

The American College RICP[®] Retirement Income Literacy Survey

December 2014



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METHODOLOGY



Methodology

This report presents the results of an online survey conducted by Greenwald & Associates on behalf of The New York Life Center for Retirement Income at The American College to assess retirement literacy among individuals who are nearing or already in retirement. More specifically, the goal was to determine whether retirees and pre-retirees have the knowledge they need to successfully plan for a financially secure retirement. The survey results will be used by the New York Life Center for Retirement Income to develop consumer education and by the American College's Retirement Income Certified Professional® (RICP®) designation to improve the education of financial advisers.

The questionnaire for this study was designed by Greenwald & Associates, in cooperation with The American College. Respondents were asked knowledge, behavior, and attitudinal questions on the following topics: retirement planning, ability to maintain lifestyle, income generation, annuity product knowledge, Social Security, life expectancy, death of a spouse, taxes, inflation, housing, medical insurance, and long-term care. A series of questions was also asked to gather demographic characteristics.

Information for this study was gathered through 15-minute online interviews conducted between July 17-25, 2014. Respondents were recruited through the Research Now online panel, and a total of 1,019 Americans were interviewed. To qualify for participation in the study, respondents had to be ages 60-75 and have at least \$100,000 in household assets, not including their primary residence.

The final data set was weighted by age, education, and asset level to reflect the distribution of those characteristics among Americans age 60-75 with at least \$100,000 in investable assets (based on the 2010 Survey of Consumer Finance.)

This report will begin with an overview, followed by a brief summary of the key findings, and then an extensive coverage of the survey findings. Percentages in the tables and charts may not total to 100 due to rounding and/or missing categories.



EXECUTIVE SUMMARY



Overview

Retirement income literacy is of essential importance to the financial security of retired Americans. With limited or no ability to earn additional money through work, this group must know how much they need to accumulate by the time they retire and know how to manage their money during retirement. Further, retirement income literacy will become more important as the number of people entering retirement with defined benefit plan guaranteed lifetime income decreases, life expectancy at age 65 increases, and Social Security income decreases due to increases in the age of entitlement for full benefits. In addition, the increases in Medicare premium taken out of Social Security retirement benefits each year will likely be higher than the cost of living adjustments to Social Security.

This survey is one of the most comprehensive surveys of retirement income literacy ever conducted, if not the most comprehensive. Information was collected on the level of knowledge of 38 key retirement issues. While there has been a good deal of attention on financial literacy, almost all of those studies have focused on the accumulation period. This study focuses on those ages 65-75, a period where issues such as how best to withdraw income from assets come into play and knowledge of how to make optimal decisions about managing finances in retirement is critical.



Overview

The most important findings are:

The survey found quite low levels of retirement income literacy. Among the eleven issues covered, knowledge is lowest in the areas of annuities as a retirement income strategy and life insurance. Respondents have the highest level of knowledge about Medicare and the impact of inflation.

- The survey showed a lack of knowledge in three crucial areas of retirement income preparedness:
 - Knowledge of how to preserve assets in retirement;
 - The most effective actions in the pre-retirement years to improve the prospects for financial security in retirement; and
 - Knowledge of investment products.
- Most people have not put much thought into key financial security areas that require a great deal of careful consideration – three in five have not put a great deal of thought into most areas. (Interestingly, the specific issue in which people are most likely to invest a lot of thought is when to claim Social Security but there is evidence that many make the wrong financial decision by claiming earlier than they should.)
- There is a high level of false confidence about financial knowledge which appears to act as an obstacle to more effective planning. This lack of effective planning can have consequences, according to data here, indicating that many have not accumulated enough and face the possibility of financial deprivation later if they live longer than expected lives and don't take action based on planning to improve their situation.



Overview

The survey also identified three opportunities to increase retirement income literacy and therefore the financial security of retired Americans:

- A written retirement plan has been found to be effective in leading to better planning and financial decisions; it is also an effective vehicle for education. But only one in four have a written retirement plan. Increasing this number can be highly effective in increasing retirement income literacy and security.
- While two-thirds of people ages 60-75 with investable assets of at least \$100,000 have a financial advisor, the lack of knowledge here suggests that advisors have not done a good job in educating their clients. Further training and support for advisors on how best to educate pre-retired and retired clients can be a most effective strategy for increasing retirement income literacy.
- A significant minority have never tried to figure out how much they need to accumulate to retire securely, and this is something important for older Americans to do. One of the keys to financial security in retirement is accumulating enough money to fund at least basic needs. Therefore it is striking that one in three have not even attempted a calculation of need.

Some of the suggestions stemming from this study may not be easy to implement. Education will be difficult if consumers do not want to put that much thought into this topic, despite the crucial significance of financial security in retirement. Motivating people to prepare a plan appears to be a major opportunity to educate and create more effective investment and spending strategies, however, findings here suggest few do it. While financial advisors are best equipped to educate their clients because of the one-on-one interaction and trust that most clients have with their advisors, many clients are "do it for me's" who just want to delegate decisions to an advisor and not really learn about financial products and strategies. Nevertheless, findings here suggest it is important for all to have some level of knowledge and efforts to teach financial advisors the most effective methods for educating their clients on key aspects of financial security are likely to produce important results.

The Key Findings section that follows describes how respondents fare on various topic areas, going from most to least problematic. These assessments are made based on a combination of scores and topic importance.

Key Findings

Results from this study suggest that there are a number of areas where the lack of knowledge can have consequences on the decisions older Americans make to have a more secure retirement.

- Respondents have a particular lack of knowledge when it comes to understanding how to preserve their assets in retirement. This is among the most problematic areas because knowledge is low and bad decisions can impact a retiree's ability to preserve his or her assets in retirement:
 - Only 31% know that \$4,000 is the most they can afford to "safely" withdraw per year from a \$100,000 retirement account, despite the press coverage given to this issue.
 - Only 35% know that a portfolio with 50-60% in equities will maximize the withdrawal rate over a thirty year period.
 - Only 43% know that using a portion of the portfolio to purchase a life annuity can protect against the uncertainty of life expectancy.
 - Over half underestimate the life expectancy of a 65-year-old man suggesting that they may not realize how long their assets have to last.
- Respondents also lack knowledge of the best strategy to consider to improve retirement security as they approach retirement. This area is also among the most problematic because knowledge is low and mistakes can limit opportunities to position one's nest egg for retirement:
 - Only 30% understand that it is more effective to work two years longer or defer Social Security for two years, than to increase contributions by 3% for five years just prior to retirement .



Key Findings (continued)

- Only 37% know that a person planning to retire at age 65 should take the least amount of investment risk at age 65, rather than earlier or later, despite coverage of this topic in such advertisements as Prudential's "Retirement Red Zone campaign."
- Only 27% realize that their 401(k) is not at risk from corporate creditors if a large company sponsoring a plan goes bankrupt, an issue important in considering the rollover decision.
- Despite the responsibility put on many Americans to invest for retirement, these older respondents show a lack of knowledge when it comes to understanding investments, a knowledge that is becoming increasingly important as more need to rely on their nest eggs to fund retirement. This area is also among the most problematic because knowledge is low and poor investment decisions can impact both accumulation and decumulation:
 - Only 39% understand that when interest rates rise significantly, the value of bond funds will decrease significantly.
 - Less than one-in-ten understand that small company stock funds have a higher return over time than large company stock funds, dividend paying stock funds, or high yield bond funds.
 - Only 31% know that exchange trade funds have lower fees than actively managed mutual funds.
 - Only 25% know that B-rated bonds typically offer higher interest rates than AAA-rated corporate bonds, or treasury bonds.



Key Findings (continued)

- While long-term care is an issue many will face in the future, Americans have limited knowledge of long-term care and the challenge it may pose. This area is problematic. Knowledge is low on several critically important items:
 - Only 17% know that Medicaid pays for most of long-term care today and only 25% know that 70% of the population is going to need assistance in the activities of daily living at some point.
 - Only 35% realize that family members end up paying most of long-term care costs.
 - On the other hand, 63% do correctly answer that continuing care retirement communities offer a range of care from independent living to nursing care.
- Although Social Security is a staple for many Americans, a number of respondents do not know important information about this entitlement and, in particular, when to claim it. This area is problematic, although not to as great extent as the first four. The claiming decision is of critical importance to low and middle income Americans who rely so heavily on Social Security. However, knowledge levels are not quite as low as with other areas:
 - Perhaps most critically, only a little more than half (53%) know that it is best to wait until age 70 to claim Social Security if one is going to live to 90 – a critical decision for the financial security of many.
 - Only a little more than half (54%) realize that benefits increase each year one delays up to age 70. This lack of knowledge occurs despite the fact that 60% say they have given a lot of thought as to when to claim Social Security.

Key Findings (continued)

- Only 23% realize that the Social Security Administration has funds beginning in 2033 to pay only approximately 75% of promised benefits—even though this fact appears on the Social Security benefit statement. Most either “don’t know” or think the percentage is less than this.
- Respondents also show a lack of knowledge about some key tax strategies, which can be important in maximizing one’s nest egg and income. This area is somewhat problematic. Knowledge levels are fairly low, although knowing about Roth IRAs is probably more important to higher income consumers and less so for middle and low income ones:
 - While 68% know that IRA distributions must begin at age 70 1/2, only 36% know the circumstances when it is best to convert a traditional IRA into a Roth IRA.
 - Only 43% know that distributions from a Roth IRA are tax free after five years and only 45% know that a 75-year-old can still make contributions to a Roth IRA in certain circumstances.
- Respondents know very little about using annuities as a retirement income strategy. This area is also somewhat problematic. Knowledge is low and annuity strategies are one way to enhance retirement income:
 - Only 26% know that buying a \$1,000 a month income with an immediate annuity will be more expensive for a younger person than an older one.
 - Only 13% know that the lifetime income payout rate for a 65-year-old male is roughly in the 6-7% range.

Key Findings (continued)

- Only 13% know that a deferred annuity with a guaranteed lifetime withdrawal benefit can pay income even if the investment account goes to zero.
- Less than half (48%) realize that a life annuity is a better choice than a lump sum if one is concerned about having enough money to meet basic expenses.
- 65% report having very little knowledge of immediate annuities, and 57% report having very little knowledge of deferred income annuities.
- While life insurance has become more relevant to older Americans with people working longer and dealing with rebound children, this survey shows these older respondents know very little about life insurance. This area is somewhat less problematic. Knowledge is low but a lack of life insurance coverage may not be among the most glaring issues facing retirees, particularly those who are no longer protecting their working income:
 - Only 39% know that cash value grows tax deferred and only 12% know the basics of life insurance taxation.

Other areas tested are less problematic because knowledge levels are higher:

- Most do know that a reverse annuity mortgage has to be repaid when one permanently leaves their home (72%). While over two thirds of respondents owning their homes say they know the value of their home very well (6 or 7 on a 7-point scale), only four-in-ten say they know the tax treatment on the sale of their home (42%) or ways to access equity (44%) very well. A large majority claim to know all of these issues at least moderately well.

Key Findings (continued)

- Most respondents are also apt to know that Medicare supplement policies cover deductibles and copays (72%), that traditional Medicare covers wellness visits (68%), and that medical costs for married couples is not consistent from retiree to retiree (65%). However, smaller percentages say they are very familiar (6 or 7 on a 7-point scale) with the reason for purchasing supplement policies (48%), expenses covered by Medicare (33%) and the difference between Medicare and Medicare Advantage (31%).
- Respondents are also more apt to understand the principle of inflation, with 90% understanding that inflation reduces buying power and 61% knowing that a diversified portfolio of stocks is the best way to protect against inflation.

While most Americans with over \$100K in assets engage in planning activities, it is not clear how effective these activities have been.

- Most Americans do engage in retirement-related planning activities.
 - 63% report having a relationship with a financial advisor and almost all of these see their advisor at least once a year.
 - Over two-in-three (67%) have tried to figure out how much money they need to have a secure retirement.
 - An overwhelming majority check the status of their investments and the balance of income and spending at least once a year.
 - 62% expect to generate less than \$5,000 a month of guaranteed income.

Key Findings (continued)

- 73% have considered the age to which they expect to live when planning for retirement.
- However, the large majority do not have a formal, comprehensive, written retirement plan – only 27% do.
- Furthermore, most Americans do not save enough:
 - 57% of respondents have saved less than \$500K for retirement despite being at least 60 years old; 41% have saved less than \$300K.

Most Americans give at least some but not a great deal of thought to a variety of key retirement-related issues.

- These issues include:
 - Only 40% give a great deal of thought, but nine in ten give at least a fair amount of thought, to how much income their nest egg will produce over the years (6 or 7 on a 7-point scale).
 - Only 39% give a lot of thought, but over eight in ten give at least a fair amount of thought, as to what their budget would look like in retirement.
 - Only 35% have given a lot of thought, but over eight in ten have given at least a fair amount of thought, to health and long-term care issues.
 - Only 33% have given a lot of thought, but three quarters have given at least a fair amount of thought, to how much money they would need if their spouse predeceased them.



Key Findings (continued)

- Only 32% have given a lot of thought, but close to eight in ten have given at least a fair amount thought, as to how many years they would spend in retirement.
- Only 28% have given a lot of thought, but three-quarters have given at least a fair amount of thought, to risks that could undermine their retirement.

Despite a lack of knowledge and low levels of assets, many Americans still feel they have done well when it comes to preparing for retirement.

- Americans appear sanguine about their retirement prospects, despite their deficiencies:
 - 55% give themselves high grades (6 or 7 on a 7-point scale) when it comes to meeting their income needs in retirement.
 - 48% give themselves high grades and close to nine-in-ten give themselves at least a rating of “moderately good” when it comes to the job they did saving for retirement.
 - 81% report saving as much or more than they expected and 62% of workers report being on or ahead of schedule in preparing for retirement.
 - 50% have high levels of confidence and 91% have at least moderate levels of confidence in their ability to achieve a secure retirement.
 - And virtually all say are at least moderately likely to make their money last to an age to which they believe they have a 25% chance of reaching.



Key Findings (continued)

- The sense that they have done well occurs despite the fact that Americans have concerns about challenges facing them in retirement. For example:
 - Half have high level of concerns (6 out of 7 on a 7-point scale) about the cost of health care in retirement and close to nine-in-ten are at least moderately concerned.
 - Over eight-in-ten (82%) are at least moderately concerned about the impact of inflation and volatility in investment returns (81%).
 - Over half (52%) are at least moderately concerned about running out of money in retirement.



RETIREMENT LITERACY QUIZ



The Retirement Literacy Quiz

Survey respondents were quizzed on 38 retirement literacy questions as they completed the online interview. Questions were asked regarding:

- Retirement basics, such as Social Security, life expectancy, and reverse mortgages
- Medical insurance and long-term care, including questions about Medicare
- Company retirement plans and IRAs, including questions about Roth IRAs
- Investment basics, , such as inflation, the types of mutual funds that have higher expenses, and the type of investment that generates the highest returns over a long time period
- Strategies and products to maintain assets through later life, such as safe withdrawal rates, the amount to hold in equities, and annuities
- Life insurance, such as cash value life insurance and tax treatment

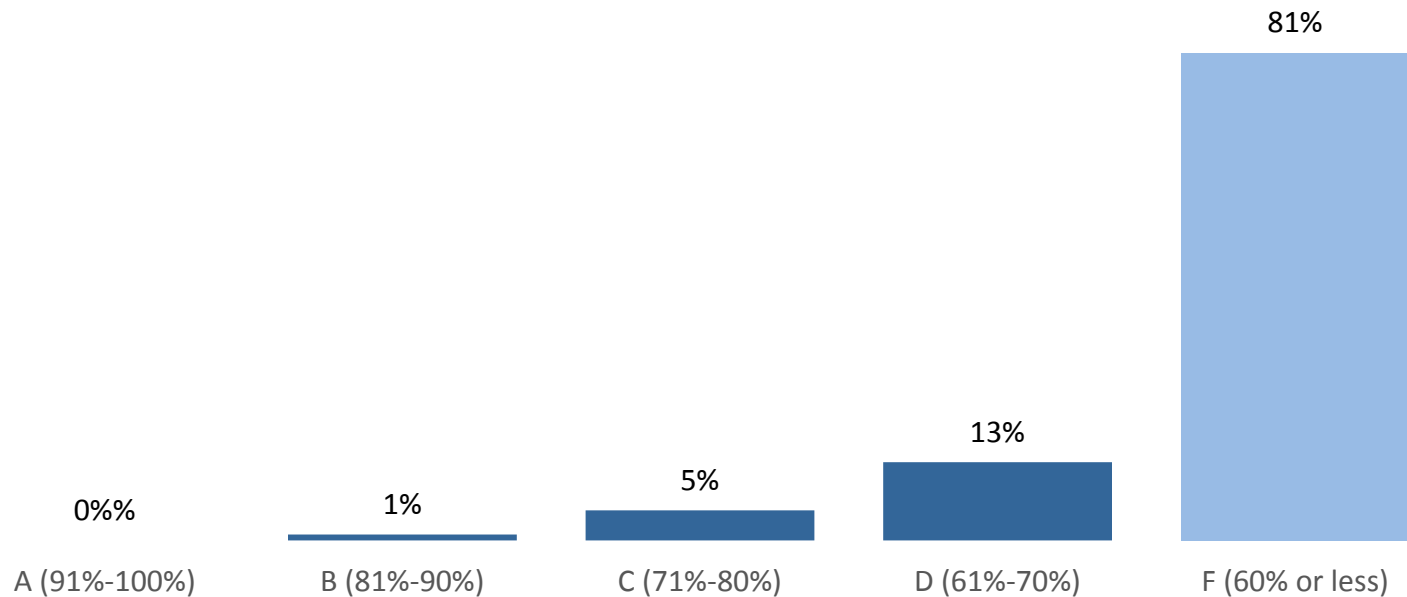
For the total quiz, a score was calculated based on the percentage of questions answered correctly. Results for subsections of the quiz are shown as frequency distributions of the number of questions in that section that are answered correctly.

The 38 quiz questions themselves are listed in the Appendix.



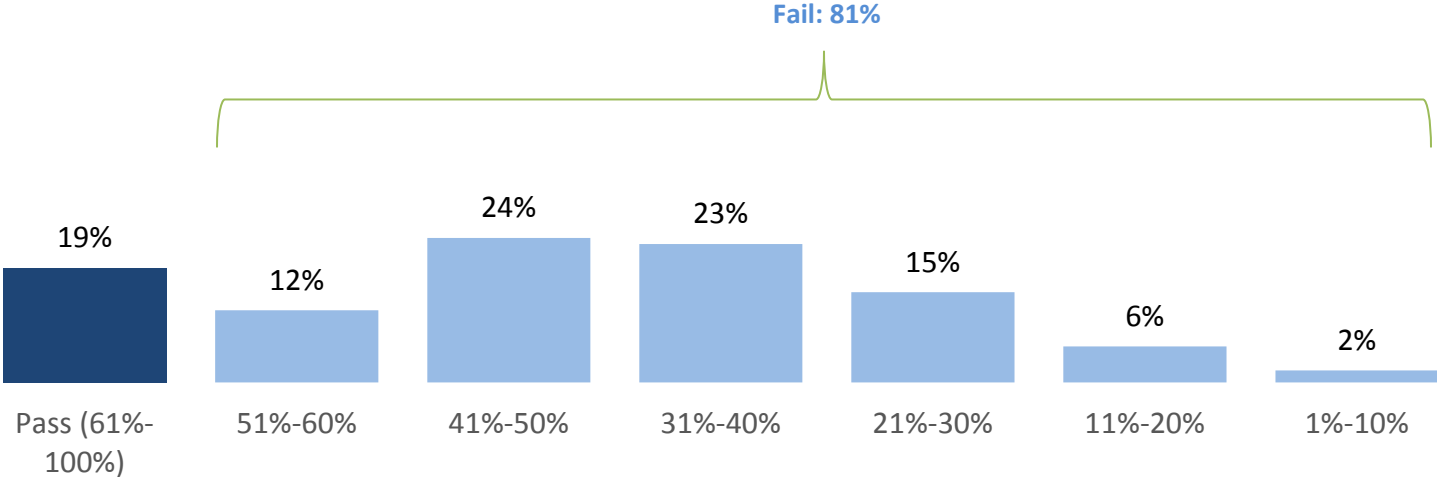
Just 2 in 10 Americans surveyed pass the Retirement Literacy Quiz and only a tiny percentage receive a grade of B. No one gets an A.

**Quiz Grade Based on
Total Percentage of Questions Answered Correctly**
Total (n=1,019)



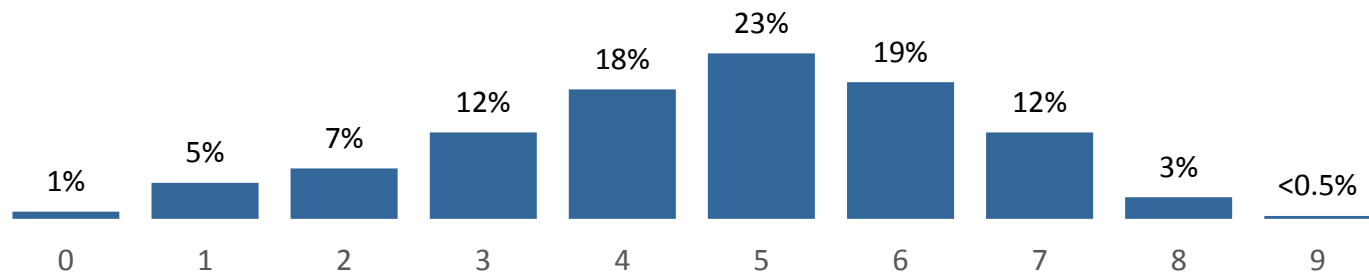
More than 2 in 10 fail drastically, responding correctly to 30% or less of the quiz questions.

Total Percentage of Questions in Quiz Answered Correctly
Total (n=1,019)



Nearly 6 in 10 older Americans respond correctly to 5 out of the 9 questions about medical insurance and long-term care.

Medical Insurance and Long-term Care
Number of Questions Answered Correctly (out of 9)
Total (n=1,019)



Question Most Likely to Answer Correctly (with 72% answering true):

Medicare supplement insurance policies are most commonly purchased to cover the deductibles and copays that are charged under Medicare Parts A and B.

Question Most Likely to Answer Incorrectly (with 17% answering Medicaid):

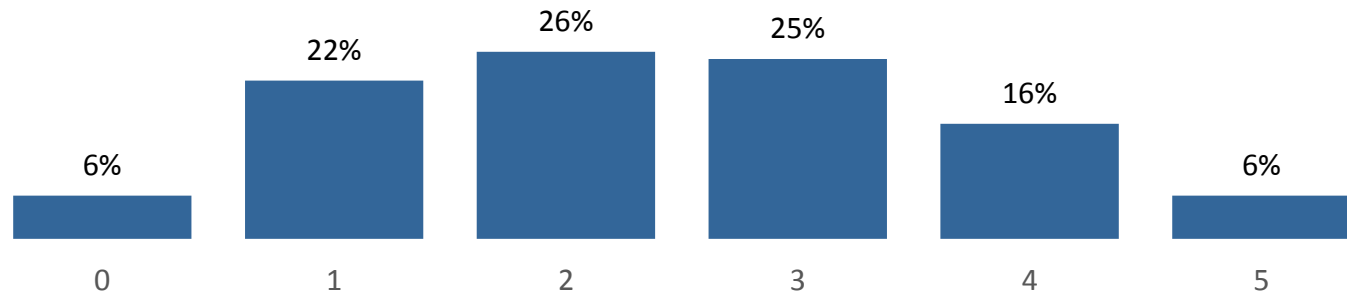
Who pays for the majority of long-term care expenses?



Almost half answer 3 or more questions about retirement basics correctly.

Retirement Basics

Number of Questions Answered Correctly (out of 5)
Total (n=1,019)



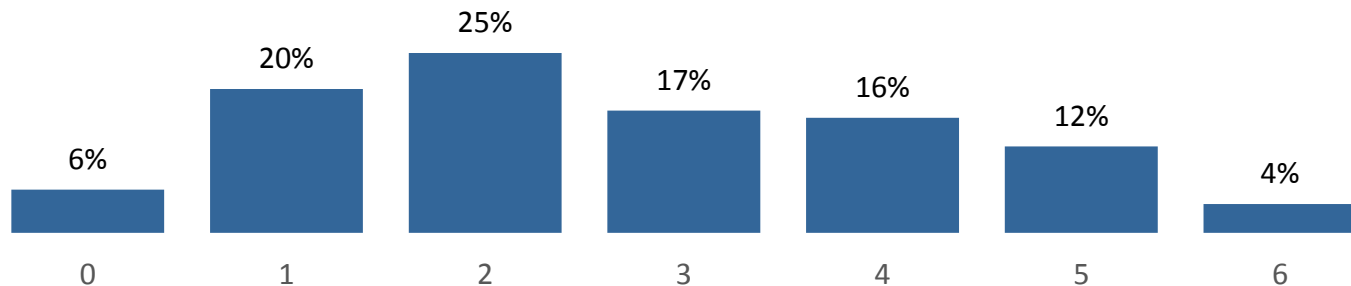
Question Most Likely to Answer Correctly (with 72% answering when she permanently leaves the home):
Sarah is single age 75 and takes a reverse mortgage with a lump sum payment. When does the loan have to be repaid?

Question Most Likely to Answer Incorrectly (with 23% answering 75%):
According to the Social Security Administration, in 2033 they will only have funds to pay for approximately ____ of promised benefits.



Half know the correct answer to at most 3 of the questions about company plans and IRAs.

Company Plans and IRAs
Number of Questions Answered Correctly (out of 6)
Total (n=1,019)



Question Most Likely to Answer Correctly (with 68% answering 70 ½):

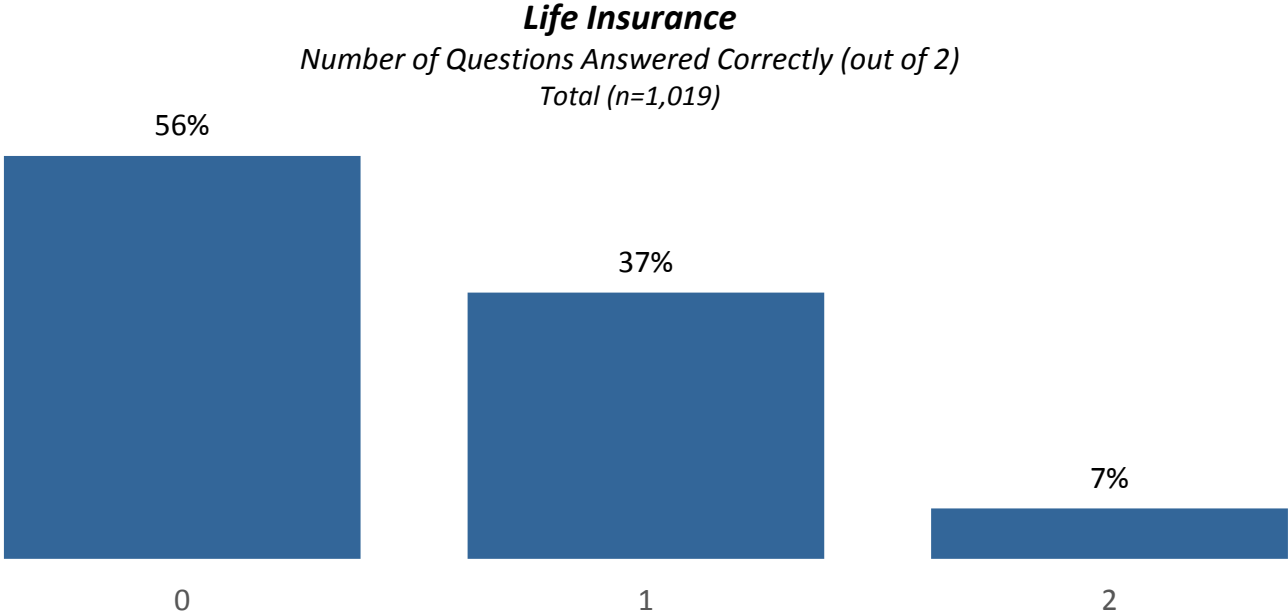
In order to avoid a penalty tax, distributions from an IRA must begin for the year in which you attain age...

Question Most Likely to Answer Incorrectly (with 27% answering at no risk of losing their 401(k) benefits):

If a large public company sponsoring a 401(k) plan files for bankruptcy, employees are...



Over half do not know the correct answer to either of the life insurance questions.



Question Most Likely to Answer Correctly (with 39% answering the cash value portion will accumulate tax deferred):
Which one of the following is true about cash value life insurance?

