SOCIETY OF ACTUARIES®

Retirement Survey Report Key Findings and Issues:

2017 Risks and Process of Retirement Survey

ACKNOWLEDGMENTS

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The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group nor the SOA as a whole.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

The 2017 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at ***www.soa.org.***

2017 Risks and Process of Retirement Survey

Introduction and Background

For more than 16 years, the Society of Actuaries (SOA) has studied post-retirement risks—identifying risks and how they are managed. The *2017 Risks and Process of Retirement Survey*, conducted on the SOA's behalf by Greenwald and Associates, is our ninth biennial study on this topic. The survey was preceded and informed by a mix of in-depth interviews and dyads with a mix of elderly Americans (over age 85), children of elderly parents, and elderly and their children together. This overview highlights findings from the survey relating to retirement risks.

To bring the findings to life and make them more personal, this report includes a variety of quotations from affected individuals, too. These quotations come from in-depth interviews that the SOA conducted in 2017 and as well as from focus groups that the SOA conducted with people who were retired for 15 years or more in 2015.

Additional reports in this series provide a more detailed examination of specific topics that emerged in the 2017 research. These topics include financial wellness, burden of caregiving and long-term care, and housing.

About the 2017 Research

THE 2017 SURVEY

The *2017 Risks and Process of Retirement Survey* was designed to evaluate Americans' awareness of retirement risk and how these perceptions affect the management of their finances. The 2017 survey included online interviews, conducted in July 2017, of 2,258 adults ages 45 to 80 (split into two groups: 1,025 retirees and 1,030 pre-retirees) and an oversample of 421 retired widows.

The researchers used Research Now's nationwide online consumer panel to select these participants. The team classified respondents as retirees if they described their employment status as retiree, had retired from a previous career, or were not currently employed and were either age 65 or older or had a retired spouse. For all other respondents, the classification was pre-retiree.

The results of this study reflect the overall income distributions of Americans ages 45 to 80. It does not focus on high-net-worth individuals, unlike many other studies on this topic. This was done through a combination of fielding targets and weighting.

Some questions in this survey were similar to questions in SOA surveys in prior years and therefore provide insight into how perspectives of risk change over time. However, caution should be exercised when comparing specific numerical results of the 2013–2017 surveys with the results of questions from the 2011 and earlier iterations of the survey. Starting in 2013, this survey was conducted online, whereas all previous surveys in the series were conducted by telephone. Wording for certain questions may have also changed between iterations of the survey and should be considered carefully when making comparisons. The first of the nine surveys was conducted in 2001.

THE 2017 INTERVIEWS

In addition to the online survey, the SOA commissioned 36 one-hour, in-depth interviews in the United States. The team conducted these interviews in March and April 2017 in Baltimore, Maryland; Chicago, Illinois; and Los Angeles, California. For comparison purposes, they conducted additional interviews in Canada.

Interviewees consisted of a mix of elderly participants, children of elderly parents or in-laws and dyads (two-person groups of elderly participants and their adult children). To qualify for the research, the elderly participants or parents needed to be age 85 or over, with one-third over age 90.

The interview participants reflected a combination of married and unmarried individuals, including some with financial assets of more than $50,000. However, no participant had more than $400,000 in assets, and no more than two per location had more than $400,000 in equity in their houses. Participants could not have pension income of more than $2,500 per month. They lived in their own residences, with family or in continuing care retirement communities or assisted-living facilities; a few required caregiver assistance.

These interviews built on 2013 focus groups with individuals retired less than 10 years, 2015 focus groups with individuals retired more than 15 years, and 2015 in-depth interviews with caregivers of individuals retired more than 15 years. The combined studies provide additional insights into retiree thinking and rationale for their decisions and risk management.

ORGANIZATION OF THIS REPORT

This report provides responses to selected questions from the full *2017 Risks and Process of Retirement Survey* (the 2017 survey). For each question, we provide the survey results followed by a brief explanation and, in many instances, by quotations from the qualitative research that give color to the experiences of American retirees. Note: The qualitative research included only retirees, even though the survey itself included both retirees and pre-retirees.

In addition, the discussion of each question includes a look at the differences in responses by subgroup, as well as an essay on the in-depth interviews and prior focus groups linking their results to the risk survey results.

We supplement the responses to the questions with commentary and perspectives from some of the SOA's Project Oversight Group members and with material from other related research.

Perspectives and Overview of Results

Findings from the repeated questions in the 2017 retirement risk research were generally consistent with findings on the same questions in prior studies, though with certain variances or changes. The 2017 survey also explored new topics of financial risk not covered in the previous studies. As indicated earlier, these new topics—financial wellness, housing and the burden of caregiving and long-term care—are explored in detail in other reports in this series. Here we present a summary of overall results.

LONG-TERM THEMES AND 2017 RESULTS

As in the prior studies, the 2017 survey found the following themes had emerged from the survey of retirees and pre-retirees:

- Compared to previous iterations of this research, the 2017 survey found an uptick in financial retirement concerns. Rising health care and long-term care costs and inflation again were as top-tier concerns for pre-retirees and retirees.
  - Pre-retirees expressed more concern than retirees about most risks.
- Retiree experience differed from pre-retirees' expectations in:
  - Timing of retirement—Retirees stopped working substantially earlier than pre-retirees expect to retire.
  - Spending—Pre-retirees indicated they expect their spending to decrease, while most retirees reported that their spending has remained the same in retirement.
- The most common risk management strategies in the surveys were increasing savings, paying off debt and reducing spending. But more so than in 2015, majorities of pre-retirees plan to eliminate all consumer debt and completely pay off their mortgage.
- Pre-retirees in the 2017 survey showed a greater likelihood of planning to work longer than did pre-retirees in 2015. However, pre-retiree expectations pointed to working longer than retirees actually did in both years. Note: In this area, changes in wording in the question survey instrument may have influenced the trended results.
- Workers and retirees in 2017 were more likely than in 2015 to say they have or plan to buy a product that provides guaranteed lifetime income. Very few actually buy such products.
- Baseline knowledge and understanding of retirement financial risks was relatively consistent with prior studies. Gaps in knowledge continued to exist, especially about long-term care.

FOCUS ON FINANCIAL RISK IN RETIREMENT

Some key retirement risk and financial management strategies that surfaced in the 2017 survey fall into four main categories, as follows:

1. *Retirement Expectations and Uncertainties*

   The 2017 survey found a great deal of uncertainty about length of the retirement period; people are aware that some retirees will die shortly after retirement whereas others will live beyond age 100.

   Many pre-retirees in this survey said they are not on track in retirement preparation. On the other hand, many pre-retirees and retirees also said they feel financially secure. The planning that people do tends to be short term and cash-flow based.

   Most retirees did not appear to be well prepared for some of the possible shocks they may encounter, but how well most retirees understand the impact of potential shocks was not clear. As for pre-retirees, their expected age at retirement was later than the age at which retirees said they stopped working.

   Both workers and retirees estimated they will live to age 85, while retired widows indicated they expect to live slightly longer, until age 90. However, a plurality said there is no way to know their life expectancy.

2. *Leading Retirement Concerns*

   Pre-retirees and retirees in the 2017 survey indicated they were most worried about their savings keeping up with inflation, health care affordability and paying for a nursing home or long-term care. Concern levels were higher among pre-retirees than retirees.

Housing issues raised modest concern. Both retirees and pre-retirees voiced a strong desire to remain in their homes. However, roughly half expressed concern about their ability to remain in their homes as they age, and more than one-third of couples said they worry about their partner's ability to stay in the home.

3. *Retirement Spending and Income*

Fully two-thirds of pre-retirees in 2017 said they anticipate living off less income in retirement than before, as compared to only one in 10 who said they anticipate an increase in income.

Although anticipation of less income has contributed to feelings of retirement insecurity, a majority of pre-retirees also indicated they expect their spending will decrease once retired. But those who were already retired painted a different picture; only one-third of these retirees said their spending had decreased in retirement.

In addition, roughly one in seven retirees and retired widows said they spend more in retirement, compared to just one in 10 pre-retirees who expect spending to increase.

4. *Retirement Preparations*

Many workers feel unprepared for retirement, according to the 2017 findings. For example, half rated their financial planning for retirement as behind schedule.

