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RETIREMENT CONFIDENCE ON CAMPUS: THE 2011 HIGHER EDUCATION RETIREMENT CONFIDENCE SURVEY

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EXECUTIVE SUMMARY

The college and university workforce is more confident regarding its prospects for a financially secure retirement than are American workers in general. Twenty-five percent of higher education employees are very confident in their retirement income prospects and 50% are somewhat confident, compared with 13% and 36%, respectively, for U.S. workers. Healthcare expenses are the biggest retirement financial concern among college and university employees—28% are not confident that they will have the financial resources to cover medical care.

Greater overall retirement confidence in the higher education workforce is consistent with their greater likelihood of saving and determining how much savings is needed. Eighty-eight percent are currently saving for retirement. Of these, 60% have tried to determine how much they need to save by the time they retire. Debt clearly hinders retirement preparations—86% of those with a major debt problem consider themselves behind in their planning and saving for retirement compared with 33% of those without a debt problem.

Most higher education employees who have saved for retirement are focused on generating a certain level of retirement income (57%) as opposed to accumulating a certain amount of money (32%). It is ultimately income, not accumulation, which is the critical need to be addressed by saving. Thirty-four percent of those who have saved are very confident that they will choose the best way to draw income from their savings during retirement, but only 21% are very confident that they will not outlive their savings. Thirty-eight percent think that they will annuitize some or all of their savings to help cover living expenses in retirement; 44% do not think that they will annuitize any assets and 17% are unsure.

Sixty-five percent of the higher education workforce has received retirement planning advice from a professional financial advisor within the past three years, with those age 55 to 64 the most likely to have received advice. Advice regarding asset allocation was the advice most typically received (83%), followed by advice on how much to save (66%) and the timing of

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retirement (58%). Advice on drawing retirement income from savings and paying for healthcare expenses in retirement was more common for older individuals. Two-thirds of those age 65 and older who received advice covered how to draw income from savings during retirement and 37% of those age 55 and older covered paying for retiree medical expenses.

INTRODUCTION

The college and university workforce (faculty, administrators and other staff) was surveyed by the TIAA-CREF Institute regarding financial preparations for retirement and confidence in their retirement income prospects.[1] Higher education has been impacted by the same economic forces over that past several years as were other sectors of the economy and has undergone many of the same types of organizational cost-cutting responses, including structural reorganizations and staff reductions. In addition, higher education employees have shared similar experiences with workers in other sectors as balances in retirement savings accounts fell with the financial markets during the recession and subsequently rebounded as the economy moved into a slow recovery.

Against this backdrop, this report examines the retirement planning, saving and investing behavior of college and university employees, including items such as the use of advice, paying for medical expenses in retirement and plans for converting savings to income during retirement. The report also examines self-reported confidence in the higher education workforce across several dimensions of retirement preparations. The underlying survey was developed from the framework of the annual *Retirement Confidence Survey* sponsored by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates (MGA), and responses from higher education are examined relative to responses of U.S. workers in the aggregate where questions overlap.

RETIREMENT CONFIDENCE

The higher education workforce is markedly more confident regarding prospects for its retirement income security than are American workers in general (table 1). Twenty-five percent of college and university employees (faculty, administrators and other staff) are very confident that they will have enough money to live comfortably throughout their retirement. An additional 50% are somewhat confident and 24% are not confident. This latter figure is 7 percentage points higher than in 2010, reflecting the effects of the recession. By comparison, 13% of all U.S. workers are very confident in their retirement income prospects, 36% are somewhat confident and 50% are not confident.2 The overall confidence levels of other staff in higher education (non-faculty, non-administrators) are more closely aligned with figures for the U.S. workforce than with those of their faculty and administration peers.

1 1,001 individuals working in higher education were surveyed by telephone during February and March 2011 by Mathew Greenwald & Associates (MGA). Survey results are representative of the higher education workforce—faculty, administrators and other staff employed by colleges and universities in the U.S.

2 In this report, data regarding U.S. workers are from the 2011 *Retirement Confidence Survey*, sponsored by EBRI and MGA. The demographics of the two populations—U.S. workers and higher education employees—do vary in certain respects. For example, the population of American workers includes the self-employed, homemakers and those currently unemployed or disabled.

