



SOCIETY OF ACTUARIES

**SOA 09 Annual Meeting & Exhibit
October 25-28, 2009**

Session 47 L, Risky Business

Moderator:

Anne M. Button, FSA, EA, MAAA

Presenter:

[Ruth Helman](#)



2009 Risks and Process of Retirement Survey

PRESENTED TO

2009 Society of Actuaries Annual Meeting
October 27, 2009

Ruth Helman
Research Director
Mathew Greenwald & Associates, Inc.



Agenda

- Introduction and context
- Retirement risks
- The process of retiring
- Planning for retirement
- Finances in retirement
- Moving into the future

Agenda

- **Introduction and context**
- Retirement risks
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Context

- **Aging population**
- **Recession**
- **Health care**
- **Decreasing availability of lifetime benefits**
- **Challenges of individual responsibility**



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SOA Committee on Post-Retirement Needs and Risks

- **Focus is on understanding and mechanisms to assist in distribution phase**
- **Work includes**
 - **Risks and Process of Retirement Surveys**
 - 2001, 2003, 2005, 2007 and 2009
 - Select issues for special focus
 - **Study of Retirement Planning Software**
 - **Developing Consumer Profiles for the Middle Market**



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Today's Presentation

- **Focus on**
 - **2009 Risks and Process of Retirement Survey**
 - Trends and comparison to prior studies
 - Planning for retirement – new focus
 - Impact of downturn – new focus
 - **Link to other research**



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Methodology: Risks and Process of Retirement Survey

- Sponsored by the Society of Actuaries
- 804 19-minute telephone interviews conducted in July 2009
- Interviewed Americans ages 45-80
 - Retirees and pre-retirees considered separately
- Margin of error at 95% confidence level is ± 5 percentage points for all retirees and all pre-retirees
- Conducted by Mathew Greenwald & Associates, Inc., and the Employee Benefit Research Institute (EBRI)



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Agenda

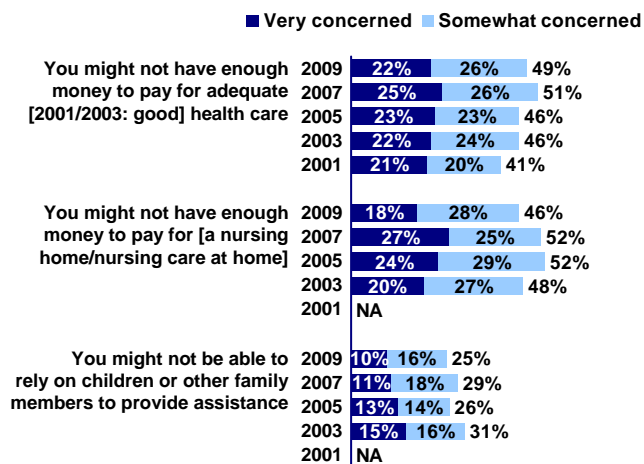
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8

Retiree concern about health risk has remained fairly steady.

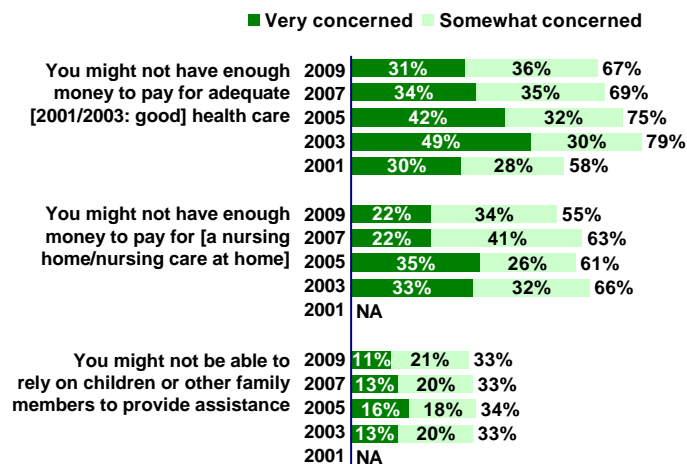
How concerned are you that...?
(Retirees, 2009 n=401)



Source: Society of Actuaries, 2001-2009 Risks and Process of Retirement Surveys 9

Pre-retiree concern about paying for long-term care has decreased.

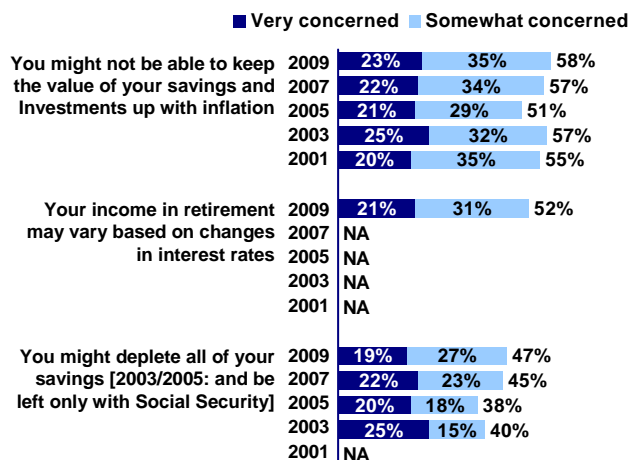
How concerned are you that ... in retirement?
(Pre-retirees, 2009 n=403)



Source: Society of Actuaries, 2001-2009 Risks and Process of Retirement Surveys 10

Retiree concern about inflation is about the same as in 2007.

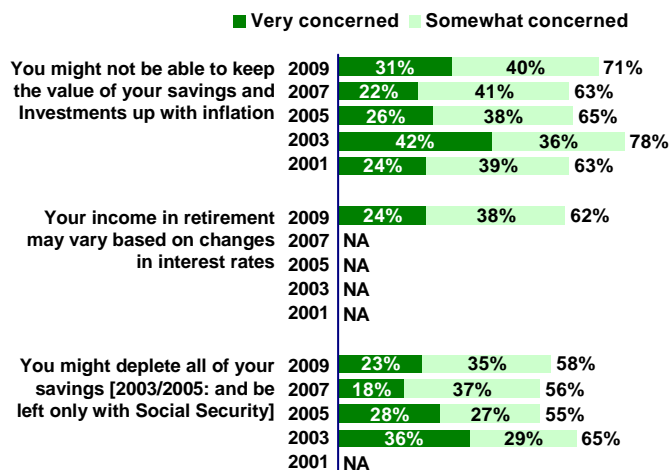
How concerned are you that..?
(Retirees, 2009 n=401)



Source: Society of Actuaries, 2001-2009 Risks and Process of Retirement Surveys ¹¹

But pre-retiree concern about inflation has increased.

