

RETIREMENT INSECURITY 2021

AMERICANS' VIEWS OF
RETIREMENT



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

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EXECUTIVE SUMMARY

NIRS Asked Americans

In your own words, what worries you most about being able to achieve a secure retirement?

"With the present economy due to COVID, I am afraid it will take several years to recover and for our retirement savings and investments to be enough for us to retire the way we originally set it up."

The past year has presented extraordinary health challenges across the globe, triggering a deep economic crisis. In the U.S., the arrival of COVID-19 in early 2020 triggered a large-scale economic shutdown in an effort to help stem the spread of coronavirus. The result has been persistent and deep economic hardship, job losses and high unemployment. According to the Bureau of Economic Analysis, the U.S. economy shrank by 3.5 percent in 2020, pushing economic growth to a low not seen since 1946.¹

By January 2021, there were 26.8 million Americans out of work because of the virus or experiencing a reduction in hours and pay because of COVID-19.² As the pandemic lingers, the economic impacts are expected to be long-lasting. According to Moody's, the 22 million jobs lost in the U.S. during the early months of the COVID-19 pandemic won't be regained until early 2024.³ The economic fallout from the pandemic may create substantial uncertainty about financing retirement that could trigger Americans to work longer or rethink retirement altogether.⁴ And in 2019 before the coronavirus pandemic, many workers still were recovering financially from the Great Recession.⁵

At the same time, the past several decades have seen dramatic changes to the U.S. retirement system that have undermined retirement for large swaths of the workforce. Much of the workforce lacks an employer-sponsored retirement plan, fewer workers have stable and secure defined benefit pensions, while 401(k)-style defined contribution individual accounts provide lower savings and protections. Also, increases to the Social Security retirement age translate into income cuts for retirees.⁶

Today, most Americans are not on track for a secure retirement.⁷

To understand Americans' views of the shifting retirement landscape, the National Institute on Retirement Security (NIRS) conducted a survey of working-age Americans to measure their sentiment on a broad range of retirement security issues.

The key research findings are as follows:

1. The COVID-19 pandemic has impacted many Americans' concerns and plans for retirement.

More than half of Americans (51 percent) say that the COVID-19 pandemic has increased concerns about their ability to achieve financial security in retirement. Among Americans who have changed or considered changing when they will retire, sixty-seven percent say that because of COVID-19, they plan to retire later than originally planned.

2. A large swath of Americans is concerned about their economic security in retirement.

More than two-thirds of Americans (67 percent) say the nation faces a retirement crisis. More than half (56 percent) are concerned that they won't be able to achieve a financially secure retirement. Some 68 percent say the average worker cannot save enough on their own to guarantee a secure retirement. And 65 percent of current workers say it's likely they will have to work past retirement age to have enough money to retire.

3. **The nation is highly polarized, but Americans are united in their worry about retirement issues.** The vast majority of Democrats (70 percent), Independents (70 percent) and Republicans (62 percent) agree that the nation faces a retirement crisis. Americans also are united in their frustration that policymakers do not understand their retirement savings struggle. When it comes to Social Security, there is strong bi-partisan support for protecting this program, but mixed views about expanding it. Americans across party lines have a positive sentiment about pension plans and support making these retirement plans more available to workers.

4. **Americans are highly supportive of Social Security, and there is some support for expanding the program.** The vast majority of Americans (79 percent) agree that Social Security should remain a priority of the nation no matter the state of budget deficits, with nearly half (49 percent) in strong agreement. Most Americans (60 percent) agree that it

makes sense to increase the amount that workers and employers contribute to Social Security to ensure it will be around for future generations. And half support expanding Social Security, with 25 percent saying it should be expanded for all Americans and 25 percent saying it should be expanded except for wealthier households.

5. **When it comes to pensions, Americans have highly favorable views about their role in the retirement equation and see these plans as better than 401(k) savings accounts.** Seventy-six percent of Americans have a favorable view of defined benefit pensions. Seventy-five percent say that all workers should have access to a pension plan so they can be independent and self-reliant in retirement. Sixty-five percent agree that pensions are better than 401(k) accounts for providing retirement security.

I. THE COVID-19 PANDEMIC HAS IMPACTED MANY AMERICANS' CONCERNS AND PLANS FOR RETIREMENT

2020 saw extraordinary health challenges across the globe, coupled with a deep economic crisis. The arrival of COVID-19 in the U.S. triggered an economic shutdown in an attempt to stop the spread of coronavirus. The result has been ongoing and profound economic consequences, including large scale job losses, furloughs, business closures and bankruptcies. In fact, bankruptcies are expected to increase because businesses are carrying debt stemming from COVID-19.⁸ And according to the Bureau of Economic Analysis, the U.S. economy shrank by 3.5 percent in 2020, pushing economic growth to a low not seen since 1946.⁹

By January 2021, some 26.8 million Americans were unemployed, out of work because of the virus, or have experienced a reduction in hours and pay because of COVID-19.¹⁰ As the pandemic lingers, the economic impacts are expected to be long-lasting. Moody's reported that the 22 million jobs lost in the U.S. during the early months of the COVID-19 pandemic will not be regained fully until early 2024.¹¹ It also is important to remember that even before the coronavirus pandemic, many workers were still trying to recover from the economic losses from the Great Recession.¹²

In terms of economic recovery, what is emerging is a two-tiered, "K-shaped" recovery with divergent outcomes across society. Those on the upward trajectory of the K include workers who can do their jobs remotely and have felt little economic pain, even putting disposable income to work and realizing gains from the resilient equity markets. In contrast, those working in service industries or for

small businesses are experiencing high economic fallout. These workers are on the lower leg of the K, and the path downward likely has not yet reached bottom. Moreover, those in the lower half of the wealth spectrum have nearly no net worth and lack savings to get them through tough times. Essentially, Americans who were just getting by on the margins in 2020 will find themselves in a deeper hole.¹³

Experts predict that the economic fallout from the pandemic may create substantial uncertainty about financing retirement, causing Americans to work longer or rethink retirement altogether.¹⁴ Because the pandemic is ongoing, the totality of the economic impact remains unclear, but it appears COVID-19 could transform retirement in a number of ways for perhaps decades. For example, the economic downturn could impact returns on savings, triggering lower retirement spending and a need to save even more during working years. Or, a prolonged labor downturn could mean workers near retirement age could experience prolonged, harmful re-employment hurdles. Also, continued low interest rates weaken workers' efforts to build savings.¹⁵ And, some workers are tapping their retirement saving to make ends meet.¹⁶

This research finds since the start of the pandemic, more than one-third of Americans have experienced employment changes that have impacted finances in the form of decreased hours (14 percent) or pay (11 percent), layoffs (five percent) or furloughs (seven percent) (**Figure 1**).

Figure 1: More than one-third have experienced an employment change that could have negative financial impacts.

Since the beginning of the COVID-19 crisis, did any of the following employment changes happen to you (or spouse/partner)?

14%
Decreased
Hours



11%
Decreased
Pay



7%
Furloughs



5%
Layoffs



The research also indicates that the COVID-19 economic downturn is impacting Americans' concerns and plans for retirement. More than half of Americans (51 percent) say that the COVID-19 pandemic has increased concerns about their ability to achieve financial security in retirement (**Figure 2**).

Nearly one-third of workers say that the pandemic has caused a rethinking of retirement timing. Eighteen percent have changed when they plan to retire, while 15 percent have considered a change. Thirty-seven percent do not have a plan of when to retire, and 30 percent have not changed when they plan to retire (**Figure 3**).

Among workers who changed or considered changing when they will retire (67 percent) say they will retire later than planned because of COVID-19 (**Figure 4**).

Financial actions that Americans have taken as a result of the COVID-19 pandemic include spending emergency savings (22 percent), changing investment allocations (15 percent), withdrawing retirement savings (12 percent), decreasing retirement plan contributions (10 percent) and taking a retirement plan loan (five percent) (**Figure 5**).

Among workers who have an employer with a matching contribution to a retirement savings account, one-fourth say that match has been reduced since the COVID pandemic started (**Figure 6**).

Figure 2: More than half of Americans are concerned that the COVID-19 pandemic has impacted their ability to achieve a secure retirement.

Has the COVID-19 crisis increased or decreased your concern that you won't be able to achieve a financially secure retirement?