TABLE 1
RETIREMENT CONFIDENCE AMONG HIGHER EDUCATION EMPLOYEES

	VERY CONFIDENT	SOMEWHAT CONFIDENT	NOT TOO CONFIDENT	NOT AT ALL CONFIDENT
How confident are you that you will have enough money to live comfortably throughout retirement?				
Higher education employees				
2011	25%	50%	15%	9%
Faculty	25	51	15	8
Administrators	30	52	11	7
Other staff	16	38	25	17
2010	26	54	12	5
All U.S. workers				
2011	13	36	23	27
2010	16	38	24	22

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute, and *Retirement Confidence Survey* (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates.

Forty-four percent of higher education employees think that they will need to replace less than 70% of their preretirement income during each year of retirement in order to live comfortably (table 2). However, it's generally recommended that individuals replace at least 70% of preretirement income. In addition, 10% of the higher education workforce admits that they do not know how much of their preretirement income they will need to replace in order to live comfortably. Fifty-four percent of faculty, 52% of administrators and 61% of other staff admit that they do not know how much preretirement income they need during retirement or think that it is less than 70%. With a low benchmark in mind, or no benchmark at all, individuals may not actually maintain the retirement standard of living that they anticipate.

TABLE 2
INCOME REPLACEMENT NEEDED DURING RETIREMENT

	HIGHER EDUCATION	FACULTY	ADMINISTRATORS	OTHER STAFF
What percentage of preretirement income do you think you will need to replace each year in retirement so that you can live comfortably?				
Less than 50%	13%	13%	17%	12%
50% to 59%	15	15	16	14
60% to 69%	16	16	12	22
70% to 79%	21	22	23	18
80% to 89%	14	14	18	11
90% to 99%	3	3	2	2
100% or more	7	7	5	8
Don't know	10	10	7	13

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute.

PLANNING AND SAVING

Higher confidence among college and university employees relative to U.S. workers in general seems to be well-founded in the sense that workers in higher education are more likely to be saving for retirement and more likely to have tried determining how much they need to save (table 3). Ninety-four percent of higher education employees have saved for their retirement, and 94% of these (or 88% of the higher education workforce) are currently saving. By comparison, 59% of all U.S. workers are currently saving for retirement.[3]

TABLE 3
RETIREMENT PLANNING AND SAVING AMONG HIGHER EDUCATION EMPLOYEES

	HIGHER EDUCATION	FACULTY	ADMIN.	OTHER STAFF	U.S. WORKERS
Percentage that...					
have personally saved for retirement	94%	94%	97%	89%	68%
are currently saving for retirement	88	88	92	84	59
have tried to determine how much needs to be saved for a comfortable retirement					
among those who have saved	59	60	69	46	53
among current savers	60	60	69	47	57

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute, and *Retirement Confidence Survey* (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates.

An individual may be saving for retirement, but may not be saving enough. In the higher education workforce, 59% of those who have saved and 60% of current savers have tried to determine how much they need to save by the time they retire to fund a comfortable retirement. By comparison, 53% of those in the U.S. workforce who have saved have attempted this type of calculation. But attempting such a calculation does not necessarily mean that it was done correctly. If it is based on an unrealistic view of replacement income needed—as discussed above, 44% of higher education employees feel that they will need to replace less than 70% of their preretirement income—the calculation will not provide an accurate gauge. With that said, however, doing such a calculation is indicative of an active engagement in preparing financially for retirement.

One-half (51%) of all higher education employees feel that they are on track or ahead of schedule with planning and saving for retirement, but 46% consider themselves behind schedule (with 14% a lot behind schedule). By comparison, 29% of U.S. workers feel that they are on track or ahead of schedule and 70% consider themselves behind schedule (with 40% a lot behind schedule).

