



NEWS RELEASE

# Ameriprise Study Says Consumers Confident About Retirement Yet Financial Readiness Remains Stagnant

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Levels of financial preparation troubling in America's top 30 metropolitan areas;

Detroit makes unexpected move to number two spot

Study reveals that consumers expect healthcare costs to be the most challenging financial issue in retirement

MINNEAPOLIS--(BUSINESS WIRE)-- Five years after the onset of the financial crisis, retirement confidence for Americans appears to be rising with the strengthening economy. According to the New Retirement Mindscape® 2013 City Pulseindex, an annual retirement readiness index released today by Ameriprise Financial (NYSE: AMP), two in five (42%) Americans report feeling on track for retirement – significantly more than those who felt this way last year (only 37%), and in any other year since the index began in 2010. However, financial preparation for this milestone is still subpar, and pending healthcare changes are weighing on the minds of many of these consumers.

The study examines the 30 largest U.S. metropolitan areas to determine where consumers are the most prepared for and confident about retirement. The index has also served as a barometer for national and local retirement trends. San Francisco-Oakland-San Jose (#1) and Detroit (#2), along with Hartford-New Haven (#3), claimed the top three spots as the most ready for retirement on the fourth-annual index while Orlando (#30), Los Angeles (#29) and Nashville (#28) ranked as the least retirement-ready. Metropolitan areas are scored based on responses to a



national survey that measure consumers' likelihood to have determined the amount of money they need to save for retirement and their actual saving habits. The index also takes into account the attitudes and level of confidence locals express about this milestone. The study was conducted online by Harris Interactive in June among 10,045 U.S. retired and non-retired adults ages 40-75.

"Feeling confident about retirement is essential, but perhaps not as important as taking steps to financially prepare for that retirement," says Suzanna de Baca, vice president of wealth strategies at Ameriprise Financial. "Positive feelings supported by strong savings habits and careful planning are something to be proud of. But if the latter isn't in place, a sense of confidence may be unwarranted and can cause a dangerous feeling of complacency." To hear more insights from Suzanna de Baca about the study results, visit our [youtube.com](#) channel.

## Morale is high but doesn't reflect increased preparation

The large majority of Americans are smiling when they think about retirement. More of these Americans than ever (67%) say that retirement makes them feel emotionally positive. They most commonly report feeling happy (47%), optimistic (38%) and hopeful (34%). Seventeen percent even say retirement makes them feel empowered.

Perhaps these sentiments are buoying consumers' retirement confidence levels. More than ever, respondents say they feel on track for this milestone, with one in five (19%) saying they feel very prepared financially for retirement or the remainder of retirement and 28% feel very confident they'll reach their retirement goals or that the remainder of their retirement will work out as planned.

Emotions aside, the real actions being taken by consumers aren't adding up. Although nearly three in four (72%) admit having taken some action to prepare for retirement, this number is smaller than in 2011 and 2010 (75% and 74%, respectively) when the economic recovery was still shaky. When it comes to saving, more than half (51%) report contributing to a 401(k) or other retirement plan which represents a significant jump from last year (47%) but is still fewer than those who said they were saving into this kind of plan two or three years ago. Adding to these underwhelming numbers is that only half (49%) of respondents say their retirement account balances have recovered from the market downturn in 2008-2009. On the bright side, nearly one in four (23%) say they have determined the amount of money they need to save for retirement – significantly more than in any other year.

## Detroit surprisingly more retirement-ready than nearly all other metros

The city of Detroit (#2) is experiencing the consequences of an unrealistic balance sheet, but it appears Detroit area residents are taking note and learning from the municipality's troubles. Sending it to the second spot on the index this year is the fact that respondents from the Detroit area are much more likely than average Americans (56% vs. 48%) to have contributed to personal retirement accounts (other than employer-sponsored accounts). They were

also significantly more likely than their peers in other metro areas to have a written financial plan (17% vs. 11%) and to work with a financial advisor (38% vs. 29%).

“Detroit has climbed steadily on the index since 2010 when the metro was number 21, though this is by far the greatest improvement Detroit has made,” says de Baca. “Though we don’t know for certain what is motivating Detroit locals to increase their preparation for retirement, the same factors that are helping to restore the American economy as a whole, such as improvements in the auto sector and rising home values, may also be at work in Detroit.”

For San Francisco, which regained the top spot from Hartford-New Haven, there were a few things that set it apart from other metros. Three-fourths (77%) of Bay Area residents say they’ve taken at least some steps to prepare for retirement, slightly ahead of 72% nationally. And the higher preparation levels have impacted the local confidence levels; one-third (35%) agree that they will achieve their dreams while in retirement – much more than the national average (24%) and a steady increase since 2010 when only 20% of locals believed they would achieve their dreams in retirement.

