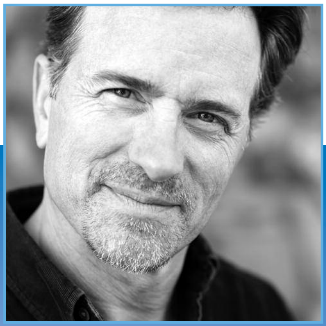
SURVEY

The 2011 MetLife Retirement Income IQ



The 2011 MetLife Retirement Income IQ

A Survey of Pre-Retiree Knowledge of Financial Retirement Issues

October 2011

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Executive Summary

In 2003, to heighten awareness of the level of public understanding on key retirement concepts that impact retirement income, MetLife conducted its first *MetLife Retirement Income IQ.* A second wave of the Retirement IQ was conducted in 2008. And in 2011, the MetLife Mature Market Institute conducted a third wave, *The 2011 MetLife Retirement Income IQ,* to see if awareness had increased or not, following the national financial crisis.

Results of *The 2011 MetLife Retirement Income IQ,* in which the majority of respondents answered 5 of the 15 information questions correctly, provide a mixed bag of increases in some areas of knowledge, yet persistent areas of misperception and misunderstanding. These results underscore the need for education and resources to ensure that pre-retirees are financially prepared as they plan for their retirement, and also ways to help them thread the information needed into a coherent understanding about what it will take to retire securely and successfully.

The survey included 15 IQ questions and an additional set of 9 questions to address respondents' retirement security and planning. The survey was administered online by GfK North America to 1,213 pre-retirees age 56 to 65 in June 2011.

Key Findings

- Results from the 2011 Retirement IQ Survey indicate that pre-retirees' knowledge of retirement issues and products continues to be low. On average, respondents answered 5 of 15 questions correctly, compared to a score of 6 correct out of 15 questions in 2008.

- 2011 shows a significant increase, and a continued trend upward since 2003, of respondents who say that the greatest financial risk facing retirees is longevity. Sixty-two percent of respondents answered correctly in 2011, compared to 56% in 2008, and 23% in 2003.

- Forty-two percent of respondents incorrectly believe that health insurance, Medicare, or disability insurance will cover the costs of long-term care.

- The majority (87%) of respondents have taken steps toward retirement and just under two-thirds (62%) of them are currently seeking financial product advice.

- An increased number of respondents feel that Social Security and Medicare benefits are more important now compared to five years ago (45% in 2011 vs. 33% in 2008). This is more than likely due to the economic downturn and volatility since 2008 and sensitivity to guaranteed lifetime income needs.

- Despite the increase in importance of Social Security benefits, only 17% knew that delaying the collection of Social Security by three years would add 24% to their monthly benefit amount.

- When asked about concerns during retirement, the number one answer by far was having enough steady income to cover essential expenses (32%) followed by being able to afford health care (18%).

- As the options for retirement income sources have expanded, more attention is being given to products such as reverse mortgages, but lack of knowledge still abounds. Only one-quarter (24%) correctly identified that a reverse mortgage is accessible only to homeowners age 62 or older, and over half (54%) were unaware that a reverse mortgage can be used to purchase a primary home.

- In helping pre-retirees assess their income adequacy for retirement, this year's survey added a question about what it would take to meet the needs for strictly "essential" expenses in retirement such as housing, food, health care, transportation, personal insurance, and personal taxes. Respondents indicated that, on average, 60.7% would be needed for these expenses.

- When asked about their household's financial perspective, almost half (48%) say that because of market uncertainty, they are more conservative with their investments. Another 30% say that they lost a considerable amount of money in the past few years and have to make up those losses.

As in the past, pre-retirees' chief concerns are about having enough steady income in retirement to cover essential expenses and being able to afford health care. The economic conditions of the past few years have certainly riveted the attention of pre-retirees to the circumstances that could affect their own retirement. This additional attention and consideration may have led to sharp increases in knowledge about issues such as longevity, and focus on the importance of social insurance programs such as Social Security and Medicare.

While economic uncertainty and volatility has led 45% of pre-retirees to consider planning to work more years before retiring, and 29% to acknowledge that their current retirement plans are likely to be later than they had expected, only 17% were able to correctly identify the additional percentage they would receive in Social Security benefits if they delayed their application for benefits. While there are many more now aware of the impact of their own potential longevity, only 32% correctly identify their considerable likelihood (i.e., 50%) of living longer than 85 years old. Additionally, a large portion underestimate the "replacement ratio" of the percent of their pre-retirement income needed to maintain a comparable lifestyle in retirement, and overestimate the percentage of their savings they can withdraw to maintain adequate income throughout their retirement.

Such disparities between connected pieces of information suggest that more pre-retirees are aware of some components of their retirement needs and considerations, but face difficulty in "connecting the dots" to get a coherent picture of both the "what" and "why" of their retirement prospects under different scenarios of their own future.

The trends in the Retirement Income IQ surveys since 2003 indicate that perhaps what is needed, particularly for those on the verge of retirement, is not simply "more education," but rather the "right education" about their retirement needs and flexible ways to respond to volatile economic realities. What the specific plans and actions they should take, as well as how to accomplish these and a rationale for why these are in their own best interests, can assist them in their actual circumstances. Perhaps just as important it will also help reduce the very evident concern and uncertainty they have about their imminent future in retirement.

Major Findings

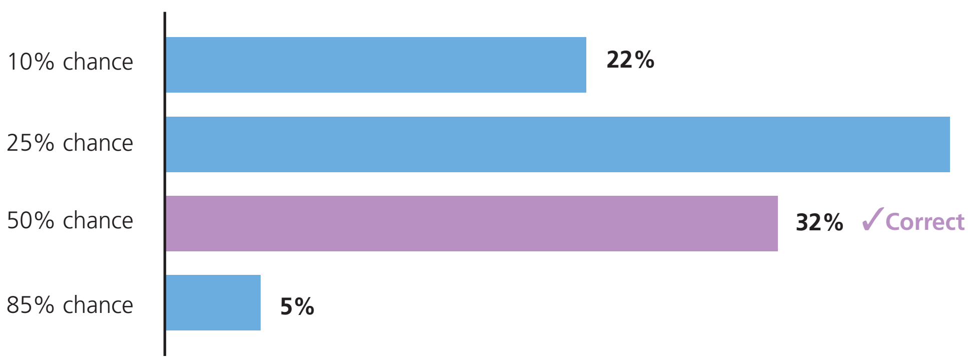
Overall, respondents demonstrate a lack of knowledge about core areas of information such as life expectancy, inflation, retirement income/savings, long-term care insurance, and to some extent, Social Security.

On the other hand, 2011 shows a significant increase, and a continued trend upward since 2003, of respondents who say that the greatest financial risk facing retirees is longevity. While awareness has increased, many respondents are not taking action to limit their longevity risk, and often provide inconsistent patterns of knowledge about related retirement income needs, desires, and resources.

Longevity: Clear About the Concept, Not As Much About the Odds

Almost one-third (32%) of respondents know that there is a 50% chance that they will live longer than the expected 85 years. As with previous surveys, more respondents believe that those chances are 25%, and therefore underestimate the probability of living that long.

