

# TRENDS AND ISSUES

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## RETIREMENT CONFIDENCE AMONG HOSPITAL EMPLOYEES

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### EXECUTIVE SUMMARY

A representative sample of the hospital workforce was surveyed regarding retirement planning, saving and investing behavior, as well as confidence in their retirement income prospects. The hospital workforce is slightly more confident regarding its prospects for a financially secure retirement than are American workers in general. Sixteen percent of hospital employees are very confident in their retirement income prospects and 49% are somewhat confident, compared with 13% and 36%, respectively, for U.S. workers.

Hospital workers are more likely than U.S. workers to be saving for retirement; 88% versus 59%, respectively. But only 48% of savers in the hospital sector have calculated how much they need to accumulate and only 22% are very confident that they are investing their retirement savings appropriately. Affording healthcare in retirement is a particular area of concern for hospital workers, as it is for all U.S. workers. Debt clearly hinders retirement preparations—89% of hospital workers with a major debt problem consider themselves behind in their planning and saving for retirement compared with 37% of those without a debt problem.

Twenty-eight percent of retirement savers in hospitals are very confident that they will choose the best way to draw income from their savings during retirement, and an additional 54% are somewhat confident in this regard. But only 19% of savers in the hospital workforce have thought a great deal about how they will manage their savings in retirement and draw income from it; this percentage was 26% for those age 55 and older. Confidence is lower when hospital employees are asked about the possibility of outliving their savings—18% are very confident that they will not outlive their savings and 47% are somewhat confident that this will not happen.

Sixty-one percent of the hospital workforce has received retirement planning advice from a professional financial advisor within the past three years. Advice regarding asset allocation was the advice most typically received (84%). It was followed by advice on how much to save (78%) and the timing of retirement (59%). Drawing income from savings during retirement (46%) and paying for healthcare expenses in retirement (32%) were covered fairly often as well. Fifty seven percent are very confident that the advice received was in their best interest. But advice received is not necessarily



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advice followed—20% followed all the advice received and 44% followed most of it. Those with greater confidence in the independence and objectivity of the advice were more likely to follow through on it.

**INTRODUCTION**

This report examines retirement planning and saving among the hospital workforce (nurses, clinical specialists, doctors, administrators and other staff) and worker confidence in their retirement income prospects. A representative sample of employees from nonprofit, for-profit and public hospitals was surveyed in 2011.<sup>1</sup>

Over 5,000 hospitals operate in the United States employing over 5 million full-time and part-time employees. The hospital sector has been impacted by the same economic forces over that past several years as other sectors of the economy resulting in many of the same organizational responses experienced elsewhere, including cutting expenditures for staff and administration and curtailing services. Such cutbacks have not proved temporary—89% of hospitals report that they have not added back staff or increased staff hours and 98% have not restored services or programs previously cut due to the economic downturn.<sup>2</sup>

Against this backdrop, the retirement planning, saving and investing behavior of hospital employees is examined, including issues such as the use of advice and plans for converting savings to income during retirement. Self-reported confidence among the hospital workforce across several dimensions of retirement preparations is also reported. The survey questionnaire was developed from the framework of the annual *Retirement Confidence Survey* sponsored by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates (MGA), and responses from the hospital sector are examined relative to the responses of U.S. workers in the aggregate where questions overlap.<sup>3</sup>

**RETIREMENT CONFIDENCE**

The hospital workforce is somewhat more confident regarding prospects for its retirement income security than are American workers in general (table 1). Sixteen percent of hospital employees are very confident that they will have enough money to live comfortably throughout their retirement, 49% are somewhat confident and 34% are not confident. By comparison, 13% of all U.S. workers are very confident in their retirement income prospects, 36% are somewhat confident and 50% are not confident.<sup>4</sup> The 2011 retirement confidence level of hospital workers is essentially unchanged from 2010.

**TABLE 1  
RETIREMENT CONFIDENCE AMONG HOSPITAL EMPLOYEES, 2010-2011**

	<b>VERY CONFIDENT</b>	<b>SOMEWHAT CONFIDENT</b>	<b>NOT TOO CONFIDENT</b>	<b>NOT AT ALL CONFIDENT</b>
<i>How confident are you that you will have enough money to live comfortably throughout retirement?</i>				
Hospital employees				
2011	16%	49%	20%	14%
2010	14	48	21	16
All U.S. workers				
2011	13	36	23	27
2010	16	38	24	22

Source: *Hospital Retirement Confidence Survey* (2011 and 2010), TIAA-CREF Institute, and *Retirement Confidence Survey* (2011 and 2010), Employee Benefit Research Institute and Mathew Greenwald & Associates.

