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AARP Financial Inc. Survey Finds:

**WHEN IT COMES TO SAVING FOR RETIREMENT, AVERAGE AMERICANS
ARE RESIGNED TO MUDDLING THROUGH...ALONE**

To Middle-Class, Middle-Aged Americans, Golden Age Looking a Little Tarnished:

- 59% give themselves a grade of C or worse when it comes to financially preparing for retirement
 - Most believe the odds are 50% or less that they will be able to retire when they want
 - 72% agree that when it comes to retirement, no one is looking out for the average person; 67% not sure where to go for help
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...And Current Economy Isn't Helping Retirement Savings Efforts:

- Nearly one in five said they stopped or reduced putting money into a 401(k), IRA or other retirement account due to the current economic slowdown
 - 20% said they pushed back or postponed their planned retirement date
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Healthcare Costs Are a Large Pill to Swallow

- Just under two-thirds have never estimated future healthcare costs
 - Many Americans – 45% – believe life will be discovered on other planets before they'll see affordable healthcare for retirees
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Retirement Reality Check: Want to Retire One Day? Get Planning.

- 43% of Americans spent more time planning their most recent vacation than they have spent planning for retirement
 - 28% spent more time watching reality TV in the last month than they have spent planning and preparing for retirement over the last 10 years
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AARP Financial Issues List of Small Steps that Can Yield Big Results

TEWKSBURY, MA, October 3, 2008 – Average Americans feel they just can't get ahead when it comes to saving for retirement and don't know quite where to turn for help, according to the results of a nationwide survey released today by AARP Financial Inc.

Over half (59%) of the average working Americans surveyed give themselves a grade of C or worse when it comes to financially preparing for retirement, and most believe the odds are 50% or less that they will be able to retire when they want to retire.

The survey evidenced a strong sense among average Americans that when it comes to retirement, they're on their own. Sixty-seven percent say they know they are responsible for planning their retirement but are not sure where to go for help. Seventy-two percent agree that no one is looking out for the average person

Less than half (45%) of those surveyed are currently working with a professional financial advisor. Among those not working with a professional, 49% believe financial advisors are not interested in them because they don't have enough money.

"Average Americans are at an impasse," said Richard "Mac" Hisey, president of AARP Financial. "They know they're responsible for their retirement, know they need help, but they don't know where to turn."

"We've all seen the advertisements showing a happy couple traveling to exotic places or looking out from the deck of their beach house, but for most Americans that sort of retirement is not a realistic picture," Hisey said. "As a result, whether true or not, most people feel like financial services firms are not really interested in helping them. But there are places where Americans can turn for help and easy steps they can take now to greatly enhance their prospects for a more secure retirement."

The survey of 750 adults age 40 or older in pre-retired households was conducted by telephone from August 1 to August 21, 2008 by Mathew Greenwald & Associates. Survey respondents had an annual household income between \$35,000 and \$100,000 – which describes approximately half of all U.S. households – and had between \$10,000 and \$150,000 in savings and investments. The margin of error for the entire sample of 750 respondents is plus or minus 3.7 percentage points.

Increased Cost of Living Now Means Decreased Savings for Later

The recent economic slowdown coupled with price increases on food and gasoline is further slowing Americans' retirement progress. Americans are feeling especially strapped for cash and that is translating to even fewer dollars saved for retirement.

Nearly one in five of those surveyed said they stopped or reduced putting money into a 401(k), IRA or other retirement account due to the current state of the economy and 20% pushed back or postponed their planned retirement date.

"Increases in the cost of basics such as food, healthcare and energy are accelerating," Hisey said. "Unfortunately, in these times – with necessities assuming a greater share of the household budget – retirement savings are frequently the first to take a hit."

Martians or Medical Care?

Particularly vexing is the issue of healthcare. Many of those surveyed – 45% – believe that in their lifetime, they are more likely to see the discovery of life on other planets than the implementation of affordable retiree healthcare.

And while they aren't optimistic that a reasonably priced option will be available, average Americans do not know how to tackle the problem themselves either. Nearly two-thirds of those surveyed (64%) said they have not estimated future healthcare costs in preparation for retirement and less than a quarter of respondents (22%) say that they know enough to be able to plan for long term care or major health expenses.