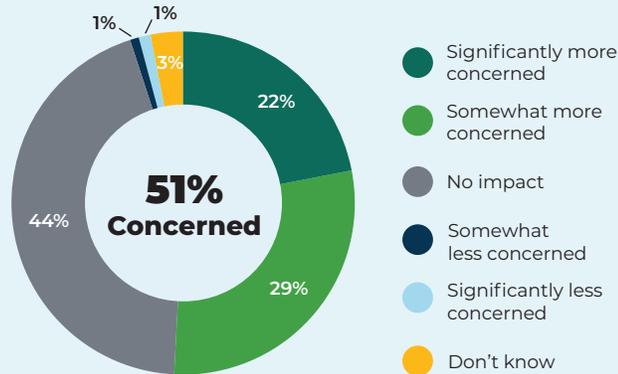


Figure 3: More than one-third say COVID-19 has triggered a retirement re-think.

Has the COVID-19 crisis caused you to change when you plan to retire?

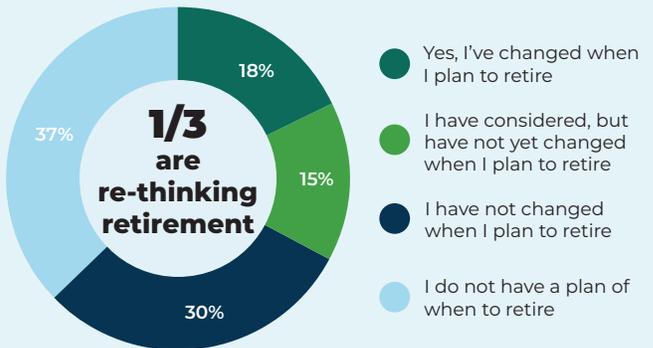


Figure 4: More than two-thirds say they plan to retire later due to COVID-19.

Do you now plan/have you considered retiring earlier or later than originally planned due to the COVID-19 crisis?

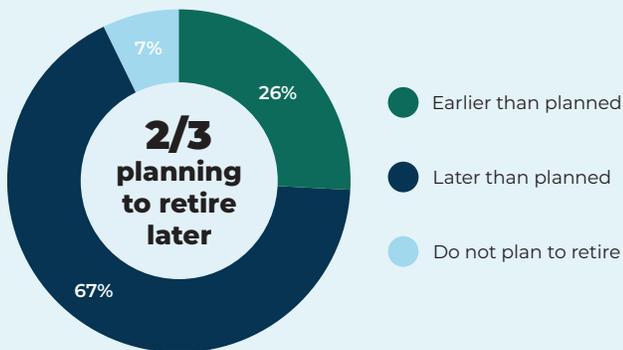


Figure 5: Americans have taken a number of financial actions stemming from the pandemic.

Which of the following actions have you taken as a result of the economic impact of the COVID-19 crisis?

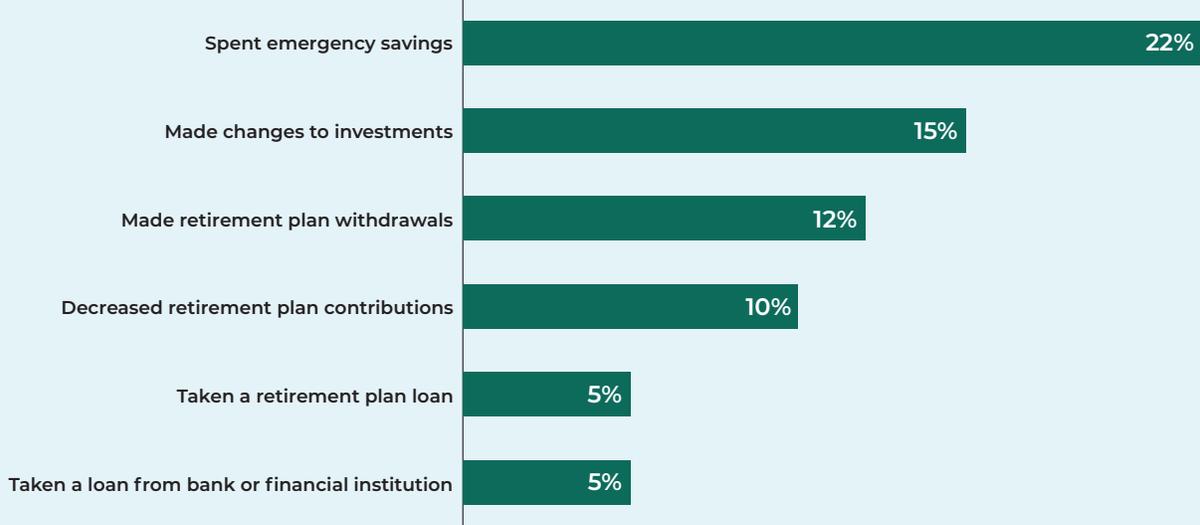
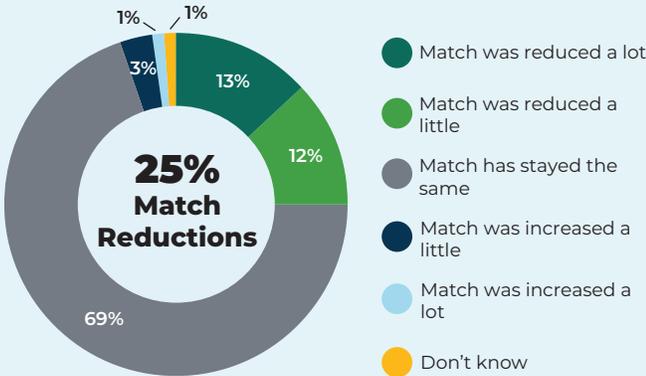


Figure 6: One-quarter of Americans say their employer's retirement match has decreased since the COVID-19 crisis started.

Has your employer made any changes to the matching contribution since the COVID-19 crisis began?



II. A LARGE SWATH OF AMERICANS IS CONCERNED ABOUT THEIR ECONOMIC SECURITY IN RETIREMENT

A wide body of research shows that a large portion of Americans face a substantial retirement savings shortfall. According to the Boston College Center for Retirement Research (CRR), half of U.S. households will not have enough income to maintain their standard of living in retirement even if they work to age 65 and annuitize all financial assets, including securing a reverse mortgage on their home.¹⁷

And preparing for retirement is only getting more complex. Fewer Americans are offered a pension that provides regular income throughout retirement. Defined contribution plans like 401(k)s shift risks from employers to workers, risks that individuals often are poorly equipped to manage. Social Security replaces less income than it did in the past. Additionally, Americans face rising costs in retirement. Housing, healthcare, and long-term care costs are rising sharply, presenting even greater obstacles now than in the past decades.¹⁸

Employer-sponsored retirement plans have become the primary way workers build retirement savings. This presents several challenges. Aside from the fact that few private sector employers provide pensions, U.S. employers are not required to offer any type of retirement savings plans. There are about 57 million private sector workers (46 percent) who do not have access to a retirement plan through their employer. And retirement plan access gaps are inequitably distributed, most likely to impact those working for a small business, lower-income workers, younger workers, minorities and women.¹⁹

Among Americans who do have retirement accounts, the savings levels are largely inadequate except for a minority of those with the highest income. The most recent Survey

of Consumer Finances finds that the median account value was \$65,000, with ownership and balances varying sharply by education, race and ethnicity, and income. For Americans near retirement age, about half of households with retirement accounts had a median value of \$134,000. For a retiree gradually drawing down on a \$134,000 balance starting at 65, this would provide a meager \$7,500 of yearly income for men and about seven percent less than that for women who live longer.²⁰

This research indicates that Americans see the retirement writing on the wall. A large swath of Americans is concerned about their economic security in retirement and increasingly see retirement as elusive.

Two-thirds of Americans (67 percent) say the nation faces a retirement crisis (**Figure 7**).

More than half (56 percent) are concerned that they won't be able to achieve a financially secure retirement (**Figure 8**).

Further complicating the retirement landscape has been the shift from employer pensions to individual 401(k) accounts, putting the burden of preparing for retirement on the backs of workers. Yet, Americans say that preparing for retirement isn't something they can handle on their own. Some 68 percent say the average worker cannot save enough on their own to guarantee a secure retirement (**Figure 9**).

Most Americans see working longer as a necessity to help achieve financial security. Some 65 percent say it is likely they will have to work past retirement age in order to have enough money set aside to retire (**Figure 10**).

NIRS Asked Americans

In your own words, what worries you most about being able to achieve a secure retirement?