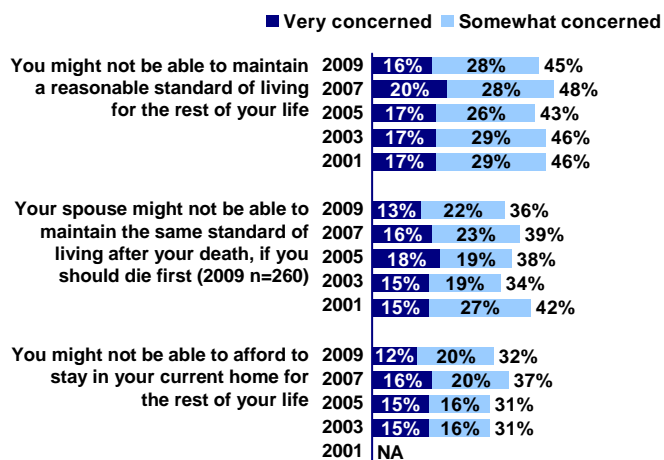
How concerned are you that ... in retirement?
(Pre-retirees, 2009 n=403)



Source: Society of Actuaries, 2001-2009 Risks and Process of Retirement Surveys ¹²

Retiree concern about maintaining lifestyle is unchanged.

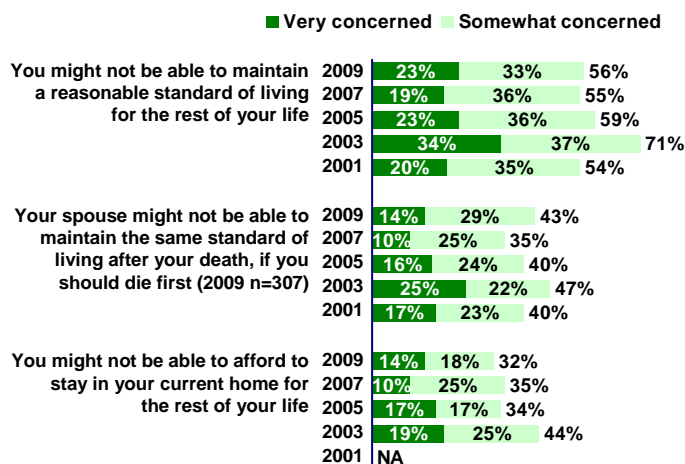
How concerned are you that...?
(Retirees, 2009 n=401)



Source: Society of Actuaries, 2001-2009 Risks and Process of Retirement Surveys ¹³

Yet pre-retiree concern for spouse's lifestyle has increased.

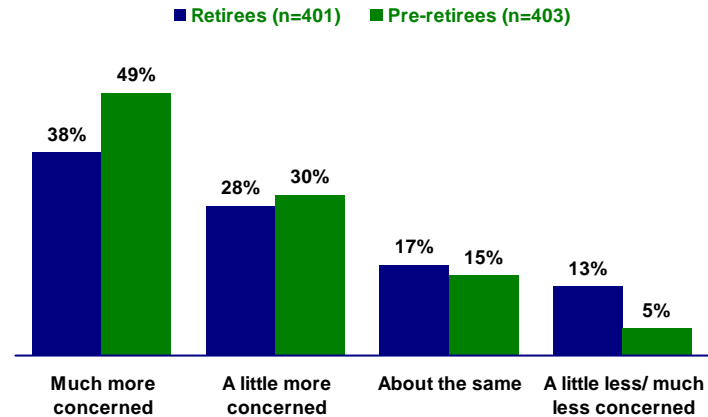
How concerned are you that ... in retirement?
(Pre-retirees, 2009 n=403)



Source: Society of Actuaries, 2001-2009 Risks and Process of Retirement Surveys ¹⁴

Both retirees and pre-retirees say they are now more concerned.

How much has the recent stock market and economic downturn affected your financial concerns (about retirement)? Are you now...?



Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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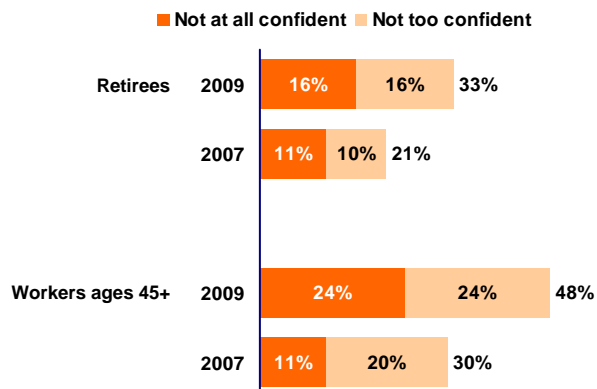
Why so little change?

- Other surveys have shown changes
- SOA questions are fairly specific
- Perceived change vs. actual change
- Timing of the survey
- Sample size

16

January comparison of overall attitude shows large increase.

How confident are you that you will have enough money to live comfortably throughout your retirement?
(Retirees, 2009 n=256; Workers ages 45+, 2009 n=557)

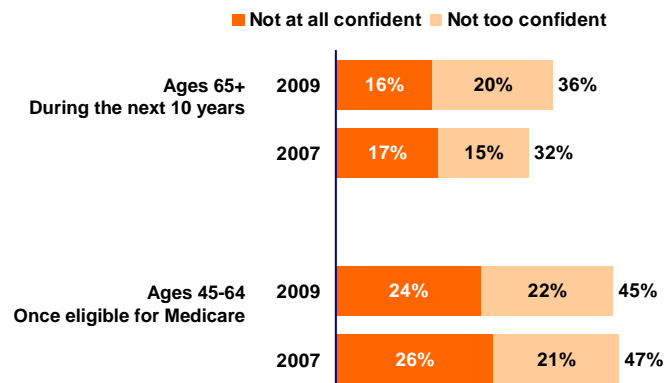


Source: EBRI/Greenwald, 2007-2009 Retirement Confidence Surveys

17

Mid-year comparison shows no change in concern re: health care.

