Will Retirement Assets Last a Lifetime?

Society of Actuaries, LIMRA, and InFRE

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This report presents the results of a quantitative research study, jointly sponsored by the Society of Actuaries (SOA), LIMRA, and the International Foundation for Retirement Education (InFRE). It was conducted to better understand how retired individuals with investable assets make decisions about investing their assets and buying financial products.

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Introduction: Purpose

In the fall of 2005, LIMRA and the Society of Actuaries conducted a series of six focus groups with retirees who had significant retirement income and decision-making responsibilities for their household. The purpose of the focus group study was to gain an understanding of how retirees approached key financial decisions about managing their money in retirement.

The envisioned benefits of the qualitative study were to help:

(1) Actuaries design better retirement financial systems,

(2) The financial services industry understand areas of misperception, and

(3) Provide policymakers with insight for driving public policy goals.

With the results of the 2005 study (Phase I) providing useful qualitative information, it was decided to further investigate these findings with a broad-based survey (Phase II). In essence, the motivation for Phase II was to test whether the insight gained anecdotally was consistent with information that would be gained from a more extensive and quantitative-based method.

Introduction: Research Design

Phase II was jointly sponsored by the Society of Actuaries (SOA), LIMRA, and the International Foundation for Retirement Education (InFRE) and consisted of an online survey. Respondents were recruited by Synovate, a survey vendor.

The focus group study findings provided a framework for the theme of the Phase II survey, and researchers developed and compiled a battery of questions. These questions were then posed to a sample of approximately 1,500 respondents chosen to reasonably match the characteristics of participants in the focus group study. Through this design, the consistency between the findings from the focus group study and Phase II could be assessed, and accomplish one of the primary purposes of the survey. It should be noted that the sample surveyed in Phase II was chosen with specific characteristics that differ from a general sample of the U.S. retiree population. These characteristics are described in subsequent portions of the report.

Introduction: Research Design (continued)

This research study adds a new component to the sponsoring organizations' prior work of understanding how the public perceives and deals with post-retirement risks. Unlike much of the work that focuses on the public at large, this study focuses on individuals who are already retired, between ages 55 and 75, and who have $100,000 or more in household investable financial assets. It is within this age range when individuals make decisions about investments in retirement, and the purchase of financial products.

This study's overall purpose is to better understand both the decisions and the decision-making process. As a result, the stakeholders in the retirement system can improve the way decisions are made and provide better service to the public. It should be noted that these results provide insight into this specific group, and not into the total retired population or the total population of older Americans.

Detailed tables of results can be found in the related Technical Supplement.

Highlights: Research Focus

This study focuses on the investment, risk management, and asset management experience of a select group of retirees — those aged 55 to 75, with at least $100,000 in household investable assets. The term “retired” is self-defined. The questionnaire was fielded in February 2008, after the stock market had declined from its peak, but before the major declines experienced in the latter half of 2008.

The results from this study can be interpreted both positively and negatively. For example, while nearly 4 in 10 retirees have formal written retirement plans, the majority do not. But among those without formal written plans, the majority say they have informal plans. Therefore, a clear majority of retirees (82%) have either formal or informal plans in place.

Highlights: Comparison to Other Research Studies

Results of the Retirement Confidence Survey,[1] which has been issued annually for many years, show overconfidence on the part of Americans with regard to retirement security. Furthermore, the Retirement Confidence Survey, and related research by the SOA, LIMRA, and other sources, demonstrate gaps in knowledge with regard to retirement planning and actions. The results of the Phase II study also exhibit significant optimism on the respondents' part, along with some gaps in knowledge.

[1] Sponsored by the Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC) and Mathew Greenwald & Associates (Greenwald)

Key Findings: Retirement Income

- Almost half of the retirees (45%) are not receiving enough income from Social Security and/or defined benefit (DB) plans to cover their basic living expenses without using their savings, yet these retirees appear to have little interest in securing more guaranteed life income. Among retirees who lack funds to pay basic expenses and are not interested in converting a portion of their savings into guaranteed life income, only half of them receive income from DB plans.
- Overall, 64% of retirees receive household income from defined benefit plans. Another study, *Defined Contribution Plan Distribution Choices at Retirement - A Survey of Employees Retiring Between 2002 and 2007* by the Investment Company Institute (ICI), found that 57% of the respondents have income from DB plans.[2] Compared to these two findings, expectations regarding DB income should be quite different for future generations of retirees.
- Two in five retirees did not take any withdrawals from their investable assets in 2007. It is likely that they either (1) did not need the money, or (2) are trying to leave money in tax deferred accounts as long as possible, and will take minimum required distributions from these accounts after age 70 as required by law. Retirees also indicate that their households have retirement assets that they have not yet tapped.

[2] The survey sample was selected to be representative of the national population of recently retired DC plan participants; published Fall 2008.

Key Findings: Asset Longevity

- Most retirees acknowledge that assets and investments have to last many years in retirement; two thirds say their finances need to last at least 20 additional years. Nearly half of retirees who have been retired less than 5 years say their funds must last at least 25 years. Other research shows that many people underestimate this number. Personal health and family history are the greatest factors used in estimating how long retirement resources need to last.
- Nearly 3 in 10 retirees have not estimated how many years their assets and investments might last in retirement, while 1 in 10 retirees have never thought about it. Six in 10 have actually estimated the number.
- More than half (55%) of the respondents retired earlier than they had planned. Of these retirees, 39% (23% of all respondents) were forced to retire due to health issues or job loss, and 22% (12% of all respondents) were offered buyouts or early retirement. The remaining 34% (19% of all respondents) retired voluntarily because they wanted to retire.

Key Findings: Retirement Investing

- The vast majority of the retirees (95%) are confident that their investments are being managed well — half say they are "very" confident. This is a subjective judgment — there is no objective information as to whether their assets and investments are being managed well or not.

- As retirees planned their investments in retirement, the majority (59%) did not encounter any problems while investing their money. This perception may portray overconfidence in their control of the situation.

- Few retirees have increased their risk tolerance since first retiring. Most retirees maintain the same level of risk tolerance, while others become more conservative. It should be noted that the survey was fielded in February 2008 and levels of risk tolerance may have undergone changes later in the year. Only 1% of the respondents describe their risk tolerance when first retired as extremely aggressive. Concerns about the economy and future inflation are the top reasons for adjusting levels of risk tolerance.

Key Findings: The Pluses

- Most retirees are confident that they have saved enough money to live comfortably throughout retirement — 37% are "very" confident and 51% are "somewhat" confident (this is a positive result only if they are not overconfident).
- A majority of retirees (59%) say they have not experienced any problems while planning their investments in retirement (this is a positive result only if they are not overconfident).
- Many retirees have a plan for managing their finances in retirement — 38% have formal written plans for retirement and 45% have informal plans.
- Actively planning retirement was not a last minute effort for the majority of retirees; 53% actively planned for five years or more.
- Among respondents who have been retired less than 5 years, 46% recognize that their household retirement resources need to last 25 years or more.

Key Findings: The Pluses (continued)

- Half of the retirees who estimated the number of years their resources “might” last, figure that their retirement resources need to last 25 years or more.
- Retirees have a diversified portfolio when it comes to investable assets.
- Eight in ten retirees have met or exceeded the financial security goals set when they first retired.
- The vast majority of retirees (96%) own their own homes, but 42% of owners still have a mortgage or home equity loan.

Key Findings: The Minuses

- Nearly 2 out of 10 retirees have neither written formal retirement plans nor informal plans.
- A slight majority (54%) of retirees have no specific plans for withdrawing funds they saved on their own, such as personal savings, CDs, IRAs, etc.
- Two out of 10 retirees did not actively plan their retirement prior to retiring, and 7% planned less than one year prior to retirement.
- When assessing whether they could afford to retire:
  - Nearly 4 in 10 retirees did not evaluate the best time to take Social Security.
  - Half of the retirees did not consider the fact that Medicare starts at age 65.

Key Findings: The Minuses (continued)

- One in six retirees have outstanding debt of $100,000 or more.
- Nearly 4 in 10 respondents have not estimated how long their financial resources might last.
- One in seven retirees have not figured out how many additional years their money needs to last. If they have significant DB income, this may not be a problem.
- Not all retirees with personal financial advisors are receiving help with minimizing retirement risks; 44% of retirees with advisors have not had their exposure to retirement risks addressed by their advisor.
- Three in ten retirees either have not thought about how they might pay for potential long-term care expenses, or believe Medicare will cover them.

Conclusions

This study offers insights into how retired Americans aged 55 to 75, with $100,000 or more of household investable assets make decisions about investments and the purchase of risk protection products. It offers new insights, reinforces previous observations about this group, and provides information that will be helpful to advisors and product developers as they seek to serve this group better.

Readers should keep in mind that the survey was conducted before the large drops in the stock market, and should be interpreted in that light. The survey results present a good news/bad news story in terms of how retirees approach retirement decisions.

At the time of the survey, most of the respondents were quite confident about their investment programs. Some of them had engaged in considerable planning and analysis, while others had not attempted any. Interest in financial products for risk protection was quite low and some respondents had not considered them.

Conclusions (continued)

Final Observations and Considerations for Future Investigation

- In light of the economic changes that occurred in late 2008, it would be beneficial to survey retirees to see how their financial attitudes and behaviors have changed.
- Further research into the management of assets in the retirement period is still needed.
- It is important for the future of the retirement system for key players to realize that while some individuals will manage very well on their own, many will not. The industry needs to offer systems that do not solely depend on the action of individuals.
- Advisors and organizations developing consumer materials can gain insight from these results; recognizing the gaps between retiree knowledge and perception can help the industry further develop the process used to help individuals structure their retirement plans.
- The results of this research should help to design financial products that better meet the needs of retirees.

Conclusions (continued)

***Final Observations and Considerations for Future Investigation* (continued)**

- Assuming the importance of guaranteed life income, the financial services industry should consider both the concept of "nudges" and systems that provide income automatically. Nudges, as described in a recent book[3] by Richard H. Thaler and Cass R. Sunstein, are factors that influence choices. The Phase II study reinforces the concept that given a choice, with no other incentives, most people will not choose to exchange control over their assets for guaranteed life income.

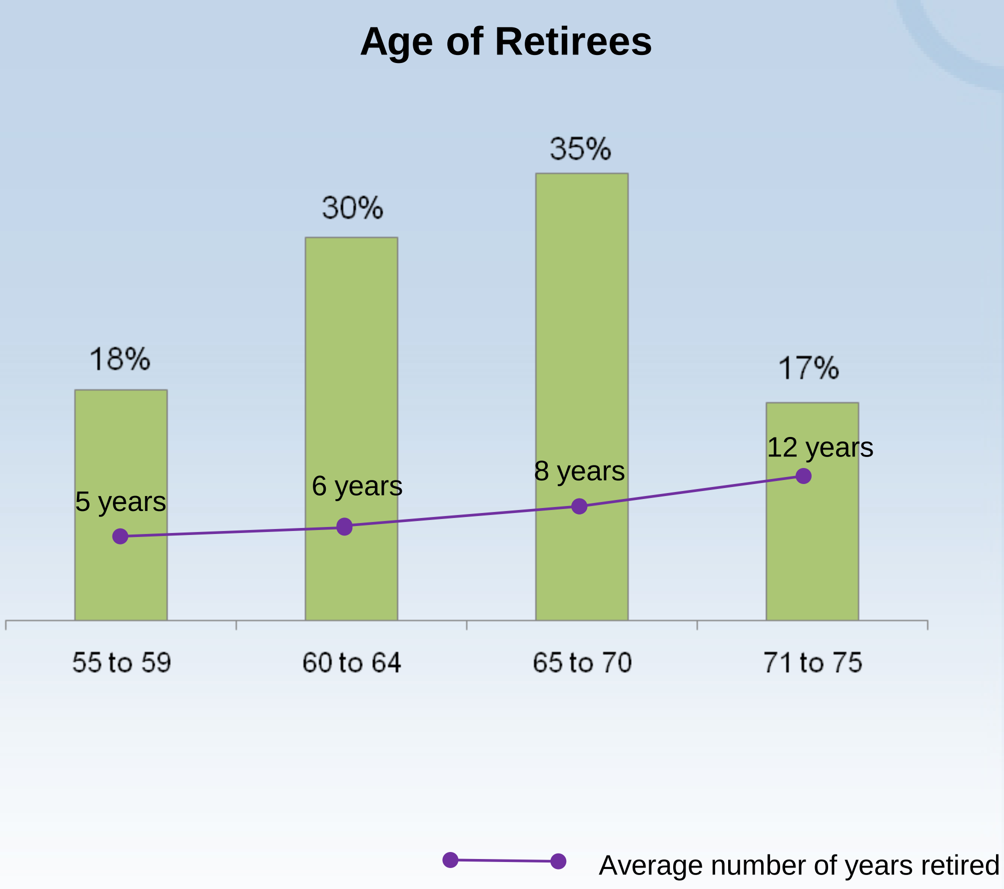
[3] Thaler, Richard H., and Sunstein, Cass R., *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Yale University Press, 2008.

Who Are These Retirees?

International Foundation for Retirement Education

The average number of years retirees spend in retirement will increase if the early retirement trend continues.

- Most retirees in the study are between ages 60 and 70 (65%).
- The average number of years they have been retired is seven.
- When today's youngest retirees reach ages 65 and 70, they will have been retired around 10 years and still have, on average, another 20 years in retirement. How will their assets look 30 years from now?
- Length of retirement does not necessarily diminish debt. One out of 4 retirees with debt of $100,000 or more have been retired at least 10 years.



Q2. How many years have you been retired?

Few retirees opt for phasing into retirement and jump right into their new non-working phase of life.

- **About 1 in 10 retirees reduce the number of hours they work before retiring.**

  The oldest retirees are slightly more likely to have reduced their hours than retirees ages 55 to 70 (14% vs. 11%).

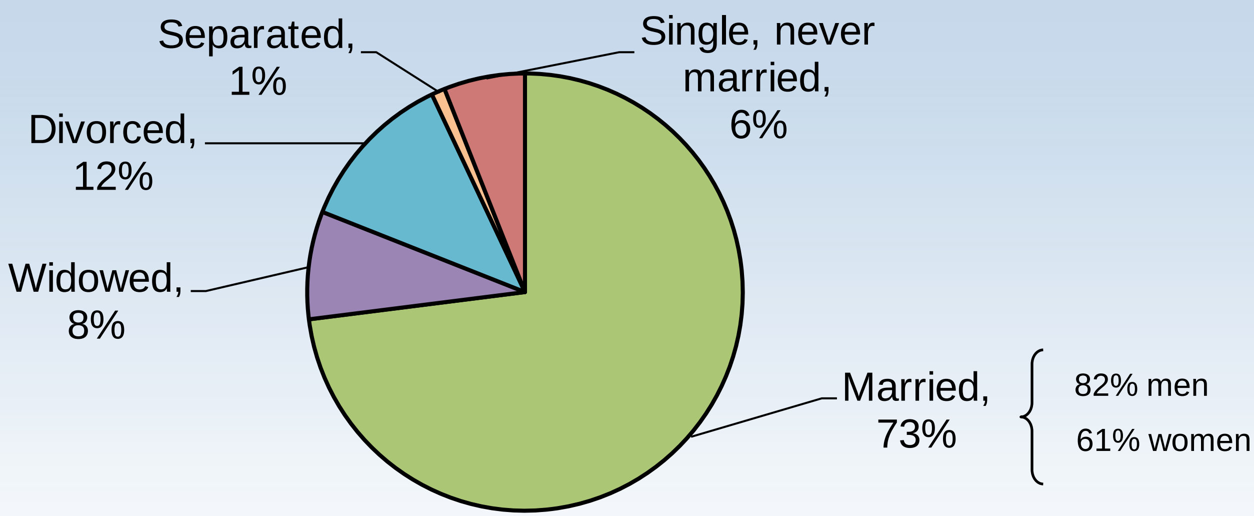
- **Only 1 in 6 retirees currently work in retirement.**

  Age plays a role… Younger retirees may be in better health and have more opportunity to work than the oldest retirees (29% vs. 11%).

Q5. Are you currently working for pay?
Q16. Did you reduce the number of hours you worked *before* you retired?

Couples married or living together outnumber singles in retirement; this may reflect the age and the higher level of assets of the sample.[1]

- Couples accumulate larger amounts of investable assets than non-couples. Twice the proportion of couples than non-couples are millionaires (21% vs. 11%).
- Non-couples have slightly less household debt than couples. Six in 10 non-couples have less than $10,000 or no household debt, compared with 55% of couples.