"I do not have a job that enables me to save money, and I'm not sure I ever will."

Figure 7: More than two-thirds say the U.S. faces a retirement crisis.

To what extent do you agree or disagree: America is facing a retirement crisis.

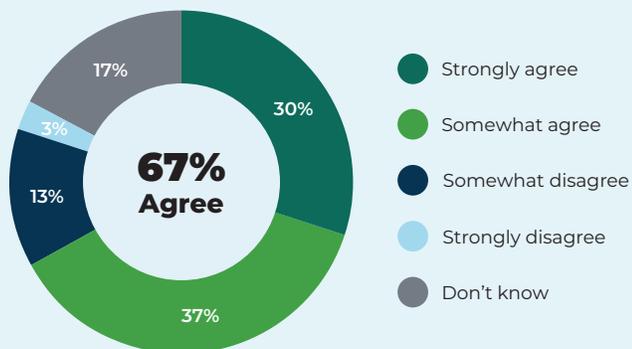


Figure 8: More than half of Americans are concerned about achieving financial security in retirement.

How concerned are you that you won't be able to achieve a financially secure retirement?

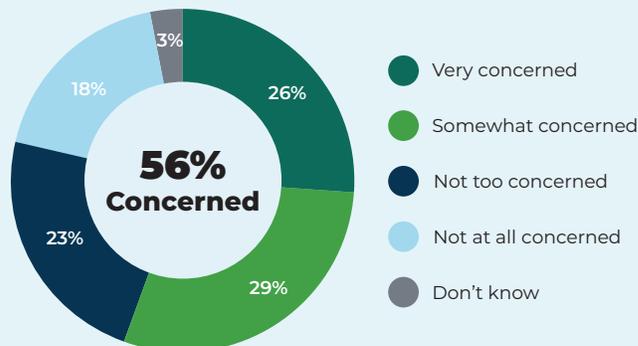


Figure 9: The vast majority of Americans say workers can't save enough on their own to achieve retirement security.

To what extent do you agree or disagree: The average worker cannot save enough on their own to guarantee a secure retirement.

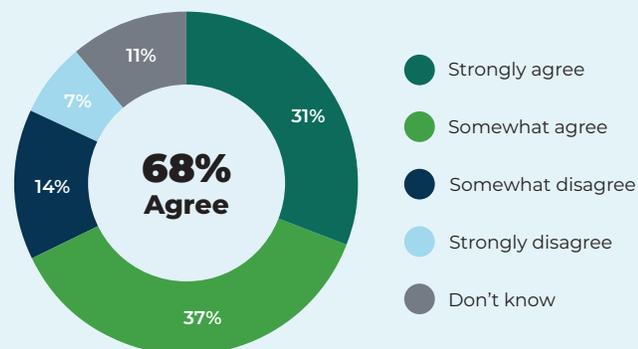
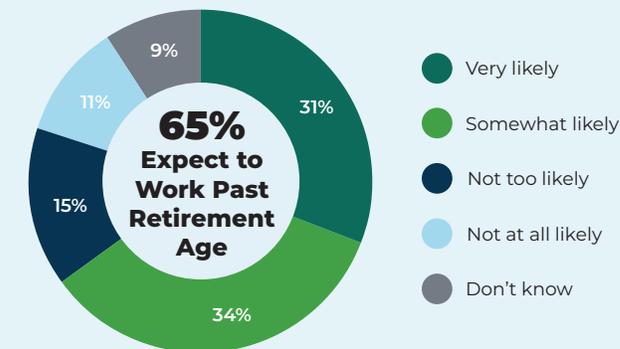


Figure 10: Nearly two-thirds of Americans expect to work past the normal retirement age for financial security.

How likely is it that you will need to work past the normal retirement age to have enough money in retirement?



Americans also have a grim outlook when it comes to preparing for retirement. Fifty-eight percent say it is getting harder to prepare for retirement, and only 17 percent think it is getting easier (Figure 11).

The research indicates Americans see several factors contributing to their struggle to prepare for retirement. The escalating cost of healthcare (59 percent) and long-term care top the list (56 percent). Other factors include longer life spans (53 percent), stagnant salaries (51 percent), fewer pensions (51 percent), debt (47 percent) and “do-it-yourself” retirement plans (45 percent) (Figure 12).

At a time when an increasing number of retirees bear the burden of managing their nest egg, nearly 70 percent of Americans say most workers do not have the financial skills to manage money in retirement (Figure 13).

Also, Americans say that because of economic conditions, pensions are all the more important because retirees will have difficulty generating sufficient income from their investments (Figure 14).

Also problematic is that 72 percent say retirees don't know enough about investing to ensure their savings will last through retirement (Figure 15).

Figure 11: More than half of Americans say preparing for retirement is only getting harder.

Do you feel that compared to today, it will be easier or harder for Americans to prepare for retirement in the future — or will there be no difference?

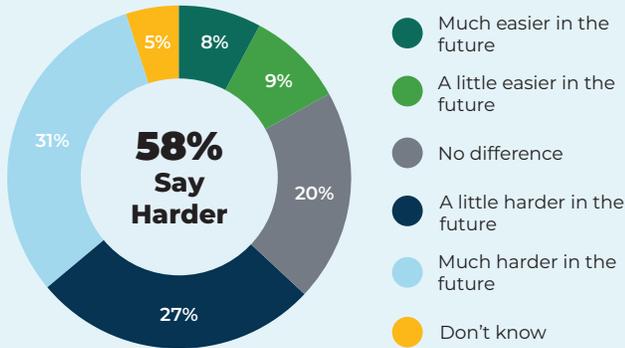


Figure 13: Most agree that workers don't have the financial skills to manage their money in retirement.

To what extent do you agree or disagree: Most workers don't have the financial skills to manage their money in retirement.

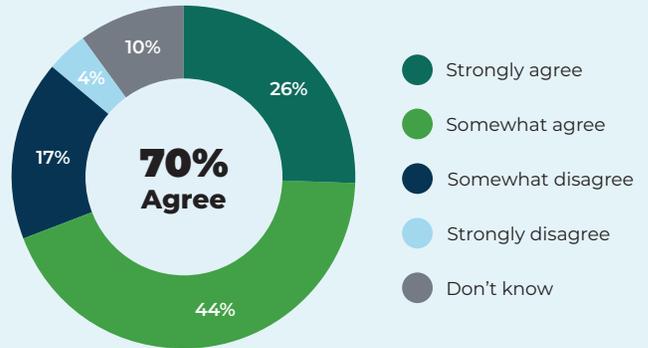


Figure 12: Americans see several factors contributing to their struggle to prepare for retirement.

To what extent do you feel each of the following issues are a factor in making it harder for Americans to prepare for retirement.

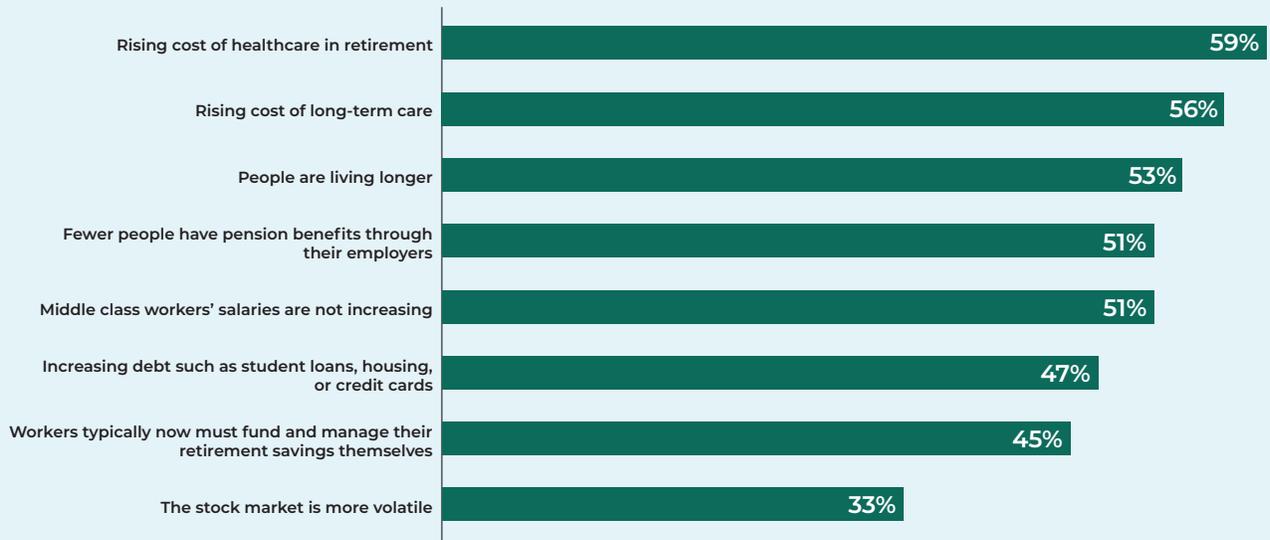


Figure 14: Nearly three-quarters say pensions are important in this economy because it's difficult to generate enough income from investments.

