

# National Retirement Planning Week



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# 21<sup>st</sup> Retirement Confidence Survey 2011:

## Key Findings and How Ready Are We?

Dallas Salisbury  
*President*

**Employee Benefit Research Institute**  
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# 2011 Retirement Confidence Survey



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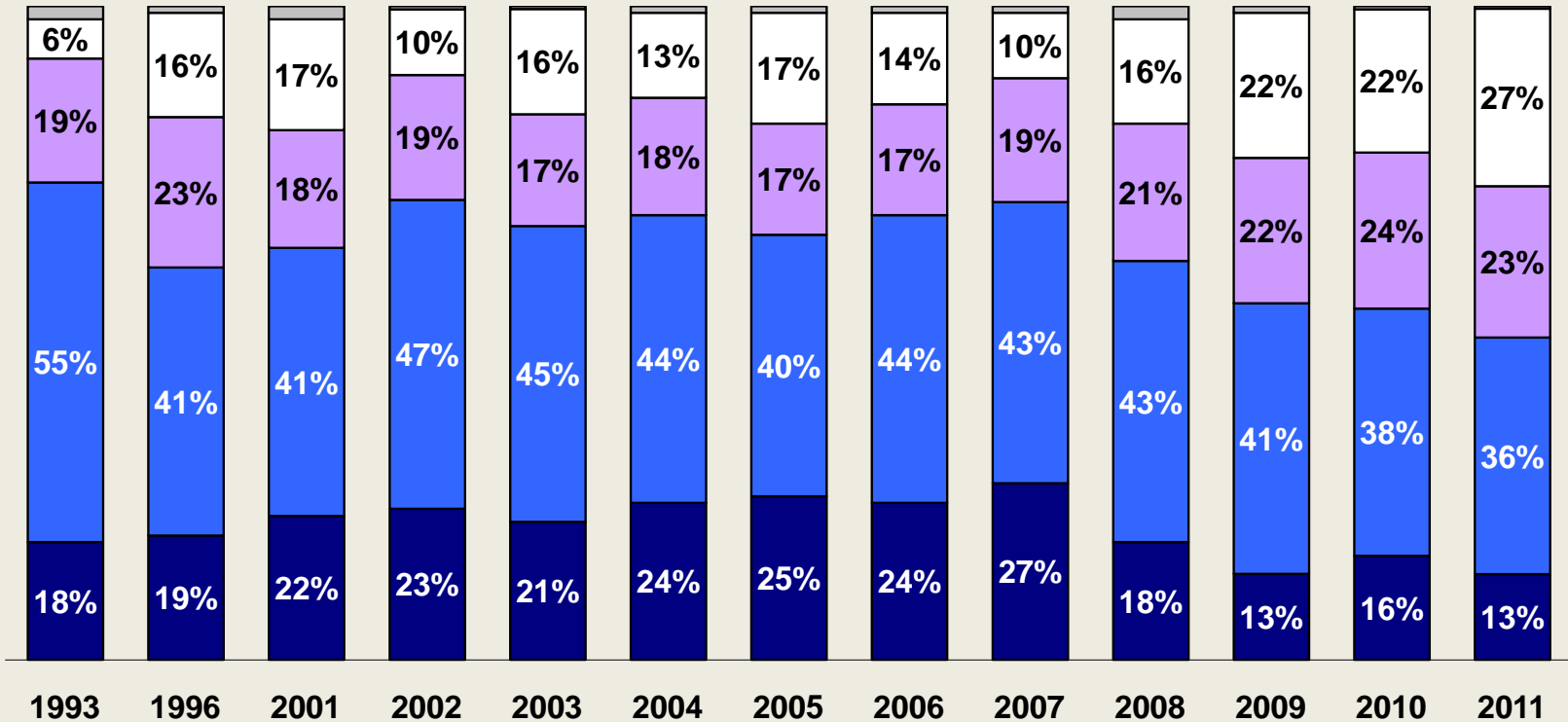
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Figure 1  
**Worker Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

■ Very   ■ Somewhat   ■ Not Too   □ Not At All   □ Don't Know/Refused



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2011 Retirement Confidence Surveys



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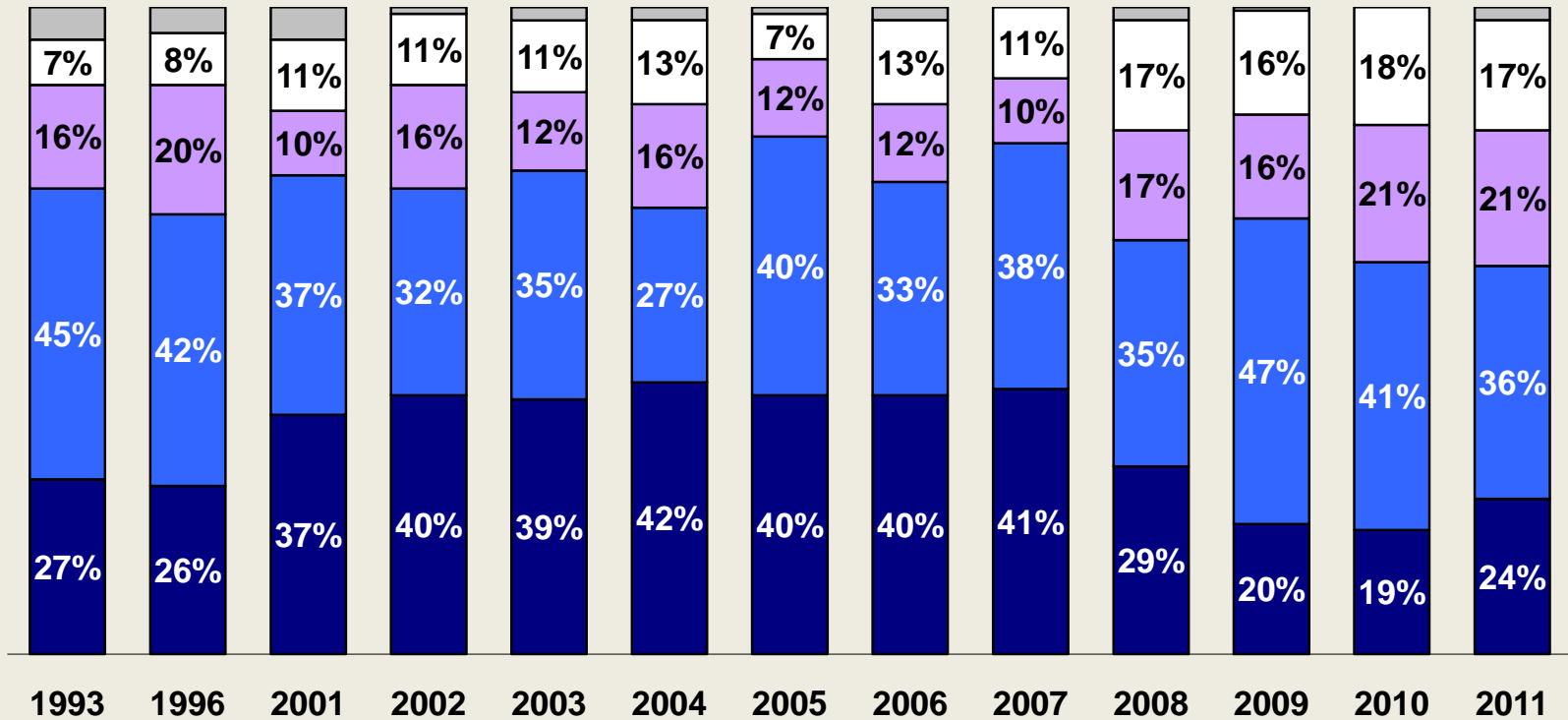
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Figure 2

### Retiree Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years

■ Very   
 ■ Somewhat   
 ■ Not Too   
 ■ Not At All   
 ■ Don't Know/Refused



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2011 Retirement Confidence Surveys



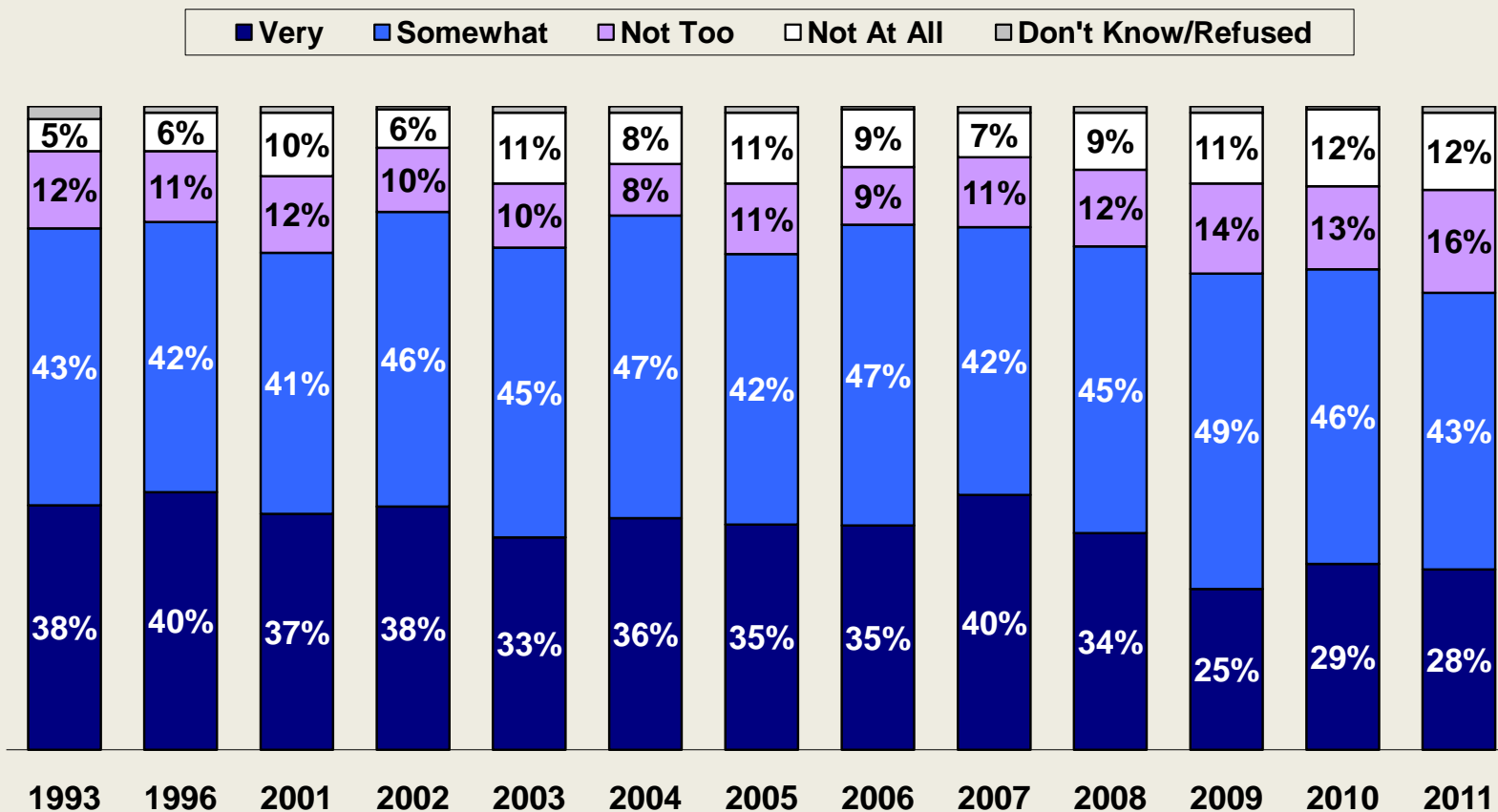
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Figure 3  
**Worker Confidence in Having Enough Money to  
 Pay for Basic Expenses in Retirement**



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2011 Retirement Confidence Surveys



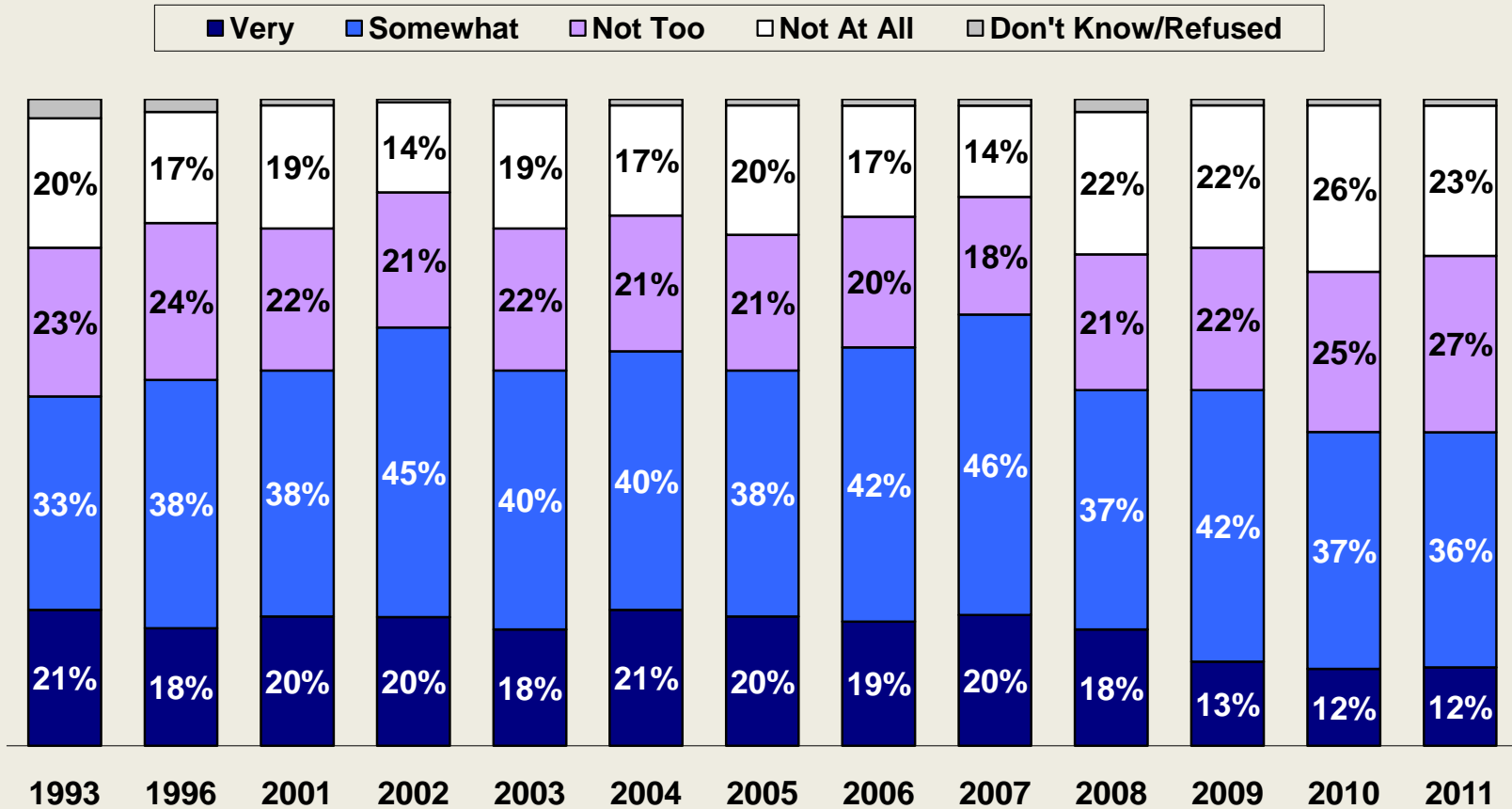
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Figure 4  
**Worker Confidence in Having Enough Money to  
 Pay for Medical Expenses in Retirement**



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2011 Retirement Confidence Surveys



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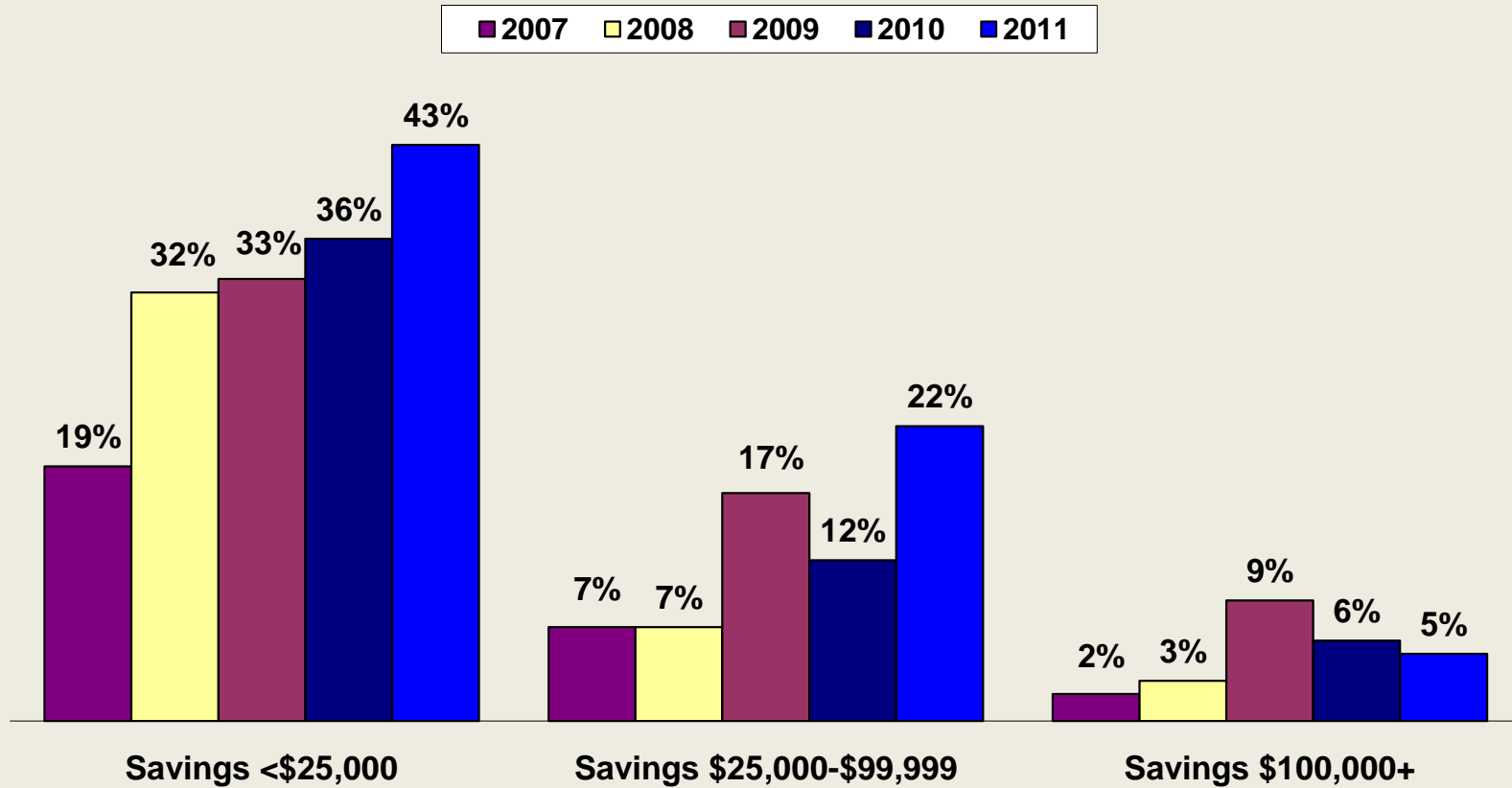
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Figure 11