Figure 1: Likelihood of Living Past Age 85



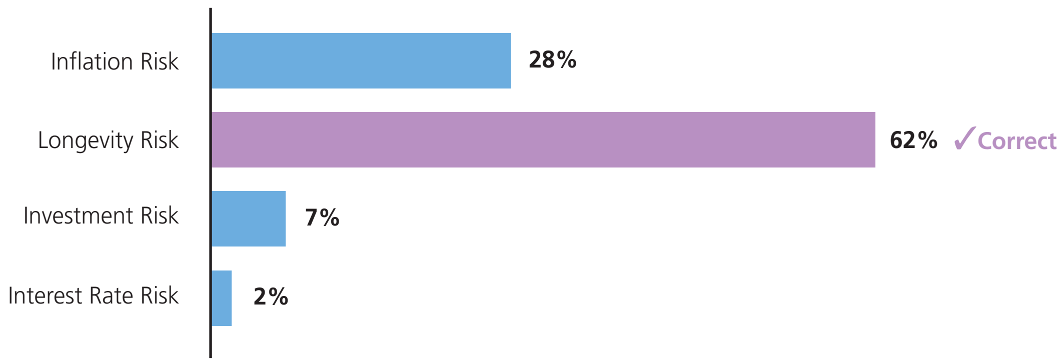
Q: An individual who reaches age 65 has a life expectancy of age 85. What are the chances that he or she will live beyond that age?

Source: Society of Actuaries "U.S. 2000 Annuity Male and Female Tables"

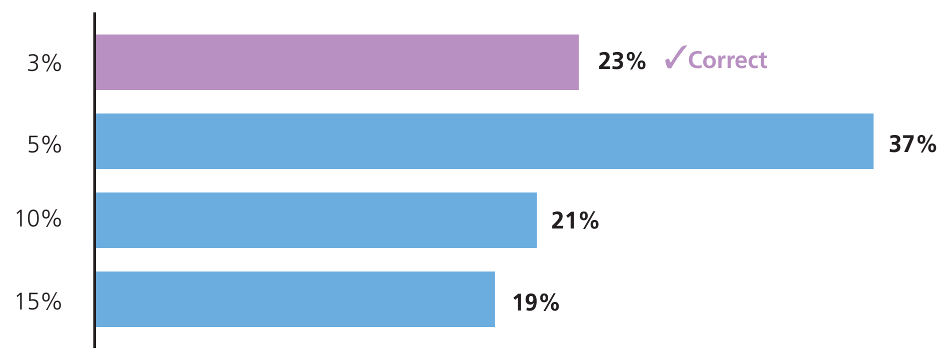
Though many are underestimating the chances of living a longer life, the majority (62%) of respondents correctly identify longevity as the greatest financial risk facing retirees. Another 28% believe inflation is the greatest risk. However, the average annual rate of inflation has been about 3% over the past 20 years. About a quarter (23%) of respondents knew this, and the majority (77%) believe this rate to be much higher — between 5% and even 15%. With longer life spans facing retirees, financial strategies are needed to ensure income will last throughout their retirement years.

Figure 2: Risks from Both Longevity and Overestimating Inflation

What is the greatest financial risk facing retirees?



What has the average annual rate of inflation been over the past 20 years?

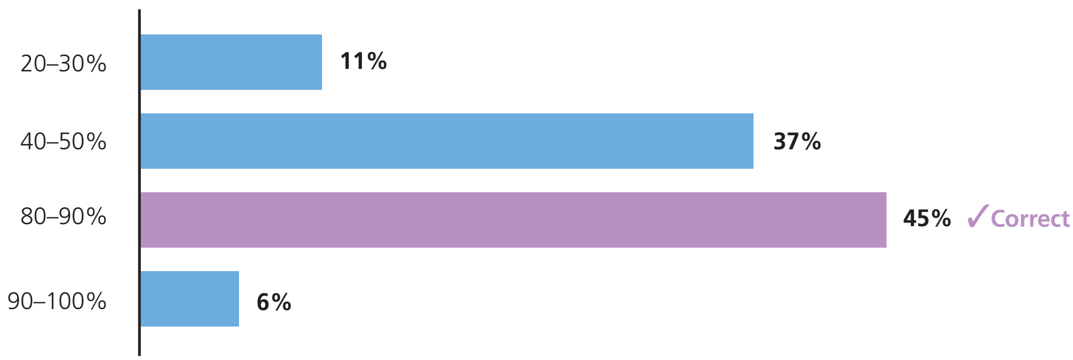


Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index

Retirement Income and Savings

More than 4 in 10 (45%) respondents correctly estimate the percent of pre-retirement income needed in retirement to maintain their standard of living. Almost half (48%) are underestimating the amount needed, a miscalculation which has significant financial implications for their retirement.

Figure 3: Percent of Pre-Retirement Income Needed for Comparable Lifestyle in Retirement

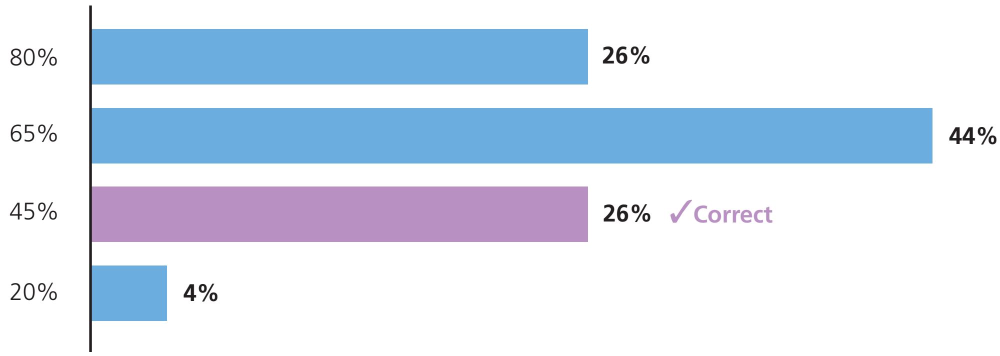


Q: What percent of pre-retirement income do experts think retirees need to use as a benchmark for determining the amount of annual income needed in retirement to maintain their living standard?

Source: The 2008 Aon Consulting/Georgia State University Replacement Ratio Study

Misconceptions about how much pre-retirement income is needed in retirement can have a negative effect for individuals when they reach retirement. According to MetLife Mature Market Institute calculations of the 2010 *EBRI Retirement Readiness Rating™: Retirement Income Preparation and Future Prospects,* 45% of middle income Americans in their mid 50s to early 60s are at risk of not having adequate income to cover basic expenses (i.e., food, apparel, transportation, entertainment, reading/education, housing, and basic health expenses) throughout retirement. Most respondents overestimated this percentage, believing 65% are at risk (44% of respondents) or even 80% are at risk (26% of respondents).

Figure 4: Percent of Americans at Risk of Not Being Able to Cover Basic Expenses



Q: What percent of middle income Americans in their mid 50s to early 60s are at risk of not having adequate income to cover basic expenses throughout retirement?

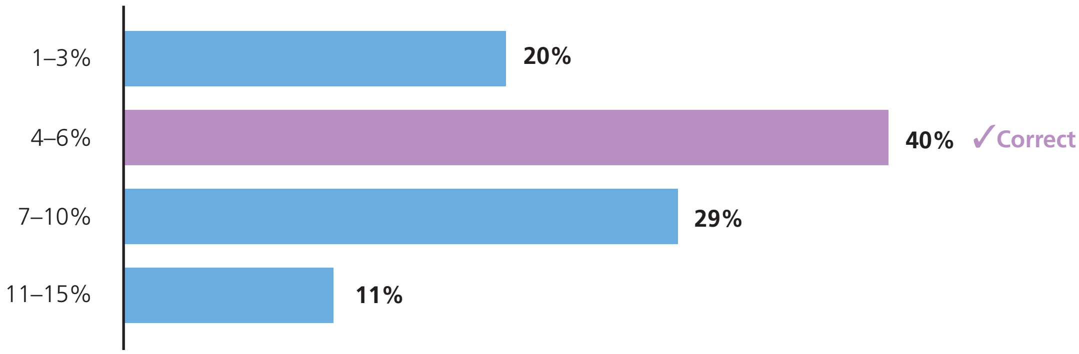
Source: MetLife calculations of the EBRI Retirement Readiness Rating™: Retirement Income Preparation and Future Prospects (July 2010)

Given the propensity to overestimate the risk of inadequate income, these results may be an indicator of the respondents' understandable sentiment of concern about their economic future as much as a measure of their knowledge about the issue.

