Financial well-being and retirement readiness in higher ed

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Executive summary

Though high inflation rates are easing, higher ed employee salaries are lower now than before the pandemic, when adjusted for inflation. In some ways, the financial outlook among the higher ed workforce is positive. Approximately one-quarter of full-time college and university employees find it very easy to make ends meet in a typical month and 46% find it somewhat easy. At the same time, 12% find it difficult, leaving 13% in a middle ground of neither easy nor difficult.

However, debt and debt constraint are pervasive. The vast majority of higher ed employees (80%) carry debt and 72% of these are debt constrained, i.e., debt and debt payments prevent them from adequately addressing other financial priorities. Borrowers with student loan debt are even more likely to be debt constrained (83%).

Not surprisingly, debt constraint impacts short-term personal finances. One-third of those significantly debt constrained find it difficult to make ends meet, in contrast to only 4% of borrowers who are not debt constrained.

Debt constraint also impacts the pursuit of longer-term financial goals. While 93% of full-time higher ed employees are saving for retirement (with 65% saving through an employment-based plan), those who are debt constrained tend to be less confident in their retirement income prospects. Twenty percent of debt constrained retirement savers aren't confident they're saving an adequate amount, compared with 10% of borrowers who aren't debt constrained and 4% of savers with no debt.

Beyond adequate savings, retirement readiness also requires planning for the conversion of savings to income during retirement. One-quarter of retirement savers in higher ed report they'll definitely annuitize some of their savings in retirement. Among those who have thought a lot about decumulation, this figure is notably higher at 40%.

Paradoxically, annuitization can address the highest priorities of retirement savers who expect to not annuitize: maintaining their standard of living throughout retirement, not outliving their financial assets, ensuring the financial security of a surviving spouse or partner, and having income that will not fall with financial markets.

Finally, as higher ed employees navigate a complex environment while balancing short-term and long-term financial goals, results suggest that professional advice can help. Retirement savers who receive professional advice on planning and saving for retirement tend to report better retirement readiness. Nearly half of advice recipients (40%) are very confident they'll have enough money to live comfortably throughout retirement, compared with 27% of savers who haven't received advice. The difference is even more dramatic among those who reported following all the advice received: 64% are very confident in their retirement income prospects.

Over half of higher ed employees are debt constrained and tend to be less confident in their retirement income prospects.

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Introduction

Higher education employees, along with the rest of America, are now seeing relief from the high inflation rates experienced from mid-2021 through early 2023 (Bureau of Labor Statistics, 2024). Nonetheless, adjusting salaries for inflation, higher ed employees earn less today than before the Covid-19 pandemic (CUPA-HR, 2024). So, the state of household financial well-being likely remains in flux for many.

This report uses the TIAA Institute-CUPA-HR *2024 Higher Education Workforce Survey* to examine financial well-being, including retirement readiness, among full-time college and university employees.[1] The impact of debt, including student loan debt, receives particular attention. Retirement readiness depends on a series of decisions and actions—most fundamentally, the amount being saved, the investment allocation of savings, how to manage savings for income during retirement, and the use of advice throughout. Each is examined from the perspective of higher ed employees.

Financial well-being among higher ed employees

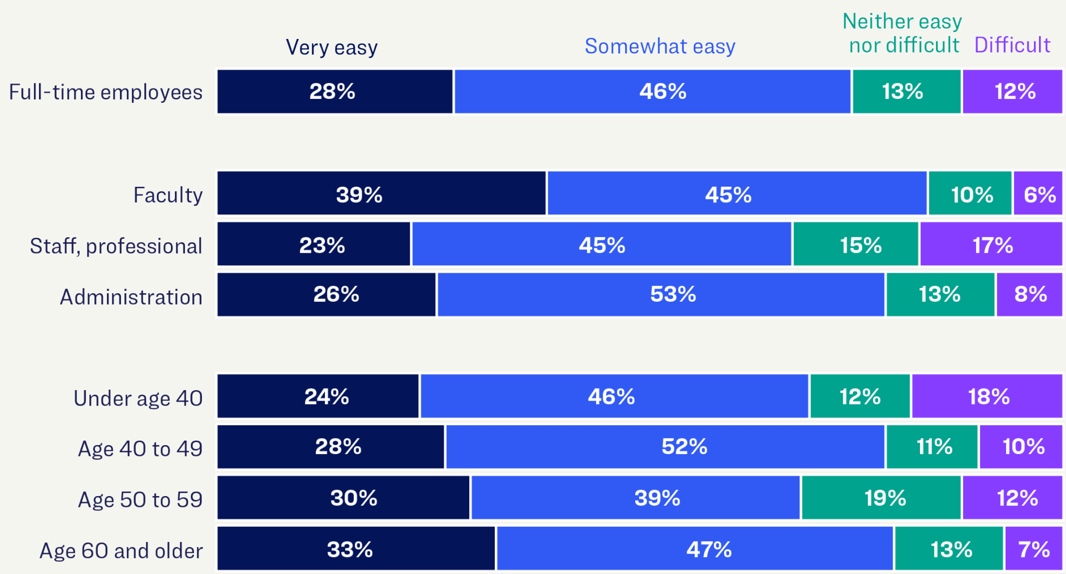
An individual's level of financial well-being is ultimately a subjective self-evaluation of objective circumstances. Individuals similar along some objective financial dimensions (e.g., income, assets and debts) can reasonably differ in their subjective views given differences in other circumstances (e.g., family structure and dynamics), as well as differences in personal thresholds about what constitutes acceptable and unacceptable. Individuals may also have blind spots regarding their personal finances, or they may use misleading heuristics to self-evaluate.