How confident are you that you will be able to afford health care without financial hardship?
(Ages 65+, 2009 n=211; Ages 45-64, 2009 n=429)



Source: EBRI/Greenwald, 2007-2009 Health Confidence Surveys

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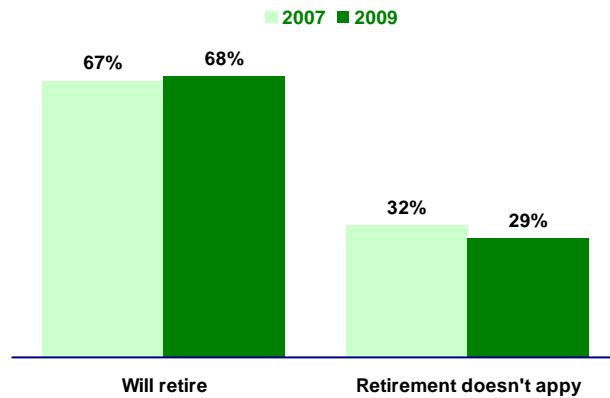
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Almost 1 in 3 pre-retirees feel retirement won't apply to them.

Do you think there will come a time when you begin to think of yourself as retired or doesn't retirement really apply to your situation?
(Pre-retirees, 2009 n=403)

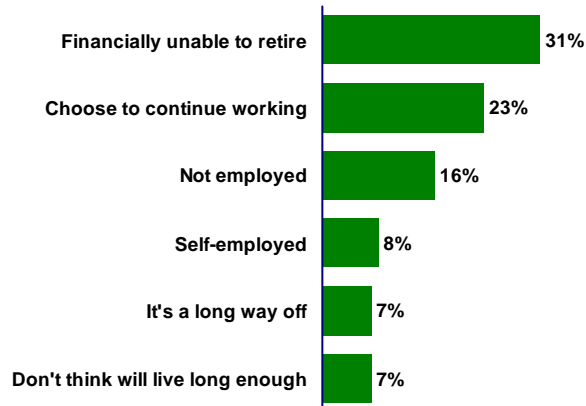


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

20

Mostly this is due to finances or desire to continue working.

Why do you say that?
(Pre-retirees, 2009 n=130)



Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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Pre-retirees expect to retire later than retirees.

At what age (retirees: did/pre-retirees: do you expect to) retire from your primary occupation? (Among those retired/expecting to retire)

Age category	Retirees (n=393) (%)	Pre-retirees (n=273) (%)
Under 55	28	1
55 to 61	33	24
62 to 64	20	16
65 to 69	14	38
70 or older	3	13
Don't know	3	8

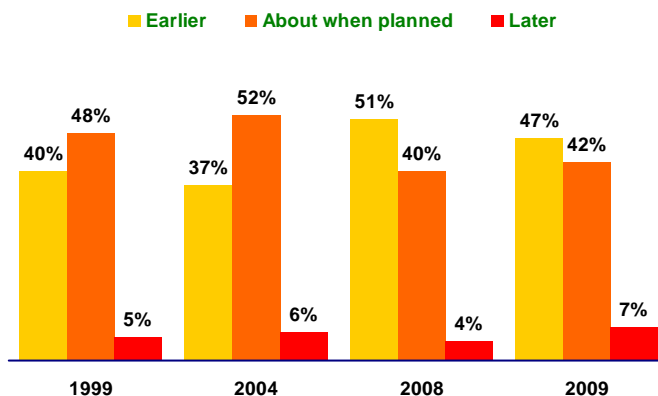


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

22

Many may be ignoring possibility of involuntary early retirement.

Did you retire earlier than you planned, later than you planned, or about when you planned?
(Retirees, 2009 n=256)

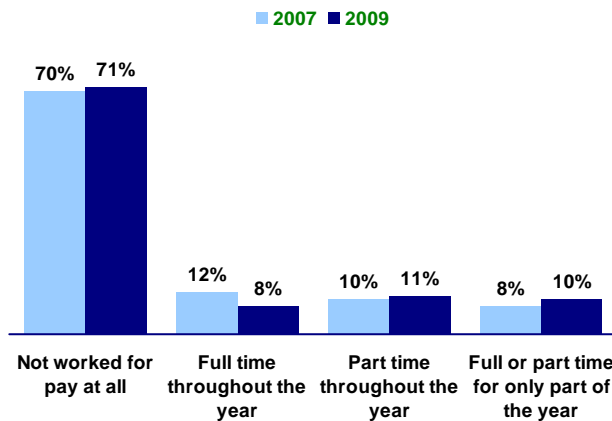


Source: EBRI/Greenwald, 1999-2009 Retirement Confidence Surveys

23

Some retirees already continue working in retirement.

In the past 12 months, have you worked for pay...?
(Retirees, 2009 n=401)

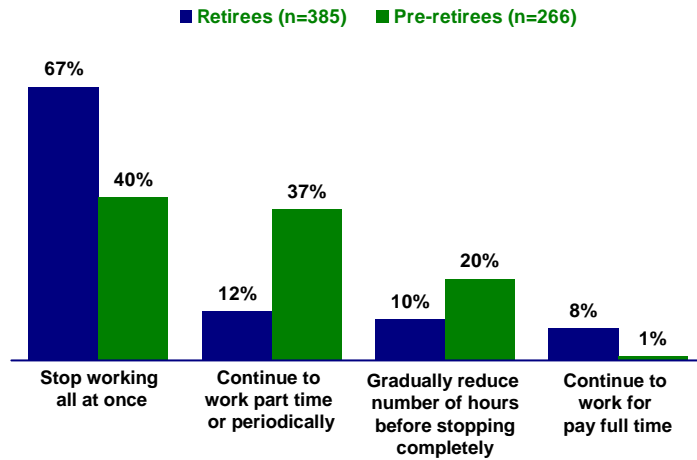


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

24

And phased retirement will likely increase in the future.

