

Retirement Readiness Study Results of Federal Employee Survey

This paper summarizes the findings from a survey of the Federal workforce to examine attitudes and actions towards planning for retirement. The information from this effort, as well as other research being conducted by the Office of Personnel Management (OPM) and the International Foundation for Retirement Education (InFRE), will be used in the development of the retirement readiness profile index.

Some of the key findings are:

- The majority of Federal employees (more than eight in ten) state they are on track or ahead of schedule in planning and saving for their retirement years.
- More than half of workers expect to retire before age 62, with almost four in ten expecting to retire at age 59 or earlier.
- Nine in ten workers participate in the Thrift Savings Plan.
- Nine in ten Federal employees say they have given their retirement lifestyle at least some thought, and almost nine in ten of those who have given thought to their likely lifestyle have given at least some thought to its cost.
- Only one in four workers expects not to work for pay during retirement.
- Less than half have calculated how much they need to save for a comfortable retirement; almost four in ten employees who have calculated this need have estimated/guessed or used a self-created worksheet.
- Only two in ten workers have a primary professional financial advisor whom they use to help them with their retirement plan and investment decisions.
- When asked to rank their most trusted sources for information about planning, half of the workers identify financial professionals (50%), followed by material provided by the employer (38%).
- Almost eight in ten workers would be very or extremely interested in their employer providing additional information about preparing for retirement.
- Workers appear to understand the impact of debt on their retirement savings as almost seven in ten workers have given this significant thought.
- Almost four in ten workers are not confident about their ability to make investment decisions, while less than two in ten believe they have a lot or great deal of knowledge about investing.
- About three-fourths of workers describe themselves as moderate to conservative investors, with less than one in ten (7%) stating a willingness to take substantial investment risks.

OVERVIEW

InFRE is working with the Office of Personnel Management to develop tools and identify educational resources that will help Federal workers be better prepared for their retirement years. The first step in this project was to survey a representative sample of Federal workers to explore their state of preparedness and retirement financial literacy. This report identifies the findings from this effort.

Incorporating input from a team of more than 30 experts from the retirement and financial fields, InFRE developed a survey instrument that addressed a balanced approach to retirement planning. Questions were designed to address issues of physical wellness and the psychological and social aspects of retirement, as well as financial preparation.

Survey results were segmented and analyzed by career stage because the concept of being retirement ready is dependent on how many more years an employee has left to plan. Career stage was calculated by subtracting the respondents current age from the age they said they would retire from the government.

- Early Career – *25 or more years before planned retirement.*
- Mid Career – *10 to 24 years before planned retirement.*
- Late Career – *less than 10 years before planned retirement.*

The results from this survey will be valuable in the development of the retirement readiness profile index that can be used by Federal agencies in two ways. First, the profile can be used as a tool to identify the general readiness of their employees and plan specific programs to address the identified issues; second, it can also be used by individual employees to create their own retirement readiness profile and take necessary steps to strengthen any identified weaknesses.

Methodology

These findings are part of the Federal Worker Retirement Readiness Survey, conducted by the International Foundation for Retirement Education (InFRE) on behalf of the Office of Personnel Management as part of the process to measure the retirement readiness of civilian Federal workers. The survey was conducted between May and September 2005 through a 20-minute Internet survey sent to 22,701 Federal workers email addresses. A total of 9,229 surveys were completed but 1,935 couldn't be used because they couldn't be matched with OPM data. The final sample size was 7,294 usable surveys (a response rate of 32%). A stratified sampling design was used to select workers for participation in the study, in an effort to obtain sufficient responses from minority and lower-income groups. The final sample obtained was then weighted by age, gender, pay, and race/ethnicity to match the actual proportions in the Federal civilian workforce. Data presented in tables in this report may not total to 100 due to rounding and/or missing categories.

In theory, an unweighted sample of 7,294 yields a statistical precision of plus or minus 1.1 percentage points (with 95 percent certainty) of what the results would be if all civilian Federal workers were surveyed with complete accuracy. The weights used in this study decrease this precision slightly to plus or minus 1.4 percentage points. There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of

question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the estimation error that may result from them.

ATTITUDE ABOUT READINESS

When it comes to planning and saving for retirement, Federal workers are considerably more likely to believe they are on track or ahead of schedule than American workers in general.¹ Five in ten Federal workers, but less than one in ten American workers, report they are ahead of schedule in planning and saving for their retirement. On the other hand, less than two in ten Federal employees, compared to more than five in ten American workers, think they are behind schedule.

Perceived Progress in Planning and Saving for Retirement

When it comes to planning and saving for retirement, would you say you are . . . ?

	Federal Workers (n=7294)	American Workers¹ (n=1001)
A lot ahead of schedule	16%	3%
A little ahead of schedule	33	4
On track	33	37
A little behind schedule	9	23
A lot behind schedule	5	32
Don't know	4	1

Not surprisingly, attitudes about retirement preparedness are strongly linked to affluence among American workers overall, with higher-income workers tending to believe they are better prepared than lower-income workers. Within the Federal workforce, however, this trend is reversed. In fact, those employees identified with household wealth or pay below \$50,000, regardless of where they are in their career, are more likely to say they are “a lot ahead of schedule” than those with household wealth or pay of \$50,000 or more. Household wealth is the total amount of personal savings and workplace retirement savings accounts for the respondent and his or her spouse. It does not include the value of their home or employer provided defined benefit pension plans.

Perceived Progress in Planning and Saving for Retirement by Household Wealth

When it comes to planning and saving for retirement, would you say you are . . . ?

	Early Career		Mid Career		Late Career	
	<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
A lot ahead of schedule	21%	3%	29%	8%	23%	6%
A little ahead of schedule	39	30	38	32	38	26
On track	26	40	20	39	25	46
A little behind schedule	6	17	6	14	7	12
A lot behind schedule	5	9	2	5	2	9
Don't know	3	1	4	2	3	2

¹ Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey

Perceived Progress in Planning and Saving for Retirement by Pay

When it comes to planning and saving for retirement, would you say you are . . . ?

	Early Career		Mid Career		Late Career	
	<\$50,000 (n=349)	\$50,000+ (n=339)	<\$50,000 (n=890)	\$50,000+ (n=1842)	<\$50,000 (n=926)	\$50,000+ (n=2930)
A lot ahead of schedule	22%	11%	28%	15%	19%	11%
A little ahead of schedule	36	34	34	35	34	30
On track	22	35	22	32	29	40
A little behind schedule	9	10	7	11	8	9
A lot behind schedule	5	7	2	4	4	7
Don't know	7	3	6	4	7	3

RETIREMENT AGE AND LONGEVITY

One of the first steps in adequately planning for retirement includes an estimate of when this might occur. Nearly six in ten Federal workers have given significant thought to when they would like to retire. As can be expected, the amount of thought given to this date increases the closer employees get to retirement age, with more than seven in ten late career workers giving their retirement date serious thought, compared to less than three in ten early career employees.

