Wealth Management Systems Inc.

Retirement Confidence: Stable Among Workers, Growing Among Retirees

In its 26th annual Retirement Confidence Survey (RCS), Employee Benefit Research Institute (EBRI) found that workers' confidence in their ability to retire comfortably remains steady, while retirees' confidence is growing.

Among today's workers, 54% said that the total value of their savings and investments (excluding the value of their home and any defined benefit plan assets) is less than $25,000.

Americans' retirement confidence continues to rebound from the lows reported around the time of the Great Recession (2009 and 2013). In 2016, worker confidence was little changed from the previous year -- 21% versus 22% -- yet it has risen notably from 13% in 2013. Among retirees, confidence was markedly higher with 39% reporting that they felt "very confident" about their financial situation in 2016 -- up from a low of 18% in 2013.

Similarly, when asked about their ability to afford specific expenses in retirement, such as medical and long-term care costs or even basic living expenses, both workers and retirees reported significant increases in confidence.

Mixed Messages

Yet underlying this mostly upbeat theme is the persistent fact that most Americans have little or no money earmarked for retirement. Among today's workers, 54% said that the total value of their savings and investments (excluding the value of their home and any defined benefit plan assets) is less than $25,000. This includes 26% who have less than $1,000 in savings. Importantly, there is a significant savings gap between individuals who report that they or a spouse have some type of retirement plan -- be that a defined contribution plan, defined benefit plan, or an IRA -- and those who have no retirement savings vehicle. A similar gap exists among retirees who have retirement accounts and those that do not.

Workers Savings: Coming Up Short

	2016	2016 -- Have a Plan	2016 -- No Plan
Less than $1,000	26%	**9%**	**67%**
$1,000 to $9,999	16%	15%	16%
$10,000 to $24,999	12%	16%	4%

$25,000 to $49,999	10%	13%	4%
$50,000 to $99,999	10%	13%	3%
$100,000 to $249,999	12%	17%	1%
$250,000 or more	14%	18%	4%

Source: Employee Benefit Research Institute and Greenwald & Associates, *2016 Retirement Confidence Survey*, March 2016.

Retirement Plan Dynamics

Not only do workers and retirees that own retirement accounts have substantially more in savings and investments than those without such accounts, on a household level, these individuals tend to have assets stored in multiple savings vehicles. For instance, according to the 2016 RCS, about two-thirds of those with money in an employer-sponsored plan also report that they or a spouse have an IRA. Further, 90% of survey respondents with access to a defined benefit pension plan either through their current or former employer also have money in a defined contribution plan.

What else might we glean from the 2016 RCS about retirement plan access and usage that may shed light on the state of retirement saving and confidence in America? Here are a few issues to consider.

Retirement plan loans. According to EBRI, nearly one in four workers currently contributing to an employer-sponsored retirement plan had taken a loan from their plan. The top five reasons mentioned include:

- Paying off debt -- 21%
- Purchasing a home -- 17%
- Home improvements -- 13%
- Health problem or disability -- 13%
- Family situation -- 10%

Borrowing money from your employer-sponsored retirement plan may seem like an effective solution to a pressing financial need. But gaining access to your retirement investments in order to enhance your short-term cash flow isn't necessarily the best long-term strategy. In fact, it could make it harder to achieve financial security later in life.

Managing retirement plan assets when leaving an employer. Forty-seven percent of workers and 54% of retirees said that they had participated in a retirement plan from a former employer. While a minority of retirees indicated that they had spent the money, most reported that they transferred some or all of it to personal savings/investment accounts (51%), left the money in the former employer's plan (46%), or rolled the balance into an IRA (44%).

Most employer-sponsored retirement savings plans offer several choices for managing the money that has accumulated in your account when you decide to change jobs or retire. You will want to think carefully before making any decisions about withdrawing the money in your retirement plan, as some choices may entail greater tax liability than others.

Seeking advice. Nearly 70% of survey respondents who are retirement plan participants indicated that they were very likely or somewhat likely to seek advice offered by their retirement plan provider; 69% would chose an independent financial services company or advisor. Significantly fewer (43%) said they would be likely to seek advice from an online or telephone service retained by their employer.

A qualified financial professional can help you make decisions about what to do with the money in your current employer's plan when you leave the company, how to invest the money, and what to do with the money when you retire, and can offer strategies for converting retirement assets into income.

To review the 2016 Retirement Confidence Survey in its entirety, visit EBRI's website.

Source: Employee Benefit Research Institute and Greenwald & Associates, *2016 Retirement Confidence Survey*, March 2016.