Retirement Survey Report Key Findings and Issues:

Understanding and Managing the Risks of Retirement

2013 Risks and Process of Retirement Survey Report

Introduction and Background

For more than 15 years, the Society of Actuaries (SOA) has focused on the study of post-retirement risks and how they are managed. The 2013 Risks and Process of Retirement Survey is the seventh biennial study of public perceptions related to such risks and was conducted on the SOA's behalf by Mathew Greenwald and Associates, Inc. The survey was conducted during a period of slowly recovering housing values and employment. However, concerns about the economy, public policy, the federal deficit, and programs for supporting retirement remained high. The survey was preceded earlier in 2013 by a series of eight focus groups, which probed participants on their decision process for retiring and their views on managing assets after retirement.

This report presents findings from the 2013 Risks and Process of Retirement Survey, specifically those relating to retirement risks. It uses quotations from the series of focus groups where appropriate to illustrate the findings and addresses factors relating to the management of retirement risks. Additional reports provide a more detailed examination of how pre-retirees and retirees envision the phases of retirement, as well as a more detailed examination of personal risk management and special issues for women.

The 2013 Risks and Process of Retirement Survey is designed to evaluate Americans' awareness of retirement risk, how their awareness has changed over time, and how these perceptions affect the management of their finances. Unlike the previous six iterations which were conducted by telephone, this survey was conducted through online interviews. As part of the survey, 2,000 adults ages 45 to 80 (1,000 retirees and 1,000 pre-retirees) were interviewed in August 2013. An additional 200 interviews were collected among retired widows. Individuals were selected for participation using Research Now's nationwide online consumer panel.

Survey responses from current retirees and those not yet retired (referred to in these reports as "pre-retirees") are analyzed separately. No effort has been made to oversample individuals with high levels of assets and do not provide specific insights concerning high-net-worth individuals. Only 5 percent of pre-retirees and 12 percent of retirees report having investable assets of $1 million or more.

The series of eight focus groups was conducted in May 2013 in four locations: Baltimore, MD; Chattanooga, TN; Chicago, IL; and Phoenix, AZ. The study was designed specifically to examine those who were not forced to retire because of ill health or disability, but who decided to retire when they did. The topics examined focused on the decision to retire and participants' views on managing their assets after retirement. The research was limited to retirees who have some assets, but also some financial constraints. All of the participants in the focus groups have between $50,000 and $400,000 of investable assets. None have income of over $2,500 a month from rental properties and defined benefit plans. That restriction allows the research to focus on people with some financial constraints: the participants had more financially complex decisions about retirement than people with considerably higher investable assets. Groups were separated by asset level and by gender.

To further the understanding of key issues as well as changes in perception of risk, this series of surveys includes new questions with each iteration, and not all questions are repeated from year to year. For a balanced perspective, the discussion sections in this report include input from representatives of all organizations that supported the studies and material from other related research.

Report Organization

This report provides the response to selected questions from the 2013 Risks and Process of Retirement Survey. For each question, the results are provided with a brief explanation, and for most of the questions, a quotation is provided from the focus groups to give life to the experiences of American retirees. It should be noted that the survey includes both retirees and pre-retirees, but the focus groups included only retirees. Commentary from the Project Oversight Group is provided. The responses to the questions and the commentary are also supplemented by perspectives from some of the SOA's Project Oversight Group members.

Perspective on the Risk Survey Series

The SOA has conducted seven post-retirement risk surveys as well as two rounds of focus groups in its exploration of the period nearing and after retirement. The 2013 online survey followed six rounds of telephone surveys. Focus groups in 2013 and in 2005 helped the research team structure the survey.

Overall, there is much consistency in the results of this work, and there are some main conclusions that have emerged:

- Pre-retiree expectations often do not line up well with the actual experiences of retirees. There is an opportunity to provide more information to people and enable them to have more realistic expectations.
- Inflation, health care and long-term care consistently are among the risks retirees and pre-retirees are most concerned about. There are several risks that the Project Oversight Group views as important but retirees show little concern about them.
- Pre-retirees are often more concerned than retirees.
- Significant changes in economic conditions appear to have only a temporary change in levels of concern, if any at all.
- People actually retire at a much earlier age than people say they want to retire. In the 2013 study, the median age at which people retired was 58 compared to 65 as the median age when people said they want to retire. This is not surprising when involuntary and "pushed" retirements are considered.
- The people nearing retirement today have not really adapted to the shift to defined-contribution (DC) plans.
- There is relatively low interest in financial products for risk management except for health insurance (including Medicare supplements).
- Planning tends to be cash flow based—people make decisions based on what they are currently spending and the income they expect to receive. Many do not prepare more sophisticated, longer term planning. Planning horizons are consistently inadequate to cover the period of retirement.
- Working longer is an important strategy, but many more people say they want to do this than actually do work in retirement.
- Many people are reaching retirement age today without adequate preparation for what faces them. There are two different paths for dealing with this—help people make better decisions and be better prepared, or structure systems to be less dependent on individual decisions.
- It seems unlikely that there will be much improvement in decision making, so default options and plans that work without individual action continue to be very important.

Notes

Retirement Risk
A Snapshot of Concerns

Survey Findings

The retirement risk that most concerns both retirees and pre-retirees is keeping the value of their savings and investments up with inflation (77 percent of pre-retirees and 58 percent of retirees are very or somewhat concerned). Rounding out the top three concerns is having enough money to pay for adequate health care (73 percent and 46 percent) and long-term care (68 percent and 52 percent). Two-thirds of pre-retirees and four in ten retirees also express concern about the possibility of depleting their savings (66 percent and 41 percent) and maintaining a reasonable standard of living for the rest of their life (65 percent and 41 percent).

The hierarchy of concerns found in this survey are similar to those found in previous iterations of the study.