Which statement comes closest to describing how you retired/plan to retire from your primary occupation?



Source: Society of Actuaries, 2007 Risks and Process of Retirement Survey

25

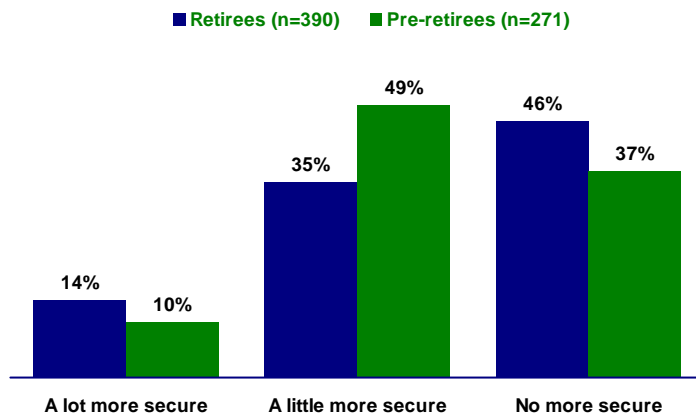
Will opportunities exist?

- Wide range of views about future shortages of workers
- Labor force will grow more slowly
- Need for workers subject to changes in the market
- Displaced worker research shows it takes longer to get jobs at older ages

26

People believe delaying retirement will help increase security.

[Suppose you retired three years later.] Do you think this would make your retirement financially...?
(Among those retired/expecting to retire)

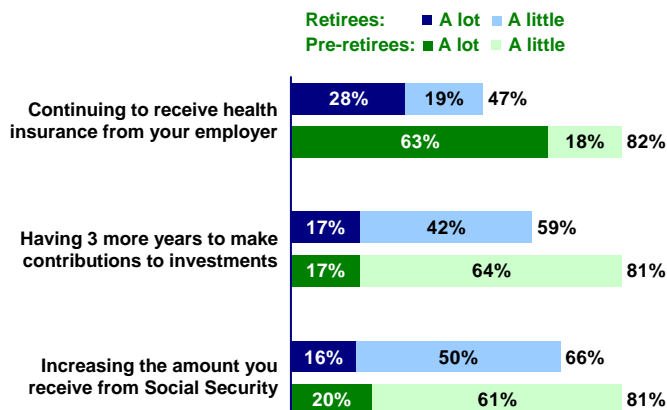


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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Much of the added security comes from continuing employer health.

[If you retired three years later,] how much, if at all, would each of the following (have increased/increase) your financial security in retirement? (Among those retired/expecting to retire: Retirees, 2009 n=390; Pre-retirees, 2009 n=271)

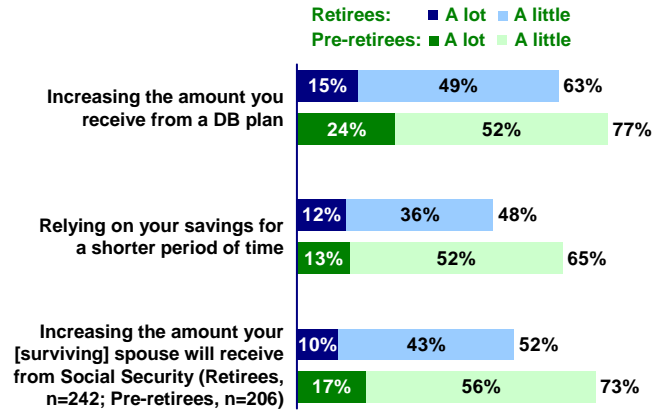


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

28

Less comes from relying on savings for a shorter time.

[If you retired three years later,] how much, if at all, would each of the following (have increased/increase) your financial security in retirement? (Among those retired/expecting to retire: Retirees, 2009 n=390; Pre-retirees, 2009 n=271)



Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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More than half have a planning horizon of 10 years or less.

When you make important financial decisions, about how many years do you look into the future?

Years	Retirees (n=401) (%)	Pre-retirees (n=40.) (%)
Less than 1 year	10	1
1 to 4 years	20	12
5 to 9 years	19	24
10 to 19 years	16	37
20 years or more	7	13
Don't know	27	13



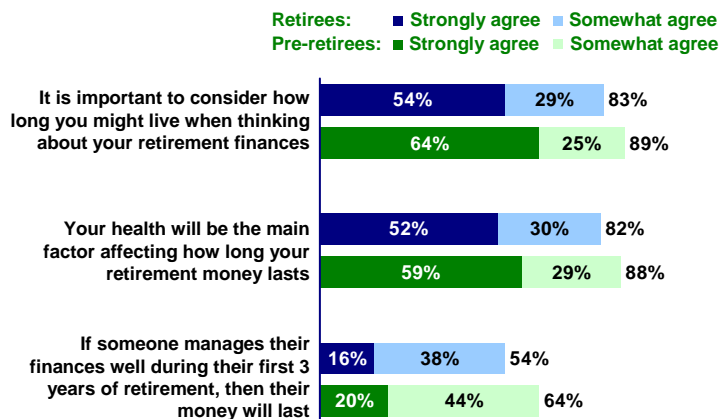
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

31

Most agree they should consider their longevity and health.

To what extent do you agree or disagree with each of the following statements about retirement finances?

