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## 2nd Annual Alliance Capital/ Harris Retirement Poll Finds That 46% Of Americans Believe That They Will Need To Work Throughout Their Retirement

August 3, 1998

Americans Are Eager For Social Security Reform, With Men More Likely Than Women To Want System Scrapped

Difference Between Expected Nest Eggs And Estimated Needs Have Narrowed, But Needs Are Still Probably Unrealistic

Young Americans Are Starting Retirement Investing Earlier Than Their Elders Did, But Are Less Aggressive In The Investments They Choose

New York, NY – August 3, 1998 – As the nation reflects on President Clinton's Albuquerque "Town Hall" discussion last week on how to stabilize Social Security, an Alliance Capital/ Harris poll has uncovered continued deep, bipartisan support among the American populace for the fixing of Social Security, while also discovering a widespread fear that retiring fully from work will never be possible. Among the major findings of the 1998 poll:

- Americans expect to need a median of \$196,000 saved to retire securely, but confess that they anticipate only saving a median \$143,000 (a Retirement Gap of 27%, vs 50% in 1997).
- Almost half of non-retired Americans believe that they will need to hold a supplemental job during their retirement.
- 91% believe Social Security needs changes, with 44% thinking major revisions are necessary.
- 35% of non-retired Americans are not saving regularly for retirement, and a disturbing 25% of those aged of 40 to 64 have not begun to save regularly for retirement.
- 34% of non-retired Americans have no idea how much they will need to save to maintain 70% of their current income in retirement.

These findings are the latest from **Alliance Capital's Financial Preparedness Study** -- a series of quarterly national polls to spotlight issues of savings and investment that affect individuals' abilities to plan for and fund their life goals. The poll was conducted by leading research firm Louis Harris & Associates, surveying a national cross-section of 1000 adults.

### Americans See An Urgent Need For Social Security Reform

The Alliance Capital/Harris poll found that 91% of Americans think that the Social Security System should be changed. 75% believe that structural changes will be necessary to stabilize it in the future, with 44% believing that it will need major revisions to become stable. 16% believe the system should be eliminated altogether to allow Americans to invest the money themselves. This lack of confidence in the system's present ability to provide benefits in the future is consistent for Democratic, Republican, and Independent Americans and across all age categories as well.

However, men are more likely to want the system eliminated altogether so that they can manage the money themselves (23% of men vs. 9% of women) while women are more confident that the system will work if changes are made (82% of women vs. 67% of men). Americans who identify themselves as Republican are also more likely to believe that the system should be eliminated (20% vs. 10% of Democrats).

### Gap Between Americans' Estimated Needs and Savings Improving, But Expectations of Future Needs Are Seriously Underestimated

The Alliance Capital/Harris poll found that the Alliance Capital Retirement Gap<sup>TM</sup>, Alliance Capital's measure of the gap between retirement investors' own anticipated retirement nest egg and their estimated needs, has narrowed appreciably over the last year. But Americans as a whole still do not believe that they will be able to save what they think they will need. The result: *46% of Americans believe that they will need to hold a supplementary job to make ends meet in retirement.* Most importantly, the expectations expressed by respondents could well be far below what they will actually need, because many seem to be forgetting the powerful effects of inflation over their lifetimes that will erode the value of their savings.

In the 1998 poll, non-retired Americans estimate needing a median nest egg of \$196,000 to produce retirement income equal to 70% of their current income, while confessing that they expect to save only a median of \$143,000 for retirement – resulting in a 1998 Alliance Capital Retirement Gap equal to \$53,000, or a 27% shortfall. This is a considerable improvement over 1997, when Americans expected to save \$103,000 for retirement while anticipating a nest egg need of \$205,000, resulting in a 1997 Retirement Gap of \$102,000, or a 50% shortfall.

Unfortunately, Americans' savings expectations are probably serious underestimates. The prototypical respondent to the study is age 44 with \$33,600 in annual income -- a person who would actually require about \$747,000 in savings at retirement to produce income equivalent to 70% of their annual income today. This discrepancy of over \$500,000 is a troubling miscalculation, probably due to an underestimation of inflation.