1 The College and University Professional Association for Human Resources (CUPA-HR) and the TIAA Institute surveyed 1,210 individuals employed full time by a public or private nonprofit college or university online between February 16 and March 7, 2024. The sample, acquired through Dynata, an online panel provider, consisted of faculty (603), staff and professional employees (405), and administrators (202). Responses were weighted based on data from *Digest of Education Statistics*: 2022 (February 2024), National Center for Education Statistics, U.S. Department of Education.

Ease or difficulty making ends meet is one common barometer of financial well-being. Approximately one-quarter (28%) of higher ed employees find it very easy to make ends meet in a typical month, while another 46% find it somewhat easy (Figure 1). At the other end of the spectrum, 12% find it difficult, leaving 13% in a middle ground of neither easy nor difficult. Faculty are most likely to find it very easy to make ends meet, while staff are more likely to have difficulty.[2] Employees under age 40 tend to be more challenged in making ends meet—18% find it difficult. In contrast, only 7% of those age 60 and older find it difficult.

FIGURE 1. FINANCIAL WELL-BEING AMONG HIGHER ED EMPLOYEES

Is it easy or difficult for you to make ends meet in a typical month?



Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

It's not surprising that this basic indicator of month-to-month financial health is reflected in other aspects of personal finance. For example, 46% of higher ed employees who find it difficult to make ends meet report that they typically spend 10 or more hours per week thinking about and dealing with issues and problems related to their personal finances. The analogous figure among those who find it easy to make ends meet is only 16%.

2 For brevity, this report uses the shorthand *staff* to refer to staff and professional employees shown in report figures.

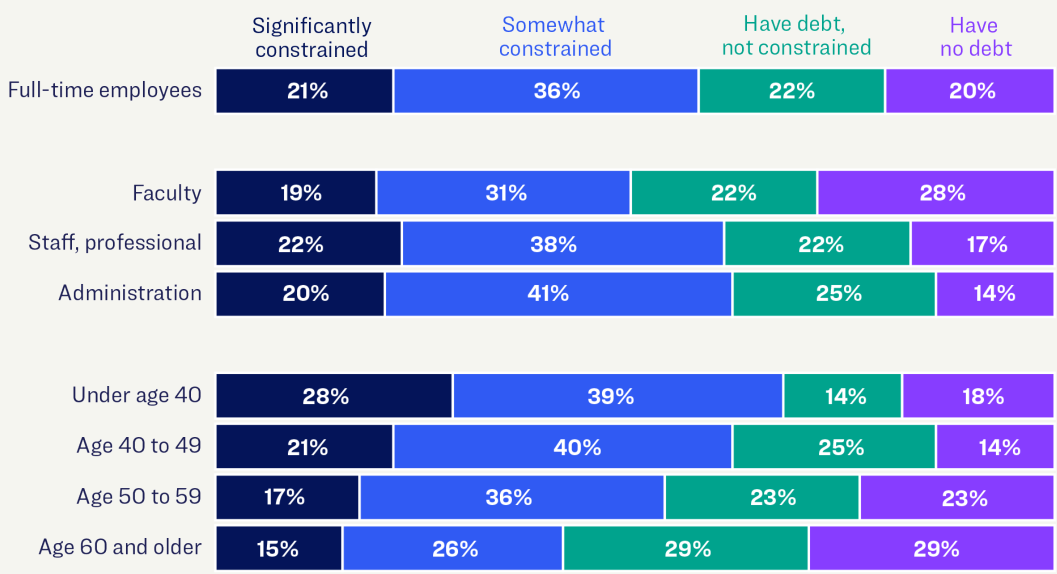
Debt constraint

As with the general population, debt is very common among higher ed employees—80% carry some form and level of debt. In terms of financial well-being, however, the issue is not debt per se, rather it's debt constraint. Do debt and debt payments prevent borrowers from adequately addressing other financial priorities?

Over one-half of higher ed employees are debt constrained—21% significantly and 36% somewhat (Figure 2). Thus over 70% of those with any debt are debt constrained. Debt constraint is least common among faculty; 50% are constrained and 50% are not. This is largely because faculty are most likely to have no debt (28%). In contrast, about 60% each of staff and administration are debt constrained. Furthermore, debt constraint is most common among higher ed employees under age 40 (67%) and consistently less common among older age groups (e.g., 41% of those age 60 and older).

FIGURE 2. DEBT CONSTRAINT AMONG HIGHER ED EMPLOYEES

Do debt and debt payments prevent you from adequately addressing other financial priorities?

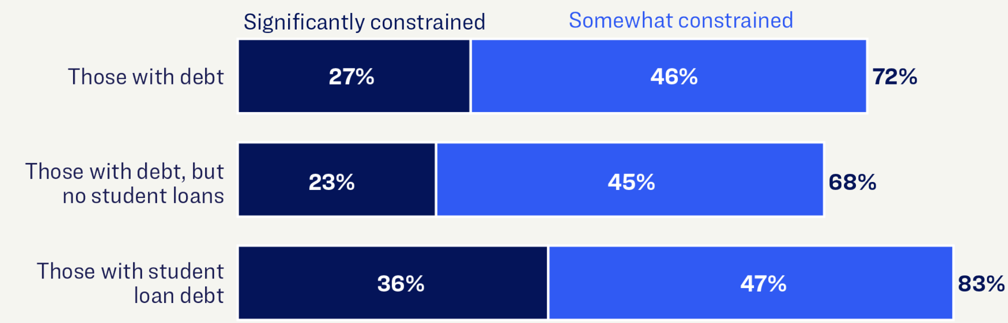


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Debt constraint is more common among borrowers with student loan debt than borrowers with no student loan debt. Almost one-quarter (23%) of higher ed employees have outstanding student loan debt; 29% of those with any type of debt have student loan debt. Over 80% of those with outstanding student loans are debt constrained, 36% significantly so (Figure 3). In contrast, two-thirds of those with debt, but no student loan debt, are debt constrained, 23% significantly so.