“Healthcare is a considerable and inevitable expense for most retirees,” said Hisey. “And yet, many people don't even factor healthcare costs into the retirement savings equation, preferring to ignore it and hope for the best.”

Not only are people not planning for the cost of healthcare, they aren't even talking about it. Almost half of those surveyed said they have never had a serious discussion with their spouse about how they will deal with healthcare in retirement.

Tough Times Call For Tough Love, Tough Choices and A Plan

Sure, times are tough, but when times are tough...

"We all know the retirement planning challenge is daunting," Hisey said. "You look at the stack of dollars you need to accumulate, and it's tough to get started. But we've made the climb steeper than it needs to be by not taking the time to plan the route and by ignoring some pretty basic steps. It's time to take the proverbial bull by the horns."

To be sure, Americans need to spend more time on retirement planning. Better than two out of five respondents (43%) said they spent more time planning their most recent vacation than they have spent planning for retirement. Twenty-eight percent said they have spent more time watching reality TV in the last month than they have spent planning and preparing for retirement over the last 10 years.

"If retirement planning were a reality TV show – called *Project Retirement*, perhaps – maybe it would encourage Americans to pay more attention earlier. But the reality is that unless we get more focused on, and purposeful about, saving for retirement, our retirements are going to be anything but entertaining and enjoyable."

Not surprisingly, then, the survey revealed that when it comes to retirement planning, many Americans are ignoring steps that could help them become more financially secure:

- 69% have not used an online retirement calculator;
- 56% have not sought out retirement related information online;
- Only 22% have a formal written plan for retirement;
- 55% of those surveyed have not set their 401(k) contribution to the maximum allowed;
- 78% of those eligible have not made a catch-up contribution to a retirement plan.

Back to School

Part of the problem is the retirement knowledge gap. Less than a third (32%) of those surveyed say they know enough about how to determine when they can afford to retire and only one in five say they know enough about how to generate income in retirement. Not surprisingly, 76% say planning for retirement is somewhat or very difficult.

That knowledge gap can result in dangerous retirement planning assumptions.

For example, while the median income of those surveyed was \$66,000, the median amount they thought they need to save for retirement was \$315,000. In fact, more than a third of pre-retired Americans (36%) think they will need less than \$250,000 to retire.

Compounding matters is the fact that many Americans are not sure how much they will be able to safely spend of their retirement savings. Forty-five percent of those surveyed either don't know how much of their retirement savings they can safely spend each year or believe they can safely spend seven percent or more (many financial advisors agree that four percent is a safe withdrawal rate.)

“With increased individual responsibility for retirement planning comes an obligation to learn more about it,” Hisey said. “On the one hand, it does not have to be a complicated process and on the other hand, a little knowledge can go a long way. That said, if all of us – from investment companies to financial advisors to the media – make a concerted effort to enhance our communications with the investing public, then we may meaningfully advance not just their investment acumen and comfort but their financial well being as well.”

Things to Do Now

“I think most Americans assume that a successful retirement planning effort requires complicated planning scenarios, complex financial products and dramatic lifestyle changes,” Hisey said. “The fact is that retirement is like diet or exercise. A series of small changes now can make a significant difference over time.”

Hisey said that in response to investor interest AARP Financial has developed a list of steps individuals can take now to put themselves on a path to a more secure retirement.

“One of the unfortunate consequences of the recent market volatility and economic uncertainty is that it may give many of us yet another reason to delay investing, saving, and planning for retirement,” Hisey said. “The paradox, of course, is that when markets are in decline you may have an opportunity to put your money to work by making investments at a lower cost.”

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EDITOR'S NOTE:

For a copy of AARP Financial's "Tips for a More Secure Retirement" or to talk to a Financial Advisor, please have readers call 1-888-778-6187.

About AARP Financial Inc.

Founded in 2005, AARP Financial Inc. is a wholly owned taxable subsidiary of AARP. AARP Financial Inc. is dedicated to helping people age 50 and over prepare for a more secure financial future by providing access to products and services designed to meet their retirement needs and supporting them with clear information and guidance. We are proud that AARP Financial's *Financial Jargon* campaign won the Mutual Fund Education Alliance's 2008 STAR Award for Best Online Marketing Campaign - Small Company. Visit us at www.aarpfinancial.com for more information.

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