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Retirement in America:

an Analysis of Retirement Preparedness Among Working-Age Americans

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By Tyler Bond and Joelle Saad-Lessler

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Executive Summary

Preparing for retirement is one of the most significant financial undertakings in the lives of most American workers. Financial advisors often recommend that someone start saving as soon as they join the workforce in order to save adequately by retirement age. This major undertaking involves a number of choices that can have long-term consequences and the types of jobs someone has and the features of those jobs can significantly shape those choices and eventual retirement outcomes.

This research examines the retirement preparedness of working-age Americans. The research attempts to answer key questions relating to retirement savings, access to retirement plans, and how saving for retirement interacts with other financial commitments, such as repaying student loan debt and owning a home. This research is not intended as a guide for how individual workers should prepare for retirement. Rather, it is a broad examination of how different groups of workers are faring in their preparation for retirement and a consideration of where workers are falling short.

This research uses data from the U.S. Census Bureau's Survey of Income and Program Participation (SIPP). The SIPP 2023 panel uses December 2022 as the reference month. This report primarily focuses on working-age Americans (ages 21-64) who are currently employed, but also includes some analysis of the situation of adults age 65 and older.

The report's key findings are as follows:

- **Many working Americans still lack access to employer-provided retirement plans.** Public sector employees tend to have higher levels of sponsorship and participation than private sector employees. Hispanic workers and those with lower levels of education and lower incomes tend to have lower rates of both sponsorship and participation.

- **Social Security constitutes half of income for the typical older adult.** Income from retirement plans – both defined benefit (DB) and defined contribution (DC) – represents about a fifth of income on average. Income from earnings is also an important income source for many older adults.

- **Working individuals who have positive DC savings had median savings of $40,000 in December 2022.** Across all workers, including those with no savings, the median amount saved was only $955.

- **The typical employee contribution rate to a defined contribution savings plan is between five and six percent and the typical employer contribution rate is just under three percent.** There is modest variation in contribution rates across different demographic cohorts with employee contributions generally increasing with age, education, and income.

- **Retirement savings represent about a quarter of financial assets on average for the typical working adult, while home equity represents about a third.** For some groups of workers, the median value of a vehicle exceeds the median value of retirement savings.

- **The interaction between student loan debt and retirement savings is complex, but illustrates the tension between different financial commitments.** Workers with student loan debt are more likely to have access to a workplace plan, to participate in a plan, and to have a positive balance in their account, but they also have lower account balances, fall further behind in reaching savings targets, and have much lower net worth than those with no student loan debt.

Introduction

Retirement is one of the biggest financial decisions most workers will make in their lives. When to retire and how to pay for it are major life choices, and workers should spend years preparing to make these decisions. Most financial advisors recommend workers start saving for retirement as soon as they enter the workforce. However, the reality of preparing for retirement often differs from the expectations of workers or the overly optimistic financial projections of advisors.

Many workers do not start saving as soon as they enter the workforce. In fact, many don't start saving until mid-career at best. The timing of retirement also can be unpredictable. A late career health crisis, job loss, or economic downturn can derail even the best plans for a financially secure retirement. There also is the challenge of how to appropriately spend down accumulated retirement savings – a challenge so difficult that the Nobel Prize-winning economist William Sharpe called it the "nastiest, hardest problem in finance."

Americans have long-thought of retirement as enjoying one's "golden years": retiring at age 65 with a gold watch from the company, living in a home without a mortgage, and traveling and spending time with grandchildren. This was never the reality for many older Americans, but this notion of an easy entry into a defined stage of life called "retirement" has persisted for years. This report examines what it means to prepare for retirement in America today.

The report does not primarily focus on older adults and retirees, although there is some analysis of their situation. Rather, the focus is on working adults who are saving and preparing for retirement. What challenges do they face to retiring securely? How is the current retirement savings system helping them – or not – to prepare for retirement? How do other financial considerations, such as home ownership or student loan debt, intersect with saving for retirement? And how do all of these factors vary across demographic groups, defined by gender, race, age, education, or income?

While there have been some noticeable improvements in the retirement savings system in recent years, many workers are still left out of that system and major challenges lie ahead. For example, the reserves in the Social Security trust fund are poised to be depleted in about seven years due to congressional inaction. If this occurred, then it would result in automatic, across-the-board benefit cuts for all current and future Social Security beneficiaries. Another looming challenge is that as the U.S. population continues to age and the total fertility rate declines, the demographic balance will shift and older adults will increasingly represent a larger proportion of the population. This will affect nearly every aspect of life, but how to care for an ever greater number of older adults will take on increasing urgency. None of these are easy questions with easy answers, but having a better understanding of how working Americans today are preparing for retirement can help with creating solutions.

Data and Methodology

This report tabulates data from the public-use version of the Survey of Income and Program Participation (SIPP) from the U.S. Census Bureau. The 2023 data references December of 2022. The availability of some variables in the SIPP changes over time. One important change impacted the definition and measurement of employers' offer of a retirement plan to their workers (sponsorship), employee eligibility to participate in the sponsored retirement plan (eligibility), and take-up of the employer's offer to participate in a sponsored retirement plan (take-up), as well as employees' participation in a retirement plan (participation). Prior to the 2014 SIPP redesign, questions of whether the main employer offered a retirement plan to any of their employees, whether employees took up the offer, and why they did not allowed researchers to measure sponsorship, participation, eligibility, and take-up. After the 2014 redesign, respondents were asked if they owned any type of retirement plan (including an IRA/Keogh, a 401(k), or a pension plan), regardless of who sponsored the plan. This impacted estimates of sponsorship and participation and no longer allowed for a measure of eligibility and take-up. Starting in 2021, respondents were asked if they owned a retirement plan through their main employer, in addition to whether they owned any type of retirement plan altogether. Respondents who did not have a retirement plan were also asked whether their employer offered a plan to anyone working at the company. This, again, impacted measures of sponsorship. These changes highlight the difficulty of comparing estimates of sponsorship and participation over time using SIPP data.

In this report, sponsorship is defined as having a retirement plan through one's main employer (EMJOB_IRA, EMJOB_401, EMJOB_PEN) and working for an employer who offers retirement benefits to employees even if the respondent does not take advantage of this offering (EPENSNYN==1)

Participation is defined based on owning a retirement plan (EOWN_IRAKEO, EOWN_THR401, EOWN_PENSION), regardless of whether it was sponsored by a current/former employer or if it was not sponsored by any employer.

Defined Benefit plan participation is based on owning a pension (EOWN_PENSION).

For the portion of the report focusing on income sources for older Americans, the sample was restricted to respondents ages 65 or older. The rest of the report looks at respondents ages 21-64.

Retirement Today

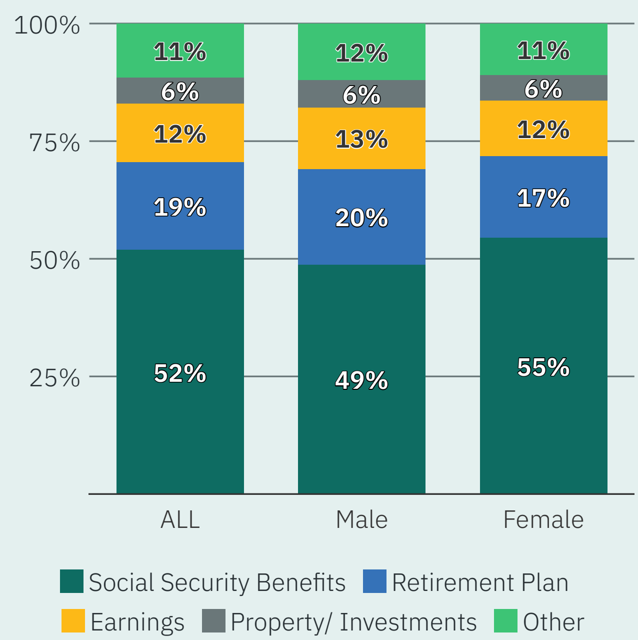
This report focuses primarily on working-age (ages 21-64) Americans, the majority of whom are not yet retired, and measures of their retirement preparedness. However, to understand how prepared working-age Americans may be for retirement, it's important to briefly consider the sources of income among those who are retirement age (ages 65+).

This research considers several different sources of income for those age 65 and above, as seen in **Figure 1**. The first point to note is the importance of Social Security for older Americans. Social Security benefits represent about half of income for the typical older American, but this is higher for some groups, including women, Blacks, and those with less education, but slightly lower for other groups, including Asian Americans and those with more education (see **Figure 2** and **Figure 3**). Social Security forms the foundation of retirement security for most Americans, and its vital importance as a component of income for older Americans is clearly visible in the data.

Working-age Americans shouldn't overlook the importance of Social Security once they enter retirement. A number of surveys have found that workers underestimate the value of their Social Security benefits before they retire, only to find it represents a greater portion of their income than expected after they retire.[1]

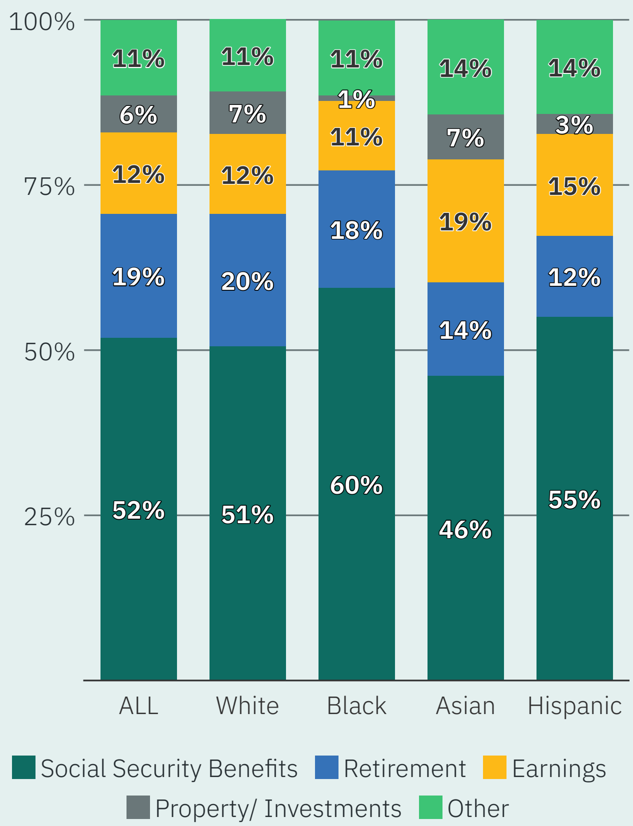
Another significant component of income for older Americans is money from retirement plans, which includes both defined benefit (DB) pension plans and defined contribution (DC) plans, such as 401(k)s. This category also includes annuities and money from a life insurance policy. This represents 19 percent of income, on average, for older Americans.

Figure 1: Sources of Income by Gender



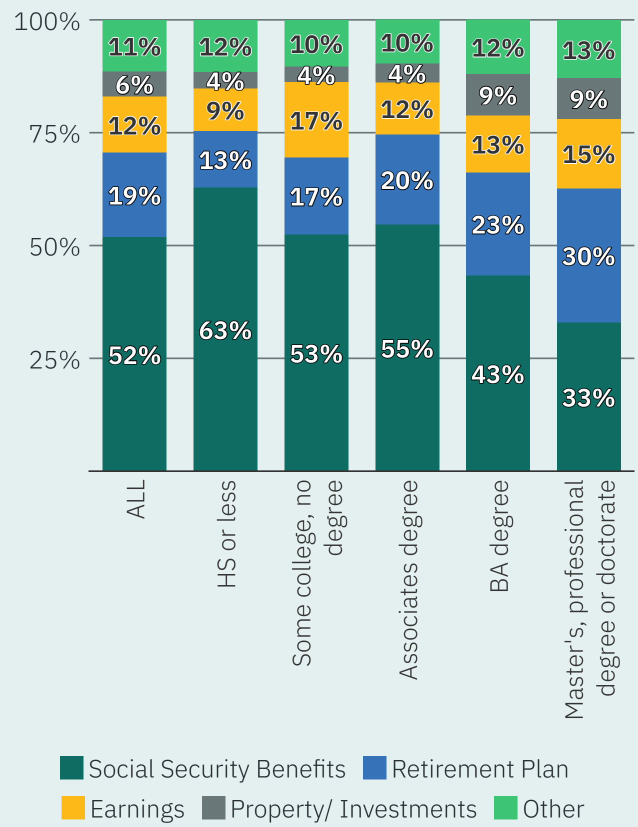
Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 65+. These are average values.