Despite their concerns, pre-retirees indicated they are not effectively addressing the financial risks of retirement. Furthermore, most retirees and workers indicated they are not giving much thought to critical aspects of retirement that can provide them with financial protection.

As the researchers expected, retirees were more likely to have taken steps already to protect themselves financially as they age, whereas pre-retirees said they plan to do many of these things in the future. Eliminating debt, cutting back on spending and increasing savings were common strategies cited across the demographic groups.

Some strategies were more popular with pre-retirees than retirees. For example, pre-retirees were more likely than retirees to say that they have already worked longer or will do so. Pre-retirees were also more likely to say they plan to postpone taking Social Security and plan to purchase a lifetime income product.

Expanded Discussion of the Key Financial Risks

The 2017 survey covers trended topics on financial risks, concerns and spending in retirement, the key findings of which appear below. Following are some of the key risk findings.

Retirement Expectations and Uncertainties

SURVEY FINDINGS

Pre-retirees and retirees face an uncertain retirement period, which may last beyond age 100 for some retirees. Pre-retirees indicated that they expect to retire at a median age of 65. However, the already retired adults said they stopped working earlier—at age 60, which is five years earlier than the age anticipated by those still working (see Figure 1).

Previous research, such as earlier SOA Post-Retirement Risk Surveys and the Employee Benefit Research Institute's annual Retirement Confidence Survey, have found a similar gap. The *2013 Risks and Process of Retirement Survey* found that many voluntary retirees felt that they had been pushed into retirement. Other factors contributing to earlier than expected retirements included declines in health, the need for family caregiving and workplace conditions.

When estimating their own life expectancy, workers and retirees in the 2017 survey predicted they will live to age 85 (median). Retired widows said they expect to live slightly longer, until age 90. A plurality of respondents said they have no way of knowing how long they will live (see Figure 2). Earlier research has regularly indicated that some individuals who plan end up planning for too short a period.

FROM THE RETIREMENT AGE EXPECTATIONS DATA:

To Pre-retirees: At what age do you expect to retire or begin to retire from your primary occupation? At what age do you think you will begin to think of yourself as retired?

To Retirees: How old were you when you retired or began to retire from your primary occupation? At what age did you begin to think of yourself as retired?

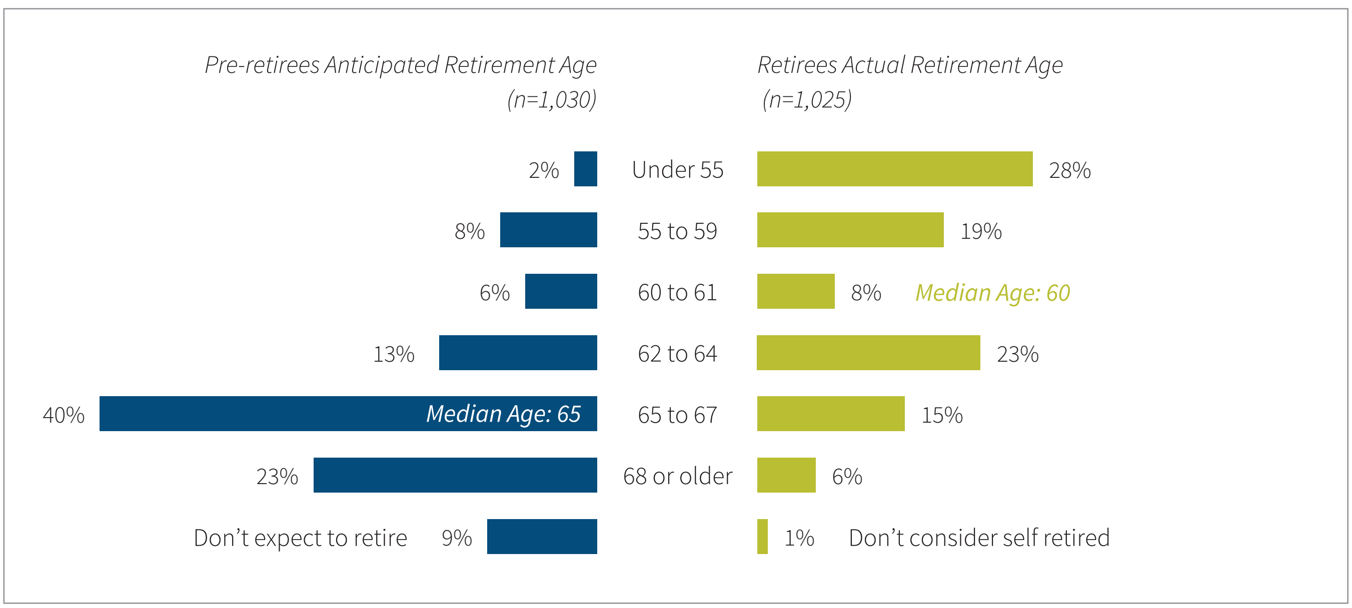


Figure 1: Anticipated (Pre-retirees) and Actual Retirement (Retirees) Ages

DISCUSSION

Net changes in lifespans together with actual retirement ages have led to a growing period of retirement over the long run.

Even though the net of average expected lifespans and actual average retirement ages shows an average expected retirement period for pre-retirees of about 20 years, and a longer expected period at the time of retirement, this does not seem to have influenced planning horizons. We do not know what the retirees and pre-retirees think their likely period of retirement will be, and in any case, that often does not seem to influence their planning very much.

Concern exists that people tend to underestimate their expected lifespan more often than overestimate it. But the survey responses suggest that underestimation is becoming less common, as lifespan expectations seem to be increasing.

Regardless of expectations about the average period of retirement, retirement data show that this period is variable, and most people do not know how long their retirement will last. For some, it may last to age 100 and beyond. Couples need to plan to the time that the longer-lived spouse or partner survives.

FROM THE LIFE EXPECTANCY DATA:

Until what age do you think that you can expect to live?