1 One-thousand employees in the hospital sector were surveyed by telephone by Mathew Greenwald & Associates (MGA). The sample was not drawn from or restricted to TIAA-CREF clients. Responses are representative of those employed by hospitals in the United States. Nurses comprised 62% of the respondents, clinical non-nursing specialists comprised 14%, doctors and administrators comprised 5% each, and 7% were other staff members. Forty-nine percent of respondents worked in nonprofit hospitals, 24% in for-profit hospitals and 23% in public hospitals.  
 2 *2010 Health and Hospital Trends*, American Hospital Association (<http://www.aha.org/aha/research-and-trends/health-and-hospital-trends/2010.html>).  
 3 Data regarding U.S. workers are from the 2011 *Retirement Confidence Survey*.  
 4 In this report, data regarding U.S. workers are from the 2011 *Retirement Confidence Survey*, sponsored by EBRI and MGA. The demographics of the two populations—U.S. workers and hospital employees—do vary in certain respects. For example, the population of American workers includes the self-employed, homemakers and those currently unemployed or disabled.

There is little difference in the confidence level of the hospital workforce across the not-for-profit, for-profit and public hospital sectors (table 2). Nurses appear slightly less confident in their retirement income prospects than employees in other occupations, but these differences are not statistically significant.

**TABLE 2**  
**RETIREMENT CONFIDENCE AMONG HOSPITAL EMPLOYEES, 2011**

	<b>VERY CONFIDENT</b>	<b>SOMEWHAT CONFIDENT</b>	<b>NOT TOO CONFIDENT</b>	<b>NOT AT ALL CONFIDENT</b>
<i>How confident are you that you will have enough money to live comfortably throughout retirement?</i>				
Hospital employees	16%	49%	20%	14%
Sector				
Not-for-profit	16	50	20	12
For-profit	16	50	18	15
Public	16	46	22	15
Occupation				
Nurses	14	50	20	15
Doctors/Clinical Specialists	20	49	18	13
Other staff	20	46	23	10

Source: *Hospital Retirement Confidence Survey* (2011 and 2010), TIAA-CREF Institute, and *Retirement Confidence Survey* (2011 and 2010), Employee Benefit Research Institute and Mathew Greenwald & Associates.

Fifty percent of hospital employees think that they will need to replace less than 70% of their preretirement income during each year of retirement in order to live comfortably (table 3). However, it's generally recommended that individuals replace at least 70% of preretirement income. In addition, 8% of the hospital workforce admits that they do not know how much of their preretirement income they will need to replace in order to live comfortably. Sixty percent of nurses, 57% of doctors or clinical specialists and 52% of other staff admit that they do not know how much preretirement income they need during retirement or think that it is less than 70%. With a low benchmark in mind, or no benchmark at all, individuals may not actually maintain the retirement standard of living that they anticipate.

**TABLE 3**  
**INCOME REPLACEMENT NEEDED DURING RETIREMENT**

	<b>HOSPITALS</b>	<b>NURSES</b>	<b>DOCTORS/ CLINICAL SPECIALISTS</b>	<b>OTHER STAFF</b>
<i>What percentage of preretirement income do you think you will need to replace each year in retirement so that you can live comfortably?</i>				
Less than 50%	15%	14%	15%	15%
50% to 59%	21	22	24	18
60% to 69%	14	16	12	10
70% to 79%	20	20	21	22
80% to 89%	11	11	11	12
90% to 99%	3	3	4	2
100% or more	7	7	6	11
Don't know	8	8	6	9

Source: *Hospital Retirement Confidence Survey* (2011), TIAA-CREF Institute.

**PLANNING AND SAVING**

Workers in the hospital sector are more likely than U.S. workers in general to be saving for retirement—91% have saved for their retirement, and 97% of these (or 88% of the hospital workforce) are currently saving (table 4). By comparison, 59% of all U.S. workers are currently saving for retirement. This savings can be through a defined contribution plan offered by their employer; 80% of those surveyed reported participation in a defined contribution plan, and 86% of these reported that they are currently contributing to their plan.