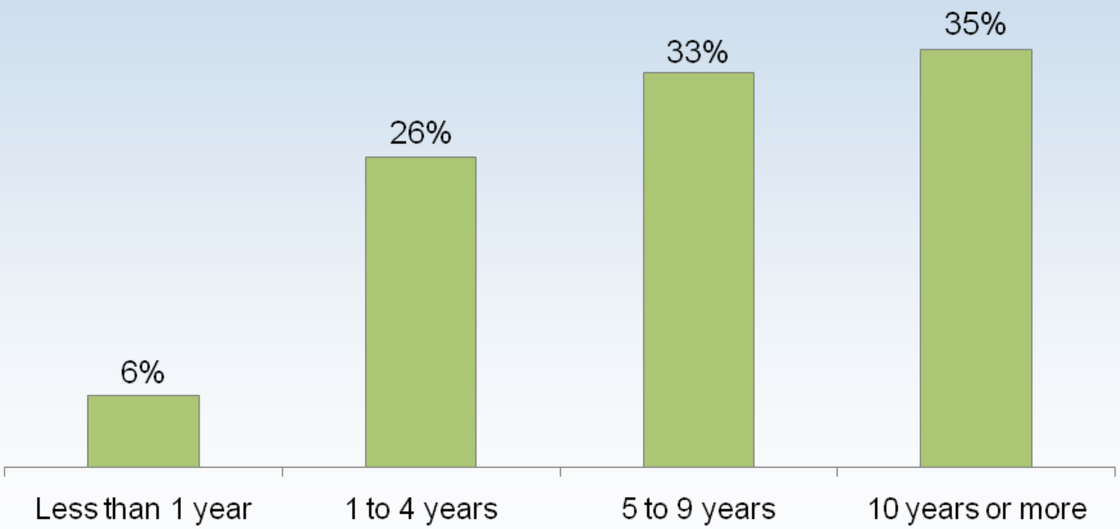
[1] Retirees are between ages 55 and 75 with $100,000 or more in household investable assets.

Q7. What is your marital status? Married or living as a couple, widowed, divorced, separated or single, never married?

Most spouses are retired.

- Two thirds of spouses are retired.
- Of retired spouses:
  - The majority have been retired at least 5 years (68%).
  - Few currently work for pay (10% part-time and 1% full-time). Why do they work? They want to work or enjoy working (86%), for financial reasons (13%) or health benefits (1%).

How long retired spouses have been retired



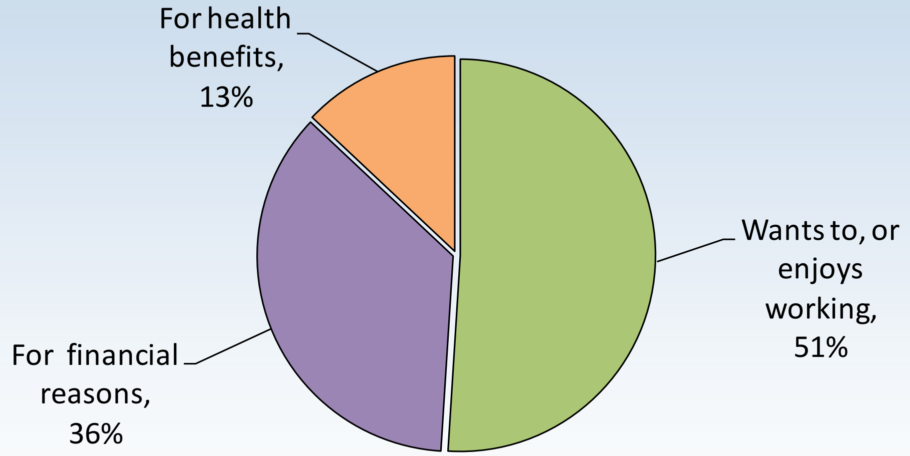
Q10. How many years has your spouse/partner been retired?

Among retirees with *non-retired* spouses, the vast majority of spouses work for pay.

92% of non-retired spouses work for pay.

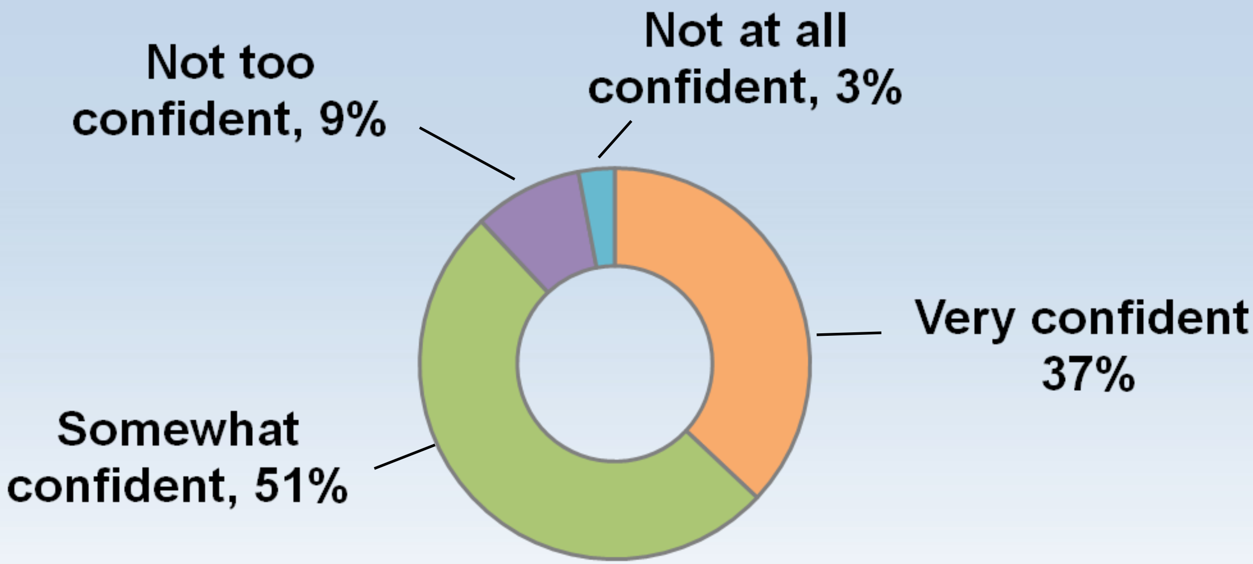
- 74% working full-time
- 18% work part-time

Reasons for working



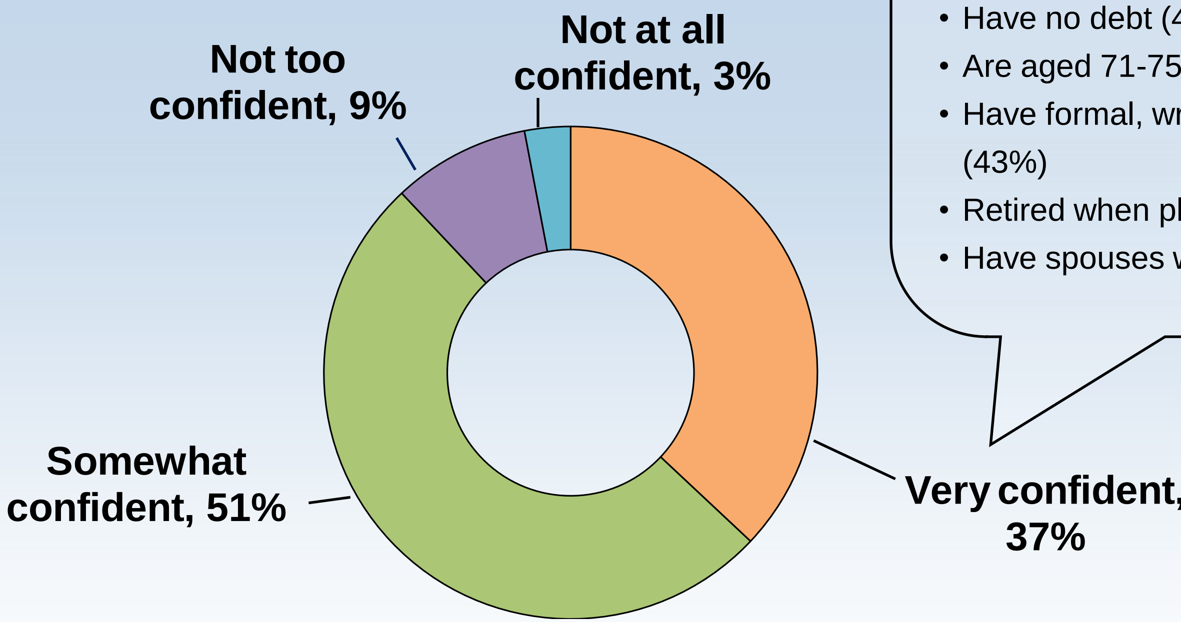
Q11. [If married/partner] Is your spouse/partner currently working for pay?
Q12. [If married/partner] For what *primary* reason is your spouse/partner currently working for pay?

The majority of retirees are not overly confident they have saved enough money for a comfortable retirement .



Q17. How confident are you that you saved enough money to live comfortably throughout your retirement years?

Only a slight majority of retirees with half a million in assets are "very" confident they have saved enough money for a comfortable retirement.



Retirees who tend to be "***very***" confident:

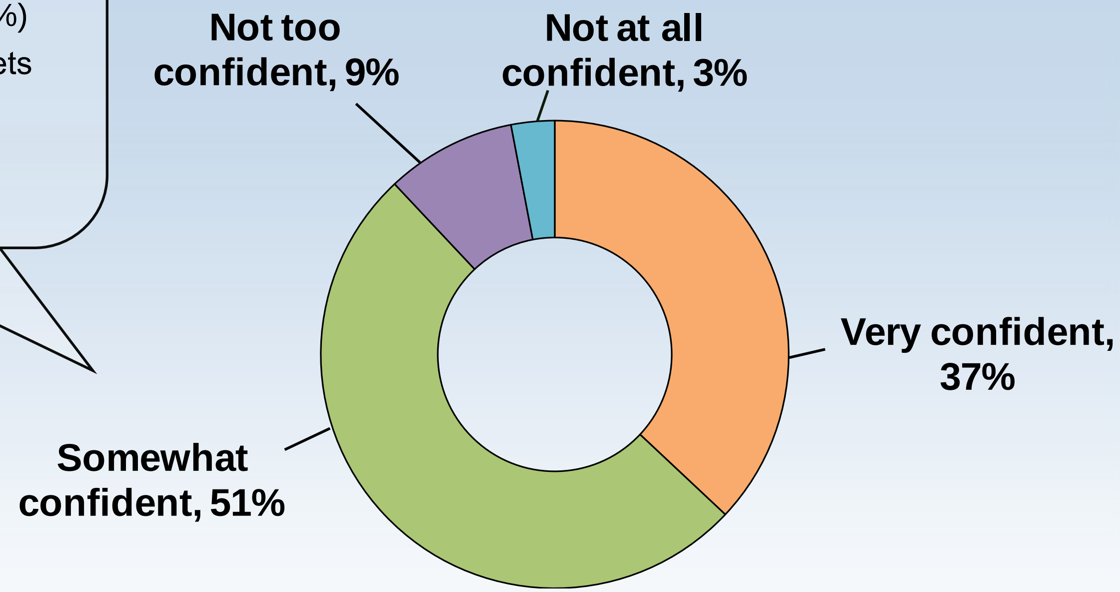
- Have assets $500,000 or more (53%)
- Are retired 10 yrs + (46%)
- Have no debt (46%)
- Are aged 71-75 (45%)
- Have formal, written retirement plans (43%)
- Retired when planned (42%)
- Have spouses who are retired (42%)

Q17. How confident are you that you saved enough money to live comfortably throughout your retirement years?

Many young retirees are not overly confident they have saved enough money for a comfortable retirement.

Retirees who tend to be "***somewhat***" confident:

- Aged 55–59 (58%)
- Have assets under $500,000 (56%)
- Haven't estimated # of years assets might last (56%)
- Retired less than 10 years (53%)
- Have financial advisors (53%)



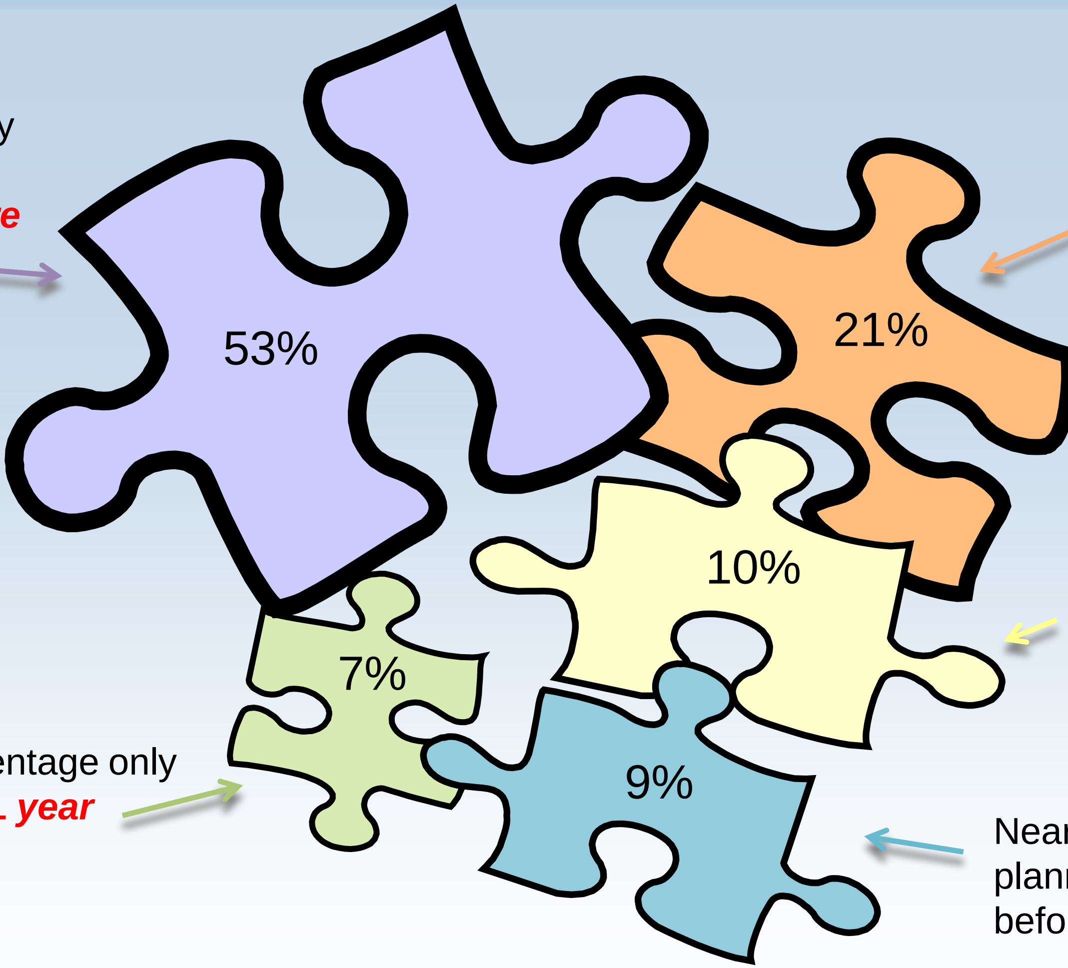
Q17. How confident are you that you saved enough money to live comfortably throughout your retirement years?

Preparing for Retirement

Planning well in advance may be key to a financially successful retirement.

Planning prior to retiring can help solve the retirement puzzle.

A slight majority actively plan ***5 years or more*** in advance



Two in 10 retirees **do *not* do** any active planning

One in 10 begin planning ***1 to 2 years*** before retiring

A small percentage only **plan *within* 1 *year*** of retiring

Nearly 1 in 10 begin planning ***3 to 4 years*** before retiring

Q13. How many years before you retired did you actively plan your retirement?

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Actively planning retirement at least 5 years in advance may pay off for retirees.