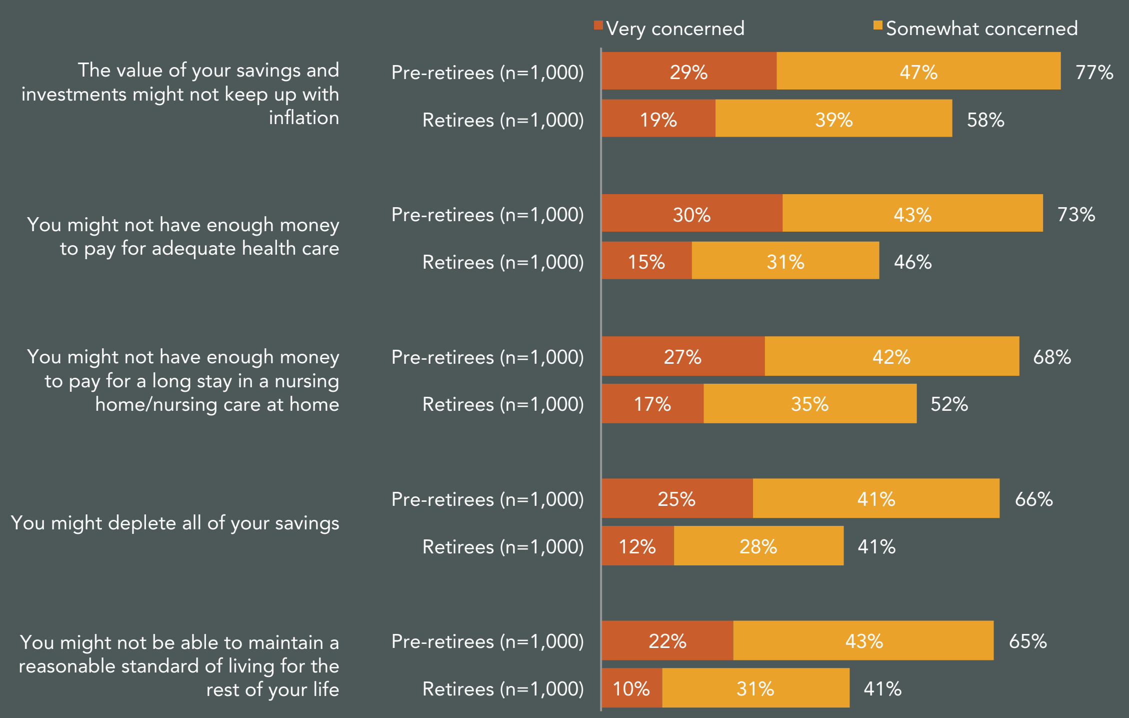
Quotes

"My main financial concern is that I don't live longer than the resources I have." Retired female, Chicago

"My main concern is the expenses I have no control over. In the past year, my long-term care insurance, my taxes, my homeowners have all gone up. I can't do anything about that." Retired male, Chicago

"My main financial concern is I am really concerned about all of our health care." Retired female, Chattanooga

How concerned are you about each of the following?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

Perceptions about Post-retirement Risks

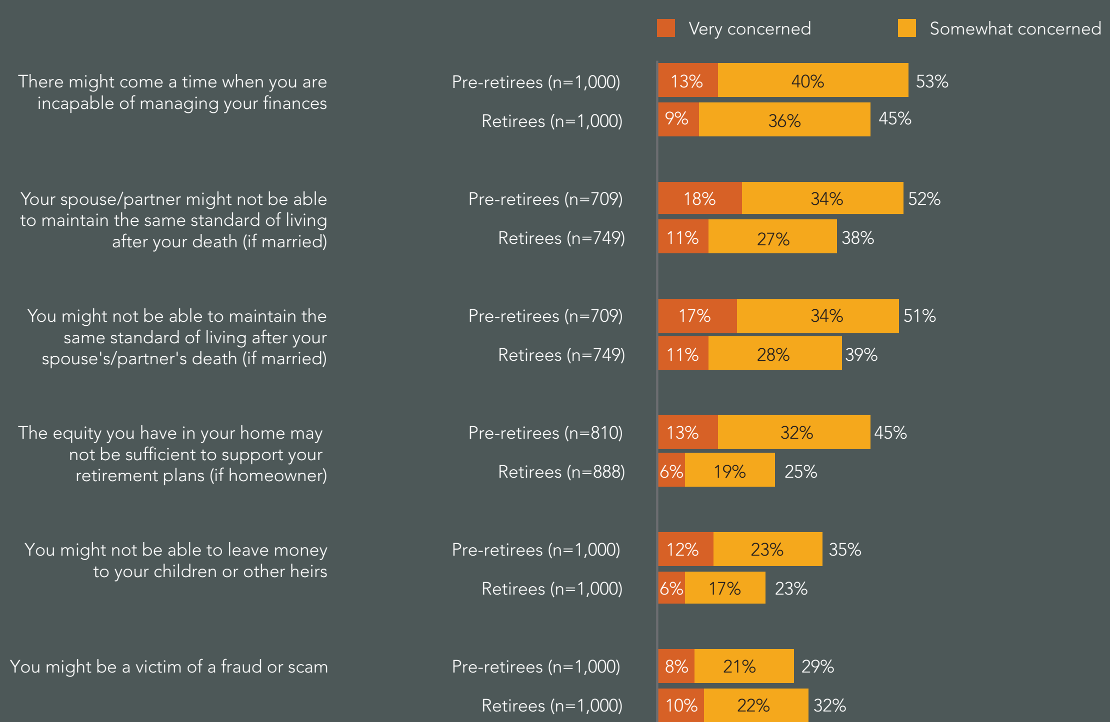
The 2013 survey and focus groups when considered together offered important insights. Even though there are many risks that face Americans in retirement and even though retirees are often on their own in dealing with these risks, many people are not too concerned about some of them. A significant number of retirees may not be aware of all of the risks. For example, there seems to be little concern or awareness about the risk of fraud or a scam.