FIGURE 3. STUDENT LOANS AND DEBT CONSTRAINT

Do debt and debt payments prevent you from adequately addressing other financial priorities?

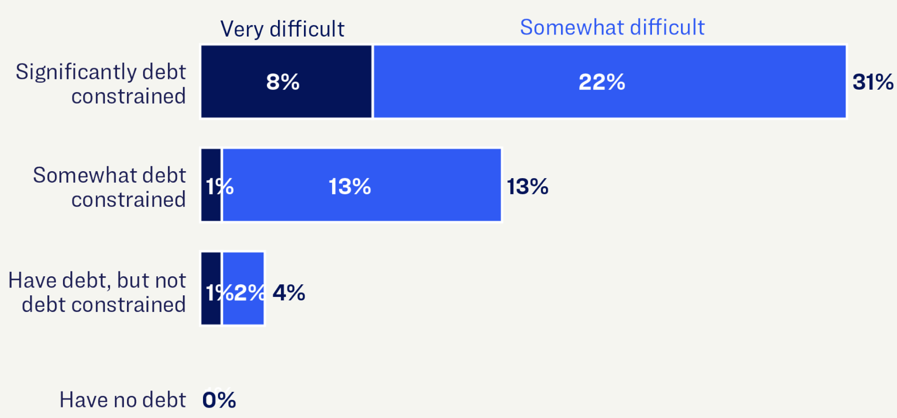


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Not surprisingly, there is a strong relationship between debt constraint and difficulty making ends meet. One-third of higher ed employees who are significantly debt constrained find it difficult to make ends meet in a typical month, with 8% finding it very difficult (Figure 4). In contrast, only 4% of borrowers not constrained by their debt typically find it difficult to make ends meet, with only 1% finding it very difficult.

FIGURE 4. DEBT CONSTRAINT AND MAKING ENDS MEET

Is it easy or difficult for you to make ends meet in a typical month?

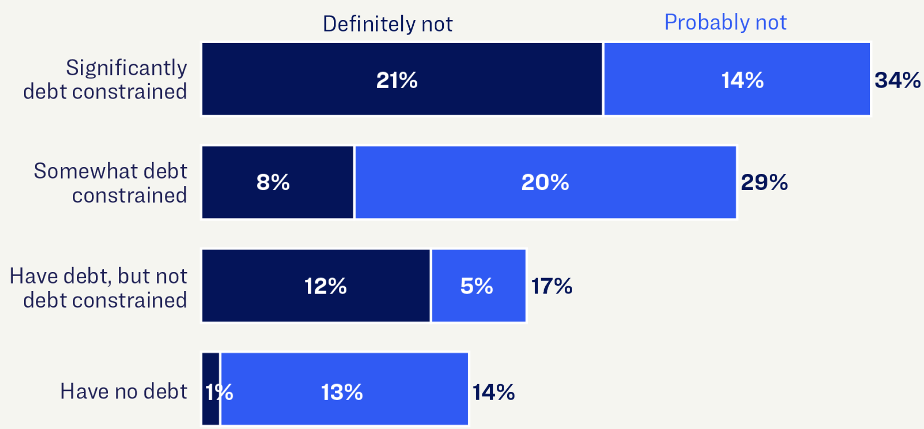


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

If two-thirds of those significantly debt constrained don't typically find it difficult to make ends meet, which financial priorities are being squeezed? An obvious possibility is saving. Debt constraint could readily manifest in an inability to save (or save adequately) for various needs and wants, such as an emergency fund, a home purchase, a child's education or retirement. For example, one-third (34%) of higher ed employees who are significantly debt constrained lack emergency savings that could cover three months of living expenses (Figure 5). However, among borrowers who are not debt constrained, only 17% lack three months of emergency savings. Impacts on retirement saving are discussed later in the report.

FIGURE 5. DEBT CONSTRAINT AND EMERGENCY SAVINGS

Do you have emergency savings sufficient to cover three months of living expenses?