Thought Given to Timing of Retirement

How much thought have you given to when you would like to retire?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
A great deal of thought	30%	10%	23%	43%
A lot of thought	27	16	27	32
Some thought	30	41	36	21
Only a little thought	10	26	11	3
No thought	2	7	3	1

While most American workers believe they will work until at least age 65, Federal workers anticipate a much earlier retirement. In fact, almost seven in ten Federal workers expect to retire before age 65. Late career employees are especially likely to identify an earlier retirement age, with almost half predicting their retirement from the Federal government will begin before age 60.

Expected Age at Retirement

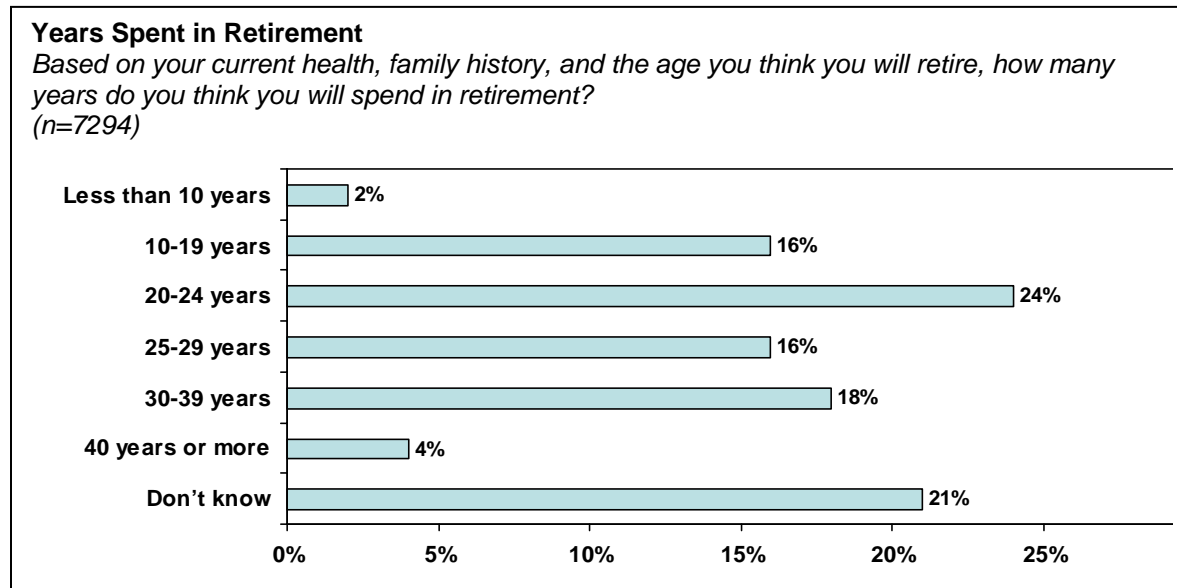
Realistically, at what age do you think you will be able to retire?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
Under 55	7%	1%	8%	9%
55-59	31	13	30	37
60-61	15	20	14	14
62-64	15	9	14	18
65	12	24	13	7
66 or older	10	18	10	7
Never retire	1	2	2	1
Don't know	10	14	10	8

While some Federal workers may underestimate how long they can expect to live in retirement, it appears workers are roughly on target. While both men and women expect to retire at age 60 on average, men say they will spend about 22 years in retirement (to age 82) and women think

they will spend about 24 years (to age 84). In general, a 60-year-old man can expect to live until age 82, while a 60-year-old woman can expect to live until age 85.²

Still, two in ten say they do not know how long they can expect to spend in retirement. Moreover, late career workers (21%) are as likely as mid (19%) and early (23%) career workers to have neglected giving consideration to this key component of retirement planning.



RETIREMENT LIFESTYLES AND COST

In order to determine preparedness, it is important for workers to have an idea of what their life will be like in retirement. What they envision their retirement will be like, and what steps, if any, they are taking to prepare for the day they retire was explored in the survey. Not surprisingly, workers who are closer to retirement are more likely to have given considerable thought and planning to their expected lifestyle.

Nine in ten Federal workers have given at least some thought to their lifestyle in retirement, with almost six in ten saying they have given a great deal or a lot of thought to this issue. The proportions reporting a great deal or a lot of thought increase from less than four in ten among early career workers to seven in ten among late career employees.

Thought Given to Desired Lifestyle in Retirement

How much thought have you given to the type of lifestyle you would like to have in retirement, that is, where you would like to live in retirement, how you would like to live, and the things you would like to do?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
A great deal of thought	27%	12%	22%	36%
A lot of thought	31	24	31	34
Some thought	32	42	36	25
Only a little thought	8	15	9	4
No thought	2	6	2	1

² Based on UP94 Life Tables projected to 2005.

Almost all of those who have thought about the type of lifestyle they would like to have in retirement also say they have given at least some thought to the cost of that lifestyle (88%). Late career employees are twice as likely as early career workers to indicate they have given a great deal or a lot of thought to this cost (65% vs. 32%).

Thought Given to Cost of Desired Retirement Lifestyle

How much thought have you given to how much this retirement lifestyle would cost? (Among those having thought about their desired lifestyle in retirement)

	Total (n=7139)	Early Career (n=642)	Mid Career (n=2670)	Late Career (n=3827)
A great deal of thought	23%	10%	18%	31%
A lot of thought	29	21	27	34
Some thought	36	44	40	29
Only a little thought	11	20	13	5
No thought	2	4	2	1

While a few workers (14%) dream of having a standard of living in retirement higher than their working years, nearly two-thirds of Federal workers who have considered their retirement lifestyle say they realistically prefer a retirement standard of living the same as their working years. A very small percentage of employees (6%) state they prefer a standard of living that would be lower than their working years.

The data suggest some workers may adjust their expectations downwards as they approach retirement age. Early career employees, particularly those with household wealth under \$50,000, are more likely than those in other career stages to say they prefer a higher standard of living in retirement. At the same time, the percentage willing to settle for a lower standard of living either initially or after 10 years of retirement increases from 14% among early career employees to 25% of those late in their career.