Many Are Overestimating How Much They Can Withdraw from Savings

Taking into account variability of investment returns, as well as inflation and the risk of living past the average life expectancy, experts recommend withdrawing no more than 4% to 6% from savings each year in order to make savings last one's lifetime. Forty percent of respondents correctly estimated this amount, however many overestimated their potential withdrawal rate, with some believing a 7% to 10% or even 11% to 15% withdrawal from savings is appropriate.

Figure 5: Percent of Savings to Withdraw to Make Savings Last

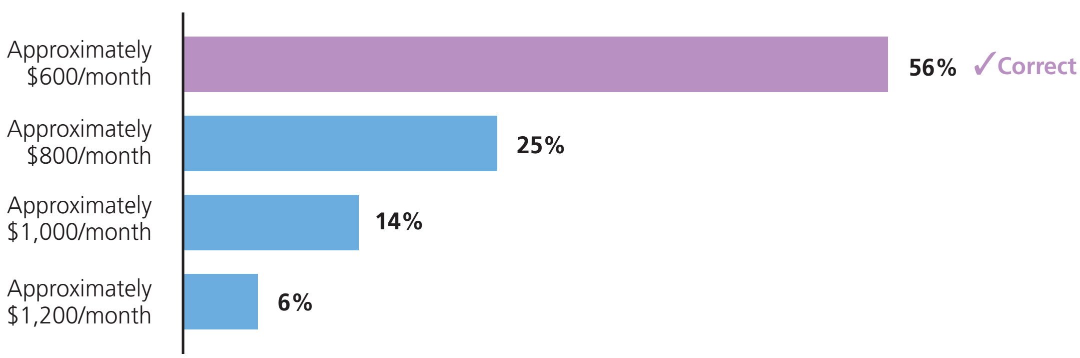


Q: To help ensure that an individual has enough money to make savings last his or her lifetime, experts are now recommending limiting the percent they withdraw from their savings each year to…?

Source: Standard & Poor's

Similarly, while 56% correctly responded that they could withdraw about $600 monthly from a $100,000 nest egg to last over a 30-year retirement, the remaining 44% of respondents indicated that they felt they could withdraw significantly higher amounts and still have their savings adequately fund their retirement needs.

Figure 6: Amount of Monthly Withdrawal from $100K in Savings

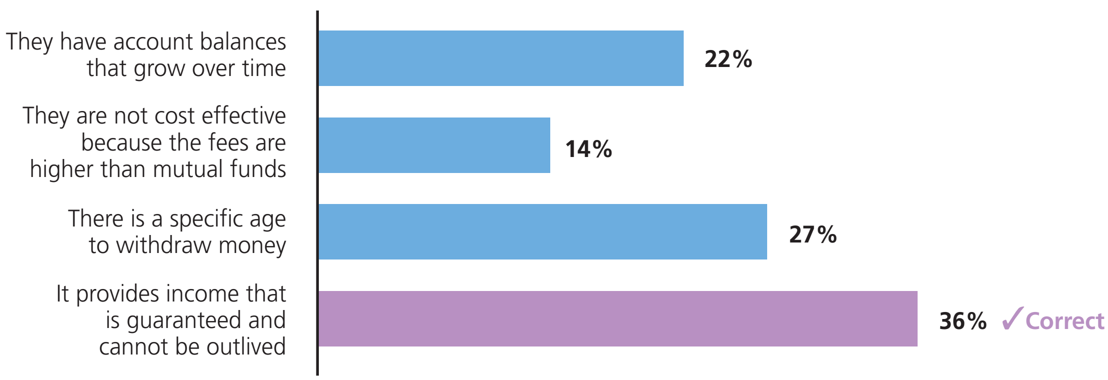


Q: Suppose an individual retired at age 65 with a savings of $100,000. How much money could be withdrawn each month assuming annual earnings of 6% and that no savings, that is principal plus interest, remained after 30 years?

These high levels of savings depletion, in combination with their underestimation of their potential longevity, paint a picture of a potentially unsustainable level of retirement finances.

A related issue arises regarding the potential volatility of sources of income in retirement, particularly in view of the economic uncertainty and volatility since the 2008 survey, and the annuity characteristics of basic social benefits like Social Security. Just over one-third (36%) of respondents correctly identified that annuities are sources of lifetime guaranteed income.

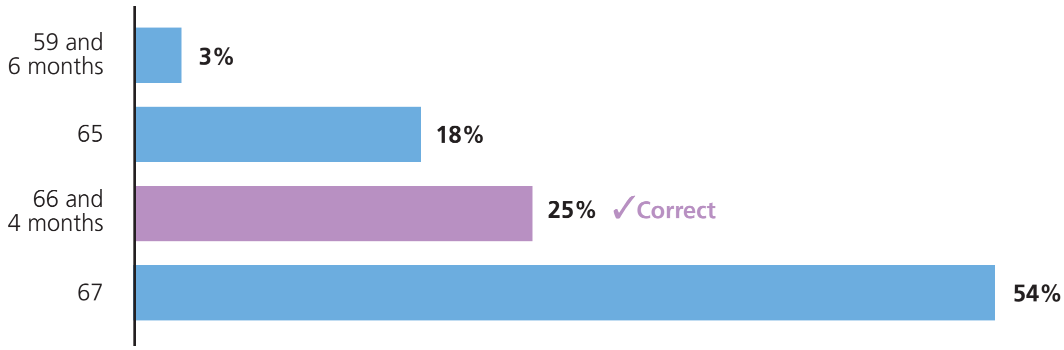
Figure 7: Which of the Following Is Always True Regarding Income Annuities?



Social Security

The age for full retirement benefits is increasing due to changes made as a result of the 1983 Social Security Amendments. Those born in 1956 will have to wait until age 66 and 4 months for full benefits. Those born in 1960 or after will have to wait until age 67. When asked about the age a person who is 55 in 2011 would have to be in order to collect full Social Security benefits, more than half of respondents said age 67. Only 25% of respondents gave the correct answer of 66 years and 4 months.

Figure 8: Age to Collect Full Social Security Benefits

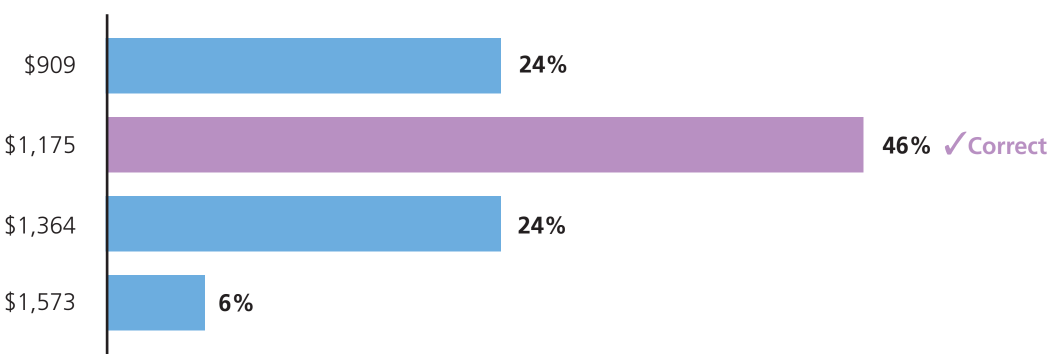


Q: At what age would a person who is age 55 in 2011 be able to collect full Social Security benefits?