"The narrowing of the Retirement Gap is a good sign, indicating that investors are considering their needs and attempting to increase their savings as a result, but these expectations are still far too low – particularly for younger Americans," says John Carifa, President of Alliance Capital Management L.P. "The study showed, for example, that people between the ages of 25 and 29 who are earning a median income of \$25,000 believe that they need to save in the neighborhood of \$221,000 in order to have a sustainable annual retirement income equivalent to 70 percent of their current household income (\$17,500). However, the reality is that, factoring conservatively for inflation, a typical 25-year-old hoping for that level of income in 40 years will probably need about \$976,000 to produce the equivalent sum in retirement."

### Younger Americans Are Starting Disciplined Retirement Savings Earlier

Amassing these large amounts will require disciplined saving from an early age. Fortunately, the Alliance Capital/Harris poll found that the average American that is saving regularly for retirement today began this discipline at age 29. Most impressively, those age 18-39 began saving regularly for retirement at the average age of 25. However, earlier generations were not so well informed on the benefits of starting early: those aged 65 and above that saved for retirement began doing so at an average age of 46, while those aged 40-64 began at age 34.

"This is wonderful news, indicating that the message is getting through that starting regular savings as early as possible is the key to a successful retirement," says Mr. Carifa. "Even in tiny increments, regular savings combined with the power of compounding can add up to a substantial nest egg when given 40 years to grow."

An investment of only \$25 per month, begun at age 25, could result in a nest egg of over \$150,000 if invested at a 10% annualized return over 40 years. An investment of \$50 begun at the same age could result in a nest egg of over \$300,000 at age 65.

### But Young Americans Not Investing As Aggressively As Their Elders

However, starting saving early is only one half of the equation – investing more aggressively at a young age is also important. For many Americans, retirement is a long term investment and, as such, use of stocks and mutual funds is often appropriate in reaching goals. Ironically, the poll found that younger Americans, who should feel most enthusiastic about investing aggressively due to their long time horizons, are actually the least likely to be invested in individual stocks or mutual funds. Only 46% of those aged 18-29 are using stocks and mutual funds as part of their retirement plan, and those that are, on average, are devoting only 35% of their portfolios to these investments. In comparison, 62% of those aged 30-49 are using stocks and mutual funds in their retirement plan, and those that are have devoted 51%, on average, of their portfolios to these investments. 56% of those aged 50-64 are using stocks and

mutual funds, and they have devoted 51%, on average, of their retirement portfolios to these investments.

### **34% of Americans Have Not Planned At All – Highlighting Need For Advice**

The lower levels of stock and mutual fund investing among younger people could be a function of financial inexperience, but the Alliance Capital/Harris poll shows that many Americans have not taken steps to quantify their financial goals. 34% of those polled confessed that they had no idea how much they will need to retire, while 26% admitted that they did not know how much they would have saved by the time they retire.

"Here is where a financial advisor could be very helpful," says Mr. Carifa. "The first step for any savings and investment program is to assemble a thoughtful gameplan that lays out what major financial goals are ahead, calculates what the costs will be in tomorrow's dollars, and charts a sensible roadmap to get from here to there. Getting informed and getting started are the two most important steps."

### **About Alliance Capital**

With over \$262 billion in assets under management, Alliance Capital Management L.P. [NYSE: AC] is helping investors worldwide to reach their investment goals. The New York-based global investment manager is one of the world's largest mutual fund providers, with millions of individuals investing through the firm's family of 191 funds. In addition, Alliance manage retirement assets for 32 of the nation's Fortune 100 companies, public pension funds in 34 states, and retirement funds for some of the largest employee benefit plans.

**(Detailed statistics on these findings are available on request)**

### **Methodology**

This Harris Poll was conducted by telephone within the United States between June 17 and 22, among a nationwide cross-section of 1000 adults. Figures for age, sex, race, education, and number of adults in household were weighted where necessary to bring them in line with their actual proportions in the population.

In theory, with a sample of this size, one can say with 95% certainty that the results have a statistical precision of plus or minus 3% of what they would be if the entire adult population had been polled with complete accuracy. Unfortunately, there are several other possible sources of error in all polls or surveys that are probably more serious than theoretical calculations of sampling error. They include refusals to be interviewed (non-response), question wording and question order, interviewer bias, weighting by demographic control data, and screening (e.g., for likely voters). It is difficult or impossible to quantify the errors that may result from these factors.

These statements conform to the principles of disclosure of the National Council on Public Polls.