Preferred Standard of Living in Retirement by Household Wealth

Would you realistically prefer a standard of living in retirement that is . . . ? (Among those having thought about their desired lifestyle in retirement)

	Total (n=7139)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=424)	\$50,000+ (n=129)	<\$50,000 (n=1201)	\$50,000+ (n=1066)	<\$50,000 (n=1319)	\$50,000+ (n=1880)
Higher than in your working years	14%	26%	17%	16%	14%	12%	8%
The same as in your working years	64	57	75	65	65	60	66
The same as in your working years for the first 10 years of your retirement, and then lower for the remaining years	15	12	6	12	15	20	17
Lower than in your working years	6	3	2	5	6	7	7

Despite the thought workers say they have put into the cost of their retirement lifestyle, they may not be doing a good job of estimating the income needed to support it. The data suggest many employees may be assuming they can maintain the same standard of living as their working years at a reduced monthly income in retirement. In fact, almost half of all workers estimate they will need less than \$4,000 per month (\$48,000 per year) to maintain their desired lifestyle in retirement.

These findings are most troubling for late career employees, three-quarters of whom expect to maintain the same standard of living or better in retirement. More than half with pay of at least

\$50,000 expect to need less than \$4,000 per month to maintain their desired lifestyle, while almost half with less than \$50,000 in pay think they will be able to maintain their lifestyle with less than \$3,000 per month (\$36,000).

Amount of Monthly Income Needed in Retirement by Pay

After you retire, what is your best estimate of the amount of money you will need as income each month to maintain your desired lifestyle?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=349)	\$50,000+ (n=339)	<\$50,000 (n=890)	\$50,000+ (n=1842)	<\$50,000 (n=926)	\$50,000+ (n=2930)
Less than \$2,000	3%	4%	2%	5%	2%	11%	2%
\$2,000-\$2,999	18	18	10	30	12	36	16
\$3,000-\$3,999	25	29	23	27	23	28	24
\$4,000-\$4,999	19	20	21	16	20	9	21
\$5,000-\$6,999	15	9	18	6	19	6	19
\$7,000-\$9,999	6	2	7	2	9	1	9
\$10,000 or more	4	1	4	2	6	1	3
Don't know	9	17	14	12	9	8	6

Where employees will live and the availability of home equity (i.e., they own their own home at the time of retirement) to support their retirement lifestyle is also an important issue in retirement planning. Seven in ten (69%) Federal workers say it is extremely or very likely they will own their primary home at the time they retire, and another 13% believe it somewhat likely they will own their home at that time. As might be expected, the likelihood of owning their home at retirement increases with income and wealth. Married workers are also more likely than unmarried workers to expect to own a home at retirement.

Federal workers who expect to own their home at retirement cite a variety of plans for that home. The plurality—more than one-third—have no expectations of moving and intend to stay in their same home for the rest of their lives. However, two in ten say they will sell their home and buy a home of lesser value. More than one in ten thinks they will sell their home and buy a home of the same value. Virtually no employees who are likely to own a home at retirement expect to sell it and rent a home in their retirement years. The expectation of staying in place increases with career stage and is inversely related to household wealth.

Plans for Home at Retirement by Household Wealth

When you retire, which of the following are more likely to do? Select all that you think will realistically apply. (Among those likely to own their primary home at retirement)

	Total (n=5749)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=377)	\$50,000+ (n=121)	<\$50,000 (n=960)	\$50,000+ (n=954)	<\$50,000 (n=896)	\$50,000+ (n=1573)
Primary home							
Stay in your current home for the rest of your life	35%	30%	23%	37%	30%	43%	38%
Sell your current home and buy a home of lesser value	19%	14%	24%	16%	23%	17%	21%
Sell your current home and buy a home of the same value	12%	8%	11%	11%	14%	11%	14%
Sell your current home and buy a home of greater value	7%	9%	2%	10%	8%	5%	6%
Sell your current home and rent a home	1%	0%	0%	1%	1%	1%	1%
Second Home							
Buy a second home	14%	18%	24%	11%	18%	10%	13%
Sell a currently-owned second home	4%	3%	6%	3%	3%	3%	6%
Rent a second home	3%	3%	7%	1%	3%	1%	3%
Don't know	21%	31%	29%	22%	20%	18%	16%

Understanding how extended family responsibilities could potentially impact retirement income needs is important in planning. With the delay of childbearing and increased life expectancy, future retirees are more likely than previous generations of retirees to find they must devote some of their financial resources toward aging parents, children, or other members of their extended family. Federal employees are fairly evenly split between those who say there is some (or more) likelihood and those who feel there is little (or no) likelihood they will provide financial support for an extended family member in their retirement years. The likelihood of stating this eventuality as not too or not at all likely increases as their career approaches retirement.

Financial Support for Family Members During Retirement

How likely is it that you will be providing financial support for an extended family member, such as parents, parents-in-law, dependent children or grandchildren during your retirement?

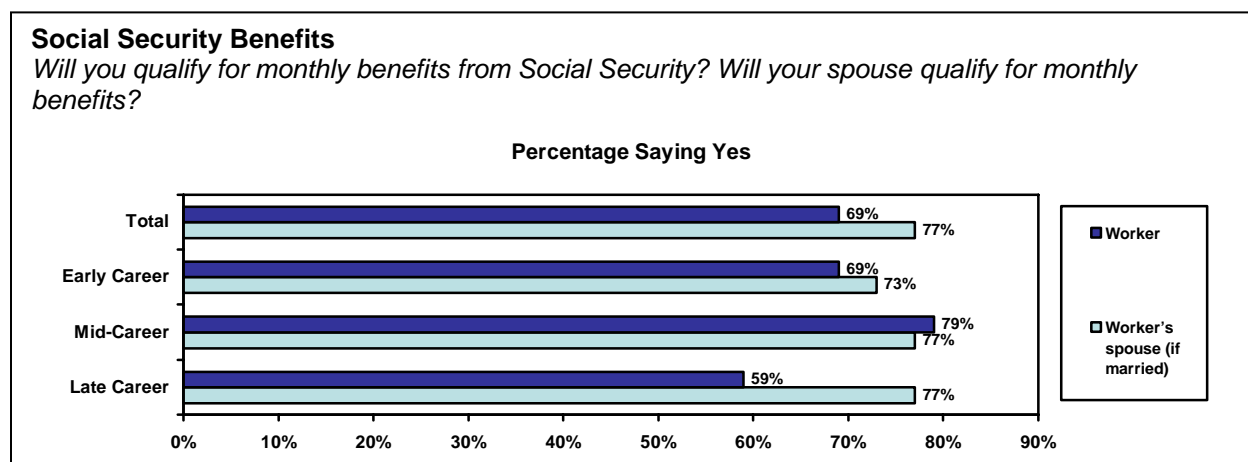
	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
Extremely likely	6%	7%	6%	6%
Very likely	12	17	12	10
Somewhat likely	29	34	30	25
Not too likely	36	29	37	37
Not at all likely	13	5	10	19
Don't know	4	8	4	2

SOURCES OF RETIREMENT FUNDING

Retirement planning also requires an awareness and realistic expectations as to employees' sources of retirement income, from employer-sponsored benefits to equity in their home.

