SOCIETY OF ACTUARIES

2005 RISKS AND PROCESS OF RETIREMENT SURVEY

REPORT OF FINDINGS

March 2006

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Employee Benefit Research Institute

TABLE OF CONTENTS

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 third study sponsored by the Society of Actuaries that focuses on these issues. The first was conducted in August 2001, before the events of September 11 and before substantial declines in investment markets, while the second study was conducted in August 2003. The 2005 study includes some of the same questions asked in 2001 and 2003, 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 portions of the study focusing on reasons for choosing various retirement plan payouts and longevity were expanded significantly. While Americans over age 80 were included in the 2001 study, the decision was made to exclude them in subsequent iterations of the study.

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 retirement process, the way in which they took payouts from their employer-based retirement plans, their concern about possible financial risks, their strategies for managing their retirement finances and longevity. 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 602 interviews lasting an average of 17 minutes were conducted by National Research, LLC, between June 17 and July 28, 2005. Households were selected using a nationwide-targeted list sample purchased from Survey Sampling, Inc. Respondents born between 1925 and 1960 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 to the 2004 population estimates released by the Census Bureau on March 10, 2005. Additional details about the weighting procedure are available on request.

A large number of retirees in the sample left their primary occupation before age 55 (34 percent). Therefore, the study results were analyzed to determine whether this group 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, this group is included in the sample analyzed and the few significant differences are pointed out in the report text at the appropriate places. A similar analysis was performed for retirees from the uniformed services in 2003 and yielded essentially the same results.

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 302 unweighted retired respondents and plus or minus 5.6 percentage points for questions asked of all 300 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. A posted questionnaire is appended to the end of the report. 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

Health Care Risks

- Of the various risks examined, both retirees and pre-retirees are most likely to express concern about health care needs and costs (together with inflation). Roughly half of retirees express concern about having enough money to pay for extended care at home or in a nursing home (52 percent *very* or *somewhat* concerned) or that they may not have enough money to pay for adequate health care (46 percent). Pre-retirees are even more likely to say they are concerned about these risks: Three-quarters report they are concerned about not having enough money to pay for adequate health care (75 percent) and six in 10 are concerned about having enough money to pay for long-term care (61 percent).

- Most retirees and pre-retirees purchase products to help ensure that they can pay for adequate health care. Three-quarters of retirees (76 percent) and pre-retirees (75 percent) indicate they have or plan to purchase health insurance to supplement Medicare or participate in an employer-provided retiree health plan.

- In contrast, retirees and pre-retirees are more likely to try to save for long-term care costs rather than insure themselves against this type of risk. Half say they are either currently saving (34 percent of retirees, 16 percent of pre-retirees) or intend to save (15 percent, 34 percent) against the possibility of needing long-term care or having large health expenses. Yet only about one-third of retirees indicate they already have (20 percent) or intend to purchase (14 percent) long-term care insurance and four in 10 pre-retirees say they already have (16 percent) or intend to purchase (27 percent) this type of product. Only 16 percent of both retirees and pre-retirees have made or intend to make arrangements for care through a continuing care retirement community.

Financial Risks

- Inflation is also one of the top three concerns for both workers and retirees. Half of retirees (51 percent *very* or *somewhat* concerned) and two-thirds of pre-retirees (65 percent) express concern that the value of their savings and investments might not keep pace with inflation.

- More than half of pre-retirees also worry about being able to maintain a reasonable standard of living for the rest of their lives (59 percent) and the possibility of depleting all of their savings (55 percent). Retirees are less likely to say they are worried about maintaining a reasonable standard of living (43 percent) and depleting savings (38 percent). Roughly four in 10 married retirees (38 percent) and pre-retirees (40 percent) are concerned that their spouse might suffer a decline in standard of living if they should die first.

- Concern about inflation among pre-retirees in 2005 (65 percent) has returned to 2001 levels (63 percent) after having increased to 78 percent in 2003. Pre-retiree concern about other financial risks also returned to 2001 levels.

- Both retirees and pre-retirees seem to expect steady price increases over the next 10 years. More than four in 10 retirees (43 percent) and half of retirees (51 percent) estimate that $100 of groceries today will cost $200 or more in 10 years (an average annual rate of 8 percent or more). Another four in 10 each predict these groceries will cost $150 to $199 (26 percent of retirees, 23 percent of pre-retirees) or $100 to $149 (10 percent, 17 percent).

- Retirees and pre-retirees are most likely to try to protect themselves against financial risks by increasing savings, decreasing debt, and cutting back on spending. Three-quarters of retirees (74 percent) and more than eight in 10 pre-retirees (84 percent) say they save or intend to save as much as they can. Large majorities also say that they have or intend to completely pay off their mortgage (83 percent of retiree homeowners, 88 percent of pre-retiree homeowners) and eliminate all of their consumer debt (81 percent of retirees, 88 percent of pre-retirees). Two-thirds of retirees (65 percent) and eight in 10 pre-retirees (75 percent) have already or plan to cut back on expenses.

- Others try to manage these risks through asset allocation strategies. More than half of retirees (54 percent) and six in 10 pre-retirees (62 percent) say they invest money in stocks or stock mutual funds. Roughly similar proportions say they plan to or have moved their assets to increasingly conservative investments as they age (52 percent of retirees, 56 percent of pre-retirees). Others use or intend to use real estate investments as a hedge against financial risk (27 percent, 44 percent).

- Comparatively few ensure they have guaranteed income for life by purchasing an annuity or choosing the lifetime income option from an employer retirement plan (33 percent of retirees, 39 percent of pre-retirees).

Life Expectancy

- Overall, understanding of life expectancy appears spotty. Pluralities of retirees and pre-retirees respond that about 50% of 65-year-olds could expect to live until age 83 (if male) or 86 (if female) (42 percent of retirees, 38 percent of pre-retirees) and that 25% could expect to live until age 89 (if male) or 92 (if female) (42 percent, 46 percent), consistent with commonly used life expectancy tables. However, very few provide a consistent estimate when asked what the life expectancy is for someone their own age and gender (4 percent, 12 percent), and they are far more likely to underestimate (65 percent, 62 percent) life expectancy than to overestimate (16 percent, 22 percent).

- This tendency to underestimate population life expectancy means that a plurality of retirees and pre-retirees, when asked to provide their personal life expectancy, suggest they believe they will live an average lifespan (41 percent of retirees, 44 percent of pre-retirees). In fact, at least half offer personal life expectancies that are shorter than average (55 percent, 51 percent). Only three in 10 give personal life expectancies that are longer than average (29 percent each), while one in 10 say they are unable to estimate their own life expectancy (11 percent, 10 percent).

- Perhaps this tendency is due to the fact that few use average life expectancy as a factor when estimating their own (3 percent of retirees, 7 percent of pre-retirees). By far the most common inputs into the personal life expectancy estimate are family history (45 percent, 54 percent) and personal health (43 percent, 30 percent).

- Both retirees and pre-retirees are most likely to say they would deal with a longer-than-predicted lifespan by significantly reducing expenses (53 percent of retirees, 70 percent of pre-retirees). Using other assets, such as money earmarked for inheritances (42 percent, 54 percent) or their home (36 percent, 43 percent), are other likely strategies. More than one-third of retirees and more than four in 10 pre-retirees believe they would completely use up all of their assets and be left only with Social Security (35 percent, 45 percent).

Retirement Income

- Only a minority of retirees (44 percent) and pre-retirees (31 percent) have a plan for how much they will spend each year in retirement and where that money will come from.

- Approximately half of retirees and four in 10 pre-retirees rely (or plan to rely) on Social Security (54 percent of retirees, 43 percent of workers) and regular income from a defined benefit plan (49 percent, 44 percent) to provide them with a major source of regular income in retirement. Significant minorities, particularly of pre-retirees, cite non-guaranteed money as their major sources of income, such as regular withdrawals or distributions from defined benefit plan money (14 percent, 37 percent), employment (17 percent, 20 percent), and regular withdrawals from an IRA or other investment account (12 percent, 19 percent).

- o While similar proportions of retirees and pre-retirees received or expect to receive income or money from defined benefit plans (56 percent of retirees, 60 percent of pre-retirees), significantly more pre-retirees receive or expect to receive money from an employer's retirement savings plan, such as 401(k) (32 percent, 65 percent).

- o Most with money from a defined benefit plan say they took or plan to take it as a series of regular payments guaranteed for life (74 percent of retirees, 84 percent of pre-retirees). Far fewer with defined contribution plans took or plan to take plan money this way (28 percent, 44 percent). Instead, about half invest or save defined contribution money in funds they can withdraw as they like (53 percent, 49 percent).

- o Those who choose to take money from their employer's retirement plan as funds they can withdraw as they like say they do so to keep their options open (45 percent of retirees, 47 percent of pre-retirees) or because they want control of the money (44 percent each).

- o Very few retirees have used (10 percent) or plan to use (11 percent of current homeowners) the equity in their home to help finance their retirement. Likewise, fewer than two in 10 pre-retiree homeowners indicate that they plan to use home equity for this purpose (18 percent). Majorities of those who plan to use this equity say they will do so by selling their home (56 percent of retirees, 61 percent of pre-retirees) rather than by obtaining a loan or new mortgage (8 percent, 12 percent) or getting a reverse mortgage (10 percent, 4 percent). Most retirees who have already accessed home equity to finance their retirement did so by selling their home (46 percent) or getting a home equity loan (36 percent).

THE PROCESS OF RETIREMENT

Retirement Age

- o The majority of retirees in this study report that they retired before the age of 65 (83 percent), with one-third having retired before the age of 55 (34 percent). However, more than half of the pre-retirees in this study expect that they will retire at age 65 or later (40 percent) or will never retire (13 percent). Moreover, the percentage of pre-retirees saying they will never retire has gradually increased, from 4 percent in 2001 and 8 percent in 2003 to its current level.

The Retirement Process

- Most retirees indicate that when they retired they did so by stopping work all at once (69 percent). In contrast, less than four in 10 pre-retirees think they will stop work all at once (38 percent). Instead, three in 10 plan to continue working part time (29 percent), two in 10 think they will gradually reduce the number of hours they work (21 percent), and one in 10 expect to continue working full time (8 percent).

- Even retirees who continued working into retirement generally report having stopped working completely before age 65 (56 percent).

- While retirees who do work in retirement are most likely to work for a different company (40 percent) rather than the same company as before retirement (31 percent), most pre-retirees are as likely to think they will work for the same company (32 percent) as they are to think they will work for a different one (28 percent) after they retire. Similarly, almost half of working retirees do the same type of work as before retirement (45 percent), while only one-third of pre-retirees think they will do the same work (33 percent).

COMPARISON OF 2005, 2003 AND 2001 STUDY RESULTS

- There are remarkably few differences in responses to the different studies. Differences that exist are found primarily among pre-retirees.

- Although concern about many retirement risks among pre-retirees increased from 2001 to 2003, levels of concern measured in 2005 dropped back down to those in 2001 (except for concern about having enough money to pay for adequate health care). Four in 10 pre-retirees in 2003 said they were very concerned about their ability to keep the value of their investments up with inflation. Yet, in 2005, just one-quarter of pre-retirees express this level of concern about inflation (26 percent), comparable to the 24 percent who said very concerned in 2001.

- Other risks exhibiting this pattern for pre-retirees are: depleting all of their savings and having only Social Security (36 percent very concerned in 2003, 28 percent very concerned in 2005), ability to maintain a reasonable standard of living for the rest of their (and their spouse's) life (20 percent very concerned in 2001, 34 percent very concerned in 2003, 23 percent very concerned in 2005), and their spouse's ability to maintain the same standard of living after their death, if they should die first (17 percent very concerned in 2001, 25 percent very concerned in 2003, 16 percent very concerned in 2005).

- In 2005, retirees (34 percent) were more likely to report that they retired prior to reaching age 55 than they were in previous studies (26 percent in 2003, 18 percent in 2001). In contrast, pre-retirees in 2005 (9 percent) are less likely than in previous studies to state that they expect to retire before age 60 (14 percent in 2003, 15 percent in 2001) and more likely to say they will never retire (4 percent in 2001, 8 percent in 2003 and 13 percent in 2005).

DIFFERENCES BY SUBGROUP

<u>Differences by Economic Status</u>

- Differences in responses by economic status reveal few surprises. As in previous years, both retirees and pre-retirees with lower household incomes are more likely than those with higher incomes to be concerned about retirement risks. Levels of concern about most risks are also inversely related to household wealth. Nevertheless, retirees of all income and wealth levels continue to appear equally likely to be concerned about inflation risk.

- More affluent retirees and pre-retirees use different risk management strategies than those who are less affluent. Cutting back on spending is a preferred strategy among those with lower household incomes, while the probability of eliminating consumer debt is positively related to income. In addition, the likelihood of having invested in stocks or stock mutual funds, having moved assets into more conservative investments and having purchased real estate increases as assets increase. Those with higher household incomes are also more likely to save or intend to save for the possibility of having large health expenses or needing long-term care.

- Estimates of personal life expectancy appear to be slightly higher among more affluent retirees (but not pre-retirees) than among those who are less affluent.

- Higher-income retirees are more likely than those with lower incomes to describe money from an employer’s defined benefit plan, defined contribution plan, or other investments as a source of regular retirement income. In contrast, those with lower income are more apt to cite Social Security as a major source of regular income.

<u>Differences by Health Status</u>

- Differences in responses by health status are closely related to differences by household income, perhaps because those in poorer health often have lower income and vice versa. Among both retirees and pre-retirees, concern about various risks tends to increase as health status worsens.

- Those in better health are more likely than those who evaluate their health as poor to use risk management strategies associated with more affluent retirees and pre-retirees. For example, they are more likely to have invested in stocks and stock mutual funds, moved to increasingly conservative investments as they age and eliminated all consumer debt. In addition, they are more likely to have guaranteed lifetime income.

- Not surprisingly, estimates of personal life expectancy are related to health, and increase as reported health status improves.

Differences by Sex

- There continue to be few differences in responses by sex of respondent.

- Among pre-retirees, women are more likely than men to worry about inflation, not being able to afford long-term care, maintaining a reasonable standard of living, depleting all savings and investments and being left only with Social Security and not being able to rely on family to provide assistance. In addition, pre-retiree women are more likely than men to say that a likely consequence of living five years longer than expected would be to exhaust all of their savings.

- Women, on average, correctly tend to offer higher estimates of average and personal life expectancy. However, male pre-retirees are more likely than female pre-retirees to provide an age for personal life expectancy that is higher than actual life expectancy.

FINDINGS OF THE RETIREE SURVEY

RETIREMENT RISK

Concern About Risk

The 2005 study finds that concern about the nine retirement risks examined in the study have changed little since 2003. Overall, three risks appear to occupy the minds of retirees, two of which are health related. More than half of retirees indicate they are *very* or *somewhat* concerned that they may not have enough money to pay for nursing home or home nursing care for a long period of time (52 percent), while nearly half are concerned that they may not have enough money to pay for adequate health care (46 percent). Concern over inflation risk also ranks high, with half saying they are concerned that the value of their assets might not keep pace with inflation (51 percent). (See Figure 1.)

Sizable proportions of retirees are concerned about preserving their standard of living. More than four in 10 retirees worry that they (and their spouse) may not be able to maintain a reasonable standard of living for the rest of their (and their spouse's) life (43 percent *very* or *somewhat* concerned). Almost four in 10 indicate that they are concerned that they might deplete all of their savings and be left only with Social Security (38 percent). In addition, an equal share of married retirees report concern that a surviving spouse may not be able to maintain the same standard of living after their death (38 percent).

Fewer retirees say they are worried about the other retirement risks examined. Three in 10 are concerned that they may not be able to afford to remain in their current home for the rest of their lives (31 percent *very* or *somewhat* concerned), while one-quarter are concerned that they might not be able to leave money to children or other heirs or rely on family members to provide assistance (26 percent each).

When asked which of the nine retirement risks they are *most* concerned about, retirees most often cite paying for long-term home care or nursing home stays (18 percent). Thirteen percent are most concerned about being able to afford adequate health care. One in 10 each are *most* concerned about the value of their assets keeping up with inflation (10 percent) and their ability to maintain a reasonable standard of living for the rest of their life (9 percent). Smaller percentages report that they are most worried about being able to afford to stay in their home (6 percent), depleting their savings and having to rely on Social Security (5 percent), the ability of their surviving spouse to maintain their lifestyle (5 percent), their ability to leave money to heirs (2 percent) and having to rely on family to provide assistance (1 percent).

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

Retirees (2005 n=302, 2003 n=301, 2001 n=300)

	Very Concerned	Somewhat Concerned	Not Too Concerned	Not at All Concerned	Most Concerned
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					
2005	24%	29	18	29	18%
2003	20%	27	27	25	9%
2001 (in a nursing home)	20%	28	24	28	NA
2001 (at home)	18%	30	23	29	NA
That you might not have enough money to pay for adequate health care					
2005	23%	23	18	35	13
2003 (good health care)	22%	24	26	27	12
2001 (good health care)	22%	21	24	32	NA
That you might not be able to keep the value of your savings and investments up with inflation					
2005	21%	29	22	26	10
2003	25%	32	21	21	17
2001	21%	34	22	23	NA
That you might deplete all of your savings and be left only with Social Security					
2005	20%	18	24	37	5
2003	25%	15	23	36	11
2001		(not asked)			
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)					
2005 (n=177)	18%	19	22	40	5
2003 (n=172)	15%	19	24	41	6
2001 (n=167)	16%	27	22	35	NA

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

Retirees (2005 n=302, 2003 n=301, 2001 n=300)

	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					
2005	17%	26	25	31	9
2003	17%	29	24	30	7
2001	17%	29	27	26	NA
That you might not be able to afford to stay in your current home for the rest of your life					
2005	15%	16	20	49	6
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					
2005	13%	14	21	51	1
2003	15%	16	21	47	4
2001		(not asked)			
That you might not be able to leave money to your children or other heirs					
2005	10%	16	24	49	2
2003	11%	16	27	46	3
2001		(not asked)			
[VOL] Don't know/Refused					
2005		(not asked)			3
2003		(not asked)			7
[VOL] None of these					
2005		(not asked)			24
2003		(not asked)			19

Only a minority of retirees indicate they are concerned about most of the risks examined in the study. Approximately two in 10 say they are *very* or *somewhat* concerned about seven or more of these risks (22 percent). Almost as many are concerned about four to six of the risks (18 percent). At the same time, more than one-third are worried about only one to three of the retirement risks (35 percent) and one-quarter are *very* or *somewhat* worried about none of these risks (24 percent). (Fifty-nine percent report being *very* concerned about none of the risks.)

Perhaps not surprisingly, levels of concern regarding all but one of the retirement risks examined in this series appear to be related to the respondent's level of household income; the lower the household income, the more likely respondents are to be *very* or *somewhat* concerned. The single exception is concern over the value of one's savings and investments keeping pace with inflation. Levels of concern about most of these risks are also inversely related to wealth.

Concern about health care-related risks, namely the ability to afford long-term care and adequate health care, varies by health status. Those who describe their health as *fair* or *poor* are more likely than those who describe their health more positively to be *very* or *somewhat* concerned about being able to afford a long stay at a nursing home or home care (68 percent *fair* or *poor*, 39 percent *excellent* or *very good* health). They are also more apt to be concerned about being able to afford adequate health care (58 percent *fair* or *poor*, 42 percent *excellent* or *very good* health). Moreover, younger retirees, ages 45 to 64 (53 percent), are more likely than older retirees (41 percent) to indicate that they are worried about the affordability of health care. Retirees who do not receive defined benefit plan or annuity income (54 percent) express concern about the affordability of long-term care more often than those who have these types of income (48 percent).

Perceived health status also seems to affect respondents' level of concern regarding their (or their spouses') ability to maintain a desired standard of living or lifestyle. Those who describe themselves as in *excellent* or *very good* health are less inclined than those who describe their health as *fair* or *poor* to be concerned about:

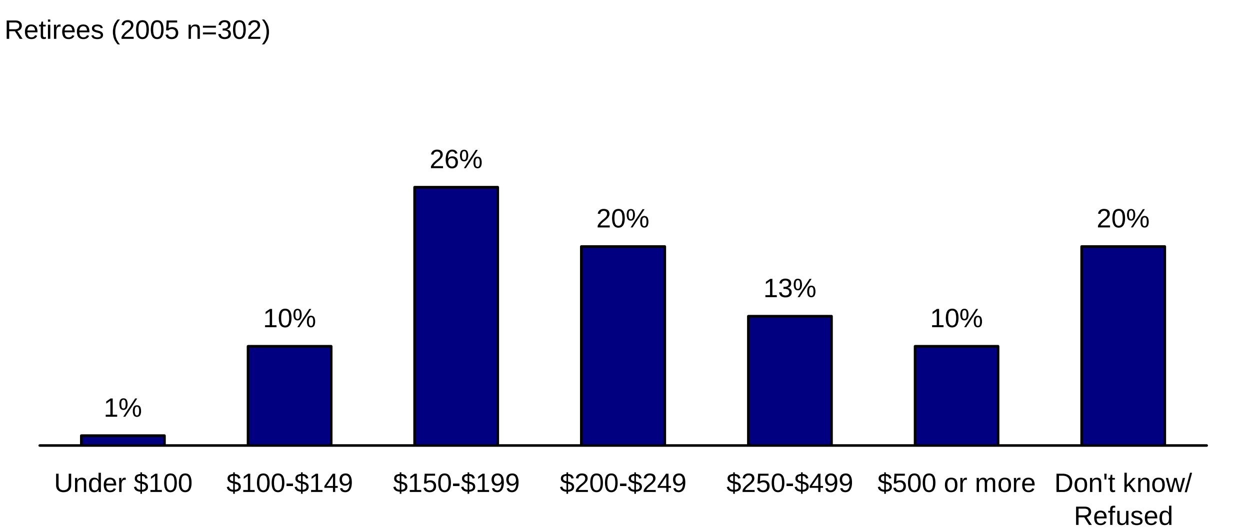
- maintaining a reasonable standard of living for the rest of their (or their spouse's) lives (33 percent *excellent* or *very good*, 56 percent *fair* or *poor* health),
- their spouse being able to maintain the same standard of living after the respondent's death, should they die first (31 percent *excellent* or *very good*, 56 percent *fair* or *poor* health) and
- being able to afford to stay in their current home for the rest of their life (21 percent *excellent* or *very good*, 44 percent *fair* or *poor* health).

Retirees who left the workforce before turning 50 (41 percent) are more likely than those who retired later in life (23 percent) to report being *very* or *somewhat* concerned that they may not be able to leave money to children or other heirs.

Inflation

Despite the fact that only half of retirees are concerned about keeping up with inflation, retirees tend to think that inflation over the next 10 years will outpace today's rate of inflation (as of February 2006, approximately 3.5% based on the CPI-U.). When asked what $100 of weekly groceries would cost 10 years from now and provided with response categories, one-quarter of retirees (26 percent) predict that $100 of groceries will cost between $150 and $199 in 10 years (an average annual rate of 5 to 7 percent). More than four in 10 (43 percent) say these groceries would cost $200 or more (an average annual rate of 8 percent or higher). Only one in 10 (10 percent) guess that $100 of groceries will cost between $100 and $149 (an average annual rate of 0 to 4 percent). Two in 10 retirees are unable to provide an estimate of 10-year inflation (20 percent). (See Figure 2.)

Figure 2
Inflation Predictions
Suppose your weekly groceries today cost you $100. How much do you think they will cost in 10 years?



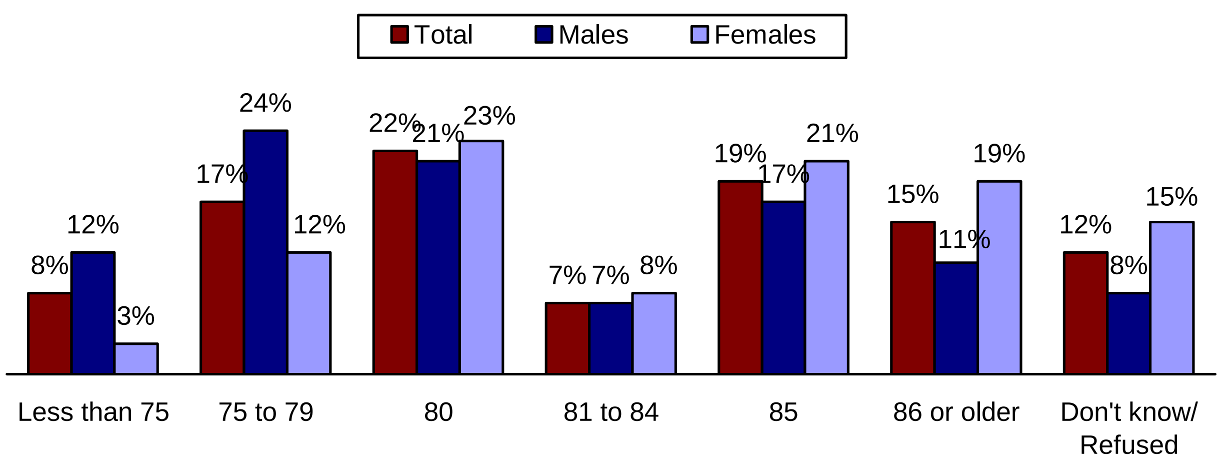
Life Expectancy

A series of questions was asked to gauge respondents' understanding of both average and personal life expectancy. This series was expanded and modified from the life expectancy questions in the 2003 and 2001 studies. First, retirees were asked about the life expectancy for an average person of their gender and age. Next, retirees were asked to speculate on their own personal life expectancy. Follow-up questions in this series included asking about retirees' rationale for their estimations, the life expectancy of groups of 65-year-olds, and whether life expectancy has changed in the past 20 years.

