

Retirement Expectations vs. Reality -- Are Workers Overconfident?

A screen with the title Retirement Readiness Today, Where Working Americans Stand appears. Below the title is a bulleted item that reads, 69% are very or somewhat confident about retirement. Narrator: “More than half of American workers are very or somewhat confident about their financial security in retirement. However, a growing body of research indicates there is a significant gap between how workers think about retirement and the actions they take to prepare for it.”

Four more bulleted items appear, each one summarizing what the narrator is saying. Then, a footnote appears at the bottom of the screen that reads, Source: 2020 Retirement Confidence Survey, Employee Benefit Research Institute, April 2020. Narrator: “For instance, one annual survey found that just 63% of active workers are currently saving for retirement. But among workers who do have savings and investments, 35% have less than \$25,000 in their accounts. At the same time, workers lack confidence in the future of government entitlement programs. Just 13% of workers are very confident that Social Security will continue to provide the same level of benefits received by today’s retirees. Similarly, only 11% feel very confident about the future of Medicare benefits.”

On a new screen, a chart with columns named Expected and Actual appears. The first row of the chart reads Median retirement age and displays the figure 65 under the word Expected and the figure 62 under the word Actual. Narrator: “It appears that there is a significant disconnect between what participants expect to do and what they can achieve. For instance, most workers say they plan to retire at age 65 or later. But approximately half of current retirees were compelled to retire well before their planned retirement date, producing an actual median retirement age of 62. The biggest driver of unplanned retirement is ill health, either for the retiree or a spouse. But company changes and the ability to afford to retire earlier are also factors.”

The second row of the chart reads Work during retirement. The figure 74% is under the word Expected, and the figure 27% is under the word Actual. Narrator: “There’s a similar story for those who say they plan to work while they are retired. More than three-fourths of workers say they want to remain in the labor force. But only one in three have the skills, abilities, and good fortune to continue drawing paychecks that can supplement their incomes.”

The third row of the chart reads Social Security. The figure 35% is under the word Expected, and the figure 64% is under the word Actual. Then, a footnote appears at the bottom of the screen that reads, Source: 2020 Retirement Confidence Survey, Employee Benefit Research Institute, April 2020. **Narrator:** “Perhaps most puzzling are the large gaps that occur around expected sources of income. Just 35% of current workers expect Social Security to be a major source of income in retirement, while 64% of current retirees say that it is a major income source. Given the conflicting responses that workers provided with respect to expectations and reality, it appears that many may be overconfident about retirement security.”

A new screen with the title Employer-Provided Education and Advice, A Key to Breaking Bad Behaviors appears. **Narrator:** “As a plan sponsor, it’s crucial for you to be aware of the behavioral issues that may be hampering your participants’ ability to save and invest wisely. A well-rounded retirement education program can provide the wake-up call that participants need to begin improving their retirement readiness.”

Below the title are three bulleted items. The first includes an image of charts and reads, Combine specifics of the plan with broad financial education concepts. The second includes an image of a man looking at a computer screen and reads, View retirement literacy as a career-long process. The third includes another image of charts and reads, Provide a variety of resources/information across a broad spectrum of media. **Narrator:** “An effective program should combine specific information about the plan with the broader financial education needs of employees. Plan sponsors should view retirement literacy as a career-long process that incorporates the range of information employees need to know in order to make informed retirement planning decisions. It is important to provide a variety of resources such as printed materials, education workshops, web content and interactive tools, and structured meetings that encourage questions and strategic planning. Ultimately, a thoughtful, robust retirement education program is an essential element of any retirement plan and could be the key to positive change in participant behavior.”