Seven in ten Federal workers report they will qualify for monthly benefits from Social Security in retirement, however only six in ten late career employees expect to receive these benefits. This result is largely driven by employees covered by the Civil Service Retirement System (CSRS). Only three in ten (29%) late career CSRS employees expect to qualify for benefits from Social Security. CSRS does not include Social Security as part of the government retirement plan. Only those employees with Social Security coverage outside their Federal employment will be eligible for benefits. Eight in ten (83%) early career employees covered by the Federal Employees Retirement System (FERS) expect to qualify for monthly Social Security benefits.

Of concern is the fact that almost three in ten (27%) FERS employees state they don't know if they will qualify for Social Security. Ten percent of mid career and 5% of late career FERS workers also are unaware of whether they qualify for these benefits.



Pensions and employer-provided benefits generally provide a major source of retirement funding, and half of all workers say they have given a great deal or a lot of thought to the amount of monthly income they can expect from these sources. Another third have given some thought to how much they can expect. Late career employees tend to have given this the most thought (67% a great deal or a lot), particularly those with savings and investments of \$50,000 or more (72%).

Thought Given to Amount of Income From Retirement Plans by Household Wealth

How much thought have you given to the amount of monthly income you can expect to receive in retirement from retirement plans and defined benefit pension plans?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
A great deal of thought	22%	6%	8%	15%	18%	30%	36%
A lot of thought	27	18	19	22	26	34	35
Some thought	33	37	36	41	40	27	24
Only a little thought	11	22	25	14	13	6	4
No thought	5	14	11	7	2	2	1

Accumulated savings from “at work” savings plans also provide an important resource for retirement income. On a national basis, eight in ten workers offered a plan by their employer report they contribute a portion of their pre-tax income to it, according to the 2005 Retirement

Confidence Survey.³ Federal worker participation is higher, with nine in ten employees reporting they contribute to the Thrift Savings Plan. This impressively increases to between 94% and 100% participation for employees who have household wealth of \$50,000 or more at each career point.

Participation in Thrift Savings Plan by Household Wealth

Do you contribute to the Thrift Savings Plan at work?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Yes	91%	91%	100%	90%	99%	81%	94%
No	9	9	0	10	1	19	6

Successful planning must also take into consideration the family resources available in retirement, including the spouse's employer benefits and savings accumulations. Fewer indicate their spouse participates in an "at work" retirement plan. Among married workers with employed spouses, only about six in ten identify the availability of employer-sponsored savings plans, with less than five in ten contributing to these. Only one-third of employed spouses have a pension/defined benefit plan as part of their employer benefits, and just one in twenty are provided a profit sharing plan at work.

Spouse Participation in Employer Retirement Plan

Which of the following types of retirement plans does your spouse participate in? (Among workers with an employed spouse)

	Total (n=3578)	Early Career (n=318)	Mid Career (n=1461)	Late Career (n=1799)
A savings plan, such as a 401(k), 403(b), 457 or Thrift Savings Plan	63%	58%	65%	62%
Contributed to plan in 2004	48%	38%	50%	49%
Employer contributed to plan in 2004	41%	36%	45%	39%
Traditional pension or defined benefit plan	33%	18%	28%	42%
Profit-sharing plan	6%	5%	6%	6%

Federal workers were also asked about savings they are accumulating for retirement in addition to the Thrift Savings Plan or their spouse's "at work" plan. More than half noted that they are currently saving for retirement on a regular basis outside of work. The likelihood of reporting these additional savings increases with career stage and household wealth.

Saving for Retirement Outside of Work by Pay

Not including money you save through your employers' retirement plans or Social Security taxes, are you personally saving money on a regular basis for retirement?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=349)	\$50,000+ (n=339)	<\$50,000 (n=890)	\$50,000+ (n=1842)	<\$50,000 (n=926)	\$50,000+ (n=2930)
Yes	54%	31%	53%	38%	52%	55%	66%
No	45	66	47	60	47	42	33

While only 6% of Federal workers say they have no savings not reserved for routine bills and expenses, more than four in ten of those who provided this amount in the survey say they have

³ Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey

between \$1 and \$49,999 (including 35% of late career workers). One-quarter have between \$50,000 and \$149,999, and just over one-quarter report having accumulated \$150,000 or more. Not surprisingly, accumulated savings increase as pay rises.

Total Amount Accumulated That Is Not Otherwise Earmarked for Routine Bills and Expenses by Pay

As of today, how much money have you accumulated in total that is not earmarked for routine bills and expenses? (Among those providing a dollar amount)

	Total (n=6206)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=425)	\$50,000+ (n=488)	<\$50,000 (n=746)	\$50,000+ (n=1882)	<\$50,000 (n=576)	\$50,000+ (n=2074)
No savings	6%	14%	1%	14%	5%	11%	4%
\$1-\$4,999	15	41	13	28	9	19	8
\$5,000-\$9,999	9	13	13	17	6	12	6
\$10,000-\$49,999	19	26	27	22	18	24	15
\$50,000-\$99,999	14	4	24	11	15	15	13
\$100,000-\$149,999	10	1	9	4	14	7	11
\$150,000-\$249,999	11	<0.5	9	2	14	5	16
\$250,000-\$499,999	10	0	3	1	13	4	15
\$500,000 or more	6	<0.5	<0.5	1	6	3	12

The expectation employees will work in retirement is a growing trend among all Americans and provides an additional source of revenue when personal savings is not sufficient. The 2005 Retirement Confidence Survey⁴ identified that two-thirds (66%) of workers expect to work for pay in retirement. Only one in four Federal workers expects not to work for pay during retirement. Workers closer to retirement are more likely than those earlier in their career to say they will continue working, while those with household wealth under \$50,000 are also slightly more likely than more affluent workers to expect to work in retirement.

Plans To Work for Pay in Retirement by Household Wealth

Do you (and/or your spouse) plan to work for pay after you retire?