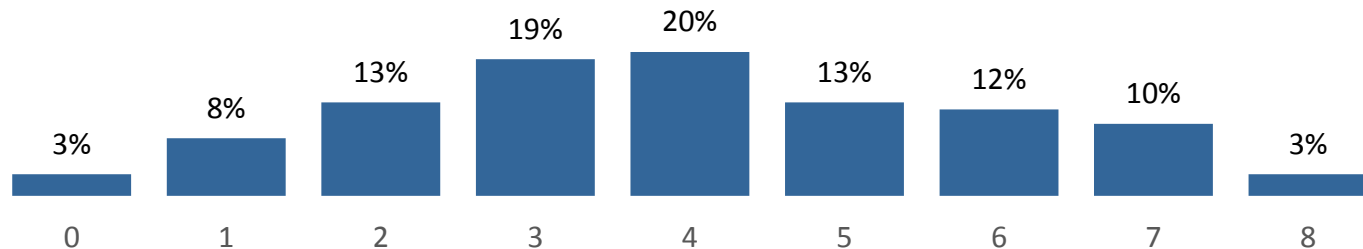
Question Most Likely to Answer Incorrectly (with 12% answering you can access premiums at any time without income tax consequences):
Which one of the following is false about the federal taxation of life insurance purchased by an individual?



Almost 4 in 10 also answer at least half of the basic investment questions correctly.

Investment Basics

Number of Questions Answered Correctly (out of 8)
Total (n=1,019)



Question Most Likely to Answer Correctly (with 90% answering less than today):

Suppose that the interest rate on your savings account was 2% per year and inflation was 4% per year. After one year, would you be able to buy more than, exactly the same as, or less than today with the money?

Question Most Likely to Answer Incorrectly (with 7% answering small company stock funds):

Historically, which one of the following generates the highest returns over a long time period?

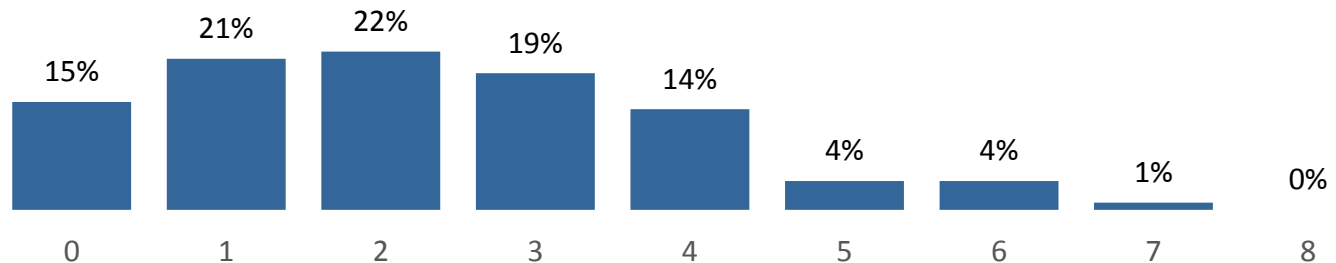


9 in 10 respond correctly to half or fewer of questions regarding strategies and products to maintain assets.

Strategies and Products to Maintain Assets

Number of Questions Answered Correctly (out of 8)

Total (n=1,019)



Question Most Likely to Answer Correctly (with 43% answering true):

True or false: Taking a portion (20-40%) of a retirement portfolio and buying a life annuity can protect against the uncertainty of life expectancy, ensuring that a basic level of spending is available throughout retirement.

Question Most Likely to Answer Incorrectly (with 13% answering 6-7%):

The lifetime income payout rate (the annual annuity payment as a percentage of the purchase price) for an immediate income annuity for a 65-year-old male today is roughly...

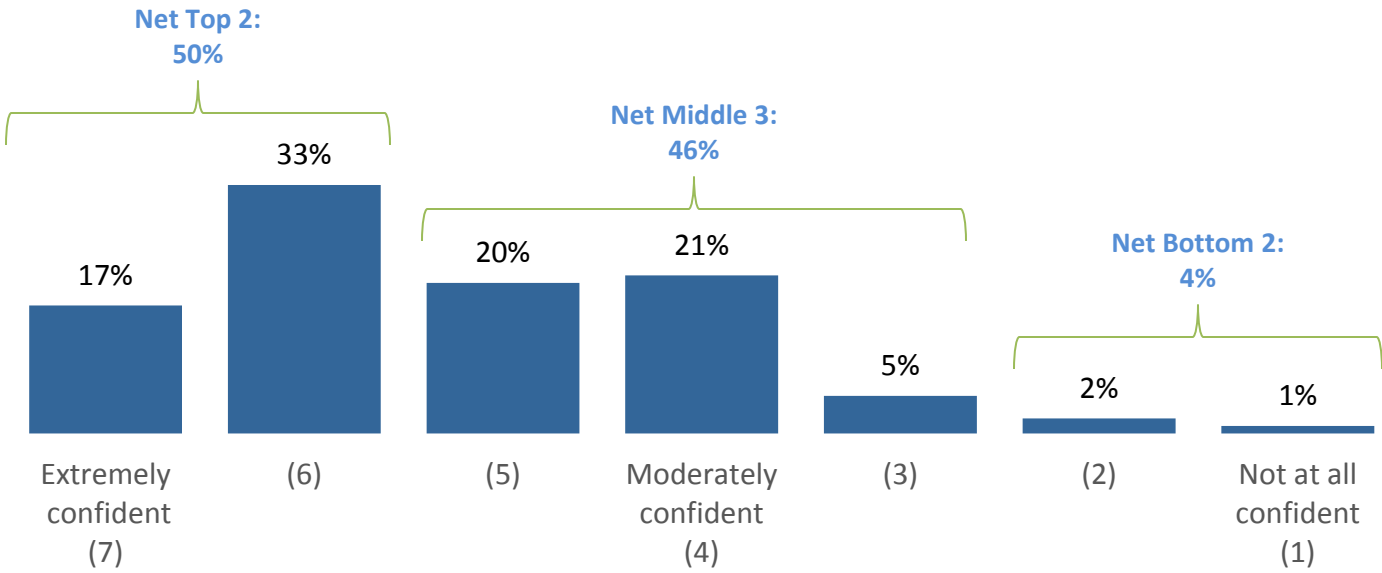


ATTITUDES ABOUT RETIREMENT



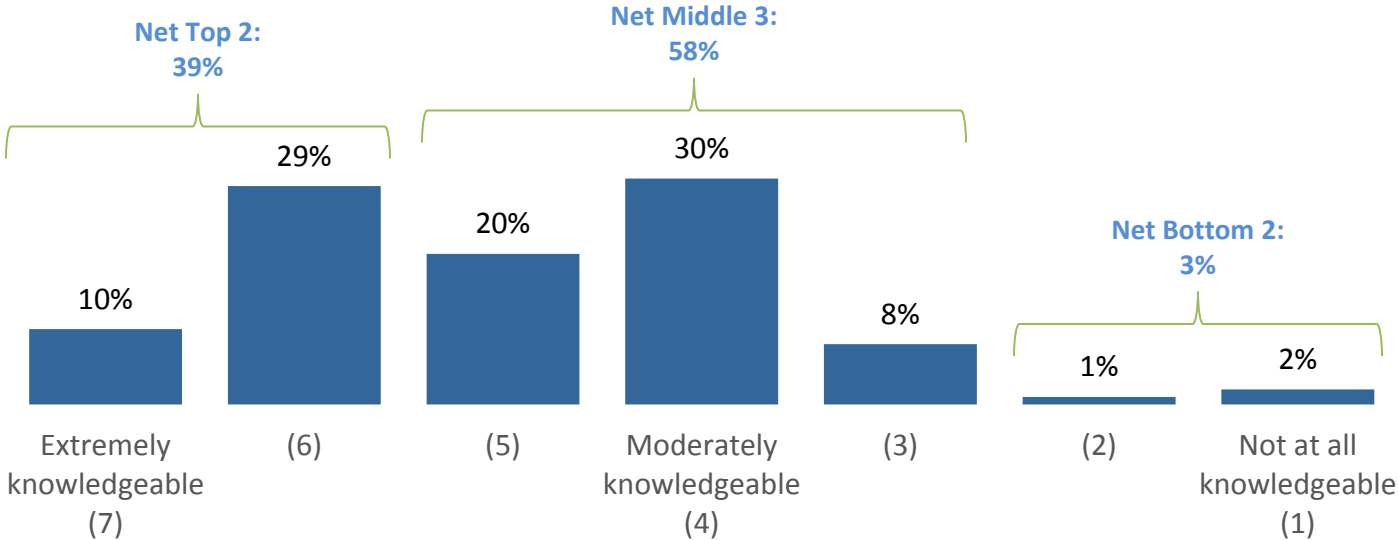
Half of Americans surveyed are highly confident about having enough money to live comfortably in retirement; most of the remainder are somewhat confident.

Overall, how confident are you that you (and your spouse/partner) will have enough money to live comfortably throughout your retirement years?
Total (n=1,019)



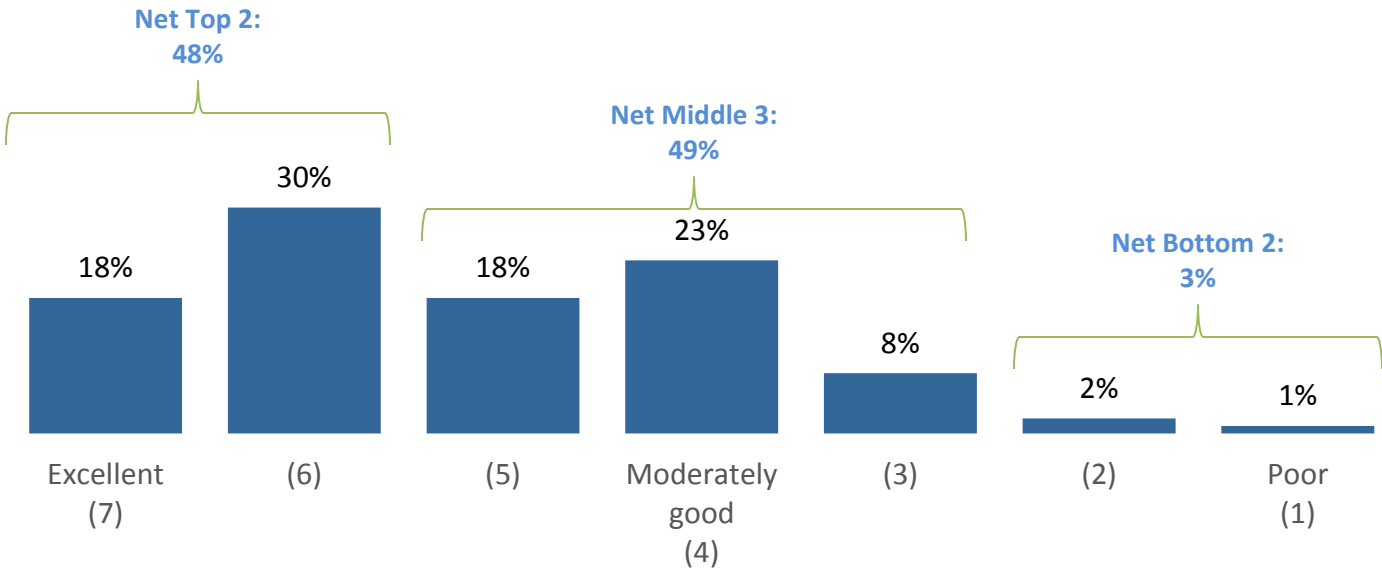
Many also feel knowledgeable about saving for a comfortable retirement, with 4 in 10 describing themselves as highly knowledgeable.

How knowledgeable would you say you (are when it comes/were when it came) to saving for a comfortable retirement? Total (n=1,019)



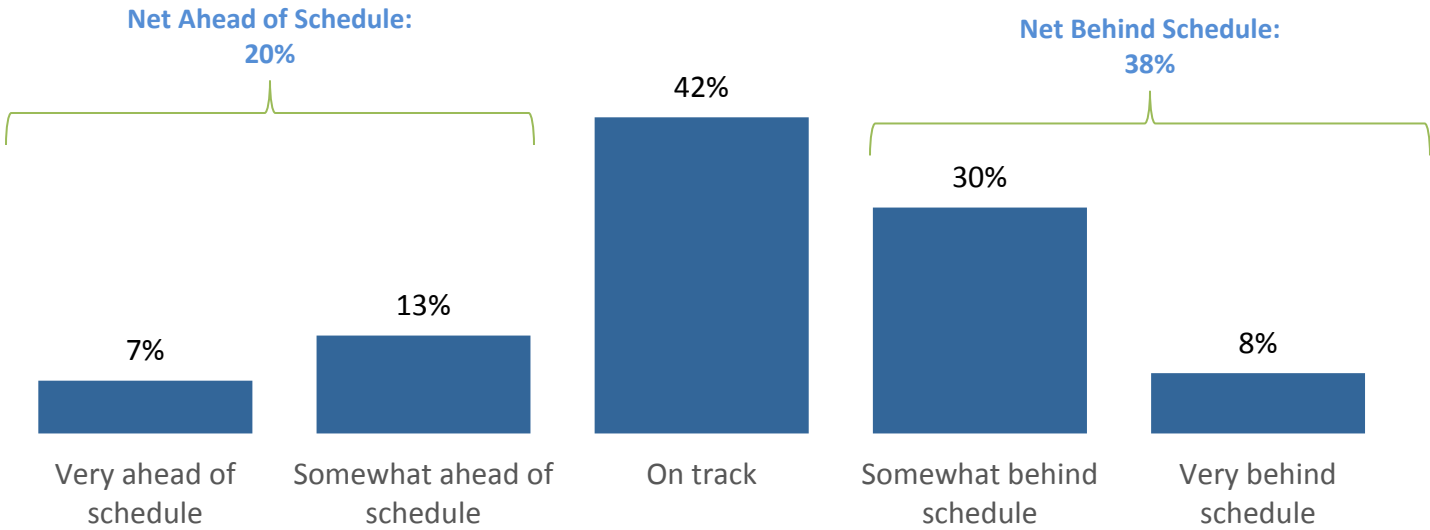
Half report they have done/are doing a very good job of saving for retirement; most of the remainder say they have done a reasonably good job.

How good of a job do you think you (are doing when it comes/did when it came) to saving for retirement?
Total (n=1,019)



Nevertheless, almost 4 in 10 pre-retirees admit they are behind schedule when it comes to planning and saving for retirement.

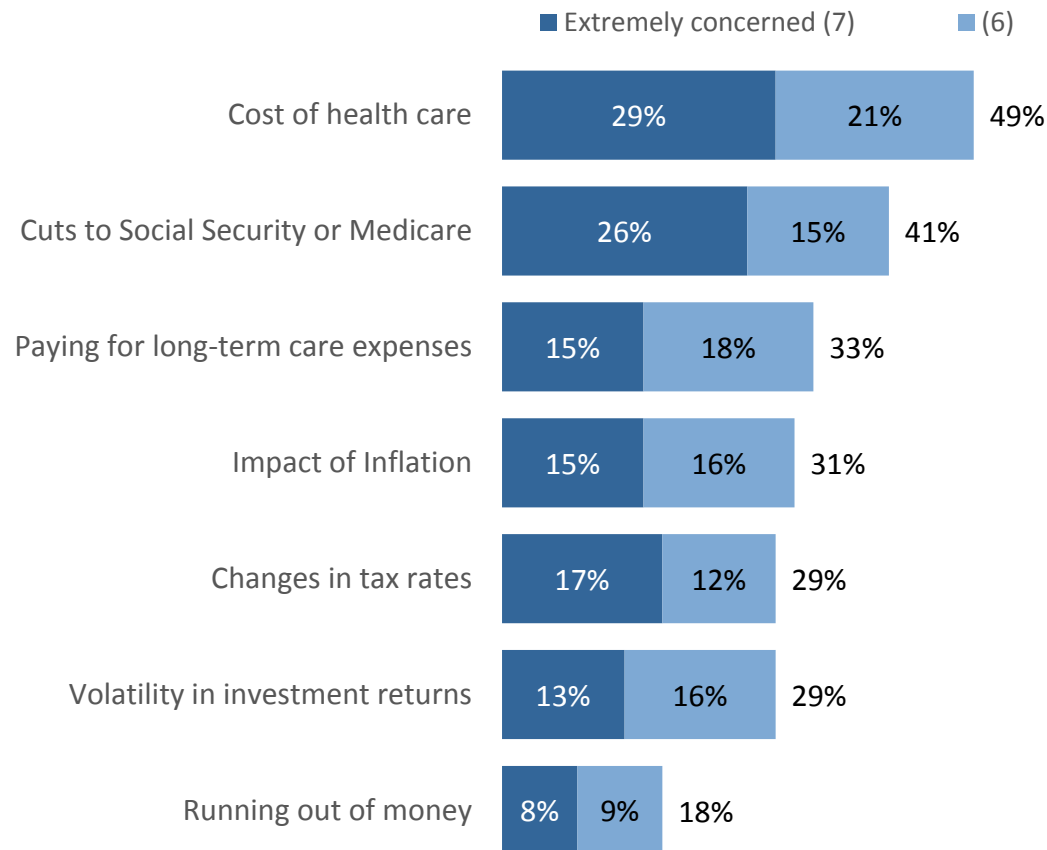
*When it comes to planning and saving for retirement, would you say that you are...?
If not retired (n=244)*



The cost of health care heads the list of retirement concerns, followed by cuts to Social Security and Medicare. Running out of money is the lowest ranked concern.

How concerned are you about each of the following in retirement? Total (n=1,019)

Net Top 2 Concerned



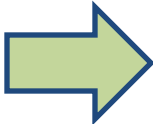
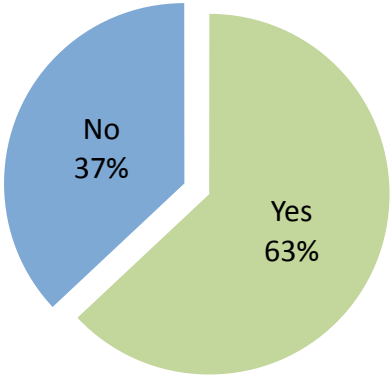
GENERAL PLANNING ACTIVITY



Nearly 2 in 3 Americans surveyed have an ongoing relationship with a professional financial advisor. Typically, they talk with their advisor at least twice a year.

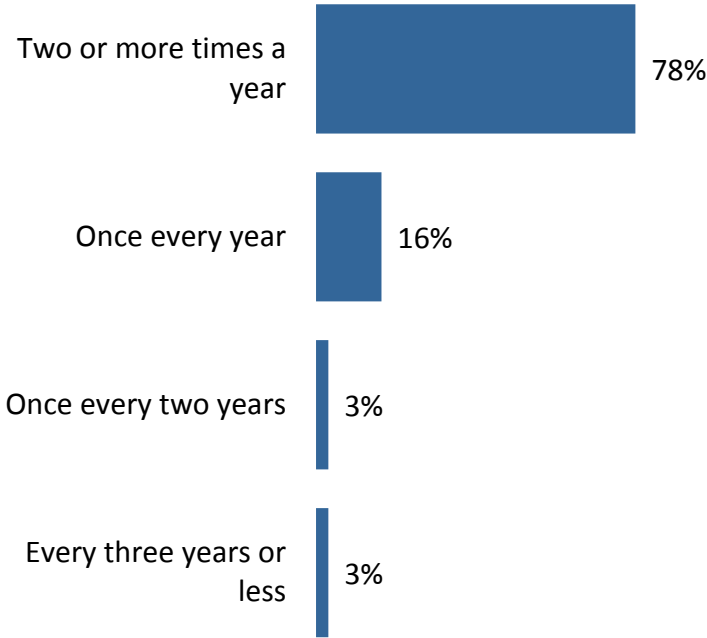
Do you currently have an ongoing relationship with a professional financial advisor who helps you with your finances or investments?

Total (n=1,019)



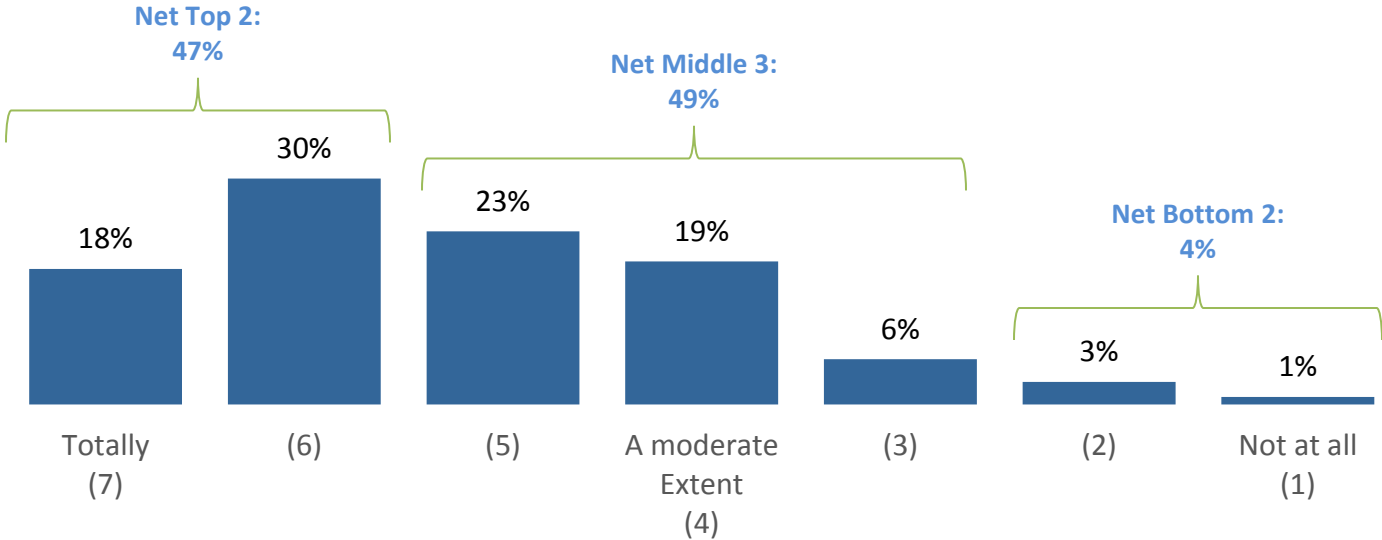
How often do you talk with this professional financial advisor, either in-person, by phone, or by email?

If have an advisor (n=671)



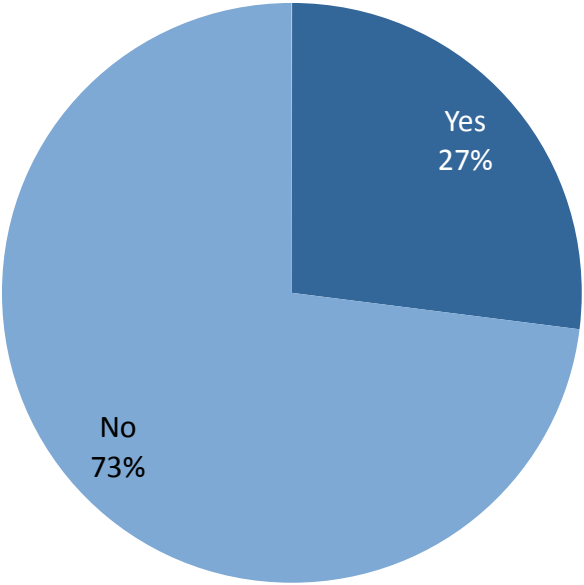
Nearly half of those with an advisor rely heavily on that advisor to manage their finances and investments.

To what extent do you rely on this advisor for managing your finances and investments?
If have an advisor (n=671)



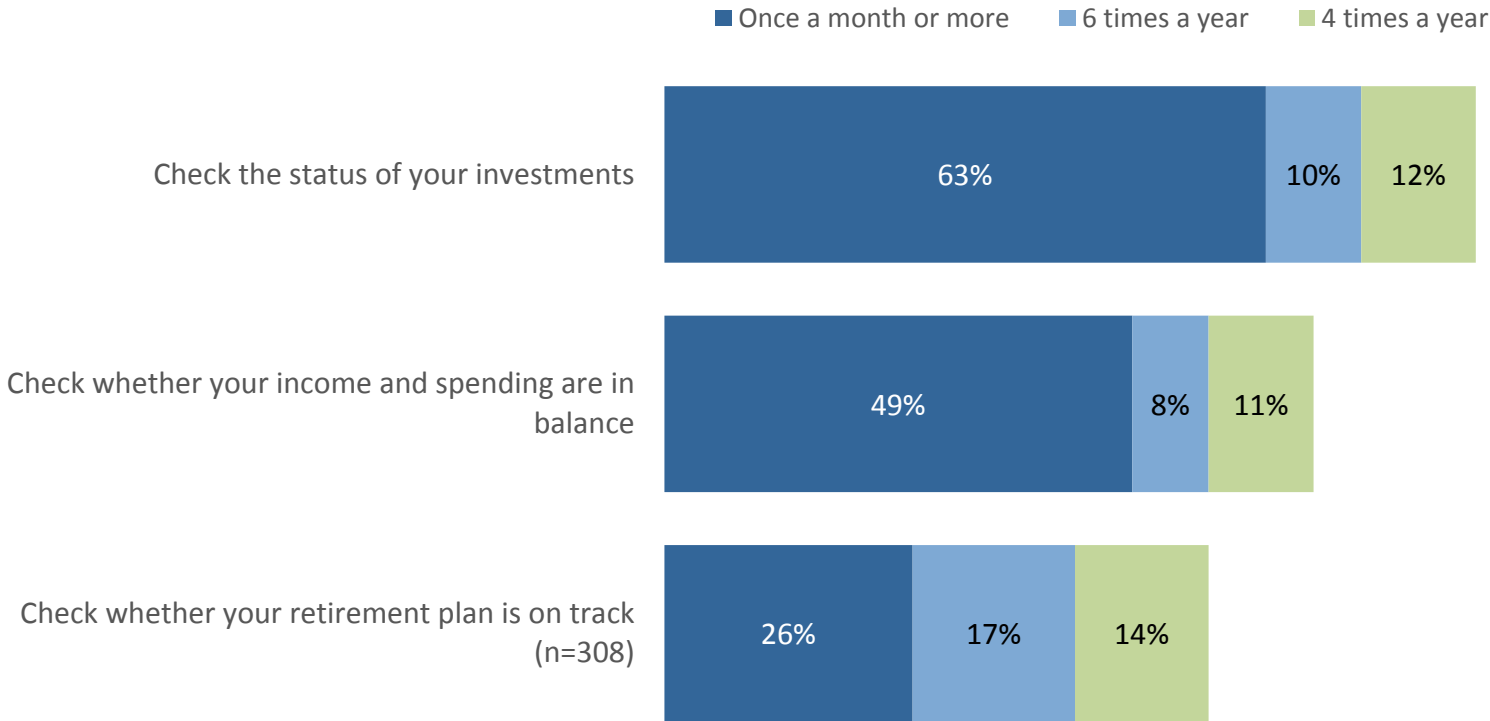
Formal, written retirement plans are uncommon; only about 1 in 4 report having one.

Do you have a formal, comprehensive, written retirement plan?
Total (n=1,019)



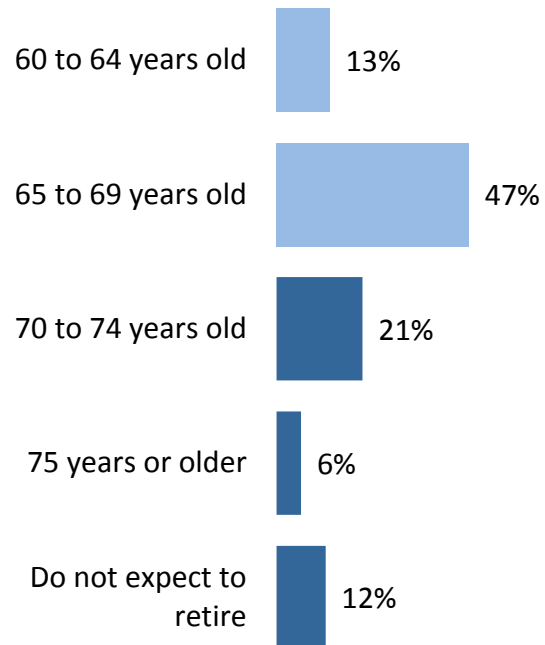
A large majority check the status of their investments at least four times a year. Fewer – but still a majority – check as often to see if their income and spending are in balance.

