SOCIETY OF ACTUARIES

2007 RISKS AND PROCESS OF RETIREMENT SURVEY

REPORT OF FINDINGS

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Employee Benefit Research Institute

TABLE OF CONTENTS

INTRODUCTION

This report presents the results of a telephone study among Americans aged 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 in retirement, 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 fourth study sponsored by the Society of Actuaries that focuses on these issues. The first was conducted in August 2001, before both the events of September 11 and the substantial declines in investment markets. The second study was conducted in August 2003 and the third in June–July 2005. The 2007 study includes some of the questions asked in the previous iterations, but also skips some of the previous questions in order to make room for new observations. 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 the risks at different stages of retirement 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, their needs at different stages of retirement, their expectations about changes in income over time, their concern about possible financial risks, and their strategies for managing retirement finances. Similar questions were asked of both retired and non-retired (pre-retiree) respondents. However, questions asked of retirees explored their retirement experiences and money management in retirement, while questions asked of pre-retirees concerned their retirement expectations and current financial preparations for retirement. A series of questions was also asked to gather demographic characteristics of the respondents.

A total of 801 interviews lasting an average of 19 minutes were conducted by National Research, LLC, between May 29 and June 18, 2007. Households were selected using a nationwide targeted-list sample purchased from Survey Sampling, Inc. Respondents born between 1927 and 1962 qualified for participation in the study. Respondents were classified as retirees or pre-retirees based on their responses to questions asked early in the interview. The sample data were weighted by age, gender, and census region to the 2006 population estimates released by the Census Bureau on May 17, 2007. Additional details about the weighting procedure are available on request.

Although the methodology used for this iteration of the study was identical to that used in earlier iterations, some of the demographic characteristics of the 2007 sample appear to differ slightly from prior waves. In particular, 74 percent of 2007 pre-retirees are married, compared with no more than 66 percent previously. Because married individuals tend to be more affluent, this difference could potentially impact the study findings and lead to faulty conclusions when comparing them to findings from previous study iterations. Therefore, an alternate weighting scheme was developed that included marital status and the data resulting from the application of the two weighting schemes were compared. Only very slight differences were observed and the decision was made to continue with the weighting used in earlier studies.

This study includes retirees and pre-retirees at all income levels. No effort has been made to oversample individuals at high asset levels. Only 7 percent of retirees and 5 percent of pre-retirees 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 percentage points for questions asked of all 400 weighted retired respondents or all 401 weighted 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 sources 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, a comparison of the 2007 results with the results from previous iterations of the study, 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 having enough money to pay for adequate health care (51 percent). Pre-retirees are even more likely to say they are concerned about these risks: Two-thirds report they are concerned about not having enough money for adequate health care (69 percent) and six in ten are concerned about having enough to pay for long-term care (63 percent).

- Most retirees and pre-retirees purchase products to help ensure they can pay for adequate health care. Three-quarters of retirees (74 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 than to purchase insurance against this type of risk. Half say they are either currently saving (33 percent of retirees, 16 percent of pre-retirees) or intend to save (15 percent, 30 percent, respectively) against the possibility of needing long-term care or having large health expenses. Yet only four in ten each of retirees and pre-retirees indicate they already have (28 percent retirees, 17 percent pre-retirees) or intend to purchase (9 percent, 23 percent, respectively) long-term care insurance. Only one in ten of both retirees (12 percent) and pre-retirees (9 percent) have made or intend to make arrangements for care through a continuing care retirement community.

- Concerns among pre-retirees about many of the other risks mentioned in the study appear to be returning to 2001 levels after reaching highs in 2003. However, concerns about health care risks have not moderated to the same degree. These have retreated somewhat from the levels measured in 2003, but continue above those measured in the 2001 study.

Financial Risks

- Inflation is also one of the top three concerns for both retirees and pre-retirees. Almost six in ten retirees (57 percent *very* or *somewhat* concerned) and nearly two-thirds of pre-retirees (63 percent) express concern that the value of their savings and investments might not keep pace with inflation. In fact, concerns about inflation and health care may be interrelated. With the costs of health care rising faster than inflation overall and the consequent shifting of costs onto the shoulders of individuals, health care is a key factor in retirees' inflation exposure.

- Two-thirds of retirees think inflation will impact their retirement needs (67 percent *a great deal* or *some* impact), but an even larger share of pre-retirees express this view (76 percent).

- More than half of pre-retirees also worry about the possibility of depleting all of their savings (56 percent) and being able to maintain a reasonable standard of living for the rest of their lives (55 percent). Retirees are less likely to say they are worried about depleting savings (45 percent) and maintaining a reasonable standard of living (48 percent). Roughly four in ten married retirees (39 percent) and pre-retirees (35 percent) are concerned that their spouse might suffer a decline in standard of living if they should die first.

- 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 (76 percent) and nine in ten pre-retirees (90 percent) say they save or intend to save as much as they can. Large majorities also say they have or intend to completely pay off their mortgage (76 percent each of retirees and pre-retirees) and eliminate all of their consumer debt (79 percent of retirees, 89 percent of pre-retirees). Two-thirds of retirees (67 percent) and three-quarters of pre-retirees (73 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 (56 percent) and more than six in ten pre-retirees (65 percent) say they invest or intend to invest money in stocks or stock mutual funds. Slightly fewer say they plan to or have moved their assets to increasingly conservative investments as they age (49 percent of retirees, 59 percent of pre-retirees). Others use or intend to use real estate investments as a hedge against financial risk (29 percent, 40 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 (25 percent of retirees, 32 percent of pre-retirees

- Despite the fact that few purchase insurance to cover the risks associated with retirement and old age (other than supplemental health insurance), a majority of retirees and pre-retirees feels insurance is an important protection against the financial consequences of unexpected events. Seven in ten pre-retirees state that insurance is *very* or *somewhat* important (71 percent), as do six in ten retirees (61 percent).

Retirement Income

- Many retirees and pre-retirees may not be aware of how their income will change during retirement. Six in ten retirees (59 percent) and approximately one-third of pre-retirees (35 percent) state their income from Social Security will increase over time. At the same time, four in ten retirees (41 percent) and three in ten pre-retirees (30 percent) with a defined benefit plan expect their pension income to increase over time, despite the fact that inflation-adjusted pensions from employers are increasingly rare. Four in ten retirees (40 percent) and half of pre-retirees (49 percent) expect income from rental property or real estate to increase, perhaps because they plan to use equity from their home to help finance the later years of their retirement.

- While similar proportions of retirees and pre-retirees received or expect to receive income or money from defined benefit plans (60 percent of retirees, 65 percent of pre-retirees), significantly more pre-retirees receive or expect to receive money from an employer's retirement savings plan, such as a 401(k) (43 percent of retirees, 72 percent of pre-retirees).

- Roughly three-quarters of those with proceeds from a defined contribution plan say they have invested or saved (or plan to do so) it in funds they can manage and withdraw as they like (72 percent of retirees, 78 percent of pre-retirees).

- Pre-retirees are more likely to feel that a three-year delay in retirement would make their retirement finances *a lot more* or *a little more* secure (45 percent of retirees, 68 percent of pre-retirees).

- The most common reasons retirees and pre-retirees feel a delay in retirement would increase their financial security in retirement relate to increasing sources of income, rather than decreasing expenses. About six in ten retirees (63 percent) and nearly nine in ten pre-retirees (86 percent) would feel more secure as a result of having three more years to contribute to and earn money on investments. Increases in monthly pension payments (63 percent of retirees, 83 percent of pre-retirees) and monthly Social Security payments (63 percent, 78 percent) are also ways in which a delayed retirement would make retirement finances more secure.

THE STAGES OF RETIREMENT

Retirement Age

- The majority of retirees in this study report they retired before the age of 65 (80 percent), with one-third having retired before the age of 55 (32 percent). However, almost half of pre-retirees indicating that retirement applies to them say they expect to retire at age 65 or later (47 percent). This difference between expected and actual retirement age has been observed in other studies comparing pre-retirees with current retirees.

- A sizeable proportion of pre-retirees state that retirement will not really apply to them (32 percent). While one-quarter of these retirees may say it does not apply because they are not currently employed (26 percent), the data suggest that some others may think they cannot afford to retire.

<u>The Retirement Process</u>

- Most retirees indicate that when they retired they did so by stopping work all at once (67 percent). In contrast, only four in ten pre-retirees say they will stop work all at once (40 percent). Instead, four in ten plan to continue working part time (37 percent), two in ten think they will gradually reduce the number of hours they work (20 percent). One percent expect to continue working full time.

<u>Stages of Retirement</u>

- The study defined three stages of retirement. In the first stage, retirees have abilities and needs that are about the same as before they retired. The second stage is characterized by a moderate decrease in ability and a consequent change in needs. The third stage occurs when retirees are much less capable than before and their needs are very different as a result.

- Pre-retirees are more likely than retirees to expect to spend time in retirement in a first, active stage of retirement (52 percent of retirees, 60 percent of pre-retirees), as well as in a second, somewhat limited stage (72 percent, 84 percent). However, about two-thirds of each retirees (65 percent) and pre-retirees (68 percent) expect to spend time in retirement in a third, most limited stage. While poor health may account for many of those not expecting to spend time in an active stage of retirement, others may simply choose not to retire until their abilities are somewhat diminished.

- Among those who expect to experience the third, most limited stage of retirement, pre-retirees are more likely than retirees to expect they will need assistance as their abilities diminish and needs increase. Nearly two-thirds of these retirees (64 percent) and more than three-quarters of the pre-retirees (78 percent) expect they will need to depend on family or community services for assistance. About six in ten retirees and seven in ten pre-retirees expect to pay someone for assistance (61 percent retirees, 70 percent pre-retirees) and many expect to modify their home to improve its accessibility or move to a more elderly accessible home (56 percent, 69 percent). Half of retirees and six in ten pre-retirees expecting to experience the third stage say they will need a nursing home or home health care (53 percent, 63 percent).

COMPARISON OF 2007, 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 2007 returned to or dropped below those in 2001 (except for concern about having enough money to pay for adequate health care). Four in ten pre-retirees in 2003 said they were *very* concerned about their ability to keep the value of their investments up with inflation. Yet, in 2007, less than one-quarter of pre-retirees express this level of concern about inflation (22 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 (36 percent *very* concerned in 2003, 28 percent in 2005, 18 percent in 2007); ability to maintain a reasonable standard of living for the rest of their life (20 percent *very* concerned in 2001, 34 percent in 2003, 23 percent in 2005, 19 percent in 2007); having enough to pay for a nursing home or home nursing care (24 percent *very* concerned in 2001, 33 percent in 2003, 35 percent in 2005, 22 percent in 2007); 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 in 2003, 16 percent in 2005, 10 percent in 2007).

- In 2007, retirees (31 percent) were more likely to report they retired prior to reaching age 55 than they were in 2001 (18 percent). The 2007 level is comparable to that measured in 2005 (34 percent) and 2003 (26 percent).

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 income are more likely than those with higher income 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.

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

- Retirees and pre-retirees with higher household income or higher assets expect retirement income from a wider variety of sources. Among retirees, the likelihood of having retirement income from an employer's retirement savings plan, from an IRA, bank, or other investment account, or from real estate increases as household income or assets increase. Similarly, pre-retirees with higher income or assets are more likely to expect retirement income from a workplace retirement savings plan, real estate, an annuity, or an IRA or other investment account.

- Among retirees, having spent time or the expectation of spending time in retirement in an active stage increases with income. Retirees with more assets or more income are also more likely to have planned for this first, active stage of retirement. For pre-retirees, the expectation of spending time in this first, active stage increases with assets, while the planning for this stage increases with income.

- Retirees with greater assets or income are less likely than their counterparts with fewer assets or lower income to expect to spend time in each of the later stages of retirement: the second, somewhat limited stage and the third, most limited stage.

Differences by Health Status

- 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 *fair* or *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, eliminated all consumer debt, and invested in real estate. In addition, they are more likely to have guaranteed lifetime income.

- Pre-retirees in *fair* or *poor* health expect to have fewer sources of retirement income than do those in better health. The same pattern holds for retirees' current or expected sources of income. For example, both retirees and pre-retirees in *fair* or *poor* health are less likely to have or expect income in retirement from an IRA, bank, or investment account; from real estate; or from an annuity.

- Both married retirees and pre-retirees in worse health feel more reliant on their spouses for their financial situation than do married retirees and pre-retirees in better health. Half of married retirees (50 percent) and pre-retirees (46 percent) in *fair* or *poor* health feel that if their spouse/partner were to pre-decease them, they would be financially worse off.

- Health status is strongly related to the expectations of experiencing each of the three stages of retirement for retirees, while for pre-retirees health is related to the expectations for experiencing just the first stage. As reported health status increases for both retirees and pre-retirees, so too does the expectation of experiencing the first, active stage of retirement. For retirees, those in worse health feel more likely than their healthier peers to experience the second, somewhat limited and the third, most limited stages of retirement.

Differences by Sex

- There continue to be few differences by sex of respondent.
- Among retirees, women are more likely than men to worry about all retirement risks. However, among pre-retirees, women are more likely than men to worry about two specific risks: depleting all savings and investments and not being able to afford adequate health care.
- For both retirees and pre-retirees, women are more likely than men to expect inflation will have a great impact on their retirement finances.
- Married women are more likely than married men to feel financially worse off if their spouse/partner were to pass away before them.
- Married men are more likely than married women to say they did (retirees) or expect to (pre-retirees) retire first, prior to their spouse.

FINDINGS OF THE RETIREE SURVEY

RETIREMENT RISK

Concern About Risk

Three risks appear to predominate in the minds of retirees. About half of retirees (52 percent) 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, and a similar proportion of retirees (51 percent) are concerned they may not have enough money to pay for adequate health care. Concern over inflation risk also ranks highly, with nearly six in ten (57 percent) saying they are concerned that the value of their assets might not keep pace with inflation. (See Figure 1.)

Sizable proportions of retirees are concerned about preserving their standard of living. Nearly half of retirees worry they may not be able to maintain a reasonable standard of living for the rest of their life (48 percent *very* or *somewhat* concerned). More than four in ten (45 percent) indicate they are concerned they might deplete all of their savings. In addition, four in ten (39 percent) married retirees report concern that a surviving spouse may not be able to maintain the same standard of living after their death.

Retirees are less likely to say they are worried about the other retirement risks examined. Fewer than four in ten are concerned about having the financial wherewithal to remain in their current home for the rest of their lives (37 percent *very* or *somewhat* concerned), while about three in ten each are concerned that they might not be able to rely on children or other family members to provide assistance (29 percent) or leave money to children or other heirs (28 percent).

When asked which of the nine retirement risks they are *most* concerned about, retirees most often cite paying for long-term care at home or a nursing home (18 percent). Sixteen percent are *most* concerned about being able to afford adequate health care, and one in ten (12 percent) are *most* concerned about the value of their assets keeping up with inflation. Smaller percentages report they are *most* worried about being able to afford to stay in their home (7 percent), maintaining a reasonable standard of living (6 percent), depleting their savings (6 percent), the ability of a surviving spouse to maintain his or her lifestyle (5 percent), not being able to rely on family to provide assistance (5 percent), and their ability to leave money to heirs (4 percent). Almost two in ten (17 percent) indicate that none of these represent a primary concern for them.

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

Retirees (2007 n=400)

	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	27%	25	15	32	18%
That you might not have enough money to pay for adequate health care	25%	26	15	32	16
That you might not be able to keep the value of your savings and investments up with inflation	22%	34	19	24	12
That you might deplete all of your savings	22%	23	18	34	6
That you might not be able to maintain a reasonable standard of living for the rest of your life	20%	28	19	33	6
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (married, n=261)	16%	23	17	43	5
That you might not be able to afford to stay in your current home for the rest of your life	16%	20	15	48	7
That you might not be able to leave money to your children or other heirs	14%	15	18	52	4
That you might not be able to rely on children or other family members to provide assistance	11%	18	19	51	5
None of these		(not asked)			17
Don't know/Refused		(not asked)			3

Only a minority of retirees indicate they are concerned about most of the risks examined in the study. One-quarter (25 percent) say they are *very* or *somewhat* concerned about seven or more of these risks. Roughly the same proportions are concerned about four to six of the risks (26 percent) or just one to three of the retirement risks (27 percent). Nearly one-quarter (23 percent) are *very* or *somewhat* worried about none of these risks. (Fifty-six percent report being *very* concerned about none of the risks.)

Perhaps not surprisingly, levels of concern regarding all of the retirement risks examined in this series are inversely related to household income; the lower the household income, the more likely retirees are to be *very* or *somewhat* concerned. Levels of concern about all but one of these risks are also inversely related to wealth, the exception being the ability to keep asset values up with inflation. Similarly, retirees who are not college graduates are more likely to be concerned about all of these retirement risks than are those who have a college degree.

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 (66 percent *fair* or *poor* vs. 47 percent *excellent* or *very good* health). They are also more apt to be concerned about being able to afford adequate health care (67 percent vs. 45 percent).

Perceived health status also seems to affect retirees' levels of concern regarding their ability to maintain a certain lifestyle, including maintaining a reasonable standard of living for the rest of their life (71 percent *fair* or *poor* vs. 39 percent *excellent* or *very good* health), depleting all of their savings (63 percent vs. 39 percent), being able to afford to stay in their current home for the rest of their life (60 percent vs. 29 percent), and their spouse being able to maintain the same standard of living after the retiree's death, should they die first (60 percent vs. 28 percent). Likewise, health status is related to concern about the interaction between retiree finances and their family relationships. Those who describe themselves as being in *fair* or *poor* health are more inclined than those who describe their health as *excellent* or *very good* to be concerned about being unable to rely on children or other family members to provide assistance (48 percent *fair* or *poor* vs. 22 percent *excellent* or *very good* health), and to a lesser extent, being unable to leave an inheritance to their children or other heirs (39 percent vs. 23 percent).

Retirees who were not eligible to receive benefits from a defined benefit (DB) or defined contribution (DC) plan tend to express higher levels of concern about each of these issues than do those with one or more of these benefits. These retirees are more likely than their counterparts to say they are *very* or *somewhat* concerned that they will be unable to:

- Maintain a reasonable standard of living (62 percent with no DB or DC plan vs. 43 percent with some type of plan),

- Afford adequate health care (60 percent with no DB plan vs. 45 percent with a DB plan),
- Maintain the same standard of living for their spouse if they should die first (46 percent with no DC plan vs. 32 percent with a DC plan), and
- Stay in their current home for the rest of their life (41 percent with no DC plan vs. 31 percent with a DC plan).

They are also more likely to say they are *very* concerned about:

- Paying for a long stay in a nursing home or a long period of nursing care at home (32 percent with no DC plan vs. 20 percent with a DC plan),
- Depleting all of their savings (32 percent with no DB or DC plan vs. 22 percent with a DB or DC plan vs. 12 percent with both a DB and DC plan),
- Being able to leave money to their children or other heirs (19 percent with no plan and 15 percent with a DB or DC plan vs. 6 percent with both a DB and DC plan), and
- Being able to rely on family members to provide assistance (14 percent with no plan and 15 percent with a DB or DC plan vs. 3 percent with both a DB and DC plan),

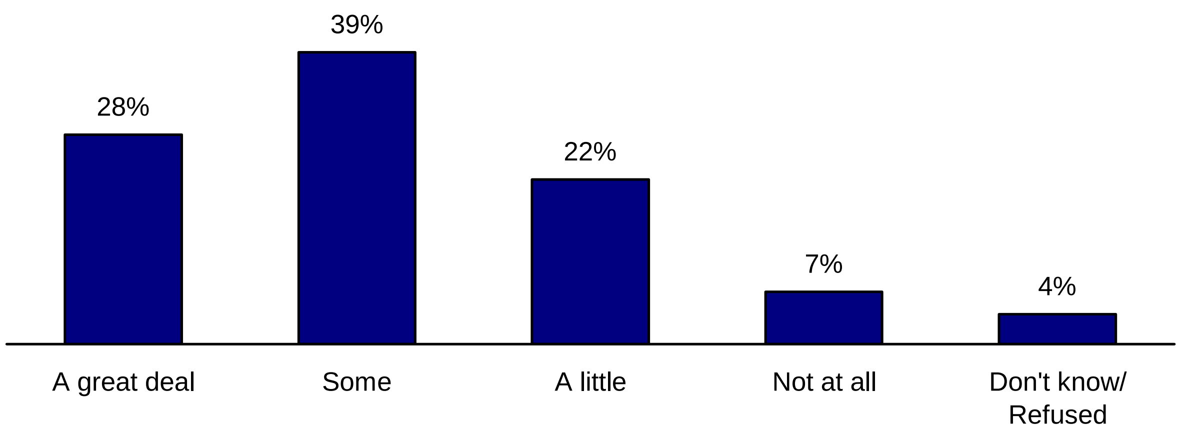
Women express higher levels of concern than men about inflation (62 percent *very* or *somewhat* concerned vs. 51 percent), affording long-term care (57 percent vs. 47 percent), health care costs (56 percent vs. 45 percent), depleting savings (52 percent vs. 37 percent), and staying in their home (44 percent vs. 29 percent). Retirees who left their primary occupation before turning 50 are more than twice as likely as those who retired later in life to report being *very* concerned that they may not be able to keep the value of their savings and investments up with inflation (47 percent vs. 19 percent), afford adequate health care (45 percent vs. 22 percent), maintain a reasonable standard of living (44 percent vs. 15 percent), keep from depleting their savings (39 percent vs. 18 percent), leave an inheritance for their heirs (36 percent vs. 9 percent), and rely on family members for assistance (24 percent vs. 8 percent). Early retirees are also more likely to be *very* concerned about being able to afford long-term care (43 percent vs. 25 percent).

Inflation

Most retirees are concerned about inflation. Two-thirds (67 percent) think it will have at least *some* impact on the amount of money they will need each year in retirement. (See Figure 2.)

Figure 2
Effect of Inflation
How much do you think inflation will affect the amount of money you will need each year in retirement? Will inflation affect it…?

Retirees (2007 n=400)



Retirees' evaluation of how inflation will affect their annual financial needs in retirement is related to household income. Perhaps because they have less discretion in how they spend their money, those with income of less than $75,000 are more likely than those with higher income to think inflation will affect their yearly needs *a great deal* or *some* (73 percent vs. 53 percent). Retirees in *fair* or *poor* health feel inflation will affect their annual financial needs *a great deal* or *some* (79 percent) more so than those in *good*, *very good*, or *excellent* health (63 percent). Moreover, those who did not receive benefits from a DC plan when they retired are more apt than those with DC plan benefits to indicate inflation will affect them a *great deal* (34 percent vs. 20 percent).

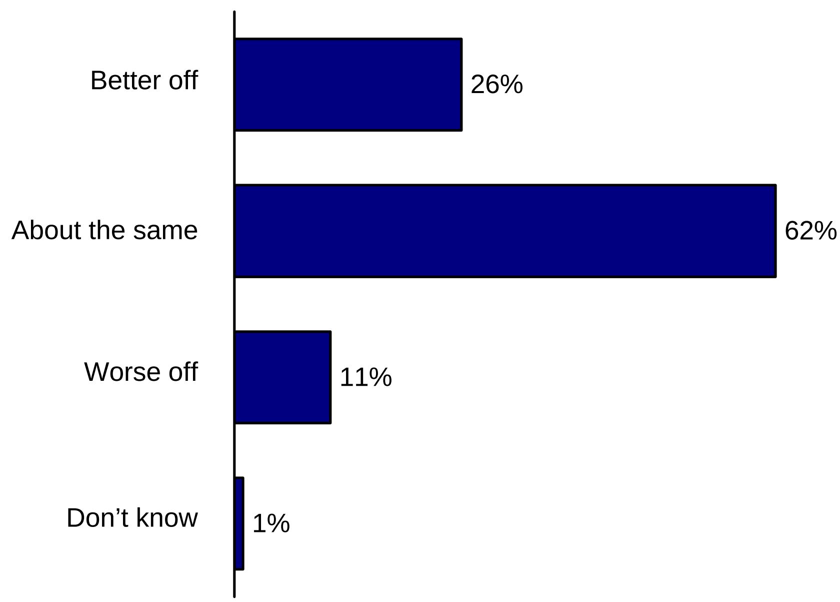
A larger share of female retirees than male retirees think inflation will have *a great deal* of impact on their retirement (33 percent vs. 22 percent). Finally, those who were younger than 50 years old when they retired (46 percent) are more likely to feel inflation will impact their finances *a great deal* than are those who retired at a later age (25 percent).

Financial Status of Surviving Spouse

One-quarter of married retirees (26 percent) think that if they pre-deceased their spouse, he or she would be *better off* financially. Only one in ten (11 percent) feel their spouse would be in a *worse* financial position. (See Figure 3.)

Figure 3
Financial Impact of Pre-Deceasing Spouse
If you were to pass away before your spouse/partner, do you think it would leave your spouse/partner financially better off, worse off, or about the same?

Retirees who are married or living with a partner (2007 n=261)

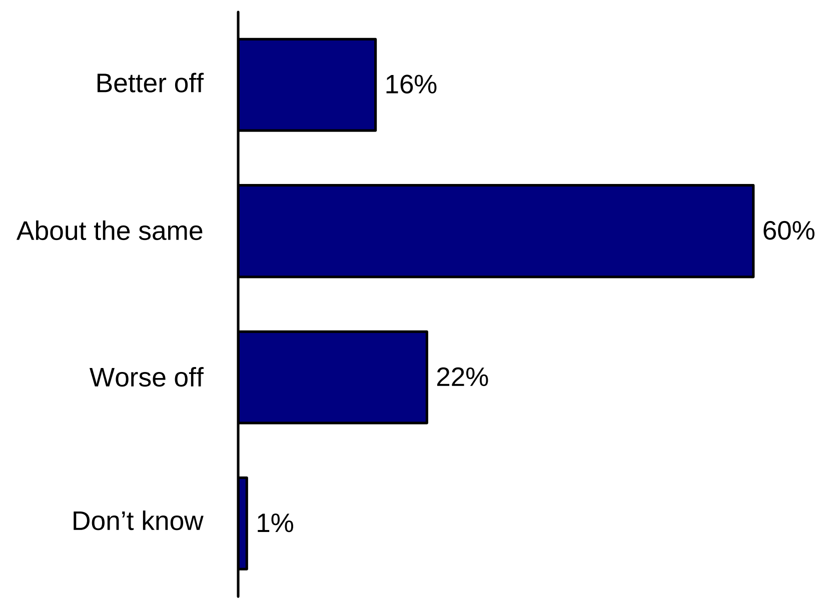


Retirees with annual household income of at least $35,000 are more likely than those with lower income to feel their spouse would be *better off* (33 percent vs. 0 percent). Likewise, retirees with a defined benefit plan more often feel their spouse would be *better off* (33 percent), compared with those without this type of plan (15 percent).