### Workers Not at All Confident in Having Enough Money to Live Comfortably Throughout Their Retirement Years, by Household Savings



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007-2011 Retirement Confidence Surveys



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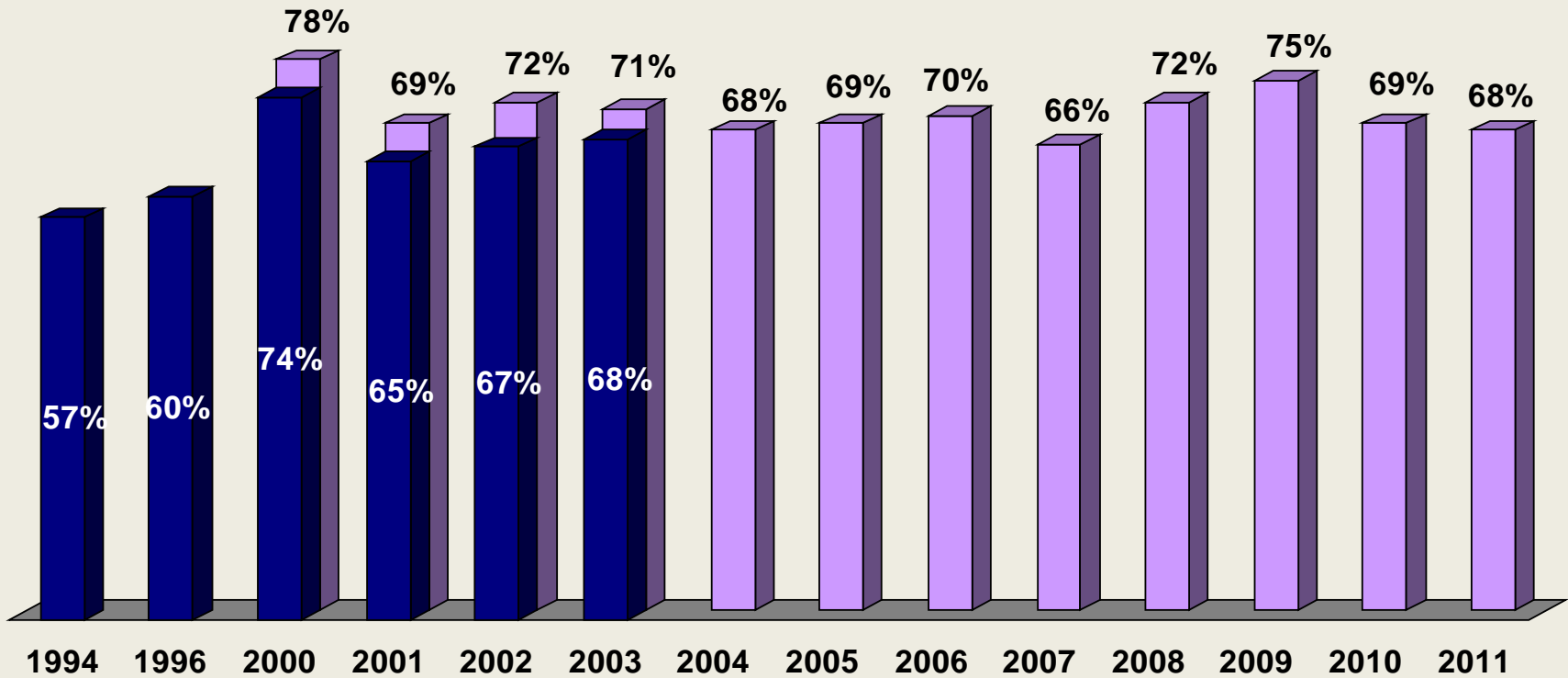
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Figure 13

### Workers Having Saved Money for Retirement

■ Respondent    ■ Respondent and/or Spouse



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1994-2011 Retirement Confidence Surveys



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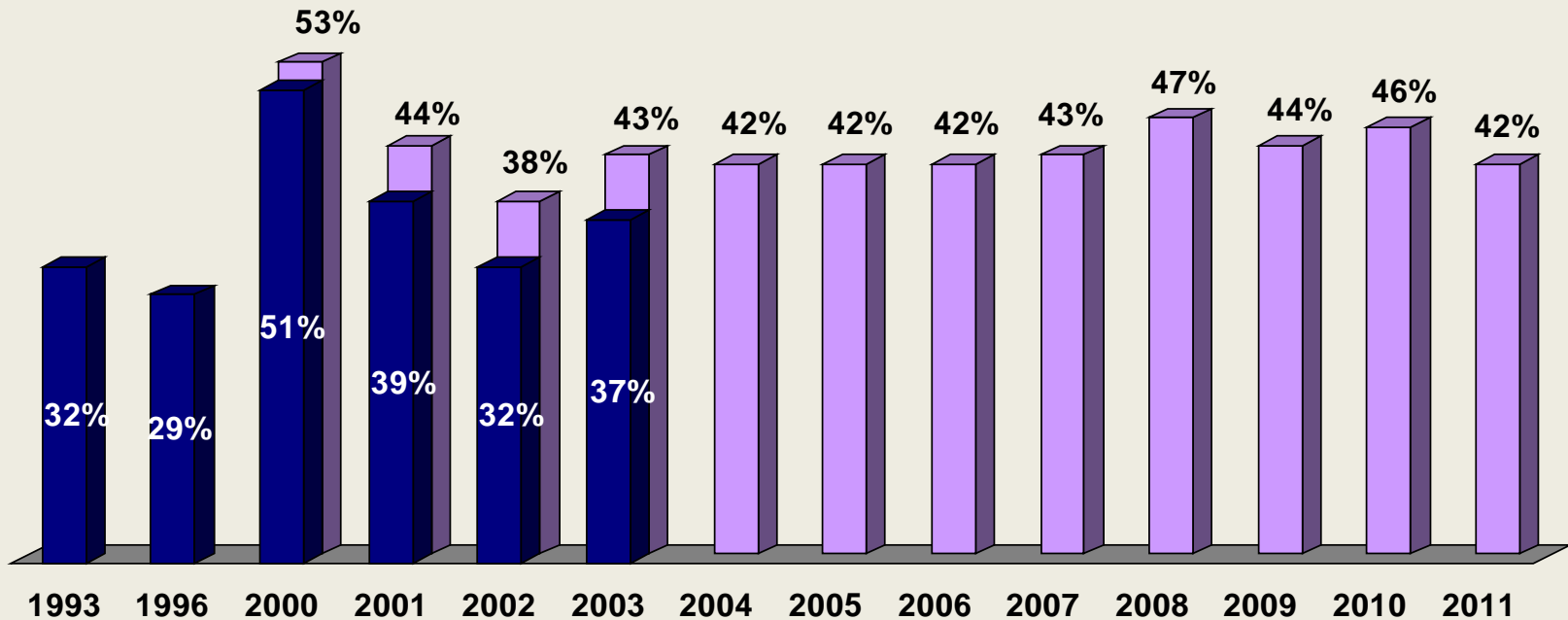
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Figure 23

### Workers Having Tried to Calculate How Much Money They Need to Save for a Comfortable Retirement

■ Respondent    ■ Respondent and/or Spouse



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1993-2011 Retirement Confidence Surveys



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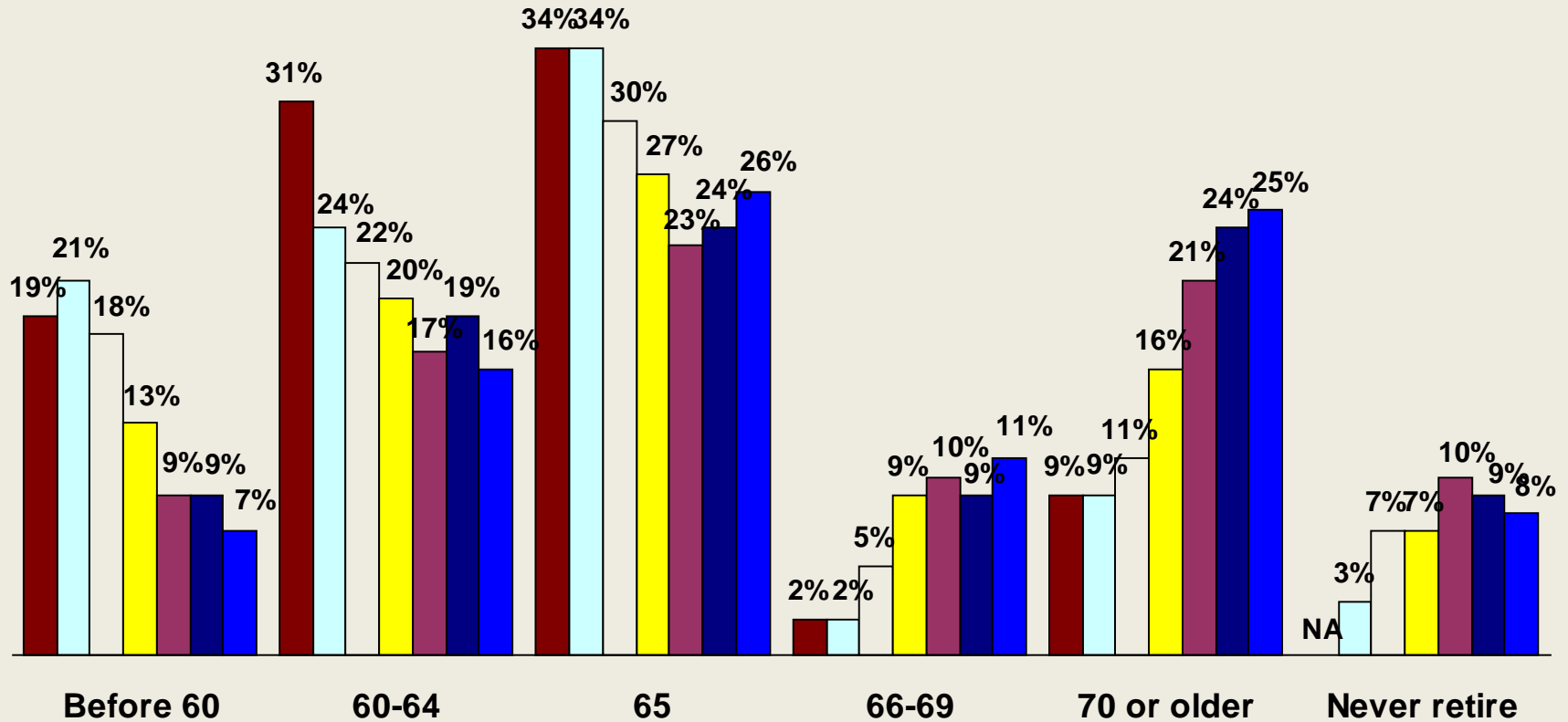
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Figure 33

Trend in Workers' Expected Retirement Age



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1991-2011 Retirement Confidence Surveys



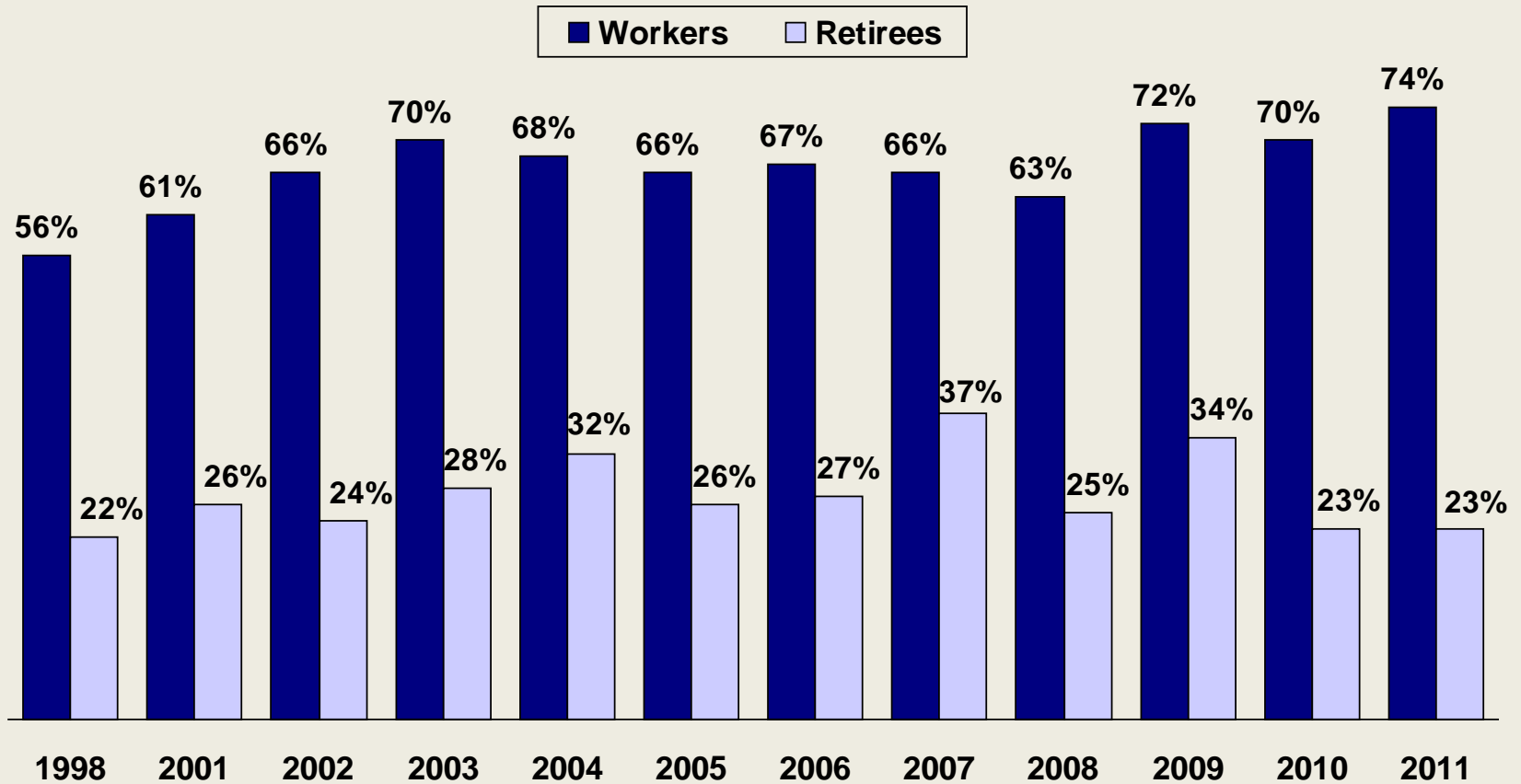
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Figure 37  
**Comparison of Expected (Workers) and Actual (Retirees)  
 Work for Pay in Retirement**



Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 1998-2011 Retirement Confidence Surveys



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# What is the value of the tax preference?



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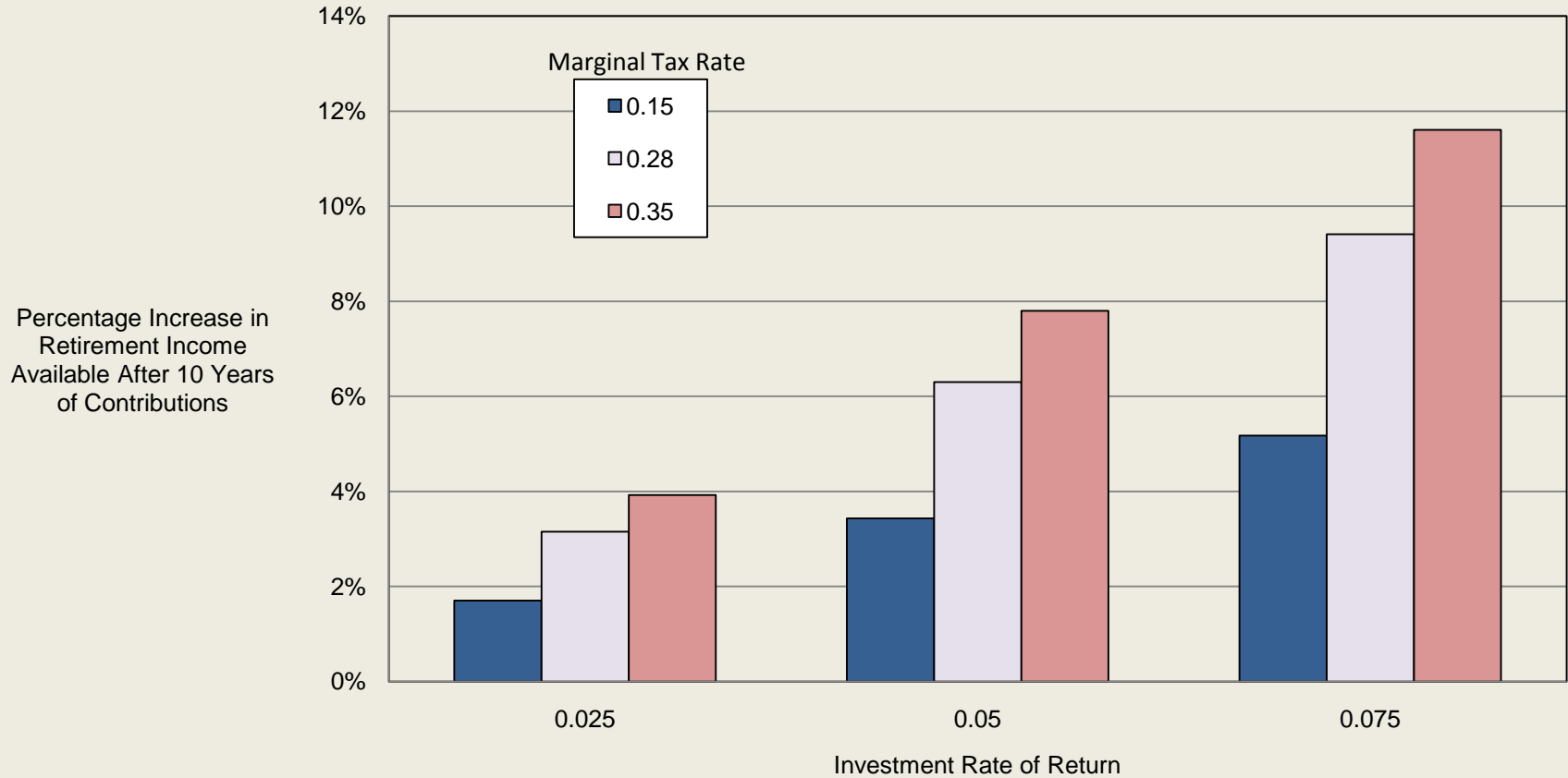
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Figure 1

### Stylized Examples of the Total Tax Advantage of a 401(k) Plan, as a Function of Marginal Tax Rate and Assumed Rate of Return



Source: Employee Benefit Research Institute (ebri.org) calculations. See text for explanations of scenarios and assumptions.