Nearly half of retirees estimate that the average person of their gender and age will live to be between 80 and 85 years old (48 percent). Women (19 percent) are more likely than men (11 percent) to say that the average woman or man their age will live to be 86 years old or older. In contrast, men are more than twice as likely as women to guess at a short life expectancy; more than one-third of males speculate that someone their age can expect to live to be less than 80 years (36 percent), compared with 14 percent of women. Nevertheless, statistically similar percentages of men and women suppose that the average person of their same gender and age will live to be 80 to 85 years old (44 percent males, 51 percent females). (See Figure 3.)

Figure 3
Life Expectancy Estimate for Average Person
Until what age do you think the average person your age and gender can expect to live?

Retirees (2005 Total n=302, Males n=144, Females n=158)

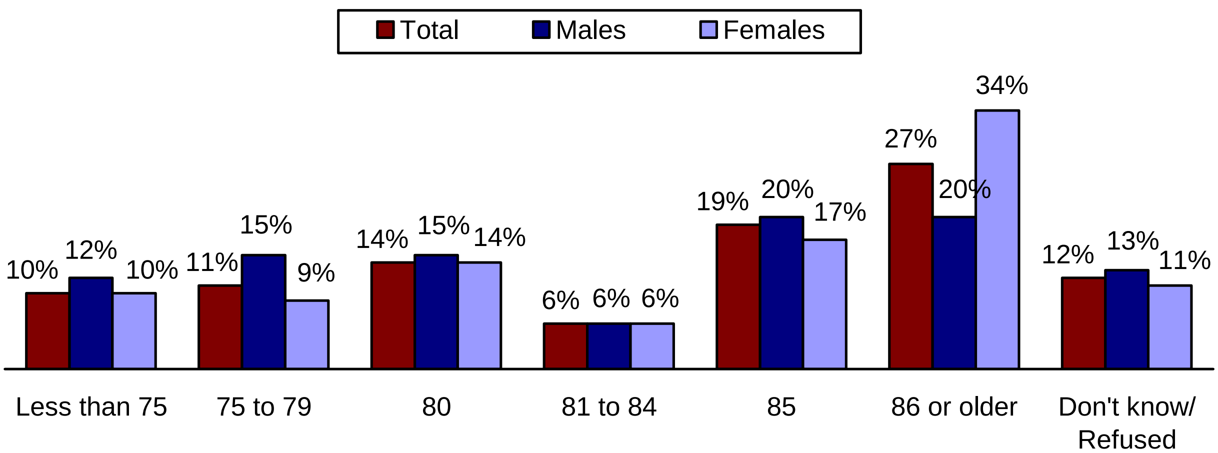


When comparisons of retiree estimates of life expectancy are made to population life expectancy,[1] it is apparent that two-thirds of all retirees underestimate the average life expectancy for someone their age and gender (67 percent). In fact, fewer than one-quarter of retirees provide a life expectancy that is on target (4 percent) or higher (18 percent) than population life expectancy.

Two-thirds of retirees expect to live at least until they are 80 years old. More than one-quarter estimate their personal life expectancy is age 86 or older (27 percent), while almost four in 10 expect to live to between age 80 and 85 (39 percent). Two in 10 speculate they will not live to age 80 (22 percent). (See Figure 4.)

Figure 4
Personal Life Expectancy
And until what age do you think that you, yourself, can expect to live?

Retirees (2005 Total n=302, Males n=144, Females n=158)



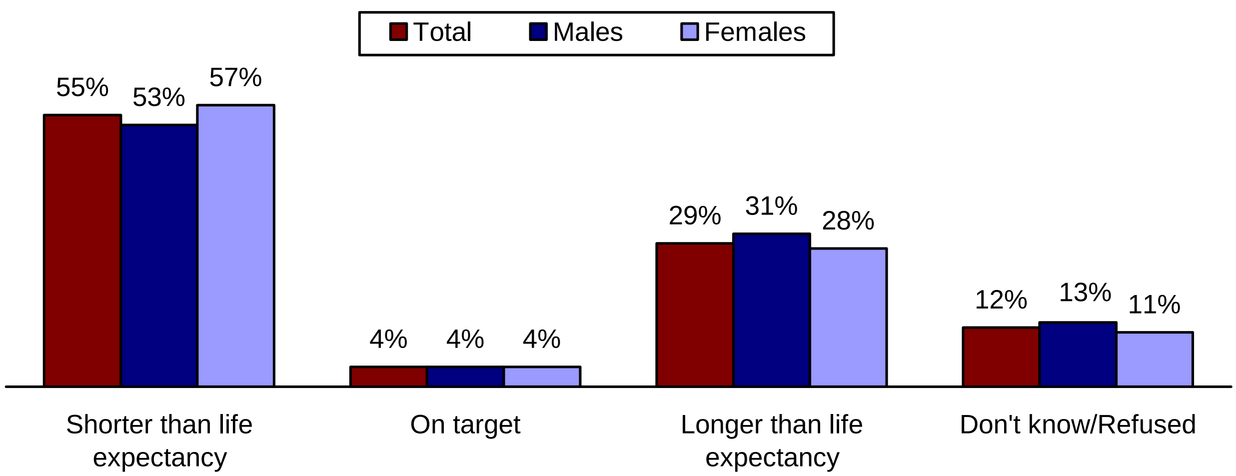
Consistent with published mortality tables, women expect to live longer than men. Women (34 percent) are more likely than men (20 percent) to predict that they will live to age 86 or older. Interestingly, a similar proportion of each gender, roughly one in 10, expects that their personal life expectancy is less than 75 years (12 percent of males, 10 percent of females).

[1] UP94 Life Table Projected to 2005.

Comparisons of retiree estimates of average life expectancy and personal life expectancy suggest that a plurality expect to have an average lifespan (41 percent) and that one-quarter believe they will live longer than average (25 percent). Just 16 percent say they will live less than their estimate of average life expectancy. However, a comparison of respondents' estimates of personal life expectancy with population life expectancy provides quite different information. More than half of respondents think they will live a shorter lifespan than the average person their age and gender (55 percent), with one-third thinking they will live lives that are five or more years shorter than average (34 percent). Three in 10 expect to live longer than average (29 percent). Only four percent provide an age that matches population life expectancy. (Twelve percent do not provide this information.) (See Figure 5.)

Figure 5
Difference between Personal Estimate and Population Life Expectancy

Retirees (2005 Total n=302, Males n=144, Females n=158)



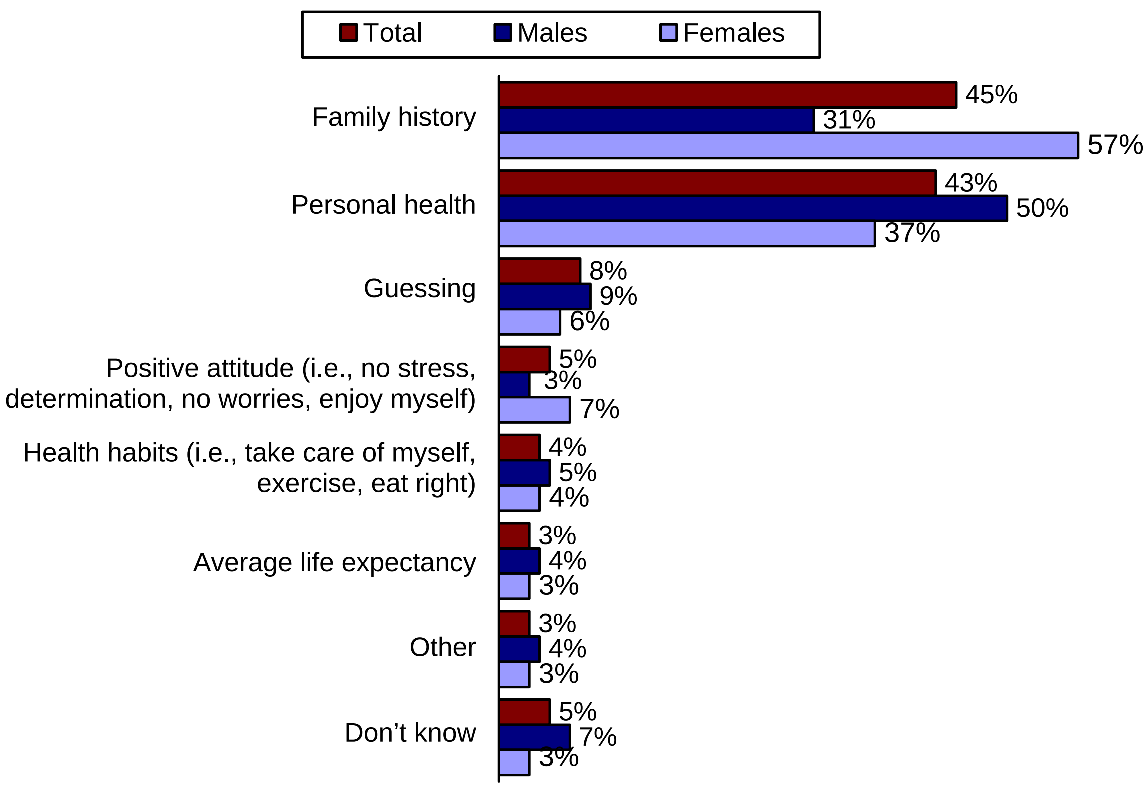
While current age should influence a prediction of personal life expectancy, older retirees do not forecast that they will live much longer than younger retirees. Retirees between the ages of 70 and 80 (47 percent) are more likely than the youngest retirees (33 percent age 45 to 69) to estimate that they will live to be between 80 and 85 years old. However, strikingly similar shares of retirees in each of three age groups estimate that they will live to age 86 or older (25 percent, 45 to 64 years old; 29 percent, 65 to 69 years old; 30 percent, 70 to 80 years old). Older retirees, ages 70 to 80 years old (8 percent), are significantly more likely than younger retirees (1 percent) to evaluate their life expectancy correctly.

Those who report that they are in *good* health or better (20 percent) are more likely than those who suggest their health is *fair* or *poor* (14 percent) to predict a longer-than-average life expectancy.

Retirees arrive at their estimate of personal life expectancy using a variety of input, but average life expectancy is rarely among the factors considered. More than four in 10 retirees (45 percent), including nearly six in 10 women (57 percent), rationalize that their family history led them to provide the estimate that they did. A similar percentage explains that they provided their life expectancy figure based on their personal health (43 percent) or because they were accounting for their health-related habits (4 percent). Nearly one in 10 suggest that they were merely guessing when they provided their estimate (8 percent), and one in 20 indicate that they offered their estimate because they were keeping a positive attitude (5 percent). Just three percent volunteered that they chose their estimate because they believed it was their average life expectancy. (See Figure 6.)

Figure 6
Rationale for Life Expectancy Estimate
Why do you think you will live until that age? (Multiple responses accepted)

Retirees providing an estimate for their life expectancy (Total n=265, Males n=126, Females n=139)

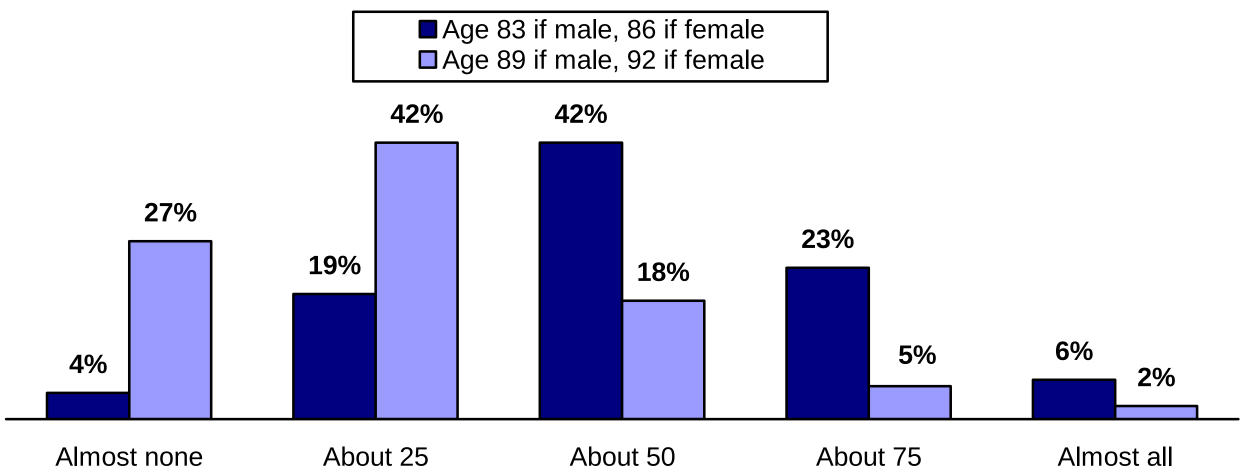


Even though a majority of retirees misjudge life expectancy, nearly nine in 10 know that the life expectancy of people today is longer than it was 20 years ago (86 percent). Only seven percent believe it is about the same, and even fewer think it is shorter (5 percent).

The knowledge that life expectancy is increasing may help to explain why a plurality of retirees provide a response consistent with commonly used life expectancy tables when asked how many of 100 65-year-olds could expect to live until age 83 (if male) or 86 (if female). More than four in 10 retirees say that about 50 65-year-olds can expect to live to that age (42 percent), a consistent estimate. However, this still leaves more than half of retirees who misestimate life expectancy. In particular, roughly one-quarter of retirees believe about 25 percent or less of 65-year-olds will live to average life expectancy (23 percent). (See Figure 7.)

Figure 7
Estimates of Likelihood of Living to 83 or 89 for Males and 86 or 92 for Females
Suppose there were a random group of 100 65-year-old (males/females). About how many do you think could expect to live to age (male: 83 or 89) (female: 86 or 92)?

Retirees (2005 n=302)



Likewise, when asked how many people out of a group of 100 65-year-olds of their gender would live to be 89 years old (if male) or 92 (if female), more than four in 10 provide a consistent estimate of *about 25* (42 percent). More than one-quarter guess *almost none* can expect to live to these ages (27 percent) and nearly two in 10 think *about 50* can expect to live that long (18 percent). Eight percent of retirees believe that *about 75* or *almost all* of a group of 100 65-year-old people of their gender can expect to live to these ages.

Strategies for Managing Risk

Of the actions listed that one can take to reduce financial risk in retirement, the most frequently reported is purchasing health insurance to supplement Medicare or participating in an employer-sponsored retiree health plan. Three-quarters of retirees have either already done so (63 percent) or plan to take (13 percent) this step (76 percent net). (See Figure 8.)

Figure 8
Strategies for Managing Risk
I'm going to read you a list of things that some people do to protect themselves financially as they get older. For each, please tell me whether you (and your spouse) have done that, plan to do that in the future, or have no plans to do it.

Retirees (2005 n=302)

	Already Done	Plan to Do in Future	No Plans	Don't know/ Refused
Purchase health insurance to supplement Medicare or participate in an employer-sponsored retiree health care plan	63%	13	23	1
Completely pay off your mortgage (if home owner, n=269)	56%	27	15	1
Eliminate all of your consumer debt, by paying off all credit cards and loans	56%	26	18	1
Try to save as much money as you can	56%	20	25	1
Cut back on spending	51%	14	34	1
Invest a portion of your money in stocks or stock mutual funds	48%	6	46	--
Move your assets to increasingly conservative investments as you get older	35%	18	48	<0.5
Save for the possibility of having large health expenses or needing long-term care	34%	15	50	1
Buy a product or choose an employer plan option that will provide you with guaranteed income for life	27%	6	66	2
Buy real estate or invest in property	22%	5	71	2
Buy long-term care insurance	20%	14	66	1
Move to a smaller home or less expensive area	18%	18	64	<0.5
Work longer	14%	10	75	2
Move into or arrange for care through a continuing care retirement facility	4%	12	84	1

Debt reduction, increasing savings and reducing spending are also popular methods for protecting against various financial risks that may occur in retirement. More than half of retirees have taken steps to reduce their debts, namely by completely paying off their mortgage (56 percent of homeowners) or eliminating consumer debt (56 percent). Another quarter plan to do this sort of debt-reduction in the future (27 percent of homeowners plan to pay off mortgage, 26 percent of all retirees plan to eliminate consumer debt). Comparable portions of retirees have already started saving as much as they can (56 percent) and have reduced their spending (51 percent) to grow or maintain their retirement assets. Nevertheless, one-third indicate that they do not plan on reducing spending (34 percent), and one-quarter have no intention of saving as much as they can (25 percent).

Roughly half of retirees have or plan to use asset management strategies to protect themselves against financial risks as they get older. Fifty-four percent have invested (48 percent) or plan to invest (6 percent) their money in stocks or stock mutual funds, while a nearly equal share have moved (35 percent) or plan to move (18 percent) their assets into increasingly conservative investments as they get older (52 percent net). More than one-quarter have already invested (22 percent) or plan to invest (5 percent) in real estate to reduce risk (27 percent net).

Smaller proportions of retirees are buying products that would help to protect them in cases of extended ill health, incapacity, or unexpected longevity. While one-third say they have already begun saving for the possibility of having large health expenses or needing long-term care (34 percent) and 15 percent plan to save for this purpose in the future, they are much less likely to have purchased long-term care insurance. Only one in five indicate they already own such insurance (20 percent), and only 14 percent report they plan to make a future purchase. Similarly, roughly one-quarter have purchased a product or chosen an employer plan option that provides guaranteed income for life (27 percent), and only 6 percent expect to get this type of product in the future. Very few have made arrangements for care through a continuing care retirement facility (4 percent), although more than one in 10 plan to make such arrangements (12 percent).

Relatively few retirees use risk management strategies that require them to move to a smaller home or less expensive area (18 percent already done, 18 percent plan to do in future) or work longer (14 percent already done, 10 percent plan to do in future). In fact, almost two-thirds have no plans to move into a smaller or less expensive home (64 percent) and three-quarters have no plans to work longer (75 percent).

Several groups are particularly likely to report purchasing supplemental health insurance or participating in a retiree health plan. These include women (70 percent vs. 55 percent of men), retirees age 65 and older (74 percent vs. 48 percent of younger retirees), and those with defined benefit or annuity income (71 percent vs. 39 percent with no defined benefit or annuity income).

Older retirees, age 65 to 80 (58 percent), are more likely than younger retirees (47 percent) to have completely paid off their mortgage. At the same time, the likelihood of having eliminated all consumer debt increases as household assets rise. Retirees with at least $25,000 in assets (63 percent) or at least $25,000 in household income (60 percent) also report they have tried to save as much as they can more often than less affluent (27 percent) or higher income (33 percent) retirees. In contrast, cutting back on spending is a preferred strategy among those with household income less than $50,000 (60 percent, compared with 33 percent of those with higher income).

Not surprisingly, more affluent retirees are more likely than those who are less affluent to employ asset management strategies to manage risk. The likelihood of having invested in stocks or stock mutual funds, having moved assets into more conservative investment vehicles and having purchased real estate increases as assets increase.

Finally, those with household income of at least $25,000 (40 percent) are more likely than lower-income retirees (21 percent) to have saved for the possibility of having large health expenses or needing long-term care. However, retirees appear equally likely to report purchasing long-term care insurance, regardless of income. Younger retirees (35 percent) are more likely than retirees age 65 and older (21 percent) to say they have purchased an annuity or chosen the lifetime income option from a defined benefit plan.

<u>Strategies for Managing Longevity Risk</u>

When asked about the strategies they would employ to protect themselves financially if they were to live five years longer than expected, the largest share of retirees, slightly more than half, indicate that they would be *very* or *somewhat* likely to significantly reduce their expenditures (53 percent). Smaller, but significant, portions believe that they would likely use assets currently earmarked for other things. Roughly four in 10 retirees say that, if they were to live longer than expected, they would be *very* or *somewhat* likely to dip into money that they might otherwise have left to their children or other heirs (42 percent). One-third suggest that they would use the value of their home to help fund their remaining retirement years (36 percent). (See Figure 9.)

Retirees prefer to rely on Social Security or other government programs rather than their friends or family. More than one third of retirees say they would be *very* or *somewhat* likely to deplete all of their savings and be left only with Social Security and other government programs if they lived five years longer than expected (35 percent). Only about one-quarter would be likely to obtain assistance from their children or other family members (27 percent) or get assistance from friends or community agencies (22 percent).

Figure 9
Likely Strategies if Live Longer than Expected
If you (and your spouse) were to live five years longer than expected, how likely do you think it is that you would have to do each of the following?

Retirees (2005 n=302)

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely	Don't Know/ Refused
Reduce your expenditures significantly	24%	29	18	27	2
Dip into money that you might otherwise have left to your children or other heirs	19%	23	22	34	3
Use the value of your home to help fund your remaining retirement years	14%	22	19	42	3
Deplete all of your savings and be left only with Social Security and other government programs	14%	21	26	35	3
Get assistance from your children or other family members	9%	18	23	49	1
Get assistance from friends or community agencies	6%	16	22	55	1

Younger retirees are more likely than older retirees to indicate that they would be likely to dip into money that otherwise would be left to heirs (50 percent ages 45 to 64, 35 percent age 65 or older) and use the value of their home to fund their remaining retirement years (43 percent ages 45 to 64, 30 percent age 65 or older). Additionally, women (52 percent) are more likely than men (30 percent) to predict that they would dip into inheritance money.

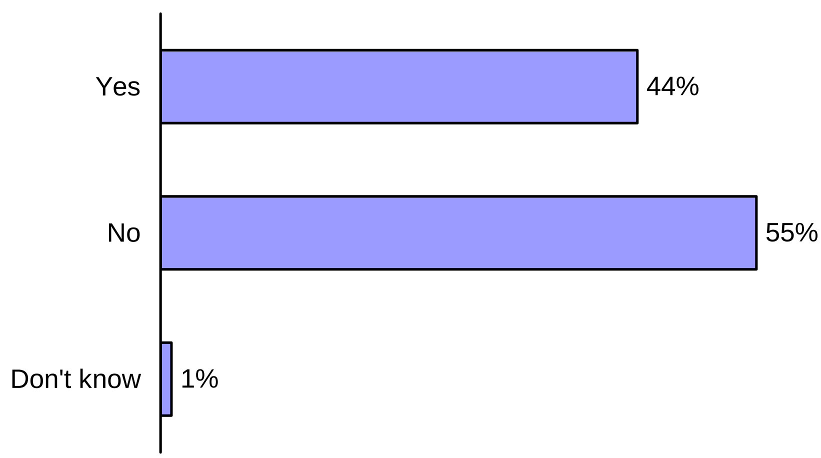
RETIREMENT FINANCES

Retirement Income

Just over four in 10 retirees report that they currently have a plan for how much they will spend each year in retirement and where that money will come from (44 percent). This leaves more than half of retirees with no financial plan for their retirement years (55 percent). (See Figure 10.)

Figure 10
Financial Plan for Retirement
Do you currently have a plan for how much you will spend each year in retirement and where that money will come from?

Retirees (2005 n=302)



Retirees with household income of at least $50,000 (63 percent vs. 23 percent with lower income) or who describe their health as *excellent* or *very good* (52 percent vs. 30 percent in *fair* or *poor* health) are more likely than their counterparts to report that they currently have an income and spending plan for retirement. Moreover, those who claim that income from a defined benefit plan or annuity is a *major* source of income (53 percent) are significantly more likely than those who do not receive such income (29 percent) to have a plan for spending and income sources in retirement.

As in 2003, slightly more than half of retirees indicate that Social Security is a *major* source of regular income for them in retirement (54 percent), and another quarter report Social Security is a *minor* source of retirement income (27 percent). Roughly half also say that regular income from an employer's defined benefit pension plan is a *major* source of income (49 percent), while fewer than two in 10 say a defined benefit plan is a *minor* source of retirement income (18 percent). (See Figure 11.)

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 (2005 n=302, 2003 n=301)

	Major Source	Minor Source	Not a Source	Don't Know
Social Security				
2005	54%	27	18	1
2003	54%	24	21	2
Regular income from an employer's defined benefit pension plan				
2005	49%	18	31	2
2003	41%	19	39	1
Employment				
2005	17%	21	60	1
2003	(not asked)			
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				
2005	14%	21	65	1
2003	11%	25	63	1
Regular withdrawals from an IRA, bank or investment account				
2005	12%	32	56	<0.5
2003 (excluded IRA)	8%	25	67	<0.5
Payments from a payout annuity purchased on your own				
2005	5%	15	78	3
2003	5%	25	70	<0.5

Figure 11 (continued)
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 (2005 n=302, 2003 n=301)

	Major Source	Minor Source	Not a Source	Don't Know
Income from rental property or real estate				
2005	5%	12	82	<0.5
2003		(not asked)		
Some other source of regular income				
2005	3%	--	95	2
2003		(not asked)		

Comparatively few retirees say they receive regular income from other sources. Roughly four in 10 report withdrawals from an IRA, bank or investment account (43 percent *major* or *minor* source) or employment (39 percent) provide them with regular income. About one-third describe regular withdrawals or distributions from an employer's retirement savings plan, such as a 401(k), as a source of income (35 percent). Fewer retirees claim that an individually purchased annuity (20 percent) or rented property or real estate (17 percent) are sources of income in retirement.

Those who indicate that they do not receive any defined benefit plan or annuity income (64 percent) are more likely than those who indicate this money is a *major* source of income (45 percent) to be dependent on Social Security. In addition, retirees with some college education or less (62 percent vs. 39 percent of college graduates) or household incomes below $50,000 (63 percent vs. 35 percent with higher incomes) are more likely than their counterparts to rely on Social Security as a *major* source of income.

In contrast, higher-income retirees are more likely to describe money from an employer's defined benefit plan, defined contribution plan, or other investments as a source of retirement income. In fact, those with annual household incomes of at least $50,000 (60 percent) are more than three times as likely as those with incomes below $25,000 (17 percent) to indicate that a defined benefit plan is a *major* source of income. In addition, retirees with incomes of at least $50,000 are more likely than those with lower incomes to describe regular withdrawals from an employer's retirement savings plan (25 percent vs. 7 percent) or from IRAs and bank or investments accounts (19 percent vs. 7 percent) as a *major* source of income.

