



KERI

KENTUCKY ELDER READINESS INITIATIVE

Anticipating the gifts and needs of older Kentuckians

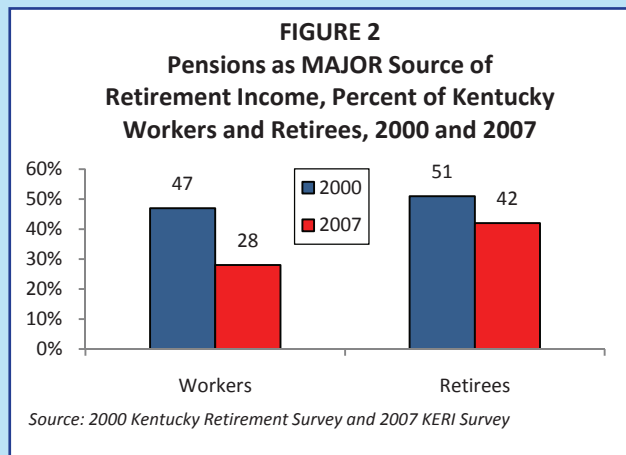
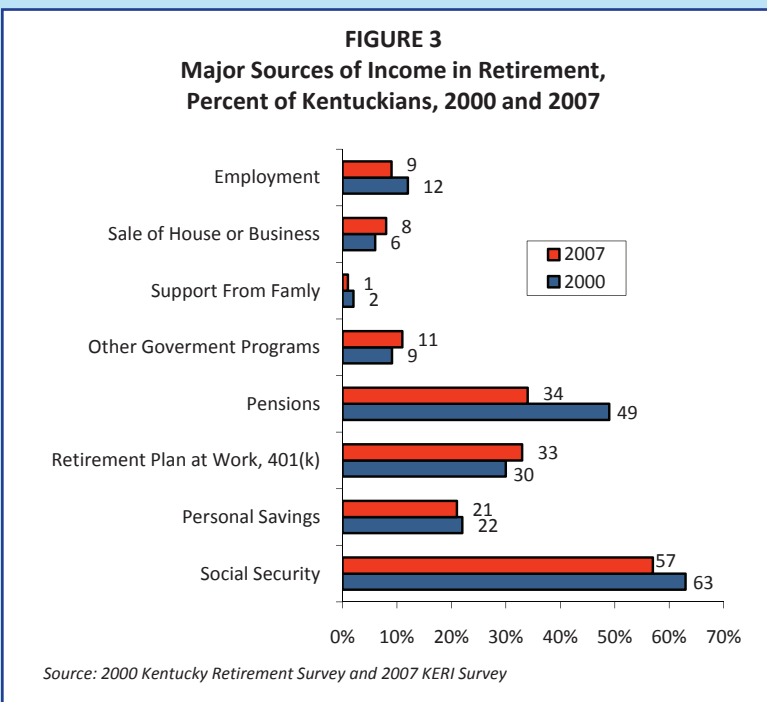
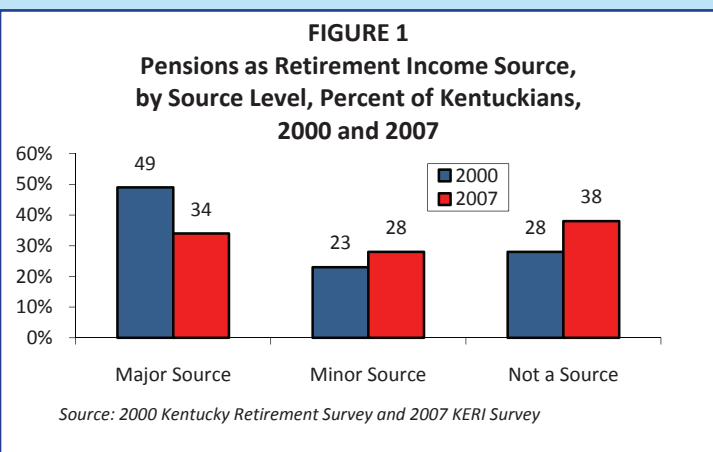
April 2009
Data Briefing #2

