

Vast Majority Say the Government Should Take Action to Ensure Americans Have Enough to Live on in Retirement

Defined contribution plans (such as 401(k) plans) preferred over defined benefit plans (such as pensions) by a significant margin

Most U.S. adults (88%) say the government should do something to ensure that Americans have enough to live on in retirement, according to a new Wall Street Journal Online/Harris Interactive Personal Finance Poll. However, there is no consensus on whether the action should take the form of tax breaks, increases in Social Security benefits, requirements to match 401(k) plans for workers, or increased pension plan requirements. There are significant differences in preferences based on age and income.

These are some of the results of an online survey of 2,339 U.S. adults conducted by Harris Interactive between August 9 and 11, 2006 for The Wall Street Journal Online.

The looming retirement-funding crisis due to the aging population and a large baby boomer cohort moving into their retirement years is one of the most important opportunities impacting financial services companies today. Securing adequate funding for retirement is critical to the future standard of living of so many in the U.S. that President Bush signed the Pension Protection Act in mid August. This bill requires companies to fully fund their defined benefit plans (pensions) within seven years. Due to the high expense of funding pension plans, many experts believe the result will be a significant shift toward defined contribution plans such as 401(k)s, which have already been experiencing increases over the past decade. The 401(k) reforms, which are part of the bill, will have a huge impact on a large number of workers. The law encourages companies to automatically enroll workers in 401(k) plans and match contributions up to a certain amount.

The results of the latest WSJ Online/Harris Interactive Personal Finance Poll suggest that the action taken by the government was in line with the sentiment of most adults. As stated above, a vast majority (88%) believes the government should take action to ensure that Americans have enough to live on in retirement, but people are divided, when it comes to the type of actions they would like the government to take. One-quarter (25%) of adults say the government should increase tax breaks for people who have money for retirement in personal savings

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accounts. More than one in five (22%) say increasing Social Security payments would be a good solution, and 15 percent say employers should be required to match worker contributions into 401(k) plans more than they do now.

- Adults with an income of \$75,000 or higher are much more likely to support tax breaks (37%) than those with an income of less than \$35,000 (14%).
- Younger adults (ages 18-44) are two times more likely than those 55 years or older to support employers matching worker contributions to 401(k) plans (20% vs. 10% respectively).
- Requiring employers to fund pension plans (13%) is the least popular option among all.

According to Anne Aldrich, Sr. Vice President, Harris Interactive Financial Services Practice, “The fact that so few adults support the option of requiring employers to fund pension plans is reflective of the lack of trust that Americans have of pensions (and employers’ ability/inclination to support them) today. The results of this poll align well with the bill signed by the President. While the bill requires companies to fully fund pensions within seven years, the expected outcome is that 401(k)-type programs will have increased participation.”

The survey shows a strong preference for employee-managed retirement plans, with 79 percent saying that, if given a choice, they would choose to participate in a defined-contribution plan, such as a 401(k), compared with 21 percent who say they would prefer a defined-benefit plan, where the employer manages the money and promises a set sum upon retirement.

While a third (34%) of adults say they expect to rely on their own personal savings or investments in their retirement, 16 percent of adults say they would rely mainly on an employer-based pension in retirement, and 15 percent expect to rely on an employer-offered 401(k).

- Adults ages 18 to 34 are far more likely to say they expect to rely most on personal savings in retirement (49%) than their older counterparts. Only four percent of those ages 18 to 34 expect to rely on a pension plan, compared to 27 percent of those ages 55 and older.

TABLE 1A

Action the Government Should Take – by Age

“What, if anything, do you think the government should do to ensure that Americans have enough to live on in retirement?”

Base: All U.S. adults

	Total	Age			
		18-34	35-44	45-54	55+
	%	%	%	%	%
Government Should Do Something (Net)	88	86	88	92	88
Increase tax breaks for people who save themselves outside of work	25	21	24	28	29
Increase Social Security payments	22	15	20	25	29
Require employers to match worker contributions into 401(k) plans more than they do now	15	20	20	13	10
Require employers to put more money into pension plans so they are financially stronger	13	13	12	14	13
Other	12	17	12	13	7
Nothing	12	14	12	8	12

Note: Percentages may not add up to exactly 100% due to rounding.

TABLE 1B

Action the Government Should Take – by Political Party

“What, if anything, do you think the government should do to ensure that Americans have enough to live on in retirement?”

Base: All U.S. adults

	Total	Political Parties		
		Republican	Democrat	Independent
	%	%	%	%
Government Should Do Something (Net)	88	86	92	87
Increase tax breaks for people who save themselves outside of work	25	35	16	33
Increase Social Security payments	22	15	29	20
Require employers to match worker contributions into 401(k) plans more than they do now	15	12	20	13
Require employers to put more money into pension plans so they are financially stronger	13	13	17	9
Other	12	11	11	12
Nothing	12	14	8	13

TABLE 1C
Action the Government Should Take – by Income

“What, if anything, do you think the government should do to ensure that Americans have enough to live on in retirement?”