(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

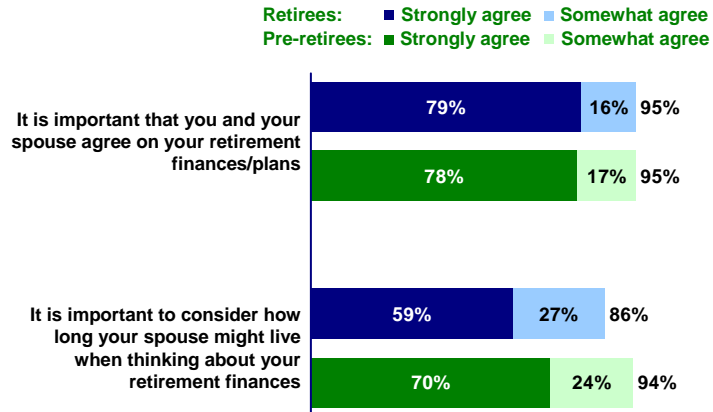


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

32

Almost all married respondents agree they should consult spouse.

To what extent do you agree or disagree with each of the following statements about retirement finances?
(Retirees, 2009 n=249; Pre-retirees, 2009 n=293)

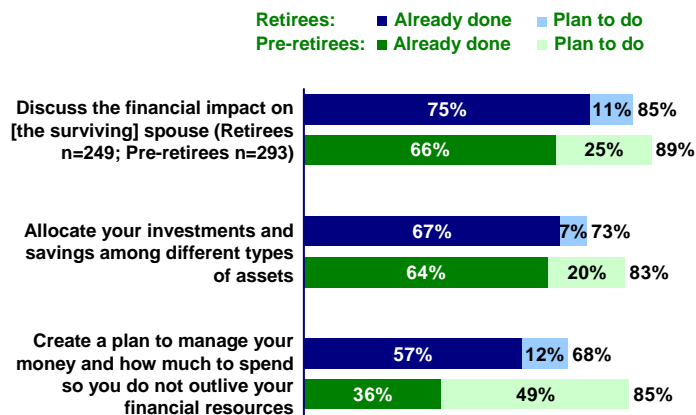


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

33

Most plan for death of spouse, but fewer plan spending.

With regard to your retirement finances, have you or do you plan to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

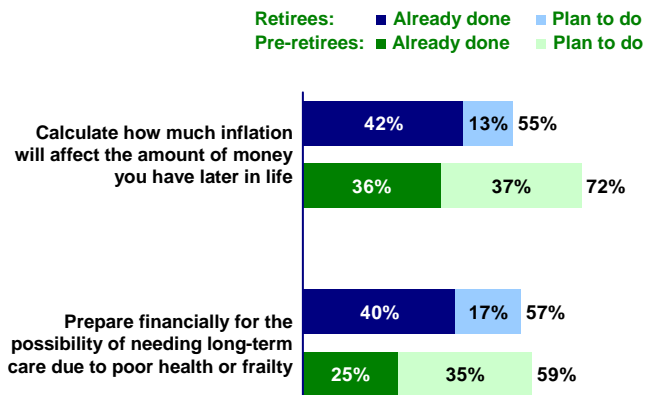


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

34

Most will make some plans for inflation and long-term care.

With regard to your retirement finances, have you or do you plan to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

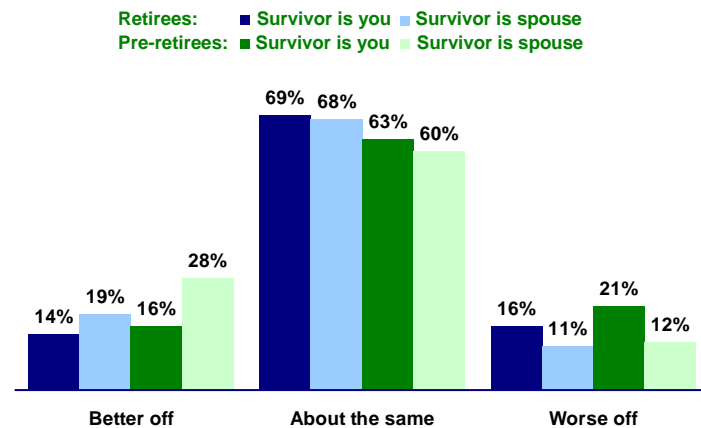


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

35

Few believe they will suffer financially by spouse's death.

If your spouse were to pass away before you/If you were to pass away before your spouse, do you think it would leave you/your spouse financially...?
(Among married Retirees, 2009 n=249; Pre-retirees, 2009 n=293)



Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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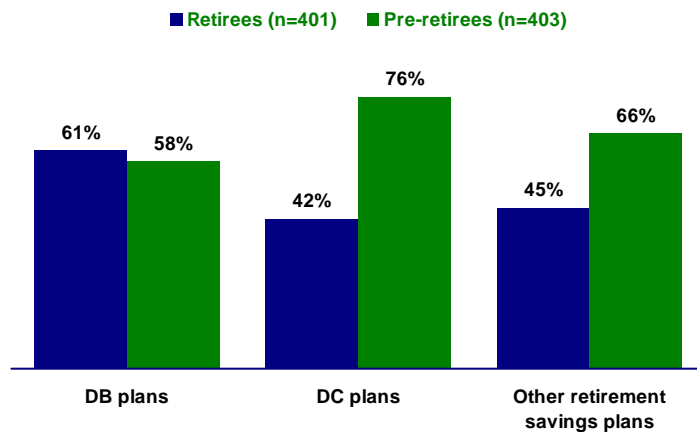
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Pre-retirees are as likely as retirees to expect DB plan money.

When you (or your spouse) retired/retire, did/will you receive income or money from one or more...?

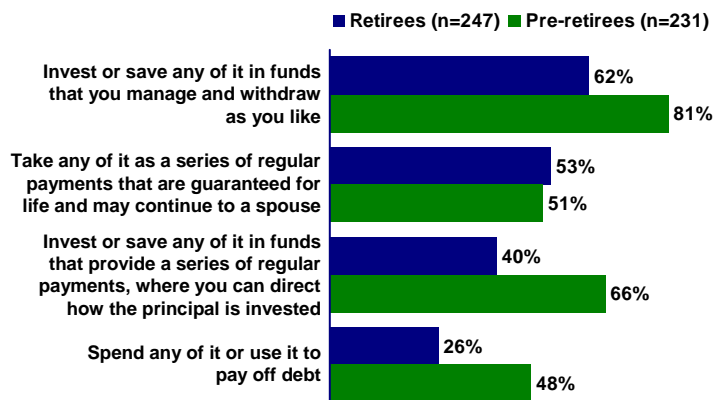


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

38

Half of DB participants choose a lifetime income option.

