

NEWS RELEASE

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AMERICAN ADULTS STILL EXPECT TO RETIRE WITH A PENSION, ACCORDING TO AICPA SURVEY

New York, NY (April 10, 2007) – Nearly half (48 percent) of all non-retired adult Americans expect to retire with a pension, according to a new poll conducted by Harris Interactive for the American Institute of Certified Public Accountants (AICPA).

“Despite all evidence to the contrary, pensions are still regarded as a safety net for retirement,” said Carl George, CPA, Chair of the National CPA Financial Literacy Commission. “Americans have to understand that many of the entitlements of their predecessors are not guaranteed. It is up to them as individuals to prepare for retirement. Otherwise, they may find themselves working far longer than they had intended.”

The safety net of a pension plan may not be there for many American workers, as more and more companies shift from defined benefit plans to defined contribution plans such as a 401(k). Yet, the AICPA/Harris survey found that only 14 percent of American adults mentioned their company’s 401(k) plan when asked about ways they save.

“It’s surprising that more people don’t think of their 401(k) as a key way to save,” said George. “They may not realize their 401(k) is where they can truly maximize their savings. It is automatically deducted from their paycheck, the dollars are pre-tax and their employer’s matching contribution is essentially free money.”

This also applies to younger workers. The study found that only 11 percent of workers under 35 years of age indicate they are participating in their company’s 401(k). By waiting to take advantage of the tax-deferred savings and compound interest offered by vehicles such as 401(k)s, younger workers are missing out on the advantages of starting early and saving over time. In fact, people who start early can reap greater financial rewards.

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Steps to Prepare for Retirement

The AICPA's *360 Degrees of Financial Literacy* program features a consumer Web site, www.360FinancialLiteracy.org, with hundreds of free tools and resources to help educate consumers about personal finance matters, including retirement. Basic retirement planning steps recommended on the site include the following:

1.) Know Your Retirement Needs

Experts estimate that you'll need about 70 percent of your pre-retirement income – lower earners, 90 percent or more – to maintain your standard of living when you stop working. The earlier you start saving, the more time your money has to grow.

2.) Learn about Your Employer's Pension or Profit-Sharing Plan

If your employer offers a plan, check to see what your benefit is worth. Most employers will provide an individual benefit statement if you request one. Before you change jobs, find out what will happen to your pension. Find out if you will be entitled to benefits from your spouse's plan.

3.) Put Your Money in an Individual Retirement Account

You can put up to \$4,000 a year (\$5,000 if you're 50 or older) into an Individual Retirement Account (IRA) and gain tax advantages. When opening an IRA, you have two options – a traditional or the newer Roth. The tax treatment of your contributions and withdrawals will depend on which option you select.

4.) Don't Touch Your Savings

Don't dip into your retirement savings unless it's an absolute necessity. You'll lose principal and interest, and you may lose tax benefits. If you change jobs, roll over your savings directly into an IRA or your new employer's retirement plan.

5.) Find Out About Your Social Security Benefits

Social Security currently only pays the average retiree approximately 40 percent of pre-retirement earnings. Call the Social Security Administration at 1-800-772-1213 for a free Social Security Statement and find out more about your benefits at www.socialsecurity.gov.

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Harris Interactive surveyed 1,000 U.S. adults during March 2007. The survey was conducted by telephone within the United States between March 2 and 5, 2007 among adults age 18 and over. Figures for age, sex, race/ethnicity, education, region, and household size were weighted where necessary to align with their actual proportions in the population. With a pure probability sample of 1,000 adults one could say with a 95% probability that the overall results would have a sampling error of +/- 3.1 percentage points. Sampling error for data based on sub-samples would be higher and would vary. However, that does not take other sources of error into account.

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with approximately 330,000 members, including CPAs in business and industry, public practice, government, and education. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

Headquartered in New York, the AICPA also maintains offices in Washington, D.C.; Durham, N.C.; and Lewisville, TX.

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