SOCIETY OF ACTUARIES

2003 RISKS AND PROCESS OF RETIREMENT SURVEY

REPORT OF FINDINGS

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INTRODUCTION

This report presents the results of a telephone study among Americans ages 45 to 80 conducted by Mathew Greenwald & Associates, Inc., and the Employee Benefit Research Institute (EBRI) on behalf of the Society of Actuaries. The purpose of the study was to evaluate Americans' awareness of potential financial risks, how this awareness impacts the management of their finances with respect to retirement and how Americans are managing the process of leaving the workforce.

This is the second study sponsored by the Society of Actuaries that focuses on these issues. The earlier study was conducted in August 2001, before the major terrorist attack and before substantial declines in investment markets. The 2003 study includes some of the same questions asked in 2001, but also skips some of the original questions in order to make room for new learning. Emphasis was placed on areas where there is not a great deal of information available from other studies. In particular, the portion of the study focusing on managing the process of retirement was expanded significantly. Finally, the decision was made to exclude those over age 80 from the 2003 study because it is unlikely that risk management is a significant factor in these people's financial management.

The questionnaire for the study was designed by Greenwald & Associates and EBRI, in cooperation with the Society of Actuaries' Committee on Post-Retirement Needs and Risks and the Project Oversight Group appointed by that committee. Respondents were asked about their age at retirement, the factors that led to their retirement if already retired, the retirement process, the thought they had given to preparing financially for retirement, their strategies for managing their retirement finances, their concern about possible financial risks, their willingness to cut back on certain items (if needed) to reduce their living expenses and their knowledge of life expectancy. Similar questions were generally asked of both retired and non-retired respondents. However, questions asked of retirees concerned their retirement experiences and money management in retirement, while questions asked of non-retired respondents concerned their retirement expectations and current financial preparations for retirement. A series of questions was also asked to gather demographic characteristics.

A total of 604 interviews lasting an average of 17 minutes were conducted by National Research, LLC, in August 2003. Households were selected using a nationwide-targeted list sample purchased from Survey Sampling, Inc. Respondents born between 1923 and 1958 qualified for participation in the study. Respondents were classified as retirees or pre-retirees based on their responses to questions asked early in the survey process. The sample data were weighted by age, gender and census region as described in Appendix A.

A large number of retirees in the sample left their primary occupation before age 55 (26 percent) and/or are uniformed services retirees (9 percent). Reviewers raised concerns that these retirees might differ in some substantial way from the larger group of retirees and that their presence in the larger sample would skew the retiree results overall. Results were analyzed to determine whether these groups differed markedly from the rest of retirees and should be excluded from the general analysis. When the full retiree sample is compared with each of the reduced samples, the survey results are statistically identical on almost all questions. Therefore, these groups are included in the sample analyzed and the few significant differences are pointed out in the report text at the appropriate places.

Similarly, the sample from the 2001 study was examined to determine whether retirees over age 80 should be dropped from the study for comparison purposes. (17 percent of retirees in the 2001 study were over age 80.) However, the reduced sample was statistically identical on almost all questions to the full sample and the 2001 study results have been made widely available. For these reasons, the decision was made to use the full 2001 sample. Significant differences by age are noted in the report.

This study includes retirees and pre-retirees at all income levels. However, no effort has been made to oversample individuals at high asset levels. Only 2 percent of retirees and pre-retirees each report having investable assets of $1 million or more, and it is not feasible to analyze these groups separately. Some potential users of this study may be particularly interested in higher net-worth individuals. It should be pointed out that the results of this study are not indicative of the decisions that would be made by these groups.

The margin of error for this study (at the 95 percent confidence level) is plus or minus 5.6 percentage points for questions asked of all 303 unweighted retired respondents and plus or minus 5.6 percentage points for questions asked of all 301 unweighted non-retired (pre-retiree) respondents. Subgroup responses will have larger margins of error, depending on the size of the group. There are possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

This report was prepared by Greenwald and Associates and its content is the responsibility of the firm. Following this introduction are an overview of the study results, detailed findings for each question asked on the survey, a comparison of retiree and pre-retiree results and a profile of the survey respondents. Detailed results are broken out by demographic characteristics where there is a significant difference between groups. Appendix A includes a detailed description of the weighting methodology, and Appendix B contains the posted questionnaire. Data presented in this report may not total to 100 percent due to rounding and/or missing categories.

OVERVIEW

CONCERN AND KNOWLEDGE ABOUT POST-RETIREMENT RISKS

The 2003 study examined a number of post-retirement risks, including longevity, death of a spouse, inflation, stock market risk, unexpected health care needs and costs and changes in housing needs. Some, but not all, of these risks were also examined in the 2001 study. While those approaching retirement are more likely in 2003 than in 2001 to be concerned about the financial risks of retirement, retirees are apparently as likely as in 2001 to express concern about most risks.

Financial Risks

Concerns about keeping up with inflation (78 percent *very* or *somewhat* concerned, up from 63 percent) and being able to maintain a reasonable standard of living (71 percent, up from 54 percent) have increased sharply among pre-retirees. At the same time, married retirees are actually less likely than in 2001 to indicate they are *somewhat* concerned about their spouse's standard of living (19 percent, down from 27 percent). Retirees are also less likely than in 2001 to have given considerable thought to how to allocate their portfolio among different types of investments (36 percent, down from 47 percent). (Market conditions between the two studies were such that most people with equity investments lost market value in their portfolios.)

Health Care Risks

Concern about being able to afford good health care increased sharply among pre-retirees to be their number one concern (with inflation) (79 percent *very* or *somewhat* concerned, up from 58 percent). Perhaps because of an increased concern about health care risks, pre-retirees are more likely than in 2001 to say they think it is a good idea to protect themselves financially by buying insurance for things like extended nursing care (58 percent, up from 48 percent), while over half of retirees continue to think this is a good idea (52 percent). Pre-retirees are as likely as retirees to act on this belief—one in six each believe they have purchased long-term care insurance (17 percent) and almost one in ten have purchased health insurance (9 percent of pre-retirees and 8 percent of retirees).

Pre-retirees in general exhibit a greater concern for health care risk than retirees. Eight in ten pre-retirees and less than half of retirees are *very* or *somewhat* concerned that they might not have enough money to pay for good health care (79 percent and 46 percent, respectively), and two-thirds of pre-retirees and half of retirees are concerned about having enough money to pay for long-term care (66 percent and 48 percent). Among pre-retirees, about nine in ten report their expected health at that time (90 percent) and keeping the health insurance available through their employer (86 percent) will be important considerations in their decisions about when to retire.

LIFE EXPECTANCY

The concern about health and the costs of health care does not translate into knowledge of life expectancy. A majority of male respondents underestimates the life expectancy of the average 65-year-old man (63 percent of retirees and 67 percent of pre-retirees). Female respondents do only slightly better; roughly half underestimates the average 65-year-old woman's life expectancy (47 percent of retirees and 54 percent of pre-retirees). When asked about their own personal life expectancy, four in ten retirees (39 percent) and a slightly larger proportion of pre-retirees (46 percent) expect to live to be no older than age 80. However, three in ten retirees (29 percent) and one-quarter of pre-retirees (26 percent) expect to live beyond age 85. (Few respondents are exactly age 65, so their personal life expectancy would differ from that of the average 65-year-old. The expected amount of the difference would depend on how far from age 65 they are currently.)

CONCERNS ABOUT INFLATION

The biggest financial concern of retirees and pre-retirees remains inflation. Almost eight in ten pre-retirees (78 percent) and 57 percent of retirees are *very* or *somewhat* concerned that the value of their savings and investments will not keep up with inflation. Respondents are also concerned about maintaining a reasonable standard of living in retirement (46 percent of retirees and 71 percent of pre-retirees) and about the possibility of depleting their savings and being left only with Social Security (40 percent and 65 percent). The strategies most respondents cite for protecting themselves involve reducing spending, increasing income, or increasing savings. About half try to use stock investments to boost personal savings (46 percent of retirees and 55 percent of pre-retirees).

Cutting Spending as Strategy

The more acceptable cutbacks in living expenses tend to be those that involve a change in personal lifestyle—eating out in restaurants less often (48 percent of retirees and 49 percent of pre-retirees say this is very acceptable), spending less on gifts (38 percent and 49 percent), taking fewer vacations (43 percent and 37 percent) and spending less on social, leisure or cultural activities (42 percent and 36 percent). The least acceptable of those examined in the study are moving to a less expensive area of the country (16 percent and 21 percent) and spending less on medications (18 percent and 16 percent).

Risk Sharing and Financial Products

Acceptance of insurance and risk sharing as a method for achieving financial security in retirement is far lower than people's concerns about risk. Roughly four in ten retirees and pre-retirees feel it is a good idea to buy annuities because they pay a guaranteed income for life (describes 38 percent of retirees and 43 percent of pre-retirees well). However, few actually purchase annuities or seek information about them. When asked what they have done to protect themselves against the possibility of having to cut back substantially on their lifestyle, 2 percent of retirees and 3 percent of pre-retirees mention they have bought one. Another 2 percent of pre-retirees, but no retirees, say they have looked into purchasing one.

Retirees appear to confuse savings strategies with personal financial risk management. When asked an open-ended question about what they have done to protect themselves against needing to cut back on their lifestyle, the most frequent answers retirees give relate to reducing spending (28 percent), reducing debt (2 percent each mention paying off a mortgage and not using credit), increasing savings (8 percent) or increasing income (8 percent say investing in stocks, 3 percent say working, 3 percent say buying property). Only 3 percent cite purchasing insurance and 2 percent mention purchasing an annuity. Almost four in ten either have done nothing (18 percent), believe there is nothing they can do (14 percent), or respond they do not know (7 percent). As retirees become more responsible for managing larger nest eggs, the importance of understanding the difference between financial risk management and savings strategies increases.

RETIREMENT PLANNING AND FINANCIAL LITERACY

Many of the findings already cited serve to reinforce concerns about retirement literacy. Other findings from the study support these concerns. Almost seven in ten retirees and pre-retirees report keeping regular records of their financial assets and expected retirement income, but three in ten do not. Among those who keep such records, about half update these records once a year or even less often (47 percent of retirees, 56 percent of pre-retirees).

Pre-retirees may not be planning adequately for the number of years they will spend in retirement, as many do not appear to have made the connection between personal life expectancy, retirement age and number of years in retirement. Among pre-retirees who provided all three of these pieces of information, 13 percent appear to underestimate their years in retirement by at least five years. Another 21 percent of retirees overestimate their retirement by at least five years.

THE PROCESS OF RETIREMENT

Working in Retirement

This part of the study is expanded substantially and there is little comparative information with the 2001 study. Work after retirement appears likely to increase, whether it is called a second career, phased retirement or some other name. One in six previously employed retirees say they continued to work for pay after retirement on a part time or periodic basis (16 percent), 7 percent gradually reduced the number of hours they worked before stopping completely and 5 percent continued to work full time after retirement. In comparison, pre-retirees have greater expectations of continuing to work in retirement. One-third of employed pre-retirees plan to work on a part time or periodic basis (32 percent), one in six expect to gradually reduce the number of hours they work before stopping completely (16 percent) and one in 10 think they will continue to work for pay full time (9 percent).

If the law were changed so that retirees could collect part of their pension as they began to reduce their working hours, almost half of pre-retirees who expect to receive a pension say their retirement plans would change (45 percent). About two-thirds of these pre-retirees think they would retire at a younger age (64 percent), almost half would retire gradually instead of all at once (45 percent) and close to two in 10 would spread their gradual retirement over more years (18 percent).

Retirees are doing a substantial amount of work in retirement. A significant minority of previously employed retirees is still working for pay at least sporadically during the year (37 percent). These include 10 percent who work full time throughout the year, 15 percent who work part time throughout the year and 13 percent who work for only part of the year.

Reasons for Retiring

Nevertheless, a number of retirees clearly confronted an unplanned early retirement for which pre-retirees may be making no provision. When asked in an open-ended question, retirees most often say they retired at the age they did because they stopped working completely (22 percent), they had health problems or became disabled (19 percent), their company closed or downsized (11 percent) or they started receiving a pension (10 percent). In contrast, pre-retirees plan to retiree at the age they do because they will stop working completely (20 percent), they will have enough money to stop working (19 percent), they will start receiving a pension (18 percent) or they will meet their age or years of service requirements (12 percent).

This failure to plan for unexpected events may be one reason why pre-retirees plan to retire at a later age than retirees actually retired. One-quarter of pre-retirees (25 percent) say they will retire at age 65, compared with only 8 percent of retirees who actually did so. Almost two in 10 plan to retire after age 65 (18 percent vs. 7 percent of retirees).

COMPARISON OF 2001 AND 2003 STUDY RESULTS

Despite the fact that the 2001 study was conducted in August of that year, before the major terrorist attack and before substantial declines in investment markets, there are remarkably few differences in responses among retirees to the two studies. Some major differences between the studies are found among pre-retirees; however, particularly with respect to concerns about retirement risk.

Retirement Risks

Pre-retirees are far more likely than in 2001 to express concern about having enough money to pay for good health care (79 percent, up from 58 percent), savings and investments keeping pace with inflation (78 percent, up from 63 percent) and being able to maintain a reasonable standard of living for the rest of their life (71 percent, up from 54 percent). Moreover, most of the increase is among those who are *very* concerned, rather than among those who are *somewhat* concerned. In contrast, retirees are equally likely in both years to say they are concerned about retirement risks. The exception is that married retirees are actually slightly less likely than in 2001 to say they are *somewhat* concerned about their spouse being able to maintain the same standard of living after their death (19 percent in 2003, 27 percent in 2001).

Risk Management Strategies

There are also some reported changes in risk management strategies between 2001 and 2003. Retirees are less likely in 2003 than in 2001 to say the strategy of using stock investments in the hope that the increase in their value will contribute to a comfortable lifestyle in the long run describes them *somewhat* well (24 percent, down from 31 percent). They are also less likely to say it is a good idea to buy annuities describes them *very* well (13 percent, down from 20 percent). On the other hand, pre-retirees are more likely than in the earlier study to say the statement about insurance being a good idea because it protects against things such as needing extended nursing care describes them *very* or *somewhat* well (58 percent, up from 48 percent).

Just as retirees are less likely than in 2001 to say they are somewhat likely to use stock investments, a smaller percentage of retirees now indicate they have given *a great deal* of consideration to how to allocate their portfolio among different types of investments (36 percent, down from 47 percent in 2001). This may be because fewer have stock investments, or they have a smaller portfolio of investments.

Reasons for Retiring

In general, pre-retirees tend to respond similarly in the two studies when asked about the different factors that might influence their decision about when to retire. Nevertheless, three factors are now given more weight in pre-retirees' decision-making process. These are the amount of money they expect to have at the time they retire (68 percent *very* important in 2003, 59 percent in 2001), keeping health insurance through their employer (72 percent, 63 percent) and eligibility age for Social Security (47 percent, 38 percent). There is also a higher likelihood in this year's study for pre-retirees to say they will never retire (8 percent, 4 percent) and to report having saved less than $50,000 (39 percent, 28 percent).

DIFFERENCES BY SUBGROUP

Differences by Economic Status

Differences in responses by economic status reveal few surprises. Among both retirees and pre-retirees, respondents with lower household incomes are more likely than those with higher income to be concerned about retirement risks. Retirees with higher income are also more likely to give thought to how to allocate their savings among different types of investments. Nevertheless, retirees of all income levels appear equally likely to be concerned about inflation risk.

Not surprisingly, the adoption of stock investments as a retirement money management strategy increases with household income and household wealth among both retirees and pre-retirees. Retirees with household incomes of at least $25,000 or with at least $25,000 of household wealth are more likely than their counterparts to indicate that the statement, "I try to reduce unnecessary spending so I can set aside as much money as possible," describes them well.

As might be expected, the likelihood of reporting that retirees have not saved enough money for retirement is strongly related to household income and household wealth, and increases sharply as either of these factors decreases. Among pre-retirees, those with higher household income are far more likely to say they have accumulated at least $100,000 for retirement. Moreover, retirees and pre-retirees with higher household income or wealth are more likely to keep financial records.

Perceptions about the length of retirement varies by economic status. As household income decreases, uncertainty about the length of retirement increases among retirees. Pre-retirees with lower household income are more likely than those with higher income to estimate that their retirement will last less than 20 years.

Differences by Health Status

Differences in responses by health status are closely related to differences by income status, perhaps because those in poorer health often have lower income and vice versa. Among both retirees and pre-retirees, concern about each retirement risk (except inflation risk among retirees) tends to decrease as health status improves.

The likelihood of reporting that retirees have not saved enough money for retirement is strongly related to health and is rising as health status declines. In addition, the retirees in better health are more likely to have a pension as a *major* source of income than those in poorer health. Asked which types of expenses they would find acceptable to cut back on in retirement, pre-retirees who describe their health as *good, fair* or *poor* are more likely than healthier pre-retirees to believe it would be *very* acceptable to go to the doctor less often.

As with economic status, responses about the length of retirement varies by health status. Uncertainty about the length of retirement increases among retirees as health status declines. Pre-retirees who say their health is *fair* or *poor* are more likely than those in better health to estimate that their retirement will last less than 20 years.

Differences by Sex

There are surprisingly few differences in responses by sex of respondent. In fact, these differences are more notable for where expected differences do not appear than for where they do appear. Among both retirees and pre-retirees, women are more likely than men to express concern about having being able to leave money to their heirs. Female retirees (but not pre-retirees) are more likely than males to be concerned about having enough money to pay for good health care, while male pre-retirees (but not male retirees) are more likely than females to say they are concerned about their spouse being able to maintain a reasonable standard of living after their death.

Women are slightly more likely than men to correctly estimate the life expectancy of the average 65-year-old, yet male retirees (but not male pre-retirees) are more likely than females to expect their own personal life expectancy to be greater than average.

It should be noted that subgroup differences are extremely sensitive to sample size. It is possible that a study with a larger sample size may have uncovered additional differences.

FINDINGS OF THE RETIREE SURVEY

RETIREMENT RISK

Concern About Risk

Of the nine common risks for retirement finances examined in this study, only one emerges as a concern for more than half of the retirees—that the growth of their savings and investments might not keep pace with inflation (57 percent *very* or *somewhat* concerned). (See Figure 1.)

Concern about three risks is shared by just under half of retirees each. Two of these risks have to do with health care—having enough money to pay for long-term care (48 percent *very* or *somewhat* concerned) and good health care (46 percent). The other involves maintaining a reasonable standard of living throughout retirement (46 percent). Four in 10 are concerned about the risk of depleting all of their savings and being left only with Social Security (40 percent). Roughly three in 10 are concerned about each of the remaining risks. These include their spouse's ability to maintain the same standard of living should the respondent predecease them (34 percent of married respondents), their ability to afford their current home for the rest of their life (31 percent), the reliability of their support network for providing necessary assistance (31 percent) and their ability to leave money to their heirs (27 percent).

Figure 1
Retirement Risks
How concerned are you . . ? Which of these are you most concerned about?

Retirees (2003 n=273; 2001 n=282)

	Very Concerned	Somewhat Concerned	Not Too Concerned	Not at All Concerned	Most Concerned*
That you might not be able to keep the value of your savings and investments up with inflation					
2003	25%	32	21	21	17%
2001	21%	34	22	23	
That you might deplete all of your savings and be left only with Social Security					
2003	25%	15	23	36	11
2001		(not asked)			

*Not asked in 2001

Figure 1 (continued)
Retirement Risks
How concerned are you . . ? Which of these are you most concerned about?

	Very Concerned	Somewhat Concerned	Not Too Concerned	Not at All Concerned	Most Concerned*
That you might not have enough money to pay for good health care					
2003	22%	24	26	27	12%
2001	22%	21	24	32	
That you might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home due to poor health or frailty					
2003	20%	27	27	25	9
2001 (in a nursing home)	20	28	24	28	
2001 (at home)	18	30	23	29	
That you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life					
2003	17%	29	24	30	7
2001	17%	29	27	26	
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)					
2003 (n=172)	15%	19	24	41	6
2001 (n=167)	16%	27	22	35	
That you might not be able to afford to stay in your current home for the rest of your life					
2003	15%	16	28	40	4
2001		(not asked)			
That you might not be able to rely on children or other family members to provide assistance					
2003	15%	16	21	47	4
2001		(not asked)			
That you might not be able to leave money to your children or other heirs					
2003	11%	16	27	46	3
2001		(not asked)			
[VOL] Don't know/Refused		(not asked)			7
[VOL] None of these		(not asked)			19

*Not asked in 2001

In almost every case, retirees express similar levels of concern about risks in 2003 as they did in 2001. The one exception is that married retirees are less likely to say they are *somewhat* concerned about their spouse being able to maintain the same standard of living after their death (19% in 2003, down from 27% in 2001).

Retirees face a number of different risks to manage in retirement. However, more than half of retirees say they are not *very* concerned about any of the risks examined in the study (54 percent), and another 15 percent are *very* concerned about just one risk. Only a minority say they are very concerned about multiple risks—15 percent each say they are *very* concerned about two to four risks (15 percent) or five or more risks (15 percent). Somewhat higher percentages are *very* or *somewhat* concerned about multiple risks (29 percent two to four, 37 percent five or more).

In addition to asking retirees if they were *very* or *somewhat* concerned about different retirement risks, we asked them to identify a single risk with which they were *most* concerned. As one might expect given the previous findings, retirees tend to say that they are *most* concerned about keeping up with inflation (17 percent). About one in 10 each say they are *most* concerned about paying for good health care (12 percent), being left only with Social Security (11 percent), and paying for long-term care (9 percent). Seven percent are *most* concerned about being able to maintain a reasonable standard of living, while 6 percent are *most* concerned that their spouse might not be able to maintain the same standard of living after their death. At the same time, two in 10 retirees say that they are *most* concerned about none of the risks examined in the study (19 percent) and 6 percent do not know which of these risks they are *most* concerned about.

In general, concerns about these risks are more prevalent among those with household income less than $35,000 than among higher income retirees. Nevertheless, retirees appear to be equally likely to be concerned about inflation risk regardless of income. Differences by education and health status follow a similar pattern, with concern about each risk except inflation decreasing as education increases or health status improves.