The nature of the survey does not permit evaluation of the adequacy of retirement savings among higher education employees and whether confidence levels regarding retirement income prospects are justified. However, research by the TIAA-CREF Institute indicates adequate savings among TIAA-CREF participants. The research found that, on average, participants of all ages, tenures and genders are "on-track" for funding a fixed annuity in retirement that, combined with Social Security, would replace at least 70% of preretirement income. In many cases, participant savings levels are consistent with providing a higher replacement rate or effectively providing a significant cushion against economic

3 Such outcomes can be partly attributed to the demographics of the higher education workforce which tends to be older and have higher incomes than does the U.S. workforce. In the survey populations, 52% of the higher education workforce is age 55 or older compared with 20% of U.S. workers, and 36% of the higher education workforce reported total household income of $100,000 or more compared with 18% of U.S. workers.

shocks. Furthermore, the research found that higher contribution rates and longer tenure in a retirement plan were the most important factors for increasing the likelihood that a participant is on track to replace a given percentage of preretirement income.[4]

THE IMPACT OF HOUSEHOLD DEBT

The majority (59%) of higher education employees do not view their level of debt as a problem with their current financial situation, but 32% consider it a minor problem and 9% a major problem. By comparison, 22% of U.S. workers consider their level of debt to be a major problem and 41% consider it a minor problem.

Debt clearly impacts retirement preparations—those with debt problems are less likely to be saving for retirement and more likely to be behind in their savings (table 4). Three-quarters of higher education workers who consider their household debt level to be a major problem are currently saving for retirement compared with almost 90% of those for whom household debt is not a problem or is a minor problem. Eighty-six percent of those with a major debt problem consider themselves behind in their planning and saving for retirement compared with 58% of those with a minor debt problem and 33% of those without a debt problem. This in turn manifests itself in retirement confidence levels—58% of those viewing their debt level as a major problem are not confident that they will have enough money for a comfortable retirement compared with 25% of those viewing their debt as a minor problem and 18% of those without a debt problem.

TABLE 4
DEBT, SAVINGS AND RETIREMENT CONFIDENCE AMONG HIGHER EDUCATION EMPLOYEES

		LEVEL OF DEBT IS...		
	HIGHER EDUCATION	MAJOR PROBLEM	MINOR PROBLEM	NOT A PROBLEM
Are you currently saving for retirement?				
Yes	88%	76%	88%	89%
No	12	24	12	11
When it comes to planning and saving for retirement, would you say that you are ...?				
A lot ahead of schedule	3%	1 %	1%	5%
A little ahead of schedule	7	1	7	8
On track	41	10	32	50
A little behind schedule	32	41	41	26
A lot behind schedule	14	45	17	7
How confident are you that you will have enough money to live comfortably throughout retirement?				
Very confident	25%	5%	18%	32%
Somewhat confident	50	36	55	49
Not too confident	15	34	16	12
Not at all confident	9	24	9	6

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute.

4 See Hammond, P. Brett, and David P. Richardson. “Staying on the Path to a Secure Retirement: Using the Asset-Salary Ratio as a Retirement Compass,” TIAA-CREF Institute *Research Dialogue* (December 2009). This analysis was based on data from the end of 2007, when equity markets were near all-time highs and many other assets, including bonds, real estate, and other alternatives were providing solid returns.

HEALTHCARE IN RETIREMENT

Healthcare expenses (including any changes to Medicare) are the "single biggest financial concern regarding retirement" among college and university employees, being cited as such by 28% of the higher education workforce. (Having enough money to live on was next at 17%.) Such concern is understandable given the magnitude of the dollars involved. A man with median drug expenditures would need $124,000 in savings, and a woman would need $152,000, for a 90% likelihood of having enough money to cover healthcare expenses in retirement. A couple with median drug expenses would need $271,000 for a 90% chance of having enough. At the highest (90th percentile) level of drug spending, a man would need $187,000 and a woman $213,000 for a 90% chance of having enough money to cover healthcare expenses in retirement.[5]

The prospect of paying for medical expenses in retirement lowers all workers' retirement confidence levels, including those of higher education employees. Among higher education employees, 20% are very confident that they will have the financial resources to cover medical care in retirement, 48% are somewhat confident and 28% not confident (table 5).

TABLE 5
CONFIDENCE REGARDING MEDICAL EXPENSES DURING RETIREMENT

	VERY CONFIDENT	SOMEWHAT CONFIDENT	NOT TOO CONFIDENT	NOT AT ALL CONFIDENT
How confident are you that you will have enough money to take care of medical expenses during retirement?				
Higher education	20%	48%	18%	10%
Faculty	21	49	18	9
Administrators	24	50	17	8
Other staff	15	39	23	22
All U.S. workers	12	36	27	23

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute, and *Retirement Confidence Survey* (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates.