Figure 2: Source of Income by Race



Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 65+. These are average values.

Figure 3: Source of Income by Education



Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 65+. These are average values.

The third largest component of income for older Americans is earnings from paid work. This sample includes all SIPP respondents ages 65+, so some of these earnings may be from people who are still working full time and are not yet retired. Other respondents may have retired from full-time work but continued to work part-time or rejoined the workforce on a part-time basis. Regardless, income from earnings represents 12 percent of income, on average, for older Americans.

The remaining sources of income[2] are less significant for most older Americans. For example, income from property or investments represents only six percent of income for the average older adult, while income from other sources identified in the SIPP constitutes an even smaller component of the typical income profile. This isn't to say these smaller income sources aren't important for the older Americans who have them, but they don't represent common sources of income.

This breakdown of various sources of income for older Americans conforms with the findings of previous NIRS research, *Examining the Nest Egg.* That research considered how many older adults had income from Social Security, DB pensions, or DC plans[3] and what percentage of older adults had income from each of those sources. The broad findings in *Examining the Nest Egg* and in the current report underscore the fundamental importance of Social Security and the supplementary importance of both DB and DC retirement plans. It's also worth acknowledging, as will be discussed later in this report, that *Examining the Nest Egg* found that seniors with income from all three sources were more likely to be higher-income and have a higher net worth than those who only had income from one or two of the sources.

So, what does this overview of income among older Americans reveal about the retirement prospects for working-age Americans? First, the data reveal that the traditional sources of retirement income – Social Security and retirement plans – are critically important. Second, earnings are and will continue to be an important source of income for a number of seniors.

Current trends, however, raise concerns about the future. Social Security is vitally important for retirement income, but the program currently faces a financing gap. If Congress does not act to resolve the financing gap, then automatic, across-the-board benefit cuts for all current and future beneficiaries would be implemented to close the gap between revenues and benefit payments. Those benefit cuts are estimated to be approximately 20 percent, which would have a major impact on retirees given the significant portion of their income that comes from Social Security benefits.

Other trends will be discussed throughout this report, but three points are worth considering at the outset:

1. Longevity has generally been increasing. This is a positive development, but longer lives require more money to pay for additional years of living and, presumably, not working. Also, the number and incidence of negative health conditions increase as one ages, making it necessary to spend more on healthcare and various forms of long-term care.

2. Healthcare and long-term care are challenging for many older Americans, especially from a cost perspective. The cost of healthcare typically outpaces inflation, meaning that cost of living adjustments (COLAs) from Social Security or pension plans can quickly be eaten away by rising health costs and/or increasing health insurance premiums. Meanwhile, the long-term care industry faces chronic staffing shortages, a problem that will only become more challenging as the number of older Americans grows and the working-age population shrinks.

3. More older Americans are carrying mortgage debt into retirement. While it is generally financially better to own a home rather than to rent, the notion of seniors entering their retirement years residing in a home that they fully own is less likely today than in the past. The Harvard Joint Center for Housing Studies found that more than a third of older households were cost burdened in 2023. Additional costs that must be managed during retirement will only make retirement more challenging if this trend continues.

Working and Saving in America Today

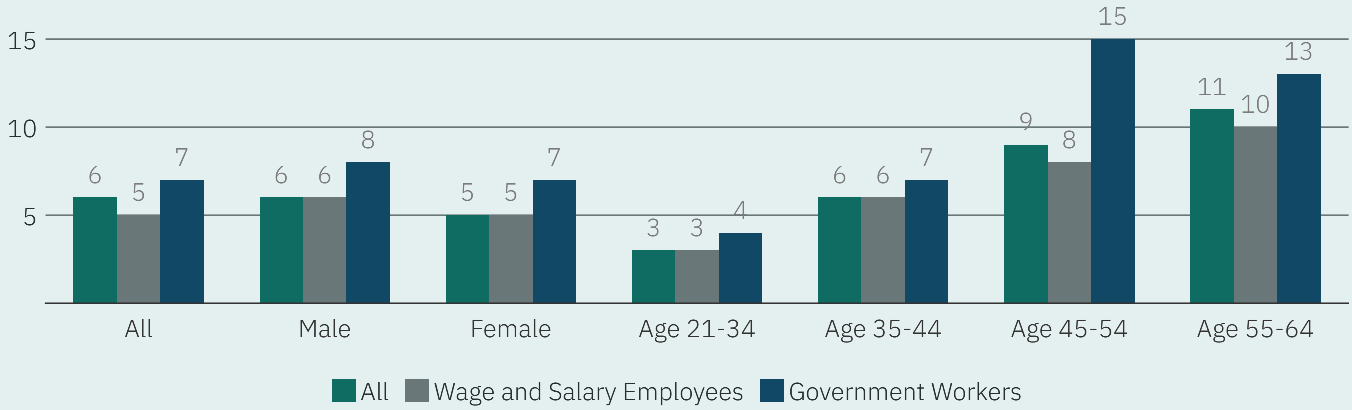
Characteristics of Working-Age Americans

Americans overwhelmingly save for retirement via employer-sponsored retirement plans. This might seem obvious, but it's important to acknowledge because employment patterns can have a major impact on eventual retirement savings. The main retirement savings vehicles, from Social Security to defined benefit (DB) pensions to defined contribution (DC) savings plans, presume an employer who sponsors the plan, contributes to the plan, or both. Few people contribute to Individual Retirement Arrangements (IRAs) on their own. In fact, most IRAs contain rollovers from employer-sponsored 401(k)s and other DC plans. The bottom line is that if Americans are not saving for retirement through their employer, then they are probably not saving at all.

Retirement researchers and policymakers often discuss the concept of a "three-legged stool of retirement savings" – Social Security, a pension, and individual savings – as the best way to achieve retirement security. But the reality is that few Americans ever had the three-legged stool. In fact, *Examining the Nest Egg* found just under seven percent of older, non-working adults had income from all three sources. Nearly all working-age adults participate in Social Security, and about half participate in either a DB pension plan or a DC savings plan. But almost half do not participate in any employer-sponsored retirement plan, and that percentage has held steady for nearly half a century.

So, what determines whether someone participates in an employer-sponsored retirement plan? Questions like how long someone works, whether they work part-time or full-time, and where they work can all contribute to workers' retirement outcomes.

Figure 4: Median Job Tenure



SIPP 2023 Panel referencing December 2022. Sample restricted to employed respondents ages 21-64 who are not active duty military. Job tenure is reported for respondents' main reported job for those with 1 year of tenure or more.

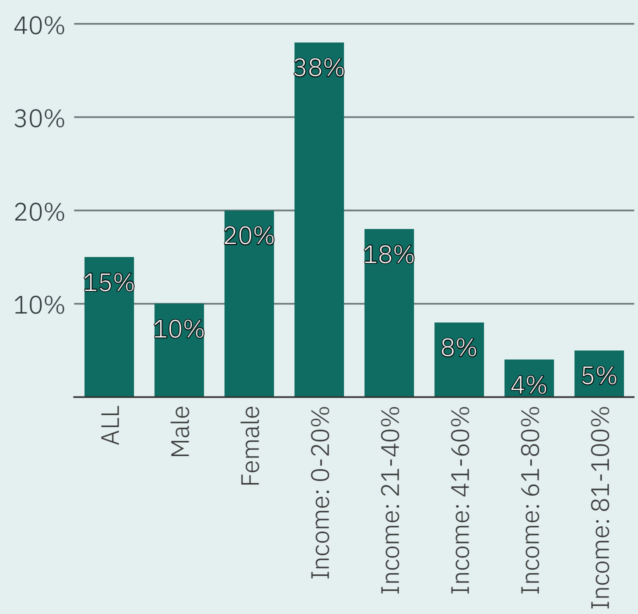
Job tenure is a good starting point. Some retirement plans in the private sector require a certain period of employment before a worker is eligible to participate in the plan or they might have a vesting schedule in which the worker is entitled to a greater percentage of the employer's contributions to the plan the longer they remain employed there. Across all working adults ages 21-64 in December 2022, the median tenure was six years and the average tenure was nine years as shown in **Figure 4**. Government workers had longer median and average tenures than private-sector employees, which is consistent with other findings.[5] Men and women have similar tenures. Both average and median tenure increase with age, which is to be expected. Tenure doesn't vary much by educational attainment, but it does increase slightly with income.

Job tenure matters, but median tenure is above five years for most demographic groups, which is noteworthy because five years is the maximum vesting period in the private sector. So, job tenure is unlikely to be driving a significant shortfall in retirement savings.

Another factor potentially impacting retirement outcomes is part-time employment. Many part-time employees are ineligible to participate in an employer-sponsored retirement plan, if their employer offers a retirement plan at all. Part-time employees are more likely to work in industries that don't offer retirement plans, such as the retail or restaurant industries.

Part-time employment is not distributed evenly across the workforce. Women are twice as likely as men to work part-time, and workers in the lowest income quintile are significantly more likely to work part-time (**Figure 5**). Part-time work is not in-and-of-itself a bad thing. For example, women may choose to work part-time more often than

Figure 5: Part-Time Employment



SIPP 2023 Panel referencing December 2022. Sample restricted to employed respondents ages 21-64 who are not active duty military. Total income distribution quintile thresholds were: $0-23,952, $23,953-$42,120, $42,121-$65,184, $65,185-$106,008, $106,009+. Part-time status defined as working fewer than 35 hours per week on one's main reported job.

men so they can have more time available to provide unpaid caregiving. However, the extent to which part-time work reduces a worker's ability to save for retirement has important implications for eventual retirement outcomes.

Retirement Plans at Work

The last factor that determines workers' retirement outcomes is where they work and whether their employer offers access to an employer-provided retirement plan. Workers are far more likely to save for retirement if offered a plan at work than if they must save on their own. **Figure 6** reveals two interesting facts about access to retirement plans in the private sector. First is the well-known fact that private-sector employers have dramatically shifted from offering predominately DB pension plans to predominately DC plans over the past 45 years. Second is the fact that during this same time period, the percentage of workers who are not participating in an employer-provided plan has barely changed. The fact that participation in employer-sponsored retirement plans has remained static at the same time as employer-provided retirement plans shifted from DB to DC structure implies that the shift is not the reason that overall participation remains stuck around the 50 percent mark. So, what explains the overall participation rate?

According to analysis of SIPP data, 51 percent of workers had a DC plan through their main employer and among workers with a positive DC plan balance, 80 percent had a DC plan through their main employer. If workers are saving for retirement in a DC plan, it is almost certainly because they have a plan at their job. This suggests that working Americans have struggled to save adequately for retirement largely *because they are not offered any retirement savings plan at work.*

As DB plan offerings have declined in the private sector, the percentage of workers participating in a DB plan has declined correspondingly. This analysis found that 17 percent of workers were participating in a DB plan in December 2022. Men and women participated in DB plans at equal rates. Whites were somewhat more likely and Hispanic workers were somewhat less likely than average to be participating. Participation in a DB plan also increased with both income and education as seen in **Table 1**.

Figure 6: Percentage of Private Sector Workers Participating in an Employment-based Retirement Plan, by Plan Type, 1979-2023

While the type of retirement plans offered to private sector workers has shifted toward savings-based plans over the past few decades, the share not participating in any plan remains stubbornly high.