How often do you do each of the following?
Total (n=1,019)



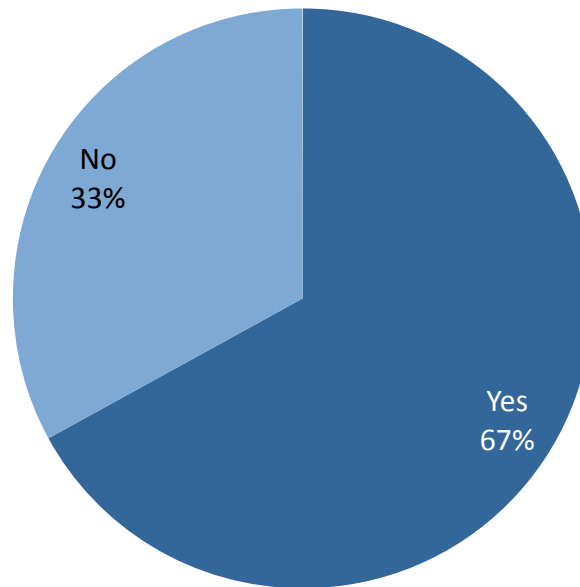
While pre-retirees typically expect to retire between the ages of 65 and 69, about 1 in 4 say they will not retire until age 70 or later and 12% claim they will never retire.

*Realistically, at what age do you expect to retire?
If not retired (n=244)*



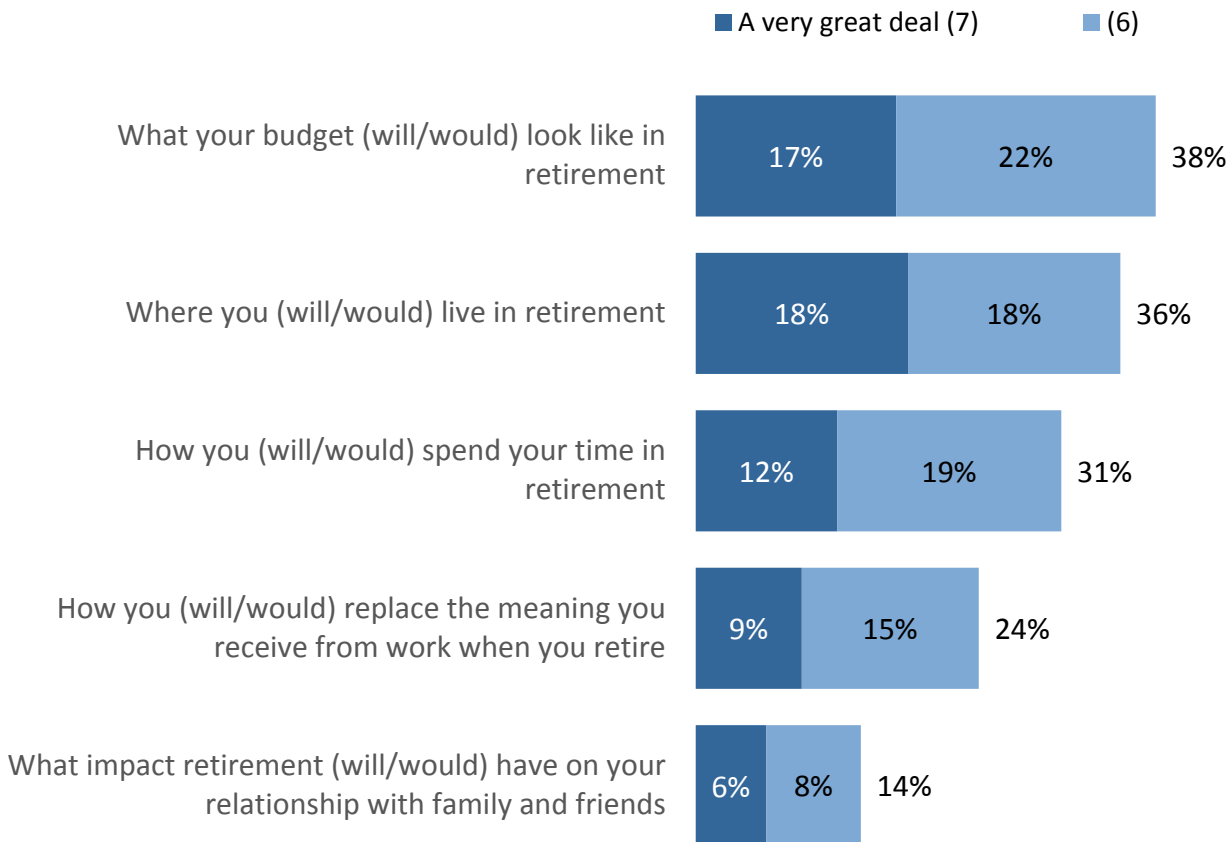
Two-thirds have taken the time to figure out a savings goal for retirement.

Have /Did you (or your spouse/partner) ever try to figure how much money you would need to have saved when you retired to live comfortably in retirement?
Total (n=1,019)



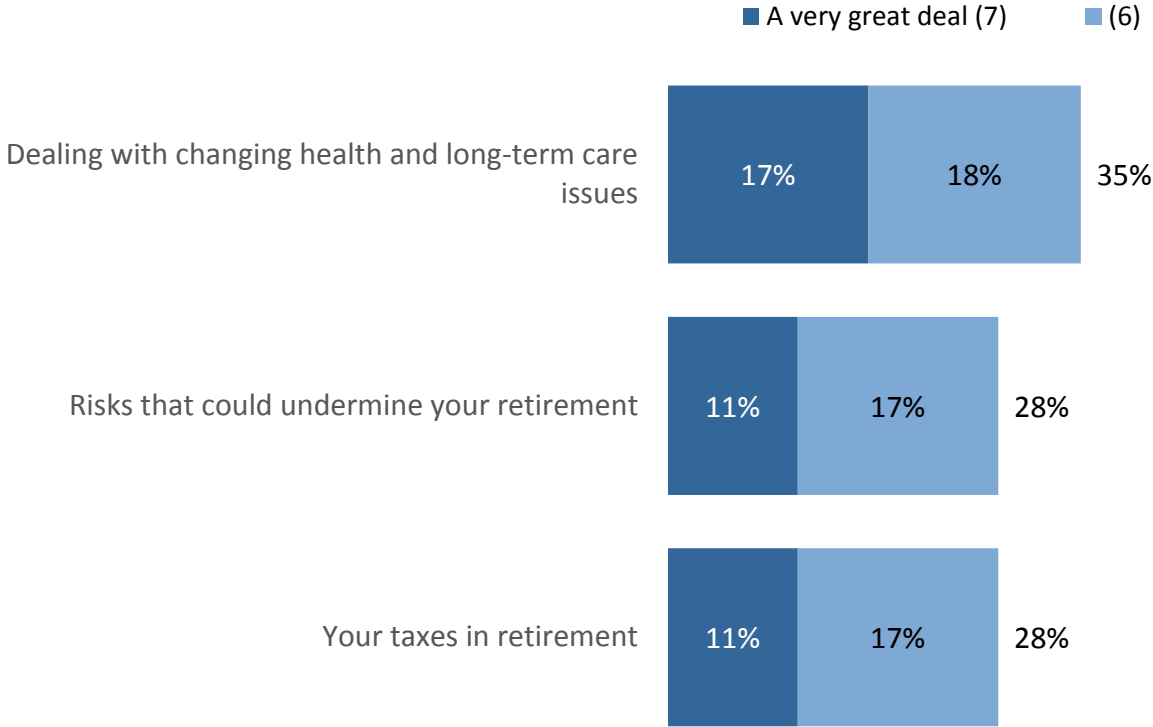
Despite attention to accumulating money, many fail to plan for other key aspects of their retirement.

How much thought (have you given/did you give before you retired) to each of the following aspects of starting retirement? Total (n=1,019)



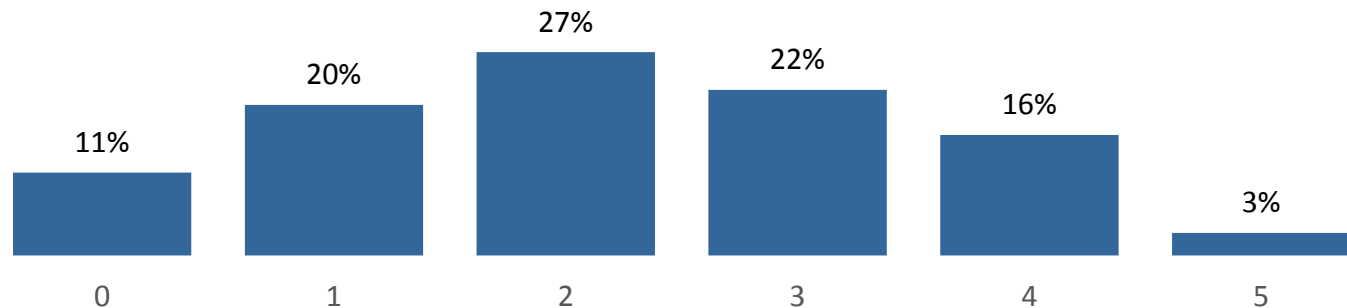
Most also fail to seriously consider issues that can derail retirement security, such as health and long-term care, other retirement risks, and taxes.

*How much thought have you given to each of the following issues that occur throughout retirement?
Total (n=1,019)*



Americans surveyed score moderately on basic financial and investment knowledge questions.

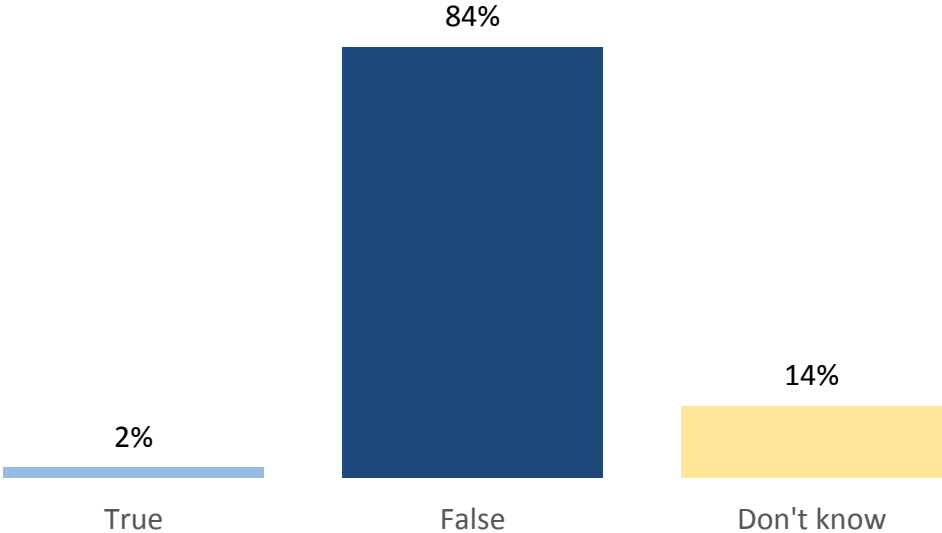
General Planning Activity
Number of Questions Answered Correctly (out of 5)
Total (n=1,019)



The large majority recognize that a stock mutual fund generally provides a safer return than purchasing a single company's stock.

Quiz Question

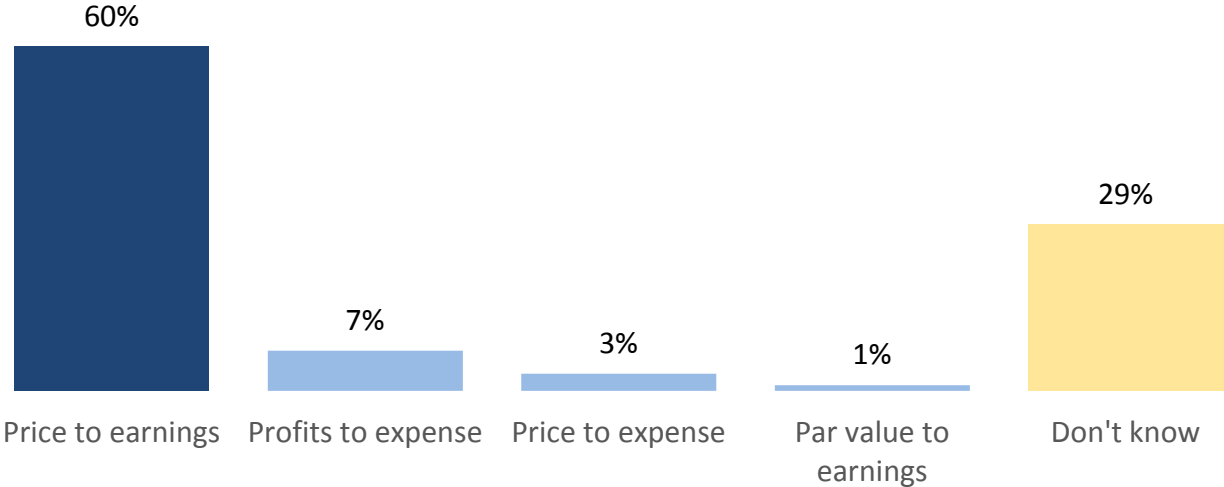
*True or false:
Buying a single company's stock usually provides a safer return than a stock mutual fund.*
Total (n=1,019)



6 in 10 know that a PE ratio means a price to earnings ratio.

Quiz Question

A PE ratio means...
Total (n=1,019)

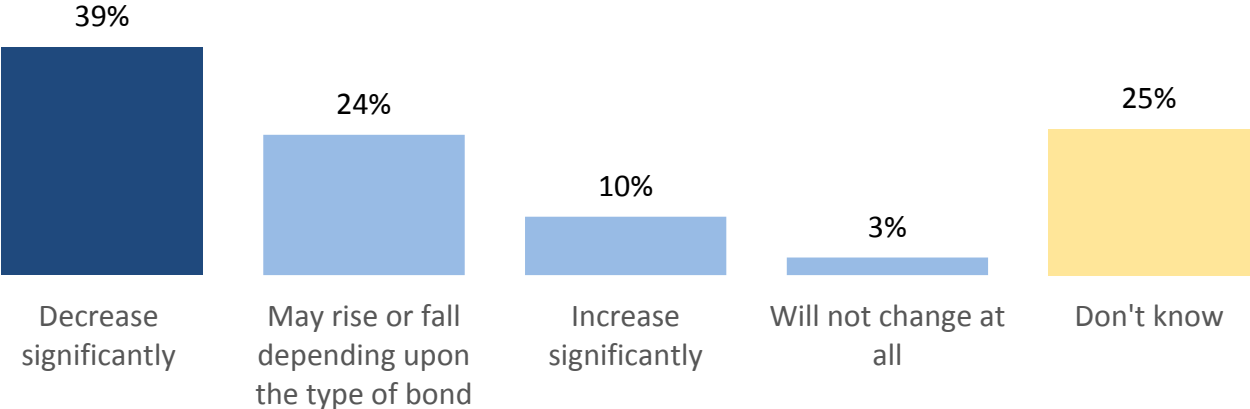


However, only 4 in 10 expect the value of a long-term bond mutual fund to fall if interest rates rise significantly.

Quiz Question

If 100% of a mutual fund's assets are invested in long-term bonds and the investment climate changes so that interest rates rise significantly, then the value of the mutual fund shares...

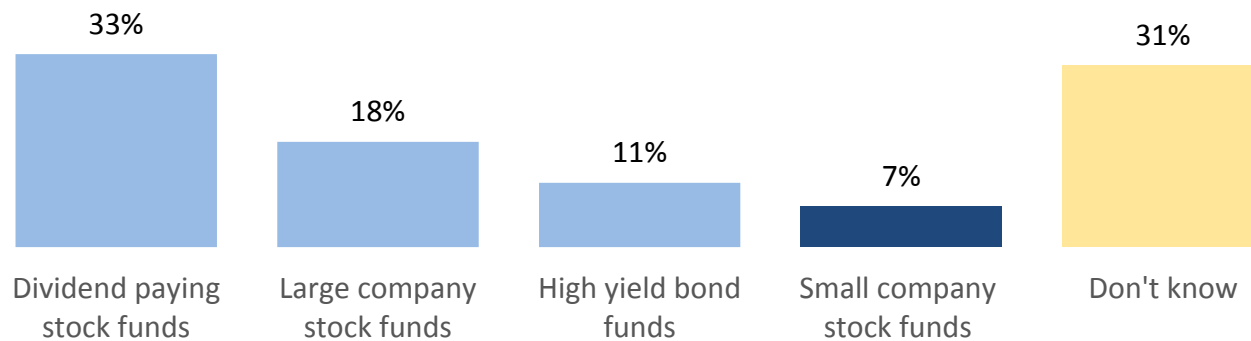
Total (n=1,019)



Less than 1 in 10 correctly answer a question about which type of investment generates the highest returns over a long period of time.

Quiz Question

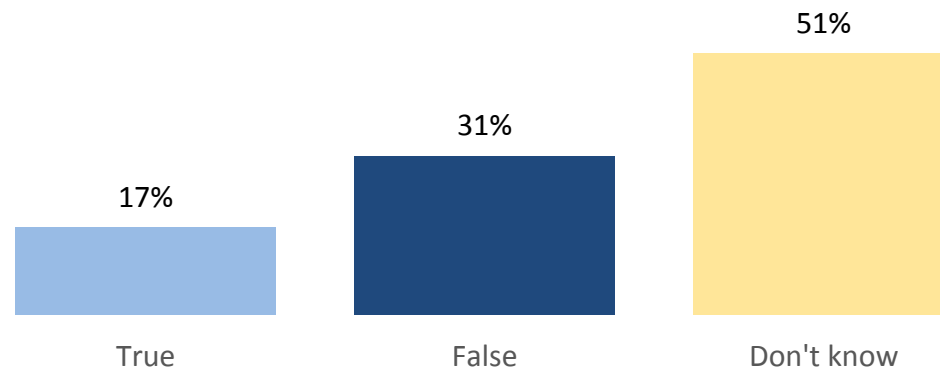
Historically, which one of the following generates the highest returns over a long time period?
Total (n=1,019)



3 in 10 know that actively managed mutual funds generally have higher expenses than exchange traded mutual funds.

Quiz Question

True or false:
Exchange traded funds generally have higher expenses than actively managed mutual funds.
Total (n=1,019)



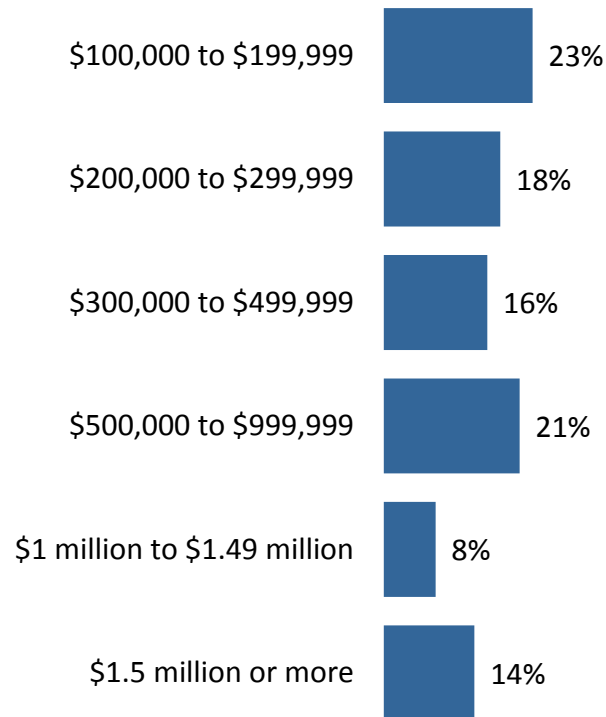
ABILITY TO MAINTAIN LIFESTYLE



The majority of those surveyed have \$100,000-\$499,999 in investable assets, but about 2 in 10 each have \$500,000-\$999,999 and \$1 million or more.

About how much money would you say you (and your spouse/partner) currently have in total in savings and investments, not including the value of your primary residence?

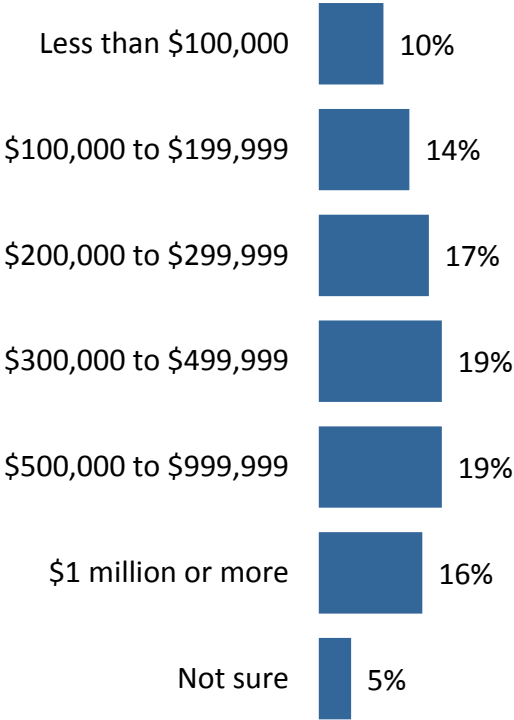
Total (n=1,019)



Many report the bulk of their savings is in an employer-provided retirement account.

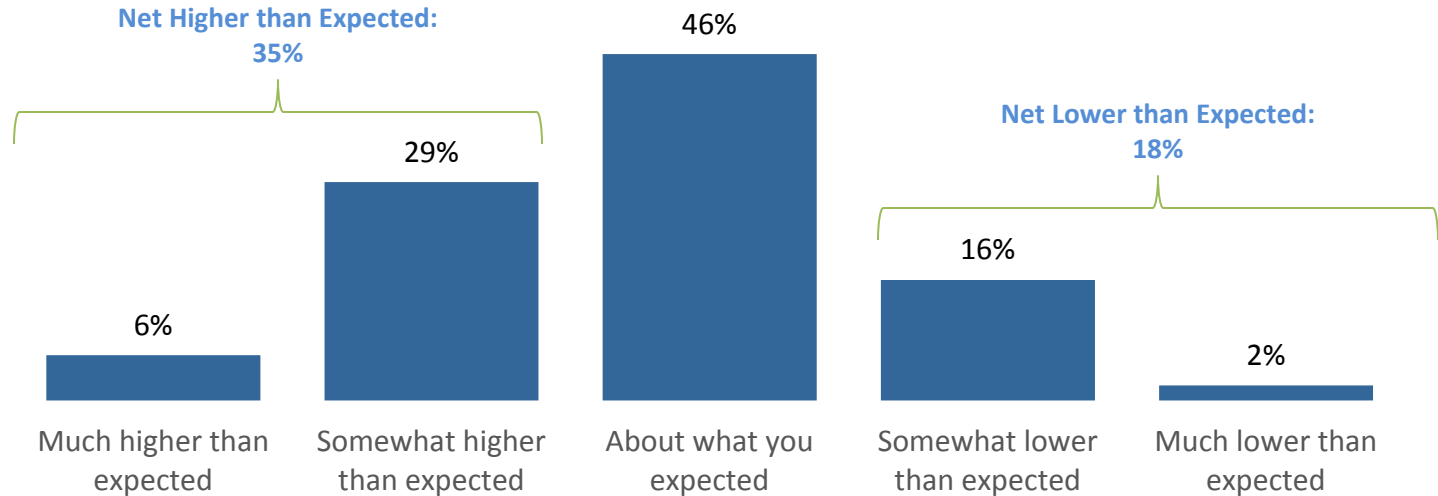
About how much money do you (and your spouse/partner) currently have in personal or employer-provided retirement accounts such as Roth or traditional IRAs, 401(k)s, 403(b)s or 457 (thrift) plans?

Total (n=1,019)



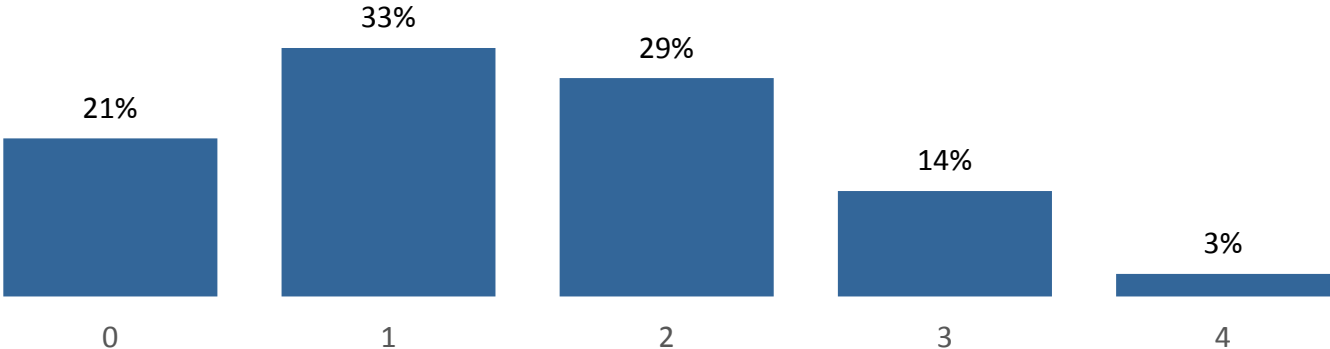
Nearly 2 in 10 retirees state their current level of assets is lower than expected at this point in their retirement, while more than 1 in 3 say they have more than expected.

*Compared with what you thought you would have at this point in your retirement, would you say your current level of assets is...?
If retired (n=775)*



More than half answer fewer than half of the quiz questions regarding maintaining lifestyle in retirement correctly.

Ability to Maintain Lifestyle
Number of Questions Answered Correctly (out of 4)
Total (n=1,019)



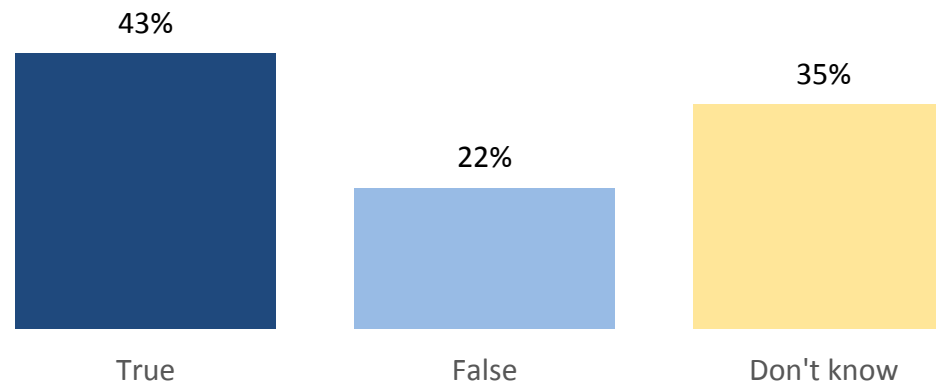
Just 43% recognize that a life annuity can protect against life expectancy risk.

Quiz Question

True or false:

Taking a portion (20-40%) of a retirement portfolio and buying a life annuity can protect against the uncertainty of life expectancy, ensuring that a basic level of spending is available throughout retirement.

Total (n=1,019)

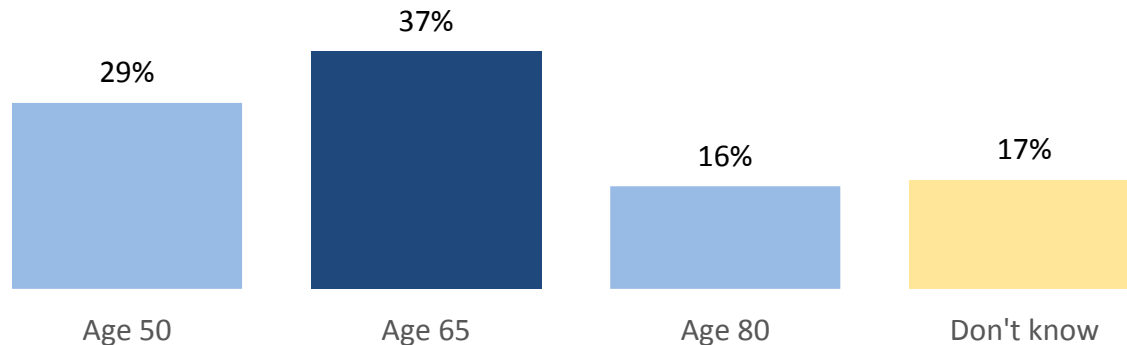


Nearly 4 in 10 know that a person should take the least amount of investment risk right before they retire.

