



# Study: 43% not saving enough to retire well

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**By Kathy Chu, USA TODAY**

A new retirement study provides further evidence that a growing number of Americans are at risk of a diminished standard of living once they stop working.

The Center for Retirement Research's new retirement-risk index, released Tuesday, shows 43% of working households were in danger in 2004 of having too little income to fund their retirement.

But the study probably understates the proportion of retirees at risk. Its projections assume that people retire at age 65, cash in on their home equity through a "reverse mortgage" and exchange their assets for a stream of income by buying an immediate annuity.

Yet many people retire before 65, according to the center, and don't necessarily buy immediate annuities or take out reverse mortgages. Nor does the research take in account the "wild card" of health care costs — and how these expenses will affect retirees' standards of living, says Alicia Munnell, director of the center at Boston College.

The percentage of "at risk" households has surged in the past two decades, from 31% in 1983, according to the center's analysis, which was funded by Nationwide Mutual Insurance. Two factors that have raised the risks are the growing uncertainty of Social Security payouts and the increasing burden on employees to save for their own retirements.

The index, which uses data from the Federal Reserve, is part of a stream of recent sobering conclusions about workers' abilities to finance their golden years. The studies come as the first of 79 million baby boomers — the generation born from 1946 to 1964 — are turning 60 this year.

The center's analysis found that nearly half of today's workers, at their current savings rate, will be unable to fund a comfortable retirement. People will need to work longer or save more, Munnell, one of the authors of the research, said in a conference call.

Boston College says its retirement index goes a step beyond other research in taking into account the income that people would get, theoretically, from tapping their home's equity.

The center assumes that households will need 65% to 85% of their pre-retirement income replaced each year once they stop working, to maintain their pre-retirement standard of living. A household whose projected replacement rate fell below 10% of the target rate was considered "at risk."

Younger households, and those with low income levels or without traditional pensions, are particularly vulnerable to having too little money for retirement, according to the research.

Jack VanDerhei of the Employee Benefit Research Institute says the center's calculations leave a key question unanswered: How much more income do workers need to save? EBRI's own research says that most future retirees must put away 5% to 25% more of their pay each year to cover basic needs, as well as health care expenses, in retirement.