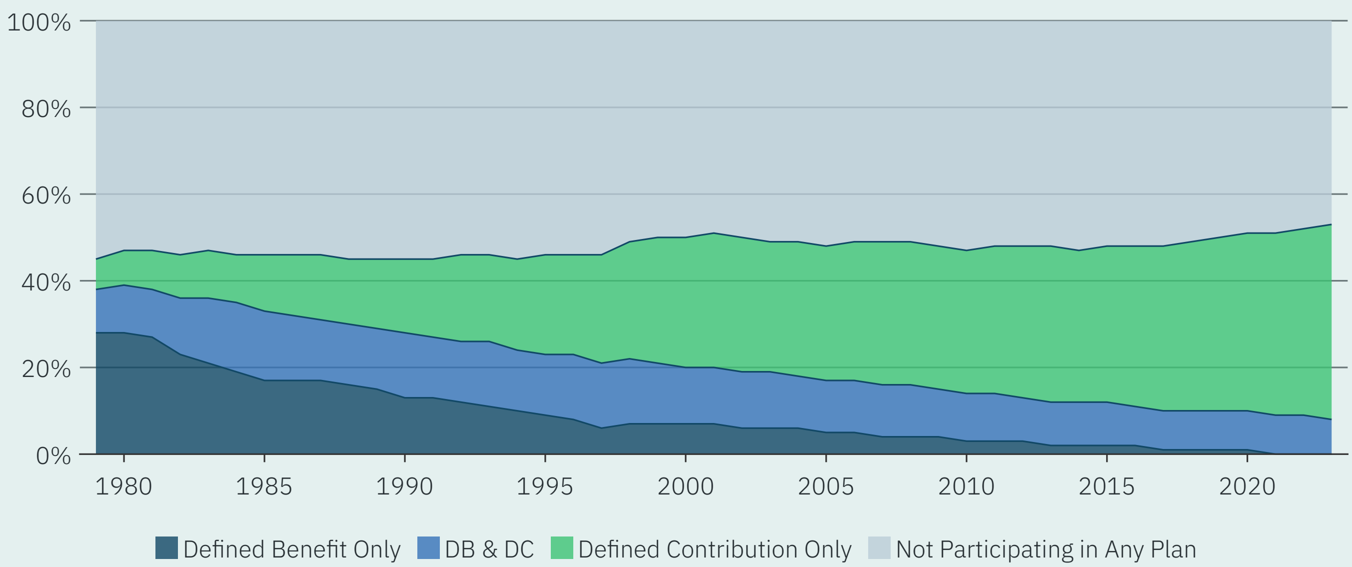


Chart: NIRS • Source: Employee Benefit Research Institute, Data from U. S. Department of Labor Form 5500 Summaries through 1999. EBRI estimates 2000-2023 using Bureau of Labor Statistics, Current Population Survey, and U.S. Department of Labor data.

Table 1: Defined Benefit Plan Participation Rates

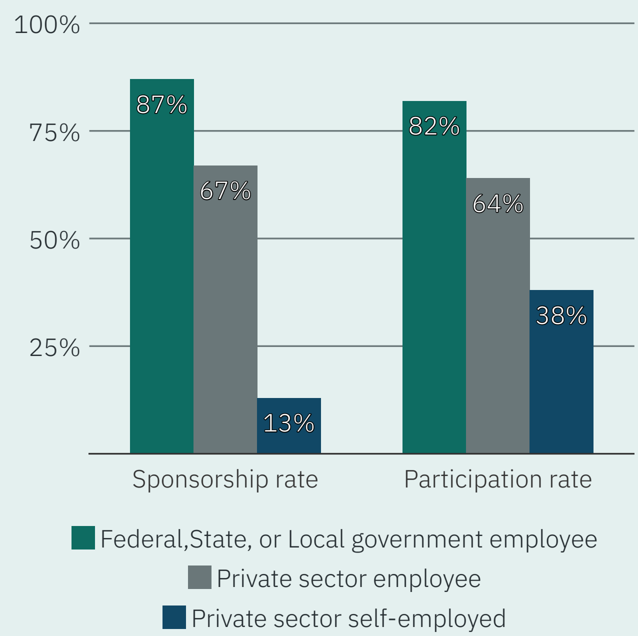
	DB plan participation
All	17%
Male	17%
Female	17%
White	19%
Black	15%
Asian	15%
Hispanic	12%
Married	20%
Divorced/Widowed/Separated	19%
Never married	11%
HS or less	10%
Some college, no degree	15%
Associates degree	16%
Bachelor's degree	19%
Master's, Professional degree or doctorate	30%
Income 0-20%	6%
Income 21-40%	10%
Income 41-60%	19%
Income 61-80%	24%
Income 81-100%	25%

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business. Total personal income quintile cutpoints are: Less than $27,480, $27,481-$45,156, $45,157-$68,172, $68,173-$109,212, $109,213 or more.

Next, is an examination of retirement plan sponsorship and participation rates among working-age Americans. It's necessary to note that sponsorship and participation in retirement plans are separate from each other in the SIPP. Sponsorship indicates that the respondent either has a retirement plan through their main employer or that they do not, but that their employer offers a plan to other workers at their firm. Participation indicates that the respondent owns a retirement plan, which could be from their current or former employer. Participation is not a subset of sponsorship. It is the percentage participating in a plan among all workers whether they are offered a plan at their current main employer or not.

With those definitions in place, let's turn to the results of the analysis (**Figure 7**). Across all working adults ages 21-64 in December 2022, the sponsorship rate was 63 percent and the participation rate was 62 percent. This might appear to contradict the finding above that 51 percent of workers had a DC plan through their main employer, but it's actually giving a fuller picture of many workers' experience.

Figure 7: Sponsorship and Participation Rates by Employer Type



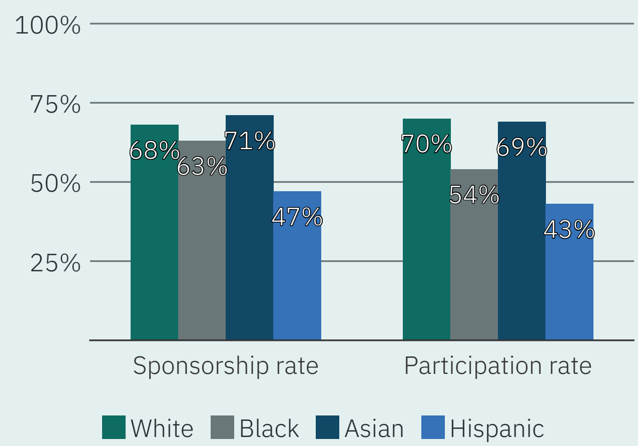
Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business.

The sponsorship number includes workers whose employer offers a plan, but they are not eligible to participate, making that a broader number than just those who have a DC plan through their main employer. Similarly, the participation number includes those who own a retirement plan, meaning they have some savings in a DC plan, but that DC plan may not be through their current main employer. Other research has indicated that the number of Americans who have participated in a retirement plan is broader than the number participating at any particular point in time.[6]

Figure 8 shows that men and women are sponsored and participate in plans at nearly identical rates. Rates vary more by race (**Figure 9**). Hispanic workers are sponsored at much lower rates – 47 percent – than other workers. This corresponds to Hispanic workers having a lower participation rate as well. Sponsorship and participation increase with both education and income as shown in **Figure 10** and **Figure 11**, respectively. A worker with a bachelor's degree has a 75 percent participation rate, whereas a worker with only a high school diploma has a 41 percent participation rate. Likewise, a worker in the top fifth of income has an 87 percent participation rate, while a worker in the bottom fifth only has a 30 percent participation rate.

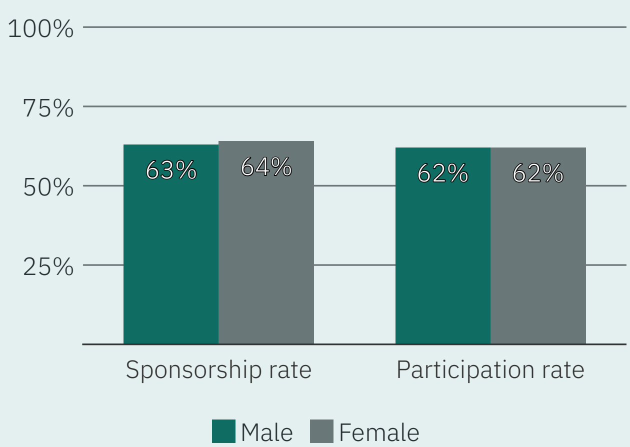
Sponsorship and participation rates vary widely across different industries, as displayed in **Table 2**. Industries such as public administration (87%), finance and insurance (83%), educational services (81%), and manufacturing (77%) have high levels of retirement plan sponsorship. Meanwhile, industries such as farming (24%), accommodation and food services (29%), and other services (36%) have much lower levels of sponsorship. The participation rates by industry are broadly similar to the sponsorship rates with public administration (88%), finance and insurance (85%), and mining (79%) having high rates while accommodation and food services (22%), farming (39%), and construction (45%) have noticeably lower rates.

Figure 9: Sponsorship and Participation by Race



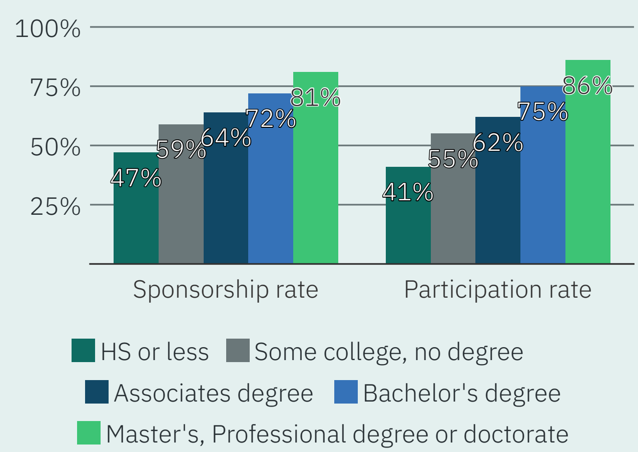
Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business.

Figure 8: Sponsorship and Participation by Gender



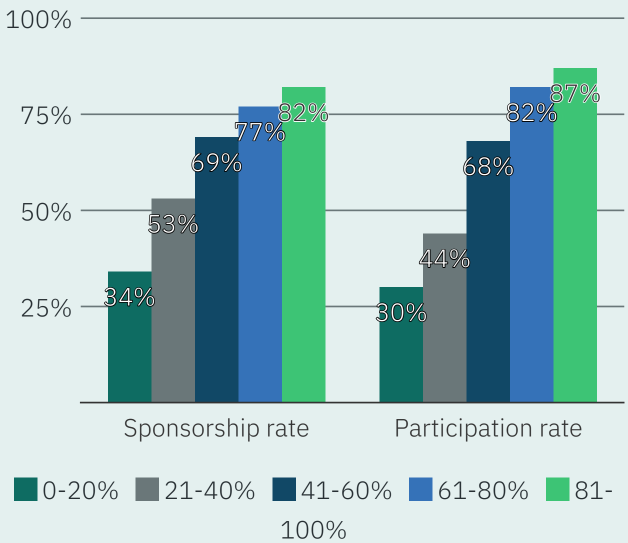
Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business.

Figure 10: Sponsorship and Participation by Education



Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business.

Figure 11: Sponsorship and Participation by Income



Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business. Total personal income quintile cutpoints are: Less than $27,480, $27,481-$45,156, $45,157-$68,172, $68,173-$109,212, $109,213 or more.

Table 2: Retirement Plan Sponsorship and Participation by Industry

Industry	Sponsorship rate	Participation rate
Farming	24%	39%
Mining	67%	79%
Construction	40%	45%
Manufacturing	77%	76%
Wholesale trade	71%	67%
Retail trade	61%	50%
Transport and warehousing, utilities	61%	58%
Information and communications	75%	79%
Finance and Insurance	83%	85%
Professional, scientific services	71%	78%
Educational services	81%	74%
Health services	75%	72%
Social services	43%	43%
Arts, entertainment, recreation	45%	52%
Other services	36%	42%
Public administration	87%	88%
Real estate, rental and leasing	42%	56%
Accommodation and food services	29%	22%
Management, administrative and waste management	41%	41%

SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business.

Contribution Rates Among Working Americans

After having access to a retirement savings plan, the amount one chooses to save in that plan represents one of the most important drivers of retirement outcomes. This question is largely irrelevant for Social Security and DB pensions in which contribution rates are fixed (most public sector pension plan participants contribute to their plan, whereas most private sector pension plan participants do not). Thus, the question of contribution rates matters most in DC plans like 401(k)s.