The series of post-retirement risk surveys has consistently found that the top three risks are concerns about inflation, paying for health care costs, and paying for long-term care. Paying for health care costs is a greater concern than paying for long-term care. This is true even though Medicare pays for a substantial part of acute health care costs for Americans over age 65 and there is no parallel universal program to pay for long-term care. There is private insurance available to pay for long-term care, but the vast majority of older Americans have no such coverage

These findings can be considered together with the findings from "The New American Family" study. That study, sponsored jointly by the SOA and the MetLife Mature Market Institute, indicated that families were important to many respondents, but that they did not incorporate family assistance well in their planning. In that study, we did not find any significant differences in risk perceptions and concerns between blended families and first marriages. We found substantial differences between couples and individuals without partners.

The focus groups indicated that participants were very mixed in their awareness of and concerns about these post-retirement risks. The focus group participants were very focused on cash flow management, and managing expenses so that they could be covered by current income. They seemed much more focused on dealing with risks as they occurred than as part of specific risk management strategies that anticipate them.

How concerned are you about each of the following?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

A majority of pre-retirees, but fewer retirees, express concern about their finances.

Survey Findings

Two in three pre-retirees (64 percent) anticipate some concern about their finances in the first five years of retirement. Retirees show less concern overall about the state of their current finances, with four in 10 reporting to be at least somewhat concerned (44 percent).

They show slightly more concern about their long-term financial future. Three in four pre-retirees (76 percent), but only half of retirees (49 percent), are at least somewhat concerned with long-term financial future.

Discussion

In this survey as in prior surveys, pre-retirees have consistently shown more concern than retirees.
The members of the project oversight group who viewed the focus groups observed that a number of the men seemed unconcerned about the risks that face them. The risk surveys have consistently shown gaps in understanding with regard to post-retirement risk. Many of the retirees who lack concern have neither adequate resources nor a plan in place for risks such as long-term care.

Overall, how concerned are you about your…?

Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Notes

Most think that inflation will have a great deal or some effect on their money needs in retirement.

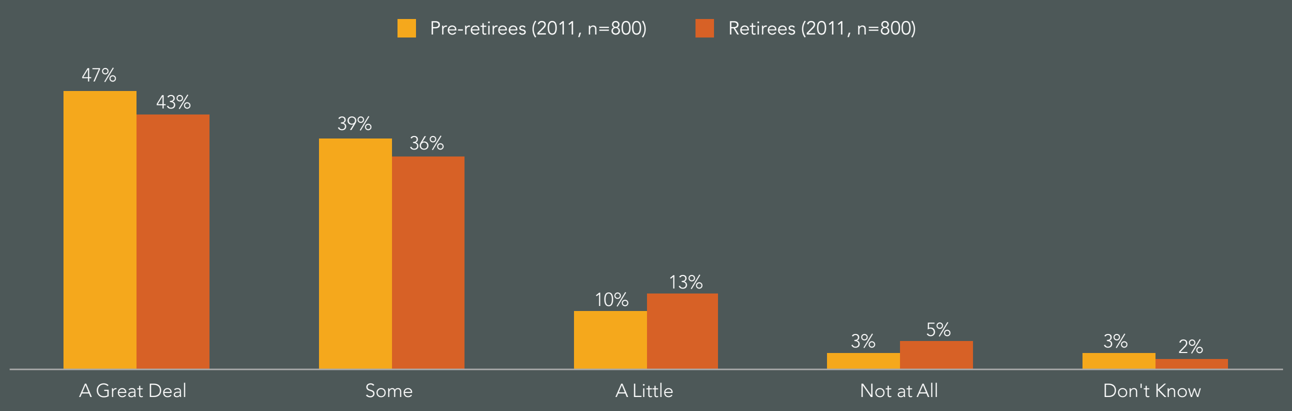
Survey Findings

More than four in 10 pre-retirees (47 percent) and retirees (43 percent) report they think inflation will have a great deal of effect on the amount of money they will need in retirement. Another four in 10 each (39 percent of pre-retirees and 36 percent of retirees) say inflation will have some effect on the amount of money they will need, while fewer than two in 10 (13 percent and 18 percent) believe that inflation will have little or no effect on the money needed in retirement.

Quotes

"Our taxes went up, the value of our home went down, so we're fighting that now because enough of that. … We go out with our friends and have a nice dinner once a week and stuff. … However, there are nights I lay there in bed and think, 'Oh my gosh, we shouldn't have gone out and spent $80 on a dinner.' That's a lot for me." Retired female, Chicago

How much do you think inflation will affect the amount of money you will need each year in retirement?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

- In spite of relatively low overall inflation in recent years, retirees remain concerned about inflation, and it continues to rank in the top three concerns. Many retirees are heavily impacted by rising out-of-pocket health care costs (including their Medicare premiums), and food and energy costs. Reduced home prices have not helped most retirees and even hurt some. (Only those individuals seeking to buy homes have been helped by lower prices, and people planning to sell homes have been adversely impacted.) However, except for Social Security, most income paid to retirees does not increase with inflation. Low interest rates have meant major reductions in some forms of investment income.
- It should be noted that one of the proposals commonly made for changes to Social Security is to change the basis for increasing Social Security benefits for current and future retirees. Currently benefits are fully indexed for changes in the cost of living (CPI). Under these proposals, the method of indexing would change, and the increases would be cut back. This would make inflation more of a problem for retirees, particularly since Medicare premiums rise at more than the general inflation level and a large part of retirement expenses are related to health care. This impact would also be compounded over time.

Notes

Few use risk-pooling strategies to manage retirement risks.

Survey Findings

As in previous iterations of the risk survey, both pre-retirees and retirees tend to focus on strategies of saving and spending to manage the risks associated with retirement. Almost all pre-retirees (95 percent) and retirees (92 percent) report they have already eliminated or plan to eliminate all of their consumer debt. Nine in 10 pre-retirees (93 percent) and eight in 10 retirees (81 percent) say they already have saved or plan to save as much as they can, while similar proportions have already cut back or plan to cut back on spending.

