The Retirement Security Challenge

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Maslow?

Leaving an Estate
World Travel
Golf, Fish, Leisure
Life Beyond Basics

Fully Paid Past Employer HI and LTI
Retiree Pay All Guar Issue Group HI and LTI
Retiree Pay All Medigap and LTI
Medicare / Medicare Advantage
Medicaid / Long Term Care
All Basic Living Expenses

Income from Home Loan/Sale
Income from Savings
Pension Annuity Income
Social Security
SSI and Public Assistance
Assume Good Health

Plan and budget and save
or borrow and spend?

Consider all income and expenses
and do not retire until you have enough
or
retire because a letter said I was eligible?

Play or go back to work?

www.ChooseToSave.org
Percentage of income by age for the retired population 1977 and 2004

1977

2004

Earnings
SSA
Private DB
Public DB
Annuities
Asset Income
Matching the Value of SSA and Medicare to average life expectancy takes big savings!

- SSA replaces 27% of salary at the maximum wage base and 39% at the average income
- Medicare pays for about 50% of retiree health costs

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>SSA</th>
<th>Med</th>
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</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td>243,174</td>
<td>130,586</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>306,263</td>
<td>152,963</td>
</tr>
<tr>
<td>Couple</td>
<td></td>
<td>515,532</td>
<td>283,549</td>
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<tr>
<td>Avg LE</td>
<td></td>
<td>M 81</td>
<td>F 85</td>
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</tbody>
</table>

Source: Urban Institute, 2006
Longevity Risk – what probability of NOT running out of money do you want?

Male
Age 65
- Age
- 50% chance
- 25% chance

Female
Age 65
- Age
- 50% chance
- 25% chance

Couple (Both Age 65)
- Age
- 50% chance of one survivor
- 25% chance of one survivor

Source: Annuity 2000 Mortality Table, American Society of Actuaries. Figures assume you are in good health.
Savings needed for employment-based retiree health benefits to supplement Medicare. Access-only plans at age 65 for those retiring in 2006

<table>
<thead>
<tr>
<th>Age at Death</th>
<th>Individual</th>
<th>Couple</th>
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<tbody>
<tr>
<td>80</td>
<td>$115,000</td>
<td>$230,000</td>
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<tr>
<td>85</td>
<td>$162,000</td>
<td>$324,000</td>
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<tr>
<td>90</td>
<td>$214,000</td>
<td>$428,000</td>
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<td>95</td>
<td>$275,000</td>
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<tr>
<td>100</td>
<td>$343,000</td>
<td>$686,000</td>
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</table>

Source: EBRI IB 295, July 2006
Target Final Earnings Multiple for High-Income Individuals by Gender, Retirement Age and Probability of Retirement Adequacy (assumes no equity allocation and no annuitization)
Target Final Earnings Multiple for Low-Income Individuals by Gender, Retirement Age and Probability of Retirement Adequacy (assumes no equity allocation and no annuitization)
Target Replacement Rates for High-Income Individuals by Gender, Retirement Age and Probability of Retirement Adequacy (assumes no equity allocation and no annuitization)
Target Replacement Rates for Low-Income Individuals by Gender, Retirement Age and Probability of Retirement Adequacy
(assumes no equity allocation and no annuitization)
Choose to Save.®