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## New Report Highlights Link between Retirement Fluency and Retirement Confidence

*Many are uncertain about the best ways to save for retirement, how to make their money last and how much they'll receive from Social Security and Medicare*

NEW YORK (April 17, 2024) – A survey by the TIAA Institute and the Global Financial Literacy Excellence Center (GFLEC) connects people's confidence in their retirement plans to a new benchmark called "retirement fluency," which measures how much people know about topics, such as Social Security, Medicare and options for retirement savings. When asked about those topics, Americans correctly answered only 40% of the questions.

These findings are from the 2024 TIAA Institute-GFLEC Personal Finance (P-Fin) Index – an annual barometer of financial literacy – which for the first time also covered retirement fluency.

The retirement fluency portion consisted of five multiple-choice questions. For most of the questions, about 30% of the respondents answered, "don't know."

Many mistakes stood out. For example:

- Most respondents failed to recognize that a retirement savings opportunity with an employer match is better than one without the match.
- Only about half (53%) were aware that buying an annuity could offer guaranteed lifetime income, safeguarding against the risk of outliving retirement savings. Others answered that buying life insurance would help or that nothing could be done.
- Almost 60% of respondents did not know that Social Security benefits last for a lifetime and that workers receive benefits if they become disabled before retiring.
- A vast majority lacked a basic understanding of how long people tend to live in retirement, a knowledge gap that could keep them from saving enough money to last a lifetime. Almost 60% said either they didn't know, or they underestimated the life expectancy of a 65-year-old. Only one third of respondents (32%) knew the correct answer: age 84 for men and age 87 for women.
- About 30% were aware that Medicare covers about two-thirds of retirees' health care costs.

"Now, more than ever, financial literacy is crucial to addressing our very real retirement savings gaps," said Thasunda Brown Duckett, CEO of TIAA. "This report shows that if we're going to improve retirement outcomes, we have to start

by improving our understanding of how to save and how long our retirements will be. While there are no quick fixes to boosting our retirement fluency, increasing access to education resources and operating with intentionality will get us on the road toward financial health and resilience.”

The P-Fin research showed a strong connection between people’s retirement fluency and how financially prepared they are for retirement.

Consider: Americans correctly answered an average of only 40% of the retirement-related questions. Among people with that level of retirement fluency, only 60% were confident they would have enough money to live comfortably throughout retirement. But for those who answered at least 80% of the questions correctly, this figure jumped to 75%.

The 8<sup>th</sup> edition of the annual report also included data about Americans’ knowledge of personal finance. Based on a 28-question survey, people correctly answered about one half of those questions, which has been the norm since the survey began. All told, only 16% demonstrated a very high level of financial literacy by correctly answering at least 22 questions, underscoring concerns about people making financial decisions with a poor level of financial literacy.

“The consistently low levels of financial literacy among U.S. adults and, particularly, among the most vulnerable groups in the population is troubling,” said Annamaria Lusardi, an economist from Stanford University and GFLEC. “These findings are a call to action. With financial literacy month underway, it is high time to change the conversation about money, starting with adding financial education in school and college.”

The P-Fin Index underscores the importance of financial literacy for financial well-being. Compared with those with a very high level of financial literacy, for instance, those with a very low level are twice as likely to be debt-constrained, four times more likely to lack one month of emergency savings and three times more likely to not have any confidence in their retirement income prospects.

The full report can be found at the [TIAA Institute's website](#).

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#### [About the TIAA Institute](#)

The TIAA Institute\* is a think-tank within TIAA, conducting cutting-edge research in the areas of financial literacy and longevity literacy, lifetime income, retirement plan design and behavioral finance in the context of retirement. The Institute provides consulting services for higher education and the broader nonprofit sector. For more information, visit [www.tiaainstitute.org](http://www.tiaainstitute.org).

#### [About TIAA](#)

TIAA is a leading provider of secure retirements and outcome-focused investment solutions to millions of people and thousands of institutions. It is the #1 not-for-

profit retirement market provider<sup>1</sup>, paid more than \$5.6 billion in lifetime income to retired clients in 2022 and has \$1.28 trillion in assets under management (as of 12/31/2023)<sup>2</sup>.

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### About GFLEC

The Global Financial Literacy Excellence Center (GFLEC) is dedicated to advancing research and solutions that open the door to universal financial literacy. In working toward that mission, GFLEC has positioned itself as one of the world's leading incubators for financial literacy research, policy, and solutions. GFLEC was launched in 2011 in Washington, D.C., and today is housed at Stanford Graduate School of Business, in California. The Center has pioneered breakthrough tools to measure financial literacy, developed and advised on educational programs, and crafted policy guidelines aimed at advancing financial knowledge in the United States and around the world. For more information on GFLEC, visit [www.gflec.org](http://www.gflec.org).

*\*TIAA Institute is a division of Teachers Insurance and Annuity Association of America (TIAA).*

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<sup>1</sup> As of July 21, 2022. Based on data in PLANSPONSOR's 403(b) 2022 DC Recordkeeping Survey, combined 457 and 403(b) data.

<sup>2</sup> As of December 31, 2023 assets under management across Nuveen Investments affiliates and TIAA investment management teams are \$1,284 billion.

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