Quiz Question

Recent research has shown that a person planning to retire at age 65 should take the least amount of investment risk at:

Total (n=1,019)

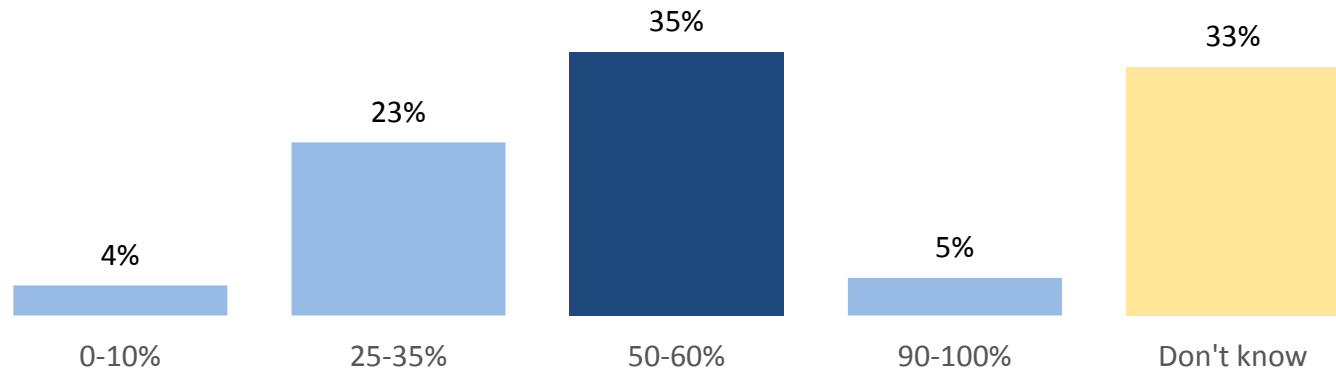


More than 1 in 3 respond correctly that it is best to hold 50-60% in equities throughout retirement to maximize the withdrawal rate.

Quiz Question

Please choose the response below that best completes this statement:
To maximize the withdrawal rate from a portfolio over a 30-year retirement period, it is best to hold ___ in equities throughout retirement.

Total (n=1,019)



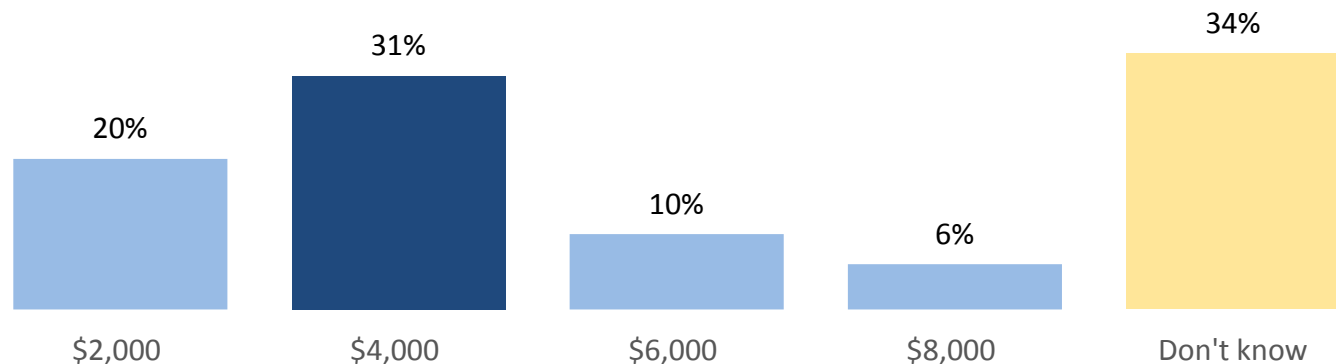
3 in 10 know that the most they can withdraw from assets each year is 4%. Those who respond incorrectly are as likely to underestimate as to overestimate.

Quiz Question

Please choose the response below that best completes this statement:

If you had a well diversified portfolio of 50% stocks and 50% bonds that was worth \$100,000 at retirement, based on historical returns in the United States the most you can afford to withdraw is ____ plus inflation each year to have 95% chance that your assets will last for 30 years.

Total (n=1,019)

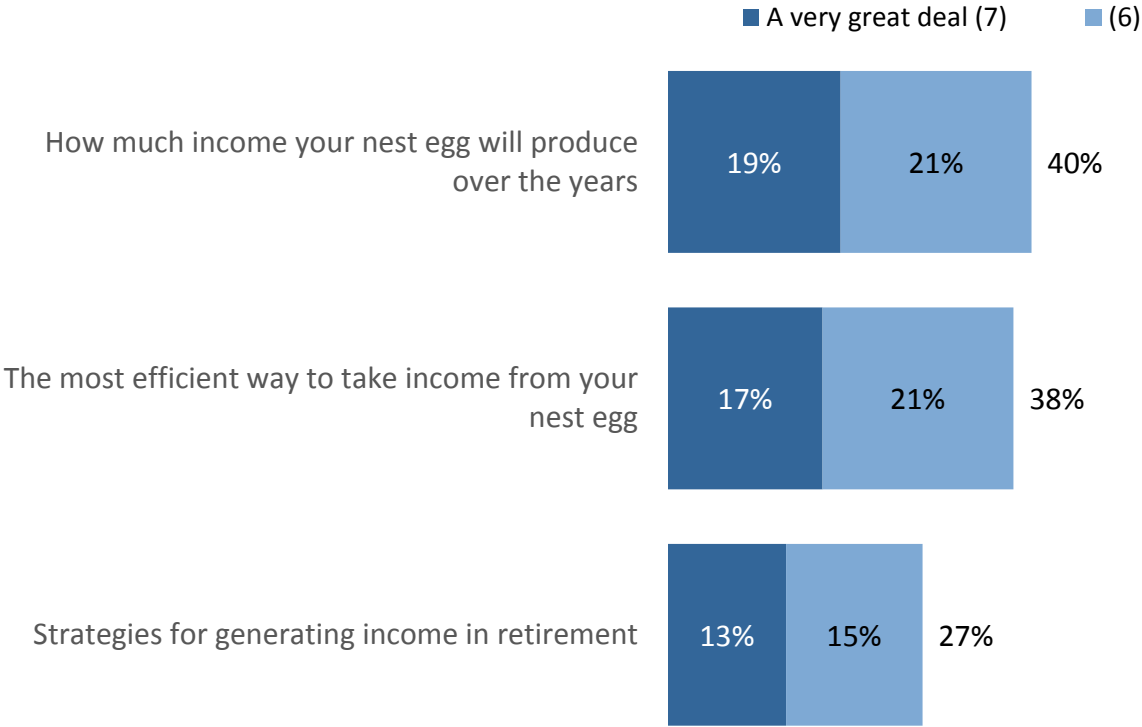


INCOME GENERATION



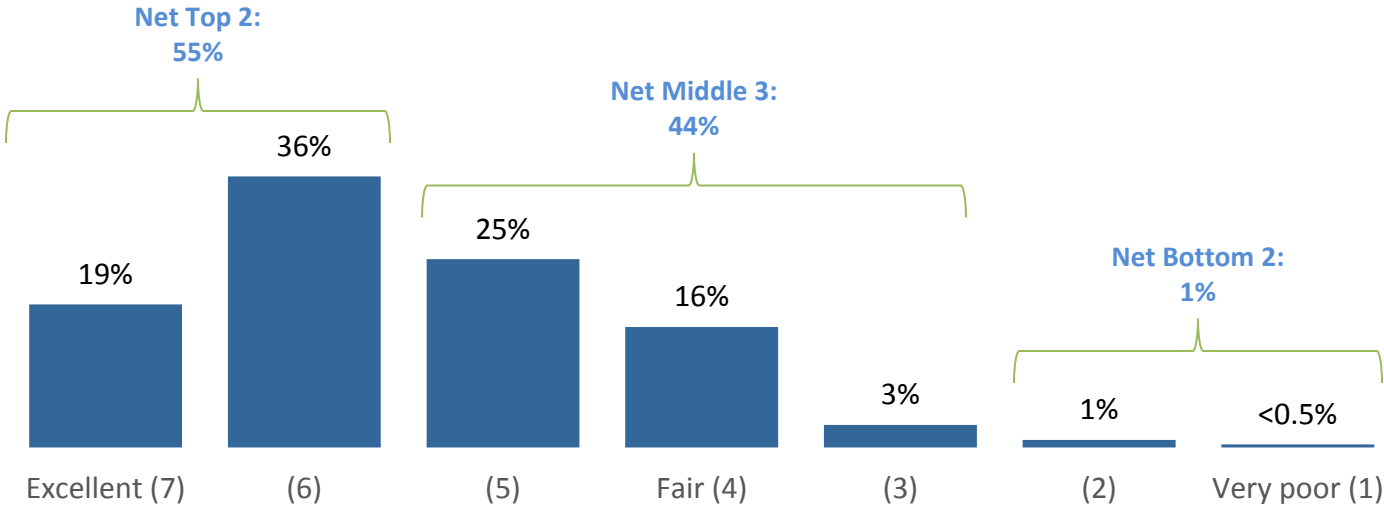
While 4 in 10 report giving substantial thought to how to withdraw income from assets and how much, fewer have strategized about generating retirement income.

How much thought have you given or did you give to each of the following?
Total (n=1,019)



However, more than half rate their ability to meet their income needs during retirement highly.

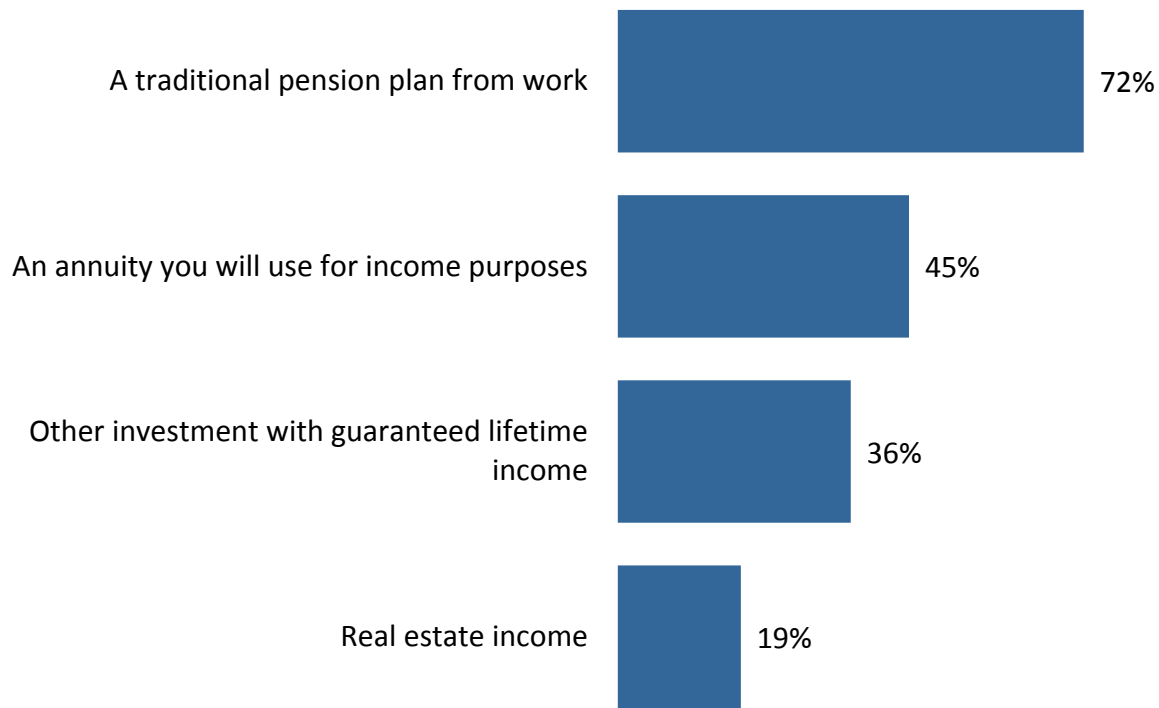
How would you rate your efforts when it comes to meeting your income needs during retirement?
Total (n=1,019)



More than 7 in 10 say they receive or will receive income from a DB plan; roughly 4 in 10 each claim to have an annuity or investment with guaranteed lifetime income.

Do you (or your spouse/partner) currently have any of the following that is producing or will produce guaranteed lifetime income in retirement? Total (n=1,019)

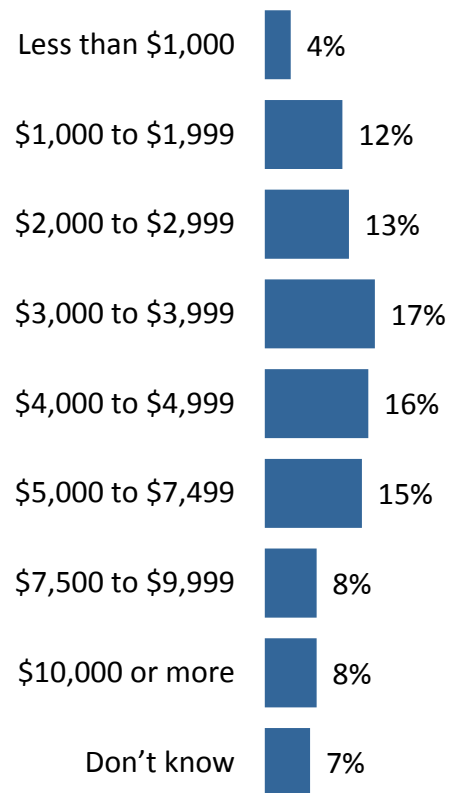
Percent "Yes"



Many receive/expect to receive substantial guaranteed lifetime income. Almost 4 in 10 have at least \$5,000 a month and more than 3 in 10 receive \$3,000-\$4,999.

Overall, considering all of these sources and not counting Social Security, how much monthly guaranteed lifetime income do you (expect to) have in retirement?

*Total (n=901)***

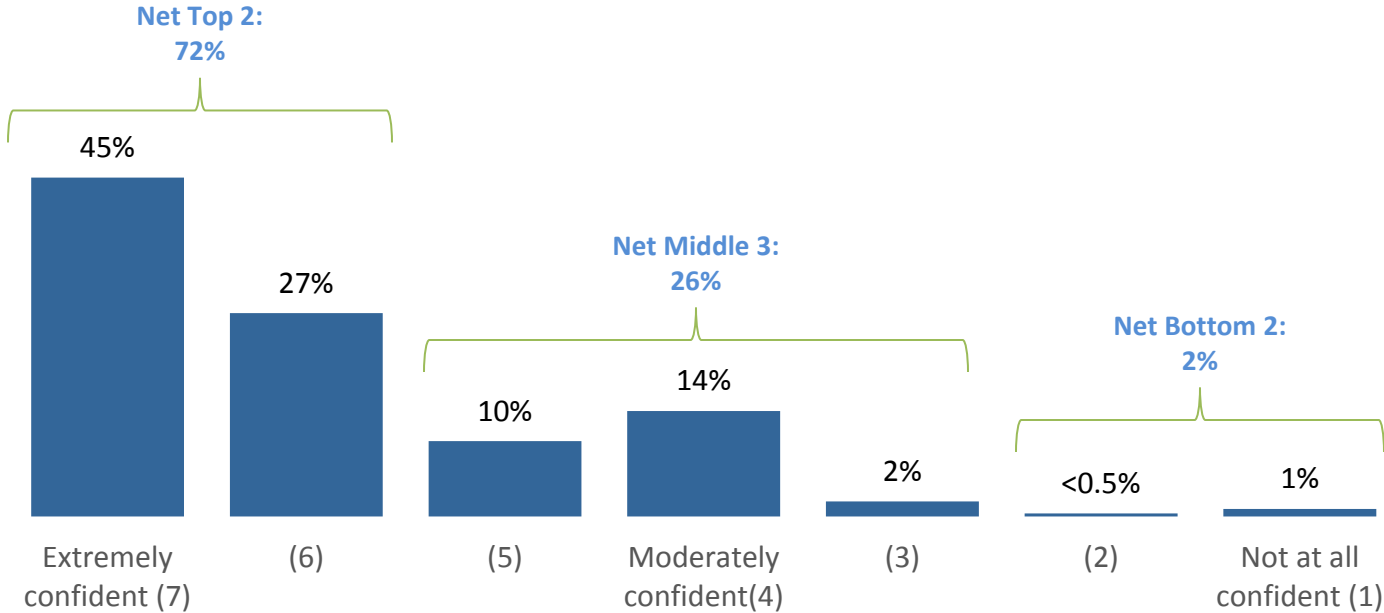


****Question asked of those who currently have a traditional pension, an annuity, real estate income, or another investment with guaranteed lifetime income**



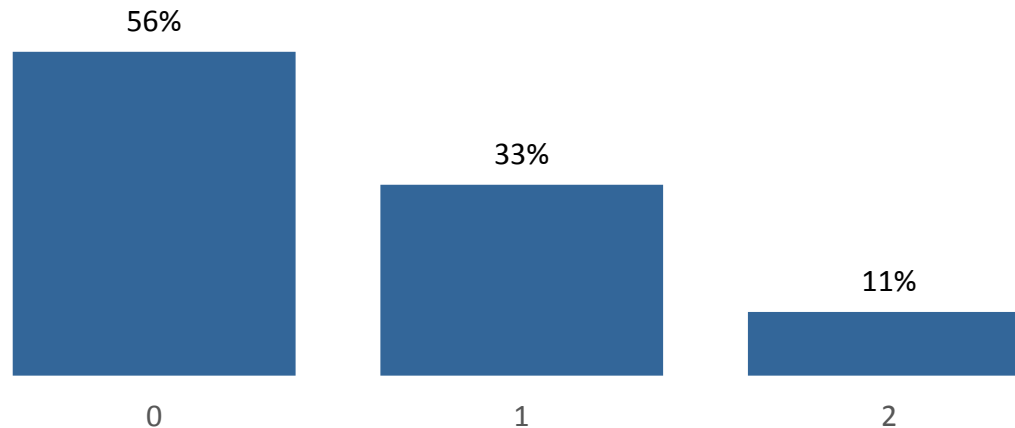
Most with lifetime income benefits from a company pension are highly confident that that the pension will continue throughout their retirement.

*How confident are you that your company pension will be there for you (when you retire/throughout your retirement)?
If have pension (n=723)*



The majority fail to answer either of the quiz questions about generating income in retirement correctly.

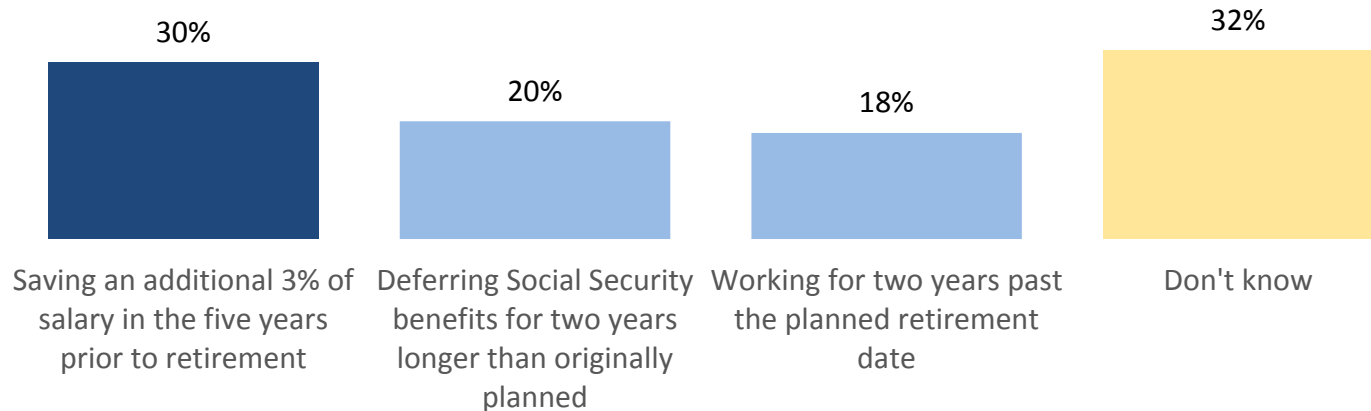
Income Generation
Number of Questions Answered Correctly (out of 2)
Total (n=1,019)



Just 3 in 10 are able to provide the correct response regarding the strategy least likely to improve retirement security.

Quiz Question

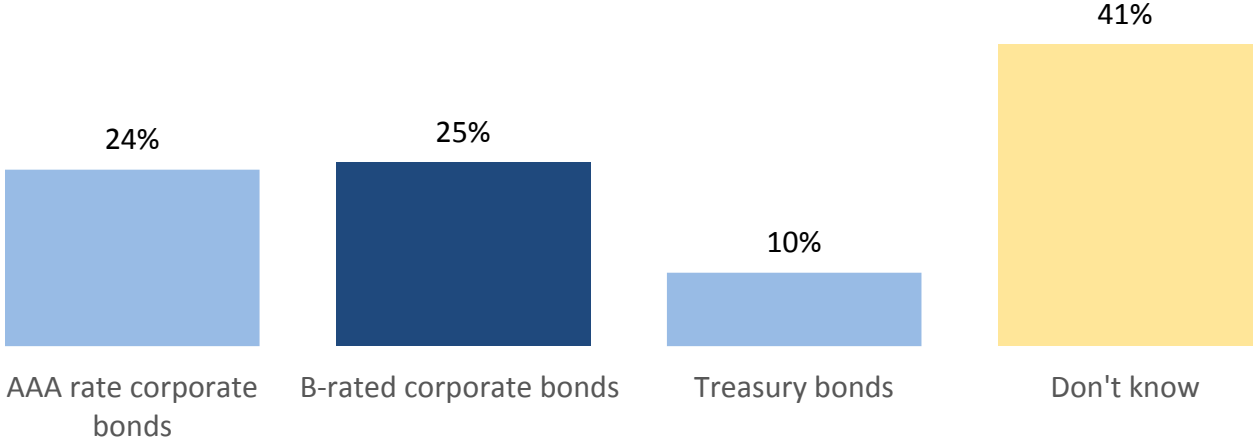
Which of the following strategies is least likely to improve retirement security?
Total (n=1,019)



Only one-quarter identify B-rated corporate bonds as the long-term bond that typically has the highest yield.

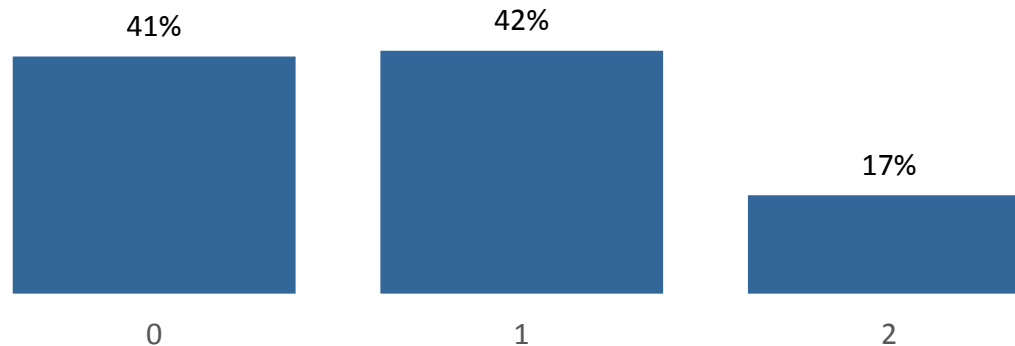
Quiz Question

Which of the following types of long-term bonds typically has the highest yield?
Total (n=1,019)



Americans surveyed do slightly better when it comes to questions about company retirement plans, with 6 in 10 answering at least one of the two questions correctly.

Company Retirement Plans
Number of Questions Answered Correctly (out of 2)
Total (n=1,019)

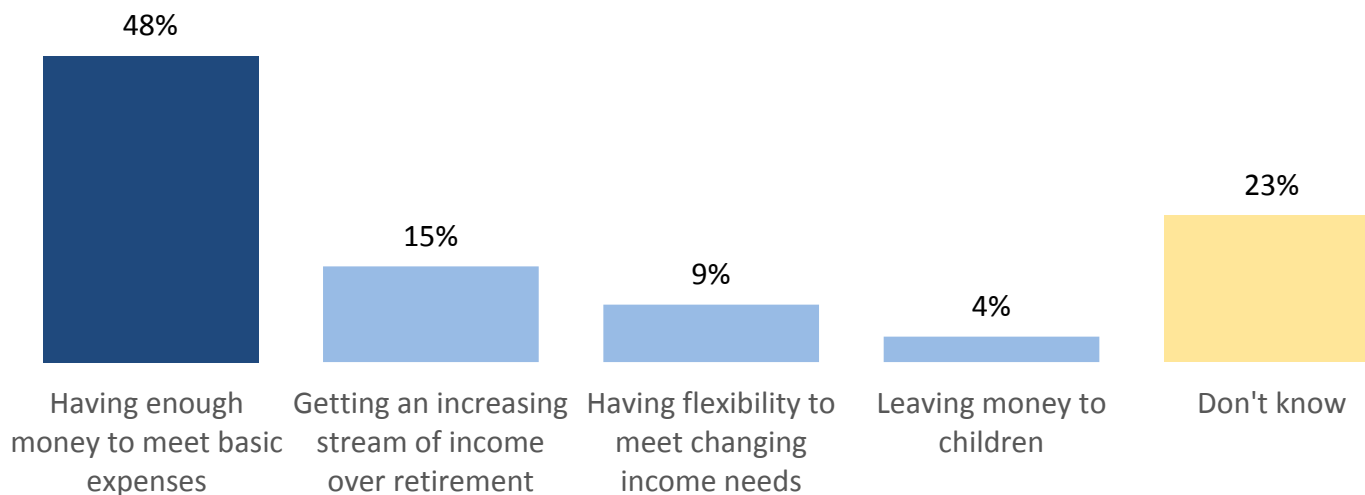


Nearly half know a life annuity from a DB plan is a better choice if the participant is most concerned about having enough money to meet basic expenses.

Quiz Question

If a participant is given the choice of a lump sum or a life annuity from a company sponsored retirement plan, the life annuity is likely to be the better choice if the participant is most concerned about...

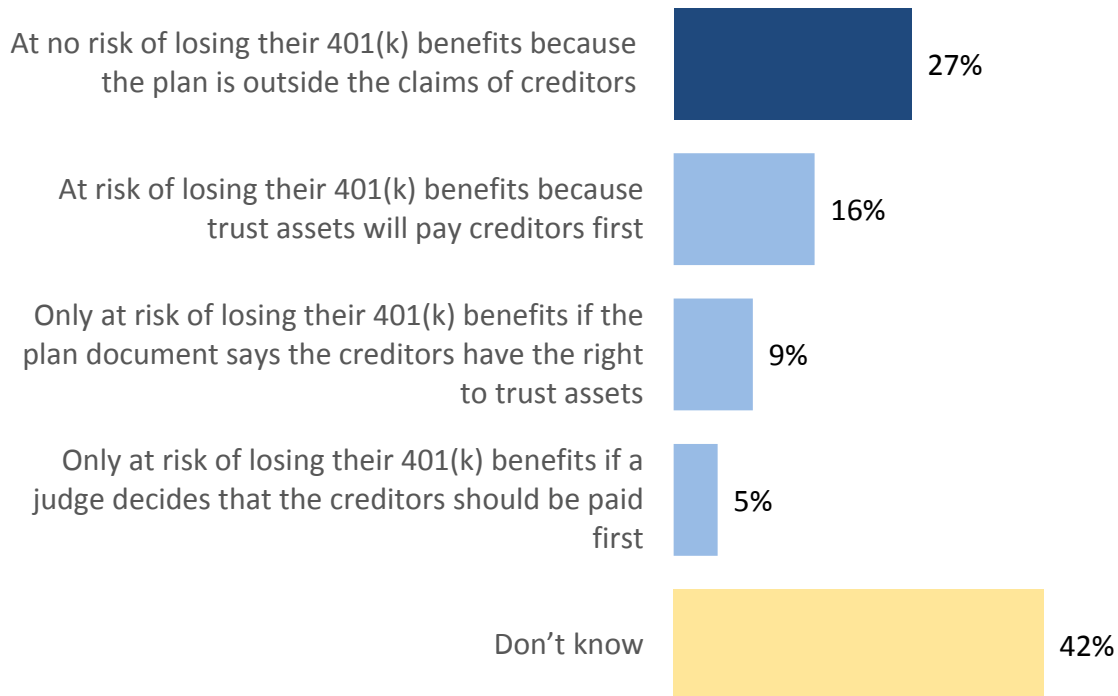
Total (n=1,019)



But only about 1 in 4 know that employees are at no risk of losing their 401(k) benefits if their employer files for bankruptcy.