When asked to consider their own financial circumstances if their spouse were to pass away before them, fewer than two in ten retirees (16 percent) think they would be *better off* financially. More than two in ten (22 percent) feel they would be *worse off*. (See Figure 4.)

Figure 4
Financial Impact of Spouse Passing First
If your spouse/partner were to pass away before you, do you think it would leave your financially better off, worse off, or about the same?

Retirees who are married or living with a partner (2007 n=261)



Again, retirees’ income appears to affect their perception of how their spouse’s death would change their own financial situation. Retirees with at least $35,000 in household income are almost ten times more likely than those with less income to feel their spouse’s death would *better* their position (18 percent vs. 2 percent).

Women and retirees in worse health feel more financially insecure than do men and those in better health. Three in ten women (31 percent) say their spouse’s death would leave them *worse off*, compared with 14 percent of men. Retirees in *fair* or *poor* health are more likely to feel they would be *worse off* if their spouse were to pass away first (50 percent) than are those in *good*, *very good*, or *excellent* health (16 percent).

Strategies for Managing Risk

Debt reduction, increasing savings, and reducing spending are popular methods for protecting against various financial risks that may occur in retirement. At least half of retirees have taken steps to reduce their debts, namely by eliminating consumer debt (55 percent) or completely paying off their mortgage (50 percent). Another quarter plan to do this sort of debt-reduction in the future (26 percent plan to pay off mortgage, 25 percent plan to eliminate consumer debt). Comparable portions of retirees have started saving as much as they can (52 percent) or reduced their spending (48 percent) to grow or maintain their retirement assets. Nevertheless, one-third indicate they do not plan on reducing spending (32 percent), and one-quarter have no intention of saving as much as they can (23 percent). (See Figure 5.)

Figure 5
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/partner) have done that, plan to do that in the future, or have no plans to do that. To protect yourself financially, have you or do you plan to…? (Multiple responses accepted.)

Retirees (2007 n=400)

	Already Done	Plan to Do in Future	No Plans	Don't know/ Refused
Eliminate all of your consumer debt, by paying off all credit cards and loans	55%	25	20	2
Try to save as much money as you can	52%	27	23	2
Completely pay off your mortgage	50%	26	23	1
Invest a portion of your money in stocks or stock mutual funds	50%	8	43	1
Cut back on spending	48%	20	32	2
Move your assets to increasingly conservative investments as you get older	33%	17	48	3
Buy a product or choose an employer plan option that will provide you with guaranteed income for life	23%	2	72	3
Buy real estate or invest in property	22%	8	70	1
Move to a smaller home or less expensive area	16%	19	62	3
Work longer	13%	16	71	2

Retirees also use asset management strategies to protect themselves against financial risks as they get older. More than half (56 percent) have invested or plan to invest their money in stocks or stock mutual funds, while a nearly equal share (49 percent) have moved or plan to move their assets into increasingly conservative investments as they get older. Three in ten (29 percent) have invested or plan to invest in real estate to reduce risk. However, just one-quarter of retirees (25 percent) purchase an annuity or choose an employer plan option that provides guaranteed income for life as a way to manage their income.

Relatively few retirees use risk management strategies that require them to move to a smaller home or less expensive area (35 percent) or work longer (27 percent). In fact, more than six in ten (62 percent) have no plans to move into a smaller or less expensive home and seven in ten have no plans to work longer (71 percent).

Older retirees and those with more financial resources are among those more likely to have used debt reduction and increased saving as a means of managing risk. Retirees aged 65 to 80 are more likely than younger retirees to have completely paid off their mortgage (56 percent vs. 43 percent). At the same time, the likelihood of having eliminated all consumer debt and paid off the mortgage each increase as household assets or household income rise. In contrast, cutting back on spending is a preferred strategy among those with household income under $35,000 (64 percent, compared with 41 percent of those with higher income). In addition, women are more likely than men to report having cut back on spending (55 percent vs. 41 percent).

Not surprisingly, more affluent retirees are more likely to employ asset management strategies to manage risk. They are more likely than those who are less affluent to report investing in stocks or stock mutual funds, moving assets into more conservative investment vehicles, and purchasing real estate. Married retirees are also more likely than unmarried retirees to have invested in equities (56 percent vs. 40 percent) and real estate (26 percent vs. 13 percent).

Younger retirees (31 percent) are more likely than retirees aged 65 and older (16 percent) to say they have purchased an annuity or chosen the lifetime income option from a defined benefit plan.

It appears that poor health constrains retirees' ability to take preparations to protect their finances. Those in *fair* or *poor* health are less likely than those in *excellent* or *very good* health to have:

- eliminated consumer debt (44 percent *fair* or *poor* health vs. 59 percent *excellent* or *very good* health),
- maximized savings (42 percent vs. 58 percent),
- paid off their mortgage completely (36 percent vs. 51 percent),
- invested in stocks (27 percent vs. 60 percent),
- moved assets into conservative investments (22 percent vs. 39 percent),

- invested in real estate (16 percent vs. 26 percent),
- bought a product or chosen a plan option that provides guaranteed income for life (12 percent vs. 26 percent), and
- worked longer (5 percent vs. 18 percent).

Of the actions listed that retirees can take to protect themselves financially when it comes to health expenses, the most frequently taken is maintaining healthy lifestyle habits. Nine in ten (91 percent) have either already taken this step or plan to do so. The next most frequently taken step (74 percent) is purchasing health insurance to supplement Medicare or participating in an employer-sponsored retiree health plan. (See Figure 6.)

Smaller proportions of retirees are self-insuring or purchasing insurance that would help to protect them in cases of extended ill health or incapacity. Almost half (47 percent) are saving or plan to save for the possibility of having large health expenses or needing long-term care, but less than four in ten (37 percent) report they have purchased or are planning to purchase long-term care insurance. Very few say they have made arrangements for care through a continuing care retirement facility (4 percent), although one in ten plan to make such arrangements (9 percent).

Figure 6
Strategies for Managing Health Risk
Now I'm going to ask specifically about things some people do to protect themselves financially when it comes to health expenses. To protect yourself financially, have you or do you plan to…? (Multiple responses accepted.)

Retirees (2007 n=400)

	Already Done	Plan to Do in Future	No Plans	Don't know/ Refused
Maintain healthy lifestyle habits, such as a proper diet, regular exercise, and preventative care	75%	23	8	1
Purchase health insurance to supplement Medicare or participate in an employer-sponsored retiree health care plan	61%	14	25	1
Save specifically for the possibility of having large health expenses or needing long-term care	33%	15	49	4
Buy long-term care insurance	28%	9	59	4
Move into or arrange for care through a continuing care retirement facility	4%	9	85	3

Several groups are particularly likely to report they already maintain healthy lifestyle habits. These include those in *good*, *very good*, or *excellent* health (81 percent, compared with 56 percent in *fair* or *poor* health), those who retired at age 65 or older (85 percent, compared with 74 percent of those retiring earlier), and those with $100,000 or more in household assets (84 percent, compared with 68 percent of those with fewer assets).

Those more likely to report having already purchased supplemental health insurance or participating in a retiree health plan are retirees aged 65 or older (72 percent vs. 47 percent of younger retirees), those with at least $25,000 in household assets (64 percent vs. 42 percent of those with fewer assets), and those with a defined benefit plan (70 percent vs. 48 percent without).

Married retirees (37 percent) are more likely to already have saved specifically for health care expenses than are unmarried retirees (25 percent). Those with income of $75,000 or more (53 percent) and those with assets of $100,000 or more (44 percent) are more likely to have saved than are lower-income (26 percent) or lower-asset (15 percent) retirees. As reported health status increases, so too does the likelihood of having already saved for health expenses.

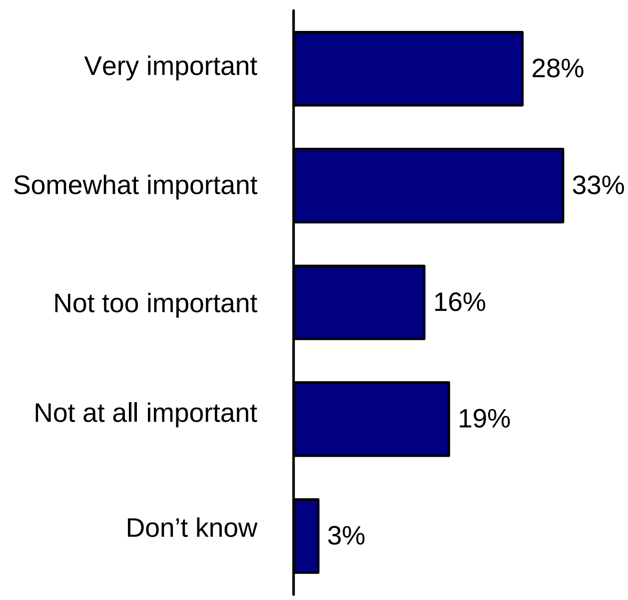
Those with household income of at least $75,000 (44 percent) are more likely than lower-income retirees (22 percent) to have purchased long-term care insurance. Similarly, retirees with assets of at least $100,000 (35 percent) have purchased long-term care insurance more often than those with fewer assets (18 percent). Finally, married retirees (32 percent) are more likely to have obtained long-term care insurance than unmarried retirees (22 percent).

Insurance

Despite the fact that many retirees fail to purchase insurance or annuity products that can help protect them against risks related to retirement, six in ten retirees report they feel it is important to purchase these types of products (61 percent), including more than one-quarter who feel it is very important (28 percent). (See Figure 7.)

Figure 7
Importance of Insurance
Many people buy insurance to help protect against the financial consequences of unexpected events. How important do you think it is to buy insurance products to help protect against risks related to retirement?

Retirees (2007 n=400)



Four in ten retirees in *fair* or *poor* health feel buying insurance is very important (40 percent), compared with one-quarter of retirees in better health (25 percent).

RETIREMENT FINANCES

Retirement Income

Some retirees may have unrealistic expectations about how their income will change over the course of their retirement. Six in ten believe the income they receive from Social Security will increase over time (59 percent), consistent with the fact that Social Security payments increase over time due to cost-of-living adjustments. Four in ten retirees with a traditional pension plan also think this type of income will increase during their retirement (41 percent), although few non-government pensions are now adjusted for cost of living. (See Figure 8.)

Figure 8
Sources of Regular Income
Retirees rely on many different sources to provide them with the money they need to cover their expenses. For each of the sources I read, please tell me if you think the amount you receive from it will change during the course of your retirement. If you will never receive any income from that source during your retirement, just let me know. Do you think the amount you receive from…will go up, go down, stay the same, or will you never receive money from that in retirement?

Retirees (2007 n=400)

	Go Up	Stay the Same	Go Down	Not a Source	Don't Know
Social Security	59%	22	5	9	4
An employer's traditional pension plan (if have pension, n=240)	41%	41	3	12	3
Rental property or real estate, including your primary home	40%	14	2	39	3
An IRA, bank, or investment account	38%	20	4	33	5
An employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan	26%	22	3	43	6
Employment in retirement	19%	26	6	45	4
A payout annuity purchased on your own	19%	17	2	56	6

Four in ten say the income they receive from rental property or real estate, including their primary home, will increase (40 percent), perhaps reflecting a future intent to use the equity from their home to help finance their retirement. Almost as many indicate the income they receive from an IRA, bank, or investment account will increase (38 percent), while one-quarter believe their income from an employer's retirement savings plan will increase over time (26 percent).

Two in ten each expect increasing amounts from employment and a payout annuity (19 percent each).

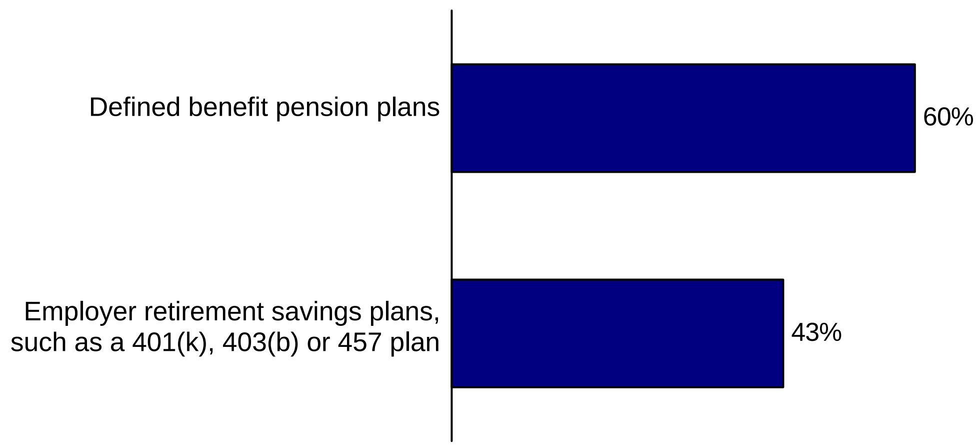
In general, the likelihood of expecting income to increase is positively related to household income, education, or household assets, and married retirees are more likely than unmarried to expect increases. The exception to this is Social Security. Expectation that income from Social Security will increase is inversely related to education, and unmarried retirees are more likely than those who are married to think this type of income will increase over time (73 percent vs. 52 percent).

Use of Retirement Plan Assets

Six in ten retirees say that, when they (or their spouse) retired, they received income or money from a defined benefit pension plan (60 percent). More than four in ten received income from an employer's retirement savings plan, such as a 401(k) (43 percent). (See Figure 9.)

Figure 9
Benefits from Employer-Sponsored Retirement Plan
When you (or your spouse) retired, did you receive income or money from one or more…?

Retirees (2007 n=400)



Higher-asset retirees are more likely to have received income from an employer's retirement plan. Almost two-thirds of retirees with household assets of at least $25,000 report receiving benefits from a defined benefit plan (64 percent), compared with just more than four in ten of lower-asset retirees (42 percent). Similarly, retirees with at least $25,000 in assets are more than three times as likely as those with fewer assets to have received money from a workplace retirement savings plan (53 percent vs. 15 percent).

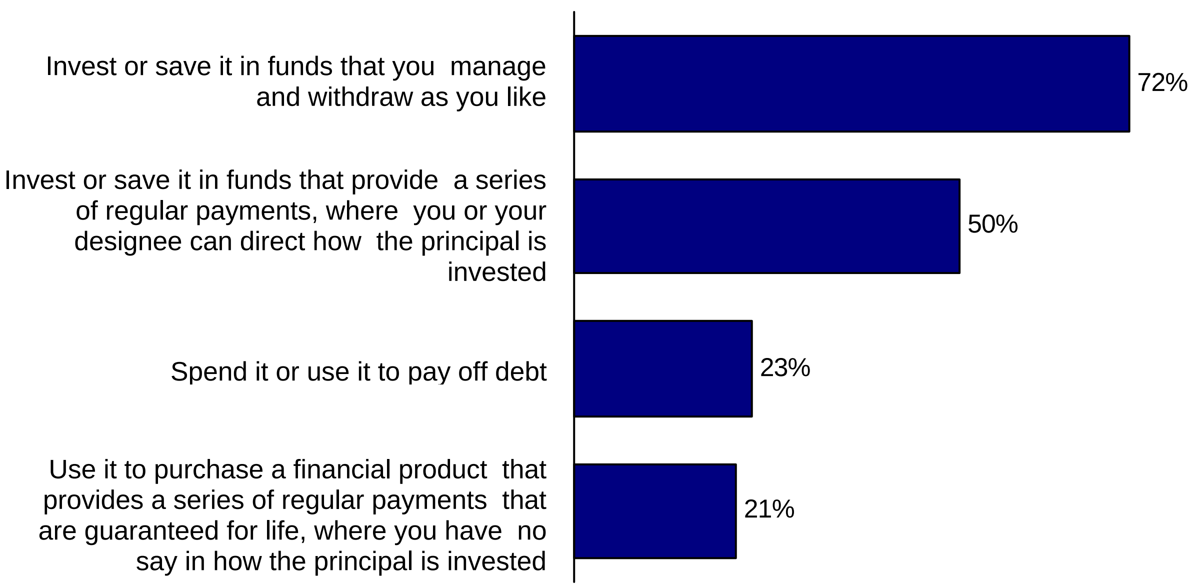
In addition, retirees with at least a college degree are more likely than those with less education to have received income from an employer's retirement plan when they (or their spouse) retired. While seven in ten college graduates received benefits from a defined benefit plan upon retirement (71 percent), just 54 percent of retirees with less education report the same. Nearly six in ten retirees with a college degree have received money from a workplace retirement savings plan (58 percent), compared with 36 percent of less-educated retirees.

Again, those in *fair* or *poor* health are less likely to report having received income from a workplace retirement savings plan (32 percent) than those in *good*, *very good*, or *excellent* health (46 percent).

Nearly three-quarters of retirees who received money from an employer's retirement savings plan indicate they invested or saved some or all of that money in funds they can manage and withdraw on their own (72 percent). Half invested in funds with regular payments, where they control how the principal is invested (50 percent). Another 21 percent invested in a product with regular payments, but where they do not control the principal investment. Finally, 23 percent spent or used the money to pay off debts. (See Figure 10.)

Figure 10
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 (2007 n=170)



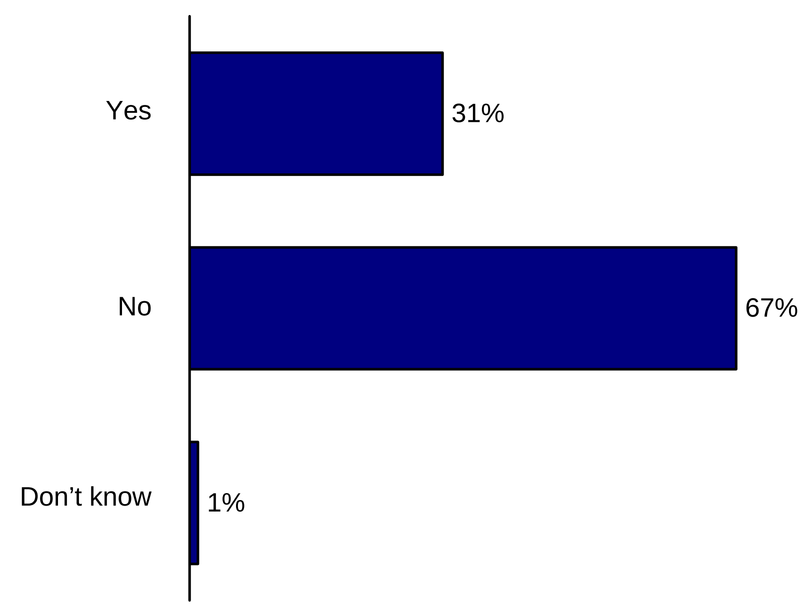
Retirees with more assets are more likely to invest or save money from an employer's retirement savings plan in funds where they maintain control, while those with fewer assets are more likely to spend it or use it to pay off debt. More than eight in ten retirees with $25,000 or more in household assets invested or saved their employer retirement savings plan money in funds they can manage and withdraw as they like (83 percent), compared with just 6 percent of those with fewer assets. Nearly six in ten retirees with $100,000 or more in assets invested in a fund that provides regular payments, where they maintain control over how the principal is invested (56 percent vs. 23 percent of those with fewer assets). In comparison, 54 percent of retirees with less than $100,000 in household assets used their employer retirement savings plan money to pay off debts, while just 20 percent of those with greater assets did the same.

Use of Savings

One-third of retirees have withdrawn principal from their savings and investments (31 percent), while two-thirds have not withdrawn principal (67 percent). (See Figure 11.)

Figure 11
Withdrawal of Savings or Investment Principal
Do you ever withdraw principal from savings or investments?

Retirees (2007 n=400)



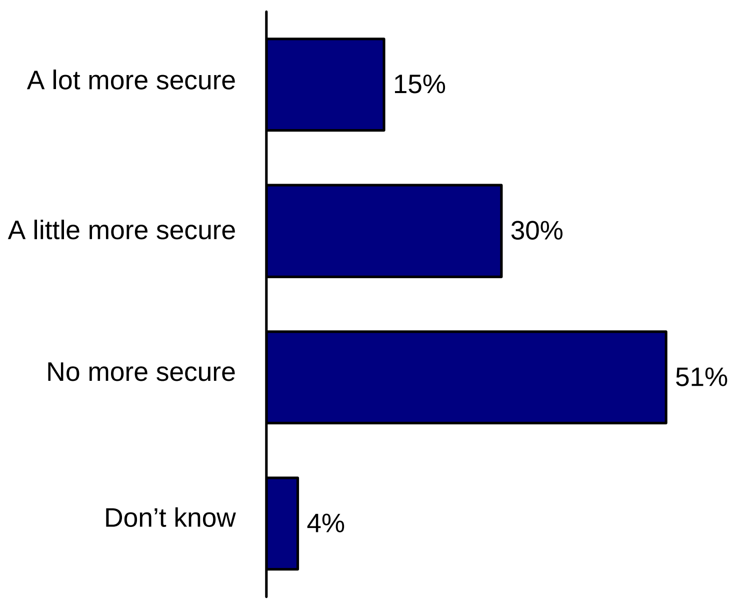
College graduates have withdrawn principal from savings and investments (41 percent) more often than less educated retirees have (26 percent). Retirees aged 65 or older are more likely to have withdrawn principal (38 percent) than younger retirees (23 percent).

Impact of Delayed Retirement

Nearly half of retirees think their retirement finances would be more secure if they had delayed their retirement by three years, including 15 percent who think it would have made their retirement *a lot more* secure and 30 percent who say it would have made them *a little more* secure (45 percent net). However, half feel delaying their retirement would have made their retirement finances *no more* secure (51 percent). (See Figure 12.)

Figure 12
Financial Impact of Delaying Retirement
Suppose you had retired three years later than you actually did. Do you think this would have made your retirement financially…?

Retirees providing an age at retirement (2007 n=385)



Retirees in *poor* or *fair* health are more likely to feel their finances would have benefited from an additional three years in the workforce. While 61 percent of retirees in *poor* or *fair* health feel a later retirement would have made their finances more secure, just 40 percent of those in *good*, *very good*, or *excellent* health feel the same.

Retirees are slightly more responsive to specific examples of ways in which their retirement finances might have improved as a result of delayed retirement. About six in ten retirees feel their financial security in retirement would have increased *a lot* or *a little* because it would have increased their monthly Social Security payment, increased their monthly pension payment, or given them three more years to contribute to and earn money on their investments (63 percent each). (See Figure 13.)

About half feel their financial security in retirement would have increased *a lot* or *a little* from three additional years of working because their spouse would get more from Social Security (52 percent). About the same feel their security would have increased because they would have to rely on savings for less time (51 percent) or because they would have employer health insurance coverage for a longer period of time (48 percent).

Figure 13
Financial Benefit from Delayed Retirement
Again, suppose you retired three years later than you actually did. How much, if at all, would each of the following have increased your financial security in retirement? Would…have increased your financial security a lot, a little, or not at all?

Retirees providing an age at retirement (2007 n=385)

	A Lot	A Little	Not At All	Don't Know
Continuing to receive health insurance coverage from your employer	32%	16	44	7
Increasing the amount you receive each month from Social Security	15%	48	32	5
Having three more years to make contributions to and earn money on your investments	15%	47	34	3
Increasing the amount you receive each month from a defined benefit or traditional pension plan	14%	48	32	3
Increasing the amount your spouse will receive each month from Social Security, if you should die first (if married, n=242)	12%	40	38	8
Relying on your savings for a shorter period of time	11%	41	45	3

Retirees with a defined contribution plan are more likely to say delayed retirement would have increased their financial security because they would have had more time to make contributions to and earn money on investments (71 percent vs. 57 percent of those without a defined contribution plan).

Retirees aged 65 or older are more likely than younger retirees to feel a three year delay in retirement would have increased their financial security in retirement by increasing the amount received monthly from Social Security. While half of retirees under age 65 feel a higher Social Security payment would increase their financial security (53 percent), seven in ten of older retirees feel the additional Social Security income would increase their security (71 percent).

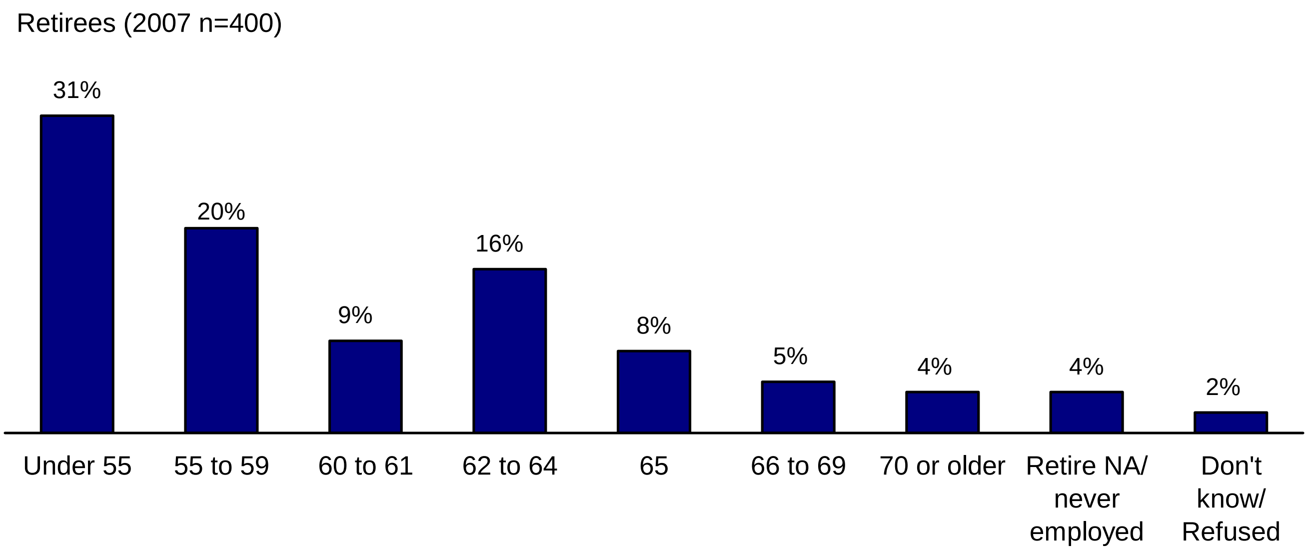
Affluent retirees are less affected by the additional Social Security income. Seven out of 10 retirees with income under $75,000 (70 percent) feel the higher monthly payments from Social Security would increase their security, compared with just 48 percent of those with more income.