Since women tend to live longer than men and may be more likely to spend down their assets, it is not surprising that women are more apt than men to express concern about being able to leave money to children or other heirs (32 percent vs. 20 percent *very* or *somewhat* concerned). Women are also more likely than men to be *very* concerned about having enough money to pay for good health care (28 percent vs. 15 percent). Other expected gender differences are not apparent, however. Women appear no more likely than men to be concerned about having enough money to pay for extended nursing care, and married men seem no more likely than married women to be concerned about their spouse's ability to maintain the same standard of living should the respondent predecease them. Yet, women are much more likely than men to need extended nursing care without having a family member to provide it, and women are much more likely to be surviving spouses.

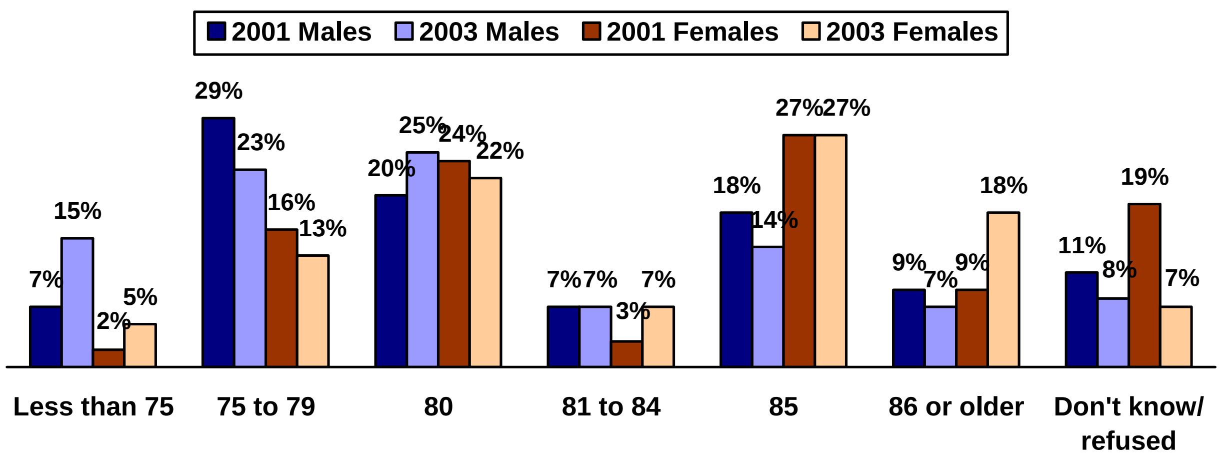
Knowledge of Life Expectancy

To gauge understanding of life expectancy, a series of questions was asked. First, retirees were asked about life expectancy for an average 65-year-old. Second, they were asked about their own personal life expectancy. Finally, they were asked how they thought their life expectancy compares to the average person.

Overall, male retirees are as likely as in 2001 to underestimate the average 65-year-old man's life expectancy, which is currently 81 to 83 years of age depending on the population projected.[1] More than six in 10 male retirees underestimate the life expectancy of an average 65-year-old male (63 percent). Less than three in 10 say that such a man could expect to live until age 81 or older (28 percent). This result is similar to 2001, when 56 percent of male retirees underestimated the age and 34 percent stated age 81 or older. (See Figure 2.)

Figure 2
Life Expectancy at Age 65
Until what age do you think the average 65-year-old male/female can expect to live?

Retirees (Males 2001=122, 2003=122; Females 2001=160, 2003=151)



Female retirees are slightly more likely than in 2001 to provide an accurate estimate when asked about the life span for the average 65-year-old woman, which is currently 85 to 86 years of age depending on the population projected. Almost half believe the woman could expect to live until age 85 or later (45 percent, up from 36 percent), and another half believe she would die before age 85 (46 percent in 2003, 46 percent in 2001). Female retirees in the 2003

[1] Lower estimate based on intermediate assumptions from the Social Security Administration's 2001 Trustees' Report; higher estimate based on UP94 Mortality Table projected to 2004 by the Society of Actuaries.

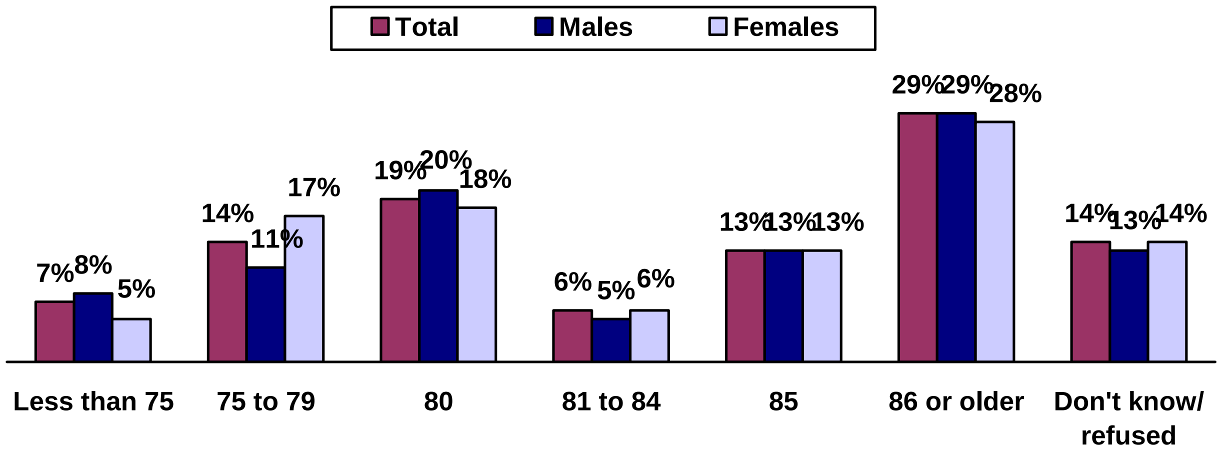
study are less likely than in 2001 to indicate they do not know how long this person would live (7 percent vs. 19 percent).

College graduates have a higher mean response than those with less education (age 83 vs. age 81). Similarly, retirees with at least $100,000 of household wealth have a higher mean response than those with less wealth (age 83 vs. age 81).

When retirees are asked how long they, themselves, expect to live, four in 10 indicate they expect to live to be no older than age 80 (39 percent). (Note that 37 percent of retirees are under age 65.) Thirteen percent think they will live until age 85, while three in 10 believe they will live beyond age 85 (29 percent). There is no difference in personal life expectancy by gender. (See Figure 3.)

Figure 3
Personal Life Expectancy
And until what age do you think that you, yourself, can expect to live?

Retirees (Total=273; Males=122; Females=151)



Just 12 percent of retirees provide a personal life expectancy that is close to their actual average life expectancy based on their respective ages.[2] (Respondents range in age from their late 40s through age 80.) This includes 6 percent who are on target, and 3 percent each who overestimate or underestimate their average life expectancy by only one year. Close to half of retirees cite a personal life expectancy that is less than the average for a person their age. Fifteen percent expect to live two to four years less than average, and 34 percent expect to live at least

[2] This comparison is based on the UP94 Mortality Table projected to 2004 by the Society of Actuaries.

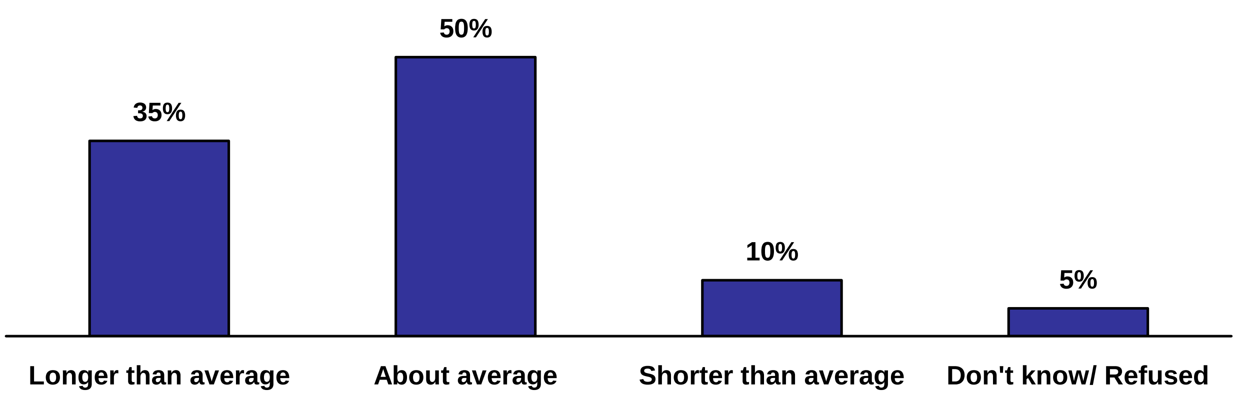
five years less. One-quarter expect to live longer than average, 7 percent by two to four years and 19 percent by five years or more.

Reasons for these differences are likely to be family health history and personal health status. Indeed, personal life expectancy increases with health status. It also increases with education and age, and is higher for uniformed services retirees than for other retirees (mean response of age 89 vs. age 84).

Asked specifically about how their personal life expectancy compares with the average, half of retirees say their life expectancy is about average (50 percent), while more than one-third think they will live longer than average (35 percent) and one in 10 believe they will live a shorter than average life (10 percent). (See Figure 4.) (It is clear from the previous comparison that many retirees are incorrect in their comparisons of their own life expectancy with the average person their age. However, it is not entirely clear from the wording and sequence of the survey questions whether respondents were comparing their own life expectancy with that of the average person their age or with that of the average 65-year-old.)

Figure 4
Estimate of Difference Between Personal and Average Life Expectancy
Do you think that is longer than average, about average or shorter than average?

Retirees (n=273)

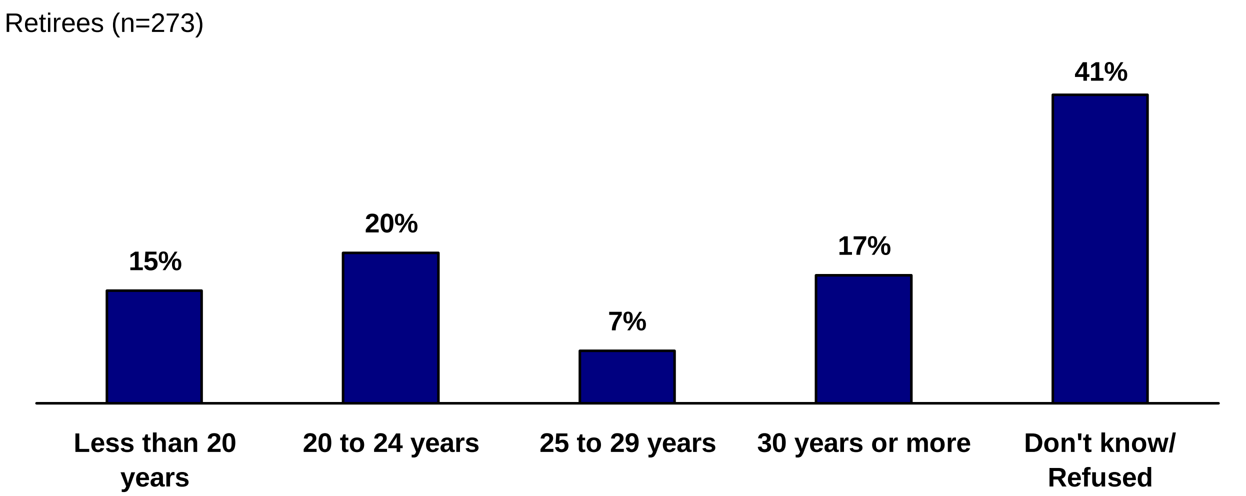


Males are more likely than females to say they expect to live longer than average (43 percent vs. 28 percent). Likewise, married retirees are more likely than those who are not married to expect to live longer (40 percent vs. 26 percent). Others more apt to think they will live longer include those with at least $50,000 in household income (51 percent vs. 29 percent with less), college graduates (47 percent vs. 32 percent with less education), those in *excellent* or *very good* health (45 percent vs. 23 percent in poorer health) and uniformed services retirees (57 percent vs. 33 percent of others).

Length of Retirement

Six in 10 retirees indicate that at the time they retired they had expectations regarding how long their retirement would last. One in seven say they estimated their retirement would last less than 20 years (15 percent), more than one-quarter thought it would last 20 to 29 years (27 percent), and 17 percent estimated their retirement at 30 years or more. (See Figure 5.)

Figure 5
Expected Length of Retirement
At the time you retired, how many years did you expect your retirement to last?



As would be expected, those who retired before age 62 are somewhat more likely than those retiring at later ages to report expecting that their retirement would last at least 30 years (24 percent vs. 10 percent). Retirees with higher household wealth or higher household income tend to anticipate spending longer in retirement than do those with less wealth or lower income. The likelihood of not knowing how long retirement will last increases as health status declines. There is also a higher level of uncertainty among those with less than $25,000 in household income (49 percent vs. 29 percent with higher income), those with less than $100,000 in household wealth (41 percent vs. 26 percent with more) and those with no more than a high school education (47 percent vs. 30 percent with higher education).

Considerations of Retirement Risk

Retirees appear to have given thought to some of the risks that might affect their retirement finances. The risk receiving the highest level of consideration applies just to married retirees; more than half say they have given *a great deal* of thought to the financial impact of one spouse dying before the other (56 percent of married retirees). Two other considerations are given *a great deal* of thought by nearly half of retirees—the possible financial impact of medical expenses not covered by Medicare (47 percent) and how much to spend so as not to outlive their resources (46 percent). These proportions are statistically unchanged from the findings of the 2001 study. (See Figure 6.)

Smaller proportions indicate giving *a great deal* of consideration to how to allocate their portfolio between different types of investments (36 percent, down from 47 percent in 2001). One-third of retirees have given this amount of consideration to the possibility of needing long-term care (34 percent) or the need to leave assets to children or other heirs (34 percent).

Retirees tend to give strong consideration to just a few of the items examined in the study. While more than one-quarter has given *a great deal* of thought to four or more of the items (27 percent), more than half have given this amount of thought to three (18 percent), two (17 percent) or just one (19 percent) of them. Two in 10 have not given *a great deal* of thought to any of these considerations (20 percent).

Those who retire before age 62 are more likely than those who retire at a later age to report having thought *a great deal* about the impact of a spouse's death (63 percent vs. 43 percent). College graduates also are more likely than those with less education to strongly consider the financial impact of a spouse's death (71 percent vs. 50 percent). There are no observed differences by gender, which is interesting because wives are more likely to rely on income from their husbands than vice versa.

Several groups more likely to have investable assets are especially likely to report giving *a great deal* of thought to investment allocations—those with at least $100,000 of household wealth (59 percent vs. 19 percent with less), college graduates (53 percent vs. 31 percent with less), those from white-collar occupations (42 percent vs. 19 percent from blue-collar occupations) and those who are married (42 percent vs. 27 percent of unmarried retirees). (The profile of respondents at the end of the report provides a description of the sample characteristics.)

The likelihood of giving a strong consideration to spending so as not to outlive one's resources increases with household income or household wealth, and is higher for homeowners (50 percent) than for renters (16 percent). Among groups most likely to have given *a great deal* of thought to the need to leave assets to heirs are those who own their home free and clear (43 percent vs. 20 percent of other retirees), those with at least $100,000 of household wealth (39 percent vs. 24 percent with less) and women (40 percent vs. 26 percent of men).

Figure 6
Considerations for Managing Money in Retirement
I will read you a list of things that some people might consider in their planning, and I would like to know how much thought you have given each area.

Retirees (2003 n=273; 2001 n=282)

	A Great Deal of Thought	Some Thought	Only a Little Thought	No Thought At All
The financial impact on your spouse if you should die first, and the financial impact on you if your spouse should die first (if married, n=172)				
2003	56%	30	12	2
2001	52%	32	10	6
The possible financial impact of large medical expenses that are not covered by Medicare				
2003	47%	27	15	10
2001	45%	29	12	13
How to manage your money and how much to spend every year so you (and your spouse) do not outlive your financial resources				
2003	46%	29	16	8
2001	48%	28	12	11
How your investments and savings should be allocated among different types of assets				
2003	36%	25	18	19
2001	47%	25	11	16
How to prepare financially for the possibility of needing long-term care in a nursing home or at home due to poor health or frailty				
2003	34%	32	20	13
2001 (in a nursing home)	28%	33	17	20
2001 (at home)	33%	34	16	17
The need to leave significant assets to your children or other heirs				
2003	34%	31	17	18
2001		(not asked)		

Strategies for Managing Risk

Retirees employ a variety of risk management strategies. They are most likely to attempt to manage risk by trying to reduce personal expenses in order to boost personal savings. Three-quarters of retirees say they are described *very* or *somewhat* well by the statement, "I try to reduce unnecessary spending so that I can set aside as much money as possible to keep the value of my savings growing" (76 percent). More than half feel that it is a good idea to share risk by purchasing insurance to protect financially against things like the possibility of needing extended nursing care (52 percent). (See Figure 7.)

A slightly smaller proportion adopt a strategy of using stock investments in the hope that the increase in their value will contribute to a comfortable lifestyle in the long run (46 percent *very* or *somewhat* well). Between 2001 and 2003, the percentage of retirees saying this statement describes them *somewhat* well decreased from 31 percent to 24 percent, perhaps due to continuing stock market turmoil.

Retirees are least likely to feel it is a good idea to buy annuities even though they protect people by paying a guaranteed income for life, no matter how long they live (38 percent *very* or *somewhat* well). (However, most annuities do not include inflation protection.) Fewer retirees in 2003 than in 2001 report that this describes them *very* well (13 percent, down from 20 percent).

While many retirees say these risk reduction strategies describe them at least *somewhat* well, far fewer think the strategies describe them *very* well. Less than three in 10 indicate that more than one of these strategies describe them *very* well (28 percent), and another three in 10 say just one of them describes them *very* well (30 percent). More than four in 10 think none of these risk reduction strategies describes them *very* well (42 percent).

Retirees with household incomes of at least $25,000 (84 percent vs. 60 percent with less), with at least $25,000 of household wealth (88 percent vs. 51 percent with less), with a pension from an employer (83 percent vs. 66 percent without) or who own their home (79 percent vs. 56 percent of renters) are among the most likely to indicate they try to reduce spending to increase their savings. Those under age 70 are also more likely than older retirees to say they attempt to reduce unnecessary spending (84 percent vs. 64 percent).

The adoption of stock investments as a retirement money management strategy increases with household income, household wealth and education. Homeowners are more likely than renters to try to invest in stocks (50 percent vs. 19 percent). Those with a pension from a previous employer are also more apt than those without a pension to do so (54 percent vs. 33 percent), perhaps because they tend to have higher wealth or more household income or because they already have a guaranteed income stream and can take the risk of stock investment.

Younger retirees (under age 65) are more likely than older retirees to indicate it is a good idea to buy insurance to protect against risk (61 percent vs. 47 percent). Those with higher education are also more likely than those with less education to think insurance is a good idea. The propensity to consider annuities a good idea increases as household wealth rises.

Figure 7
Strategies for Managing Risk
For each one I read, please tell me if the statement describes you very well, somewhat well, not too well, or not at all.

Retirees (2003 n=273; 2001 n=282)

	Very Well	Somewhat Well	Not Too Well	Not At All Well
I/we try to reduce unnecessary spending so that I/we can set aside as much money as possible to keep the value of my/our savings growing.				
2003	35%	41	9	14
2001	30%	39	12	16
I/we think it is a good idea to buy insurance to protect financially against things like the possibility of needing extended nursing care.				
2003	27%	24	18	29
2001	26%	21	16	35
I/we try to invest a considerable portion of money in stocks and stock mutual funds, hoping that in the long run their value will rise enough to provide me/us with a comfortable lifestyle.				
2003	22%	24	16	36
2001	24%	31	15	29
I/we think it is a good idea to buy annuities, because they protect people by paying a guaranteed income for life, no matter how long you live.				
2003	13%	25	17	42
2001	20%	26	16	33

Actions Taken to Protect Against Risk

More than half of retirees say they think risk sharing through insurance is a good idea (52 percent), but only a minority indicates they have followed through on this idea. When asked in an open-ended format about what they have done to protect themselves financially against things like the possibility of needing extended nursing care, almost two in 10 say they have purchased long-term care insurance (17 percent). Nearly one in 10 each report they are self-insuring against the possibility of needing long-term care (9 percent) or have purchased a health insurance policy (8 percent). Very small percentages mention taking other actions that might lead to risk sharing, such as looking into purchasing insurance (4 percent). However, one-third have not done anything (33 percent), and 17 percent believe there is nothing they can do. (See Figure 8.)

Figure 8
Actions Taken to Protect Against Needing Things Like Long-Term Care
What have you (and your spouse) done to protect yourself/yourselves financially against things like the possibility of needing extended nursing care?
(multiple responses accepted)

Retirees (n=273)

	Retirees
Purchased long-term care insurance	17%
Saving against possibility of needing care	9%
Purchased health insurance	8%
Looked into purchasing health insurance	3%
Moved into/arranged for care through Continuing Care Retirement Community	1%
Maintain healthy lifestyle: exercise, routine doctor visits	1%
Looked into purchasing long-term care insurance	1%
Intend to purchase long-term care insurance	1%
Other	10%
Haven’t done anything	33%
Nothing I can do	17%
Don’t know/Refused	3%

Retirees who believe it is a good idea to purchase insurance are more likely to be proactive than those who do not think it is a good idea. Three in 10 of those who think the statement about insurance as a risk-reducing strategy describes them *very* or *somewhat* well report they have purchased long-term care insurance (31 percent), compared with just 1 percent of those who think the statement describes them *not too* or *not at all* well. Similarly, they are more likely to have purchased health insurance (12 percent vs. 3 percent) or to have looked into purchasing health insurance (5 percent vs. 1 percent). At the same time, they are about half as likely to respond that they have not done anything (24 percent vs. 43 percent) or that there is nothing they can do (11 percent vs. 24 percent).

The likelihood of saying there is nothing they can do is related to household income, household wealth, education and health status, increasing as each factor decreases. It is most strongly related to household income, decreasing sharply from four in 10 among those with income less than $25,000 (40 percent) to 8 percent of those with income of $25,000 or more. This suggests that, for at least some retirees, the problem may be that they feel they cannot afford to do anything rather than they do not know there are options available. Yet retirees with higher household income or higher household wealth appear no more likely than those with lower income or lower wealth to report they have taken steps to pool risk. Those with higher wealth are, however, more likely to say they have saved against the possibility of needing care (13 percent with at least $25,000 of household wealth vs. 2 percent with less).