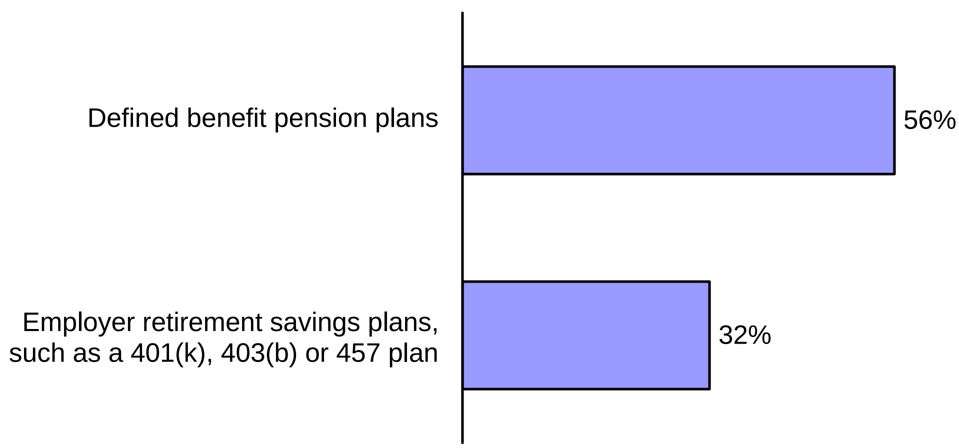
Not surprisingly, younger retirees, ages 45 to 64 (27 percent), are more likely than older retirees (11 percent) to mention employment as a *major* source of retirement income. College graduates (25 percent), as well as those with household incomes of at least $50,000 (29 percent) are also more likely than their counterparts to cite employment as a *major* source of income (13 percent with less than a college degree, 14 percent with incomes below $50,000).

<u>Use of Retirement Plan Assets</u>

Comparable to how retirees describe their sources of retirement income, more than half of retirees say that, when they (or their spouse) retired, they received income or money from a defined benefit pension plan (56 percent), while one-third received income from an employer's retirement savings plan, such as a 401(k) (32 percent). (See Figure 12.)

Figure 12
Retirement Plan Income
When you (or your spouse) retired, did you receive income or money from one or more…?

Retirees (2005 n=302)

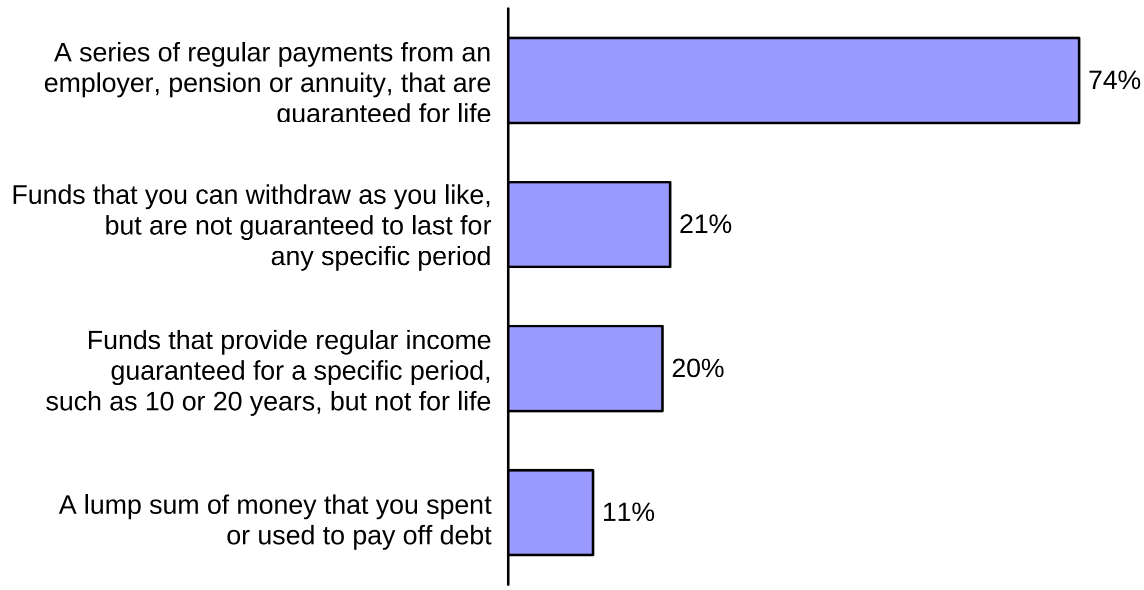


Higher income retirees are more likely to have received income from an employer's retirement plan. Almost two-thirds of retirees with household income of at least $25,000 report receiving benefits from a defined benefit plan (63 percent), compared with just over one-third of lower-income retirees (35 percent). Similarly, retirees with at least $25,000 in income are more than twice as likely as those with less income to have received money from a workplace retirement savings plan (37 percent vs. 15 percent).

Among retirees who received money from defined benefit plans, nearly three-quarters indicate that they took their benefits as a series of regular payments that are guaranteed for life (74 percent). Significantly fewer, roughly two in 10, say that they took the money as funds that they can withdraw as they choose, with no income guarantees (21 percent), or funds that provide regular income for a specified period of time (20 percent). One in 10 report having taken money from their defined benefit plan as a lump sum that they spent or used to pay off debt (11 percent). (See Figure 13.)

Figure 13
Distribution of Money from Defined Benefit Plan
How did you take the money from the defined benefit plans? (Multiple responses accepted)

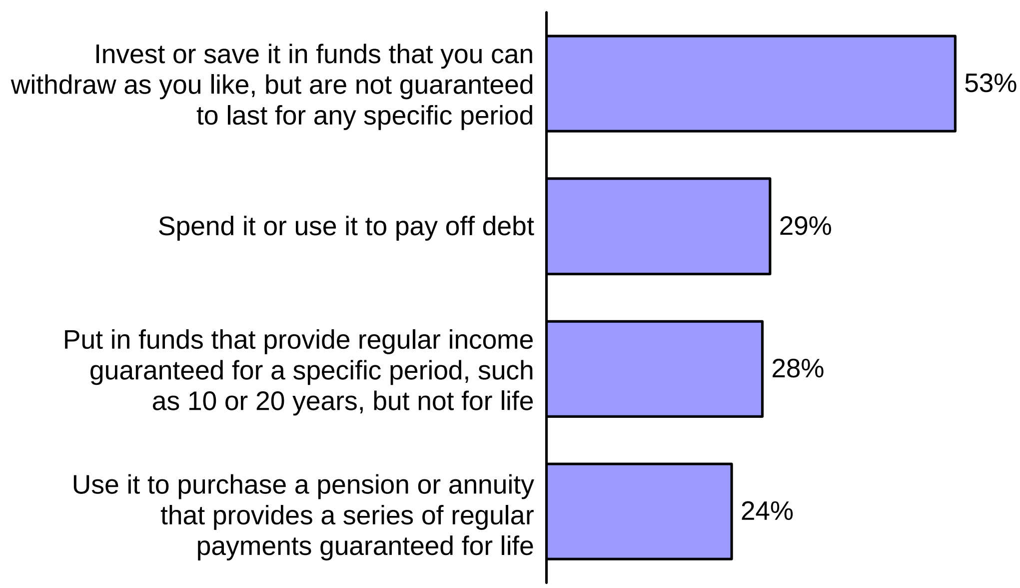
Retirees receiving money from defined benefit plans (2005 n=171)



Just over half of retirees who received money from an employer's retirement savings plan indicate they invested that money in funds that they can withdraw at their discretion, but that provide no guarantees with regard to how long the money will last (53 percent). Almost three in 10 say that they put the money into funds that provide a regular stream of income guaranteed for a specified period of time, but not for life (28 percent), while one-quarter report using this money to purchase a pension or annuity that provides a regular stream of income with a lifetime guarantee (24 percent). Three in 10 spent or used the money from their workplace retirement savings plan to pay off debts (29 percent). (See Figure 14.)

Figure 14
Use of Money from Employer Retirement Savings Plans
What did you (or your spouse) do with some or all of the money from the employer retirement savings plans? (Multiple responses accepted)

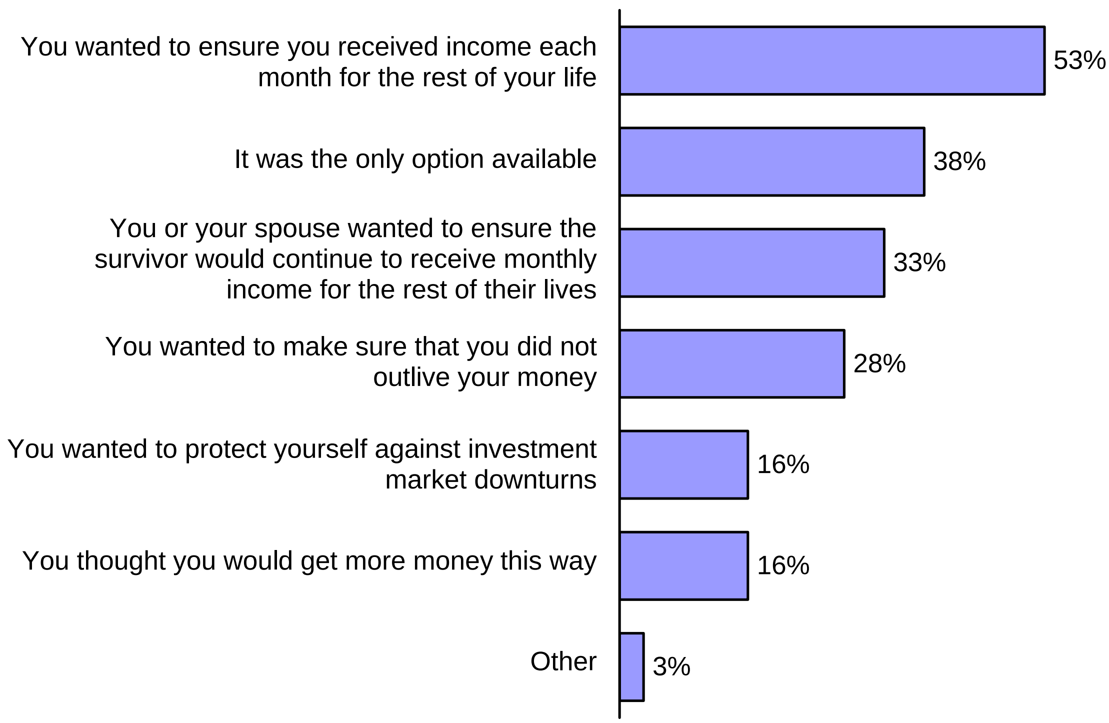
Retirees receiving money from employer retirement savings plans (2005 n=97)



When retirees who chose to receive money from their employers' retirement plan in the form of regular income guaranteed for life are asked why, about half explain that they wanted to ensure that they received lifetime monthly income (53 percent), while one-third rationalize that they wanted to make certain that a surviving spouse would continue to receive monthly income for the rest of their lives (33 percent). Nearly four in 10 report they receive regular income guaranteed for life because it was the only option available (38 percent), but others suggest they made their decision to protect themselves from outliving their assets (28 percent) or from investment market downturns (16 percent). One in eight indicate they chose to receive guaranteed lifetime income because they believed that they could get more money that way (16 percent). (See Figure 15.)

Figure 15
Reasons for Choosing Guaranteed Lifetime Payments
Why did you (or your spouse) choose to get a series of regular payments guaranteed for life? (Multiple responses accepted)

Retirees taking retirement plan benefits as a pension or annuity (2005 n=141)

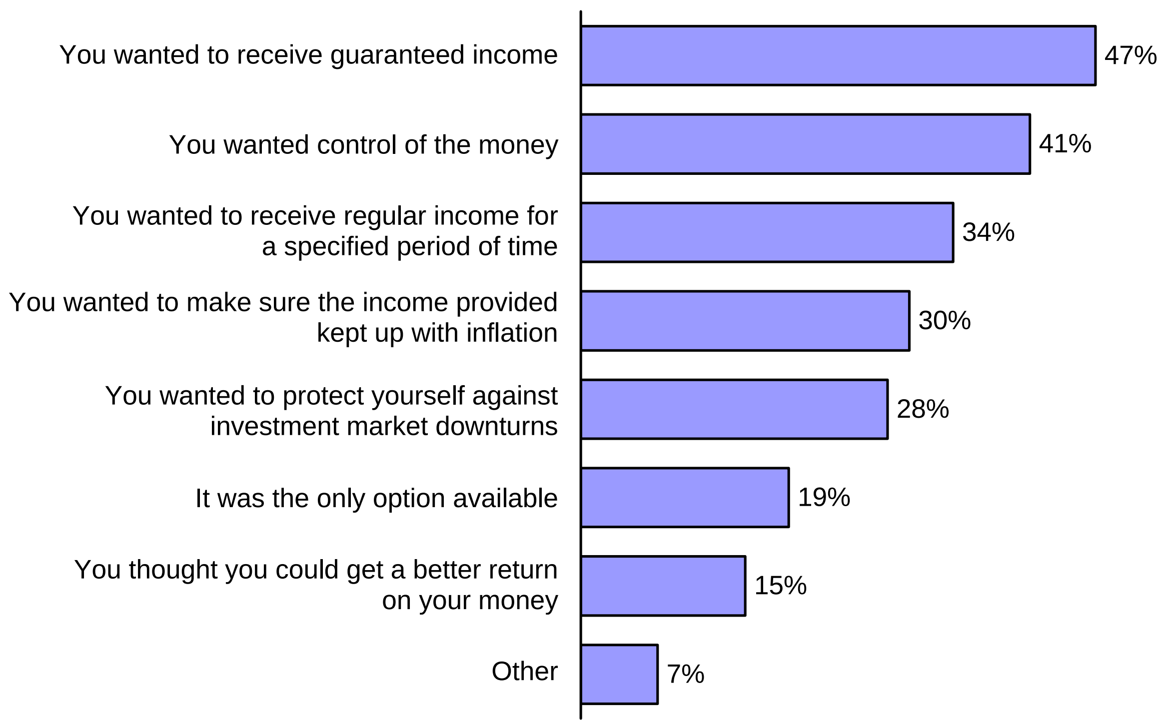


Retirees who chose to invest in funds that provide regular income guaranteed for a specified period of time, but not for life, are most likely to indicate that they chose this method because they wanted to receive regular income (47 percent) and because they wanted control of the money (41 percent). One-third explicitly state that they wanted regular income for a specific period of time (34 percent). (See Figure 16.)

Roughly three in 10 believe that choosing a fund that guarantees regular income for 10 or 20 years would help them keep their investments on par with inflation (30 percent) or would protect them against investment market downturns (28 percent). In addition, 15 percent say that they believe they could get a better return on their money with that type of fund. One out of five retirees who chose a fund that provides regular income for a specified period of time claim that this type of fund was the only option available to them (19 percent).

Figure 16
Reasons for Choosing Funds Providing Regular Payments for Specified Period
Why did you (or your spouse) choose to put money in funds that provide regular income guaranteed for a specific period of time, such as 10 or 20 years, but not for life? (Multiple responses accepted)

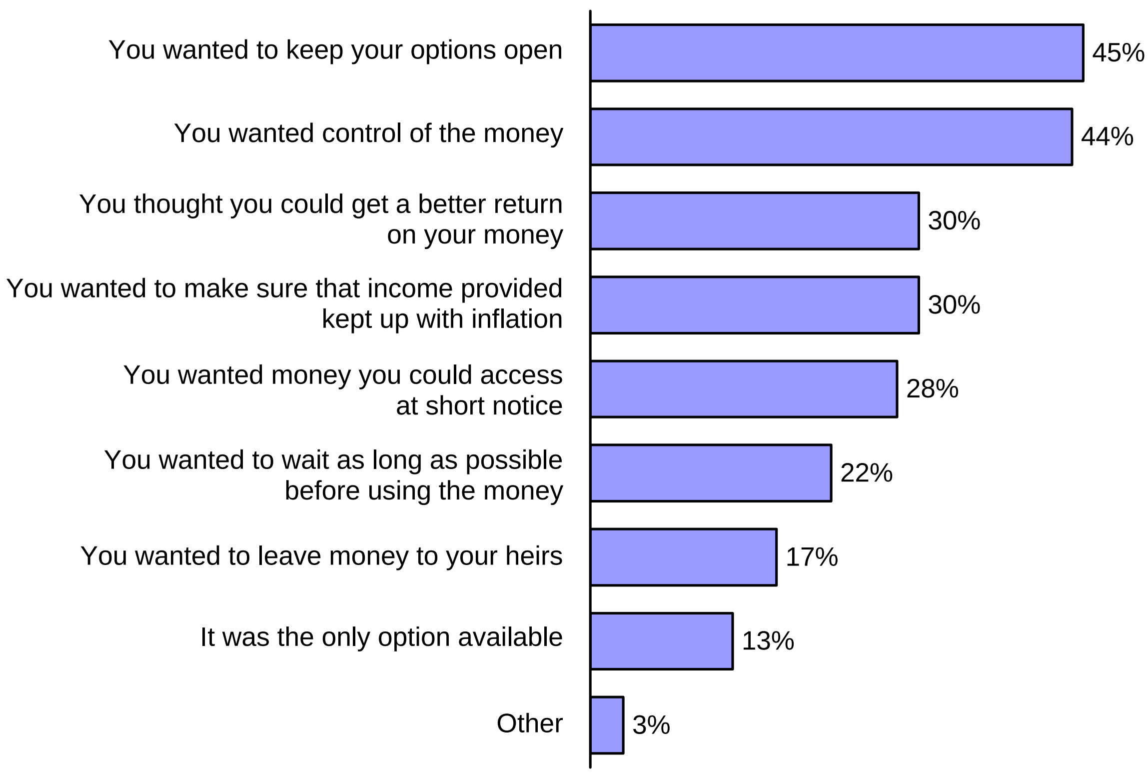
Retirees taking retirement plan benefits as income guaranteed for a specified period (2005 n=48)



Among retirees who chose to invest their retirement plan benefits in funds they can withdraw on demand, close to half mention that they did so because they wanted to keep their options open (45 percent) and because they wanted to maintain control over the money (44 percent). Three in 10 say they decided to use that type of investment because they thought it could provide a better return or would ensure that their income kept pace with inflation (30 percent each). At the same time, slightly smaller percentages of retirees who chose to invest their savings in funds they can withdraw as they like indicate that they wanted to be able to access the money on short notice (28 percent) or wanted to wait as long as possible before using the money (22 percent). (See Figure 17.)

Figure 17
Reasons for Choosing Funds Available on Demand
Why did you (or your spouse) choose to invest or save the money in funds you can withdraw as you like? (Multiple responses accepted)

Retirees investing retirement plan benefits in funds that they can withdraw as they like (2005 n=76)

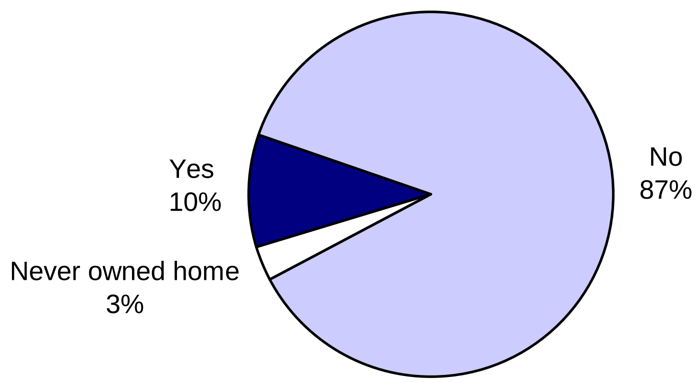


Role of Home Equity in Retirement Finances

One in 10 retirees report that they have used the equity in their current or previous home to help them fund retirement (10 percent). (See Figure 18.)

Figure 18
Use of Home Equity
Up until now, have you used any of the equity you built up in your current home or a previous home to help you fund your retirement?

Retirees (2005 n=302)

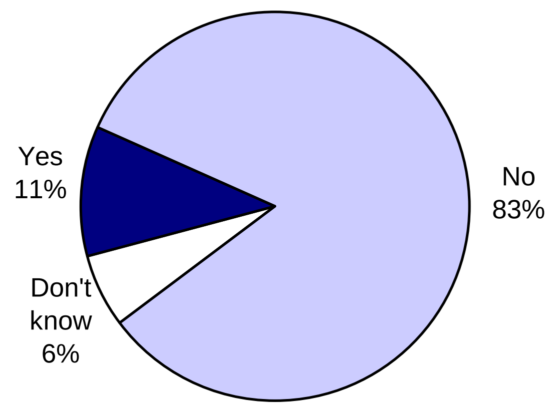


Among the few retirees who have used home equity to help fund their retirement, nearly half say that they sold their homes (46 percent), while more than one-third obtained a home equity loan (36 percent). Others report getting a new mortgage (15 percent) or a reverse mortgage (3 percent).

A few retirees who currently own their home plan on using home equity to help them fund their retirement in the future (11 percent). An additional 6 percent report they do not know whether their home equity will play a role in financing their retirement. (See Figure 19.)

Figure 19
Future Use of Home Equity
And do you have any plans to use the equity in your home to help finance your retirement in the future?

Retirees owning their primary home (2005 n=269)



More than half of retirees who think they will use their home equity at some point in the future to help fund their retirement indicate that they will sell their home (56 percent). Far fewer believe that they may get a reverse mortgage (10 percent) or get a home equity loan (8 percent). Seven percent offer some other home equity-related action, and 18 percent say they do not know what they will do with their home equity.

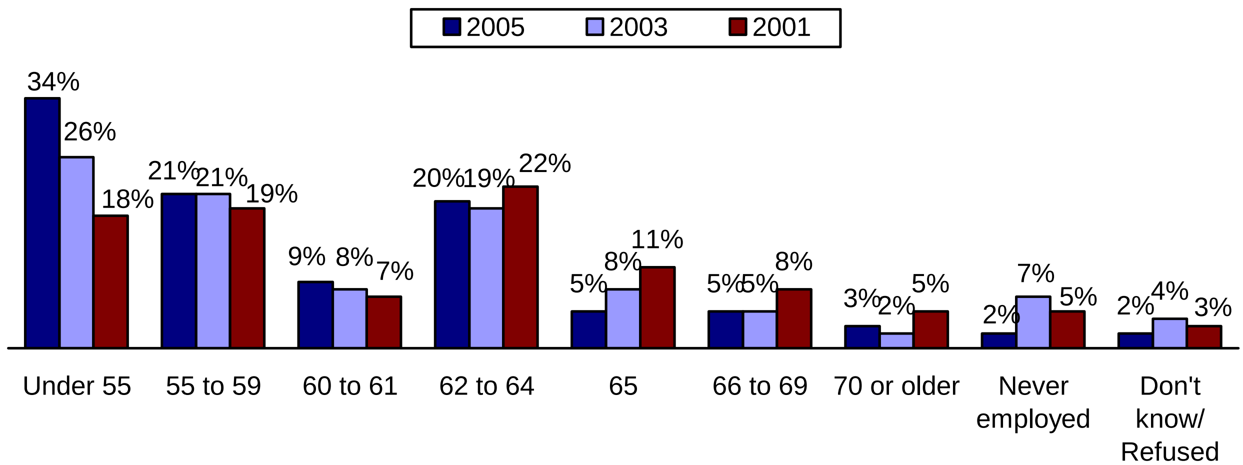
THE RETIREMENT EXPERIENCE

<u>Retirement Age</u>

The majority of retirees report that they retired from their primary occupation before the age of 65 (83 percent), with one-third having retired before the age of 55 (34 percent). Five percent indicate that they retired at exactly 65 years old, and fewer than one in 10 retired at age 66 or later (8 percent). (See Figure 20.)

Figure 20
Age at Retirement
How old were you when you retired or began to retire from your primary occupation?

Retirees (2005 n=302, 2003 n=301, 2001 n=300)

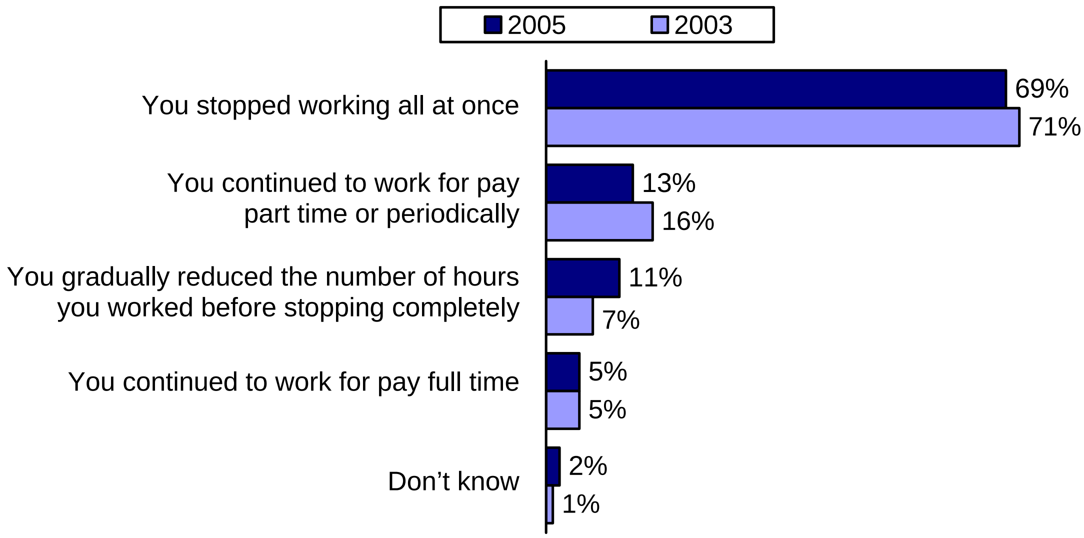


The Retirement Process

As in 2003, most retirees indicate that they retired from their primary occupation by stopping work all at once (69 percent). Just one in eight say that they continued to work part time or periodically in retirement (13 percent), and about the same proportion report they gradually reduced their working hours before stopping completely (11 percent). At the same time, 5 percent state they continued to work full-time after retirement. (See Figure 21.)