Source: Social Security Administration

Over 4 in 10 retirees (46%) correctly identified that the average monthly Social Security benefit paid in 2010 to a retired worker was $1,175. Thirty percent overestimated the amount received, with almost one-quarter (24%) of respondents selecting $1,364 and another 24% underestimated the benefit amount selecting $909 as the average payment.

Figure 9: Average Monthly Social Security Benefit



Q: What was the average monthly Social Security benefit paid in 2010 to a retired worker?

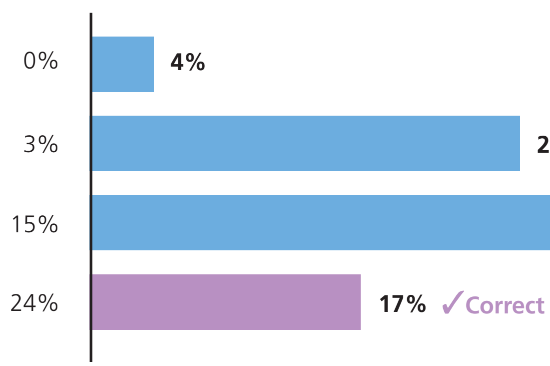
Source: Social Security Administration

Higher Benefits from Delaying Social Security, but Few Realize It

Waiting to take one's Social Security benefits can have a major impact on the amount they receive. The amount of this impact varies depending on year of birth, but an individual who is born between 1943 and 1954 can collect full Social Security benefits at age 66 — the Social Security Administration calls this "full retirement age." Each additional year working results in an 8% annual increase to that individual's benefit amount. Therefore, if they wait to collect Social Security until they are age 69, their benefit amount would be 24% more than if they collected at age 66.

A full 83% of respondents underestimate the additional amount they could receive if they delayed their Social Security benefits for three years. Just over half (52%) of respondents believe that the additional amount would be 15% and 31% believe it would be 3% or less.

Figure 10: Additional Benefit Amount if Social Security Is Delayed 3 Years



Q: How much more will a person's monthly benefit be if they delay their Social Security benefits from age 66 to age 69?

Source: Social Security Administration

Health Care Costs

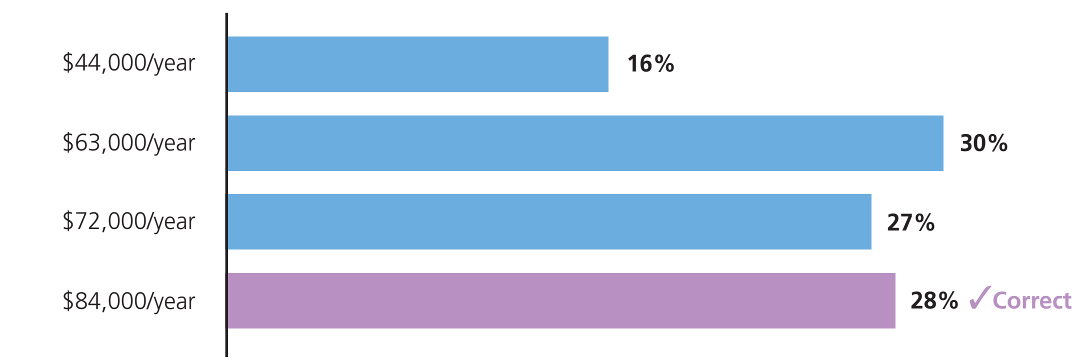
Long-Term Care Costs Are Underestimated

According to the *2010 MetLife Market Survey of Long-Term Care Costs,* the national average annual cost for a private room in a nursing home in 2010 was $83,585. Fewer than 3 in 10 (28%) respondents answered correctly, with another 3 in 10 reporting the annual cost to be $72,000 (27%) or $63,000 (30%).

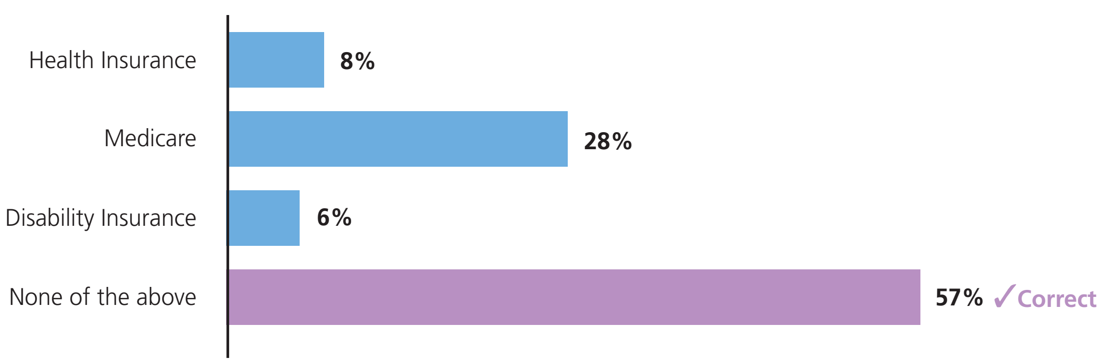
While many may be miscalculating the potential cost if they need nursing home care, almost 6 in 10 (57%) of the respondents correctly answered that expenses for long-term care, often referred to as custodial care (including assistance with the activities of daily living such as bathing, dressing, and toileting), are not covered by health insurance, Medicare, or disability insurance.

Figure 11: Long-Term Care Costs

What is the average annual cost for a private room in a nursing home?



Expenses for extended long-term care are generally covered by...?



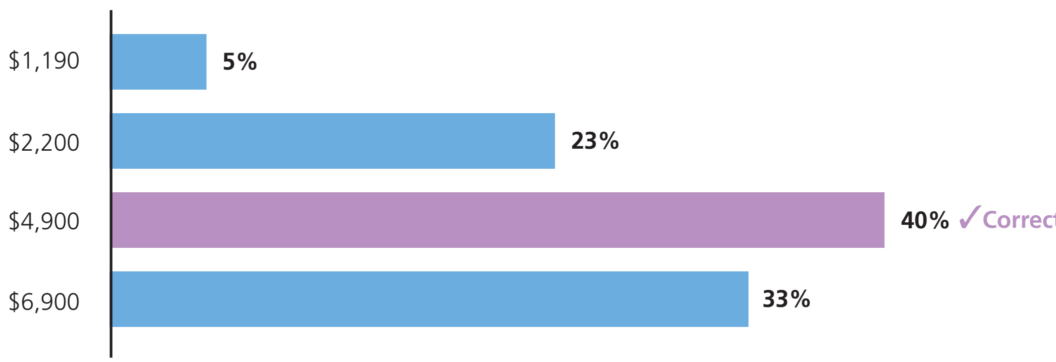
Source: 2010 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs

Costs for ongoing long-term care services provided at home, in an assisted living facility, or in a nursing home can be significant and can adversely affect one's plans for retirement. Long-term care insurance is the only insurance designed to help cover the costs of long-term care services. Without it, many or all of the costs are out-of-pocket.

Health Care Costs Past Age 65

For people age 65 and older, out-of-pocket costs for health care average about $4,900 annually. These expenses include health insurance, medical services and supplies, and medications. Four in 10 respondents answered correctly, and a third believe them to be as high as $6,900.

Figure 12: Amount of Out-of-Pocket Costs on Health Care



Q: How much do people age 65 and older spend annually on out-of-pocket costs for health care?