Quiz Question

If a large public company sponsoring a 401(k) plan files for bankruptcy, employees are...
Total (n=1,019)

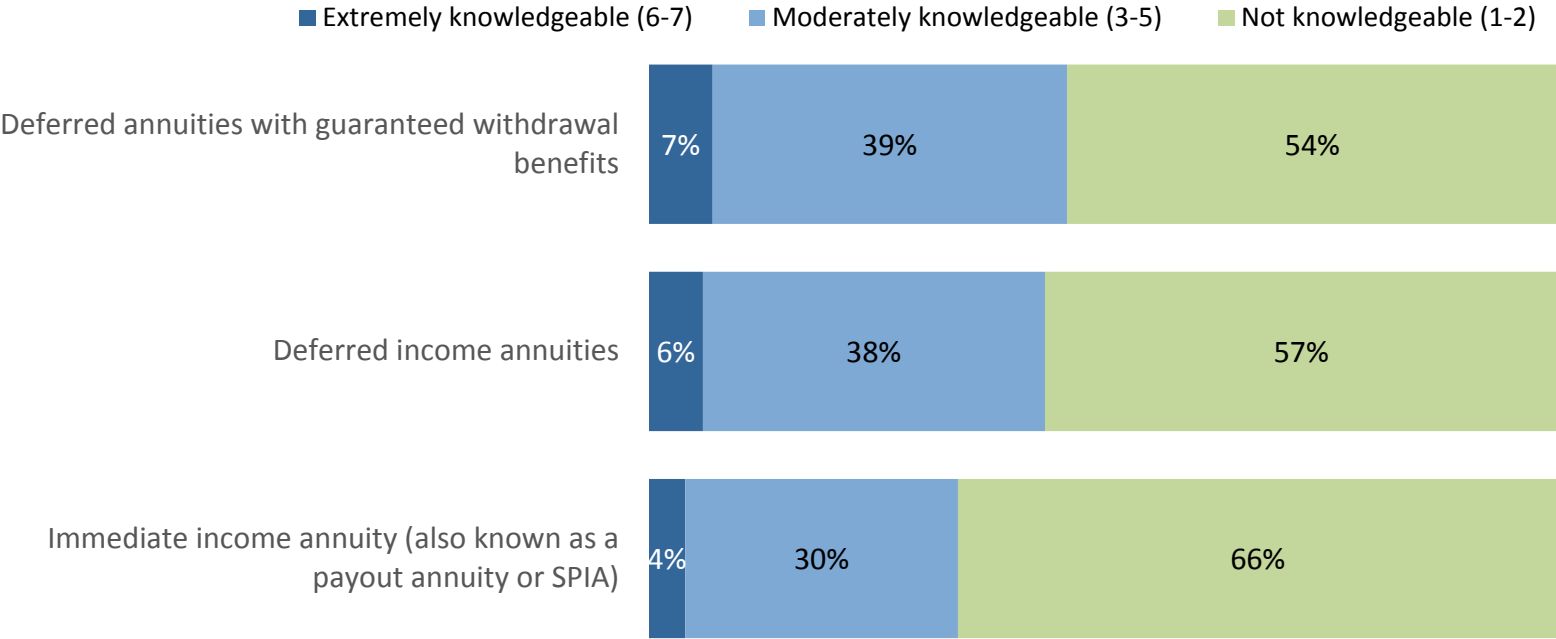


ANNUITY PRODUCT KNOWLEDGE & SOCIAL SECURITY



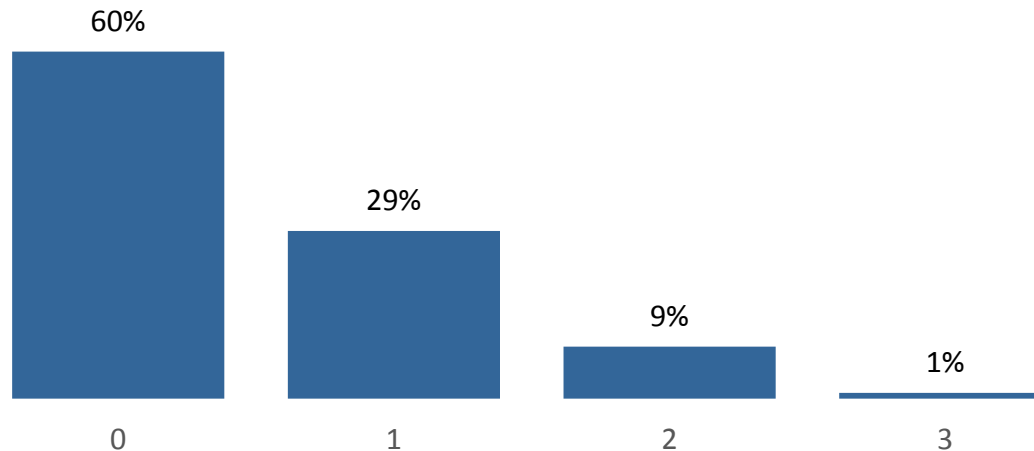
Despite almost half claiming to have an annuity that will provide guaranteed lifetime income, very few are highly knowledgeable about these products.

*How knowledgeable are you about the following types of lifetime annuities?
Total (n=1,019)*



Therefore, it is not surprising that 6 in 10 do not know the answers to any of the annuity product knowledge questions.

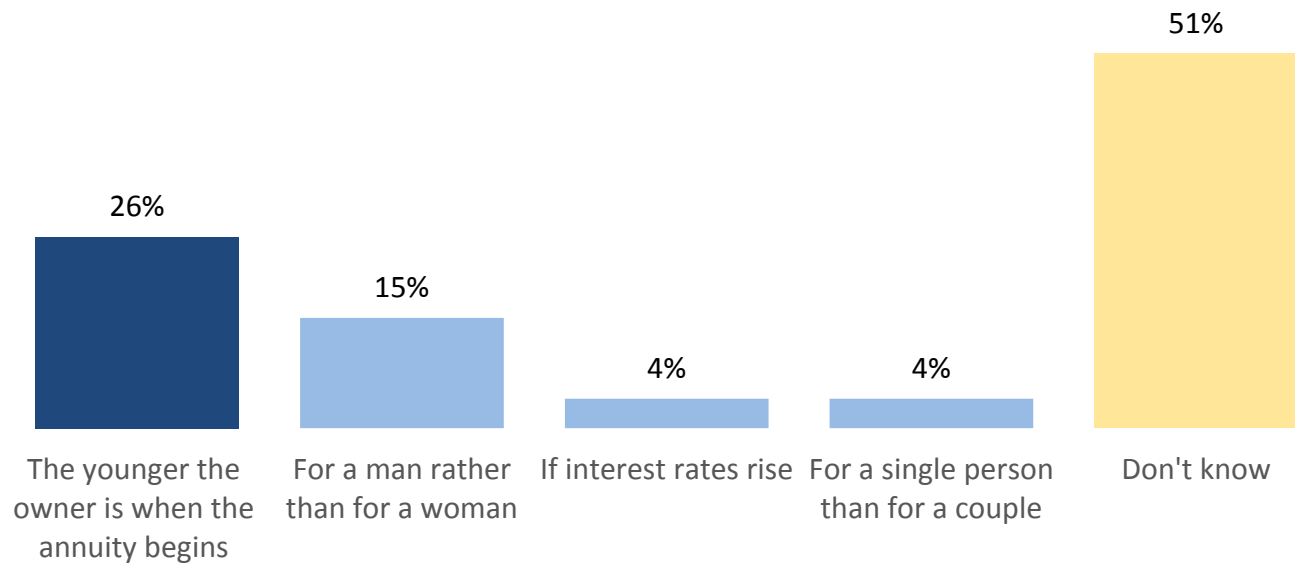
Annuity Product Knowledge
Number of Questions Answered Correctly (out of 3)
Total (n=1,019)



Just 1 in 4 know that an annuity paying income of \$1,000 a month is generally going to be more expensive the younger the owner is when the payments begin.

Quiz Question

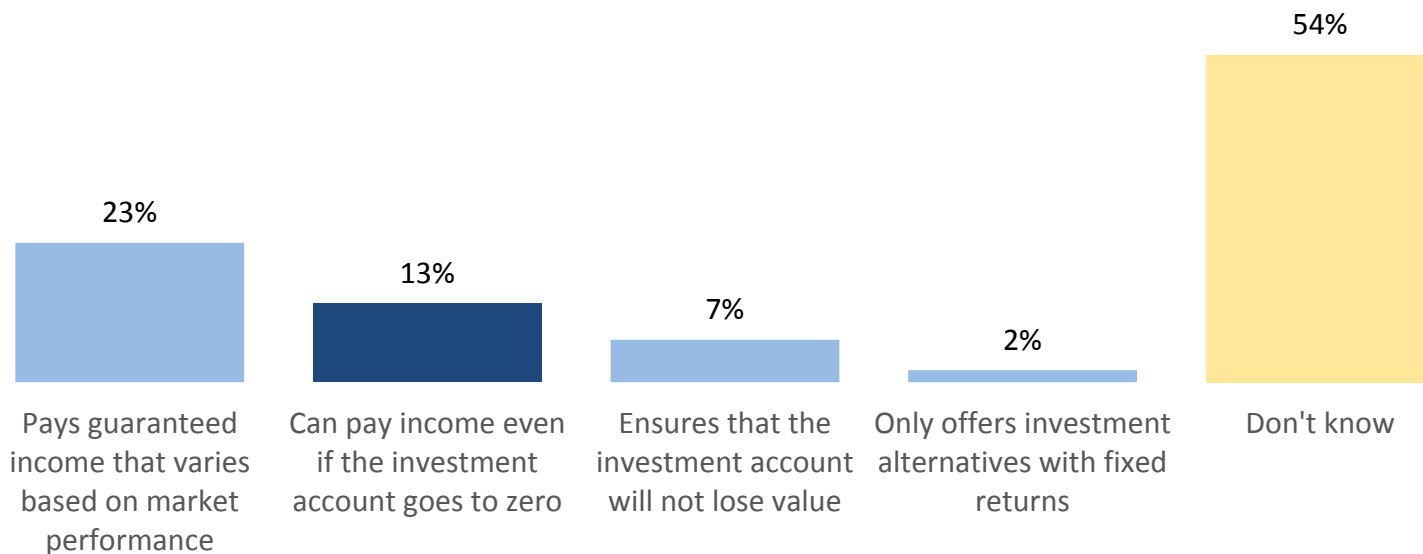
*An immediate income annuity that pays income of \$1,000 a month is generally going to be more expensive...
Total (n=1,019)*



Only 13% respond correctly that a deferred variable annuity with guaranteed lifetime withdrawal benefits can pay income even if the investment account goes to zero.

Quiz Question

A deferred variable annuity with guaranteed lifetime withdrawal benefits...
Total (n=1,019)

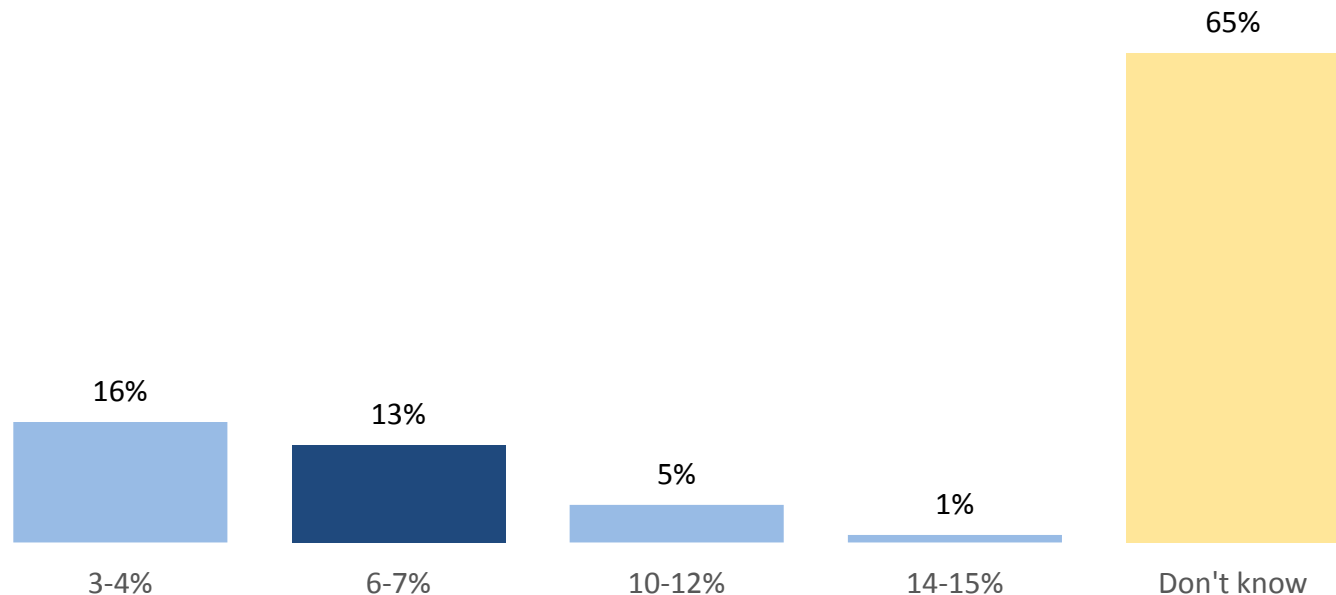


Similarly, just 13% are aware that the lifetime income payout rate for an immediate income annuity for a 65-year-old male today is roughly 6 to 7%.

Quiz Question

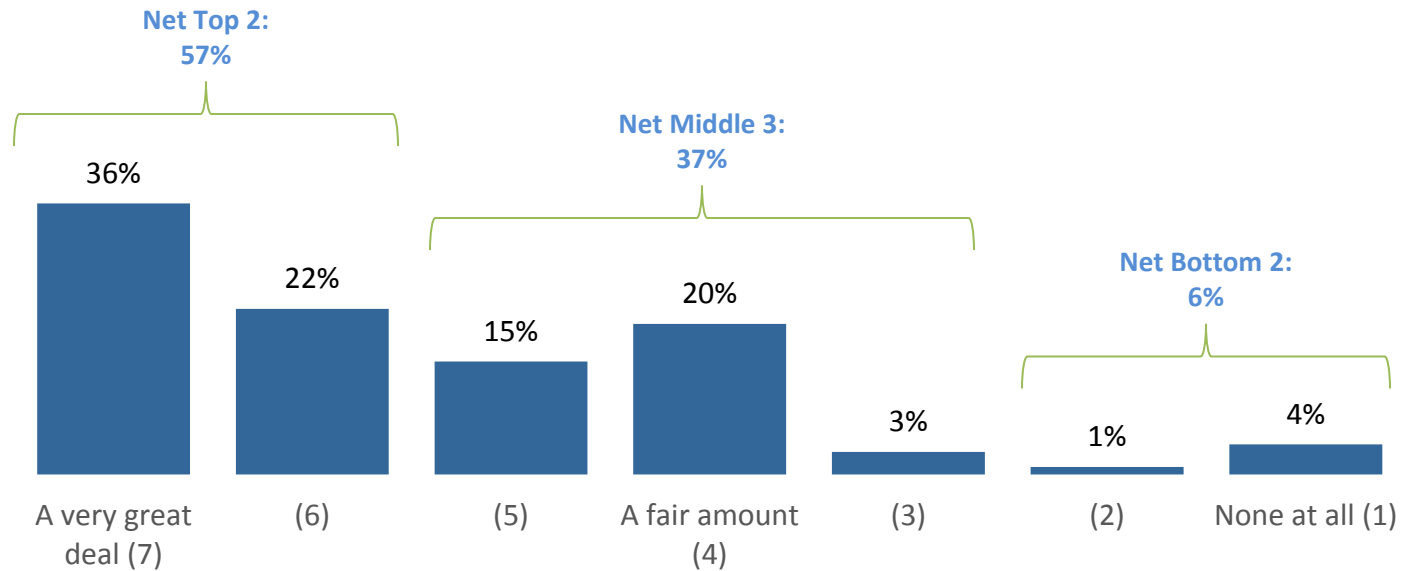
The lifetime income payout rate (the annual annuity payment as a percentage of the purchase price) for an immediate income annuity for a 65-year-old male today is roughly...

Total (n=1,019)



Almost 6 in 10 report giving a great deal of thought to when to claim Social Security.

How much thought have you given to each of the following?
When to claim Social Security
Total (n=1,019)

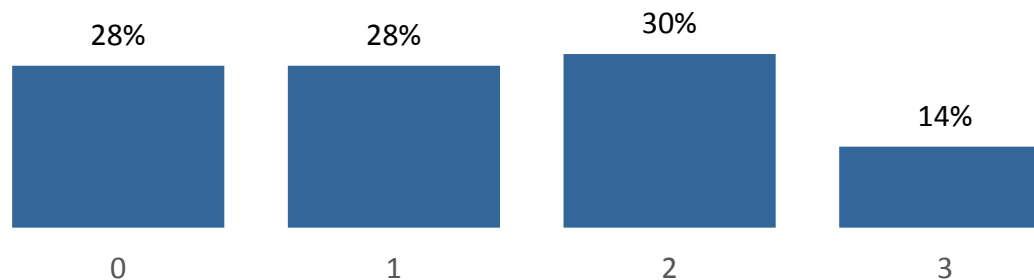


A sizeable majority answer at least one of the three questions about Social Security correctly.

Social Security

Number of Questions Answered Correctly (out of 3)

Total (n=1,019)

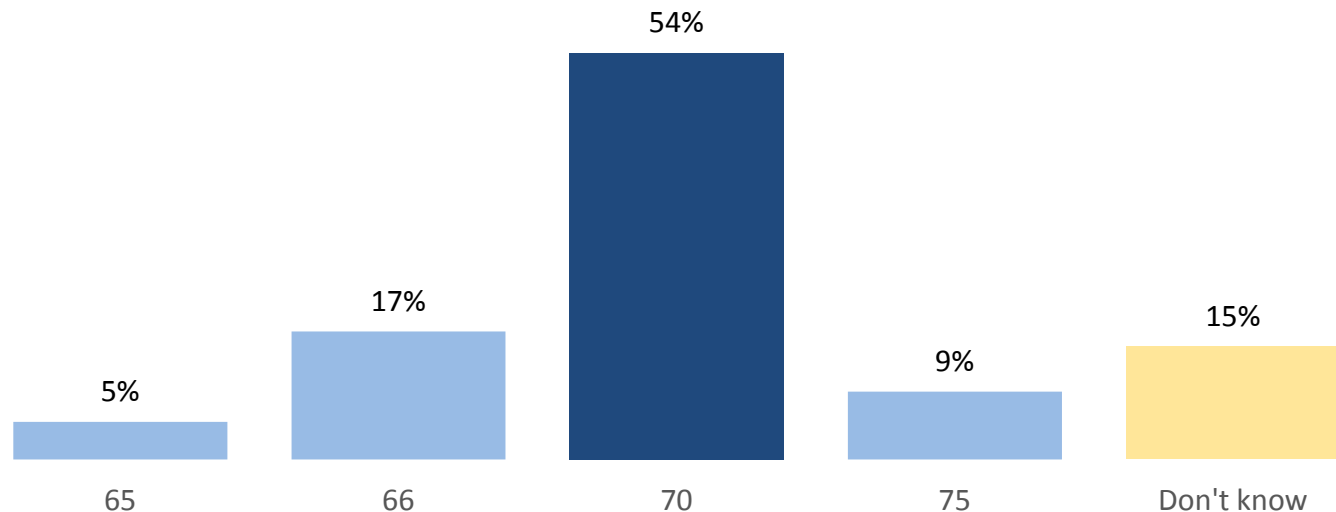


More than half grasp that Social Security retirement benefits are increased for each year that benefits are deferred from age 62 to age 70.

Quiz Question

Social Security workers' monthly benefits are increased for each year that benefits are deferred from age 62 to age...

Total (n=1,019)

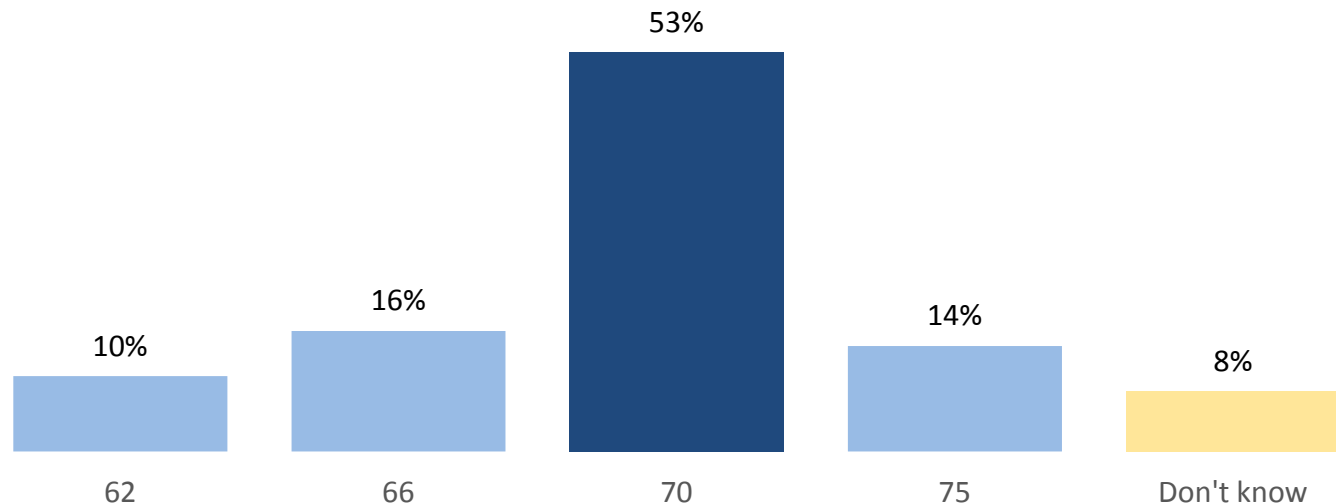


Likewise, more than half appreciate that a single person who is likely to live to age 90 is generally going to be better off claiming Social Security benefits at age 70.

Quiz Question

A single person who is likely to live to age 90 is generally going to be better off claiming Social Security benefits at age...

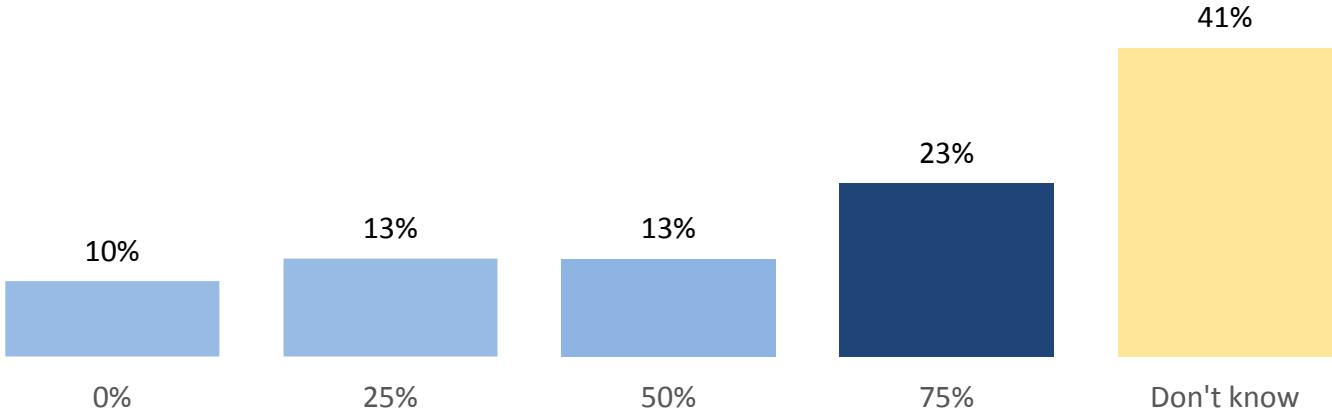
Total (n=1,019)



However, less than 1 in 4 are aware that in 2033 Social Security will only have funds to pay for about 75% of promised benefits.

Quiz Question

*Please choose the response below that best completes this statement:
According to the Social Security Administration, in 2033 they will only have funds to pay for approximately ___ of promised benefits.
Total (n=1,019)*



LIFE EXPECTANCY



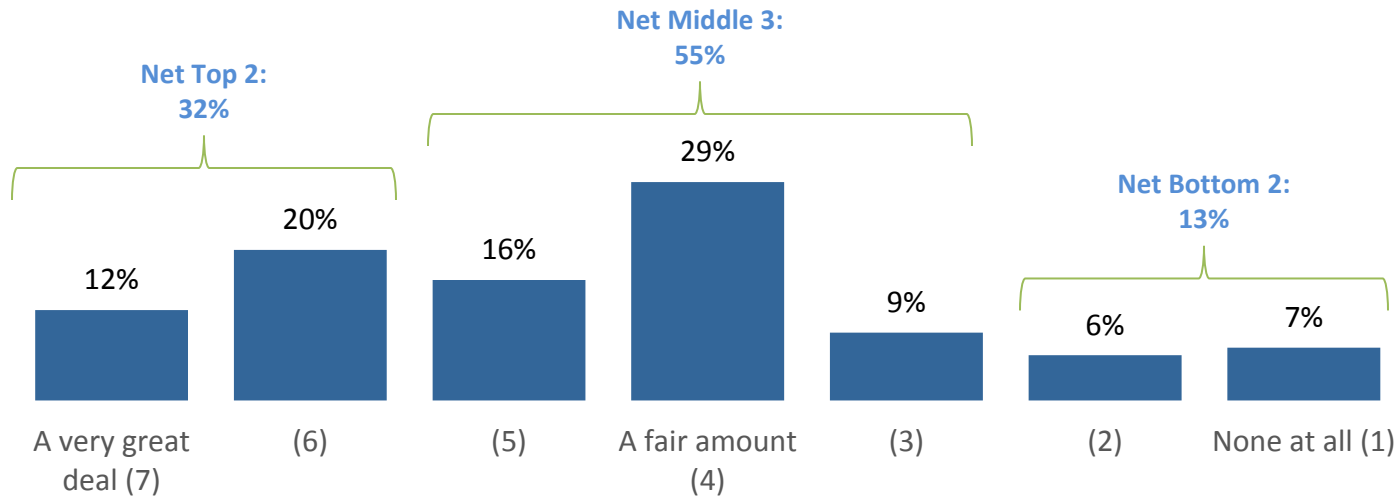
Greenwald & Associates, Inc.

One-third have given a great deal of thought to how much time they will spend in retirement, but more than half have given it only a moderate amount of thought.

How much thought have you given to each of the following aspects of starting retirement?

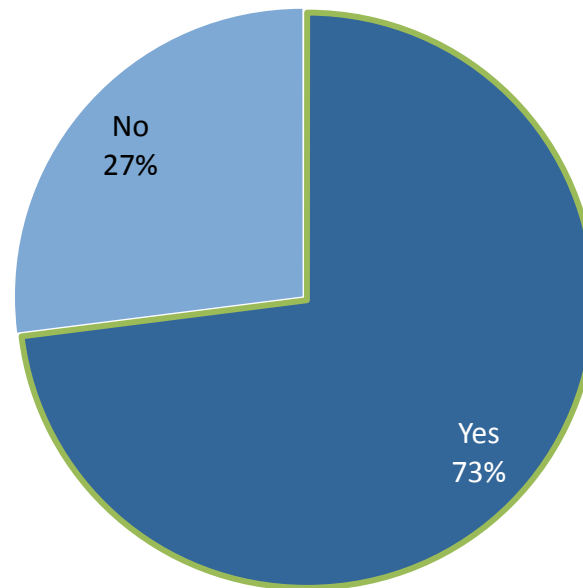
How many years you (will/would) spend in retirement

Total (n=1,019)



Yet almost 3 in 4 state they considered the age to which they expect to live when planning financially for retirement.

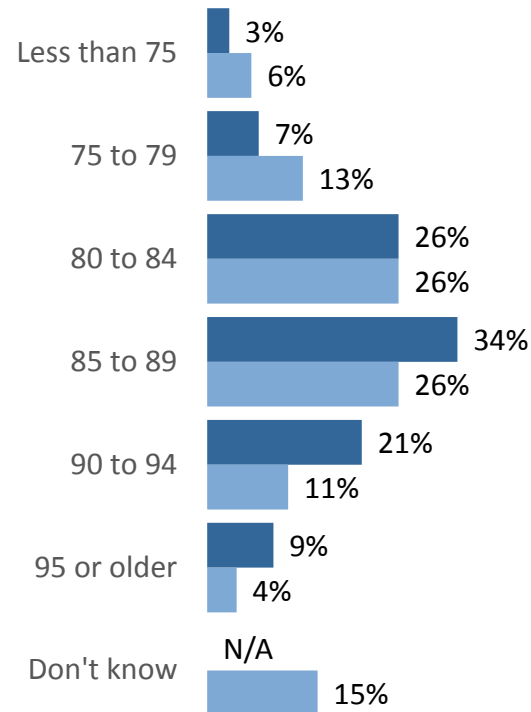
Do/Did you consider the age to which you expect to live when planning financially for your retirement?
Total (n=1,019)



Those who consider life expectancy in their planning are more likely than those who do not to report they think they will live to age 85 or beyond.

To what age do you assume you will live?/To what age do you think you will live?