The prevailing notion has been that an employee contribution rate of three percent was appropriate. While many financial advisors and other experts now recommend a much higher contribution rate, the three percent number stuck until recent innovations such as auto-enrollment and auto-escalation began to be widely implemented. More recent data show higher average contribution rates. The analysis of SIPP data featured in this report finds that the median employee contribution rate was 5.3 percent and the median employer contribution rate was 2.7 percent

(**Figure 12**). Those are the median rates among all workers ages 21-64 who participated in a retirement plan in December 2022.

Contribution rates vary more among different demographic cohorts as seen in **Figure 13** and **Figure 14**. Men and women have similar employee and employer contribution rates, although men contribute slightly more than women (Figure 13). Contribution rates differ more by race and ethnicity, with Asian Americans having the highest median employee contribution rate at 6.7 percent (Figure 14). Black and Hispanic workers contribute 4.4 percent, and they also have lower employer contribution rates, 2 percent and 2.2 percent respectively, as compared to white or Asian American workers.

Figure 12: Contribution Rates Across All Workers

	Employee	Employer	Total
Contribution Rate	5.3%	2.7%	8.4%

SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business, are sponsored for a retirement plan at work and participate in a retirement plan, and have positive personal income. Contribution rates are computed as a fraction of earnings at the respondent's main job. All reported rates are median values.

Figure 13: Contribution Rates by Gender

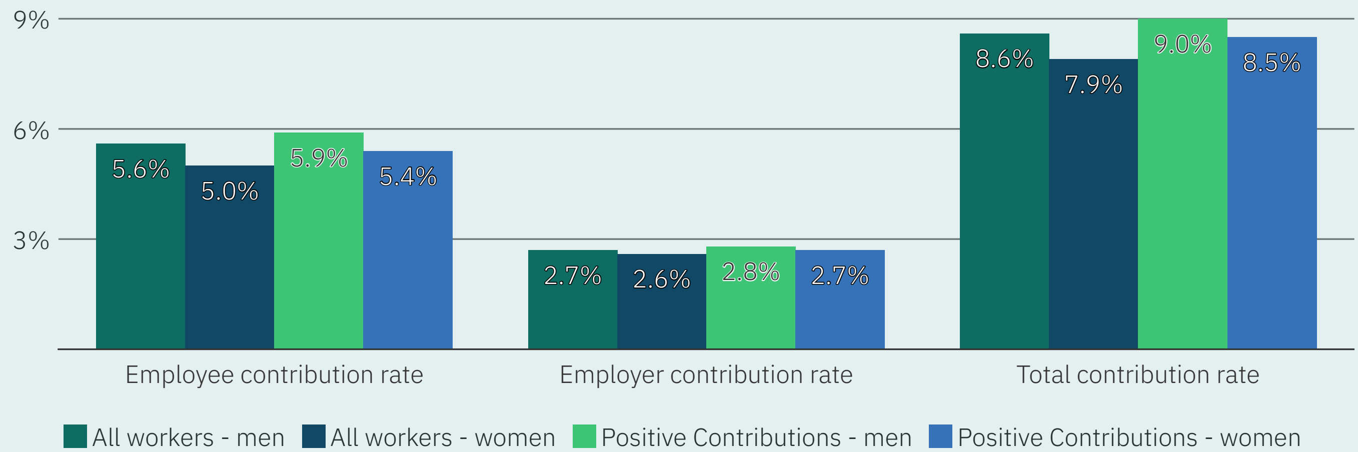
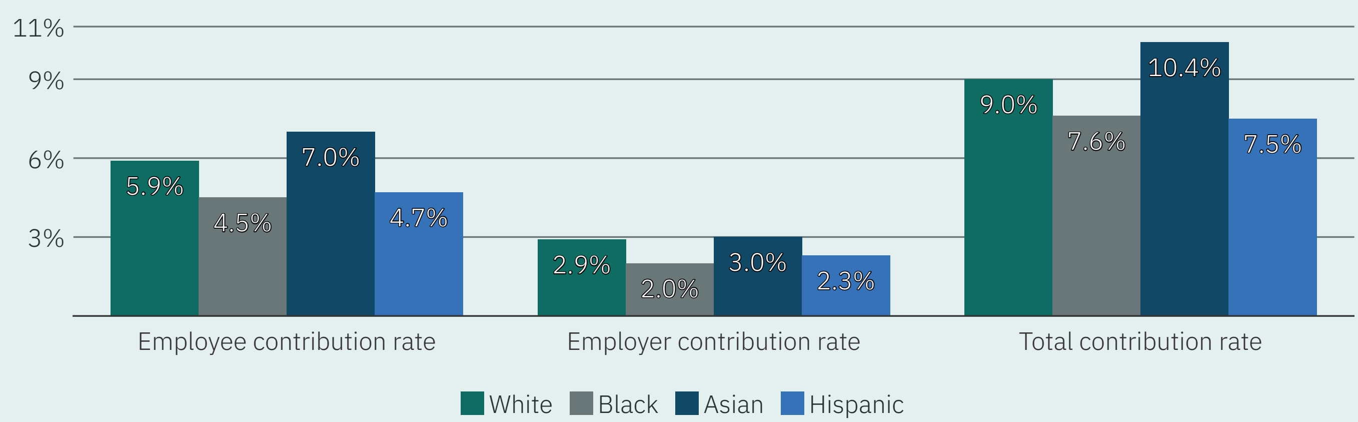


Figure 14: Contribution Rates by Race



Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business, are sponsored for a retirement plan at work and participate in a retirement plan, and have positive personal income . Contribution rates are computed as a fraction of earnings at the respondent's main job. All reported rates are median values.

Employee contribution rates increase with educational attainment, income, and age (**Figure 15**). Employer contribution rates vary somewhat, but not as much as employee contribution rates. Across every demographic group analyzed, the median employer contribution rate ranged between two and three percent with only one exception.

This analysis also examines the dollar amounts of contributions in addition to the contribution rates. As expected, the patterns are similar to the contribution rates (**Figure 16**). Those with a bachelor's degree contributed a median amount of $5,000 annually while those with a high school diploma or less contributed $2,000. Those in the lowest income quintile contributed $580 themselves, while those in the highest income quintile contributed $10,000.

Figure 15: Contribution Rates by Age, Education, and Income

	Employee	Employer	Total
Ages 21-34	4.2%	2.2%	6.8%
Ages 35-44	5.6%	2.8%	8.6%
Ages 45-54	5.7%	2.8%	8.7%
Ages 55-64	5.9%	2.9%	9.3%
HS or less	3.9%	2.2%	6.3%
Some college, no degree	4.5%	2.4%	7.0%
Associates degree	5.0%	2.4%	8.1%
Bachelor's degree	5.7%	2.8%	8.9%
Master's, Professional degree or doctorate	6.6%	2.9%	9.5%
Income 0-20%	5.8%	3.5%	9.8%
Income 21-40%	3.8%	2.0%	5.6%
Income 41-60%	4.4%	2.5%	6.9%
Income 61-80%	5.6%	2.8%	8.4%
Income 81-100%	6.2%	2.6%	9.4%

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business, are sponsored for a retirement plan at work and participate in a retirement plan, and have positive personal income . Contribution rates are computed as a fraction of earnings at the respondent's main job. All reported rates are median values.

Figure 16: Contribution Amounts by Education and Income

	Employee contribution amount	Employer contribution amount	Total contribution amount
All	$4,000	$2,000	$6,250
HS or less	$2,000	$1,200	$3,580
Some college, no degree	$2,600	$1,520	$4,450
Associates degree	$3,000	$1,560	$4,800
Bachelor's degree	$5,000	$2,500	$7,720
Master's, Professional degree or doctorate	$7,000	$3,460	$10,800
Income 0-20%	$580	$391	$1,160
Income 21-40%	$1,100	$584	$1,658
Income 41-60%	$2,000	$1,200	$3,220
Income 61-80%	$4,000	$2,000	$6,010
Income 81-100%	$10,000	$4,000	$14,807

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 21-64 who have a job or business, are sponsored for a retirement plan at work and participate in a retirement plan, and have positive personal income. All reported rates are median values.

Reaching Retirement Savings Targets

The shift to offering primarily DC plans in the private sector transferred the responsibility of determining how much to save for retirement to workers. Many workers now look to the financial industry for advice on how much to save. Fidelity offers a series of age-based savings targets as one benchmark for how much to save. The analysis in this report uses Fidelity's age-based savings targets to assess the extent that working Americans are achieving those targets. The results show that the typical worker falls far short of their savings target.

For the median respondent, no one is at or above their savings target. Regardless of gender, race, education, or age, zero percent of median respondents have either DC plan retirement wealth or net worth that is at or above their age-based savings target. **Table 3** shows that across all respondents, the median amount of DC plan retirement wealth as a percentage of savings target is four percent.

This report uses retirement savings guidelines published by Fidelity. This financial services company recommends the following savings targets: 1x income by age 30, 2x income by age 35, 3x income by age 40, 4x income by age 45, 6x income by age 50, 7x income by age 55, 8x income by age 60, and 10x income by age 67. When calculating whether a working-age individual is falling short of these savings targets, this report determines the targeted saving level for each age within the cohort and then compares the accumulated savings to annual earnings. This yields the percentages meeting or falling short of their goals.

Table 3: Percentage of Savings Target Achieved by DC Retirement Wealth or Total Net Worth

The data below are all median percentages.

	DC Retirement Wealth / Saving Target	Net Worth / Saving Target
ALL	4%	41%
Male	5%	40%
Female	4%	42%
White	8%	51%
Black	0%	15%
Asian	10%	78%
Hispanic	0%	19%
HS or less	0%	18%
Some college, no degree	1%	27%
Associates degree	4%	42%
Bachelor's degree	12%	60%
Master's, Professional degree or doctorate	16%	65%
Ages 21-34	4%	40%
Ages 35-44	4%	41%
Ages 45-54	3%	38%
Ages 55-64	6%	43%

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Annual earnings are estimated to be equal to 12 times December earnings. Savings targets are multiples of estimated annual earnings, with the multiple (X) varying with age. at age 30, X=1, at 35 X=2, at 40 X=3,at 45 X=4, at 50 X=6, at 55 X=7, at 60 X=8, at 67 X=10 (values of X in between these thresholds are interpolated).

Focusing just on those with positive DC plan retirement wealth, meaning they have at least one dollar saved in a DC plan rather than a zero-balance account, the numbers improve slightly as detailed in **Table 4**. The median percentage of retirement wealth divided by savings target increases to 18 percent. The data also reveal higher percentages for various demographic cohorts by focusing on those with positive retirement wealth. For example, men increase from five percent (all respondents) to 19 percent (positive retirement wealth), while for women the increase

Table 4: Percentage of Savings Target Achieved For Those With Positive DC Retirement Wealth or Total Net Worth

The data below are all median percentages.

	DC Retirement Wealth / Saving Target for those with positive DC retirement wealth
ALL	18%
Male	19%
Female	17%
White	20%
Black	11%
Asian	23%
Hispanic	11%
HS or less	10%
Some college, no degree	12%
Associates degree	15%
Bachelor's degree	21%
Master's, Professional degree or doctorate	26%
Ages 21-34	21%
Ages 35-44	17%
Ages 45-54	16%
Ages 55-64	19%

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Annual earnings are estimated to be equal to 12 times December earnings. Savings targets are multiples of estimated annual earnings, with the multiple (X) varying with age. at age 30, X=1, at 35 X=2, at 40 X=3,at 45 X=4, at 50 X=6, at 55 X=7, at 60 X=8, at 67 X=10 (values of X in between these thresholds are interpolated).

is from four percent to 17 percent. Those with a high school diploma or less go from zero percent to ten percent, while those with a bachelor's degree go from 12 percent to 21 percent. As expected, those with some amount of savings are closer to their savings target than those with no savings. But even for those with savings, these amounts are quite low if the expectation is that retirement savings in a DC plan will constitute an important source of retirement income.

Even looking at a broader measure of financial health – net worth – the numbers still fall short. Net worth includes measures such as the value of home equity, so that generally results in higher percentages of respondents who are closer to their savings target. For example, men and women are at 40 percent and 42 percent respectively when using net worth rather than retirement wealth as the benchmark for measuring progress towards a savings target. However, sources of wealth such as home equity are not evenly distributed across the population. As such, there is a notable divergence by race in the measurement using net worth. Asian Americans were at 78 percent of their savings target measuring by net worth, while whites were at 51 percent. Blacks were only at 15 percent, and Hispanics at 19 percent. While whites and Asian Americans were much closer to their savings targets using net worth as the benchmark, for Blacks and Hispanics, the percentages increased only slightly. Using net worth as the benchmark also presumes that older adults would use the value of their home as an income stream in retirement, which few people actually do.