How (did you/do you think you will) take the money from the defined benefit or traditional pension plan?
(Among those with a DB plan)

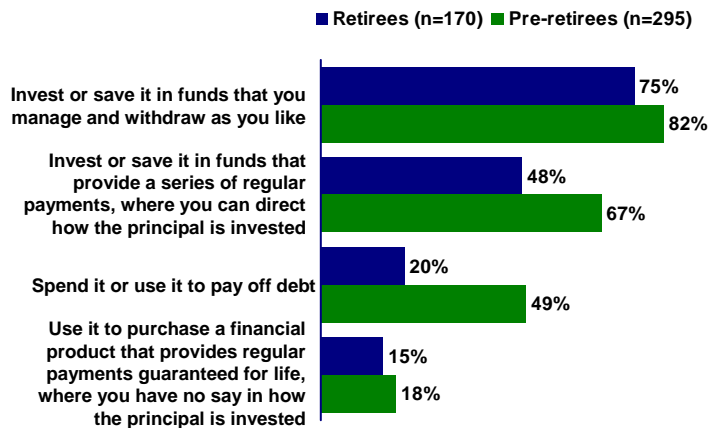


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

39

DC participants prefer to place money in funds they direct.

What (did you/do you think you will) do with some or all of the money from the [employer-sponsored] retirement savings plans, such as a 401(k)?
(Among those with a DC plan)

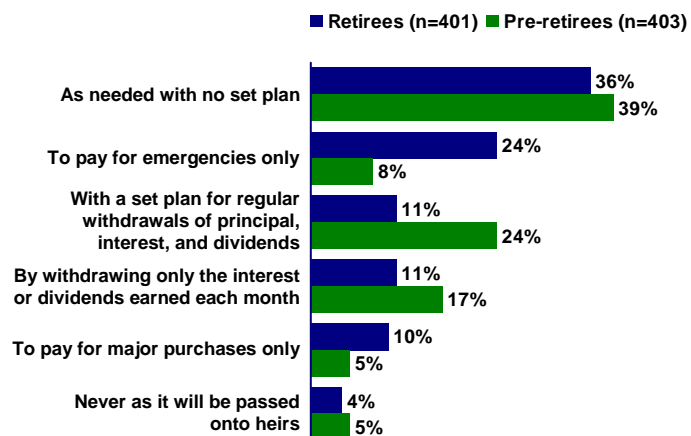


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

40

The plurality draw down savings on an as-needed basis.

Would you say that your (retirement) savings is money that should be used...? (multiple responses accepted)

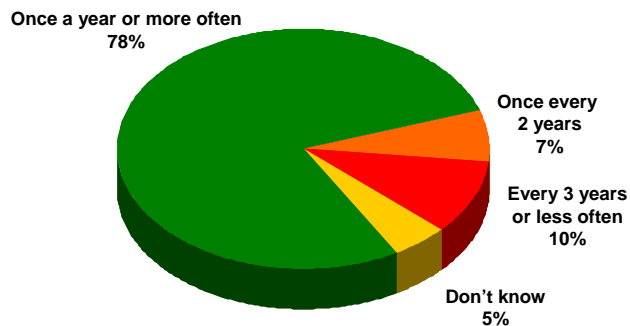


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

41

Retirees report reviewing their withdrawals at least once a year.

About how often, if at all, do you review how you are withdrawing your money and make adjustments, if necessary? (Among retirees with a withdrawal plan, n=86)



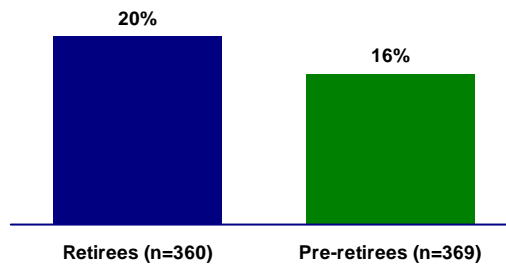
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

42

Only a minority plan to use home equity to finance retirement.

(Do you have any plans to use [or have you already used] the equity in your home to help finance your retirement?
(Among home owners)

Percentage Saying Yes



Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

43

Those planning to tap home equity most often say they will sell home.

Do you think you will/Did you...?
(Among those planning to use/already used home equity to finance retirement)

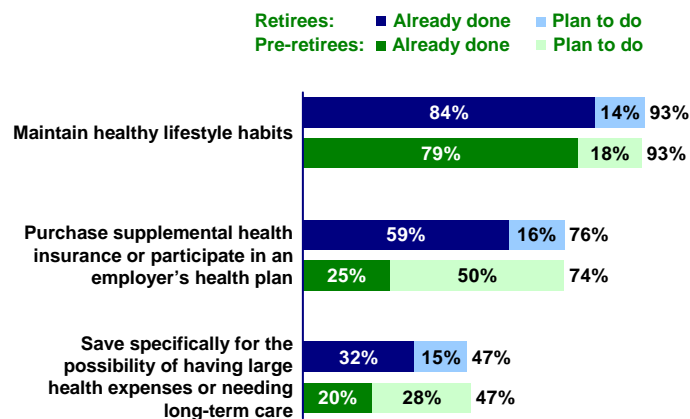
	Retirees (n=55) (%)	Pre-retirees (n=67) (%)
Sell your home	43	56
Get a home equity loan	19	10
Get a reverse mortgage	13	10
Get a new mortgage	4	0
Something else	4	7
Don't know/refused	17	18

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

44

Maintaining healthy habits is the top risk-management strategy.