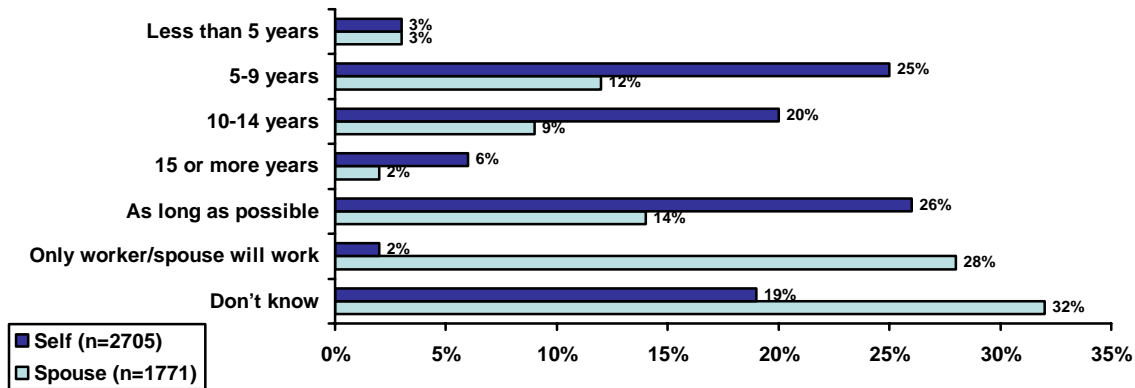
	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Yes	38%	35%	24%	39%	34%	45%	41%
No	25	22	20	22	31	24	28
Don't know	38	43	56	39	35	32	31

Among those stating they intend to work for pay in retirement, almost half of workers say the length of time they intend to continue employment is five to fourteen years, while one in four state for "as long as possible." The length of time the spouse is expected to work in retirement is generally less than that of the Federal employee who is responding.

⁴ Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey

Number of Years Plan to Work for Pay in Retirement

For how many years do you think you will work for pay after you retire? If married: For how many years do you think your spouse will work for pay after s/he retires? (Among those planning to work for pay)



Understanding how home equity may be used as a source of retirement income is critical in planning for retirement. Although almost three in ten workers planning to sell their home at retirement state it is extremely or very likely they will use money from the sale to help finance retirement, close to four in ten think it not too or not at all likely. Workers closer to retirement are more likely than those further from retirement to say it is extremely likely that they will use money from the sale of their home. At the same time, however, late career workers are also more likely than early career employees to say it is not too or not at all likely.

Likelihood of Using Money from Sale of Home To Finance Retirement

How likely do you think you will be to use the money from the sale of your home to help finance your retirement? (Among those likely to sell home at retirement)

	Total (n=1259)	Early Career (n=108)	Mid Career (n=477)	Late Career (n=674)
Extremely likely	10%	5%	8%	13%
Very likely	18	19	17	18
Somewhat likely	33	44	34	27
Not too likely	29	21	28	31
Not at all likely	9	5	9	9
Don't know	2	6	3	1

Few workers (only about one in ten) are anticipating an inheritance to help provide financial support in retirement. Of those who believe they are likely to receive an inheritance, only one in ten expect this to be an important part of their financial future in retirement. More affluent workers (household wealth of \$50,000 or more) are somewhat more likely to expect an inheritance, while those less affluent (household wealth under \$50,000) are more likely to count on the inheritance to help them in retirement.

Likelihood of Inheriting Money To Help Fund Retirement by Household Wealth

How likely are you to inherit money to help you fund your retirement?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Extremely likely	5%	3%	7%	3%	7%	3%	8%
Very likely	8	7	9	5	11	5	10
Somewhat likely	17	17	29	15	22	13	16
Not too likely	27	31	30	31	30	24	23
Not at all likely	39	36	18	41	28	53	42
Don't know	4	6	7	5	2	2	1

Importance of Inheritance in Helping To Fund Retirement by Household Wealth

How important a role will an inheritance play in helping to fund your retirement? (Among those expecting an inheritance)

	Total (n=2047)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=121)	\$50,000+ (n=62)	<\$50,000 (n=276)	\$50,000+ (n=411)	<\$50,000 (n=277)	\$50,000+ (n=624)
Extremely/very likely	12%	13%	5%	14%	8%	19%	13%
Somewhat likely	26	22	25	29	29	27	25
Not too/not at all likely	60	61	70	55	63	52	61
Don't know	2	4	0	3	1	2	1

PERSONAL PLANNING

Determining how much money will be needed to save for retirement isn't easy to do. Only four in ten (42%) American workers have tried to calculate this amount, according to the 2005 Retirement Confidence Study.⁵ This is fairly consistent with the findings from the Federal worker survey, where slightly less than five in ten have tried to figure out their retirement income needs. Federal workers with \$50,000 or more in accumulated household wealth are more likely than less affluent workers to report performing this calculation, with affluent late career workers being the most likely to have done so.

Doing a Retirement Savings Needs Calculation by Household Wealth

Have you tried to figure out how much money you will need to have saved by the time you retire (in addition to whatever you will get from Social Security and pension benefits) to live comfortably in retirement)?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Yes	48%	29%	52%	31%	58%	47%	71%
No	46	63	48	62	38	47	26
Don't know/don't remember	6	7	<0.5	8	3	6	3

Of those who have tried to calculate their retirement savings needs, six in ten say they have done this within the past year. Mid and late career workers with at least \$50,000 in accumulated savings are more likely than their less wealthy counterparts to have conducted a needs analysis within the past year.

⁵ Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey

Timing of Retirement Savings Needs Calculation by Household Wealth

When did you (most recently) calculate how much you would need to save for retirement? (Among those doing a retirement calculation)

	Total (n=3511)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=118)	\$50,000+ (n=64)	<\$50,000 (n=367)	\$50,000+ (n=603)	<\$50,000 (n=605)	\$50,000+ (n=1339)
Within the past 6 months	36%	36%	36%	22%	35%	33%	49%
6-12 months ago	24	29	33	25	29	20	22
13-24 months ago	14	18	14	20	16	14	10
More than 2 years ago	17	10	14	23	16	23	15
Don't know/don't remember	8	7	4	10	4	10	5

There are many different methods for calculating retirement savings needs, from professional financial advisors to guessing. Early and mid career workers most often use an on-line calculator (43% and 32% respectively), while more than four in ten late career workers estimate income needs by guessing or using a self-created worksheet.

Method Used for Calculating Retirement Savings Needs

Which of the following comes closest to describing the method you used to do the calculation? (Among those doing a retirement calculation)

	Total (n=3511)	Early Career (n=199)	Mid Career (n=1074)	Late Career (n=2238)
Used an on-line form or calculator	25%	43%	32%	17%
Estimated or guessed	20	15	18	23
Used a self-created worksheet	17	9	11	23
Calculated by a financial advisor	15	12	16	15
Used a paper worksheet obtained from a financial services company, financial educational publication or other source	9	7	9	9
Used a computer program	8	9	8	8
Read or heard that is how much is needed	3	2	3	2
Don't know/don't remember	4	2	4	4

The amount Federal workers think they need to accumulate for retirement in addition to employer pensions and Social Security benefits varies widely. Among those who calculated their retirement savings needs, about one in four state they need to accumulate less than \$500,000 by the time they retire. Late career workers tend to think they will need less than early career workers. This may occur because late career workers are more likely to be covered by the Civil Service Retirement System, which provides a larger defined benefit. Most early career workers are covered by the Federal Employees Retirement System and therefore have more personal responsibility for their retirement income. Goals tend to increase with household income.