Interestingly, older workers are not any closer to their savings targets than younger workers. Using positive DC plan retirement wealth as the measurement, workers ages 21-34 had 21 percent of their savings target at the median. Keep in mind, these are age-based savings targets, so it is possible for a younger worker to be 100 percent on target. Workers ages 55-64 only had 19 percent of their savings target in the form of positive DC plan retirement wealth. Even switching to using net worth as the benchmark only increases the percentage of savings target achieved to 40 percent for 21-34 year olds and 43 percent for 55-64 year olds.

Retirement Wealth in DC Plans

The goal of contributing to a DC savings plan and aiming for a savings target is to accumulate assets for retirement, i.e., retirement wealth. The sample for this analysis is restricted to respondents ages 21-64 who have positive personal income, likely from a job, but possibly from other sources. Further restricting the sample to those for whom DC retirement wealth is positive and then examining the median values shows that the median amount of DC retirement wealth was $40,000 in December 2022 (**Figure 17**). This finding is only for those with at least one dollar saved in a DC plan. Examining all respondents ages 21-64, even if they have nothing saved for retirement, indicates that the median amount of DC retirement wealth is a meager $955.

Figure 17: DC Plan Retirement Wealth Savings

	Positive DC Retirement Wealth	DC Retirement Wealth - All Workers
Median Savings	$40,000	$955
Average Savings	$179,082	$93,229

SIPP data panel 2023. Sample limited to respondents ages 21-64 who have positive personal income.

The average numbers differ from the median numbers. The average DC account balance across all working-age (21-64) respondents was $93,229, but this includes those who have nothing saved for retirement. The average among those with a positive DC account balance was $179,082. This is a reasonable number across a wide age range of respondents, but keep in mind that the median account balance, as mentioned above, was only $40,000, less than a quarter of the average number. The small number of savers with large account balances distort the average numbers and can produce a misleading sense of general retirement preparedness.

Taking Withdrawals from Retirement Plans

One of the challenges of saving for retirement in a DC plan is that savers can take withdrawals from their plan. This and other types of "leakage" from a plan, such as cashing out when changing jobs, reduces the total amount saved at retirement. While this is a concern, the reality is that most workers do not take withdrawals from their DC plans. According to this analysis, 4.7 percent of workers took a withdrawal from their DC plan during 2022.

Table 5 shows there is some variation in who takes withdrawals that explains some of this behavior. Older workers ages 55-64 were more than twice as likely to take a withdrawal as younger workers (8% for older workers compared to less than 4% for each other age range). Those who are divorced, widowed, or separated had the highest average percentage taking a withdrawal (8.9%) compared to any other demographic slice of the data. Those who are in the lowest fifth of the income distribution had the smallest percentage taking a withdrawal, but this is likely because many workers in this income quintile do not have DC savings from which to draw.

Another aspect to consider is not just the percentage within a given group who take a withdrawal, but how much they withdraw. This can be presented as either a dollar amount

Table 5: Workers Who Withdrew from Their DC Account Balances

The data below are average percentages.

	Percentage who took a withdrawal from their DC balances
ALL	4.7%
Male	4.4%
Female	5.1%
Ages 21-34	3.1%
Ages 35-44	3.8%
Ages 45-54	3.8%
Ages 55-64	8.0%
White	4.4%
Black	7.1%
Asian	4.1%
Hispanic	5.2%
Married	3.9%
Divorced/Widowed/Separated	8.9%
Never married	4.8%
HS or less	6.1%
Some college, no degree	5.7%
Associates degree	5.1%
Bachelor's degree	4.4%
Master's, Professional degree or doctorate	3.4%
Income 0-20%	1.5%
Income 21-40%	5.5%
Income 41-60%	4.3%
Income 61-80%	5.4%
Income 81-100%	5.1%

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Total personal income quintile cutpoints are: Less than $33,900, $52,164, $77,226, $122,784.

or a percentage of savings, but the percentage amount seems more illustrative of how different groups compare. Among those who took a withdrawal from their DC balance, the average amount withdrawn was just under 20 percent, shown in **Table 6**. This generally held true across the sample with some higher and some lower, but no demographic subset had an average withdrawal percentage above 30 percent. Interestingly, those ages 55-64, who were one of the most likely groups to take a withdrawal, were one of the lowest in terms of the percentage of their balance that was withdrawn at 13.2 percent. Those ages 45-54; those in the second income quintile; those with only a high school education; and Black and Hispanic workers had withdrawal percentages above 25 percent.

Table 6: Percentage Amount Withdrawn from DC Accounts

The data below are average percentages.

	Withdrawal amount / DC balances for those who took a W/D from their DC balances
ALL	19.7%
Male	19.9%
Female	19.4%
Ages 21-34	29.7%
Ages 35-44	20.7%
Ages 45-54	27.2%
Ages 55-64	13.2%
White	17.5%
Black	26.8%
Asian	15.1%
Hispanic	26.3%
Married	17.8%
Divorced/Widowed/Separated	23.1%
Never married	20.7%
HS or less	25.8%
Some college, no degree	23.6%
Associates degree	20.2%
Bachelor's degree	14.0%
Master's, Professional degree or doctorate	18.8%
Income 0-20%	12.5%
Income 21-40%	27.7%
Income 41-60%	21.5%
Income 61-80%	21.8%
Income 81-100%	12.3%

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Total personal income quintile cutpoints are: Less than $33,900, $52,164, $77,226, $122,784.

Besides withdrawals from DC plans, some workers will take lump sum withdrawals from either DB or DC plans. The number of workers who do so is even lower than those who take withdrawals from their DC plans. **Table 7** shows that 1.6 percent of all workers took a lump sum withdrawal from their retirement plan. This percentage was fairly consistent across demographic groups, although Hispanic workers (2.9%), Black workers (2.3%), and those who are divorced, widowed, or separated (2.6%) were more likely to take a lump sum withdrawal.

Table 7: Percentage of Workers Who Took a Lump-Sum Withdrawal from a Retirement Plan

The data below are average percentages.

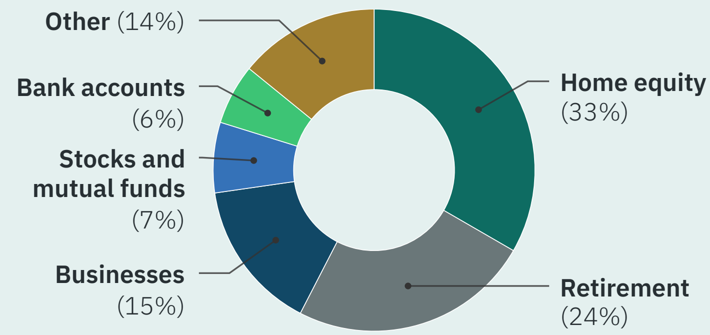
	% who took lump sum withdrawals
ALL	1.6%
Male	1.4%
Female	1.7%
Ages 21-34	1.9%
Ages 35-44	1.3%
Ages 45-54	1.5%
Ages 55-64	1.7%
White	1.4%
Black	2.3%
Asian	0.1%
Hispanic	2.9%
Married	1.3%
Divorced/Widowed/Separated	2.6%
Never married	1.5%
HS or less	2.2%
Some college, no degree	1.9%
Associates degree	2.1%
Bachelor's degree	1.3%
Master's, Professional degree or doctorate	1.0%
Income 0-20%	1.6%
Income 21-40%	1.3%
Income 41-60%	2.0%
Income 61-80%	1.3%
Income 81-100%	1.6%

SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Total personal income quintile cutpoints are: Less than $33,900, $52,164, $77,226, $122,784. A lump sum withdrawal can be taken from a DB or DC retirement account-- this is different from regular withdrawals from DC accounts.

Retirement Savings Are One Component of Total Financial Assets

It is often said that retirement savings are the biggest financial asset for many households beside their home, and this turns out to be true. This analysis examined the values of financial assets held by working adults ages 30-64 in December 2022, which are shown in **Figure 18**. Across all respondents, the three largest financial assets on average were home equity, retirement savings, and the value of a business; everything else was far lower in value. In fact, 57 percent of the average value of total financial assets comes from home equity and retirement savings alone. Across every demographic segment examined, the average value of home equity surpasses the average value of retirement savings, except for adults ages 55-64 for whom retirement savings is somewhat greater than home equity (**Table 8**).

Figure 18: Home Equity and Retirement Savings Are More Than Half of Financial Assets



"Other" includes rental properties, real estate, vehicles, and bonds, among other assets.

Table 8: Values of Selected Financial Assets

These are mean (average) values.

	Retirement	Businesses	Home equity	Vehicles	Other Financial Assets	Sum of all assets
ALL	$117,772	$71,047	$161,058	$15,639	$116,755	$482,271
Male	$136,690	$89,664	$166,215	$17,846	$127,379	$537,795
Female	$96,690	$50,302	$155,311	$13,180	$104,916	$420,399
Ages 30-34	$26,190	$17,685	$93,997	$11,391	$52,081	$201,345
Ages 35-44	$65,126	$41,226	$141,857	$14,476	$76,749	$339,434
Ages 45-54	$133,782	$114,916	$189,723	$16,984	$132,691	$588,096
Ages 55-64	$236,556	$97,068	$201,282	$18,689	$198,824	$752,419
HS or less	$39,543	$64,411	$83,294	$12,341	$36,705	$236,294
Some college, no degree	$58,531	$55,510	$119,038	$15,281	$59,261	$307,621
Associates degree	$73,218	$40,398	$139,418	$15,884	$70,207	$339,125
Bachelor's degree	$162,740	$75,924	$205,746	$17,022	$160,422	$621,854
Master's, Professional degree or doctorate	$233,933	$100,707	$252,787	$18,600	$237,016	$843,043

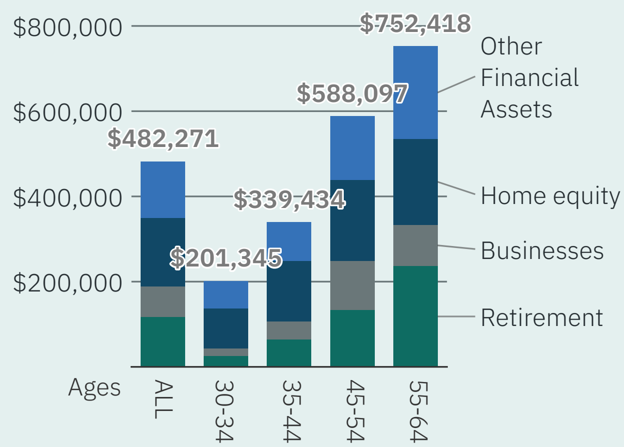
Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. "Other Financial Assets" includes: stocks and mutual funds; bank accounts; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Figure 19 shows how financial assets increase as one ages. This is not surprising since older adults will have had more time to accumulate financial assets. What is interesting is how the percentage of total financial assets represented by home equity declines as the value of other financial assets increases. Home equity represents 47 percent of total financial assets for 21-34 year olds, but 27 percent for those ages 55-64. Meanwhile, retirement assets increase from 13 percent of the total to 31 percent of the total for those two age cohorts respectively.

The picture changes somewhat when looking at the median value of assets rather than the average as seen in **Table 9**. Home equity remains the largest financial asset for those who own a home, but in several cases, the median value of a vehicle surpasses the median value of retirement savings. The value of a business at the median is zero for every demographic group because most working-age Americans don't own even part of a business. Considering the median values of financial assets rather than the average reveals the relative importance of different assets for the typical working American, who doesn't own a business or real estate or stocks and mutual funds, but does own a home and a car and has some retirement savings.

Figure 19: Selected Financial Assets by Age Cohort

These are mean (average) values.



SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. "Other Financial Assets" includes: vehicles; stocks and mutual funds; bank accounts; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Table 9: Median Values of Selected Financial Assets

The median values of all other assets are zero.

