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Crisis Hits Middle-Class Retirees Hard

Ernst & Young study finds this group's retirement is at risk

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In the last six months of 2008, the financial future of retirees and pre-retirees took a huge blow, according to a recent report released by Ernst & Young.

The stock market decline combined with the economic crisis has had a disastrous effect on the retirement savings of middle class Americans, the report said, and this has reduced the likelihood that middle income retirees will have sufficient finances to last them through their lifetime.

The report is an update to Ernst & Young's July 2008 Retirement Vulnerability Study, which found that almost three out of five middle-class new retirees could expect to outlive their financial assets if they attempted to maintain their pre-retirement standard of living.

"When you look at the effect of the market downturn on retirement vulnerability, there have been some fairly significant changes, and sometimes, a 40% chance of people not having sufficient financial assets in retirement," says Ernst & Young's Tom Neubig, author of the report.

The study also determined that many Americans will be forced to reduce their standard of living, some by as much as 51%, to avoid outliving their financial assets. Yet households with a guaranteed source of retirement income outside of Social Security, such as a lifetime annuity, showed the greatest chance of financial success.

"Similar to what we found in the initial study, people who have a guaranteed source of income are much more likely to maintain their standard of living," Neubig says. "Having that guaranteed source of income in retirement, be it through an individual annuity or even a defined benefit plan, is very important."

In the updated report, Ernst & Young looked at six of the original 36 typical middle-income households approaching retirement that had been selected for the 2008 study, and which had been chosen because they represent retirement vulnerability across all middle-income households approaching retirement. The focus group was married couples at or near retirement making \$75,000 in earnings with and without guaranteed retirement income, and single females making \$50,000 in earnings seven years before retirement with and without guaranteed retirement income.

Ernst & Young carried out the study on behalf of Americans for Secure Retirement (ASR), a broad-based coalition of more than 40 organizations, united in their commitment to ensuring retirement security for all Americans.

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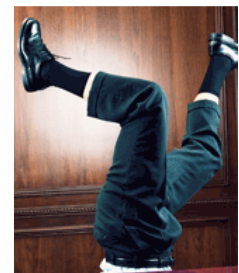
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