# Mature Americans need retirement advice (desperately)

By Editorial Staff *Thu, Dec 4, 2014*

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Growing wiser is supposed to be one of the consolations of growing older. But there's new evidence that even older Americans are still toddlers when it comes to understanding retirement finance. (Advisors, please note: This means opportunity.)

According to a fresh survey from The American College, most people ages 60 to 75 with $100,000 or more in assets "lack the knowledge they need for a financially secure retirement in areas such as life expectancy, Social Security, long-term care needs, investment risk and more."

Indeed, only 20% of older Americans passed a basic test given to them as part of the RICP Retirement Income Literacy Survey, sponsored by The American College in Bryn Mawr, Pa., which offers the Retirement Income Certified Professional certification for advisors. Less than one percent scored 91 or better on the test component of the survey, which was designed by Greenwald & Associates.

Many Americans were nonetheless blithe about retirement. More than half (55%) consider themselves "well prepared" to meet their income needs in retirement, and almost all (91%) are at least "moderately confident" in their ability to achieve a secure retirement.

Respondents know little about preserving their assets in retirement. The oft-cited "four percent rule" for a safe withdrawal rate in retirement is unfamiliar to seven in ten Americans (69%). Sixteen percent thought it would be safe to withdraw 6% or even 8% per year. Twenty percent estimated two percent to be the safest rate.

Most people are also perplexed about when to claim Social Security and how to maximize their benefits. Only half of respondents (53%) knew that someone with a long life expectancy should ideally wait until age 70 to claim benefits.
A "disturbing" number of these older respondents showed a lack of knowledge when it comes to understanding the risks associated with stocks or bonds.

- Only 39% understood that when prevailing interest rates rise, the prices of existing bonds and the net asset values of bond funds will decrease.
- Only 7% understand that small cap stock funds have historically offered higher long-

term returns than large cap stock funds, dividend-paying stock funds, or high-yield bond funds.

Managing longevity risk is apparently a problem for many Americans. More than half (51%)underestimated the average life expectancy of a 65-year-old man, which is about 18 years.

Most Americans were also unsure about how to protect themselves from sequence-of-returns risk during the years directly before and after retirement, when their portfolios are especially vulnerable to downside volatility.

- Only 37% know that someone who intends to retire at age 65 should take less risk at age 65 than earlier or later.
- Only 30% recognize that working two years longer or deferring Social Security for two years has a bigger impact on retirement readiness than increasing retirement contributions by 3% for five years.
- Only 27% report having a written retirement plan in place.
- 63% say they have a relationship with a financial advisor.
- 52% are at least "moderately concerned" about running out of money in retirement.
- 33% have never tried to figure out how much they need to accumulate to retire securely.

Survey responses were gathered through online interviews conducted between July 17-25, 2014. A total of 1,019 Americans were interviewed. To qualify for participation in the study, respondents had to be ages 60-75 and have at least $100,000 in household assets, not including their primary residence.