	Retirement	Home equity	Vehicles	Bank accounts
ALL	$10,000	$80,000	$9,860	$5,050
Male	$12,800	$90,000	$11,350	$5,500
Female	$6,910	$75,000	$8,280	$5,000
Ages 21-34	$3,150	$0	$6,080	$4,500
Ages 35-44	$8,000	$45,000	$8,790	$5,000
Ages 45-54	$12,000	$125,000	$10,800	$5,000
Ages 55-64	$30,000	$130,000	$13,100	$6,750
HS or less	$0	$0	$5,370	$1,300
Some college, no degree	$2,500	$0	$9,730	$2,750
Associates degree	$7,520	$85,000	$10,550	$4,500
Bachelor's degree	$30,000	$150,000	$11,350	$10,000
Master's, Professional degree or doctorate	$60,000	$200,000	$13,400	$16,500

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Other Financial Assets includes: businesses; stocks and mutual funds; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Generally, the data regarding ownership of financial assets follow expected patterns as detailed in **Table 10** and **Table 11**. Older working adults have more home equity and greater retirement savings than younger working adults. Similarly, higher-income adults have both greater home equity and more retirement savings than lower-income adults, although the increase even from the fourth quintile (61%-80%) to the fifth quintile (81%-100%) is fairly sharp. For example, median retirement savings jumps from $17,000 for the fourth quintile to $80,000 for the fifth quintile, while median home equity more than doubles from $107,500 to $217,500, respectively; the average amounts show similar increases. The value of a business – looking at average amounts – also is far greater for the top quintile of income distribution than for any other demographic group.

Table 10: Median Values of Selected Financial Assets by Race

The median values of all other assets are zero.

	Retirement	Home equity	Vehicles	Bank accounts
ALL	$10,000	$80,000	$9,860	$5,050
White	$20,000	$125,000	$12,000	$7,000
Black	$874	$0	$3,920	$2,095
Asian	$30,000	$175,000	$9,150	$14,500
Hispanic	$0	$0	$6,760	$1,900

SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Other Financial Assets includes: businesses; stocks and mutual funds; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Table 11: Median Values of Selected Financial Assets by Total Personal Income

The median values of all other assets are zero.

	Retirement	Home equity	Vehicles	Bank accounts
ALL	$10,000	$80,000	$9,860	$5,050
Income 0-20%	$0	$0	$1,850	$2,000
Income 21-40%	$0	$0	$2,295	$980
Income 41-60%	$300	$0	$6,340	$2,020
Income 61-80%	$17,000	$107,500	$11,800	$5,700
Income 81-100%	$80,000	$217,500	$16,635	$16,800

SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Other Financial Assets includes: businesses; stocks and mutual funds; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Married working adults typically own much higher amounts of financial assets than those who are divorced, separated, widowed, or never married. The data in **Table 12** indicate the total value of all assets as well as the value of individual financial assets are greater for married individuals. For example, the median value of retirement savings is ten times greater for married adults than for other marital statuses. The combining of financial resources within a marriage bolsters overall financial well-being in ways that do not happen for other adults. Those who have never been married fall far behind those who are married, but the never-marrieds also trail those who have been divorced, separated, or widowed. This cohort may largely represent younger adults who have not yet married and will enjoy the financial benefits of marriage later, but, as the average age of first marriage continues to rise across the U.S.[7], more adults are delaying the start of an important period of asset accumulation. Additionally, the percentage of Americans who are married continues to decline. If this societal trend continues, it will have important implications for the accumulation of retirement savings and other financial assets, which then likely will impact the financial well-being of many individuals and households.

Table 12: Median Values of Selected Financial Assets by Marital Status

The median values of all other assets are zero.

	Retirement	Home equity	Vehicles	Bank accounts
ALL	$10,000	$80,000	$9,860	$5,050
Married	$20,000	$150,000	$12,400	$7,000
Divorced/Widowed/Separated	$2,000	$0	$8,870	$3,000
Never married	$2,000	$0	$4,000	$3,500

SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. Other Financial Assets includes: businesses; stocks and mutual funds; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Home Equity and Retirement Security

Fully owning a home with no mortgage debt in retirement has long been part of the concept of a senior's "golden years." In reality, this has never been universally true, but the idea of entering retirement debt-free is considered to be part of preparing for a secure retirement. Furthermore, as stated above, the value of a home is often a major source of net worth. Housing debt among older adults is also relevant because there are interesting questions of how the presence of housing debt interacts with retirement savings.

Four-fifths of seniors ages 65 and older live in a home that is owned by someone in the household, likely either them or their spouse. Another 17 percent of seniors live in a rental property. What impact does owning versus renting have on retirement savings? This analysis found that the average DC plan balance for a senior homeowner was four times larger than for a senior renter (**Table 13**). This much higher average account balance suggests that homeowners have a greater capacity to save than renters do. This is likely due to higher incomes among older homeowners than older renters. Additional data can shed light on this distinction.

Nearly a quarter of seniors (24.4%) have housing debt. Just over two-fifths of seniors (41.1%) have positive DC retirement plan balances. Looking at those seniors with housing debt who have positive DC retirement balances, the percentage rises to almost half (48.4%), meaning a higher share of seniors with housing debt have retirement savings than seniors as a whole. Meanwhile, the percentage of seniors with no housing debt who have positive DC account balances is lower at 38.8 percent. This implies that those seniors who still have housing debt have other characteristics that make them more likely to have retirement savings.

Another way to think about this is to examine how much of total debt is represented by housing debt and, conversely, how much of total net worth is represented by home equity, which is shown in **Table 14**. Among all seniors ages 65+, housing debt constituted 42 percent of total debt, but when the sample is restricted to those seniors with at least one dollar in housing debt, then the percentage more than doubles to 86 percent. This suggests that housing debt is the major source of debt for those who have it.

A somewhat similar phenomenon is seen when looking at net worth and home equity. Among all seniors, home equity makes up 41 percent of net worth, but among those with at least one dollar in home equity, it rises to 55 percent. This is a less dramatic increase than was seen with debt, which implies that while home equity is an important source of net worth for those who have it, many seniors also have other savings or financial assets to contribute to their net worth. Housing debt, on the other hand, is the overwhelming source of debt for those who have it.

Both of these phenomena also play out predictably as one moves up the income ladder. Among lower-income seniors, a home is not a significant source of either debt or equity because fewer lower-income seniors own a home. As one moves up the income scale, however, a home becomes a much more significant source of either debt or equity. Among those seniors with housing debt, it represented 100 percent of debt for those at the 75th percentile of income and above. Similarly, for those with positive home equity, it represented 84 percent of total net worth for those at the 75th percentile. A home is a major financial asset, but, like many financial assets, home ownership is concentrated in the top half of the income distribution.

Table 13: DC Account Balance by Senior Homeownership Status

Living situation of seniors ages 65+		Mean DC balances
Owned or being bought by someone in the household	80.7%	$210,493
Rented	17.2%	$52,579
Occupied without payment of rent	2.1%	$45,432

Source: SIPP 2023 Panel referencing December 2022.

Table 14: Housing Debt is a Major Source of Debt for Those Who Have It

	Overall	Those with non-zero housing debt
Housing debt as a fraction of total debt	42%	86%
	Overall	**Those with non-zero home equity**
Housing equity as a fraction of total net worth	41%	55%

Source: SIPP 2023 Panel referencing December 2022.

Student Loan Debt and Retirement Security

The issue of student loan debt presents some of the most interesting findings of this research. Student loan debt has become increasingly significant in the lives of many Americans as the overall amount of student loan debt has grown. Total student loan debt in the U.S. was approximately $1.81 trillion in early 2025.[8] It should be noted, however, that student loan debt is unevenly distributed. The majority of American adults do not have a college degree. In 2022, 48 percent of adults ages 25 and older had earned an associate degree or higher, while about 38 percent of adults had a bachelor's degree or more.[9] An additional 15 percent had completed some college work, but had not earned a degree.[10] Therefore, many American adults don't have student loan debt simply because they never attended college.

This fact is supported by the data in **Table 15**. According to this analysis of SIPP data, on average 15 percent of working-age Americans owe student loan debt. Women are somewhat more likely than men to owe student loan debt, 18 percent to 13 percent respectively. Unsurprisingly, younger workers are more likely to owe student loan debt than older workers. The presence of student loan debt is fairly evenly distributed by income, although the average amounts owed tend to increase with income. This suggests that those with more income paid for more education (or more expensive education) or those with lower incomes received more financial aid to help cover educational costs.

This analysis reveals some interesting findings when examining the interaction between student loan debt and retirement preparedness. It's important to keep in mind that the absence of student loan debt could mean a few things: that the person never attended college; that they attended college but incurred no debt; or that they had debt but have already paid it. Also, it's still generally true that higher levels of educational attainment lead to jobs with higher salaries and better benefits, including retirement benefits. Typically, the data indicate that those with more education have larger amounts saved for retirement, which bears out this point. So, with all that in mind, this analysis found that those who had student loan debt were more likely to work for an employer who

Table 15: Percentage Who Owe Student Loan Debt

	% Owes student loan debt
ALL	15%
Male	13%
Female	18%
White	16%
Black	22%
Asian	9%
Hispanic	12%
Age 21-34	22%
Age 35-44	17%
Age 45-54	11%
Age 55-64	6%
HS or less	4%
Some college, no degree	15%
Associates degree	21%
BA degree	22%
Master's, professional degree or doctorate	22%
Income 0 - 20%	14%
Income 21-40%	13%
Income 41-60%	17%
Income 61-80%	18%
Income 81-100%	15%

Source: SIPP Panel 2023, referencing December 2022.

sponsored a retirement plan and were somewhat more likely to participate in a retirement plan than those who had no student loan debt (See **Figure 20**).

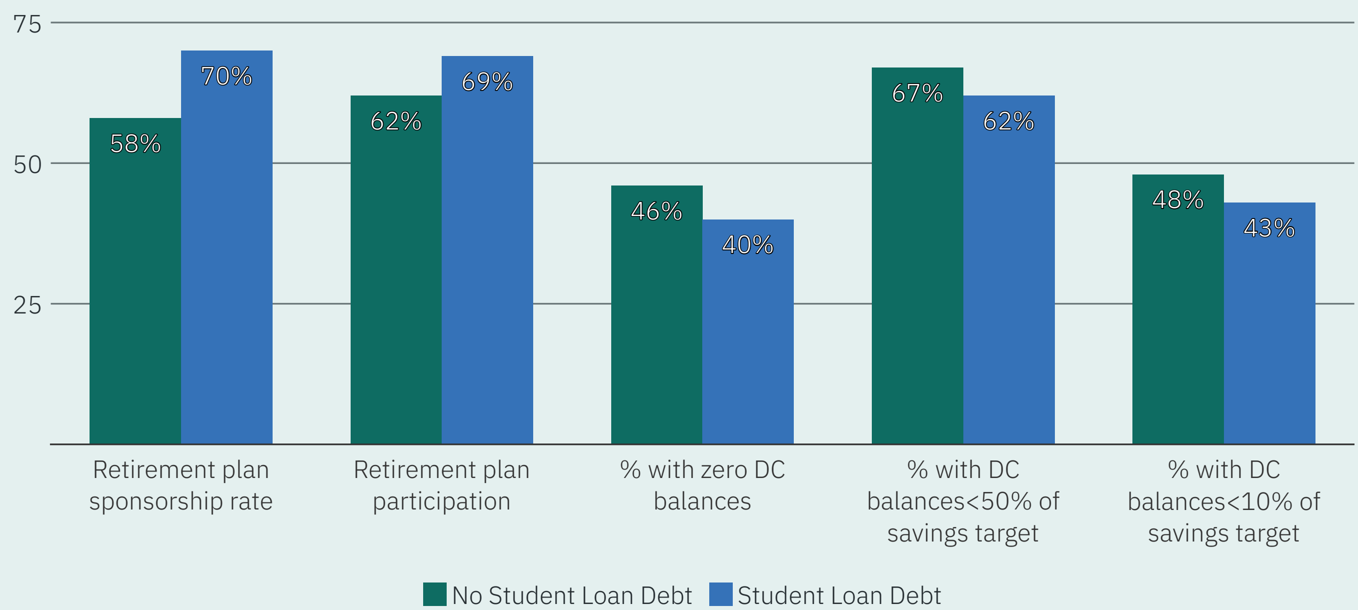
Those with student loan debt also were less likely to have zero dollar balances in their defined contribution plan accounts (40% with zero balances) compared to those with no student loan debt (46% with zero balances); this is also true at the household level (25% to 30%, respectively). However, despite these differences in accounts with zero balances, the data indicate that those with no student loan debt have higher account balances, both at the median and on average, than those with student loan debt. This suggests a possible split among those with no student loan debt: some of these adults attended college but have no debt and are enjoying the perks of better employment opportunities, while others never attended college and are working in lower-earning jobs with fewer employee benefits. There are other indications this might be the case. The spread between the average and the median account balance is much greater among those with no student loan debt than among those with student loan debt, which suggests that there are greater extremes pulling up the averages among those with no student loan debt.