To protect yourself financially, have you or do you plan to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

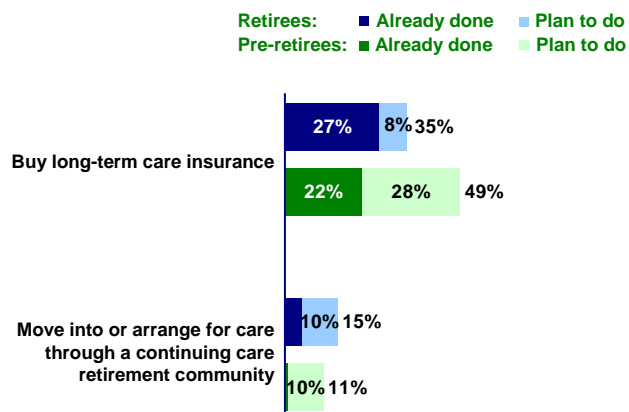


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

45

Few turn to risk reducing products other than supplemental health.

To protect yourself financially, have you or do you plan to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

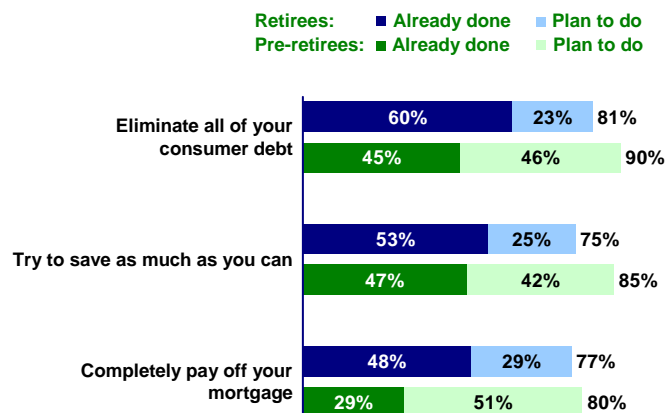


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

46

Most try to manage risk themselves.

To protect yourself financially, have you or do you plan to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

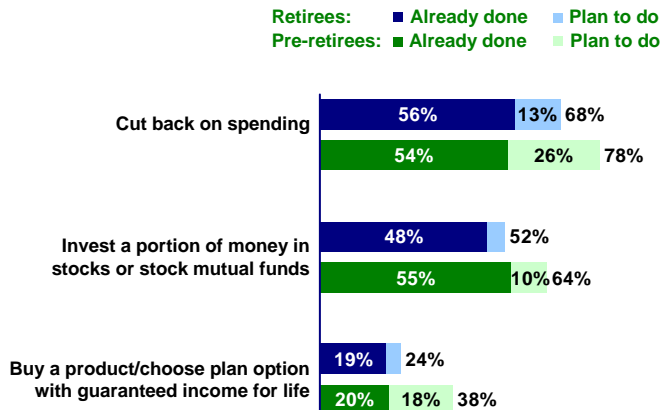


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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Few manage risk with guaranteed income product/option.

To protect yourself financially, have you or do you plan to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

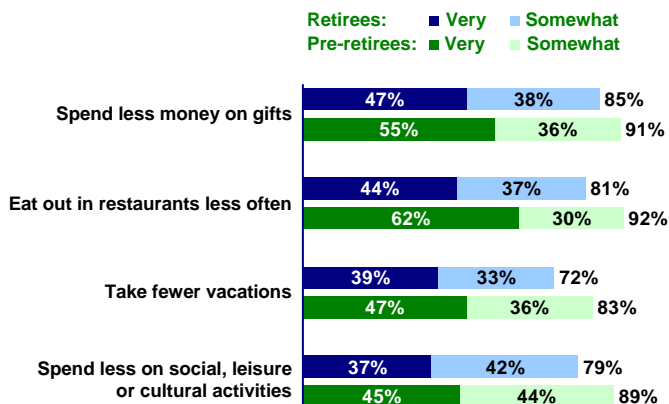


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

48

Some spending cutbacks are almost universally accepted.

How acceptable would it be to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

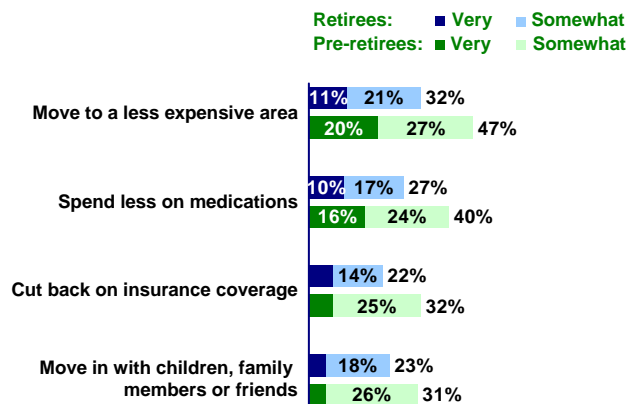


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

49

Others are much less accepted.

How acceptable would it be to...?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

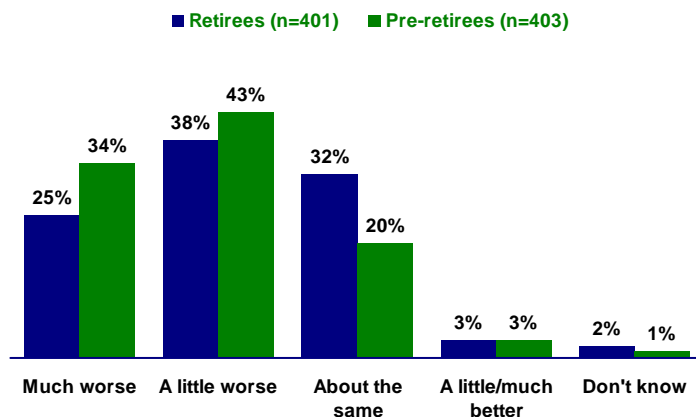


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

50

A majority say their finances are now in worse shape.

How much would you say your finances have been impacted by the recent stock market and economic downturn? Would you say your finances are now...?