Retirees who plan
5 or more years
before retiring tend to:

- Have no debt
- Have assets of $500,000 or more
- Have written formal plans for managing $ in retirement *or* informal plans
- Have estimated how long assets *might* last
- Realize assets *need* to last 25 years or more
- Retire when planned or later
- Have spouses who are retired

Retirees who
do ***not*** actively
plan ahead tend to be:

- Retired 10 years or more
- Those who retired earlier than thought
- Have lower household incomes and/or assets
- Females more than males

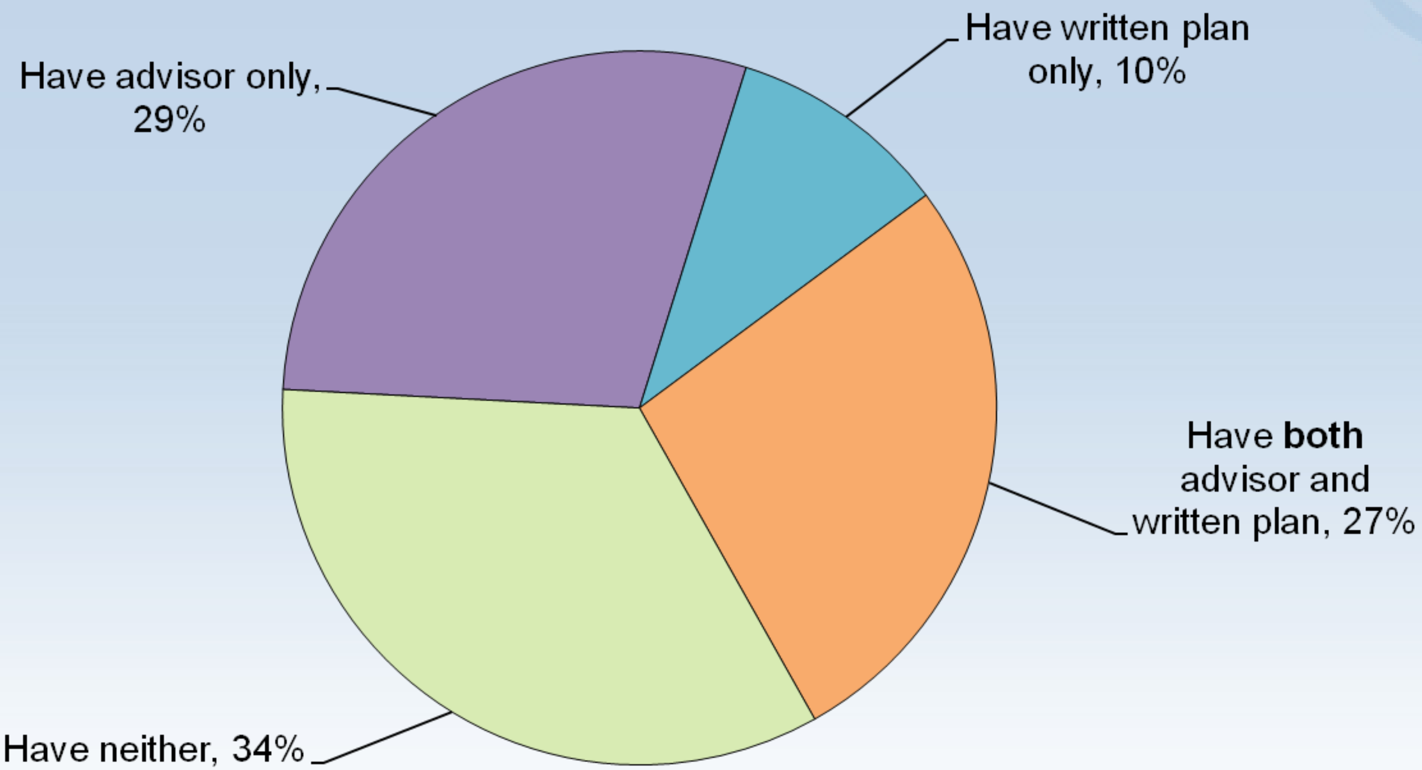
Q13. How many years before you retired did you actively plan your retirement?

Having written plans and/or financial advisors increase the likelihood of retirees completing basic activities to determine whether they can afford to retire.

Activities to Evaluate Affordability of Retirement	All retirees	Have financial advisor	Have formal written plan
Determine whether income would cover expenses in retirement	69%	71%	76%
Evaluate when the best time to take Social Security benefits would be	61	64	67
Take into account that eligibility for Medicare health care benefits begins at age 65	50	52	59
Identify retirement income resources for early, mid, and late phases of retirement	42	45	53
Estimate how inflation might affect expenses after 15 or more years in retirement	37	40	50
Determine whether you would have to work for pay in retirement	30	31	36
Compare options for moving to reduce cost of living expenses	23	23	24
None of the above	15%	12%	8%

Q 20. Before you retired, which of the following activities did you (and/or your spouse/partner) do to see if you could afford to retire? [Check all that apply.]

Most retirees have a financial advisor, but far fewer have both an advisor and a written plan.



Q21. Currently, do you have a formal written plan for managing your income, assets, and expenses during retirement?
Q24. Do you *currently* have someone you consider to be your personal financial advisor?

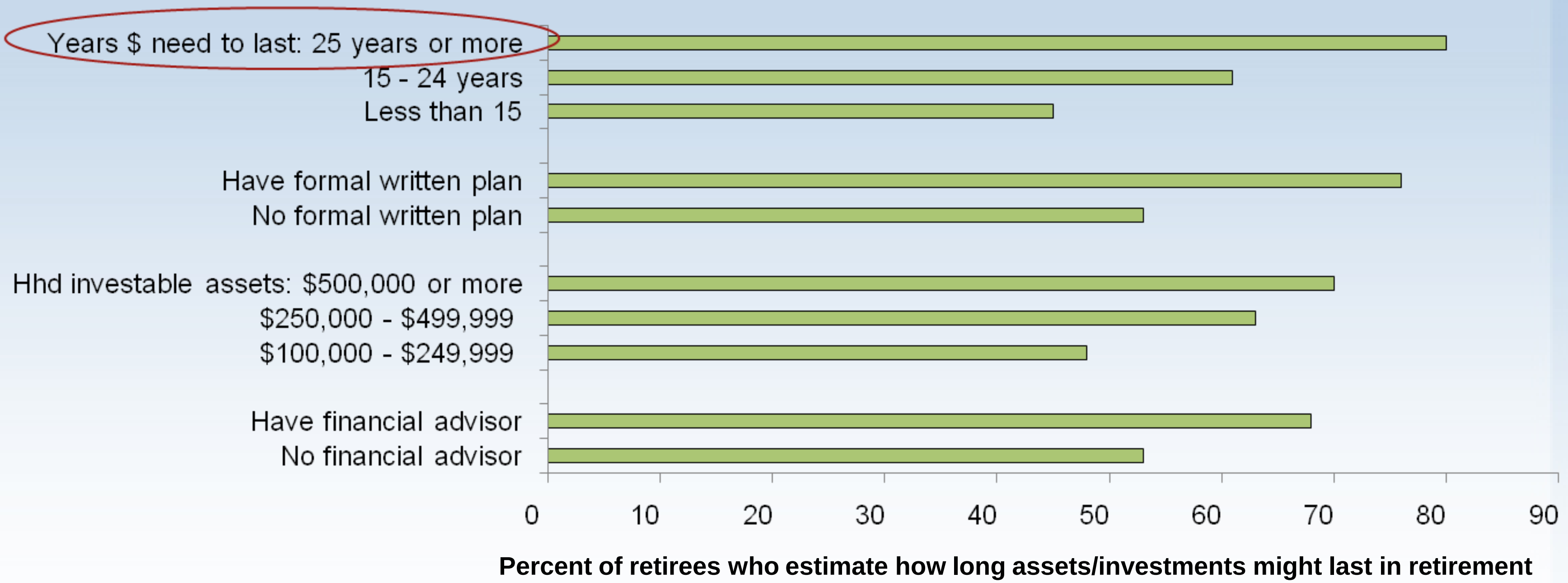
Having *written plans* is key to completing the activities retirees use to determine whether they can afford to retire.

Activities to Evaluate Affordability of Retirement	All retirees	Have financial advisor only	Have written plan only	Have both plan & adv	Have neither
Determine whether income would cover expenses in retirement	69%	67%	77%	76%	63%
Evaluate when the best time to take Social Security benefits would be	61	61	66	67	55
Take into account that eligibility for Medicare health care benefits begins at age 65	50	46	63	58	42
Identify retirement income resources for early, mid, and late phases of retirement	42	39	54	52	32
Estimate how inflation might affect expenses after 15 or more years in retirement	37	31	51	50	28
Determine whether you would have to work for pay in retirement	30	27	39	35	26
None of the above	15%	15%	8%	9%	22%

Q 20. Before you retired, which of the following activities did you (and/or your spouse/partner) do to see if you could afford to retire? [Check all that apply.]

Most retirees who believe they have at least 25 more years in retirement, have estimated how long assets "*might*" last.

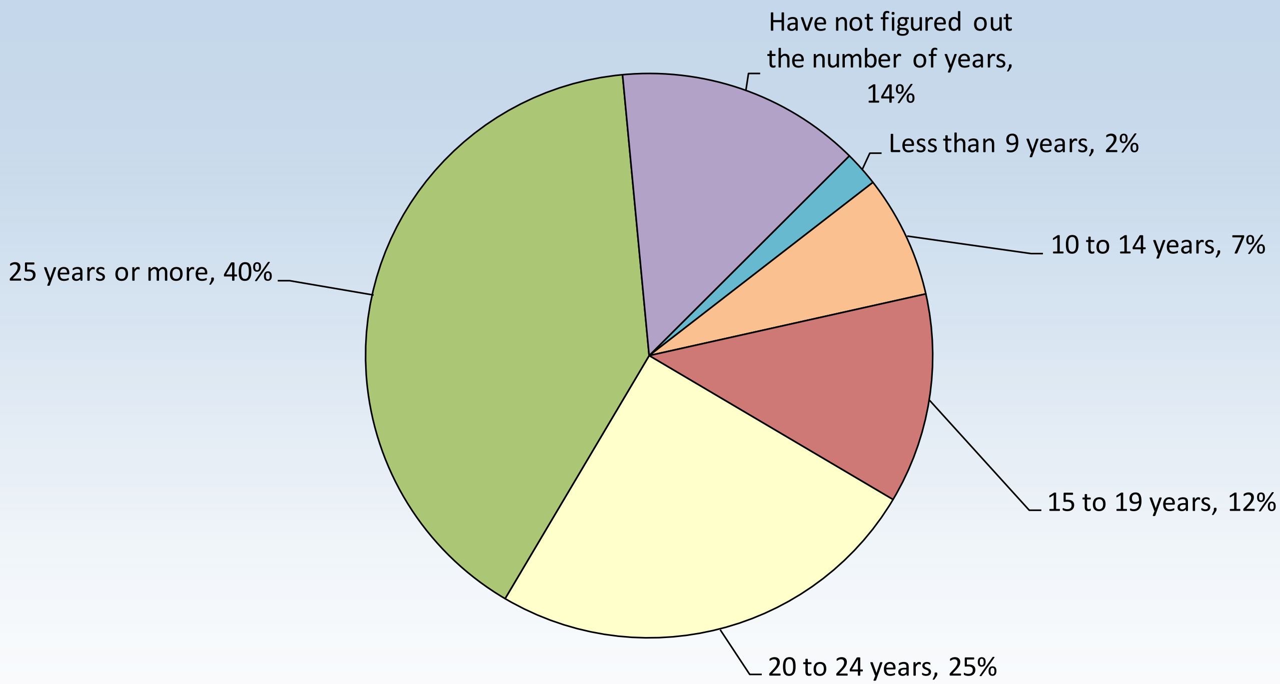
- Estimating the number of years that assets and investments "*might*" last in retirement is an important planning activity that a sizeable proportion of retirees have not accomplished (38%).
- Retirees in their early years of retirement (1 to 4 years) are more likely than those retired 10 or more years to have projected how long their assets might last (67% vs. 56%).
- Larger proportions of male retirees have made this estimation than female retirees (64% vs. 58%).



Q44. Have you estimated how many years your assets and investments "*might*" last in retirement?

The majority of all retirees believe their money "*needs*" to last at least 20 additional years.

Nearly half of retirees who are early in their retirement (1 to 4 years) recognize that their assets and investments "need" to last at least an additional 25 years (46%).



Q45. When managing your finances, how many additional years from now do you assume your money "*needs*" to last (if married/partner… for you and your spouse/partner)?

Half of the retirees who estimate the number of years assets "*might*" last figure their assets "*need*" to last 25 years or more.

Most retirees who have not estimated how long assets "*might*" last have made an assumption regarding the number of years their assets "*need*" to last

Number of years assume money *needs* to last:	**All retirees**	**Estimated number of years assets *might* last**		
		Yes	**No**	**Never thought of it**
Less than 5 years	+	–	+	–
5 to 14 years	9%	7%	13%	12%
15 to 24 years	37	37	38	37
25 years or more	40	51	22	17
Haven't figured out the number of years	14	5	27	34
	100%	100%	100%	100%

+ = Less than ½ of one percent

– = No cases

Q 46. How did you arrive at this number of years (check all that apply)

Current health or family history plays a big part in figuring how many more years money "*needs*" to last.

Overall, the ways retirees estimate the number of years their money needs to last do not differ by age of retiree — although the youngest retirees (ages 55 to 59) are more likely than their counterparts to look up their life expectancy (43%).

How retirees figure out the number of years money *needs* to last:	
Assess my and/or spouse/partners' health situation	59%
Base it on my and /or my spouse/partner's family history	56
Look up the expected age someone of my and/or my spouse/partner's age should live to	34
Take a guess	21
Advisor suggests the age on which to base my calculations	18

Q 46. How did you arrive at this number of years (check all that apply)

The majority of retirees retire earlier than planned – and many by their own choice.

WHY RETIRE EARLY?

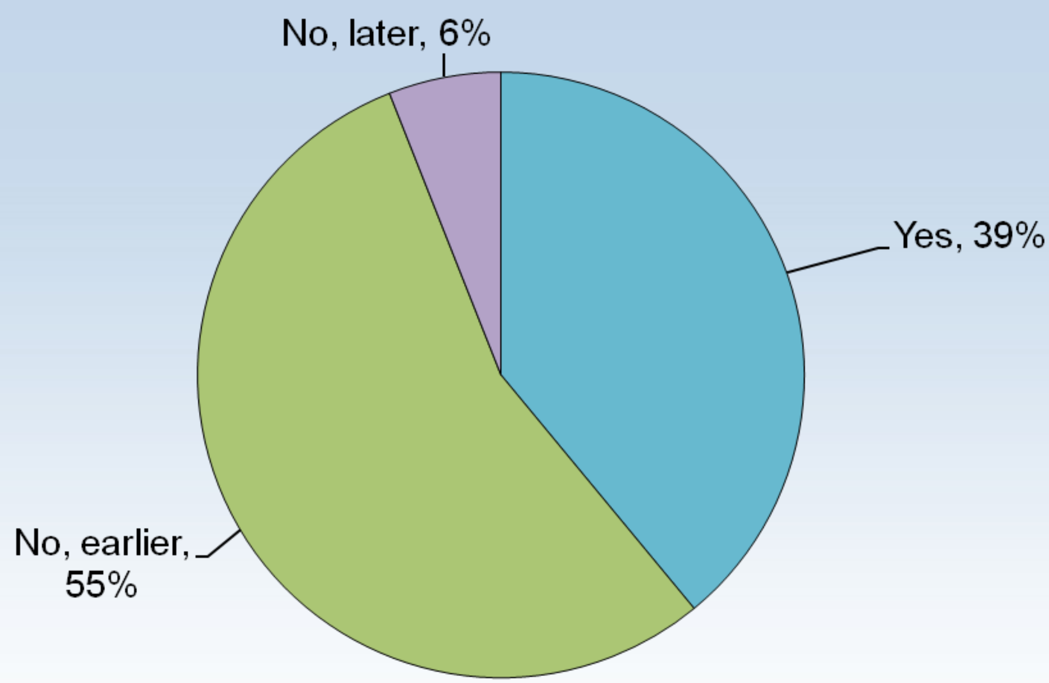
Wanted to (56%):

- Voluntary (34%)
- Offered buyout (22%)

Forced due to (39%):

- Health issues: own, spouse/partner, family member (25%)
- Employer (14%)

Retired When Planned?



Q14. Did you retire when you thought you would?
Q15. [If earlier] Please indicate which best describes the ***primary*** reason for your retiring when you did.

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Retirees perceive few problems when it comes to planning investments in retirement.

- Whether or not retirees perceive having problems with planning investments does not fluctuate substantially by demographics, having financial advisors, or written formal plans.
- One exception is the number of years assets need to last — retirees who look at a shorter horizon[1] tend to have problems with market fluctuation and their lack of knowledge to make decisions.

