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Americans' Retirement Savings Fall Short

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More than half of Americans are saving 10 percent or less of their income during their working years, which is not enough to support the early retirement that many want, says a new survey by TIAA-CREF.

Twenty-one percent of those surveyed who have not retired have saved nothing for retirement and 44 percent have saved less than 10 percent of their salary. However, 37 percent plan to retire before age 65, according to the survey of 1,000 American adults by TIAA-CREF, a financial services provider.

Additionally, 53 percent of survey respondents plan to use withdrawals from their retirement savings as one of their sources of monthly income.

“Far too many people believe they will be able to live in retirement by just drawing down their savings,” says Teresa Hassara, executive vice president of TIAA-CREF’s Institutional Business. “But as people live longer and health-care costs increase, this approach leaves people at risk of outliving their savings. Every withdrawal decreases the pool of assets needed to weather down markets, and rising inflation can make it necessary to draw more income than expected.”

TIAA-CREF advocates using annuities that provide a guaranteed income for life to supplement retirement incomes. Many people underestimate what they will need in retirement, TIAA-CREF says.

Thirty-three percent of survey respondents estimate they will need 25 percent to 50 percent of pre-retirement income to maintain their current standard of living, and another 33 percent believe they will need 50 percent to 75 percent.

This perception is at odds with industry experts’ estimates that most people will need 70 percent to 90 percent of pre-retirement income to maintain the same standard of living during retirement. Only 21 percent of those surveyed who have not retired believe they will need more than 75 percent of pre-retirement income to live comfortably in retirement.

“Retirement security is too important for wishful thinking and guesswork,” Hassara says. “A more reliable strategy is to guarantee a portion of savings as income you can’t outlive to help cover essentials, like food and housing. Annuity payments create an income stream that lasts for life, even if your retirement stretches for 30 or 40 years.”

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