Source: U.S. Department of Labor, Bureau of Labor Statistics, 2009 Consumer Expenditure Survey

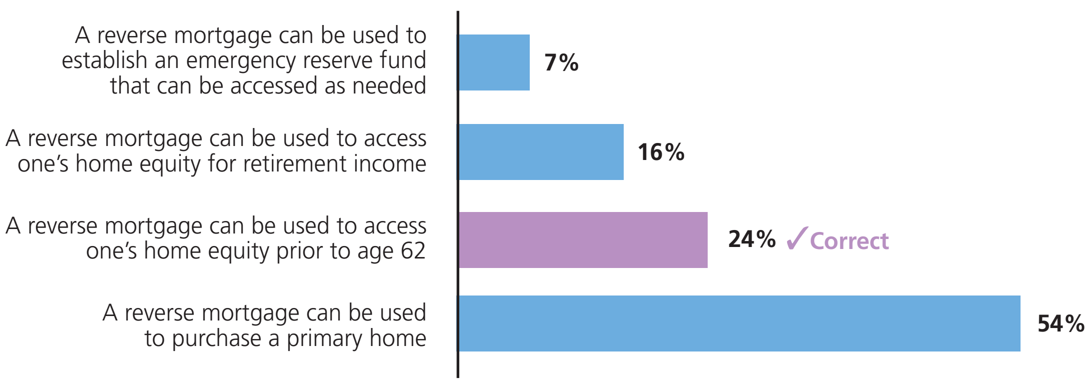
Reverse Mortgages

Respondents were asked about different uses of a reverse mortgage. By law, a borrower must be at least age 62 to be eligible for a reverse mortgage. A quarter of respondents correctly indicated that a reverse mortgage could not be used prior to age 62, however the majority of respondents do not know that a reverse mortgage can be used to purchase a primary home.

This type of reverse mortgage, called a HECM (Home Equity Conversion Mortgage) for Purchase allows homeowners age 62 or older to purchase a new principal residence using loan proceeds from the reverse mortgage. According to the U.S. Department of Housing and Urban Development (HUD), the HECM for Purchase was designed to enable older homeowners to relocate to be closer to family members or downsize to homes that meet their physical needs.

Many also don't know that a reverse mortgage can be used for retirement income or to set up an emergency fund for the unexpected.

Figure 13: Which of the Following Is Not True of Reverse Mortgages?



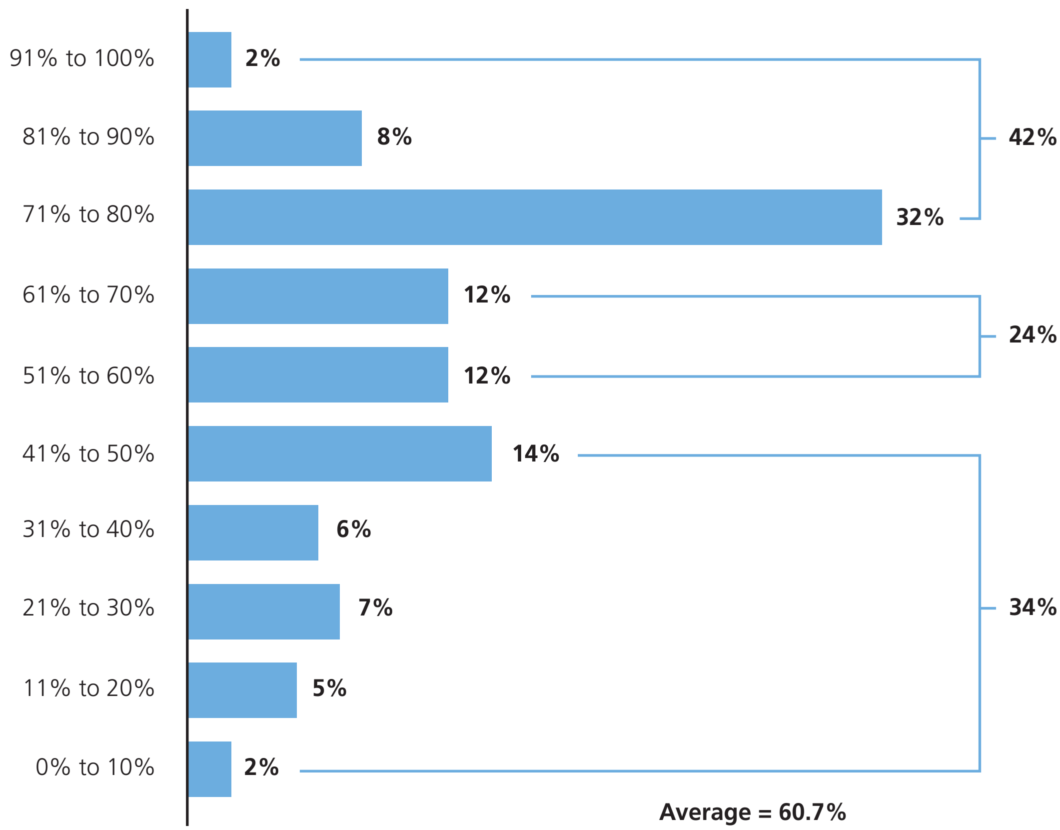
Source: U.S. Department of Housing and Urban Development (HUD)

Additional Learning

Retirement-Financing "The Essentials"

Respondents were asked about an additional aspect of their post-retirement income needs by estimating what percent of pre-retirement income an average couple would need to cover their "essential" living expenses (i.e., housing, food, health care, transportation, personal insurance and personal taxes) in retirement. Respondents identified a variety of choices but averaged 60.7% as what would be needed, very close to informal estimates that about 60% is needed to cover these minimum, no-frills requirements for living in retirement.

Figure 14: Percent of Pre-Retirement Income to Cover Essential Expenses in Retirement



Q: What percent of pre-retirement income would an average couple need to cover their essential living expenses (i.e., housing, food, health care, transportation, personal insurance, and personal taxes) in retirement?

Source: MetLife estimates of the 2008 Aon Consulting/Georgia State University Replacement Ratio Study and the U.S. Department of Labor, Bureau of Labor Statistics 2009 Consumer Expenditure Survey

Slightly more respondents (42%) tended to select a higher percentage — i.e., 71% to 100% — of pre-retirement resources needed to cover these essential expenses than lower percentages (34%) — i.e., 0% to 50% — while about one-quarter (24%) were in the general 51% to 70% range.

Planning Ahead for Retirement

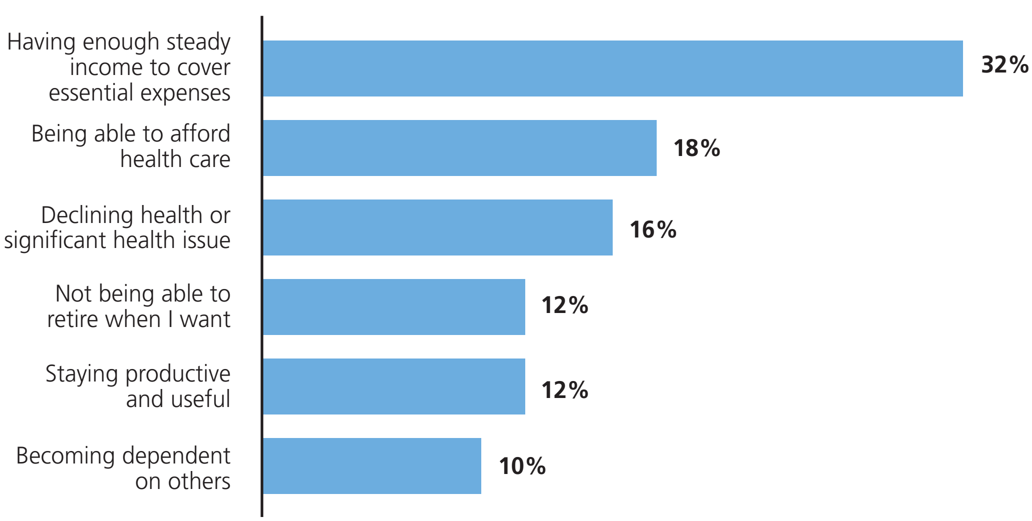
Retirement Timing Has Changed for Some Pre-Retirees

Respondents in this study were within five years from retirement — the majority planning to retire in the next two to five years. When asked if they plan on retiring earlier, later, or the same time as they thought within the past two to three years, almost 3 in 10 (29%) said that they planned to retire later than they expected. Another 13% reported they plan to retire earlier than expected. The remaining 58% reported no changes in expected retirement timing.