To what extent do you agree or disagree: Given the current state of the economy, pensions are more important than ever since retirees have difficulty generating sufficient income from investments.

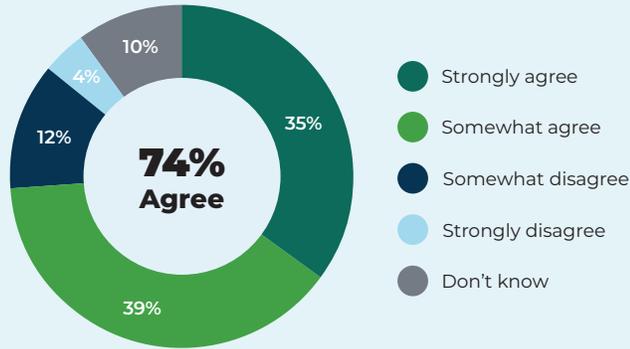
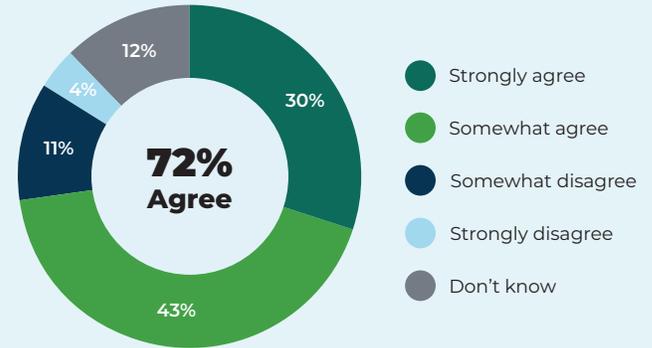


Figure 15: Nearly three-quarters say retirees don't have the investment knowledge to ensure their savings will last.

To what extent do you agree or disagree: The average retiree does not know enough about managing investments to be able to make their retirement savings last.



When it comes to shoring up retirement, Americans see a role for employers. Nearly three-fourths (70 percent) say employers should increase their contributions to worker retirement plans (Figure 16).

Americans overwhelmingly agree that the government should make it easier for employers to offer pensions (Figure 17).

Figure 16: Nearly three-quarters say employers should increase contributions to employee retirement plans.

To what extent do you agree or disagree: Employers should contribute more money to workers' retirement plans to allow them to achieve a secure retirement.

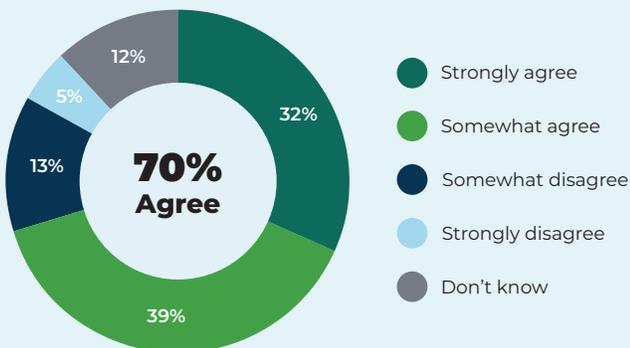
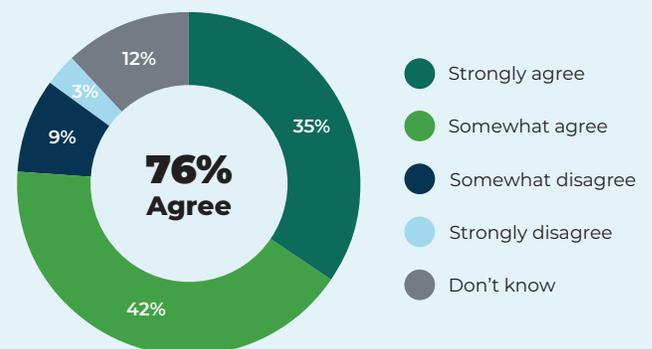


Figure 17: More than three-quarters say the government should make it easier for employers to offer pensions.

To what extent do you agree or disagree: The government should make it easier for employers to offer traditional pension plans.



Workers also see the value of guaranteed income in the retirement equation, a feature that comes with a traditional pension. More than half (54 percent) would be willing to sacrifice some of their retirement savings in order to purchase guaranteed income. Guaranteed income could be purchased through an annuity, typically at a high cost, for retirees with 401(k)-style plans in a low interest rate environment (**Figure 18**).

Faced with retirement savings shortfalls, Americans indicate that they plan to stay in their job as long as possible (60 percent), cut back on current spending (55 percent), cut back on spending once retired (48 percent), save one to four percent more (48 percent) or delay taking Social Security (41 percent) (**Figure 19**).

Figure 18: More than half say they would be willing to sacrifice some savings to purchase guaranteed income.

To what extent do you agree or disagree: I would be willing to use some retirement savings to buy guaranteed monthly income for as long as I live.

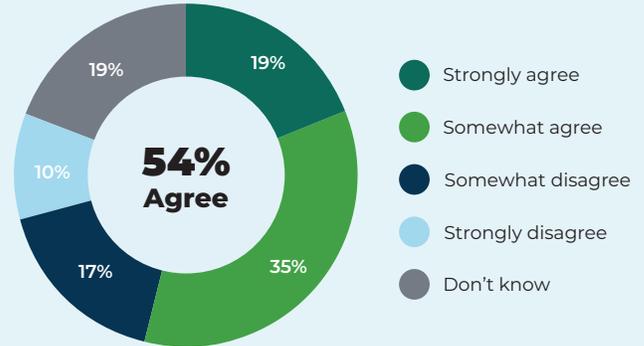
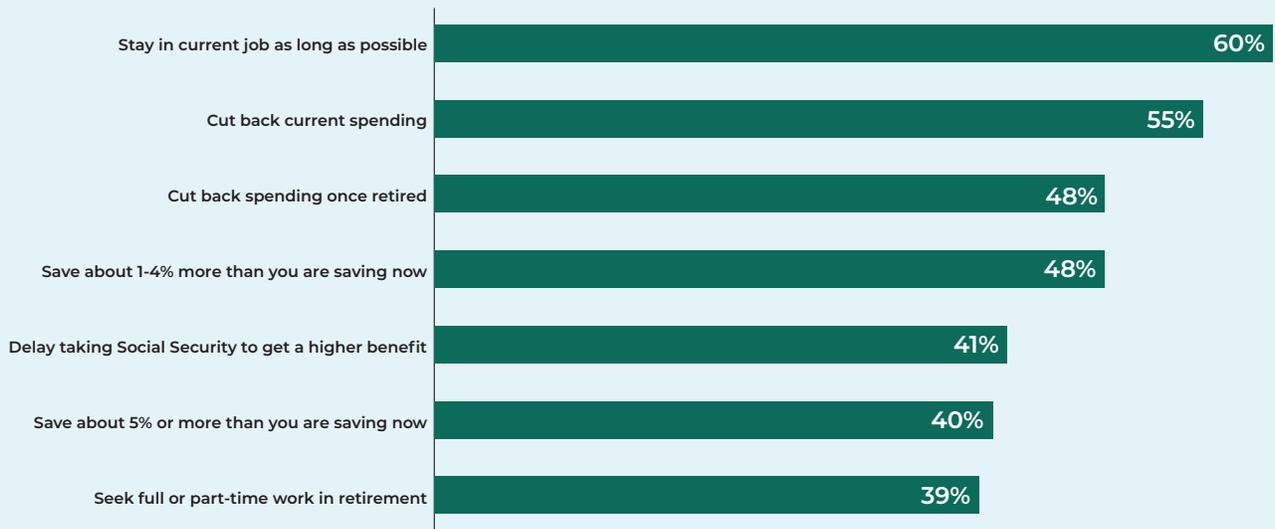


Figure 19: Americans indicate that they plan to take a number of steps to ensure retirement security.