**TABLE 4  
RETIREMENT PLANNING AND SAVING AMONG HIGHER EDUCATION EMPLOYEES**

	HOSPITALS	NURSES	DOCTORS OR CLINICAL SPECIALISTS	OTHER STAFF	U.S. WORKERS
<i>Percentage that...</i>					
have personally saved for retirement	91%	92%	90%	88%	68%
are currently saving for retirement	88	88	88	88	59
have tried to determine how much needs to be saved for a comfortable retirement					
among those who have saved	48	44	58	51	53
among current savers	48	44	59	51	57

Source: *Hospital Retirement Confidence Survey (2011)*, TIAA-CREF Institute, and *Retirement Confidence Survey (2011)*, Employee Benefit Research Institute and Mathew Greenwald & Associates.

An individual may be saving for retirement, but may not be saving enough. In the hospital workforce, 48% of both those who have saved and those currently saving have tried to determine how much they need to save by the time they retire to fund a comfortable retirement. By comparison, 53% of those in the U.S. workforce who have saved have attempted this type of calculation. But attempting such a calculation does not necessarily mean that it was done correctly. If it is based on an unrealistic view of replacement income needed—as discussed above, 58% of hospital employees admit that they do not know how much preretirement income they will need during retirement or think that it is less than 70%—the calculation will not provide an accurate gauge. With that said, however, doing such a calculation is indicative of an active engagement in preparing financially for retirement.

Thirty-nine percent of all hospital employees feel that they are on track or ahead of schedule with planning and saving for retirement, while 60% consider themselves behind schedule (with 23% a lot behind schedule). By comparison, 29% of U.S. workers feel that they are on track or ahead of schedule and 70% consider themselves behind schedule (with 40% a lot behind schedule).

**THE IMPACT OF HOUSEHOLD DEBT**

Forty percent of hospital employees do not view their level of debt as a problem with their current financial situation, but 46% consider it a minor problem and 15% a major problem. By comparison, 22% of U.S. workers consider their level of debt to be a major problem and 41% consider it a minor problem.

Debt clearly impacts retirement preparations—those with debt problems are less likely to be saving for retirement and more likely to be behind in their savings (table 5). Seventy-three percent of hospital workers who consider their household debt level to be a major problem are currently saving for retirement compared with 93% of those for whom household debt is not a problem and 89% of those with a minor debt problem. Eighty-nine percent of those with a major debt problem consider themselves behind in their planning and saving for retirement compared with 69% of those with a minor debt problem and 37% of those without a debt problem. This in turn manifests itself in retirement confidence levels—69% of those viewing their debt level as a major problem are not confident that they will have enough money for a comfortable retirement compared with 36% of those viewing their debt as a minor problem and 20% of those without a debt problem.

**TABLE 5  
DEBT, SAVINGS AND RETIREMENT CONFIDENCE AMONG HOSPITAL EMPLOYEES**

	HOSPITAL EMPLOYEES	LEVEL OF DEBT IS...		
		MAJOR PROBLEM	MINOR PROBLEM	NOT A PROBLEM
<i>Are you currently saving for retirement?</i>				
Yes	88%	73%	89%	93%
No	3	5	2	2
<i>When it comes to planning and saving for retirement, would you say that you are ...?</i>				
A lot ahead of schedule	2%	2%	0%	5%
A little ahead of schedule	6	1	4	10
On track	31	9	25	46
A little behind schedule	37	36	45	27
A lot behind schedule	23	53	24	10
<i>How confident are you that you will have enough money to live comfortably throughout retirement?</i>				
Very confident	16%	1%	11%	27%
Somewhat confident	49	29	52	53
Not too confident	20	33	23	13
Not at all confident	14	36	13	7

Source: *Hospital Retirement Confidence Survey (2011)*, TIAA-CREF Institute.

**HEALTHCARE IN RETIREMENT**

Healthcare expenses (including any changes to Medicare) are cited by 26% of hospital employees as their “single biggest financial concern regarding retirement.” (Having enough money to live on was cited by 27%.) Such concern is understandable given the magnitude of the dollars involved. A man with median drug expenditures would need \$124,000 in savings, and a woman would need \$152,000, for a 90% likelihood of having enough money to cover healthcare expenses in retirement. A couple with median drug expenses would need \$271,000 for a 90% chance of having enough. At the highest (90<sup>th</sup> percentile) level of drug spending, a man would need \$187,000 and a woman \$213,000 for a 90% chance of having enough money to cover healthcare expenses in retirement.<sup>5</sup>

The prospect of paying for medical expenses in retirement lowers all workers’ retirement confidence levels, including those of hospital employees. Among hospital employees, 17% are very confident that they will have the financial resources to cover medical care in retirement, 42% are somewhat confident and 40% are not confident (table 6). Thirty-eight percent of hospital employees expect to have health insurance from a former employer during retirement.