Problems encountered while planning investing in retirement	All retirees
No problems	59%
Market fluctuation (rate of return)	17
Low interest rates	5
Lack of knowledge for making decisions/time to manage	5
Issues with brokers, advisors, fees charged	4
Economy, cost of living, inflation	4
Bad investment choices, lost/losing money	3

[1] Need to last less than 15 years

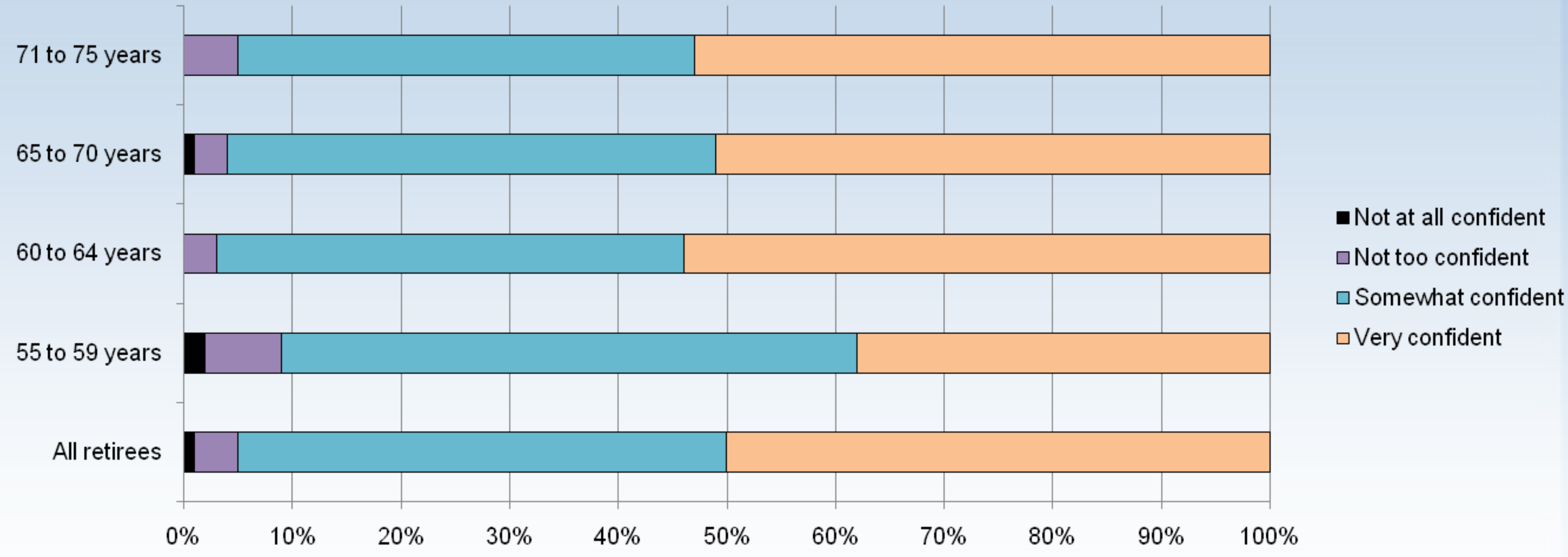
Q40. As you planned your investments in retirement, what problems, if any, have you encountered while investing your money? Please be as specific as possible. [Open-ended question]

Managing Finances in Retirement

A slim majority of couples share the responsibility for managing household finances in retirement (53 percent).

Are retirees overly confident that their assets and investments are being managed in the best possible way?

- The vast majority of retirees (95%) at all ages show some level of confidence in the management of their assets and investments. The youngest retirees are the least likely to say they are *very* confident.
- Having a financial advisor, written plan, or larger amounts of investable assets increases the likelihood of being *very* confident that assets are managed in the best possible way.

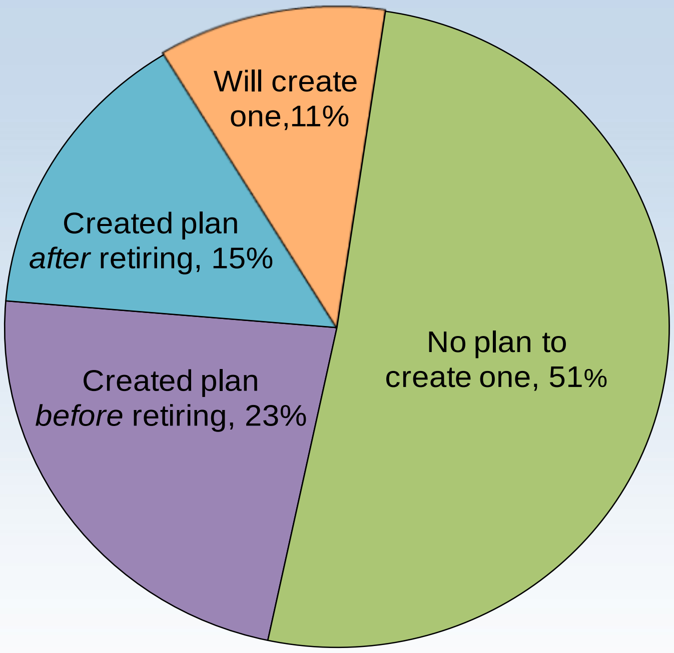


Q30. How confident are you that your assets and investments are being managed in the best possible way?

Most retirees have not developed formal written plans for managing their money and expenses in retirement.

- Slightly more than 6 in 10 retirees (62%) at all ages have **not** developed a formal written plan to manage their income, assets, and expenses in retirement.
- Half of all retirees do not have a written plan *nor* plans to develop one in the future.
- Even among retirees who have advisors, half (52%) do not have formal written plans.

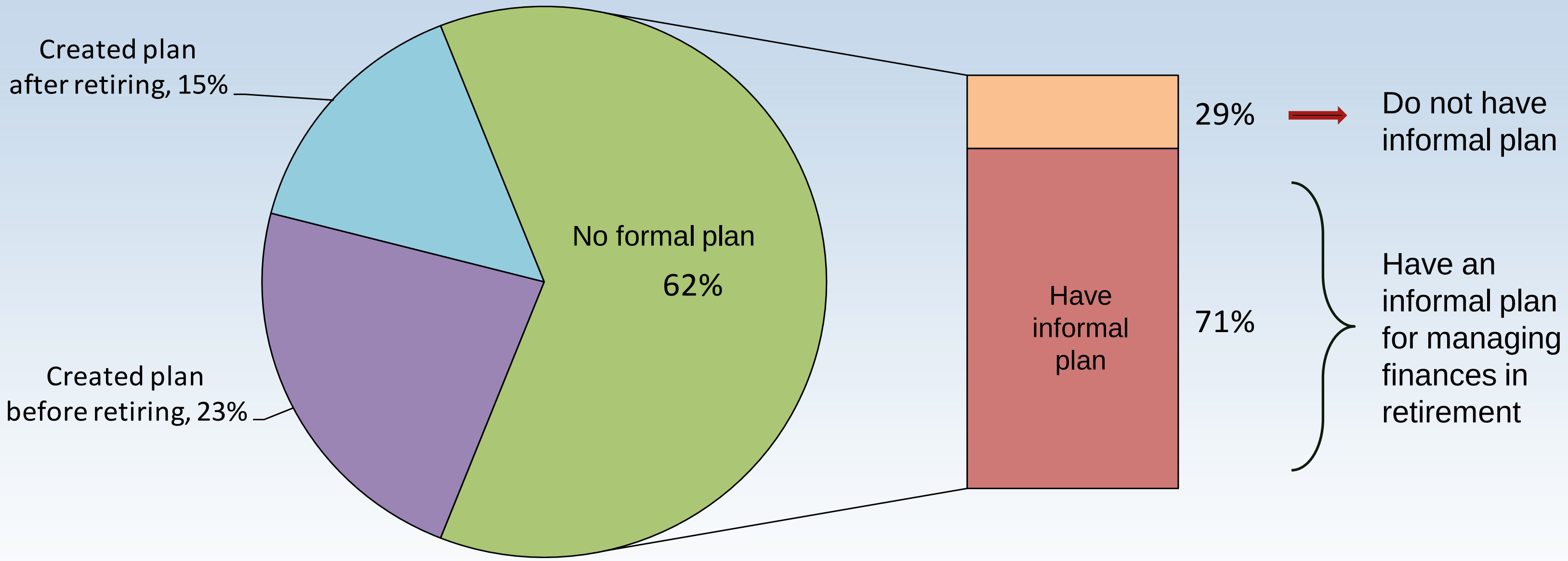
Of those with a plan, 61% had a financial professional help write their plan



Q21. Currently, do you have a formal written plan for managing your income, assets, and expenses during retirement?
Q22. [If yes] Did a financial professional help you write your formal plan?

Of the retirees who don't have formal written retirement plans, many have informal plans.

- The majority of retirees lack a formal written plan, but most of those retirees (71%) do have "informal" plans in place for managing their income, assets, and expenses in retirement.
- Retirees who have financial advisors but no written plans tend to have informal plans (77%); a smaller but substantial proportion of retirees with neither advisors nor formal written plans have informal plans in place (66%).



Q21. Currently, do you have a formal written plan for managing your income, assets, and expenses during retirement?
Q23. [If no] Currently, do you have an informal plan for managing your income, assets, and expenses during retirement?

Financial planners or advisors are the most popular type of financial professional.

- 56 percent of retirees have a personal financial advisor
  - Who are they using?

Financial planner or advisor	64%
Stockbroker	19
Accountant	6
Bank representative/trust officer	5
Life insurance agent	2
Lawyer	1

Half of these retirees say their advisors help them with their financial situations whenever needed.

- Almost half of these retirees use the personal advisor they had prior to retiring.

Q24. Do you *currently* have someone you consider to be your personal financial advisor?

Q25. If yes: What type of financial professional is your personal financial advisor? Did your current financial advisor assist you with planning your retirement *before* you retired?

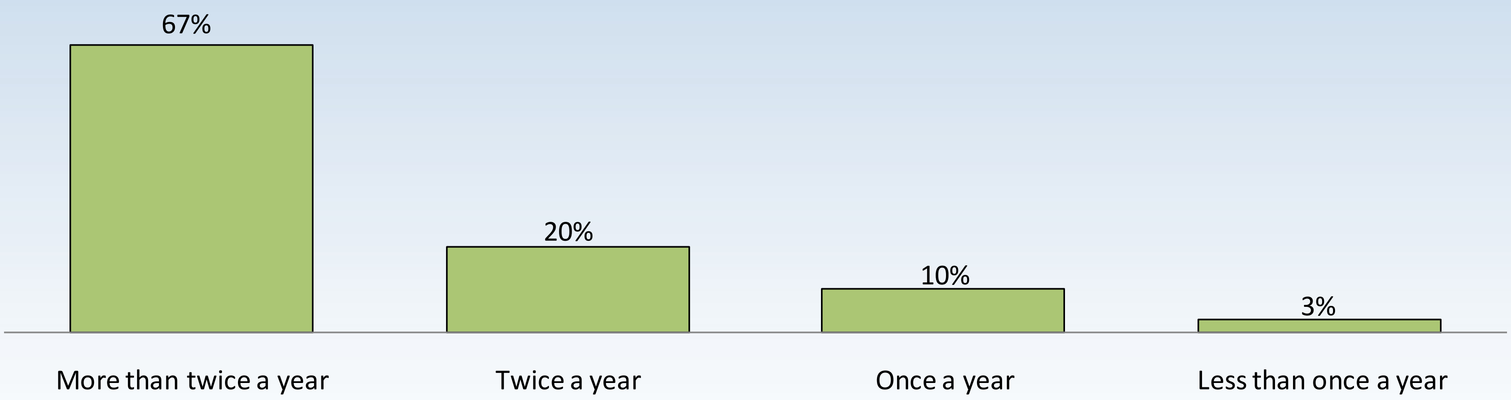
Q28. Did your current financial advisor assist you with planning your retirement *before* you retired?

Q29. Which of the following best describes the working relationship you have with your financial advisor? My advisor…

Most retirees who have personal financial advisors are in contact with their advisors several times a year.

Those who have frequent contact with their advisors throughout the year have …

- Annual household incomes of $100,000 or more (77%)
- High levels of investable assets -- $500,000 or more (75%)
- Spouses who are not retired (72%)
- Less than 5 years in retirement (71%)



Q26. [Of retirees who have personal financial advisors] How often are you in contact with your financial advisor?

Advisors are helping clients with a variety of tasks.

Personal financial advisors help with…	
Managing assets in retirement	80%
Minimizing exposure to retirement risks	56
Minimizing the amount of taxes paid in retirement	48
Planning any Required Minimum Distributions (RMDs)	35
Planning expenses and income in retirement	34
None of the above	5

Wealthy retirees are more likely to receive their advisors' help with minimizing exposure to retirement risk than retirees with fewer assets.

- 62% of retirees with $500,000 or more in investable assets compared to 43% of retirees with $100,000 to $249,999

Q27. Which of the following has your personal financial advisor helped you with… [Check all that apply]

Having a formal written plan really impacts whether advisors help clients with these tasks.

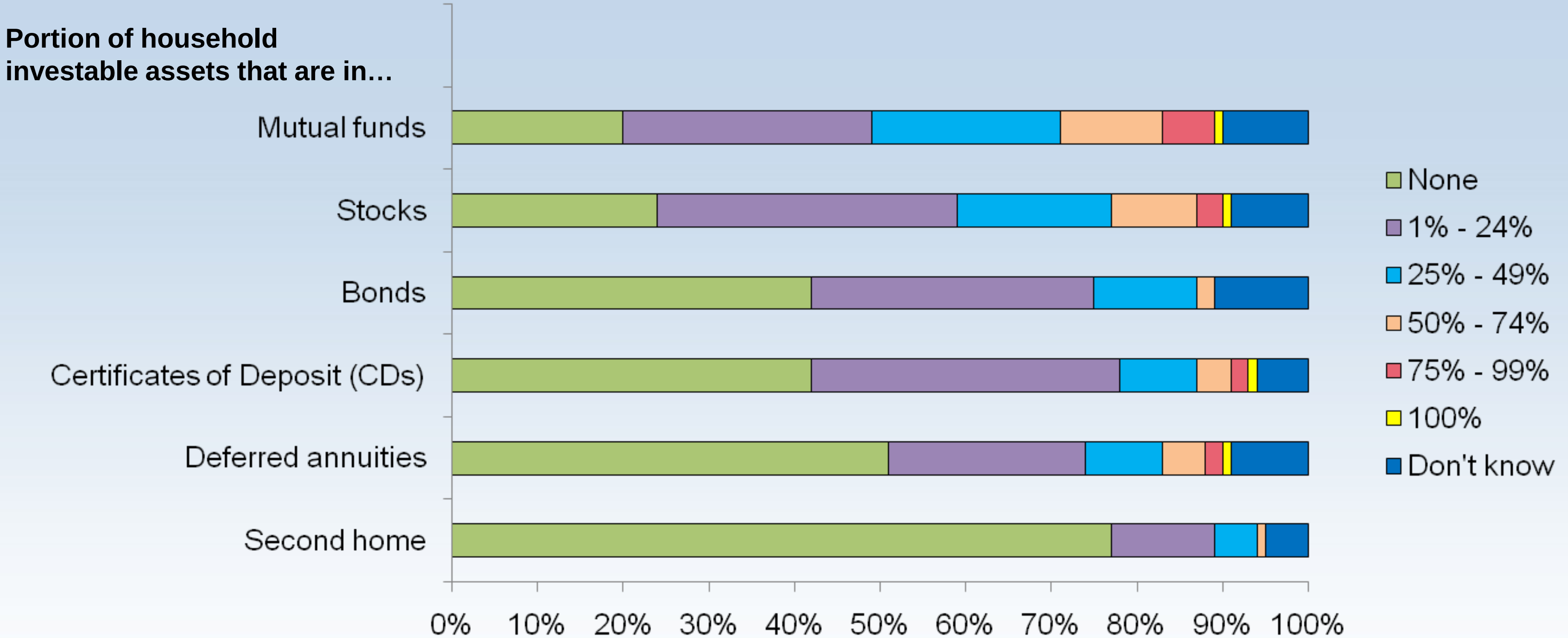
Why does it take having a formal written plan to cause some advisors to complete some of these tasks? It may be a matter of training. In the past, advisors have focused on the accumulation phase with little call for expertise in the distribution of assets. Today, with baby boomers retiring, clients need advisors who are trained in both the accumulation and distribution phases. And, whether or not a formal written plan is developed, advisors need to be trained to explore the many financial facets of retirement planning.

	Have advisor …	
Personal financial advisors help with…	**Have a plan**	**No plan**
Managing assets in retirement	86%	75%
Minimizing exposure to retirement risks	63	48
Minimizing the amount of taxes paid in retirement	57	40
Planning any Required Minimum Distributions (RMDs)	44	27
Planning expenses and income in retirement	44	25
None of the above	3	7

Q27. Which of the following has your personal financial advisor helped you with… [Check all that apply]

Retirees do not place all of their investable assets in one basket.

Retirees with advisors are more likely to indicate that they do *not* know what portion of their households' investable assets are in these particular financial vehicles than retirees without advisors. Some retirees may pay less attention to their assets if they have an advisor.