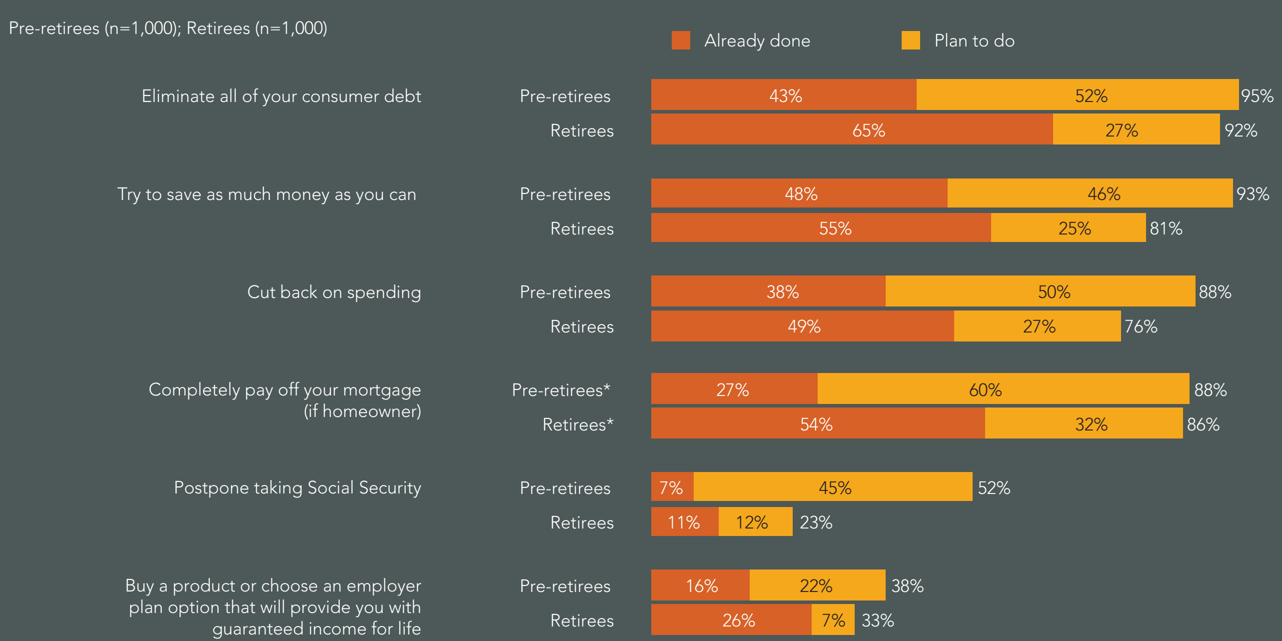
Pre-retirees and retirees are much less likely to turn to risk-pooling strategies to manage retirement risks (other than health insurance). Half of pre-retirees (52 percent) and one-quarter of retirees (23 percent) indicate they plan to or have already postponed taking Social Security. Roughly one-third each report buying an annuity or choosing an annuity option from an employer plan.

Quotes

"But you're also capable of adjusting. If you see it's getting out of hand, you can always just scale it back." **Retired male, Chicago**

"I was 63 and probably close to ½. But I lost those five friends of mine, and they hadn't collected Social Security. I thought to myself that I pretty much live the same lifestyle they did, so I probably ought to go ahead and get what I can get while I can get it." **Retired male, Phoenix**

Please tell me whether you (and your spouse/partner) have done that, plan to do that in the future, or have plans to do that.



*Pre-retirees (n=810); Retirees (n=888)

Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

- Many people do not have enough financial assets at time of retirement and during retirement to effectively use risk-pooling strategies. An emergency fund is a first priority. The focus group results indicated that many of the resource-constrained retirees in the focus groups preferred to hold on to assets, making them available as an emergency fund. They tried to not spend down their assets.
- The low use of risk management products is found both among retirees not using financial planners and those who are using planners. There is no general professional agreement or guideline about the correct way to prioritize risks and which risk to cover first.
- The focus groups indicated that participants often did not focus on longer term risk management. Many had a general strategy of trying to hold on to their assets and spend them as slowly as possible. Their approach to risk management was much more focused on dealing with things as they occurred. The participants did show an awareness of risks.
- The greater difference between pre-retiree expectations and what retirees said they did relates to Social Security claiming. Fifty-two percent of retirees report that they are considering postponing Social Security claiming, compared to 23 percent of retirees who did so or are still considering doing so. This is not surprising in light of the fact that many retirees retired earlier than planned.

Notes

Almost all are likely to try reducing expenditures before turning to other strategies if they run out of money.

Survey Findings

In the event that respondents were running out of money due to unforeseen circumstances in retirement, nine in 10 report that they would likely reduce expenditures significantly (90 percent of pre-retirees and 88 percent of retirees). Relative to reducing spending, pre-retirees and retirees are less likely to downsize their housing (74 percent and 63 percent) or use home equity to help fund their remaining retirement years (59 percent each).

Getting assistance from various sources, such as family, friends or community agencies, is among the least likely sources for emergency money. However, retired widows (not shown) are more likely than other retirees to state they are likely to turn to their children or other family members for assistance (35 percent vs. 23 percent).