Pre-Retirees' Biggest Concern Is Not Having Enough Steady Income to Cover Essential Expenses in Retirement

The biggest retirement concern for respondents by far is having enough steady income to cover essential expenses, as reported by 32% of respondents. This is regardless of whether they plan to retire earlier, later, or the same time as expected. Married respondents (34%) are more likely than unmarried respondents (28%) to mention this as a concern.

Figure 15: Biggest Concerns for Retirement



Q: What is your greatest concern about retirement?

Almost 6 in 10 (57%) respondents report feeling at least somewhat confident that they will have enough money to live comfortably through retirement, while the remaining 4 in 10 do not feel confident that they will have enough money to live comfortably if they live until 85.

Not surprisingly, those with more financial means — more assets, higher income — are more likely to report confidence than those with fewer means. They are also more likely to be married, male, seeking financial advice, and taking steps to prepare for retirement.

Health issues are a concern for many respondents, whether it be health care affordability (18%) or their own health status (16%). Though medical advances have enabled Americans to live much longer now then their predecessors, a longer lifespan increases the risk of developing a serious health condition and with it, the need for financial resources to pay for health care. However, as previously noted, health and related costs are also already included within the essential expenses framework, so it is clear that between health costs and health status, it is a primary concern among pre-retirees in both its financial and physical dimensions.

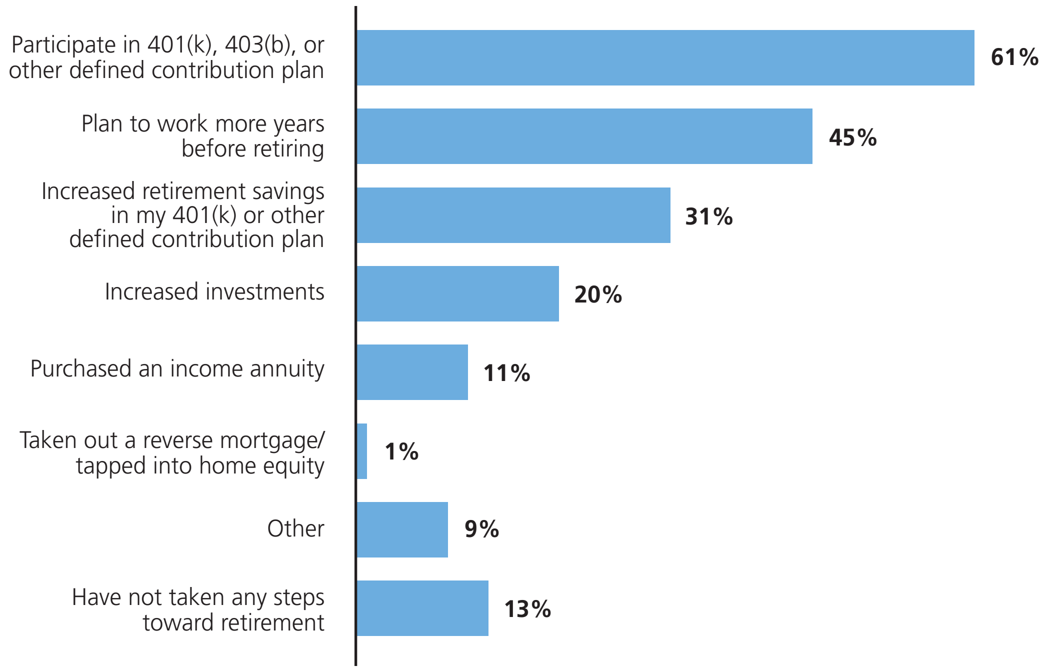
Single respondents and males are more likely than their counterparts to mention that becoming dependent on others is a concern they have for retirement. Not being able to retire when they want is a concern reported by more singles than married respondents, and also among those who have not taken steps toward retirement.

Activities to Ensure a Secure Retirement

The majority (87%) of respondents have taken some steps to help ensure adequate income for retirement. Almost a third of respondents have increased their contributions to their 401(k) or other retirement plans. Almost half (45%) plan to extend their working years.

Those who have taken steps are more likely to be married, between the ages of 61 to 65, and to be currently seeking advice regarding various financial issues or products. These respondents are also more likely to feel confident that their retirement money will allow them to live comfortably until age 85.

Figure 16: Steps Taken to Help Ensure Adequate Retirement Income



Q: Which of the following steps have you taken to help ensure adequate income for your retirement?

A critical component to planning for retirement is protecting against the unexpected. With almost half (48%) of respondents underestimating the recommended percent of pre-retirement income needed as a benchmark for retirement (see Figure 3), unexpected events such as major illnesses or losses can have a significant impact on one's already limited finances. When asked how they would access substantial money to cover unexpected expenses, respondents most often reported they would draw from cash put away for a "rainy day." Another 18% said they would reduce their current spending.

Those who have taken steps toward ensuring income for retirement and those who are confident that they will have enough money to live comfortably if they live until 85 were more likely to say they would dip into their rainy day fund.

Table 1: Covering the Unexpected

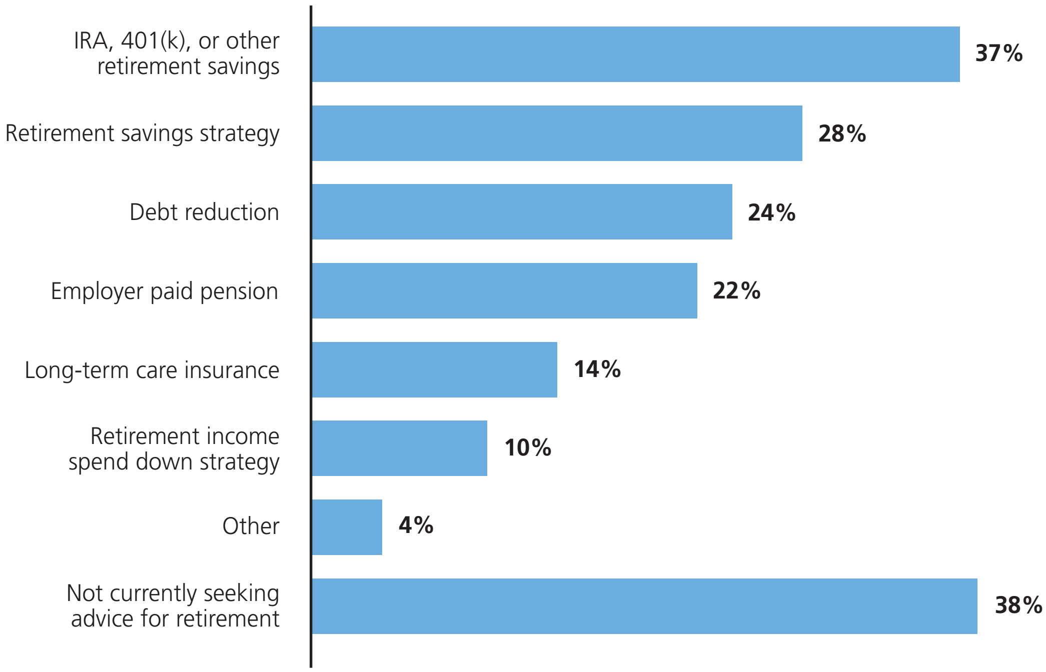
Draw from cash put away for a rainy day	24%
Significantly reduce spending and expenses	18%
Cash out of some/all of my retirement funds that don't have early withdrawal penalties	12%
Get another job/have spouse get another job	11%
Borrow from a bank	8%
Use credit card	6%
Sell my home	4%
Cash out of some/all of my retirement funds that have early withdrawal penalties	4%
Default on loan/bankruptcy	4%
Borrow from a friend/relative	3%
None of the above	7%

Q: If you needed to access substantial money to cover unexpected expenses/demands, how would you most likely cover those expenses?