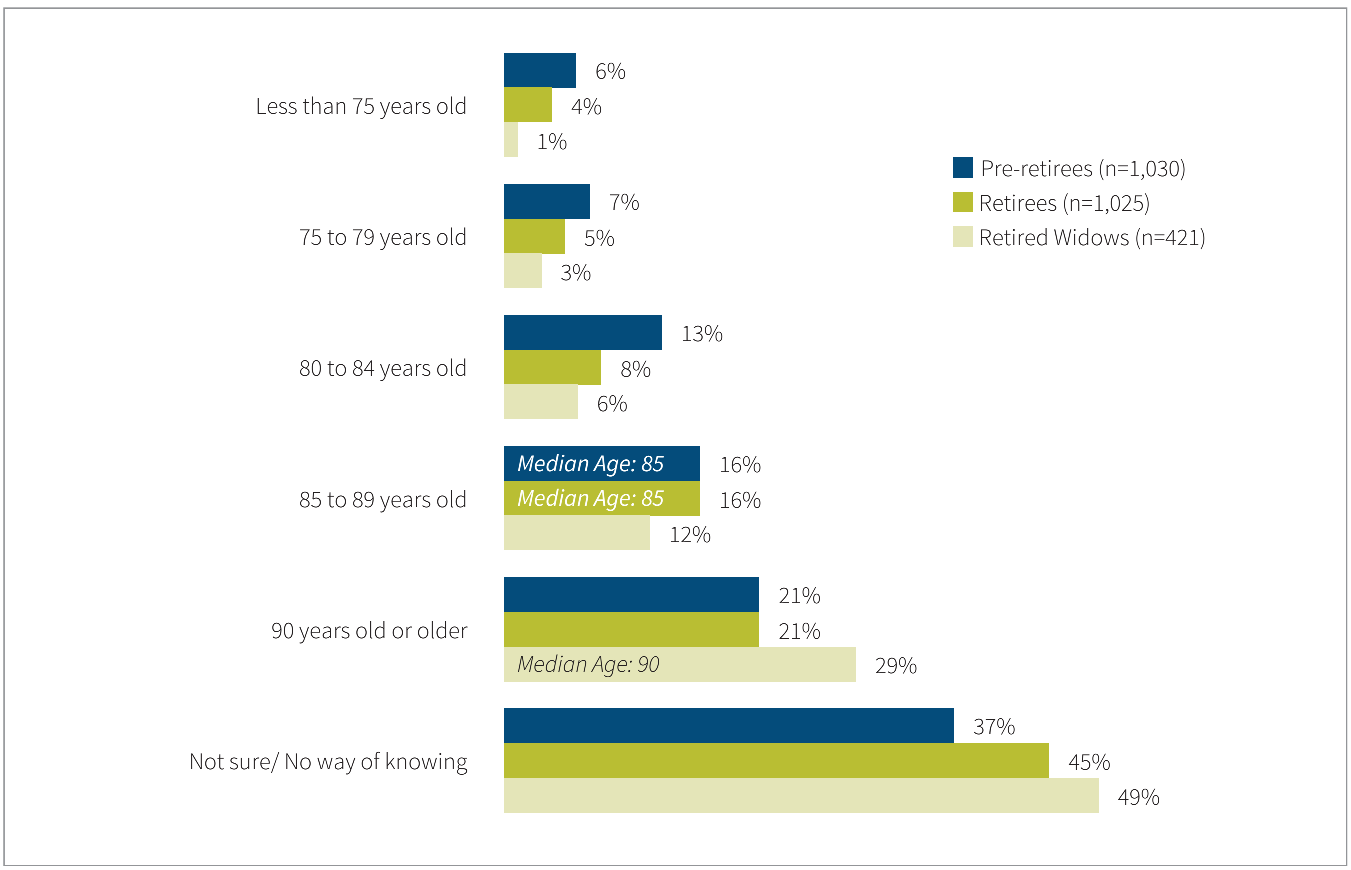


Figure 2: Anticipated Life Expectancy among Pre-retirees, Retirees and Retired Widows

Leading Retirement Concerns

SURVEY FINDINGS

Inflation, health care affordability and paying for a nursing home or long-term care are top concerns of pre-retirees and retirees. Three in four pre-retirees and more than half of retirees and retired widows worry about these financial challenges in retirement. Pre-retirees are consistently more concerned about most of the retirement risks than retirees.

Although the 2017 survey uncovered an increased level of concern compared to 2015, these top-tier concerns were consistent with past findings of this research.

Pre-retirees and retirees also revealed concern with their ability and their spouse's ability to remain in their home. Roughly half of pre-retirees (52 percent) and retirees (47 percent) indicated they worry about remaining in their home as they age, and more than one in three coupled respondents (38 percent pre-retirees, 34 percent retirees) worry about their spouse or partner's ability to stay at home.

DISCUSSION

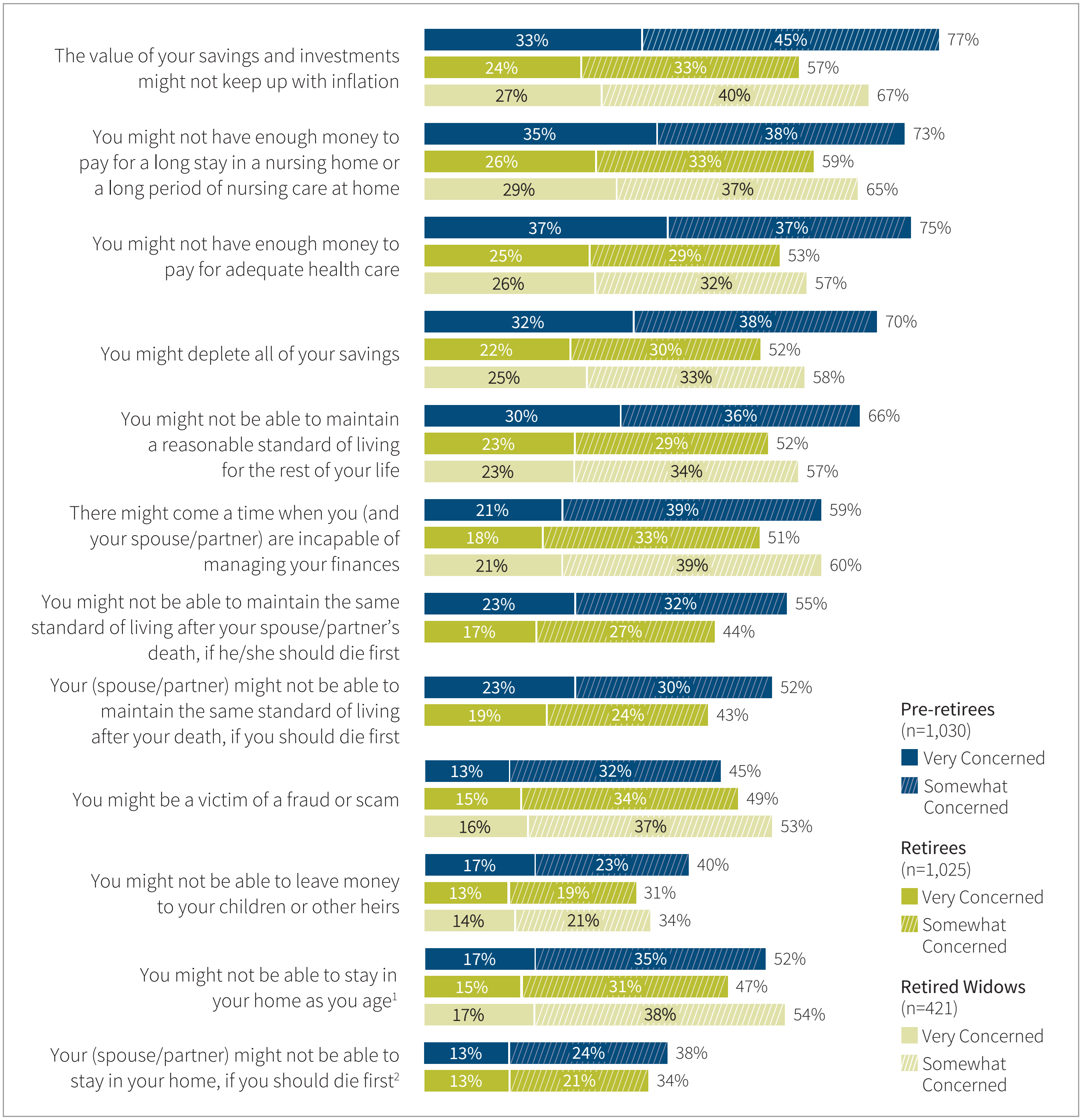
Each of the nine iterations of the survey includes a question about concerns with a variety of post-retirement risks. The top three areas of concern are consistent from survey to survey, although the order of priority may change.

Not surprisingly, pre-retirees indicated they are consistently more concerned than retirees.

The concerns have not translated into action very well. The data showed that planning tends to be short term and cash-flow based. Inconsistency also existed between concerns and action taken regarding health care and long-term care. Nearly all Americans age 65 and over are entitled to Medicare, which covers a substantial part of acute health care expenses, but many indicated they still buy additional supplemental health insurance, especially for prescription drug coverage. On the other hand, although Medicare pays for very little long-term care, the clear majority reported that they do not buy long-term care insurance or plan for long-term care expenses.

FROM THE RETIREMENT CONCERNS DATA:

How concerned are you about each of the following in retirement?



1. Asked among homeowners
2. Asked among homeowners with a spouse or partner

Figure 3: Extent of Concern about Possible Post-retirement Financial Issues among Pre-retirees and Retirees

Retirement Spending and Income

SURVEY FINDINGS

Nearly two-thirds of workers (63 percent) said they anticipate living off lower incomes in retirement. A little more than one in four (27 percent) expect their income level to remain the same, and only one in 10 (10 percent) expect to increase their income in retirement. This expected drop in income from a plurality of workers likely contributes to pre-retirees' retirement insecurity.

Although expecting less income, nearly two-thirds of pre-retirees (63 percent) also said they expect to spend less in retirement. In actual behavior, however, fewer retirees do decrease their spending. For instance, only one-third of retirees (35 percent) and retired widows (30 percent) reported that they spend less.

Moreover, small segments of retirees (14 percent) and retired widows (16 percent) said they spend more in retirement, compared to just one in 10 pre-retirees who said they expect to spend more (9 percent).