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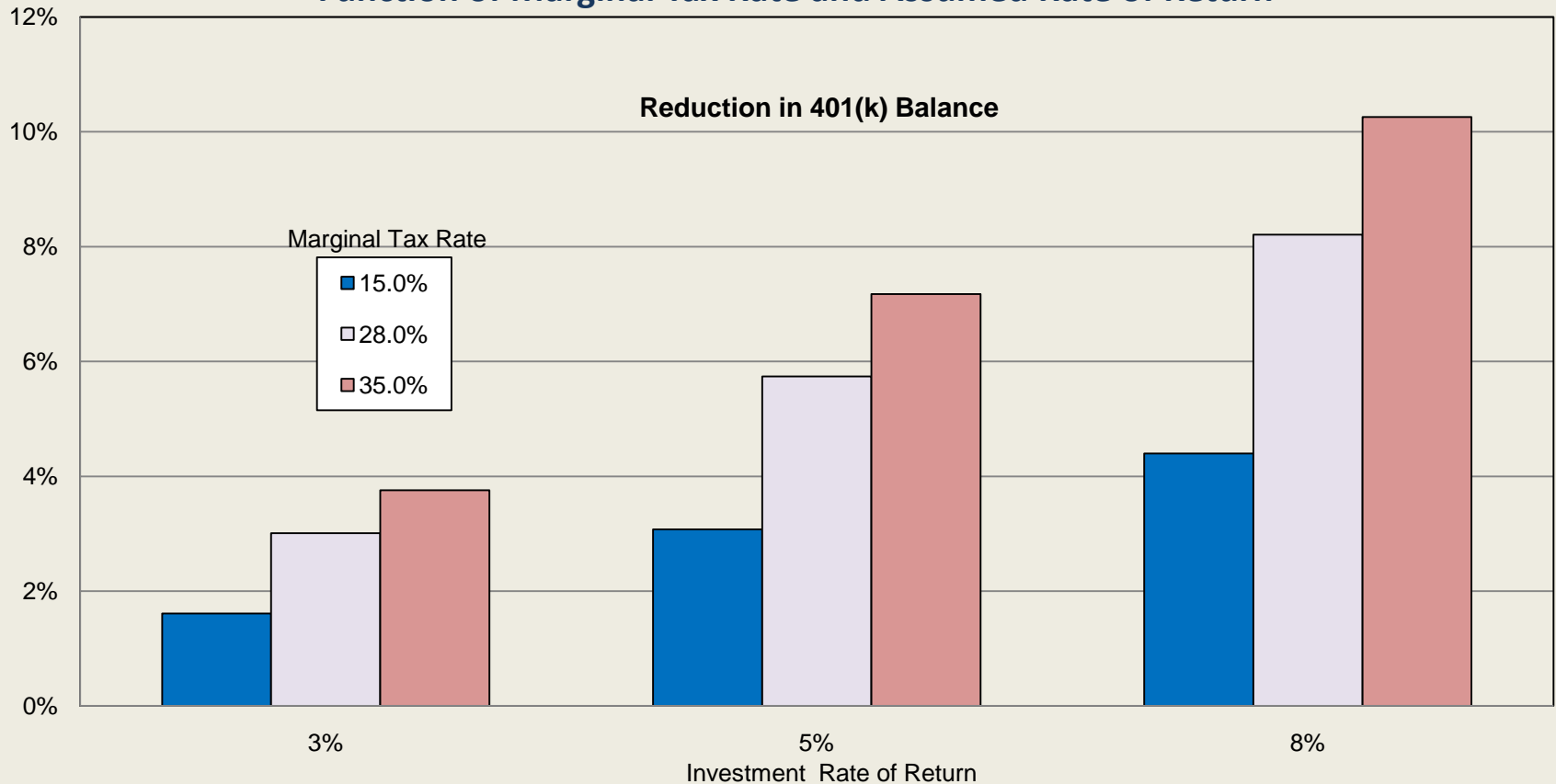
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Figure 2

### Stylized Examples of the Reduction in 401(k) Plan Balances From Eliminating Deductions of Contributions, as a Function of Marginal Tax Rate and Assumed Rate of Return



Source: Employee Benefit Research Institute (ebri.org) calculations. See text for explanation of scenarios and assumptions.



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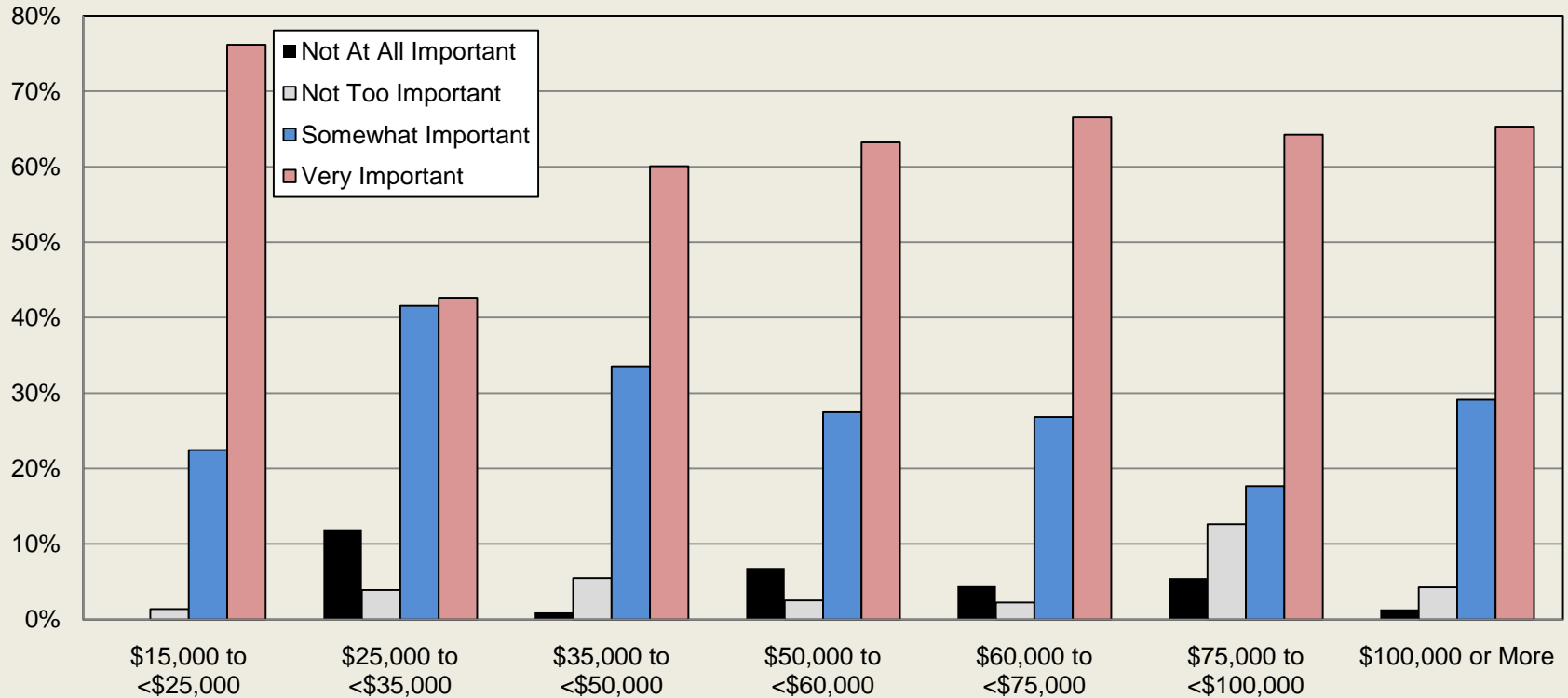
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Figure 3

### Importance of Being Able to Deduct Retirement Savings Plan Contributions From Taxable Income as an Encouragement to Save for Retirement, Among Full-time Workers, by Total Household Income



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011 Retirement Confidence Survey.



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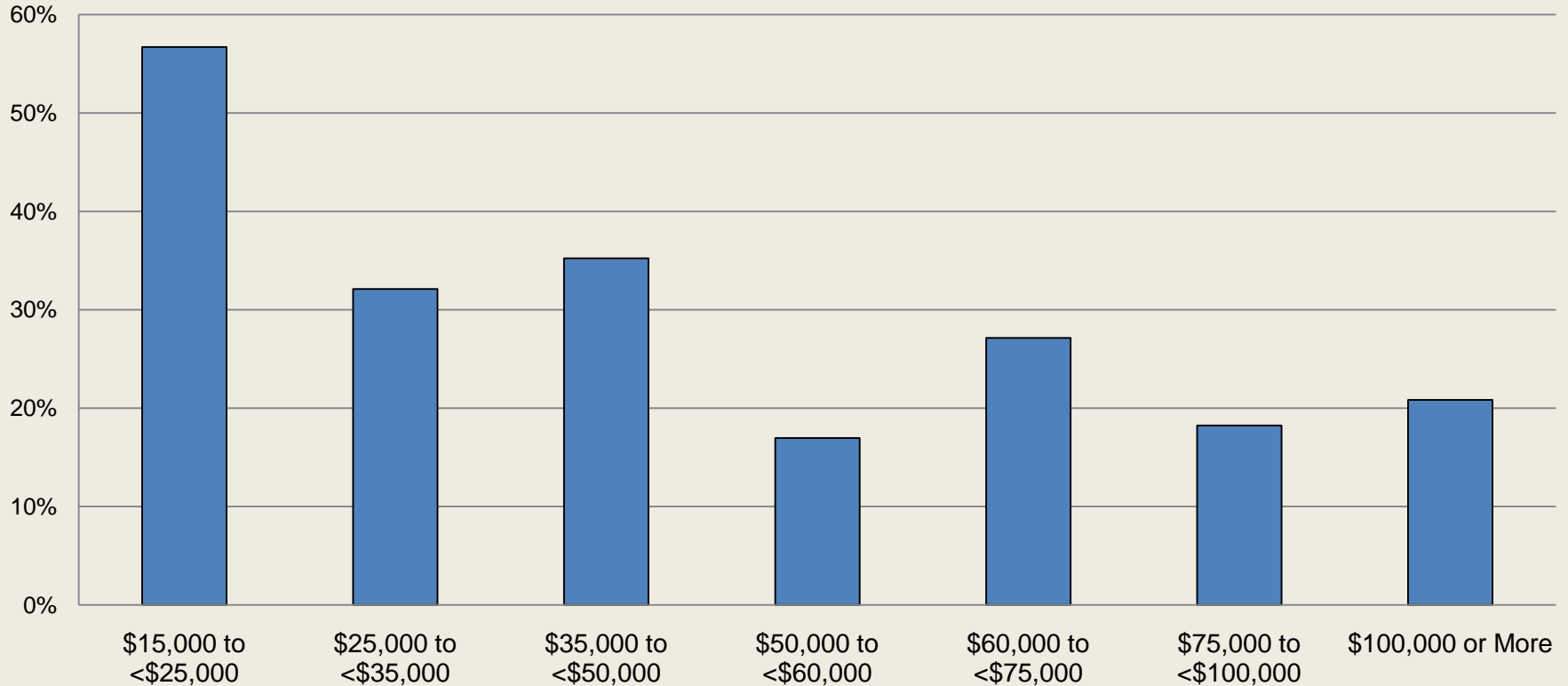


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Figure 4

**Percentage of Full-time Workers Currently Saving for Retirement Stating They Would Reduce the Amount Saved If They Were No Longer Allowed to Deduct Retirement Savings Plan Contributions From Taxable Income, by Total Household Income**



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011 Retirement Confidence Survey.



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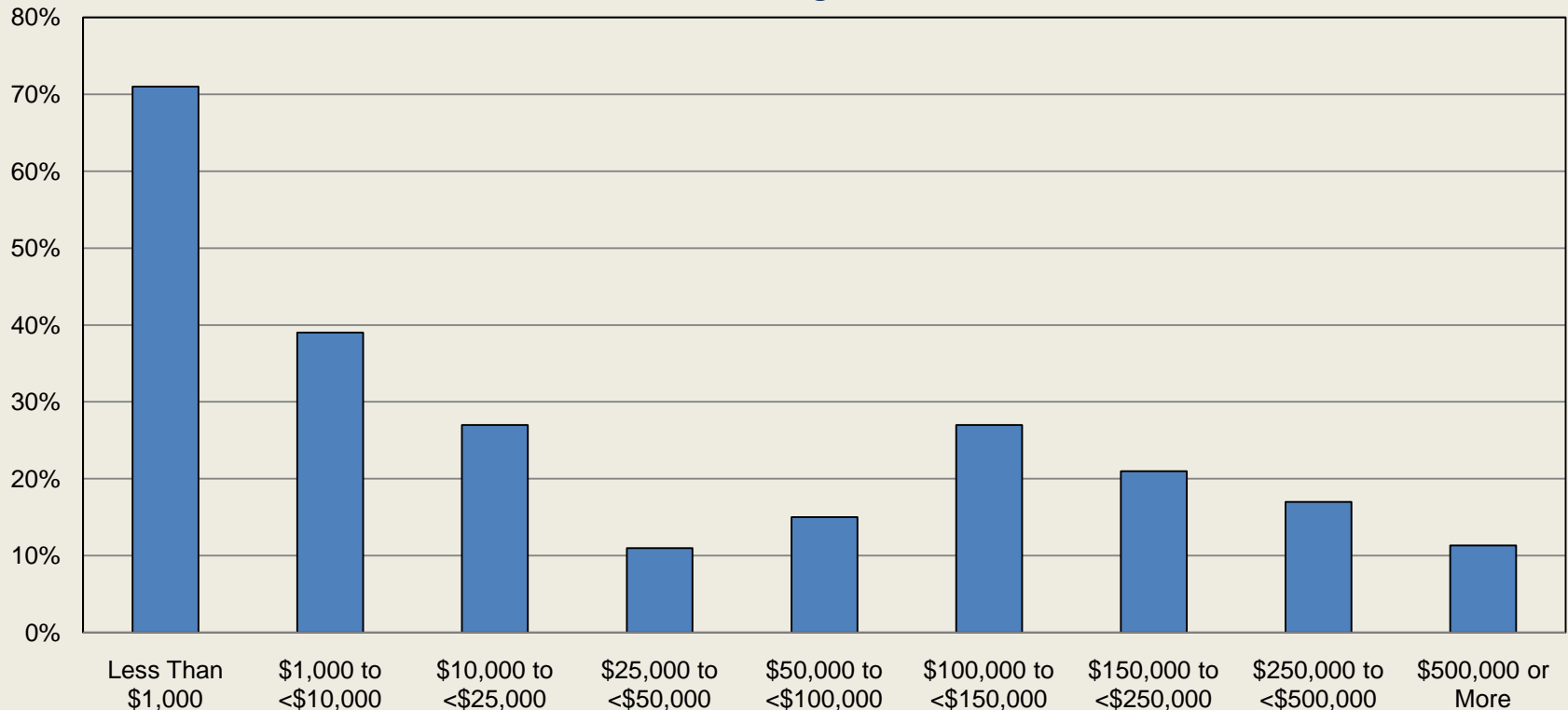


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Figure 5

**Percentage of Full-time Workers Currently Saving for Retirement Stating They Would Reduce the Amount Saved If They Were No Longer Allowed to Deduct Retirement Savings Plan Contributions From Taxable Income, by Amount They Currently Have in Savings**



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011 Retirement Confidence Survey.



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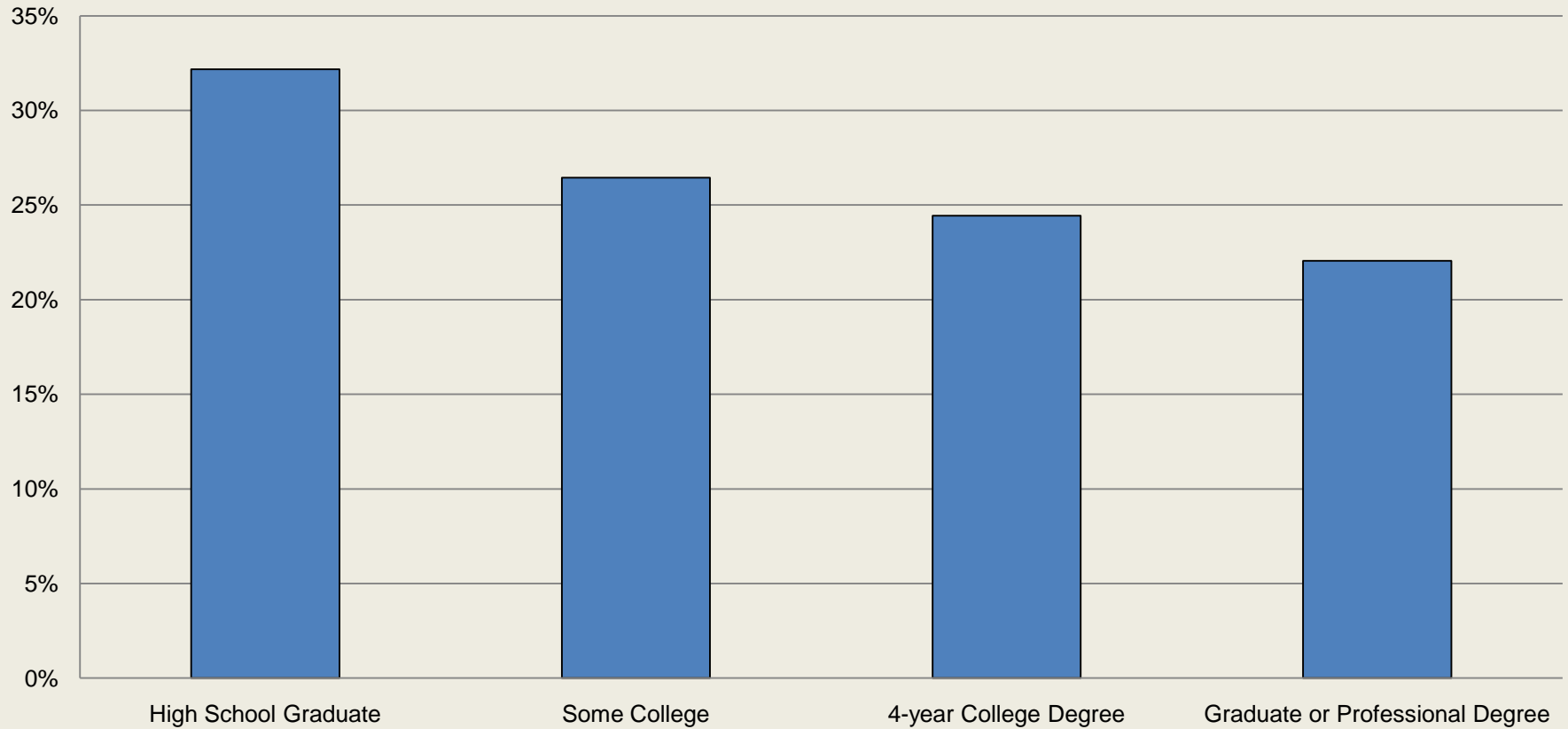
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Figure 6

**Percentage of Full-time Workers Currently Saving for Retirement Stating They Would Reduce the Amount Saved If They Were No Longer Allowed to Deduct Retirement Savings Plan Contributions From Taxable Income, by Education**