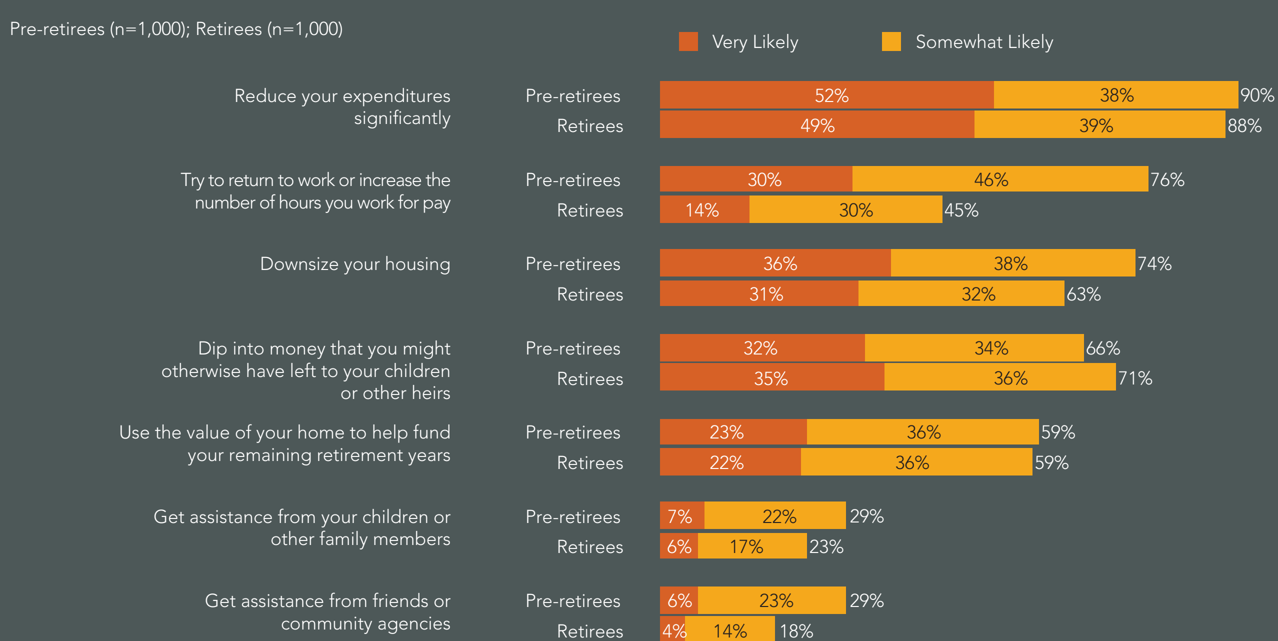
Quotes

"I think [my home is] a last resort for if I need long-term care or something like that." **Retired female, Chattanooga**

"I wouldn't want to be a burden. You say it anyway, but that's why. I wouldn't want to feel like one." **Retired male, Phoenix**

"I raised my children to be independent and to sustain for themselves and so forth, but I led that by example. If I turn around, and I may have to at some point—I hope not—but if I had to turn around it would really greatly bother me. But if push came to shove and I had no choice but to ask my son, 'Hey, I need help with something,' I would probably do it but it would not be an easy thing." **Retired male, Phoenix**

If you (and your spouse) were running out of money (in retirement) due to unforeseen circumstances, how likely do you think you would be to do each of the following?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

- This is a new area of exploration for the risk survey series.
- The focus group participants indicated that they regularly use adjustments in their spending as a way to manage to the circumstances. They showed resilience in the way they did so.
- Borrowing more is another way that some people manage. This is potentially an area for future exploration. Debt is an increasing concern.
- It should be pointed out that a significant number of people, especially widows and other single women, have no or very little income beyond Social Security.

Notes

Many pre-retirees expect to delay retirement.

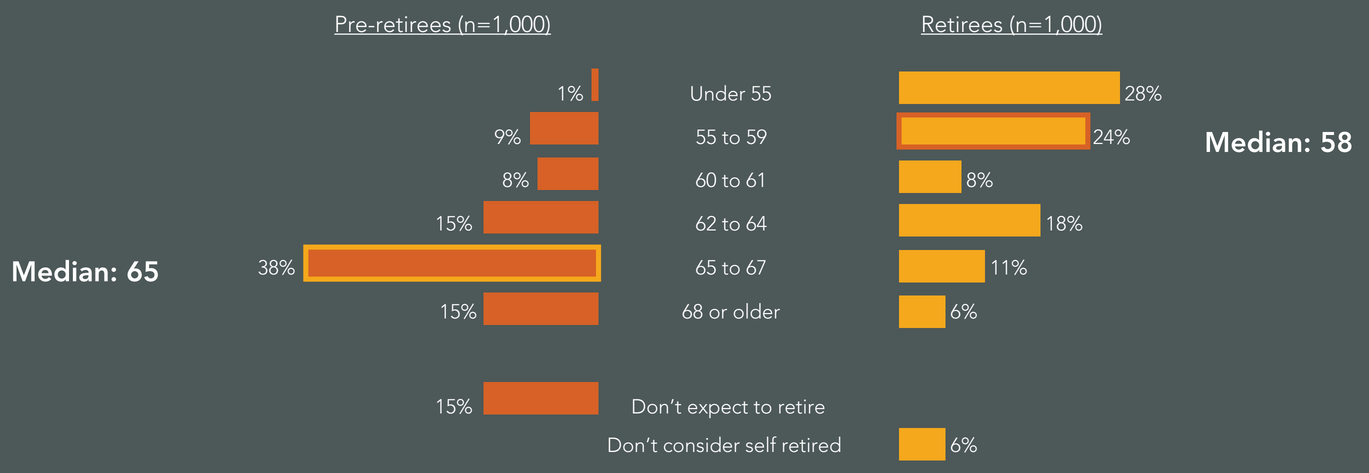
Survey Findings

Overall, pre-retirees plan to retire at a considerably older age than retirees actually retired. Although just over half of retirees (52 percent) retired before age 60, about the same proportion of pre-retirees (53 percent) expect to retire at age 65 or later. Another 15 percent of pre-retirees do not expect to retire at all.

Quotes

"Because after college you start working and I'm thinking 65 is going to be the magical number. So I've got 30 more years or I've got 20 more years or whatever. So in my mind early in my career, I was thinking it would be 65. I ended up doing it at 61."
Retired male, Chicago

At what age (do you expect to/did you) retire or begin to retire from your primary occupation?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

- These findings are similar to findings from earlier studies. Factors that contribute to earlier-than-expected retirement are involuntary retirement and "push factors" even among those who retired voluntarily. The focus groups documented that many voluntary retirees felt pushed. But from a financial and life point of view, it would be better for many people to continue working longer.
- There is a huge opportunity for employers to offer different kinds of job options and to better use the talent of older Americans. There is also an opportunity to help people better evaluate the impact of retiring at different ages, and to provide insights as to what strategies will help those who wish to stay employed.