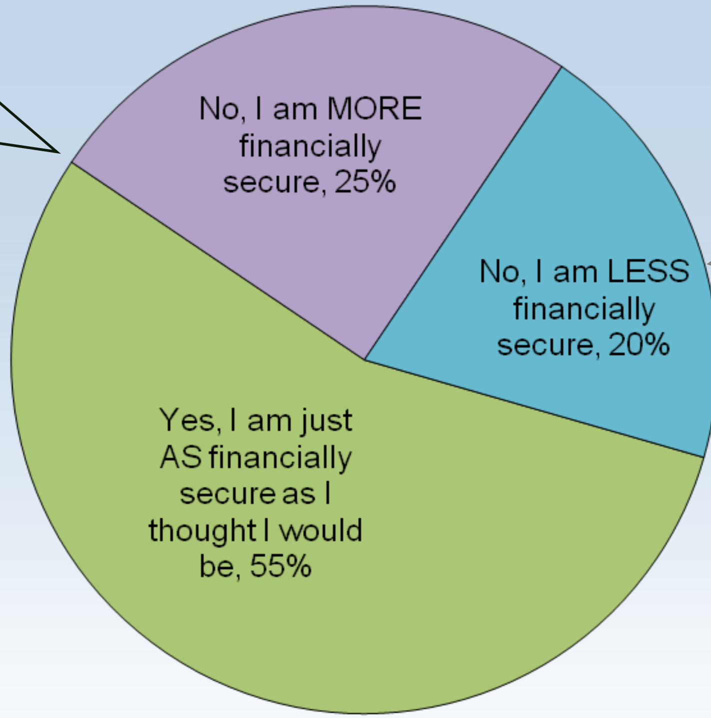
Q 39. What portions of your household's investable assets are in ...?

Security in Sources of Lifetime and Managed Income

Most retirees say they are as financially secure ***now*** *as they thought they would be when they first retired (55%).*

Most retirees feel they have reached their financial security goal or gone beyond.[1]

The vast majority (88%) of wealthy retirees (those with $500,000 or more in investable assets) now feel **as** or **more** financially secure than they thought they would be when they first retired.

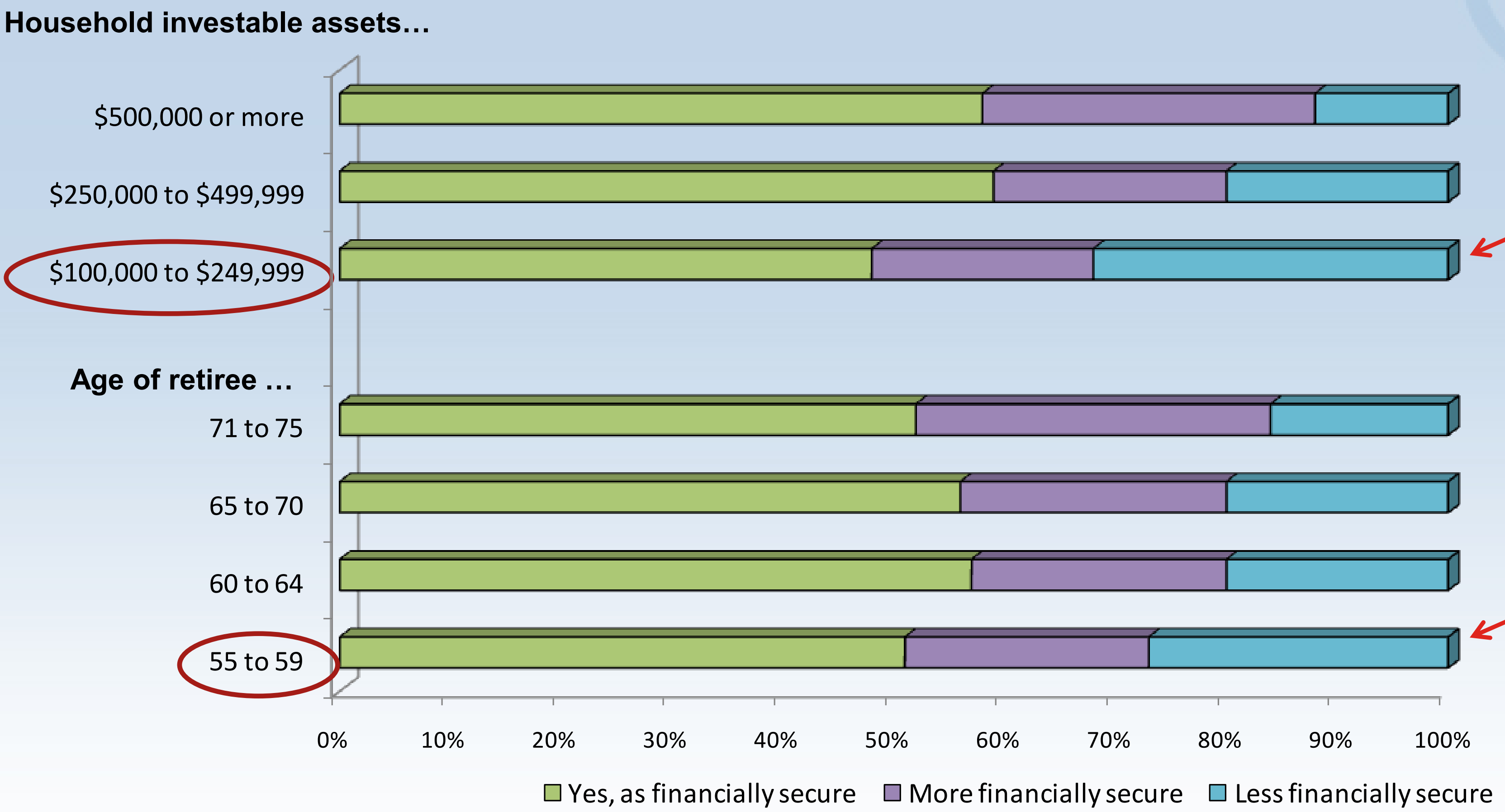


One third of retirees with assets between $100,000 and $249,999 feel **less** secure *now* than they thought they would be when they first retired.

[1] Survey was conducted in February 2008 prior to significant market fluctuation.

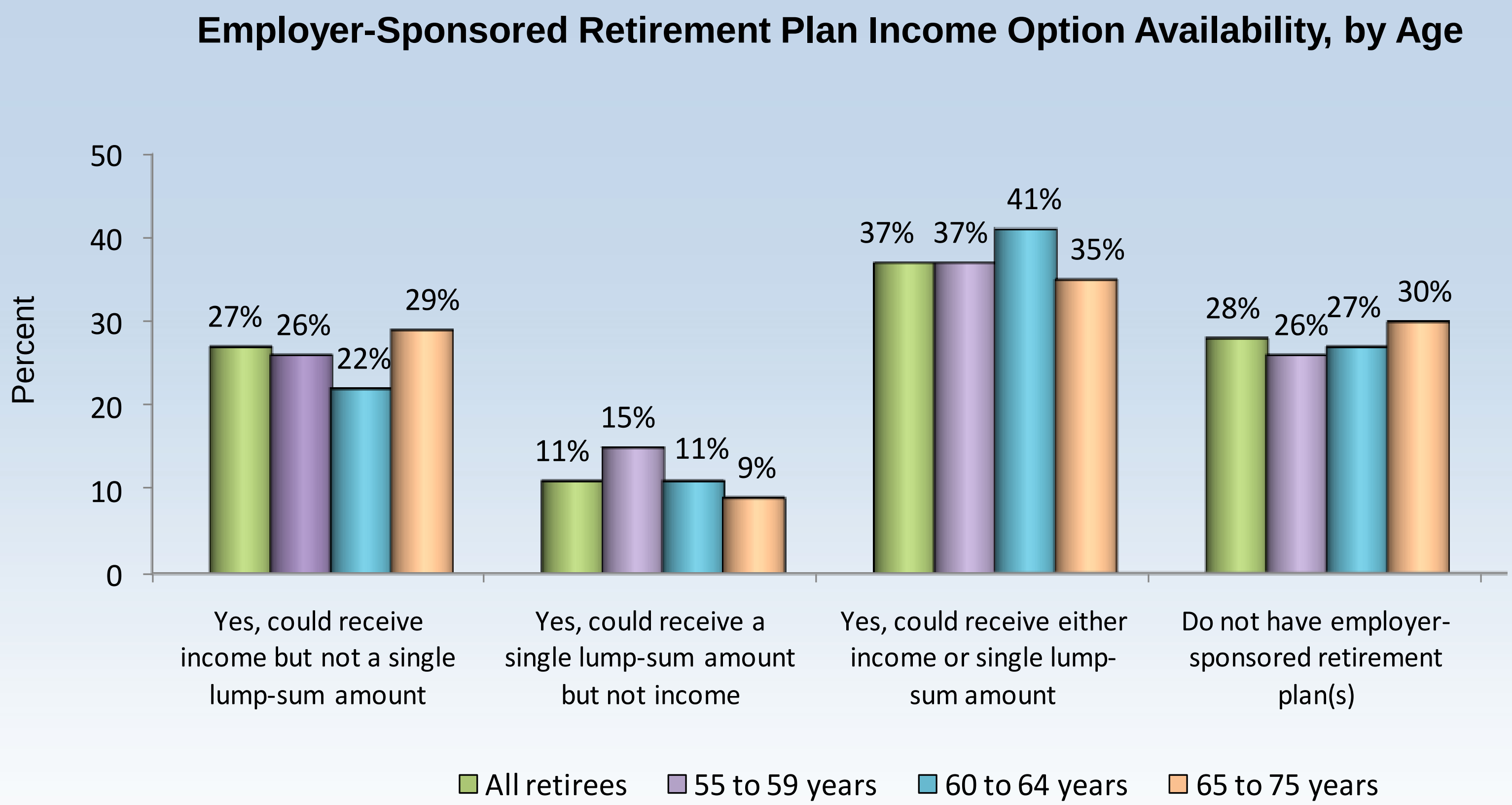
Q19. Are you as financially secure *now* as you thought you would be when you first retired?

Younger retirees and those with lower levels of assets are not as apt to feel they have reached their financial security goal.



Q19. Are you as financially secure *now* as you thought you would be when you first retired?

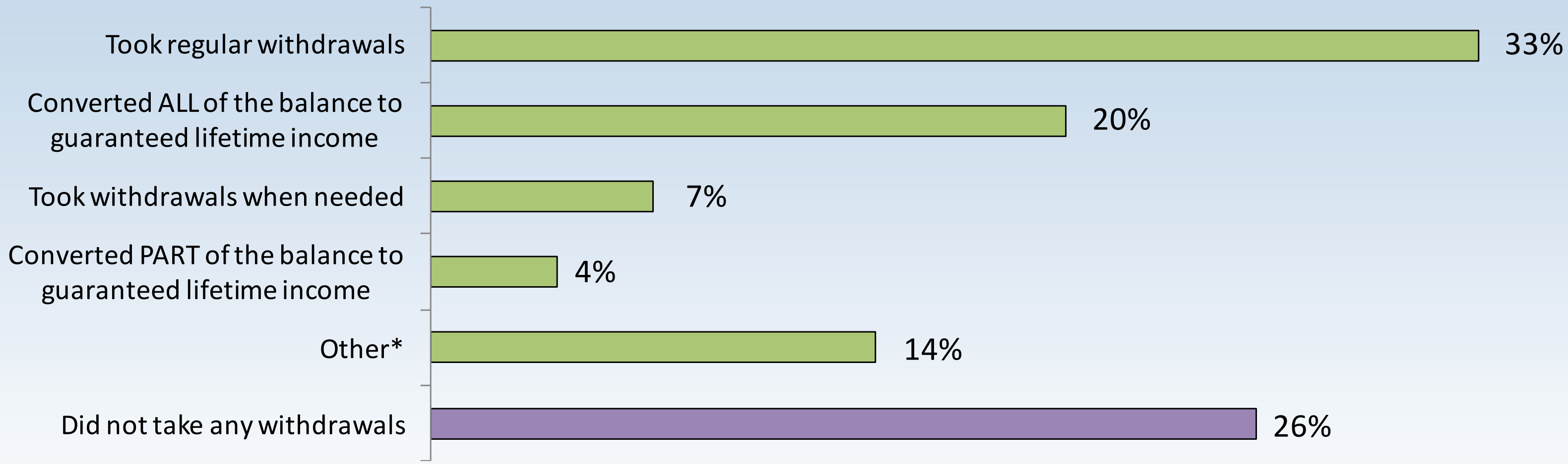
Retirees of all ages are more likely to be offered incomes from employer-sponsored retirement plans rather than single lump-sum amounts.



Q41. When you retired, did you have any employer-sponsored retirement plans (i.e., pension, 401(k), 457, 403(b), profit sharing plan) from which you could receive income or withdraw a single, lump-sum amount?

While one third took regular withdrawals immediately after retiring, about one quarter of retirees did not take ANY withdrawals.

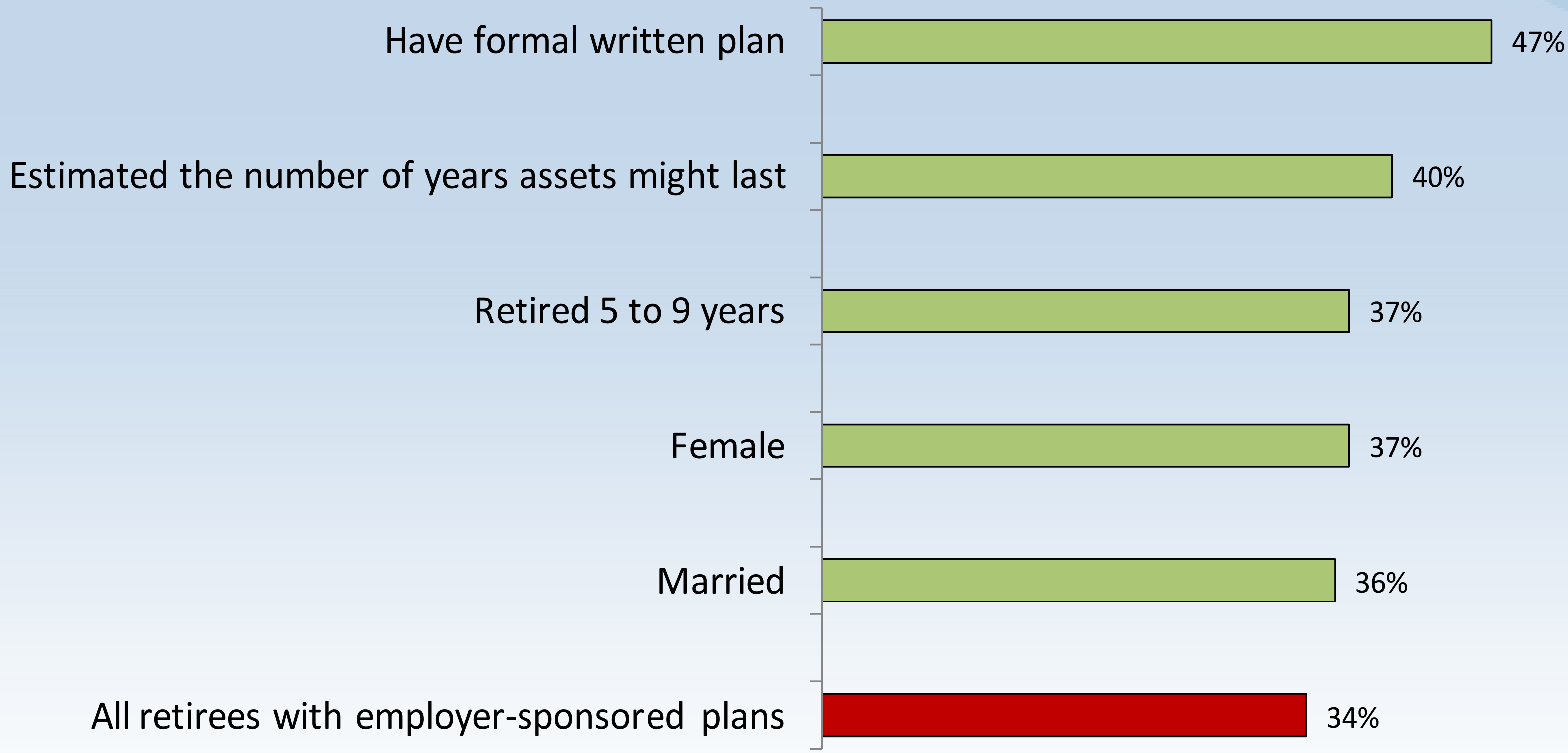
- Taking regular withdrawals upon retiring is popular among retirees who are retired 10 years or more (40%); are between ages 65 to 75 (38%); have household incomes of $50,000 to $74,999 (38%); or work in retirement (38%).
- Retirees who do not take any withdrawals include retirees between ages 55 to 59 (42%); those who are married but whose spouse is not retired (35%); those retired less than 5 years (34%); those with household incomes of $100,000 or more (32%); or retirees who do not have personal financial advisors (32%).



