

Older Worker Confidence in Retirement Security Drops Sharply, Watson Wyatt Survey Finds

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Employees With Defined Benefit Plans Feel More Confident Than Those With 401(k) Plans Only WASHINGTON, D.C., June 2, 2009 — Older workers are much less confident about their retirement security than they were two years ago as a result of the financial crisis, according to a new survey by Watson Wyatt, a leading global consulting... [Read more »](#)

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WASHINGTON, D.C., June 2, 2009 — Older workers are much less confident about their retirement security than they were two years ago as a result of the financial crisis, according to a new survey by Watson Wyatt, a leading global consulting firm. The survey also found that workers with defined benefit (DB) plans are much more confident in their retirement prospects than those who participate only in a defined contribution (DC) plan.

In its survey, Watson Wyatt found the percent of workers aged 50-64 who are very confident about having enough resources to live comfortably five years into retirement dropped to 44 percent from 63 percent in 2007. The numbers for affording a comfortable lifestyle 15 years into retirement are even bleaker. Only 18 percent think they have sufficient resources to be comfortable for this long, compared with 34 percent who felt that way in 2007. The Watson Wyatt survey, conducted in February 2009, includes responses from more than 2,200 full-time workers.

“Retirement security is a huge concern as individuals have seen significant amounts of their pension and retirement savings decline,” said David Speier, senior retirement consultant at Watson Wyatt. “And the financial crisis has been especially damaging to older workers who are worried about potential job losses and have experienced higher stress levels over the past year.”

The survey also found that retirement concerns are significantly eased for workers who have a DB plan rather than only a DC plan — 55 percent of workers with DB plans are very confident of having enough resources to live comfortably five years into retirement compared with 38 percent of those with only DC plans.

Confidence is higher for individuals with DB plans for longer time horizons as well, although the farther into retirement individuals look, the more confidence falls across the board. When looking at 15 years out, only 26 percent of workers with DB plans remain very confident, nearly double the level of workers with DC-only plans (14 percent). And, 25 years out, the numbers drop even more significantly.

Workers with DB plans are more confident about retirement than those with DC-only plans

	Years into retirement	Very confident	Somewhat confident	Not too confident	Not at all confident
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Defined benefit	5	55%	32%	6%	8%
	15	26%	46%	18%	10%
	25	9%	41%	29%	21%
Defined contribution only	5	38%	34%	11%	17%
	15	14%	43%	26%	17%
	25	7%	27%	34%	32%

“It’s not surprising that DB plans offer workers more confidence, but fewer workers will be covered by them in the years ahead,” said Jamie Knopping, senior retirement consultant at Watson Wyatt. “The pendulum is swinging toward 401(k)-only environments right now, but if employers find workers’ lack of retirement security creates issues relating to workforce transitions and reduced productivity, it may swing back to a middle ground. Account-based cash balance plans, for instance, offer features of both DB and DC plans, yet do not pose the same level of risk or cost for employers.”

Other findings include:

- More active workers said that the financial crisis has resulted in higher stress about retirement security (31 percent) than about job losses (24 percent) and access to affordable health care (15 percent).
- While some workers are increasing their savings (19 percent have increased savings to offset losses due to the financial crisis and another 34 percent are considering doing so), others have borrowed or withdrawn money from retirement savings (9 percent) or are considering doing so in the next 12 months (9 percent).

For more information, visit www.watsonwyatt.com/retirementsecurity.

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About Watson Wyatt

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