Actions Taken to Protect Against Needing to Cut Back on Lifestyle

Although almost four in 10 retirees may say they consider the purchase of annuities to be a good idea because it protects against the possibility of outliving resources (38 percent), few have acted on this strategy. When retirees are asked in an open-ended format about what they have done to protect themselves against the possibility of having to cut back on their lifestyle, few can name any substantive action beyond cutting back on spending (28 percent). Eight percent each say they save or invest in the stock market. Only 3 percent say they have insurance of some kind, and just 2 percent have purchased an annuity. All other categorized responses have to do with generating income or reducing debt rather than reducing risk. In addition, almost two in 10 admit they have not done anything (18 percent), 14 percent feel there is nothing they can do and 6 percent do not know what they can do. (See Figure 9.)

All of the retirees who volunteer they have purchased an annuity to protect themselves against having to cut back on their lifestyle are among those who think annuities are a good idea. However, only a very small minority of those who think it is a good idea to purchase annuities actually say they have purchased one (4 percent). In all other ways, those who think the statement, "it is a good idea to buy annuities because they protect people by paying a guaranteed income for life, no matter how long you live," describes them *very* or *somewhat* well offer proportionately similar responses to those who think the statement describes them *not too* or *not* *at all* well. This includes being just as likely to say that they have not done anything (17 percent vs. 19 percent) and there is nothing they can do (11 percent vs. 16 percent).

Figure 9
Actions Taken to Protect Against Needing to Cut Back on Lifestyle
What have you (and your spouse) done to protect yourself/yourselves against the possibility of having to cut back substantially on your lifestyle?
(multiple responses accepted)

Retirees (n=273)

	Retirees
Cut back on spending	28%
Saved/have always saved	8%
Invested in stocks/stock mutual funds	8%
Have insurance: life, long-term care, health, disability	3%
Bought real estate/invested in property	3%
Continue to work/have worked extra	3%
Moved to less expensive area/smaller house	2%
Paid off mortgage	2%
Have no debt, use no credit	2%
Purchased an annuity	2%
Other	10%
Haven't done anything	18%
Nothing I can do	14%
Don't know/Refused	7%

Strategies that retirees use to protect themselves vary somewhat by demographics. Those with an annual household income of less than $50,000 are more likely than those with higher income to cut back on spending (35 percent vs. 15 percent). Women are also more likely than men to say they use this strategy (33 percent vs. 21 percent). On the other hand, stock investments tend to be mentioned by those with household income of at least $25,000 (11 percent vs. 2 percent with less), those with household wealth of at least $100,000 (15 percent vs. 5 percent with less) and men (14 percent vs. 3 percent of women). Those with at least $25,000 in household income (13 percent vs. 0 percent with less) or $100,000 in household wealth (21 percent vs. 5 percent with less) are also more likely to cite a savings strategy.

Retirees age 70 and over are among those likely to think there is nothing they can do to protect themselves (24 percent vs. 8 percent of younger retirees). Those with less than $25,000 in household income (24 percent vs. 9 percent with more) or less than $25,000 in household wealth (21 percent vs. 10 percent with more) are also more likely than their counterparts to believe there is nothing they can do.

Reductions in Living Expenses

Reducing living expenses appears to be the most common strategy that retirees adopt to cope with risk. When they are required to reduce their living expenses, there are some cutbacks that many seem to find acceptable and others that few would willingly adopt. Among the more acceptable cutbacks are those that involve a change in personal lifestyle. Almost half of retirees say they would find it *very* acceptable to eat out in restaurants less often (48 percent), while roughly four in 10 each indicate it would be *very* acceptable to take fewer vacations (43 percent), spend less on social, leisure, or cultural activities (42 percent) or spend less on gifts (38 percent). A reduction in living expenses that involves moving, either to a smaller home (27 percent) or to a less expensive area of the country (16 percent), is considered *very* acceptable by fewer retirees. Just two in 10 would willingly cut back on some types of health care expenses by going to the doctor less often (19 percent) or spending less on medications (18 percent). (See Figure 10.)

Figure 10
Reductions in Living Expenses
If you found yourself needing to reduce your living expenses, how acceptable would it be for you (and your spouse) to do each of the following?

Retirees (n=273)

	Very Acceptable	Somewhat Acceptable	Not Acceptable	NA/Don't Know	First Reduction
Eat out in restaurants less often	48%	32	15	4	19%
Take fewer vacations	43%	31	15	12	18
Spend less money on social, leisure, or cultural activities	42%	41	13	4	14
Spend less money on gifts each year	38%	46	12	4	15
Move into a smaller house or apartment	27%	34	34	5	12
Go to the doctor less often	19%	32	42	6	4
Spend less on medications	18%	24	50	7	7
Move to a less expensive area of the country	16%	19	63	3	2
[VOL] Don't know/Refused					5
[VOL] None of these					3

While most retirees say that more than one item on this list is a *very* acceptable reduction to their living expenses, few would find most of these reductions acceptable. Only one in 10 say that six or more reductions are *very* acceptable (10 percent). One-quarter would be willing to give up four to five items or two to three items (25 percent each). Seventeen percent would find only one of these reductions *very* acceptable, while another quarter would not consider it *very* acceptable to give up any of these items (24 percent).

When asked what their *first* reduction would be, retirees are again most likely to cite a change that involves personal lifestyle—eating out less often in restaurants (19 percent), taking fewer vacations (18 percent), spending less on gifts (15 percent) and spending less on activities (14 percent). Just over one in 10 each say they would first move to a smaller home (12 percent) or cut back on health care expenses (10 percent), while only 2 percent would choose to move to a less expensive area of the country.

There are few differences by subgroup in the actions that retirees would find acceptable if they discovered they needed to reduce their living expenses. Retirees with less than $25,000 in household income are more likely than those with higher income to find going to the doctor less often (28 percent vs. 17 percent) and spending less on medications (31 percent vs. 14 percent) *very* acceptable. Similarly, the propensity to find spending less on medications *very* acceptable decreases as education or household wealth increase. Reducing costs for health care may be more acceptable to less wealthy households simply because they have fewer options available. Wealthier households may have more personal lifestyle reduction choices and may not have to face reducing health care expenditure.

College graduates are more likely than those with less education to be willing to move to a smaller home (46 percent *very* acceptable vs. 21 percent), just as those with at least $50,000 in household income are more apt than those with lower income (42 percent vs. 22 percent) and those with at least $25,000 in household wealth are more apt than those with less wealth (36 percent vs. 16 percent). Willingness to move to a smaller home also decreases as health status declines. College graduates are more likely than those with less education to be willing to move to a less expensive area of the country (30 percent vs. 12 percent). Married retirees are more likely than those who are not married to be willing to move to another area (20 percent vs. 10 percent), perhaps because they take a support system with them when they do so. Retirees in the West are most likely to find moving to a less expensive area *very* acceptable (31 percent), while those in the Midwest are least likely to do so (4 percent). Finally, homeowners who still have a mortgage are more likely than those who own their home free and clear to be willing to move to a smaller home (37 percent vs. 23 percent) or to a less expensive area (25 percent vs. 13 percent).

Those who retired from white-collar occupations are more likely than those who retired from blue-collar occupations to find taking fewer vacations *very* acceptable (46 percent vs. 31 percent). Likewise, those who retired before age 62 are more apt than those who retired at a later age to find eating out in restaurants less often acceptable (56 percent vs. 37 percent).

RETIREMENT FINANCES

Retirement Income

The large majority of retirees have at least one regular source of income they can rely on to provide them with major funding for their retirement (80 percent). More than half of retirees find that Social Security is a source that provides them with a *major* source of income in retirement (54 percent), while four in 10 say they receive a *major* source of regular funding from an employer's defined benefit pension plan (41 percent). One in 10 say that regular income from an annuity or regular withdrawals from an employer's retirement savings plan provides them with a *major* source of income (11 percent). Eight percent receive a *major* source of income from regular withdrawals from a bank or investment account, and 5 percent do so from payments from an annuity purchased on their own. (See Figure 11.) In addition, some retirees cite other sources of income they rely on to provide them with regular income, including employment (13 percent) and income from rental property and real estate (6 percent).

Figure 11
Sources of Regular Income
I am going to read you some regular sources of income that can provide retirees with the same amount of money that they can count on each month. Is this a major, minor, or not a source of income for you (and/or your spouse)?

Retirees (n=273)

	Major Source	**Minor Source**	**Not a Source**	**Don't Know**
Social Security	54%	24	21	2
Regular income from an employer's defined benefit pension plan	41%	19	39	1
Money from an annuity or regular withdrawals from an employer's retirement savings plan, such as a 401(k), 403(b), or 457, or from funds rolled over from this type of plan	11%	25	63	1
Regular withdrawals from a bank or investment account	8%	25	67	<0.5
Annuity payments from an annuity purchased on your own or through an IRA set up on your own	5%	25	70	<0.5

It may seem surprising that two in 10 retirees say that Social Security is not a source of regular income (21 percent). This is due to the high proportion of retirees under age 65 who do not receive any income from this source (51 percent). Among retirees age 65 and older, more than nine in 10 report receiving income from Social Security (94 percent). The importance of Social Security as a source of income declines as household income, household wealth or education increase. For example, three-quarters of those with household income less than $25,000 indicate Social Security is a *major* source of income (75 percent), more than half with income of $25,000 to $49,999 say it is a *major* source (55 percent) and only three in 10 with income of $50,000 or more say it is a *major* source (29 percent). Among those who are both age 65 or over and have a household income less than $25,000, eight in 10 say Social Security is a *major* source of income (79 percent).

College graduates are more likely than those with less education to report that a defined benefit pension from their employer is a *major* source of income (55 percent vs. 37 percent). Likewise, retirees with household income of $25,000 or more are more apt than those with lower income to indicate this is a *major* source of income (54 percent vs. 14 percent). Those who are married tend to be more likely than those who are not married to have a pension as a *major* source of income (46 percent vs. 31 percent). Retirees from the uniformed services are more likely than other retirees to report a pension as a *major* source of income (59 percent vs. 39 percent). The likelihood of having a pension as a *major* source of income is also related to health status, with the propensity to call a pension a *major* source decreasing as health status declines. Moreover, those who retire between the ages of 55 and 61 are more likely than those who retire at age 62 or older to say a pension is a *major* or *minor* source of income as opposed to not a source of income (73 percent vs. 57 percent).

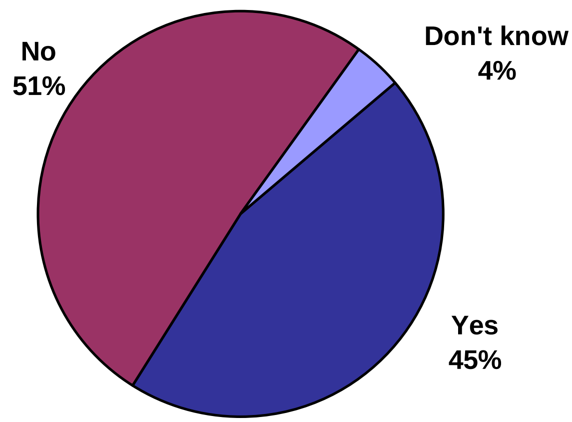
Other sources of income show far fewer variations by subgroup. Retirees with at least $100,000 in household wealth are more likely than those with less wealth to indicate money that originated in an employer's retirement savings plan is a *major* source of income (26 percent vs. 6 percent), and the likelihood of saying this money is a *major* source of income increases with household income. In addition, the propensity of regular withdrawals from a bank or investment account and payments from an annuity purchased on their own to be a *major* or *minor* source of income rises as household wealth increases.

Savings Adequacy

Having experienced some of the realities of retirement, half of retirees admit that they may not have saved enough money for retirement (51 percent). (See Figure 12.)

Figure 12
Personally Saved for Retirement
From what you know now, do you think you (and your spouse) saved enough money for retirement?

Retirees (n=273)

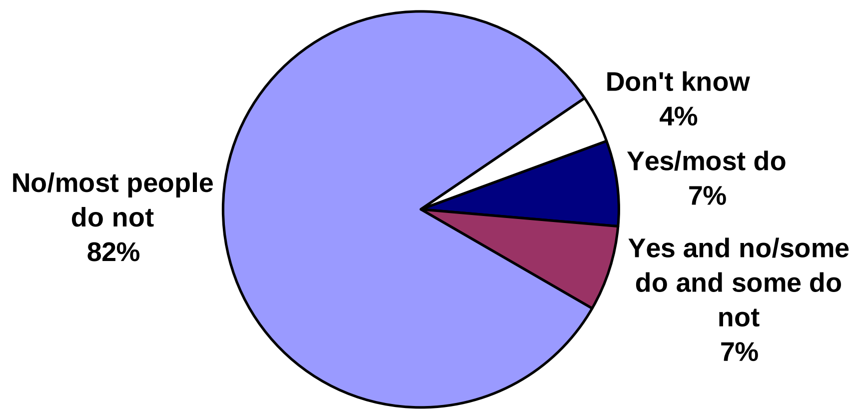


As might be expected, the likelihood of reporting that they have not saved enough money is strongly related to household income, household wealth, education or health status, rising as any of these factors decrease. Moreover, retirees who do not have a pension are more likely than those who do to say they have not put enough money away for retirement (64 percent vs. 41 percent), and blue-collar and other white-collar retirees are more likely than those from executive, professional, technical and managerial occupations to say they have not saved enough (blue-collar 60 percent, other white-collar 70 percent, executive/professional 41 percent). Those living in the Northeast (61 percent) and South (57 percent) are more apt than those in the Midwest (44 percent) and West (37 percent) to report that they have not saved enough for retirement.

Yet retirees are more likely to believe they have saved enough than they are to believe Americans, in general, save enough for retirement. More than eight in 10 retirees think that most people in the United States do not save enough money to live comfortably throughout retirement (82 percent). Seven percent say some people do and some do not, while another 7 percent think most people do save enough. (See Figure 13.) These results are essentially unchanged from the 2001 survey.

Figure 13
Saving for Retirement in America
In general, do you think that people in the United States save enough money to live comfortably throughout their retirement years?

Retirees (n=273)



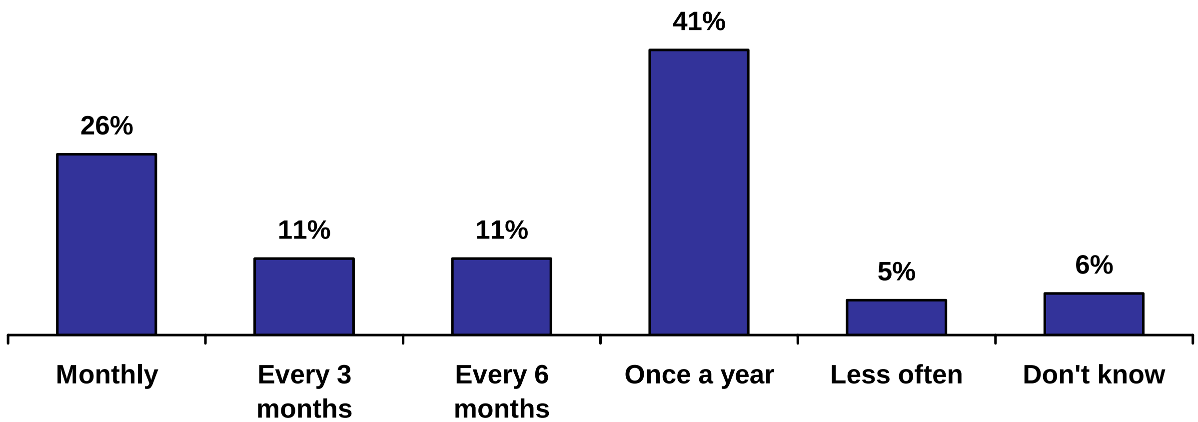
Retirees who feel they did not save enough themselves are more likely than those who feel they did to believe Americans do not save enough money for retirement (94 percent vs. 68 percent). Retirees who do not have a pension from their employer are more likely than those who do to think Americans do not save enough (90 percent vs. 76 percent). In addition, retirees who rent their home (93 percent) or who own their home but still have a mortgage (87 percent) are more apt than those who own their home free and clear (76 percent) to believe that people do not put enough money away. Retirees from other white-collar occupations (98 percent) are also more likely than those from executive, professional and technical occupations (79 percent) and from blue-collar occupations (83 percent) to think people in the United States do not save enough. Finally, the likelihood of thinking people do not save enough decreases as age increases.

Financial Records

The majority of retirees say they keep regular records of their financial assets and expected retirement income (69 percent). Of those who keep records, most update them regularly. One-quarter update these records once a month (26 percent), while one in 10 each update them about every three months (11 percent) or every six months (11 percent). However, four in 10 bring them up to date only once a year (41 percent), and 5 percent admit they do so every other year or less often. (See Figure 14.)

Figure 14
Updating of Financial Records
About how often do you (and your spouse) update these records?

Among retirees keeping regular records of financial assets and expected retirement income (n=189)



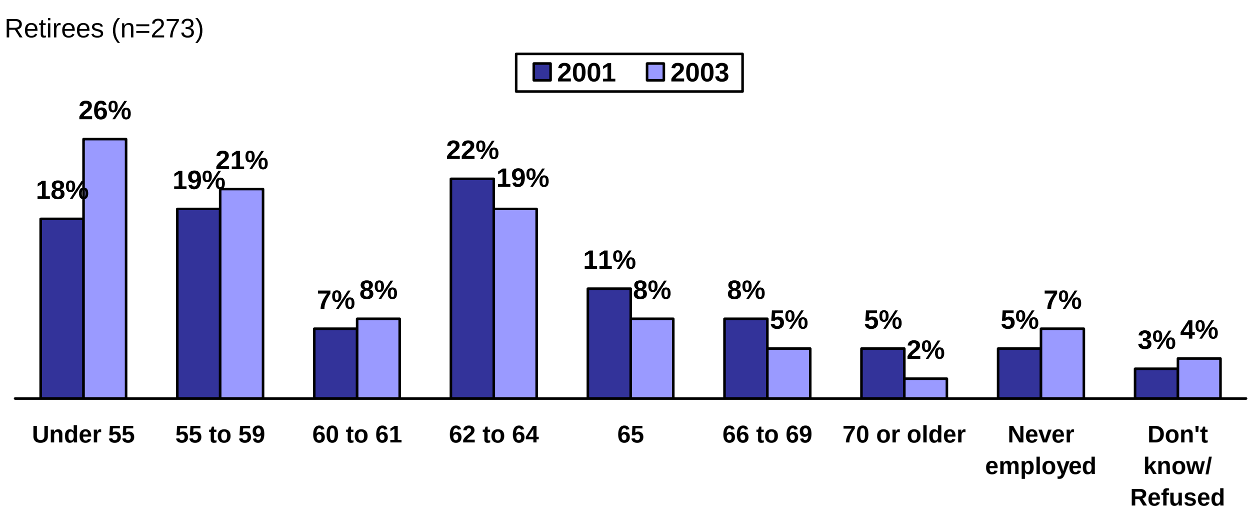
The likelihood of keeping financial records rises as education or household wealth increase. Retirees with household income of $25,000 or more are more likely than those with lower income to keep records (80 percent vs. 42 percent). Likewise, those who have a pension from an employer are more likely to keep these types of records than are those who do not have a pension (77 percent vs. 58 percent). Those in *excellent* or *very good* health are also more apt than those in poorer health to keep records (76 percent vs. 61 percent), but this may be an intervening effect of household income on record keeping rather than a direct effect of health status.

THE RETIREMENT EXPERIENCE

Retirement Age

Almost three-fourths of retirees say they retired from their primary occupation before age 65 and, therefore, before they reached Social Security normal retirement age. Two in 10 report they retired when they were 62 to 64 years old (19 percent), while three in 10 retired when they were 55 to 61 years old (29 percent). A surprisingly large percentage of retirees reports retiring before age 55 (26 percent). Less than one in 10 say they retired when they were 65 (8 percent), and just 7 percent say they were older. Seven percent of retirees (all but one of whom is female) indicate they were never employed or were employed only sporadically. (See Figure 15.)

Figure 15
Age at Retirement
How old were you when you retired from your primary occupation?



There has been a considerable shift in the reporting of retirement age from the 2001 Retirement Risk Survey. The percentage of retirees saying they left the workforce before age 55 has increased from 18 percent in 2001 to 26 percent in 2003, while the percentage saying they left the workforce at age 65 or later has decreased from 24 percent to 15 percent. Since retirement occurred before 2001 for most retirees, it is extremely unlikely that actual retirement age will have changed to this extent in just two years. Therefore, alternate explanations for this change must be sought. One likely explanation for this change appears to be a slight modification to the wording of one question that helps to distinguish between pre-retirees and retirees—the addition of the phrase “or primary occupation” was added to the question, “Do you consider yourself retired from a previous career or primary occupation?” In fact, more respondents do respond positively to this question in the 2003 survey than in the 2001 survey and are, therefore, classified as retirees. Furthermore, over half of the retirees who respond to this question provide a retirement age of under 55. A second contributory factor may be the decision to limit this year's sample to those 80 and under, since older samples are more likely to include people with later retirement ages. If the respondents classified as retirees through the changed question are eliminated from each sample and the 2001 sample is further limited to people age 80 and under, the proportions of retirees saying they retired before age 55 are roughly equal.

The substantial number of retirees leaving their primary occupation before age 55 in the sample raised concerns that these early retirees might be different from other retirees. Analyses of the survey data were conducted to determine if the responses of these retirees were skewing the survey results. However, when a comparison was made on major questions of the results of the total sample and the results of the sample excluding those retiring before age 55, all differences found (except for one) were well within the margin of error for the samples. The one difference that was noted is that those retiring from their primary occupation before age 55 are more likely than those retiring at a later age to say they had switched to a different career.