Which of the following, if any, do you plan to do to help ensure a financially secure retirement?



III. THE NATION IS HIGHLY POLARIZED, BUT AMERICANS ARE UNITED IN THEIR SENTIMENT ABOUT RETIREMENT ISSUES

A bitter and deep partisan divide in the U.S. has reached highly alarming levels. According to the Eurasia Group, the level of political divide in the U.S. has never occurred in another G-7 country, posing the biggest threat to the world in 2021. The U.S. “is the most powerful, politically divided and economically unequal of the world’s industrial democracies” and is a “superpower torn down the middle” that cannot easily return to business as usual.²¹

The divide was on full display during the highly contentious 2020 elections and afterwards.

The divide comes as the U.S. faces multiple challenging and divisive policy issues – combating the pandemic, turning around a weak economy, addressing climate change, dealing with growing domestic terrorism, confronting systemic racial injustice, and reforming immigration to name a few. In his inaugural address, President Biden said that his whole soul is in “bringing America together. Uniting our people. And uniting our nation.”²² But achieving unity

and enacting bi-partisan solutions won’t be easy given that Americans and elected officials are deeply split along party lines on the issues and solutions.

Fortunately, concerns about financial security in retirement and possible solutions are areas with more agreement. Enacting retirement policy solutions would be a win-win for a divided nation – delivering more robust retirement systems for working families on an issue that transcends political affiliation.

The vast majority of Democrats (70 percent), Independents (70 percent) and Republicans (62 percent) agree that the nation faces a retirement crisis (**Figure 20**).

Sixty-two percent of Democrats are concerned that they will not be able to achieve a financially secure retirement, while both Republicans and Independents are at 53 percent (**Figure 21**).

Figure 20: Across party lines, Americans agree the nation faces a retirement crisis.

To what extent do you agree or disagree: America is facing a retirement crisis.

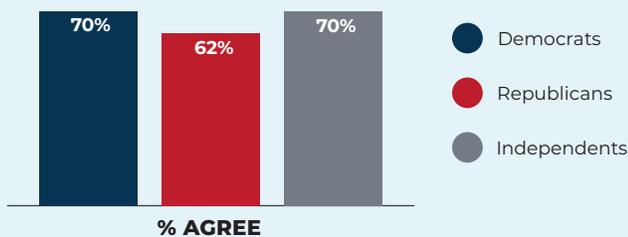
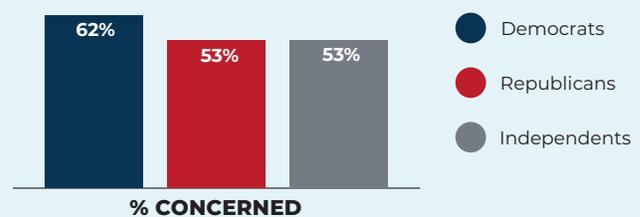


Figure 21: More than half of Americans are concerned that they will not be able to achieve a financially secure retirement.

How concerned are you that you won't be able to achieve a financially secure retirement?



NIRS Asked Americans

In your own words, what worries you most about being able to achieve a secure retirement?

"The thought of not being able to provide for my family sickens me to my core."

There is agreement that the COVID-19 crisis is creating retirement concerns. Fifty-seven percent of Democrats say that the pandemic has increased concerns about achieving financial security in retirement, as do 44 percent of Republicans and 50 percent of Independents (Figure 22).

Americans also are united in their frustration that policymakers do not understand their retirement savings struggle. Some 79 percent of Republicans say that leaders in Washington just do not understand how hard it is to prepare for retirement, followed closely by Democrats at 78 percent and Independents (75 percent) (Figure 23).

Across party lines, there also is agreement that the average worker cannot save enough on their own to guarantee a secure retirement, with three-fourths of Democrats (75 percent) and about two-third of Republicans (66 percent) and Independents (63 percent) sharing that sentiment (Figure 24).

When it comes to Social Security, there is strong bi-partisan support for protecting this program. Eighty-two percent of Republicans say that Social Security should remain a priority for the nation no matter the state of budget deficits, followed by Democrats at 81 percent and Independents at 77 percent (Figure 25).

Figure 22: Many Americans say COVID-19 is causing retirement concerns.

Has the COVID-19 crisis increased or decreased your concern that you won't be able to achieve a financially secure retirement?

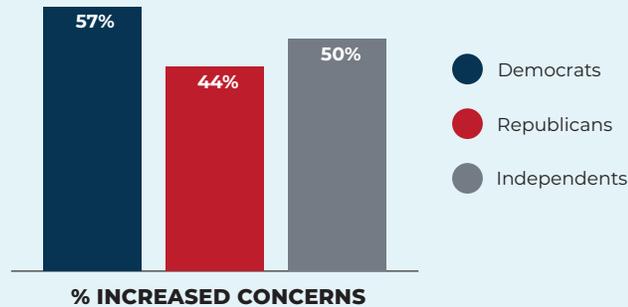


Figure 23: Americans are united in their frustration that policymakers don't understand the retirement struggle.

To what extent do you agree or disagree: Leaders in Washington do not understand how hard it is for workers to save enough for retirement.

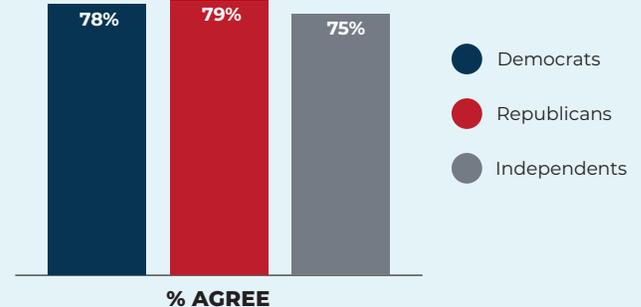


Figure 24: Across party lines, Americans agree that workers cannot save enough on their own to guarantee a secure retirement.

To what extent do you agree or disagree: The average worker cannot save enough on their own to guarantee a secure retirement.

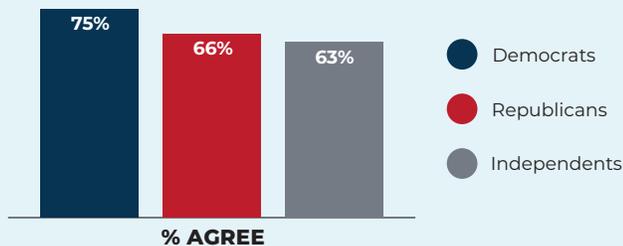
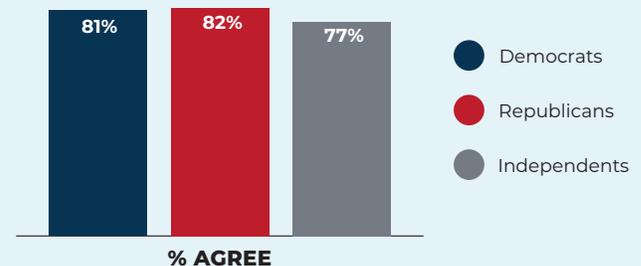


Figure 25: Americans are united in their strong support for Social Security regardless of budget deficits.

To what extent do you agree or disagree: Social Security should remain a priority for our country no matter how bad budget deficits get.



In terms of steps that will ensure Social Security remains viable for future generations, there is support across party lines for raising worker and employer contributions. Sixty-four percent of Democrats support such a move, as do 61 percent of Independents and 58 percent of Republicans. (Figure 26).

Regarding expanding Social Security benefits, there is varied support across party lines for some sort of expansion. Sixty-four percent of Democrats support expanding the program, 45 percent of Independents support expansion, while only 37 percent of Republicans support expansion (Figure 27). In terms of keeping the program the same, Republicans agree at 47 percent, Independents at 34 percent and Democrats at 24 percent (Figure 28).

When it comes to pension plans, Americans across party lines have a favorable sentiment about this type of

retirement plan. Seventy-nine percent of Democrats have favorable views about pensions, with Independents at 76 percent and Republicans at 75 percent (Figure 29).

There also is broad bi-partisan agreement that Americans with pensions are more likely to have a secure retirement (Figure 30) and that pensions are better at helping Americans achieve a secure retirement as compared to 401(k) defined contribution accounts (Figure 31).