DISCUSSION

Many retirees live off lower incomes in retirement. In addition, except for Social Security benefits (which are indexed to inflation), they may not have any income sources that grow with inflation.

The SOA has conducted focus groups with individuals retired 10 years or less, and with individuals retired 15 years or more, as well as in-depth interviews with people age 85 and up. This research shows a pattern of people being frugal later in retirement and adjusting to lower incomes.

There is also research on spending in retirement using the *Health and Retirement Study* (HRS), which is a longitudinal project sponsored by the National Institute on Aging and the Social Security Administration. The Employee Benefit Research Institute (EBRI) has published several studies analyzing HRS data by age group.[1] These studies show that although household health care spending increases with increasing age, other types of spending decline by age group.

The SOA focus groups and in-depth interviews with people at various stages of retirement indicated that, for some people, increases in utility expenses and real estate taxes can be a concern. Health insurance premiums, including Medicare Part B and D premiums, can also be a concern because these are likely to increase year by year.

The SOA *2015 Risks and Process of Retirement Survey* examined shocks. Those people who had experienced multiple shocks were more likely to have higher expenses than planned. For example, 34 percent of those experiencing three or more shocks and 32 percent of those with one or two shocks had higher expenses than planned. By comparison, just 21 percent of those with no shocks reported experiencing higher expenses than planned.

1 See the September 2016 *Pension Section News* for an article bringing together some of the EBRI analysis on spending at higher ages and the SOA Focus Group results: http://pensionsectionnews.soa.org/?issueID=10&pageID=1.

FROM THE EXPECTED INCOME IN RETIREMENT DATA:

Question to Pre-retirees: As best you can guess, do you think that your income in retirement, from all sources including Social Security benefits, will be more or less than the income you have now?

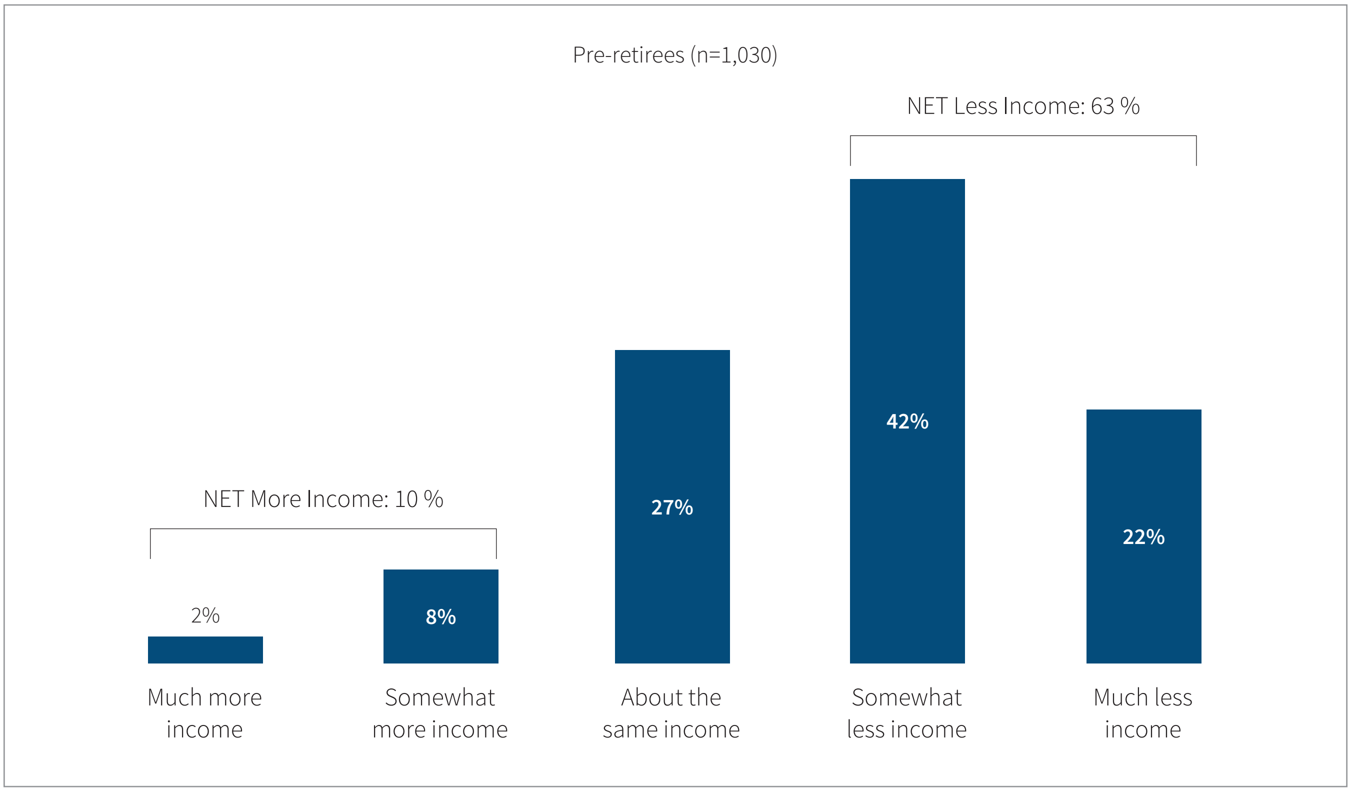


Figure 4: Pre-retirees' Anticipated Retirement Income Compared with Current Income

FROM THE RETIREMENT SPENDING EXPECTATIONS DATA:

As you age (in retirement), do you expect you will spend more or less than you do now or about the same?

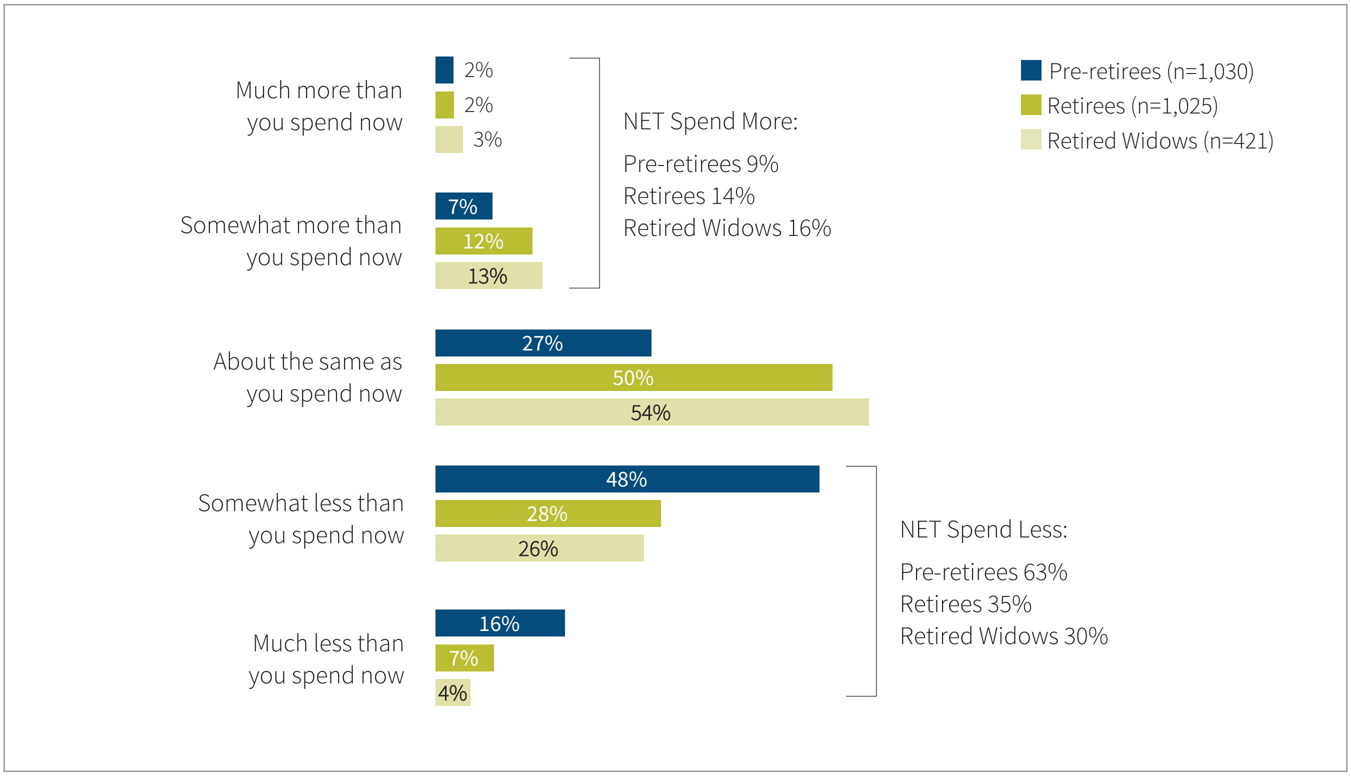


Figure 5: Pre-retirees' Anticipated Retirement Spending Compared with Current Spending

Retirement Preparations

SURVEY FINDINGS

Many workers feel unprepared for retirement. In the 2017 study, half (51 percent) said their financial planning for retirement is behind schedule. Only one in seven (15 percent) rated their preparations as ahead of schedule.