THE STAGES OF RETIREMENT

Retirement Age

The majority of retirees report they retired from their primary occupation before the age of 65 (80 percent), with one-third having retired before the age of 55 (31 percent). Eight percent indicate they retired at exactly 65 years old, and fewer than one in ten retired at age 66 or later (9 percent). (See Figure 14.)

Figure 14
Age at Retirement
How old were you when you retired or began to retire from your primary occupation?



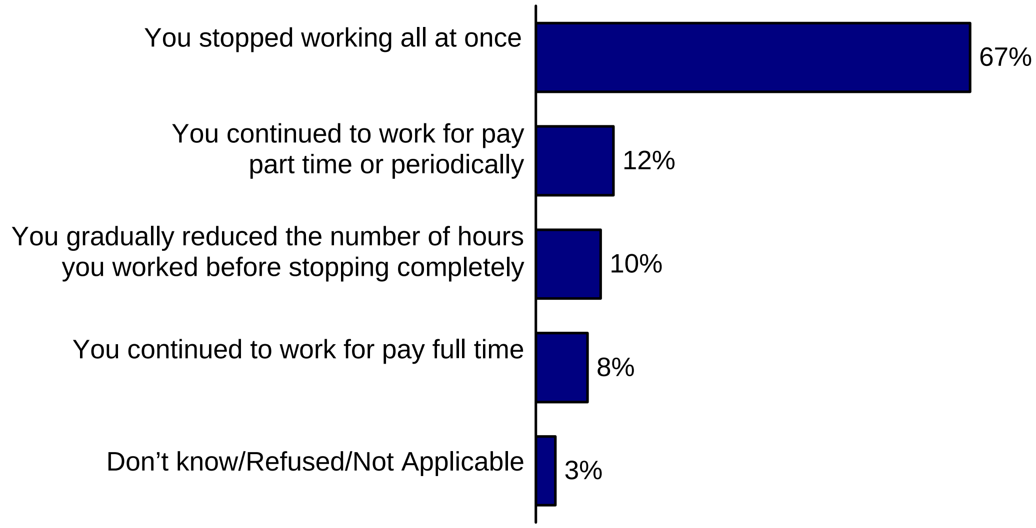
Although the proportion of retirees who retired before age 55 may seem high (31 percent), it should be remembered that the study definition of retiree includes those who consider themselves to have retired from a previous career or primary occupation, but who are currently working. In fact, more than four in ten of early retirees are working for pay (44 percent); one-quarter are working full time (25 percent, compared with less than 1 percent of other retirees). Although these retirees may have retired early due to poor health or finding they had sufficient assets, they appear to be as likely as later retirees to describe their health as *fair* or *poor* and to report current assets of $100,000 or more.

The Retirement Process

As in 2003 and 2005, most retirees indicate they retired from their primary occupation by stopping work all at once (67 percent). Just one in eight say they continued to work part time or periodically in retirement (12 percent), and about the same proportion report they gradually reduced their working hours before stopping completely (10 percent). At the same time, 8 percent state they continued to work full-time after retirement. (See Figure 15.)

Figure 15
The Process of Retiring
Which statement comes closest to describing how you retired from your primary occupation?

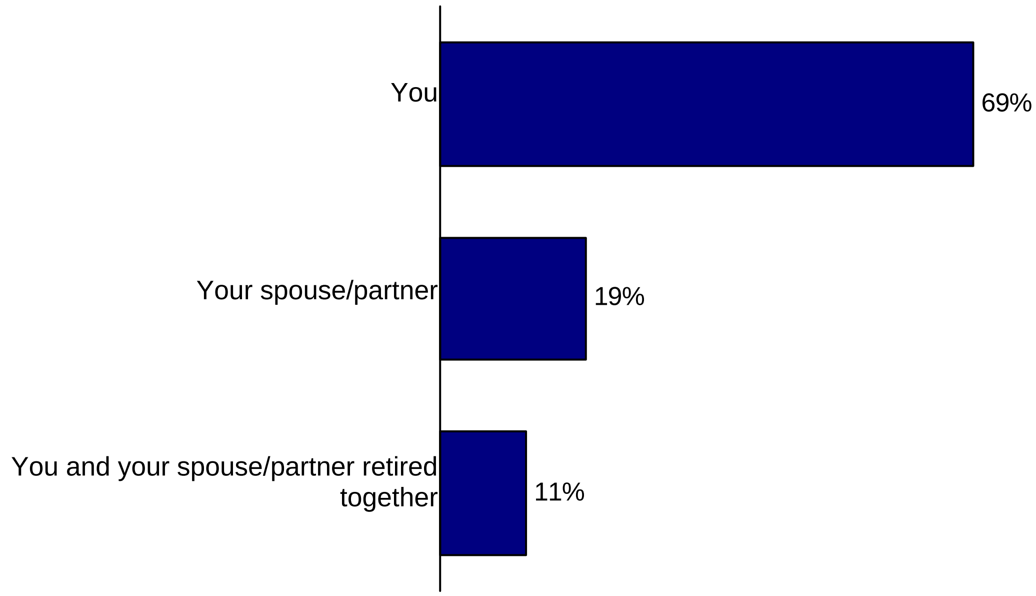
Retirees providing an age at retirement (2007 n=385)



The majority of married retirees report they retired first (69 percent), while two in ten report their spouse retired first (19 percent). Just one in ten say they and their spouse retired together (11 percent). (See Figure 16.)

Figure 16
Spousal Order of Retirement
Who retired first? You, your spouse/partner, or did you and your spouse/partner retire together?

Retirees providing an age at retirement and who are married or living with a partner (2007 n=248)



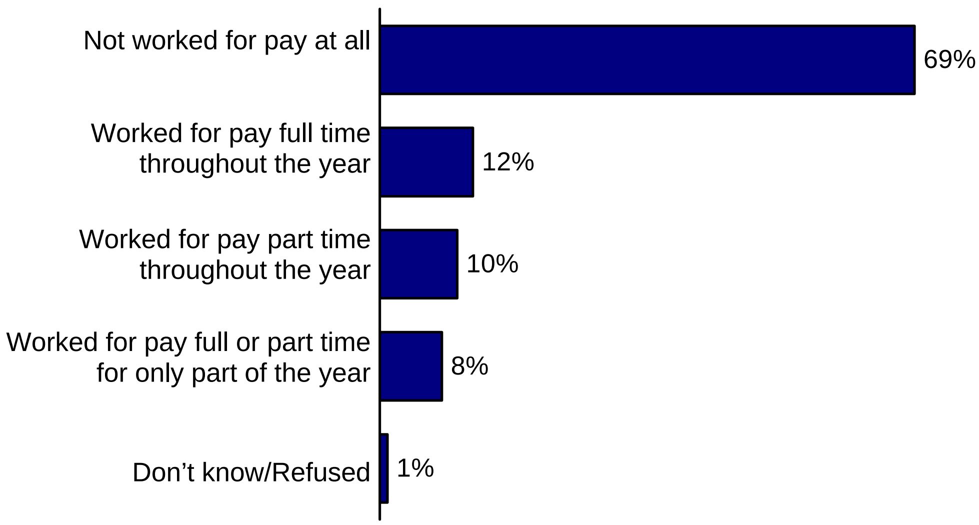
Men (83 percent vs. 55 percent of women) are more likely to have retired first, while women are more likely to say their spouse retired first (29 percent vs. 10 percent of men) or they and their spouse retired together (16 percent vs. 7 percent of men).

Current Employment

Nearly one-third of previously employed retirees are still working at least sporadically during the year (29 percent). One in eight work full time throughout the year (12 percent), and almost as many report working part time (10 percent). Nearly one in ten say they work full or part time only part of the year (8 percent). However, the majority (69 percent) have not worked for pay at all in the past 12 months. (See Figure 17.)

Figure 17
Current Employment
In the past 12 months, have you…?

Retirees providing age at retirement (2007 n=400)

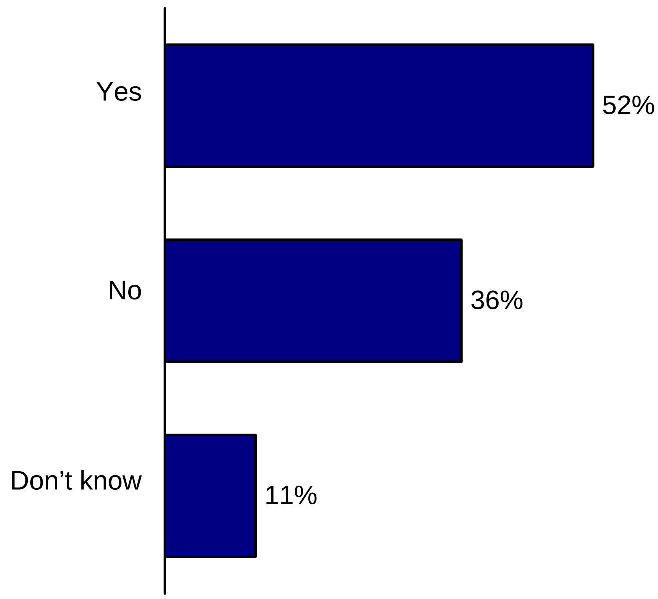


First Stage of Retirement

Half of retirees expect to have, are currently having, or have already had an active stage of retirement, where their abilities and needs are about the same as before they retired (52 percent). More than one-third of retirees do not expect to ever have this active stage of retirement (36 percent). (See Figure 18.)

Figure 18
Time Spent in First Stage of Retirement
Do you think you will have a time in retirement when your abilities and needs are about the same as before you retired? You may be experiencing that now or have already experienced it.

Retirees (2007 n=400)



Of note, reported health status is related to the experience of an active stage of retirement. While 61 percent of retirees in *excellent* or *very good* health expect to experience or have experienced an active stage of retirement, just 41 percent of those in *fair* or *poor* health expect the same.

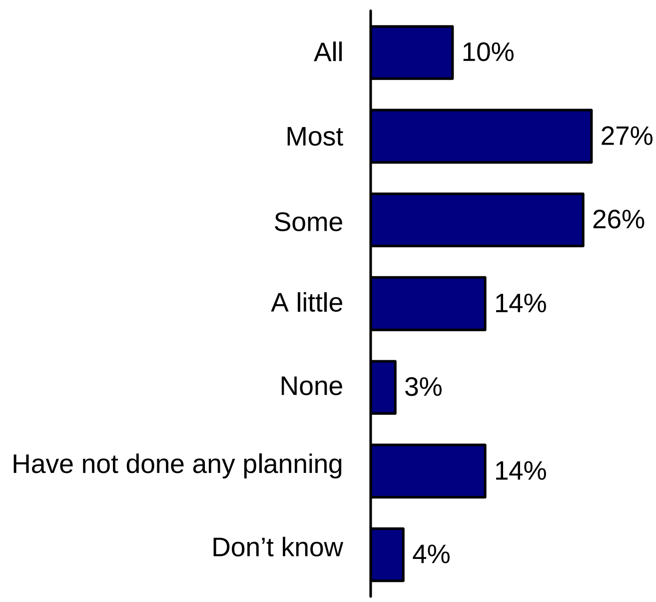
Men, workers, those with a defined contribution plan, and higher-income retirees are each more optimistic about experiencing an active stage of retirement than their counterparts. Men are more likely to expect to have or to have had an active stage of retirement (59 percent) than are women (46 percent). Retirees who are currently working in retirement are also more likely to feel they will experience or have experienced an active stage of retirement (64 percent vs. 48 percent of non-working retirees).

Retirees with a defined contribution plan are more likely to expect to experience or to have experienced an active stage of retirement (59 percent) than are those without this type of benefit (48 percent). Finally, retirees with at least $75,000 in income are more likely to expect to spend or to have spent at least some time in an active stage or retirement (68 percent vs. 48 percent of those with less income).

Among those who have experienced or who expect to experience this first stage, nearly four in ten retirees say *all* or *most* of their planning has been focused on this active stage of retirement (38 percent). One-quarter say *some* of their planning has been focused on this active stage (26 percent), while two in ten say *little* or *none* (18 percent) of their planning has been focused on this first stage. One in seven retirees have *not done any planning* (14 percent). (See Figure 19.)

Figure 19
Planning for First Stage of Retirement
About how much of your planning would you say has been focused on this part of retirement?

Retirees who experienced the first stage (2007 n=208)



Education, assets, and income are each related to the amount of planning retirees have done for this first, active stage. Retirees with at least some college education (43 percent) are more likely to say *all* or *most* of their planning has been for this first stage than are those with less education (24 percent). More than half of retirees with at least $100,000 in assets say *all* or *most* of their planning has been focused on this first stage (52 percent), compared with just 21 percent of those with fewer assets.

As household income increases, retirees are more likely to have focused on the first, active stage of retirement. While just 23 percent of retirees with income under $35,000 say *all* or *most* of their planning has been focused on this first stage, 40 percent of those with $35,000 to $74,999 and 53 percent of those with $75,000 or more say the same. Conversely, retirees with income below $35,000 (31 percent) are more likely to say they have *not done any planning* than are higher-income retirees (7 percent).

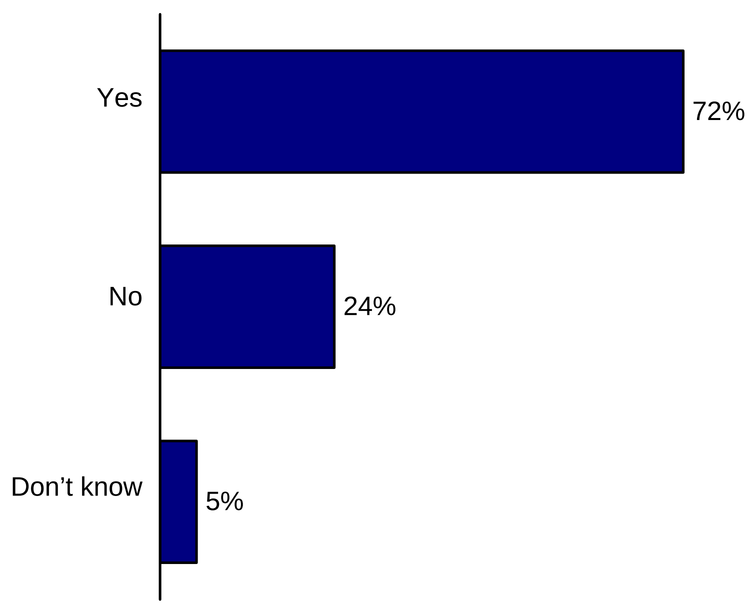
Gender and marital status are also related to planning. While men are more likely to say *little* or *none* of their planning has been focused on this first stage (23 percent vs. 12 percent of women), women are more likely to say they have *not done any planning* (21 percent vs. 8 percent of men). Unmarried retirees are more likely to say they have *not done any planning* (27 percent) than are married retirees (9 percent).

Second Stage of Retirement

Nearly three-quarters of retirees expect to experience or are experiencing a second stage of retirement, when they are somewhat less able to function as they did previously and their needs are somewhat different as a result (72 percent). One-quarter of retirees do not expect to experience this second stage of retirement (24 percent). (See Figure 20.)

Figure 20
Time Spent in Second Stage of Retirement
Do you think you will have a time in retirement when you are somewhat less able to do things you used to do and your needs are somewhat different as a result? You may be experiencing that now.

Retirees (2007 n=400)



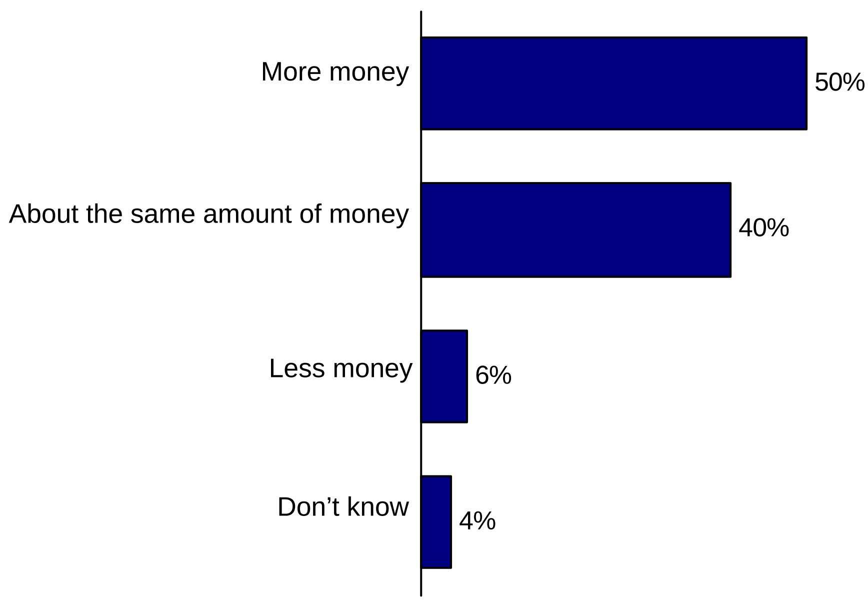
As retiree household assets increase, retirees are less likely to think they will experience this somewhat limited stage of retirement. More than eight in ten retirees with less than $25,000 in assets expect to experience or are currently experiencing this second stage (82 percent). Fewer retirees with household assets of $25,000 to $99,999 (77 percent) or $100,000 or more (61 percent) expect to experience or are currently experiencing this somewhat limited stage.

Retirees in *excellent* or *very good* health are more likely to expect they will *not* experience this second stage (28 percent), than are those in *fair* or *poor* health (16 percent).

Half of retirees recognize that more limited abilities in retirement can translate into higher expenses. Of those retirees who expect to spend time in or who are already spending time in this second, somewhat limited stage of retirement, 50 percent expect to spend *more money* during this stage than they spent previously. Four in ten retirees expect to spend *about the same amount of money* (40 percent). Fewer than one in ten expect to spend *less* (6 percent). (See Figure 21.)

Figure 21
Expected Expenses in Second Stage of Retirement
During this time, do you think you will need less money, more money, or about the same amount of money as before to cover your expenses?

Retirees who have experienced or expect to experience the second stage (2007 n=284)



Less educated and less affluent retirees expect to spend more during this second, somewhat limited stage. Retirees with some college experience or less are more likely to think they will need to spend *more money* (56 percent) than are more-educated retirees (35 percent). Seven in ten of those with less than $25,000 in assets expect to spend *more* (71 percent), compared with just 40 percent of those with greater assets.

Retirees in *fair* or *poor* health are more likely to expect to spend *more* in this stage of retirement (68 percent) than are retirees in *good*, *very good*, or *excellent* health (44 percent). Men are more likely to expect to spend *less* during this second, somewhat limited stage of retirement (10 percent vs. 3 percent of women).

When asked to think about their needs during this second, somewhat limited stage of retirement, fewer than half of retirees felt they would need to make adjustments or changes to accommodate their changing needs. Among those who expect to experience or who are currently experiencing this second stage of retirement, 48 percent think they will need to make modifications to their home to make it more elderly accessible or move to more elderly accessible home. Almost as many think they will need to depend on family or community services for assistance (46 percent) or pay someone to provide assistance (41 percent). (See Figure 22.)

Figure 22
Needed Services in Second Stage of Retirement
I'm going to ask you about some ways that your needs might change during this time, when you are somewhat less able to do things and your needs are somewhat different. During this time, do you think you will need…?

Retirees who have experienced or expect to experience the second stage (2007 n=284)

	Yes	No	Don't Know/ Refused
To modify your home or move to a home that is more livable	48%	46	6
To depend on your family or community services for assistance	46%	47	7
To pay someone to provide assistance	41%	48	12

Women are more likely to expect to pay someone for assistance (46 percent vs. 34 percent of men). Retirees in *fair* or *poor* health are more likely to expect to get assistance from family or community services (60 percent) than are retirees in better health (42 percent).

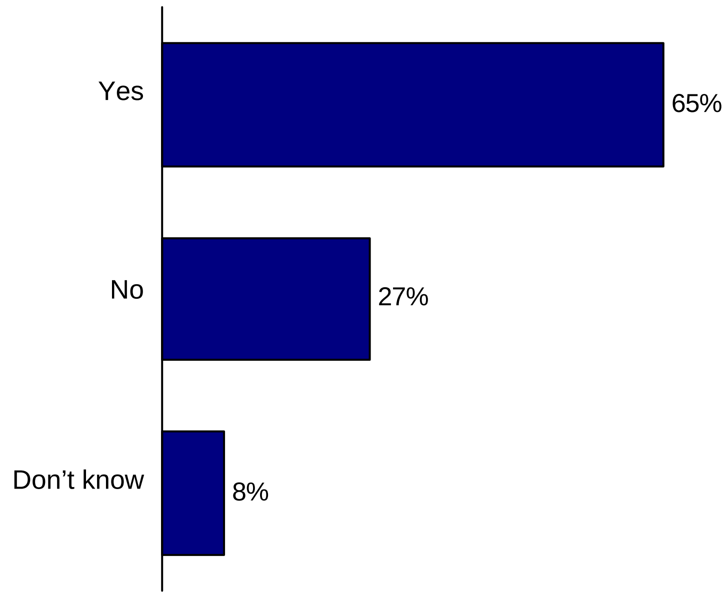
<u>Third Stage of Retirement</u>

Nearly two-thirds of retirees expect to experience a third stage of retirement, when they are much less able to function as they did previously and their needs are very different as a result

(65 percent). One-quarter do not expect to experience this third, or most limited, stage of retirement (27 percent). (See Figure 23.)

Figure 23
Expected Time in Third Stage of Retirement
Do you think you will have a time in retirement when you are much less able to do things you used to do and your needs are very different as a result?

Retirees (2007 n=400)

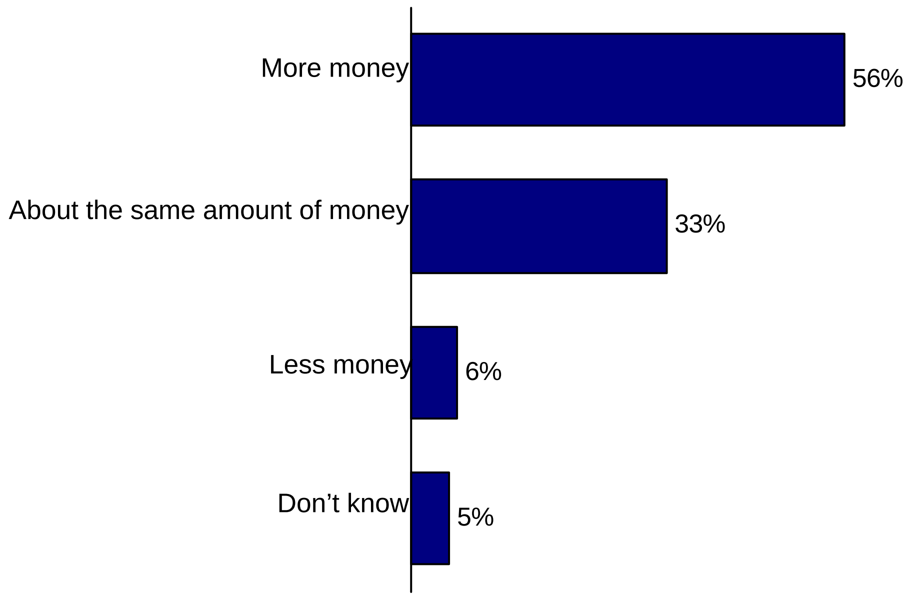


Retirees with lower income or poor health are more likely to expect to spend time in retirement in this third, most limited stage. While seven in ten retirees with income under $75,000 expect to spend time in the third stage (71 percent), less than half of those earning $75,000 or more expect the same (48 percent). Three-quarters each of retirees in *fair* or *poor* health (76 percent) or in *good* health (73 percent) expect to spend time in this third stage, compared with just 56 percent of those in *excellent* or *very good* health.

Among retirees expecting to spend time in the most limited stage of retirement, more than half expect to spend *more money* in this stage than they spent prior (56 percent). One-third of retirees expect to spend *about the same amount* (33 percent), while fewer than one in ten expect to spend *less money* (6 percent). (See Figure 24.)

Figure 24
Expected Expenses in Third Stage of Retirement
During this time, do you think you will need less money, more money, or about the same amount of money as before to cover your expenses?

Retirees who expect to experience the third stage (2007 n=260)



Similar to patterns observed for the second stage, health status and gender also influence expected spending during the third, most limited stage of retirement. Retirees in *fair* or *poor* health (72 percent) are more likely to expect to spend *more money* during the third stage than are retirees in better health (51 percent). Women are more likely to expect to spend *more money* (68 percent vs. 43 percent of men), while men are more likely to expect to spend *about the same amount* (42 percent vs. 25 percent of women) or *less money* (10 percent vs. 2 percent of women) during this third stage.

In addition, unmarried retirees are more likely to expect to spend *more money* during this third, most limited stage of retirement (65 percent vs. 52 percent of married retirees). Finally, retirees who earn less money expect to spend more. Seven in ten of those with less than $35,000 in income expect to spend more (69 percent), compared with 52 percent of higher-income retirees.

Among retirees who expect to experience this third and most-limited stage, two-thirds expect they will have to depend on family or community services for assistance (64 percent), with this assistance starting in either the second or third stage of retirement. About six in ten each expect they will need to pay someone to provide assistance (61 percent) or to modify their home or move to a more livable home (56 percent). About half expect they will need a nursing home or home health care (53 percent). (See Figure 25.)

Figure 25
Needed Services by the Third Stage of Retirement
I'm going to ask you about some ways that your needs might change during this time, when you are much less able to do things and your needs are very different. During this time, do you think you will need…?

Retirees who expect to experience the third stage (2007 n=260)

	Yes	No	Don't Know
To depend on your family or community services for assistance	64%	29	8
To pay someone to provide assistance	61%	28	11
To modify your home or move to a home that is more livable	56%	39	5
Nursing home or home health care	53%	31	15

Few differences emerge in retirees' expectations about needing particular services or assistance by the time they reach the third, most limited stage of retirement. However, women (70 percent vs. 56 percent of men), retirees with less than a college degree (71 percent vs. 50 percent with a college degree), and those in *fair* or *poor* health (80 percent vs. 57 percent in better health) are more likely to expect to depend on family or community services.