In terms of policies regarding pensions, more than three-fourths of Democrats, Republicans and Independents say that government should make it easier for employers to offers pensions to employees (Figure 32). There also is unity in the belief that all workers should have access to a pension plan so workers can be independent and self-reliant in retirement (Figure 33).

Figure 26: Across party lines, Americans support raising contributions to ensure it remains viable for future generations.

To ensure that Social Security will be around for future generations, the government needs to increase the amount that workers and employers contribute.

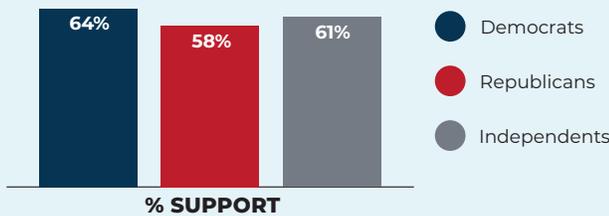


Figure 27: There is varied support across party lines for the expansion of Social Security.

Would you support an expansion of Social Security benefits, a reduction of benefits, or should it be kept as is?

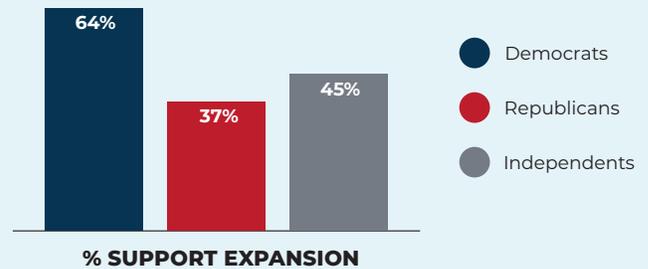


Figure 28: There are varied views across party lines when it comes to keeping Social Security benefits the same.

Would you support an expansion of Social Security benefits, a reduction of benefits, or should it be kept as is?

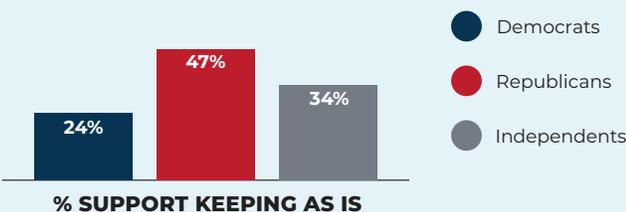


Figure 29: Americans are united in their strong support of defined benefit pensions.

How would you describe your overall view of this type of pension?

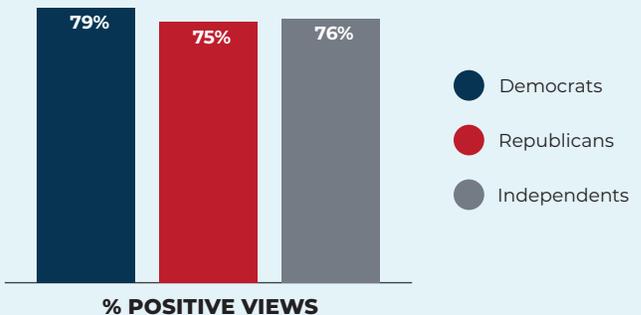


Figure 30: There is strong bipartisan agreement that Americans with pensions are more likely to have a secure retirement.

To what extent do you agree or disagree: Americans with pensions are more likely than those without pensions to have a secure retirement.

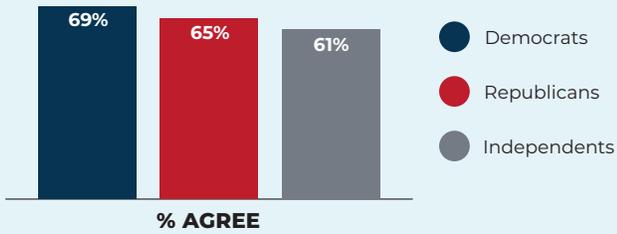


Figure 31: There is bipartisan agreement that pensions are better at helping Americans achieve a secure retirement as compared to 401(k).

To what extent do you agree or disagree: Pensions do more to help workers achieve a secure retirement as compared to retirement savings plans such as 401(k)s.

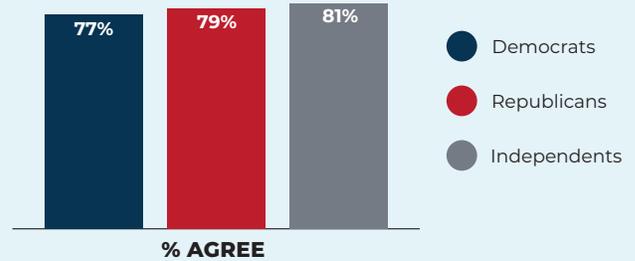


Figure 32: Across party lines, more than three quarters of Americans agree the government should make it easier for employers to offer pensions.

To what extent do you agree or disagree: The government should make it easier for employers to offer traditional pension plans.

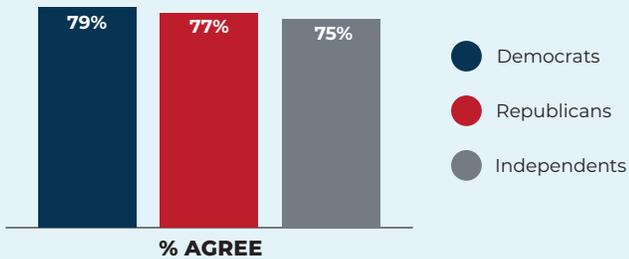
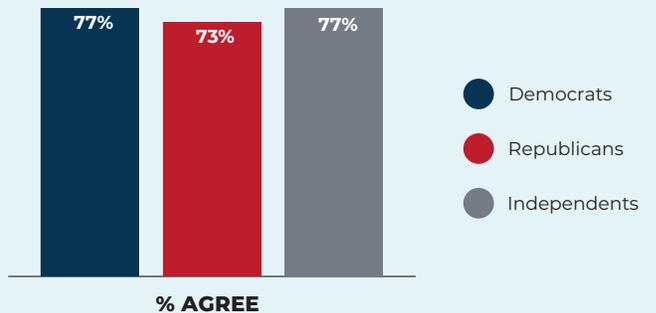


Figure 33: Across party lines, there is agreement that all workers should have access to a pension plan to be independent and self-reliant in retirement.

To what extent do you agree or disagree: I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.



IV. AMERICANS ARE HIGHLY SUPPORTIVE OF SOCIAL SECURITY AND THERE IS SOME SUPPORT FOR PROGRAM EXPANSION

Established in 1935, Social Security is one of the nation's most successful, effective and popular programs. In 2020, about 65 million Americans received more than one trillion dollars in Social Security benefits.²³ While older Americans make up about four in five beneficiaries, another one-fifth of beneficiaries received Social Security Disability Insurance (SSDI) or were young survivors of deceased workers.²⁴

The program is funded by a payroll tax of 12.4 percent on wages, with employees paying 6.2 percent and employers paying the remaining 6.2 percent. Self-employed workers pay the full 12.4 percent. In 2021, the maximum amount of earnings subject to the Social Security tax will increase to \$142,800 from \$137,700. The money paid in today covers current benefits, with any excess going into the Social Security trust fund. Since Congress initiated annual cost-of-living adjustments (COLA) to the program in 1975 to protect benefits from rising costs, there have only been three years in which benefits didn't increase. The single biggest increase of 14.3 percent went into effect in January 1981. For 2021, the Social Security Administration (SSA) announced that the annual COLA will be 1.3 percent, which represents an average increase to retirement benefits of about \$20 per month for individuals.²⁵

According to SSA, nearly 90 percent of Americans age 65 and older receive Social Security benefits.²⁶ The benefits from Social Security replace approximately 40 percent of pre-retirement income on average, though this varies significantly.²⁷ Most financial planners recommend at least a 70 percent income replacement rate, while others are recommending higher replacement rates because Americans are living longer and healthcare costs are rising. The bottom line is that—although Social Security is a key

pillar of retirement security—it cannot stand alone in terms of providing financial security in retirement.²⁸

Importantly, Social Security has become a critical program for reducing elder poverty across the U.S. Absent Social Security income, nearly 38 percent of elderly Americans would have income that falls below the poverty line. With Social Security benefits, only about ten percent of the elderly were in poverty.²⁹

The 2020 Trustees Report shows an increase in the program's 75-year deficit, from 2.78 percent to 3.21 percent of taxable payroll. This shortfall is considered manageable, and the pandemic is unlikely to fundamentally change the long-term financial status of the program. But, the deficit should be addressed.³⁰ Essentially, experts indicate there are two basic approaches for addressing the shortfall: adding revenue to keep benefits at their current level or cutting benefits to match the level of revenue coming in.³¹

Meanwhile, retirees already are feeling the pain of changes to Social Security implemented in 1983 to raise the retirement age. Workers can receive Social Security at 62, but benefits are substantially reduced for those who begin collecting benefits before the full retirement age. The Normal Retirement Age (NRA) for Social Security purposes is set to increase by two months each year until it hits 67. For someone turning 62 in 2021, the full retirement age is 66 and 10 months. Once fully phased in for Americans born in 1960 and later, the full benefit amount (at age 67) will be reduced by 30 percent for those choosing to draw benefits at age 62. For those who retire at age 65 (the prior NRA for those born before 1938), benefits will be reduced by 13 1/3 percent.³²

NIRS Asked Americans

In your own words, what does a secure retirement mean to you?