Reasons for Retiring

When asked what event or situation caused them to consider themselves retired, retirees volunteer a variety of different responses. One-quarter simply define retirement as the age at which they stopped working completely (22 percent) or their spouse stopped working (3 percent). Two in 10 say they retired because of a health problem, disability or inability to work (19 percent). One in six mention being forced out of work because their company closed or downsized (11 percent) or they had to take early retirement (5 percent). One in seven say they started receiving a pension (10 percent) or met the age or years of service requirements for their position (4 percent). One in 10 say they continued working in another form, either by switching to a different career (7 percent), switching to part-time or contract work (2 percent) or starting the process of stopping work (1 percent). Five percent each say they retired at that age to take care of a family member, they got tired of working or wanted to enjoy life or they had enough money to stop working. (See Figure 16.)

Retirees who rate their health as *good*, *fair* or *poor* are more likely than those who consider it to be *excellent* or *very good* to say they retired due to a health problem, disability or inability to work (32 percent vs. 9 percent). Similarly, those with household income under $25,000 are more likely than those with higher income (33 percent vs. 15 percent) and those with household wealth under $25,000 are more likely than those with higher wealth (34 percent vs. 17 percent) to indicate they retired for health related reasons. Since those with lower income are more likely to be in poorer health, these correlations are not surprising.

Figure 16
Reason for Retiring
What event or situation occurred at age X that leads you to say you retired at that age? (multiple responses accepted)

Among retirees providing age at retirement (n=242)

	Retirees
Stopped working completely	22%
Health problems/became disabled/unable to work	19%
Company closed/downsized	11%
Started receiving pension	10%
Switched to another career	7%
Spouse/family member had medical problem/had to take care of family	5%
Got tired of working/had enough/ready to retire/want to enjoy life	5%
Forced into early retirement/offered package	5%
Had enough money to stop working	5%
When met age/years of service requirements	4%
Spouse stopped working	3%
Switched to part-time/contract work	2%
Started process of stopping work	1%
Other	6%
Don't know	1%

Two groups of retirees are especially likely to say they retired at a particular age in order to switch to a different career. Specifically, those who retired before age 55 are more likely than those who retired at a later age to cite this reason (15 percent vs. 4 percent) and those who classify their occupation as executive, professional, technical or managerial are more apt than others to switch careers (10 percent vs. 3 percent).

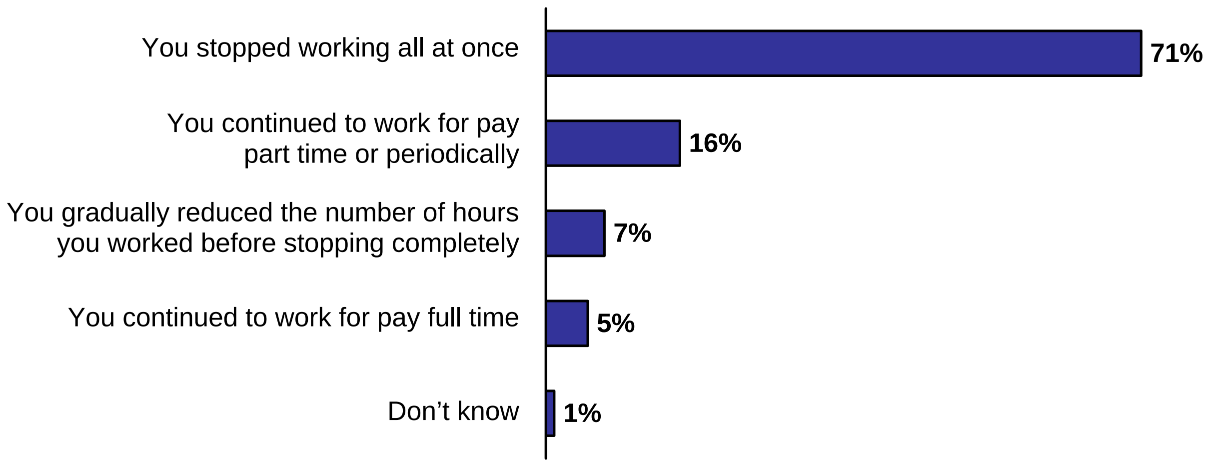
Retirees who left the workforce between the ages of 55 and 61 are more likely than others to report retiring because they could afford to do so. One in 10 say they retired when they did because they had enough money to stop working (11 percent), compared with 2 percent of those who retired at an earlier age and 1 percent of pre-retirees who retired at a later age.

The Retirement Process

Most retirees say their retirement from their primary occupation began when they stopped working all at once (71 percent). However, one in six say they continued to work for pay part time or on a periodic basis (16 percent), 7 percent gradually reduced their working hours before they stopped working entirely and 5 percent continued to work for pay full time. (See Figure 17.)

Figure 17
The Retirement Process
Which statement comes closest to describing how you retired from your primary occupation?

Among retirees providing age at retirement (n=242)



Retirees with a pension from their employer are more likely than those who do not have a pension to say they stopped working all at once (77 percent vs. 61 percent). On the other hand, they are less likely to say they gradually reduced the number of hours that they worked before stopping completely (4 percent vs. 12 percent).

It may be useful at this point to note that one in 10 retirees report having retired with a pension from the uniformed services (9 percent). Because these retirees appear to differ in only a very few significant ways from other retirees, it was decided not to remove these retirees from the sample. However, one of the few ways they do differ is that no uniformed service retirees say they retired gradually, compared with 8 percent of all other retirees.

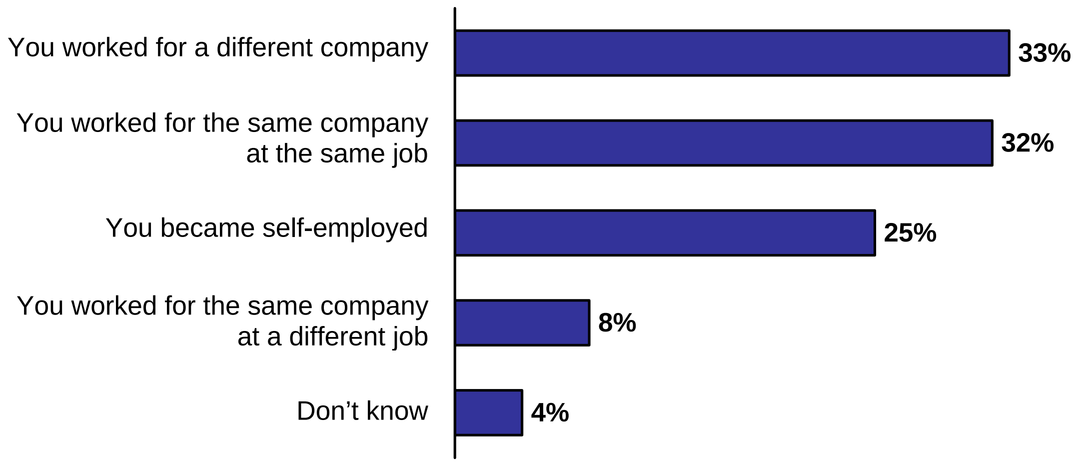
Retirees with household income of $50,000 or more tend to be more likely than those with lower income to indicate that they continued to work full time (12 percent vs. 3 percent), perhaps because full time work helped to bolster household income.

Working in Retirement

Retirees who continue to work in retirement pursue several different paths to remain employed. A total of four in 10 remain with the same company, either at the same job (32 percent) or at a different job (8 percent). One-third changes employers, moving to a new company (33 percent). One-quarter becomes self-employed (25 percent). (See Figure 18.)

Figure 18
Working in Retirement
When you worked in retirement, which statement comes closest to describing what you actually did?
(multiple responses accepted)

Among retirees who continued to work for pay in retirement (n=67)



More than half of these retirees report having worked on a regular basis throughout the year on a reduced schedule (52 percent). One-quarter say they worked on a project or as-needed basis (25 percent). Retirees less frequently report serving as a consultant (10 percent) or working seasonally (6 percent). Seven percent are unable or unwilling to fit their work experience into any of these categories.

Reasons for Reducing Work Schedule

Retirees who gradually reduced the number of hours they work in retirement or who worked part time in retirement have a wide variety of reasons for doing so, no single one of which predominates. Roughly one in three say finding he/she could afford to retire (32 percent) or wanted a different life balance (30 percent) were *major* reasons for reducing their schedule. About one-quarter each report a health problem or disability (25 percent) or family responsibilities (23 percent) were *major* reasons. Approximately two in 10 indicate they wanted to pursue other interests (20 percent) or were no longer interested in the commitment required by full-time work (17 percent). One in 10 or less say full-time work was not available (10 percent) or changes occurred at their company that made full-time work unavailable (5 percent). Six percent of married respondents indicate their spouse retired. (See Figure 19.)

Figure 19
Reasons for Reducing Work Schedule
Is this a major reason, minor reason, or not a reason why you chose to reduce the number of hours that you worked?

Among retirees reducing work schedule after retirement (n=56)

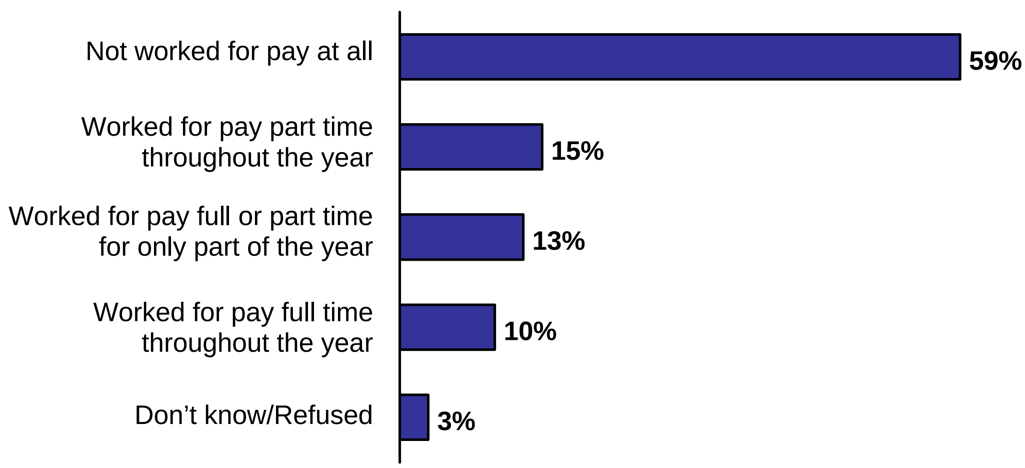
	Major Reason	**Minor Reason**	**Not a Reason**	**Don't Know**
Finding you could afford to retire	32%	22	43	4
Wanting a different life balance	30%	20	48	3
A health problem or disability that limited your ability to work	25%	9	65	0
Family responsibilities taking a lot of your time	23%	18	58	0
Wanting to pursue other interests	20%	26	52	2
No longer being interested in the commitment required by full-time work	17%	18	59	5
Full-time work not being available	10%	7	80	3
Your spouse retired (if married, n=29)	6%	11	81	2
Changes at your company, such as downsizing or closure	5%	11	82	2

Current Employment

A large number of previously employed retirees are still working at least sporadically during the year (37 percent). One in seven indicate that they work part time throughout the year (15 percent). Almost as many say they work full or part time only part of the year (13 percent). One in 10 report they currently work full time throughout the year (10 percent). However, the majority (59 percent) have not worked for pay at all in the past 12 months. (See Figure 20.)

Figure 20
Current Employment
In the past 12 months, have you . . . ?

Among retirees providing age at retirement (n=242)



It is interesting to note that a smaller proportion of retirees describe themselves as not having worked in the past 12 months (59 percent) than say they stopped working all at once (71 percent). This may be because the question about how people retired was qualified by the phrase "when you retired from your primary occupation." Some respondents simultaneously responded that they stopped work all at once in their primary occupation and that they continued working in a secondary occupation. In fact, two in 10 retirees who provided a retirement age say they retired all at once from their primary occupation but are now working for pay (21 percent). Almost half say they retired all at once and are not working (47 percent), one in six continued to work after retirement and are still working (17 percent) and one in 10 continued to work after retirement and are no longer working (12 percent). The return of some retirees to the workforce after retirement may also account for some discrepancies.

FINDINGS OF THE PRE-RETIREE SURVEY

RISKS AFFECTING RETIREMENT

Concern About Risk

Pre-retirees[3] are considerably more likely than in 2001 to express concern about several of the retirement risks examined in the survey. The large majority say they are *very* or *somewhat* concerned that they might not have enough money to pay for good health care (79 percent), a substantial increase since 2001 when less than six in 10 reported this level of concern about the same risk (58 percent). More than three-quarters of pre-retirees express concern about their savings and investments keeping pace with inflation (78 percent, up from 63 percent in 2001). Even more indicative of the rise in the level of concern, in each case the increase has occurred almost entirely among those who are *very* concerned rather than among those who are *somewhat* concerned. (See Figure 21.)

Figure 21
Retirement Risks
How concerned are you . . ? Which of these are you most concerned about?

Pre-retirees (2003 n=331; 2001 n=318)

	Very Concerned	Somewhat Concerned	Not Too Concerned	Not at All Concerned	Most Concerned*
That you might not have enough money to pay for good health care					
2003	49%	30	8	13	24%
2001	30%	28	19	23	
That you might not be able to keep the value of your savings and investments up with inflation					
2003	42%	36	13	8	14
2001	24%	39	19	17	
That you might deplete all of your savings and be left only with Social Security					
2003	36%	29	18	16	12
2001	(not asked)				

*Not asked in 2001

[3] Non-retired respondents are referred to as pre-retirees in this report regardless of employment status. In actuality, 78% of pre-retirees are employed, 6% are laid-off or unemployed and seeking work, and the remainder is not employed.

Figure 21 (continued)
Retirement Risks
How concerned are you . . ? Which of these are you most concerned about?

	Very Concerned	Somewhat Concerned	Not Too Concerned	Not at All Concerned	Most Concerned*
That you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life					
2003	34%	37	18	11	15
2001	20%	35	28	17	
That you might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home due to poor health or frailty					
2003	33%	32	16	18	10
2001 (at home)	24%	33	23	21	
2001 (in a nursing home)	24%	28	24	24	
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)					
2003 (n=207)	25%	22	26	27	4
2001 (n=211)	17%	23	29	31	
That you might not be able to afford to stay in your current home for the rest of your life					
2003	19%	25	23	33	6
2001		(not asked)			
That you might not be able to leave money to your children or other heirs					
2003	13%	25	29	32	5
2001		(not asked)			
That you might not be able to rely on children or other family members to provide assistance					
2003	13%	20	25	40	1
2001		(not asked)			
[VOL] Don't know/Refused		(not asked)			3
[VOL] None of these		(not asked)			6

*Not asked in 2001

Seven in 10 say they are concerned about being able to maintain a reasonable standard of living for the rest of their life (71 percent *very or somewhat* concerned, up from 54 percent in 2001). Two-thirds express concern about paying for long-term care (66 percent) and depleting their savings so that they must rely solely on Social Security (65 percent).

Less than half of pre-retirees are *very* or *somewhat* concerned about each of the remaining risks. These include the risk of a spouse not being able to maintain the same standard of living after the respondent's death (47 percent of married respondents) and not being able to afford to stay in the respondent's current home (44 percent). Less than four in 10 say they are concerned about their ability to leave money to children or other heirs (38 percent) or the possibility of not being able to rely on their children or other family members to provide assistance (33 percent).

Pre-retirees are likely to be concerned about multiple risks. In fact, six in 10 are *very* or *somewhat* concerned about five or more retirement risks examined in the study (61 percent). They are also likely to be *very* concerned about more than one. One-quarter say they are *very* concerned about five or more of the risks (25 percent), while another one in six are *very* concerned about three or four (17 percent). Almost three in 10 have this level of concern about only one or two risks (28 percent) and three in 10 do not say they are *very* concerned about any of the risks examined (30 percent).

By a wide margin, pre-retirees are *most* likely to be concerned about being able to pay for good health care (24 percent). Roughly one in seven are *most* concerned about maintaining a reasonable standard of living (15 percent), keeping up with inflation (14 percent) or depleting their savings and being left with Social Security (12 percent). One in 10 indicate they are *most* concerned about affording long-term care (10 percent). Smaller percentages are *most* concerned about each of the other risks. However, 6 percent are *most* concerned with none of the risks examined in the study, and 3 percent do not know which one they are *most* concerned about.

Overall, the likelihood of saying that these risks are of high concern increases as household income, household wealth or education decrease. It also increases as health status declines. For example, those with less than $35,000 in household income are more likely than those with at least $75,000 to be *very* concerned about paying for good health care (57 percent vs. 35 percent). Likewise, married pre-retirees in *good*, *fair* or *poor* health are more apt than those in *excellent* health to express this level of concern about their spouse not being able to maintain the same standard of living after their death (39 percent vs. 15 percent).

Perhaps because those who do not have adequate savings and pensions often plan to work longer, pre-retirees planning to retire at older ages tend to be more likely than those planning to retire at earlier ages to express concerns about risks. In particular, they are more likely to be very or somewhat concerned about the risks of being able to maintain a reasonable standard of living, having to rely only on Social Security and not being able to afford to stay in their home.

While women are more likely than men to say they are *very* or *somewhat* concerned about being able to leave money to their heirs (46 percent vs. 31 percent), men are more likely than women to be very concerned about their spouse being able to maintain a reasonable standard of living after their death (33 percent vs. 18 percent). Men and women are equally likely to be concerned about the risk of needing long-term care.

Knowledge of Life Expectancy

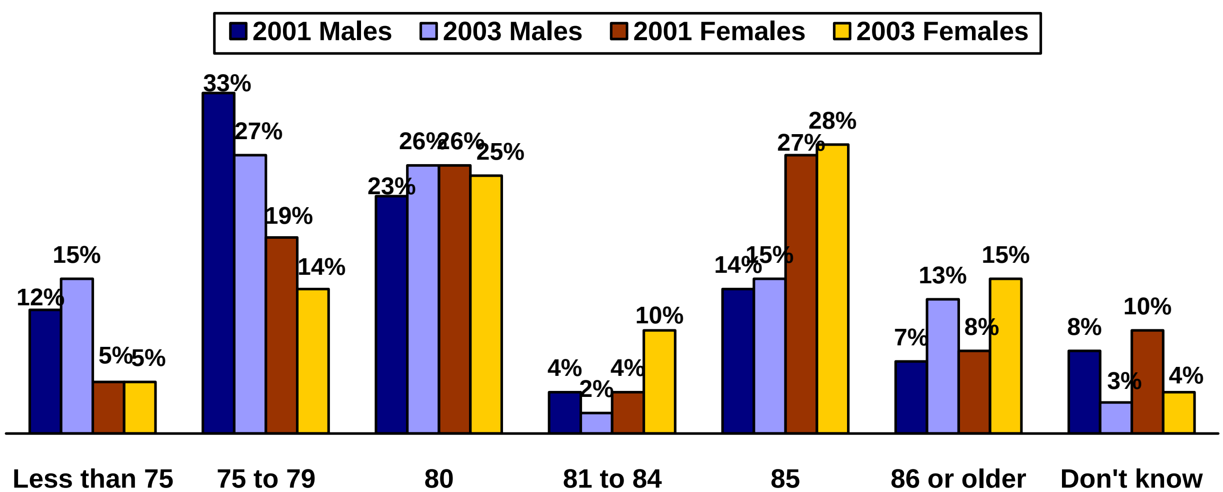
As with retirees, pre-retirees were also asked three questions about life expectancy—the life expectancy for an average 65-year-old, their personal life expectancy and finally, the difference between their personal life expectancy and that of the average person.

Consistent with findings in 2001, two-thirds of male pre-retirees (67 percent) underestimate the life expectancy of the average 65-year-old man (81 to 83 years). Three in 10 estimate that the average man will live to the age of 81 or beyond (30 percent).

Female pre-retirees tend to provide a slightly more accurate estimate of the average 65-year-old woman's life expectancy (85 to 86 years). Only about half of females underestimate this average life expectancy (54 percent). More than four in 10 think the average woman could expect to live to age 85 or older (43 percent). These results are consistent with the 2001 findings. (See Figure 22.)

Figure 22
Life Expectancy at Age 65
Until what age do you think the average 65-year-old male/female can expect to live?

Pre-retirees (Males 2001=122, 2003=163; Females 2001=171, 2003=168)

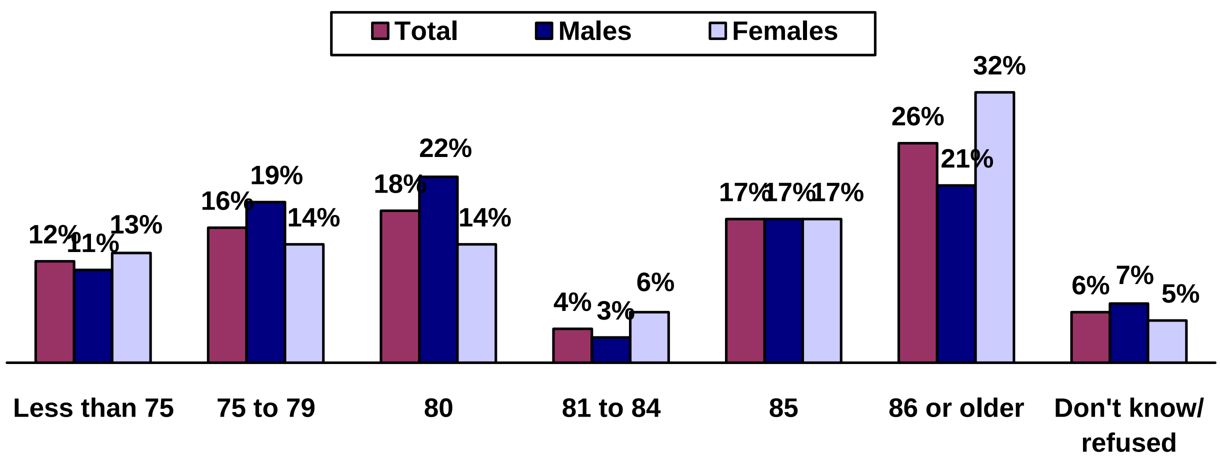


Pre-retirees with household wealth of at least $100,000 have a higher mean response about life expectancy than those with less than $25,000 in household wealth (82 years vs. 80 years).

When pre-retirees are asked how long they, themselves, expect to live, nearly half say they will live to be no older than 80 (46 percent). (68 percent of pre-retirees are currently age 45 to 54 and 29 percent are age 55 to 64.) Still, one-quarter of pre-retirees express a more optimistic view about themselves (26 percent), saying that they expect to live to be older than 85 years old. Female pre-retirees are more likely than male-retirees to expect to live until age 86 or older (32 percent vs. 21 percent). (See Figure 23.)