Changing Needs

Among retirees who expect to experience or who have already experienced the second or third stages of retirement, most say they have done some things to prepare for their changing needs during these more limited stages of life. However, more than one-third say they have done nothing (28 percent) or say they do not know what they have done (7 percent) to prepare for these changing needs (35 percent net). (See Figure 26.)

More than one-third of retirees have employed strategies to increase or maintain their nest-egg (37 percent in total), saying they have saved money (16 percent), invested to make assets last (15 percent), have a retirement plan or 401(k) (2 percent), kept savings in reserve (2 percent), or planned financially (1 percent). Another two in ten retirees mentioned health-related preparations, saying they have bought long-term care insurance (11 percent), stayed healthy or exercised (4 percent), got health or disability insurance (4 percent), or obtained nursing help (3 percent). Nine percent say they have made home modifications or moved to a less expensive home, while 6 percent say they cut back on spending.

Figure 26
Preparation for Changing Needs in Retirement
What, if anything, have you done or will you do to prepare for your changing needs in retirement? (Multiple responses accepted.)

Retirees who expect to experience the second or third stage (2007 n=330)

	Mentioned
Save (more) money	16%
Invest to make assets last	15%
Buy long-term care insurance	11%
Make home modifications; move to a less expensive home	9%
Cut back on spending	6%
Stay healthy; improve health; exercise	4%
Get health or disability insurance	4%
Nursing home; assisted living; hire help	3%
Retirement plan; 401(k)	2%
Keep savings in reserve	2%
Pay off debts	2%
Continue working	2%
Research options; financial planning; have a plan	1%
Make family/funeral/cemetery/life insurance arrangements; keep good relations	1%
Real estate	1%
Other	9%
Nothing	28%
Don't know/Refused	7%

Less-affluent retirees are not preparing for their changing needs in retirement in the same ways as their more-affluent counterparts. Retirees with at least $25,000 in household assets are more likely to mention investing to make assets last (19 percent vs. 2 percent of retirees with fewer assets). In addition, those with less than $25,000 in household assets are more likely to say they have done nothing to prepare for changing needs (40 percent vs. 20 percent of higher-asset retirees).

Younger, healthier, and working retirees are more likely to mention saving or investing preparations. Retirees aged 45 to 64 are more likely to mention saving money (23 percent vs. 11 percent of older retirees) and to mention investing to make assets last (21 percent vs. 10 percent of older retirees). Retirees in *excellent* or *very good* health are more likely to mention investing to make assets last as well (22 percent), more so than retirees in *good*, *fair*, or *poor* health (9 percent). Retirees who have worked during the past year are more likely to mention *saving money* (27 percent vs. 11 percent of non-working retirees).

Finally, there are several groups of retirees who are more likely to mention buying long-term care (LTC) insurance, including:

- retirees with at least $100,000 in assets (17 percent vs. 3 percent of those with fewer assets);
- those with at least $35,000 in income (17 percent vs. 2 percent of lower-income retirees);
- women (14 percent vs. 7 percent of men);
- college graduates (21 percent vs. 6 percent of less-educated retirees);
- those with a defined-contribution plan (16 percent vs. 7 percent without an employer's workplace retirement savings plan); and
- those with a defined-benefit plan (14 percent vs. 6 percent without a pension).

FINDINGS OF THE PRE-RETIREE SURVEY

RETIREMENT RISK

<u>Concern About Risk</u>

Of the nine retirement risks examined, five cause concern to a majority of pre-retirees. Seven in ten pre-retirees say they are concerned about not having enough money to pay for adequate health care (69 percent *very* or *somewhat* concerned). More than six in ten each report they worry about having enough money to pay for long-term care (63 percent) or about their savings and investments keeping pace with inflation (63 percent). More than half worry about depleting all of their savings (56 percent) or maintaining a reasonable standard of living for the rest of their lives (55 percent). (See Figure 27.)

Fewer than half of pre-retirees express concern about each of the remaining risks. More than one-third each say they are *very* or *somewhat* concerned they might not be able to afford to stay in their current homes for the rest of their lives (35 percent) or their spouse will not be able to maintain the same standard of living after the respondent's death (35 percent of married respondents). Similarly, one-third (33 percent) are concerned they might not be able to rely on children or other family members to provide assistance and three in ten (29 percent) are worried about not being able to leave money to their children or other heirs.

The two risks that pre-retirees are *most* concerned about relate to health care. By a wide margin, pre-retirees are most likely to report they are concerned about being able to pay for adequate health care (28 percent). Another 17 percent are *most* concerned about not being able to afford long-term care. More than one in ten pre-retirees (12 percent) say their primary concern is maintaining a reasonable standard of living for the rest of their lives, while 9 percent are *most* concerned about the value of their investments keeping up with inflation. Very few pre-retirees indicate they are *most* concerned about having the financial resources to remain in their own home (5 percent), depleting their savings (5 percent), not being able to rely on family to provide assistance (4 percent), not being able to leave money to heirs (4 percent), or their spouse's ability to maintain their lifestyle (3 percent). One in eight pre-retirees feel that *none* of the nine concerns mentioned constitute a primary concern (8 percent) or do not know which one they are *most* concerned about (4 percent).

A minority of pre-retirees are *very* or *somewhat* concerned about most of the risks examined in the study. More than one-quarter (27 percent) are concerned about seven or more of the risks. Approximately three in ten each are worried about four to six of the risks (32 percent) or express concern about only one to three risks (30 percent). Just one in eight pre-retirees are neither *very* nor *somewhat* concerned about any of these risks (12 percent). (However, 47 percent are not *very* concerned about any of the risks.)

Figure 27
Retirement Risks
How concerned are you… ? Which of these are you most concerned about?

Pre-retirees (2007 n=401)

	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	34%	35	12	18	28%
That you might not be able to keep the value of your savings and investments up with inflation	22%	41	19	18	9
That you might deplete all of your savings	18%	37	24	19	5
That you might not be able to maintain a reasonable standard of living for the rest of your life	19%	36	26	18	12
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	22%	41	17	20	17
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (married, n=299)	10%	25	29	36	3
That you might not be able to afford to stay in your current home for the rest of your life	10%	25	25	40	5
That you might not be able to leave money to your children or other heirs	9%	20	26	43	4
That you might not be able to rely on children or other family members to provide assistance	13%	20	26	39	4
None of these		(not asked)			8
Don't know/Refused		(not asked)			4

As might be expected, the likelihood of being *very* or *somewhat* concerned about all of these risks increases as pre-retirees' household assets decrease. For example, those with less than $100,000 in household assets (66 percent) are more likely to worry about depleting their savings than those with more assets (46 percent). In addition, concern about retirement-related risks increases as household income decreases. Pre-retirees having less than $35,000 are at least twice as likely as those having income of $75,000 or more to indicate they are *very* concerned about each risk.

Perceived health status is related to concern about almost all of these risks, with those who evaluate their health as *fair or poor* more likely than those who rate their health as *excellent*, *very good*, or *good* to be concerned. For instance, nearly eight in ten pre-retirees who describe themselves as being in *fair* or *poor* health (77 percent) say they are *very* or *somewhat* concerned about having enough money to pay for long-term care, compared with six in ten of those who feel their health is *excellent*, *very good*, or *good* (62 percent).

In light of the longer life expectancy of women, it is surprising that only two of the nine risks examined appear to generate significantly more concern among them than men. More women than men are *very* or *somewhat* concerned about not having enough to pay for adequate health care (75 percent vs. 63 percent) and being able to keep value of savings and investments up with inflation (68 percent vs. 57 percent). Nevertheless, men are more likely to be concerned about their wives' standard of living following their death (43 percent) than women are about their husbands'(27 percent).

Reflecting the ever-increasing cost of health care, pre-retirees aged 45-54 are more often concerned than older pre-retirees about paying for health care. Three-quarters of those aged 45-54 (74 percent) are *very* or *somewhat* concerned about having enough to pay for adequate health care, compared with 61 percent of older pre-retirees. Nearly seven in ten of those aged 45-54 (68 percent) worry about paying for long-term care vs. just more than half of older pre-retirees (54 percent). Younger pre-retirees are also more likely than those aged 55 and older to express concern about depleting all of their savings (60 percent vs. 49 percent) and not being able to rely on family members for assistance (38 percent vs. 23 percent).

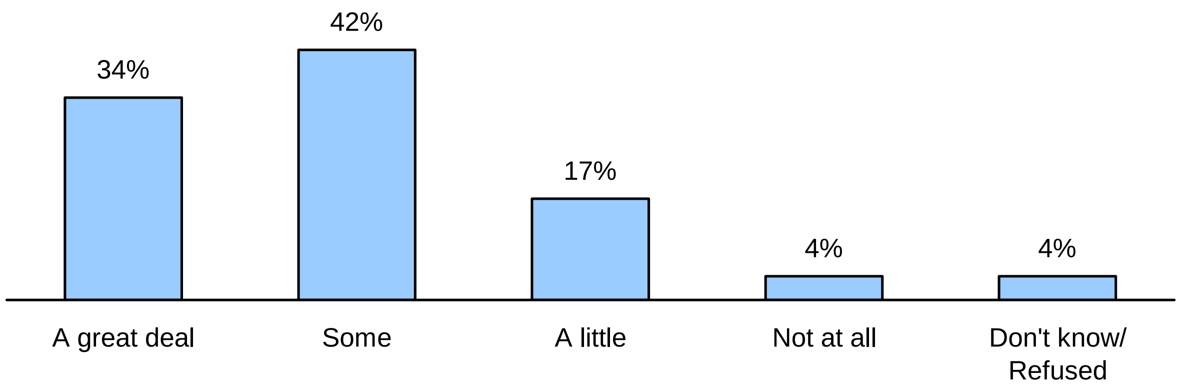
Finally, larger shares of unmarried pre-retirees than married report being *very* or *somewhat* concerned about not being able to maintain a reasonable standard of living (64 percent vs. 52 percent) and being *very* concerned about depleting all of their savings (28 percent vs. 15 percent). On the other hand, married pre-retirees more often report being *very* or *somewhat* concerned about not being able to leave an inheritance (32 percent, compared with 20 percent of unmarried pre-retirees).

Inflation

Inflation is a concern among most pre-retirees. Three-fourths (76 percent) think inflation will have *a great deal* or *some* impact on the amount of money they will need each year in retirement. (See Figure 28.)

Figure 28
Inflation Predictions
How much do you think inflation will affect the amount of money you will need each year in retirement? Will inflation affect it…?

Pre-retirees (2007 n=401)



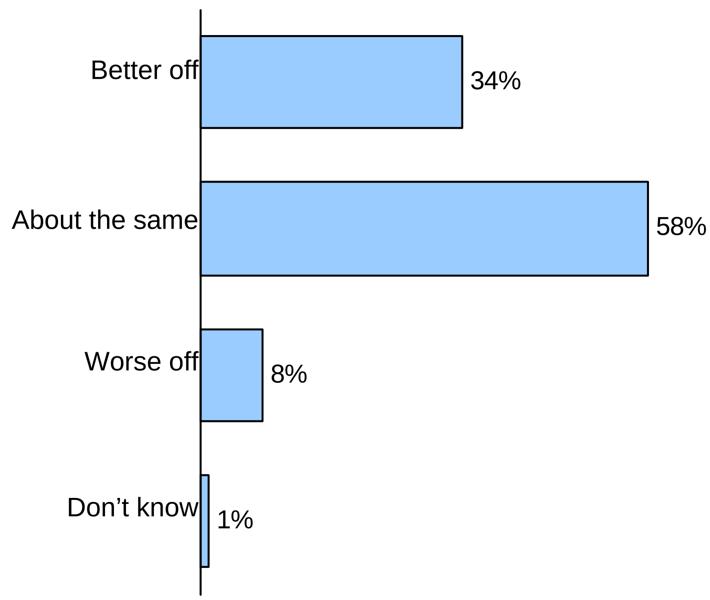
More than eight in ten women (82 percent) think inflation will have *a great deal* or *some* impact, while seven in ten men (70 percent) expect inflation to have the same impact. Four in ten adults aged 45-54 (39 percent) expect inflation to impact their retirement needs *a great deal*, compared with just one in four pre-retirees aged 55 or older (25 percent). As household income or household assets increase or as health status improves, the expectation that inflation will have *a great deal* of impact on retirement finances decreases.

Financial Status of Surviving Spouse

Few pre-retirees express concern about the financial situation of their surviving spouse. Less than one in ten of pre-retirees (8 percent) think that if they passed away in retirement, prior to their spouse, their spouse would be *worse off* financially. Conversely, one-third feel their spouse's financial position would be *better* (34 percent). (See Figure 29.)

Figure 29
Financial Impact of Pre-Deceasing Spouse
If you were to pass away before your spouse/partner in retirement, do you think it would leave your spouse/partner financially better off, worse off, or about the same?

Pre-retirees who are married or living with a partner (2007 n=299)

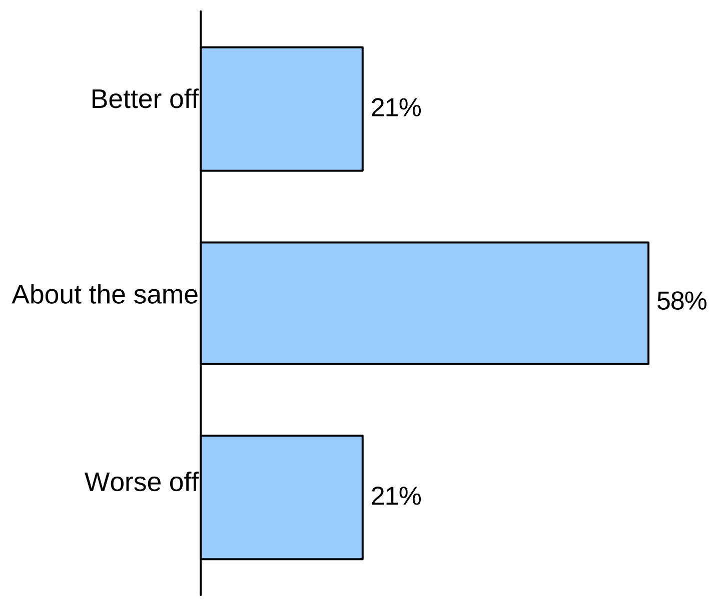


More than four in ten of those with at least $25,000 in assets (44 percent, compared with 23 percent with fewer assets) feel pre-deceasing their spouse would leave their spouse *better off*. Pre-retirees with household income of at least $35,000 are also more likely than those with lower income to think their spouse would benefit financially from their death (38 percent vs. 18 percent). At the same time, pre-retirees reporting *fair* or *poor* health (25 percent vs. 6 percent in better health) or with no college education (16 percent vs. 4 percent with some college education) are four times as likely as their counterparts to say their spouse would be *worse off*.

When asked to consider their own financial circumstances if their spouse were to pre-decease them, pre-retirees are as likely to say they would be *better off* financially as they are to indicate they would be *worse off* (21 percent each). (See Figure 30.)

Figure 30
Financial Impact of Spouse Passing First
If your spouse/partner were to pass away before you in retirement, do you think it would leave you financially better off, worse off, or about the same?

Pre-retirees who are married or living with a partner (2007 n=299)



Again, the perception of how their spouse's death would change their own financial situation is related to their current financial situation. Those with household assets of at least $25,000 (24 percent vs. 11 percent with fewer) and those with household income of $35,000 or more (23 percent vs. 3 percent with lower income) more often report their spouse's death would leave them *better off*. Pre-retirees with no college education (31 percent vs. 16 percent with some college education) and those describing their health as *fair* or *poor* (46 percent vs. 14 percent in *excellent* or *very good* health) are more apt to state their spouse's death would leave them *worse off*.

Women are more likely than men to say their spouse's death would leave them either *better off* (29 percent vs. 12 percent) or *worse off* (28 percent vs. 14 percent). Finally, the tendency to feel their finances will worsen following their spouse's death decreases as age increases, while the inclination to think things will *stay the same* increases.

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. More than half of pre-retirees say they have already invested a portion of their money in stocks or stock mutual funds (54 percent), with an additional 13 percent planning to invest their money similarly in the future. Likewise, nearly half are already trying to save as much as they can (49 percent) and nearly half plan to save in the future (46 percent). (See Figure 31.)

Other popular means of reducing risk include eliminating all consumer debt (41 percent already done, 50 percent plan to do so in the future) and cutting back on spending (37 percent already have, 38 percent plan to do so). One-quarter of pre-retirees have already paid off a mortgage (25 percent) and half plan to do so in the future (51 percent).

Figure 31
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. (Multiple responses accepted.)

Pre-retirees (2007 n=401)

	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	54%	13	34	2
Try to save as much money as you can	49%	46	9	1
Eliminate all of your consumer debt, by paying off all credit cards and loans	41%	50	10	1
Cut back on spending	37%	38	26	1
Completely pay off your mortgage	25%	51	22	1
Buy real estate or invest in property	25%	17	60	<0.5
Move your assets to increasingly conservative investments as you get older	22%	40	37	4
Buy a product or choose an employer plan option that will provide you with guaranteed income for life	19%	14	63	4
Work longer	13%	43	45	2
Move to a smaller home or less expensive area	6%	31	61	2

Fewer have taken other steps to reduce risk. One-quarter have bought real estate or invested in property (25 percent). Two in ten have moved assets to increasingly conservative investments as they age (22 percent) or purchased an annuity or chosen an annuity option from a retirement plan (19 percent). Even fewer report having worked longer (13 percent) or moved to a smaller home or less expensive area (6 percent). Six in ten indicate they have no intention of buying an annuity or choosing a retirement plan option that will provide guaranteed income for life (63 percent), of moving to a smaller or less expensive home (61 percent), or of buying real estate or investing in property (60 percent). About half have no intention of working longer (45 percent).

Pre-retirees with a college degree are more likely to *have already* invested in stocks or stock mutual funds (68 percent vs. 47 percent with less education) and to *have already* begun to save as much as possible (59 percent vs. 43 percent with less education).

Household asset levels are related to saving and investment 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 (63 percent vs. 30 percent), to have eliminated their consumer debt (50 percent vs. 28 percent), and to have moved to more conservative investments (29 percent vs. 15 percent). As assets increase, pre-retirees are more likely to *have already* invested in the stock market and in real estate or property.

Lastly, perceived health status is related to the likelihood that pre-retirees have taken 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 worse assessments of their health to *have already*:

- invested a portion of their money in stocks or stock mutual funds (63 percent vs. 42 percent),
- eliminated all of their consumer debt by paying off all credit cards and loans (47 percent vs. 33 percent), or
- bought or invested in real estate or property (34 percent vs. 12 percent).

Overall, pre-retirees seem more inclined to protect themselves with regard to health expenses by guarding against illness, rather than guarding against the high costs associated with illness. Seven in ten pre-retirees say they already maintain healthy lifestyle habits, such as proper diet, regular exercise, and preventative care (69 percent), with an additional 29 percent planning to do so in the future. (See Figure 32.)

Three in ten pre-retirees have already purchased health insurance to supplement Medicare or are participating in an employer-sponsored retiree health care plan (28 percent), and half report they plan on making such a purchase or participating in a retiree health plan in the future (50 percent).

Fewer have taken other steps to guard against the high costs of illness and health care when older. Fewer than two in ten have bought long-term care insurance (17 percent) or saved for the possibility of large health expenses or long-term care (16 percent). Less than one half of one percent of pre-retirees have arranged for care through a continuing care retirement facility and just 8 percent plan to do so in the future. In fact, half or more indicate they have no intention of taking each of these steps. Most notably, more than half each have no plans to save for the possibility of having large health expenses or needing long-term care (51 percent) and no plans to buy long-term care insurance (55 percent), and nearly nine in ten do not plan to arrange for care through a continuing care facility (87 percent).

Figure 32
Strategies for Managing Health Risk
I'm going to read you a list of things that some people do to protect themselves financially when it comes to health expenses. 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. (Multiple responses accepted.)

Pre-retirees (2007 n=401, 2005 n=300)

	Already Done	Plan to Do in Future	No Plans	Don't Know/ Refused
Maintain healthy lifestyle habits, such as a proper diet, regular exercise, and preventative care	69%	29	6	<0.5
Purchase health insurance to supplement Medicare or participate in an employer-sponsored retiree health care plan	28%	50	21	3
Buy long-term care insurance	17%	23	55	5
Save for the possibility of having large health care expenses or needing long-term care	16%	30	51	3
Move into or arrange for care through a continuing care retirement facility	<0.5%	8	87	4

College graduates are more likely to *have already* maintained a healthy lifestyle (80 percent vs. 64 percent with less education) or saved specifically for the possibility of large health care expenses or long-term care (23 percent vs. 13 percent).

Household asset levels are related to saving and insurance. Those with household assets of at least $100,000 are more likely than those with fewer assets to have already bought long-term care insurance (22 percent vs. 13 percent) and to have saved specifically for health or long-term care expenses (22 percent vs. 11 percent).

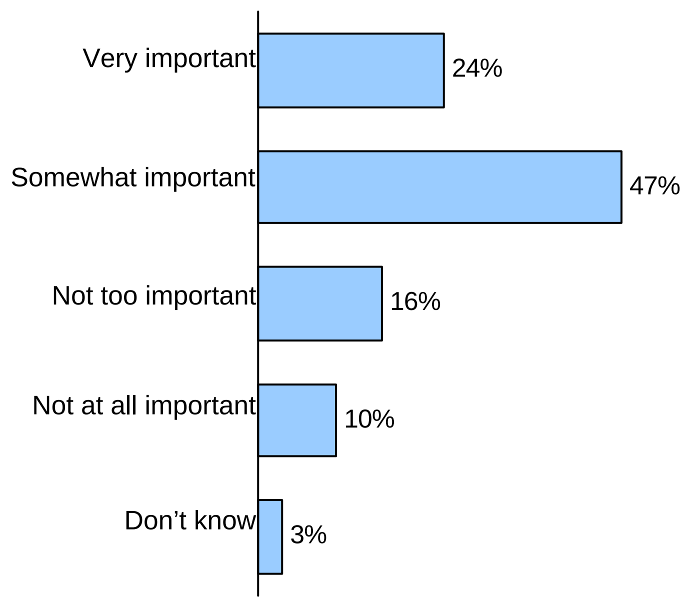
Married pre-retirees are more likely than those who are unmarried to *already* maintain a healthy lifestyle (72 percent vs. 59 percent). Lastly, those who report their health as being either *excellent* or *very good* are more likely than those who offer worse assessments of their health to *already* maintain a health lifestyle (77 percent vs. 59 percent).

Insurance

Seven in ten pre-retirees feel it is important to buy insurance products to help protect against risks related to retirement (71 percent), including one-quarter who feel it is *very important* (24 percent). (See Figure 33.)

Figure 33
Importance of Insurance
Many people buy insurance to help protect against the financial consequences of unexpected events. How important do you think it is to buy insurance products to help protect against risks related to retirement?

Pre-retirees (2007 n=401)



Nearly twice as many pre-retirees aged 45-54 feel that buying insurance is *very important* (29 percent), than do pre-retirees aged 55 or older (15 percent).

RETIREMENT FINANCES

Retirement Income

Like retirees, many pre-retirees may find themselves confronted with income flows that differ from their expectations. Half of pre-retirees (49 percent) report that in retirement the income they expect to receive from rental property or real estate, including their primary home, will *go up*. Most pre-retirees anticipate having some sources of regular income in retirement. More than one-third (35 percent) say that their Social Security payments will increase over time, although two in ten (19 percent) expect payments to *go down* instead. More than one-third (34 percent each) also expect the income they obtain from an employer's retirement savings plan and an IRA, bank, or investment account to *go up*. (See Figure 34.)

Three in ten of those with an employer's defined benefit pension plan (30 percent) expect the income they receive in retirement to *go up* and 16 percent think income they receive from a payout annuity will increase, despite the fact that these annuitized payments are rarely inflation protected. One-quarter of pre-retirees (24 percent) indicate the income they receive from employment will increase in retirement, though almost as many (21 percent) state this income will *go down*.

Figure 34
Sources of Regular Income
Retirees rely on many different sources to provide them with the money they need to cover their expenses. For each of the sources I read, please tell me if you think the amount you receive from it will change during the course of your retirement. If you will never receive any income from that source during your retirement, just let me know. Do you think the amount you receive from … will go up, go down, stay the same, or will you never receive money from that in retirement?

Pre-retirees (2007 n=401)

	Go Up	Stay the Same	Go Down	Not a Source	Don't Know
Rental property or real estate, including your primary home	49%	12	3	33	3
An IRA, bank, or investment account	35%	28	6	27	4
Social Security	35%	25	19	16	5
An employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan	34%	34	7	23	3
An employer's traditional pension plan (if have pension n=256)	30%	58	5	5	1
Employment in retirement	24%	27	21	23	4
A payout annuity purchased on your own	16%	20	3	55	6

The tendency to report that retirement income from various sources will increase rises with household income or assets. Pre-retirees with higher income and/or more assets are more likely to say their income from the following sources will increase over time: rental property or real estate; an IRA, bank or investment account, and an employer-sponsored retirement savings plan. In addition, those with more assets are more apt to indicate the income they receive from employment and a payout annuity will *go up*.

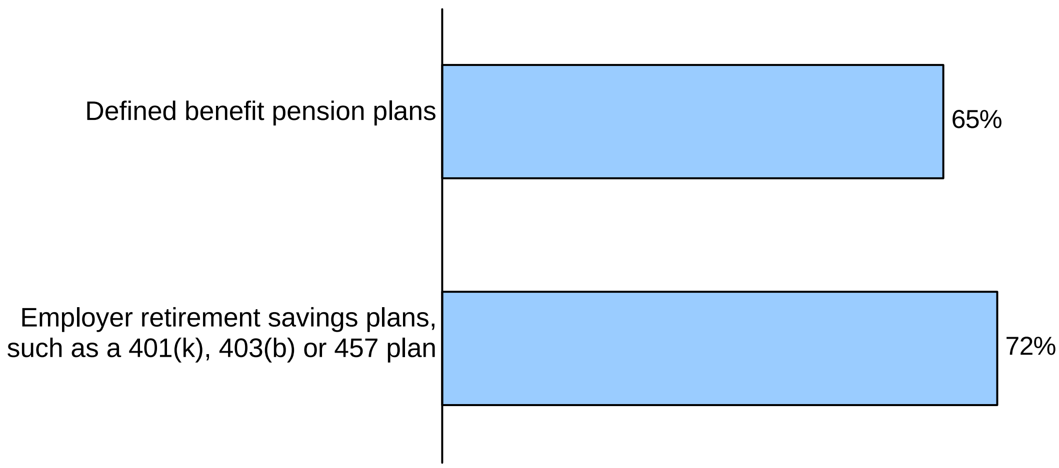
The likelihood of saying that the payments they receive from Social Security increases as age increases. Larger shares of married than unmarried pre-retirees expect the income they receive from many of these sources to *go up* during their retirement, including the money they receive from rental property or real estate (53 percent vs. 36 percent), an employer's retirement savings plan (37 percent vs. 26 percent), employment (27 percent vs. 15 percent), and a payout annuity (19 percent vs. 8 percent).