"The fact that I'm on Social Security and it doesn't really pay enough, and being a 72-year-old makes it difficult to get hired for part time work."

Currently, federal policymakers have not crafted a long-term Social Security funding fix as the threat of benefit cuts looms. On the campaign trail, however, President Joe Biden committed to taking action to ensure the program’s long-term financial solvency and prevent benefit cuts. His campaign also went a step further, calling for increased benefits for the oldest beneficiaries, implementing a minimum benefit for lifelong workers, protecting widows/widowers from benefits cuts, and eliminating penalties for teachers and other public sector workers.³³

It remains to be seen if Congress and the Biden Administration can deliver on addressing the budget shortfall and expanding the program while dealing with a

wide range of economic, social and health crises. But, this research indicates that Americans clearly want lawmakers to protect Social Security, and there is support for increasing contributions and expanding the program.

The vast majority of Americans (79 percent) agree that Social Security should remain a priority for the nation no matter the state of budget deficits, with nearly half (49 percent) in strong agreement (**Figure 34**).

Moreover, most Americans (60 percent) agree that it makes sense to increase the amount that workers and employers contribute to Social Security to ensure it will be around for future generations (**Figure 35**).

Figure 34: The vast majority of Americans say Social Security should remain a priority regardless of budget deficits.

To what extent do you agree or disagree: Social Security should remain a priority for our country no matter how bad budget deficits get.

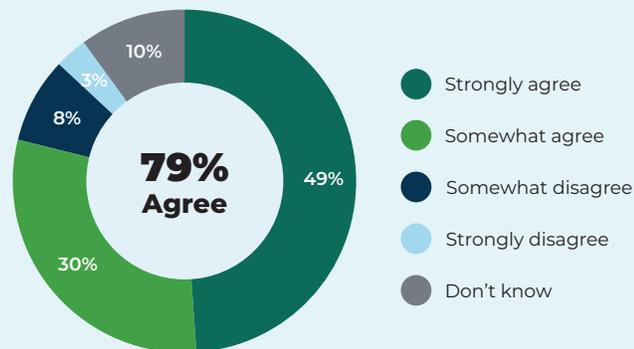
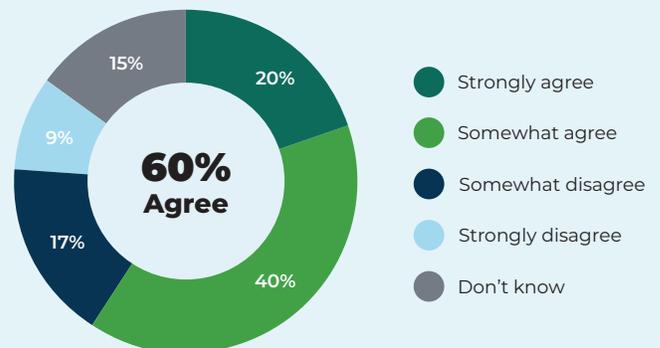


Figure 35: Most Americans agree workers and employers should contribute more to Social Security so it is in place for future generations.

To what extent do you agree or disagree: To ensure that Social Security will be around for future generations, the government needs to increase the amount that workers and employers must contribute to Social Security.



Half of Americans support expanding Social Security, with 25 percent saying it should be expanded for all Americans and 25 percent saying it should be expanded except for wealthier households (Figure 36).

Americans also seem to understand that Social Security income alone is not enough to provide financial security in retirement. More than three-fourths (78 percent) indicate that it is important for retirees to supplement their Social Security income from a pension or annuity (Figure 37).

Figure 36: Half of Americans support the expansion of Social Security.

Would you support an expansion of Social Security benefits, a reduction of benefits, or should it be kept as is?

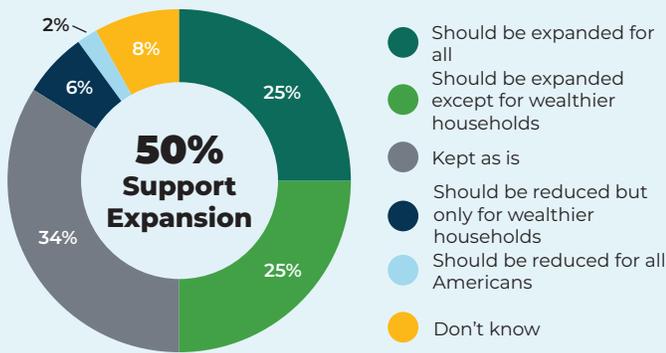
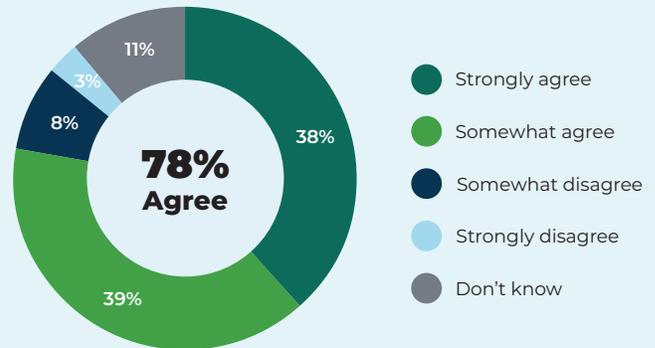


Figure 37: The vast majority of Americans understand that Social Security income needs to be supplemented.

To what extent do you agree or disagree: It is important that retirees supplement the guaranteed income that Social Security provides with additional income such as a pension or an annuity.



V. WHEN IT COMES TO PENSIONS, AMERICANS HAVE HIGHLY FAVORABLE VIEWS ABOUT THEIR ROLE IN THE RETIREMENT EQUATION AND SEE THESE PLANS AS BETTER THAN 401(K) SAVINGS ACCOUNTS

For decades, researchers and experts have encouraged Americans to pursue the “three-legged stool” of retirement savings: Social Security; a defined benefit pension; and individual savings, typically through a defined contribution plan. Only a small percentage of older Americans, about seven percent, receive income from all three sources. Roughly equal numbers of older Americans receive income from defined benefit pensions as from defined contribution plans. This is likely to change, however, in the future as fewer private sector workers have access to pensions now than in the past.³⁴

A defined benefit pension plan is an employer-provided retirement benefit that typically provides a regular monthly retirement payment. Pensions are different from defined contribution plans, such as 401(k) plans, in that they provide broad-based coverage, secure money for retirement, a lifetime income, and special protections for spouses.³⁵ Defined contribution plans are individual savings accounts that were originally intended to supplement pensions. While an employer may sponsor and contribute to a defined contribution plan, workers bear the responsibility for participating, deciding how much to contribute, managing the investments and deciding when to withdraw savings during retirement.³⁶

Perhaps part of Americans’ worry about retirement can be attributed to fears of running out of money in retirement

at a time when fewer pensions with guaranteed lifetime income are offered to workers. In the private sector, pensions are slowly being replaced with individual 401(k) style accounts. Private sector plans have declined sharply in recent decades due in large part to an inhospitable regulatory environment. Only 37 million Americans in the private sector were covered by pensions in 2018. Pensions are more widely available to state and local government employees that served 32.1 million Americans in 2018, while federal pension plans serve 2.7 million employees.³⁷

The fact that pensions provide stable income that won’t be depleted could explain why Americans are widely supportive of these retirement plans. Seventy-six percent of Americans have a favorable view of defined benefit pensions (**Figure 38**). Among those with pensions, (81 percent) are confident their pension will be there when it is time to retire (**Figure 39**).