Figure 23
Personal Life Expectancy
Until what age do you think that you, yourself, can expect to live?

Pre-retirees (Total=331; Males=163; Females=168)



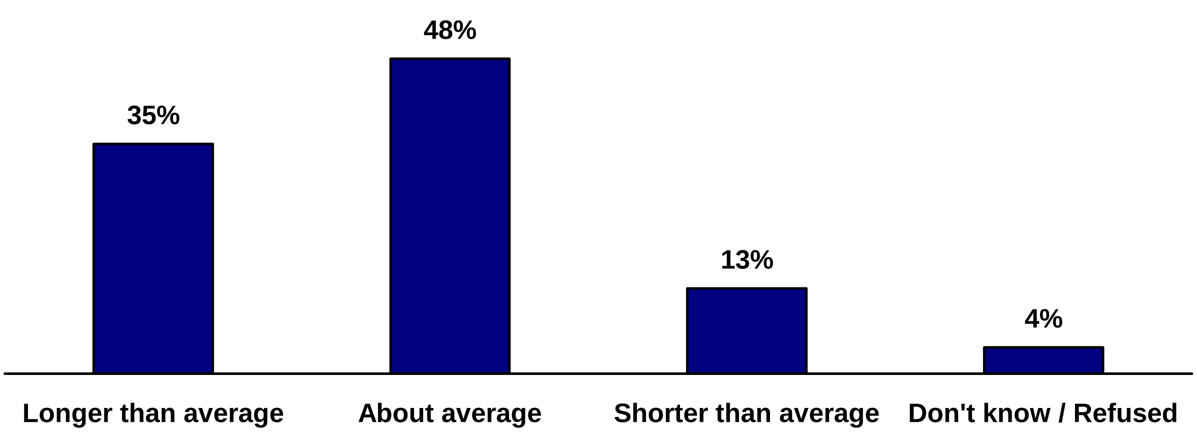
Almost two in 10 pre-retirees give a personal life expectancy that is close to their actual average life expectancy based on their respective ages. (Pre-retirees range in age from age 45 through age 64. Just 3 percent are over age 65.) This includes 8 percent who are on target, 1 percent who overestimate their average life expectancy by only one year and 9 percent who underestimate it by only one year. Four in 10 cite a personal life expectancy that is less than their average life expectancy. Five percent expect to live two to four years less than average and 36 percent expect to live at least five years less. More than a third expect to live longer than average, 10 percent by two to four years and 24 percent by five years or more.

Some reasons for these differences may be differences in family and personal health. Personal life expectancy increases with health status. It also increases with household income, household wealth and education.

Asked specifically about how their personal life expectancy compares with the average, more than one-third of pre-retirees say it is longer than average (35 percent). Half say they will enjoy an average life expectancy (48 percent), and only about one in 10 say they expect to live a shorter than average life (13 percent). (See Figure 24.) (It is clear from the previous comparison that many pre-retirees are incorrect in their comparisons of their own life expectancy with the average person their age. However, it is not entirely clear from the wording and sequence of the survey questions whether respondents were comparing their own life expectancy with that of the average person their age or with that of the average 65-year-old.)

Figure 24
Estimate of Difference Between Personal and Average Life Expectancy
Do you think that is longer than average, about average or shorter than average?

Pre-retirees (n=331)



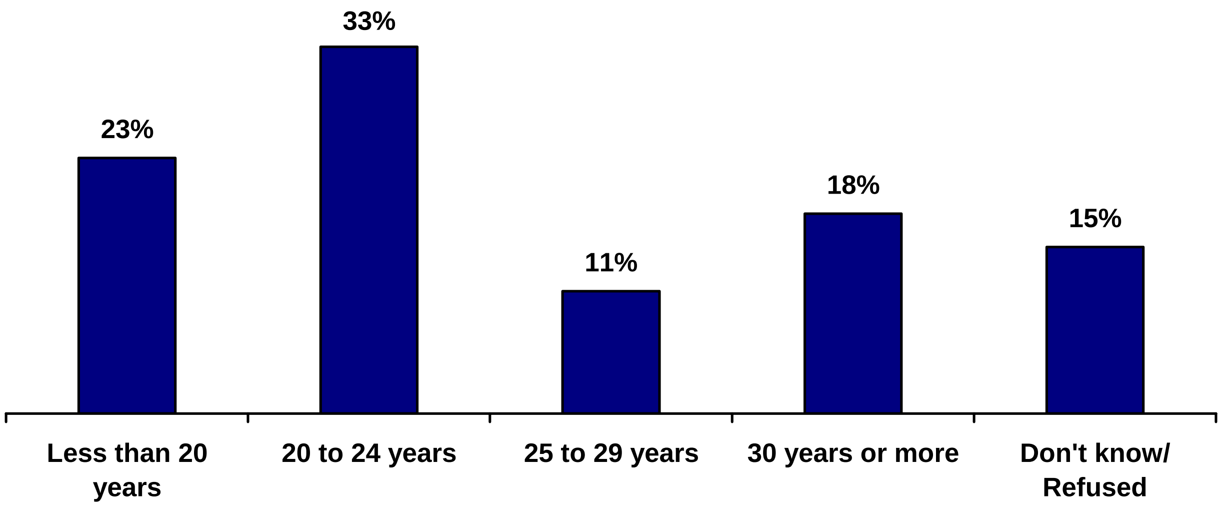
Pre-retirees in *good*, *fair* or *poor* health are more likely than those in *excellent* or *very good* health to think they will live a shorter than average life (25 percent vs. 8 percent).

Length of Retirement

Almost one-quarter of pre-retirees estimate that their retirement will last less than 20 years (23 percent). One-third believes it will last between 20 and 24 years (33 percent). Nearly as many believe they will spend 25 years or more in retirement (29 percent). However, one in seven are unable to estimate how long their retirement will last (15 percent). (See Figure 25.)

Figure 25
Expected Length of Retirement
How many years do you expect your retirement to last?

Pre-retirees (n=231)



Those who describe their health as either *good*, *fair* or *poor* (39 percent) and those with household wealth of under $25,000 (35 percent) are among the most likely to believe they will live in retirement for less than 20 years. Conversely, those who believe their health is *excellent* (27 percent) and those who hold an executive or professional position (22 percent) are most likely to say they will live in retirement for 30 years or more.

It is desirable that pre-retirees recognize their personal life expectancy and take it into account when calculating their years in retirement. A substantial portion of pre-retirees who provided retirement age and years in retirement consistently estimate the number of years they will live in retirement in conjunction with their life expectancy. Among those who provided all three pieces of information, the sum of retirement age and years in retirement is within four years of personal life expectancy for six in 10 (59 percent). The remaining pre-retirees are more apt to overestimate (26 percent) than to underestimate (15 percent) the time they will spend in retirement.

Strategies for Managing Risk

Pre-retirees are more likely to attempt to manage risk by trying to boost their personal savings than by spreading risk. Seven in 10 pre-retirees say they are described *very* or *somewhat* well by the statement, "I try to reduce unnecessary spending so I can set aside as much money as possible for retirement" (73 percent). The second most common strategy for managing risk is the purchase of insurance to financially protect against scenarios such as extended nursing care (58 percent). This is an increase from the 2001 results, when fewer than half said the same (48 percent). (See Figure 26.)

Figure 26
Strategies for Managing Risk
For each one I read, please tell me if the statement describes you very well, somewhat well, not too well, or not at all.

Pre-retirees (2003 n=331; 2001 n=318)

	Very Well	Somewhat Well	Not Too Well	Not At All Well
I/we try to reduce unnecessary spending so that I/we can set aside as much money as possible to keep the value of my/our savings growing.				
2003	24%	49	15	11
2001	26%	41	19	14
I/we try to invest a considerable portion of money in stocks and stock mutual funds, hoping that in the long run their value will rise enough to provide me/us with a comfortable lifestyle.				
2003	25%	30	13	30
2001	19%	37	16	26
I/we think it is a good idea to buy insurance to protect financially against things like the possibility of needing extended nursing care.				
2003	22%	36	17	24
2001	16%	33	25	26
I/we think it is a good idea to buy annuities, because they protect people by paying a guaranteed income for life, no matter how long you live.				
2003	13%	31	17	37
2001	11%	32	20	35

Many others describe themselves as using a strategy of putting a considerable portion of money in stock investments, hoping that their increasing value over the long run will provide a comfortable lifestyle (55 percent). Pre-retirees are least likely to think it a good idea to ensure a regular income throughout retirement by purchasing an annuity (43 percent).

The likelihood of adopting a strategy of placing money in stock investments increases with household income or household wealth. Also saying the same are college graduates (64 percent vs. 49 percent with less education), those who expect to retire before age 65 (70 percent, compared with 54 percent of those retiring later) and those with a mortgage (65 percent vs. 38 percent of renters).

Younger pre-retirees (under age 50) are more apt than older pre-retirees to subscribe to the idea of buying insurance to protect against risks (69 percent vs. 51 percent). Those with a household income of $35,000 or more (48 percent) are among the most likely to be open to the purchase of an annuity.

Actions Taken to Protect Against Risk

While more than half of pre-retirees think risk sharing through insurance is a good idea, few have taken steps to protect themselves against things like the possibility of needing extended nursing home care. In fact, more than half say they have not done anything (45 percent) or believe that there is nothing they can do (11 percent). Less than one in five say they have purchased long-term care insurance (17 percent), and one in 10 report having purchased health insurance (9 percent). Very few report taking any other steps that would lead to risk pooling. (See Figure 27.)

Pre-retirees who believe it is a good idea to purchase insurance are more likely to say that they have made a purchase than are those who do not think this is a good idea. Almost three in 10 of those who think the statement about insurance as a risk-management strategy describes them *very* or *somewhat* well claim to have purchased long-term care insurance (28 percent), compared with only 2 percent who say the statement describes them *not too* or *not at all* well. Similarly, they are more likely to say they have purchased health insurance (12 percent vs. 4 percent). They are also less likely to say they have not done anything (35 percent vs. 56 percent) or that there is nothing they can do (6 percent vs. 19 percent).

Those who hold an executive or professional position (21 percent) are more likely than other white-collar workers (6 percent) to say that they purchased long-term care insurance.

Those with at most a high school degree (23 percent vs. 5 percent with higher education), those with a household income under $50,000 (17 percent vs. 6 percent with higher income), those with less than $25,000 in household wealth (24 percent vs. 5 percent with higher wealth) and those who describe their health as *good*, *fair*, or *poor* (20 percent vs. 6 percent in better health) are most likely to say that there is nothing they can do to protect themselves against possibilities such as needing extended nursing home care.

Figure 27
Actions Taken to Protect Against Needing Things Like Long-Term Care
What have you (and your spouse) done to protect yourself/yourselves financially against things like the possibility of needing extended nursing care?
(multiple responses accepted)

Pre-retirees (n=331)

	Pre-retirees
Purchased long-term care insurance	17%
Purchased health insurance	9%
Saving against possibility of needing care	6%
Maintain healthy lifestyle: exercise, routine doctor visits	5%
Looked into purchasing long-term care insurance	2%
Intend to purchase long-term care insurance	1%
Looked into to purchasing health insurance	1%
Other	4%
Haven’t done anything	45%
Nothing I can do	11%
Don’t know/Refused	3%

Actions Taken to Protect Against Needing to Cut Back on Lifestyle

While quite a few pre-retirees are able to name some type of action they have taken to protect themselves against the possibility of having to cut back substantially on their lifestyle, very few name an annuity purchase (3 percent) or obtaining information about an annuity (2 percent). Instead, most focus on cutting back on spending (25 percent), increasing savings (18 percent) and investing in stocks or mutual funds (17 percent). At the same time, one-quarter has not taken any action to protect themselves—14 percent say they just have not done anything, while one in 10 believe there is nothing they can do (11 percent). (See Figure 28.)

Figure 28
Actions Taken to Protect Against Needing to Cut Back on Lifestyle
What have you (and your spouse) done to protect yourself/yourselves against the possibility of having to cut back substantially on your lifestyle? (multiple responses accepted)

Pre-retirees (n=331)

	Pre-retirees
Cut back on spending	25%
Saved/have always saved	18%
Invested in stocks/stock mutual funds	17%
Have insurance: life, long-term care, health, disability	4%
Continue to work/have worked extra	4%
Bought real estate/invested in property	4%
Purchased an annuity	3%
Have no debt, use no credit	2%
Looked into purchasing an annuity	2%
Moved to less expensive area/smaller house	1%
Paid off mortgage	1%
Intend to purchase an annuity	<0.5%
Other	7%
Haven't done anything	14%
Nothing I can do	11%
Don't know/Refused	4%

Not surprisingly, virtually all of those who have purchased an annuity are those who think that annuities are a good idea. However, only 7 percent of pre-retirees who think annuities are a good idea say they have actually purchased one. And while they are somewhat less likely than those who do not think annuities are a good idea to say they have done nothing to protect themselves against a reduction in lifestyle (9 percent vs. 17 percent), there is little evidence of this in their responses to this question.

Those who are not married (36 percent vs. 19 percent of married pre-retirees), those who have not graduated college (35 percent vs. 12 percent of college graduates) and those with household incomes under $50,000 (33 percent vs. 17 percent with income of at least $50,000) are most likely to say they have protected themselves by cutting back on spending.

Pre-retirees with household incomes of $75,000 or more (34 percent vs. 13 percent with less) and those with a household wealth of $25,000 or more (26 percent vs. 6 percent with less) are among the most likely to say they have always saved their money. These same groups are also among the most likely to say they invested in stocks or stock mutual funds.

Men (18 percent) are more likely than women (9 percent) to say they have not done anything to protect themselves. Those with household wealth under $25,000 believe there is nothing they can do (24 percent vs. 7 percent).

<u>Reductions in Living Expenses</u>

If pre-retirees were forced to reduce living expenses once they retired, many would begin by making lifestyle changes. In particular, half would find it *very* acceptable to spend less money on gifts each year (49 percent) and to eat out less often in restaurants (49 percent). Almost four in 10 would take fewer vacations (37 percent) or sacrifice some social, leisure or cultural activities (36 percent).

Pre-retirees are less willing to scrimp on housing or medical care. Only one-third would find it *very* acceptable to move to a smaller home (34 percent), and only two in 10 would move to a less expensive area of the country (21 percent). Just two in 10 think it would be acceptable to go to the doctor less often (21 percent), and an even smaller proportion is willing to spend less on medications (16 percent). (See Figure 29.)

Most pre-retirees would find more than one of these reductions to be very acceptable, but only one-third are willing to make more than three of them (33 percent). Another third are willing to give up one or two (35 percent), and almost two in 10 find just one reduction *very* acceptable (18 percent). Fifteen percent indicate that none of these reductions are *very* acceptable.

Figure 29
Reductions in Living Expenses
If you found yourself needing to reduce your living expenses, how acceptable would it be for you (and your spouse) to do each of the following?

Pre-retirees (n=331)

	Very Acceptable	Somewhat Acceptable	Not Acceptable	NA/Don't Know	First Reduction
Spend less money on gifts each year	49%	44	5	2	18%
Eat out in restaurants less often	49%	37	11	4	25
Take fewer vacations	37%	45	12	6	17
Spend less money on social, leisure, or cultural activities	36%	52	10	1	12
Move into a smaller house or apartment	34%	40	25	1	12
Go to the doctor less often	21%	34	43	2	4
Move to a less expensive area of the country	21%	30	46	3	7
Spend less on medications	16%	22	56	6	2
[VOL] Don't know/Refused					1
[VOL] None of these					2

When asked what activity they would reduce *first*, one-quarter say they would cut back on eating in restaurants (25 percent), while one in five say they would spend less money on gifts each year (18 percent) or take fewer vacations (17 percent). More than one in 10 would *first* choose to cut back on activities (12 percent) or move to a smaller home (12 percent).

Interestingly, those who describe their health as *good*, *fair* or *poor* are more likely than healthier pre-retirees to believe it is *very* acceptable to go to the doctor less often as a means of cutting back on spending (30 percent vs.17 percent), perhaps because they spend more of their income on health care and have more medical encounters. College graduates are more apt than those with less education to find it acceptable to move into a smaller home (45 percent vs. 25 percent).

High school graduates and those with less education are more likely than those with higher education to say that cutting back on vacations would be their first reduction (28 percent vs. 12 percent) and less likely to say they would first cut back on eating in restaurants (14 percent vs. 30 percent).

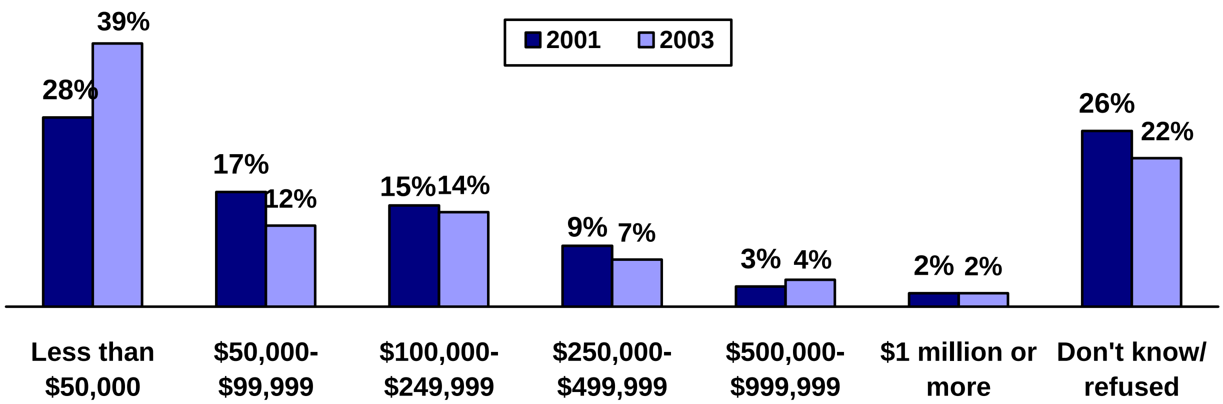
RETIREMENT FINANCES

Accumulated Savings and Investments

Pre-retirees report having saved relatively small amounts for retirement—half say they have saved less than $100,000 (51 percent). This includes four in 10 who say they have saved less than $50,000 (39 percent, up from 28 percent in 2001). One in five report having accumulated between $100,000 and $499,999 (21 percent), and another 6 percent say they have more than $500,000 in savings and investments. Over one-fifth are unable to or prefer not to say how much they have accumulated (22 percent). (See Figure 30.)

Figure 30
Savings and Investments
About how much money would you say you have in savings and investments, including money that you have in retirement plans at work in which you can decide how the money is invested?

Pre-retirees (2001=318, 2003=331)



Not surprisingly, the amount saved is related to income. Pre-retirees with household incomes less than $50,000 are eight times as likely as those with incomes of $50,000 or more to have less than $25,000 saved (53 percent vs. 6 percent). Conversely, those with an income of at least $50,000 are more apt to say they have accumulated at least $100,000 (51 percent vs. 8 percent).

Retirement Plans at Work

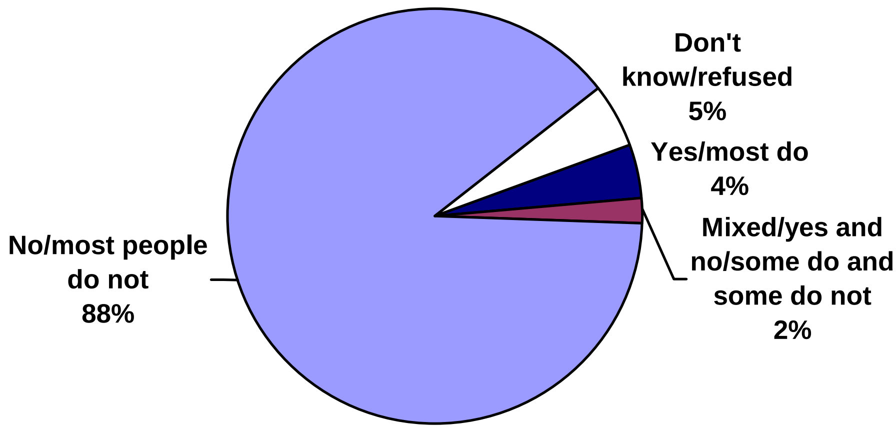
More than half of employed pre-retirees believe that the employer they will work for at the time they retire will provide them with a pension (52 percent). Two-thirds of those who expect to retire under the age of 62 (65 percent vs. 46 percent of those who expect to retire later) say they will receive a pension from this employer.

Saving for Retirement in America

Nine out of 10 pre-retirees believe that most people in the United States do not save enough to live comfortably throughout their retirement years (88 percent). Only 4 percent think most people do, while 2 percent say some people do and some people do not. (See Figure 31.) These findings are consistent with results from the 2001 survey.

Figure 31
Saving for Retirement in America
In general, do you think that people in the United States save enough money to live comfortably throughout their retirement years?

Pre-retirees (n=331)

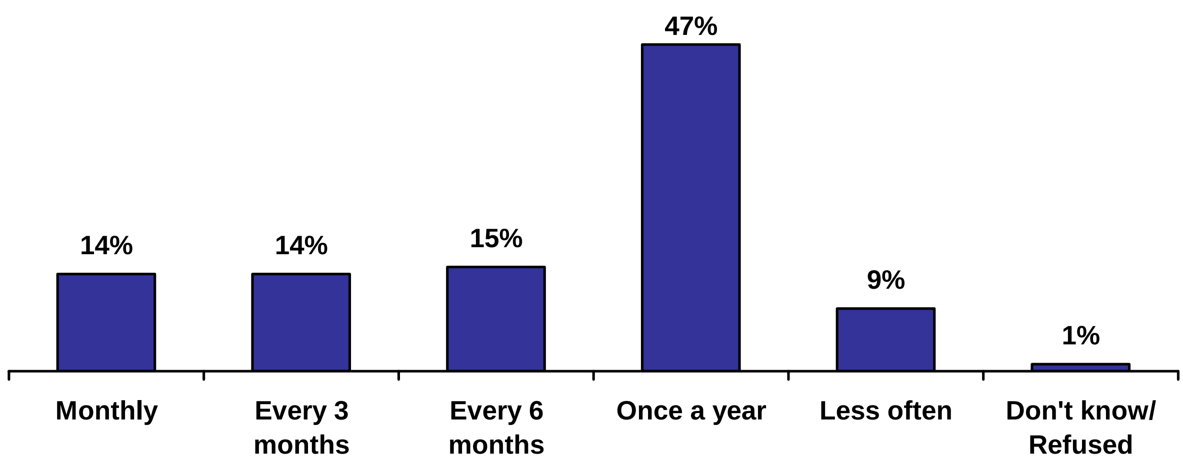


Financial Records

More than two-thirds of pre-retirees report that they or their spouse keep regular records of their retirement savings and expected retirement income (68 percent). Most say they update these records about once a year (47 percent), but just as many say they update their records more often than that (44 percent). (See Figure 32.)