Although pre-retirees expressed significant concern about their retirement preparations, they indicated that they do not know how best to address this issue.

Most individuals in the survey did not give a lot of thought to critical financial aspects such as an investment plan for their assets, desired retirement lifestyle and the sufficiency of their savings to last the rest of their lives.

As expected, retirees were more likely to have already taken steps to protect themselves financially as they age, whereas pre-retirees indicated they *plan* to do many of these things. Most indicated they have or are planning to eliminate their debt, save as much as they can, cut back on spending and pay off their mortgage.

The 2017 survey did, however, uncover an uptick in workers who said they are planning to eliminate consumer and mortgage debt as compared to workers saying the same in SOA's 2015 study.

Pre-retirees tend to anticipate some strategies more often than already retired individuals actually use the strategies. For example, pre-retirees are more likely to say that they have or will work longer (51 percent pre-retirees versus 10 percent retirees), postpone taking Social Security (42 percent pre-retirees versus 20 percent retirees) and purchase a lifetime income product (35 percent pre-retirees versus 24 percent retirees).

DISCUSSION

Retirees and pre-retirees have consistently planned for too short a time horizon. The qualitative research that accompanied the risk surveys has also indicated that the nature of retirement planning focuses more on shorter-term cash flows rather than on longer-term risk management.

The gaps in retirement planning found by the research have not changed much over the years, but their impact will likely grow. As employers have shifted away from defined benefit plans, thoughtful planning becomes more important and challenging.

FROM THE RETIREMENT PREPARATION DATA:

Question to Pre-retirees: In terms of preparing/getting ready for your future retirement through financial planning and saving, would you say that you are ...?

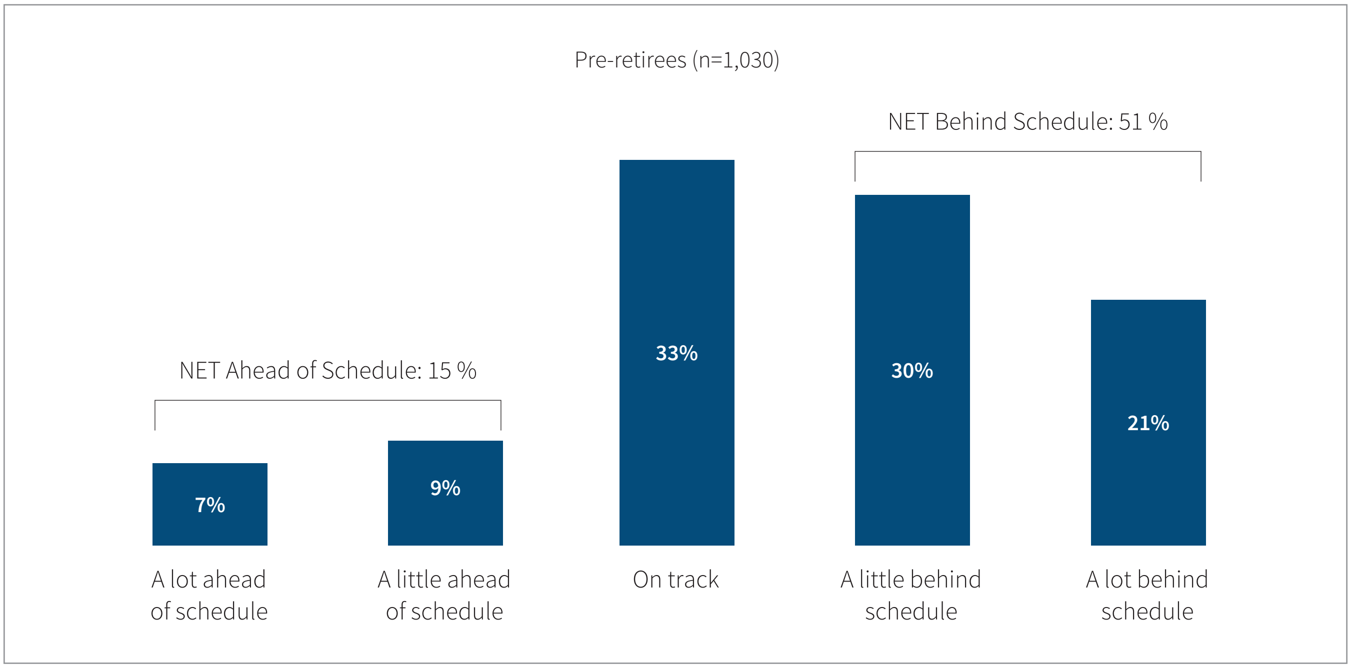


Figure 6: Pre-retirees' Assessment of Status of Their Retirement Planning

FROM THE FINANCIAL RETIREMENT PLANNING DATA:

How much thought have you given to each of the following aspects of your finances in retirement?