* The majority of “Other” responses included “IRA Rollover” and “reinvested”.

Q42. Which of the following describes what you did with your retirement plan(s) immediately after you retired? [Check all that apply]
Base: Retirees who had employer-sponsored retirement plan(s) when they retired.

Retirees who are more likely to obtain a financial professional's help with withdrawing funds from employer's retirement plan…



Q43. Prior to or when you retired, did a financial professional help you decide how to withdraw the funds in your employer-sponsored retirement plans? Base: Retirees who had employer-sponsored retirement plan(s) when they retired.

International Foundation *for* Retirement Education

Social Security is the top *current* source of household retirement income.

Source of Income	All retirees	Saved enough $ to live comfortably Confident	 Not confident
Social Security	69%	68%	70%
Employer-sponsored defined benefit pension plan	64	66	48
Savings: Only interest and investment earnings	34	36	19
Employer-sponsored defined contribution plan	24	24	22
Savings: Interest, investment earnings and some principal	24	23	26
Part-time job earnings	22	21	23
Full-time job earnings	20	19	30
IRA: Only interest and investment earnings	20	21	14
Individually-purchased annuities	19	19	17
IRA: Interest, investment earnings and some principal	18	18	20
Inheritance	13	13	11
Home equity	10	9	14
Life insurance policy(s)	9	9	10

Q31A. Please indicate the types of accounts, benefits or assets from which you (and/or spouse/partner) ***currently*** withdraw or receive money for income. [Check all that apply]

Defined benefit plans are a source of household income for many retirees… but that should change in the future.

Source of Income	All retirees	Age of Retiree 55-59	60-64	65-70	71-75
Social Security	69%	24%	56%	91%	90%
Employer-sponsored defined benefit pension plan	64	62	66	63	63
Savings: Only interest and investment earnings	34	30	29	34	45
Employer-sponsored defined contribution plan	24	24	20	25	30
Savings: Interest, investment earnings and some principal	24	28	23	24	21
Part-time job earnings	22	28	24	18	18
Full-time job earnings	20	34	25	16	7
IRA: Only interest and investment earnings	20	12	16	20	33
Individually-purchased annuities	19	15	14	22	26
IRA: Interest, investment earnings and some principal	18	12	15	18	30
Inheritance	13	15	12	14	13
Home equity	10	10	8	11	12
Life insurance policy(s)	9	13	9	7	10

Q31A. Please indicate the types of accounts, benefits or assets from which you (and/or spouse/partner) ***currently*** withdraw or receive money for income. [Check all that apply]

Retirees have an assortment of *untapped* retirement income sources for the future.

Sources of Income	Current income	Untapped income
Social Security	69%	23%
Employer-sponsored defined benefit pension plan	64	11
Savings: Only interest and investment earnings	34	25
Employer-sponsored defined contribution plan	24	29
Savings: Interest, investment earnings and some principal	24	32
Part-time job earnings	22	NA
Full-time job earnings	20	NA
IRA: Only interest and investment earnings	20	24
Individually-purchased annuities	19	28
IRA: Interest, investment earnings and some principal	18	36
Inheritance	13	12
Home equity	10	35
Life insurance policy(s)	9	36
None of the above	–	12

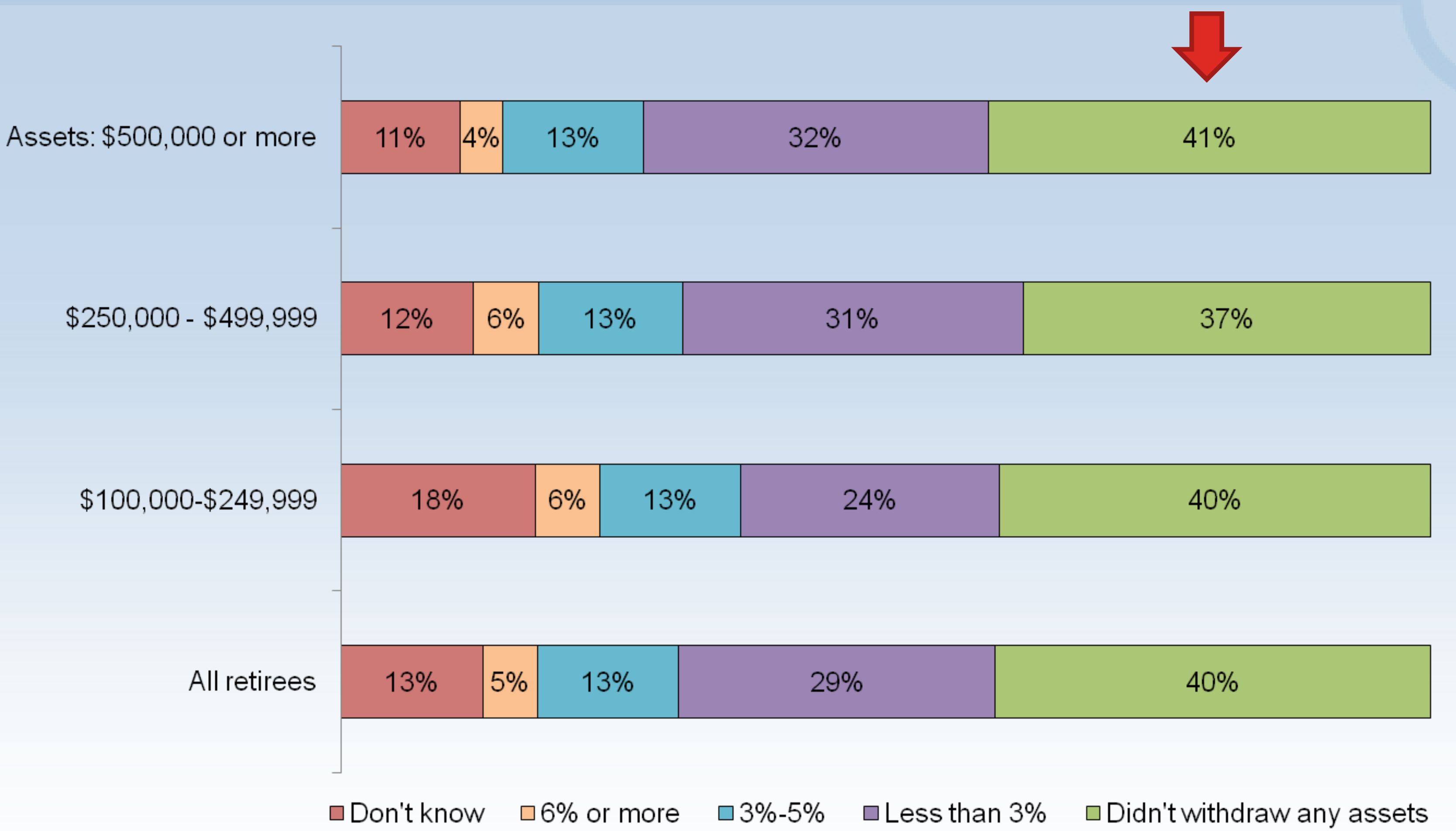
NA = Not given as an option for untapped income
– = No cases
Q31B. Please indicate the types of accounts, benefits or assets from which you (and/or spouse/partner) currently have BUT have ***not yet*** tapped (have not yet withdrawn money from) for retirement income. [Check all that apply]

Untapped household income sources that younger retirees are counting on include IRAs and Social Security.

Sources of Income	All retirees	Age of Retiree 55-59	60-64	65-70	71-75
Social Security	23%	49%	33%	10%	7%
Employer-sponsored defined benefit pension plan	11	19	14	7	4
Savings: Only interest and investment earnings	25	24	26	25	22
Employer-sponsored defined contribution plan	29	46	34	26	8
Savings: Interest, investment earnings and some principal	32	40	33	30	24
IRA: Only interest and investment earnings	24	28	26	23	16
Individually-purchased annuities	28	33	28	29	20
IRA: Interest, investment earnings and some principal	36	51	39	35	19
Inheritance	12	15	14	11	8
Home equity	35	41	37	33	29
Life insurance policy(s)	36	44	35	35	34
None of the above	12	4	7	15	22

Q31B. Please indicate the types of accounts, benefits or assets from which you (and/or spouse/partner) currently have BUT have ***not yet*** tapped (have not yet withdrawn money from) for retirement income. [Check all that apply]

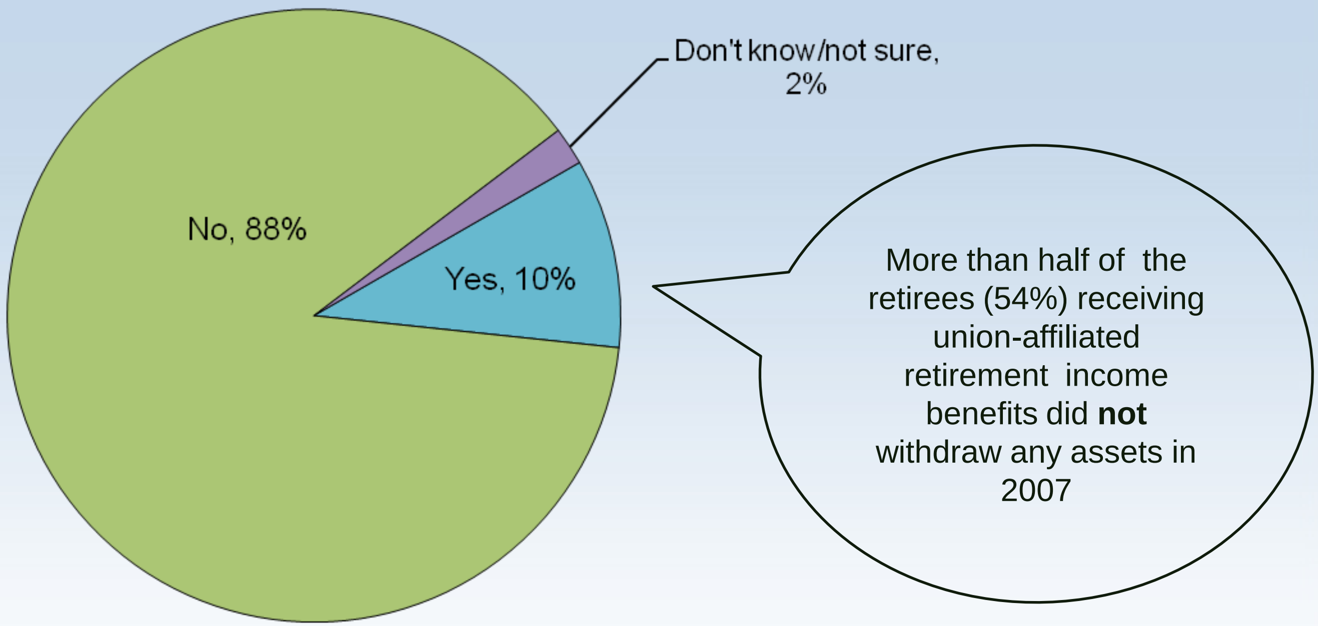
Many retirees did not withdraw any assets in 2007, regardless of the amount of their household investable assets.



Q33. Approximately, what percentage of your household's total investable assets did you withdraw in 2007?

One in 10 retirees receive retirement income benefits from a union affiliation – these retirees were less apt to withdraw any assets in 2007.

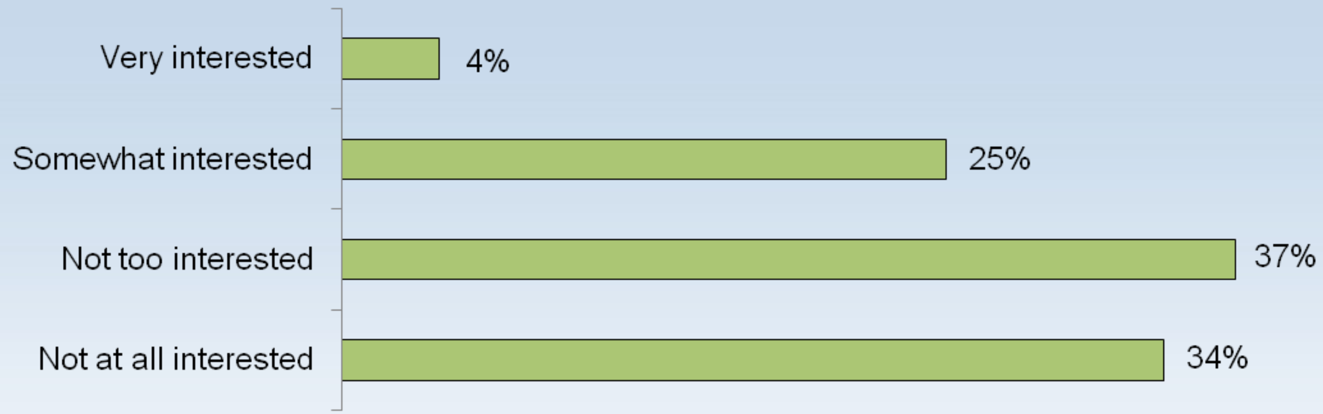
Receive Retirement Income Benefits From Union Affiliation



Q32A. Are you (and/or your spouse/partner) currently receiving any retirement income benefits from a union affiliation?

Interest in annuities is low among retirees who need to dip into their savings for basic living expenses.

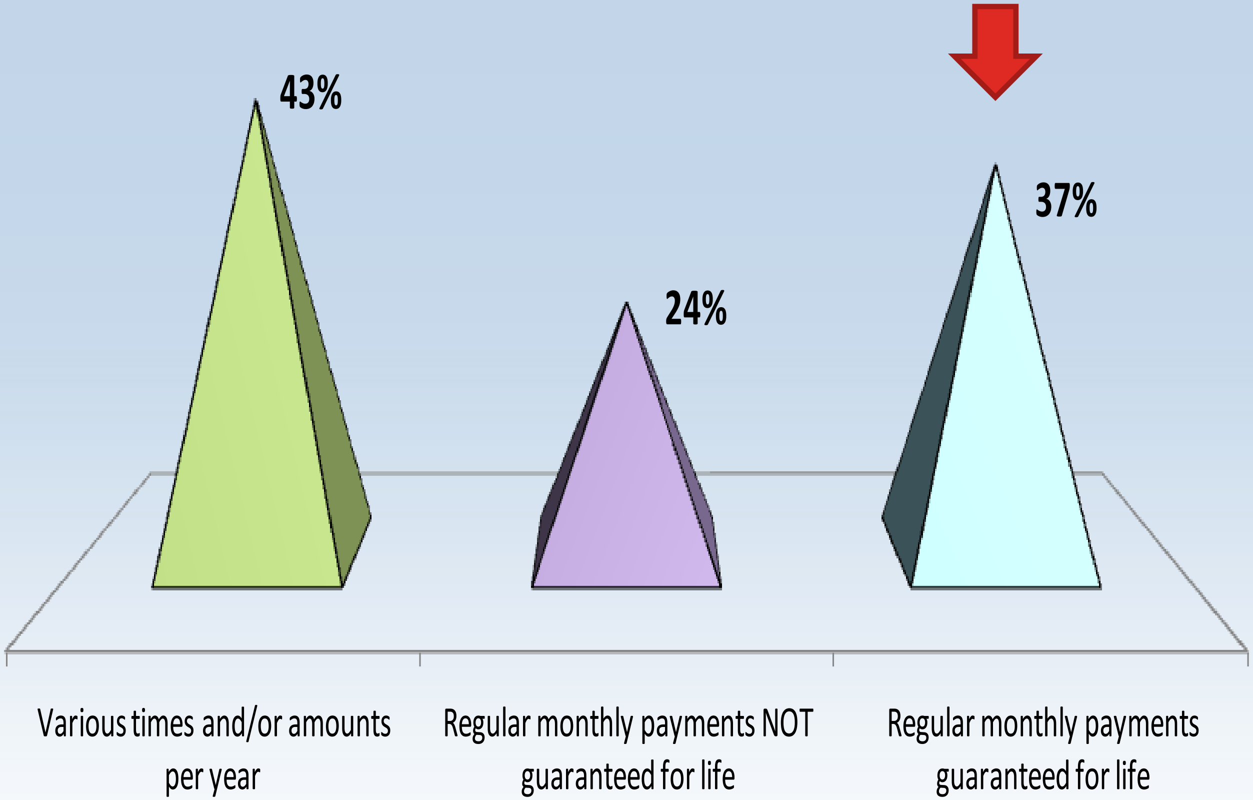
- 55% of retirees receive enough income from Social Security and/or DB pension plans to cover basic living expenses *without* dipping into savings.
- Among the 45% of retirees who do and/or will need to use their savings to cover basic expenses, interest in converting a portion of savings into guaranteed lifetime income is low…



Q52. Do you feel that you are receiving enough income from Social Security and/or employer-sponsored defined benefit pension plans to cover your basic living expenses so that you will never need to use your savings (e.g., IRAs, 401(k), mutual funds, CDs, etc.) unless there is an emergency?