Use of Retirement Plan Assets

More than six in ten pre-retirees think they will receive money from an employer's defined benefit plan when they (or their spouse) retire (65 percent). Slightly more pre-retirees indicate they expect to receive retirement income from an employer's retirement savings plan (72 percent). (See Figure 35.)

Figure 35
Expected Benefits from Employer-Sponsored Retirement Plan
When you (or your spouse) retire, do you think you will receive income or money from one or more…?

Pre-retirees (2007 n=401)



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

- 70 percent of pre-retirees with at least $25,000 in assets (vs. 48 percent with fewer assets) anticipate receiving *defined benefit plan* income and 77 percent (vs. 53 percent) expect to receive *retirement savings plan* money;
- 71 percent of those with household income of at least $35,000 (compared with 41 percent with lower income) indicate they will have *defined benefit plan* income, while 78 percent (compared with 45 percent) state they will have money from a *retirement savings plan*;
- 69 percent of married pre-retirees (compared with 54 percent of those not married) expect money or income from a *defined benefit plan* and 75 percent (compared with

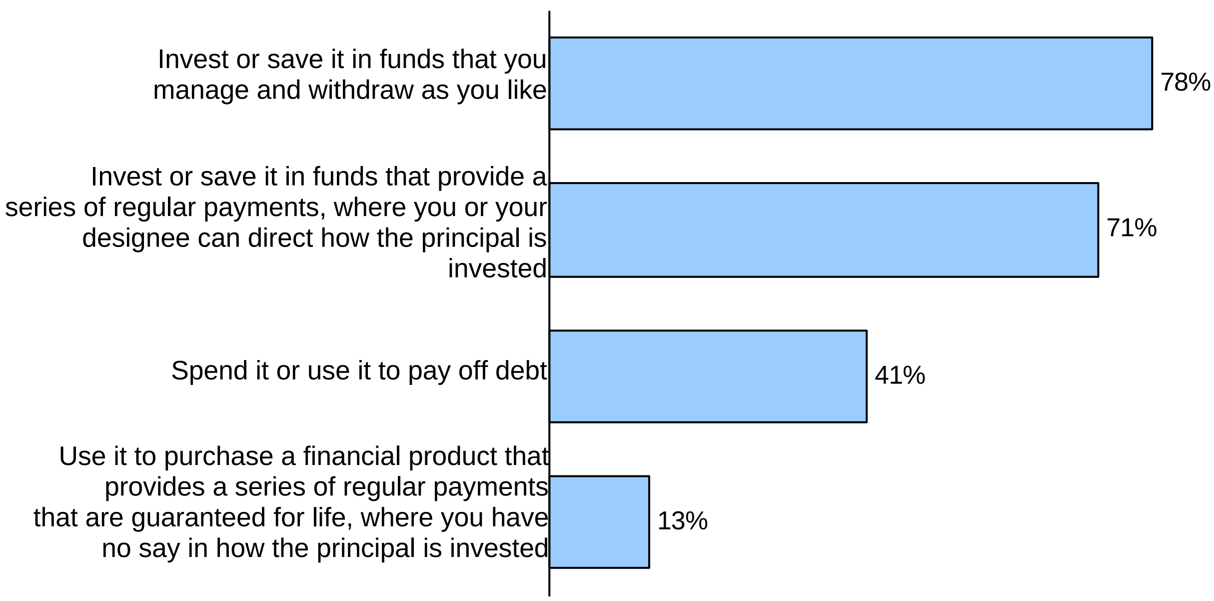
61 percent) think they will have money or income from a *retirement savings plan*; and

- 75 percent of college graduates (vs. 60 percent with less education) anticipate receiving benefits from a *defined benefit plan* and 83 percent (vs. 66 percent) say they will have money from a *retirement savings plan*.

Those expecting money from an employer's retirement savings plan, such as a 401(k), most often report they will invest or save all or part of this money in funds that they can manage and withdraw as they like (78 percent). Slightly fewer report they will invest or save it in funds that provide a series of regular payments, where they can direct how the principal is invested (71 percent). Four in ten report they will spend their workplace savings plan or use it to pay off debt (41 percent). Fewer than two in ten pre-retirees state they will use it to purchase a financial product that provides a series of regular payments, where they have no say in how the principal is invested (13 percent). (See Figure 36.)

Figure 36
Expected Use of Money from Employer Retirement Savings Plans
What 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 (2007 n=280)



Pre-retirees with more than $75,000 in income (88 percent) are more likely than those with fewer assets (68 percent) to say they will invest money from a retirement savings plan in funds they can withdraw as they like. Similarly, those with assets of $100,000 or more (87 percent) are more likely than those with less income (67 percent) to say they will invest their money in funds with the freedom of liquidity.

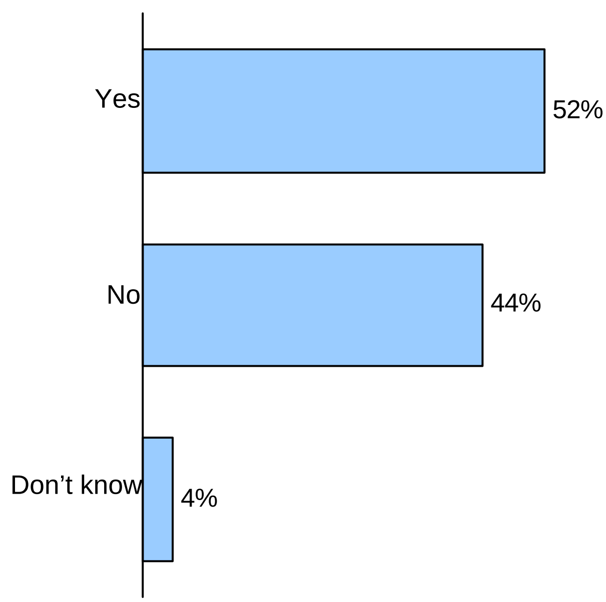
Married pre-retirees (74 percent) are more likely than unmarried pre-retirees (57 percent) to say they will invest money from a retirement savings plan in funds that provide regular payments, where they maintain control over how the principal is invested.

Use of Savings

Half of pre-retirees plan to withdraw their savings and investment principal in retirement (52 percent), while fewer do not plan to withdraw principal (44 percent). (See Figure 37.)

Figure 37
Expected Withdrawal of Savings or Investment Principal
When you retire, do you ever plan to withdraw principal from savings or investments?

Pre-retirees (2007 n=401)



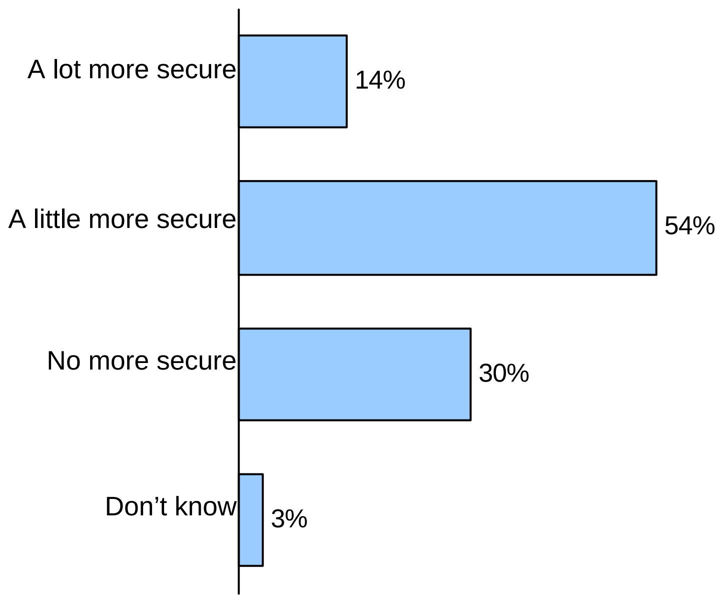
College graduates are more likely to report they plan to withdraw principal from savings and investments (62 percent) than are less educated pre-retirees (46 percent). Married pre-retirees are more likely to plan on withdrawing principal (55 percent) than are unmarried pre-retirees (43 percent). Finally, older pre-retirees are less likely to plan to withdraw principal than younger pre-retirees.

Impact of Delayed Retirement

Two-thirds of pre-retirees think delaying their anticipated retirement by three years would make their retirement finances more secure, including 14 percent who think it would make them *a lot more secure* and 54 percent who think it would make them *a little more secure*. Three in ten (30 percent) feel a delay would have *no impact* on their financial security in retirement. (See Figure 38.)

Figure 38
Financial Impact of Delaying Retirement
Suppose you were to retire three years later than you are currently planning. Do you think this would make your retirement financially a lot more secure, a little more secure, or no more secure?

Pre-retirees with an expected retirement age (2007 n=266)



Pre-retirees with a high school education or less (43 percent) are more likely than those with higher education (25 percent) to say delaying retirement would make them *no more secure*.

Pre-retirees are more responsive to specific examples of ways in which their retirement finances might improve as a result of a delay in retirement. (See Figure 39.) Nearly nine in ten pre-retirees feel having three more years to make contributions to and earn money on their investments would increase their financial security in retirement (86 percent, including 28 percent who feel it would *increase their security a lot*).

About eight in ten feel the increased amount they would receive from their pension (83 percent) or from Social Security (78 percent) would increase their financial security. An equal proportion of pre-retirees feel continuing to receive health insurance through their employer would increase their financial security (77 percent, including 59 percent who feel this *increases security a lot*).

Fewer pre-retirees feel that relying on their savings for a shorter period or an increased Social Security spousal-payment upon their death (70 percent each) would improve their financial security in retirement.

Figure 39
Financial Benefit from Delayed Retirement
Again, suppose you were to retire three years later than you are currently planning. How much, if at all, would each of the following increase your financial security in retirement? Would it increase your financial security a lot, a little, or not at all?

Pre-retirees with an expected retirement age (2007 n=266)

	A Lot	A Little	Not At All	Don't Know
Continuing to receive health insurance coverage from your employer	59%	17	21	3
Having three more years to make contributions to and earn money on your investments	28%	58	12	2
Increasing the amount you receive each month from a defined benefit or traditional pension plan	28%	54	15	2
Increasing the amount you receive each month from Social Security	17%	61	20	2
Increasing the amount your spouse will receive each month from Social Security, if you should die first (if married, n=207)	17%	52	23	7
Relying on your savings for a shorter period of time	16%	54	28	2

Women are more likely than men to feel delayed retirement would increase their financial security in retirement through having three more years to make contributions to and earn money on investments, through increasing the amount received through a pension, and through increasing the amount received through Social Security.

Affluent and healthy people feel three additional years of contributing to and earning money on investments would increase their financial security in retirement. Nine out of 10 pre-retirees with income of $35,000 or more (90 percent) feel the extra investment time would increase their security, compared with just 65 percent of those with less income. Similarly, 91 percent of those with assets of at least $25,000 feel the extra time investing would boost security (vs. 69 percent of those with fewer assets). Finally, those in *good* or better health (90 percent) are more likely than those in *fair* or *poor* health (56 percent) to find this additional investment time beneficial for retirement security.

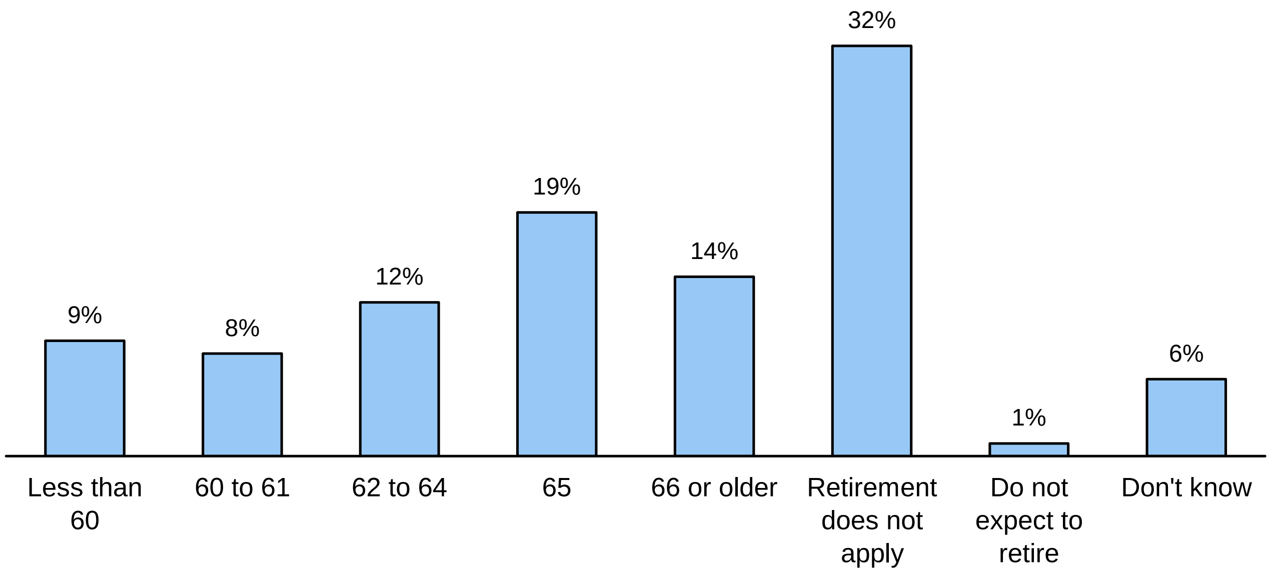
THE STAGES OF RETIREMENT

<u>Retirement Age</u>

One-third of pre-retirees expect they will retire from their primary occupation at age 65 or later (33 percent). Roughly one in ten each anticipate retiring before age 60 (9 percent), between the ages of 60 and 61 (8 percent), and between 62 and 64 (12 percent). Nearly three in ten pre-retirees (32 percent) report that retirement will not apply to them. For many, this may be because they do not plan to retire. (See Figure 40.)

Figure 40
Expected Age at Retirement
At what age do you expect to retire from your primary occupation?

Pre-retirees in the workforce (2007 n=387)



Pre-retirees with annual household income of $75,000 or more (52 percent) are more apt than those with lower income (35 percent) to expect they will retire prior to age 65.

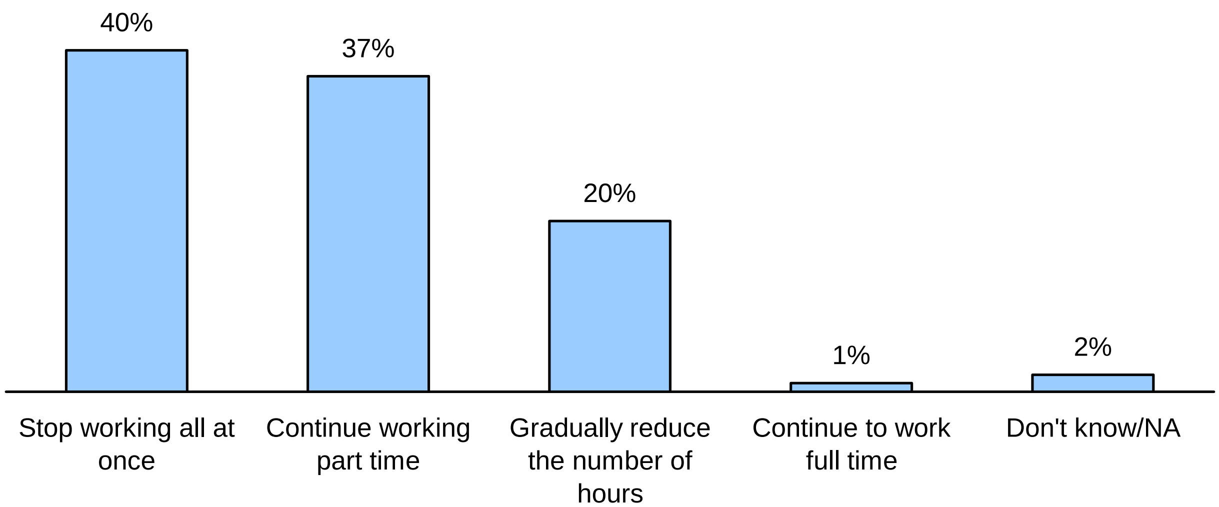
Pre-retirees saying retirement does not apply to them are less likely than other pre-retirees to be currently employed full time for pay (61 percent vs. 84 percent). At the same time, they are <u>more</u> likely to report household income under $35,000 (25 percent vs. 9 percent) and assets under $25,000 (34 percent vs. 24 percent).

The Retirement Process

Although four in ten pre-retirees plan to retire from their primary occupation by stopping work all at once (40 percent), almost the same amount say they intend to continue working part time (37 percent) and two in ten indicate they will gradually reduce their working hours (20 percent). Just 1 percent state they plan to work full time in retirement. (See Figure 41.)

Figure 41
The Process of Retiring
Which statement comes closest to describing how you plan to retire from your primary occupation?

Pre-retirees who provided an expected age at retirement (2007 n=266)

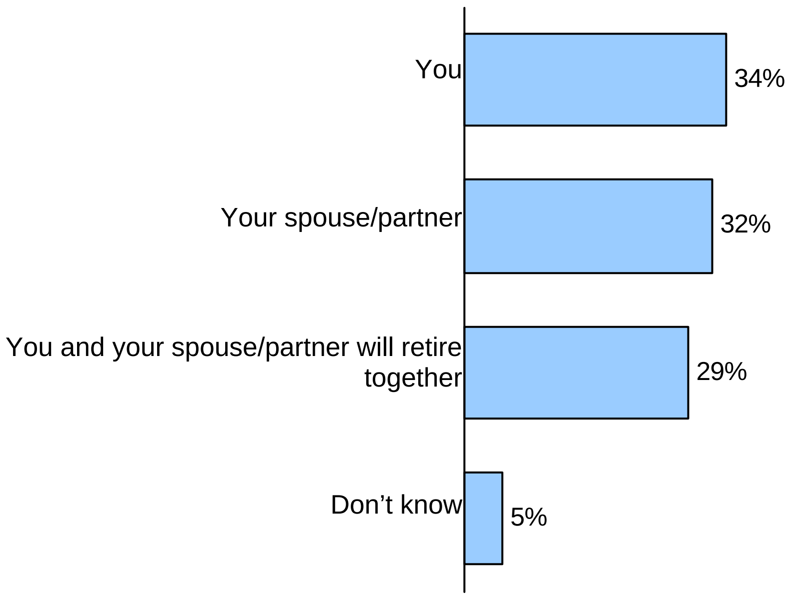


Men are more likely to suggest they will continue to work for pay part-time or periodically (45 percent vs. 29 percent of women), while women are more likely to say they will gradually reduce the numbers of hours they work before stopping completely (25 percent vs. 14 percent of men). Those who expect to have income from a defined benefit plan during retirement (45 percent) more often say they will stop working all at once than those who do not expect income from a defined benefit plan (28 percent).

About the same percentage of pre-retirees say they plan to retire first (34 percent) as those who say their spouse will retire first (32 percent). Slightly fewer say both they and their spouse will retire together (29 percent). (See Figure 42.)

Figure 42
Spousal Order of Retirement
Who will retire first? You, your spouse/partner, or will you and your spouse/partner retire together?

Pre-retirees who provided an expected age at retirement and who are married or living with a partner (2007 n=213)



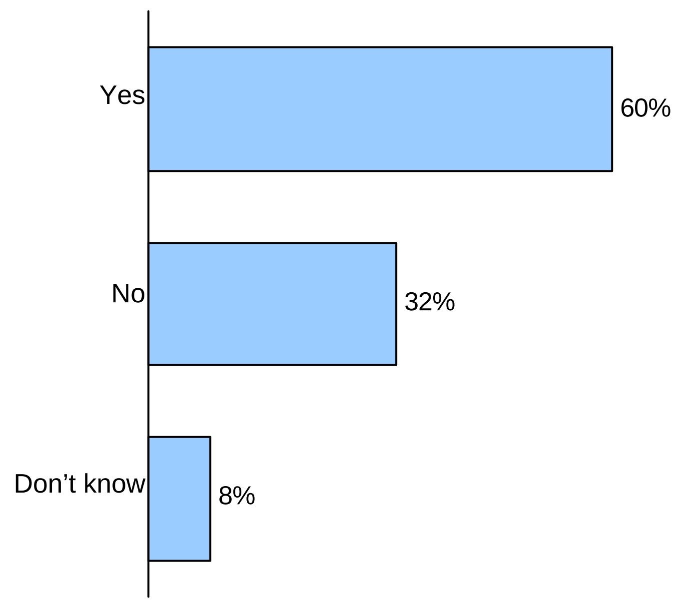
Men (48 percent vs. 20 percent of women) are more likely to say they will retire first, while women (40 percent vs. 19 percent of men) are more likely to say they and their spouse will retire together.

First Stage of Retirement

The majority of pre-retirees expect to have an active stage of retirement, where their abilities and needs are about the same as before they retired (60 percent). However, nearly one-third do not expect to have this same active stage of retirement (32 percent). (See Figure 43.)

Figure 43
Expected Time in First Stage of Retirement
Do you think you will have a time in retirement when your abilities and needs are about the same as before you retired?

Pre-retirees (2007 n=401)



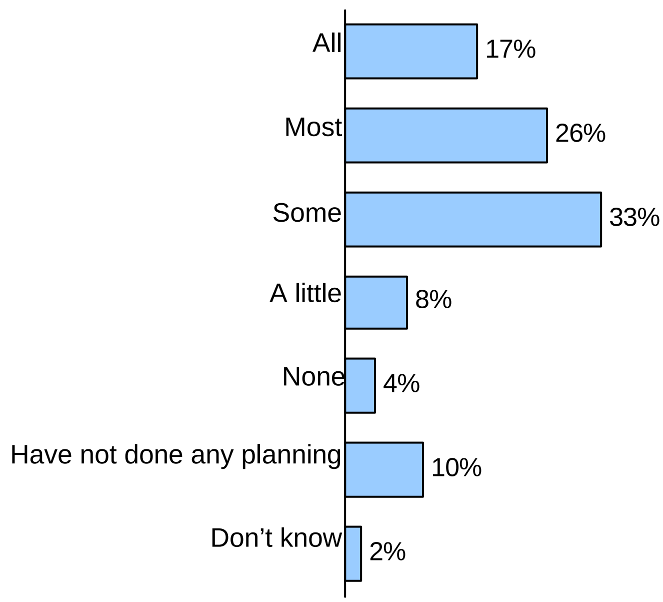
Married pre-retirees (63 percent) are more likely than unmarried pre-retirees (50 percent) to expect to experience the first, or active, stage of retirement. Seven in ten of those with a college degree (72 percent) expect to experience this first stage, compared with half of those with less education (54 percent). The expectation to spend at least some time in retirement in an active stage increases with household assets (41 percent of those with less than $25,000 in assets vs. 62 percent $25,000 to $99,999 and 71 percent $100,000 or more).

Of note, pre-retirees' reported health status is strongly related to the expectation of experiencing an active stage of retirement. While 70 percent of those in *excellent* or *very good* health expect to experience an active stage of retirement, just 50 percent of those in *good* health and 40 percent of those in *fair* or *poor* health expect the same.

Nearly half of pre-retirees say *all* or *most* of their retirement planning is focused on this first, or active, stage of retirement (44 percent). One-third of pre-retirees say *some* of their planning is focused on this active stage (33 percent). One in ten say *little* or *none* (11 percent) of their planning is focused on this first stage or that they have *done no planning* for retirement (10 percent). (See Figure 44.)

Figure 44
Planning for First Stage of Retirement
About how much of your retirement planning would you say is focused on this part of retirement?

Pre-retirees who expect to experience the first stage (2007 n=247)



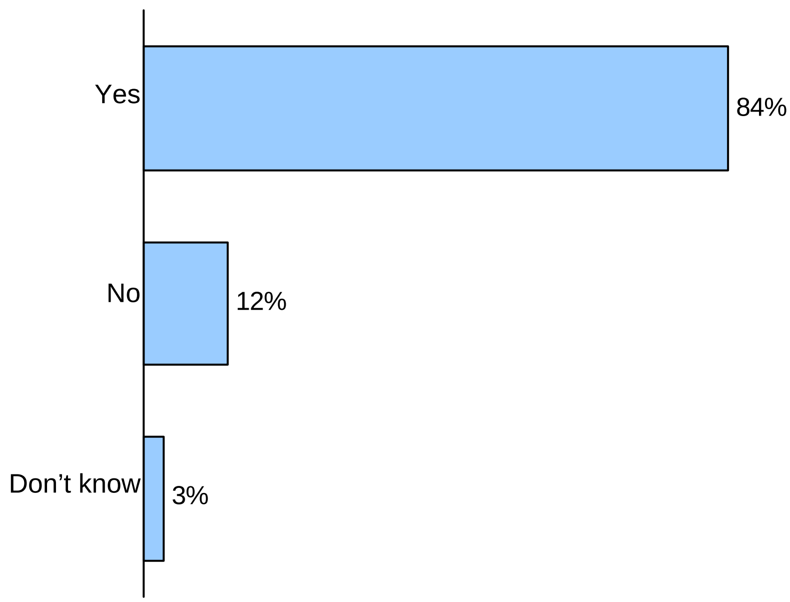
Pre-retirees with high income are more likely to say *all* or *most* of their planning is for this first stage of retirement. Of those with at least $75,000 in annual income, 55 percent say *all* or *most* of their planning is focused on the first stage, compared with 32 percent of those with less income.

Second Stage of Retirement

More than eight in ten pre-retirees expect to experience stage two in retirement, when they are somewhat less able to function as they used to and their needs are somewhat different as a result (84 percent). Only about one in ten do not expect to experience this second stage of retirement (12 percent). (See Figure 45.)

Figure 45
Expected Time in Second Stage of Retirement
Do you think you will have a time in retirement when you are somewhat less able to do things you used to do and your needs are somewhat different as a result?

