

THE SAVINGS GAME

Americans still deluded about retirement plans

After years of admonitions, Americans' retirement dreams are still filled with holes. But now the holes are getting harder to plug. For some, it's already too late.

With the oldest of 76 million baby boomers turning 60 this year, with frozen and disappearing pension plans, rising health-care costs, longer life spans and uncertainty over Social Security and Medicare, you'd think Americans would wake up and smell the danger.

But many continue to live in la-la land, thinking they will magically enjoy a comfortable retirement.

That's my inescapable conclusion after perusing the 16th annual Retirement Confidence Survey, a comprehensive study of Americans' attitudes toward retirement.

The survey, by the Employee Benefit Research Institute (EBRI) and the research firm Mathew Greenwald and Associates, has reached the same basic finding since it began in 1991. Americans hold unrealistically low estimates of how much money they'll need.

This false sense of confidence persists in this year's survey, which was based on telephone interviews with 1,000 workers 25 and older and 252 retirees. Two-thirds of workers say they're confident they will have enough money to retire comfortably, similar to last year despite widely publicized announcements by companies ending or limiting pension plans and retiree health benefits.

"A large majority of Americans expect to enjoy a comfortable retirement, but many have not taken the actions needed to turn their aspirations into reality and face the prospect of having to work far longer than they expect," a summary said.

Part of the problem is that many workers are counting on phantom benefits.

For example, 49 percent of workers — and 44 percent of those 55 and older — mistakenly believe they'll be eligible for full Social Security benefits from one to four or more years before they actually are. On average, workers still rank Social Security as one of their largest expected sources of retirement income.

Also, although only 40 percent said they or their spouses have a defined benefit plan at work (such as a traditional pension), 61 percent expect income from such a plan in retirement. And 37 percent expect to receive retiree health insurance, another unrealistic assumption when many employers are curtailing or eliminating this benefit.

"Each case is different, but it's clear that people currently working should factor into



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long-term trend away from traditional defined benefit pensions and toward 401(k) plans," said Jack VanDerhei, a Temple University professor, EBRI fellow and co-author of the survey report titled "Will More of Us Be Working Forever?" More than two-thirds of workers did favor automatic enrollment in 401(k) plans.

Among other findings (the entire report is available at www.ebri.org):

- More than two-thirds of workers — and more than half of those 55 or older — have less than \$50,000 saved for retirement.

- Although 70 percent of workers say they or their spouses have saved for retirement, only 64 percent are currently saving.

- Half of American workers say they thought they would need less than 70 percent of their pre-retirement income to live comfortably in retirement.

- Only 42 percent of workers say they or their spouses have done a retirement needs calculation, and 8 percent of those said they guessed. (For help with the calculation, go to the EBRI-sponsored Web site www.choosetosave.org.)

- Only 39 percent of workers think they need to accumulate at least \$500,000 for retirement, and 30 percent say they can make do with less than \$250,000, an amount that invested at 5 percent would generate only \$12,500 a year.

Two-thirds of workers say they expect to continue working at least part-time in retirement. "But many who expect to work may not be able to," warned Mathew Greenwald, president of the research firm. Past surveys have consistently found that about 40 percent of workers quit before they want to because of health problems or layoffs.

"It seems to me there is apprehension and anxiety about retirement finances, but in the face of all that's going on, people haven't taken action," Greenwald said.

For those approaching retirement age with little savings, "it's already not feasible to save what they need," VanDerhei said. They will have to continue working, and hope for good health.

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