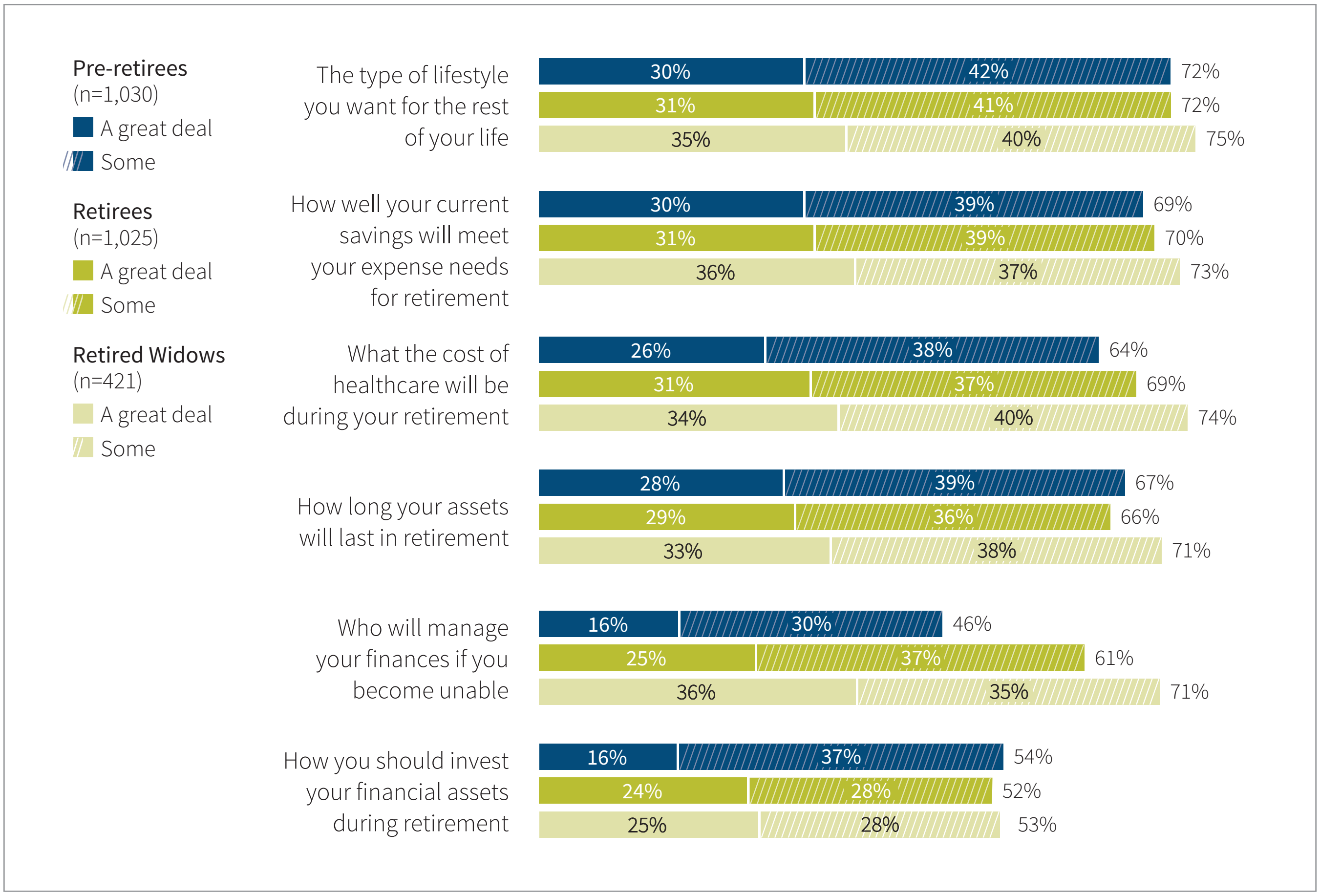


Figure 7: Extent of Thinking about Retirement Issues by Pre-retirees, Retirees and Retired Widows

FROM THE FINANCIAL PROTECTION ACTIONS DATA:

Have you already done the following, plan to do it in the future or have no plans to do it to protect yourself financially (after you retire/as you get older)?

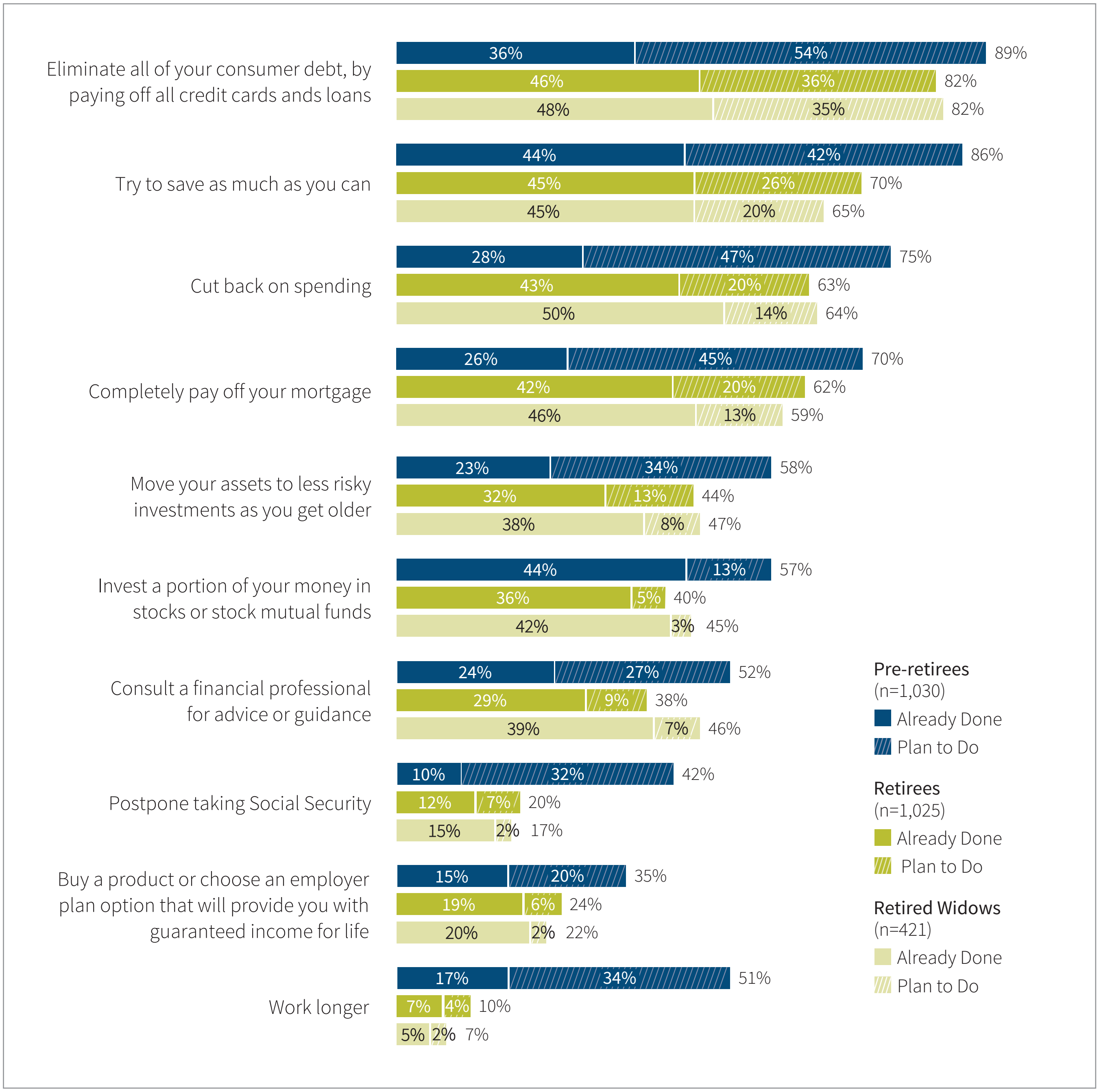


Figure 8: Financial Steps to Prepare for Retirement by Pre-retirees, Retirees and Retired Widows

Population Subgroup Differences

Several topics in the 2017 survey generated results that differed markedly by population subgroup. The most significant differences involve income, but there were also persistent differences by gender. Following are some highlights of the differences.

Differences by Household Income

- **Income levels.** The results show three income level ranges, but these varied substantially between pre-retirees and retirees. For pre-retirees, the income levels were under $50,000 annually, $50,000 to $99,999 and $100,000 and up. For retirees, the income levels under $35,000 annually, $35,000 to $74,999 and $75,000 and up.
- **Retirement risk.** The differences in response to retirement risk by household income were stark. As in prior rounds of the survey, both retirees and pre-retirees with lower household incomes were more likely than those with higher incomes to be concerned about most retirement risks, including risks related to housing.
- **Retirement age.** Lower income pre-retirees were also more likely to expect to retire later or not retire at all. However, in the 2017 survey, there was no significant difference by income regarding actual retirement age.
- **Financial management.** Higher income workers and retirees felt more financially secure and more confident in their ability to manage financial tasks and absorb financial shocks in retirement than did lower income workers and retirees.
- **Financial risk mitigation.** High-income and low-income pre-retirees and retirees mitigated financial retirement risks differently. What was practical for them varied by income level. Lower income households were more likely to cut back on spending, whereas higher-income households were more likely to eliminate consumer debt, invest in stocks or stock mutual funds, pay off their primary home mortgage or move assets into more conservative investments. Additionally, higher income pre-retirees and retirees were more likely to have given at least some thought to important aspects of retirement including desired lifestyle, adequacy of current savings to meet retirement expenses and retirement investment strategies.
- **Financial security.** Affluent retirees and pre-retirees were more likely to be more proactive about steps to try to assure financial security throughout retirement. More high-income pre-retirees and retirees have taken steps to financially prepare for retirement, such as owning life and disability insurance, having a will, estate plan or living will, and creating an investment plan or comprehensive financial plan. Compared to the less affluent, they were also more interested in several topics of financial education, including health care expenses and estate and will planning.
- **Debt.** Household income did not correlate to indebtedness, but it did correlate to the type of debt owed. Higher income retirees and workers were more likely to have a personal or car loan, while those earning less are more likely to owe money to a health care provider or have taken a loan from family or friends.
- **Uncertainty.** Lower income pre-retirees and retirees were more uncertain about key aspects of their retirement compared to those with higher incomes. They were more likely to be concerned about burdening their children and are unsure if they will move in with family in retirement. They were more uncertain about when they may require a long-term care solution, who would be their primary caregiver and how they would pay for care. They were also less proactive and less familiar with long-term care solutions and less likely to have made financial preparations for the potential need for long-term care.