Notes

Most retirees have not continued to work in retirement, but pre-retirees often envision themselves doing so.

Survey Findings

Only four in 10 pre-retirees (41 percent) who plan to work full time in their primary occupation the year before they retire intend to stop working for pay all at once. By contrast, the large majority (78 percent) of retirees who worked full time in the year before retiring report they actually stopped working for pay all at once.

Quotes

"I just knew that I was not going to completely retire. I knew for myself that I had to be doing something all the time." **Male, Phoenix**

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

Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

Working in retirement is an important part of retirement today for many people. Deferring retirement is an important risk management strategy. The 2013 survey, like the previous surveys, shows that pre-retirees expect to retire at a later age than retirees actually retired and the difference is considerable. There is also a significant difference between the percentage of pre-retirees who expect to work in retirement and the percentage of retirees who actually do. This is also a repeated finding.

The focus groups documented that many people have difficulty with work, which is a major factor in their decisions to retire. Some employers offer job alternatives to people who wish to work on a different basis. Many more people could probably continue to work longer if better work options were available. Work options can include phased retirement which might include partial pension payments, part-time work options available to all employees, a change in duties, the opportunity to telecommute, and others. Some work options involve seasonal and occasional work. Some employers offer snowbird options.

As the labor force ages, it will be increasingly important to the economy to have more older persons continuing to work.

Significant increases in periods of retirement also create issues. After many years of lower retirement ages, there has been a gradual increase in retirement ages in the last few years. However, life spans have increased far more than any increase in retirement ages. An expert commission in Quebec summarized the impact of changes in work life and life expectancy. In 1970, expected work life was 46 years, and expected retirement was 13 years. By 2009, expected work life was 39 years, and expected periods of retirement were 23 years. The 10-year increase in periods of retirement is the result of a five-year increase in life expectancy and a five-year decrease in expected retirement ages. Long periods of retirement are creating a major challenge with regard to the sustainability of employee benefit and social benefit programs. There are similar issues in many countries.

Notes

Most anticipate they will not live as long as the longest-living member of their family.

Survey Findings

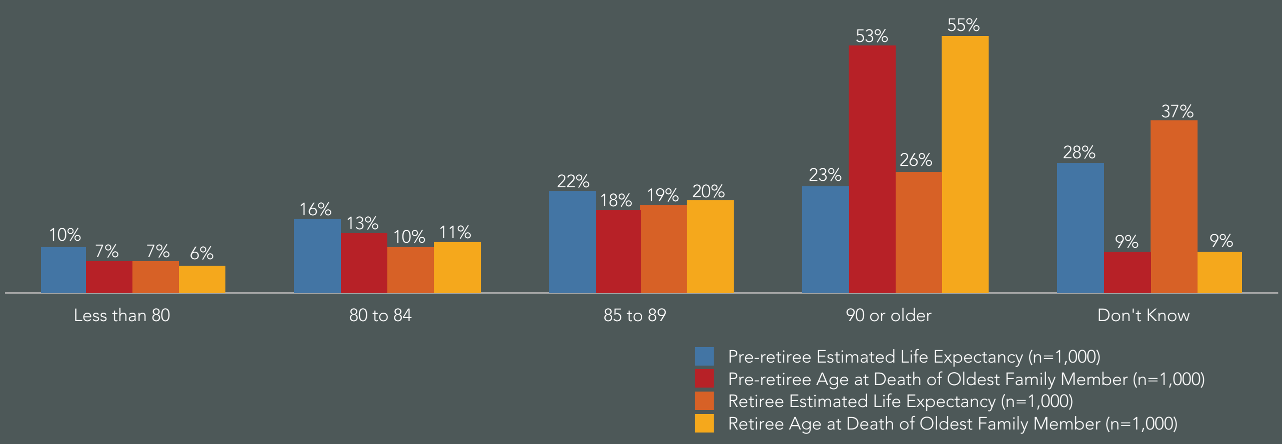
Although half of pre-retirees and retirees knew family members who lived into their 90s, few expect to live that long themselves. Only one-quarter say they will live to age 90 or later (23 percent of pre-retirees and 26 percent of retirees). Another two in 10 expect to live to between 85 and 89 (22 percent and 19 percent). A sizable percentage are unable to estimate how long they are likely to live (28 percent and 37 percent).

Quotes

"I just wrote down the numbers when [my relatives] passed away. I came up with an average. Okay, what's my general health? That's how I figured it." **Retired male, Chicago**

"It means nothing. I'm going to live to however long I'm going to live. It means nothing." **Retired female, Chicago**

Until what age do you think you can expect to live? Please think about the person you knew in your family who lived the longest. How old were they when they died?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Discussion

- Many people do not understand the variability of life spans, or realize that they might be the family member who lives long. This is a particular problem for the surviving member of a couple, and this is often the wife. Few people plan for the financial consequences of outliving their life expectancy by many years. Difficulties in retirement are much more likely to occur late in retirement particularly as physical and cognitive capacities decline.
- Changes in longevity involve many factors of better lifestyles, less physically stressful jobs, reduced exposure to harmful chemicals, improved access to health care, and advancement of health care procedures. Most people do not consider these factors when determining their life spans and how they may differ from their family members in longevity.

Notes

Many have short planning horizons.

Survey Findings

Pre-retirees and retirees generally have a planning horizon that is shorter than their life expectancy. Both pre-retirees and retirees say they typically look 10 years (median) into the future when making important financial decisions. Almost three in 10 report they have not thought about their planning horizon (27 percent of pre-retirees and 29 percent of retirees) and nearly one in 10 state they do not plan ahead (7 percent and 8 percent).

Discussion

Planning horizons are extremely important. Many people have too short a planning horizon and some do not plan at all. Either of these mistakes can lead to problems late in life. ▸▸

When you (and your spouse/partner) make important financial decisions, such as whether you can afford to retire or to purchase a new home/when you think about your retirement finances or a large purchase, about how many years do you look into the future?

Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Notes

Despite a short planning horizon, both pre-retirees and retirees report they try to plan for the future.

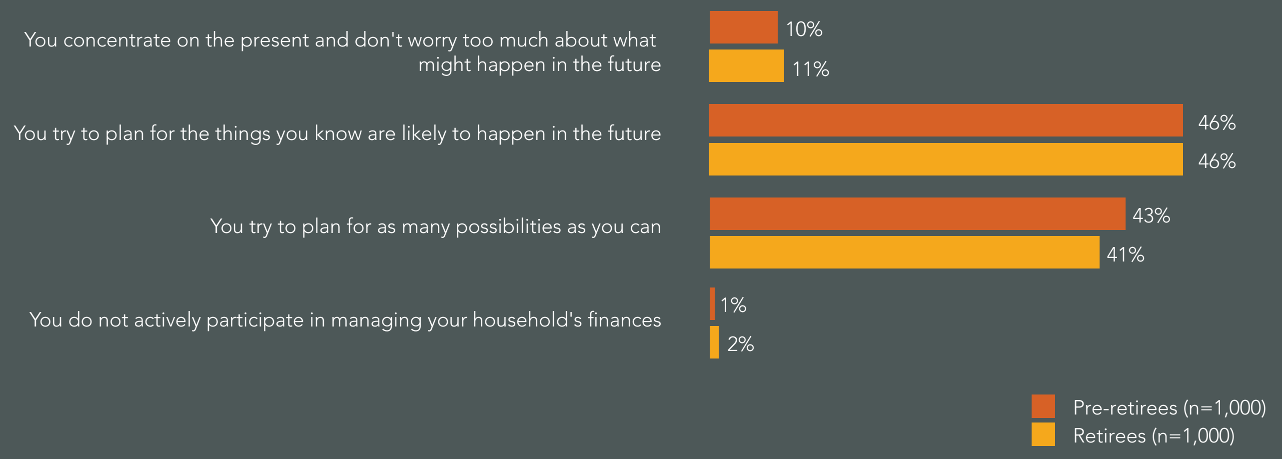
Survey Findings

Pre-retirees and retirees describe their attitude about managing finances in retirement as "planning-oriented." Roughly half of pre-retirees and retirees (46 percent for each) say they try to plan for the things they know are likely to happen in the future. Similarly, about two in five of each group (43 percent of pre-retirees and 41 percent of retirees) try to plan for as many possibilities as they can.

Discussion

We need to focus on understanding how those people who plan make decisions and what actions they take. We also need to focus on encouraging those people who do not plan to do so. For those who do plan, it is important to incentivize them to turn their plans into action.

Which one of the following best describes your attitude about managing your finances in retirement?



Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Approximately half of pre-retirees and retirees consult with a financial planner or adviser.

Survey Findings

Barely half of pre-retirees (48 percent) and just over half of retirees (55 percent) report they consult with a financial planner or adviser who helps them make decisions about their financial or retirement planning.

Discussion

This is a very troubling area. More advice is needed by many middle income Americans. Yet at the same time, some financial professionals focus primarily on asset management and are not effective at helping people with limited assets make better decisions and sort out the challenges facing them. While advice is important, it is also important that the interests of the adviser and the person getting the advice be aligned.

About how often do you (and your spouse/partner) consult with a financial planner or adviser who helps you make decisions about your retirement/financial planning and is paid through fees or commissions?

Source: Society of Actuaries, 2013 Risks and Process of Retirement Survey

Thoughts on 2013 Survey Results

BY ANNA RAPPAPORT

It is my perspective that the Boomers have a particularly bad situation when it comes to preparation for retirement because of the changes that occurred during their adult lives. As we interpret these results, we should consider some factors that will affect the situation of many Boomers. Boomers who had a reputation for redefining the world around them are the group at or currently nearing retirement age. Early Boomers had a better economic history than late Boomers because they had significantly better job options and career progress. The early Boomers blocked the career progress of many later Boomers. But there are special factors impacting their retirement outlook. The Boomers are particularly affected by the decline of Defined Benefit (DB) plans since the change took place mid-career for them. They were not prepared culturally to take the responsibility for retirement handed to them. They also did not have the benefit of having been encouraged to save during their younger years. It is likely that few expected that DB benefits would be cutback in their later years. Many probably did not focus on the long term, but some may have been led to a false sense of security by their expectations about what DB and Social Security would provide. However, later on when in their 40s and 50s they faced the reality of having their safety net reduced at the same time they were struggling with educating children and helping older parents. Some Boomer families are helping children who they had hoped would be independent, but the children are still struggling to get established.

In addition, the Boomers were also very impacted by the housing bubble. Many of the Boomers who counted on rising home values have experienced major asset losses, and of this group, many are struggling to meet mortgage obligations. Some have lost homes to foreclosure. These and other factors have also interacted to make retirement more difficult for some Boomers. The rise of debt is likely to be a factor for some. A Pew study shows that debt is increasing among older adults. Debt was compared in the original Health and Retirement Study (HRS) cohort interviewed in 1992, the War Baby group interviewed in 2002, and the Early Boomers interviewed in 2008. The percentage of people age 56-61 arriving on the verge of retirement with debt rose from 64% in 1992 to 71% by 2008.

We can gain further insights into how different cohorts are moving into and experience retirement from a recent survey. The Federal Reserve Bank has surveyed Americans age 40 and older to understand their financial experiences. The results provide insights into the use of home secured debt. They show that at ages 40-49, 15% of respondents have no home secured debt. This increases to 24% at ages 50-59, 41% at ages 60-69 and 63% at ages 70 and over. While the percentage of individuals with home secured debt drops by age, many people are entering retirement ages with such debt. (Insights into the Financial Experiences of Older Americans, July 2013, Board of Governors of the Federal Reserve Bank.)

The Retirement Future for Boomers

BY MICHAEL COWELL

A minimum necessary to keep a foothold"—FDR's promise to America's seniors as he introduced Social Security in the 1930s. Fourscore years later, a significant segment of seniors see their Social Security checks providing that bare minimum—precious little more.