<sup>5</sup> See Fronstin, Paul, Dallas Salisbury and Jack VanDerhei. “Funding Savings Needed for Health Expenses for Persons Eligible for Medicare.” EBRI *Issue Brief* no. 351 (December 2010).

**TABLE 6**  
**CONFIDENCE REGARDING MEDICAL EXPENSES DURING RETIREMENT**

	<b>VERY CONFIDENT</b>	<b>SOMEWHAT CONFIDENT</b>	<b>NOT TOO CONFIDENT</b>	<b>NOT AT ALL CONFIDENT</b>
<i>How confident are you that you will have enough money to take care of medical expenses during retirement?</i>				
Hospital employees	17%	42%	25%	15%
Nurses	14	42	27	16
Doctors/Clinical Specialists	20	44	20	15
Other staff	23	41	23	12
All U.S. workers	12	36	27	23

Source: Hospital Retirement Confidence Survey (2011), TIAA-CREF Institute, and Retirement Confidence Survey (2011), Employee Benefit Research Institute and Mathew Greenwald & Associates.

If individuals feel ill-prepared to address healthcare needs, many could delay retirement. Only 6% of hospital employees report that they have planned and saved a great deal for medical expenses in retirement that are not covered by insurance or Medicare, such as premiums, deductibles and co-payments; by contrast, 36% have not done so at all and 26% hardly at all. But 39% of hospital employees say they are not likely to contribute to a savings account earmarked exclusively to pay health-related expenses during retirement, even if the investment earnings on those contributions were never taxed; 43% would be somewhat likely to save through such a vehicle for retiree healthcare expenses and 16% very likely.

**GENERATING INCOME IN RETIREMENT**

An adequate and secure retirement income should be the primary objective of planning and saving for retirement, and most hospital employees who have saved for retirement say that they are more focused on generating a certain level of income in retirement (53%) as opposed to accumulating a certain amount of money (38%). Nonetheless, only 19% of savers in the hospital workforce have thought a great deal about how they will manage their savings in retirement and draw income from it; this percentage increased steadily across age groups, peaking at 26% for those age 55 and older (table 7). On the other hand, 21% have hardly thought about it and 8% have not thought about it at all; 20% of savers age 55 and older fall into these two groups.

**TABLE 7**  
**PLANNING FOR RETIREMENT INCOME AMONG HOSPITAL SAVERS**

	<b>A GREAT DEAL</b>	<b>SOMEWHAT</b>	<b>HARDLY AT ALL</b>	<b>NOT AT ALL</b>
<i>To what extent have you considered how you will manage your savings in retirement and draw income from it?</i>				
Hospital savers	19%	51%	21%	8%
age 25-34	14	47	29	9
age 35-44	17	52	20	11
age 45-54	18	52	23	8
age 55-plus	26	52	15	5

Source: Hospital Retirement Confidence Survey (2011), TIAA-CREF Institute.

Twenty-eight percent of retirement savers in hospitals are very confident that they will choose the best way to draw income from their savings during retirement, and an additional 54% are somewhat confident in this regard; only 5% are not confident (table 8). Almost identical percentages are confident that they understand the options available for drawing income from their retirement savings during retirement—23% are very confident and 54% somewhat confident. But confidence is lower when hospital employees are asked about the possibility of outliving their savings—18% are very confident that they will not outlive their savings and 47% are somewhat confident that this will not happen.

**TABLE 8**  
**DRAWING RETIREMENT INCOME FROM RETIREMENT SAVINGS AMONG HOSPITAL SAVERS**

	<b>VERY CONFIDENT</b>	<b>SOMEWHAT CONFIDENT</b>	<b>NOT TOO CONFIDENT</b>	<b>NOT AT ALL CONFIDENT</b>
<i>How confident are you that you...?</i>				
will choose the best way to draw income from your savings during retirement	28%	54%	13%	5%
understand the available options for drawing income from your savings during retirement	23	54	14	8
will not outlive your savings	18	47	19	12

Source: *Hospital Retirement Confidence Survey (2011)*, TIAA-CREF Institute.