Base: All respondents

	Income				
	Total	Less Than \$35K	\$35K-\$49.9K	\$50K-\$74.9K	\$75K+
	%	%	%	%	%
Government Should Do Something (Net)	88	92	88	86	88
Increase tax breaks for people who save themselves outside of work	25	14	24	26	37
Increase Social Security payments	22	32	23	20	15
Require employers to match worker contributions into 401(k) plans more than they do now	15	21	15	12	14
Require employers to put more money into pension plans so they are financially stronger	13	14	15	12	13
Other	12	13	11	15	9
Nothing	12	8	12	14	12

TABLE 2
Defined Contribution/Benefit Plan

“If you had a choice and your employer was willing to put in the same amount of money, would you prefer...?”

Base: All U.S. adults

	Total
	%
A defined contribution plan, like a 401(k) where you manage the money and live on it during retirement	79
A defined benefit plan where your employer managed the money, and promised you a sum certain upon retirement	21

Note: Percentages may not add up to exactly 100% due to rounding.

TABLE 3A

Rely on Most in Retirement – by Age

“Which of the following do you expect you will rely on most in retirement?”

Base: All U.S. adults

	Total	Age			
		18-34	35-44	45-54	55+
	%	%	%	%	%
My own personal savings/investments	34	49	32	24	27
Social Security	28	19	25	31	35
My employer-based pension	16	4	12	16	27
My employer-offered 401(k)	15	19	24	21	5
Other	7	9	7	8	6

Note: Percentages may not add up to exactly 100% due to rounding.

TABLE 3B

Rely on Most in Retirement – by Income

“Which of the following do you expect you will rely on most in retirement?”

Base: All U.S. adults

	Total	Income			
		Less Than \$35K	\$35K-\$49.9K	\$50K-\$74.9K	\$75K+
	%	%	%	%	%
My own personal savings/investments	34	25	24	33	44
Social Security	28	42	45	18	13
My employer-based pension	16	11	16	23	18
My employer-offered 401(k)	15	15	11	16	19
Other	7	7	4	9	5

Note: Percentages may not add up to exactly 100% due to rounding.

TABLE 3C

Rely on Most in Retirement – by Political Party

“Which of the following do you expect you will rely on most in retirement?”

Base: All respondents

	Total	Political Parties		
		Republican	Democrat	Independent
	%	%	%	%
My own personal savings/investments	34	38	25	44
Social Security	28	23	34	25
My employer-based pension	16	18	18	12
My employer-offered 401(k)	15	15	15	13
Other	7	5	7	7

Note: Percentages may not add up to exactly 100% due to rounding.

Downloadable PDFs of The Wall Street Journal Online/Harris Interactive Personal Finance Polls are posted at http://www.harrisinteractive.com/news/newsletters_wsjfinance.asp.

Methodology

This Wall Street Journal Online/Harris Interactive Personal Finance Poll was conducted online by Harris Interactive within the United States between August 9 and 11, 2006 among 2,339 adults (aged 18 and over). Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

All surveys are subject to several sources of error. These include: sampling error (because only a sample of a population is interviewed); measurement error due to question wording and/or question order, deliberately or unintentionally inaccurate responses, nonresponse (including refusals), interviewer effects (when live interviewers are used) and weighting.

With one exception (sampling error) the magnitude of the errors that result cannot be estimated. There is, therefore, no way to calculate a finite "margin of error" for any survey and the use of these words should be avoided.

With pure probability samples, with 100 percent response rates, it is possible to calculate the probability that the sampling error (but not other sources of error) is not greater than some number. With a pure probability sample of 2,339 one could say with a 95 percent probability that the overall results have a sampling error of +/- 3 percentage points. Sampling error for the various sub-samples shown in the tables is higher and varies. However that does not take other sources of error into account. This online survey is not based on a probability sample and therefore no theoretical sampling error can be calculated.

These statements conform to the principles of disclosure of the National Council on Public Polls.

About the Survey

The Wall Street Journal Online/Harris Interactive Personal Finance Poll is an exclusive poll that is published in the Personal Journal Edition of The Wall Street Journal Online at www.wsj.com/personaljournal.

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Harris Interactive is the 12th largest and fastest-growing market research firm in the world. The company provides research-driven insights and strategic advice to help its clients make more confident decisions which lead to measurable and enduring improvements in performance. Harris Interactive is widely known for *The Harris Poll*, one of the longest running, independent opinion polls and for

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pioneering online market research methods. The company has built what could conceivably be the world's largest panel of survey respondents, the Harris Poll Online. Harris Interactive serves clients worldwide through its United States, Europe and Asia offices, its wholly-owned subsidiary Novatris in France and through a global network of independent market research firms. The service bureau, HISB, provides its market research industry clients with mixed-mode data collection, panel development services as well as syndicated and tracking research consultation. More information about Harris Interactive may be obtained at www.harrisinteractive.com.

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Media inquiries, contact:

Jennifer Cummings 585.214.7720

[jcummings@harrisinteractive.com](mailto:jcumings@harrisinteractive.com)