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More Than One Third of Working Americans Feel They are "Significantly Behind" on Retirement Savings

Inflation, Higher Living Costs Holding Majority of Those Contributing the Same or Less Back From Increasing Contributions

NEW YORK – October 24, 2022 – The majority of working Americans (55%) feel they are behind on retirement savings, including over a third (35%) who feel “significantly behind” and 1 in 5 (20%) who feel “slightly behind,” according to a new report from Bankrate.com. Meanwhile, just 25% of workers have increased their retirement contributions this year compared to last year, and 16% are contributing less. Roughly 1 in 3 (34%) are contributing the same amount, and a troubling 24% weren’t contributing to retirement savings last year and are not contributing this year, either. Click here for more information:

https://www.bankrate.com/retirement/retirement-savings-survey-october-2022/

While most workers feel like they are behind on retirement savings, only 20% say they are right on track, and just 15% think they are ahead of where they should be. This includes 8% who feel “slightly ahead” and 7% who feel “significantly ahead.”

While more workers have increased rather than decreased retirement savings contributions from last year, it won’t erase the shortfall most workers feel they have. Among those that feel behind on retirement savings, just 18% are contributing more this year while over 1 in 5 (21%) are contributing less. Despite feeling behind on retirement savings, 30% of this group haven’t changed contribution amounts year-over-year, and 31% weren’t contributing anything last year or this year.

Those most likely to be contributing more this year are workers that are already on track or ahead of where they should be (42%), which outnumber those contributing less (10%) by more than 4-to-1. Over 2 in 5 (42%) of this group have kept contributions the same, and just 6% haven’t made any contributions over the last two years.

“More than one third of workers feel they are ‘significantly behind’ on their retirement savings, and those that already feel behind are twice as likely to be contributing less this year than workers that feel they’re on track or ahead of where they should be” (21% vs. 10%, respectively), says Greg McBride, CFA, Chief Financial Analyst for Bankrate. “Getting on track begins with utilizing tax-advantaged retirement accounts such as 401(k)s and IRAs, maximizing the free money that comes from an employer match, and increasing contributions as your pay rises. The auto-escalation provision in some workplace plans is a seamless way to automatically increase the amount you’re putting away at regular intervals.”

An increasingly inflated economy has affected most corners of the financial landscape, and retirement savings contributions are no exception. A staggering 54% of working adults contributing the same or less to their retirement savings than last year say inflation/higher costs of living are holding them back from saving more. Other reasons include stagnant or reduced income (24%), new expenses (24%), debt repayment (23%), a desire to keep more cash on hand (22%), market volatility (18%) and some other reason (5%). An additional 7% say they don’t need or want to contribute more. Respondents could select more than one response.

“Workers who are not contributing more to their retirement accounts this year overwhelmingly point to inflation as the reason why, and by more than a 2-to-1 margin over any other single response,” McBride continues. “It has been well-chronicled that inflation has outpaced the growth in average hourly earnings and squeezed household budgets, and a limited capacity to increase retirement savings is a byproduct of that. By making pre-tax contributions to a retirement account, you can contribute a dollar without reducing your net pay by a dollar, giving you more bang for your buck.”

Interestingly, Gen Z workers (ages 18-25) are the only generation to be evenly split between feeling ahead (31%) or behind (30%) on retirement savings. Every other generation, though, is overwhelmingly more likely to say they are behind, and that likelihood increases with age. Among millennials (ages 26-41), 46% claim to be behind, while just 19% are ahead. For Gen Xers (ages 42-57), 65% are behind, and 9% ahead. Among baby boomers (ages 58-76), 71% feel they are behind on retirement savings, and just 7% feel they are ahead of where they should be.

Additionally, younger workers are more likely to have increased rather than decreased their retirement savings contributions compared to last year, with 30% of Gen Zers and millennials having increased their contributions and just 10% of Gen Zers and 18% of millennials having decreased their contributions. The difference is much less among Gen Xers (19% increasing, 17% decreasing) and baby boomers (22% increasing, 18% decreasing).

Among income groups, households earning $100,000 or more are the only ones that have fewer than half saying they are behind on retirement savings, but those that are behind (46%) still outnumber those that are ahead (23%) by a 2-to-1 margin. The margin is greater for those earning $80,000-$99,999 annually (54% behind to 17% ahead), and it is greater still for households earning less than $80,000 annually (59% behind to just 13% ahead).

Methodology:

Bankrate.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 2,312 adults, of whom 1,247 are working full-time, part time, or temporarily unemployed and 643 who are contributing either about the same or less to their retirement savings compared to last year. Fieldwork was undertaken between September 21-23, 2022. The survey was carried out online and meets rigorous quality standards. It employed a nonprobability-based sample using quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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