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Fidelity Investments® Research: While Over 70% of Retirees Say Retirement is Going as Planned, Confidence in Retirement Outlook is Down Among Pre-Retirees

Top concerns persist: rising cost-of-living and health care expenses

The importance of retirement planning is front-and-center as a record number of Americans reach traditional retirement age

Investors can get a clear strategy for retirement using Fidelity's retirement planning hub

BOSTON, March 11, 2025—More Americans than ever are expected to reach retirement age in 2025, and according to the latest Fidelity Investments® State of Retirement Planning study, many are understandably experiencing a reality check. In fact, while two-thirds (67%) of Americans in their planning years express confidence around their retirement prospects, that level is down seven percentage points from last year, with confidence down due to the lingering impact of inflation and the cost-of-living. Similarly, although more than 70% of recent retirees say retirement is going as planned, many have been caught off guard around rising costs, particularly health care expenses.

The study, which has been conducted since 2019 and examines how people are viewing and planning for retirement, focused this year on individuals approaching retirement as well as those recently entering retirement, to compare expectations against reality. The focus is timely, as it comes during a period where a record-number[1] of Americans begin the final stretch to reaching traditional retirement age of 65. At the forefront are Gen X-ers, who notably hold the most negative retirement outlook among all generations. In fact, just over half (53%) of Gen X-ers are confident they will be able to retire on their own terms, and one-third say they may continue to work in retirement to supplement their income.

"While it's encouraging to hear many retirees say their planning has paid off, we see indications that pre-retirees face challenges juggling multiple priorities such as putting children through college and taking care of aging parents," said Rita Assaf, vice president of Retirement Offerings at Fidelity Investments. "Notably, the current generation of retirees could be the last to use predictable sources of income such as pensions as the primary way they fund retirement. The shift toward relying on retirement savings heightens the importance of grounding yourself in a financial plan as early as you can."

A "golden" start to the "golden years"

Despite a challenging stretch—including a global pandemic, periods of market uncertainty, and high inflation—most recent retirees are currently quite positive about their present financial situation. About 7-in-10 say:

- Their retirement is going as planned (72%)
- They have saved and planned appropriately for a comfortable retirement (70%)
- Retirement is more enjoyable than they expected (69%)

One reason for the general sense of optimism can be attributed to the fact that many of today's retirees overall have multiple sources of predictable retirement income. Many of their top sources—including Social Security and pensions—provide guaranteed income that can help make budgeting for essential expenses like health care, housing and food more straightforward. This allows their savings to be spent on the 'nice-to-haves' such as travel or invested for more potential growth.

However, 7-in-10 of these retirees say the rising cost-of-living has eaten into their savings. One of the biggest areas where they have been caught off guard is health care—one of the largest expenses in retirement. More than half (57%) of those who say they did not plan for health care costs, not surprisingly also say health care costs are higher than they anticipated, and 4-in-10 (43%) feel Medicare covers less than they thought. This is particularly concerning when the average American could expect to spend upward of $165,000 on health care in retirement—not including potential long-term care expenses.

Pre-retirees gain traction

In contrast, Americans in their planning years believe they'll need to be more self-reliant when it comes to their sources of retirement income: 61% say retirement savings from IRAs, 401(k)s, or other workplace and small business plans will be one of their biggest income streams, compared to about half of today's retirees.

One thing pre-retirees have in common with retirees is that rising costs also represent an area of mounting concern. Among pre-retirees, 62% are uncertain whether their retirement savings will last forever, and a majority remain wary of the rising cost of health care and what portion of their income will be covered by Social Security. The good news: there are reassuring signs retirement savers are on the right track, as recent Fidelity data revealed strong growth and record-high account balances in 2024 among IRAs, 401(k)s, and 403(b)s—including a savings rate close to Fidelity's goal of 15%, which includes both employee and employer contributions.

"The positive savings behaviors we've seen many Americans take, particularly over the last few years, sets an important foundation to build a successful retirement plan," said

Assaf. "Many understandably feel overwhelmed, but this shift in retirement income strategy in large part involves a recharting of the planning process. This starts with staying involved and aware of your broader financial picture and leveraging investment strategies to potentially help your money work harder for you."