Figure 32
Updating of Financial Records
About how often do you (and your spouse) update these records?

Among pre-retirees keeping regular records of financial assets and expected retirement income (n=226)



As might be expected, certain groups of pre-retirees are more likely than others to keep regular records of their retirement savings. These groups include those who are married (76 percent, compared with 55 percent of those who are not married), have a household income of at least $50,000 (79 percent vs. 58 percent with lower income) and have household wealth of at least $25,000 (81 percent vs. 40 percent with less wealth). Likewise, those who hold an executive or professional position (80 percent) or other white-collar position (74 percent) are more likely than blue-collar workers (54 percent) to say the same.

Those with a household income of at least $50,000 (22 percent) are more likely than lower income households (7 percent) to say that they review their financial records every six months. Those who have household wealth of $100,000 have a higher propensity than their counterparts to indicate that they review their records every three months (28 percent vs. 5 percent).

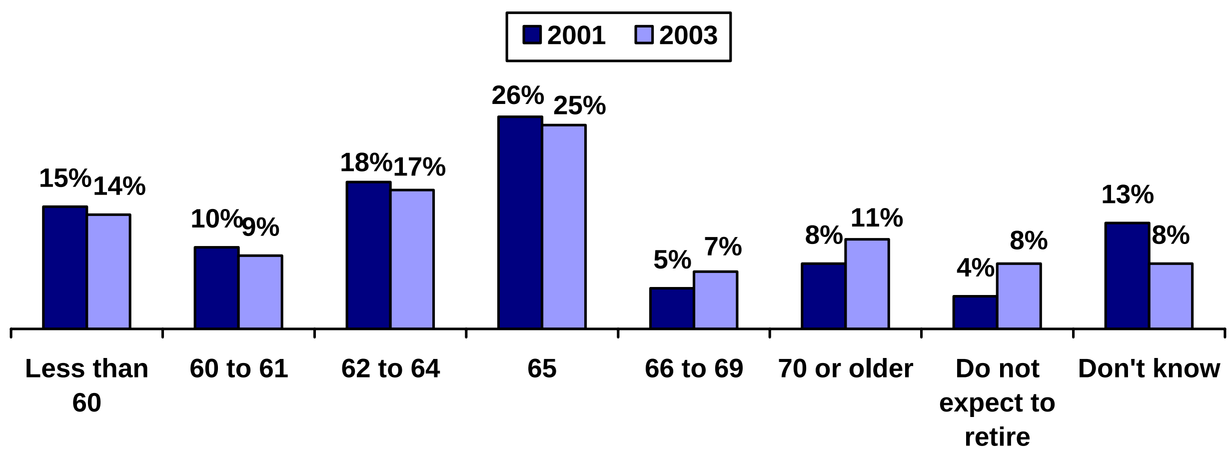
PLANS FOR LEAVING THE WORKPLACE

<u>Retirement Age</u>

Among pre-retirees currently in the workforce, one-quarter say they intend to retire at age 65, the normal Social Security retirement age for the large majority of respondents to the survey. Nearly two in 10 say they intend to retire between the ages of 62 and 64 (17 percent), while one-quarter plan on retiring even before that (23 percent). Eighteen percent plan to retire after age 65, while 8 percent do not expect to retire at all (up slightly from 4 percent in 2001). Eight percent say they do not know when they will retire (down from 13 percent). (See Figure 33.)

Figure 33
Expected Age at Retirement
At what age do you expect to retire from your primary occupation?

Among pre-retirees in the workforce (2001=282, 2003=278)



Pre-retirees who do not plan to retire until at least age 65 are more likely than those who plan to retire earlier to be concerned about the financial issues associated with retirement. They are also more likely to indicate they are *very* or *somewhat* concerned about depleting their savings and being left with only Social Security (77 percent vs. 54 percent) and not being able to remain in their current home for the rest of their life (54 percent vs. 32 percent). Therefore, it is not surprising that those with household income of at least $50,000 are more likely than those from lower income households to say they will retire between the ages of 55 and 59 (16 percent vs. 5 percent). In addition, those with household wealth under $25,000 (19 percent) are more likely than their wealthier counterparts to say that they do not expect to retire.

Reasons for Retiring

Pre-retirees providing an estimated retirement age were asked for their initial thoughts about what event or situation they anticipate will happen at that time to cause them to retire. The most frequently mentioned reason, cited by nearly two in 10 of these respondents, is that this is the age at which they stop working completely (20 percent). Just as many state that this is when they will have enough money to stop working (19 percent) or that they become eligible to start receiving their pension (18 percent). (See Figure 34.)

Figure 34
Reason for Retiring
What event or situation do you anticipate occurring at that age that leads you to say you will retire?
(multiple responses accepted)

Among pre-retirees providing age at retirement (n=231)

	Pre-retirees
Will stop working completely	20%
Will have enough money to stop working	19%
Start receiving pension	18%
When meet age/years of service requirements	12%
Switch to part-time/contract work	8%
Health problems/will become disabled/unable to work	5%
Switch to another career	4%
Get tired of working/will have enough/ready to retire/want to enjoy life	2%
Spouse will stop working	1%
Start process of stopping work	1%
Other	13%

Those who expect to retire under the age of 62 are particularly likely to say they will switch to another career (13 percent vs. 1 percent).

Retirement Decision

Pre-retirees were read a list of factors that might influence their decision about when to retire and asked to rate the importance of each. The amount of money pre-retirees expect to have at the time of retirement emerges as the top consideration, with more than nine in 10 pre-retirees calling it *very* or *somewhat* important (94 percent, with 68 percent saying *very* important). Almost as many pre-retirees consider their expected health at their specific retirement age (90 percent, with 74 percent saying *very* important) to be an important factor in their decision. (See Figure 35.)

Figure 35
Retirement Decision
How important are the following factors in your decision to retire?

Among pre-retirees providing age at retirement (2003=231, 2001=232)

	Very Important	Somewhat Important	Not Too Important	Not at All Important
Your expected health at that time				
2003	74%	16	6	4
2001	70%	20	3	6
Amount of money you expect to have at that time				
2003	68%	25	3	2
2001	59%	29	6	4
Keeping the health insurance available through your employer				
2003	72%	14	3	8
2001	63%	16	7	12
The time you need to pursue your retirement dreams and interests				
2003	44%	42	8	5
2001	41%	38	13	8
The age at which you become eligible for Social Security benefits				
2003	47%	30	14	8
2001	38%	38	12	12
Because you will have worked long enough				
2003	40%	34	12	13
2001	43%	29	14	12
The length of time you expect to live				
2003	52%	20	10	16
2001	45%	26	15	12
The age you expect your spouse to retire (if married)				
2003 (n=153)	36%	26	14	19
2001 (n=159)	35%	28	16	19
The age at which you become eligible for your company's pension or retirement plan				
2003	43%	18	10	22
2001	40%	22	10	24
The age people in your company at your type of job are expected to retire				
2003	14%	24	19	41
2001	19%	22	20	36

Five factors, reflecting a variety of concerns, are each important to between seven and eight in 10 pre-retirees in making a retirement decision. Two are financial considerations: keeping health insurance available through their employer (86 percent, with 72 percent *very* important) and the age at which the pre-retiree will become eligible for Social Security benefits (77 percent). Two factors reflect a desire to engage in non-work activities—an estimate of the time needed to pursue retirement dreams and interests (86 percent) and the assessment that the pre-retiree will have worked long enough (74 percent). The remaining factor is an additional health consideration—the length of time the pre-retiree expects to live (73 percent).

More than six in 10 married pre-retirees place importance on the age that they expect their spouse to retire when determining their own retirement age (62 percent). Just as many pre-retirees who provide a retirement age indicate that the age at which they become eligible for their company's pension or retirement plan is important (62 percent). Respondents are least likely to place importance on the age people in their company at their type of job are expected to retire (37 percent).

Those who expect to retire at an age earlier than 65 are more likely than those who plan to retire later in life to say that this is the age at which they become eligible for their company's pension or retirement plan (72 percent vs. 52 percent).

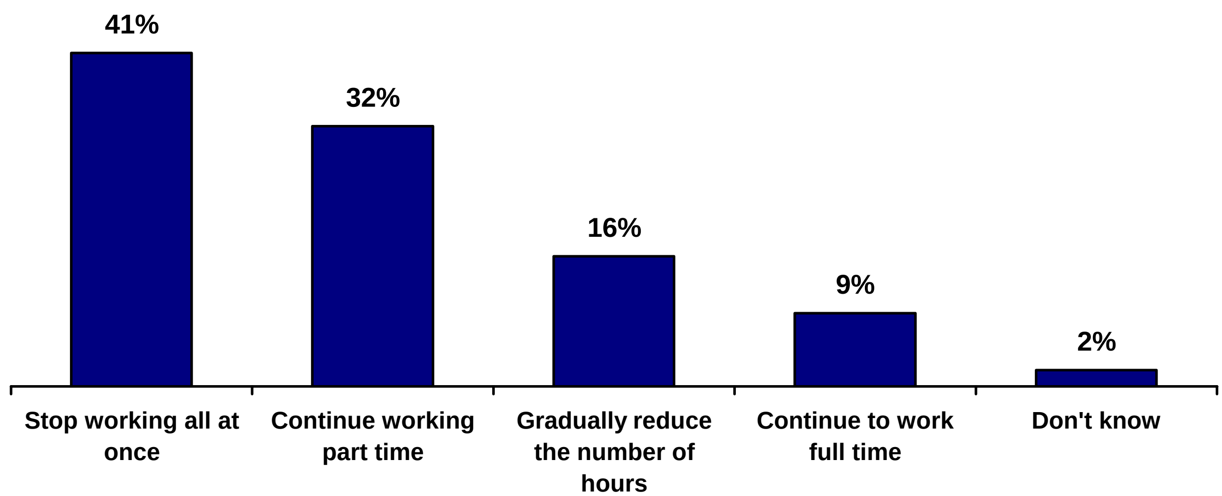
Pre-retirees who expect to receive a pension are more likely than those who do not to say that keeping health insurance available through their employer (96 percent vs. 76 percent) and the age at which they become eligible for their pension (79 percent vs. 43 percent) are important considerations in their decision to retire.

The Retirement Process

Half of pre-retirees currently in the workforce believe they will continue to work after they have retired from their primary occupation (48 percent). This includes one-third who suggest that they will continue working for pay part time or periodically (32 percent) and one in six who indicate that they will gradually reduce the number of hours they work before stopping completely (16 percent). One in 10 plan to work for pay full time after retirement (9 percent), while four in 10 believe they will stop working all at once (41 percent). (See Figure 36.)

Figure 36
Method of Retiring
Which statement comes closest to describing how you plan to retire from your primary occupation?

Among pre-retirees providing age at retirement (n=231)

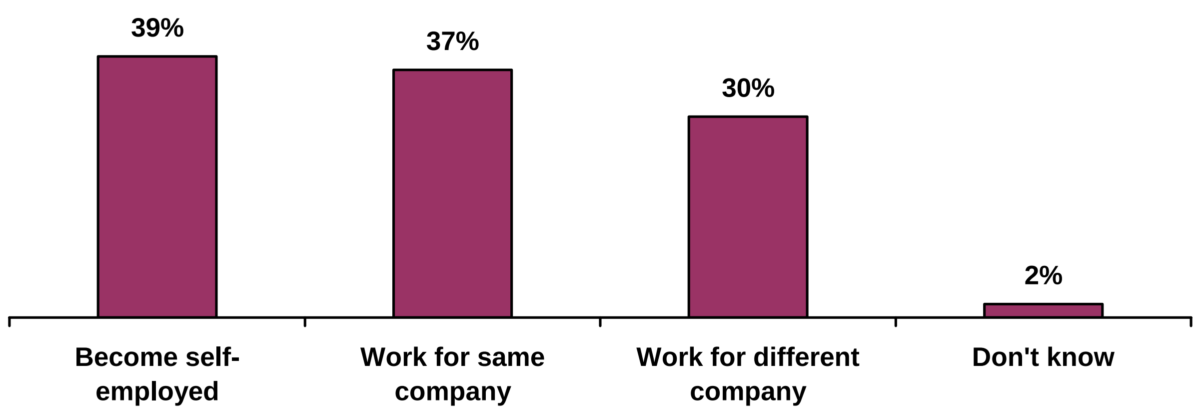


Those who expect to receive a pension (50 percent) are more likely than those who do not (30 percent) to say they are likely to stop working all at once. Those who have household wealth of at least $100,000 are twice as likely as those with less wealth to say they plan to continue to work for pay part time or periodically (43 percent vs. 22 percent).

Among those who plan to reduce their hours or continue working, equal shares believe that they will become self-employed (39 percent) or work for the same company (37 percent). Nearly as many say they plan to work for a different company (30 percent). (See Figure 37.)

Figure 37
Method of Retiring
Do you think you will…?
(multiple responses accepted)

Among pre-retirees planning to continue working (n=132)



Interestingly, those with household wealth less than $25,000 are more likely than those with higher wealth to say they will become self-employed (63 percent vs. 36 percent). In addition, men (51 percent vs. 25 percent of women) and those age 45 to 49 (54 percent vs. 29 percent of those who are older) are most likely to say the same.

Pre-retirees who expect to receive a pension (54 percent vs. 23 percent who do not), those age 55 or older (57 percent vs. 27 percent of younger pre-retirees), and those who are in *excellent* health (56 percent vs. 28 percent in poorer health) are most likely to say they will work for the same company.

Pre-retirees who expect to work a reduced number of hours after retirement were presented with a list of possible reasons why an individual might choose to reduce the number of hours they work and asked to identify the degree to which each plays a role in their decision for phased retirement. Three-quarters of pre-retirees state that a *major* reason for reducing their number of hours is finding that they can actually afford to retire (73 percent). No other reason approaches this level of consensus. Almost half indicate a *major* reason for retiring in this way is because they want a different life balance (47 percent). Another four in 10 say that health problems (42 percent), the desire to pursue other interests (38 percent) and no longer being interested in the commitment required by full-time work (38 percent) are *major* reasons for this preference. (See Figure 38.)

Figure 38
Reasons for Phased Retirement
Is this a major reason, minor reason or not a reason why you might choose to reduce the number of hours that you work?

Among pre-retirees expecting to reduce hours worked after retirement (n=111)

	Major Reason	Minor Reason	Not a Reason
Finding you can afford to retire	73%	12	15
Wanting a different life balance	47%	30	23
A health problem or disability that limits your ability to work	42%	9	44
Wanting to pursue other interests	38%	38	23
No longer being interested in the commitment required by full-time work	38%	30	32
Your spouse will retire (if married, n=74)	30%	20	50
Changes at your company, such as downsizing or closure	28%	14	56
Full-time work not being available	23%	13	62
Family responsibilities taking a lot of your time	21%	31	47

Pre-retirees who expect to retire under the age of 62 (59 percent) are more likely than those who expect to retire at an older age to say that they want to pursue other interests. Those who say they expect to retire at age 65 or older (60 percent) are most likely to say that a health problem or disability will preclude them from working beyond this age. These individuals are also most likely to believe that full-time work will not be available for them (35 percent).

Blue-collar workers are most likely to say that there will likely be changes in their company such as downsizing or closure (62 percent vs. 20 percent) or that family responsibilities will take up a lot of their time (49 percent vs. 16 percent).

Interest in Receiving Pension in Phased Retirement

Current legislation mandates that an individual cannot begin receiving a pension from an employer until one has completely stopped working for that employer. Among those who will receive a pension, almost half say that if the law changed allowing them to cut back on their working hours and begin collecting some of their pension, they would alter their plans for retirement (45 percent).

The majority of those who say they would change their behavior indicate that this type of change would cause them to begin to retire at a younger age (64 percent). One in 10 believe they would retire at an older age (9 percent). Still, one-quarter say that although this change in law would impact their plans in some fashion, it would not alter the age at which they retire (25 percent).

Others say they would retire gradually instead of all at once (45 percent) or spread their gradual retirement over more years (18 percent). Among those more likely to say they would retire gradually instead of all at once are those who have no more than a high school degree (79 percent vs. 32 percent with higher education) and with less than $35,000 in household income (90 percent vs. 41 percent from higher income households). Those with a college degree are more likely to say they will spread a gradual retirement over more years (30 percent vs. 7 percent).

RETIREE AND PRE-RETIREE COMPARISON

RETIREMENT RISKS

While the preeminent concern of retirees is inflation (57 percent of retirees, 78 percent of pre-retirees), pre-retirees are equally concerned about the risk of not having enough money to pay for good health care in retirement (46 percent, 79 percent). In fact, pre-retirees are considerably more likely than retirees to be concerned about many retirement risks, including not being able to maintain a reasonable standard of living for the rest of their or their spouse's life (71 percent of pre-retirees, 46 percent of retirees), not having enough money to pay for a long stay in a nursing home (66 percent, 48 percent), depleting all of their savings and having to rely on Social Security (65 percent, 40 percent), not being able to stay in their current home for the rest of their life (44 percent, 31 percent) and not being able to leave money to their children or other heirs (38 percent, 27 percent). (See Figure 39.)

Figure 39
Retirement Risks
How concerned are you…?
(percentage very or somewhat concerned)

	Retirees (n=273)	Pre-Retirees (n=331)
That you might not be able to keep the value of your savings and investments up with inflation	57%	78%
That you might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home due to poor health or frailty	48%	66%
That you might not have enough money to pay for good health care	46%	79%
That you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life	46%	71%
That you might deplete all of your savings and be left only with Social Security	40%	65%
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)	34%	47%
That you might not be able to afford to stay in your current home for the rest of your life	31%	44%
That you might not be able to rely on children or other family members to provide assistance	31%	33%
That you might not be able to leave money to your children or other heirs	27%	38%

In addition, pre-retirees are more likely than retirees to say they are *most* concerned about not having enough money to pay for health care (24 percent, 12 percent) and not being able to maintain a reasonable standard of living (15 percent, 7 percent).

Retirees and pre-retirees are equally likely to say most of the risk-management strategies examined in the study describe them well. However, pre-retirees (55 percent) are somewhat more likely than retirees (46 percent) to say they try to invest a considerable portion of money in stocks and stock mutual funds as a form of savings. Despite this, pre-retirees are more likely to say that they have not done anything to protect themselves against the possibility of needing extended nursing care (45 percent, 33 percent).

Both pre-retirees and retirees are most likely to say that they have cut back on their spending in order to protect themselves against the possibility of having to cut back substantially on their lifestyle. And if they needed to reduce their living expenses, pre-retirees are somewhat more likely than retirees to say that it would be *very* acceptable to spend less money on gifts each year (49 percent, 38 percent). At the same time, pre-retirees are also more likely than retirees to say they have always saved money (18 percent pre-retirees, 8 percent retirees) and that they invest in stocks or stock mutual funds (17 percent, 8 percent).

THE PROCESS OF RETIREMENT

Retirees generally say they retired at a younger age than pre-retirees plan to retire. In particular, retirees are more likely to have retired between the ages of 50 and 54 (13 percent, compared with 3 percent of pre-retirees who plan to retire at that age), or 55 to 59 (21 percent, 11 percent). Instead, pre-retirees anticipate retiring at age 65 (25 percent); only 8 percent of retirees actually retired at this age.

Pre-retirees and retirees show great differences in their reasons for retiring. Pre-retirees expect to retire when they have enough money to stop working (19 percent pre-retirees, 5 percent retirees) or when they have met the age that satisfies their requisite service at their company (12 percent, 4 percent). Others believe they will switch to part-time or contract work (8 percent, 2 percent). On the other hand, retirees are more likely to say they retired for health problems or a disability (5 percent pre-retirees, 19 percent retirees) or that their company closed or downsized (<0.5 percent pre-retirees, 11 percent retirees).

Seven in 10 retirees stopped working all at once (71 percent), while only four in 10 pre-retirees say they plan to do the same (41 percent). Instead, pre-retirees plan to continue to work for pay part-time or periodically (32 percent of pre-retirees, 16 percent of retirees) or gradually reduce their hours before stopping completely (16 percent, 7 percent).

Among those who expect to reduce or have reduced their hours, pre-retirees tend to be more likely than retirees to say it is because they expect to find they can afford to retire (73 percent, 32 percent), they will no longer be interested in the commitment required by full-time work (38 percent, 17 percent), their spouse will retire (30 percent, 6 percent) or changes in their company such as downsizing or closure occurred (28 percent, 5 percent).

When asked about how many years they expect their retirement to last, a large share of retirees than pre-retirees say they do not know (14 percent pre-retirees, 38 percent retirees). Pre-retirees are more likely to venture a guess of spending between 20 and 24 years (33 percent, 20 percent) or less than 20 years in retirement (23 percent, 15 percent).

PROFILE OF RESPONDENTS

Two-thirds of pre-retirees are between age 45 and 54 (68 percent), a slightly larger proportion than in the 2001 study (59 percent). Another three in 10 are between age 55 and 64 (29 percent). As noted in the introduction, retirees are also a somewhat younger group of respondents than in the 2001 study due to its design. Just over one in 10 of retirees are between age 45 and 54 (12 percent, compared with 6 percent in 2001), one-quarter are age 55 to 64 (25 percent, compared with 17 percent) and two-thirds are age 65 to 80 (63 percent). While the sample for this study was cut off at age 80, 14 percent of retirees in the 2001 study are age 81 or older. Analyses were done to ensure that neither the inclusion of the 81+ age group in the 2001 sample or differences in age distributions between the two samples were factors in the change or lack of change in the two study results.

Women make up slightly more than half of both respondent groups (51 percent of pre-retirees, 55 percent of retirees).

