places you have worked?*



# Demographics

## Age

25 to 34	17%
35 to 44	19
45 to 54	22
55 to 64	19
65 to 74	11
75 and older	12

## Employment Status

Employed full-time	47%
Retired from primary occupation	24
Employed part-time	8
Self employed	7
Homemaker	7
Unemployed	5
A full-time student	1
Don't know	1
Refused	*

## Annual Household Income

Less than \$35,000	28%
\$35,000 to less than \$50,000	16
\$50,000 to less than \$75,000	17
\$75,000 to less than \$125,000	21
\$125,000 or more	11
Don't know	1
Refused	5

## Type of Organization

Private	53%
Government or state agency	24
Non-Profit	9
Some other	13
Don't know	2
Refused	1

\* =<0.5%

# Demographics

## Political Party Membership

Democratic	41%
Republican	37
Libertarian Party	3
Green Party	1
None/Independent	12
Don't know/ Refused	5

## Voted in Last Election

Yes	90%
No	10

## Marital Status

Married	63%
Divorced or separated	13
Single, never married	11
Widowed	10
Unmarried but living with partner	3
Don't know/ Refused	*

## Gender

Male	50%
Female	50

\* =<0.5%