Differences by Age

- **Pre-retirement versus post-retirement.** Differences in responses by age tended to reflect differences between pre-retirees and retirees. For example, younger pre-retirees and younger retirees were more likely than their older counterparts to be concerned about nearly all financial aspects of retirement and some aspects of housing such as maintaining a quality lifestyle in retirement and having too much housing debt.

- **Financial security.** In addition to a spike in housing and financial concerns, respondents under age 65 felt less financially secure compared to older pre-retirees and retirees over age 65.
- **Financial planning.** Although younger pre-retirees and retirees were more concerned about their finances in retirement, they were less likely than older respondents to have already taken important financial steps, including eliminating consumer and mortgage debt and consulting a financial professional.

Differences by Gender

- **Financial security.** Women voiced financially vulnerable feelings more often than did men. They were less likely to feel financially secure.
- **Leading concerns.** Compared to men, women expressed increased concerns about certain financial aspects of retirement including keeping up with the rate of inflation, paying for a nursing home or long-term care, depleting their savings and maintaining their standard of living. Additionally, women were more concerned than men about housing.
- **Financial planning.** Despite the spike in concern, there was little significant difference by gender regarding preparations for financial protection in retirement.

Differences by Advisor Use

- **Investable assets.** Most pre-retirees and retirees indicated that they do not work with a financial advisor, but those who do have an advisor were more likely to have more than $100,000 in investable assets.
- **Economic wellness.** Though pre-retirees and retirees with higher assets felt more financially secure and have prepared more extensively for retirement than their less well-off counterparts, they said that working with a professional advisor boosted their feelings of economic wellness.
- **Retirement concerns.** Pre-retirees and retirees with less than $100,000 in assets were more concerned about financial aspects of retirement than the more well-endowed. However, even the lower asset respondents indicated that working with an advisor slightly alleviated concerns about depleting their savings, maintaining a reasonable standard of living and becoming incapable of managing their finances.
- **Financial planning.** Lower asset pre-retirees who plan with an advisor were more likely than their higher asset level counterparts who do not use an advisor to say their financial planning is ahead of schedule and to have given more thought to financial aspects of retirement.
- **Retirement preparations.** Higher asset workers and retirees are more likely than lower asset respondents to have made or plan to make basic preparations for retirement. However, working with an advisor increases the likelihood that pre-retirees and retirees have or are planning to move their money into less risky investments, invest in stocks or purchase a product that guarantees lifetime income.

DISCUSSION

The 2017 survey found major differences in results by income level and gender. Women tend to have lower incomes; it is unclear to what extent the differences by gender reflect differences in economic status.

Although women's risk concerns are fairly similar to those of men, women have different life circumstances, leading to different outcomes. Women live longer, for instance. They also have fewer average years in the workforce, are likely to need care for more years and are more often caregivers. They are much more likely to spend their last years alone. [1]

In general, these survey results tend to be very different by economic status. Concerns and planning issues are also different by economic status. Individuals with significant assets face issues related to how to invest, but not those without financial assets. People with minimal financial assets are

1 For more information on women and retirement security, see the special topic report from the SOA's *2013 Survey of Post-Retirement Risks and the Process of Retirement: Key Findings and Issues: Impact of Retirement Risk on Women*, https://www.soa.org/Files/Research/Projects/research-2013-impact-retire-risks-women.pdf.

limited in their risk management and planning strategies. For them, the critical issues are when to claim Social Security, when to retire and how much to spend.

This research found differences in results by economic status, but it did not focus on what is adequate for a reasonable life as a retiree. The SOA has previously done research on that topic and is currently involved in more research. There are two very different perspectives on this topic. The usual discussion focuses on how people can maintain their standard of living. The other perspective focuses on the minimum needed to live at a reasonable level.

It seems clear that many retirees live on less than they lived on before retirement, but they may still be satisfied in retirement. However, there is a minimum level below which people will experience different mortality and morbidity. The Sightlines[2] researchers estimate that this at about two times the poverty level.

Differences by Population Subgroup[3]

The 2017 survey found that retirees in the low- and high-income categories do vary in the financial concerns they have about retirement as well as in the approaches they take. Some examples follow.

- **Inflation.** The percentage of retirees who said they are very or somewhat concerned that the value of their savings and investments might not keep pace with inflation was 66 percent at the lowest income category versus 45 percent at the highest.
- **Long-term care.** The percentage of retirees very or somewhat concerned that they might not have enough money to pay for a long nursing home stay or a long period of nursing care at home was 68 percent at the lowest income category versus 45 percent at the highest.
- **Adequate health care.** The percentage of retirees very or somewhat concerned that they might not have enough money to pay for adequate health care was 67 percent at the lowest income category versus 38 percent at the highest.
- **Financial management issues.** Respondents were asked how much thought they have given to various financial management issues. Among retirees, the percentage saying they have given a great deal or some thought to the type of lifestyle they want in retirement was 56 percent at the lowest income category and 86 percent at the highest. This is in line with the higher income retirees having more choices to make, due to their higher asset level.
- **Financial investments.** Among retirees, the percentage who said they have given a great deal or some thought to how they should invest their financial assets during retirement is 28 percent at the lowest income category and 77 percent at the highest.

2 Sightlines is a research project of the Stanford Center on Longevity that looks into what is needed for success in living to high ages. The SOA is a contributing sponsor to Sightlines.

3 Detailed results are available in *The Sightlines Project*, http://longevity.stanford.edu/the-sightlines-project/. The illustrations in this report are just a few examples.

Insights from Research with Older Retirees

BACKGROUND

SOA research in 2017 included interviews with retirees age 85 and over, as well as adult children of retirees in this age category. The findings from these in-depth interviews with these retirees and adult children appear in the report *Post-Retirement Experiences of Individuals 85+ Years Old*. The report includes direct quotes from the retirees and details on how they manage.

The results of this research, together with SOA focus groups conducted in 2015 with retirees who had been retired at least 15 years, highlight a key insight for this segment of the American population. This insight is that important decisions for many middle-income American families go beyond the traditional issues of saving and investing.

Both studies build on 2013 focus groups with people who have been retired less than 10 years. This set of research, combined with results from SOA's *2017 Risks and Process of Retirement Survey*, provides new insights into how older Americans think about retirement finances, including planning and managing.

It is important to study these older retirees because the future will see many more of them with longer periods of retirement.

OBSERVATIONS ON RESULTS

The following are major observations on this topic along with some direct quotes from retirees and/or their children taken from the in-depth interviews.

- **Health and mobility.** These issues play an important role in defining what activities older Americans can do, their financial needs and their need for support. Those who are more active may use more financial resources for daily living but have fewer health and care needs.
- **Need for help.** Retirees usually plan to remain independent, but when they need help and there is no spouse or partner to provide it, it is common to turn to other family members. However, people often do not plan for family involvement.
- **Sources of income.** For middle-income Americans, Social Security is the major source of regular retirement income. Many retirees do not have significant financial assets, and, for many, housing equity is substantially greater than their financial assets. These Americans retire and often seem to be satisfied in retirement, even though they do not have a great deal of money.
- **Managing expenses.** A common financial management paradigm for middle-income retiree families is to manage regular expenses so that they do not exceed income. These families minimize spending assets and withdraw only the Required Minimum Distribution from tax-deferred retirement accounts. They are also reluctant to use home equity to help finance retirement.
- **Using assets for major expenses.** These retirees commonly have a goal of maintaining assets but may use assets if there is a major unexpected expense. This strategy was articulated to the SOA in these interviews with over age 85 retirees, as well as in 2013 in focus groups with recent retirees and in 2015 with those retired 15 or more years.
- **Adapting to circumstances.** Most of the people over age 85 seemed to adapt reasonably well to changing circumstances, as did the retirees in focus groups with long-term retirees. Some expressed regrets, but overall, the group seemed reasonably satisfied.
- **Frugal.** Many of the very old are frugal, and they seem to feel fine about it. They have accepted their situation and manage within its constraints.
- **Gaps in planning.** When it comes to providing for future long-term care, many older Americans have major gaps in planning. Note that long-term care and caregiving were special topics for the 2017 survey.

