

# The Average American Is Woefully Unprepared for Retirement

Survey results indicate that Americans are increasingly concerned that they're falling short in preparing for their financial futures.



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For the past 25 years, the Employee Benefit Research Institute (EBRI) has been asking Americans about their savings, and this year, EBRI's Retirement Confidence Survey results are far from confidence inspiring. According to EBRI's survey, only 22% of Americans are very confident that they'll have enough money for a comfortable retirement.

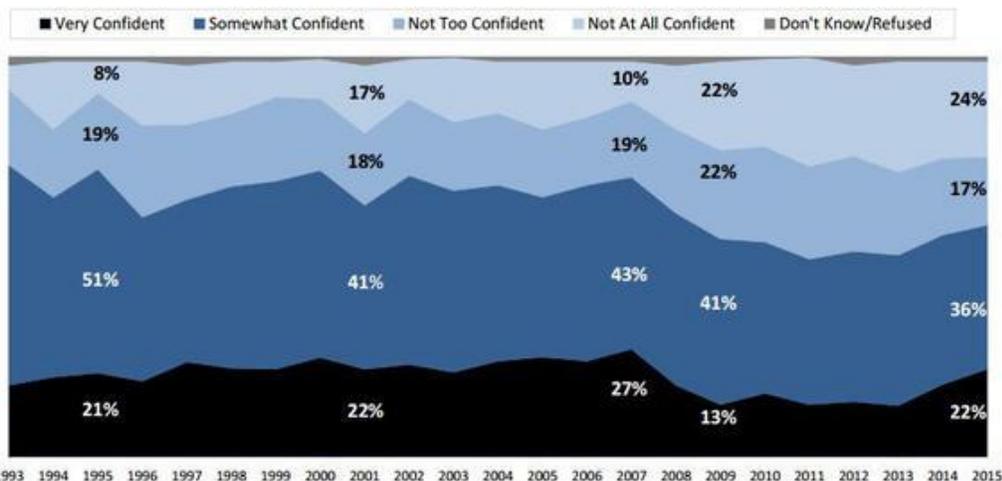
Even worse, more than a quarter of working Americans have set aside \$1,000 or less for their golden years. That's a sobering discovery, so let's take a closer look at what's going on, and what Americans who are falling behind can do to get back on track.

## Mounting worry

The confidence of Americans has picked up as employment has rebounded exiting the Great Recession; but even with the benefit of lower unemployment, more than 40% of all Americans are not too confident, or not confident at all, that they'll be financially OK during their retirement years. A full 5% fewer Americans are very confident about retirement than before the recession.

Figure 1  
**Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement**

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1993–2015 Retirement Confidence Surveys.

Additionally, confidence differs dramatically when you take into consideration whether or not someone is offered a retirement plan at work. Remove people with work-place retirement plans from the mix, and the level of confidence in financial security in retirement hasn't budged during the past few years.

Americans express varying degrees of financial confidence when they're asked about specific retirement expenses, too. For example, while 37% of Americans are very confident they'll have enough money to pay for basic expenses, like food, in retirement, only 18% of Americans are very confident that they'll be able to pay their medical expenses.

### Coming up short

When it comes down to brass tacks, the pessimism that American's feel about their financial futures in retirement stems from falling short in saving money for their golden years. According to the EBRI study, one in three Americans don't think that they're doing enough to prepare for their retirement. That worrisome statistic is backed up by the fact that 57% of Americans have less than \$25,000 put away for retirement, and only 24% of workers have more than \$100,000 saved for retirement.

Because it's recommended that investors only withdraw 4% of their portfolios as income per year in retirement, those savings figures appear to be woefully inadequate at meeting the typical retiree's income needs.

**Figure 18**  
**Total Savings and Investments Reported by Workers Among Those Providing a Response**  
(not including value of primary residence or defined benefit plans)

In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence or defined benefit plan assets?

	<u>2004</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u> Have Plan*	<u>2015</u> No Plan
Less than \$1,000		27%	29%	30%	28%	36%	28%	9%	64%
\$1,000–\$9,999	54%	16	17	18	18	16	17	17	17
\$10,000–\$24,999		11	10	12	11	8	12	14	9
\$25,000–\$49,999	14	12	11	10	9	9	9	11	4
\$50,000–\$99,999	11	11	9	10	10	9	10	15	2
\$100,000–\$249,999	13	11	14	11	12	11	10	14	2
\$250,000 or More	9	11	10	10	12	11	14	20	1

\* Have Retirement Plan defined as respondent or spouse having at least one of the following: IRA, defined contribution plan, or defined benefit plan.

Source: Employee Benefit Research Institute and Greenwald & Associates, 2004–2015 Retirement Confidence Surveys.

### Getting on track

Americans who are confident about their financial futures aren't really all that convincing. Despite recognizing that they're not saving enough, far too many Americans either

don't have money salted away for retirement, or aren't continuously contributing to their retirement savings

About two-thirds of respondents in the EBRI study say that they're either a little or a lot behind on their retirement savings goals, and only a quarter of Americans say they're on track. Moreover, only 61% of people who have already put some money aside for retirement are still actively saving. That's a big problem, especially when you consider that, when asked if they could save \$25 more per week than they are now, the vast majority of people answered "yes."

Some respondents could do the extra \$25 easily, while others would need to make changes in their discretionary spending. In either case, it would seem that most American's could be doing more to shore up their financial security down the line.

Perhaps Americans are forgoing saving that extra \$25 per week because they don't think that such a small amount can make a difference. But that couldn't be further from the truth. Even a small amount like \$25 weekly can turn into a big nest egg over time thanks to the power of compounding interest, or the ability to earn interest on interest every year.

For example, if a 35-year old socks away an extra hundred dollars per month for 30 years in something that returns a hypothetical 6% annually, they would end up with nearly \$95,000 in extra money in retirement. That's not chump change, and because that extra money could go a long way toward boosting peace of mind in retirement, the best way to get your retirement plan back on track may be to start saving that extra money today.