

# Money for Life

May 2004

Dear Readers,

What will it take to get more Americans to save and plan for retirement? Despite a recovering economy and efforts to educate about the importance of planning and saving for retirement, the percentage of Americans who say they are saving for retirement has been the same since 2001. This month's newsletter provides findings from the 2004 Retirement Confidence Survey and information from ISU Extension to help you plan for your retirement.



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## Retirement Confidence Survey



The 14<sup>th</sup> annual Retirement Confidence Survey studied the attitudes and behaviors of American workers and retirees toward saving, retirement planning, and long-term financial security. The 2004 RCS interviewed 1,002 workers and retirees over the age of 25. They found attitudes and behaviors regarding retirement are similar to those found over the past few years. Forty percent of workers say they are not currently saving for retirement. Many of those with savings have low levels of savings and investments.

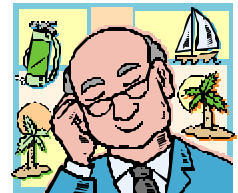
## Why Workers are Not Saving

### *Expectations of Working Longer*

More than half of workers expect to work to age 65 or older and 68 percent plan to work in retirement. However, the average retiree retired at age 62. In addition, the 2004 Retirement Confidence Survey finds that 37 percent left the work force earlier than planned. Many cited negative/unexpected reasons for retiring early such as health problems or disability or changes in their company such as downsizing or closure.

If you are considering an early retirement offer, link to “Thinking Over an Early Retirement Offer” at ISU Extension’s financial management website: <http://www.extension.iastate.edu/financial/earlyret/>

### *Low Expectations of How Much is Needed*



Twenty-eight percent of workers believe they will need less than 50 percent of their preretirement income to live comfortably in retirement and twenty-eight percent think they will need 70-85 percent. Thirty-nine percent of retirees say their current income is about the same as their preretirement income and 13 percent say it is higher.

The ISU Extension publication, “Retirement Income: How Much Do You Need?”(Pm 1818A) provides information to help you project your retirement needs and savings. A copy is available from your local ISU Extension office or at: <http://www.extension.iastate.edu/pubs/co2.htm>

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## Changes in Standard of Living

About two-thirds of workers believe that they will be at least as comfortable in the years immediately following retirement as they were before retirement. Six in 10 workers do not expect their standard of living to decline as they age during retirement.

Estimate how much money you might need to support your retirement lifestyle by reading “Estimating Your Retirement Expenses,” Pm 1818B, part of the Retirement: Secure Your Dreams publication series from ISU Extension.

## Social Security Eligibility

Many workers do not know when they will be eligible for Social Security benefits without a reduction for early retirement. Despite the importance of Social Security to retirement income, most workers do not know when they will be eligible for full Social Security benefits. Fifty-four percent of workers believe they will be eligible to receive full benefits earlier than the law permits. Many continue to be unaware of the phased increase in the normal retirement age from 65 to 67.



More information about Social Security can be found at their website: [www.ssa.gov](http://www.ssa.gov) or by calling

1-800-772-1213. If you have a touch-tone phone, recorded information and services are available 24 hours a day, including weekends and holidays. Have your Social Security number handy when you call.

## Willingness to Change Spending

The survey found no difference in income, age, sex, etc. between workers who say they are willing to cut back spending today to have more money in retirement later and those who are not willing. The reasons most cited by workers—willing and not willing—for not being able to cut back on spending are similar: they cannot afford to cut back; they have other priorities; or they are already saving enough.



## What You Can Do

Doing a retirement needs calculation every year can help you to determine if you are on track to reach your financial goals, according to Don Blandin, president of the American Savings Council. More than 100 financial planning calculators and interactive tools, including the *Ballpark Estimate* preretirement planning worksheet, *Retiree Health Savings Calculator*, and the *Retirement Personality Profiler*, as well as video and audio educational messages, are available at [www.choosetosave.org](http://www.choosetosave.org), a website developed for the general public to aid in savings education and retirement planning.

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