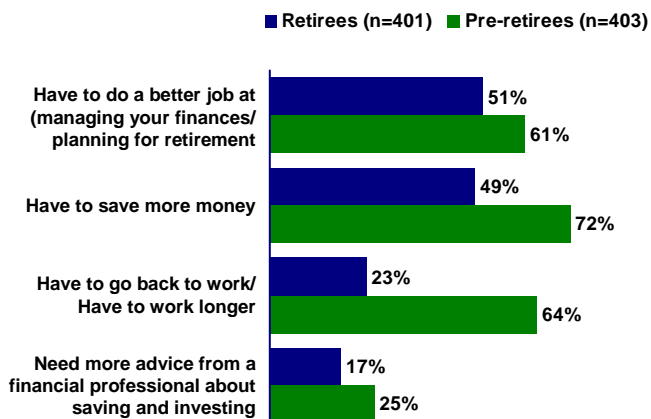


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

51

Many say they now have to do a better job at managing/planning.

Has the recent stock market and economic downturn made you feel that you...?

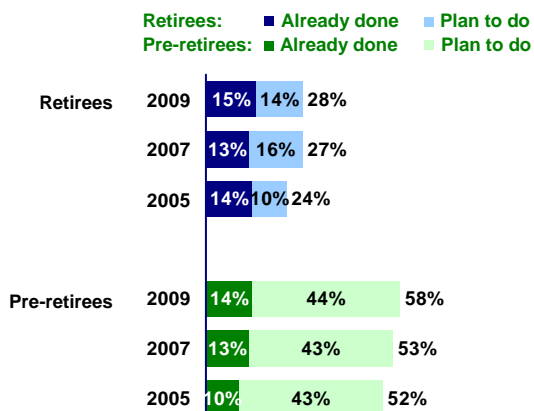


Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

52

But are more people planning to work longer?

To protect yourself financially, have you or do you plan to work longer?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

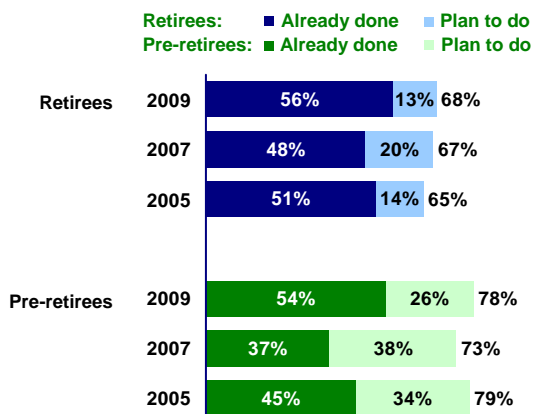


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

53

Planned spending cutbacks have become actual cutbacks.

To protect yourself financially, have you or do you plan to cut back on spending?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

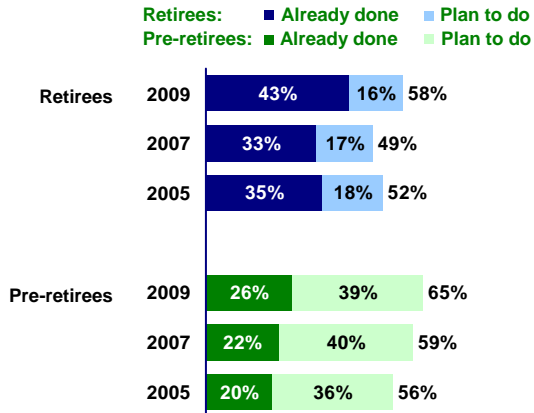


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

54

Assets are being moved to more conservative investments.

To protect yourself financially, have you or do you plan to move your assets to increasingly conservative investments as you get older?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

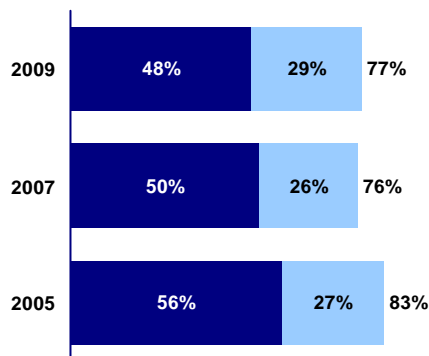


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

55

And fewer retirees report having already paid off their mortgage.

To protect yourself financially, have you or do you plan to completely pay off your mortgage?
(Retirees, 2009 n=401)

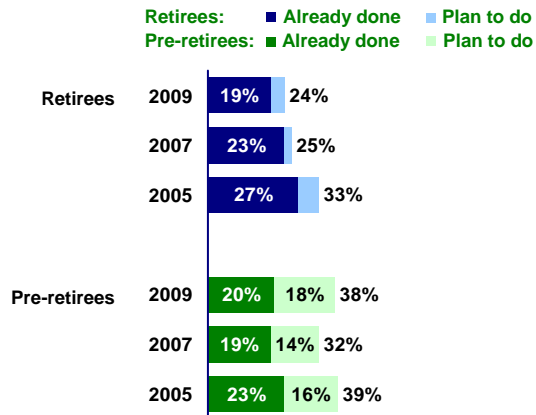


Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

56

Use of guaranteed income options has declined among retirees.

To protect yourself financially, have you or do you plan to buy a product or choose an employer plan option that will provide you with guaranteed income for life?
(Retirees, 2009 n=401; Pre-retirees, 2009 n=403)



Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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Issues

- **Actuaries are trained to understand risk issues more so than public, media, employers, many leaders**
- **Actuaries are responsible for asking the right questions**
 - What happens when employees can't retire?
 - Can current systems be modified to improve risk options?
 - What products can better meet retiree needs?



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Issues

- **How should risk-protection systems change to meet the evolving work and retirement landscape?**
- **Motivating individuals to plan for retirement is extremely difficult**
- **Given how people make decisions, how do we help them better manage pools of assets?**



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Conclusions

- **Misperceptions still exist after 20+ years of experience with 401(k) plans and IRAs**
- **Unclear if the economic downturn will lead to better management/planning**
- **Longer-term risk management is very difficult for individuals**
- **Few workers are prepared for the risk of a sudden and unplanned early retirement**



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Conclusions

- **Low appetite for guaranteed income products and persistent feeling that people can do it on their own**
- **Widows and very old will continue to be vulnerable**
- **A strong retirement system must include programs that work for those who will not take the initiative**
- **Education is important, but it cannot be the primary strategy and there are limits to what it can accomplish**



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