As for those in the bottom three metro areas, while they are generally on par with other Americans in their retirement preparation, respondents are slightly less likely this year than last to say they think they will reach their retirement goals. In Orlando (#30), three in ten (30%) locals report feeling worried about retiring and 12% even feel sad. This could be closely related to the fact that fewer locals than average in this Sunshine State metro admit that their retirement accounts have recovered from the market downturn (41% vs. 49%). Perhaps for this reason, only 35% of Orlando respondents say they feel on track for their retirement – the fewest in four years.

## Consumers anticipate healthcare changes on eve of the Affordable Care Act

Several themes came to the surface when respondents answered questions related to current and future healthcare expenses. On the positive side, consumers are thinking about the impact these kinds of expenses may have on their finances. Nearly half (45%) of these Americans, however, think that providing for their healthcare expenses in retirement will be one of the most challenging financial issues after they leave the workforce.

Americans estimate needing a median of \$100,000 in savings to help cover healthcare costs not covered by Medicare. This is not far from what retired individuals spent on average over the course of their retirement (\$135,500 according to 2012 EBRI data), but is significantly less than the \$227,000 experts predict individuals will spend on healthcare in retirement in 2020.\*

Other than estimating what their healthcare costs may be, these Americans aren’t necessarily taking many steps to help prepare for this potentially significant expense in retirement. Only 13% say they’ve purchased long-term care

insurance, however another 8% anticipate doing so in the next year. And though it's not many, a startling one in ten (10%) expect family and friends to care for them in retirement if their health begins to fail.

Americans in this group are also thinking ahead to pending changes due to the Affordable Care Act. Two-thirds (68%) of Americans express concern, and half (51%) of those concerned say their top worry is that they will end up paying more for healthcare.

"Unfortunately there is quite a bit of uncertainty when it comes to predicting and affording healthcare expenses in retirement," says de Baca. "Understanding these risks and including them as part of your financial plan is the first step in preparing to tackle them. Doing what you can to maintain your health now and in the future and knowing how your family's health history could impact your future are also low- or no-cost things you can do to help."

## Overall rankings for 2013

The 30 metropolitan areas surveyed are ranked as follows. 2012 rank appears in parenthesis.

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1. San Francisco-Oakland-San Jose (4)
  2. Detroit (17)
  3. Hartford-New Haven (1)
  4. Minneapolis-St. Paul (3)
  5. Seattle-Tacoma (13)
  6. San Diego (2)
  7. Sacramento-Stockton-Modesto (18)
  8. Baltimore (25)
  9. St. Louis (15)
  10. Phoenix (11)
  11. Denver (8)
  12. Washington D.C. (30)
  13. Dallas-Fort Worth (14)
  14. Boston (12)
  15. Indianapolis (28)
  16. Atlanta (10)
  17. Tampa-St. Pete (23)
  18. Charlotte (29)
  19. Portland (19)
  20. Miami-Fort Lauderdale (20)
  21. Chicago (27)
  22. Pittsburgh (9)
  23. Raleigh-Durham (6)
  24. Philadelphia (5)
  25. New York (26)
  26. Cleveland-Akron (24)
  27. Houston (16)
  28. Nashville (7)
  29. Los Angeles (21)
  30. Orlando-Daytona Beach-Melbourne (22)

Additional findings for each metro area – including each area's preparation and confidence ranking – are available on the **Ameriprise newsroom**. Also see Suzanna de Baca discuss findings from the study in a short video on **Youtube.com**.

## About the survey

Ameriprise Financial created the New Retirement Mindscape 2013 City Pulse index utilizing survey responses from 10,045 U.S. adults ages 40-75. The survey was commissioned by Ameriprise Financial, Inc. and conducted online by Harris Interactive from June 6 - June 26, 2013. The national average sample and the 30 U.S. metropolitan areas were each weighted independently to best represent each area. Propensity score weighting was also used to adjust for respondents' likelihood to be online. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Meghan Graham (contact info above).

## About Harris Interactive

Harris Interactive is one of the world's leading custom market research firms, leveraging research, technology and business acumen to transform relevant insight into actionable foresight. Known widely for the Harris Poll and for pioneering innovative research methodologies, Harris offers expertise in a wide range of industries. For more information, visit [harrisinteractive.com](http://harrisinteractive.com).

## About Ameriprise Financial

At Ameriprise Financial, we have been helping people feel confident about their financial future for over 115 years. With outstanding asset management, advisory and insurance capabilities and a nationwide network of approximately 10,000 financial advisors, we have the strength and expertise to serve the full range of individual and institutional investors' financial needs. For more information, or to find an Ameriprise financial advisor, visit [ameriprise.com](http://ameriprise.com).

\* Employee Benefit Research Institute, "Savings Needed for Health Expenses for People Eligible for Medicare: Some Rare Good News," October 2012.

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