Aging and Retirement

Will Retirement Change Due to COVID-19?

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Notions about U.S. retirement plans, expectations, and living have undergone changes large and small for the past 100-plus years. Will COVID-19, the disease caused by the novel coronavirus, trigger a new round?

Based on certain changes that have already occurred, the short answer is yes. But COVID is still active at this writing so the crystal ball is cloudy about the nature and extent of future impact. It goes without saying that COVID has and will impact numerous aspects of retirement as well as those who deliver retirement-related products and services. This essay looks at a few likely candidates to make the case that this is an area to watch closely. Changes that seem inconsequential today could become dominant in the not too distant future.

The subject merits inquiry because this pandemic has hit older U.S. adults especially hard. U.S. deaths involving COVID for ages 55+ represented roughly 92.6% of total COVID deaths in the U.S. at all ages in early 2020 (February to June). This is based on nearly five months of data from the National Center for Health Statistics (NCHS), a part of the Centers for Disease Control and Prevention (CDC). (See Table 1 for specific dates and death tallies.)

Table 1
COVID-19 DEATHS IN THE U.S. (PROVISIONAL)
FEBRUARY TO JUNE 2020

Start	End	Age	Total COVID Deaths Age 55+	Total COVID Deaths All Ages
02/01/2020	06/20/2020	55+	100,000	107,997

Data extracted from the National Center for Health Statistics on 6/24/2020 at https://data.cdc.gov/NCHS/Provisional-COVID-19-Death-Counts-by-Sex-Age-and-S/9bhg-hcku
Note: Other data sources may present slightly different totals, depending on dates and data collection approaches used..

The Big Picture

Many people in the age 55+ demographic have already experienced countless changes, small and large, due to COVID. The smaller changes range from dealing with cancelled doctor's appointments and too-long separations from family and friends, and the bigger changes include long-term hospitalizations, loss of benefits and job, and grief and turmoil following COVID-deaths of spouses and other loved ones.

Still other changes include the mandates and requests aimed at helping stop COVID spread. These include stay-at-home orders and shutdowns; physical distancing, masking and hand-washing recommendations, size limits on congregating, travel constraints, work furloughs and more.

Many changes have altered schedules, finances, routines and expectations of people and institutions across the country, including those of older citizens. Some, such as the changes discussed here, might stick once the pandemic subsides. If so, the retirement landscape in financial services might look and act differently than before.

The Tech Effect

A number of COVID-related changes in financial services tend to be technology-infused or technology-led. In my community, for instance, the arrival of COVID seems to have spurred many pre-retirees and retirees to accept tech-based products, services, and features previously ignored. Sometimes the uptake occurred in just a few weeks, particularly among seniors who saw a compelling advantage for doing so. I have heard similar reports from people in other parts of the country.

This can be useful information to keep in mind when financial professionals are considering if and how to reach out to older consumers about new tech-enhanced offerings in the post-COVID era.

> Cyber-risk reminder*: Pre-retirees and retirees may be especially vulnerable to hackers due to inexperience with technology and/or various medical conditions. This means tech-related products and services for this market need strong cyber-risk safeguards.*

Now for a look at financial services changes that arrived in the COVID era, ones that might alter the retirement experience in the post-COVID era. These are arranged by developments affecting individuals, employee benefits and advisors.

Individuals: Online Video Conferencing and Mobile Banking

CONFERENCING

Before COVID arrived, the main users of online video conferences were businesses, governments, medical facilities, some schools and other organizations. They increasingly relied upon video conferencing for meetings, training sessions, education, and seminars. After COVID stay-at-home orders came down, however, houses of worship, local societies, community nonprofits, clubs, and friends-&-family groups joined in. Initially, they did video conferencing to stay in touch with their networks, but soon they started hosting video meetings, programs and events too.

Then came the retirement community surprise. By mid-spring 2020 (in my locale), many pre-retirees and retirees started using video conferencing to connect with faraway children and grandchildren who could not visit due to COVID. Next came video appointments with doctors (telehealth), video consults with attorneys, and video meetings with insurance and financial reps. Some in this 55+ demographic say they've also begun attending video conference lectures and performances, a few adding they "even ask questions in the chat box."

Industry data on video conferencing uptake by the age 55+ market is tough to find, probably because the increase in use is still very new. Still, a Harris Poll in pre-COVID 2019 found older people were already interested. Commissioned by Boston-based American Well, a telehealth platform, the study found that 73% of seniors who are willing to try telehealth said their key reason was faster service.

It looks as if COVID has provided another reason. For many older people, the ability to see/talk on screen with those they cannot currently visit with in person is a powerful incentive.