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011



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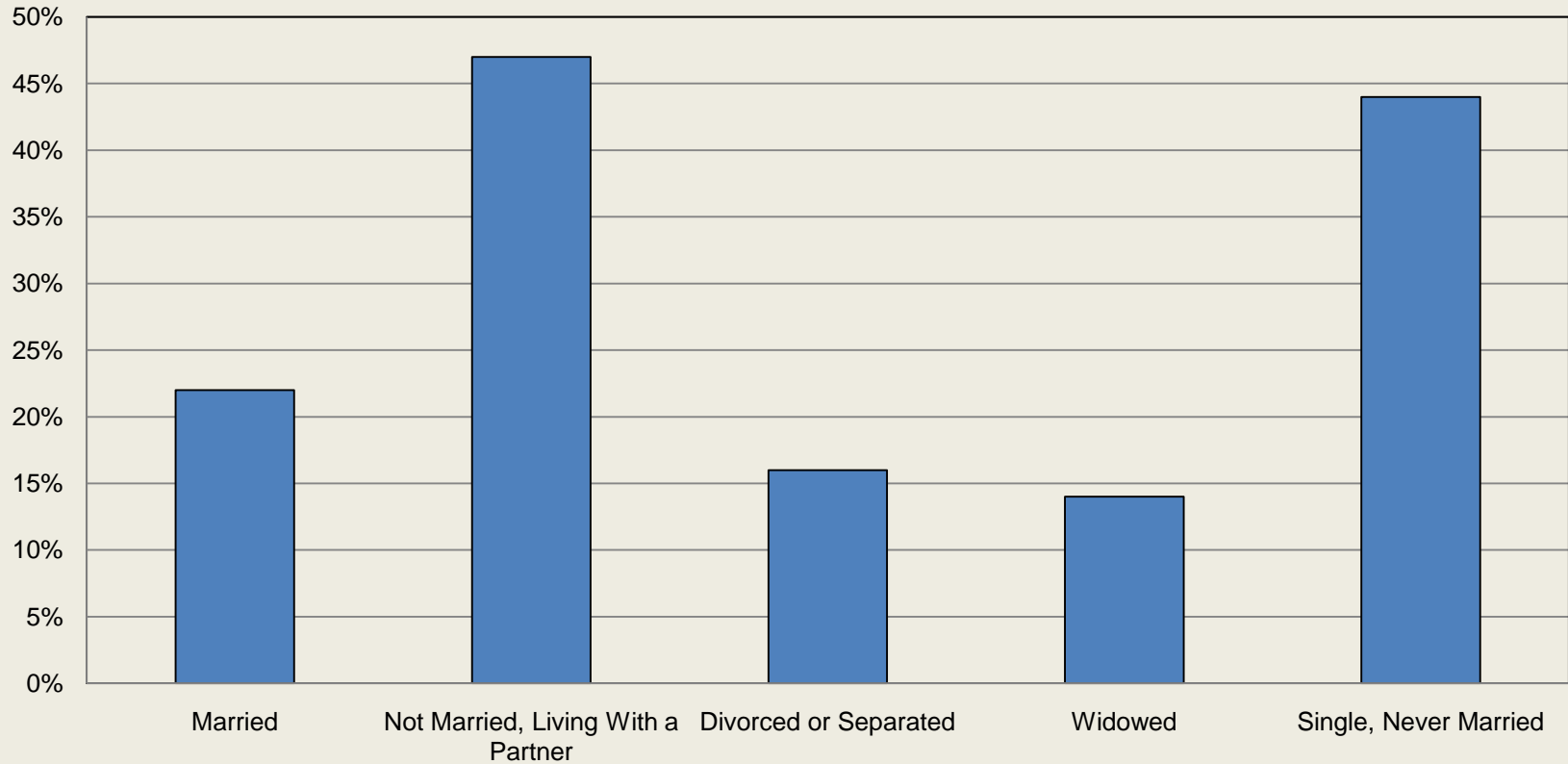
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Figure 7

**Percentage of Full-time Workers Currently Saving for Retirement Stating They Would Reduce the Amount Saved If They Were No Longer Allowed to Deduct Retirement Savings Plan Contributions From Taxable Income, by Marital Status**



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011 Retirement Confidence Survey.



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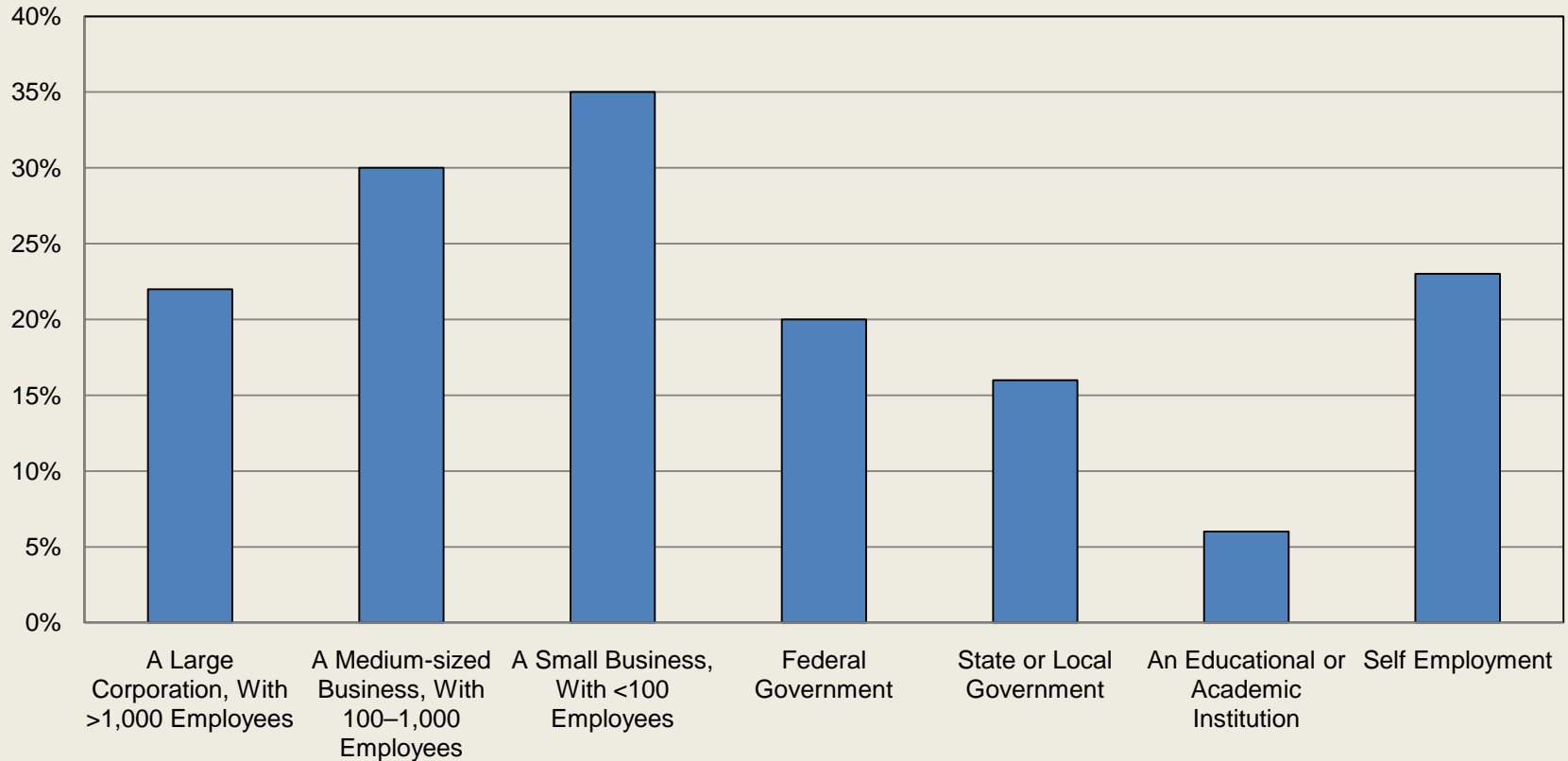
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Figure 8

**Percentage of Full-time Workers Currently Saving for Retirement Stating They Would Reduce the Amount Saved If They Were No Longer Allowed to Deduct Retirement Savings Plan Contributions From Taxable Income, by Current Employer**



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011 Retirement Confidence Survey.



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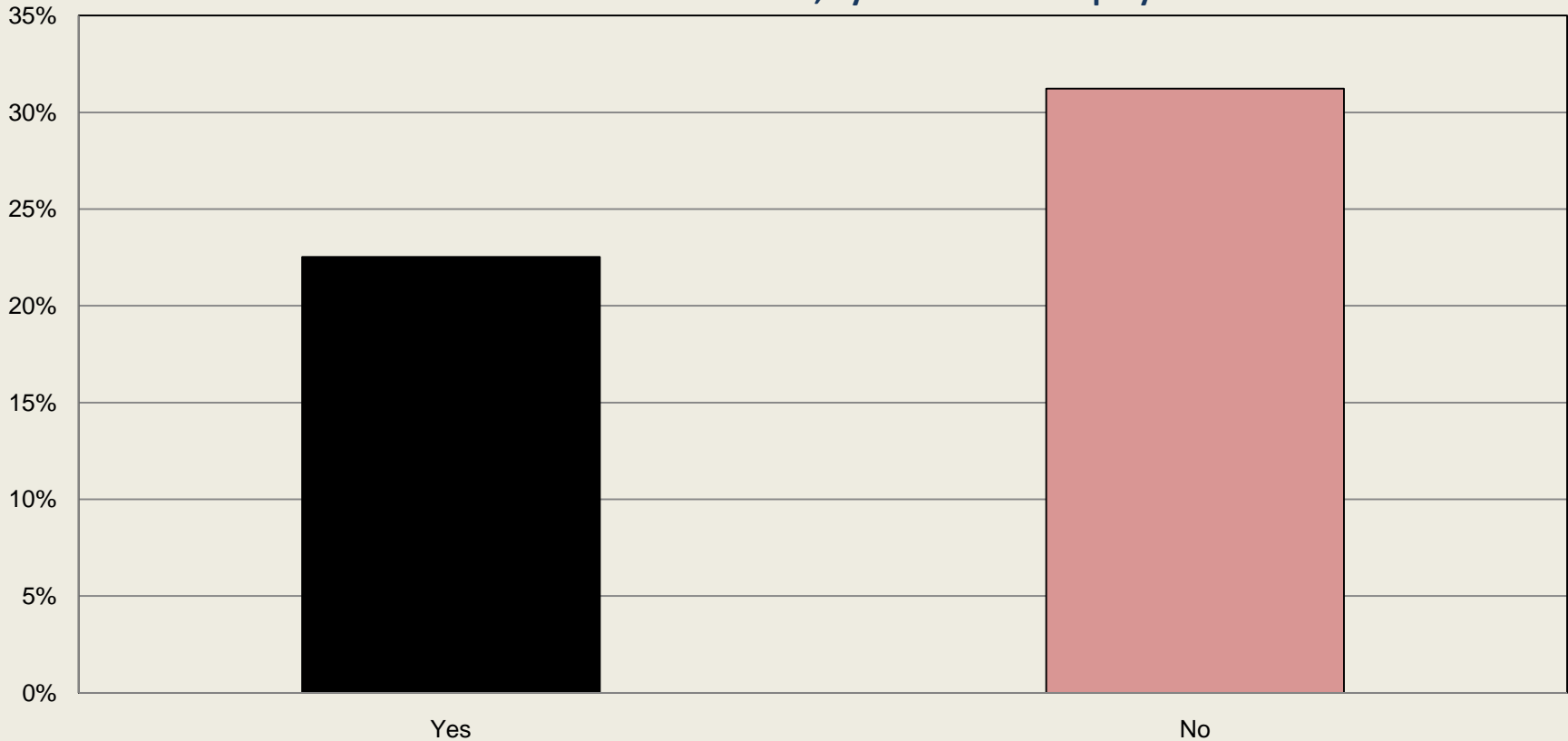


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Figure 9

**Percentage of Full-time Workers Currently Saving for Retirement Stating They Would Reduce the Amount Saved If They Were No Longer Allowed to Deduct Retirement Savings Plan Contributions From Taxable Income, by Existence of Employer Match**



Source: Employee Benefit Research Institute (ebri.org) and Mathew Greenwald & Associates, Inc., 2011 Retirement Confidence Survey.



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# How Prepared Are We?



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Figure 17  
**Total Savings and Investments Reported by Workers,  
 Among Those Providing a Response**  
 (not including value of primary residence or defined benefit plans)

	<u>2002</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
<b>Less than \$1,000</b>					<b>20%</b>	<b>27%</b>	<b>29%</b>	
<b>\$1,000 - \$9,999</b>	} <b>50%</b>	} <b>39%</b>	} <b>35%</b>	} <b>36%</b>	<b>19</b>	<b>16</b>	<b>17</b>	
<b>\$10,000 - \$24,999</b>					<b>14</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>\$25,000 - \$49,999</b>		<b>13</b>	<b>12</b>	<b>10</b>	<b>12</b>	<b>11</b>	<b>12</b>	<b>11</b>
<b>\$50,000 - \$99,999</b>		<b>15</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>9</b>
<b>\$100,000 - \$249,999</b>	<b>15</b>	<b>11</b>	<b>15</b>	<b>15</b>	<b>12</b>	<b>11</b>	<b>14</b>	
<b>\$250,000 or more</b>	<b>7</b>	<b>12</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>10</b>	

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002-2011 Retirement Confidence Surveys



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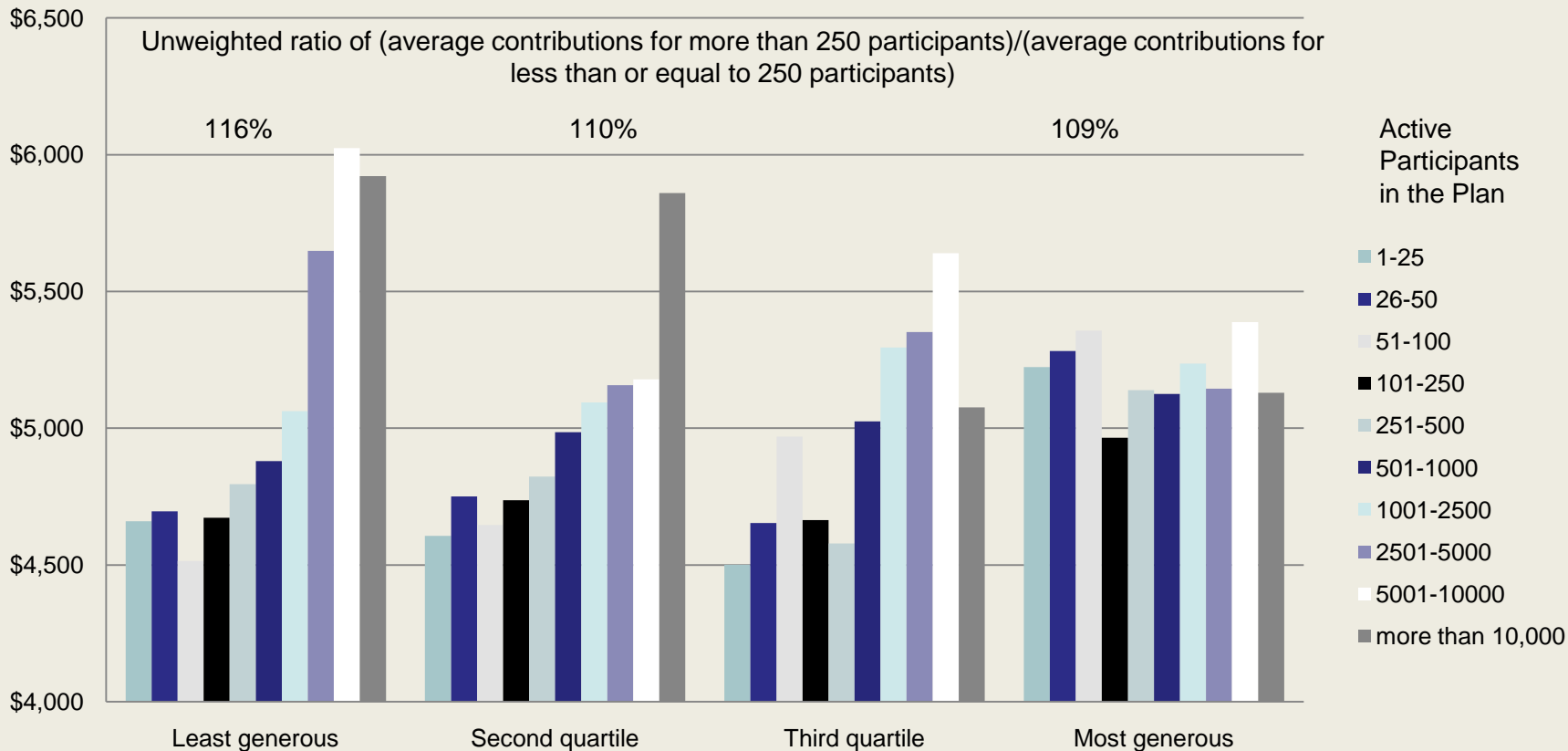
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## Average Employee Contribution in 2009 by Plan Size and Quartile of Plan-Level Ratio of Employer to Employee Contributions



Source: EBRI tabulations.