Pre-retirees (2007 n=401)

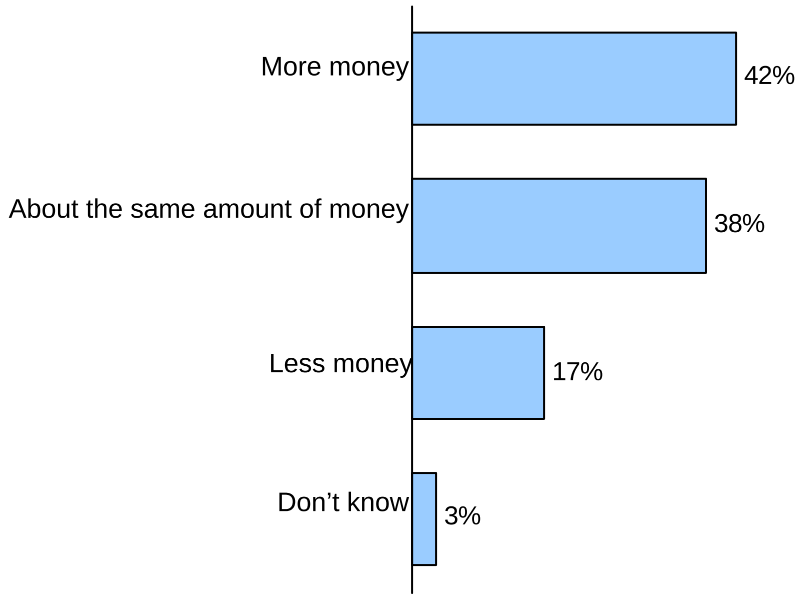


No group differences emerge in pre-retirees' expectations about experiencing the second, or somewhat limited, stage of retirement.

Four in ten pre-retirees each expect to spend *more money* (42 percent) or *about the same amount* of money (38 percent) in the second stage of retirement than they spent previously. About two in ten expect to *spend less* (17 percent). (See Figure 46.)

Figure 46
Expected Expenses in Second Stage of Retirement
During this time, do you think you will need less money, more money, or about the same amount of money as before to cover your expenses?

Pre-retirees who expect to experience the second stage (2007 n=337)



Women are more likely than men to expect to spend *more money* during this second stage of retirement (50 percent of women vs. 34 percent men). Less affluent pre-retirees also expect to spend *more* during this second stage. More than six in ten of those with less than $35,000 in income expect to spend *more* (63 percent), compared with just 37 percent of those with income over $35,000. Similarly, six in ten of those with less than $25,000 in assets expect to spend *more* (58 percent), compared with 35 percent of those with more assets.

Among those who expect to experience this second stage of retirement, about six in ten pre-retirees each expect they will have to depend on family or community services for assistance (59 percent) or have to modify their home to make it more elderly accessible or move to a more elderly accessible home (56 percent). About half expect they will have to pay someone to provide assistance during this second stage (46 percent). (See Figure 47.)

Figure 47
Needed Services in Second Stage of Retirement
I'm going to ask you about some ways that your needs might change during this time, when you are somewhat less able to do things and your needs are somewhat different. During this time, do you think you will need…?

Pre-retirees who expect to experience the second stage (2007 n=337)

	Yes	**No**	**Don't Know**
To depend on your family or community services for assistance	59%	35	6
To modify your home or move to a home that is more livable	56%	41	3
To pay someone to provide assistance	46%	44	11

Women are more likely than men to expect to depend on family or community services for assistance (69 percent of women vs. 48 percent of men). Married pre-retirees (61 percent) are more likely than unmarried pre-retirees (43 percent) to expect to have to modify their home or move to a more livable home during this second stage of retirement. College graduates (62 percent) are more likely than those with less education (37 percent) to expect to pay someone for assistance.

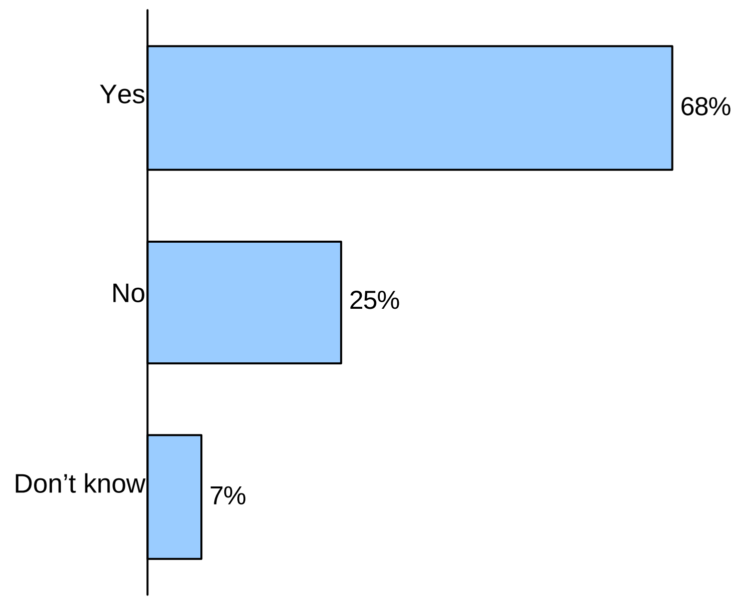
Affluence influences where pre-retirees expect to turn to for help in this second, somewhat limited stage of retirement. Those with assets less than $25,000 are more likely to expect to rely on family and community services (73 percent), when compared with those with at least $25,000 in assets (55 percent). Conversely, those with at least $100,000 in assets are more likely to expect to pay someone for assistance (59 percent vs. 36 percent of those with fewer assets).

Third Stage of Retirement

About seven in ten pre-retirees expect to experience a third stage of retirement, when they are much less able to function as they used to and their needs are very different as a result (68 percent). One-quarter do *not* expect to experience this third, or most limited, stage of retirement (25 percent). (See Figure 48.)

Figure 48
Expected Time in Third Stage of Retirement
Do you think you will have a time in retirement when you are much less able to do things you used to do and your needs are very different as a result?

Pre-retirees (2007 n=401)

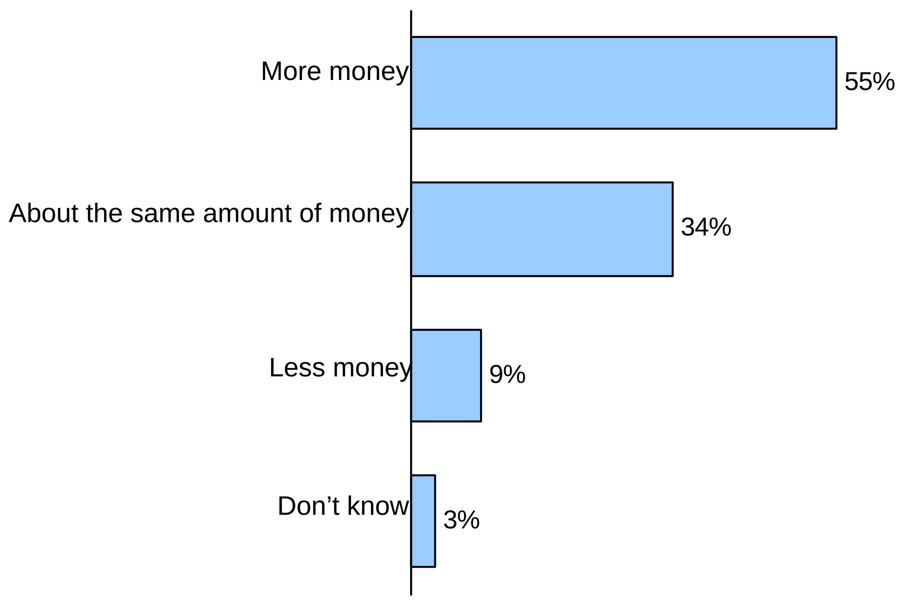


College graduates (76 percent) are more likely than those with less education (64 percent) to expect to spend time in retirement in this third, most limited stage.

Among those who expect to experience this third stage, more than half of pre-retirees expect to spend *more money* in the third stage of retirement than they spent prior (55 percent). One-third of pre-retirees expect to spend *the same amount of money* (34 percent), while one in ten expect to spend *less* (9 percent). (See Figure 49.)

Figure 49
Expected Expenses in Third Stage of Retirement
During this time, do you think you will need less money, more money, or about the same amount of money as before to cover your expenses?

Pre-retirees who expect to experience the third stage (2007 n=266)



Unmarried pre-retirees are more likely than married pre-retirees to expect to spend *more money* during this third stage of retirement (72 percent of unmarried vs. 50 percent married). Pre-retirees who earn less money expect to spend *more* during this third stage. Seven in ten of those with less than $35,000 in income expect to spend *more* (71 percent), compared with 61 percent of those with $35,000 to $74,999 and 45 percent of those with $75,000 or more.

Nearly eight in ten pre-retirees expect they will have to depend on family or community services for assistance (78 percent) by the time they reach the third stage of retirement, with this assistance starting in either the second or the third stage of retirement. About seven in ten each expect they will need to pay someone to provide assistance (70 percent) or to modify their home or move to a more livable home (69 percent). About six in ten expect they will need a nursing home or home health care (63 percent). (See Figure 50.)

Figure 50
Needed Services by the Third Stage of Retirement
I'm going to ask you about some ways that your needs might change during this time, when you are much less able to do things and your needs are very different. During this time, do you think you will need…?

Pre-retirees who expect to experience the third stage (2007 n=266)

	Yes	**No**	**Don't Know**
To depend on your family or community services for assistance	78%	20	2
To pay someone to provide assistance	70%	26	4
To modify your home or move to a home that is more livable	69%	28	2
Nursing home or home health care	63%	25	12

Education plays a large role in pre-retiree expectations about needing services by the time they reach the third, most limited stage of retirement. College graduates are more likely to expect to depend on family or community services (84 percent vs. 73 percent of those less educated), to pay someone for assistance (81 percent vs. 63 percent), to modify their home or move (76 percent vs. 64 percent), or to need nursing care (74 percent vs. 56 percent).

Affluence influences whether pre-retirees expect to pay for assistance or have nursing care by the time they reach the third stage of retirement. Those with income of $75,000 or more are more likely to expect to pay someone for assistance (78 percent vs. 63 percent of those with less income) or to expect to need a nursing home or home health care (74 percent vs. 54 percent). Those with $100,000 or more in assets are more likely to expect to pay someone for assistance (77 percent vs. 63 percent of those with fewer assets) or to expect needing nursing care (74 percent vs. 56 percent).

Changing Needs

Four in ten pre-retirees mention saving money, when asked what they have done or will do to prepare for changing needs in retirement (37 percent). Fewer mention investing to make assets last (19 percent), buying long-term care insurance (8 percent), home modifications or moving (8 percent), or paying off debts (5 percent). Almost two in ten mention they have done nothing to prepare for their changing needs in retirement (15 percent). (See Figure 51.)

Figure 51
Preparation for Changing Needs in Retirement
What, if anything, have you done or will you do to prepare for your changing needs in retirement? (Multiple responses accepted.)

Pre-retirees who expect to experience the second or third stage (2007 n=353)

	Mentioned
Save (more) money	37%
Invest to make assets last	19%
Buy long-term care insurance	8%
Make home modifications; move to a less expensive home	8%
Pay off debts	5%
Stay healthy; improve health; exercise	4%
Keep savings in reserve	4%
Cut back on spending	4%
Buy annuity; choose annuity option from pension	3%
Retirement plan; 401(k)	3%
Research options; financial planning; have a plan	2%
Make family/funeral/cemetery/life insurance arrangements; keep good relations	2%
Other	12%
Nothing	15%
Don’t know/Refused	7%

Affluence plays a role in the strategies pre-retirees mention they use or plan on using to prepare for changing needs in retirement. Those with higher income or more assets are more likely to mention financial strategies. For instance, those having at least $35,000 in income are more likely to mention investing to make assets last (22 percent vs. 5 percent with less income) or to mention buying long-term care insurance (10 percent vs. 1 percent). Those with $100,000 or more in household assets are more likely to mention saving money (48 percent vs. 34 percent of those with fewer assets), investing to make assets last (28 percent vs. 11 percent), or buying long-term care insurance (14 percent vs. 5 percent).

Women are more likely than men to mention saving money (43 percent of women vs. 32 percent of men) or to mention staying healthy or improving health (7 percent vs. 2 percent). While no pre-retirees with less than some college education mention staying healthy, 6 percent of those with at least some college education mention staying healthy or improving health as a way to prepare for changing needs in retirement.

RETIREE AND PRE-RETIREE COMPARISON

RETIREMENT RISKS

Concern About Risks

Overall, pre-retirees express higher levels of concern about retirement risks than retirees. (See Figure 52.) In particular, pre-retirees are more likely than retirees to be *very* or *somewhat* concerned about:

- being unable to afford adequate health care (69 percent pre-retirees vs. 51 percent retirees),
- keeping the value of their investments up with inflation (63 percent vs. 57 percent),
- having enough money to pay for long-term care (63 percent vs. 52 percent), and
- depleting all of their savings (56 percent vs. 45 percent).

On the other hand, retirees are more apt than pre-retirees to report they are *very* concerned about their spouse's ability to maintain their standard of living after their death (16 percent of married retirees vs. 10 percent of married pre-retirees) and having the financial ability to remain in their current home (16 percent vs. 10 percent).

Pre-retirees and retirees tend to say they are *most* concerned about different, but related risks. While the largest share of pre-retirees indicate they are *most* concerned about their ability to afford adequate health care (28 percent), the largest portion of retirees indicate 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). Retirees are significantly more likely than pre-retirees to indicate that none of the risks listed causes them the *most* concern. (17 percent retirees vs. 8 percent pre-retirees).

Figure 52
Retirement Risks
How concerned are you…? Which of these are you most concerned about?

	Very or Somewhat Concerned		Most Concerned	
	Retirees (n=400)	**Pre-Retirees** (n=401)	**Retirees** (n=400)	**Pre-Retirees** (n=401)
That you might not have enough money to pay for adequate health care	51%	69%	16%	28%
That you might not be able to keep the value of your savings and investments up with inflation	57%	63%	12%	9%
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	52%	63%	18%	17%
That you might not be able to maintain a reasonable standard of living for the rest of your (and your spouse's) life	48%	55%	6%	12%
That you might deplete all of your savings	45%	56%	6%	5%
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)	39%	35%	5%	3%
That you might not be able to afford to stay in your current home for the rest of your life	37%	35%	7%	5%
That you might not be able to rely on children or other family members to provide assistance	29%	33%	5%	4%
That you might not be able to leave money to your children or other heirs	28%	29%	4%	4%
None of these	(not asked)		17%	8%

<u>Inflation</u>

Pre-retirees and retirees differ in their estimates about how much inflation will affect their annual monetary needs in retirement. Pre-retirees are more likely to think inflation will affect their needs *a great deal* or *some* (76 percent of pre-retirees, compared with 67 percent of retirees).

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 they have or will save as much as they can (90 percent pre-retirees, 76 percent retirees) and eliminate their debt (89 percent pre-retirees, 79 percent retirees). (See Figure 53.)

Pre-retirees are also more likely than retirees to indicate they already have or plan to invest in stocks or stock mutual funds (65 percent pre-retirees, 56 percent retirees), in increasingly conservative investments with age (59 percent pre-retirees, 49 percent retirees), and in real estate (40 percent pre-retirees, 29 percent retirees). Pre-retirees are about twice as likely to say they have or plan to work longer than retirees (53 percent pre-retirees, 27 percent retirees). Also of note, pre-retirees are more likely than retirees to suggest they already have or plan to purchase or choose an employer plan option that provides guaranteed income for life (32 percent pre-retirees, 25 percent retirees). Pre-retirees and retirees are equally likely to indicate they already have or plan to perform strategies related to health care costs.

Figure 53
Strategies for Managing Risk
Have you (and your spouse) done the following to protect yourselves financially as you get older?

	Already Done or Plan to Do	
	Retirees (n=400)	**Pre-Retirees** (n=401)
Eliminate all of your consumer debt, by paying off all credit cards and loans	79%	89%
Try to save as much money as you can	76%	90%
Completely pay off your mortgage	76%	76%
Cut back on spending	67%	73%
Invest a portion of your money in stocks or stock mutual funds	56%	65%
Move your assets to increasingly conservative investments as you get older	49%	59%
Move into a smaller home or less expensive area	35%	37%
Buy real estate or invest in property	29%	40%
Work longer	27%	53%
Buy a product or choose an employer plan option that will provide you with guaranteed income for life	25%	32%

Insurance

Pre-retirees are more likely to feel it is *very* or *somewhat* important to buy insurance to protect against the financial consequences of unexpected events (71 percent vs. 61 percent of retirees). Retirees are more likely to feel it is *not too* or *not at all* important to buy insurance (35 percent vs. 26 percent of pre-retirees).

RETIREMENT FINANCES

Retirement Income

Retirees and pre-retirees have slightly different expectations about their sources of retirement income. Pre-retirees are less likely to expect income from Social Security than are retirees (16 percent of pre-retirees expect *no* income from Social Security vs. 9 percent of retirees). Pre-retirees are more likely to expect income from an employer's retirement savings plan, such as a 401(k), or from employment in retirement. While only 23 percent of pre-retirees expect *no* income from a workplace savings plan, 43 percent of retirees lack this income. Just 23 percent of pre-retirees expect *no* income from employment during retirement, compared with 45 percent of retirees who lack employment income. (See Figure 54.)

Figure 54
Sources of Regular Income
Retirees rely on many different sources to provide them with the money they need to cover their expenses. For each of the sources I read, please tell me if you think the amount you receive from it will change during the course of your retirement. If you will never receive any income from that source during your retirement, just let me know. Do you think the amount you receive from … will go up, go down, stay the same, or will you never receive money from that in retirement?

	Not a Source of Income	
	Retirees (n=400)	**Pre-Retirees** (n=401)
Social Security	9%	16%
An employer's traditional pension plan (if have pension: retirees n=240, pre-retirees n=256)	12%	5%
An IRA, bank, or investment account	33%	27%
Rental property or real estate, including your primary home	39%	33%
An employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan	43%	23%
Employment in retirement	45%	23%
A payout annuity purchased on your own	56%	55%

Use of Retirement Plan Assets

While like proportions of retirees (60 percent) and pre-retirees (65 percent) received or expect to receive income or money from defined benefit plans, considerably more pre-retirees (72 percent) than retirees (43 percent) mention money or income from an employer's retirement savings plan, such as 401(k).

Among those who report having had or expecting money from an employer's retirement savings plan, pre-retirees and retirees used or plan on using the money in different ways. Both retirees and pre-retirees are equally likely to plan on investing or saving all or some of the money in funds they can manage and withdraw as they like (72 percent retirees, 78 percent pre-retirees). Pre-retirees are more likely to say they will invest or save at least part of the money in funds that provide regular payments and where they have control over how the principal is invested (71 percent vs. 50 percent of retirees) or that they will spend the money or use it to pay off debt (41 percent vs. 23 percent). Retirees are more likely to say they have used or will use the money to purchase a financial product with guaranteed lifetime payments where they have no control over how the principal is invested (13 percent pre-retirees vs. 21 percent retirees).

Use of Savings

Significantly more pre-retirees plan on withdrawing principal from savings or investments (52 percent), than retirees who have withdrawn principal from savings or investments (31 percent).

Impact of Delayed Retirement

Pre-retirees are more likely to feel a three-year delay in retirement would make their retirement finances *a lot more* or *a little more* secure (68 percent vs. 45 percent of retirees). Retirees are more likely to feel this delay would make their finances *no more secure* (51 percent vs. 30 percent of pre-retirees).

Pre-retirees are more likely than retirees to feel, in every specific way they were asked, that delayed retirement would increase their financial security in retirement. (See Figure 55.) Pre-retirees are significantly more likely than retirees to feel their financial security in retirement would increase because they would:

- have additional time to contribute to and earn money on investments (86 percent pre-retirees, 63 percent retirees),
- get more each month from a pension (83 percent pre-retirees, 63 percent retirees),
- get more each month from Social Security, both for themselves (78 percent pre-retirees, 63 percent retirees) and for their spouse after their death (70 percent pre-retirees, 52 percent retirees),

- have to rely on their savings for less time (70 percent pre-retirees, 51 percent retirees), and
- have employer health insurance (77 percent pre-retirees, 48 percent retirees).

Figure 55
Financial Benefit from Delayed Retirement
Again, suppose you were to retire three years later than you are currently planning. How much, if at all, would each of the following increase your financial security in retirement? Would it increase your financial security a lot, a little, or not at all?

	Increase Security a Lot or a Little	
Among pre-retirees with an expected retirement age and retirees who provided a retirement age	**Retirees** (n=385)	**Pre-Retirees** (n=266)
Having three more years to make contributions to and earn money on your investments	63%	86%
Increasing the amount you receive each month from a defined benefit or traditional pension plan	63%	83%
Increasing the amount you receive each month from Social Security	63%	78%
Increasing the amount your spouse will receive each month from Social Security, if you should die first (if married: retirees n=242, pre-retirees n=207)	52%	70%
Relying on your savings for a shorter period of time	51%	70%
Continuing to receive health insurance coverage from your employer	48%	77%

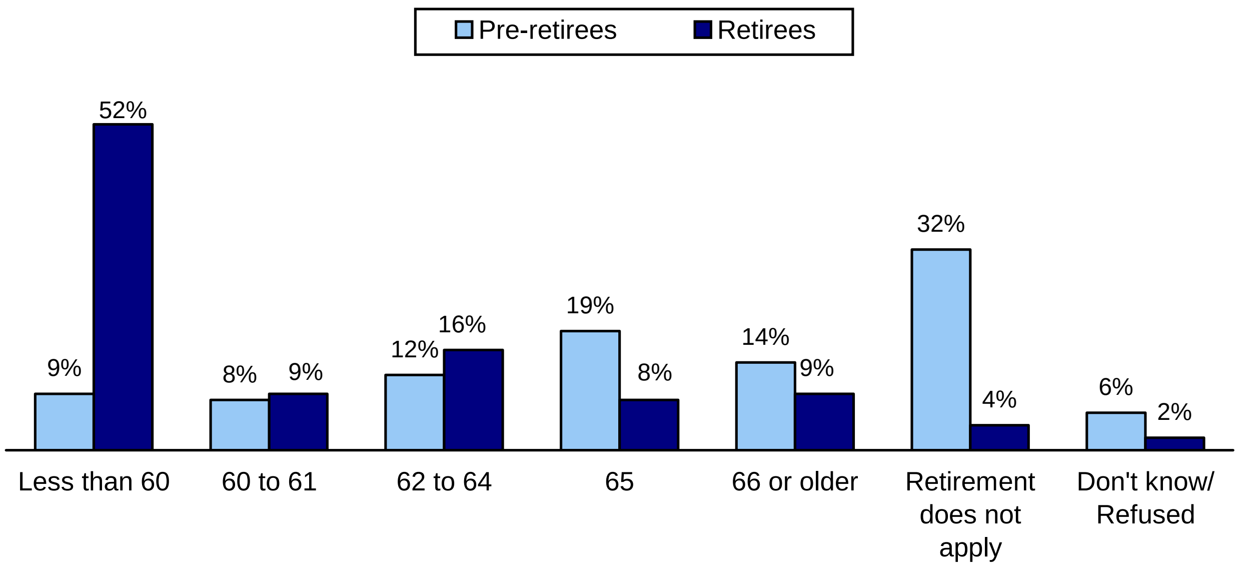
THE STAGES OF RETIREMENT

Retirement Age

Pre-retirees expect to work longer than retirees actually did. While half of retirees report they retired before they were 60 years old (52 percent), just one in ten pre-retirees expect to retire before age 60 (9 percent). The largest share of pre-retirees report they plan on retiring after age 65 (33 percent). Nearly three in ten say retirement does not apply to them (32 percent)—in other words, they do not expect to retire or are not currently employed. (See Figure 56.)

Figure 56
Expected Age/Age at Retirement
At what age do you expect to retire/did you retire from your primary occupation?

Pre-retirees in the workforce (n=387), Retirees (n=400)



The Retirement Process

More often than retirees (22 percent), pre-retirees (57 percent) expect 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 (67 percent) than pre-retirees (40 percent) say they retired by ceasing work all at once.

Married pre-retirees are more likely to expect they will work as long as or longer than their spouse, with 32 percent saying their spouse will retire first (vs. 19 percent of retirees) and 29 percent saying they and their spouse will retire together (vs. 11 percent of retirees). In comparison, married retirees are more likely to say they retired first (69 percent vs. 34 percent of pre-retirees).

First Stage of Retirement

The majority of pre-retirees expect they will have a time in retirement when their abilities and needs are about the same as before they retired (60 percent), more so than retirees saying they have experienced, are currently experiencing, or expect to experience this same active time in retirement (52 percent).

For the most part, retirees and pre-retirees have spent about the same amount of time planning for this first, active stage of retirement. Pre-retirees are more likely to say *all* of their planning has been for this stage (17 percent vs. 10 percent of retirees), while retirees are more likely to say only *a little* of their planning has been for this stage (14 percent vs. 8 percent of pre-retirees).

Second Stage of Retirement

Significantly more pre-retirees expect they will have a time in retirement when they are somewhat less able to do things they used to do and their needs are somewhat different as a result (84 percent vs. 72 percent of retirees who are experiencing or expect to experience this stage).

Among those expecting to experience this second, somewhat limited stage of retirement, pre-retirees are more likely to think they will need *less money* during this stage than before (17 percent vs. 6 percent of retirees).

Retirees and pre-retirees are equally likely to expect to need particular services during this second, somewhat limited stage of retirement, with one notable exception. Pre-retirees are more likely to expect they will need to depend on family or community services for assistance (59 percent) than are retirees (46 percent).

Third Stage of Retirement

Pre-retirees (68 percent) and retirees (65 percent) are equally likely to expect they will have a time in retirement when they are much less able to do things they used to do and their needs are very different as a result. Among both pre-retirees and retirees who expect to spend time in this third, most limited stage of retirement, both expect similar levels of expenses (55 percent of pre-retirees and 56 percent of retirees expect to spend *more money* during this stage).

However, among those expecting to spend time in this third, most limited stage of retirement, pre-retirees are more likely than retirees to expect they will need all services asked about, either during the second or third stages of retirement. (See Figure 57.) Pre-retirees are significantly more likely to expect they will need:

- to depend on family or community services for assistance (78 percent pre-retirees, 64 percent retirees),
- to pay someone for assistance (70 percent pre-retirees, 61 percent retirees),
- to modify their home or move to a more livable home (69 percent pre-retirees, 56 percent retirees), and
- a nursing home or home health care (63 percent pre-retirees, 53 percent retirees).

