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## **AN ALARMING 43% OF PRE-RETIREEES INCORRECTLY BELIEVE THEY CAN ANNUALLY DRAW DOWN 10% OR MORE OF THEIR SAVINGS IN RETIREMENT**

– MetLife Mature Market Survey Reveals Pre-Retirees Overestimate How Much They Can Withdraw Each Year in Retirement and Underestimate Life Expectancy and Retirement Income Needs, Putting Them at Risk of Outliving Their Assets –

New York, NY, June 25, 2008 – Five years after the release of MetLife’s first Retirement Income IQ Test, a national poll to gauge pre-retirees’ knowledge of retirement income issues, a new version of the study, released today by MetLife Mature Market Institute, reveals that almost seven in ten (69%) pre-retirees overestimate how much they can draw down from their savings – with an alarming 43% saying they believe they can withdraw 10% or more each year while still preserving their principal – even though most retirement experts suggest a withdrawal rate of no more than 4% annually.

MetLife’s 2008 Retirement Income IQ Test also reveals that significant gaps exist around average life expectancy and other retirement income issues. Six in ten Americans (60%) underestimate life expectancy and almost half (49%) underestimate the amount of pre-retirement income they’ll need once they retire. This lack of understanding is particularly concerning because poor retirement planning assumptions are compounded after retirement by today’s much longer life expectancy.

“Five years after we commissioned the original MetLife Retirement Income IQ Test, one of the first studies to focus exclusively on retirement income issues, we again wanted to test consumers’ knowledge about the most important issues they need to address as they approach retirement,” said Sandra Timmermann, Ed.D., director of the MetLife Mature Market Institute.

“While we would have liked to have seen more dramatic increases in the scores, directionally Americans are improving their retirement income IQs. Yet, there are still far too many misconceptions about retirement income issues,” added Timmermann. “Most concerning is the fact that so many pre-retirees overestimate how much they can spend down from their retirement savings annually. This statistic should serve as a wake-up call for pre-retirees and advisors alike.”

### **Glass: Half Empty or Half Full?**

On average, respondents answered 6.41 of the 15 multiple choice questions in MetLife's 2008 Retirement Income IQ Test correctly, resulting in a score of 43 on a grading scale of 100 points. While this reflects a basic level of retirement income knowledge, it clearly points to a need for greater education, advice, and guidance as individuals approach retirement.

In addition to underestimating the amount they need to save and how long they will live and overestimating how much they can draw down from their savings annually, nearly seven in ten (67%) of respondents don't know that Social Security, a defined benefit pension plan, and an income annuity all pool risk to pay out a lifetime stream of income. An equal number (67%) don't know that an income annuity provides income that is guaranteed and cannot be outlived. Almost six in ten (59%) surveyed reported that they are seeking financial advice on such products as 401(k), retirement savings, and long-term care insurance.

“With so many misconceptions surrounding retirement, it is difficult for those who are approaching retirement to maximize their retirement picture without the assistance of a professional financial advisor,” said Timmermann. “An advisor can look at an individual's lifestyle goals, assets, basic income needs, and income sources, and then effectively help them put together a plan to meet their personal retirement needs. It's important for people to recognize that they don't have to go it alone, and with the right kind of professional help, they can rest easier and look forward to their retirement with even greater optimism.”

### **Silver Linings**

A silver lining in this year's Retirement Income IQ Test findings, more than half (56%) of respondents correctly understand that longevity risk is the greatest risk in retirement, up significantly from 23% in 2003. Additionally, almost three in four (73%) of those surveyed know when a 55-year-old is able to collect full Social Security benefits, and two in three (62%) have a good understanding of how long-term care expenses are covered.

### **A Gender Knowledge Gap**

The study findings also point to a gender divide with 65% of men vs. 50% of women somewhat or very confident that they will have enough money to live comfortably if they live until 85 years of age. Although more women tend to be concerned about financial security, the men surveyed answered more questions correctly and by a higher margin. The largest gaps exist with regard to average rates of inflation, with 31% of men correctly selecting 3% as the average annual rate of inflation over the past 20 years versus only 16% of women answering correctly. Men are also more likely to understand that experts recommend using a benchmark of 80-90% as the amount of pre-retirement income needed in retirement (50% of men vs. 41% of women). On the other hand, women were more likely to know that the average annual cost of a private room in a nursing home is \$78,000 (35% of women vs. 27% of men).

### **Action Tied to Greater Awareness, More Confidence**

In addition to the 15 multiple choice questions, five new questions were added to the 2008 study to ascertain which actions pre-retirees are taking to prepare for retirement. These questions also sought to gauge how comfortable pre-retirees are with the outlook for their retirement future. The findings underscore what one would expect: those who take action to ensure that they have adequate retirement income are better informed and more confident that they will have a comfortable retirement.

“Individuals, as they transition into retirement, are eager to make the most out of the next phase of their life,” added Timmermann. “They want to approach retirement by making choices that they control, such as where to live, if and when to work, when to take time for community service and when to spend time with family and friends. Those who seek advice and guidance, and then act on it as they approach retirement, are able to transition into this challenging life stage with more confidence and less worry.”

The MetLife Retirement Income IQ Test was conducted nationwide in April 2008 by GfK North America. A total of 1,216 males and females aged 56-65 within at least five years of retirement completed the Web-based survey. All respondents were primary or co-primary financial decision-makers in their households.

### **To Learn More**

A short interactive version of the Retirement Income IQ Test is available at [www.metlife.com/retirementquiz](http://www.metlife.com/retirementquiz). Consumers can use this site to get a quick and immediate assessment of their Retirement Income IQ. Available at [www.maturemarketinstitute.com](http://www.maturemarketinstitute.com) is the 2008 MetLife Retirement Income IQ Study that includes the full Retirement Income IQ Test, the correct answers, and how the study group responded to each question. To receive a hard copy, please email a request to the MetLife Mature Market Institute at [maturemarketinstitute@metlife.com](mailto:maturemarketinstitute@metlife.com).

### **About the MetLife Mature Market Institute**

Established in 1997, the Mature Market Institute (MMI) is MetLife’s center on aging and the 50+ market. MMI’s ground breaking research, gerontology expertise, national partnerships, and educational materials work to expand the knowledge and choices for those in, approaching, or caring for the mature market.

The Mature Market Institute supports MetLife’s long-standing commitment to identifying emerging issues and innovative solutions for the challenges of life. MetLife, a subsidiary of MetLife, Inc. (NYSE: MET), is celebrating 140 years and is a leading provider of insurance and financial services to individual and institutional customers.

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