

# PENSIONS GET RETIREMENT RIGHT



## THE NATION FACES A RETIREMENT CRISIS

More Americans are leaving the workforce without pensions, with inadequate 401(k) balances and relying more on Social Security. Americans also face increasing costs for food, utilities, prescription drugs and healthcare costs. For many, then numbers just don't add up.

**\$14,500** The typical working household only has \$14,500 saved for retirement, far below what is needed to last. To compare, this is less than the \$14,880 average annual Social Security benefit paid to retirees.

**62%** The percentage of working households age 55-64 with retirement savings that is LESS than their annual income.

**86%** The percentage of Americans who agree that the nation faces a retirement crisis.

## AMERICANS BELIEVE PENSIONS IMPORTANT TO FINANCIAL SECURITY IN RETIREMENT

**85%** The percentage of Americans who agree that all workers should have a pension plan to be independent in retirement.

**86%** The percentage of Americans who agree that those with pensions are more likely to have a secure retirement.

### Americans say it's harder than ever to prepare for retirement because:

-  Fewer Americans have pensions through their employer.
-  Long-term care costs are rising.
-  Middle class salaries are not keeping up.
-  People are living longer.
-  Workers with a 401(k) must fund and manage their retirement savings on their own.
-  One half of workers have no access to a retirement plan at work.



## Pensions are effective at supporting retirement security for the middle class because they:



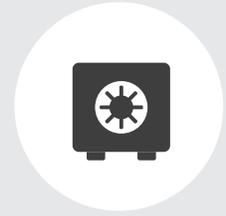
Provide a modest lifetime benefit that doesn't run out.



Deliver a regular benefit so retirees have an easier time budgeting.



Are professionally managed so that employees don't have to make investment decisions.



Do not allow participants to borrow or withdraw money before retirement.

## PENSIONS HELP KEEP AMERICANS OUT OF POVERTY

# 9x

Rates of poverty among older households lacking pensions were approximately nine times greater than the rates among older households with a pension in 2010.

## PENSIONS LOWER PUBLIC ASSISTANCE COSTS



In 2010, governments spent about \$7.9 billion dollars less on public assistance to older households because of pension income.

## PENSIONS ARE ECONOMICALLY EFFICIENT

Pensions can provide the same benefit as a defined contribution plan at almost HALF the cost because they:



Achieve higher investment returns as compared to individual investors because of lower fees and professional asset management.



Maintain a balanced investment portfolio, rather than down shifting investments to lower risk, lower return cash and bonds as employees age.



Pool longevity risks, so they only have to save for the average life expectancy of a group of individuals.

In 2010, pensions among older American households were associated with:



4.7 million fewer poor and near-poor households.



460,000 fewer households with a food insecurity hardship.



500,000 fewer households with a shelter hardship.



510,000 fewer households with a health care hardship.



1.22 million fewer households receiving means-tested public assistance.

Sources: The Continuing Retirement Savings Crisis, National Institute on Retirement Security.

Retirement Security 2015: Roadmap for Policy Makers, Americans' Views of the Retirement Crisis, National Institute on Retirement Security.

The Pension Factor 2012: Assessing the Role of Defined Benefit Plans in Reducing Elder Economic Hardships National Institute on Retirement Security.

Still a Better Bang for the Buck: Update on the Economic Efficiencies of Pensions, National Institute on Retirement Security.

Social Security Administration, Monthly Statistical Snapshot, May 2011