Figure 21
The Retirement Process
Which statement comes closest to describing how you retired from your primary occupation?

Retirees providing an age at retirement (2005 n=285, 2003 n=242)

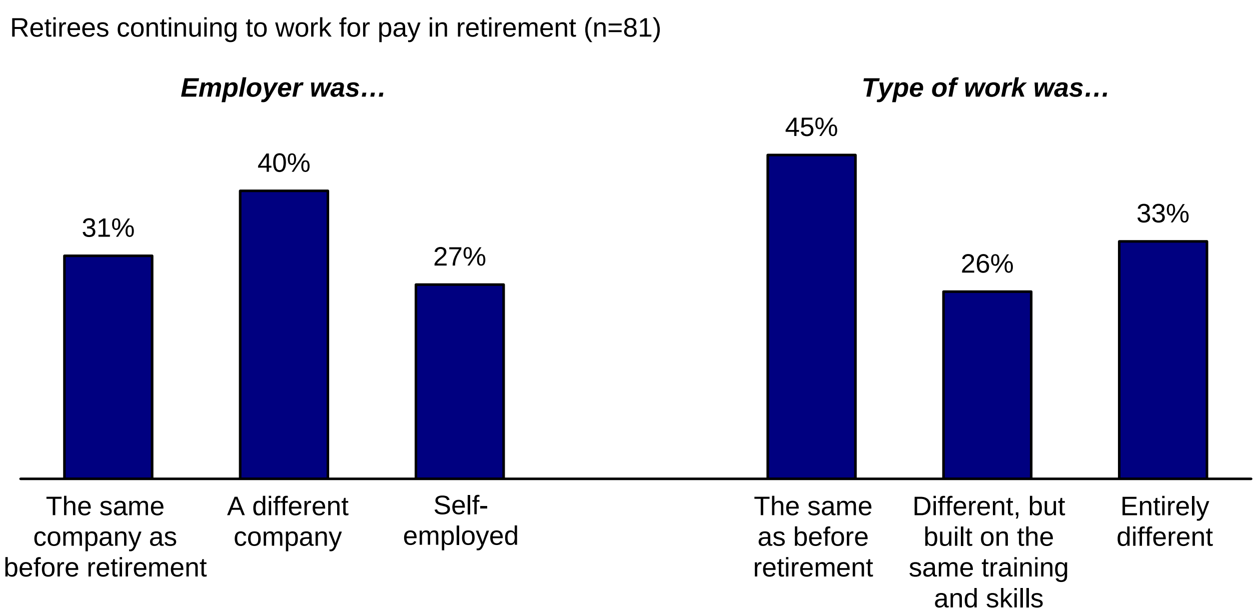


Even among retirees who gradually reduced the number of hours they worked or continued to work in retirement, more than half specify that they stopped working completely before age 65 (56 percent). In fact, two in 10 say they stopped working completely before age 50 (20 percent), and a similar proportion stopped working between the ages of 50 and 59 (21 percent). However, 21 percent report they left the workforce between the ages of 65 and 69, and 13 percent left at age 70 or later. Seven percent say they have yet to stop working completely.

Working in Retirement

Roughly three in 10 retirees report they worked or are continuing to work in retirement. Of those, almost one-third indicate they continued to work for the same company (31 percent), while four in 10 report accepting employment with a different company (40 percent). Nearly one out of three say they became self-employed after they retired from their primary occupation. (See Figure 22.)

Figure 22
Working in Retirement
When you worked in retirement, which statement comes closest to describing what you actually did? Was the work you did for pay in retirement…? (Multiple responses accepted)

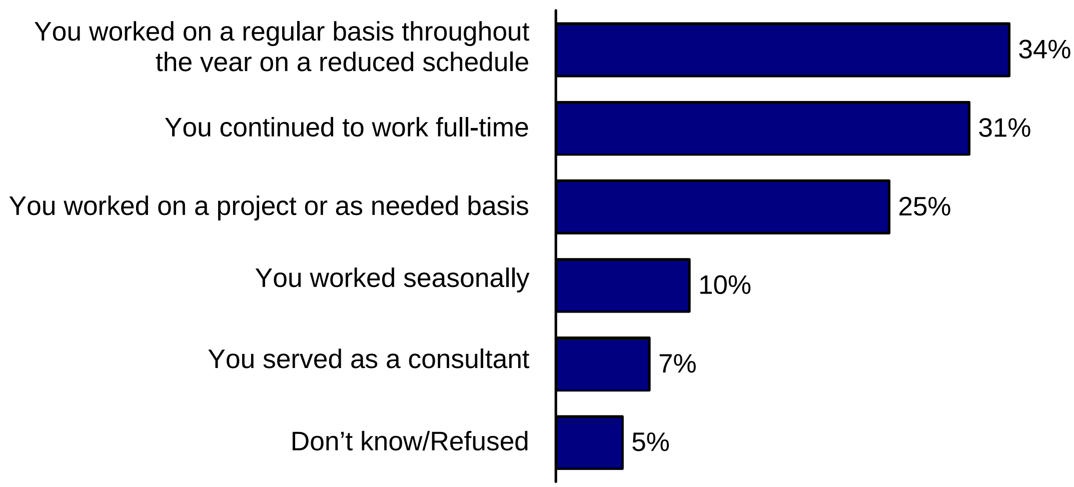


The large majority of working retirees say they either continued to do the same type of work that they did before retirement (45 percent) or did work that was different than their pre-retirement occupation, but that built upon the same skill set (26 percent). However, one-third state that the work they did for pay in retirement was completely different than their pre-retirement work (33 percent).

While about one-third of retirees who continued work in retirement say they maintained a regular schedule throughout the year, but reduced their hours (34 percent), nearly as many report continuing to work full-time (31 percent). One-quarter maintain they worked on a project or as needed basis (25 percent). One out of 10 retirees indicate they worked seasonally (10 percent), and 7 percent indicate they served as a consultant. (See Figure 23.)

Figure 23
Work Schedule in Retirement
And when you worked in retirement, which statement or statements come closest to describing what you actually did? (Multiple responses accepted)

Retirees continuing to work for pay in retirement (n=81)



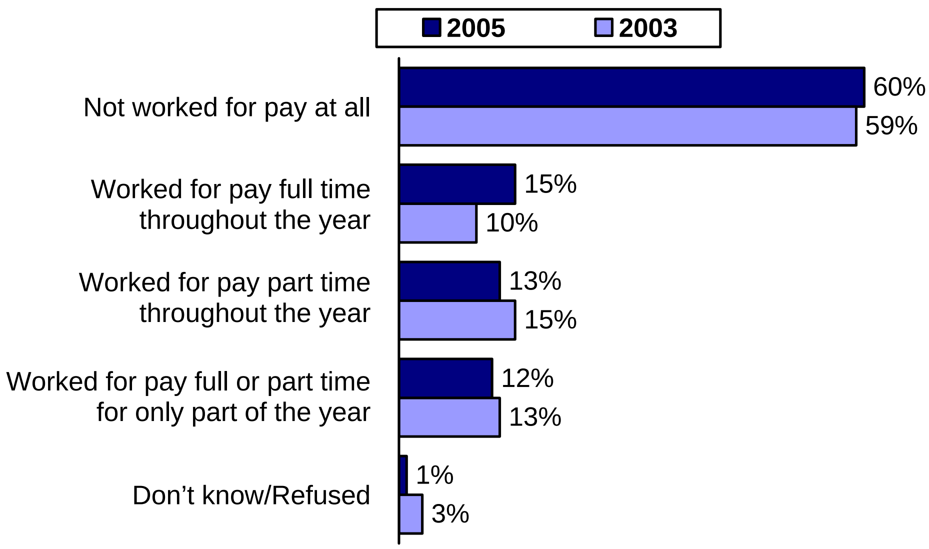
Among retirees who worked in retirement, those ages 70 to 80 (47 percent) are more likely than younger retirees (22 percent) to state that they continued to work on a regular basis throughout the year on a reduced schedule. Not unexpectedly, retirees with household incomes of at least $50,000 (20 percent) are more likely than lower-income retirees (2 percent) to report they were employed as a consultant.

Current Employment

A large number of previously employed retirees are still working at least sporadically during the year (39 percent). More than one in seven indicate that they work full time throughout the year (15 percent), and almost as many report working part time (13 percent). About one in six say they work full or part time only part of the year (12 percent). However, the majority (60 percent) have not worked for pay at all in the past 12 months. (See Figure 24.)

Figure 24
Current Employment
In the past 12 months, have you…?

Retirees providing age at retirement (2005 n=274, 2003 n=242)



It should be noted that a smaller proportion of retirees describe themselves as not having worked in the past 12 months (60 percent) than say they stopped working all at once (69 percent). This may be because the question about how people retired was qualified by the phrase "when you retired from your primary occupation." Some retirees 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 (25 percent). Almost half say they retired all at once and are not working (46 percent), one in seven continued to work after retirement and are still working (15 percent), and one in eight continued to work after retirement and are no longer working (12 percent). The return of a few retirees to the workforce after retirement may also account for some discrepancies.

FINDINGS OF THE PRE-RETIREE SURVEY

RETIREMENT RISK

Concern About Risk

Of the nine retirement risks examined, five are a cause of concern for a majority of pre-retirees. A large majority of pre-retirees say they are concerned about not having enough money to pay for adequate health care (75 percent *very* or *somewhat* concerned). Two-thirds report that they worry about their savings and investments keeping pace with inflation (65 percent). Nearly as many pre-retirees, about six in 10, express concern about having enough money to pay for long-term care (61 percent) and maintaining a reasonable standard of living for the rest of their lives (59 percent). In addition, more than half of pre-retirees worry about depleting all of their savings and being left only with Social Security (55 percent). (See Figure 25.)

Fewer than half of pre-retirees express concern about each of the remaining risks. About four in 10 say they are *very* or *somewhat* concerned that their spouse will not be able to maintain the same standard of living after the respondent's death (40 percent of married respondents) or that they might not be able to leave money to their children or other heirs (37 percent). Similarly, one-third are worried that they might not be able to rely on children or other family members to provide assistance (34 percent) or to afford to stay in their current homes for the rest of their lives (34 percent).

In many ways the 2005 results more closely resemble the findings of the 2001 study than the 2003 study. Concern about several risks, including keeping pace with inflation, depleting savings and being left only with Social Security and being able to maintain a reasonable standard of living, increased between 2001 and 2003. However, the 2005 findings suggest that concern about each of these risks has returned to 2001 levels.

The two risks that pre-retirees are *most* likely concerned about relate to health care. By a wide margin, pre-retirees are *most* likely to be concerned about being able to pay for adequate health care (31 percent). Another 14 percent are *most* concerned about not being able to afford long-term care. One in 10 pre-retirees say that their primary concern is maintaining a reasonable standard of living for the rest of their lives (10 percent). Equal proportions of pre-retirees say that they are *most* concerned about the value of their investments keeping up with inflation and depleting their savings and being left with only Social Security (7 percent each). Very few pre-retirees indicate that they are *most* concerned about their spouse's ability to maintain their lifestyle (5 percent), their ability to remain in their own home (4 percent), being able to leave money to heirs (3 percent), or not being able to rely on family to provide assistance (1 percent). It is important to note that one in six pre-retirees feel that none of the nine concerns mentioned constitute a primary concern (15 percent) or do not know which one they are *most* concerned about (2 percent).

Figure 25
Retirement Risks
How concerned are you… ? Which of these are you most concerned about?

Pre-retirees (2005 n=300, 2003 n=303, 2001 n=301)

	Very Concerned	Somewhat Concerned	Not Too Concerned	Not at All Concerned	Most Concerned
That you might not have enough money to pay for adequate health care					
2005	42%	32	13	12	31%
2003 (…good health care)	49%	30	8	13	24%
2001	30%	28	19	23	NA
That you might not be able to keep the value of your savings and investments up with inflation					
2005	26%	38	16	19	7
2003	42%	36	13	8	14
2001	24%	39	19	17	NA
That you might deplete all of your savings and be left only with Social Security					
2005	28%	27	25	20	7
2003	36%	29	18	16	12
2001		(not asked)			NA
That you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life					
2005	23%	36	24	16	10
2003	34%	37	18	11	15
2001	20%	35	28	17	NA
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					
2005	35%	26	20	19	14
2003	33%	32	16	18	10
2001 (at home)	24%	33	23	21	NA
2001 (in a nursing home)	24%	28	24	24	NA

Figure 25 (continued)
Retirement Risks
How concerned are you… ? Which of these are you most concerned about?

Pre-retirees (2005 n=300, 2003 n=303, 2001 n=301)

That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)					
2005 (n=197)	16%	24	25	34	5
2003 (n=207)	25%	22	26	27	4
2001 (n=211)	17%	23	29	31	NA
That you might not be able to afford to stay in your current home for the rest of your life					
2005	17%	17	24	42	4
2003	19%	25	23	33	6
2001		(not asked)			NA
That you might not be able to leave money to your children or other heirs					
2005	16%	21	22	41	3
2003	13%	25	29	32	5
2001		(not asked)			NA
That you might not be able to rely on children or other family members to provide assistance					
2005	16%	18	20	44	1
2003	13%	20	25	40	1
2001		(not asked)			NA
[VOL] Don’t know/Refused					
2005		(not asked)			2
2003		(not asked)			3
[VOL] None of these					
2005		(not asked)			15
2003		(not asked)			6

A large minority of pre-retirees are *very* or *somewhat* concerned about most of the risks examined in the study. One-third are concerned about seven or more of the risks (32 percent). Another three in 10 are worried about four to six of the risks (29 percent). One-quarter express concern about only one to three risks (26 percent), and 13 percent did not respond to being *very* or *somewhat* concerned about any of these risks. (Further, 46 percent are not *very* concerned about any of the risks.)

As might be expected, the likelihood of being *very* or *somewhat* concerned about almost all of these risks increases as pre-retirees' household income or household assets decrease. For example, those with household incomes less than $35,000 (88 percent) are considerably more likely to express concern about being able to afford adequate health care than those with incomes of at least $75,000 (66 percent). Likewise, those with less than $100,000 in household assets (86 percent) are more likely to worry about affording adequate health care than those with more assets (66 percent). As might be expected, concern about risk is also inversely related to education.

Perceived health status is related to concern about most risks, with those who evaluate their health as *good*, *fair, or poor* more likely than those who rate their health as *excellent* or *very good* to be concerned. For instance, more than seven in 10 of pre-retirees who describe themselves as being in *good*, *fair* or *poor* health (72 percent) say they are *very* or *somewhat* concerned about having enough money to pay for long-term care, compared with half who feel their health is *excellent* or *very* good (53 percent).

In light of their longer life expectancy, it is not surprising that five of the risks examined generate significantly more concern among women than men. More women than men are *very* or *somewhat* concerned about being able to keep value of savings and investments up with inflation (73 percent vs. 55 percent), not being able to afford long-term care (67 percent vs. 54 percent), not maintaining a reasonable standard of living for the rest of their lives (65 percent vs. 52 percent), depleting all savings and investments and being left with only Social Security (62 percent vs. 47 percent) and not being able to rely on family to provide assistance (41 percent vs. 27 percent).

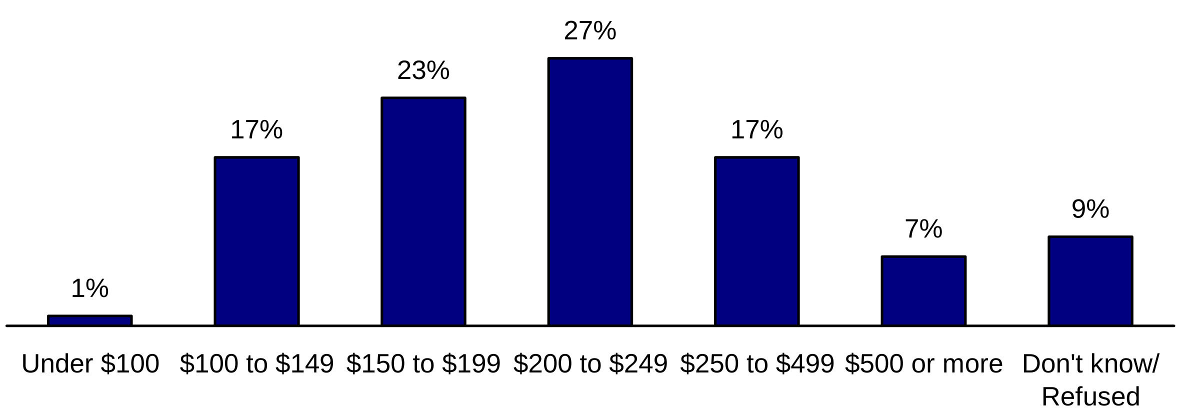
Pre-retirees who expect to retire at age 65 or before are more apt than those retiring at a later age to be *very* or *somewhat* concerned about the value of their savings keeping pace with inflation (75 percent vs. 56 percent) and not being able to leave money to their heirs (42 percent vs. 23 percent). At the same time, those expecting money from a defined benefit plan or annuity to be a *major* source of retirement income are *less* likely than those *not* expecting such income to be concerned about having enough money to pay for adequate health care (69 percent vs. 86 percent), maintaining a reasonable standard of living (55 percent vs. 72 percent) and depleting all savings and being left with only Social Security (48 percent vs. 66 percent).

Inflation

Inflation is one of pre-retirees' top concerns, and like retirees they tend to think that inflation over the next 10 years will outpace today's rate of inflation. Pre-retirees were asked how much $100 of weekly groceries would cost in 10 years and provided with categories for responding. Most think that today's $100 of groceries will cost at least $150 10 years from now. Roughly one-quarter each estimate that these groceries will cost between $150 and $199 (23 percent predicting an average annual rate of 5 to 7 percent), $200 and $249 (27 percent, an average annual rate of 8 to 9 percent), or $250 or more (23 percent, an average annual rate of 10 percent or more). On the other hand, less than two in 10 (17 percent) speculate that the weekly groceries will cost $100 to $149 in 10 years (an average annual rate of 0 to 4 percent). It should be noted that one in 10 pre-retirees are unable to provide an estimate of 10-year inflation (9 percent). (See Figure 26.)

Figure 26
Inflation Predictions
Suppose your weekly groceries today cost you $100. How much do you think they will cost in 10 years?

Pre-retirees (2005 n=300)



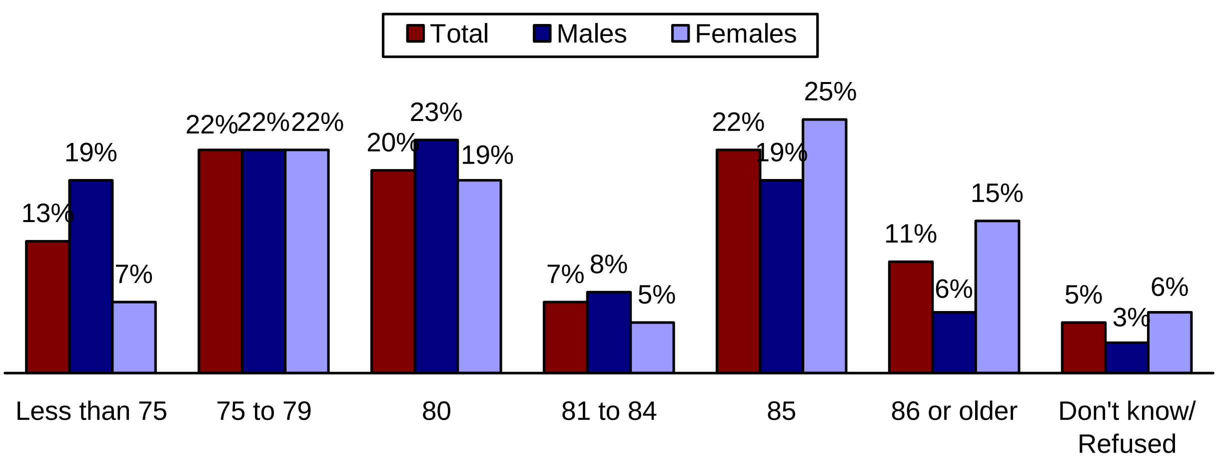
Life Expectancy

Pre-retirees were asked the same series of questions about life expectancy that was asked of retirees. They were first asked a question about the life expectancy for an average person of their gender and age, followed by a question about their own personal life expectancy. Additional questions included their reasons for arriving at their estimation of personal life expectancy, the life expectancy of groups of 65-year-olds and whether life expectancy has changed in the past 20 years.

When asked to identify the life expectancy of the average person by specifying a particular age, most pre-retirees underestimate. A majority of pre-retirees believe that someone of their gender and age will not live beyond 80 years old (55 percent), and only three in 10 think the average person will live to be 81 to 85 (29 percent). Just one in 10 speculate that the average person in their respective gender and age groups will live beyond age 85 (11 percent). (See Figure 27.)

Figure 27
Life Expectancy Estimate for Average Person
Until what age do you think the average person your age and gender can expect to live?

Pre-retirees (2005 Total n= 300, Males n=144, Females n=156)



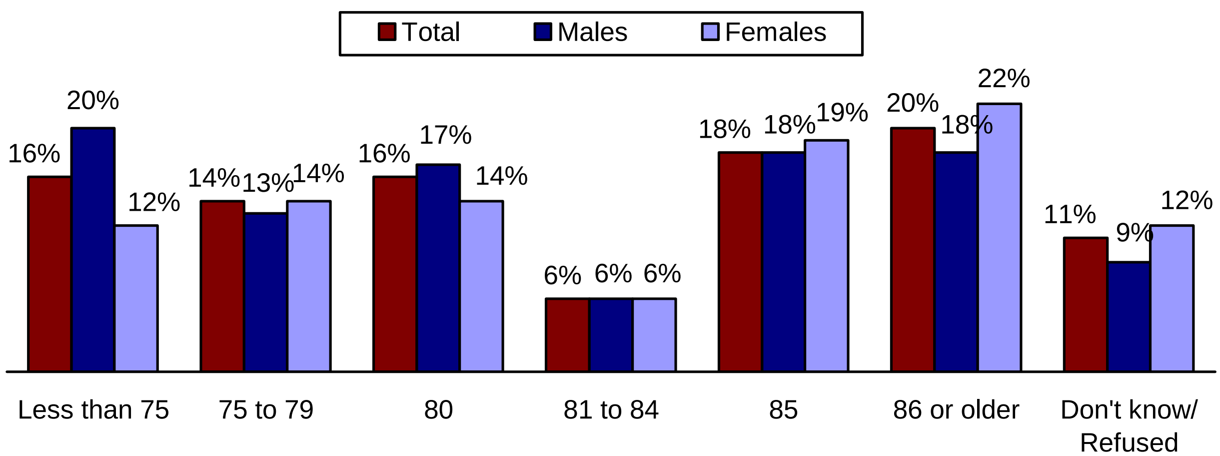
Men (19 percent) are more likely than women (7 percent) to think that average life expectancy is less than 75 years. In addition, pre-retirees who rate their health as *fair* or *poor* (38 percent) are more likely than those who offer more positive evaluations of their health (8 percent) to predict that the average person will live to be less than 75 years old.

In fact, six in 10 pre-retirees underestimate the population life expectancy of the average person of their age and gender (61 percent).[2] Four in 10 underestimate by five years or more (40 percent). More than one in 10 are on target (12 percent), while more than two in 10 overestimate the average person's life expectancy (22 percent).

More than six in 10 pre-retirees expect that they, themselves, will live to be at least 80 years old (60 percent). Two in 10 say they expect to live to at least age 86 (20 percent). On the other hand, a total of three in 10 speculate they will live less than 75 years (16 percent) or between 75 and 79 years (14 percent). Surprisingly, the study did not measure any significant differences in personal life expectancy by gender. (See Figure 28.)

Figure 28
Personal Life Expectancy
And until what age do you think that you, yourself, can expect to live?

Pre-retirees (2005 Total n=300, Males n=144, Females n=156)

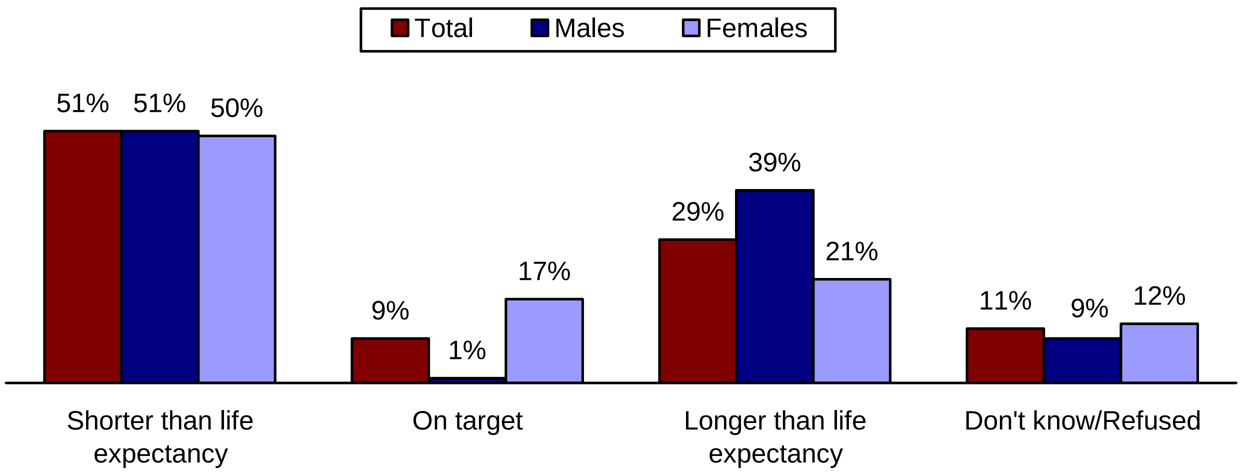


[2] Based on comparisons by respondent age and gender to UP94 Life Tables projected to 2005.