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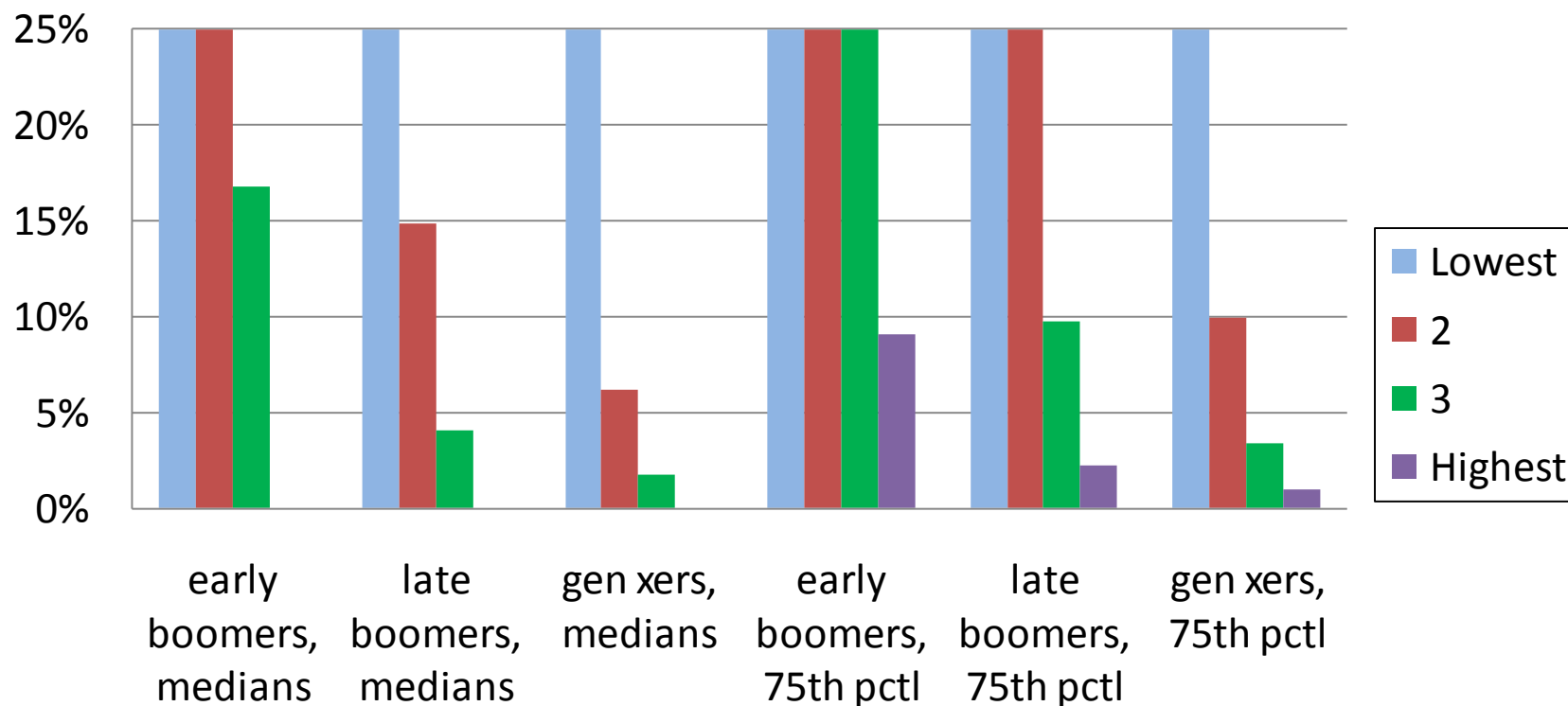
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## Amounts needed to be saved for a 90 percent probability of success

Median vs. 75th percentile percentage of additional compensation that must be saved each year until retirement age for a 90 percent probability of "adequate" retirement income, by age cohort and age -specific salary quartiles (baseline assumptions)



Source: EBRI/ERF Retirement Security Projection Model™ version 100504e

Note: 25% = 25% or more



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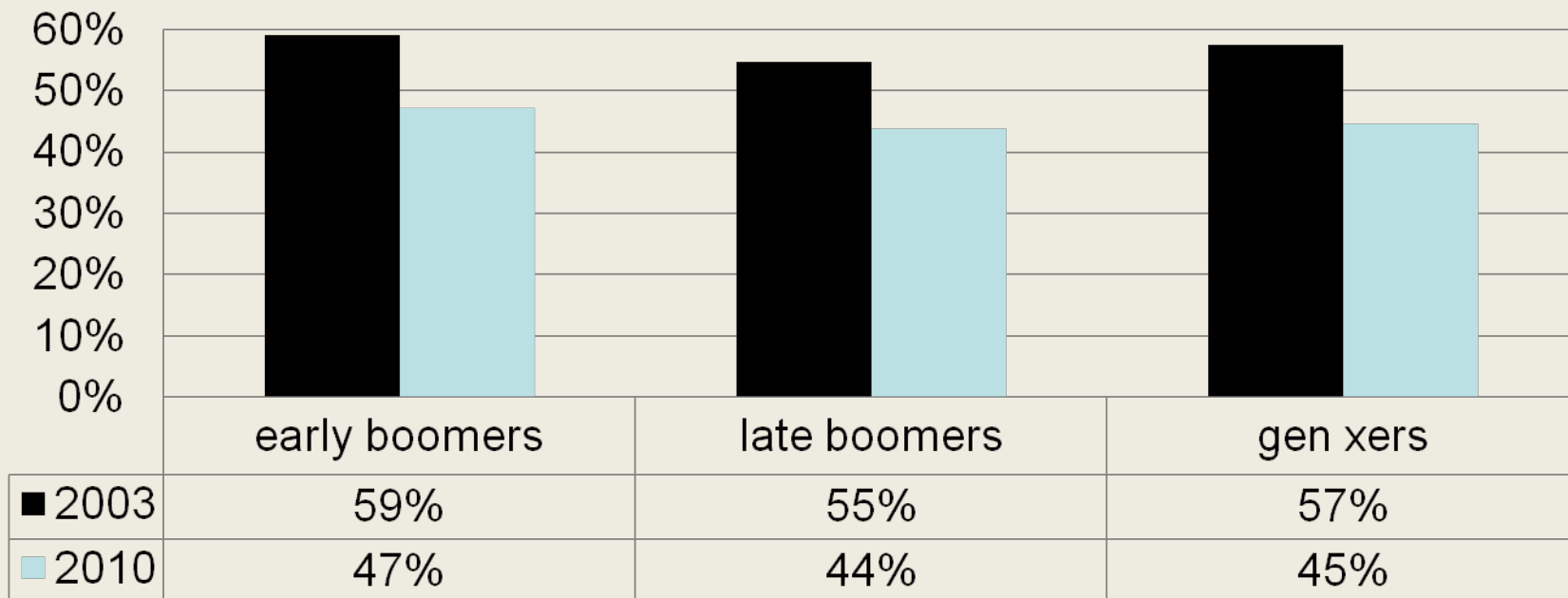
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## Baseline EBRI Retirement Readiness Rating™ by age

### Percentage of population “at risk” for inadequate retirement income, by age cohort (baseline assumptions)



Sources: EBRI/ERF Retirement Security Projection Model™ version 100504e  
Early boomers now 56-62, Late boomers now 46-55, Gen Xers 36-45



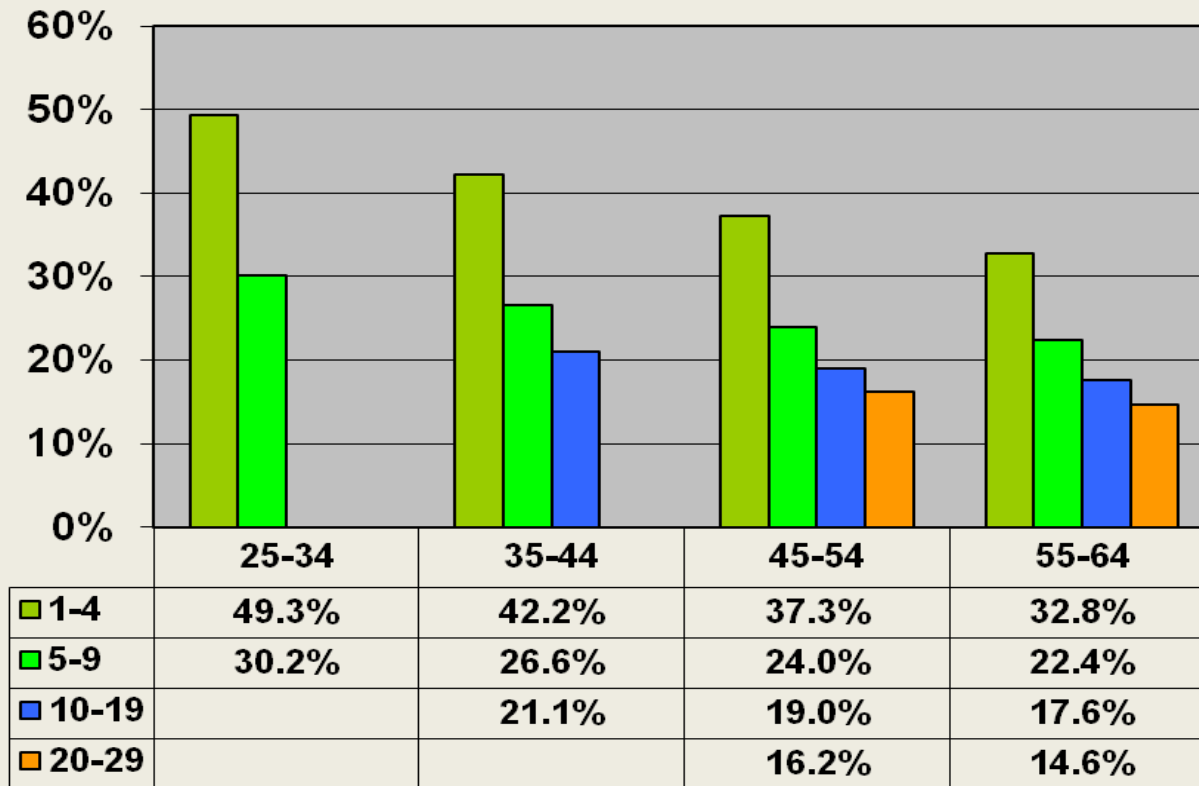
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## Change In Average Account Balances (by Age and Tenure) From January 1, 2010 – December 31, 2010 Among 401(k) Participants with Account Balances as of Dec. 31, 2009



Sources: 2009 Account Balances: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project; 2010 Account Balances: EBRI estimates. The analysis is based on all participants with account balances at the end of 2009 and contribution information for that year.



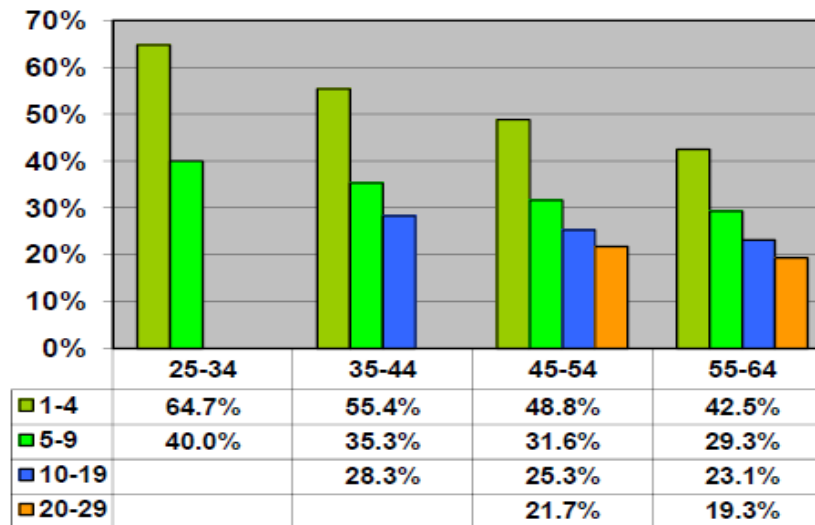
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## Change In Average Account Balances (by Age and Tenure) From January 1, 2010 – March 31, 2011 Among 401(k) Participants with Account Balances as of Dec. 31, 2009



Sources: 2009 Account Balances: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project; 2011 Account Balances: EBRI estimates. The analysis is based on all participants with account balances at the end of 2009 and contribution information for that year.



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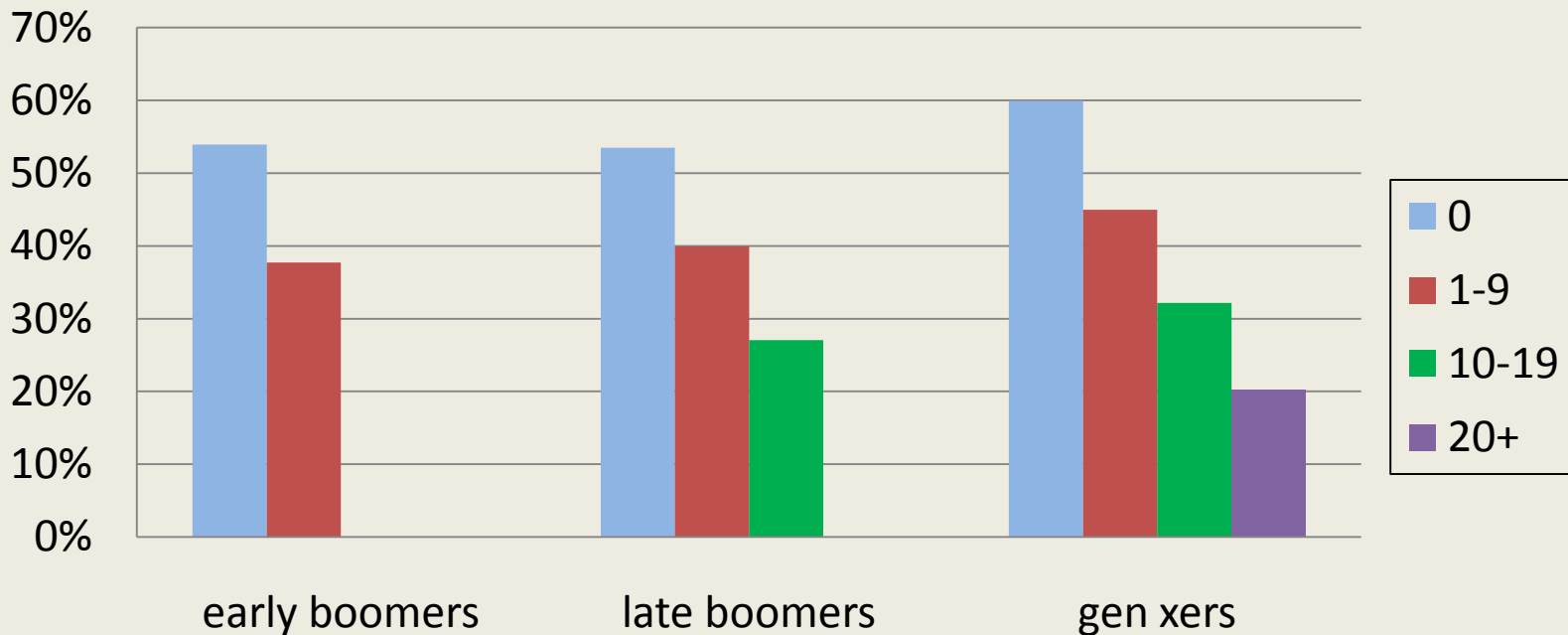
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# Impact of age and future years of eligibility for participation in a defined contribution plan on at risk probabilities

Percentage of population “at risk” for inadequate retirement income, by age cohort and future years eligible for participation in a defined contribution plan (baseline assumptions)



Source: EBRI/ERF Retirement Security Projection Model™ version 100504e



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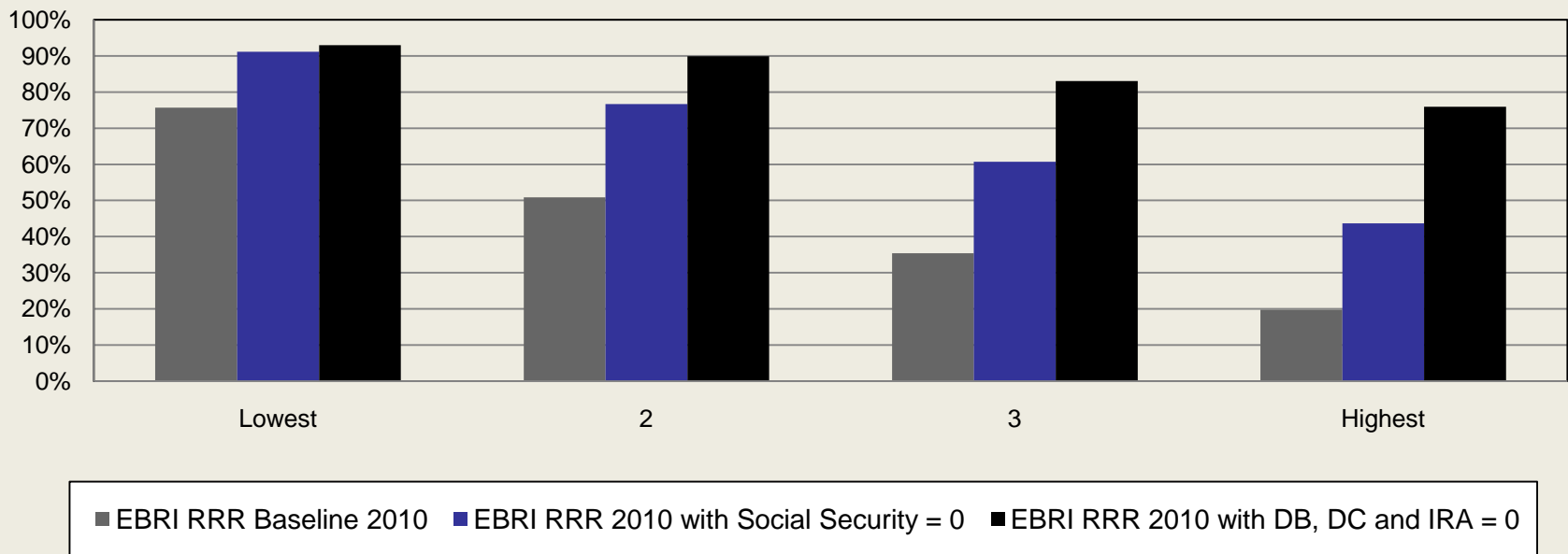
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# Testimony before the Senate Health, Education, Labor and Pensions Committee, on “The Wobbly Stool: Retirement (In)security in America”

**Figure 1**  
**EBRI 2010 Retirement Readiness Rating™ (RRR)**  
**Baseline (Status Quo for Social Security) vs. Social Security set to 0 vs. DB, DC and IRA set to 0**  
**Percentage of population “at risk” for inadequate retirement income, by age-specific remaining career i**



Source: EBRI/ERF Retirement Security Projection Model™ versions 100504e and 100930e



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*Planning can lead you to the Nirvana of sunshine and calm waters !*



# Discussion



Dallas Salisbury

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# Appendix – Good Stuff Beyond the Time Limit



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# Cashouts: Terminated Behavior by Balance Size

–Cash-outs clearly an issue—45% taking monies in cash, average of \$6,900

–Excluding balances less than \$1,000—31% of participants took cash distribution, average of \$10,600

–Younger participants and those with lower balances far more likely to cash out

–Additional interesting findings:

- Women less likely to cash out
- Automatic enrollment did not increase cash-out rates

## Post-Termination Behavior— Percentage of Employees by Plan Balance

Balances	Remain in Plan	Roll Over	Cash Out
< \$1,000	3%	5%	91%
\$1-\$4,999	19%	18%	53%
\$5-\$9,999	33%	18%	50%
\$10-\$29,999	38%	25%	37%
\$30-\$49,999	44%	33%	23%
\$50-\$99,999	47%	37%	15%
\$100,000+	51%	41%	9%



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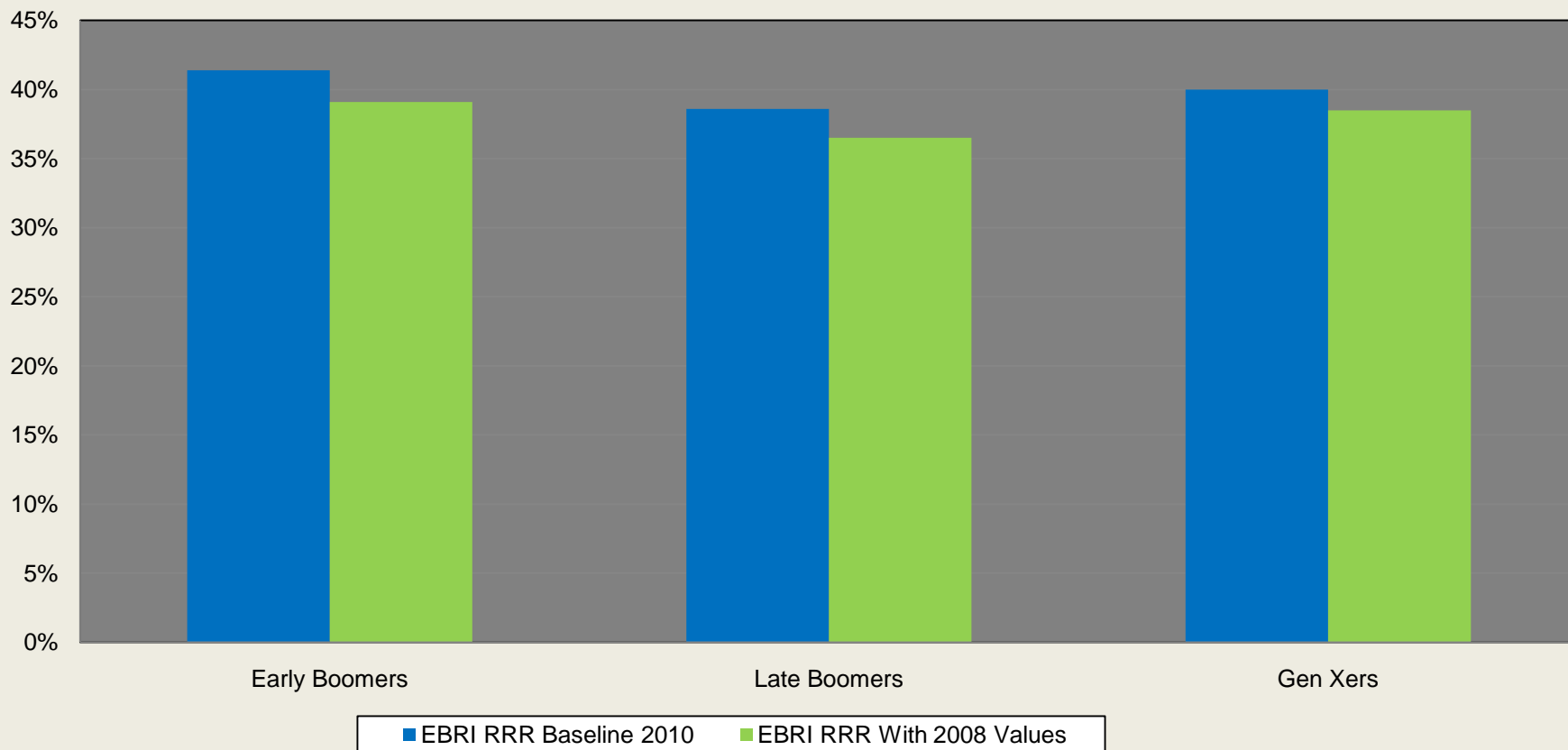
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## Baseline 2010 EBRI Retirement Readiness Rating™ (RRR) vs. Baseline With 1/1/08 Market Values and Home Equity: All Households

Percentage of population “at risk” for inadequate retirement income, by age cohort.  
Baseline assumptions used for all factors with the exception of housing utilization\*



\* This option assumes the net housing equity is used when other financial resources are exhausted and used as a lump-sum distribution (LSD).