Relative to U.S. workers in general, these confidence levels are high. This higher confidence is likely driven by a greater expectation of having health insurance from a former employer during retirement—53% of college and university employees expect such coverage compared with 36% of all workers. While private sector employers have largely stopped sponsoring retiree health insurance for current employees, colleges and universities still tend to provide this benefit while examining changes in the structure and funding of such coverage.

If individuals feel ill-prepared to address healthcare needs, many could delay retirement. Only 9% of higher education employees report that they have planned and saved a great deal for medical expenses in retirement that are not covered by insurance or Medicare, such as premiums, deductibles and co-payments; by contrast, 29% have not done so at all and 24% hardly at all. But 45% of higher education employees say they are not likely to contribute to a savings account earmarked exclusively to pay health-related expenses during retirement, even if the investment earnings on those contributions were never taxed; 38% would be somewhat likely to save through such a vehicle for retiree healthcare expenses and 13% very likely.

5 See Fronstin, Paul, Dallas Salisbury and Jack VanDerhei. "Funding Savings Needed for Health Expenses for Persons Eligible for Medicare." EBRI *Issue Brief* no. 351 (May 2010).

GENERATING INCOME IN RETIREMENT

An adequate and secure retirement income should be the primary objective of planning and saving for retirement, and most higher education employees who have saved for retirement are focused on generating a certain level of income in retirement (57%) as opposed to accumulating a certain amount of money by the time they retire (32%). Adequate savings is necessary to generate an adequate and secure retirement income, but it does not guarantee it. Savings must be converted into retirement income that lasts the lifetime of the retiree.

Thirty-four percent of retirement savers in higher education are very confident that they will choose the best way to draw income from their savings during retirement, and an additional 51% are somewhat confident in this regard (table 6). Almost identical percentages are confident that they understand the options available for drawing income from their retirement savings during retirement—34% are very confident and 46% somewhat confident. But confidence is lower when higher education employees are asked about the possibility of outliving their savings—21% are very confident and 50% are somewhat confident that this will not happen.

TABLE 6
DRAWING RETIREMENT INCOME FROM RETIREMENT SAVINGS

	VERY CONFIDENT	SOMEWHAT CONFIDENT	NOT TOO CONFIDENT	NOT AT ALL CONFIDENT
How confident are you that you...?				
will choose the best way to draw income from your savings during retirement				
Higher education savers	34%	51%	10%	4%
age 25-44	29	56	10	2
age 45-54	31	51	12	5
age 55-64	34	52	8	4
age 65-plus	43	41	12	2
understand the available options for drawing income from your savings during retirement				
Higher education savers	34	46	14	6
age 25-44	23	51	18	8
age 45-54	31	43	18	8
age 55-64	37	46	10	4
age 65-plus	43	43	9	3
will not outlive your saving				
Higher education savers	21	50	17	9
age 25-44	10	52	24	10
age 45-54	19	49	16	12
age 55-64	23	50	16	8
age 65-plus	30	46	11	7

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute.

TABLE 6 (CONTINUED)
DRAWING RETIREMENT INCOME FROM RETIREMENT SAVINGS

To what extent have you considered how you will manage your savings in retirement and draw income from it?				
	A GREAT DEAL	SOMEWHAT	HARDLY AT ALL	NOT AT ALL
Higher education savers	24	49	20	6
age 25-44	13	46	30	10
age 45-54	17	49	24	8
age 55-64	29	49	16	4
age 65-plus	35	52	9	2

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute.

Confidence about converting savings to income, both in terms of choosing the best way and understanding available options, increases steadily with age. Forty-three percent of retirement savers who have reached age 65 are very confident on both accounts. This likely results from a greater focus on the issue—35% of those age 65 and older have thought a great deal about how they will manage their savings in retirement and draw income from it and 52% have thought about it somewhat (table 6).

Thirty-eight percent of retirement savers in higher education, including 35% of those age 65 or older, think that they will annuitize some or all of their retirement savings into a payout annuity to help cover living expenses in retirement; 44% do not think that they will annuitize any assets and 17% are unsure.[6] The primary motivation for planning to annuitize assets is having a steady, guaranteed stream of income for life. Primary reasons for not planning to annuitize include having other sources of income, losing control of the annuitized assets, and believing that annuitization is a bad deal. Among those who do not think that they will annuitize any retirement savings, 45% expect to make withdrawals as needed to help cover living expenses, 28% intend to withdraw only the minimum amount required by law each year and 19% plan to withdraw a set percentage from savings each month to cover living expenses; 7% do not know what they will do.