When responses offered for average and personal life expectancy are compared, it is apparent that the plurality of pre-retirees think they will live an average lifespan (44 percent). One-quarter anticipate they will live longer than average (24 percent), while two in 10 think their life will be shorter (19 percent). However, when personal life expectancy is compared with population life expectancy, a different picture emerges. Half of pre-retirees are in reality expecting to live fewer years than average (51 percent), three in 10 believe they will live longer than average (29 percent), and one in 10 are on target (9 percent). (Eleven percent do not provide this information.) (See Figure 29.)

Figure 29
Difference between Personal Estimate and Population Life Expectancy

Pre-retirees (2005 Total n=300, Males n=144, Females n=156)



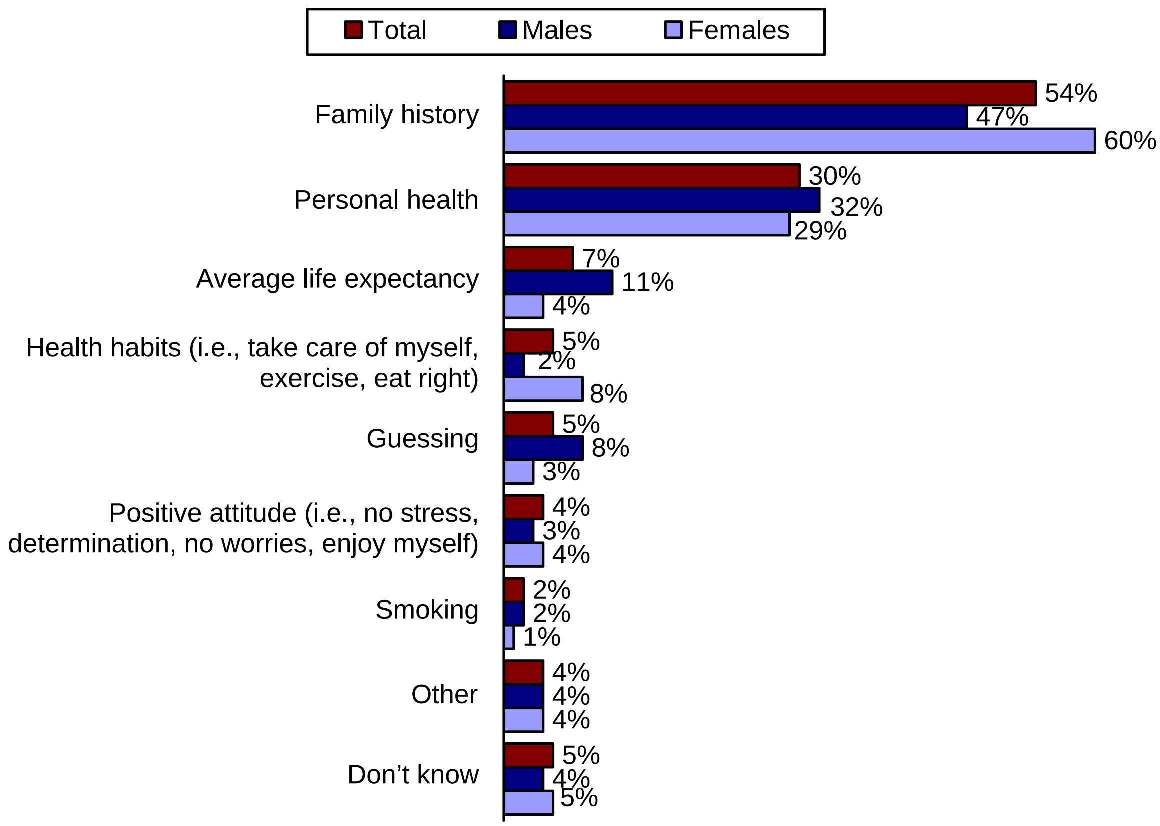
Not surprisingly, seven in 10 pre-retirees who rate their health as *fair* or *poor* think they are unlikely to reach actual life expectancy (70 percent), compared with almost half of those in better health (47 percent). Indeed, a majority of those in *fair* or *poor* health provide a personal life expectancy that is 10 or more years less than that of the average person their age and gender (57 percent).

Men (39 percent) are more likely than women (21 percent) to predict a longer-than-average life, while women (17 percent) are more apt than men (1 percent) to provide an on-target estimate.

When asked the reason for their particular life expectancy estimate, more than half of pre-retirees cite family history (54 percent). Another three in 10 mention personal health as the basis for their estimation (30 percent). Considerably fewer pre-retirees cite such reasons as health habits (5 percent), positive attitudes (4 percent), or smoking habits (2 percent). Seven percent maintain that they provided their estimate because they believe it to be the average life expectancy. On the other hand, 5 percent of pre-retirees volunteer that they were just guessing. (See Figure 30.)

Figure 30
Rationale for Life Expectancy Estimate
Why do you think you will live until that age?

Pre-retirees providing an estimate for their life expectancy (Total n=265, Males n=129, Females n=136)



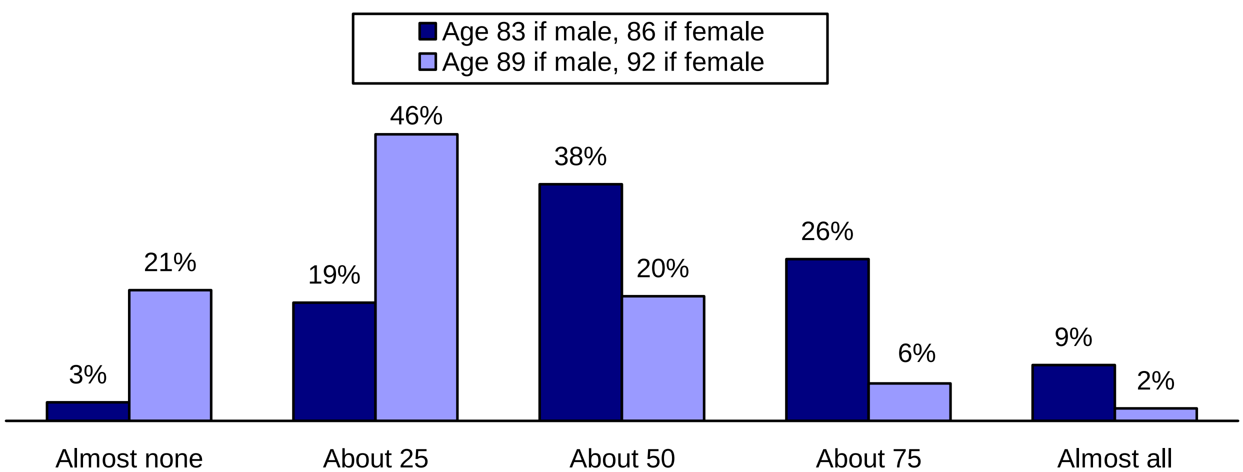
Women (60 percent) are more likely than men (47 percent) to mention family history as a rationale for their estimation of personal life expectancy. Moreover, those with household assets of $100,000 or more (66 percent) are more likely than less affluent pre-retirees (46 percent) to refer to family history.

Despite the tendency of pre-retirees to underestimate life expectancy, the vast majority of pre-retirees think that the life expectancy of people today is longer than it was 20 years ago (87 percent). In particular, married pre-retirees (91 percent vs. 80 percent of unmarried) and college graduates (95 percent vs. 83 percent with less education) state that life expectancy is longer today than 20 years ago more often than their counterparts.

Pre-retirees exhibited a better understanding of life expectancy when they were asked to select the number of 65-year-olds of their gender who would live until specified ages. Nearly four in 10 pre-retirees correctly indicate that about 50 percent can expect to live to age 83, if male, or age 86, if female (38 percent). About two in 10 suggest that 25 or fewer 65-year-olds can expect to live to these ages (22 percent), while more than one-third state that about 75 (26 percent) or almost all (9 percent) can expect to live that long. (See Figure 31.)

Figure 31
Estimates of Likelihood of Living to 83 or 89 for Males and 86 or 92 for Females
Suppose there were a random group of 100 65-year-old (males/females). About how many do you think could expect to live to age (male: 83 or 89) (female: 86 or 92)?

Pre-retirees (2005 n=300)



When asked the number of 65-year-olds of their same gender could expect to live to age 89 (if male) or age 92 (if female), close to half correctly estimate that about 25 could expect to live to those ages (46 percent). At the same time, two out of 10 pre-retirees believe that almost no one out a group of 100 65-year-olds can expect to live that long (21 percent), while almost three in 10 think half or more would live until these ages (28 percent).

Strategies for Managing Risk

Overall, pre-retirees seem more inclined to protect themselves financially in retirement by attempting to save more, reduce debt, or change their investment strategies than by taking actions that would pool risk or make permanent adjustments to their living situations. Half of pre-retirees say that they have already invested a portion of their money in stocks or stock mutual funds (50 percent), with an additional 13 percent planning to invest their money in this way in the future. Likewise, nearly half are already trying to save as much as they can (48 percent), and four in 10 plan to save in the future (39 percent). Almost as many already have (45 percent) or plan to (34 percent) cut back on their spending to protect themselves financially in retirement. (See Figure 32.)

Other popular means of reducing risk include eliminating all consumer debt (44 percent already done, 44 percent plan to do in the future) and completely paying off a mortgage (36 percent of homeowners already done, 51 percent plan to do). Three in 10 pre-retirees have already purchased health insurance to supplement Medicare or are participating in an employer-sponsored retiree health care plan (30 percent), and almost half report that they plan on making such a purchase or participating in a retiree health plan in the future (46 percent).

Fewer have taken other steps to reduce risk. Roughly one-quarter have bought real estate or invested in property (26 percent) or purchased an annuity or chosen an annuity option from a retirement plan (23 percent). Two in 10 have moved assets to increasingly conservative investments as they age (20 percent). Even fewer report having saved for the possibility of large health expenses or long-term care (16 percent), bought long-term care insurance (16 percent), worked longer (10 percent), moved to a smaller home or less expensive area (9 percent), or arranged for care through a continuing care retirement facility (3 percent). In fact, almost half or more indicate they have no intention of taking each of these steps. Most notably, 55 percent have no plans to buy long-term care insurance, approximately six in 10 each have no intentions of buying an annuity or choosing a retirement plan option that will provide them with guaranteed income for life (58 percent) or moving to a less expensive home (61 percent), and more than eight in 10 do not plan to arrange for care through a continuing care facility.

Figure 32
Strategies for Managing Risk
I'm going to read you a list of things that some people do to protect themselves financially after they retire. For each, please tell me whether you (and your spouse) have done that, plan to do that in the future, or have no plans to do it.

Pre-retirees (2005 n=300)

	Already Done	**Plan to Do in Future**	**No Plans**	**Don't Know/ Refused**
Invest a portion of your money in stocks or stock mutual funds	50%	13	37	1
Try to save as much money as you can	48%	39	14	1
Cut back on spending	45%	34	20	1
Eliminate all of your consumer debt, by paying off all credit cards and loans	44%	44	11	1
Completely pay off your mortgage (if homeowner, n=242)	36%	51	12	1
Purchase health insurance to supplement Medicare or participate in an employer-sponsored retiree health care plan	30%	46	24	2
Buy real estate or invest in property	26%	18	56	<0.5
Buy a product or choose an employer plan option that will provide you with guaranteed income for life	23%	16	58	3
Move your assets to increasingly conservative investments as you get older	20%	36	43	2
Save for the possibility of having large health expenses or needing long-term care	16%	34	50	2
Buy long-term care insurance	16%	27	55	3
Work longer	10%	43	47	1
Move to a smaller home or less expensive area	9%	28	61	2
Move into or arrange for care through a continuing care retirement facility	3%	13	82	2

Pre-retirees with higher educational attainment are more likely than those with less education to have already employed investment strategies, such as investing in stocks or stock mutual funds (61 percent of college graduates, 42 percent with less education) or moving assets into increasingly more conservative funds as they get older (29 percent, 15 percent). Household asset levels are related to saving and spending strategies. Those with household assets of at least $100,000 are more likely than those with fewer assets to have already begun saving as much as possible (69 percent vs. 31 percent) and to have eliminated their consumer debt (67 percent vs. 27 percent). More affluent pre-retirees are *less* likely to report having cut back on spending (34 percent vs. 50 percent).

Married pre-retirees are more likely than those who are unmarried to have already invested in real estate (30 percent vs. 18 percent), bought a product or chosen a retirement plan option that provides guaranteed income for life (29 percent vs. 13 percent), or arranged for care through a continuing care retirement community (5 percent vs. 1 percent).

Lastly, perceived health status is related to the likelihood that pre-retirees will take several of the actions examined in this question series to reduce risk. Those who report their health as being either *excellent* or *very good* are more likely than those who offer lesser assessments of their health to have already:

- invested a portion of their money in stocks or stock mutual funds (56 percent vs. 41 percent),
- eliminated all of their consumer debt by paying off all credit cards and loans (49 percent vs. 38 percent),
- bought or invested in real estate or property (32 percent vs. 18 percent),
- bought a product or have chosen an employer plan option that provides for guaranteed income for life (28 percent vs. 17 percent) or
- moved their assets to increasingly more conservative investments as they age (25 percent vs. 16 percent).

Strategies for Managing Longevity Risk

When asked what financial protection strategies they would employ if they lived five years longer than expected, most pre-retirees suggest that they would significantly reduce their expenditures (70 percent *very* or *somewhat* likely). Tapping other assets is another strategy pre-retirees think they would fall back on. Just over half say they would be *very* or *somewhat* likely to dip into money that would otherwise have been left to children or other heirs (54 percent), while more than four in 10 would be likely to use the value of their home to help fund the remainder of their retirement years (43 percent). (See Figure 33.)

Larger shares of pre-retirees indicate that they would deplete all of their savings and be left with only Social Security and other government programs (45 percent *very* or *somewhat* likely) than would seek assistance from family or friends. Roughly one-quarter say they would be likely to get assistance from friends or community agencies (28 percent) or from children or other family members (24 percent).

Figure 33
Likely Strategies if Live Longer than Expected
If you (and your spouse) were to live five years longer than expected, how likely do you think it is that you would have to do each of the following?

Pre-retirees (2005 n=300)

	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely	Don't Know/ Refused
Reduce your expenditures significantly	34%	36	14	13	3
Dip into money that you might otherwise have left to your children or other heirs	22%	32	18	26	2
Deplete all of your savings and be left only with Social Security and other government programs	21%	24	26	27	2
Use the value of your home to help fund your remaining retirement years	12%	31	21	33	3
Get assistance from friends or community agencies	8%	20	31	39	1
Get assistance from your children or other family members	6%	18	31	42	3

While the likelihood of potentially reducing expenditures appears to be consistent across many demographic subgroups, some pre-retirees suggest they would be more likely than others to deplete their savings. Females (51 percent vs. 38 percent of males), unmarried pre-retirees (59 percent vs. 38 percent of those married), those with a high school education or less (58 percent vs. 40 percent with more education), lower-income pre-retirees (75 percent vs. 38 percent with $35,000 or more), and those in poorer health (70 percent vs. 40 percent in *good* or better health) are more likely than their counterparts to say that they would be *very* or *somewhat* likely to deplete all of their savings and be left only with Social Security and other government programs, if they were to live five years longer than they expect.

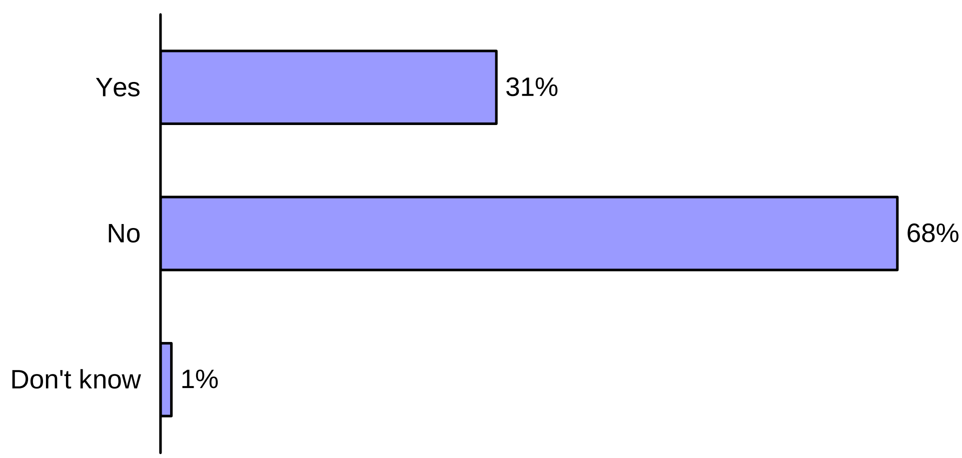
RETIREMENT FINANCES

Retirement Income

Less than one-third of pre-retirees have a plan for income and spending in retirement (31 percent). (See Figure 34.) Unmarried pre-retirees (20 percent vs. 37 percent of those married), lower-income pre-retirees (14 percent vs. 36 percent with $35,000 or more), and those with household assets below $25,000 (15 percent vs. 37 percent with more assets) are among the least likely to have a plan for their retirement finances.

Figure 34
Financial Plan for Retirement
Do you currently have a plan for how much you will spend each year in retirement and where that money will come from?

Pre-retirees (2005 n=300)



Pre-retirees who expect that money from a defined benefit plan or an annuity will be a *major* or *minor* source of income in retirement (33 percent) are more likely than those who do not anticipate receiving such income (21 percent) to report having a plan for how much they will spend each year in retirement and where that money will come from.

Most pre-retirees anticipate having some sources of regular income in retirement. Nearly all, more than nine in 10, expect that Social Security will be a *major* or *minor* source of income for them in retirement (91 percent). Three-quarters think that money from an employer's defined benefit pension plan or employment (74 percent each) will be a source of income. Seven in 10 pre-retirees say regular withdrawals from an employer's retirement savings plan, such as a 401(k), will provide retirement income (70 percent), and two out of three predict that money from an IRA, or bank or investment account will be a source of retirement income (67 percent). In contrast, comparatively few pre-retirees expect to receive regular income from individually purchased annuities (36 percent *major* or *minor* source) or from real estate investments (33 percent). (See Figure 35.)

Figure 35
Sources of Regular Income
*Please tell me whether you expect each of these will be a major, minor, or not a source of income for you (and/or your spouse) in retirement.**

Pre-retirees (2005 n=300)

	Major Source	**Minor Source**	**Not a Source**	**Don't Know**
Regular income from an employer's defined benefit pension plan	44%	29	26	1
Social Security	43%	48	9	<0.5
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	37%	34	28	2
Employment	20%	54	24	2
Regular withdrawals from an IRA, bank or investment account	19%	49	31	2
Payments from a payout annuity purchased on your own	8%	28	62	2
Income from rental property or real estate	8%	25	64	3
Some other source of regular income	4%	--	89	7

* Question was not asked of pre-retirees in previous studies.

Married pre-retirees are more likely than those who are not married to say they expect to receive retirement income from workplace retirement plans. Eight in 10 married pre-retirees (79 percent), compared with less than two-thirds of unmarried pre-retirees (64 percent), think they will get regular income from an employer's defined benefit plan. Similarly, nearly three-quarters of those who are married anticipate that they will have regular withdrawals from a retirement savings plan, such as a 401(k) (76 percent), compared with six in 10 of those who are not married (59 percent). Married pre-retirees are also more apt than unmarried pre-retirees to expect to receive regular withdrawals from an IRA, bank or investment account (73 percent married, 57 percent unmarried).

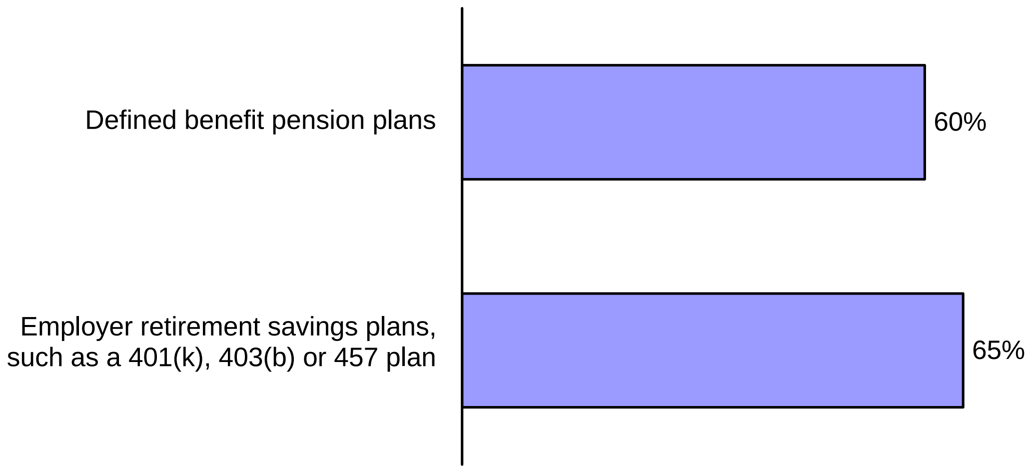
The vast majority of pre-retirees age 55 or older anticipate that Social Security will provide them with a source of regular income in retirement (98 percent). A slightly smaller proportion, though still a large majority, of younger pre-retirees think Social Security will be a source of income (88 percent). Pre-retirees with at least some college education (77 percent vs. 66 percent with less education) and those with household incomes of at least $75,000 (83 percent vs. 60 percent with lower incomes) are more likely than their counterparts to say that employment will provide a *major* or *minor* source of retirement income.

Use of Retirement Plan Assets

Six in 10 pre-retirees think that they will receive money from an employer's defined benefit plan when they (or their spouse) retire (60 percent). A slightly larger proportion indicate they will receive retirement income from an employer's retirement savings plan (65 percent). (See Figure 36.)

Figure 36
Expected Retirement Plan Income
When you (or your spouse) retire, do you think you will receive income or money from one or more…?

Pre-retirees (2005 n=300)



As might be expected, more affluent, married, and better educated pre-retirees are more likely than others to expect benefits from employer plans. Specifically,

- 74 percent of pre-retirees with at least $25,000 in assets (vs. 28 percent with fewer assets) anticipate receiving defined benefit plan income and 79 percent (vs. 30 percent) expect to receive retirement savings plan money;

- 73 percent of those with household incomes of at least $35,000 (compared with 26 percent with lower incomes) indicate they will have defined benefit plan income, while 75 percent (compared with 34 percent) state they will have money from a retirement savings plan;

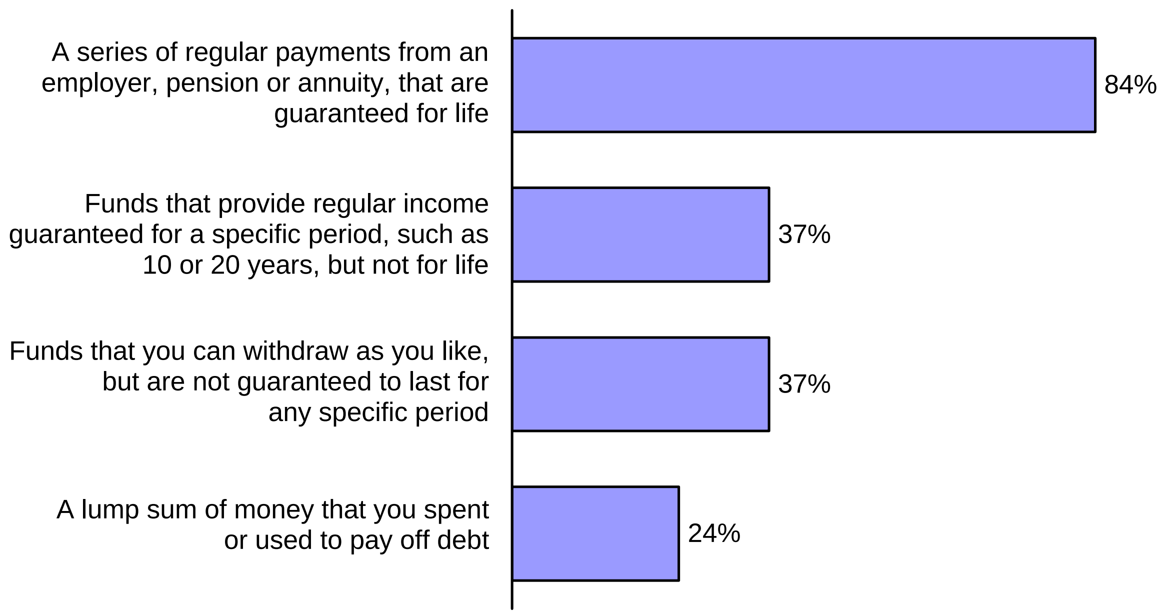
- 70 percent of married pre-retirees (compared with 42 percent of those not married) expect money or income from a defined benefit plan and 74 percent (compared with 49 percent) think they will have money or income from a retirement savings plan; and

- 65 percent of those with at least some college education (vs. 49 percent with no college education) anticipate receiving benefits from a defined benefit plan and 69 percent (vs. 55 percent) say they will have money from a retirement savings plan.

More than eight in 10 pre-retirees who expect income from an employer's defined benefit plan say they will take their benefits as a series of regular payments that are guaranteed for life (84 percent). Less than half that proportion favor each of the other payout options. Thirty-seven percent each say they will take money from a defined benefit plan in the form of funds that guarantee income for a specified period of time or as funds that they can withdraw at their discretion, but that does not provide guaranteed income for any amount of time (37 percent). One-quarter of pre-retirees report they will take a lump sum of money that they can spend or use to pay off debts (24 percent). (See Figure 37.)