Take on your retirement by making the most of your savings

As the next generations of retirees redefine their retirement income strategy, creating a plan plays a more crucial role than ever. Encouragingly, 92% of Americans—including retirees—acknowledge the fact that financial planning doesn't end at retirement. According to Fidelity, there are several ways to make the most of your savings now:

- **Maximize your retirement savings with the right mix of accounts:** leveraging the power of tax-deferred and tax-advantaged accounts is an important first step, yet more than 4-in-10 Americans in their planning years don't also leverage the positive impact of tax-reduction strategies. Just 42% of respondents are contributing to tax-deferred retirement accounts like IRAs and 401(k)s, and only 36% are taking advantage of an employer 401(k) match. Take it from the retirees: nearly 6-in-10 say taking advantage of employer-sponsored plans is among the most important things to do when starting the retirement journey.

  For those enrolled in a high deductible health plan, this can also include considering Health Savings Accounts (HSAs), which are among the most tax-efficient savings options available. Yet, according to the study, many Americans are not leveraging the tax advantages of the account. While HSAs are a great option to pay for qualified medical expenses, they can be a strong retirement tool as well. If you are enrolled in an HSA-eligible plan, you can invest your pre-tax contributions, and any potential growth is tax-free, too.

- **Consider consolidating your retirement accounts:** many Americans change jobs numerous times in their career, but retirement savings don't always follow. Recent studies[2] have shown that 41% of workers "cash out" their 401(k) savings when changing jobs, often resulting in unnecessary taxes and penalties—not to mention the loss of opportunity to compound your savings. Rolling an old workplace plan into an eligible IRA, 401(k), or 403(b) will not only make the management of your savings easier, but there's the benefit of additional tax-advantaged growth potential. To make it easier, for small retirement accounts of $7,000 or less, Fidelity and other recordkeepers have collaborated with the Retirement Clearinghouse (RCH) to accelerate the adoption of 'Auto Portability,' a feature that automatically rolls over savings to a new workplace account for workers.

- **Leverage catch-up contributions:** once you reach age 50, provisions in the tax code allow for catch-up contributions to tax-advantaged savings accounts. Additionally, thanks to the enactment of SECURE 2.0, beginning this year individuals ages 60 to 63 may be eligible to make increased "super catch-up" contributions to their 401(k) or other workplace plans. Even if you are on track with your retirement savings, contributing the extra money can be a boost to your income in retirement—in fact, 43% of retirees say it's among the most important actions you can take in the home stretch to retirement.

- **Ensure your investments are working for you:** your investment mix can be vital to helping you save enough to live the life you want in retirement. Plan and implement an investment strategy that fits your time horizon, risk preferences, and financial circumstances.

To help people, Fidelity offers an online retirement planning hub for more tips and resources. Additional resources include retirement strategies for every age and educational webinars. For those who want advice, Fidelity offers a range of options from digital advice through Fidelity Go® and Managed FidFolios℠ to Personalized Portfolios. People can also get help at one of Fidelity's Investor Centers or by phone at 1-800-FIDELITY (1-800-343-3548). For more advanced retirement planning and active investment management, dedicated advisor support is also available through Fidelity Wealth Management services. Plus, for those with Fidelity workplace retirement accounts, there is access to one-on-one appointments, phone consultations and workshops through their employers.

About the 2025 State of Retirement Planning Study

This study presents the findings of a national online survey, consisting of 2,001 adult financial decision makers age 18 plus who own at least one investment account. The generations are defined as: Baby Boomers (ages 60-78), Gen X (ages 44-59), Millennials (ages 28-43) and Gen Z (ages 18-27). Interviewing was conducted December 10-17, 2024 by Big Village, which is not affiliated with Fidelity Investments. The results may not be representative of all adults meeting the same criteria as those surveyed. For a detailed look at the study, go here.

About Fidelity Investments

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[1] "Historical and Projected Population Estimates 1940-2100" Office of the Chief Actuary: Social Security Administration, 2023, https://www.ssa.gov/OACT/HistEst/Population/2023/SSPopDec_TR2023.xlsx
[2] University of British Columbia Sauder School of Business, "Cashing Out Retirement Savings at Job Separation," November 2022.