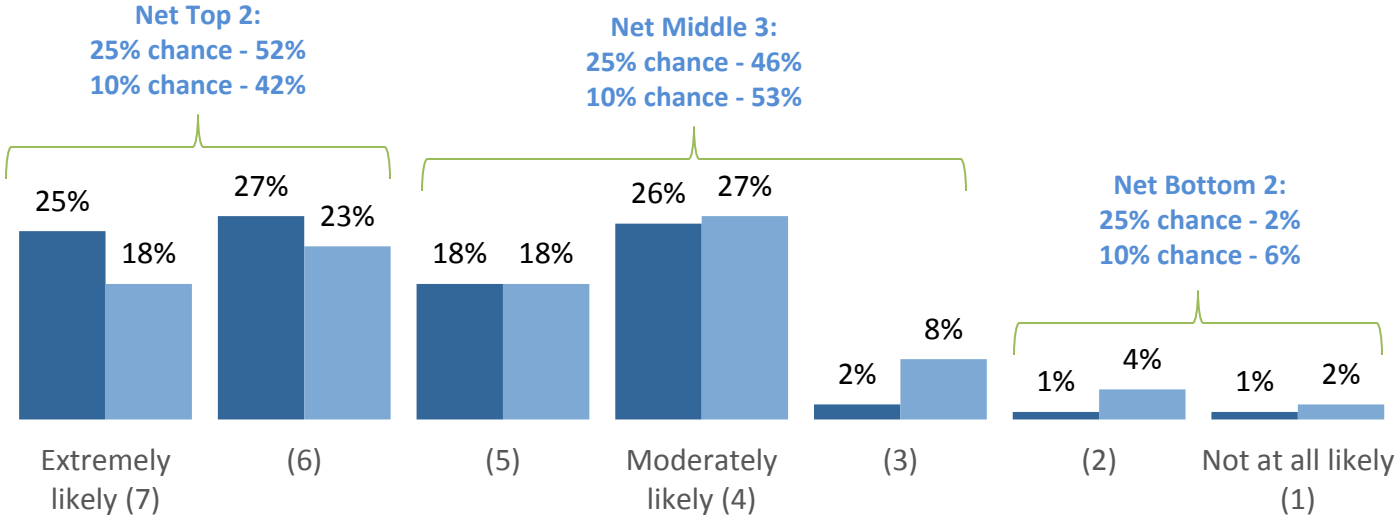
■ Consider life expectancy (n=741) ■ Do not consider life expectancy (n=278)



More than 4 in 10 state they would be very likely to plan to make their money last even if they thought they had just a 10% chance of living to that age.

Assume that you had a 25%/10% chance of living to a certain age according to life expectancy tables.
 How likely is it that you would plan to make your money last until that age?
 Total (n=1,019)

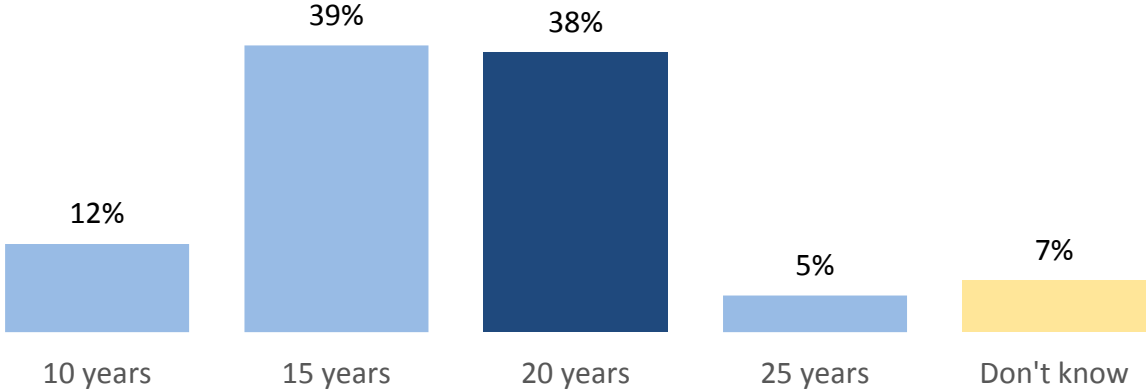
■ 25% chance ■ 10% chance



Half underestimate the average life expectancy of a 65-year-old man; less than 4 in 10 answer correctly that such a man could expect to live another 20 years.

Quiz Question

*A 65-year-old man has an average life expectancy of approximately an additional:
Total (n=1,019)*

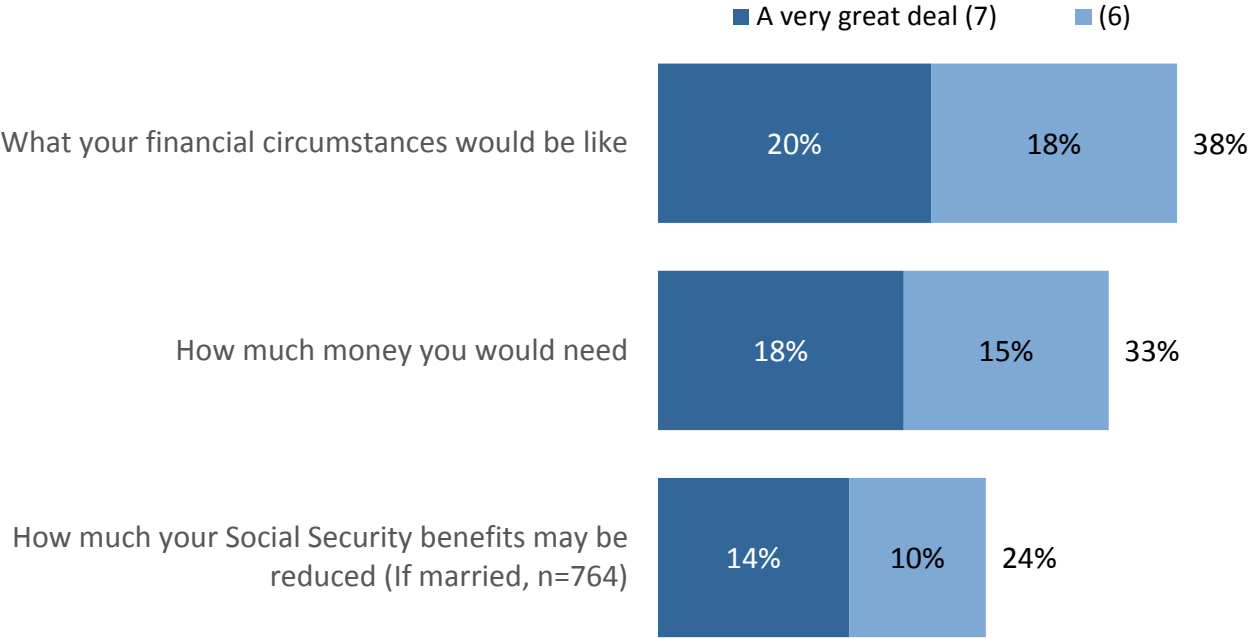


LIFE INSURANCE & DEATH OF SPOUSE



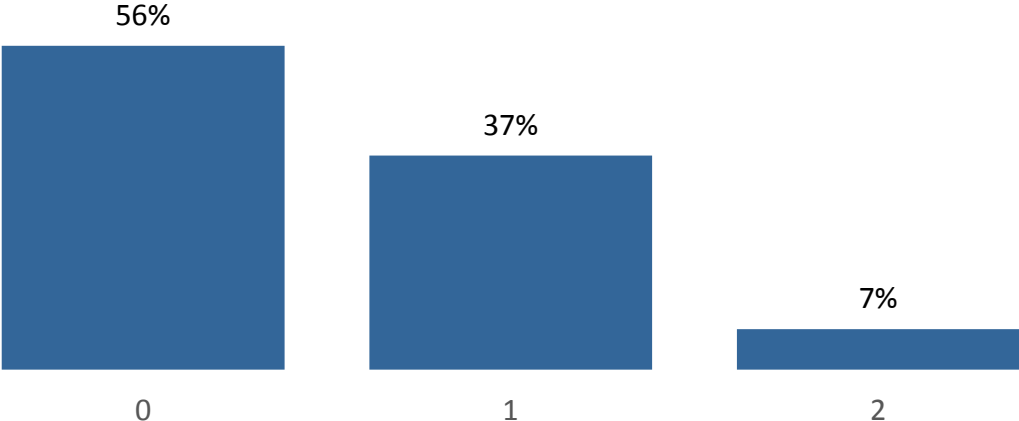
Only a minority of married consumers have given a great deal of thought to the financial consequences if their spouse were to predecease them.

*How much thought have you or did you give to each of the following if your (spouse/partner) were to die before you?
If married or live with partner (n=795)*



More than half answered both of the quiz questions regarding life insurance incorrectly.

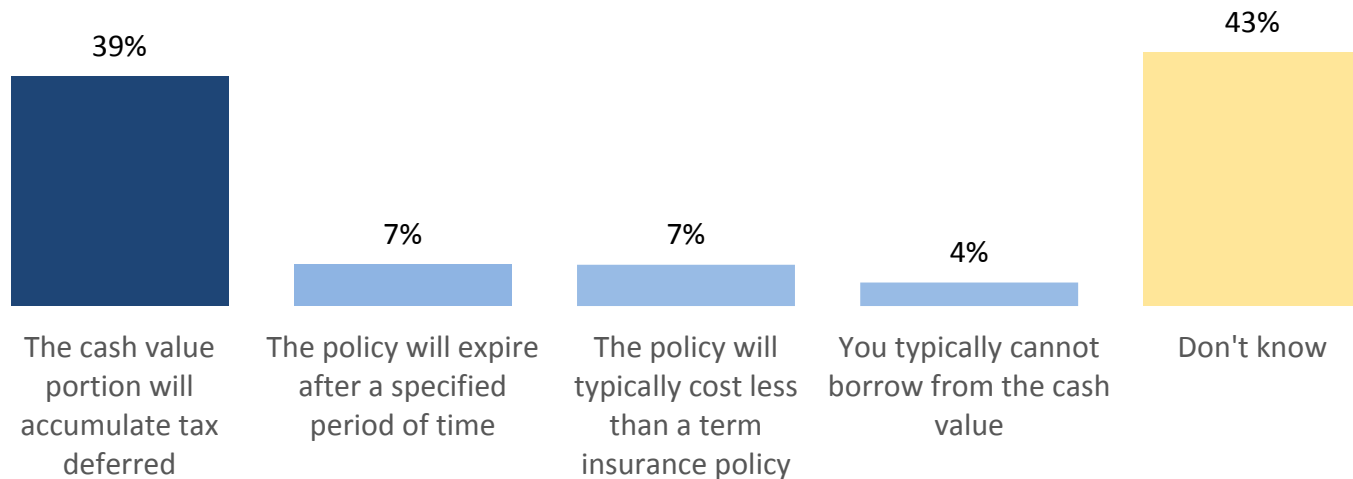
Life Insurance
Number of Questions Answered Correctly (out of 2)
Total (n=1,019)



4 in 10 know the cash value portion of whole life will accumulate tax deferred.

Quiz Question

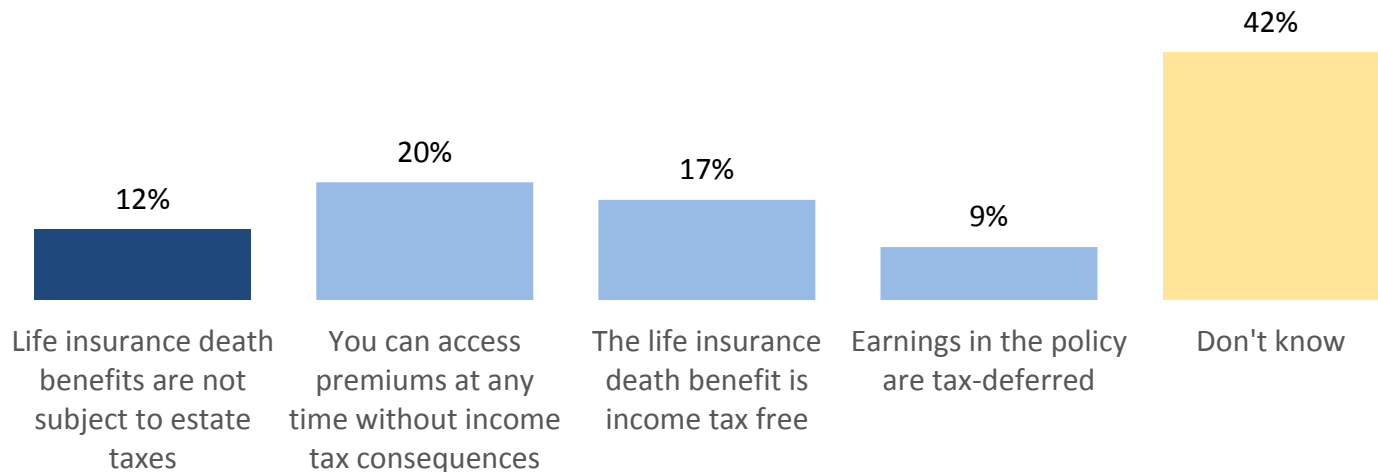
Which one of the following is true about cash value life insurance?
Total (n=1,019)



Just 1 in 8 are knowledgeable enough to know that whole life owners could face income tax consequences if they access the premiums.

Quiz Question

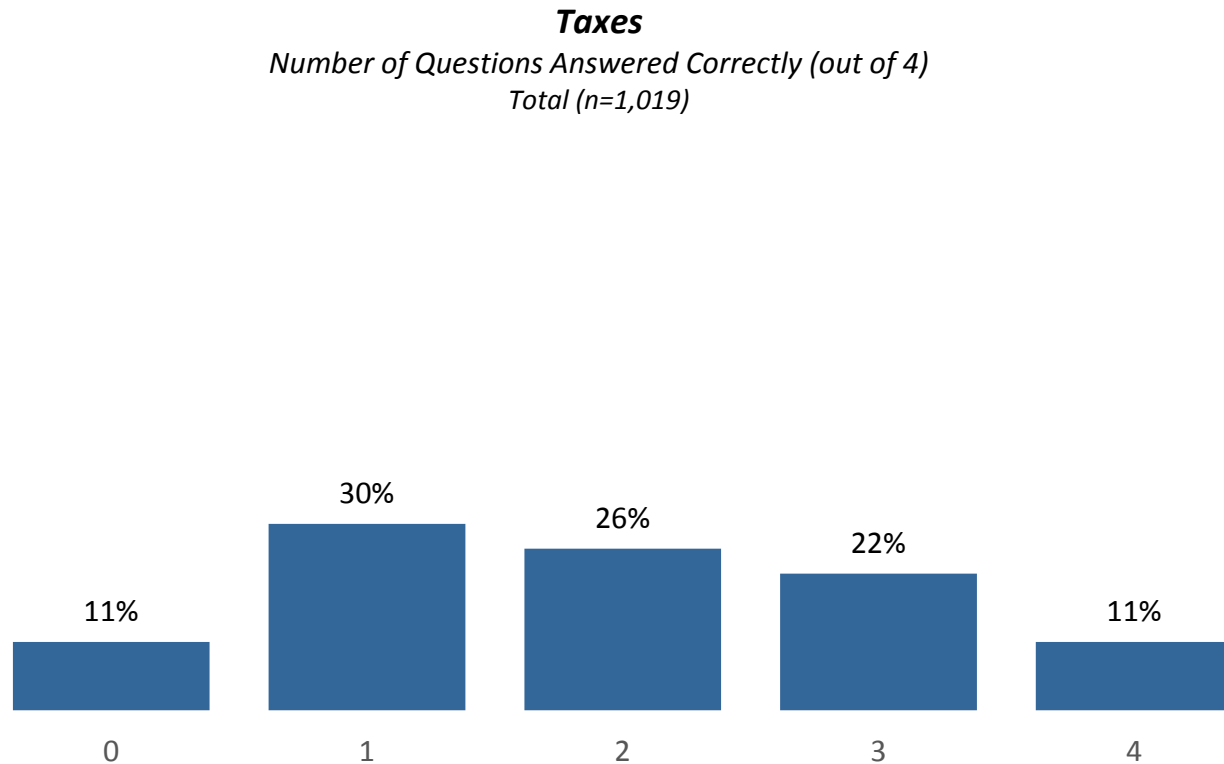
Which one of the following is false about the federal taxation of life insurance purchased by an individual?
Total (n=1,019)



TAXES



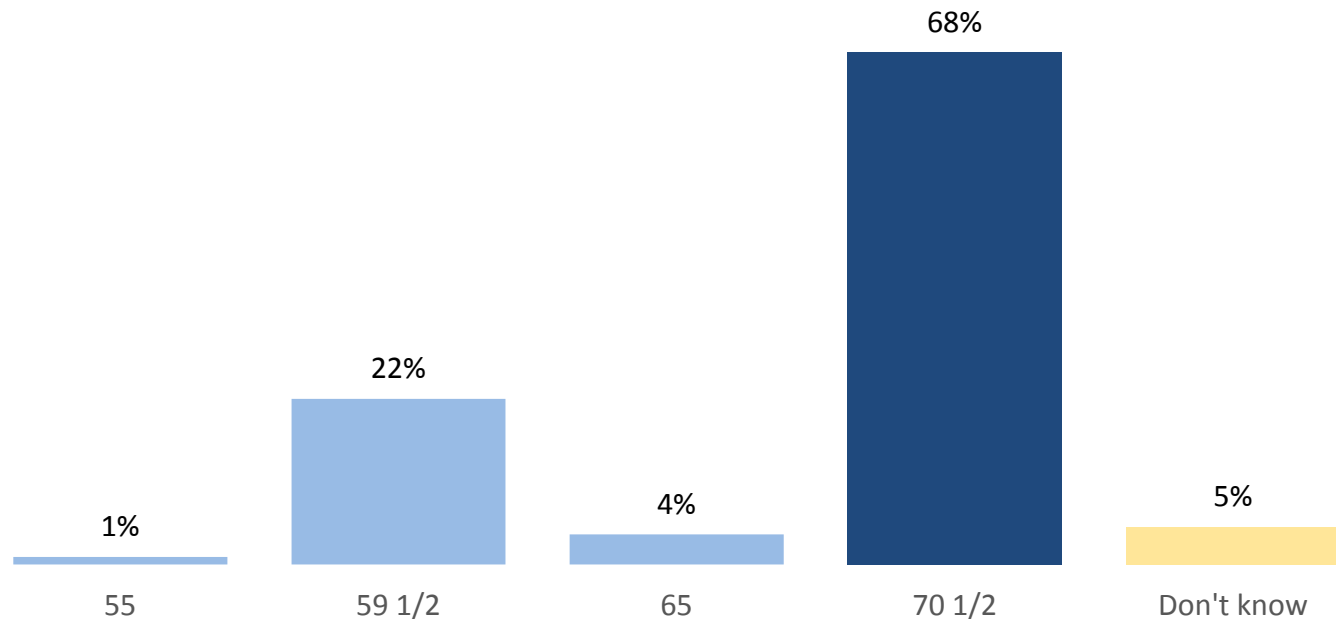
Americans surveyed were asked four questions about taxation, with 6 in 10 answering at least two of them correctly.



Nearly 7 in 10 are aware that distributions from an IRA must begin in the year in which they become 70 ½ to avoid a penalty tax.

Quiz Question

In order to avoid a penalty tax, distributions from an IRA must begin for the year in which you attain age...
Total (n=1,019)

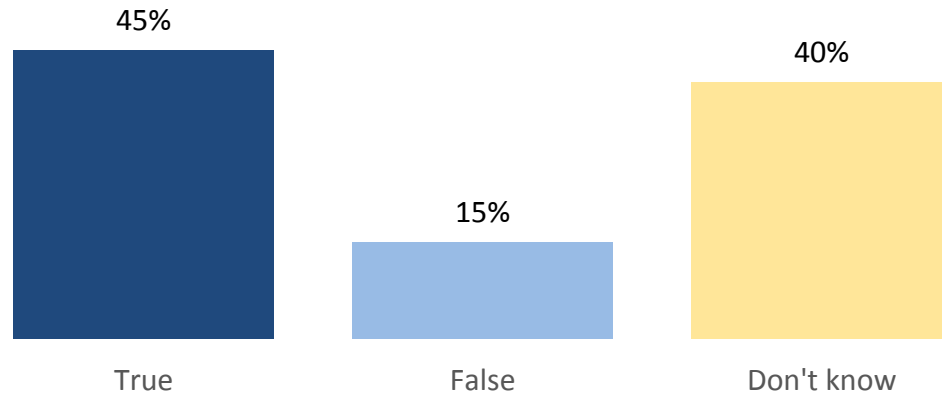


45% comprehend that under certain circumstances a 75-year-old can make a Roth IRA contribution.

Quiz Question

*True or false:
An individual who is age 75 can still make a Roth IRA contribution if he or she has earnings from work and does not exceed the earnings limit.*

Total (n=1,019)

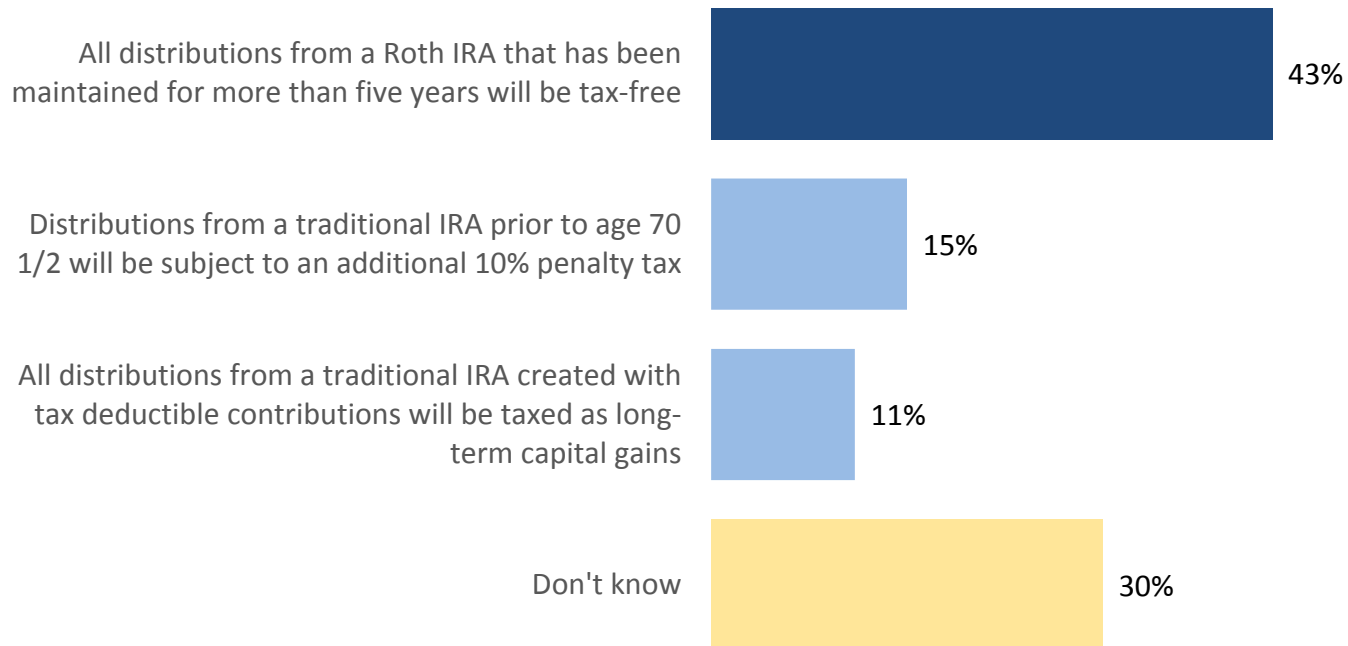


Almost as many know all distributions after age 59 ½ from a Roth IRA that has been maintained for more than five years are tax free.

Quiz Question

Which one of the following statements concerning the federal income tax treatment of distributions to a 65-year-old retiree is true?

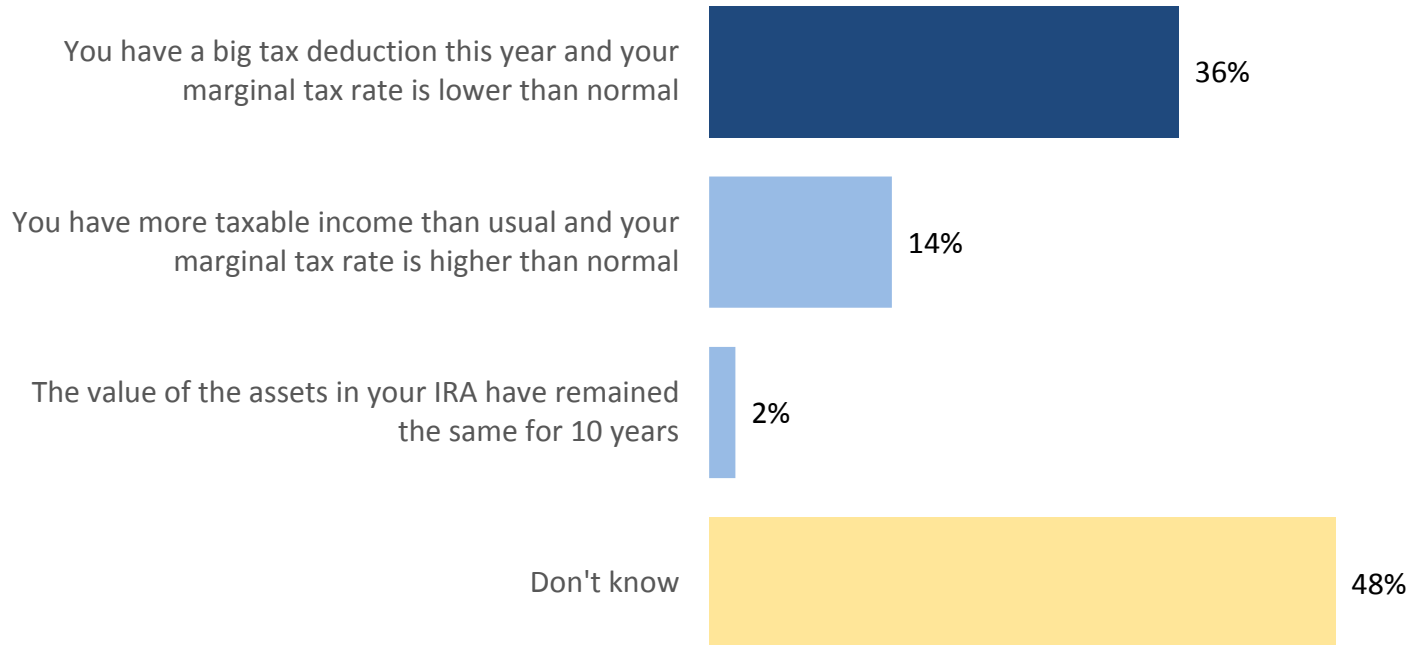
Total (n=1,019)



But less than 4 in 10 realize that converting a portion of a traditional IRA to a Roth IRA is a good idea if they have a lower-than-normal marginal tax rate.

Quiz Question

Converting a portion of a traditional IRA into a Roth IRA is a good idea this year if...
Total (n=1,019)

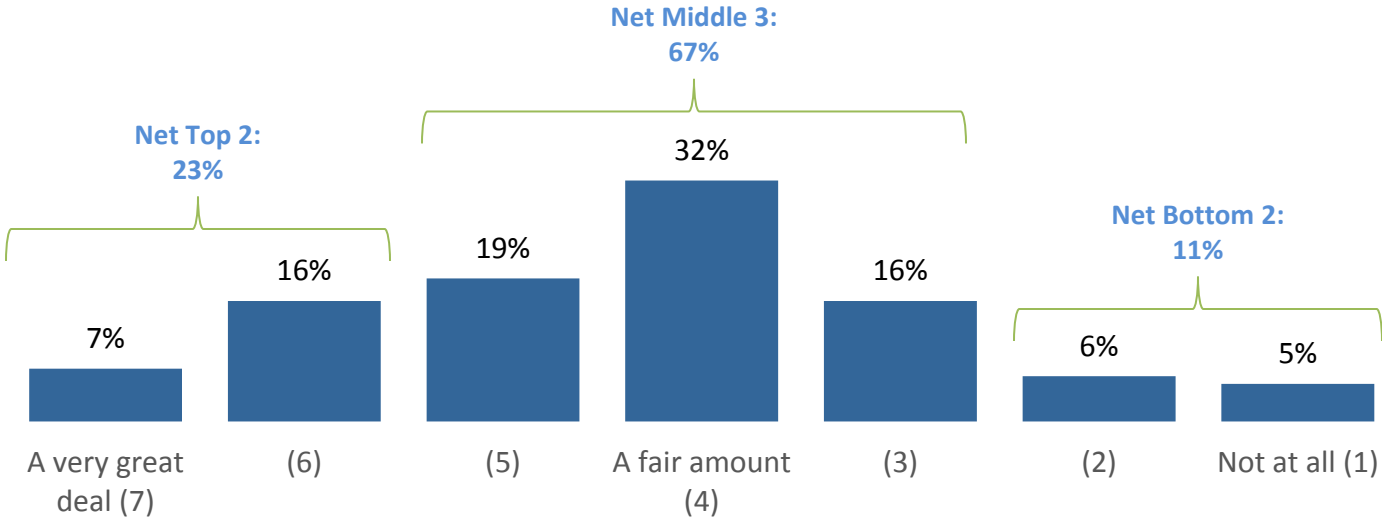


INFLATION



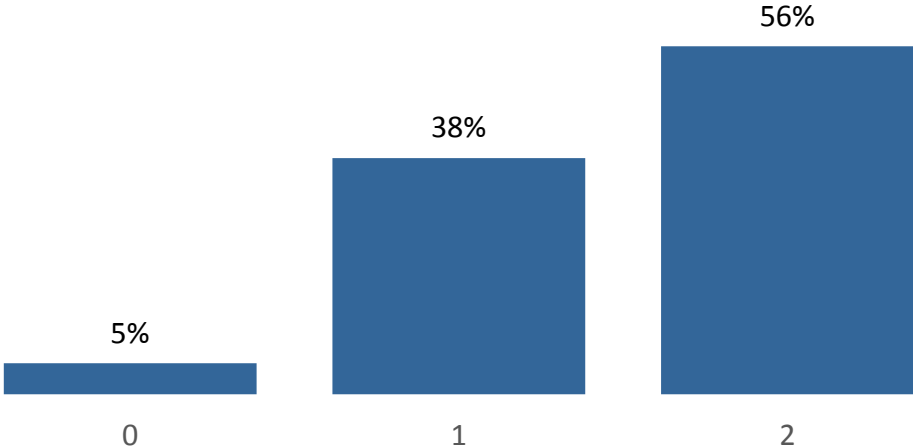
Fewer than 1 in 4 factor inflation into their retirement planning to a great extent, although 2 in 3 say they consider it somewhat.