Figure 37
Anticipated Distribution of Money from Defined Benefit Plan
How do you think you (or your spouse) will take the money from the defined benefit plans? (Multiple responses accepted)

Pre-retirees expecting to receive money from defined benefit plans (2005 n=177)

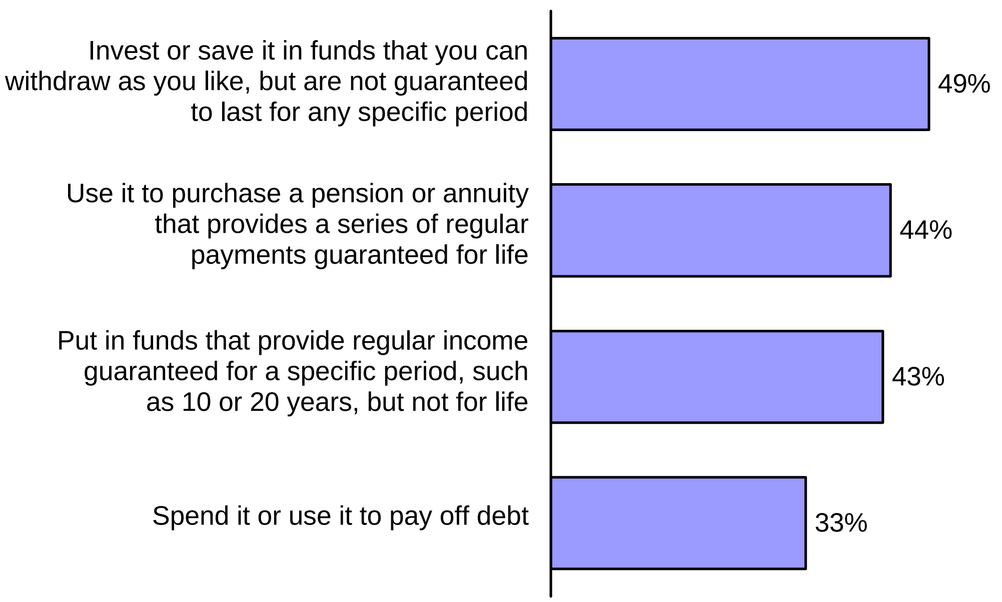


Pre-retirees between the ages of 50 and 54 (36 percent) are more likely than younger (17 percent) and older (19 percent) pre-retirees to state they will take the money as a lump sum. Others more likely to predict they will take the money as a lump sum include those who describe their health as *fair* or *poor* (47 percent vs. 22 percent in better health) and those who do not own their home free and clear (52 percent of renters, 24 percent of homeowners with a mortgage, 11 percent of homeowners without a mortgage).

In contrast to how pre-retirees anticipate taking income from a defined benefit plan, those expecting money from an employer's retirement savings plan, such as a 401(k), most often report they will invest or save this money in funds that they can withdraw on demand and are not guaranteed to last for any specific period of time (49 percent). Slightly smaller and relatively equal proportions indicate that they will use the money to purchase a pension or annuity that provides regular, guaranteed income for life (44 percent) or to invest in funds that provide regular income guaranteed for a specific period of time, but not for life (43 percent). One-third state they will spend a lump sum of money from their retirement savings plan or use it to pay off debts (33 percent). (See Figure 38.)

Figure 38
Expected Use of Money from Employer Retirement Savings Plans
W*hat do you think you (or your spouse) will do with some or all of the money from the employer retirement savings plans? (Multiple responses accepted)*

Pre-retirees expecting to receive money from employer retirement savings plans (2005 n=192)

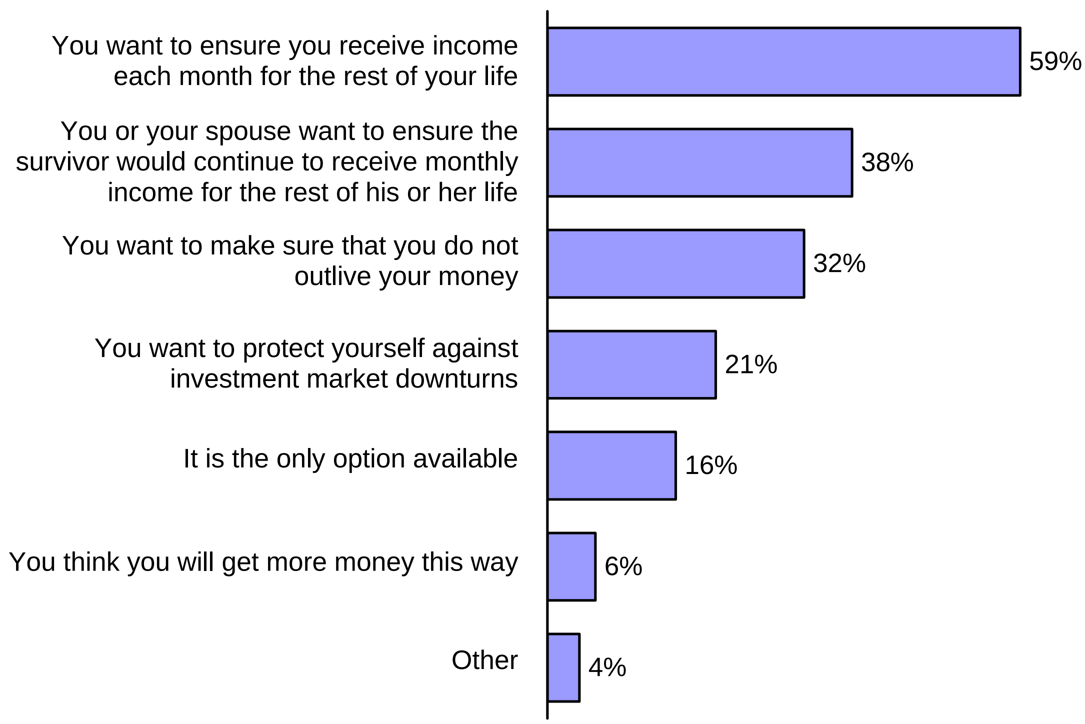


Men (59 percent) are more likely than women (41 percent) to say they will invest money from a retirement savings plan in funds they can withdraw as they like.

Among pre-retirees who report they will receive lifetime pension or annuity income from their employer's retirement plan, six in 10 mention they will chose that option because they want to ensure that they receive regular income for the rest of their lives (59 percent). Nearly four in 10 indicate they want to ensure that a surviving spouse will receive regular income for the rest of their lives (38 percent). One-third explain they want to make sure that they do not outlive their assets (32 percent), while two in 10 want to protect against investment market downturns (21 percent). One in six state they will receive lifetime pension or annuity income because it is the only option available to them (16 percent). (See Figure 39.)

Figure 39
Reasons for Future Choice of Lifetime Guaranteed Payments
Why do you think that you (or your spouse) will choose to get a series of regular payments guaranteed for life? (Multiple responses accepted)

Pre-retirees expecting to receive lifetime pension or annuity income (2005 n=169)

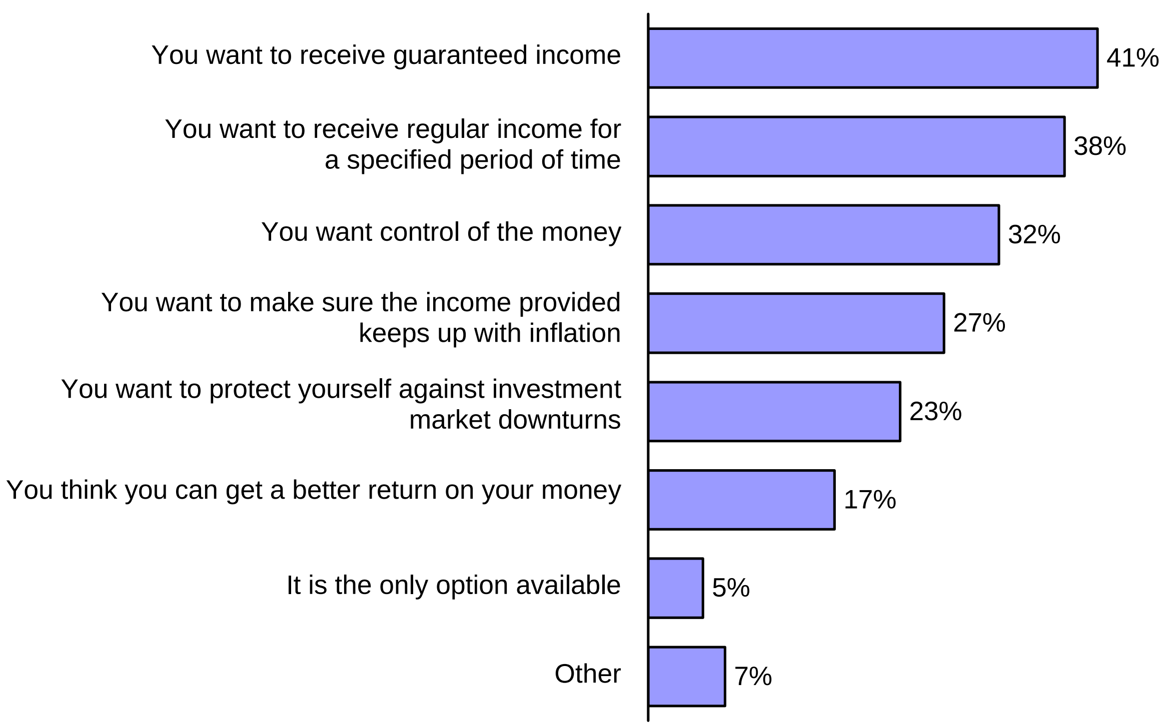


Among those more likely to cite wanting to have monthly income for the rest of their lives as a reason for taking lifetime guaranteed payments are pre-retirees who rate their health as *good* or better (63 percent vs. 34 percent in poorer health), unmarried pre-retirees (79 percent vs. 53 percent of those married), and those with less than $100,000 in assets (71 percent vs. 49 percent). Surprisingly, pre-retirees with household incomes of at least $75,000 (43 percent) are more likely than those with lower incomes (24 percent) to cite ensuring that they do not outlive their assets as a reason for choosing lifetime guaranteed payments.

When pre-retirees choosing to put money from their retirement plan into a fund that provides regular income guaranteed for a specific period of time, but not for life, are asked the reason, roughly four in 10 say they want to receive guaranteed income (41 percent) or state explicitly that they want to receive regular income for a specified period of time (38 percent). One-third indicate the reason for their choice is that they will have control over the money (32 percent). Somewhat smaller proportions explain that they would choose that option to ensure their income keeps up with inflation (27 percent), to protect themselves against a possible investment market downturn (23 percent), and because they believe they can get a better return on their money (17 percent). (See Figure 40.)

Figure 40
Reasons for Future Choice of Funds Providing Payments Guaranteed for Specified Period
Why do you think you (or your spouse) will choose to put money in funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life? (Multiple responses accepted)

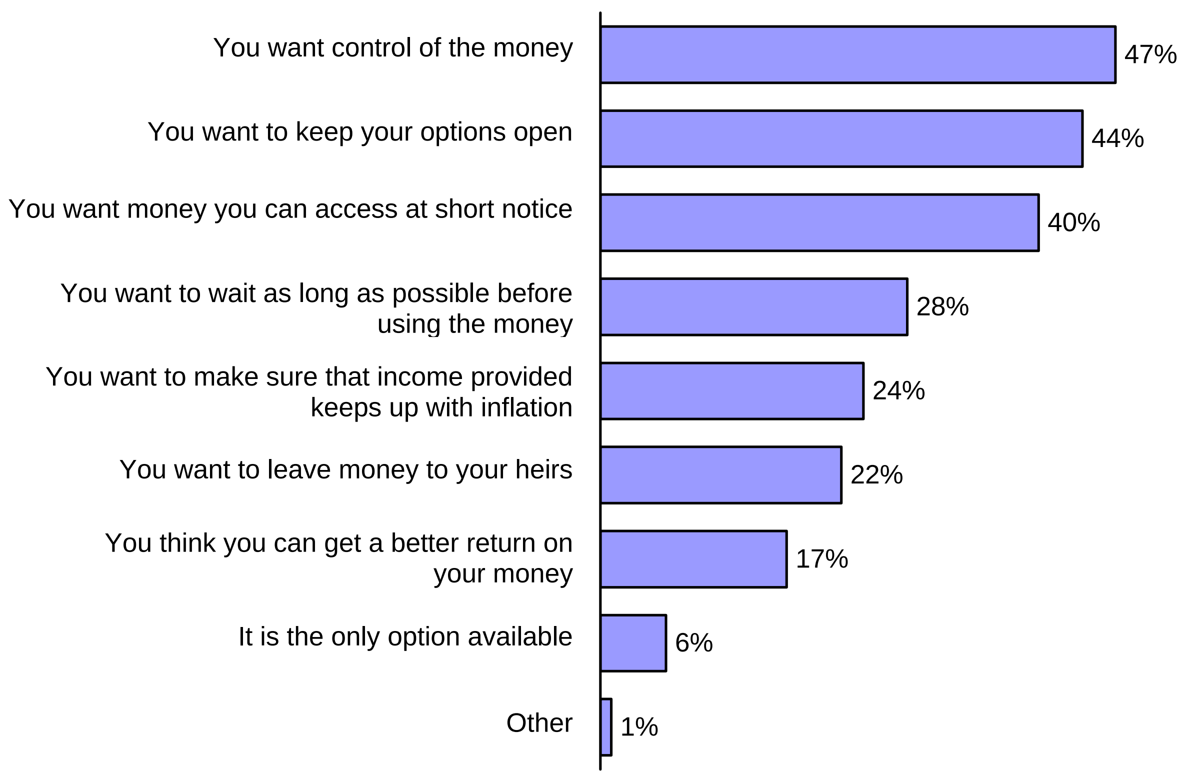
Pre-retirees expecting to receive guaranteed income for a specified period (2005 n=109)



Among pre-retirees who predict that they will invest their retirement plan money in funds that they can withdraw at their discretion, nearly half explain that they would make that choice to maintain control over the money (47 percent). Almost as many indicate they would choose this option because they want to keep their options open (44 percent). Four in 10 pre-retirees state they want to be able to access the money on short notice (40 percent). (See Figure 41.)

Figure 41
Reasons for Future Choice of Funds Available on Demand
Why do you think that you (or your spouse) will choose to invest or save the money in funds that you can withdraw as you like? (Multiple responses accepted)

Pre-retirees expecting to invest in funds that they can withdraw as they like (2005 n=126)



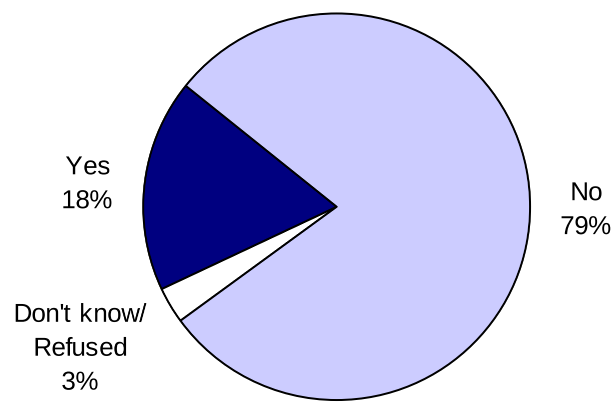
Approximately one-quarter of pre-retirees choosing to invest in more liquid funds indicate that they would do so because they want to wait as long as possible before using the money (28 percent), they want to ensure that the income provided keeps pace with inflation (24 percent), or they want to leave money to their heirs (22 percent). One in six think they can get a better return on their money with this type of investment (17 percent). Six percent say this type of investment is the only option available to them.

Role of Home Equity in Retirement Finances

Fewer than two in 10 pre-retirees who currently own their home report that they plan to use their home equity in the future to help finance their retirement (18 percent). The large majority indicate they have no plans to use equity in their home as a retirement asset (79 percent). (See Figure 42.)

Figure 42
Future Use of Home Equity
Do you have any plans to use the equity in your home to help finance your retirement?

Pre-retirees owning their primary home (2005 n=242)



Pre-retirees still making mortgage payments on their home (22 percent) are more likely than those who own their home free and clear (10 percent) to anticipate using the equity in their home to help finance their retirement.

Most of those planning to use home equity to help with retirement financing think they will sell their home (61 percent). Less than one in 10 each plan to get a home equity loan (9 percent), get a reverse mortgage (4 percent), get a new mortgage (3 percent), or do something else (9 percent). Fourteen percent have yet to decide how they will access their equity.

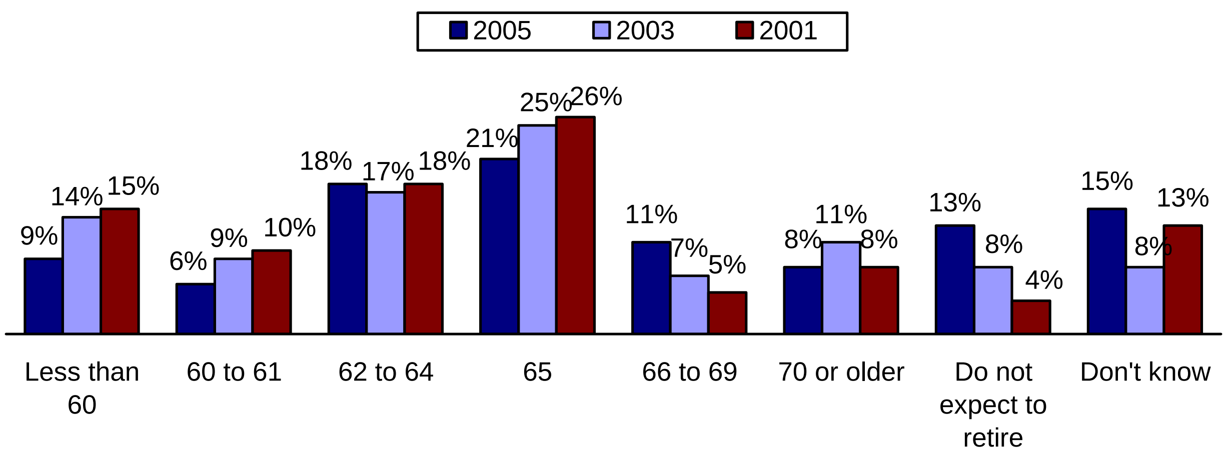
EXPECTED EXPERIENCE IN RETIREMENT

Retirement Age

More than half of pre-retirees expect that they will retire from their primary occupation at age 65 or before (53 percent). While only 15 percent think they will retire before age 62, about two in 10 each anticipate retiring between age 62 and 64 (18 percent) or at age 65 (21 percent). However, two in 10 say they will retire after age 65 (19 percent), and the percentage indicating they will never retire has increased to 13 percent (up from 8 percent in 2003 and 4 percent in 2001). (See Figure 43.)

Figure 43
Expected Age at Retirement
At what age do you expect to retire from your primary occupation?

Pre-retirees in the workforce (2005 n=253, 2003=278, 2001=282)



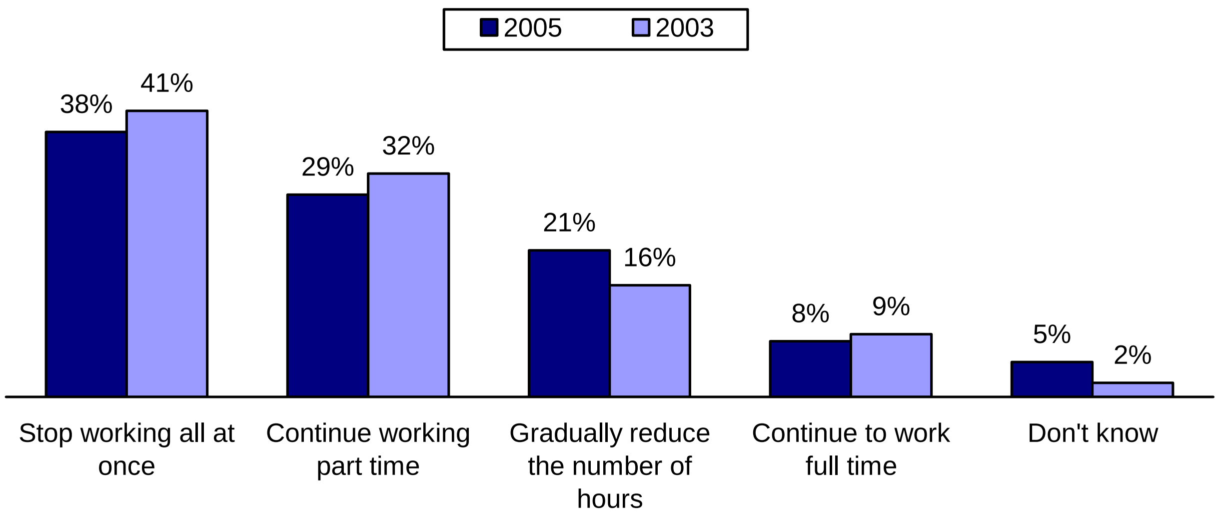
Women (26 percent) are more likely than men (16 percent) to cite 65 as their expected retirement age. Also of note, pre-retirees with annual household incomes of $75,000 or more (48 percent) are more apt than those with lower incomes (25 percent) to expect that they will retire prior to age 65.

The Retirement Process

Although almost four in 10 pre-retirees plan to retire from their primary occupation by stopping work all at once (38 percent), three in 10 say they intend to continue working part time (29 percent) and two in 10 indicate they will gradually reduce their working hours (21 percent). Another 8 percent state they plan to work full time in retirement. (See Figure 44.)

Figure 44
The Retirement Process
Which statement comes closest to describing how you plan to retire from your primary occupation?

Pre-retirees who provided an expected age at retirement (2005 n=222, 2003 n=231)

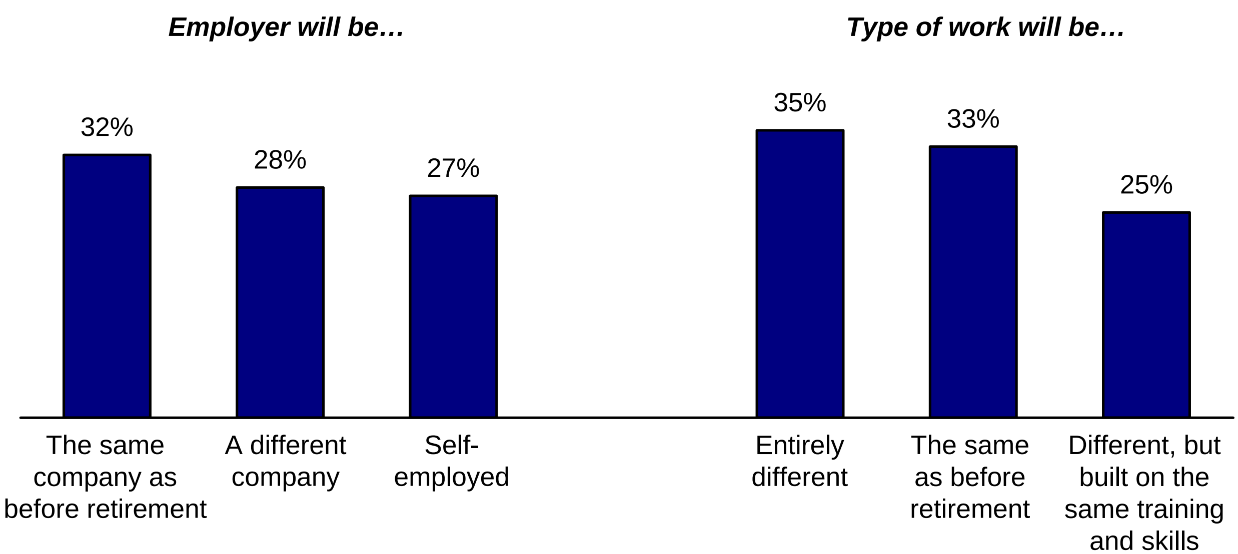


Pre-retirees with household incomes of at least $35,000 (44 percent vs. 22 percent with lower incomes) and those with at least $25,000 in assets (46 percent vs. 16 percent with fewer assets) are more likely to suggest that they will stop working all at once. Furthermore, those who expect that money from a defined benefit plan or annuity will provide a *major* source of income in retirement (48 percent) more often say they will stop working all at once than those who think this money will be a *minor* source of retirement income (30 percent) or will *not* be a source of income at all (21 percent).

One-third of those who expect to continue working in retirement say they will remain with the same company they worked for before retirement (32 percent). Nearly three in 10 each think they will work for a different company (28 percent) or become self-employed (27 percent). (See Figure 45.) Men (36 percent) are more likely than women (17 percent) to expect to be self-employed in retirement.

Figure 45
Potential Work in Retirement
After you retire, do you think you will…? Do you think the work you do for pay in retirement will be…?

Pre-retirees who expect to continue to work for pay in retirement (n=128)



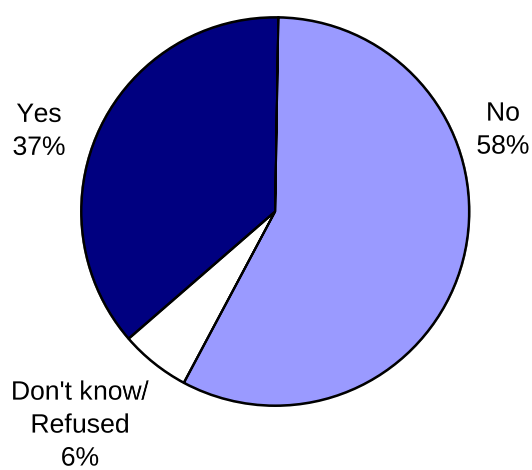
More than one-third of those expecting to work for pay in retirement believe that the work they do post retirement will be entirely different from what they do before retirement (35 percent), but another third anticipate that the work they do will be the same (33 percent). One-quarter think their work in retirement will be different, though it will be built on the same skills and training as their previous, primary vocation (25 percent).

Influence of Pension on Phased Retirement

One-third of pre-retirees state that they expect to receive pension income or a lump sum pension payment from the employer they will work for when they retire (34 percent). Of these, nearly six in 10 indicate that changing the law so that they could receive part of their pension while cutting back on their work hours and compensation would *not* alter their plans for retirement (58 percent). This leaves slightly more than one-third of pre-retirees who would modify their retirement plans if the law were changed (37 percent). (See Figure 46.)