FINANCIAL KNOWLEDGE AND ADVICE

Twenty-six percent of retirement savers in higher education are very confident that they are investing their retirement savings appropriately and 55% are somewhat confident regarding their investments. More generally, 27% of all college and university employees are very confident in their ability to make financial decisions related to retirement planning on their own, 48% are somewhat confident in their ability to do so, and 23% are not confident. Only 8% are very concerned that a time will come when they are unable to make financial decisions on their own; 38% are somewhat concerned that this will become an issue for them.

Forty-six percent of higher education employees received retirement planning advice from a professional financial advisor within the past year. Among the 54% who did not receive professional advice in the past year, one-third received such advice within the past three years. So almost two-thirds (65%) of the higher education workforce has received retirement planning advice within the past three years. Individuals age 55 and older are the most likely to have received advice in the past year (51%); those age 55 to 64 are the most likely to have received advice (71%) within the past three years.

6 A recent survey by the TIAA-CREF Institute found that 19% of retirees with significant defined contribution plan and IRA accumulations, but insignificant pension income, had annuitized assets in retirement. To gain deeper insights into the decision-making of retirees regarding the management of their retirement savings and its conversion to income, the TIAA-CREF Institute surveyed individuals who have been retired at least 3 years, are not working for income during retirement, had $200,000 or more in DC and IRA assets at the time of retirement, and have less than $200 per month in defined benefit pension income (over 90% of those surveyed have no pension income). See Yakoboski, Paul. “Retirees, Annuitization and Defined Contribution Plans,” TIAA-CREF Institute *Trends and Issues* (April 2010).

Advice regarding asset allocation was the advice most typically received, both in the aggregate (83%) and within each age group. It was followed by advice on how much to save (66%) and the timing of retirement (58%). Drawing income from savings during retirement (48%) and paying for healthcare expenses in retirement (32%) were covered often as well, but were more likely for older individuals. Two-thirds of those age 65 and older who received advice within the past three years covered how to draw income from savings during retirement and 37% of those age 55 and older covered paying for retiree medical expenses.

TABLE 7
RETIREMENT PLANNING ADVICE RECEIVED

	HIGHER EDUCATION	AGE 25-44	AGE 45-54	AGE 55-64	AGE 65+
Advice received among those receiving advice within the past 3 years					
How to invest savings	83%	82%	85%	84%	77%
How much to save	66	77	73	65	50
When can you afford to retire	58	51	59	59	58
How to draw income from savings	48	31	37	55	66
Paying for healthcare in retirement	32	19	27	37	38

Source: *Higher Education Retirement Confidence Survey* (2011), TIAA-CREF Institute.

Sixty-two percent are very confident that the advice received was in their best interest, and an additional 30% are somewhat confident that this was the case. Twenty-six percent followed all the advice received, 44% followed most of it, 24% followed some of it and 6% followed none of it. Confidence that the advice received was in one's best interest impacts follow-through—35% of those very confident regarding the advice generally followed all of it; by comparison, 11% of those somewhat confident regarding the advice generally followed all of it.

CONCLUSION

Individuals in the higher education workforce are more likely than U.S. workers in general to be saving for retirement and to have calculated how much they need to accumulate. Not surprisingly then, higher education workers also have greater confidence in their prospects for a financially secure retirement. Affording healthcare in retirement is a particular area of concern for higher education employees, as it is for all U.S. workers. Debt is an obvious hindrance to financial preparations for retirement.

Most retirement savers in higher education are focused on generating a certain level of retirement income rather than on accumulating a certain amount of money. It is ultimately income, not accumulation, which is the critical need to be addressed. Thirty-four percent of savers are very confident that they will choose the best way to draw income from their savings during retirement, but only 21% are very confident that they will not outlive their savings. Thirty-eight percent of retirement savers think that they will annuitize some or all of their savings to help cover living expenses in retirement.

Sixty-five percent of the higher education workforce has received retirement planning advice from a professional financial advisor within the past three years. Advice regarding asset allocation was the advice most typically received (83%), followed by advice on how much to save (66%) and the timing of retirement (58%). Advice on drawing retirement income from savings and paying for healthcare expenses in retirement was more common for older individuals.

ABOUT THE AUTHOR

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