A retirement crisis has been brewing in the U.S. for years. Today, Americans are underfunded for retirement by anywhere from $5 trillion to $14 trillion. While this huge retirement savings shortfall is concerning, new research – the 2014 Retirement Income Certified Professional (RICP) Retirement Income Literacy Survey – from the New York Life Center for Retirement Income highlights an even more troubling point: Americans know very little about retirement planning.

The RICP survey quizzed more than 1,000 Americans between the ages of 60 and 75, with moderate to high levels of investable assets ($100,000+), on a variety of crucial retirement planning questions. The survey included both knowledge and attitudinal questions on a variety of important retirement planning topics, including Social Security, life expectancy, taxes, inflation, annuities, retirement income generation, medical insurance and long-term care. Only 20 percent of Americans passed the test. Furthermore, on average, Americans scored a 42 percent, with 60 percent being a passing grade.

It does not come as a great shock that Americans lack adequate knowledge about the essentials of retirement planning. It is extremely shocking, however, that the respondents stated they gave very little thought to most retirement planning issues. This was especially troubling because the demographics of this group included mostly retirees and those about to retire. For example, the majority of survey respondents did not put a great deal of thought into a retirement budget, where they would live in retirement, how they would spend their time in retirement, how they would find meaning in their lives in retirement, or the impact retirement would have on their relationships.

Combined with individuals spending little time thinking about major retirement issues was a high level of overconfidence with regard to retirement planning knowledge. Many respondents believed they understood issues like long-term care well, but were unable to answer basic questions about long-term care planning. For example, many respondents believed Medicare is the primary payer of long-term care expenses for retirees, when in reality Medicare is not designed to cover significant long-term care expenditures.

While the survey showed that Americans are ill-informed, spend little time planning and demonstrate high levels of overconfidence in their own retirement knowledge, there were some encouraging takeaways from the study. First, the respondents showed a base level of financial knowledge, understanding the basics of inflation and investment growth. Additionally, Americans demonstrated more knowledge about Social Security than they did about most other retirement planning areas. Maximizing Social Security benefits is probably the most important aspect of retirement planning for many Americans, as roughly two-thirds of retirees receive at least half of their retirement income from Social Security. Higher levels of knowledge in this area corresponded with respondents giving more thought to Social Security planning than they did to other areas of retirement planning. Additionally, respondents who had a retirement plan and a financial advisor demonstrated higher levels of retirement planning knowledge.

With a large percentage of Americans financially unprepared for retirement, overconfidence with regard to retirement planning knowledge could be devastating. Although more retirement planning education is required, Americans can do themselves a huge favor by spending more time thinking about key retirement planning issues and setting up a retirement income plan. Without spending the time to think about and understand the risks faced in retirement, Americans will continue to be unprepared for the retirement challenges ahead.

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