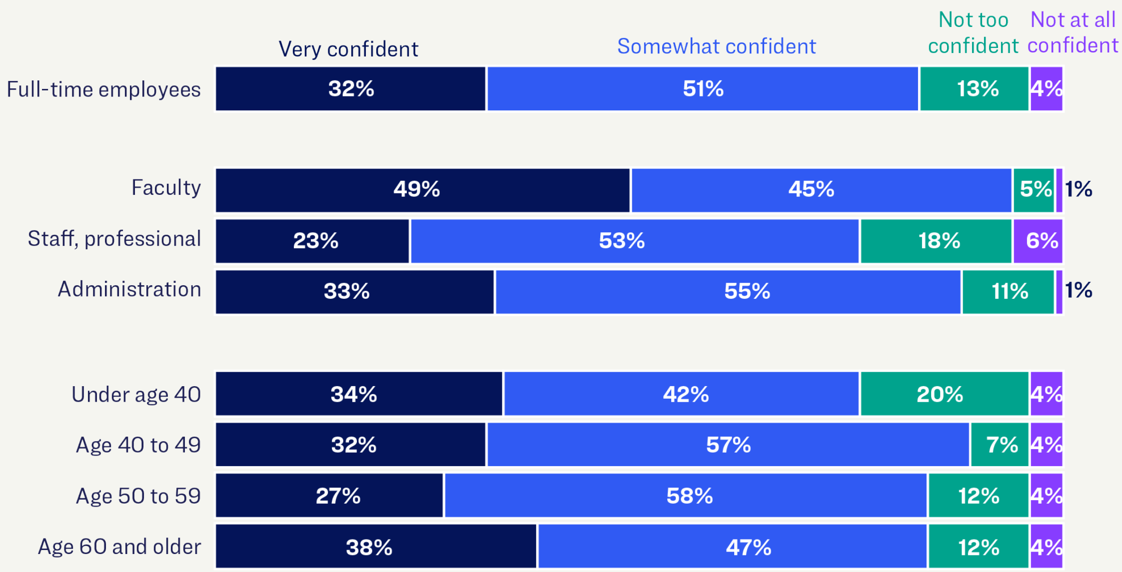
Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Retirement readiness

In addition to making ends meet in the here and now, and having the ability to cover an emergency, preparing for one's future retirement is another important aspect of financial well-being. One-third (32%) of higher ed employees are very confident that they'll have enough money to live comfortably throughout retirement, and an additional 51% are somewhat confident (Figure 6). Faculty are considerably more confident in their retirement income prospects than administrators and staff. Staff are most likely to be not confident. Higher ed employees under age 40 are most often not confident in their retirement income prospects.

FIGURE 6. RETIREMENT INCOME CONFIDENCE AMONG HIGHER ED EMPLOYEES

How confident are you that you will have enough money to live comfortably throughout your retirement years?

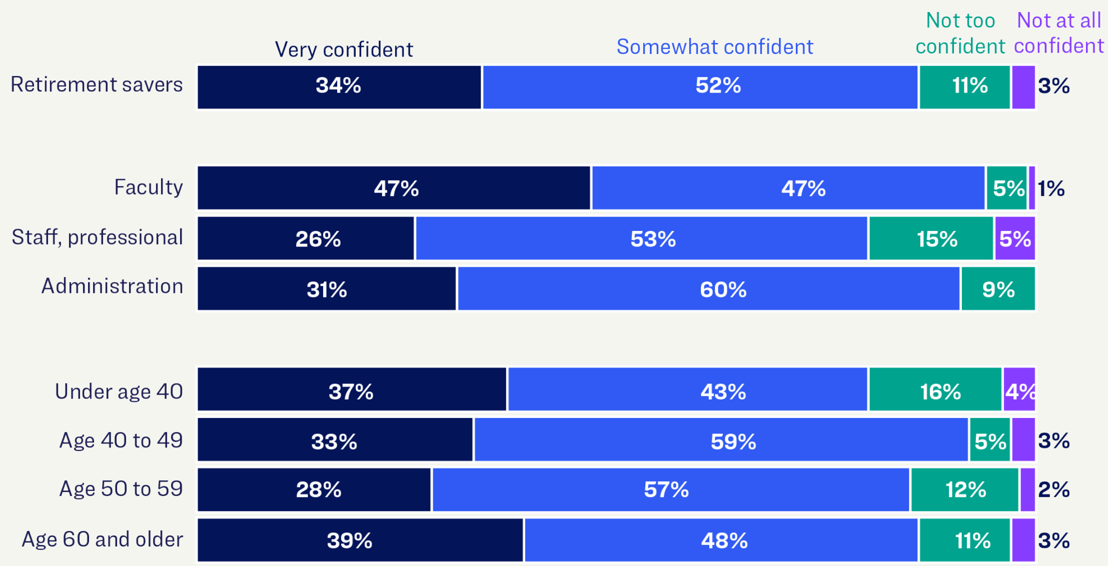


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

The vast majority of full-time higher ed employees (93%) are currently saving for retirement. Two-thirds (65%) are saving through an employment-based retirement savings plan, such as a 403(b) plan, and an additional 27% are saving on their own. Furthermore, 34% of retirement savers are very confident they're saving an adequate amount and an additional 52% are somewhat confident (Figure 7). Retirement savings confidence tends to be greatest among faculty (47% are very confident) and lowest among staff (26% are very confident).

FIGURE 7. RETIREMENT SAVING CONFIDENCE

How confident are you that you are saving an adequate amount for retirement?