Retirement Savings Goal by Household Income

What is the total lump sum dollar amount that you think you will need to accumulate by the time you retire to maintain your desired lifestyle? (Among those doing a retirement calculation)

	Total (n=3511)	Early Career		Mid Career		Late Career	
		<\$75,000 0 (n=108)	\$75,000 + (n=88)	<\$75,000 0 (n=338)	\$75,000 + (n=714)	<\$75,000 0 (n=587)	\$75,000 + (n=1596)
Less than \$100,000	9%	7%	0%	7%	1%	25%	10%
\$100,000-\$249,999	15	8	5	16	5	27	19
\$250,000-\$499,999	15	8	2	20	10	13	21
\$500,000-\$749,999	13	12	10	16	14	6	14
\$750,000-\$999,999	11	16	10	14	17	3	9
\$1-\$2 million	17	26	32	15	28	4	12
\$2 million or more	10	16	37	3	17	1	5
Don't know/Don't remember	11	6	4	9	7	20	10

Discussions about retirement goals and the financing required to support them is a critical part of planning for married workers. However, only a third of married Federal workers appear to be discussing these issues to any substantial degree with their spouse. As with other types of planning, workers appear to become more likely to conduct these discussions as they near retirement, particularly among the more affluent.

Discussion with Spouse Regarding Retirement Goals and Financing by Household Wealth

To what degree have you and your spouse discussed your goals for retirement and the financing required to achieve them? (Among married workers)

	Total (n=4767)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=221)	\$50,000+ (n=95)	<\$50,000 (n=723)	\$50,000+ (n=789)	<\$50,000 (n=762)	\$50,000+ (n=1383)
A great deal	13%	7%	8%	8%	11%	15%	21%
A lot	20	9	13	14	20	25	29
Some	37	35	46	37	40	35	35
Only a little	20	29	22	23	23	19	12
Not at all	9	18	11	17	6	6	2

INVESTMENT STRATEGIES

Making investment decisions appropriate for long-term retirement savings can be difficult, but this is a critical step in successful retirement planning. Most Federal workers try to make these investment decisions essentially on their own, without the aid of a primary professional financial advisor. Just two in ten say they have a primary advisor who helps them with their retirement planning and/or investment decisions. Workers with household wealth of \$50,000 or more are more likely to use a professional advisor, with one-third of affluent, late career employees stating they use this type of service.

Professional Financial Advisor by Household Wealth

Do you have a professional advisor you consider to be your primary financial advisor for retirement planning and/or investment decisions?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Yes	21%	9%	22%	14%	26%	14%	33%
No	77	90	78	84	73	85	66

Yet when asked about their most trusted sources for information about retirement planning, half identify financial professionals, far less than the number reporting they make use of them in a

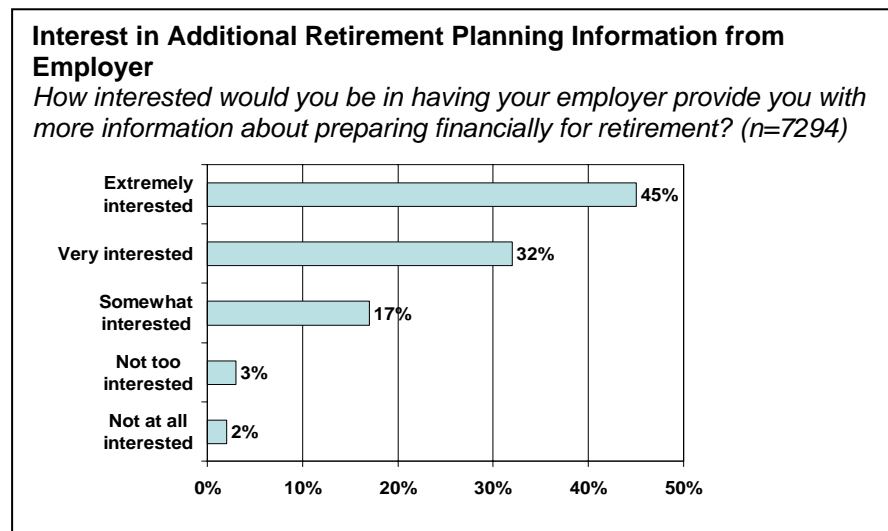
regular capacity. Written material received at work is cited by many as a trusted source of information (38%). Nearly three in ten indicate friends and coworkers or family members are among their most trusted sources of information on retirement planning.

Most Trusted Sources of Retirement Planning Information

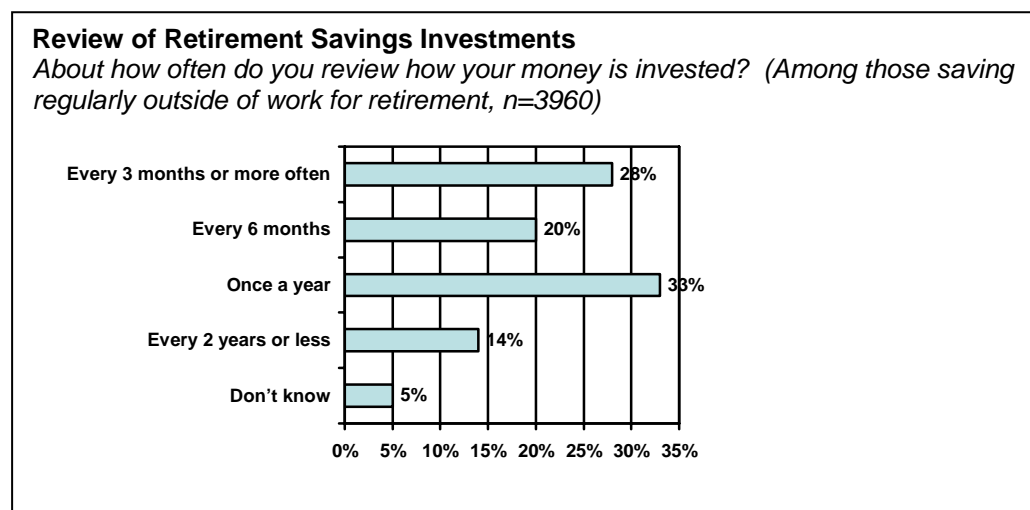
What would you say are your most trusted sources of information about retirement planning? (Check all that apply.)