Also, 75 percent say that all workers should have access to a pension plan so they can be independent and self-reliant in retirement rather than turning to families or government to help meet their basic needs (**Figure 40**).

Meanwhile, 73 percent of Americans say the disappearance of traditional pensions has made it harder for workers to achieve the American Dream (**Figure 41**).

NIRS Asked Americans

In your own words, what worries you most about being able to achieve a secure retirement?

"The stock market will go down and de-value my 401(k)."

Figure 38: The vast majority of Americans think favorably of pensions.

How would you describe your overall view of this type of pension?

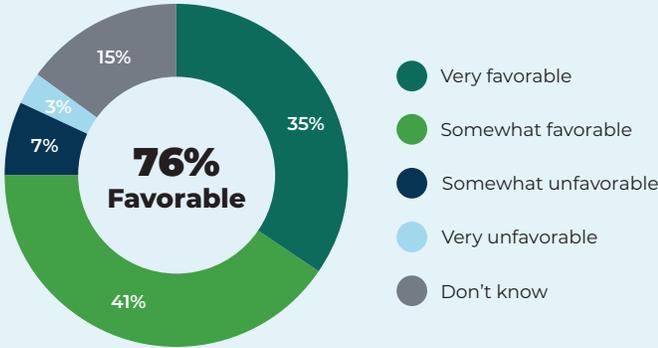


Figure 39: The vast majority of Americans with pensions believe their pension will be there at retirement.

How confident are you that your pension will be there when it is time to retire?

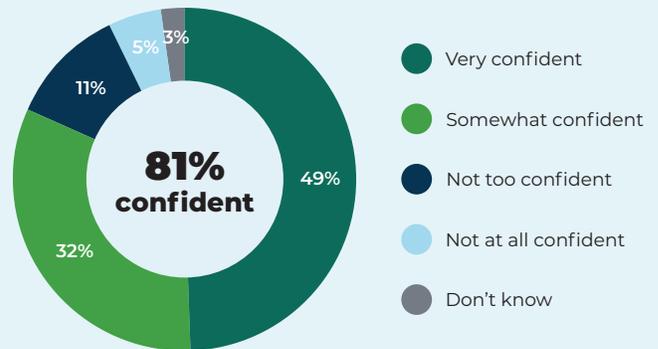


Figure 40: Three-quarters of Americans agree that everyone should have a pension for self-reliance and independence in retirement.

To what extent do you agree or disagree: I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.

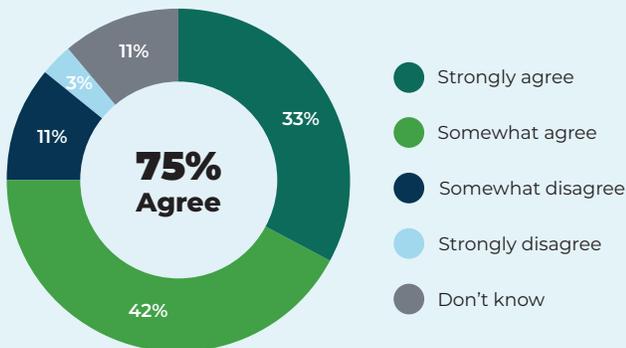
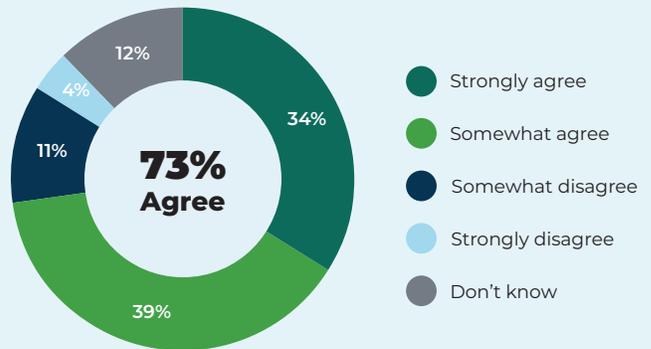


Figure 41: Nearly three-quarters agree that the disappearance of pensions makes it harder to achieve the American dream.

The disappearance of traditional pensions has made it harder for workers to achieve the American dream.



Most Americans (65 percent) believe that defined benefit pensions are better for providing retirement security than 401(k)-style plans (**Figure 42**).

And, 75 percent indicate that Americans with pensions are likely to feel more comfortable retiring than those relying on individual savings (**Figure 43**).

Figure 42: Most agree that pensions are better than 401(k) accounts for providing retirement security.

Pensions do more to help workers achieve a secure retirement as compared to retirement savings plans such as 401(k)s.

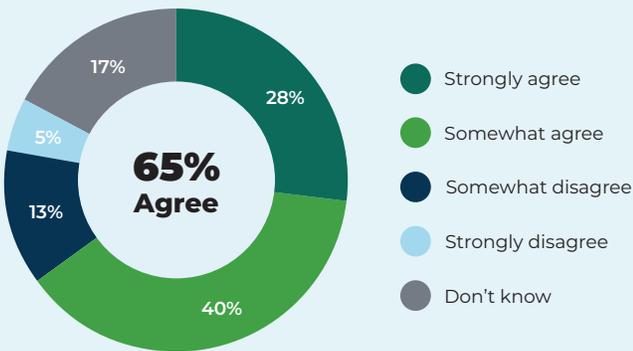
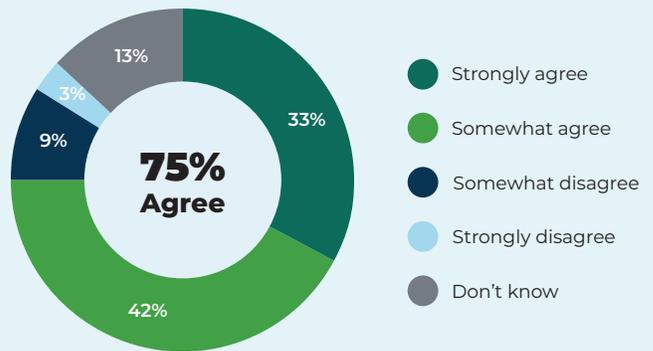


Figure 43: Three-quarters say those with pensions are more likely to retire comfortably.

Among people I know, those with a pension are more likely to feel more financially comfortable retiring than those relying on their own savings.



CONCLUSION

The U.S. is facing a retirement savings crisis that likely is worsening thanks to yet another economic crisis. Except for wealthier Americans, the typical working American is not on track to maintain their standard of living in retirement. The retirement savings shortfall can be attributed to many factors, including the move away from pensions, low wages, and a lack of employer-sponsored plans. Also, cuts to Social Security benefits and skyrocketing costs for health, long-term care and housing in retirement are exacerbating the retirement crisis.

To assess Americans' sentiment of retirement, NIRS conducted a survey of working-age Americans to measure their views on a range of retirement issues. The research finds that across party lines, Americans are deeply worried about retirement, the pandemic will impact retirement, and Americans see pensions and Social Security as important for rebuilding retirement readiness.

This research finds:

1. The COVID-19 pandemic is impacting many Americans concerns and plans for retirement;
2. A large swath of Americans is concerned about their economic security in retirement;
3. Despite deep polarization on many issues, Americans are united in their worry about retirement issues and potential solutions;
4. Americans are highly supportive of Social Security and even expanding the program; and
5. When it comes to pensions, Americans have highly favorable views about their role in the retirement equation and see these plans as better than 401(k) savings accounts.

NIRS Asked Americans

In your own words, what worries you most about being able to achieve a secure retirement?

"My student loans have kept me back in fulfilling my retirement financial potential. After graduating in debt of six figures, it has been extremely difficult to save for retirement."

METHODOLOGY

Conducted by Greenwald Research, information for this study was collected from online interviews between December 4–10, 2020. A total of 1,203 individuals aged 25 and older completed the survey. The final data were weighted by age, gender, and income to reflect the demographics of Americans aged 25 and older. The sample was selected using Dynata, an online sample provider. Tabulations in some of the charts may not add up to 100 due to rounding.

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Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;
- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and
- the public interest is well-served by retirement systems that are managed in ways that promote fiscal responsibility, economic growth, and responsible stewardship of retirement assets.

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- High-quality research that informs the public debate on retirement policy. The research program focuses on the role and value of defined benefit pension plans for employers, employees, and the public at large. We also conduct research on policy approaches and other innovative strategies to expand broad based retirement security.
- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.
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