Pensions Decline as Major Source of Anticipated Income in Retirement for Working Kentuckians

Kentucky workers have made a dramatic shift away from relying on pensions as a major source of income in retirement in recent years. However, data indicate that they are not shifting toward any other sources—leaving a gap and raising the question: *How do future retirees plan to fund their retirement?*

Two Kentucky surveys conducted in 2000 and 2007 illustrate the shift away from pensions as a source of funding in retirement.¹ Figure 1 shows that in 2000 nearly half the sample indicated that money from an employer-provided pension is or would be a major source of income in retirement, compared to approximately one-third by 2007.²

This shift is due primarily to the decline among current workers in their anticipated reliance on pensions as a source of income in retirement. Approximately half of both retirees and workers in 2000 indicated that pensions are or would be a major source of retirement income (see Figure 2). By 2007, a divergence in the two groups emerged as the proportion of workers anticipating pensions to be a major source of income had shrunk from 47 percent in 2000 to a



little over a quarter (28 percent) in 2007. Among retirees, the decline was less severe, falling from 51 percent to 42 percent.

Respondents were asked to indicate if other sources of retirement income, such as money to a defined-contribution plan, personal savings, and Social Security, are

or would be a major, minor, or not a source of income in retirement. Figure 3 shows the extent to which Kentuckians shifted to other sources in parallel with their decreased reliance on pensions.

Although there was a 30-percent decline in the reliance on pensions as a major source of retirement income from 2000 to 2007 in Kentucky, there was no comparable increase in any of the other anticipated sources to help offset this decline. In both surveys, a majority considered Social Security a major source of their retirement income and only a third anticipate that a 401(k) or other comparable retirement plan will play a major role in meeting their retirement income needs. The extent to which the boomer generation has adequately funded their retirement will have serious implications for the ability of government at all levels to meet the needs of this aging demographic.

¹ For more information on the 2000 Kentucky Retirement Survey refer to <<http://www.kltprc.net/books/aging/entry.htm>>.

² Respondents were asked to indicate what sources of income would be a major, minor, or not a source of income in retirement. Here “pensions” refers to the choice given to survey respondents that reads “Money provided by an employer like a pension or retirement account (not one you paid into).”

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The Kentucky Elder Readiness Initiative (KERI) and Statewide Survey

The Kentucky Elder Readiness Initiative (KERI) was created in August 2005 and is a collaborative venture involving the University of Kentucky Graduate Center for Gerontology, the Kentucky Department for Aging and Independent Living of the Cabinet for Health and Family Services, all 15 of Kentucky’s Area Agencies on Aging* (AAA), and the Kentucky Long-Term Policy Research Center. The goal of KERI is to foster statewide awareness, dialogue, and insight into the challenges and opportunities provided by the aging of the “Baby Boom” population (persons born between 1946 and 1964) and to stimulate local and statewide initiatives to appropriately address the pending changes that will result. KERI is based on a positive philosophy of old age. Elders are viewed not as dependent but as a resource. KERI is part of a process of continuous planning; it is not a report to be placed on a shelf but rather a statewide movement to prepare for a better future. Widespread dissemination of findings and participation of the media in this movement is vital.

Initial KERI activities involved assembling background information on Baby Boomers and elders in Kentucky. In the summer of 2006, two focus groups (one with community leaders and one with service providers) and a community forum were conducted in each of the 15 AAA districts. Findings from the focus groups were incorporated into a statistically representative statewide survey conducted by the University of Kentucky Survey Research Center and sent to a stratified sample of 9,600 Kentucky households (640 randomly drawn in each AAA district in June and July of 2007). Information provided in this report was derived from responses received from 3,256 households representing a response rate of 33.9 percent. The margin of error on the statewide sample is ± 1.7 percent at the 95 percent confidence level. Further information on the survey and KERI is available at <<http://www.mc.uky.edu/gerontology/keri.htm>>.

*Kentucky’s Area Agencies on Aging coincide with Area Development Districts.

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