Figure 46
Influence of Pension in Phased Retirement on Retirement Plans
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 who say they will receive pension from employer or don't know (2005 n=105)



Those who say they would alter their retirement plans as a result of a change in pension law are most likely to indicate they would retire at a younger age (52 percent). Nearly as many suggest the pension law change would have no impact on their retirement age (46 percent), while a very small percentage would choose to delay retirement (1 percent).

RETIREE AND PRE-RETIREE COMPARISON

RETIREMENT RISKS

<u>Concern About Risks</u>

Overall, pre-retirees express higher levels of concern about retirement risks than retirees. In fact, pre-retirees are much more likely than retirees to be *very* or *somewhat* concerned about most of the risks examined in the study. (See Figure 47.) Pre-retirees are also significantly more likely than retirees to be highly concerned about:

- being unable to afford adequate health care (75 percent pre-retirees, 46 percent retirees),
- keeping the value of their investments up with inflation (65 percent pre-retirees, 51 percent retirees),
- having enough money to pay for long-term care (61 percent pre-retirees, 52 percent retirees),
- being able to maintain a reasonable standard of living for the rest of their (and their spouse's) life (59 percent pre-retirees, 43 percent retirees),
- depleting all of their savings and having only Social Security (55 percent pre-retirees, 38 percent retirees),
- their ability to leave money to heirs (37 percent pre-retirees, 26 percent retirees), and
- not being able to rely on family members to provide assistance (34 percent pre-retirees, 26 percent retirees).

In addition, pre-retirees and retirees tend to say they are *most* concerned about different, but related risks. While the largest share of pre-retirees indicate that they are *most* concerned about their ability to afford adequate health care (31 percent), the largest portion of retirees suggest they are *most* concerned about their ability to pay for long-term care, such as a long stay in a nursing home or a long period of home care (18 percent). (See Figure 47.)

Figure 47
Retirement Risks
How concerned are you…? Which of these are you most concerned about?

	Very or Somewhat Concerned		Most Concerned	
	Retirees (n=302)	**Pre-Retirees** (n=300)	**Retirees** (n=302)	**Pre-Retirees** (n=300)
That you might not have enough money to pay for adequate health care	46%	75%	13%	31%
That you might not be able to keep the value of your savings and investments up with inflation	51%	65%	10%	7%
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	52%	61%	18%	14%
That you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life	43%	59%	9%	10%
That you might deplete all of your savings and be left only with Social Security	38%	55%	5%	7%
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)	38%	40%	5%	5%
That you might not be able to leave money to your children or other heirs	26%	37%	2%	3%
That you might not be able to afford to stay in your current home for the rest of your life	31%	34%	6%	4%
That you might not be able to rely on children or other family members to provide assistance	26%	34%	1%	1%
[VOL] None of these			3%	2%

Inflation

Pre-retirees and retirees generally offer similar estimates of 10-year inflation. However, pre-retirees are more likely than retirees to think groceries costing $100 today will cost between $100 and $149 in 10 years (17 percent pre-retirees, 10 percent retirees). They are less likely to say they do not know what these groceries will cost (9 percent of pre-retirees, 19 percent of retirees).

Life Expectancy

Pre-retirees and retirees tend to offer similar estimations of both average life expectancy and their personal life expectancy. When asked to estimate what the average life expectancy is for a person of the respondent's same gender and age, pre-retirees (12 percent) are more likely than retirees (4 percent) to offer a correct estimate. Likewise, pre-retirees (9 percent) are more likely than retirees (4 percent) to provide a personal life expectancy that is the same as actual life expectancy.

While pre-retirees (54 percent) are more likely than retirees (45 percent) to cite family history as he reason for their personal life expectancy estimate, retirees (43 percent) are more apt than pre-retirees (30 percent) to cite their own health as a reason for their estimate.

Strategies for Managing Risk

Pre-retirees seem more inclined than retirees to have already taken or be planning on taking certain precautions to help protect themselves financially as they get older. Large majorities of pre-retirees, significantly more than retirees, say that have or will eliminate their debt (88 percent pre-retirees, 81 percent retirees), save as much as they can (84 percent pre-retirees, 74 percent retirees), and cut back on spending (79 percent pre-retirees, 65 percent retirees). (See Figure 48.)

Pre-retirees are also more likely than retirees to indicate that they already have or plan to invest in real estate (44 percent pre-retirees. 27 percent retirees) and are more than twice as likely to say that they have or plan to work longer than retirees (52 percent pre-retirees, 24 percent retirees). Of particular note, pre-retirees are more likely than retirees to suggest that they already have or plan to purchase long-term care insurance (43 percent pre-retirees, 34 percent retirees).

Figure 48
Strategies for Managing Risks
Have you (and your spouse) done the following to protect yourselves financially as you get older?

	Already Done or Plan to Do	
	Retirees (n=302)	**Pre-Retirees** (n=300)
Completely pay off your mortgage	83%	88%
Eliminate all of your consumer debt, by paying off all credit cards and loans	81%	88%
Try to save as much money as you can	74%	84%
Cut back on spending	65%	79%
Purchase health insurance to supplement Medicare or participate in an employer-provided retiree health plan	76%	75%
Invest a portion of your money in stocks or stock mutual funds	54%	62%
Move your assets to increasingly conservative investments as you get older	52%	56%
Work longer	24%	52%
Save for the possibility of having large health expenses or needing long-term care	49%	49%
Buy real estate or invest in property	27%	44%
Buy long-term care insurance	34%	43%
Buy a product or choose an employer plan option that will provide you with guaranteed income for life	33%	39%
Move into a smaller home or less expensive area	36%	37%
Move into or arrange for care through a continuing care retirement community	16%	16%

When asked what strategies they would have to exercise if they lived five years longer than expected, pre-retirees are again more likely to mention several of the tactics examined. For example, while seven in 10 pre-retirees indicate that they would be *very* or *somewhat* likely to reduce their expenditures significantly (70 percent), only half of retirees believe they would have to do this (53 percent). Similarly, pre-retirees are more likely to mention dipping into money otherwise earmarked for their heirs (54 percent pre-retirees, 42 percent retirees) and depleting all their savings (45 percent of pre-retirees, 35 percent retirees). (See Figure 49.)

Figure 49
Strategies Very or Somewhat Likely to Employ if Live Five Years Longer than Expected
If you (and your spouse) were to live five years longer than expected, how likely do you think it is that you would have to do the following?

	Very or Somewhat Likely	
	Retirees (n=302)	**Pre-Retirees** (n=300)
Reduce your expenditures significantly	53%	70%
Dip into money that you may have otherwise left to your children or other heirs	42%	54%
Deplete all of your savings and be left only with Social Security and other government programs	35%	45%
Use the value of your home to help you fund your remaining retirement years (if homeowner)	36%	43%
Get assistance from friends or community agencies	22%	28%
Get assistance from your children or other family members	27%	24%

RETIREMENT FINANCES

Retirement Income

Minorities of both the pre-retirees and retirees have a plan for how they will manage their money in retirement, but retirees (44 percent) are more likely than pre-retirees (31 percent) to report they have a plan for how much they will spend each year in retirement and where that money will come from.

Retirees' major sources of retirement income and pre-retirees' expected major sources of income in their retirement differ significantly. While more than half of retirees report that Social Security is a *major* source of income (54 percent), a smaller proportion of pre-retirees say they expect that Social Security will provide a *major* source of income for them (43 percent). In contrast, pre-retirees are more likely than retirees to mention income from an employer's retirement savings plan, such as a 401(k) (37 percent pre-retirees, 14 percent retirees) or from an IRA, bank or investment account (19 percent pre-retirees, 12 percent retirees) as a *major* source of income. (See Figure 50.)

Figure 50
Sources and Expected Sources of Income in Retirement
Please tell me whether each of these is/whether you expect each of these to be a major, minor, or not a source of income for you (and/or your spouse) in retirement.

	Major Source	
	Retirees (n=302)	**Pre-Retirees** (n=300)
Social Security	54%	43%
Regular income from an employer's defined benefit pension plan	49%	44%
Employment	17%	20%
Regular withdrawals or distributions from an employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan	14%	37%
Regular withdrawals from an IRA, bank or investment account	12%	19%
Payments from a payout annuity purchased on your own	5%	8%
Income from rental property or real estate	5%	8%
Other source of regular income	3%	4%

Retirement Plan Assets

While like proportions of retirees (56 percent) and pre-retirees (60 percent) received or expect to receive income or money from defined benefit plans, considerably more pre-retirees (65 percent) than retirees (32 percent) mention money or income from an employer's retirement savings plan, such as 401(k).

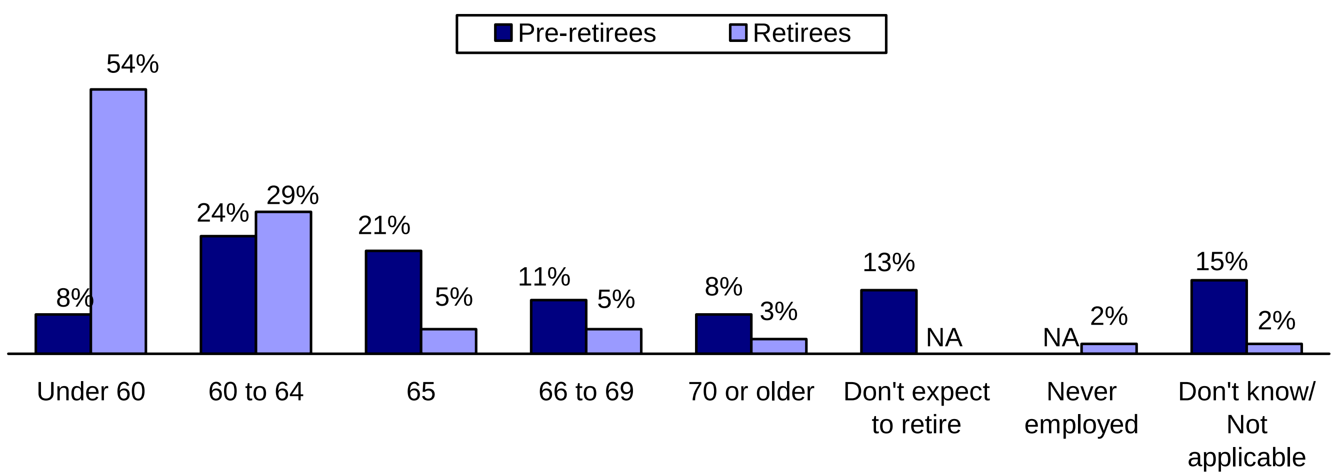
RETIREMENT EXPERIENCE AND EXPECTATIONS

Retirement Age

Pre-retirees expect to work longer than retirees actually did. While nearly two-thirds of retirees report that they retired before they were 60 years old (54 percent), just one in seven pre-retirees expect to retire before age 60 (8 percent). The largest share of pre-retirees report that they plan on retiring between the ages of 60 and 65 (45 percent), and two in 10 say they expect to retire at age 70 or older (8 percent) or do not expect to retire at all (13 percent). (See Figure 51.)

Figure 51
Age at Retirement
How old were you when you retired or began to retire from your primary occupation? At what age do you expect to retire or begin to retire from your primary occupation?

Pre-retirees n=300, Retirees n=302



The Retirement Process

More often than retirees (24 percent), pre-retirees (49 percent) expect that they will retire gradually, by either continuing to work part-time in retirement or by reducing their working hours until they stop working completely. On the other hand, a larger share of retirees (69 percent) than pre-retirees (38 percent) say that they retired by ceasing work all at once.

TREND COMPARISON

RETIREMENT RISK

Retirees' levels of concern regarding the retirement risks examined in this study have remained relatively consistent since 2001. However, concern among pre-retirees about many of the risks returned to 2001 levels after an increase in 2003. For example, four in 10 pre-retirees in 2003 said they were *very* concerned about their ability to keep the value of their investments up with inflation. Yet, in 2005, just one-quarter of pre-retirees express this level of concern about inflation (26 percent), comparable to the 24 percent who said *very* concerned in 2001. Other risks exhibiting this pattern for pre-retirees are:

- having to deplete all of their savings and being left only with Social Security (36 percent *very* concerned in 2003, 28 percent *very* concerned in 2005),
- their ability to maintain a reasonable standard of living for the rest of their (and their spouse's) life (20 percent *very* concerned in 2001, 34 percent *very* concerned in 2003, 23 percent *very* concerned in 2005), and
- their spouse's ability to maintain the same standard of living after their death, if they should die first (17 percent *very* concerned in 2001, 25 percent *very* concerned in 2003, 16 percent *very* concerned in 2005).

Pre-retirees are more likely in 2005 (31 percent) than they were in 2003 (24 percent) to indicate they are *most* concerned about their ability to afford adequate or good health care. Moreover, overall concern about having enough money to pay for adequate or good health care remains high after increasing in 2001 (30 percent *very* concerned in 2001, 49 percent *very* concerned in 2003, 42 percent *very* concerned in 2005).

RETIREMENT AGE

In 2005, retirees (34 percent) were more likely to report that they retired prior to reaching age 55 than they were in previous studies (26 percent in 2003, 18 percent in 2001). In contrast, pre-retirees in 2005 (9 percent) are less likely than in previous studies to state that they expect to retire before age 60 (14 percent in 2003, 15 percent in 2001) and more likely to say they will never retire (4 percent in 2001, 8 percent in 2003 and 13 percent in 2005).

PROFILE OF RESPONDENTS

Figure 52
Demographic Characteristics of Samples

	Retirees			Pre-Retirees		
	2001 (n=300)	**2003** (n=301)	**2005** (n=302)	**2001** (n=301)	**2003** (n=303)	**2005** (n=300)
Age						
45 to 54	6%	12%	14%	59%	68%	65%
55 to 64	17	25	29	34	29	30
65 to 80	62	63	57	7	3	5
81 and over	14	*	*	*	*	*
Gender						
Male	43%	45%	48%	46%	49%	47%
Female	57	55	52	54	51	53
Marital status						
Married	59%	63%	60%	66%	62%	65%
Divorced	5	10	11	18	18	12
Widowed	28	19	17	6	4	4
Single	7	6	9	7	10	13
Separated	<0.5	1	1	2	2	1
Living with a partner	1	1	2	2	3	3
Education						
Some high school or less	12%	15%	9%	7%	6%	3%
High school graduate	27	29	28	23	26	26
Some college, trade or business school	27	33	25	33	26	31
College graduate	17	13	21	17	20	23
Post-graduate work	6	2	3	7	5	4
Graduate degree	10	8	13	12	17	13
Employment status						
Working	12%	14%	17%	86%	78%	78%
Retired	80	75	75	0	0	--
A homemaker	7	6	5	5	7	6
Laid off or unemployed and seeking work	<0.5	3	3	3	6	6
Other	1	2	1	6	9	10

* Respondents 81 or older were excluded from the 2003 and 2005 studies.

Figure 52 (continued)
Demographic Characteristics of Samples

	Retirees			Pre-Retirees		
	2001 (n=300)	**2003** (n=301)	**2005** (n=302)	**2001** (n=301)	**2003** (n=303)	**2005** (n=300)
Occupation/previous occupation						
Executive, professional, technical or managerial	not	58%	52%	not	63%	72%
Other white-collar	asked	12	18	asked	14	15
Blue-collar		24	25		20	12
Don't know		4	5		3	--
Provide significant financial support for someone other than themselves/spouse						
Yes	12%	15%	14%	32%	41%	35%
Home ownership						
Own home free and clear	65%	56%	52%	28%	27%	27%
Own home, owe mortgage	21	30	35	57	55	50
Rent home	10	10	12	13	14	20
Don't know/refused	4	5	1	3	3	3
Health status						
Excellent	25%	27%	17%	28%	33%	19%
Very good	33	26	24	42	35	35
Good	21	24	34	18	21	29
Fair	14	13	19	9	9	11
Poor	5	8	6	2	2	4
Don't know/Refused	1	2	--	2	0	1
Household income						
Less than $25,000	14%	28%	21%	12%	12%	15%
$25,000 to $34,999	20	17	17	7	10	9
$35,000 to $49,999	16	17	18	18	24	16
$50,000 to $74,999	13	10	15	19	17	19
$75,000 to $99,999	8	7	7	14	12	17
$100,000 or more	7	4	10	15	14	15
Don't know/refused	22	16	13	15	11	9

Figure 52 (continued)
Demographic Characteristics of Samples

	Retirees			Pre-Retirees		
	2001 (n=300)	**2003** (n=301)	**2005** (n=302)	**2001** (n=301)	**2003** (n=303)	**2005** (n=300)
Total saved/invested						
Less than $25,000 (in 2001 lowest category was less than $50,000)	28%	28%	23%	28%	28%	25%
$25,000 to $49,999		8	9		11	14
$50,000 to $99,999	12	12	11	17	12	8
$100,000 to $249,999	11	10	9	15	14	13
$250,000 to $499,999	9	8	6	9	7	13
$500,000 to $999,999	4	3	9	3	4	4
$1 million or more	4	2	3	2	2	2
Don't know/Refused	32	30	29	26	22	21

POSTED QUESTIONNAIRE

2005 RISKS AND PROCESS OF RETIREMENT SURVEY
June 17–July 28, 2005
(weighted/unweighted n=602)

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]**

	Workers (n=300)	Retirees (n=302)
Yes/ most do	5%	7%
Mixed/ yes and no/ some do, some do not	2	6
No/ most people do not	91	84
Don't know	2	3
Refused	--	--

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	Workers (n=300)	Retirees (n=302)
45 to 54	65%	14%
55 to 64	30	29
65 to 80	5	57

[IF 1925-1960, CONTINUE.]

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

	Workers (n=300)	Retirees (n=302)
Male	47%	48%
Female	53	52

1. Are you . . . **[READ LIST]**?

	Workers (n=300)	Retirees (n=302)
Married	65%	60%
Single	13	9
Divorced	12	11
Widowed	4	17
Living with a partner	3	2
Separated	1	1
[VOL] Don't know	--	--
[VOL] Refused	<0.5	--

2. **[IF MARRIED (Q1 = 1), ASK:]** In what year was your spouse born?

	Workers (n=197)	Retirees (n=177)
Under age 45	10%	3%
45 to 54	42	10
55 to 64	41	33
65 or older	6	54
[VOL] Don't know	--	--
[VOL] Refused	1	1

3. Are you now . . . **[READ LIST]**?

	Workers (n=300)	Retirees (n=302)
Working	78%	17%
Retired	--	75
A homemaker	6	5
Laid off or unemployed and seeking work	6	3
Or something else	10	1
[VOL] Don't know	--	--
[VOL] Refused	--	--

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

	Workers (n=236)	Retirees (n=42)
Full time throughout the year	84%	64%
Part time throughout the year	11	28
Or full or part time for only part of the year	5	7
[VOL] Don't know	--	--
[VOL] Refused	--	--

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

	Retirees (n=237)
Not worked for pay at all	76%
Worked for pay full time throughout the year	3
Worked for pay part time throughout the year	9
Or worked for pay full or part time for only part of the year	11
[VOL] Don't know	1
[VOL] Refused	<0.5

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

	Workers (n=20)	Retirees (n=7)
Full time throughout the year	n=10	n=1
Part time throughout the year	n=3	n=3
Or full or part time for only part of the year	n=7	n=3
[VOL] Don't know	--	--
[VOL] Refused	--	--

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

	Workers (n=253)	Retirees (n=47)
Yes	--	100%
No	100%	--
[VOL] Don't know	<0.5	--
[VOL] Refused	--	--

[IF MARRIED (Q1 = 1), CONTINUE. ELSE SKIP TO CHECKPOINT.]

6. Is your spouse now . . . **[READ LIST]**?

	Workers (n=197)	Retirees (n=177)
Working	76%	29%
Retired	11	55
A homemaker	7	11
Laid off or unemployed and seeking work	1	1
Or something else	6	4
[VOL] Don't know	--	--
[VOL] Refused	--	--

7. **[IF SPOUSE WORKING, LAID OFF OR UNEMPLOYED (Q6 = 1, 4), ASK:]** Does your spouse consider himself or herself retired from a previous career or primary occupation?

	Workers (n=144)	Retirees (n=50)
Yes	8%	22%
No	90	78
[VOL] Don't know	2	--
[VOL] Refused	--	--

[CHECKPOINT]
[USE RETIREE VERSION IF:
RETIRED (Q3 = 2)
EMPLOYED OR LAID-OFF (Q3 = 1, 4) AND RETIRED FROM PRIMARY OCCUPATION (Q5 = 1)
HOMEMAKER, SOMETHING ELSE OR DK/REF (Q3 = 3, 5-7) AND AGE 65+ (S2 <= 1940) HOMEMAKER, SOMETHING ELSE OR DK/REF (Q3 = 3, 5-7) AND SPOUSE RETIRED (Q6 = 2)
ALL OTHERS USE WORKER VERSION.]

RETIREE VERSION

R8. How old were you when you retired or began to retire from your primary occupation? **[PROBE FOR SPECIFIC AGE.]**

	Retirees (n=302)
Under age 50	19%
50 to 54	15
55 to 59	21
60 to 61	9
62 to 64	20
65	5
66 to 69	5
70 or older	3
[VOL] In and out of workforce/retirement didn't apply	1
[VOL] Never employed	2
[VOL] Don't know	2
[VOL] Refused	--

[IF GAVE AGE WHEN RETIRED (R8 = 1-95), CONTINUE. ELSE SKIP TO R14.]

R9. Which statement comes closest to describing how you retired from your primary occupation? **[READ LIST.]**

	Retirees (n=285)
You stopped working all at once	69%
You gradually reduced the number of hours you worked before stopping completely	11
You continued to work for pay part time or periodically	13
Or you continued to work for pay full time	5
[VOL] Don't know	2
[VOL] Refused	--

RETIREE VERSION

[IF GRADUALLY REDUCED NUMBER OF HOURS WORKED OR CONTINUED TO WORK FOR PAY (R9 = 2, 3, 4), CONTINUE. ELSE SKIP TO R14.]

R10. **[IF NOT EMPLOYED (Q3 = 3-7 OR Q4B = 0, 4, 5), ASK:]** How old were you when you stopped working for pay altogether?

	Retirees (n=46)
Under age 50	20%
50 to 54	6
55 to 59	15
60 to 61	5
62 to 64	11
65	5
66 to 69	16
70 or older	13
[VOL] Haven't stopped working yet	7
[VOL] Don't know	2
[VOL] Refused	--

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

	Retirees (n=81)
You worked for the same company as before retirement	31%
You worked for a different company	40%
You became self-employed	27%
[VOL] Don't know	4%
[VOL] Refused	--

R12. [new] Was the work you did for pay in retirement . . . **[READ LIST]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Retirees (n=81)
The same as before you retired	45%
Different than before you retired, but built on the same training and skills	26%
Entirely different from before you retired	33%
[VOL] Don't know	1%
[VOL] Refused	--

RETIREE VERSION

R13. And when you worked in retirement, which statement or statements comes closest to describing what you actually did? **[READ LIST. ACCEPT MULTIPLE RESPONSES.]**

	Retirees (n=81)
You continued to work full time	31%
You worked on a regular basis throughout the year on a reduced schedule	34%
You worked on a project or as needed basis	25%
You worked seasonally	10%
You served as a consultant	7%
[VOL] Don't know	3%
[VOL] Refused	2%

R14. [new] When you (or your spouse) retired, did you receive income or money from one or more . . . **[RANDOMIZE AND READ LIST]**?

	Retirees (n=302)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a.	Defined benefit pension plans	56%	42	2	--
b.	Employer retirement savings plans, such as a 401(k), 403(b) or 457 plan	32%	66	2	--

R15. [new] **[IF HAD DB PLAN (R14a = 1), ASK:]** How did you take the money from the defined benefit plans? Did you take some or all of it as . . . **[READ LIST IN ORDER]**?

	Retirees (n=171)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a.	A series of regular payments from an employer, pension, or annuity, that are guaranteed for life, no matter how long you live, and that may continue to a surviving spouse	74%	25	1	--
b.	Funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life	20%	79	2	--
c.	Funds that you can withdraw as you like, but are not guaranteed to last for any specific period	21%	74	4	1
d.	A lump sum of money that you spent or used to pay off debt	11%	87	1	1

RETIREE VERSION

R16. [new] **[IF HAD DC PLAN (R14b = 1), ASK:]** What did you (or your spouse) do with some or all of the money from the employer retirement savings plans? Did you . . . **[READ LIST IN ORDER]**?