	Total (n=7294)	Early Career (n=658)	Mid Career (n=2737)	Late Career (n=3869)
Financial professionals	50%	51%	50%	50%
Written material received at work	38%	36%	36%	41%
Friends or co-workers	28%	38%	28%	26%
Family	27%	48%	29%	19%
Newspapers/magazines	25%	24%	25%	26%
Seminars	25%	15%	21%	32%
Internet	23%	29%	24%	20%
Spouse	23%	18%	21%	25%
Written materials from financial companies	21%	21%	22%	21%
TV/radio	10%	9%	10%	10%
Computer software	6%	5%	6%	6%
Other	8%	8%	7%	9%
Don't know	7%	6%	8%	7%

Almost eight in ten workers would be very or extremely interested in receiving more help from their Federal employer in preparing financially for their retirement future. Only one in twenty employees state they would not be interested in expanding the information they receive from their employer.



When it comes to monitoring their investments, Federal workers appear to be doing a great job as eight in ten workers review their investments annually or more often.



Owning a home can also be a retirement investment strategy for some workers. Although few expect to use home equity for retirement purposes, more than four in ten have given a great deal or a lot of thought to how this fits into their total investment plans. For late career employees, the percentage including this in their investment plans increases to more than half.

Home as an Investment

How much thought have you given to how the value of your home fits in as a part of your investment plans? (Among homeowners)

	Total (n=6149)	Early Career (n=415)	Mid Career (n=2289)	Late Career (n=3445)
A great deal of thought	18%	10%	15%	24%
A lot of thought	26	24	23	29
Some thought	34	41	37	30
Only a little thought	12	13	15	9
No thought	9	12	10	7

The effect debt has on retirement savings is also an important consideration in retirement planning. Overall, federal workers appear to have a good understanding of this, as almost seven in ten workers (68%) have given their debt management a great deal or a lot of thought in regard to saving for retirement. Less than one in ten admit to giving this little or no thought.

Effect of Debt on Ability To Save for Retirement

How much thought have you given to how any debt you may currently have, including bank loans, home equity loans, car loans/leases, student loans, and credit cards, could affect your ability to save for retirement?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
A great deal of thought	32%	27%	30%	37%
A lot of thought	36	35	36	37
Some thought	21	23	24	17
Only a little thought	5	8	6	4
No thought	4	7	4	4

There are many aspects of retirement planning that can go awry because of situations beyond the employee's control. Thinking about how these unforeseen circumstances can affect their

retirement plans, however, does not appear to be on the minds of Federal workers. Less than three in ten have given much consideration to contingency planning for retirement. While awareness of the need to plan for these situations goes up as employees near retirement, four in ten late career workers say they have devoted only some thought to these issues, and nearly a quarter have given it little or no thought.

Thought Given to Retirement Contingency Planning

How much thought have you given to how you will be able to maintain yourself if your retirement does not go as planned, such as if a family emergency occurs, an expected inheritance does not come through, you do not find work in retirement, or you must retire earlier than expected due to ill health?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
A great deal of thought	11%	6%	8%	15%
A lot of thought	17	7	14	22
Some thought	38	32	40	39
Only a little thought	22	31	24	17
No thought	11	20	13	6

Contingency planning includes recognizing that the death of a spouse will likely have a financial impact on the surviving partner's retirement future. Almost half of Federal workers identify they have given this serious thought. There is little variance to this proportion by pay or household wealth of the worker, but almost six in ten late career employees state they have given this a great deal or a lot of thought.

Thought Given to Financial Consequences of Death on Surviving Spouse

How much thought have you given to the financial impact on your spouse in retirement if you should die first, and the financial impact on you if your spouse should die first? (Among married workers)

	Total (n=4767)	Early Career (n=380)	Mid Career (n=1809)	Late Career (n=2578)
A great deal of thought	21%	15%	17%	25%
A lot of thought	28	21	25	33
Some thought	34	30	37	32
Only a little thought	11	18	13	7
No thought	6	14	7	3

Financing long-term care for illnesses in retirement (either for the retiree or spouse) can have a devastating impact on retirement income resources. While many Federal workers have not yet acquired long-term care insurance, more than one in four have purchased it for themselves and/or their spouse. Three in ten late career employees have this coverage for themselves and/or their spouse.

Have Long-Term Care Insurance

Do you (and/or your spouse) have long-term care insurance, either through the program provided to Federal employees or some other long-term care insurance?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
Yes (net)	26%	23%	25%	31%
Yes, unmarried	8	9	6	9
Yes, married and self only	3	2	3	4
Yes, married and spouse only	2	1	1	2
Yes, married and both	14	10	13	17
No	65	59	67	65
Don't know	8	18	9	4

Estate planning and executing a will is another important part of retirement planning. Four in ten Federal workers reported having a will, with a greater percentage of wealthier, late career workers saying that they have taken this step.

Have Will by Household Wealth

Do you have a will?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Yes	40%	14%	25%	28%	44%	41%	62%
No	59	85	75	71	56	59	38

Although most workers state they have reviewed their designated beneficiaries for financial purposes, almost four in ten state this action was taken more than two years ago. There are no significant differences between career points, including late career employees who are getting closer to retirement.

Last Review of Beneficiaries

When did you last review, and update if necessary, the beneficiaries on such things as your will, retirement plans, life insurance, bank accounts, and other investments?

	Total (n=7294)	Early Career (n=688)	Mid Career (n=2737)	Late Career (n=3869)
Within the past 6 months	11%	10%	10%	13%
6-12 months ago	14	16	15	13
13-24 months ago	14	14	14	14
More than 2 years ago	37	26	38	40
At last life event change	7	11	7	6
Don't know/don't remember	16	24	16	14

INVESTMENT KNOWLEDGE

Understanding your own level of financial knowledge and what is important when making investment decisions can be critical in securing sufficient assets to support a desired retirement lifestyle. The majority of workers say they take the lead (54%) or they and their spouse share (39%) in making financial decisions for their household.

However, most consider themselves neither knowledgeable nor confident about these decisions. Even the more affluent workers are likely to report they have a less-than-desirable level of competence. Between seven and eight in ten federal workers describe themselves as having some or only a little knowledge of investments and feeling somewhat or not too confident about their knowledge or ability to make investment decisions for retirement.