Pre-Retirees Are Looking for Advice on Saving for Retirement and Lowering Debt

Just under two-thirds (62%) of respondents are currently seeking advice about certain financial products or issues. The most common type of advice they are looking for is regarding retirement savings. Thirty-seven percent of respondents are seeking advice on IRAs or 401(k)s, and 28% are looking for guidance on a savings strategy for retirement. Debt reduction is also an area where respondents are looking to others for advice, as reported by 24% of respondents.

Figure 17: Financial Products and Issues That Respondents Are Seeking Advice On



Q: On which of the following financial issues/products are you actively seeking advice for your retirement?

Those respondents who have taken steps toward retirement and who are confident that they will have enough money to live comfortably if they live to 85 years of age are more likely to say that they are actively seeking advice regarding financial issues or products, compared to their counterparts.

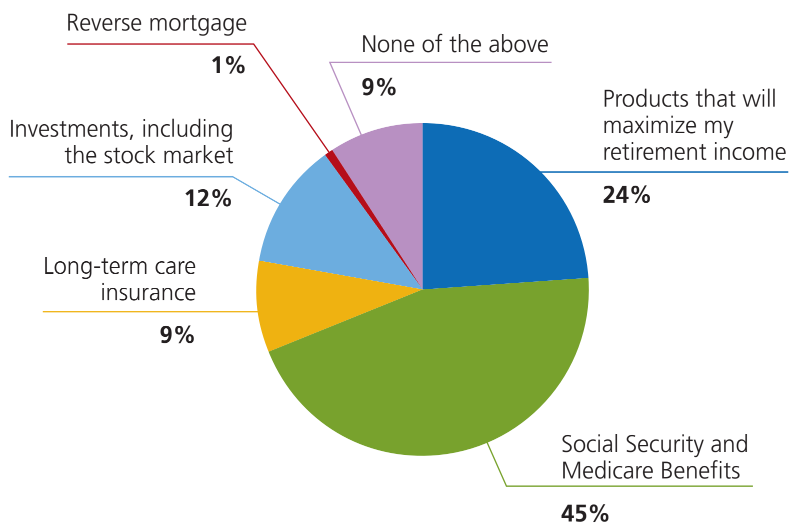
The advice that these pre-retirees are looking for may not always be well-received. When asked in an open-ended question, what the worst piece of financial advice they have received about retirement was, the most common was investment-related (12%), likely due to the account balance reductions experienced by many investors during the recent recession. Almost 4 in 10 (39%) respondents volunteered that they did not receive any bad advice.

The Impact of the Economy

Financial Products: Which Are More Important Now Compared to Five Years Ago?

Overall, 4 in 10 (45%) respondents cite Social Security and Medicare as more important financial products and services now than five years ago. Those who have not taken steps toward retirement, who do not feel confident about having enough retirement money, and those who are not currently seeking advice about financial issues/products are more likely than their counterparts to feel that the importance of Social Security and Medicare has increased.

Figure 18: Products That Are More Important Now



Q: Of the following, which one financial product or service is more important to you now than it was 5 years ago?

Another 2 in 10 (24%) respondents place increased importance on products that will maximize their retirement incomes. These include respondents who have taken steps toward retirement and feel confident in their retirement funds to live comfortably until they reach 85.

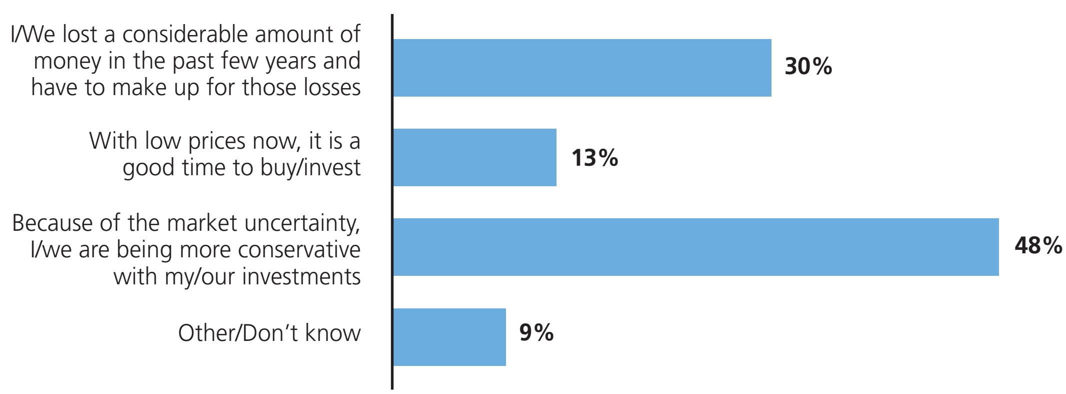
Households Are Being More Conservative with Investments

When respondents were asked to describe their household's financial perspective, almost half (48%) say that they are being more conservative with their investments. This is mentioned more often by those respondents who have taken steps toward retirement and are confident that they will have enough money to live comfortably if they live until 85.

Thirty percent of respondents mention losing a considerable amount of money in the past few years and are having to make up for those losses. Understandably, those who are not confident in having enough retirement money than their counterparts are more likely to mention this perspective.

One in 10 (13%) respondents say that now is a good time to buy/invest because of low prices. This is particularly true of those who have taken steps toward retirement and those who are confident that they will have enough money to live comfortably if they live until 85 compared to their counterparts.

Figure 19: Households' Financial Perspective



Q: Which of the following best represents your/your household's financial perspective right now?

Implications

This Retirement Income IQ serves as a periodic look at pre-retirees' "pulse" on necessary basic information about their retirement finances, and the issues that can influence it. Basic understanding and appreciation of core influences on their retirement incomes and outflow are critical for making informed decisions about how to address their primary concerns about retirement "How can I provide for steady income for my essential expenses and health care costs?"

While the ebb and flow of responses to specific questions has changed between the original 2003 study and the 2008 and 2011 updates, and there has been noticeable improvement in knowledge in some areas, the overall conclusion remains that many pre-retirees are less informed about these core knowledge issues than they should be.

The pattern in the 2011 results reveals that respondents tend to have conflicting levels of understanding of the dynamics of their retirement income needs and resources. On one hand they demonstrate a much better knowledge of the importance of their longevity in planning, yet underestimate the potential extent of that longevity. At the same time that they underestimate longevity, they overestimate (for some over three times the recommended allowances) the amount of money they can withdraw from savings and other sources to provide adequate income over the long term — the 20 to 30 years or more many will have to adequately fund. The responses indicate that many more are looking to Social Security as a major source of their retirement income, yet underestimating how much their monthly benefit would increase if they postponed receiving the benefits, thus insuring a higher steady stream of income as they age. Many would use their retirement nest egg to pay for unexpected expenses, but almost half cannot determine a withdrawal rate from savings to last them for 30 years in retirement.

