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Health Care Costs Loom as Largest Retirement Worry for Investors, T. Rowe Price Survey Finds

Concerns about elders not having saved enough money for retirement also prevalent

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Summary

Looking ahead to their retirement years, many investors see a future rife with serious financial concerns and somewhat diminished expectations, according to a recent T. Rowe Price survey. The August 2012 survey, which was conducted online by Harris Interactive and considered the practices of 850 investors in the United States aged 21-50 with at least one investment account, found that investors' biggest retirement concern was rising health care costs, cited by 76% of respondents. The survey also found that investors have a significant lack of confidence in [Social Security](#) and in the ability of their [parents and grandparents](#) to have enough money to maintain their desired lifestyle in retirement.

Selected survey findings

- The top retirement concerns among investors aged 21-50 are health care costs (76%), rising [taxes](#) (67%), Social Security availability (63%), inflation (61%), long-term care (58%), living too long and running out of money (52%), and housing values (52%).
- Only 16% of investors expect to receive full Social Security benefits as currently promised. The remaining 84% expect to receive no Social Security benefits (36%) or some form of reduced benefits when they retire (48%).
- When asked what they are doing differently to prepare for retirement as a result of this Social Security view, the most common responses among the 84% group were saving more (42%) and planning to [work longer](#) (29%); 13% said they are doing nothing about it, 11% said they are investing more aggressively, and 5% said they do not plan to retire.
- When asked for ways they are helping their parents or grandparents with financial matters, 19% of investors said they are providing guidance with daily expenses, 15% are providing general retirement planning guidance, 13% are providing direct financial assistance in meeting daily living expenses, and 9% are helping their elders better understand their [Social Security options](#).
- For those who provide general retirement planning guidance, only 59% believe their parents or grandparents will have enough money to maintain their desired lifestyle; the remaining 41% believe their elders will not have enough money (26%) or are not sure (15%).

Quotes

Stuart Ritter, CFP[®], senior financial planner with T. Rowe Price:

- "As this survey makes clear, investors are concerned about rising health care costs, and they should be. According to a report from the Employee Benefits Research Institute earlier this year, health care costs are the second-biggest expense for those aged 65 and older, behind housing, and it's the only spending category that steadily increases with age.¹ Younger investors' fears about what health care costs might look like decades from now are completely understandable."
- "Not outliving one's savings should be the primary goal of any retirement planning strategy. Yet it seems that many people may be underestimating their [longevity risk](#). An [earlier study](#) we conducted showed that the mean age at which people expect to retire is 62 and the expected number of years they will live in retirement is 22. Yet the chance that at least one member of a 65-year-old couple will reach age 90 is 45%.² So for many people, the 'long term' may be longer

than they realize."

- "The financial condition of the Social Security system has been widely debated for many years. The Social Security Trust Fund, which is where excess Social Security taxes collected over the years have gone, is projected by its Board of Trustees to be depleted in 2033. At that point, Social Security taxes will still be collected from workers and payments will be disbursed to retirees, but most likely at a reduced level, estimated to be 75% of the designed benefit. This may be encouraging to the 36% of survey respondents who said they expect to receive no Social Security benefit. Still, it underscores the need for people to save at least 15% of their salary on their own and consider Social Security to be only a complementary piece of their retirement income. I'm glad that 42% of people are saving more as a result of their skepticism, but I'd like to see that number be higher."
- "One of the perennial [lessons younger investors can learn from current retirees](#) is to save at least 15% and begin as early as possible. The ones who do are the ones more likely to enjoy the flexibility and lifestyle that financial independence can give you. Of course, the other half of the saving equation is spending in retirement. Spending must be prudent and a function of how much one has saved."

¹ "Expenditure Patterns of Older Americans, 2001-2009," by Sudipto Banerjee, February 2012.

² Source: Society of Actuaries RP-2000 Table.

About the survey

The survey was conducted online within the United States by Harris Interactive on behalf of T. Rowe Price from August 8-20, 2012, among 850 adults aged 21-50 who have at least one investment account. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. Figures for age, sex, race/ethnicity, education, region, and household income were weighted, where necessary, to align them with their actual proportions in the population.

Harris Interactive is one of the world's leading custom market research firms. Known widely for Harris Poll and for pioneering innovative research methodologies, Harris serves clients in 196 countries and territories through its North American and European offices and its network of independent market research firms. For more information, please visit www.harrisinteractive.com.

About T. Rowe Price

Founded in 1937, Baltimore-based [T. Rowe Price](#) is a global investment management organization with \$574.4 billion in assets under management as of September 30, 2012. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers a variety of sophisticated investment planning and guidance tools. The Retirement Plan Services division currently serves more than 3,500 retirement plan sponsors and more than 2 million retirement plan participants. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research.

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