This carries over to other measures of financial well-being, such as net worth. Those with no student loan debt have higher positive net worth, at both the median and the average, than those with student loan debt (**Figure 21**). Obviously just the presence of any debt will reduce net worth automatically, but it seems to be the case that the student loan debt also is lowering the amount they would save for retirement otherwise. The average net worth of someone with no student loan debt is more than twice as high as the average net worth of someone with student loan debt.

All of this suggests that the presence of student loan debt is a double-edged sword. Median earnings for a working adult with student loan debt were slightly higher than for a working adult with no student loan debt, but average earnings were slightly lower. Those with student loan debt were more likely to have a plan at work and be participating in it and less likely to have a zero balance account, but their account balances tended to be far lower, both at the median and on average. Attending college and accruing student loan debt seems to be helping many to find jobs with decent pay and benefits, but it is also dragging down their net worth and likely reducing the amount they would otherwise be saving for retirement.

Figure 20: Student Loan Debt & Retirement Plan Coverage

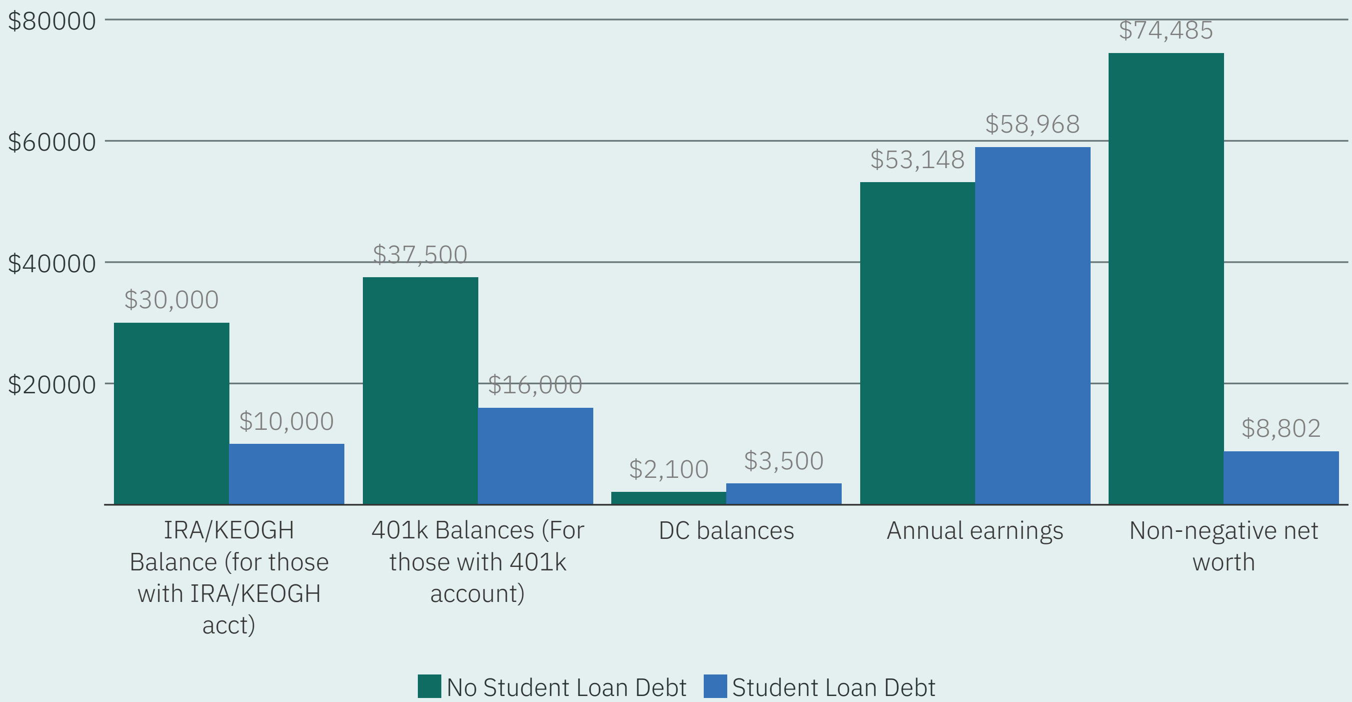
These are mean (average) amounts.



Source: SIPP 2023 Panel referencing December 2022.

Figure 21: Student Loan Debt Impacts Retirement Savings

These are median amounts.



Source: SIPP 2023 Panel referencing December 2022.

Policy Options to Strengthen Retirement Security

The analysis of SIPP data presented in this report found that many working-age Americans are falling short when it comes to adequately preparing for retirement. Not every group of American workers is trailing to the same degree and there are some sharp divergences by race, income, and educational attainment, but it is broadly true that most are not reaching retirement savings benchmarks recommended by the financial advice industry. There are some widely known – and widely acknowledged – problems and the ongoing retirement plan access gap is chief among them. The section below discusses some policy options that policymakers could pursue to strengthen retirement security for working Americans.

Social Security

Social Security constitutes the foundation of retirement security in the U.S., so any effort to strengthen retirement security must start with Social Security. The most pressing concern facing Social Security is the financing gap and the looming reserve depletion. If the reserves in the trust fund are fully depleted without action by Congress, then the most likely outcome would be across-the-board benefit cuts of approximately 20 percent. As this report shows, income from Social Security constitutes half or more of income for many older Americans, so 20 percent benefit cuts would have a significant impact on the lives of seniors and other beneficiaries.

Congress has numerous policy options for addressing the financing gap, but quick action is key. The longer legislators wait to act and the closer the date of reserve depletion, the fewer options will be available to address the gap that don't involve either massive infusions of money, likely from the general treasury fund, or immediate cuts to benefits.

Decades of polling indicate that the American public broadly supports an increase in revenue for Social Security to preserve benefits at current levels.[11] Increased revenues could come from raising or eliminating the cap on earnings subject to the contribution rate (the so-called "tax max"), from increasing the contribution rate for workers and their employers, or from taxing other sources of income for the purposes of funding Social Security. Given that any increase in revenues is likely to be phased in over time, urgency is key so that workers, employers, and others can prepare for potentially higher levels of contributions.

Decreases in benefits are less favored than increases in revenues.[12] A further increase in the full retirement age from 67 to 69 or 70 is strongly opposed. Most Social Security beneficiaries claim benefits before their full retirement age today, so an additional increase in the retirement age is only likely to increase the number of beneficiaries claiming early and facing a permanent reduction in their benefits as a result.[13] The public also doesn't generally support a broad increase in benefits either.[14] Targeted benefit improvements, such as providing a caregiver credit to the parents of young children, are more favored.

The urgency of addressing Social Security's financing gap will only increase in the coming years as the reality of an increasingly aging population confronts the hastening depletion of reserves in the trust fund. Resolving this financing gap with more than a quick fix is the most pressing issue facing the retirement security of millions of Americans.

Defined Benefit Pensions

While DB pension coverage has declined precipitously in the private sector, pension plans remain common throughout the public sector. Income from pension plans also remains a vital source of retirement income for a number of older Americans both in the public and private sectors. Preserving existing DB plans and increasing the availability of pensions to non-participating workers are essential to bolstering retirement security.

Across the public sector, some states and localities have been reconsidering changes made to pension plans fifteen years ago in the aftermath of the Global Financial Crisis (GFC). There is growing recognition that some of these changes not only weakened the ability of public-sector employers to attract and retain workers, but may have harmed the retirement security of retired workers by offering less robust benefits. Additionally, Alaska, which closed its two statewide pension plans before the GFC, came close once again in 2025 to passing legislation to resume offering pensions to its public employees in the wake of serious recruitment and retention challenges. Strengthening the pension benefits offered to millions of teachers, firefighters, sanitation workers, and other public employees is essential to the retirement security of a vital portion of the workforce.

There also has been a reconsideration of DB pensions in the private sector in recent years. IBM made headlines a couple years ago when it created a cash balance pension plan for its employees.[15] Meanwhile, Southwest Airlines included a cash balance plan in a new contract with its pilots.[16] Both the United Autoworkers and the Machinists union fought for pension benefits in their recent negotiations with the Big Three automakers and Boeing, respectively. And economists at JP Morgan Chase Asset Management have argued that private-sector companies may have made a mistake in moving away from DB pension plans and should reconsider the value to companies of offering pension plans to their workers.[17]

Last year, NIRS released an issue brief outlining several policy changes lawmakers could make to ease the way for private-sector employers to offer pension benefits to their workers.[18] Although less prevalent than they once were, DB pensions continue to support the retirement security of millions of retirees and should not be neglected as a critical component of retirement.

Defined Contribution Plans

As this report suggests, the DC savings system is working better for its participants as it matures, but major hurdles remain, most prominently the lack of access for nearly half of workers and the lack of lifetime income options for most savers. The ongoing implementation of policy changes such as automatic enrollment, automatic escalation of contributions, and defaulting savers into target date funds as an investment option have led to growing savings among participating workers. Unfortunately, many of the faultlines that have long plagued DC plans remain.

Nearly half of workers are not participating in an employer-provided retirement savings plan at any point in time, and the demographic profiles of those not participating break down along familiar patterns. Lower-income workers, workers with less education, and Black and Hispanic workers are less likely to be participating in a workplace retirement plan, which means they are less likely to be saving for retirement at all.

Fortunately, policymakers at both the state and federal levels continue to engage in meaningful discussions and legislative action to improve the DC savings system. More than a dozen states now have active auto-IRA savings programs for workers who are not covered by a plan through their employer. Moreover, research has found that the creation of these programs has increased the number of employers that are offering their own retirement plan.[19] Meanwhile, members of Congress continue to introduce and debate legislation to strengthen the retirement system, following the overwhelmingly bipartisan passage of both SECURE and SECURE 2.0 in recent years.

Long-Term Care

While not discussed in this report, long-term care is a major, but often unacknowledged threat to retirement security. Paying for long-term care is a significant challenge for many older adults and their families when they face these costs. Part of the challenge, however, lies in not knowing whether an individual will face these costs – and at what level – in retirement.

The lack of good options for managing long-term care costs leads many older adults to seek coverage through Medicaid, but this comes with many hurdles, including, in most cases, the requirement to spend down accumulated assets to be eligible for Medicaid coverage in the first place. Previous NIRS research detailed the complex nature of eligibility for long-term care coverage through Medicaid.[20]

There are some efforts to create solutions. Washington State was the first in the nation to establish a state-run program to help cover long-term care costs. That program is focused on covering smaller, front-end costs, while legislation introduced in Congress, the WISH Act, would take the opposite approach by covering less frequent, but catastrophic back-end costs. Both approaches have merit and should be considered.

Devising ways to manage and cover long-term care costs is critically important, but so is maintaining a workforce to provide that care. The reality of an aging population makes addressing this need unavoidable. Finding and training the workers to provide care to a growing number of older adults will be a crucial societal goal in the coming years.

Conclusion

Preparing for retirement in America remains a challenge for many workers. While Social Security's nearly universal coverage forms a solid foundation, its replacement rates drop off quickly and many middle- and upper-income workers will need additional sources of income in retirement. The lack of a universal savings system leaves workers exposed to the patchy coverage of the private savings system. Certain categories of workers, such as those with lower levels of education or lower incomes, are especially likely to be left out and, therefore, fall behind in saving for retirement.