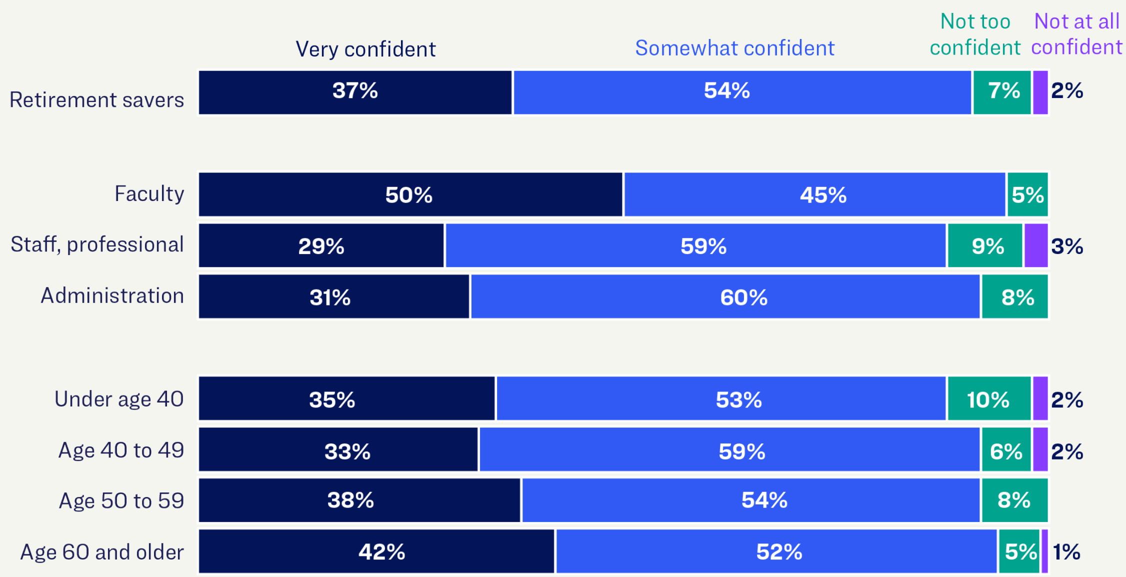


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Retirement investment confidence levels tend to be similar to saving confidence levels—37% are very confident that their retirement savings is invested appropriately and an additional 54% are somewhat confident (Figure 8). As with saving confidence, investment confidence tends to be greatest among faculty—50% are very confident their savings is invested appropriately.

FIGURE 8. RETIREMENT INVESTMENT CONFIDENCE

How confident are you that your retirement savings is invested appropriately?



Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

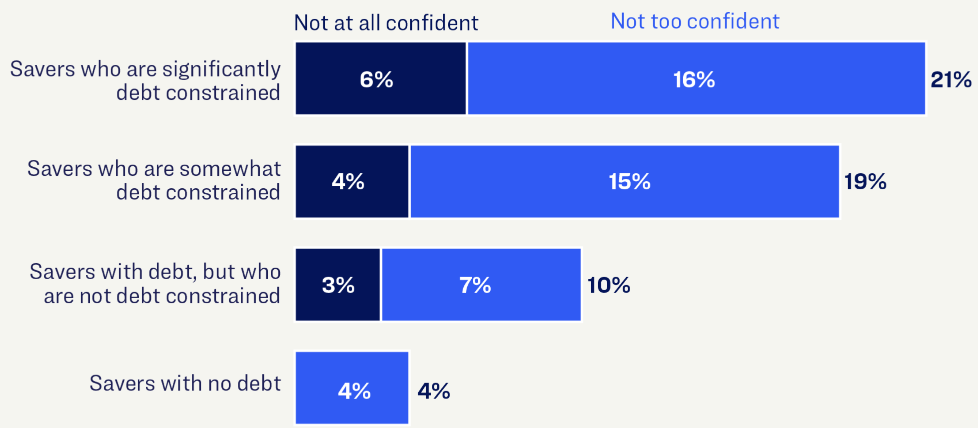
Debt and retirement saving

Debt still matters, even with 93% of higher ed employees saving for retirement. Among the few not saving, 44% are significantly debt constrained. In comparison, only 19% of savers are significantly debt constrained.

Furthermore, debt appears to impact some who are saving. Twenty percent of debt-constrained retirement savers aren't confident they're saving an adequate amount, compared with 10% of borrowers who aren't debt constrained and 4% of savers with no debt (Figure 9).

FIGURE 9. DEBT CONSTRAINT AND RETIREMENT SAVING CONFIDENCE

How confident are you that you are saving an adequate amount for retirement?



Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

On net, 29% of significantly debt constrained higher ed employees aren't confident they'll have enough money to live comfortably throughout retirement, nor are 19% of those somewhat debt constrained and 12% of borrowers who aren't debt constrained. Only 6% of those with no debt aren't confident in their retirement income prospects.

Retirement savings decumulation

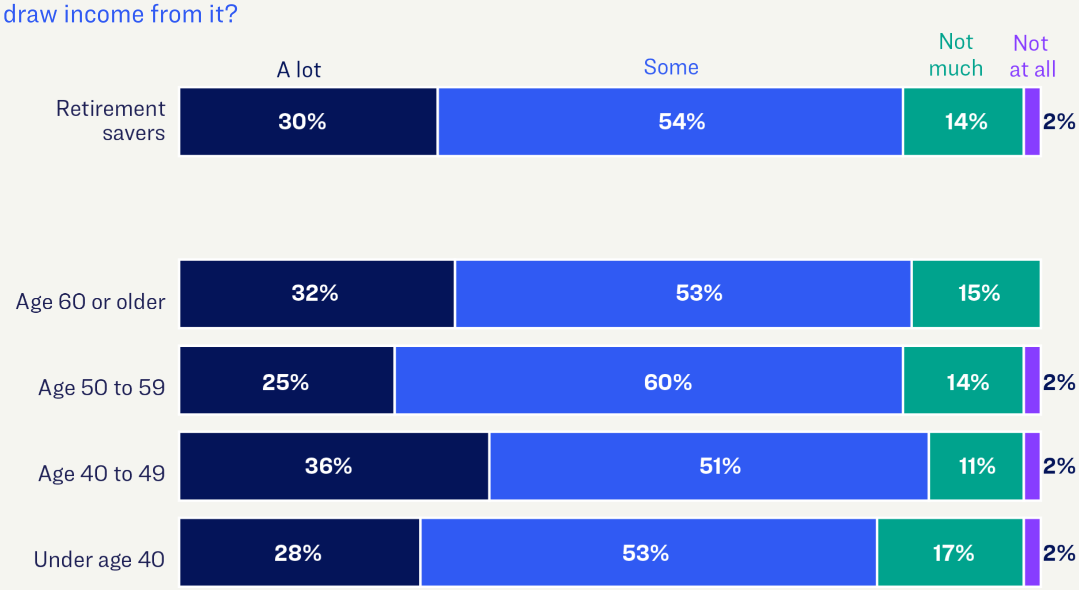
Beyond saving and investing for retirement, retirement readiness involves planning for the conversion of savings to income during retirement. Appropriate decumulation of retirement savings is intrinsically difficult because certain factors are uncertain, particularly lifespan in retirement. In fact, 56% of U.S. adults either don't know or underestimate how long a 65-year-old will live on average (Yakoboski et al., 2023).