	Retirees (n=97)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a.	Use it to purchase a pension or annuity that provides a series of regular payments guaranteed for life, no matter how long you live, and that may continue to a surviving spouse	24%	71	5	--
b.	Put it in funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life	28%	69	3	--
c.	Invest or save it in funds that you can withdraw as you like, but are not guaranteed to last for any specific period	53%	44	3	--
d.	Spend it or use it to pay off debt	29%	70	1	--

R17. [new] **[IF RECEIVED LIFETIME PENSION/ANNUITY INCOME (R15a = 1 OR R16a = 1), ASK:]** Why did you (or your spouse) choose to get a series of regular payments guaranteed for life? Was it because . . . **[RANDOMIZE AND READ LIST. PAUSE AFTER READING EACH REASON. READ 7 LAST.]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Retirees (n=141)
You wanted to ensure you received income each month for the rest of your life	53%
It was the only option available	38%
[IF MARRIED:] You and your spouse wanted to ensure the survivor would continue to receive monthly income for the rest of his or her life	33%
You wanted to ensure that you did not outlive your money	28%
You thought you would get more money this way	16%
You wanted to protect yourself against investment market downturns	16%
Or something else **[PROBE: What was that?]**	3%
[VOL] Don't know	1%
[VOL] Refused	--

RETIREE VERSION

R18. [new] **[IF MANAGED FUNDS TO PRODUCE REGULAR INCOME NOT GUARANTEED FOR LIFE (R15b = 1 OR R16b = 1), ASK:]** Why did you (or your spouse) choose to put money in funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life? Was it because . . . **[RANDOMIZE AND READ LIST. PAUSE AFTER READING EACH REASON. READ 8 LAST.]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Retirees (n=48)
You wanted to receive guaranteed income	47%
You wanted control of the money	41%
You wanted to receive regular income for a specified period	34%
You wanted to make sure the income provided kept up with inflation	30%
You wanted to protect yourself against investment market downturns	28%
It was the only option available	19%
You thought you could get a better return on your money	15%
Or something else **[PROBE: What was that?]**	7%
[VOL] Don’t know	5%
[VOL] Refused	2%

R19. [new] **[IF MANAGED FUNDS WITHOUT PLAN FOR REGULAR INCOME (R15c = 1 OR R16c = 1), ASK:]** Why did you (or your spouse) choose to invest or save the money in funds that you can withdraw as you like? Was it because . . . **[RANDOMIZE AND READ LIST. PAUSE AFTER READING EACH REASON. READ 9 LAST]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Retirees (n=76)
You wanted to keep your options open	45%
You wanted control of the money	44%
You thought you could get a better return on your money	30%
You wanted to make sure the income provided kept up with inflation	30%
You wanted money you could access at short notice	28%
You wanted to wait as long as possible before using the money	22%
You wanted to leave money to your heirs	17%
It was the only option available	13%
Or something else **[PROBE: What was that?]**	3%
[VOL] Don’t know	2%
[VOL] Refused	1%

RETIREE VERSION

R20. Many retirees rely on regular sources of income that provide 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 regular 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 LIST. DO NOT RANDOMIZE.]**

	Retirees (n=302)	Major Source	Minor Source	Not a Source	[VOL] DK	[VOL] REF
a.	Social Security	54%	27	18	1	<0.5
b.	Regular income from an employer's defined benefit pension plan	49%	18	31	2	--
c.	REGULAR withdrawals or distributions from an employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan	14%	21	65	1	--
d.	REGULAR withdrawals from an IRA, bank or investment account	12%	32	56	<0.5	--
e.	Payments from a payout annuity purchased on your own	5%	15	78	3	--
f.	Employment	17%	21	60	1	<0.5
g.	Income from rental property or real estate	5%	12	82	<0.5	1
h.	Some other source of REGULAR income **[SPECIFY]**	3%	--	95	1	1

R21. [new] Now I'd like to talk about the role that the equity in your home might play in funding your retirement. Up UNTIL NOW, have you used any of the equity you built up in your current home or a previous home to help fund your retirement?

	Retirees (n=302)
Yes	10%
No	87
[VOL] Never owned home	3
[VOL] Don't know	<0.5
[VOL] Refused	<0.5

RETIREE VERSION

R22. [new] **[IF ALREADY USED HOME EQUITY (R21 = 1), ASK:]** What did you do? Did you . . . **[READ LIST]**?

	Retirees (n=28)
Sell your home	46%
Get a home equity loan	36
Get a new mortgage	15
Get a reverse mortgage	3
Or do something else **[PROBE: What was that?]**	--
[VOL] Don't know	--
[VOL] Refused	--

R23. Do you currently own or rent your primary home?

	Retirees (n=302)
Own	87%
Rent	12
[VOL] Don't know	<0.5
[VOL] Refused	<0.5

[IF OWN HOME (R23 = 1), CONTINUE. ELSE SKIP TO R26.]

R24. [new] And, do you have any plans to use the equity in your home to help finance your retirement in the future?

	Retirees (n=269)
Yes	11%
No	83
[VOL] Don't know	6
[VOL] Refused	--

R25. [new] **[IF PLAN TO USE HOME EQUITY (R24 = 1), ASK:]** Do you think you will . . . **[READ LIST]**?

	Retirees (n=26)
Sell your home	56%
Get a reverse mortgage	10
Get a home equity loan	8
Get a new mortgage	--
Or do something else **[PROBE: What is that?]**	7
[VOL] Don't know	18
[VOL] Refused	--

RETIREE VERSION

R26. How concerned are you that **[RANDOMIZE AND READ LIST]**? Are you very concerned, somewhat, not too, or not at all concerned?

R27. Which of these would you say you are most concerned about? **[READ ALL VERY CONCERNED IN R26. IF NO VERY CONCERNED, READ ALL SOMEWHAT CONCERNED.]**

		R26						R27
	Retirees (n=302)	**Very Concern**	**Somewhat Concern**	**Not too Concern**	**Not at all Concern**	**[VOL] DK**	**[VOL] REF**	**Most Con**
a.	You might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life/lives	17%	26	25	31	1	--	9%
b.	You might not have enough money to pay for adequate health care	23%	23	18	35	1	--	13
c.	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	24%	29	18	29	<0.5	--	18
d.	You might not be able to keep the value of your savings and investments up with inflation	21%	29	22	26	1	1	10
e.	**[IF MARRIED:]** Your spouse may not be able to maintain the same standard of living after your death, if you should die first (n=177)	18%	19	22	40	<0.5	--	5
f.	You might deplete all of your savings and be left only with Social Security	20%	18	24	37	1	1	5
g.	You might not be able to afford to stay in your current home for the rest of your life	15%	16	20	49	1	<0.5	6
h.	You might not be able to leave money to your children or other heirs	10%	16	24	49	--	1	2
i.	You might not be able to rely on children or other family members to provide assistance	13%	14	21	51	2	--	1
	[VOL] None of these OR no mention of concern in Q26 Series							27
	[VOL] Don't know							3
	[VOL] Refused							--

RETIREE VERSION

R28. [new] I'm going to read you a list of things that some people do to protect themselves financially as they get older. For each, please tell me whether YOU (and your spouse) have done that, plan to do that in the future, or have no plans to do it. First, **[RANDOMIZE AND READ LIST. REREAD QUESTION HALFWAY THROUGH LIST. ACCEPT 1,2 MULTIPUNCH.]**.

	Retirees (n=302)	**Already Done**	**Plan to Do in Future**	**No Plans**	**[VOL] DK**	**[VOL] REF**
a.	Cut back on spending	51%	14	34	1	--
b.	Move to a smaller home or less expensive area	18%	18	64	<0.5	--
c.	Invest a portion of your money in stocks or stock mutual funds	48%	6	46	--	--
d.	Move your assets to increasingly conservative investments as you get older	35%	18	48	<0.5	--
e.	Buy real estate or invest in property	22%	5	71	2	--
f.	Work longer	14%	10	75	2	<0.5
g.	Try to save as much money as you can	56%	20	25	1	--
h.	**[IF OWN HOME (R23 = 1):]** Completely pay off your mortgage (n=269)	56%	27	15	1	<0.5
i.	Eliminate all of your consumer debt, by paying off all credit cards and loans	56%	26	18	1	--
j.	Buy a product or choose an employer plan option that will provide you with guaranteed income for life	27%	6	66	2	--
k.	Buy long-term care insurance	20%	14	66	1	--
l.	Purchase health insurance to supplement Medicare or participate in an employer-provided retiree health plan	63%	13	23	1	<0.5
m.	Move into or arrange for care through a continuing care retirement community	4%	12	84	1	--
n.	Save for the possibility of having large health expenses or needing long-term care	34%	15	50	1	--

WORKER VERSION

[IF WORKING, LAID OFF OR LOOKING FOR WORK (Q3 = 1, 4), CONTINUE. ELSE SKIP TO W33.]

W29. At what age do you expect to retire from your primary occupation? **[PROBE FOR SPECIFIC AGE. IF SAY WILL RETIRE GRADUALLY/CONTINUE WORKING, SPECIFY:** At what age will you BEGIN to retire?**]**

	Workers (n=253)
Under age 50	1%
50 to 54	1
55 to 59	6
60 to 61	6
62 to 64	18
65	21
66 to 69	11
70 or older	8
[VOL] In and out of workforce/retirement won't apply	--
[VOL] Do not expect to retire	13
[VOL] Don't know when will retire	15
[VOL] Refused	--

[IF RETIREMENT APPLIES (W29 = 1-95, 98-99), CONTINUE. ELSE SKIP TO W33.]

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

	Workers (n=222)
You plan to stop working all at once	38%
You plan to gradually reduce the number of hours you work before stopping completely	21
You plan to continue to work for pay part time or periodically	29
Or you plan to continue to work for pay full time	8
[VOL] Don't know	5
[VOL] Refused	--

WORKER VERSION

[IF PLAN TO GRADUALLY REDUCE HOURS OR CONTINUE WORKING (W30 = 2-4), CONTINUE. ELSE SKIP TO W33.]

W31. After you retire, do you think you will . . . **[READ LIST]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Workers (n=128)
Work for the same company as before you retire	32%
Work for a different company	28%
Or become self-employed	27%
[VOL] Don't know	13%
[VOL] Refused	3%

W32. [new] Do you think the work you do for pay in retirement will be . . . **[READ LIST]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Workers (n=128)
The same as before you retired	33%
Different than before you retired, but built on the same training and skills	25%
Entirely different from before you retired	35%
[VOL] Don't know	5%
[VOL] Refused	2%

W33. [new] When you (or your spouse) retire, do you think you will receive income or money from one or more . . . **[RANDOMIZE AND READ LIST]**?

	Workers (n=300)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a.	Defined benefit pension plans	60%	37	2	--
b.	Employer retirement savings plans, such as a 401(k), 403(b), or 457 plan	65%	34	1	--

W34. **[IF WILL RECEIVE DB PLAN BENEFITS (W33a = 1), ASK:]** Thinking about the job you expect to have when you retire, do you think you will receive a pension, or a lump sum from a pension plan, from that employer?

	Workers (n=177)
Yes	57%
No	37
[VOL] Don't know	6
[VOL] Refused	1

WORKER VERSION

[IF WILL RECEIVE PENSION FROM LAST EMPLOYER OR DON'T KNOW (W34 = 1, 3), CONTINUE. ELSE SKIP TO W37.]

W35. 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?

	Workers (n=105)
Yes	37%
No	58
[VOL] Don't know	4
[VOL] Refused	2

W36. **[IF WOULD CHANGE PLANS (W35 = 1), ASK:]** Do you think you would start to retire at . . . **[READ LIST]**?

	Workers (n=41)
A younger age	52%
The same age	46
An older age	1
[VOL] Don't know	--
[VOL] Refused	--

WORKER VERSION

W37. [new] **[IF EXPECT DB PLAN (W33a = 1), ASK:]** How do you think you (or your spouse) will take the money from the defined benefit pension plans? Do you think you will take some or all of it as . . . **[READ LIST IN ORDER]**?

	Workers (n=177)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a.	A series of regular payments from an employer, pension or annuity, that are guaranteed for life, no matter how long you live, and that may continue to a surviving spouse	84%	11	4	--
b.	Funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life	37%	52	11	--
c.	Funds that you can withdraw as you like, but are not guaranteed to last for any specific period	37%	58	6	--
d.	A lump sum of money that you spend or use to pay off debt	24%	73	3	--

W38. [new] **[IF EXPECT DC PLAN (W33b = 1), ASK:]** What do you think you (or your spouse) will do with some or all of the money from the employer retirement savings plans? Do you think you will . . . **[READ LIST IN ORDER]**?

	Workers (n=192)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a.	Use it to purchase a pension or annuity that provides a series of regular payments guaranteed for life, no matter how long you live, and that may continue to a surviving spouse	44%	44	13	--
b.	Put it in funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life	43%	49	8	--
c.	Invest or save it in funds that you can withdraw as you like, but are not guaranteed to last for any specific period	49%	44	7	--
d.	Spend it or use it to pay off debt	33%	63	3	--

WORKER VERSION

W39. [new] **[IF WILL RECEIVE LIFETIME PENSION/ANNUITY INCOME (W37a = 1 OR W38a = 1), ASK:]** Why do you think you (or your spouse) will choose to get a series of regular payments guaranteed for life? Is it because . . . **[RANDOMIZE AND READ LIST. PAUSE AFTER READING EACH REASON. READ 7 LAST.]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Workers (n=169)
You want to ensure you receive income each month for the rest of your life	59%
[IF MARRIED:] You and your spouse want to ensure the survivor will continue to receive monthly income for the rest of his or her life	38%
You want to ensure that you do not outlive your money	32%
You want to protect yourself against investment market downturns	21%
It is the only option available	16%
You think you will get more money this way	6%
Or something else **[PROBE: What is that?]**	4%
[VOL] Don't know	6%
[VOL] Refused	1%

W40. [new] **[IF WILL MANAGE FUNDS TO PRODUCE REGULAR INCOME NOT GUARANTEED FOR LIFE (W37b = 1 OR W38b = 1), ASK:]** Why do you think you (or your spouse) will choose to put money in funds that provide regular income guaranteed for a specific period, such as 10 or 20 years, but not for life? Is it because . . . **[RANDOMIZE AND READ LIST. PAUSE AFTER READING EACH REASON. READ 8 LAST.]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Workers (n=109)
You want to receive guaranteed income	41%
You want to receive regular income for a specified period	38%
You want control of the money	32%
You want to make sure the income provided keeps up with inflation	27%
You want to protect yourself against investment market downturns	23%
You think you can get a better return on your money	17%
It is the only option available	5%
Or something else **[PROBE: What is that?]**	7%
[VOL] Don't know	9%
[VOL] Refused	--

WORKER VERSION

W41. [new] **[IF WILL MANAGE FUNDS WITHOUT PLAN FOR REGULAR INCOME (W37c = 1 OR W38c = 1), ASK:]** Why do you think you (or your spouse) will choose to invest or save the money in funds that you can withdraw as you like? Is it because . . . **[RANDOMIZE AND READ LIST. PAUSE AFTER READING EACH REASON. READ 9 LAST]**? **[ACCEPT MULTIPLE RESPONSES.]**

	Workers (n=126)
You want control of the money	47%
You want to keep your options open	44%
You want money you can access at short notice	40%
You want to wait as long as possible before using the money	28%
You want to make sure the income provided keeps up with inflation	24%
You want to leave money to your heirs	22%
You think you can get a better return on your money	17%
It is the only option available	6%
Or something else **[PROBE:** What is that?**]**	1%
[VOL] Don't know	3%
[VOL] Refused	2%

WORKER VERSION

W42. [new] Many retirees rely on regular sources of income that provide 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 regular income. Please tell me whether you expect each of these will be a major, minor or not a source of income for you (and/or your spouse) in retirement. First, **[READ LIST. DO NOT RANDOMIZE.]**

	Workers (n=300)	**Major Source**	**Minor Source**	**Not a Source**	**[VOL] DK**	**[VOL] REF**
a.	Social Security	43%	48	9	<0.5	--
b.	Regular income from an employer's defined benefit pension plan	44%	29	26	1	--
c.	REGULAR withdrawals or distributions from an employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan	37%	34	28	2	--
d.	REGULAR withdrawals from an IRA, bank, or investment account	19%	49	31	2	--
e.	Payments from a payout annuity purchased on your own	8%	28	62	2	--
f.	Employment	20%	54	24	2	--
g.	Income from rental property or real estate	8%	25	64	3	--
h.	Some other source of REGULAR income **[SPECIFY]**	4%	--	89	7	--

WORKER VERSION

W43. [new] Now I'd like to talk about the role that the equity in your home might play in funding your retirement. First, do you own or rent your primary home?

	Workers (n=300)
Own	78%
Rent	20
[VOL] Don't know	2
[VOL] Refused	1

[IF OWN HOME (W43 = 1), CONTINUE. ELSE SKIP TO W46.]

W44. [new] Do you have any plans to use the equity in your home to help finance your retirement?

	Workers (n=242)
Yes	18%
No	79
[VOL] Don't know	2
[VOL] Refused	<0.5

W45. [new] **[IF PLAN TO USE HOME EQUITY (W44 = 1), ASK:]** Do you think you will . . . **[READ LIST]**?

	Workers (n=45)
Sell your home	61%
Get a home equity loan	9
Get a reverse mortgage	4
Get a new mortgage	3
Or do something else **[PROBE:** What is that?**]**	9
[VOL] Don't know	14
[VOL] Refused	--

WORKER VERSION

W46. How concerned are you that **[RANDOMIZE AND READ LIST]**? Are you very concerned, somewhat, not too, or not at all concerned?

W47. Which of these would you say you are most concerned about? **[READ ALL VERY CONCERNED IN R46. IF NO VERY CONCERNED, READ ALL SOMEWHAT CONCERNED.]**

		W46						**W47**
	Workers (n=300)	**Very Concern**	**Somewhat Concern**	**Not too Concern**	**Not at all Concern**	**[VOL] DK**	**[VOL] REF**	**Most Con**
a.	You might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life/lives	23%	36	24	16	<0.5	--	10%
b.	You might not have enough money to pay for adequate health care	42%	32	13	12	--	--	31
c.	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	35%	26	20	19	<0.5	--	14
d.	You might not be able to keep the value of your savings and investments up with inflation	26%	38	16	19	1	--	7
e.	**[IF MARRIED:]** Your spouse may not be able to maintain the same standard of living after your death, if you should die first (n=197)	16%	24	25	34	--	--	5
f.	You might deplete all of your savings and be left only with Social Security	28%	27	25	20	<0.5	--	7
g.	You might not be able to afford to stay in your current home for the rest of your life	17%	17	24	42	<0.5	--	4
h.	You might not be able to leave money to your children or other heirs	16%	21	22	41	<0.5	1	3
i.	You might not be able to rely on children or other family members to provide assistance	16%	18	20	44	1	1	1
	[VOL] None of these OR no mention of concern in Q26 Series							15
	[VOL] Don't know							2
	[VOL] Refused							--

WORKER VERSION

W48. [new] I'm going to read you a list of things that some people do to protect themselves financially after they retire. For each, please tell me whether YOU (and your spouse) have done that, plan to do that in the future, or have no plans to do it. First, **[RANDOMIZE AND READ LIST. REREAD QUESTION HALF WAY THROUGH LIST. ACCEPT 1,2 MULTIPUNCH.]**.

	Workers (n=300)	**Already Done**	**Plan to Do in Future**	**No Plans**	**[VOL] DK**	**[VOL] REF**
a.	Cut back on spending	45%	34	20	1	--
b.	Move to a smaller home or less expensive area	9%	28	61	2	--
c.	Invest a portion of money in stocks or stock mutual funds	50%	13	37	1	--
d.	Move your assets to increasingly conservative investments as you get older	20%	36	43	2	--
e.	Buy real estate or invest in property	26%	18	56	<0.5	--
f.	Work longer	10%	43	47	1	--
g.	Try to save as much money as you can	48%	39	14	1	--
h.	**[IF OWN HOME (W43 = 1):]** Completely pay off your mortgage (n=242)	36%	51	12	1	--
i.	Eliminate all of your consumer debt, by paying off all credit cards and loans	44%	44	11	1	<0.5
j.	Buy a product or choose an employer plan option that will provide you with guaranteed income for life	23%	16	58	2	1
k.	Buy long-term care insurance	16%	27	55	3	--
l.	Purchase health insurance to supplement Medicare or participate in an employer-provided retiree health plan	30%	46	24	2	--
m.	Move into or arrange for care through a continuing care retirement community	3%	13	82	2	--
n.	Save for the possibility of having large health expenses or needing long-term care	16%	34	50	2	--

BOTH VERSIONS

49. [new] Suppose your weekly groceries today cost you $100. How much do you think they will cost in 10 years?

	Workers (n=300)	Retirees (n=302)
Under $100	1%	1%
$100 to $149	17	10
$150 to $199	23	26
$200 to $249	27	20
$250 to $499	17	13
$500 or more	7	10
[VOL] Don't know	9	19
[VOL] Refused	--	<0.5

50. Knowing how long you can expect to live can be important for retirement planning. Until what age do you think the AVERAGE person your age and gender can expect to live?

	Workers (n=300)	Retirees (n=302)
Less than 70	6%	1%
70	4	3
71 to 74	4	3
75	13	12
76 to 79	9	5
80	20	22
81 to 84	7	7
85	22	19
86 to 89	5	5
90	4	6
91 or older	2	5
[VOL] Don't know	5	12
[VOL] Refused	--	--

BOTH VERSIONS

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

	Workers (n=300)	Retirees (n=302)
Less than 70	7%	2%
70	6	7
71 to 74	3	1
75	9	9
76 to 79	4	3
80	16	14
81 to 84	6	6
85	18	19
86 to 89	5	4
90	8	13
91 or older	7	11
[VOL] Don't know	10	11
[VOL] Refused	<0.5	<0.5

52. [new] **[IF GAVE PERSONAL LIFE EXPECTANCY (Q51 < 998), ASK:]** Why do you think you will live until that age? **[DO NOT READ LIST. ACCEPT MULTIPLE RESPONSES. PROBE:** What else?**]**

	Workers (n=265)	Retirees (n=265)
Family history	54%	45%
Own health	30%	43%
Average life expectancy	7%	3%
Guessing	5%	8%
Health Habits: Take care of myself, exercise, eat right	5%	4%
Positive Attitude: No stress since retiring, determination, no worries, I enjoy myself	4%	5%
Smoking	2%	<0.5
Other **[SPECIFY]**	4%	3%
Don't know	5%	5%
Refused	--	--

53. [new] Do you currently have a plan for how much money you will spend each year in retirement and where that money will come from?

	Workers (n=300)	Retirees (n=302)
Yes	31%	44%
No	68	55
[VOL] Don't know	1	1
[VOL] Refused	--	--

BOTH VERSIONS

54. [new] If you (and your spouse) were to live FIVE years longer than expected, how likely do you think it is that you would have to do each of the following? Do you think you would be very likely, somewhat, not too, or not at all likely to have to . . . **[RANDOMIZE AND READ LIST]**?

	Very Likely	Somewhat Likely	Not too Likely	Not at all Likely	[VOL] DK	[VOL] REF
a. Deplete all of your savings and be left only with Social Security and other government programs						
Workers (n=300)	21%	24	26	27	2	--
Retirees (n=302)	14%	21	26	35	3	--
b. Use the value of your home to help fund your remaining retirement years						
Workers (n=300)	12%	31	21	33	3	--
Retirees (n=302)	14%	22	19	42	3	1
c. Dip into money that you might otherwise have left to your children or other heirs						
Workers (n=300)	22%	32	18	26	2	--
Retirees (n=302)	19%	23	22	34	1	1
d. Get assistance from your children or other family members						
Workers (n=300)	6%	18	31	42	2	1
Retirees (n=302)	9%	18	23	49	1	--
e. Get assistance from friends or community agencies						
Workers (n=300)	8%	20	31	39	1	--
Retirees (n=302)	6%	16	22	55	1	--
f. Reduce your expenditures significantly						
Workers (n=300)	34%	36	14	13	3	--
Retirees (n=302)	24%	29	18	27	2	--

BOTH VERSIONS

55. [new] Suppose there were a random group of 100 65-year-old **[“MALES” IF MALE; “FEMALES” IF FEMALE]**. About how many do you think could expect to live to age **[“83” IF MALE; “86” IF FEMALE]** or older? **[READ HALF 1-5, HALF 5-1]**

	Workers (n=300)	Retirees (n=302)
Almost none	3%	4%
About 25	19	19
About 50	38	42
About 75	26	23
Almost all	9	6
[VOL] Don’t know	5	7
[VOL] Refused	--	1

56. [new] And again, suppose there were a random group of 100 65-year-old **[“MALES” IF MALE; “FEMALES” IF FEMALE]**. About how many do you think could expect to live to age **[“89” IF MALE; “92” IF FEMALE]** or older? **[READ HALF 1-5, HALF 5-1]**

	Workers (n=300)	Retirees (n=302)
Almost none	21%	27%
About 25	46	42
About 50	20	18
About 75	6	5
Almost all	2	2
[VOL] Don’t know	5	6
[VOL] Refused	--	<0.5

57. [new] Do you think the life expectancy of people today is longer, shorter or about the same as life expectancy 20 years ago?

	Workers (n=300)	Retirees (n=302)
Longer	87%	86%
About the same	9	7
Shorter	3	5
[VOL] Don’t know	1	1
[VOL] Refused	--	--

BOTH VERSIONS

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.]**

	Workers (n=300)	Retirees (n=302)
Some high school or less	3%	9%
High school graduate	26	28
Some college/trade or business school	31	25
College graduate	23	21
Post graduate work	4	3
Graduate degree	13	13
[VOL] Don't know	--	<0.5
[VOL] Refused	1	<0.5

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

D2. Was/is your occupation . . . **[READ LIST]**?

	Workers (n=253)	Retirees (n=294)
Executive, professional, technical, or managerial	72%	52%
Other white collar	15	18
Or blue collar	12	25
[VOL] Don't know	--	5
[VOL] Refused	--	1

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

	Workers (n=300)	Retirees (n=302)
Yes	35%	14%
No	64	86
[VOL] Don’t know	<0.5	--
[VOL] Refused	1	--

D4. **[IF OWN HOME (R23 = 1 OR W43 = 1), ASK:]**Do you own your primary home free and clear or do you owe money on a mortgage?

	Workers (n=242)	Retirees (n=269)
Own free and clear	35%	59%
Owe mortgage	65	40
[VOL] Don’t know	--	<0.5
[VOL] Refused	--	--

BOTH VERSIONS

D5. In general, would you say your health is . . . **[READ LIST]**?

	Workers (n=300)	Retirees (n=302)
Excellent	19%	17%
Very good	35	24
Good	29	34
Fair	11	19
Poor	4	6
[VOL] Don't know	1	--
[VOL] Refused	--	--

D6. In 2004, was your total household income, before taxes, . . . **[READ LIST]**?

	Workers (n=300)	Retirees (n=302)
Less than $25,000	15%	21%
$25,000 to $34,999	9	17
$35,000 to $49,999	16	18
$50,000 to $74,999	19	15
$75,000 to $99,999	17	7
$100,000 or more	15	10
[VOL] Don't know	1	4
[VOL] Refused	8	9

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 LIST]**?

	Workers (n=300)	Retirees (n=302)
Less than $25,000	25%	23%
$25,000 to $49,999	14	9
$50,000 to $99,999	8	11
$100,000 to $249,999	13	9
$250,000 to $499,999	13	6
$500,000 but less than $1 million	4	9
$1 million or more	2	3
[VOL] Don't know	7	8
[VOL] Refused	14	21

THANK AND TERMINATE