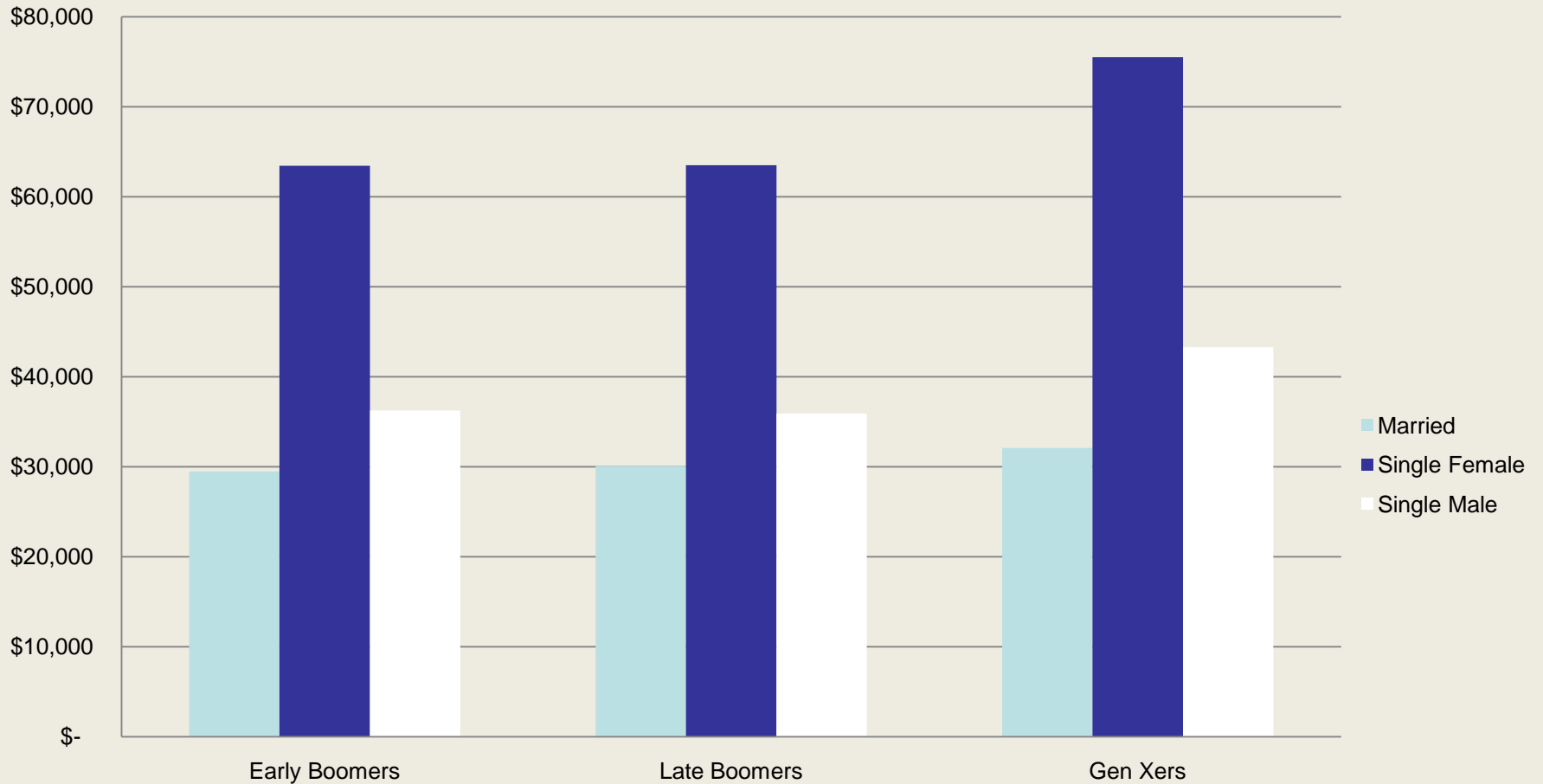
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## Chart A revised: Average Individual Retirement Income Deficit by Gender, Martial Status and Age Cohort (in 2010 \$)



Source: EBRI Retirement Security Projection Model™ version 100920f1.



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How effective have 401(k) plans been and may they be in providing retirement accumulations for eligible employees?

Analysis Prepared by Jack VanDerhei, EBRI



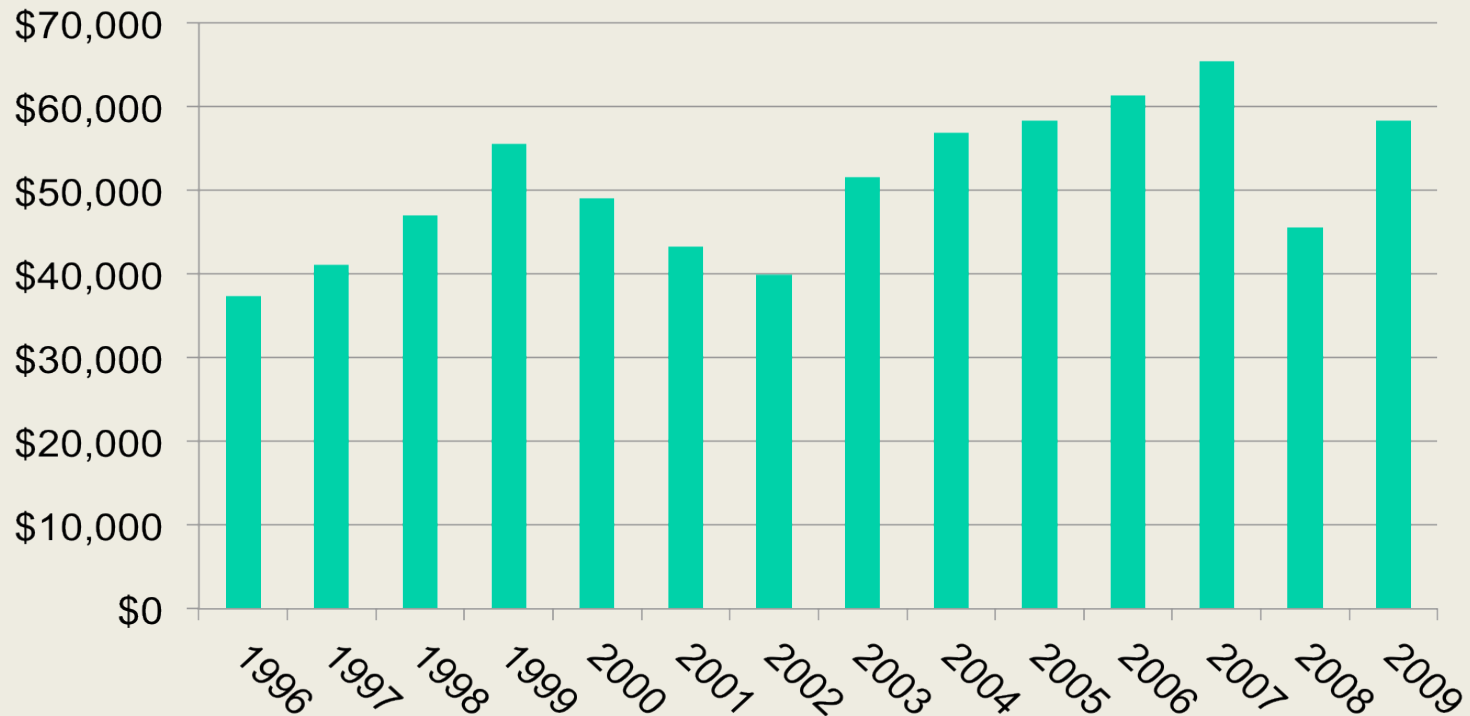
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## Average 401(k) plan participant account balances,\* 1996–2009



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

\*Account balances are participant account balances held in 401(k) plans at the participants' current employers and are net of plan loans. Retirement savings held in plans at previous employers or rolled over into IRAs are not included.

Note: The sample of participants changes over time.



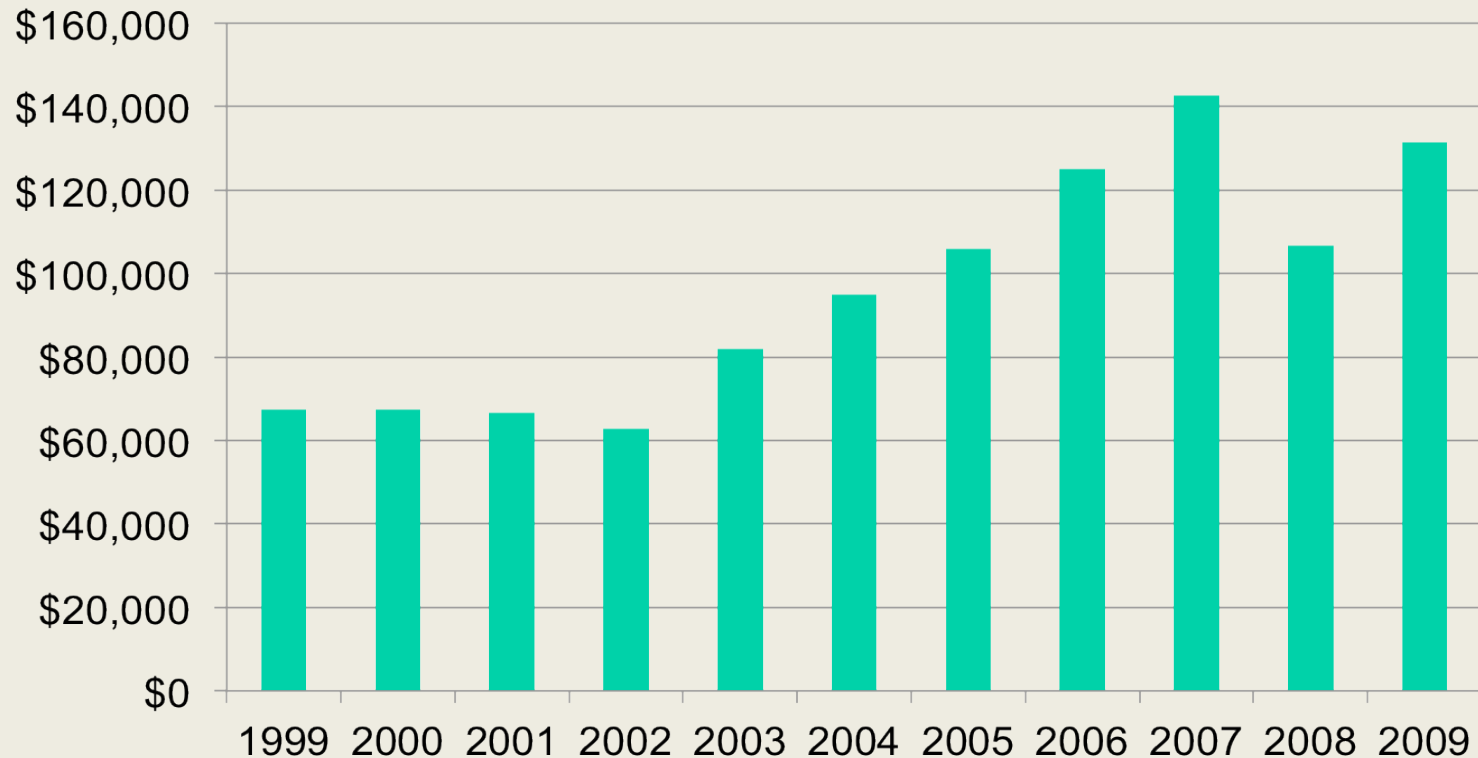
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## 401(k) Account Balances<sup>a</sup> Among 401(k) Participants Present From Year-End 1999 Through Year-End 2009<sup>b</sup>



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

<sup>a</sup> Account balances are participant account balances held in 401(k) plans at the participants' current employers and are net of plan loans. Retirement savings held in plans at previous employers or rolled over into IRAs are not included.

<sup>b</sup> The analysis is based on a group of 1.6 million participants with account balances at the end of each year from 1999 through 2009.



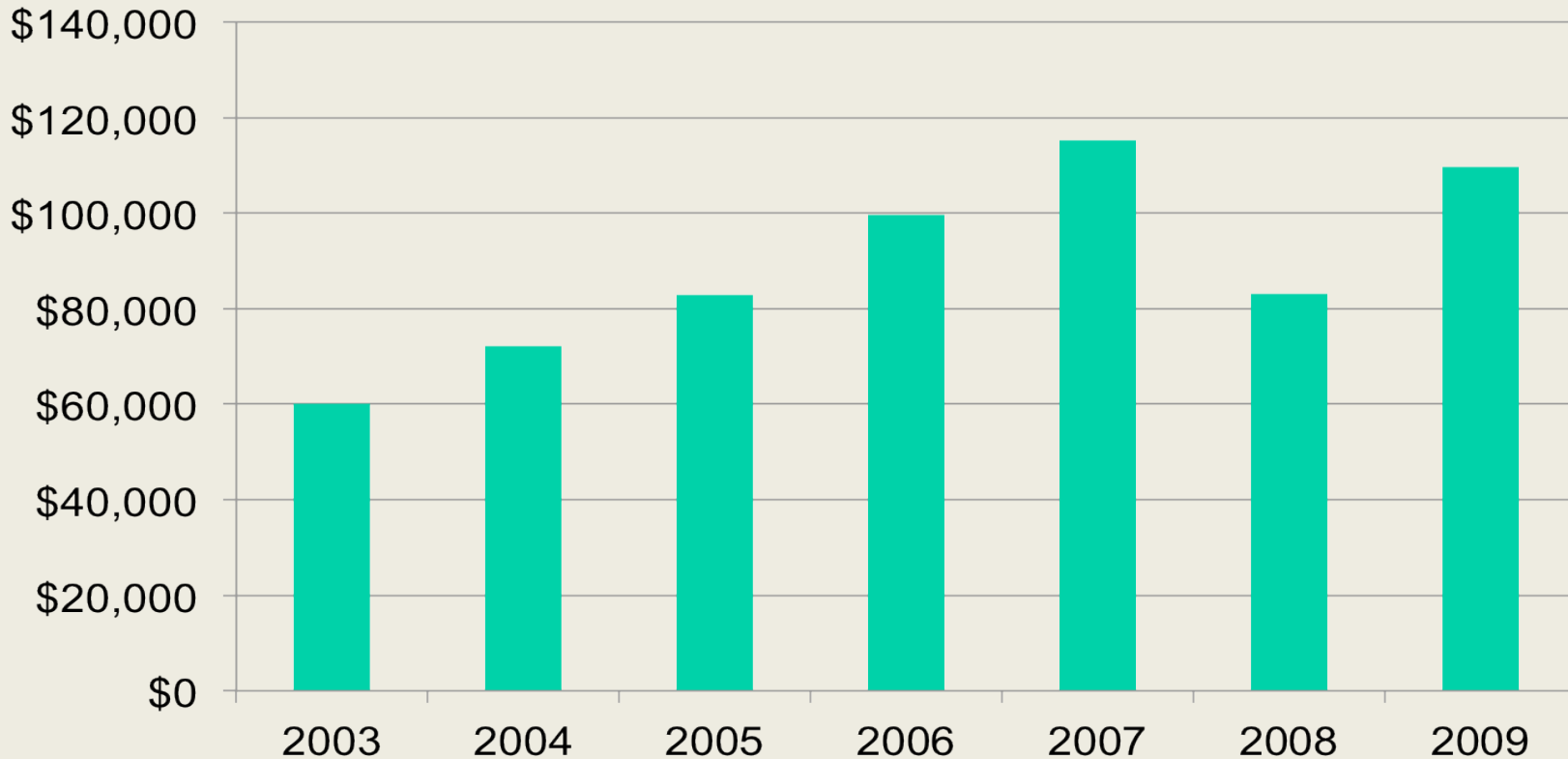
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## 401(k) Account Balances<sup>a</sup> Among 401(k) Participants Present From Year-End 2003 Through Year-End 2009<sup>b</sup>



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project.

<sup>a</sup> Account balances are participant account balances held in 401(k) plans at the participants' current employers and are net of plan loans. Retirement savings held in plans at previous employers or rolled over into IRAs are not included.

<sup>b</sup> The analysis is based on a sample of 4.3 million participants with account balances at the end of each year from 2003 through 2009.