To what extent do you factor in inflation when planning for your retirement years?
Total (n=1,019)



More than half of Americans surveyed answer both questions about inflation correctly.

Inflation
Number of Questions Answered Correctly (out of 2)
Total (n=1,019)

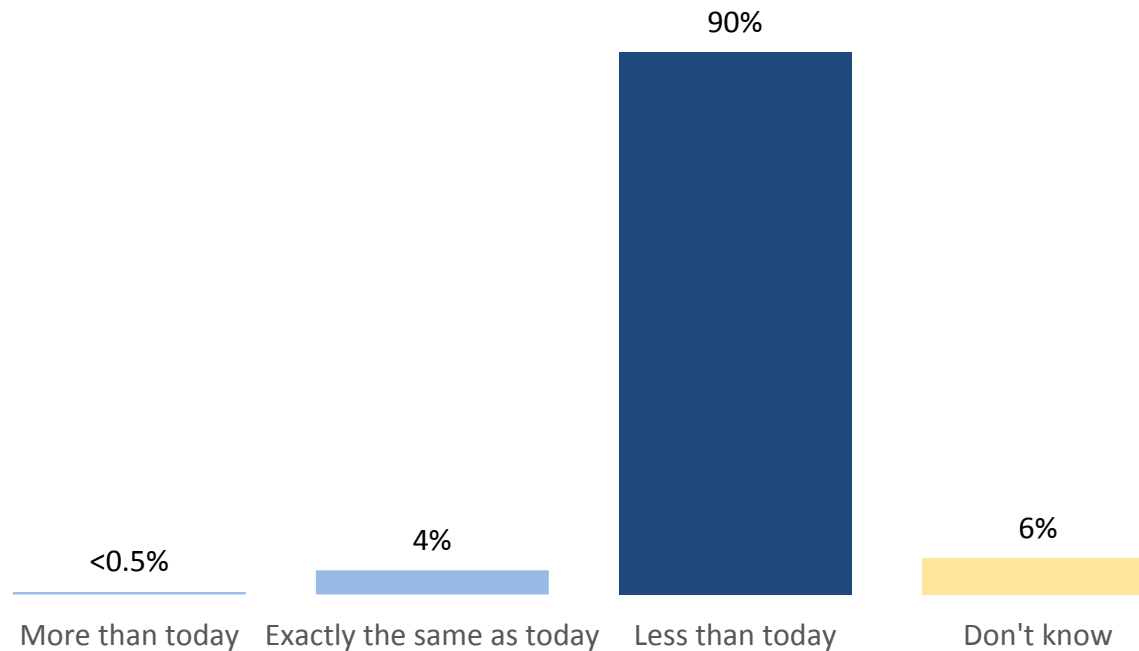


9 in 10 understand that if inflation was 4% and their savings account earned 2%, they would be able to buy less than before with the money in their account.

Quiz Question

Suppose that the interest rate on your savings account was 2% per year and inflation was 4% per year. After one year, would you be able to buy more than, exactly the same as, or less than today with the money in this account?

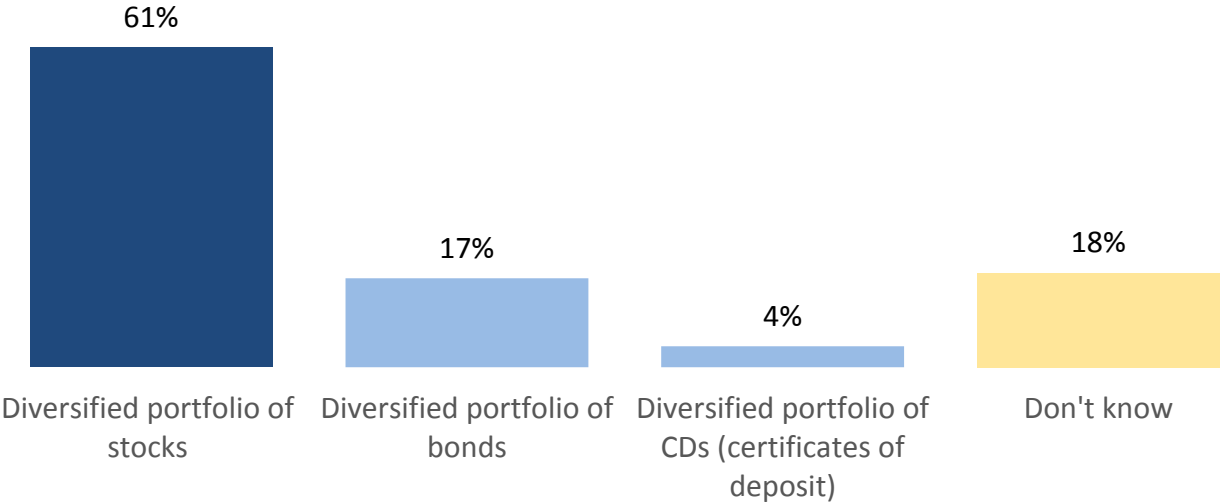
Total (n=1,019)



Fewer, but still a majority, know that the best way to protect against inflation is to have a diversified portfolio of stocks.

Quiz Question

Most experts agree that the best way to protect against inflation is to have a...
Total (n=1,019)



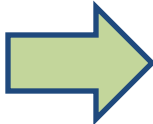
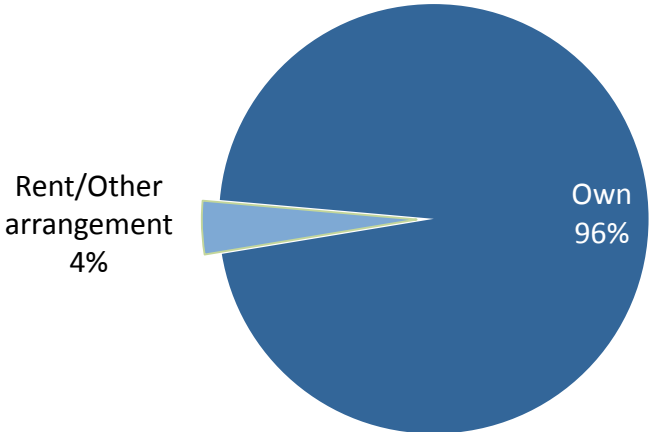
HOUSING



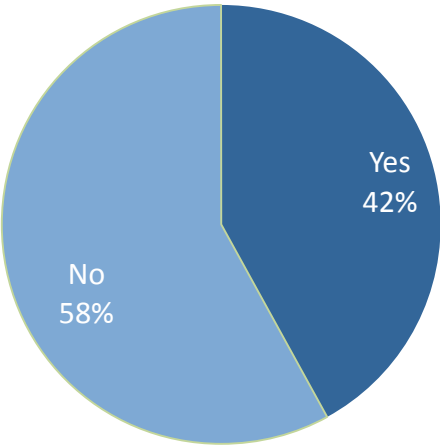
Greenwald & Associates, Inc.

Almost all own their homes and more than 4 in 10 homeowners have a mortgage.

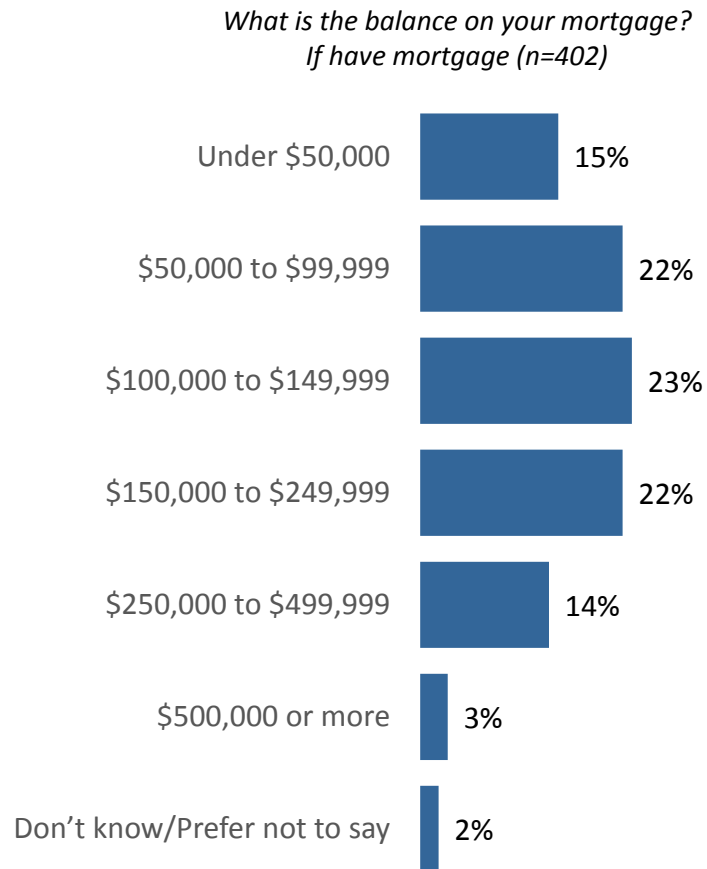
Do you own or rent your home?
Total (n=1,019)



Do you have a mortgage?
If home owner (n=982)

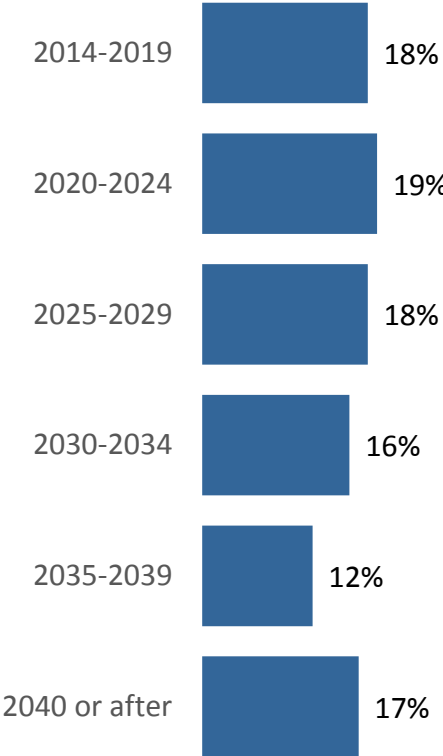


Most with a mortgage owe less than \$150,000, but nearly 2 in 10 owe \$250,000 or more.



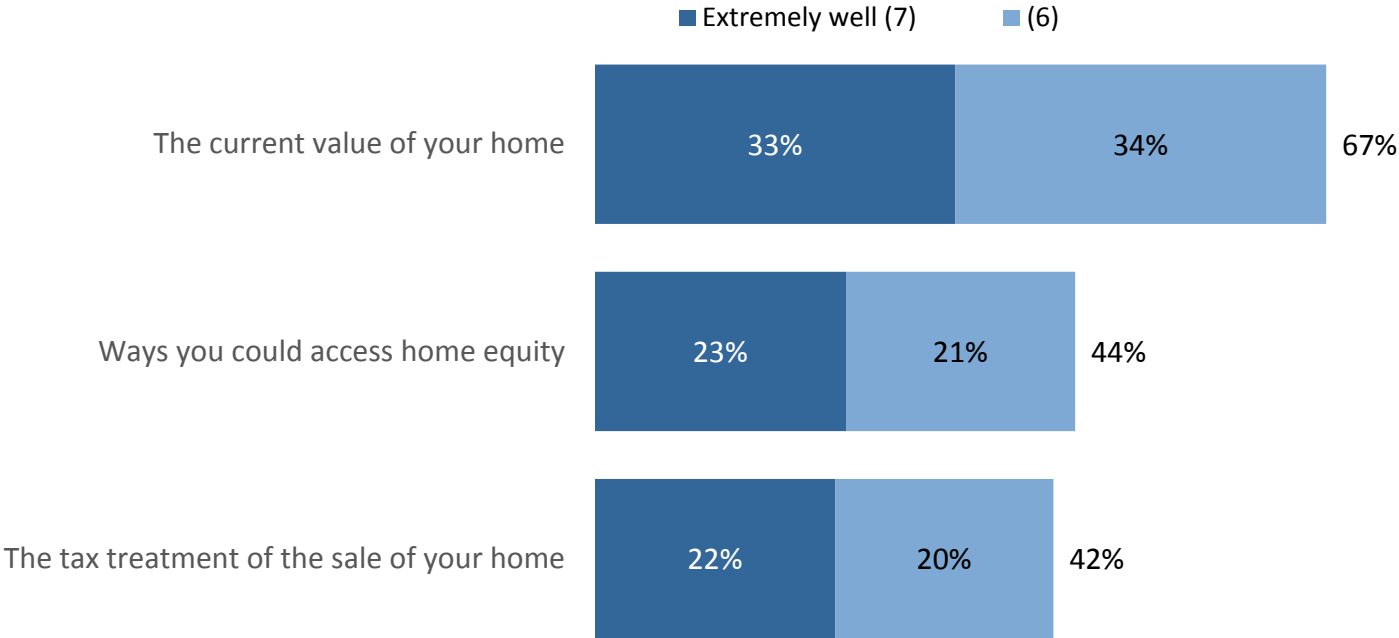
In addition, most homeowners with a mortgage will be making payments for a good chunk – if not all – of their retirement years.

*What year will your mortgage be paid off?
If have mortgage (n=402)*

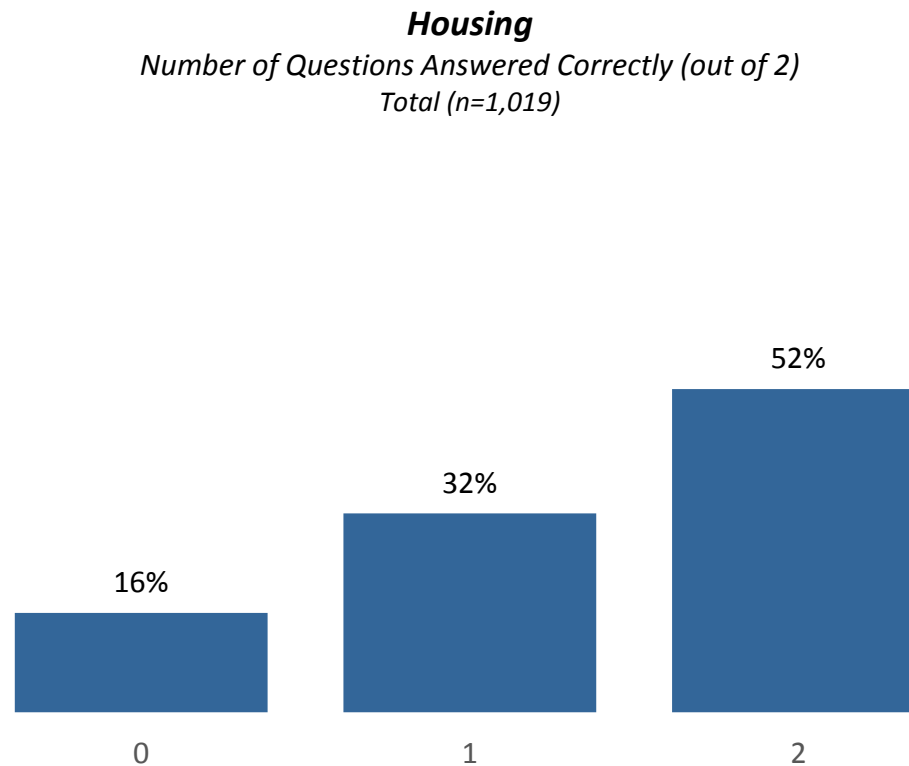


Two-thirds report knowing very well the current value of their home, but fewer are very familiar with ways they could access home equity or the tax treatment of home sales.

How well do you know each of the following?
If home owner (n=982)



Just over half respond correctly to both housing quiz questions.

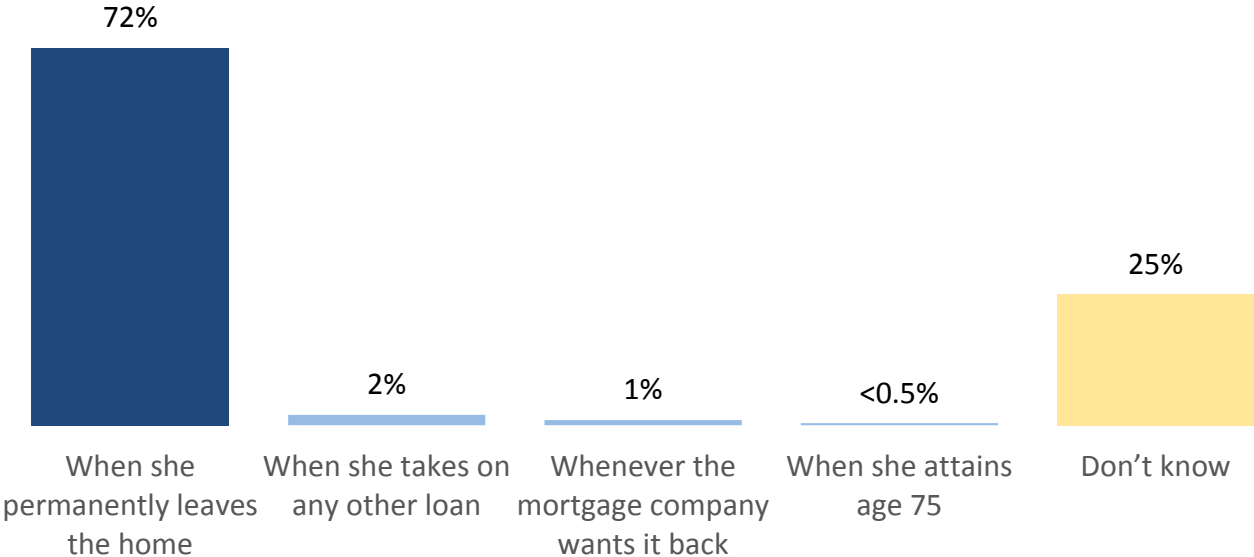


More than 7 in 10 grasp that a reverse mortgage does not need to be repaid until the borrower permanently leaves the home.

Quiz Question

Sarah is single, age 65 and takes a reverse mortgage with a lump sum payment. When does the loan have to be repaid?

Total (n=1,019)

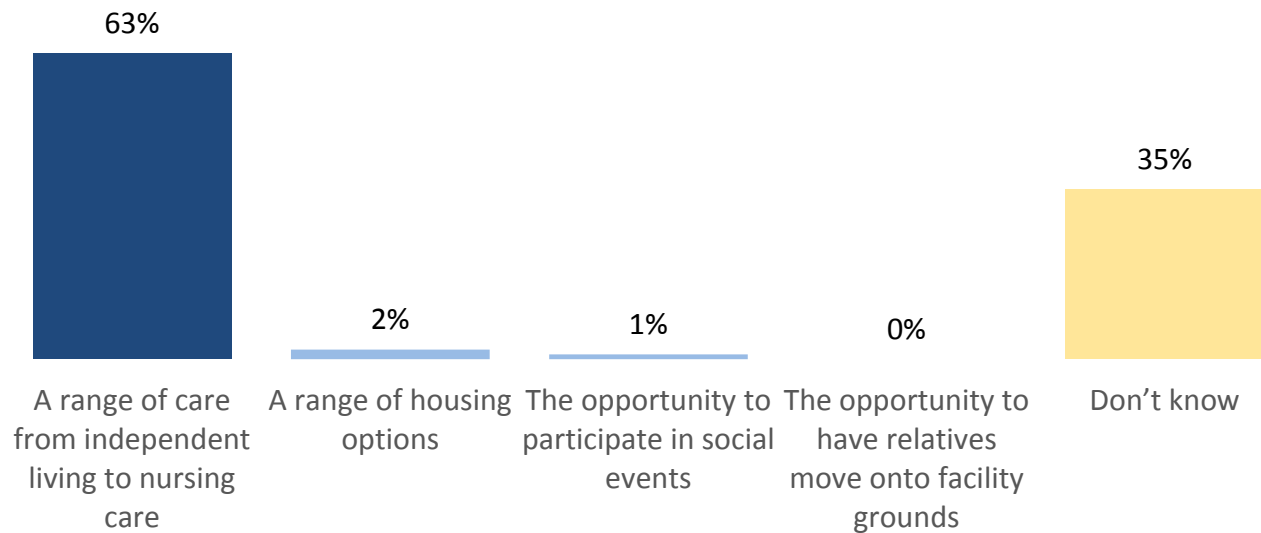


Almost two-thirds know CCRCs always offer a range of care from independent living to nursing care.

Quiz Question

Continuing care retirement communities (CCRC's) are different than a 55-plus housing development in that CCRCs always offer...

Total (n=1,019)

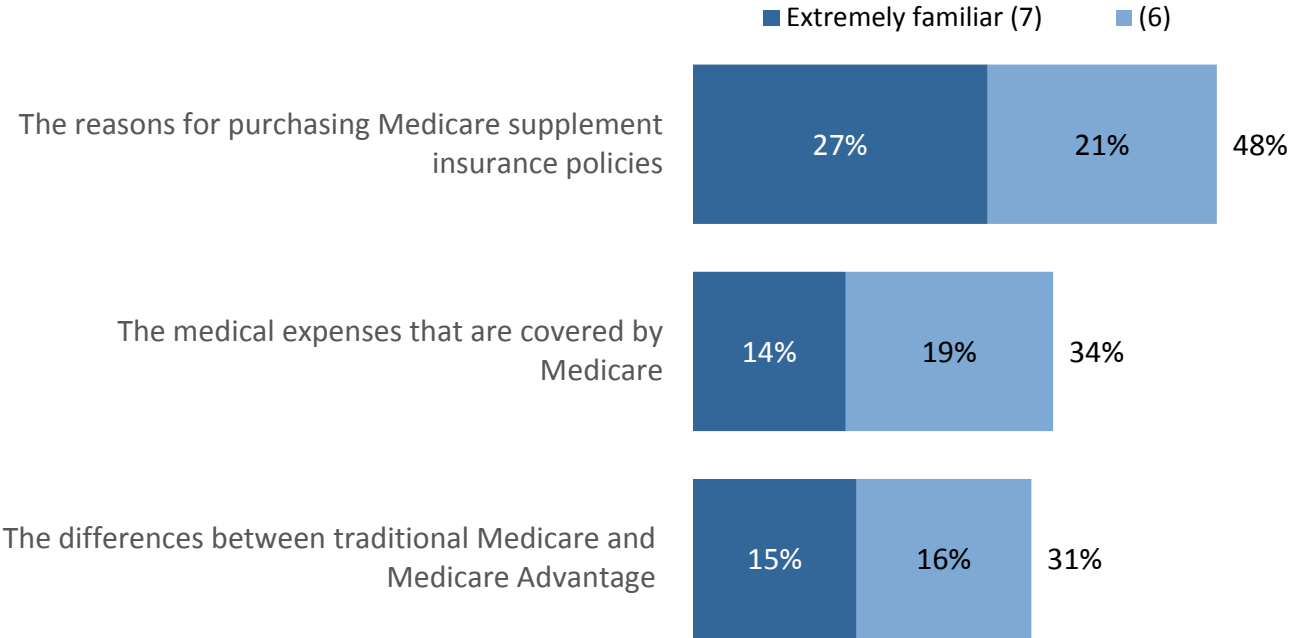


MEDICAL INSURANCE PLANNING



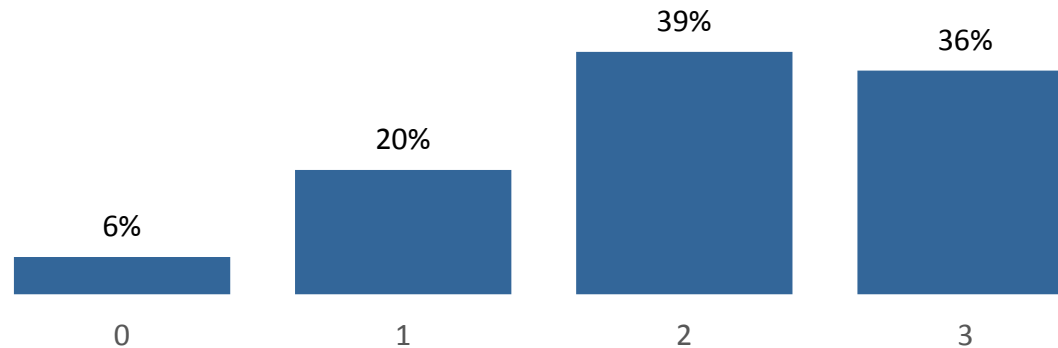
Nearly half report being very familiar with the reasons for purchasing a Medicare supplement policy; fewer are very familiar with coverage or Medicare Advantage.

How familiar are you with each of the following?
Total (n=1,019)



Three-quarters answer at least 2 of the 3 quiz questions about medical insurance planning correctly.

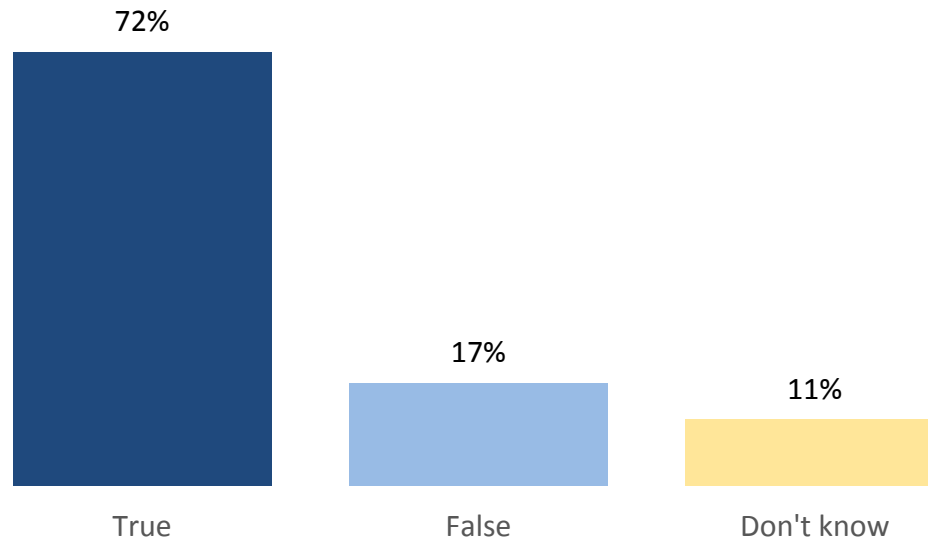
Medical Insurance Planning
Number of Questions Answered Correctly (out of 3)
Total (n=1,019)



More than 7 in 10 recognize that Medicare supplement policies are most often purchased to cover the deductibles and copays that are charged under Medicare Parts A and B.