Direct Quotes

ON SOURCES OF INCOME:

- **"She lives on her Social Security [$1,600], but like I said her house was paid for. All she had was utilities and taxes. … [Kids chipped in.] Like if I go shopping or we go try on some shoes, whoever took her would pay for her. … I'd guess maybe $200 a month so $2,400 or $2,500."** – Adult child, under $50K asset female, Chicago, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **"It's [Social Security] like $1,700 a month. Then she's got two smaller annuities that my brother bought when my dad died. And then she's got both pensions. She still gets paid out of dad's pension and she had her own pension. So it's a total of about $3,000 income."** – Adult child, over $50K asset female, Los Angeles, 2017 SOA Interviews of Age 85+ Retirees and Their Children

ON PLANNING AND MANAGING MONEY:

- **"She was pretty much growing her assets at the time, and her expenses weren't that much at that point. She got what she wanted, was able to pay her monthly bills without a problem. She was fine."** – Adult child, over $50K asset female, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **"You have to know what's coming in and what's going out."** – Female, Chicago, 2013 SOA Recent Retiree Focus Groups
- **"You just know. You list your expenses and you list your income and you see what's there. Then you hope to God that whatever the money you've invested is going to take you when inflation moves in and it's no longer covered. I was able to live off my husband's pension and Social Security without touching any of my savings. So the Starbucks money was just fun money. So I figured I could quit."** – Female, Phoenix, 2013 SOA Recent Retiree Focus Groups
- **"My spending has gone down terrifically, because I don't go on vacation very ... well, I haven't been on vacation now for a couple of years. I'm older. I don't know, I just don't need stuff anymore."** – Female, Chicago, 2015 SOA 15-Year-Plus Retirees Focus Groups
- **"My needs are much less, so I just act accordingly."** – Female, Chicago, 2015 SOA 15-Year-Plus Retirees Focus Groups
- **Parent: "No, I can afford everything I need. There are lot of things that I wish I could do, but they are not hindered by finances. They are more hindered by my physical capability."** – Dyad,[1] over $50K asset male, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children

ON LONG-TERM CARE:

- **"Not having long-term care insurance is a big concern at my age. I am concerned about that and I hope that I stay healthy. That is a concern, particularly with the man in Washington talking about doing away with health care."** – Elderly, over $50K asset female, Los Angeles, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **Child: "I guess when Mom moved to Sunrise, like I said, in about five years, Mom's expenses went way up. And at that point Mom had a little over $400,000 and we made some money in stocks and things, but the money has steadily, I guess, declined."**— Dyad, over $50K asset female, Baltimore, 2017 SOA Interviews of Age 85+ Retirees and Their Children
- **"Her assets are depleting rapidly with obviously the cost of care. Then all these little add-ons that you must purchase to go along with that care. At the time she was living in the apartment, we had to get a hospital bed in, there was a lift that got brought in so she could be lifted in and out. Then moving to the care home."**— Adult child, over $50K asset female, Vancouver, 2017 SOA Interviews of Age 85+ Retirees and Their Children

1 "Dyads" are joint interviews of parents and adult children.

Conclusion

Retirement experts have access to a wide variety of information about what people want, need and do regarding planning for and going through the retirement years.

For instance, planners, actuaries and economists have traditionally focused on rational drivers of retirement planning. They have also relied on expectations that people will save, invest prudently and put together a reasonable plan to use assets during retirement. Traditional retirement plans often focus on savings objectives, how much to save each year and investment issues. And behavioral finance experts focus on what people actually do; their discipline zeroes in on the importance of framing the issues and on how decisions are often not made using rational economic planning.

The SOA's research with individuals at different stages of retirement indicates that retirees often do not fit into an expected pattern, and it presents some surprises, too. The risk surveys offer a series of quantitative studies, and the interviews and focus groups add more focus on rationale and thinking to the story. Much has been learned, and, in view of the steady growth of the American retirement population, more is still to be learned.

References

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- SOA Biennial Risk Survey Series
- SOA Focus Groups and In-Depth Interviews
  - *Post-Retirement Experiences of People Retired for 15 Years or More*, Society of Actuaries, 2016
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Appendix

PROFILE OF RESPONDENTS

	Pre-retirees (*n* = 1,030)	Retirees (*n* = 1,025)	Retired widows (*n* = 421)
Age			
45 to 54	54%	14%	*
55 to 64	38	27	16%
65 to 74	7	37	57
75 to 80	*	22	27
Sex			
Men	45%	50%	—
Women	55	50	100%
Marital Status			
Married	64%	48%	—
Widowed	3	23	100%
Separated or divorced	15	15	—
Single, never married	13	9	—
Living with a partner	6	5	—
Education			
High school graduate or less	32%	47%	20%
Some college/trade or vocational school	26	26	40
Bachelor's degree	21	13	19
Postgraduate work	3	3	6
Graduate or professional degree	18	10	15
Employment status			
Working	96%	8%	2%
Retired	—	84	95
Disabled and unable to work	2	7	3
Laid off/unemployed seeking work	1	1	—
Homemaker	*	1	—
Something else	*	—	—

* ≤ .5%

Profile of Respondents (Cont.)

	Pre-retirees (*n* = 1,030)	Retirees (*n* = 1,025)	Retired widows (*n* = 421)
Number of Children/Stepchildren			
None	25%	24%	12%
One	19	14	16
Two	30	28	34
Three	14	19	21
Four or more	12	15	17
Health Status			
Excellent	16%	11%	13%
Very good	44	36	46
Good	31	35	29
Fair	9	15	11
Poor	2	3	1
Household Income			
Less than $25,000	6%	28%	24%
$25,000 to $34,999	6	12	20
$35,000 to $49,999	10	14	17
$50,000 to $74,999	17	16	24
$75,000 to $99,999	16	9	8
$100,000 to $124,999	16	10	3
$125,000 to $149,999	10	5	3
$150,000 or more	20	6	1
Total Savings/Investments (not including primary residence)			
Less than $10,000	13%	24%	22%
$10,000 to $24,999	6	7	7
$25,000 to $49,999	10	5	5
$50,000 to $99,999	9	7	7
$100,000 to $249,999	18	10	13
$250,000 to $499,999	17	11	12
$500,000 to $999,999	10	10	12
$1 million or more	10	13	7
Prefer not to say	6	12	15

* ≤ .5%

Profile of Respondents (Cont.)

	Pre-retirees (*n* = 1,030)	Retirees (*n* = 1,025)	Retired widows (*n* = 421)
Home Ownership			
Own home free and clear	27%	46%	50%
Own home, owe mortgage	55	29	25
Own home, owe reverse mortgage	*	1	3
Rent home	17	20	18
Have some other primary living arrangement	2	4	4
Employer type (of primary occupation before retirement)	(*n* = 999)	(*n* = 1,025)	(*n* = 421)
For-profit business	68%	52%	48%
Another government organization	13	16	18
Not-for-profit organization	18	12	18
Military or public safety	1	6	2
Not immediately employed before retirement	—	15	14
Equity in primary home	(*n* = 826)	(*n* = 808)	(*n* = 329)
None/Zero	2%	4%	3%
Less than $10,000	4	4	2
$10,000 to $34,999	8	6	7
$35,000 to $49,999	8	3	5
$50,000 to $99,999	15	14	12
$100,000 to $149,000	14	14	14
$150,000 to $199,999	9	14	14
$200,000 to $299,999	15	11	15
$300,000 to $399,999	9	10	6
$400,000 to $499,999	3	4	5
$500,000 or more	5	8	7
Not sure	8	8	10
Who else lives in household?			
Your spouse or partner	68%	52%	—
Child(ren) 18 or older	26%	12%	18%
Child(ren) under 18	19%	4%	2%
One or more of your parents or in-laws	5%	3%	1%
A friend or roommate	2%	3%	4%
Grandchild(ren) under 18	1%	2%	5%
One of your (or your spouse's/partner's) siblings	1%	2%	1%
Grandchild(ren) 18 or older	1%	1%	3%
A tenant or someone who rents a room/basement	*	*	*
One or more of your grandparents or in-laws	*	—	—
None of these/Live alone	19%	34%	75%

* ≤ .5%