Personal Assessment of Investment Knowledge by Household Wealth

Overall, how would you describe your personal knowledge of investing?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
A great deal of knowledge	4%	3%	3%	2%	6%	1%	6%
A lot of knowledge	14	10	24	9	18	10	22
Some knowledge	45	40	50	39	56	38	52
Only a little knowledge	28	35	21	35	18	36	18
No knowledge	9	12	3	14	2	14	2

Personal Assessment of Planning Financially for Retirement by Household Wealth

How confident do you feel about your knowledge of planning financially for retirement, including how much money you will need to put aside for retirement?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Extremely confident	4%	2%	8%	3%	4%	2%	8%
Very confident	16	12	16	9	23	13	25
Somewhat confident	44	37	46	39	48	44	51
Not too confident	27	38	28	35	22	31	14
Not at all confident	8	10	2	13	3	9	2

Personal Assessment of Ability To Make Investment Decisions by Household Wealth

How confident do you feel about your ability to make decisions regarding where to invest your retirement savings and how to allocate your retirement dollars across different types of investments?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
Extremely confident	4%	3%	7%	2%	5%	2%	6%
Very confident	15	12	16	9	21	12	22
Somewhat confident	41	37	47	38	47	37	47
Not too confident	29	34	23	34	24	34	21
Not at all confident	10	13	6	16	4	14	5

About three-fourths of workers describe themselves as moderate to conservative investors with only 7% stating they are willing to take substantial risks for more potential financial gain. Late career employees are more conservative than workers further from retirement, with more than one-third (35%) stating they are willing to take only a small amount of risk and 14% saying they try to take the least amount of risk possible to preserve their investment dollars.

Investment Risk Tolerance by Household Wealth

Which one of the following four statements describes your attitude toward investment risks?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
You prefer to take substantial risks hoping to get a substantial financial gain on your investments	7%	12%	16%	7%	11%	4%	4%
You are willing to take a moderate risk hoping to get an above average financial gain from your investments	47	51	57	47	62	31	51
You are willing to take a small amount of risk hoping to get a fair return on your investments	30	24	27	31	22	38	34
You try to reduce the risk you take with your money to the barest minimum, even if it reduces the money you make on your investments	11	9	<0.5	11	4	20	10
Don't know	5	4	0	4	1	8	1

Most workers appear to have some recognition of the level of risk associated with different types of investments. However, while workers tend to identify stock funds as the most risky of the investments identified in the survey, they do not assign significantly different levels of risk to international than to domestic investments, on average. In addition, as a group they tend to rank balanced and money market funds in the same risk category.

Average Reported Level of Risk Associated With Investments by Household Wealth

Thinking about the different types of investments available on the market and the different amounts of investment risk associated with each, how much risk do you think is associated with each of the following types of investments? (Score range: 5 = great deal of risk to 1 = no risk)

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
International stock funds	4.2	4.2	4.3	4.2	4.3	4.1	4.2
Domestic stock funds	4.1	4.2	4.1	4.2	4.1	4.0	4.0
Money market funds	2.7	3.1	2.5	3.0	2.5	3.0	2.4
Balanced funds	2.7	2.6	2.8	2.7	2.7	2.7	2.8
Bond funds	2.2	1.9	2.0	2.1	2.3	2.2	2.4
Guaranteed accounts or stable value funds	1.9	1.8	1.6	1.9	1.7	2.0	1.9

More than half of Federal workers correctly identify that a balanced mutual fund is a mix of stocks, bonds, and money market securities. However, almost one-third of the employees acknowledge that they don't know.

Description of a Balanced Mutual Fund by Household Wealth

As far as you know, which of the following describes how a "balanced" mutual fund is invested (e.g., what types of investments are included in the fund's portfolio)?

	Total (n=7294)	Early Career		Mid Career		Late Career	
		<\$50,000 (n=451)	\$50,000+ (n=132)	<\$50,000 (n=1240)	\$50,000+ (n=1073)	<\$50,000 (n=1337)	\$50,000+ (n=1888)
A mix of stocks, bonds, and money market securities	56%	56%	65%	47%	69%	47%	66%
A mix of large and small capitalization stocks	11	12	19	8	14	9	13
A mix of foreign and U.S. securities	2	2	<0.5	3	2	2	3
Don't know	31	31	16	42	16	42	18

Health Savings Accounts

The survey included a few questions regarding employees' use of health savings accounts (HSA). An HSA is a tax-sheltered trust account that combined with a High Deductible Health Plan (HDHP) provides insurance coverage and a tax-advantaged way to help save for future medical expenses.

Overall, three in ten are positive about these medical accounts, and another one in ten are very positive. Four in ten are neutral and less than one in ten (8%) feel negative or very negative about these.

Attitude Toward Health Savings Accounts*How do you feel about this type of savings account?**(n=7294)*

Very positive	12%
Positive	29
Neutral	40
Negative	6
Very negative	2
Don't know	11

If health savings accounts were available, one-quarter say they were extremely or very likely to put money into the account, while one in three stated they were not too or not at all likely to participate in this program. About one-third indicated they would be somewhat likely to participate.

When asked if they think it will help them save money for health expenses in retirement, the responses are somewhat equal between extremely or very likely (25%) and not too or not at all likely (27%). A higher percentage (35%) believes it is somewhat likely to help them with medical expenses for retirement.

Likelihood of Putting Money into Account*How likely do you think you would be to put money into this type of account if it were available to you?**(n=7294)*

Extremely likely	9%
Very likely	17
Somewhat likely	34
Not too likely	22
Not at all likely	8
Don't know	10

Likelihood of Using Savings Plan To Help Save Money for Retirement Health Expenses*How likely do you think this type of plan would be to help you save money for health expenses in retirement?**(n=7294)*

Extremely likely	7%
Very likely	18
Somewhat likely	35
Not too likely	21
Not at all likely	6
Don't know	14

NEXT STEPS

The results from this survey will be instrumental in helping to develop a retirement readiness profile index. The concept of retirement readiness is a central component of the Retirement Financial Literacy and Education Strategy that OPM submitted to Congress last fall. The OPM retirement financial education strategy is based on a model of financial education that brings together information and training on the Federal benefits programs with a broader holistic approach about what information employees need to know in order to set and achieve their retirement goals. This strategy broadens the focus of pre-retirement education to bring together the basic information about the benefits provided by the Government, as an employer, and the broader financial education needs of employees. The strategy is based on a model that incorporates the broad range of information employees need to be aware of and understand, in order to make informed retirement planning decisions. The three key dimensions of retirement readiness are:

- **Networking & Engagement:** *addressing the life fulfilling aspects of this life stage, including personal and interpersonal aspects of aging and retirement.*
- **Overall Health:** *understanding the aging process and how best to approach healthcare such as preventative and disease treatment.*
- **Wealth:** *preparing financially and being aware of geographical affects on a retiree's cost of living (where someone intends to live in retirement; how home value may or may not be used as financial support).*

The results from this survey will be instrumental in helping to develop a retirement readiness profile index. Agencies can use the retirement readiness profile in two ways. They can use it as a tool to identify the general status of retirement readiness of their employees and then plan specific programs to address issues identified. The retirement readiness profile can also be used by individual employees to create their own profiles. They can then take steps to strengthen the weaknesses identified in their individual profile. In addition OPM will use the index to periodically assess the government-wide level of employee retirement readiness.