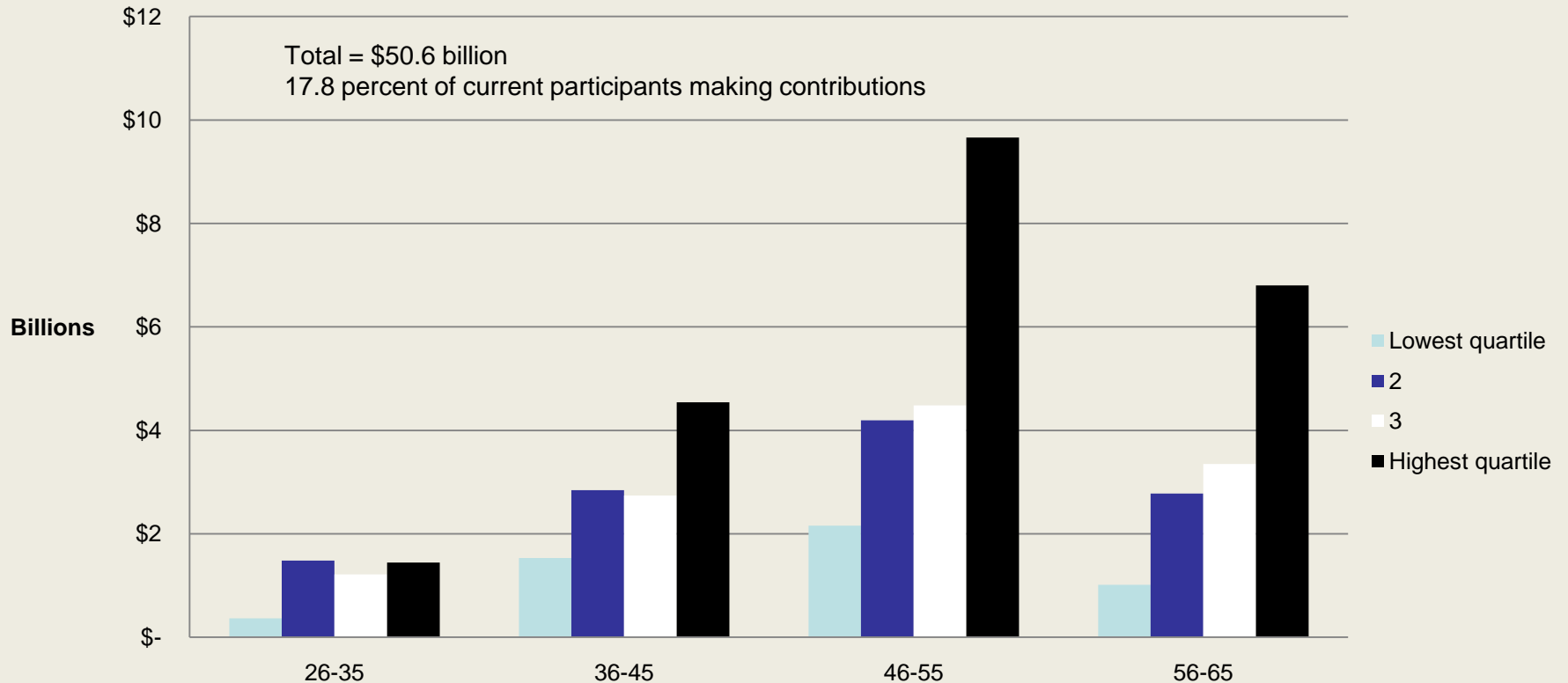
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## Assumed reduction of contributions to 401(k) plans in 2011 if 20/20 limits were to be imposed, by age and age-specific income quartile



Source: EBRI Retirement Security Projection Model Version 101206c

NB: this simulation only models the expected reduction in 401(k) contributions under status quo and does not attempt to assess behavioral modifications on the part of either the plan sponsor nor the employees assumed to be eligible for participation in the plan.



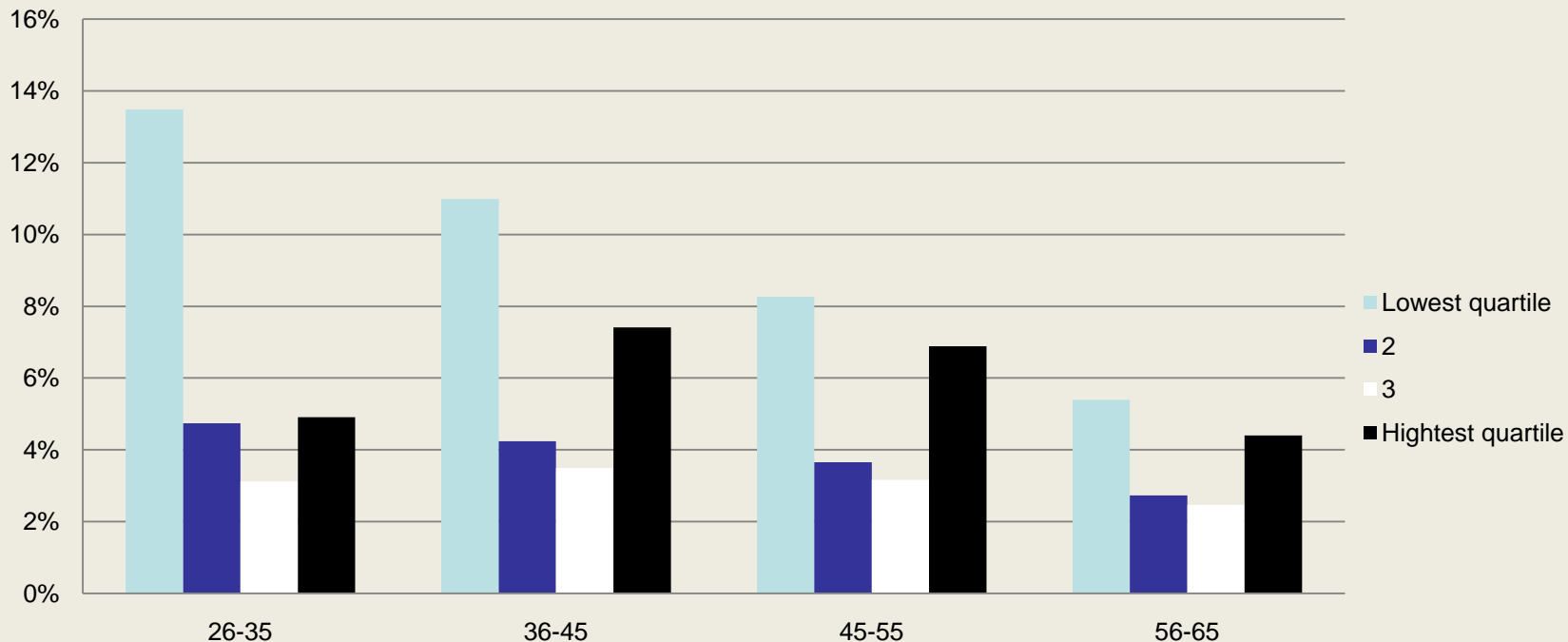
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## Average percent reductions in account balance at age 65 by imposing 20/20 limits in 2011, by age and age-specific salary quartiles



Source: EBRI Retirement Security Projection Model Version 101202c

NB: this simulation only models the financial impact of the expected reduction in 401(k) contributions by imposing the new limits and does not attempt to assess behavioral modifications on the part of either the plan sponsor nor the employees assumed to be eligible for participation in the plan. Moreover, this version of the analysis assumes a constant 5 percent rate of return on assets (net of expenses) and no job turnover, withdrawals or loan defaults. The full stochastic nature of the model will be included in future analysis.



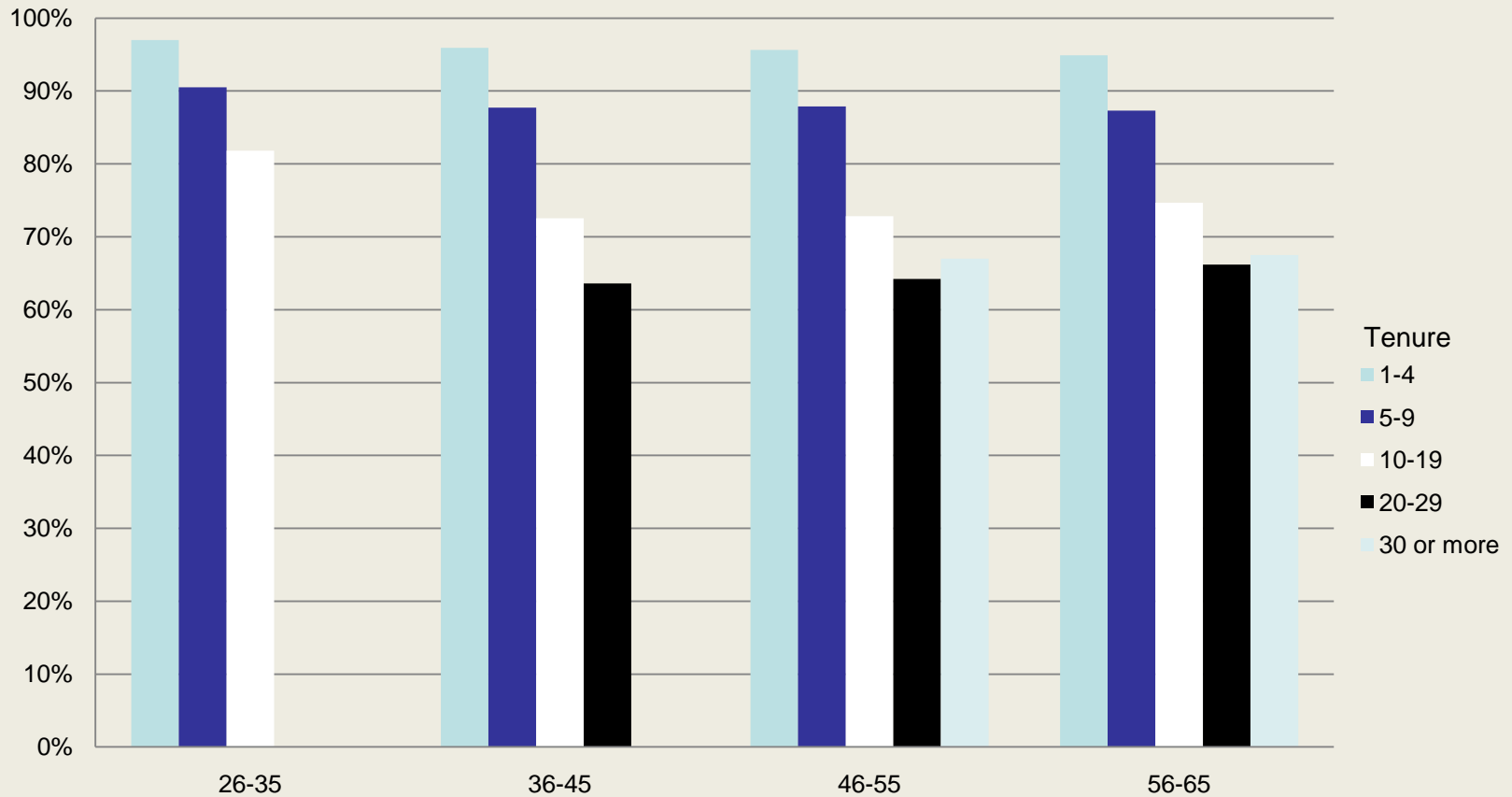
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Percentage of "consistent sample" 401(k) participants whose account balance on October 1, 2010 is estimated to be greater than their balance on January 1, 2008, by age and tenure



Source: EBRI estimates



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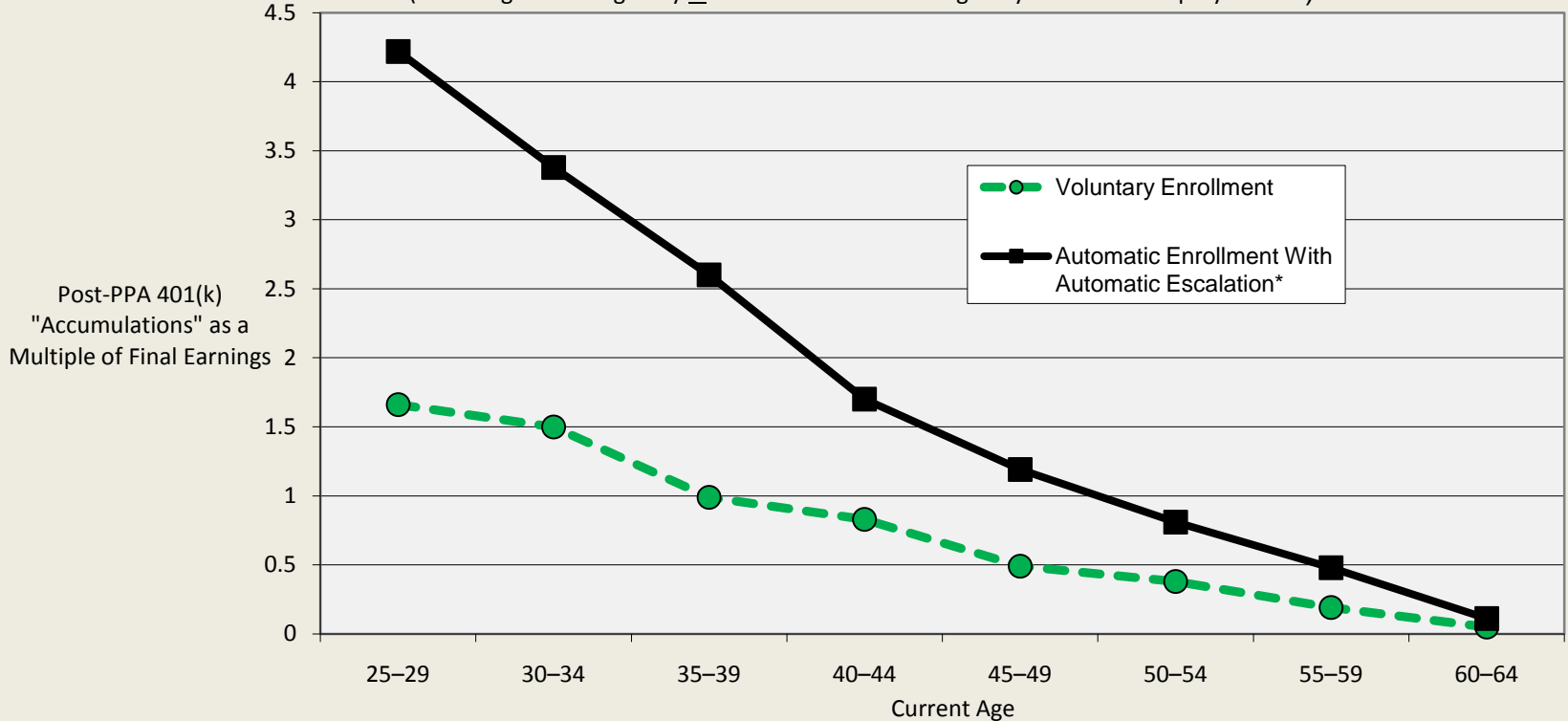
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## Auto-Enrollment With Auto-Escalation,\* vs. Voluntary Enrollment: 50th Percentiles

(assuming future eligibility IS a function of current eligibility and historic equity returns)



Source: VanDerhei and Copeland (2008).

\* There are several sensitivity analyses for automatic escalation described in this report. This figure assumes the most conservative set of assumptions: viz., that individuals will opt out of future increases as described in the empirical findings presented in VanDerhei (September 2007); that employers will limit the automatic increases to 6 percent of compensation; and that workers will start over from the default contribution when they change jobs.



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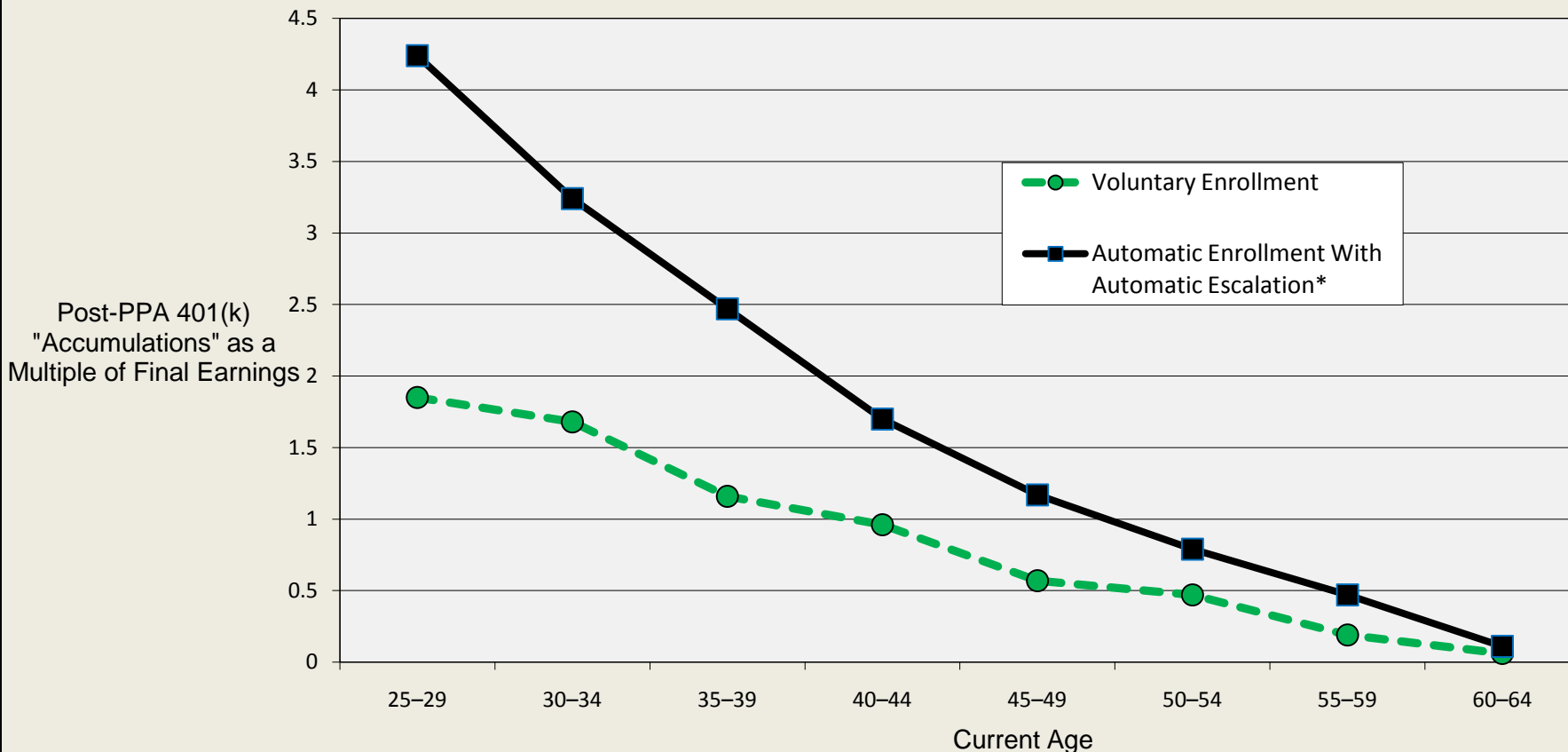
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## Auto-Enrollment With Auto-Escalation\* vs. Voluntary Enrollment: 50th Percentiles

(assuming future eligibility is NOT a function of current eligibility and historic equity returns)



Source: VanDerhei and Copeland (2008).

\* There are several sensitivity analyses for automatic escalation described in this report. This figure assumes the most conservative set of assumptions: viz., that individuals will opt out of future increases as described in the empirical findings presented in VanDerhei (September 2007); that employers will limit the automatic increases to 6 percent of compensation; and that employees will start over from the default contribution when they change jobs.