More than six in 10 pre-retirees (62 percent) and retirees (63 percent) are married. Almost one in five pre-retirees (18 percent) and one in 10 retirees (10 percent) are divorced. Retirees are less likely than in the 2001 study to report being widowed (19 percent, compared with 28 percent), perhaps due to their younger ages. One in 10 pre-retirees (10 percent) and a smaller proportion of retirees (6 percent) say they are single and have never been married.

Pre-retirees tend to be slightly more educated than retirees. Roughly equal shares of pre-retirees say they are a high school graduate (26 percent), have completed some college, trade or business school (26 percent), have graduated from college (20 percent) or have some post graduate education (22 percent). Fifteen percent of retirees have not completed high school, while three in 10 have graduated from high school (29 percent) and one-third have completed some college or trade school (33 percent). Retirees in the 2003 study are less likely than those in the 2001 study to have graduated from college or continued with post-graduate education (23 percent, compared with 33 percent). On average, the sample is slightly more likely than the national population age 45-80 to have at least some post high school education and less likely to have a high school or less education. Therefore, to the extent that formal education plays a role in knowledge of retirement risks and retirement planning, the population may be somewhat less knowledgeable than the study sample.

Figure 40
Demographic Characteristics of Samples

	Retirees		Pre-Retirees	
	2001 (n=282)	**2003 (n=273)**	**2001 (n=318)**	**2003 (n=331)**
Age				
45 to 54	6%	12%	59%	68%
55 to 64	17	25	34	29
65 to 80	62	63	7	3
81 and over	14	*	0	*
Gender				
Male	43%	45%	46%	49%
Female	57	55	54	51
Marital status				
Married	59%	63%	66%	62%
Divorced	5	10	18	18
Widowed	28	19	6	4
Single	7	6	7	10
Separated	<0.5	1	2	2
Living with a partner	1	1	2	3
Education				
Some high school or less	12%	15%	7%	6%
High school graduate	27	29	23	26
Some college, trade or business school	27	33	33	26
College graduate	17	13	17	20
Post-graduate work	6	2	7	5
Graduate degree	10	8	12	17
Employment status				
Working	12%	14%	86%	78%
Retired	80	75	0	0
A homemaker	7	6	5	7
Laid off or unemployed and seeking work	<0.5	3	3	6
Other	1	2	6	9
Occupation/previous occupation				
Executive, professional, technical or managerial	not	58%	not	63%
Other white-collar	asked	12	asked	14
Blue-collar		24		20
Don't know		4		3

*Respondents over age 80 were excluded from the 2003 study.

Figure 40 (continued)
Demographic Characteristics

	Retirees		Pre-Retirees	
	2001 (n=282)	**2003 (n=273)**	**2001 (n=318)**	**2003 (n=331)**
Provide significant financial support for someone other than themselves/spouse				
Yes	12%	15%	32%	41%
Home ownership				
Own home free and clear	65%	56%	28%	27%
Own home, owe mortgage	21	30	57	55
Rent home	10	10	13	14
Don’t know/refused	4	5	3	3
Health status				
Excellent	25%	27%	28%	33%
Very good	33	26	42	35
Good	21	24	18	21
Fair	14	13	9	9
Poor	5	8	2	2
Don’t know/refused	1	2	2	0
Household income				
Less than $25,000	14%	28%	12%	12%
$25,000 to $34,999	20	17	7	10
$35,000 to $49,999	16	17	18	24
$50,000 to $74,999	13	10	19	17
$75,000 to $99,999	8	7	14	12
$100,000 or more	7	4	15	14
Don’t know/refused	22	16	15	11
Total saved/invested				
Less than $25,000		28%		28%
(in 2001 lowest category was less than $50,000)	28%		28%	
$25,000 to $49,999		8		11
$50,000 to $99,999	12	12	17	12
$100,000 to $249,999	11	10	15	14
$250,000 to $499,999	9	8	9	7
$500,000 to $999,999	4	3	3	4
$1 million or more	4	2	2	2
Don’t know/refused	32	30	26	22

Almost eight in 10 pre-retirees describe themselves as working (78 percent), a slightly smaller proportion than in the 2001 study who said they worked full or part time (86 percent). More than six in 10 of employed pre-retirees say they work in executive, professional, technical or managerial occupations (63 percent). Two in 10 work in blue-collar occupations (20 percent). While three-quarters of retirees consider themselves retired (75 percent), 14 percent describe themselves as working. Asked to describe their current position or position prior to retiring, almost six in 10 previously employed retirees say they held an executive, professional, technical or managerial position (58 percent). One-quarter indicate they worked in a blue-collar occupation (24 percent).

Four in 10 pre-retirees say they provide significant financial support for someone other than their spouse and themselves (41 percent, compared with 32 percent in 2001). Only 15 percent of retirees say the same.

More than eight in 10 respondents say they own their home (84 percent of pre-retirees, 87 percent of retirees). More than half of retirees say they own their home free and clear (56 percent, compared with 65 percent in 2001), but only about one-quarter of pre-retirees say the same (27 percent). Pre-retirees are more likely to have a mortgage (55 percent of pre-retirees, 30 percent of retirees).

When it comes to describing their health, pre-retirees are more likely to classify their health status as *excellent* or *very good* (68 percent of pre-retirees, 53 percent of retirees), while retirees are more likely to say their health is either *fair* or *poor* (22 percent of retirees, 11 percent of pre-retirees).

Overall, pre-retirees have a higher annual household income than retirees. In particular, pre-retirees are more likely to say they have a household income of $100,000 or more (14 percent of pre-retirees, 4 percent of retirees), while retirees are more likely to say their income is less than $25,000 (28 percent of retirees, 12 percent of pre-retirees). It should also be noted that despite the younger age of the retiree sample, retirees in the 2003 study are more likely than those in the 2001 study (14 percent) to have household income less than $25,000. This does not appear to have a material impact on the trend data reported in the report.

Four in 10 pre-retirees (39 percent, compared with 28 percent in 2001) and nearly as many retirees (36 percent, compared with 28 percent in 2001) have less than $50,000 in savings and investments. One in 10 have investments of $50,000 to $99,999 (12 percent each). Roughly one-quarter say they have more than $100,000 in household investments (27 percent of pre-retirees, 23 percent of retirees). This includes a very few who report having assets of $500,000 to $999,999 (3 percent, 4 percent) or $1 million or more (2 percent each). Because both pre-retirees and retirees are more likely than in 2001 to report having have assets less than $50,000, the data were analyzed to ensure that these differences do not materially impact the trend results cited in this report. It should also be pointed out that the results of this study are not indicative of the decisions that would be made by higher net worth individuals.

APPENDIX A: WEIGHTING METHODOLOGY

The survey results have been weighted by age, gender and census region to reflect the distribution of Americans ages 45 to 80. Figure A-1 presents the distribution of survey responses by age, gender and census region as well as the weighting factors used to make the responses in each category reflect that group's share of the national population ages 45 to 80. The weighting factors were computed by dividing each group's share of the national population by its share of all survey responses:

(Target proportion ÷ Proportion of responses = Weighting factor)

Figure A-1
Number of Respondents and Weighting Scheme

Group	% of 45-80 Population[4]	# of Responses Received	% of Responses Received	Weighting Factor	Weighted # of Responses	% of Weighted Responses
Northeast						
Men, 45-54	4%	27	4%	0.9045	24	4%
Men, 55-64	3	17	3	0.9116	15	3
Men, 65-80	3	21	3	0.7719	16	3
Women, 45-54	4	17	3	1.5192	26	4
Women, 55-64	3	21	3	0.8200	17	3
Women, 65-80	4	17	3	1.2750	22	4
South						
Men, 45-54	7	30	5	1.4724	44	7
Men, 55-64	5	21	3	1.3689	29	5
Men, 65-80	5	29	5	0.9892	29	5
Women, 45-54	8	38	6	1.2189	46	8
Women, 55-64	5	27	4	1.1643	31	5
Women, 65-80	6	48	8	0.7712	37	6
Midwest						
Men, 45-54	5	37	6	0.7897	29	5
Men, 55-64	3	29	5	0.6282	18	3
Men, 65-80	3	35	6	0.5287	19	3
Women, 45-54	5	39	6	0.7645	30	5
Women, 55-64	3	33	5	0.5920	20	3
Women, 65-80	4	38	6	0.6294	24	4

[4] U.S. Census Bureau, Census 2000 Summary File 1, Table PCT12.

Figure A-1 (continued)
Number of Respondents and Weighting Scheme

Group	% of 45-80 Population[5]	# of Responses Received	% of Responses Received	Weighting Factor	Weighted # of Responses	% of Weighted Responses
West						
Men, 45-54	5	12	2	2.3397	28	5
Men, 55-64	3	13	2	1.2917	17	3
Men, 65-80	3	18	3	0.9070	16	3
Women, 45-54	5	12	2	2.3817	29	5
Women, 55-64	3	8	1	2.2201	18	3
Women, 65-80	3	17	3	1.1780	20	3
Total	100%	604	100%		604	100%

[5] U.S. Census Bureau, Census 2000 Summary File 1, Table PCT12.

APPENDIX B: POSTED QUESTIONNAIRE

Hello, my name is [FIRST AND LAST NAME]. I'm calling from National Research, an independent research firm. We are calling (today/tonight) to ask people like you a few questions about some important issues of concern to Americans today. This is not a sales call. This survey is for research purposes only and all of your responses will be completely confidential.

S1. In general, do you think that people in the United States save enough money to live comfortably throughout their retirement years? [DO NOT READ LIST]

	Pre-retirees (n=331)	**Retirees (n=273)**
Yes/ most do	4%	7%
Mixed/ yes and no/ some do, some do not	2	7
No/ most people do not	88	82
Don't know	5	4
Refused	<0.5	--

S2. I need to ask a few questions about you and your household so that I can ask you the set of questions on the survey that best applies to you. First, in what year were you born?

Age	**Pre-retirees (n=331)**	**Retirees (n=273)**
45 to 54	68%	12%
55 to 64	29	25
65 to 80	3	63

[IF 1923-1958, CONTINUE.]

S3. [RECORD GENDER. DON'T ASK – JUST RECORD]

	Pre-retirees (n=331)	**Retirees (n=273)**
Male	49%	45%
Female	51	55

1. Are you . . . [READ 1-6]?

	Pre-retirees (n=331)	Retirees (n=273)
Married	62%	63%
Divorced	18	10
Single	10	6
Widowed	4	19
Living with a partner	3	1
Separated	2	1
[VOL] Don't know	--	--
[VOL] Refused	<0.5	--

[IF MARRIED (Q1 = 1), ASK:]
2. How old is your spouse?

	Pre-retirees (n=207)	Retirees (n=172)
Under age 55	62%	16%
55 to 64	32	31
65 or older	4	51
[VOL] Don't know	--	--
[VOL] Refused	1	2

3. Are you now . . . [READ 1-5]?

	Pre-retirees (n=331)	Retirees (n=273)
Working	78%	14%
Retired	--	75
A homemaker	7	6
Laid off or unemployed and seeking work	6	3
Or something else	9	2
[VOL] Don't know	--	--
[VOL] Refused	--	--

[IF R WORKING (Q3 = 1), ASK:]
4.a In the past 12 months, have you worked . . . [READ 1-3]?

	Pre-retirees (n=257)	**Retirees (n=39)**
Full time throughout the year	90%	46%
Part time throughout the year	6	39
Or full or part time for only part of the year	4	15
[VOL] Don’t know	<0.5	--
[VOL] Refused	--	--

[IF R RETIRED (Q3 = 2), ASK:]
4.b Many people who consider themselves to be retired are still employed for pay. In the past 12 months, have you . . . [READ 0-3]?

	Retirees (n=205)
Not worked for pay at all	77%
Worked for pay full time throughout the year	2
Worked for pay part time throughout the year	9
Or worked for pay full or part time for only part of the year	12
[VOL] Don’t know	--
[VOL] Refused	<0.5

[IF R LAID OFF OR UNEMPLOYED (Q3 = 4), ASK:]
4.c Do you generally work for pay . . . [READ 1-3]?

	Pre-retirees (n=21)	**Retirees (n=8)**
Full time throughout the year	63%	(n=2)
Part time throughout the year	7	(n=3)
Or full or part time for only part of the year	8	(n=3)
[VOL] Don’t know	22	--
[VOL] Refused	--	--

[IF MARRIED (Q1 = 1), ASK:]
5. Is your spouse now . . . [READ 1-5]?

	Pre-retirees (n=207)	**Retirees (n=172)**
Working	80%	33%
Retired	8	52
A homemaker	8	11
Laid off or unemployed and seeking work	1	2
Or something else	3	2
[VOL] Don't know	--	1
[VOL] Refused	--	--

[IF R WORKING, LAID OFF OR UNEMPLOYED (Q3 = 1, 4), ASK:]
6. Do you consider yourself retired from a previous career or primary occupation?

	Pre-retirees (n=278)	**Retirees (n=47)**
Yes	--	100%
No	99%	--
[VOL] Don't know	1	--
[VOL] Refused	--	--

6a. Have you retired <u>with a pension</u> from the uniformed services, such as the military, coast guard, police, fire fighters or other services?

	Pre-retirees (n=331)	**Retirees (n=273)**
Yes	1%	9%
No	99	91
[VOL] Don't know	--	--
[VOL] Refused	--	--

[IF MARRIED AND SPOUSE WORKING, LAID OFF OR UNEMPLOYED (Q5 = 1, 4), ASK:]
7. Does your spouse consider himself or herself retired from a previous career or primary occupation?

	Pre-retirees (n=168)	**Retirees (n=59)**
Yes	8%	13%
No	91	87
[VOL] Don't know	1	--
[VOL] Refused	--	--

[IF MARRIED (Q1 = 1), ASK:]

7a. Has your spouse retired with a pension from the uniformed services, such as the military, coast guard, police, fire fighters or other services?

	Pre-retirees (n=207)	**Retirees (n=172)**
Yes	5%	5%
No	95	94
[VOL] Don't know	--	<0.5
[VOL] Refused	--	--

[CHECKPOINT]

[USE RETIREE QUESTIONNAIRE FOR THE FOLLOWING PEOPLE:

IF RETIRED (Q3 = 2)

IF EMPLOYED OR LAID-OFF (Q3 = 1, 4) AND RETIRED FROM PRIMARY OCCUPATION (Q6 = 1)

IF HOMEMAKER, SOMETHING ELSE OR DK/REF (Q3 = 3, 5-7) AND AGE 65+ (S3 <= 1938)

IF HOMEMAKER, SOMETHING ELSE OR DK/REF (Q3 = 3, 5-7) AND SPOUSE RETIRED (Q5 = 2)

ALL OTHERS USE THE PRE-RETIREES QUESTIONNAIRE.]

RETIREE VERSION

R8. How old were you when you retired from your primary occupation? [DO NOT ACCEPT A RANGE. PROBE FOR SPECIFIC AGE. IF SAY RETIRED OVER PERIOD OF TIME, ASK: At what age did you begin to retire?]

	Retirees (n=273)
Under age 50	13%
50 to 54	13
55 to 59	21
60 to 61	8
62 to 64	19
65	8
66 to 69	5
70 or older	2
[VOL] Employed only sporadically/ as young adult	3
[VOL] Never employed	4
[VOL] Don't know	4
[VOL] Refused	<0.5

[IF GAVE AGE WHEN RETIRED (R8 = 1-95), CONTINUE. ELSE SKIP TO R15.]

R9. People have different definitions of retirement. What event or situation occurred at age [INSERT AGE FROM R8] that leads you to say you retired at that age? [DO NOT READ LIST. PROBE:] What else?

	Retirees (n=242)
Stopped working completely	22%
Health problem/became disabled/unable to work	19%
Company closed/downsized	11%
Started receiving pension	10%
Switched to another career	7%
Spouse/family member had medical problem/had to take care of family	5%
Got tired of working/had enough/wanted to enjoy life	5%
Forced into early retirement/offered a package	5%
Had enough money to stop working	5%
Met age/years of service requirements	4%
Spouse stopped working	3%
Switched to part-time/contract work	2%
Started process of stopping work	1%
Other [specify]	6%
[VOL] Don't know	1%
[VOL] Refused	--

RETIREE VERSION

R10. Which statement comes closest to describing how you retired from your primary occupation? [READ 1-4]

	Retirees (n=242)
You stopped working all at once	71%
You continued to work for pay part time or periodically	16
You gradually reduced the number of hours you worked before stopping completely	7
Or you continued to work for pay full time	5
[VOL] Don't know	1
[VOL] Refused	--

[IF GRADUALLY REDUCED NUMBER OF HOURS WORKED OR CONTINUED TO WORK FOR PAY (R10 = 2, 3, 4), CONTINUE. ELSE SKIP TO R15.]

R11. When you worked in retirement, which statement comes closest to describing what you actually did? [READ 1-4. ACCEPT MULTIPLE RESPONSES.]

	Retirees (n=67)
You worked for a different company	33%
You worked for the same company at the same job	32%
You became self-employed	25%
You worked for the same company at a different job	8%
[VOL] Don't know	4%
[VOL] Refused	--

R12. And when you worked in retirement, which statement comes closest to describing what you actually did? [READ 1-4]

	Retirees (n=67)
You worked on a regular basis throughout the year on a reduced schedule	52%
You worked on a project or as needed basis	25
You served as a consultant	10
You worked seasonally	6
[VOL] Don't know	6
[VOL] Refused	2

RETIREE VERSION

[IF GRADUALLY REDUCED NUMBER OF HOURS WORKED OR WORKED PART-TIME (R10 = 2, 3), ASK:]

R13. There are a number of reasons why people choose to reduce the number of hours that they work. Is [READ AND ROTATE A-I] a major reason, a minor reason or not a reason why you did so?

	Retirees (n=56)	**Major Reason**	**Minor Reason**	**Not a Reason**	**[VOL] DK**	**[VOL] REF**
a.	Full-time work not being available	10%	7	80	1	2
b.	Changes at your company, such as downsizing or closure	5%	11	82	--	2
c.	A health problem or disability that limited your ability to work	25%	9	65	--	--
d.	Family responsibilities taking a lot of your time	23%	18	58	--	--
e.	Wanting to pursue other interests	20%	26	52	--	2
f.	Wanting a different life balance	30%	20	48	3	--
g.	No longer being interested in the commitment required by full-time work	17%	18	59	4	2
h.	Finding you could afford to retire	32%	22	43	1	2
i.	[IF MARRIED:] Your spouse retired (n=29)	6%	11	81	2	--

R14. DELETED

RETIREE VERSION

R15. Many retirees rely on regular sources of income that provides them with the same amount of money that they can count on each month. I am going to read you some sources that can provide this type of income. Please tell me whether each of these is a major, minor, or not a source of income for you (and/or your spouse). First, [READ A-F. DO NOT ROTATE.]?

	Retirees (n=273)	**Major Source**	**Minor Source**	**Not a Source**	**[VOL] DK**	**[VOL] REF**
a.	Social Security	54%	24	21	2	--
b.	Regular income from an employer's defined benefit pension plan	41%	19	39	1	<0.5
c.	Money from an annuity or regular withdrawals from an employer's retirement savings plan, such as a 401(k), 403(b), or 457, or from funds rolled over from this type of plan	11%	25	63	1	--
d.	Annuity payments from an annuity purchased on your own or through an IRA set up on your own	5%	25	70	<0.5	--
e.	Regular withdrawals from a bank or investment account	8%	25	67	<0.5	--
f.	Some other source of regular income [specify] --some type of employment 13% --income from rental property/real estate 6% --other source 4%	23%		75	--	2

R16. At the time you retired, how many years did you expect your retirement to last? [DO NOT ACCEPT A RANGE. PROBE FOR A SPECIFIC NUMBER. IF SAY FOR REST OF LIFE, PROBE: How many years did you expect that to be?]

	Retirees (n=273)
Less than 20 years	15%
20 to 24 years	20
25 to 29 years	7
30 years or more	17
[VOL] Don't know	38
[VOL] Refused	3

RETIREE VERSION

R17. Do you (and your spouse) keep regular records of your financial assets and expected retirement income?

	Retirees (n=273)
Yes	69%
No	30
[VOL] Don't know	<0.5
[VOL] Refused	<0.5

[IF KEEP REGULAR FINANCIAL RECORDS (R17 = 1), ASK:]
R18. About how often do you (and your spouse) update these records? [READ 5-1]

	Retirees (n=189)
About every other year or less often	5%
About once a year	41
About every six months	11
About every three months	11
Or monthly	26
[VOL] Don't know	6
[VOL] Refused	---

R19. From what you know now, do you think you (and your spouse) saved enough money for retirement?

	Retirees (n=273)
Yes	45%
No	51
[VOL] Don't know	4
[VOL] Refused	<0.5

RETIREE VERSION

R20. There are different types of planning that people can do to help manage their money and finances in retirement. I will read you a list of things that some people might consider in their planning, and I would like to know how much thought you have given each area. First [READ AND ROTATE A-F]. Have you given that a great deal of thought, some thought, only a little thought, or no thought at all?

	Retirees (n=273)	**Great Deal**	**Some**	**Only a Little**	**None**	**[VOL] DK**	**[VOL] REF**
a.	how your investments and savings should be allocated among different types of assets	36%	25	18	19	1	<0.5
b.	how to prepare financially for the possibility of needing long-term care in a nursing home or at home due to poor health or frailty	34%	32	20	13	1	1
c.	[IF MARRIED:] the financial impact on your spouse if you should die first, and the financial impact on you if your spouse should die first (n=172)	56%	30	12	2	--	--
d.	how to manage your money and how much to spend every year so you (and your spouse) do not outlive your financial resources	46%	29	16	8	1	--
e.	the possible financial impact of large medical expenses that are not covered by Medicare	47%	27	15	10	<0.5	<0.5
f.	the need to leave significant assets to your children or other heirs	34%	31	17	18	1	--

RETIREE VERSION

R21. I am going to read you a number of statements about managing money in retirement. For each one I read, please tell me if the statement describes you very well, somewhat well, not too well or not at all. First [READ AND ROTATE A-D]:

	Retirees (n=273)	**Very Well**	**Somewhat Well**	**Not too Well**	**Not at all Well**	**[VOL] DK**	**[VOL] REF**
a.	I/we try to reduce unnecessary spending so that I/we can set aside as much money as possible to keep the value of my/our savings growing.	35%	41	9	14	1	<0.5
b.	I/we try to invest a considerable portion of money in stocks and stock mutual funds, hoping that in the long run their value will rise enough to provide me/us with a comfortable lifestyle.	22%	24	16	36	2	--
c.	I/we think it is a good idea to buy annuities, because they protect people by paying a guaranteed income for life, no matter how long you live.	13%	25	17	42	2	<0.5
d.	I/we think it is a good idea to buy insurance to protect financially against things like the possibility of needing extended nursing care.	27%	24	18	29	1	--

RETIREE VERSION

R22. What have you (and your spouse) done to protect yourself/yourselves against the possibility of having to cut back substantially on your lifestyle? [DO NOT READ LIST. ACCEPT MULTIPLE RESPONSES. PROBE:] What else?