Figure 57
Needed Services by the Third Stage of Retirement
I'm going to ask you about some ways that your needs might change during this time, when you are much less able to do things and your needs are very different. During this time, do you think you will need…?

	Yes Will Need	
Among those expecting to experience the third stage	**Retirees** (n=260)	**Pre-Retirees** (n=266)
To depend on your family or community services for assistance	64%	78%
To pay someone to provide assistance	61%	70%
To modify your home or move to a home that is more livable	56%	69%
Nursing home or home health care	53%	63%

Changing Needs

When asked to explain what preparations they have taken or plan to take to prepare for their changing needs in retirement, some differences emerge. (See Figure 58.) Pre-retirees are more likely than retirees to say they:

- have saved or plan to save money or more money (37 percent pre-retirees, 16 percent retirees),
- paid off or plan to pay off debts (5 percent pre-retirees, 2 percent retirees), and
- have bought or chosen, or plan to buy or choose, an annuity option from their pension (3 percent pre-retirees, less than 0.5 percent retirees).

Retirees are more likely than pre-retirees to say they have or will make no preparations for their changing needs (28 percent retirees , 15 percent pre-retirees). Retirees are also more likely to mention a nursing home, assisted living, or hiring help as a preparation they have made or will make (3 percent retirees, less than 0.5 percent pre-retirees).

Figure 58
Preparation for Changing Needs in Retirement
What, if anything, have you done or will you do to prepare for your changing needs in retirement? (Multiple responses accepted.)

Among those expecting to experience the second or third stage	Mentioned **Retirees** (n=330)	 **Pre-Retirees** (n=353)
Save (more) money	16%	37%
Invest to make assets last	15%	19%
Buy long-term care insurance	11%	8%
Make home modifications; move to a less expensive home	9%	8%
Cut back on spending	6%	4%
Stay healthy; improve health; exercise	4%	4%
Pay off debts	2%	5%
Keep savings in reserve	2%	4%
Retirement plan; 401(k)	2%	3%
Get health or disability insurance	4%	1%
Buy annuity; choose annuity option from pension	<0.5%	3%
Research options; financial planning; have a plan	1%	2%
Make family/funeral/cemetery/life insurance arrangements; keep good relations	1%	2%
Nursing home; assisted living; hire help	3%	<0.5%
Other	11%	10%
Nothing	28%	15%
Don't know/Refused	7%	7%

RETIREMENT RISK

Concern About Risk

Retirees' levels of concern regarding the retirement risks examined in this study have remained relatively constant since 2001. However, retirees are more likely in 2007 than in 2001 or 2003 to report they are *very* concerned about having enough money to pay for long-term care in a nursing home or at home (27 percent in 2007 vs. 20 percent in 2003 and 20 percent for nursing home care and 18 percent for home care in 2001). (See Figure 59).

Figure 59
Retirement Risks: Retirees
How concerned are you…? Which of these are you most concerned about?

Retirees (2007 n=400, 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					
2007	27%	25	15	32	18%
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					
2007	25%	26	15	32	16
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					
2007	22%	34	19	24	12
2005	21%	29	22	26	10
2003	25%	32	21	21	17
2001	21%	34	22	23	NA

Figure 59 (continued)
Retirement Risks: Retirees
How concerned are you…? Which of these are you most concerned about?

Retirees (2007 n=400, 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 deplete all of your savings					
2007	22%	23	18	34	6
2005 (and be left only with Social Security)	20%	18	24	37	5
2003 (and be left only with Social Security)	25%	15	23	36	11
2001		(not asked)			NA
That you might not be able to maintain a reasonable standard of living for the rest of your life					
2007	20%	28	19	33	6
2005	17%	26	25	31	9
2003	17%	29	24	30	7
2001	17%	29	27	26	NA
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)					
2007 (n=261)	16%	23	17	43	5
2005 (n=177)	18%	19	22	40	5
2003 (n=172)	15%	19	24	41	6
2001 (n=167)	16%	27	22	35	NA
That you might not be able to afford to stay in your current home for the rest of your life					
2007	16%	20	15	48	7
2005	15%	16	20	49	6
2003	15%	16	28	40	4
2001		(not asked)			NA
That you might not be able to leave money to your children or other heirs					
2007	14%	15	18	52	4
2005	10%	16	24	49	2
2003	11%	16	27	46	3
2001		(not asked)			NA

Figure 59 (continued)
Retirement Risks: Retirees
How concerned are you…? Which of these are you most concerned about?

Retirees (2007 n=400, 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 rely on children or other family members to provide assistance					
2007	11%	18	19	51	5
2005	13%	14	21	51	1
2003	15%	16	21	47	4
2001		(not asked)			NA
None of these					
2007		(not asked)			17
2005		(not asked)			24
2003		(not asked)			19
2001		(not asked)			NA

Among pre-retirees, concern about many of the risks has dropped back to or below 2001 levels after an increase in 2003. For example, more than four in ten pre-retirees in 2003 (42 percent) said they were *very* concerned about their ability to keep the value of their investments up with inflation. Yet in 2007, less than one-quarter of pre-retirees (22 percent) express this level of concern about inflation, comparable to the 24 percent who said *very* concerned in 2001. (See Figure 60.) Other risks exhibiting this pattern for pre-retirees are:

- having to deplete all of their savings,
- maintaining their ability to have a reasonable standard of living for the rest of their life,
- having enough 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, and
- maintaining their spouse's ability to have the same standard of living after their death, if they should die first.

Figure 60

Retirement Risks: Pre-retirees

How concerned are you… ? Which of these are you most concerned about?

Pre-retirees (2007 n=401, 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					
2007	34%	35	12	18	28%
2005	42%	32	13	12	31%
2003 (…good health care)	49%	30	8	13	24%
2001 (…good health care)	30%	28	19	23	NA
That you might not be able to keep the value of your savings and investments up with inflation					
2007	22%	41	19	18	9
2005	26%	38	16	19	7
2003	42%	36	13	8	14
2001	24%	39	19	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					
2007	22%	41	17	20	17
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
That you might not be able to maintain a reasonable standard of living for the rest of your life					
2007	19%	36	26	18	12
2005	23%	36	24	16	10
2003	34%	37	18	11	15
2001	20%	35	28	17	NA

Figure 60 (continued)

Retirement Risks: Pre-retirees

How concerned are you… ? Which of these are you most concerned about?

Pre-retirees (2007 n=401, 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 deplete all of your savings					
2007	18%	37	24	19	5
2005 (…and be left only with Social Security)	28%	27	25	20	7
2003 (…and be left only with Social Security)	36%	29	18	16	12
2001		(not asked)			NA
That you might not be able to rely on children or other family members to provide assistance					
2007	13%	20	26	39	4
2005	16%	18	20	44	1
2003	13%	20	25	40	1
2001		(not asked)			NA
That your spouse may not be able to maintain the same standard of living after your death, if you should die first (if married)					
2007 (n=299)	10%	25	29	36	3
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					
2007	10%	25	25	40	5
2005	17%	17	24	42	4
2003	19%	25	23	33	6
2001		(not asked)			NA

Figure 60 (continued)
Retirement Risks: Pre-retirees
How concerned are you… ? Which of these are you most concerned about?

Pre-retirees (2007 n=401, 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 be able to leave money to your children or other heirs					
2007	9%	20	26	43	4
2005	16%	21	22	41	3
2003	13%	25	29	32	5
2001		(not asked)			NA
None of these					
2007					8
2005					15
2003					6

Strategies for Managing Risk

Figures 61 and 62 present trend data for retirees and pre-retirees on the strategies they use to manage risks in retirement. There has been little change in the use of these strategies between 2005 and 2007, although retirees in 2007 are more likely than previously to say they are planning to save as much as they can (27 percent, up from 20 percent), cut back on spending (20 percent, up from 14 percent), and work longer (16 percent, up from 10 percent). Pre-retirees are less likely to state they have already cut back on spending (37 percent, down from 45 percent).

Figure 61
Strategies for Managing Risk: Retirees
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/partner) have done that, plan to do that in the future, or have no plans to do that. To protect yourself financially, have you or do you plan to…(Multiple responses accepted.)

Retirees (2007 n=400, 2005 n=302)

	Already Done	Plan to Do in Future	No Plans	Don't know/ Refused
Eliminate all of your consumer debt, by paying off all credit cards and loans				
2007	55%	25	20	2
2005	56%	26	18	1
Try to save as much money as you can				
2007	52%	27	23	2
2005	56%	20	25	1
Completely pay off your mortgage				
2007	50%	26	23	1
2005 (homeowners, n=269)	56%	27	15	1
Invest a portion of your money in stocks or stock mutual funds				
2007	50%	8	43	1
2005	48%	6	46	0
Cut back on spending				
2007	48%	20	32	2
2005	51%	14	34	1

Figure 61 (continued)
Strategies for Managing Risk: Retirees
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/partner) have done that, plan to do that in the future, or have no plans to do that. To protect yourself financially, have you or do you plan to…

Retirees (2007 n=400, 2005 n=302)

	Already Done	Plan to Do in Future	No Plans	Don't know/ Refused
Move your assets to increasingly conservative investments as you get older				
2007	33%	17	48	3
2005	35%	18	48	<0.5
Buy a product or choose an employer plan option that will provide you with guaranteed income for life				
2007	23%	2	72	3
2005	27%	6	66	2
Buy real estate or invest in property				
2007	22%	8	70	1
2005	22%	5	71	2
Move to a smaller home or less expensive area				
2007	16%	19	62	3
2005	18%	18	64	<0.5
Work longer				
2007	13%	16	71	2
2005	14%	10	75	2

Figure 62
Strategies for Managing Risk: Pre-retirees
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 (2007 n=401, 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				
2007	54%	13	34	2
2005	50%	13	37	1
Try to save as much money as you can				
2007	49%	46	9	1
2005	48%	39	14	1
Eliminate all of your consumer debt, by paying off all credit cards and loans				
2007	41%	50	10	1
2005	44%	44	11	1
Cut back on spending				
2007	37%	38	26	1
2005	45%	34	20	1
Completely pay off your mortgage				
2007	25%	51	22	1
2005 (if homeowner n=242)	36%	51	12	1
Buy real estate or invest in property				
2007	25%	17	60	<0.5
2005	26%	18	56	<0.5
Move your assets to increasingly conservative investments as you get older				
2007	22%	40	37	4
2005	20%	36	43	2

Figure 62 (continued)
Strategies for Managing Risk: Pre-retirees
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 (2007 n=401, 2005 n=300)

	Already Done	Plan to Do in Future	No Plans	Don't Know/ Refused
Buy a product or choose an employer plan option that will provide you with guaranteed income for life				
2007	19%	14	63	4
2005	23%	16	58	3
Work longer				
2007	13%	43	45	2
2005	10%	43	47	1
Move to a smaller home or less expensive area				
2007	6%	31	61	2
2005	9%	28	61	2

With respect to managing health risk in retirement, retirees are more likely in 2007 than in 2005 to state they have already purchased long-term care insurance (28 percent, up from 20 percent). (See Figure 63.) There has been no significant change in the percentage of pre-retirees using or planning to use each health risk-management strategy. (See Figure 64.)

Figure 63
Strategies for Managing Health Risk: Retirees
Now I'm going to ask specifically about things some people do to protect themselves financially when it comes to health expenses. To protect yourself financially, have you or do you plan to…?

Retirees (2007 n=400, 2005 n=302)

	Already Done	Plan to Do in Future	No Plans	Don't know/ Refused
Maintain healthy lifestyle habits, such as a proper diet, regular exercise, and preventative care				
2007	75%	23	8	1
2005	(not asked)			
Purchase health insurance to supplement Medicare or participate in an employer-sponsored retiree health care plan				
2007	61%	14	25	1
2005	63%	13	23	1
Save specifically for the possibility of having large health expenses or needing long-term care				
2007	33%	15	49	4
2005	34%	15	50	1
Buy long-term care insurance				
2007	28%	9	59	4
2005	20%	14	66	1
Move into or arrange for care through a continuing care retirement facility				
2007	4%	9	85	3
2005	4%	12	84	1

Figure 64

Strategies for Managing Health Risk: Pre-retirees

I'm going to read you a list of things that some people do to protect themselves financially when it comes to health expenses. 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 (2007 n=401, 2005 n=300)

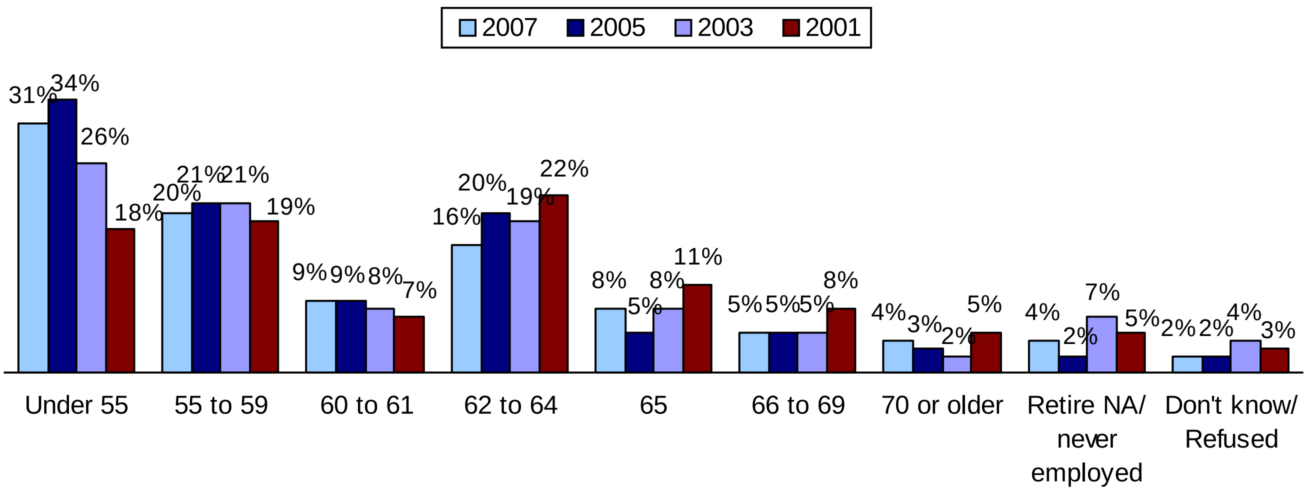
	Already Done	Plan to Do in Future	No Plans	Don't Know/ Refused
Maintain healthy lifestyle habits, such as a proper diet, regular exercise, and preventative care				
2007	69%	29	6	<0.5
2005		(not asked)		
Purchase health insurance to supplement Medicare or participate in an employer-sponsored retiree health care plan				
2007	28%	50	21	3
2005	30%	46	24	2
Buy long-term care insurance				
2007	17%	23	55	5
2005	16%	27	55	3
Save for the possibility of having large health expenses or needing long-term care				
2007	16%	30	51	3
2005	16%	34	50	2
Move into or arrange for care through a continuing care retirement facility				
2007	<0.5%	8	87	4
2005	3%	13	82	2

RETIREMENT AGE

In 2007, retirees (31 percent) were more likely to report they retired prior to reaching age 55 than they were in 2001 (18 percent), but levels are comparable to 2005 (34 percent) and 2003 (26 percent). (See Figure 65.)

Figure 65
Age at Retirement: Retirees
How old were you when you retired or began to retire from your primary occupation?

Retirees (2007 n=400, 2005 n=302, 2003 n=301, 2001 n=300)



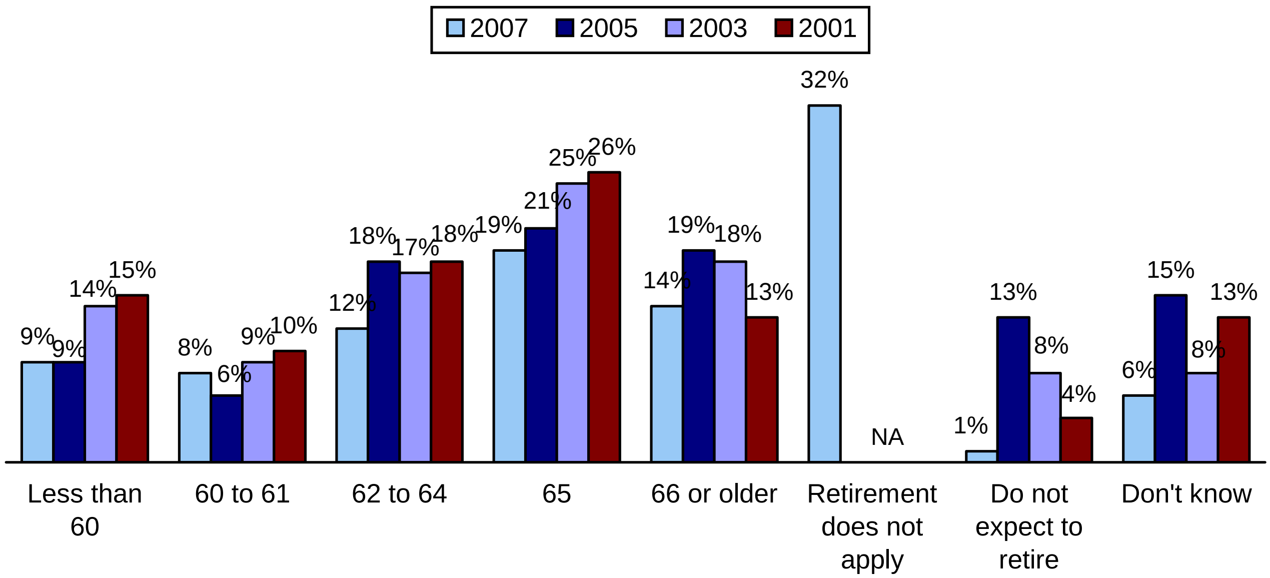
The 2007 findings for pre-retirees appear to confirm the trend toward planned retirement at later ages found in 2005. However, these findings may be somewhat muted by the different structure of the 2007 questions. The 2007 survey gave pre-retirees the opportunity to indicate in an earlier question whether they felt that retirement would ever apply to their situation and, as a result, nearly three in ten pre-retirees (32 percent) responded that retirement would never apply. While respondents were not asked to explain why retirement would never apply, comparing the 2007 data with previous iterations of the survey suggests that for some the reason must be that they do not intend to retire. Thus the drop in those unable to provide a retirement age because they do not expect to retire, down to less than 1 percent from 13 percent in 2005, 8 percent in 2003, and 4 percent in 2001. (See Figure 66.)

Figure 66

Expected Age at Retirement: Pre-retirees

At what age do you expect to retire from your primary occupation?

Pre-retirees in the workforce (2007 n=387, 2005 n=253, 2003=278, 2001=282)



PROFILE OF RESPONDENTS

Figure 67
Demographic Characteristics of Samples

	Retirees				Pre-Retirees			
	2001 (n=300)	**2003** (n=301)	**2005** (n=302)	**2007** (n=400)	**2001** (n=301)	**2003** (n=303)	**2005** (n=300)	**2007** (n=401)
Age								
45 to 54	6%	12%	14%	14%	59%	68%	65%	64%
55 to 64	17	25	29	31	34	29	30	31
65 to 80	62	63	57	55	7	3	5	5
81 and over	14	*	*	*	*	*	*	*
Gender								
Male	43%	45%	48%	47%	46%	49%	47%	48%
Female	57	55	52	53	54	51	53	52
Marital status								
Married	59%	63%	60%	63%	66%	62%	65%	74%
Widowed	28	19	17	16	6	4	4	4
Divorced	5	10	11	10	18	18	12	9
Separated	<0.5	1	1	1	2	2	1	1
Never married	7	6	9	7	7	10	13	9
Living with a partner	1	1	2	2	2	3	3	2
Education								
Some high school or less	12%	15%	9%	8%	7%	6%	3%	5%
High school graduate	27	29	28	26	23	26	26	25
Some college, trade or business school	27	33	25	33	33	26	31	33
College graduate	17	13	21	17	17	20	23	18
Post-graduate work	6	2	3	4	7	5	4	5
Graduate degree	10	8	13	11	12	17	13	14
Employment status								
Working	12%	14%	17%	14%	86%	78%	78%	86%
Retired	80	75	75	80	0	0	0	0
A homemaker	7	6	5	4	5	7	6	4
Laid off or unemployed and seeking work	<0.5	3	3	1	3	6	6	4
Other	1	2	1	1	6	9	10	6

* Respondents 81 or older were excluded from the 2003, 2005, and 2007 studies.

Figure 67 (continued)
Demographic Characteristics of Samples

	Retirees				Pre-Retirees			
	2001 (n=300)	**2003** (n=301)	**2005** (n=302)	**2007** (n=400)	**2001** (n=301)	**2003** (n=303)	**2005** (n=300)	**2007** (n=401)
Provide significant financial support for someone other than themselves/spouse								
Yes	12%	15%	14%	19%	32%	41%	35%	34%
Home ownership								
Own home free and clear	65%	56%	52%	55%	28%	27%	27%	30%
Own home, owe mortgage	21	30	35	33	57	55	50	59
Rent home	10	10	12	9	13	14	20	9
Don't know/refused	4	5	1	3	3	3	3	2
Health status								
Excellent	25%	27%	17%	18%	28%	33%	19%	25%
Very good	33	26	24	32	42	35	35	34
Good	21	24	34	27	18	21	29	29
Fair	14	13	19	13	9	9	11	7
Poor	5	8	6	10	2	2	4	4
Don't know/Refused	1	2	0	1	2	0	1	1
Household income								
Less than $25,000	14%	28%	21%	19%	12%	12%	15%	7%
$25,000 to $34,999	20	17	17	14	7	10	9	8
$35,000 to $49,999	16	17	18	13	18	24	16	13
$50,000 to $74,999	13	10	15	17	19	17	19	20
$75,000 to $99,999	8	7	7	12	14	12	17	20
$100,000 or more	7	4	10	11	15	14	15	22
Don't know/refused	22	16	13	14	15	11	9	10

Figure 67 (continued)
Demographic Characteristics of Samples

	Retirees				Pre-Retirees			
	2001 (n=300)	**2003** (n=301)	**2005** (n=302)	**2007** (n=400)	**2001** (n=301)	**2003** (n=303)	**2005** (n=300)	**2007** (n=401)
Total saved/invested								
Less than $25,000 (lowest category in 2001 was < $50,000)	28%	28%	23%	23%	28%	28%	25%	21%
$25,000 to $49,999		8	9	6		11	14	11
$50,000 to $99,999	12	12	11	5	17	12	8	11
$100,000 to $249,999	11	10	9	9	15	14	13	13
$250,000 to $499,999	9	8	6	9	9	7	13	11
$500,000 to $999,999	4	3	9	6	3	4	4	5
$1 million or more	4	2	3	7	2	2	2	5
Don’t know/Refused	32	30	29	36	26	22	21	24

POSTED QUESTIONNAIRE

2007 RISKS AND PROCESS OF RETIREMENT SURVEY
May 29 – June 18, 2007
(weighted/unweighted n=801)

Hello, my name is **[FIRST AND LAST NAME]**. I'm calling from National Research, an independent research firm. We are calling 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.

1 I need to start by asking a few questions about you and your household so that we can be sure we are talking to a wide variety of people. First, in what year were you born?

(Age)	Workers (n=401)	Retirees (n=400)
45 to 54	64%	14%
55 to 64	31	31
65 to 74	4	38
75 to 80	1	17
Median age	*53 years*	*66 years*

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

	Workers (n=401)	Retirees (n=400)
Male	48%	47%
Female	52	53

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

	Workers (n=401)	Retirees (n=400)
Married	74%	63%
Unmarried and living with a partner in a permanent relationship	2	2
Divorced	9	10
Separated	1	1
Widowed, or	4	16
Single, never married	9	7
[VOL] Don't know	--	--
[VOL] Refused	--	<0.5

4 **[IF MARRIED/PARTNER (Q3=1-2), ASK:]** In what year was your (spouse/partner) born?

(Age)	Workers (n=299)	Retirees (n=261)
Under 54	59%	18%
55 to 64	34	35
65 to 74	6	31
75 to 80	1	14
[VOL] Don't know	<0.5	<0.5
[VOL] Refused	--	<0.5

5 Are you now **[READ LIST]**?

	Workers (n=401)	Retirees (n=400)
Working	86%	14%
Retired	--	69
Disabled and unable to work	4	11
A homemaker	4	4
Laid off or unemployed and seeking work	4	1
Something else	2	1
[VOL] Don't know	--	--
[VOL] Refused	--	--

6a **[IF WORKING (Q5=1), ASK:]** In the past 12 months, have you worked for pay **[READ LIST]**?

	Workers (n=345)	Retirees (n=47)
Full time throughout the year	87%	62%
Part time throughout the year, or	7	26
Full or part time for only part of the year	5	10
[VOL] Don't know	<0.5	2
[VOL] Refused	<0.5	--

6.b **[IF RETIRED (Q5=2), ASK:]** Many people who consider themselves to be retired are still employed for pay. In the past 12 months, have you **[READ LIST]**?

	Workers (n=0)	Retirees (n=294)
Not worked for pay at all		79%
Worked for pay full time throughout the year		4
Worked for pay part time throughout the year, or		9
Worked for pay full or part time for only part of the year		9
[VOL] Don't know		--
[VOL] Refused		<0.5

6.c **[IF LAID OFF (Q5=4), ASK:]** Do you generally work for pay **[READ LIST]**?

	Workers (n=15)	Retirees (n=2)
Full time throughout the year	n=7	n=1
Part time throughout the year, or	n=1	--
Full or part time for only part of the year	n=5	n=1
[VOL] Don't know	n=2	--
[VOL] Refused	--	--

7 **[IF WORKING/LAID OFF/DISABLED (Q5=1, 4, 5), ASK:]** Do you consider yourself retired from a previous career or primary occupation?

	Workers (n=376)	Retirees (n=86)
Yes	--	100%
No	100%	--
[VOL] Don't know	<0.5	--
[VOL] Refused	--	--

[IF MARRIED/PARTNER (Q3=1-2), CONTINUE. ELSE SKIP TO CHECKPOINT.]

8 Is your (spouse/partner) now **[READ LIST]**?

	Workers (n=299)	Retirees (n=261)
Working	78%	36%
Retired	9	49
A homemaker	8	10
Disabled and unable to work	4	3
Laid off or unemployed and seeking work	1	1
Something else	--	1
[VOL] Don't know	--	<0.5
[VOL] Refused		

9 **[IF SPOUSE WORKING/LAID OFF/DISABLED (Q8=1, 4, 5), ASK:]** Does your (spouse/partner) consider himself or herself retired from a previous career or primary occupation?

