CENTER FOR
RETIREMENT
RESEARCH
AT BOSTON COLLEGE

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Almost 45 Percent of Households "At Risk" of Falling Short in Retirement

Almost 45 percent of working-age households are "at risk" of being unable to maintain their pre-retirement standard of living in retirement, according to the new National Retirement Risk Index (see Table). Younger households are particularly vulnerable, as are those with low incomes or no pensions. The reason for this gloomy picture is a rapidly changing retirement landscape defined by a rising Social Security retirement age, a sharp decline in traditional pensions coupled with modest 401(k) balances, low savings rates, and longer lifespans.

Table. *Percent of Households "At Risk" at Age 65 by Age Group and Income Group*

Income group	All	Early Boomers 1946-1954	Late Boomers 1955-1964	Generation Xers 1965-1972
All	43%	35%	44%	49%
Top third	36%	33%	35%	42%
Middle third	40%	28%	44%	46%
Bottom third	53%	45%	54%	60%

Source: Authors' calculations.

The Index, developed by the Center for Retirement Research at Boston College (CRR), projects how much income households are expected to have in retirement relative to their pre-retirement income. It then compares this "replacement rate" to a target rate that would allow a household to maintain its pre-retirement standard of living. Households that fall more than 10 percent short of the target are considered "at risk."

The Index uses conservative assumptions and therefore may actually understate the size of the retirement challenge. For example, the Index assumes people retire at age 65, while most retire earlier. The Index also assumes that households take full advantage of their available assets by purchasing an annuity with their financial wealth and taking out a reverse mortgage to tap their housing equity. Finally, the Index requires that household replacement rates only come within 10 percent of the target, not actually hit it.

According to Alicia H. Munnell, Director of the CRR, the Index results suggest that "unless Americans change their ways, many will struggle in retirement." Munnell noted that "there is no silver bullet, the answer is saving more and working longer. Even relatively modest adjustments — working two extra years or saving 3 percent more — can substantially improve retirement security."

For more information, download a copy of the *issue in brief* "A New National Retirement Risk Index" or the full report "Retirements at Risk: A New National Retirement Risk Index" at http://crr.bc.edu/special-projects/national-retirement-risk-index/.

About the National Retirement Risk Index

The National Retirement Risk Index is based on data from the Federal Reserve Board's Survey of Consumer Finances. The Index is a comprehensive measure of household finances that includes Social Security, employer-sponsored pensions, non-pension financial assets, and housing. Financial support for developing and maintaining the Index comes exclusively from Nationwide Mutual Insurance Company.

About the Center for Retirement Research at Boston College

The Center for Retirement Research at Boston College was established in 1998 through a grant from the Social Security Administration. The Center's mission is to produce first-class research and forge a strong link between the academic community and decisionmakers in the public and private sectors around an issue of critical importance to the nation's future. To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.