Q53. [If no] How interested are you in converting a portion of your savings into guaranteed lifetime income to fill this income-expense gap?

Even among retirees currently receiving annuity income,[1] a minority receive guaranteed lifetime income payments.



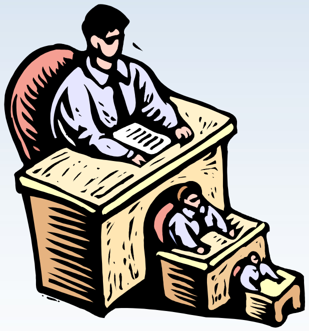
[1] 19% of retirees currently receive income from individually-purchased annuity(s).

Q32. How are you receiving money from your individually-purchased annuity(s) ? [Check all that apply]

International Foundation for Retirement Education

Few retirees work part time for pay, and still fewer work full time.

Retirees employed for pay...	All retirees	55-59	60-64	65-70	71-75
Part time	15%	21%	17%	12%	11%
Full time	2	8	2	1	–



– = No cases
Q5. Are you currently working for pay?

While few retirees work for pay, most work for the enjoyment.

Retirees employed for pay...	All working retirees	55-59	60-64	65-70	71-75
Want to or enjoy working	86%	88%	86%	78%	100%
Have to work for financial reasons	13	10	12	22	–
Have to work for health benefits	1	2	2	–	–
Number of unweighted cases	239	70	3	63	23

– = No cases

Q5. Are you currently working for pay?

Q6. [If yes] For what *primary* reason are you currently working for pay?

How Well Are Retirees Managing Retirement Risk?

Fewer than 6 in 10 retirees have had help minimizing their exposure to retirement risk from their personal financial advisor.

Some retirees may run out of money because they have not estimated how long their assets "might" last in retirement.

Nearly 4 in 10 retirees (38%) have *not* estimated how many years their assets and investments "might" last in retirement, especially those who …

- Are not confident they have saved enough money to live comfortably throughout their retirement years (61%)
- Do not have a personal financial advisor (47%)
- Do not have a formal written plan (47%)
- Are not married (42%)

Q44. Have you estimated how many years your assets and investments might *last* in retirement?

The majority of retirees assume that their assets "need" to last an additional 20 years or more.

How long assets "need" to last:	All retirees	Married	Not married
Less than 5 years	+	+	+
5 – 14 years	9%	8%	12%
15 – 19 years	12	11	14
20 – 24 years	25	26	25
25 years or more	40	42	33
I have not figured out the number of years	14	13	16

+ = less than ½ of 1 percent

Q45. When managing your finances, how many additional years from now do you (and your spouse/partner) assume your money *needs* to last?

Retirees with same age or younger spouses recognize the "need" for their assets to last at least 25 more years.

How long assets "need" to last:	All married retirees	Spouse* is … Younger (56%)	Same age (10%)	Older (34%)
Less than 5 years	–	–	–	+
5 – 14 years	8%	7%	4%	10%
15 – 19 years	11	11	10	12
20 – 24 years	26	24	26	28
25 years or more	42	45	49	35
I have not figured out the number of years	13	13	11	14

* Among married/partnered respondents, 62 percent are male and 38 percent are female

– = No cases

+ = Less than ½ of 1 percent

Q45. When managing your finances, how many additional years from now do you (and your spouse/partner) assume your money *needs* to last?

Since retiring, only about half of the retirees have established specific plans for…

Withdrawing funds retirees saved on their own, such as personal savings, CDs, IRAs, etc.	**46%**
Especially among those who:	
Have formal written plan	64%
Have estimated number of additional years assets might last	56
Are aged 65 – 75	50

Minimizing taxes by ordering the withdrawal of funds from their IRAs and/or Roth IRAs, employer retirement plans, and personal savings, etc.	**52%**
Especially among those who:	
Have formal written plan	66%
Have estimated number of additional years assets might last	61
Are aged 65 – 75	58
Have household investable assets: $500,000 and over	58
Have household annual incomes: $75,000 – $99,999	57
Have financial advisor	55

Q48. Since you retired, have you established specific plans for… ?

Covering Health Expenses — Younger retirees rely on former employers' plans while older retirees rely on Medicare.

Sources of Current Health Care Coverage	All retirees	55-59	60-64	65-70	71-75
Covered by: Medicare Part A and/or Part B*	50%	11%	16%	82%	86%
Former employer's health plan	48	60	55	40	43
Medicare Part D	17	4	5	28	31
Purchased Medicare Supplement insurance	16	3	3	27	29
Joined spouse/partner's health insurance plan	14	17	20	11	9
Purchased an individual health insurance plan	12	15	15	9	8
Covered by Medicare Advantage Plan	7	+	1	16	9
Participate in group policy offered thru membership in professional organization	4	5	5	4	2
Covered by COBRA	1	2	2	+	+
Do not have health insurance coverage	2	4	2	+	1

* Of the retirees under 65 covered by Medicare Part A and/or Part B, 3 out of 4 retired earlier than thought – and the majority of these retired due to health issues.

+ = Less than ½ of 1 percent

Q49. Currently, how are you covering the risk of health care expenses? [Check all that apply]

InFRE International Foundation for Retirement Education

Self insuring is still the top way retirees plan to pay for long-term care.

Plans to Pay for Long-Term Care	All retirees
Personal savings	42%
Private long-term care policy	32*
Spend down investable assets and then be covered by Medicaid	21
Medicare would take care of it	16
Sell home and use proceeds	15
Access home equity line of credit	8
Expect family members to help pay expenses	2
Have not thought about it	15

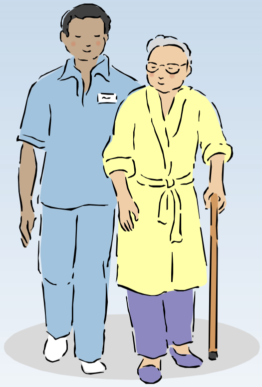
About 1 in 6 retirees *incorrectly* think Medicare covers long-term care.

* This proportion may be higher than found in the general retiree population due to the sample's higher level of assets.

Q50. If you were to need long-term care, how would you pay for this expense? [Check all that apply]

Some good news about long-term care insurance…

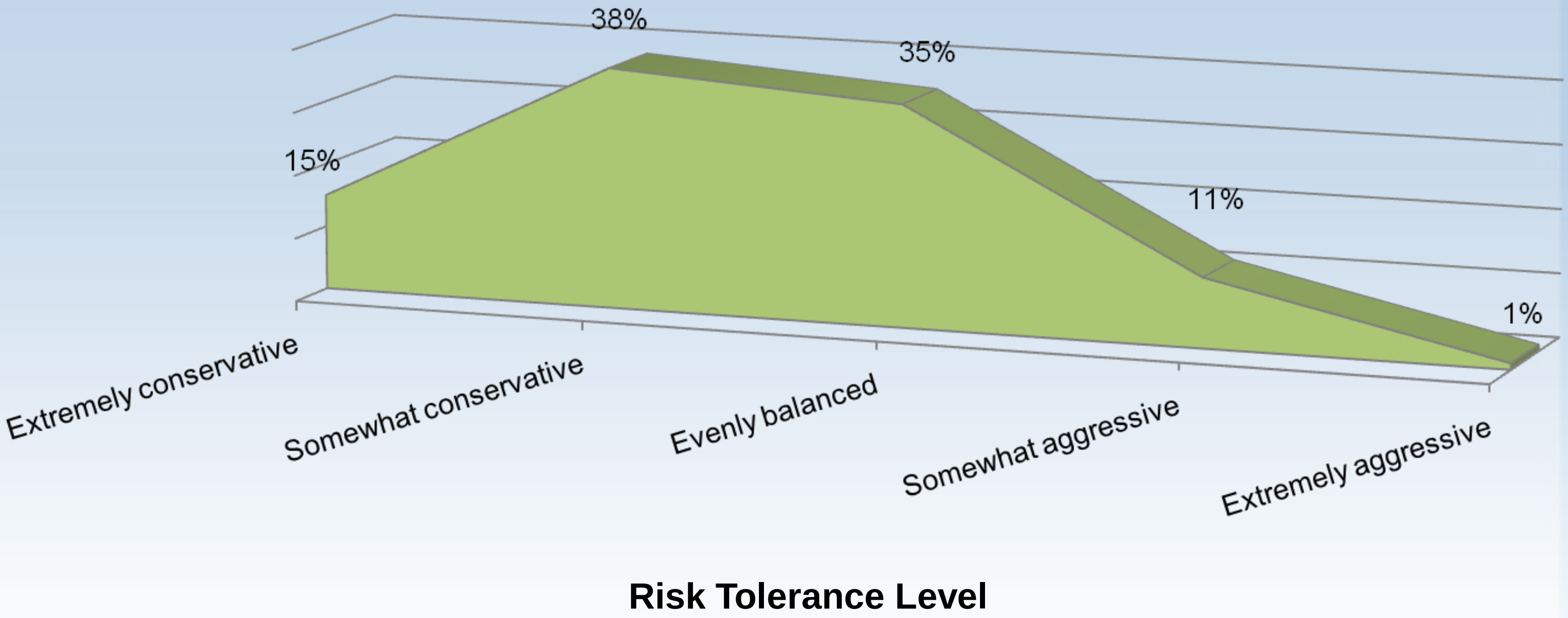
While one third of retirees plan to pay for long-term care through a private LTCI policy, the vast majority (90%) of these retirees say they have already purchased an LTCI policy.



Q50. If you were to need long-term care, how would you pay for this expense? [Check all that apply]
Q51. [If plan to pay through private LTC policy] Have you already purchased a long-term care policy?

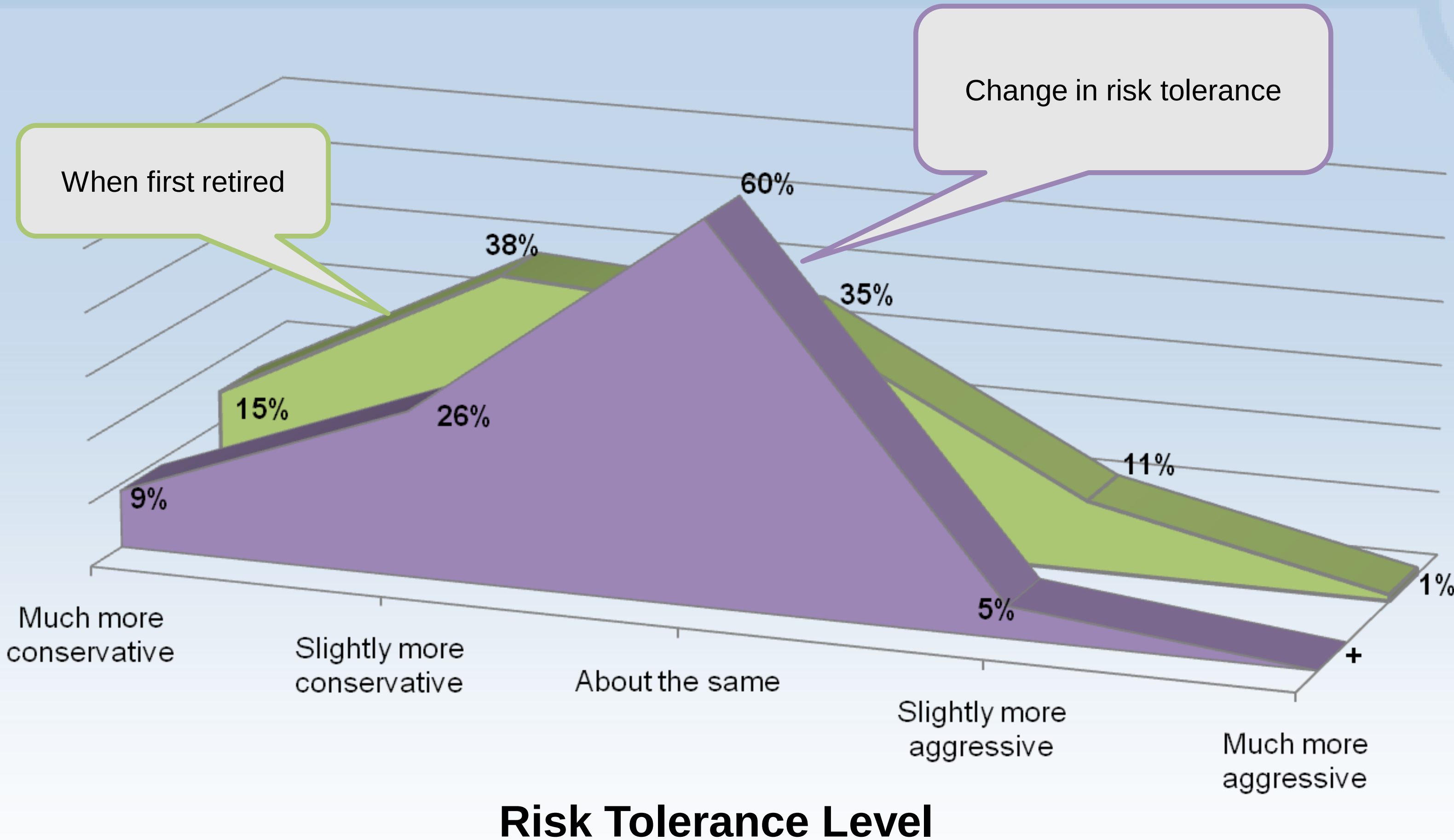
InFRE International Foundation *for* Retirement Education

The risk tolerance of retirees was primarily balanced or conservative when they first retired.



Q35A. How would you describe your risk tolerance level for managing your household's investable assets when you *first* retired?

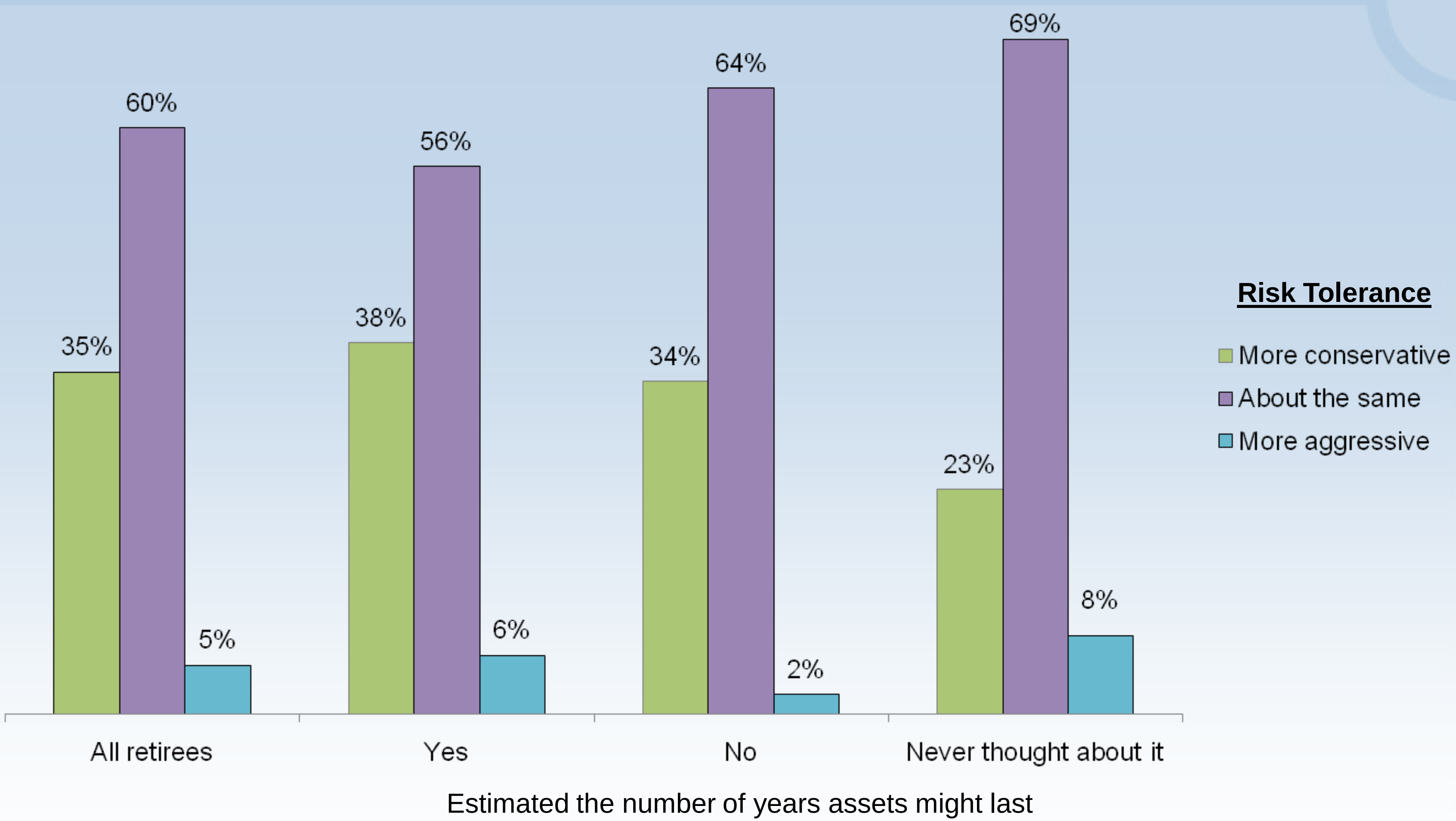
While 6 in 10 retirees have the same risk tolerance as when they first retired, others have changed their views.