[IF R SAYS “NOTHING”, PROBE TO CLARIFY:] Is this because you haven’t made any arrangements yet, or because you feel there is nothing you are able to do?

	Retirees (n=273)
Cut back on spending	28%
Saved/have always saved	8%
Invested in stocks/stock mutual funds	8%
Have insurance: life, long term care, health, disability	3%
Bought real estate/invested in property	3%
Continue to work/have worked extra	3%
Moved to less expensive area/smaller house	2%
Paid off mortgage	2%
Have no debt, use no credit	2%
Purchased an annuity	2%
Intend to purchase an annuity	--
Looked into purchasing an annuity	--
Other [specify]	10%
Haven’t done anything	18%
Nothing I can do	14%
Don’t know	6%
Refused	1%

RETIREE VERSION

R23. What have you (and your spouse) done to protect yourself/yourselves financially against things like the possibility of needing extended nursing care? [DO NOT READ LIST. ACCEPT MULTIPLE RESPONSES. PROBE:] What else?

[IF R SAYS "NOTHING", PROBE TO CLARIFY:] Is this because you haven't made any arrangements yet, or because you feel there is nothing you are able to do?

	Retirees (n=273)
Purchased long-term care insurance	17%
Saving against possibility of needing care (self-insuring)	9%
Purchased health insurance (to supplement Medicare)	8%
Looked into purchasing health insurance	3%
Moved into/arranged for care through Continuing Care Retirement Community	1%
Maintain healthy lifestyle: exercise, routine doctor visits	1%
Looked into purchasing long-term care insurance	1%
Intend to purchase long-term care insurance	1%
Other [specify]	10%
Haven't done anything	33%
Nothing I can do	17%
Don't know	2%
Refused	1%

RETIREE VERSION

R24. How concerned are you [READ AND ROTATE A-I]? Are you very concerned, somewhat concerned, not too concerned or not at all concerned?

R25. Which of these would you say you are most concerned about? [READ ALL VERY CONCERNED IN R24. IF NO VERY CONCERNED, READ ALL SOMEWHAT CONCERNED.]

		R24						R25
	Retirees (n=273)	**Very Concern**	**Somewhat Concern**	**Not too Concern**	**Not at all Concern**	**[VOL] DK**	**[VOL] REF**	**Most Con.**
a.	that you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life	17%	29	24	30	--	--	7%
b.	that you might not have enough money to pay for good health care	22%	24	26	27	1	<0.5	12
c.	that you might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home due to poor health or frailty	20%	27	27	25	--	<0.5	9
d.	that you might not be able to keep the value of your savings and investments up with inflation	25%	32	21	21	1	--	17
e.	[IF MARRIED] that your spouse may not be able to maintain the same standard of living after your death, if you should die first (n=172)	15%	19	24	41	1	--	6
f.	that you might deplete all of your savings and be left only with Social Security	25%	15	23	36	1	--	11
g.	that you might not be able to afford to stay in your current home for the rest of your life	15%	16	28	40	1	<0.5	4
h.	that you might not be able to leave money to your children or other heirs	11%	16	27	46	<0.5	--	3
i.	that you might not be able to rely on children or other family members to provide assistance	15%	16	21	47	<0.5	--	4
	[VOL] Don't know							6
	[VOL] Refused							1
	[VOL] None of these							19

RETIREE VERSION

R26. If you found yourself needing to reduce your living expenses, how acceptable would it be for you (and your spouse) to do each of the following? First [READ AND ROTATE A-H]. Would this be very acceptable, somewhat acceptable or not acceptable?

R27. Which reduction in your living expenses would you be likely to make first? [READ ALL VERY ACCEPTABLE IN R26. IF NO VERY ACCEPTABLE, READ ALL SOMEWHAT ACCEPTABLE.]

		R26						R27
	Retirees (n=273)	**Very**	**Somewhat**	**Not**	**[VOL] NA**	**[VOL] DK**	**[VOL] REF**	**First Reduc.**
a.	Move to a less expensive area of the country	16%	19	63	2	<0.5	1	2%
b.	Move into a smaller house or apartment	27%	34	34	3	1	1	12
c.	Take fewer vacations	43%	31	15	10	1	<0.5	18
d.	Eat out in restaurants less often	48%	32	15	4	<0.5	<0.5	19
e.	Spend less money on social, leisure or cultural activities	42%	41	13	4	--	<0.5	14
f.	Spend less money on gifts each year	38%	46	12	3	<0.5	1	15
g.	Go to the doctor less often	19%	32	42	3	2	1	4
h.	Spend less on medications	18%	24	50	4	2	1	7
	[VOL] Don't know							5
	[VOL] Refused							--
	[VOL] None of these							3

WORKER VERSION

[IF R WORKING, LAID OFF OR LOOKING FOR WORK (Q3 = 1, 4), ASK:]

W28. At what age do you expect to retire from your primary occupation? [DO NOT ACCEPT A RANGE. PROBE FOR SPECIFIC AGE. IF ASKED, SPECIFY: "At what age will you begin to retire?"]

	Pre-retirees (n=278)
Under age 50	--
50 to 54	3%
55 to 59	11
60 to 61	9
62 to 64	17
65	25
66 to 69	7
70 or older	11
[VOL] Do not expect to retire	8
[VOL] Don't know	8
[VOL] Refused	<0.5

[IF GAVE AGE WHEN RETIRED (W28 = 1-96), CONTINUE. ELSE SKIP TO W39.]

W29. People have different definitions of retirement. What event or situation do you anticipate occurring at age [INSERT AGE FROM W33] that leads you to say you will retire at that age? [DO NOT READ LIST. PROBE:] What else?

	Pre-retirees (n=231)
Will stop working completely	20%
Will have enough money to stop working	19%
Will start receiving pension	18%
Will meet age/years of service requirement	12%
Will switch to part-time/contract work	8%
Health problem/will become unable to work	5%
Will switch to another career	4%
Will get tired of working/will have had enough/want to enjoy life	2%
Spouse will stop working	1%
Will start process of stopping work	1%
Company will close/downsize	<0.5
Other [specify]	13%
[VOL] Don't know	6%
[VOL] Refused	--

WORKER VERSION

W30. Which statement comes closest to describing how you plan to retire from your primary occupation? [READ 1-4]

	Pre-retirees (n=231)
You plan to stop working all at once	41%
You plan to continue to work for pay part time or periodically	32
You plan to gradually reduce the number of hours you work before stopping completely	16
Or you plan to continue to work for pay full time	9
[VOL] Don't know	2
[VOL] Refused	--

[IF PLAN TO GRADUALLY REDUCE HOURS OR CONTINUE WORKING (W30 = 2-4), ASK:]
W31. Do you think you will . . . ? [READ 1-3. ACCEPT MULTIPLE RESPONSES.]

	Pre-retirees (n=132)
Become self-employed	39%
Work for the same company	37%
Work for a different company	30%
[VOL] Don't know	2%
[VOL] Refused	--

WORKER VERSION

[IF EXPECT TO GRADUALLY REDUCE NUMBER OF HOURS WORKED OR WORK PART-TIME (W30 = 2, 3), ASK:]

W32. There are also reasons why people choose to reduce the number of hours that they work. Is [READ AND ROTATE A-I] a major reason, a minor reason or not a reason why you might do so?

	Pre-retirees (n=111)	**Major Reason**	**Minor Reason**	**Not a Reason**	**[VOL] DK**	**[VOL] REF**
a.	Full-time work not being available	23%	13	62	--	1
b.	Changes at your company, such as downsizing or closure	28%	14	56	1	2
c.	A health problem or disability that limits your ability to work	42%	9	44	4	--
d.	Family responsibilities taking a lot of your time	21%	31	47	--	--
e.	Wanting to pursue other interests	38%	38	23	1	--
f.	Wanting a different life balance	47%	30	23	--	--
g.	No longer being interested in the commitment required by full-time work	38%	30	32	--	--
h.	Finding you can afford to retire	73%	12	15	1	--
i.	[IF MARRIED:] Your spouse will retire (n=74)	30%	20	50	--	--

W33. Thinking about the job you expect to have when you retire, will you receive a pension from that employer?

	Pre-retirees (n=231)
Yes	52%
No	47
[VOL] Don’t know	1
[VOL] Refused	<0.5

WORKER VERSION

[IF WILL RECEIVE A PENSION OR DON'T KNOW (W33 = 1, 3), CONTINUE. ELSE SKIP TO W37.]

W34. Some people retire by stopping work all at once. Others gradually cut back over time from full-time employment to full-time retirement, with salary going down accordingly during that time. Typically, you can't begin receiving a pension from an employer until you have completely stopped working for that employer. If this law were changed so that you could cut back on your working hours and therefore get less pay, but at the same time start collecting some of your pension, would this change your plans for retirement?

	Pre-retirees (n=122)
Yes	45%
No	50
[VOL] Don't know	5
[VOL] Refused	--

[IF WOULD CHANGE PLANS (W34 = 1), CONTINUE. ELSE SKIP TO W37.]

W35. Do you think you would start to retire at . . . [READ 1-3]?

	Pre-retirees (n=55)
A younger age	64%
The same age	25
An older age	9
[VOL] Don't know	2
[VOL] Refused	--

W36. What else do you think you would do differently? [ACCEPT MULTIPLE RESPONSES.]

	Pre-retirees (n=55)
Retire gradually instead of all at once	45%
Spread gradual retirement over more years	18
Other [specify]	27
[VOL] Don't know	20
[VOL] Refused	--

WORKER VERSION

W37. How important are the following factors in your plan to retire at age [ANSWER FROM W33]? First, [READ AND ROTATE A-J]. Is it very important, somewhat important not too important or not important at all?

	Pre-retirees (n=231)	**Very Impt.**	**Some-what Impt.**	**Not too Impt.**	**Not at all Impt.**	**[VOL] DK**	**[VOL] REF**	**[VOL] NA**
a.	the age at which you become eligible for your company's pension or retirement plan	43%	18	10	22	<0.5	--	6
b.	the length of time you expect to live	52%	20	10	16	1	--	1
c.	the amount of money you expect to have at that time	68%	25	3	2	1	--	--
d.	[IF MARRIED] the age you expect your spouse to retire (n=153)	36%	26	14	19	1	--	5
e.	your expected health at that time	74%	16	6	4	<0.5	--	--
f.	keeping the health insurance available through your employer	72%	14	3	8	<0.5	--	3
g.	the age at which you become eligible for Social Security benefits	47%	30	14	8	1	--	--
h.	the age people in your company at your type of job are expected to retire	14%	24	19	41	1	--	1
i.	the time you need to pursue your retirement dreams and interests	44%	42	8	5	<0.5	--	<0.5
j.	because you will have worked long enough	40%	34	12	13	--	--	1

WORKER VERSION

W38. How many years do you expect your retirement to last? [DO NOT ACCEPT A RANGE; PROBE FOR A SPECIFIC NUMBER. IF SAY FOR REST OF LIFE, PROBE: How many years do you expect that to be?]

	Pre-retirees (n=231)
Less than 20 years	23%
20 to 24 years	33
25 to 29 years	11
30 years or more	18
[VOL] Don't know	14
[VOL] Refused	1

W39. Do you (and your spouse) keep regular records of your retirement savings and expected retirement income?

	Pre-retirees (n=331)
Yes	68%
No	30
[VOL] Don't know	1
[VOL] Refused	--

[IF KEEP REGULAR FINANCIAL RECORDS (W39 = 1), ASK:]
W40. About how often do you (and your spouse) update these records? [READ 5-1]

	Pre-retirees (n=226)
About every other year or less often	9%
About once a year	47
About every six months	15
About every three months	14
Or monthly	14
[VOL] Don't know	<0.5
[VOL] Refused	<0.5

WORKER VERSION

W41. How concerned are you [READ AND ROTATE A-I]? Are you very concerned, somewhat concerned, not too concerned or not at all concerned?

W42. Which of these would you say you are most concerned about? [READ ALL VERY CONCERNED IN R41. IF NO VERY CONCERNED, READ ALL SOMEWHAT CONCERNED.]

		R41						R42
	Pre-retirees (n=331)	**Very Concern**	**Somewhat Concern**	**Not too Concern**	**Not at all Concern**	**[VOL] DK**	**[VOL] REF**	**Most Con.**
a.	that you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life	34%	37	18	11	<0.5	--	15%
b.	that you might not have enough money to pay for good health care	49%	30	8	13	--	--	24
c.	that you might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home due to poor health or frailty	33%	32	16	18	--	--	10
d.	that you might not be able to keep the value of your savings and investments up with inflation	42%	36	13	8	1	--	14
e.	[IF MARRIED] that your spouse may not be able to maintain the same standard of living after your death, if you should die first (n=207)	25%	22	26	27	<0.5	--	4
f.	that you might deplete all of your savings and be left only with Social Security	36%	29	18	16	1	--	12
g.	that you might not be able to afford to stay in your current home for the rest of your life	19%	25	23	33	<0.5	--	6
h.	that you might not be able to leave money to your children or other heirs	13%	25	29	32	1	--	5
i.	that you might not be able to rely on children or other family members to provide assistance	13%	20	25	40	1	<0.5	1
	[VOL] Don't know							3
	[VOL] Refused							--
	[VOL] None of these							6

WORKER VERSION

W43. If you found yourself needing to reduce your living expenses, how acceptable would it be for you (and your spouse) to do each of the following? First (READ AND ROTATE A-H). Would this be very acceptable, somewhat acceptable or not acceptable?

W44. Which reduction in your living expenses would you be likely to make first? [READ ALL VERY ACCEPTABLE IN W44. IF NO VERY ACCEPTABLE, READ ALL SOMEWHAT ACCEPTABLE.]

		W43						W44
	Pre-retirees (n=331)	**Very**	**Somewhat**	**Not**	**[VOL] NA**	**[VOL] DK**	**[VOL] REF**	**First Reduc.**
a.	Move to a less expensive area of the country	21%	30	46	2	1	--	7%
b.	Move into a smaller house or apartment	34%	40	25	<0.5	1	--	12
c.	Take fewer vacations	37%	45	12	5	1	--	17
d.	Eat out in restaurants less often	49%	37	11	3	1	--	25
e.	Spend less money on social, leisure or cultural activities	36%	52	10	1	--	--	12
f.	Spend less money on gifts each year	49%	44	5	2	<0.5	--	18
g.	Go to the doctor less often	21%	34	43	2	<0.5	--	4
h.	Spend less on medications	16%	22	56	6	<0.5	--	2
	[VOL] Don't know							1
	[VOL] Refused							--
	[VOL] None of these							2

WORKER VERSION

W45. I will read you four strategies for saving for retirement. For each, please tell me whether it describes you (and your spouse) very well, somewhat well, not too well or not at all. First, [READ AND ROTATE A-D.]

	Pre-retirees (n=331)	**Very Well**	**Somewhat Well**	**Not too Well**	**Not at all Well**	**[VOL] DK**	**[VOL] REF**
a.	I/we try to reduce unnecessary spending so that I/we can set aside as much money as possible for retirement.	24%	49	15	11	1	--
b.	I/we try to invest a considerable portion of money in stocks and stock mutual funds, hoping that in the long run their value will rise enough to provide me/us with a comfortable lifestyle.	25%	30	13	30	1	1
c.	I/we think it is a good idea to buy annuities, because they protect people by paying a guaranteed income for life, no matter how long you live.	13%	31	17	37	2	1
d.	I/we think it is a good idea to buy insurance to protect financially against things like the possibility of needing extended nursing care.	22%	36	17	24	2	--

WORKER VERSION

W46. What have you (and your spouse) done to protect yourself/yourselves against the possibility of having to cut back substantially on your lifestyle? [DO NOT READ LIST. ACCEPT MULTIPLE RESPONSES. PROBE:] What else?

[IF R SAYS "NOTHING", PROBE TO CLARIFY:] Is this because you haven't made any arrangements yet, or because you feel there is nothing you are able to do?

	Pre-retirees (n=331)
Cut back on spending	25%
Saved/have always saved	18%
Invested in stocks/stock mutual funds	17%
Have insurance: life, long term care, health, disability	4%
Continue to work/have worked extra	4%
Bought real estate/invested in property	4%
Purchased an annuity	3%
Have no debt, use no credit	2%
Looked into purchasing an annuity	2%
Moved to less expensive area/smaller house	1%
Paid off mortgage	1%
Intend to purchase an annuity	<0.5
Other [specify]	7%
Haven't done anything	14%
Nothing I can do	11%
Don't know	2%
Refused	2%

WORKER VERSION

W47. What have you (and your spouse) done to protect yourself/yourselves financially against things like the possibility of needing extended nursing care? [DO NOT READ LIST. ACCEPT MULTIPLE RESPONSES. PROBE:] What else?

[IF R SAYS "NOTHING", PROBE TO CLARIFY:] Is this because you haven't made any arrangements yet, or because you feel there is nothing you are able to do?

	Pre-retirees (n=331)
Purchased long-term care insurance	17%
Purchased health insurance (to supplement Medicare)	9%
Saving against possibility of needing care (self-insuring)	6%
Maintain healthy lifestyle: exercise, routine doctor visits	5%
Looked into purchasing long-term care insurance	2%
Intend to purchase long-term care insurance	1%
Looked into purchasing health insurance	1%
Moved into/arranged for care through Continuing Care Retirement Community	--
Other [specify]	4%
Haven't done anything	45%
Nothing I can do	11%
Don't know	2%
Refused	1%

BOTH VERSIONS

48. Until what age do you think the average 65-year-old ["MALE" IF MALE; "FEMALE" IF FEMALE] can expect to live?

	Pre-retirees (n=331)	Retirees (n=273)
70 or less	5%	6%
71 to 74	4	3
75	14	11
76 to 70	6	7
80	25	23
81 to 84	6	7
85	22	21
86 to 89	1	2
90	8	7
91 or older	5	4
[VOL] Don't know	3	7
[VOL] Refused	--	<0.5

49. And until what age do you think that you, yourself, can expect to live?

	Pre-retirees (n=331)	Retirees (n=273)
70 or less	10%	4%
71 to 74	2	3
75	15	9
76 to 70	1	5
80	18	19
81 to 84	4	6
85	17	13
86 to 89	2	5
90	11	9
91 or older	13	14
[VOL] Don't know	6	13
[VOL] Refused	<0.5	<0.5

BOTH VERSIONS

50. And do you think that is longer than average, about average or shorter than average?

	Pre-retirees (n=331)	Retirees (n=273)
Longer than average	35%	35%
About average	48	50
Shorter than average	13	10
[VOL] Don't know	3	4
[VOL] Refused	1	1

D1. Now, I have just a few questions for statistical purposes. First, what was the highest grade of school or year of college that you completed? [DO NOT READ LIST.]

	Pre-retirees (n=331)	Retirees (n=273)
Some high school or less	6%	15%
High school graduate	26	29
Some college/trade or business school	26	33
College graduate	20	13
Post graduate work	5	2
Graduate degree	17	8
[VOL] Don't know	--	--
[VOL] Refused	<0.5	1

[IF R IS RETIREE AND NEVER EMPLOYED R8 = 97 OR R WORKER AND NOT EMPLOYED WORKING, LAID OFF OR LOOKING FOR WORK (Q3 NE 1, 4) , SKIP]

D2. Was/is your occupation . . . [READ 1-3]?

	Pre-retirees (n=331)	Retirees (n=273)
Executive, professional, technical or managerial	63%	58%
Other white-collar	14	12
Or blue-collar	20	24
[VOL] Don't know	3	4
[VOL] Refused	1	1

BOTH VERSIONS

D3. Do you provide significant financial support for anyone other than yourself (and your spouse)?

	Pre-retirees (n=331)	Retirees (n=273)
Yes	41%	15%
No	59	83
[VOL] Don't know	--	--
[VOL] Refused	<0.5	1

D4. Do you own or rent your primary home?

	Pre-retirees (n=331)	Retirees (n=273)
Own	84%	87%
Rent [SKIP TO D5]	14	10
[VOL] Don't know [SKIP TO D5]	1	1
[VOL] Refused [SKIP TO D5]	1	2

D4a. Do you own this home free and clear or do you owe money on a mortgage on this home?

	Pre-retirees (n=277)	Retirees (n=239)
Own free and clear	33%	64%
Owe mortgage	66	34
[VOL] Don't know	<0.5	1
[VOL] Refused	1	1

D5. In general, would you say your health is . . . [READ 5-1]?

	Pre-retirees (n=331)	Retirees (n=273)
Excellent	33%	27%
Very good	35	26
Good	21	24
Fair	9	13
Poor	2	8
[VOL] Don't know	--	1
[VOL] Refused	--	1

BOTH VERSIONS

D6. In 2002, was your total household income, before taxes, [READ 1-6]?

	Pre-retirees (n=331)	**Retirees (n=273)**
Less than $25,000	12%	28%
$25,000 to $34,999	10	17
$35,000 to $49,999	24	17
$50,000 to $74,999	17	10
$75,000 to $99,999	12	7
$100,000 or more	14	4
[VOL] Don’t know	3	4
[VOL] Refused	8	13

D7. In total, about how much money would you say you currently have in savings and investments, including any money that you have in retirement plans from work in which you can decide how the money is invested? Would you say you have [READ 1-7]?

	Pre-retirees (n=331)	**Retirees (n=273)**
Less than $25,000	28%	28%
$25,000 to $49,999	11	8
$50,000 to $99,999	12	12
$100,000 to $249,999	14	10
$250,000 to $499,999	7	8
$500,000 but less than $1 million	4	3
$1 million or more	2	2
[VOL] Don’t know	8	7
[VOL] Refused	15	23

THANK AND TERMINATE