Decumulation decision-making is particularly important for those who won't receive payments from a defined benefit (DB) pension plan; they must draw down accumulated savings to produce income analogous to pension payments. With that said, even DB participants must decide when and how to make withdrawals from retirement savings.

Fewer than one-third (30%) of retirement savers in higher ed have given a lot of consideration to how they will manage their savings in retirement and draw income from it; 16% have thought about it little, if at all (Figure 10). This is true even among those relatively close to retirement age—only 32% of savers age 60 or older and 25% of those 50 to 59 have given a lot of consideration to decumulation.

FIGURE 10. RETIREMENT SAVINGS DECUMULATION

To what degree have you considered how you will manage your savings during retirement and draw income from it?

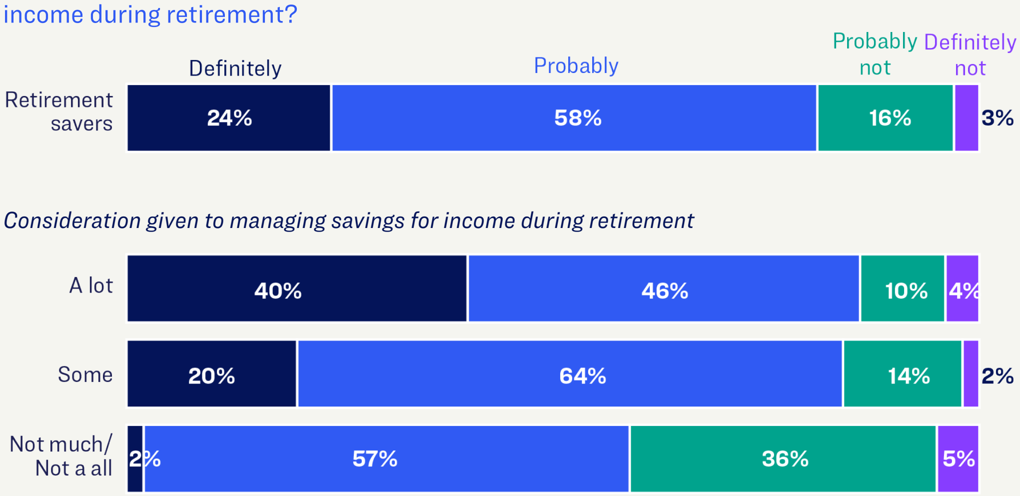


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Annuitization can convert savings into an income stream guaranteed to last for the remainder of an individual's life (and that of a spouse or partner). One-quarter (24%) of retirement savers in higher ed report they'll definitely annuitize some of their savings in retirement (Figure 11).

FIGURE 11. ANNUITIZATION

Do you think you will convert some of your retirement savings into a payout annuity to provide income during retirement?



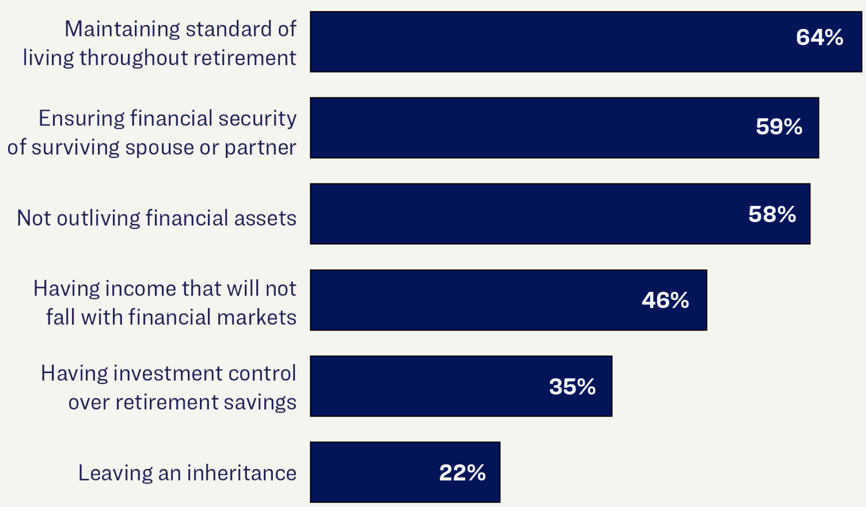
Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

There is a large degree of uncertainty among those who have thought little, if at all, about decumulation—over 90% report they probably will or probably won't annuitize some of their savings. Not surprisingly, greater consideration produces greater clarity—among those who have thought a lot about decumulation, 40% report they'll definitely annuitize while only 56% respond "probably" in either direction.