Many researchers, advocates, and policymakers are making good faith efforts to improve the retirement savings system in the U.S. It is notable that Congress has passed two major pieces of retirement policy legislation in recent years and is already discussing a third. That speaks to the importance of this issue for American workers and their families. Developing solutions to the retirement challenges facing many Americans requires understanding where people are left behind. This report aims to shed light on how well the system is currently working and show where improvements could be made.

Appendix

Table A1 provides information on the financial assets held by additional demographic groups to supplement the data reported in Table 8 in the main report. The values in Table A1 are average values held by individuals. The value of home equity exceeds the value of retirement savings for each group.

Table A1: Values of Selected Financial Assets, Additional Demographic Groups

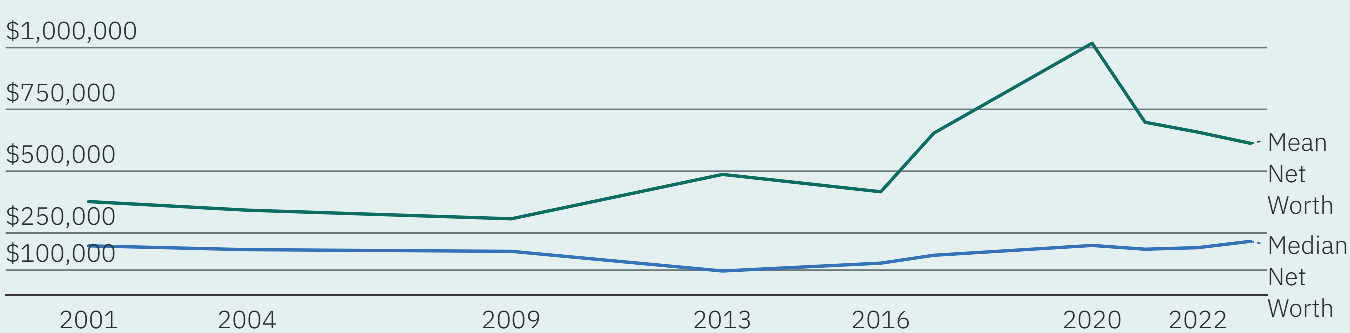
These are mean (average) values.

	Retirement	Businesses	Home equity	Other Financial Assets	Sum of all assets
ALL	$117,772	$71,047	$161,058	$132,394	$482,271
White	$145,641	$92,439	$179,458	$154,889	$572,428
Black	$53,101	$35,874	$90,449	$62,323	$241,747
Asian	$172,529	$57,238	$257,195	$259,206	$746,169
Hispanic	$46,115	$34,995	$108,861	$58,360	$248,331
Married	$147,127	$101,710	$195,961	$161,559	$606,357
Divorced/Widowed/Separated	$89,401	$35,936	$139,476	$104,279	$369,092
Never married	$59,192	$13,718	$84,089	$74,122	$231,120

Source: SIPP 2023 Panel referencing December 2022. Sample limited to respondents ages 30-64 who have positive earnings all weeks of the December month. "Other Financial Assets" includes: vehicles; stocks and mutual funds; bank accounts; bonds; rental properties; real estate; e-savings accounts; and other assets such as the cash value of a life insurance policy.

Figure A2 shows the change in both average and median net worth over time for those who turned age 65 – commonly thought of as "retirement age" – in 2023. Figure A2 shows that while both measures increased over time, the increase was much greater for average net worth than for median net worth. Also, median net worth declined after the 2008 financial crisis and took nearly a decade to recover to its pre-recession level.

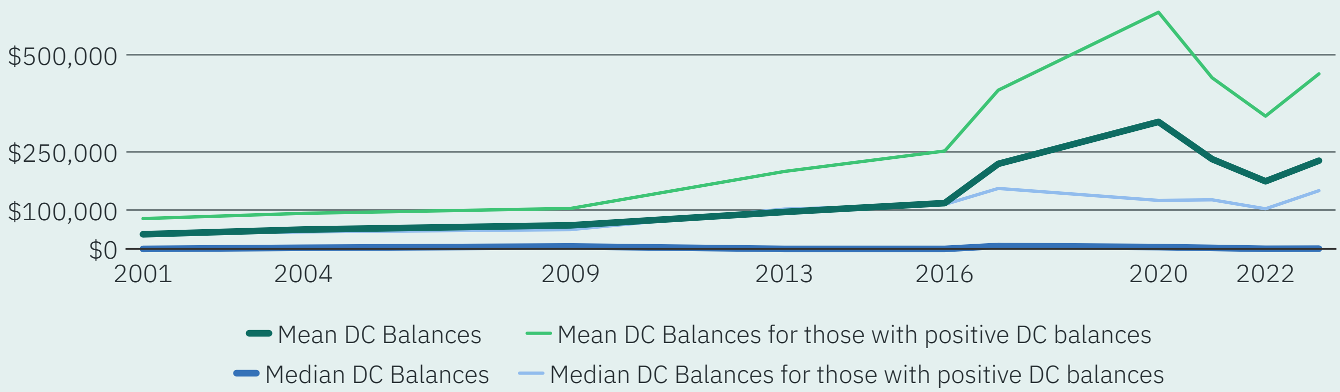
Figure A2: Average and Median Net Worth Over Time for Those Turning Age 65 in 2023



Source: data from the Assets and Liabilities module for SIPP 2001 panel, wave 3, 2004 panel, wave 3, 2008 panel, wave 4, as well as the December months from 2014 panel waves 1 and 4, 2018, 2021-2024 panels. Sample is limited to employed respondents born in 1958 so they turn 65 in 2023. All numbers are in 2023 $.

Figure A3 also displays data for those turning age 65 in 2023. This figure shows the change in DC retirement plan account balance over time. It differentiates between average and median values and also shows both values for all respondents and only for those with a positive account balance (meaning they have at least one dollar saved in their account). As expected, the average balance is higher than the median balance, especially for those with a positive account balance. It is notable that the median balance among all respondents is close to zero because it indicates that many workers have no retirement savings, at least not in a DC plan.

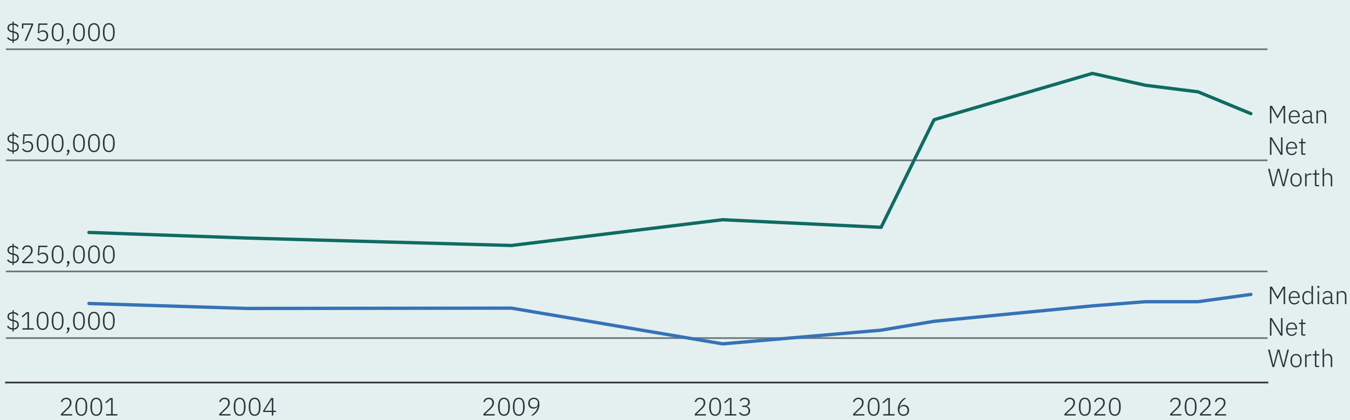
Figure A3: Average DC Retirement Balances for All and for Those With Positive Balances, Those Turning 65 in 2023



Source: data from the Assets and Liabilities module for SIPP 2001 panel, wave 3, 2004 panel, wave 3, 2008 panel, wave 4, as well as the December months from 2014 panel waves 1 and 4, 2018, 2021-2024 panels. Sample is limited to employed respondents born in 1958 so they turn 65 in 2023. All numbers are in 2023 $.

Figure A4, like Figure A2, shows the change in both average and median net worth over time, but it broadens the age range slightly to include those turning ages 62-66 in 2023, rather than just those turning age 65. As with Figure A2, it shows a much sharper increase in average net worth over time as well as a decline in median net worth following the 2008 recession.

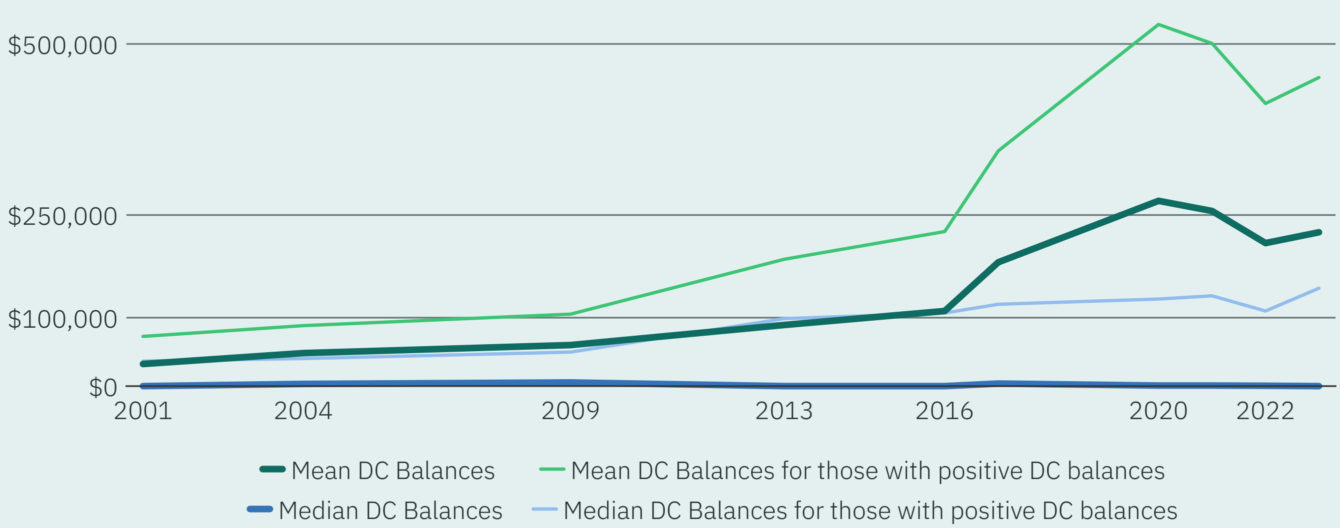
Figure A4: Average and Median Net Worth Over Time for Those Ages 62-66 in 2023



Source: data from the Assets and Liabilities module for SIPP 2001 panel, wave 3, 2004 panel, wave 3, 2008 panel, wave 4, as well as the December months from 2014 panel waves 1 and 4, 2018, 2021-2024 panels. Sample is limited to employed respondents who were ages 62-66 in 2023. All numbers are in 2023 $.

Figure A5, like Figure A3, shows the change in both average and median DC plan account balances over time, but it broadens the age range to include those turning ages 62-66 in 2023, rather than just age 65. It also shows the average and median values both for all respondents and for only those with a positive account balance. As in Figure A3, the average balance, especially for those with a positive balance, is much higher than the median balance and the median balance for all respondents is near zero.

Figure A5: Average DC Retirement Balances for All and for Those With Positive Balances, Those Turning Ages 62-66 in 2023



Source: data from the Assets and Liabilities module for SIPP 2001 panel, wave 3, 2004 panel, wave 3, 2008 panel, wave 4, as well as the December months from 2014 panel waves 1 and 4, 2018, 2021-2024 panels. Sample is limited to employed respondents turning ages 62-66 in 2023. All numbers are in 2023 $.

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Our Vision

- 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.

Our Approach

- 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.
- Outreach to partners and key stakeholders. By building partnerships with other experts in the field of retirement research and with stakeholders that support retirement security, we leverage the impact of our research and education efforts. Our outreach activities also improve the capacity of government agencies, non-profits, the private sector, and others working to promote and expand retirement security.

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