Quiz Question

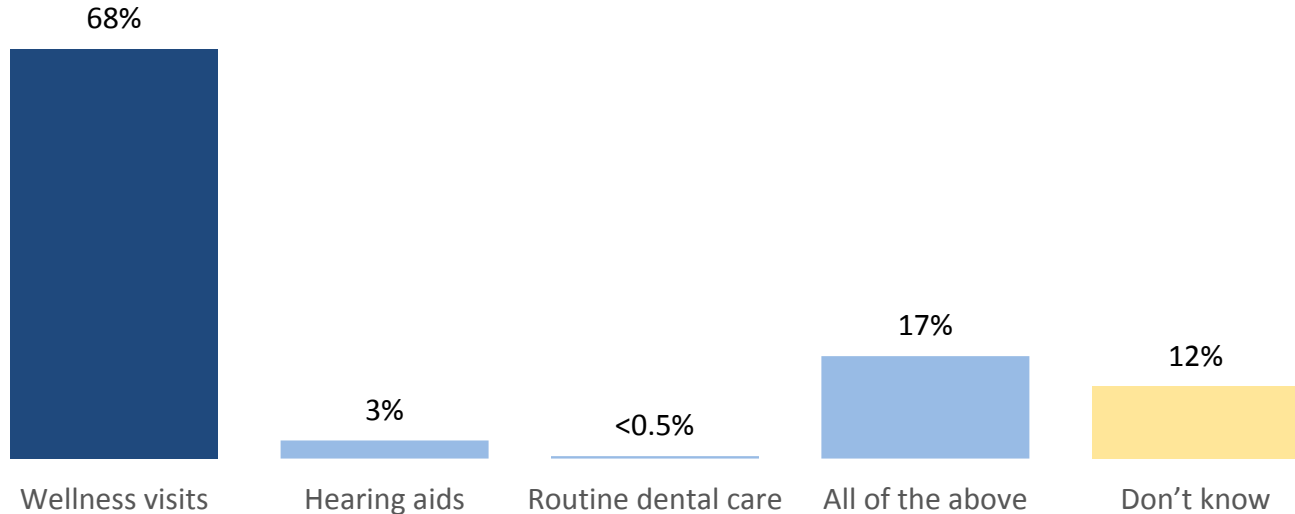
True or false:
Medicare supplement insurance policies are most commonly purchased to cover the deductibles and copays that are charged under Medicare Parts A and B.
Total (n=1,019)



Almost 7 in 10 are aware that wellness visits, but not hearing aids or routine dental care, are covered by Medicare.

Quiz Question

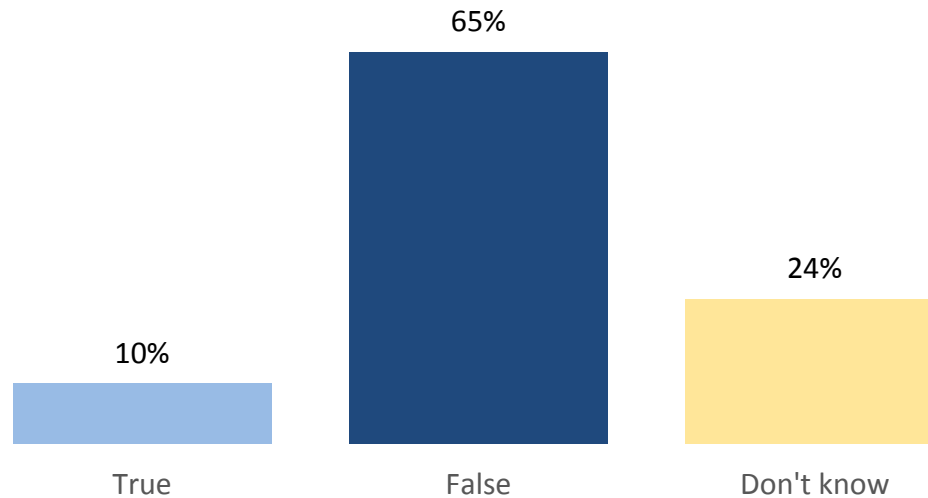
Traditional Medicare will cover which of the following medical expenses?
Total (n=1,019)



Two-thirds realize that total out-of-pocket medical costs for married couples in retirement are variable.

Quiz Question

*True or false:
The total out of pocket medical costs for married couples in retirement is relatively consistent from retiree to retiree.*
Total (n=1,019)



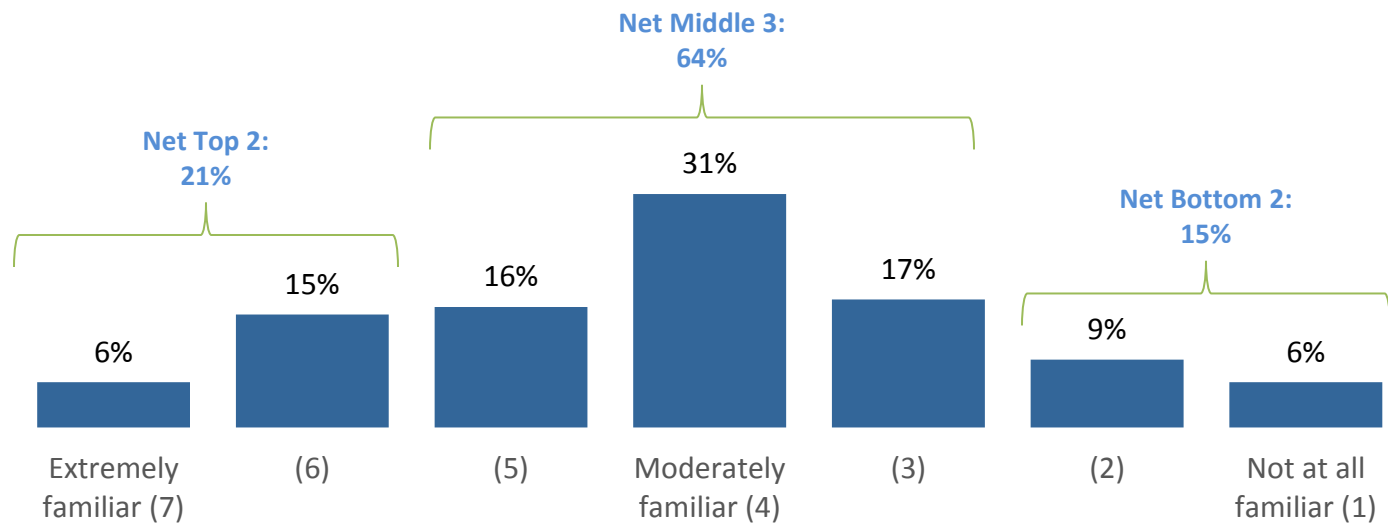
LONG-TERM CARE



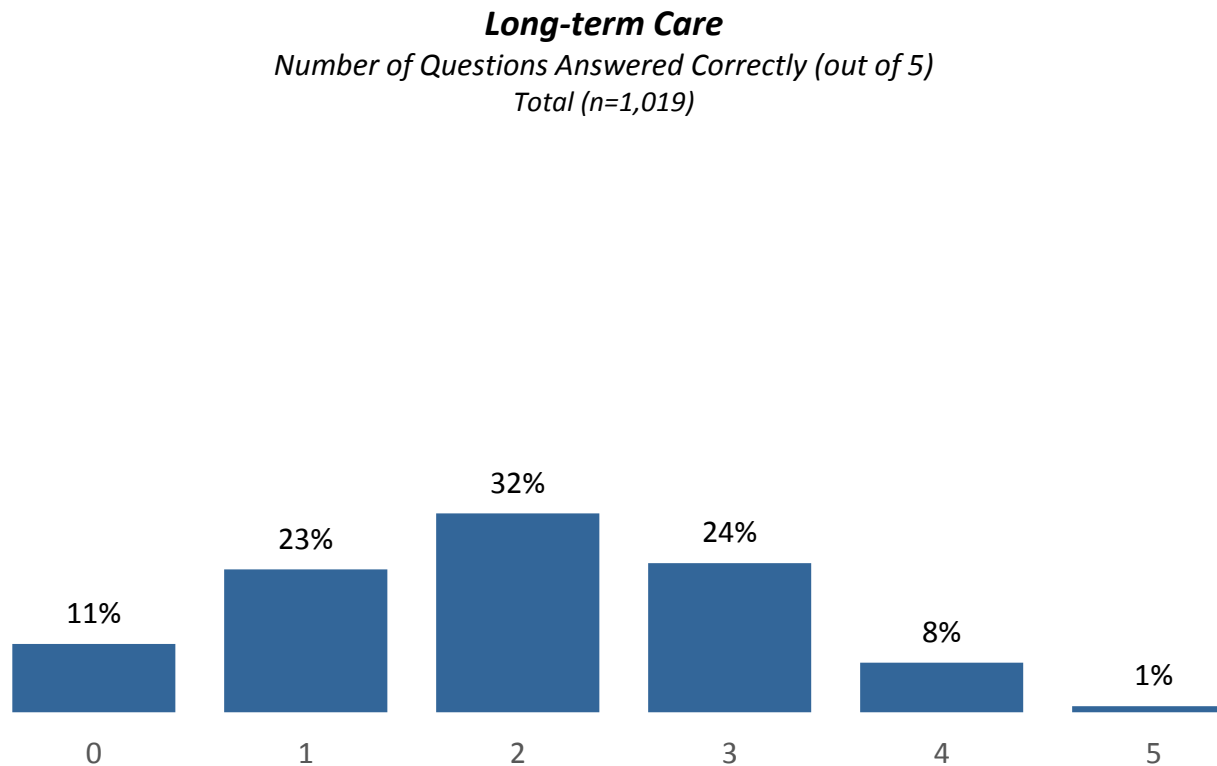
Greenwald & Associates, Inc.

Only 2 in 10 report being very familiar with the cost of health care, including long-term care, in retirement, although 2 in 3 say they are somewhat familiar with these costs.

How familiar are you with the total costs of health care in retirement, including the costs of long-term care?
Total (n=1,019)



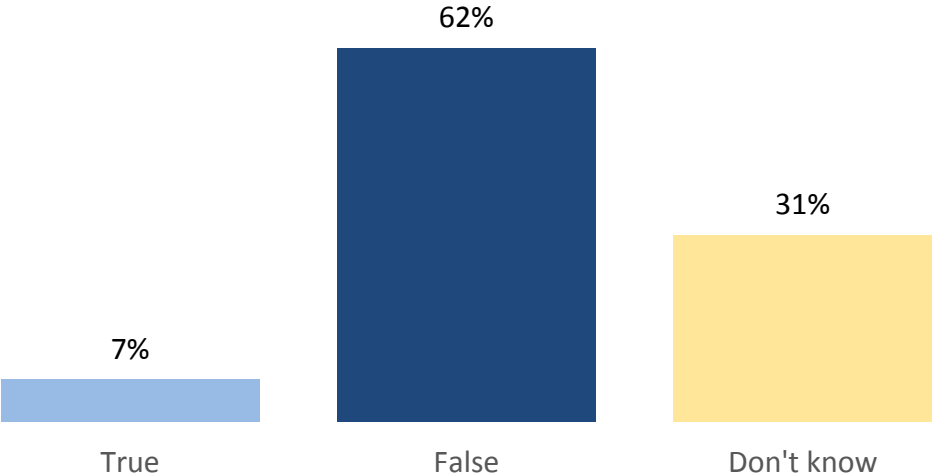
Two-thirds answer fewer than three of the quiz questions about long-term care correctly.



More than 6 in 10 know the statement that Medicare typically pays for the costs of a nursing home for one year is false.

Quiz Question

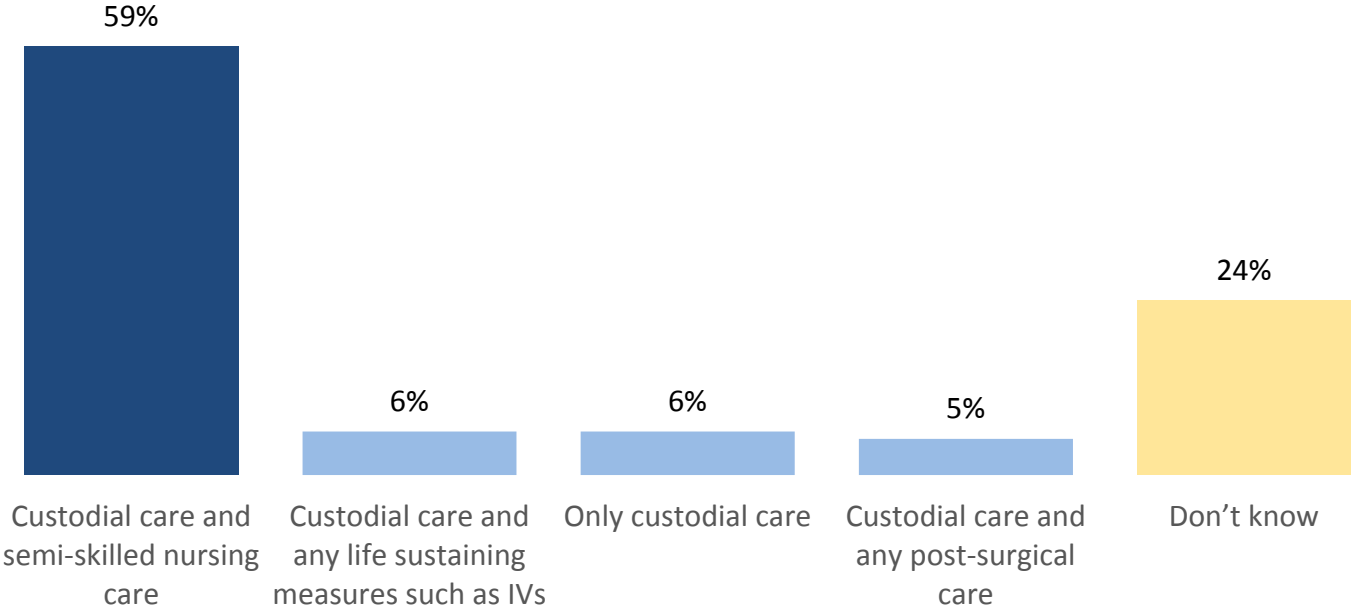
True or false:
Medicare typically pays for the costs of a nursing home for one year.
Total (n=1,019)



6 in 10 realize that long-term care insurance is intended to cover custodial care and semi-skilled nursing care.

Quiz Question

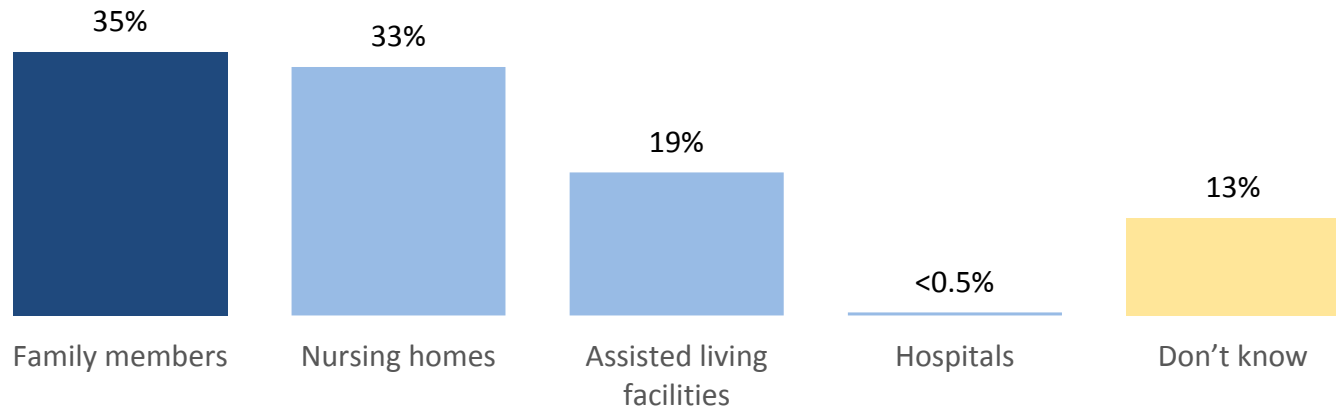
Long-term care insurance is intended to cover...
Total (n=1,019)



About one-third recognize that family members provide the majority of long-term care; a roughly equal proportion think this care is provided by nursing homes.

Quiz Question

*Who provides the majority of long-term care?
Total (n=1,019)*

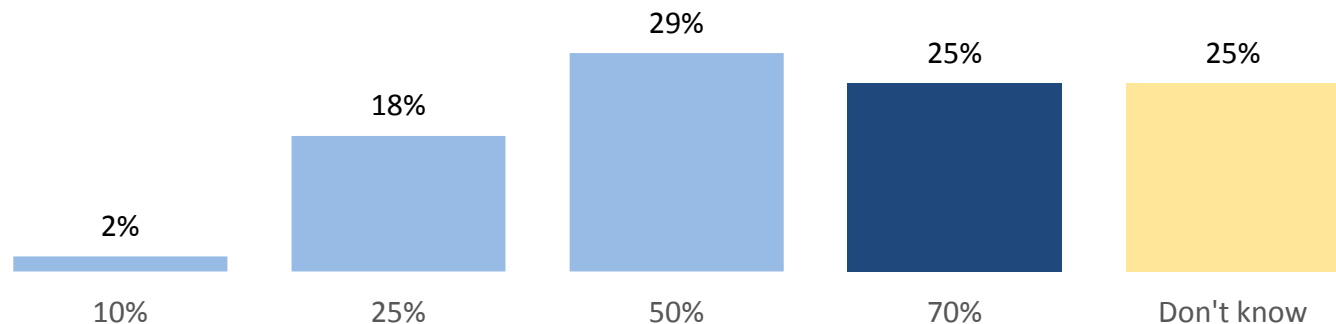


Just 1 in 4 understand that 70% of the population will need long-term care at some point in their lives.

Quiz Question

What is the proportion of the population that is going to need assistance with activities of daily living (need long-term care) at some point?

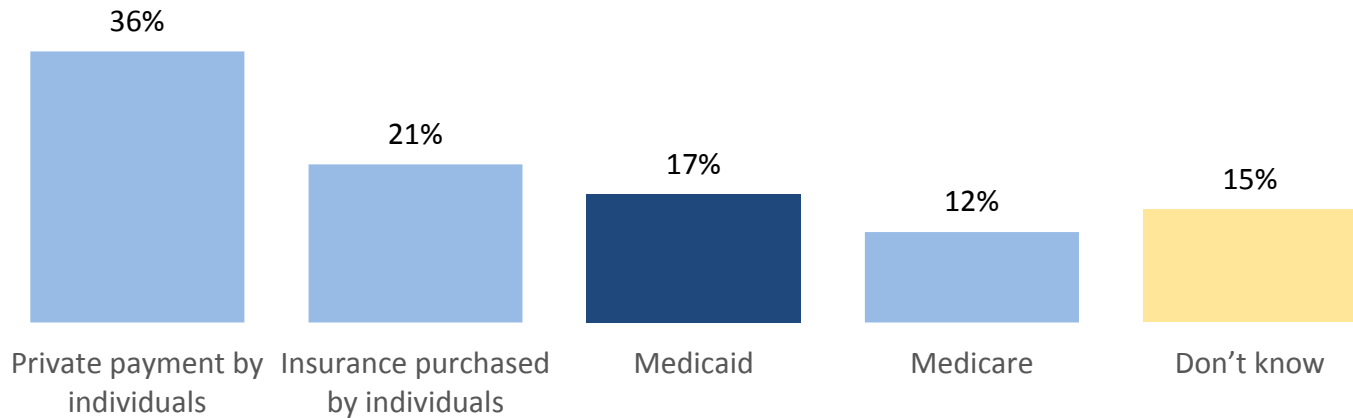
Total (n=1,019)



Less than 2 in 10 know that Medicaid pays for the majority of long-term care expenses. Instead, the plurality believe it is paid for through private payments by individuals.

Quiz Question

*Who pays for the majority of long-term care expenses?
Total (n=1,019)*



PROFILE OF RESPONDENTS



Profile of Respondents

Gender Total (n=1,019)

Male	49%
Female	51

Age

60 to 64 years old	42%
65 to 69 years old	31
70 years or older	27

Marital Status

Married	75%
Divorced or separated	11
Widowed	6
Single, never married	6
Not married, but living with partner	3

Retirement Status

Retired	72%
Not retired	28

Education Total (n=1,019)

Some high school or less	*
High school graduate	22%
Trade or vocational school	1
Some college	15
College graduate (4-year degree)	23
Post graduate work	8
Graduate degree	31

Racial Background

White/Caucasian	86%
Asian/Pacific Islander	6
African American/Black	5
Hispanic	3
Native American	*
Other	1

Profile of Respondents (continued)

Responsible for financial decisions		Total (n=1,019)	2013 Total Household Income		Total (n=1,019)
Primarily you		54%	Under \$35,000		5%
Both you and another person		43	\$35,000 to \$49,999		7
Primarily someone else		3	\$50,000 to \$74,999		24
No. of children under 18			\$75,000 to \$99,999		20
None		98%	\$100,000 to \$149,999		27
1		1	\$150,000 or more		16
2		*	Prefer not to say		1
3		*			
4		*			
Saving for a child's education					
Yes		9%			
No		91			

APPENDIX: QUIZ QUESTIONS



Retirement Literacy Quiz Questions

Retirement Basics

A 65-year-old man has an average life expectancy of approximately an additional:

10 years

15 years

20 years [CORRECT]

25 years

Don't know

Sarah is single age 65 and takes a reverse mortgage with a lump sum payment. When does the loan have to be repaid?

When she attains age 75

When she takes on any other loan

When she permanently leaves the home [CORRECT]

Whenever the mortgage company wants it back

Don't know

A single person who is likely to live to age 90 is generally going to be better off claiming Social Security benefits at age...

62

66

70 [CORRECT]

75

Don't know



Retirement Literacy Quiz Questions

Social Security workers' monthly benefits are increased for each year that benefits are deferred from age 62 to age...

65

66

70 [CORRECT]

75

Don't know

Please choose the response below that best completes this statement:

According to the Social Security Administration, in 2033 they will only have funds to pay for approximately ___ of promised benefits.

0%

25%

50%

75% [CORRECT]

Don't know



Retirement Literacy Quiz Questions

Medical and Long-term Care

Continuing care retirement communities (CCRC's) are different than a 55-plus housing development in that CCRCs always offer...

A range of care from independent living to nursing care [CORRECT]

The opportunity to participate in social events

The opportunity to have relatives move onto facility grounds

A range of housing options.

Don't know

Traditional Medicare will cover which of the following medical expenses?

Routine dental care

Wellness visits [CORRECT]

Hearing aids

All of the above

Don't know

True or false: Medicare supplement insurance policies are most commonly purchased to cover the deductibles and copays that are charged under Medicare Parts A and B

True [CORRECT]

False

Don't know



Retirement Literacy Quiz Questions

True or false: The total out of pocket medical costs for married couples in retirement is relatively consistent from retiree to retiree.

True

False [CORRECT]

Don't know

What is the proportion of the population that is going to need assistance with activities of daily living (need long-term care) at some point?

10%

25%

50%

70% [CORRECT]

Don't know

Who pays for the majority of long-term care expenses?

Medicare

Private payment by individuals

Medicaid [CORRECT]

Insurance purchased by individuals

Don't know



Retirement Literacy Quiz Questions

Who provides the majority of long-term care?

Family members [CORRECT]

Nursing homes

Assisted living facilities

Hospitals

Don't know

Long-term care insurance is intended to cover...

Custodial care and any post surgical care

Custodial care and any life sustaining measures such as IVs

Custodial care and semi-skilled nursing care [CORRECT]

Only custodial care

Don't know

True or false: Medicare typically pays for the costs of a nursing home for one year.

True

False [CORRECT]

Don't know



Retirement Literacy Quiz Questions

Company Retirement Plans and IRAs

In order to avoid a penalty tax, distributions from an IRA must begin for the year in which you attain age...

55

59 1/2

65

70 1/2 [CORRECT]

Don't know

Which one of the following statements concerning the federal income tax treatment of distributions to a 65-year-old retiree is true?

All distributions from a Roth IRA that has been maintained for more than five years will be tax-free [CORRECT]

All distributions from a traditional IRA created with tax deductible contributions will be taxed as long-term capital gains

Distributions from a traditional IRA prior to age 70 1/2 will be subject to an additional 10% penalty tax

Don't know

True or false: An individual who is age 75 can still make a Roth IRA contribution if he or she has earnings from work and does not exceed the earnings limit.

True [CORRECT]

False

Don't know



Retirement Literacy Quiz Questions

Converting a portion of a traditional IRA into a Roth IRA is a good idea this year if...

You have more taxable income than usual and your marginal tax rate is higher than normal

You have a big tax deduction this year and your marginal tax rate is lower than normal [CORRECT]

The value of the assets in your IRA have remained the same for 10 years

Don't know

If a participant is given the choice of a lump sum or a life annuity from a company sponsored retirement plan, the life annuity is likely to be the better choice if the participant is most concerned about...

Leaving money to children

Having enough money to meet basic expenses [CORRECT]

Having flexibility to meet changing income needs

Getting an increasing stream of income over retirement

Don't know

If a large public company sponsoring a 401(k) plan files for bankruptcy, employees are...

At risk of losing their 401(k) benefits because trust assets will pay creditors first

At no risk of losing their 401(k) benefits because the plan is outside the claims of creditors [CORRECT]

Only at risk of losing their 401(k) benefits if the plan document says the creditors have the right to trust assets

Only at risk of losing their 401(k) benefits if a judge decides that the creditors should be paid first

Don't know



Retirement Literacy Quiz Questions

Investment Basics

Which of the following types of long-term bonds typically has the highest yield?

AAA-rated corporate bonds

B-rated corporate bonds [CORRECT]

Treasury bonds

Don't know

Suppose that the interest rate on your savings account was 2% per year and inflation was 4% per year. After one year, would you be able to buy more than, exactly the same as, or less than today with the money in this account?

More than today

Exactly the same as today

Less than today [CORRECT]

Don't know

Most experts agree that the best way to protect against inflation is to have a...

Diversified portfolio of stocks [CORRECT]

Diversified portfolio of bonds

Diversified portfolio of CDs (certificates of deposit)

Don't know

True or false: Buying a single company's stock usually provides a safer return than a stock mutual fund.

True

False [CORRECT]

Don't know



Retirement Literacy Quiz Questions

If 100% of a mutual fund's assets are invested in long-term bonds and the investment climate changes so that interest rates rise significantly, then the value of the mutual fund shares...

Increase significantly

Decrease significantly [CORRECT]

Will not change at all

May rise or fall depending upon the type of bond

Don't know

Historically, which one of the following generates the highest returns over a long time period?

Small company stock funds [CORRECT]

Large company stock funds

Dividend paying stock funds

High yield bond funds

Don't know

True or false: Exchange traded funds generally have higher expenses than actively managed mutual funds.

True

False [CORRECT]

Don't know

A PE ratio means...

Profits to expense

Price to earnings [CORRECT]

Par value to earnings

Price to expense

Don't know

Retirement Literacy Quiz Questions

Strategies and Products to Maintain Assets

Please choose the response below that best completes this statement:

If you had a well diversified portfolio of 50% stocks and 50% bonds that was worth \$100,000 at retirement, based on historical returns in the United States the most you can afford to withdraw is ____ plus inflation each year to have 95% chance that your assets will last for 30 years.

\$2,000

\$4,000 [CORRECT]

\$6,000

\$8,000

Don't know

Please choose the response below that best completes this statement:

To maximize the withdrawal rate from a portfolio over a 30-year retirement period, it is best to hold ____ in equities throughout retirement.

0-10%

25-35%

50-60% [CORRECT]

90-100%

Don't know

True or false: Taking a portion (20-40%) of a retirement portfolio and buying a life annuity can protect against the uncertainty of life expectancy, ensuring that a basic level of spending is available throughout retirement.

True [CORRECT]

False

Don't know

Retirement Literacy Quiz Questions

Recent research has shown that a person planning to retire at age 65 should take the least amount of investment risk at:

Age 50

Age 65 [CORRECT]

Age 80

Don't know

Which of the following strategies is least likely to improve retirement security?

Saving an additional 3% of salary in the five years prior to retirement [CORRECT]

Working for two years past the planned retirement date

Deferring Social Security benefits for two years longer than originally planned

Don't know

The lifetime income payout rate (the annual annuity payment as a percentage of the purchase price) for an immediate income annuity for a 65-year-old male today is roughly...

3-4%

6-7% [CORRECT]

10-12%

14-15%

Don't know

An immediate income annuity that pays income of \$1,000 a month is generally going to be more expensive...

The younger the owner is when the annuity begins [CORRECT]

For a man rather than for a woman

If interest rates rise.

For a single person than for a couple

Don't know

Retirement Literacy Quiz Questions

A deferred variable annuity with guaranteed lifetime withdrawal benefits...
Ensures that the investment account will not lose value
Only offers investment alternatives with fixed returns
Pays guaranteed income that varies based on market performance
Can pay income even if the investment account goes to zero [CORRECT]
Don't know

Life Insurance

Which one of the following is true about cash value life insurance?
The cash value portion will accumulate tax deferred [CORRECT]
You typically cannot borrow from the cash value
The policy will expire after a specified period of time
The policy will typically cost less than a term insurance policy
Don't know

Which one of the following is false about the federal taxation of life insurance purchased by an individual?
The life insurance death benefit is income tax free
Earnings in the policy are tax-deferred
You can access premiums at any time without income tax consequences
Life insurance death benefits are not subject to estate taxes [CORRECT]
Don't know