There is a clear disconnect between financial priorities for retirement and an expectation of not annuitizing any saving. Specifically, maintaining their standard of living throughout retirement is a high priority for 64% of savers who expect to not annuitize (Figure 12). Not outliving their financial assets and ensuring the financial security of a surviving spouse or partner are each rated as high priorities by almost 60%. In addition, almost one-half (46%) consider having income that will not fall with financial markets a high priority. Annuitization can address each of these priorities.

FIGURE 12. A RETIREMENT PLANNING DISCONNECT

% rating item as high priority for managing personal finances during retirement among those likely to not annuitize their retirement savings



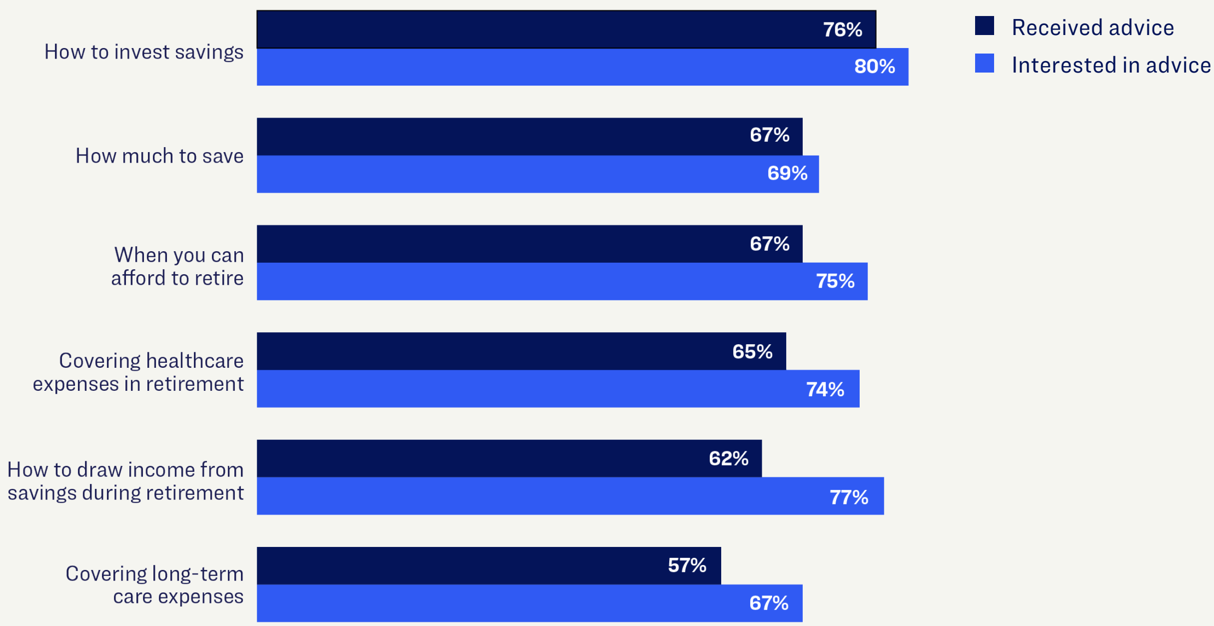
Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Retirement planning advice

Almost two-thirds (61%) of retirement savers in higher ed have received financial advice on planning and saving for retirement from a professional advisor or advisory service within the past two years. Among those who have not, 22% are very interested in doing so, and an additional 52% are somewhat interested. Furthermore, there is interest among them in topics that have been less often covered. Three-quarters (77%) of those interested in advice would like it to cover how to draw income from savings during retirement, while only 62% of advisees have received advice on this topic (Figure 13). Other topics with this dynamic are when one can afford to retire, covering healthcare expenses in retirement and covering potential long-term care expenses.

FIGURE 13. ADVICE ON PLANNING AND SAVING FOR RETIREMENT

On which topics did you receive advice? [among advice recipients]
On which topics would you like to receive advice? [among those interested in advice]

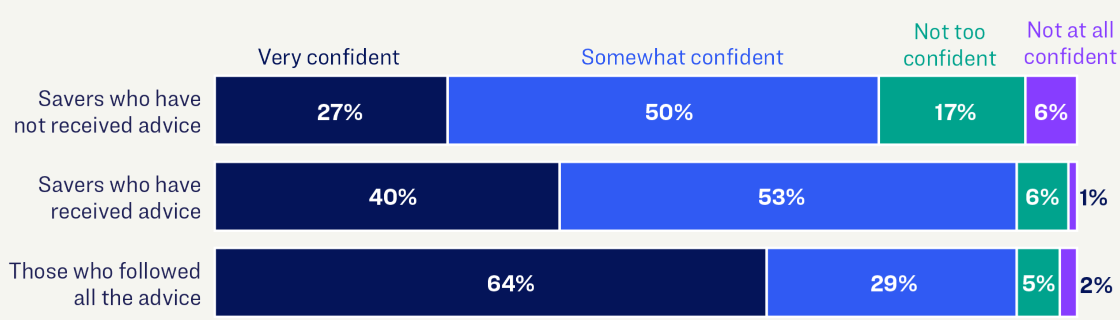


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Savers who've received professional advice tend to report better retirement readiness. Forty percent of advice recipients are very confident they'll have enough money to live comfortably throughout retirement compared with 27% of savers who haven't received advice (Figure 14). The difference is even more dramatic among those who reported following all the advice received: 64% are very confident in their retirement income prospects.

FIGURE 14. IMPACT OF ADVICE

How confident are you that you will have enough money to live comfortably throughout your retirement years?