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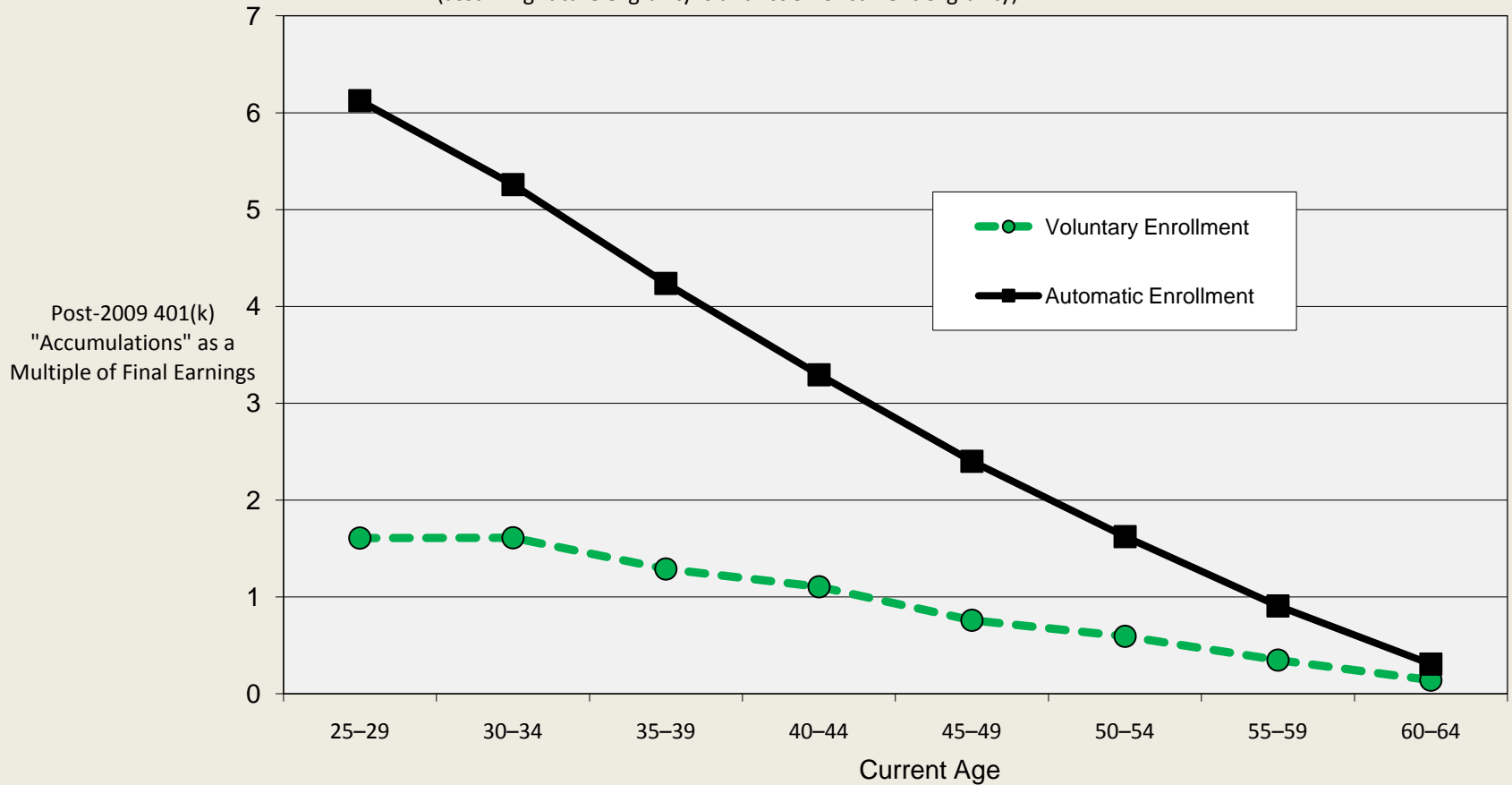
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## Auto-Enrollment (With 2009 Formulas) vs. Voluntary Enrollment (With 2005 Formulas): 50th Percentiles

(assuming future eligibility is a function of current eligibility)



Source: EBRI/ERF Retirement Security Projection Model,<sup>®</sup> versions



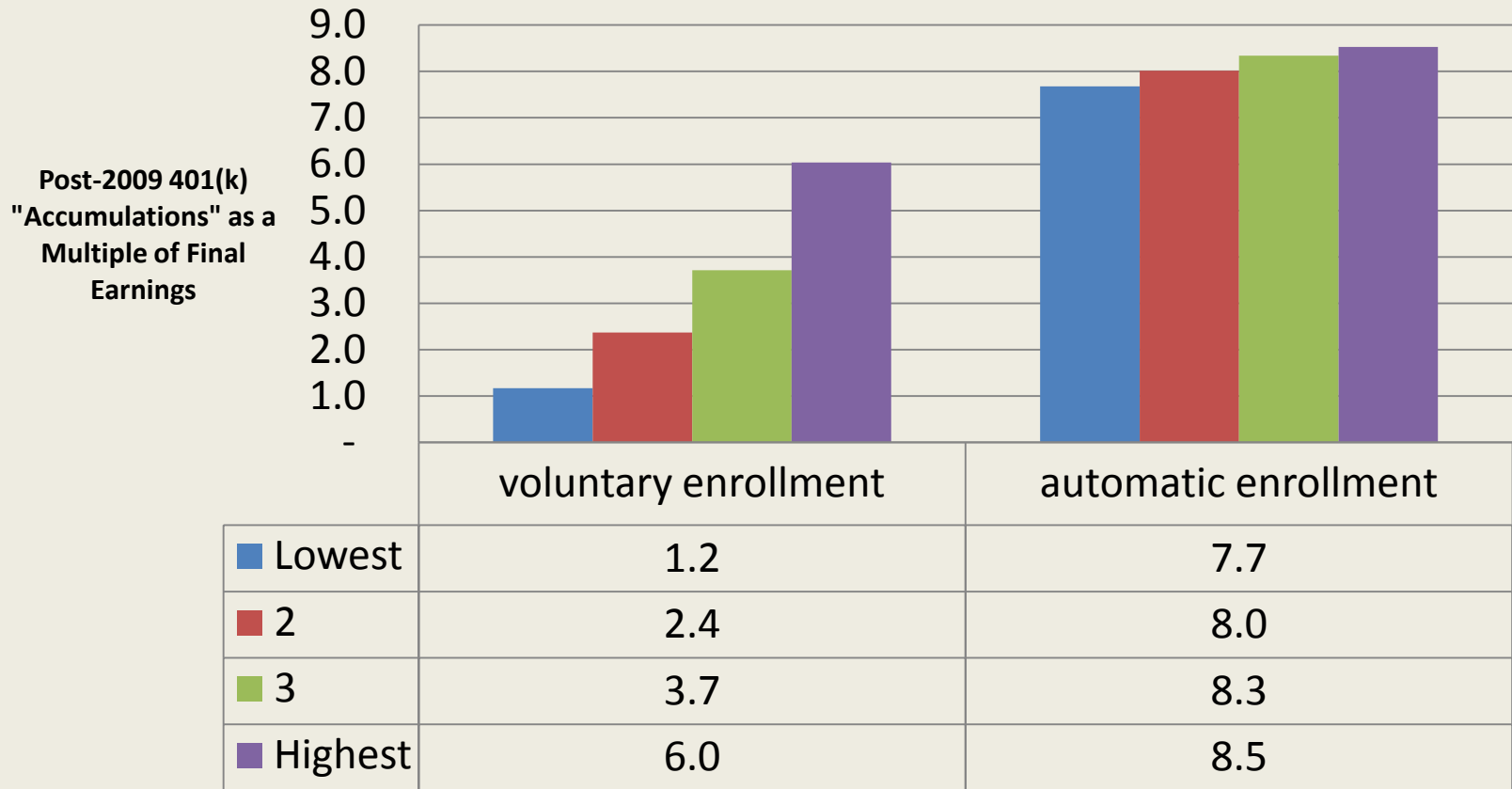
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## Employees Currently Ages 25–29 Who are Predicted to Have 31-40 Years of Eligibility: Median 401(k) Accumulation Multiples at Age 65 as a Function of Salary Quartile



Source: EBRI Retirement Security Projection Model,® version 100205a4



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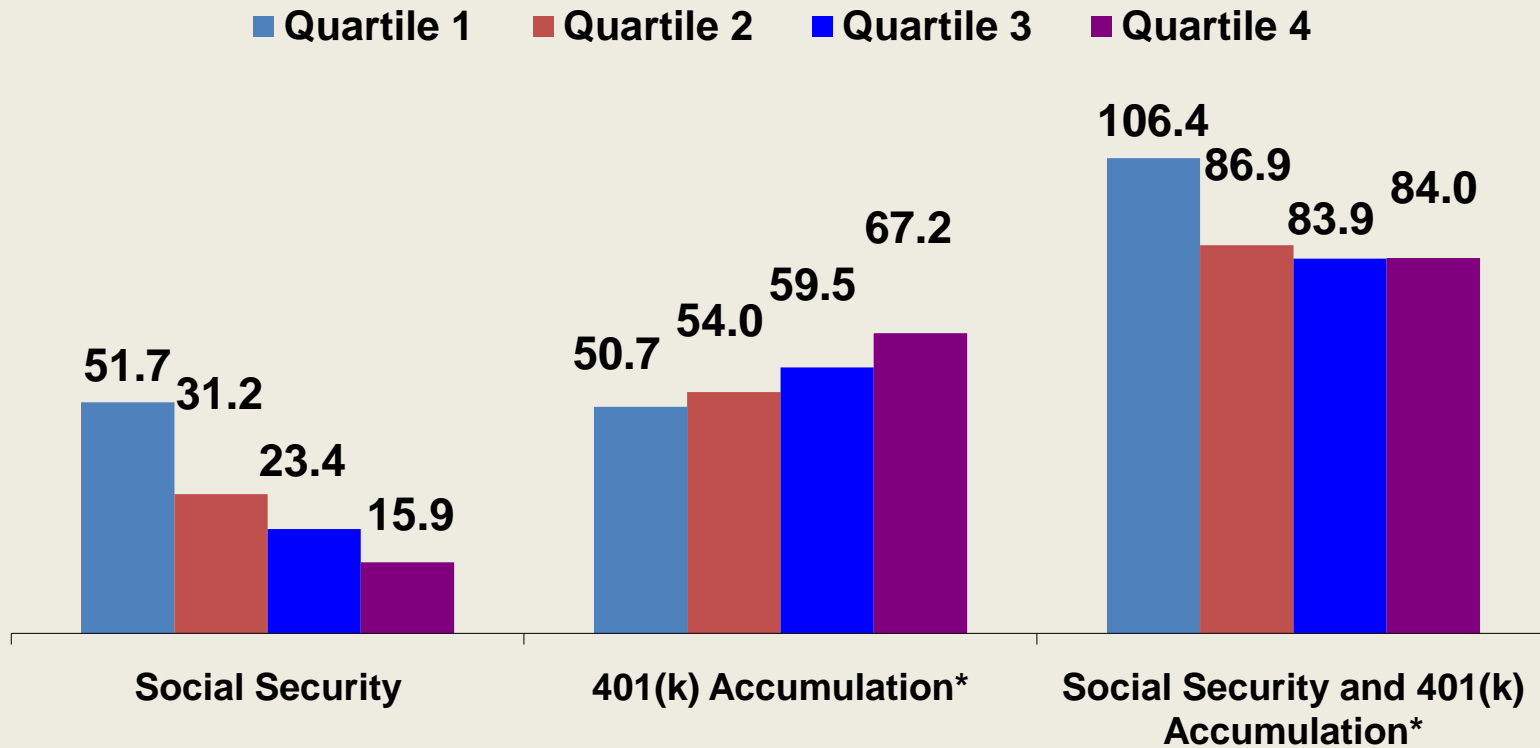
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## Median Replacement Rates for Participants Reaching Age 65 Between 2030 and 2039, by Income Quartile at Age 65 (percent of final five-year average salary)



\*The 401(k) accumulation includes 401(k) balances at employer(s) and rollover IRA balances.  
Source: Tabulations from the EBRI/ICI 401(k) Accumulation Projection Model



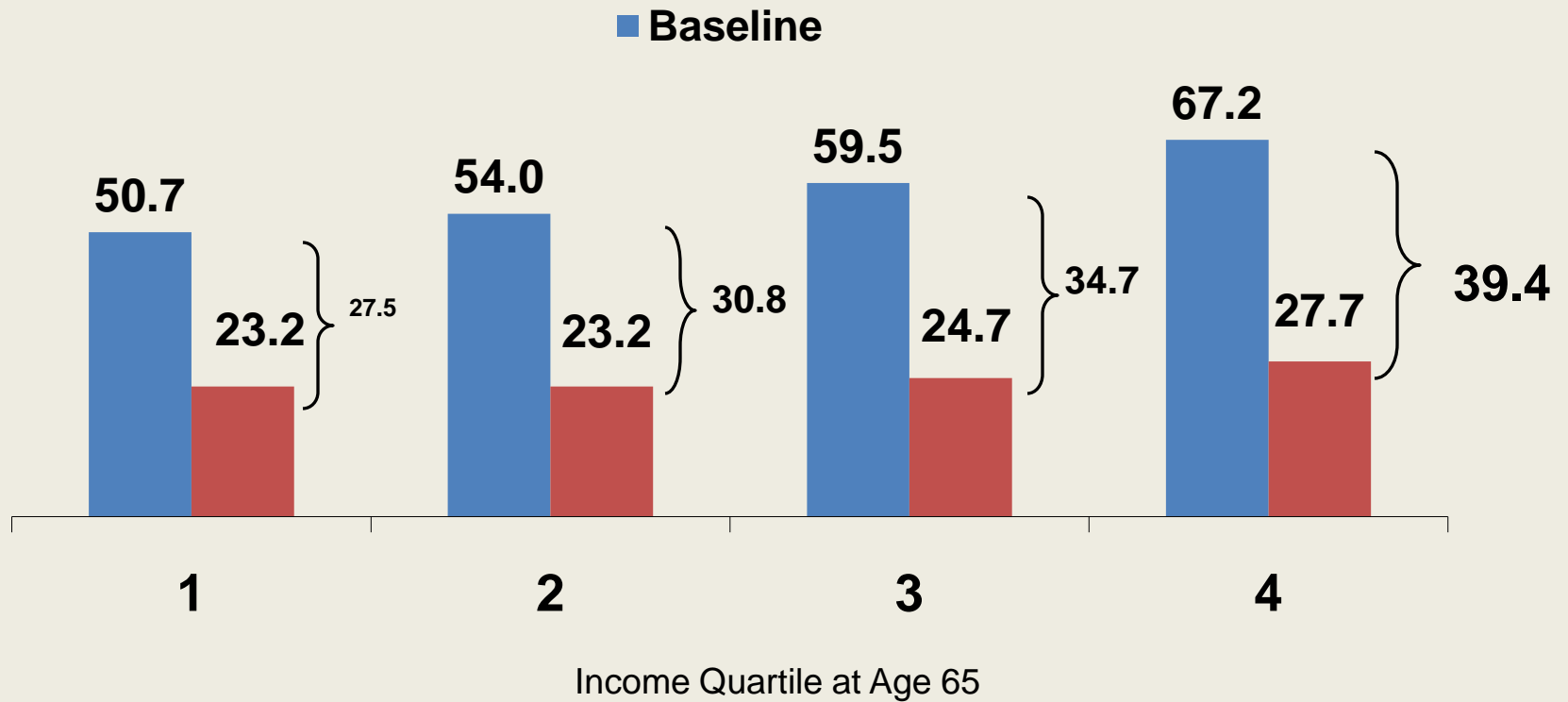
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# Median Replacement Rates for 401(k) Accumulations\* for Participants Reaching Age 65 Between 2030 and 2039 (percent of final five-year average salary)



\*The 401(k) accumulation includes 401(k) balances at employer(s) and rollover IRA balances.  
Source: Tabulations from the EBRI/ICI 401(k) Accumulation Projection Model



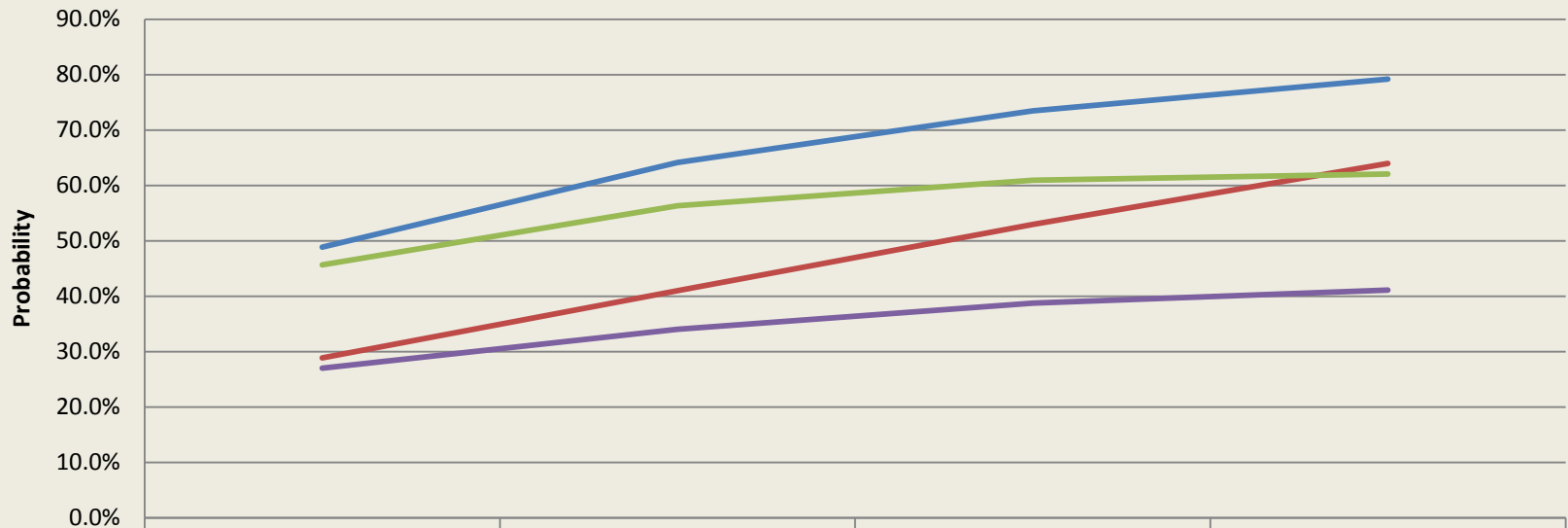
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## Success Rates of Achieving a Combined 80 Percent Real Replacement Rate from Social Security and 401(k) Accumulation as a Function of Maximum Employee Contributions



	6%	9%	12%	15%
lowest, optimistic	48.9%	64.2%	73.5%	79.2%
highest, optimistic	28.9%	41.0%	53.0%	64.0%
lowest, pessimistic	45.7%	56.4%	61.0%	62.1%
highest, pessimistic	27.0%	34.1%	38.8%	41.1%

Maximum Employee Contributions

Source: Jack VanDerhei, "The impact of auto enrollment and automatic contribution escalation on retirement income adequacy," EBRI Issue Brief, November 2010. The population simulated consists of workers currently age 25-29 who will have more than 30 years of simulated eligibility for participation in a 401(k) plan. Workers are assumed to retire at age 65 and all 401(k) balances are converted into a real annuity at an annuity purchase price of 18.62.



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