

ICI VIEWPOINTS

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Extra, Extra, Read All About It: Americans Are Preparing for Retirement

By Mike McNamee

Data and academic research overwhelmingly show that Americans are taking care to prepare for retirement. Americans today have a record \$19 trillion in assets earmarked for retirement. That's in addition to Social Security, which provides a bedrock retirement foundation for all working Americans.

This positive story, however, doesn't come through the doom and gloom that pervades the media (and some policy circles) whenever the discussion turns to retirement. In many ways, that's typical. As a former reporter, I can attest that bad news sells, and good news seldom makes the front page.

But the constant drumbeat of bad news about Americans' retirement prospects risks undermining a strong public-private system that successfully helps workers plan for their old age—and distorts the record.

Recently, for example, *USA Today* published [a column](#) making the alarming suggestion that “the prospects for actually retiring look slim.” The *Washington Post* led its Sunday editions with [a story](#) lamenting that “problems for future retirees seem to be closing in from all sides.”

Readers of these publications need to know the key facts, which ICI has compiled in [a recent study](#).

- **Retirement assets have grown strongly to record levels.** Assets earmarked for retirement (including 401(k) plans, defined benefit pensions, IRAs, and other employer-sponsored plans), adjusted for inflation and population growth, have increased nearly sixfold since 1975. In part, this growth reflects the balanced incentives of 401(k) plans, which encourage participation and savings across the income spectrum.
- **Most retirees maintain the standard of living they had while working.** Research examining the transition into retirement shows that most households maintain both consumption and after-tax income at the same level in the first years after retirement as when they were working. Moreover, studies that examine households later in retirement find that retirees, on average, maintain sufficient wealth to generate as much income as they could early in retirement.
- **Successive generations have reached retirement wealthier than their predecessors.** Moreover, the elderly poverty rate fell from nearly 30 percent in 1966 to 9 percent in 2011.
- **While all Americans have been affected by the recent economic and market turmoil, the data suggest that those households near and in retirement have felt the impact less.** Between 2001 and 2010, average wealth fell for most age groups, but fell less for households aged 55 to 64—and actually increased for households aged 65 or older.

Another key fact to remember: Americans across the board have demonstrated, by word and by deed, a strong and abiding commitment to the U.S. approach to retirement savings. In [another recent paper](#), we show that U.S. households—whether or not they had a defined contribution plan account such as a 401(k)—were generally confident in these plans' ability to help individuals meet their retirement goals. The survey also reveals the role DC plans play in long-term financial planning: an overwhelming majority of households invested in DC plans (about nine in 10) says that these plans help them to think about the long term and make it easier to save for retirement.

Of course, the United States, like all nations, faces its share of challenges when it comes to retirement preparedness. [As noted by ICI President and CEO Paul Schott Stevens recently](#), policymakers can and should take a number of steps, including action to

preserve Social Security as a universal, employment-based, progressive safety net for all Americans.

But the debate over such steps has to start with the facts. It's time for the press to start giving the full picture.

Learn more about 401(k) plans and the success of U.S. approach to retirement at our [401\(k\) Resource Center](#).

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