	Workers (n=242)	Retirees (n=98)
Yes	9%	28%
No	91	72
[VOL] Don't know	--	--
[VOL] Refused	--	--

CHECKPOINT:
RETIREE IF:
--RETIRED (Q5 = 2)
--EMPLOYED/LAID-OFF/DISABLED (Q5 = 1, 4, 5) AND RETIRED FROM PRIMARY OCCUPATION (Q7=1)
--HOMEMAKER OR SOMETHING ELSE (Q5 = 3, 6) AND AGE 65+ (Q1 <= 1942)
--HOMEMAKER OR SOMETHING ELSE (Q5 = 3, 6) AND SPOUSE RETIRED (Q8=2 OR Q9=1)
ALL OTHERS ARE WORKER.

10 Version **[AUTOCODE]**

	Workers (n=401)	Retirees (n=400)
Worker version	100%	--
Retiree version	--	100%

The Process of Retiring

11 **[IF NOT PERSONALLY RETIRED (Q5≠2 AND Q7≠1), ASK;]** Retirement means different things to different people. **(WORKER:** Do you think there will come a time when you begin**/RETIREE:** Was there a time when you began**)** to think of yourself as retired, or **(WORKER:** doesn't**/RETIREE:** didn't**)** retirement really apply to your situation?

	Workers (n=401)	Retirees (n=20)
Will retire/retired	67%	40%
Retirement doesn't/didn't apply	32	60
[VOL] Don't know	2	--
[VOL] Refused	<0.5	--

[IF RETIREMENT NOT APPLICABLE (Q11=2), SKIP TO TEXT BEFORE Q18.]

12 **[IF WORKER AND EMPLOYED/LAID OFF FULL TIME (Q6a=1 OR Q6c=1), ASK;]** At what age do you expect to retire from your primary occupation? **[PROBE FOR SPECIFIC AGE. IF SAY WILL RETIRE GRADUALLY/CONTINUE WORKING, PROBE:** At what age will you BEGIN to retire?**]**
[IF WORKER AND NOT EMPLOYED/LAID OFF FULL TIME (Q6a≠1 AND Q6c≠1), ASK;] At what age do you think you will begin to think of yourself as retired? **[PROBE FOR SPECIFIC AGE.]**
[IF RETIREE AND PERSONALLY RETIRED (Q5=2 OR Q7=1), ASK:] How old were you when you retired or began to retire from your primary occupation? **[PROBE FOR SPECIFIC AGE.]**
[IF RETIREE AND HOMEMAKER/DISABLED/SOMETHING ELSE (Q5≠2 AND Q7≠1), ASK:] At what age did you begin to think of yourself as retired? **[PROBE FOR SPECIFIC AGE.]**

	Workers (n=270)	Retirees (n=388)
Under 55	1%	32%
55 to 59	12	21
60 to 61	11	10
62 to 64	18	17
65 to 67	35	12
68 or older	12	6
[VOL] Do not expect to retire	2	1
[VOL] Don't know	9	2
[VOL] Refused	--	--

[IF DO NOT EXPECT TO RETIRE (Q12=97), SKIP TO TEXT BEFORE Q18.]

13 **[IF MARRIED (Q3=1-2), ASK:]** Who **(WORKER:** will retire/**RETIREE:** retired) first? You, your (spouse/partner), or **(WORKER:** will/**RETIREE:** did**)** you and your (spouse/partner) retire together? **[IF SAY WILL RETIRE/RETIRED GRADUALLY, PROBE:** Who will begin/began to retire first?**]**

	Workers (n=213)	Retirees (n=248)
You	34%	69%
Your (spouse/partner)	32	19
You and your (spouse/partner) retire together	29	11
[VOL] Don't know	5	<0.5
[VOL] Refused	--	--

14 Which statement comes closest to describing how you **(WORKER:** plan to retire/**RETIREE:** retired**)** from your primary occupation? **[READ LIST.]**

	Workers (n=266)	Retirees (n=385)
You **(WORKER:** plan to stop/**RETIREE:** stopped**)** working all at once	40%	67%
You (plan to gradually reduce the number of hours you work/ gradually reduced the number of hours you work) before stopping completely	20	10
You (plan to continue/continued) to work for pay part time or periodically, or	37	12
You (plan to continue/continued) to work for pay full time	1	8
[VOL] Not applicable	1	2
[VOL] Don't know	2	--
[VOL] Refused	--	<0.5

15 **[IF RETIREE AND GRADUALLY REDUCED NUMBER OF HOURS WORKED OR CONTINUED TO WORK FOR PAY (Q14=2-4), ASK:]** How old **(IF CURRENTLY EMPLOYED (Q6b=1-3):** do you think you will be when you stop/**IF NOT CURRENTLY EMPLOYED (Q6b=0, 4, 5):** were you when you stopped**)** working for pay altogether?

	Workers (n=0)	Retirees (n=118)
Under 60		16%
60 to 64		22
65 to 67		18
68 or older		23
[VOL] Will never stop		7
[VOL] Don't know		15
[VOL] Refused		--

16 **[IF WORKER:]** Suppose you were to retire three years later than you are currently planning. Do you think this would make your retirement financially **[RANDOMLY REVERSE AND READ LIST.]**?
[IF RETIREE:] Suppose you had retired three years later than you actually did. Do you think this would have made your retirement financially **[RANDOMLY REVERSE AND READ LIST.]**?

	Workers (n=266)	Retirees (n=385)
A lot more secure	14%	15%
A little more secure	54	30
No more secure	30	51
[VOL] Don't know	3	4
[VOL] Refused	--	1

17 **[IF WORKER, ASK:]** Again, suppose you were to retire three years later than you are currently planning. How much, if at all, would each of the following increase your financial security in retirement? Would **[RANDOMIZE AND READ LIST. READ E-F TOGETHER AND IN ORDER.]** increase your financial security **[READ HALF:** a lot, a little, or not at all/**HALF:** not at all, a little, or a lot**]**?
[IF RETIREE, ASK:] Again, suppose you retired three years later than you actually did. How much, if at all, would each of the following have increased your financial security in retirement? Would **[RANDOMIZE AND READ LIST. READ E-F TOGETHER AND IN ORDER.]** have increased your financial security **[READ HALF:** a lot, a little, or not at all/**HALF:** not at all, a little, or a lot**]**?

	(Workers n=266; Retirees n=385)	**A Lot**	**A Little**	**Not at All**	**[VOL] DK**	**[VOL] REF**
a.	Relying on your savings for a shorter period of time					
	Workers	16%	54	28	2	--
	Retirees	11%	41	45	3	1
b.	Having three more years to make contributions to and earn money on your investments					
	Workers	28%	58	12	2	<0.5
	Retirees	15%	47	34	3	1
c.	Continuing to receive health insurance coverage from your employer					
	Workers	59%	17	21	3	--
	Retirees	32%	16	44	7	1
d.	Increasing the amount you receive each month from a defined benefit or traditional pension plan					
	Workers	28%	54	15	2	--
	Retirees	14%	48	32	3	1
e.	Increasing the amount you receive each month from Social Security					
	Workers	17%	61	20	2	--
	Retirees	15%	48	32	5	1
f.	**[IF MARRIED (Q3=1):]** Increasing the amount your spouse will receive each month from Social Security, if you should die first					
	Workers (n=207)	17%	52	23	7	--
	Retirees (n=242)	12%	40	38	8	2

Changing Needs in Retirement

[IF RETIREMENT DOESN'T APPLY OR WILL NEVER RETIRE (Q11=2 OR Q12=97), READ:] Many of the remaining questions will ask about your retirement. Since you've told me that **(IF RETIREMENT DOESN'T APPLY (Q11=2):** retirement doesn't apply to your situation/**IF WILL NEVER RETIRE (Q12=97):** you will never retire) I'd like you to think about the period from age 65 on whenever I mention retirement.

18 Do you think you will have a time in retirement when your abilities and needs are about the same as before you retired? **(IF RETIREE, ADD:** You may be experiencing that now or have already experienced it.**)**

	Workers (n=401)	Retirees (n=400)
Yes	60%	52%
No	32	36
[VOL] Don't know	8	11
[VOL] Refused	--	<0.5

19 **[IF EXPERIENCE FIRST STAGE (Q18=1), ASK:]** About how much of your **(IF WORKER:** retirement**)** planning would you say **(IF WORKER:** is/**IF RETIREE:** has been**)** focused on this part of retirement? **[READ LIST.]**

	Workers (n=247)	Retirees (n=208)
All	17%	10%
Most	26	27
Some	33	26
A little	8	14
None, or	4	3
Did you do no planning	10	14
[VOL] Don't know	2	4
[VOL] Refused	--	<0.5

20 Do you think you will have a time in retirement when you are somewhat less able to do things you used to do and your needs are somewhat different as a result? **(IF RETIREE, ADD:** You may be experiencing that now.**)**

	Workers (n=401)	Retirees (n=400)
Yes	84%	72%
No	12	24
[VOL] Don't know	3	5
[VOL] Refused	--	--

[IF EXPERIENCE SECOND STAGE (Q20=1), CONTINUE. ELSE SKIP TO Q23.]

21 During this time, do you think you will need **[READ HALF:** less money, more money/**HALF:** more money, less money**]**, or about the same amount of money as before to cover your expenses?

	Workers (n=337)	Retirees (n=284)
Less money	17%	6%
About the same amount of money	38	40
More money	42	50
[VOL] Don't know	3	4
[VOL] Refused	--	--

22 I'm going to ask you about some ways that your needs might change during this time, when you are somewhat less able to do things and your needs are somewhat different. During this time, do you think you will need **[RANDOMIZE AND READ LIST]**?

(Workers n=337; Retirees n=284)

	Yes	**No**	**[VOL] DK**	**[VOL] REF**
a. To depend on your family or community services for assistance				
Workers	59%	35	6	--
Retirees	46%	47	6	<0.5
b. To pay someone to provide assistance				
Workers	46%	44	11	--
Retirees	41%	48	11	<0.5
c. To modify your home or move to a home that is more livable				
Workers	56%	41	3	--
Retirees	48%	46	5	<0.5
d. Is there some other way your needs might change? **[SPECIFY]**				
Workers	29%	52	19	<0.5
Retirees	36%	49	16	--

23 Do you think you will have a time in retirement when you are much less able to do things you used to do and your needs are very different as a result?

	Workers (n=401)	Retirees (n=400)
Yes	68%	65%
No	25	27
[VOL] Don't know	7	8
[VOL] Refused	--	<0.5

[IF EXPERIENCE THIRD STAGE (Q23=1), CONTINUE. ELSE SKIP TO Q26.]

24 During this time, do you think you will need **[READ HALF:** less money, more money/**HALF:** more money, less money**]**, or about the same amount of money as before to cover your expenses?

	Workers (n=266)	Retirees (n=260)
Less money	9%	6%
About the same amount of money	34	33
More money	55	56
[VOL] Don't know	3	5
[VOL] Refused	--	--

25 Again, I'm going to ask you about some ways that your needs might change during this time, when you are much less able to do things and your needs are very different. During this time, do you think you will need **[RANDOMIZE AND READ LIST]**?

(Workers n=266; Retirees n=260)	**Yes**	**No**	**[VOL] DK**	**[VOL] REF**
a. To depend on your family or community services for assistance				
Workers	78%	20	2	--
Retirees	64%	29	8	--
b. To pay someone to provide assistance				
Workers	70%	26	4	--
Retirees	61%	28	11	<0.5
c. To modify your home or move to a home that is more livable				
Workers	69%	28	2	--
Retirees	56%	39	5	--
d. Nursing home or home health care				
Workers	63%	25	12	--
Retirees	53%	31	15	--
e. Is there some other way your needs might change? **[SPECIFY]**				
Workers	28%	52	19	<0.5
Retirees	27%	52	21	--

26 **[IF EXPERIENCE SECOND OR THIRD STAGE (Q20=1 OR Q23=1), ASK:]** What, if anything, have you done or will you do to prepare for your changing needs in retirement? **[DO NOT READ LIST. ACCEPT MULTIPLE RESONSES. PROBE:** What else?**]**

	Workers (n=353)	Retirees (n=330)
Save (more) money	37%	16%
Invest to make assets last	19%	15%
Buy long-term care insurance	8%	11%
Make home modifications	4%	6%
Cut back on spending	4%	6%
Stay healthy/improve health	4%	4%
Pay off debts	5%	2%
Keep savings in reserve	4%	2%
Move to less expensive home	4%	3%
Get health/disability insurance	1%	4%
Buy annuity/choose annuity option from pension	3%	<0.5
Research options/financial planning	2%	1%
Make arrangements for family/funeral	2%	1%
Nursing home/assisted living/hire help	<0.5	3%
Have retirement plan	2%	1%
Other **[SPECIFY]**	12%	12%
Nothing	15%	28%
Don't know	7%	7%
Refused	<0.5	<0.5

Retirement Income

27 When you (or your spouse/partner) **(WORKER:** retire, do you think you will/**RETIREE:** retired, did you**)** receive income or money from one or more **[RANDOMIZE AND READ LIST]**?

(Workers n=401; Retirees n=400)

		Yes	**No**	**[VOL] DK**	**[VOL] REF**
a.	Defined benefit pension plans, with benefits typically based on salary and years of service. This is sometimes called a traditional pension plan.				
	Workers	65%	33	1	--
	Retirees	60%	39	1	--
b.	Employer-sponsored retirement savings plans, such as a 401(k), 403(b), or 457 plan				
	Workers	72%	27	1	--
	Retirees	43%	57	<0.5	<0.5

28 **[IF HAVE DC PLAN (Q27b=1), ASK:]** What **(WORKER:** do you think you (or your spouse/partner) will/**RETIREE:** did you (or your spouse/partner)**)** do with some or all of the money from the retirement plans? **(WORKER:** Do you think you will/**RETIREE:** Did you**)** **[READ LIST IN ORDER]**?

(Workers n=280; Retirees n=170)

		Yes	**No**	**[VOL] DK**	**[VOL] REF**
a.	Use it to purchase a financial product that provides a series of regular payments that are guaranteed for life, where you have NO say in how the principal is invested				
	Workers	13%	72	14	1
	Retirees	21%	72	7	--
b.	Invest or save it in funds that provide a series of regular payments, where you or your designee can direct how the principal is invested				
	Workers	71%	20	10	--
	Retirees	50%	46	4	<0.5
c.	Invest or save it in funds that you manage and withdraw as you like				
	Workers	78%	15	7	--
	Retirees	72%	27	1	--
d.	Spend it or use it to pay off debt				
	Workers	41%	54	5	--
	Retirees	23%	75	<0.5	2

29 Retirees rely on many different sources to provide them with the money they need to cover their expenses. For each of the sources I read, please tell me if you think the amount you receive from it will change during the course of your retirement. If you will never receive any income from that source during your retirement, just let me know. Do you think the amount you receive from **[READ LIST. DO NOT RANDOMIZE.]** will go up, go down, stay the same, or will you never receive money from that **(IF WORKER:** in retirement)?

	(Workers n=401; Retirees n=400)	**Go up**	**Stay Same**	**Go Down**	**Never Rec.**	**[VOL] DK**	**[VOL] REF**
a.	Social Security						
	Workers	35%	25	19	16	5	--
	Retirees	59%	22	5	9	4	--
b.	**[IF HAVE DB PLAN (Q27a=1):]** An employer's traditional pension plan						
	Workers (n=256)	30%	58	5	5	1	--
	Retirees (n=240)	41%	41	3	12	3	--
c.	An employer's retirement savings plan, such as a 401(k), or from funds rolled over from this type of plan						
	Workers	34%	34	7	23	3	--
	Retirees	26%	22	3	43	6	--
d.	An IRA, bank, or investment account						
	Workers	35%	28	6	27	4	--
	Retirees	38%	20	4	33	5	--
e.	A payout annuity purchased on your own						
	Workers	16%	20	3	55	6	--
	Retirees	19%	17	2	56	6	<0.5
f.	Employment in retirement						
	Workers	24%	27	21	23	4	--
	Retirees	19%	26	6	45	4	<0.5
g.	Rental property or real estate, including your primary home						
	Workers	49%	12	3	33	3	--
	Retirees	40%	14	2	39	3	1

30 **(IF WORKER** When you retire, do you ever plan to/**IF RETIREE:** Do you ever**)** withdraw principal from savings or investments?

	Workers (n=401)	Retirees (n=400)
Yes	52%	31%
No	44	67
[VOL] Haven't thought about it/Don't know	4	1
[VOL] Refused	<0.5	1

31 **[IF RETIREE AND WITHDRAW MONEY FROM INVESTMENTS (Q29c=2-4 OR Q29d=2-4 OR Q30=1), ASK:]** About how often, if at all, do you review how you are withdrawing your money from savings and investments and make adjustments, if necessary, to the withdrawal amounts? Would you say about **[RANDOMLY REVERSE AND READ LIST.]**?

	Workers (n=0)	Retirees (n=313)
Once a year or more often		62%
Once every two years		5
Every three years or less often		23
[VOL] Don't know		7
[VOL] Refused		3

Managing Risks

32 Please tell me how concerned you are about each of the following **(WORKER ADD:** in retirement**)**. First/next, how concerned are you that **[RANDOMIZE AND READ LIST]**? Are you very concerned, somewhat, not too, or not at all concerned?

33 Which ONE of these would you say you are most concerned about **(WORKER ADD:** in retirement)? **[READ ALL VERY CONCERNED IN PRIOR Q. IF NO VERY CONCERNED, READ ALL SOMEWHAT CONCERNED.]**

	(Workers n=401; Retirees n=400)	Q32 Very Concern	Q32 Swhat Concern	Q32 Not too Concern	Q32 Not at all Concern	Q32 [VOL] DK	Q32 [VOL] REF	Q33 Most Con
a.	You might not be able to maintain a reasonable standard of living for the rest of your life							
	Workers	19%	36	26	18	1	--	12%
	Retirees	20%	28	19	33	1	--	6%
b.	You might not have enough money to pay for adequate health care							
	Workers	34%	35	12	18	1	--	28
	Retirees	25%	26	15	32	1	<0.5	16
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							
	Workers	22%	41	17	20	1	--	17
	Retirees	27%	25	15	32	<0.5	<0.5	18
d.	You might not be able to keep the value of your savings and investments up with inflation							
	Workers	22%	41	19	18	1	--	9
	Retirees	22%	34	19	24	--	1	12
e.	**[IF MARRIED (Q3=1-2):]** Your (spouse/partner) may not be able to maintain the same standard of living after your death, if you should die first							
	Workers (n=299)	10%	25	29	36	<0.5	--	3
	Retirees (n=261)	16%	23	17	43	1	--	5
f.	You might deplete all of your savings							
	Workers	18%	37	24	19	<0.5	--	5
	Retirees	22%	23	18	34	2	1	6

(Workers n=401; Retirees n=400)	Q32 Very Concern	Swhat Concern	Not too Concern	Not at all Concern	[VOL] DK	[VOL] REF	Q33 Most Con
g. You might not be able to afford to stay in your current home for the rest of your life							
Workers	10%	25	25	40	--	--	5
Retirees	16%	20	15	48	<0.5	<0.5	7
h. You might not be able to leave money to your children or other heirs							
Workers	9%	20	26	43	1	<0.5	4
Retirees	14%	15	18	52	<0.5	1	4
i. You might not be able to rely on children or other family members to provide assistance							
Workers	13%	20	26	39	1	<0.5	4
Retirees	11%	18	19	51	<0.5	--	5
[VOL] None of these							
Workers							8
Retirees							17
[VOL] Don't know							
Workers							4
Retirees							3
[VOL] Refused							
Workers							<0.5
Retirees							<0.5

[IF NOT MARRIED (Q3=3-8), SKIP TO Q36.]

34 If you were to pass away before your (spouse/partner) **(IF WORKER:** in retirement**)**, do you think it would leave your (spouse/partner) FINANCIALLY **(READ HALF:** better off, worse off, or about the same **/READ HALF:** worse off, better off, or about the same**)**?

	Workers (n=299)	Retirees (n=261)
Better off	34%	26%
About the same	58	62
Worse off	8	11
[VOL] Don't know	1	1
[VOL] Refused	--	<0.5

35 If your (spouse/partner) were to pass away before you **(IF WORKER:** in retirement**)**, do you think it would leave you FINANCIALLY **(READ HALF:** better off, worse off, or about the same **/READ HALF:** worse off, better off, or about the same**)**?

	Workers (n=299)	Retirees (n=261)
Better off	21%	16%
About the same	58	60
Worse off	21	22
[VOL] Don't know	<0.5	1
[VOL] Refused	--	<0.5

36 How much do you think inflation will affect the amount of money you will need each year in retirement? Will inflation affect it **[READ LIST]**?

	Workers (n=401)	Retirees (n=400)
A great deal	34%	28%
Some	42	39
A little, or	17	22
Not at all	4	7
[VOL] Don't know	4	4
[VOL] Refused	<0.5	--

37 I'm going to read you a list of things that some people do to protect themselves financially **(WORKER:** after they retire/**RETIREE:** as they get older**)**. For each, please tell me whether YOU (and your spouse/partner) have done that, plan to do that in the future, or have no plans to do that. To protect yourself financially, have you or do you plan to **[RANDOMIZE AND READ LIST**]? **[ACCEPT MULTIPLE RESPONSES.]**.

(Workers n=401; Retirees n=400)

		Already Done	Plan to Do in Future	No Plans	[VOL] DK	[VOL] REF
a.	Cut back on spending					
	Workers	37%	38	26	1	<0.5
	Retirees	48%	20	32	1	<0.5
b.	Move to a smaller home or less expensive area					
	Workers	6%	31	61	2	--
	Retirees	16%	19	62	3	<0.5
c.	Invest a portion of your money in stocks or stock mutual funds					
	Workers	54%	13	34	2	--
	Retirees	50%	8	43	1	1
d.	Move your assets to increasingly conservative investments as you get older					
	Workers	22%	40	37	4	--
	Retirees	33%	17	48	3	<0.5
e.	Buy real estate or invest in property					
	Workers	25%	17	60	<0.5	--
	Retirees	22%	8	70	1	--
f.	Work longer					
	Workers	13%	43	45	2	--
	Retirees	13%	16	71	1	1
g.	Try to save as much money as you can					
	Workers	49%	46	9	1	--
	Retirees	52%	27	23	1	1
h.	Completely pay off your mortgage					
	Workers	25%	51	22	1	1
	Retirees	50%	26	23	<0.5	1
i.	Eliminate all of your consumer debt, by paying off all credit cards and loans					
	Workers	41%	50	10	1	--
	Retirees	55%	25	20	1	1
j.	Buy a product or choose an employer plan option that will provide you with guaranteed income for life					
	Workers	19%	14	63	4	<0.5

Retirees	23%	2	72	2	<0.5

38 Now I'm going to ask specifically about things some people do to protect themselves financially when it comes to health expenses. To protect yourself financially, have you or do you plan to **[RANDOMIZE AND READ LIST]**? **[ACCEPT MULTIPLE RESPONSES.]**.

(Workers n=401; Retirees n=400)	Already Done	Plan to Do in Future	No Plans	[VOL] DK	[VOL] REF
a. Buy long-term care insurance					
Workers	17%	23	55	5	--
Retirees	28%	9	59	4	<0.5
b. Purchase health insurance to supplement Medicare or participate in an employer-provided retiree health plan					
Workers	28%	50	21	3	--
Retirees	61%	14	25	1	<0.5
c. Move into or arrange for care through a continuing care retirement community					
Workers	<0.5	8%	87	4	--
Retirees	4%	9	85	2	<0.5
d. Save specifically for the possibility of having large health expenses or needing long-term care					
Workers	16%	30	51	3	<0.5
Retirees	33%	15	49	3	<0.5
e. Maintain healthy lifestyle habits, such as a proper diet, regular exercise and preventative care					
Workers	69%	29	6	<0.5	--
Retirees	75%	23	8	<0.5	<0.5

39 Many people buy insurance to help protect against the financial consequences of unexpected events. How important do you think it is to buy insurance products to help protect against risks related to retirement? Is it **[READ LIST]**?

	Workers (n=401)	Retirees (n=400)
Very important	24%	28%
Somewhat important	47	33
Not too important, or	16	16
Not at all important	10	19
[VOL] Don't know	3	3
[VOL] Refused	<0.5	1

Demographics

[READ:] Now, I have just a few questions for statistical purposes.

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

	Workers (n=401)	Retirees (n=400)
Excellent	25%	18%
Very good	34	32
Good	29	27
Fair, or	7	13
Poor	4	10
[VOL] Don't know	1	<0.5
[VOL] Refused	1	<0.5

41 What was the highest grade of school or year of college that you completed? **[DO NOT READ LIST.]**

	Workers (n=401)	Retirees (n=400)
Some high school or less	5%	8%
High school graduate	25	26
Some college/trade or business school	33	33
Bachelors degree	18	17
Post graduate work	5	4
Graduate degree	14	11
[VOL] Don't know	<0.5	--
[VOL] Refused	1	<0.5

42 Do you currently **[READ LIST]**?

	Workers (n=401)	Retirees (n=400)
Own your home and owe money on a mortgage	59%	33%
Own your home free and clear	30	55
Rent your home	9	9
[VOL] Don’t know	1	1
[VOL] Refused	1	2

43 Do you provide significant financial support for anyone other than yourself (and your spouse/partner)?

	Workers (n=401)	Retirees (n=400)
Yes	34%	19%
No	65	79
[VOL] Don't know	<0.5	<0.5
[VOL] Refused	1	1

44 In 2006, was your total household income, before taxes, **[READ LIST]**?

	Workers (n=401)	Retirees (n=400)
Less than $25,000	7%	19%
$25,000 to less than $35,000	8	14
$35,000 to less than $50,000	13	13
$50,000 to less than $75,000	20	17
$75,000 to less than $100,000, or	20	12
$100,000 or more	22	11
[VOL] Don't know	2	4
[VOL] Refused	9	11

45 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=401)	Retirees (n=400)
Less than $25,000	21%	23%
$25,000 to less than $50,000	11	6
$50,000 to less than $100,000	11	5
$100,000 to less than $250,000	13	9
$250,000 to less than $500,000	11	9
$500,000 to less than $1 million, or	5	6
$1 million or more	5	7
[VOL] Don't know	8	9
[VOL] Refused	16	26