Forty-seven percent of retirement savers in hospitals think that they will annuitize some or all of their retirement savings into a payout annuity to help cover living expenses in retirement; 37% do not think that they will annuitize any assets and 16% are unsure. Annuitization appears most likely to occur among the youngest retirement savers in the hospital workforce—55% of those age 25-34 expect to annuitize some or all of their retirement savings compared with 41% of those age 55 and older. The primary motivation for planning to annuitize assets is having a steady, guaranteed stream of income for life. The primary reasons for not planning to annuitize are having other sources of income, losing control of any money annuitized and not understanding annuitization. Among those who do not think that they will annuitize any retirement savings, 51% expect to make withdrawals as needed to help cover living expenses, 20% intend to withdraw only the minimum amount required by law each year and 20% plan to withdraw a set percentage from savings each month to cover living expenses; 8% do not know what they will do.

**FINANCIAL KNOWLEDGE AND ADVICE**

Twenty-two percent of retirement savers in hospitals are very confident that they are investing their retirement savings appropriately and 54% are somewhat confident regarding their investments. More generally, 22% of all hospital employees are very confident in their ability to make financial decisions related to retirement planning on their own, 48% are somewhat confident in their ability to do so, and 29% are not confident. Only 13% are very concerned that a time will come when they are unable to make financial decisions on their own; 34% are somewhat concerned that this will become an issue for them.

Forty-five percent of hospital employees received retirement planning advice from a professional financial advisor within the past year. Among the 55% who did not receive professional advice in the past year, 29% received such advice within the past three years. So 61% of the hospital workforce has received retirement planning advice within the past three years.

Advice regarding asset allocation was the advice most typically received, both in the aggregate (84%) and within each age group (table 9).<sup>6</sup> It was followed by advice on how much to save (78%) and the timing of retirement (59%). Drawing income from savings during retirement (46%) and paying for healthcare expenses in retirement (32%) were covered often as well, the former being more likely for older individuals (59%).

<sup>6</sup> Seventy-four percent of those age 25-34 received advice regarding how much to save, but this was based on a sample size of only 46 individuals.

**TABLE 9**  
**RETIREMENT PLANNING ADVICE RECEIVED**

	<b>HOSPITAL EMPLOYEES</b>	<b>AGE 25-34</b>	<b>AGE 35-44</b>	<b>AGE 45-54</b>	<b>AGE 55+</b>
<i>Advice received among those receiving advice within the past 3 years</i>					
How to invest savings	84%	74%	84%	85%	86%
How much to save	78	79	82	78	74
When can you afford to retire	59	53	56	60	63
How to draw income from savings	46	40	35	46	59
Paying for healthcare in retirement	32	35	24	29	42

Source: *Hospital Retirement Confidence Survey (2011)*, TIAA-CREF Institute.

Fifty-seven percent are very confident that the advice received was in their best interest, and an additional 35% are somewhat confident that this was the case. Twenty percent followed all the advice received, 44% followed most of it, 30% followed some of it and 6% followed none of it. Confidence that the advice received was in one’s best interest impacts follow-through—28% of those very confident regarding the advice generally followed all of it; by comparison, 10% of those somewhat confident regarding the advice generally followed all of it.

**CONCLUSION**

Hospital workers are more likely than U.S. workers to be saving for retirement; 88% versus 59%, respectively. But only 48% of savers in the hospital sector have calculated how much they need to accumulate and only 22% are very confident that they are investing their retirement savings appropriately. Debt clearly hinders retirement preparations—89% of hospital workers with a major debt problem consider themselves behind in their planning and saving for retirement compared with 37% of those without a debt problem.

Confidence is relatively low when hospital employees are asked about the possibility of outliving their savings in retirement—18% are very confident that they will not outlive their savings and 47% are somewhat confident that this will not happen. Only 19% of savers in the hospital workforce have thought a great deal about how they will manage their savings in retirement and draw income from it; this percentage was 26% for those age 55 and older.

Sixty-one percent of the hospital workforce has received retirement planning advice from a professional financial advisor within the past three years. Advice regarding asset allocation was the advice most typically received (84%). It was followed by advice on how much to save (78%) and the timing of retirement (59%). But advice received is not necessarily advice followed—20% followed all the advice received and 44% followed most of it. Those with greater confidence in the independence and objectivity of the advice were more likely to follow through on it.

## ABOUT THE AUTHOR

Paul Yakoboski is a Senior Economist with the TIAA-CREF Institute. He conducts, manages and communicates research on issues such as defined contribution plan design, income and asset management in retirement, individual decision-making and preparation for retirement, managing faculty retirement patterns, and topics relevant to strategic management in higher education. He is responsible for the development and execution of Institute symposiums on such issues. Yakoboski serves as director of the Institute's Fellows Program and editor of the Institute's *Trends and Issues* and *Advancing Higher Education* publication series.

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