Pre-retirees, with their imminent retirement decisions, are especially hard-pressed to make decisions based on inadequate information and knowledge, and do not fully understand the need for retirement income planning. That accounts for both savings to fund it, and a retirement income strategy that will last their lifetime. In many ways, overestimating requirements such as inflation rates and out-of-pocket health care costs is just as potentially disruptive to adequate planning as underestimating resources needed for long-term costs, as it artificially inflates anticipated needs and can create unnecessary concerns about planning and preparing adequately. The current, as well as prior studies, provides direction about the implications of the findings.

Information: Necessary, but Not Sufficient

Consumers in general can always benefit from additional guidance and education. However, it is becoming clearer that education must go further than just informing. Rather, it would be beneficial to assist consumers with education designed to "connect the dots" and personalize the issues to their circumstances. This includes consideration of not just "what," and "how" considerations, but "why" as well.

Establish and Educate About Components of "Retirement Literacy"

While efforts at financial literacy have been expanding, a broader context may also be needed. The necessity for financial literacy is evident in the fact that almost half of respondents could not accurately determine a withdrawal rate from their savings to last through retirement, a basic income strategy calculation. Obviously, the plethora of Internet calculators about this and similar types of scenarios can offer useful resources to accomplish this task. What remains to be addressed is the overall context of funding retirement adequately, and then the equally important component of a lifetime spending plan.

The pieces of a retirement financial plan are complex — and becoming more complex as these studies have indicated. These pieces include resources needed to maintain a current lifestyle; those needed just for essential expenses; health care costs; potential long-term care costs; various scenarios for Social Security, pension, and annuity income decisions; other potential sources of retirement income from reverse mortgages, and other equity sources are among them. The longstanding evidence about the public's level of knowledge about these important considerations, the growing number of Americans approaching retirement decision points, and the apparent lack of a consumer-oriented framework to respond calls for additional attention from both public and private sector resources.

Concentrate on the Basics for a Lifetime

The mantra of many consumers about their retirement incomes has remained constant through the Retirement Income IQ studies, and reinforced with this latest example — an adequate stream of reliable income is of paramount importance. The evidence of the increased importance of Social Security and financial products that maximize retirement income, seeking advice about 401(k) and IRA plans, increasing participation and savings through defined contribution plans, diversifying plans for income sources through better savings strategies, potentially longer working years, potential uses of home equity, and adequate savings and "rainy day" funds for unexpected expenses all confirm the primary of this need.

These actions and intentions should receive continued encouragement. In view of the recognition of the risk of increased longevity and the longer lasting effects of very volatile risks on retirement savings and investments, more may be needed. An additional basic, which was cited by only a small minority of respondents as a focus for additional advice, is a spend-down strategy as broad as their savings and financial resource accumulation strategy, so that their continued attention to their financial needs truly accommodates their potential lifespan.

Methodology

The 15-question, close-ended *2011 MetLife Retirement Income IQ* and additional information and attitudinal questions was administered online by GfK North America to 1,213 pre-retirees in June 2011. The margin of error for this survey is +/- 3 percentage points.

Participants aged 56 to 65 working full-time, within five years of retirement, who were the co- or primary household financial decision-maker qualified for the survey. Participants were members of GfK, SSI, and Opinionology's Internet Panels, and responded to an e-mail invitation to take the survey from GfK. Data were weighted based on gender, education, and occupation.

The 2008 survey was conducted online by GfK North America in April 2008. A total of 1,216 pre-retirees aged 56 to 65, within five years of retirement, who were primary or co-primary financial decision-makers in their household and employed full-time, qualified for the survey.

Appendix A: 2011 IQ Questions and Answers

Question	Answer Options			
	A	B	C	D
1 If an individual needed long-term care today, what would be the average annual cost for a private room in a nursing home?	$44,000 per year (16%)	$63,000 per year (30%)	$72,000 per year (27%)	$84,000 per year (28%)
2 What percent of pre-retirement income do experts think retirees need to use as a benchmark for determining the amount of annual income needed in retirement to maintain their living standard?	20-30% (11%)	40-50% (37%)	80-90% (45%)	90-100% (6%)
3 An individual who reaches age 65 has a life expectancy of age 85. What are the chances he or she will live beyond that age?	10% (22%)	25% (41%)	50% (32%)	85% (5%)
4 At what age would a person who is age 55 in 2011 be able to collect full Social Security benefits?	59 and 6 months (3%)	65 (18%)	66 and 4 months (25%)	67 (54%)
5 Expenses for extended long-term care (e.g., nursing home care, assisted living, home care) are generally covered by…?	Health insurance (8%)	Medicare (28%)	Disability insurance (6%)	None of the above (57%)
6 To help ensure that an individual has enough money to make savings last his or her lifetime, experts are now recommending limiting the percent they withdraw from their savings each year to…?	1-3% (20%)	4-6% (40%)	7-10% (29%)	11-15% (11%)
7 How much do people age 65 and older spend annually on out-of-pocket costs for health care?	$1,190 (5%)	$2,200 (23%)	$4,900 (40%)	$6,900 (33%)
8 Which of the following is always true regarding income annuities?	They have account balances that grow over time (22%)	They are not cost-effective because the fees are higher than mutual funds (14%)	There is a specific age to withdraw money (27%)	It provides income that is guaranteed and cannot be outlived (36%)

Question	Answer Options			
	A	B	C	D
9 What has the average annual rate of inflation been over the past 20 years?	3% (23%)	5% (37%)	10% (21%)	15% (19%)
10 Suppose an individual retired at age 65 with a savings of $100,000. How much money could be withdrawn each month assuming annual earnings of 6% and that no savings, that is principal plus interest, remained after 30 years?	Approx. $600 per month (56%)	Approx. $800 per month (25%)	Approx. $1,000 per month (14%)	Approx. $1,200 per month (6%)
11 What was the average monthly Social Security benefit paid in 2010 to a retired worker?	$909 (24%)	$1,175 (46%)	$1,364 (24%)	$1,573 (6%)
12 What is the greatest financial risk facing retirees?	Inflation (28%)	Longevity (62%)	Investment (7%)	Interest rate (2%)
13 How much more will a person's monthly benefit be if they delay their Social Security benefits from age 66 to age 69?	0% (4%)	3% (27%)	15% (52%)	24% (17%)
14 What percent of middle income Americans in their mid-50s to early 60s are at risk of not having adequate income to cover basic expenses (i.e., food, apparel, transportation, entertainment, reading/education, housing, and basic health expenses) throughout retirement?	80% (26%)	65% (44%)	45% (26%)	20% (4%)
15 Which of the following statements is not true of reverse mortgages?	A reverse mortgage can be used to establish an emergency reserve fund that can be accessed as needed (7%)	A reverse mortgage can be used to access one's home equity for retirement income (16%)	A reverse mortgage can be used to access one's home equity prior to age 62 (24%)	A reverse mortgage can be used to purchase a primary home (54%)

Appendix B: Demographics

Age	
56–60	51%
61–65	49%
Gender	
Male	56%
Female	44%
Race	
White/Caucasian	87%
African American	8%
Asian/Pacific Islander	2%
Other	2%
Marital Status	
Married/Domestic partner	69%
Divorced/Separated/Widowed	24%
Single, never married	7%
Education	
High school or less	18%
Some college/Associate's degree/Technical school	42%
Completed college	24%
Graduate school or higher	16%
Occupation	
Executive/Managerial/Professional/Technical/Sales	41%
Administrative support	19%
Service	12%
Operator/Laborer/Craftsman/Repairman	14%
Other	14%
Household Assets	
Less than $100,000	50%
$100,000 to $249,999	16%
$250,000 to $299,999	7%
$300,000 or more	16%
Household Income	
Less than $40,000	20%
$40,000 to $59,999	22%
$60,000 to $89,999	24%
$90,000 or more	31%

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