What happened? The baby boomers have now reached eligibility for full Social Security retirement benefits. They are adding to the rolls of U.S. seniors at the rate of 10,000 daily—over 3.5 million citizens turning 65 each year. About one-quarter of all households headed by these seniors are living on total annual income of less than $30,000, the majority of it Social Security. While this threshold is double the federal poverty level for a family of two, for many senior couples it probably falls somewhat short of providing the "dream" retirement they had envisaged. Why are so many boomers facing retirement with little more than this bare minimum?

After World War II, the United States enjoyed half a century of unprecedented prosperity. That was when boomers were born, raised, and spent a major part of their working lives. Why do so many of them now have expectations of financial security barely improved over what their grandparents and great-grandparents faced during the depths of the Great Depression? The emphasis here is on expectations because, in absolute terms, their standards of living far exceed those of seniors in the first part of the 20th century. However, relative to the retirement prospects of their parents' generation, many boomers, especially those at the lower end of the income spectrum, report high levels of concern about their financial security.

A 2013 study by the Employee Benefit Research Institute (EBRI) documents expenditure categories for households headed by someone over 65 with income around that $30,000 threshold. It shows just how narrow the margin is between what the study terms a "deficit" and a "no deficit" budget for seniors at this income level. Costs of maintaining a home represent the largest single component of differences between "deficit" and "no deficit" households, with health care costs a distant second.

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It is hardly surprising, then, that among those retired respondents to the SOA 2013 survey with household incomes below $50,000, being very or somewhat concerned that they may not be able to maintain a reasonable standard of living was expressed by 54 percent. This percentage is half again as high as for the same concern in households with annual income above $50,000. Comparable differences in responses between income groups show up on such questions as having enough money for adequate health care or a nursing home stay, and depleting all their savings.

One major change that has affected boomers especially is the rapid decline of DB pension plans. In 1974, DB plans covered 44 percent of all workers in the private sector; today that number is below 20 percent. And while some younger workers welcomed the transition to defined-contribution (DC) plans as giving them more control over management of their retirement funding, far too few followed through by making sufficient contributions to the funds over which they had gained a measure of discretion. A separate study by EBRI in 2012 suggested that couples within 10 years of retirement should have saved approximately a million dollars, yet few seniors have anywhere close to such levels of funds to make a meaningful supplement to their Social Security benefits and whatever pension income they may have. Only 5 percent of the pre-retirees in the SOA 2013 survey admitted to having reached this amount in savings, and respondents to these surveys have tended to be more affluent than the general population.

As if these changes were not sufficiently challenging to boomers' retirement planning, the equity in their homes—the most significant component of wealth for middle-income households—took a major hit in the aftermath of the housing bubble of the last decade. For many still with a mortgage, this has left them with a negative asset instead of a source of funding on which they were counting to boost their retirement savings. Rather than approaching retirement with increasing assets and reduced levels of debt, a Pew research study in 2008 showed that 71 percent of those between ages 56 and 61 still had debt, up from 64 percent for the same age group in 1992.

Nor does it end there. A recent report from the Urban Institute documents that those younger still—the so called Generations X and Y—are even less well off than their baby boomer parents were at the same age. If they do not vastly improve their savings in advance of retirement, the report concludes, this "Lost Generation" will be even more dependent on social safety nets. Their "dream" retirement may end up as little more than that—a dream.

Profile of the Survey Respondents

The following charts summarize the demographic characteristics of the 2013 survey respondents. For a comparison to respondents from previous iterations of the survey, please refer to the full survey report available at *www.soa.org*

	Pre-Retirees (n=403) (%)	Retirees (n=401) (%)	Retired widows (n=271) (%)
Age			
45 to 54	65	13	2
55 to 64	33	34	18
65 to 80	2	53	70
Gender			
Male	48	48	–
Female	52	52	100
Marital status			
Married	65	71	–
Living with a partner	5	4	–
Divorced/Separated	18	11	–
Widowed	2	8	100
Never Married	10	5	–
Education			
Some high school or less	1	2	3
High school graduate	35	37	51
Some college, trade or business school	30	29	24
Bachelor's degree	18	15	9
Postgraduate work	4	4	3
Graduate or professional degree	13	13	10

Profile of the Survey Respondents

	Pre-retirees (n=1,000) (%)	Retirees (n=1,000) (%)	Retired widows (n=271) (%)
Employment Status			
Working	95	13	1
Retired	–	80	93
A homemaker	1	1	1
Laid off/unemployed seeking work	1	–	–
Disabled and unable to work	1	5	4
Other	2	1	–

Provide Significant Financial Support for Someone Else			
Yes	31	14	8

Home Ownership			
Own home free and clear	25	53	56
Own home, owe mortgage	57	35	24
Rent home	16	9	13
Other	3	2	6

Health Status			
Excellent	24	20	6
Very good	47	44	18
Good	23	25	29
Fair	5	9	33
Poor	–	2	15

Profile of the Survey Respondents

	Pre-retirees (n=1,000) (%)	Retirees (n=1,000) (%)	Retired widows (n=271) (%)
Household Income			
Less than $25,000	3	8	23
$25,000 to $34,999	5	9	18
$35,000 to $49,999	8	9	17
$50,000 to $74,999	18	24	15
$75,000 to $99,999	22	18	8
$100,000 to $149,999	23	16	5
$150,000 or more	15	8	1
Prefer not to say	6	10	13

Total Savings/Investments (not including primary residence)			
Less than $10,000	13	11	17
$10,000 to $24,999	6	3	3
$25,000 to $49,999	7	4	3
$50,000 to $99,999	10	7	8
$100,000 to $249,999	17	15	13
$250,000 to $499,999	18	15	11
$500,000 to $999,999	11	13	10
$1 million or more	5	12	5
Don’t know/refused/prefer not to say	13	22	29

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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 2013 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at www.soa.org.