

Fed Reports Few Saving for Retirement

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New Fed study shows half have given little or no thought to retirement.

The Federal Reserve Board just released **the results** of a September 2013 survey, based on a nationally representative online panel, which was designed to monitor how well consumers have recovered from the financial crisis and to identify risks to their financial condition. While retirement was not the focus of the survey, it contained a number of questions that shed some light on how consumers think about supporting themselves in retirement and the steps they have taken to date. Once again, the news is disquieting and flies in the face of the current campaign to show that everything is fine on the retirement front.

Just to be clear here. I would be delighted if everyone were going to be financially secure in retirement. That is not my assessment, but I would be happy to be wrong. If the arguments of the “all fine” campaigners were more persuasive, I would devote more time to becoming a life master in bridge! The problem is that the evidence for concern keeps piling up, and the recent Fed survey is just one more example.

Despite the shift from defined benefit plans to 401(k) plans, which shifts the responsibility for retirement planning to the individual, remarkably few respondents have given it much thought. Among those age 45-59 and 60+, about 40 percent said that they had thought “only a little” or “none at all” about financial planning for retirement.

Responses to questions about amounts saved reflect the lack of attention. Roughly 45 percent of those surveyed said that they had not saved any of their 2012 income. Since this figure includes all age groups, it exaggerates the lack of saving for those approaching retirement. But some other responses suggest that these older groups may be in trouble. A high percentage of those 45-59 (64 percent) and 60+ (42 percent) have not put aside an emergency fund to cover expenses for three months should they lose their job or suffer some other disruption. What is even more distressing is that only 48 percent of respondents said that they could fairly easily handle an emergency expense of \$400.

In terms of retirement saving per se, 23 percent of those 45-59 and 15 percent of those 60+ responded that they had no retirement savings (savings, pension, or Social Security). The wording of the question may have led to understatement of eligibility for Social Security. When Social Security is excluded as a form of retirement “savings,” the share of respondents 60+ with no retirement savings rises to 31 percent.

So how do the people in the Fed survey think they will support themselves when they are in their sixties and seventies and thereafter. The short answer is work. Of those who have given any thought to retirement, many either do not plan to retire, expect to keep working after they retire, or do not know how they will support themselves. I’m a great supporter of working longer. It’s a terrific lever for ensuring retirement security. Social

Security benefits claimed at 70 are 76 percent higher than claimed at 62 and assets in 401(k) plans have time to grow.

But the working longer plan is a little more complicated. First, after some point, most people are no longer working; so people are going to need something more than Social Security. Second, for one reason or another people don't end up staying in the labor force. Hopefully this picture will change over time. But in the Fed survey of those who identified themselves as retired, only 6 percent said that they had a job.

The overall picture from this most recent survey is that people are not prepared or preparing for retirement and their backstop is continued work. While working longer is a good idea, it should not be viewed as the only answer to the retirement income challenge.