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# Perspectives from Anna: Some Insights into the Work of the Committee on Post-Retirement Needs and Risks

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I chair the Society of Actuaries' Committee on Post-Retirement Needs and Risks (CPRNR). The committee, which started its work nearly 20 years ago, was founded on the premise that more focus was needed on how retirement resources are used and risks managed during retirement. As its work proceeded, I had several major insights that I want to share. We have also had several interesting projects in the last two years, and I will share some highlights from those as well.

## SOME INSIGHTS

*The importance of housing wealth:* For many middle-income American families nearing retirement, their home is their major asset. The CPRNR conducted two studies on segmenting the middle market and found that housing wealth far exceeded financial assets for many families. This finding has always made me want to include some consideration about housing as we discuss planning strategies. (Note that these studies did not include the value of Social Security or defined benefit [DB] plans.)

*What decisions are most important:* A large part of retirement planning is about investing well, but that only matters if you have assets to invest. For families with housing wealth and very little or no other financial assets, the big decisions are when to claim Social Security and when to retire. Figuring out how to work longer can be especially important for them. For software and advisory services to be useful, they need to focus on the issues that are of importance to the user.

*Many voluntary retirees feel "pushed":* In 2013, the CPRNR conducted focus groups with people who indicated they had retired voluntarily and were financially resource constrained. This was followed up by the risk survey. Previously we knew that there were many involuntary retirements. We learned in 2013 that many voluntary retirements were also "pushed." Reasons included unpleasant working conditions, family needs and health challenges.



*More people expect to work in retirement than actually do:* Working in retirement can be difficult, but either retiring later or working in retirement are important ways for people with limited resources to improve their retirement security. The chances of being successful with work in retirement are greatly enhanced if people maintain skills and contacts, are willing to accept reduced roles and responsibilities, and have a strategy to stay employable. Phased retirement is of interest to employees but not often used by most employers. Part-time jobs are more widely available, but it is hard for older persons to get jobs. This is an area that needs work. For some people, this issue is just as, or more important than, learning about investments.

*Retirement planning means different things to different people:* As an actuary, when I think of retirement planning, it seems automatic to think about long-term, rest-of-life risk and contingencies and the time value of money. There are differences among actuaries about which risks are important and how to measure them, but generally they embrace these ideas. I was surprised to learn that for some people (probably without quantitative backgrounds), planning is very different. In three different sets of focus groups, the CPRNR heard from individuals for whom planning meant a cash flow forecast that focused on their "regular bills" and "income." If they could pay their regular bills, that was their goal. For some of them, it was short term and not long term. For others, when the issue of risk and uncertainty was raised, the response was, "I will deal with it when it happens." The gaps in planning are bigger than I imagined, and this goes hand in hand with the goal of not spending down assets.

*Many people do not want a plan to spend down and use assets:* The CPRNR has been very focused on the question of how one might systematically use assets over the retirement period and

not use them up too fast. The committee has discussed lifetime income and other spend-down strategies. Most recently, it has sponsored a project looking at the application of efficient frontier theory to retirement income. But, in focus groups, some of the participants have indicated that they want to hold on to assets. They do not embrace any spend-down plan, and they are withdrawing the required minimum distribution from their tax-protected retirement funds only because they are required to do so. In addition, some do not consider these withdrawals, when spent, a spend down of assets since the withdrawal is required.

*Shocks and unexpected expenses include a wide variety of different items:* The 2015 focus groups and risk survey focused on financial shocks and unexpected expenses. The most common concerns mentioned in the focus groups were unexpected home repairs and dental expenses. I supposed that if people could anticipate that they would have these expenses, then they could set up reserves for them. But some people view items that are not part of their regular monthly payments as unexpected expenses.

Working with the CPRNR has been a path of discovery and insight for me. It has been interesting, and I have learned a lot. Unfortunately, solutions for middle-income retirees remain difficult.

## UPDATE ON COMMITTEE WORK

New topics chosen for exploration in 2016 are:

- Research on people late in life (85 and over)
- Concepts of retirement adequacy
- Financial wellness issues pre-retirement (as it impacts security in retirement).

I also want to share with you an update on some of the recent projects of the CPRNR.

*Focus on advice:* About two years ago, the CPRNR started to focus on how advice fit within employee benefit programs. It had become clear that there are major gaps in planning and that the employer can provide the best opportunity for the average individual to gain access to advice. An article in the last *Pension Section News* provided insight into activities related to advice.

*Focus on lifetime income:* The CPRNR has conducted several projects related to lifetime income in partnership with the Stanford Center on Longevity. An article in the last *Pension Section News* also provided insight into these activities.

*2015 risk survey and focus groups:* Complete reports containing these results are now available. During 2016, the CPRNR will be working on special topic reports from the 2015 risk survey. There will be a new risk survey in 2017.

*Diverse risks call for essays:* This project attempted to move forward the CPRNR focus on solutions. It is discussed elsewhere in this issue, and the prize-winning essays are included.

*Retirement literacy and longevity:* A project on retirement literacy is currently underway, as is one on communicating longevity concepts.

All of the work of the Committee of Post-Retirement Needs and Risks is available at <https://www.soa.org/research/research-projects/pension/research-post-retirement-needs-and-risks.aspx>. ■



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