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## News Announcement

### **FIDELITY RESEARCH INSTITUTE RETIREMENT INDEX<sup>SM</sup> FINDS WORKING AMERICANS ON TRACK TO REPLACE 58 PERCENT OF INCOME IN RETIREMENT**

#### **Special Focus on Retirees Shows High Incidence of Forced Early Retirement Due to Health Reasons and Higher Monthly Expenses than Anticipated**

BOSTON, March 12, 2007 -- The Fidelity Research Institute today announced the findings of its 2007 Retirement Index, which showed the typical working American household is on track to replace 58 percent of their income in retirement - a slight increase from last year's Index level of 57 percent.

The third annual Index found that working Americans have a median of \$22,500 in total household retirement savings and anticipate receiving \$29,500 in annual Social Security payments. In addition, 51 percent of households expect to receive a pension and anticipate median benefits of \$18,000 annually. Baby boomers had the highest level of readiness, with an income replacement level of 62 percent, up 2 points over 2006, and a median of \$45,000 in total household retirement savings.

Among workers who believe they are saving enough for retirement, which is nearly one-quarter (23 percent) of those surveyed, the Index found they are on track to replace a significantly higher percentage of their pre-retirement income, 68 percent, due largely to better saving habits. The median savings rate for these workers is 7.5 percent of their annual pay, compared with 3.5 percent for workers overall.

Additionally, 42 percent of workers say they took action recently to improve their retirement readiness by taking steps such as reallocating their retirement portfolios, increasing contributions to their workplace plans and seeking professional guidance.

"We're beginning to see a positive savings trend in the Index, as significant numbers of workers have reported taking financial action during the past two years to improve their retirement readiness," said Guy L. Patton, executive director of the Fidelity Research Institute. "But these numbers also tell us that the typical American household, who is on track to replace 58 percent of their income in retirement, will need to adjust to living on 42 percent less income when they retire. This is worrisome since many retirees say they're spending more money than planned and some have not been able to work as long as they would have liked."

#### **Retirees Report Higher Expenses and Forced Early Retirement**

As part of the Retirement Index, the Institute surveyed 793 retirees, age 55 or older, to better understand the financial needs and experiences of Americans living in retirement today.

Two-thirds of retirees reported their expenses either went up (39 percent on average) or stayed the same (28 percent), when compared to levels experienced just prior to retirement. Interestingly, most retirees (82 percent) expected their monthly expenses in retirement to mirror what they were pre-retirement (34 percent) or go down (48 percent).

Many retirees (55 percent) reported leaving the workforce earlier than planned. In fact, nearly one-quarter (22 percent) of retirees were forced to retire early because of poor health or a disability. This is an important finding since the Index found that nearly two-thirds (63 percent) of today's workers plan to work in retirement to supplement their income.

"Americans are relying on their ability to work longer to make up for their savings shortfall; however, the experience of the retirees we surveyed, many of whom had their work years cut short due to health issues, makes that expectation a risk," said Patton.

### **Generation X Financially Stretched**

The Index found that one in five working Americans between the ages of 25 and 42 currently provide or expect to provide financial support in the future to their parents or in-laws. Of those currently providing financial support to their parents, one-quarter have had parents move in with them.

The typical amount of financial support being provided to aging parents by Gen Xers is \$3,500 annually, a figure nearly equivalent to the current maximum annual IRA contribution of \$4,000. Financial support of this nature is provided primarily to cover food, utilities, health care and other general expenses.

Not surprisingly, this generation also has the least amount saved. One in five Gen Xers have yet to begin saving for retirement and the median total household retirement savings for the group overall is \$11,250. This personal savings will be increasingly important as less than half of Gen Xers (41 percent) expect to receive a pension, compared with the majority of Boomers (60 percent).

"We are beginning to see that Gen Xers are becoming 'sandwiched' -- much like baby boomers have been for years -- shouldering multiple financial pressures that include caring for aging parents, providing for their own families and saving for retirement," Patton said. "The good news is that Gen Xers have time on their side and 40 percent report taking action over the past six months to improve their retirement readiness."

### **About the Fidelity Research Institute Retirement Index**

Data for the Index is collected annually through a national online survey of more than 2,000 Americans who work full-time; are 25 years or older; earn \$20,000 a year or more; married/partnered with individuals who are also not yet retired; and are the financial decision makers in their household.

Index calculations rely on the Fidelity Research Institute's proprietary asset-liability modeling

engine, which generates the percentage of potential pre-retirement net income that each individual American household surveyed is likely to replace upon retirement. The Index represents the median (or midpoint) of the approximately 2,000 individual household percentages produced. Results are weighted to reflect demographic trends in the United States.

Interviews for the 2007 Index were completed for the Fidelity Research Institute by Richard Day Research of Evanston, Ill., between January 15 -18, 2007.

### **About the Retiree Survey**

An online survey of 793 retirees ages 55 or older was conducted by Northstar Research Partners on behalf of the Fidelity Research Institute between January 23 - 28, 2007. Retirees were the primary or joint financial decision makers for the household, were retired from full-time work and, where applicable, had spouses/partners who also were retired.

### **About the Fidelity Research Institute**

The Fidelity Research Institute is designed to advance knowledge of how proven investment theory and public policy can be put into practice to help Americans invest wisely to meet their financial needs. The Institute works with resources across Fidelity Investments as well as within the financial services industry and academia to accomplish its mission. Its reports are available at [www.fidelityresearchinstitute.com](http://www.fidelityresearchinstitute.com).

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