+ = Less than ½ of 1 percent

Q35A. How would you describe your risk tolerance level for managing your household's investable assets when you *first* retired?
Q35B. How has your risk tolerance changed from when you first retired? I am now…

Retirees who *estimated* the number of years assets might last are more likely to change their risk tolerance.



Q35B. How has your risk tolerance changed from when you first retired? I am now. . .

Risk tolerance change due to … *Economy, Inflation, Advice*

Reasons for Changes in Risk Tolerance	Since first retiring, retirees who have become more…	
	Conservative (35%)	**Aggressive[1] (5%)**
Concerned about economy	68%	26%
Concerned about future effect of inflation	53	28
Followed advice received from my personal financial advisor	25	48
Won't have enough time to recover from market downturn	28	3
Expenses changed	20	24
Healthcare costs changed for self and/or spouse/partner	22	12
Change in health of self/spouse/partner	18	13
Amount of income received changed	17	24
Sources of income changed	14	20
Value of home changed	13	16
Change in marital status	7	5

[1] Retirees who are now slightly more or much more aggressive; based on 81 unweighted cases.

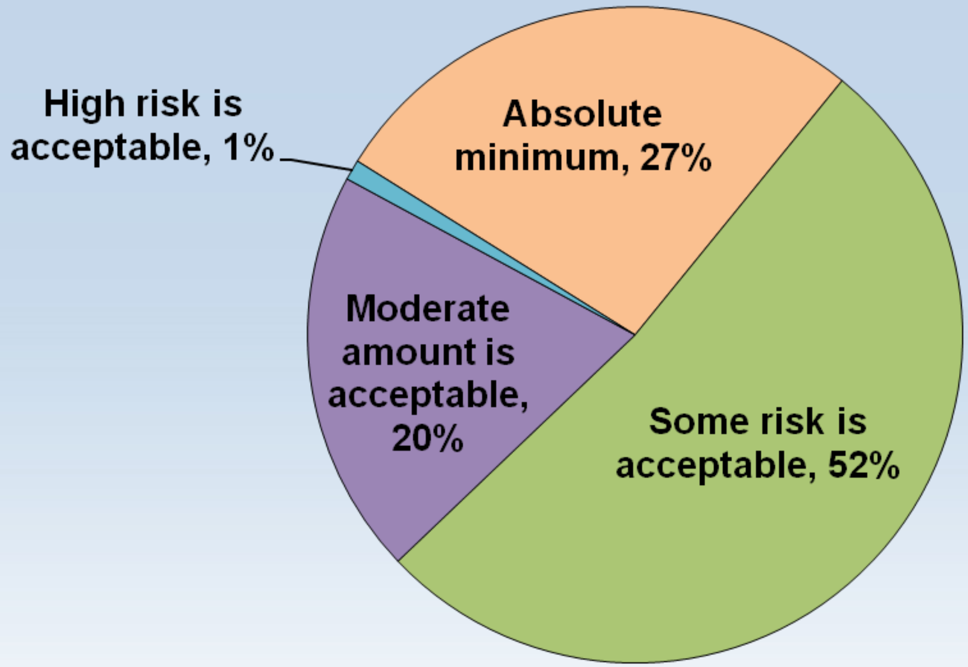
Q36. Why has your risk tolerance for managing your investable assets changed from when you first retired? [Check all that apply]

Younger retirees cite concern about economy, and pre-Medicare retirees cite health care costs.

Reasons for Changes in Risk Tolerance	Retirees who changed risk tolerance				
	All ages	55 – 59	60 - 64	65 – 70	71 - 75
Concerned about economy	62%	70%	67%	56%	59%
Concerned about future effect of inflation	50	50	49	52	48
Followed advice received from my personal financial advisor	28	34	28	26	24
Won't have enough time to recover from market downturn	25	19	26	28	22
Expenses changed	20	23	19	22	19
Health care costs changed for self and/or spouse/partner	20	19	27	15	22

Q36. Why has your risk tolerance for managing your investable assets changed from when you first retired? [Check all that apply]

Most retirees are willing to accept "some" risk with assets and investments.



Q38. How much risk are you willing to accept when it comes to your assets and investments?

Most retirees want some professional input when it comes to investing.

Methods of Investing	All retirees	Males	Females	Have Fin'l Advisor Yes	No
Prefer to look into investments on own and make my own decisions	35%	40%	29%	9%	68%
Want suggestions of a paid professional, but often make my own decisions	24	24	25	28	19
Want suggestions of a paid professional, and will go along with recommendations most of the time	33	30	36	51	10
Want a paid professional to totally manage my investments	8	6	10	12	3

Q37. Which of the following best describes your method of investing?

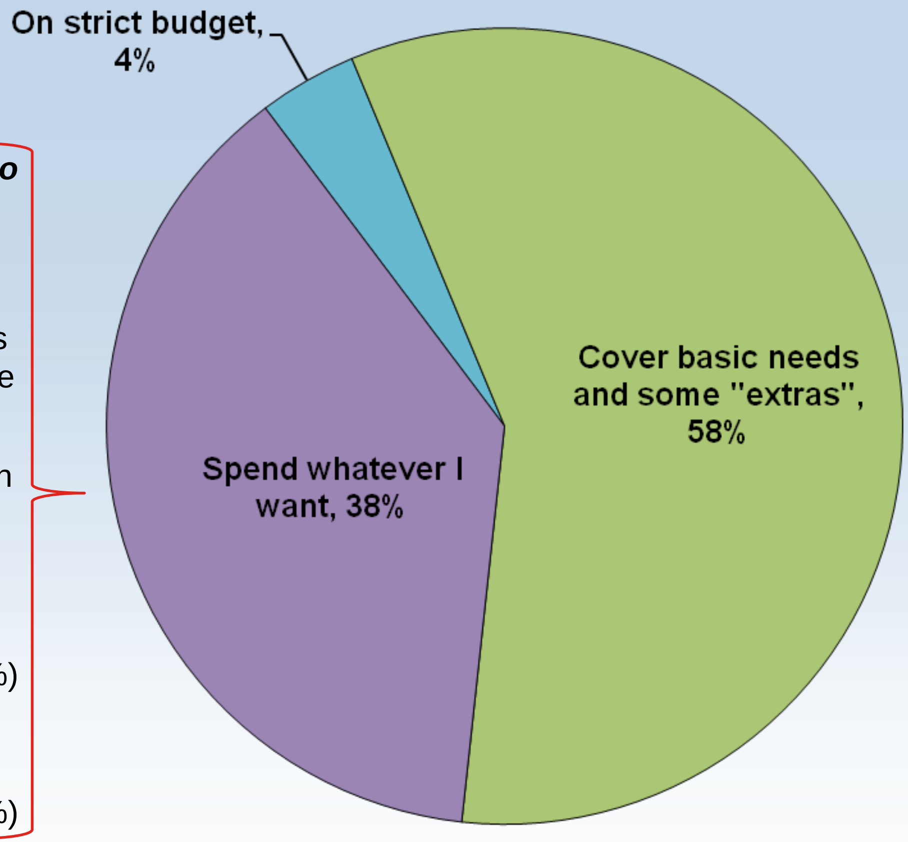
How Well Are Retirees Planning and Managing Expenses?

Extremely few retirees are on a strict budget, spending only as budgeted to cover their basic needs (4%).

Some retirees are more structured than others when it comes to how they spend their money.

Retirees who tend to spend money on whatever they want have…

- Household incomes of $100,000 or more (61%)
- $500,000 or more in investable assets (55%)
- No debt (50%)
- Ages 71 to 75 (49%)
- Estimated money needs to last 25 years or more (46%)



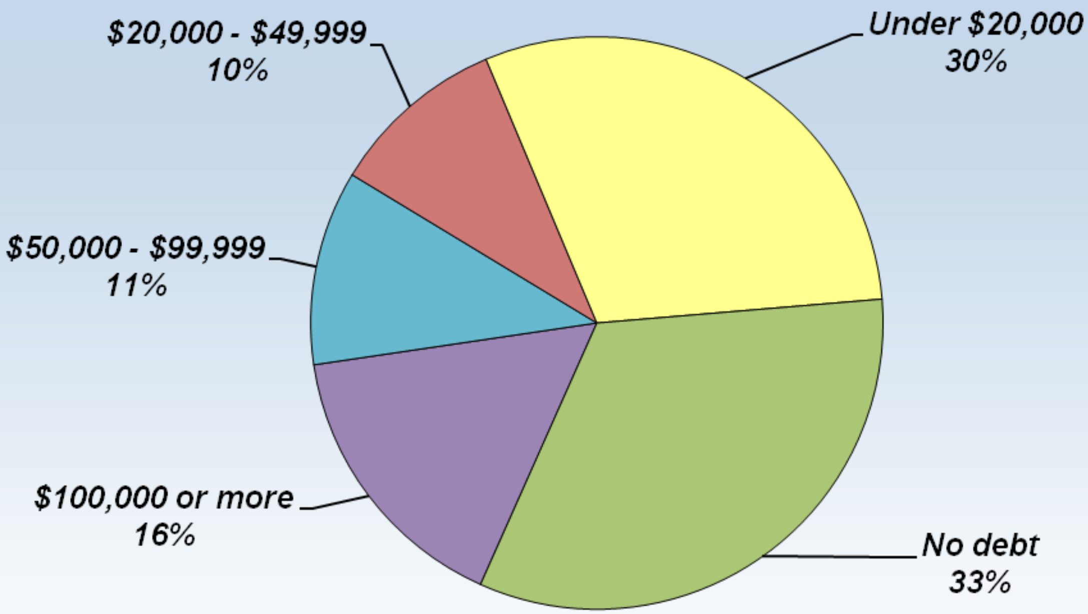
Retirees who tend to cover basic needs and some "extras" have…

- Less confidence they have saved enough money for comfortable retirement (70%)
- Less than $75,000 in household income (69%)
- $100,000 to $499,999 in investable assets (68%)
- Debt of less than $20,000 (66%)
- Been retired between 1 and 4 years (64%)
- Not estimated how long money might last OR estimated money needs to last 15 to 24 years (64%)

Q47. How are you spending your money in retirement?

The majority of retirees have *no* or *low* amounts of debt, but 1 in 6 do have $100,000 or more in outstanding debts.

Of those retirees with $100,000 or more in debt, 9 in 10 have first or second mortgages, and/or a home equity loan on their primary residence.



Q60. Please indicate the correct level of *debt* (including credit card balances, and any loans such as car, educational, home equity, and mortgages, etc.) that your household may have outstanding.

Most retirees own their homes but many still have mortgages or equity loans.

96% of retirees own their primary residence.

But *42%* of owners still have a mortgage and/or home equity loan:

- Younger retirees: Half of those 55-to-59 have mortgages or home equity loans
- Older retirees: Almost one third aged 71-to-75 have mortgages or home equity loans

Q54. Do you own your primary residence?
Q56. [If yes] Do you have a first or second mortgage and/or a home equity loan on your primary residence?

Most retirees will continue to have their mortgages or equity loans for 5 years or more.

When will be the mortgage and/or home equity loans be paid off?

	All ages	55-59	60-64	65 or more
Within 5 years	32%	37%	30%	30%
5 years or more	68	63	70	70

Q57. [Have mortgage/home equity loan] When will you have paid off all your mortgages and/or home equity loans?

Opportunities to Advise Retirees

Retirees want to protect or grow their assets.

The protection and growth of assets throughout retirement is the major objective when it comes to investable assets.

Asset protection and/or growth		56%
➢ Asset growth	24%	
➢ Make money last lifetime/period of time/age	7	
➢ Maintain/don't use up principal	6	
➢ Protect assets, maintain/retain funds	4	
➢ Hope money lasts lifetime	3	
➢ Earn more/keep up with inflation	3	
➢ Investment/financial strategy	3	
➢ Put off accessing it as long as possible	3	
➢ Continue saving	2	
Lifestyle related		18
Have an intended use		16
None, don't know		7

Q34. What is your *one major* objective for your household's investable assets? Please be as specific as possible. [Open-ended response]

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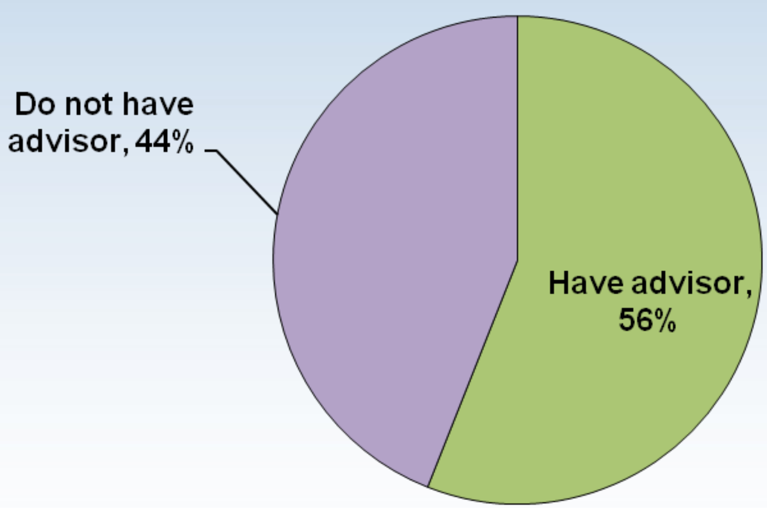
Financial advisors have a chance to help *more* retirees attain their goals.

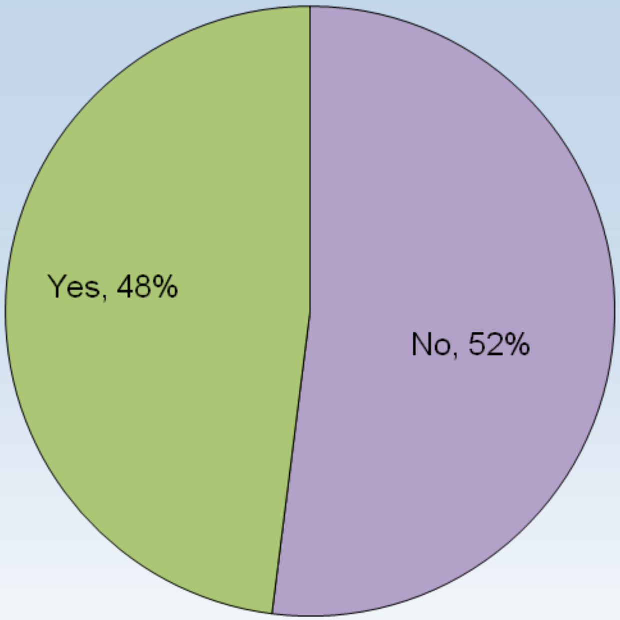
Currently, more than 2 in 5 retirees do *NOT* have someone they consider to be their personal financial advisor, specifically …

- Younger retirees: Nearly half (48%) of retirees aged 55-to-59
- Wealthier retirees: Almost 2 in 5 retirees with $500,000 or more in household investable assets (38%); and 43 percent of those with assets between $250,000 and $499,999



Q24. Do you *currently* have someone you consider to be your personal financial advisor?

More than half of the retirees did not use their *current* financial advisor prior to retiring.



Those who did not use their current advisor prior to retiring include retirees who:

- Are NOT confident they have saved enough for a comfortable retirement (71%)
- Retired: 5-9 years (56%)
10+ years (65%)
- Retired earlier than thought (59%)
- Do not have a formal written retirement plan (57%)

Q28. [Have advisor] Did your current financial advisor assist you with planning your retirement *before* you retired?

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Methodology

- Online survey conducted by Synovate; using their online panel to recruit respondents
- 1,524 retirees (self-defined: Are you retired?)
- Ages 55 to 75
- $100,000 or more in household investable assets
- Financial decision maker in household or equally shared responsibility
- Fielded first quarter 2008, after the stock market had declined from its peak but prior to the significant declines experienced in the latter half of 2008
- Response rate: 66%

Acknowledgements

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The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of all Project Oversight Group members or their employers.

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