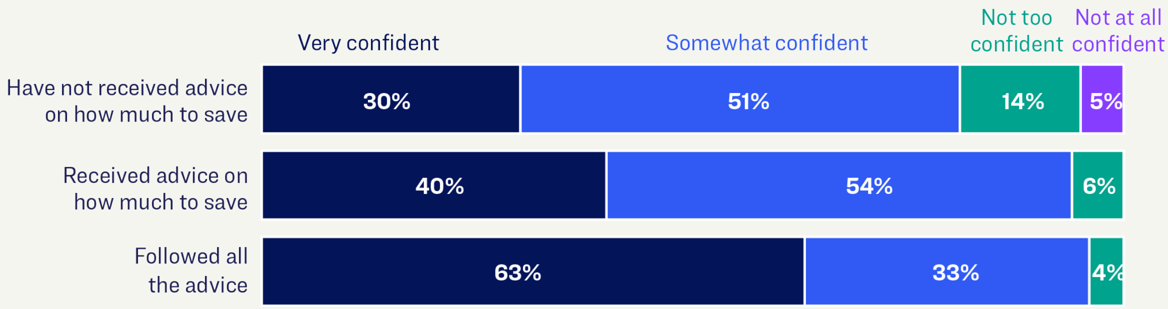


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

This follows from the impact of advice on retirement saving and investment confidence. Forty percent of retirement savers who've received advice on how much to save are very confident they're saving an adequate amount, while 7% are not confident (Figure 15). Among those who followed all the advice, 63% are very confident. By comparison, 30% of those who haven't received advice on how much to save are very confident they're saving an adequate amount.[3]

FIGURE 15. IMPACT OF ADVICE ON SAVING CONFIDENCE

How confident are you that you are saving an adequate amount for retirement?

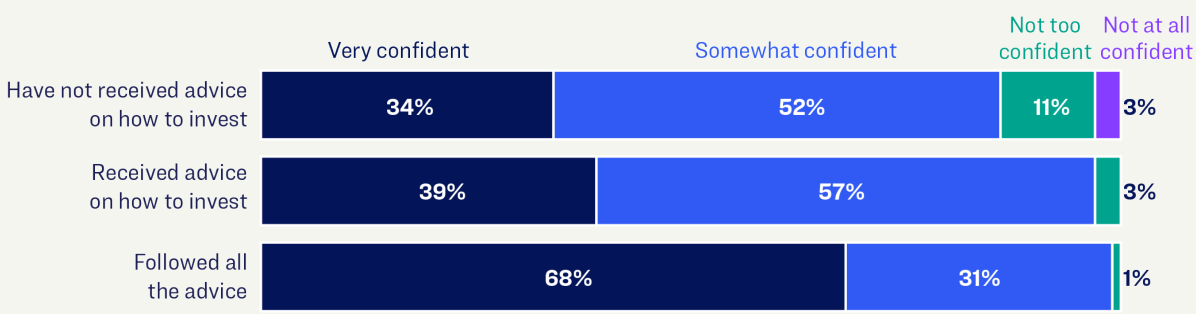


Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

Almost 40% of retirement savers who have received advice on how to invest are very confident their savings is invested appropriately (Figure 16). This figure is 68% among those who followed all the advice. By comparison, 34% of those who haven't received retirement savings investment advice are very confident their savings is invested appropriately.[4]

FIGURE 16. IMPACT OF ADVICE ON INVESTMENT CONFIDENCE

How confident are you that your retirement savings is invested appropriately?



Source: *Higher Education Workforce Survey*, CUPA-HR and TIAA Institute (2024).

3 Includes those who have received advice but not on how much to save and those who haven't received any retirement planning and saving advice.

4 Includes those who have received advice but not on how to invest and those who haven't received any retirement planning and saving advice.

Finally, 33% of retirement savers who've received advice on how to draw income from savings during retirement report that they'll definitely annuitize some of their savings, compared with 18% of those who haven't received advice on drawing income.

Discussion

All Americans balance near-term and long-term considerations when making financial decisions. One could say this appears to be going well among higher ed employees in general. Three-quarters of full-time higher ed employees find it at least somewhat easy to make ends meet in a typical month and 80% are at least somewhat confident they'll have enough money to live comfortably throughout retirement. But at the same time, only 30% find it very easy to make ends meet and only 30% are very confident in their retirement income prospects.

Some degree of financial struggle is not surprising. While the historically high inflation rates of recent years have subsided, higher ed employees earn less today than before the Covid-19 pandemic after adjusting for inflation. At the same time, over half of higher ed employees are debt constrained, i.e., their debt and debt payments prevent them from adequately addressing other financial priorities. Both are factors that would squeeze household finances in the near term, making it more challenging to make ends meet.

This can also impact longer-term personal finances by limiting the ability to save (or save adequately) for various needs and wants. For example, debt constrained higher ed employees less often have adequate levels of emergency savings. Furthermore, even in a sector with excellent retirement plan coverage rates and where 9 in 10 employees save for retirement, debt still matters. A disproportionate share of those not saving is significantly debt constrained, and debt constrained savers more often lack confidence that they're saving enough.

Realizing an adequate and secure retirement income involves appropriate decision-making along dimensions that include how much to save and how to invest, but also planning for decumulation and how best to convert savings to income during retirement, which is intrinsically difficult due to uncertainty regarding lifespan. This reality points to the need for advice and the research highlights the value of advice. Advice recipients, particularly those who follow the advice received, tend to be more confident that they're saving an adequate amount and that their retirement savings is invested appropriately. Professional advice is particularly valuable when balancing long-term with short-term considerations in the face of limited household resources.

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