> RETIREMENT IMPACT: Removes barriers to communication with significant others, helping older people maintain family connections and keep important financial and medical appointments

MOBILE BANKING

Something similar has happened with mobile banking. With COVID restrictions in place, some older people found themselves confined at home with checks to deposit and other banking matters to address. They knew that online banking and telephone calls could help with much of that. But what about depositing those checks? Should they mail them to the bank? Sign them over to a vendor? Tuck them away until lockdown ends?

Some banks caught wind of the concerns and began sending out messages that customers can bank at home, including making check deposits, via the bank's "mobile app."

Would older people do that? I wondered. Several told me they did indeed use their mobile banking app for check deposits. Two said they had started using their respective apps a year or more ago; they said their COVID shutdown experience has bolstered their desire to continue doing so. Banking industry data shows the apps are mostly used for functions other than check deposit, but that older age customers are increasingly using the apps for other banking functions.

> RETIREMENT IMPACT: Simplifies and speeds up banking for older people who cannot otherwise get out, reducing their worry and improving money flow to and from others

ASSESSMENT

The two commentaries above demonstrate that retirement age customers can and do use tech enhanced products and services when it helps them solve problems. How can the insurance and financial sector leverage that knowledge for the post-COVID world?

Certainly, video conferencing might work well going forward, given its higher profile today. Even if younger people lose some interest, older people will probably continue since the technology means they can keep in touch with family, financial concerns and others without driving and without concern for weather conditions, health problems and time constraints. In the financial sector, advisors and tech firms are already scoping out how to leverage that perspective by making video conferences one of their service “offerings” for older clients.

In the high net worth market, eyes are on refining video conferences for team discussions between client, bank, rep, estate planner and/or attorney. In hospitals and care facilities, use of video conferences between critical-level patients and others (family, religious, financial, bank) are getting a close look, especially because of COVID restrictions on visitation.

In the investment sector, mobile apps are already at the very core of fintech operations, but these firms are now updating their technology to support continued usage with new features.

Employee Benefits

Will pensions continue to decline in number or will they reconfigure post-COVID, perhaps as a niche product for distinct markets? Will 401(k)s stay viable or will the post-COVID national workforce numbers be so low that they force plan redesign or spur alternatives? What will happen to IRAs, health care plans, health savings accounts, etc.? The benefits world sees constant change, so speculation in such areas is only that—speculation—except for one thing: Retirement will be affected, whatever happens.

In terms of COVID-driven change, one area getting attention right now is the possibility of defaults on loans from employer-sponsored 401(k) retirement plans. This includes loans taken out under provisions in the CARES Act, the sprawling March 2020 stimulus act that includes favorable loan provisions for plan participants suffering from COVID or the financial consequences of COVID. Borrowers generally must repay their outstanding balance on their COVID loan within 6 years. The concern is those who cannot do so risk default which can be costly for all concerned.

To address this, some experts are recommending that providers add some new provisions to their 401(k) plans that would help them better manage the risk of loan defaults at the business level. Others are developing new options for plan participants. It will take a while to flesh these things out, but it is clear that COVID’s arrival has already impacted 401(k) loan activity, spurring efforts to help avert harmful default consequences in the future.

> RETIREMENT IMPACT: Continued changes to retirement plans, including tweaking the plan provisions and adding options in ways designed to mitigate and/or avert loan default

Advisors

Personal financial advisors in the retirement market have had their hands full as they cope with COVID-related changes. They are not only adjusting to health safety restrictions affecting their practices but also helping clients, especially older clients, with financial consequences of the disease as these relate to insurance, investments, retirement plans, financial planning and other areas.

Some advisors are themselves approaching retirement age and are weighing whether to leave now or carry on until the post-COVID period arrives. Finding a retirement planning successor could be problematic, however, since the advisor ranks have been declining for several years. Today, active advisor numbers nationally are said to run in the 250,000 to 350,000 range, depending on data sources and specific advisor classifications. Ten years ago, the range often cited was double that. Some advisors may not even engage in retirement planning and advice, reducing even more the number who may be available to become successors.

Table 2
QUICK FACTS: PERSONAL FINANCIAL ADVISORS

2019 Median Pay	$87,850 per year $42.24 per hour
Typical Entry-Level Education	Bachelor's Degree
Work Experience in a Related Occupation	None
On-the-Job Training	Long-term on-the-job training
Number of Jobs, 2018	271,700
Job Outlook, 2018-28	7% (Faster than average)
Employment Change, 2018-28	19,100

Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook,* Personal Financial Advisors, on the Internet at https://www.bls.gov/ooh/business-and-financial/personal-financial-advisors.htm (visited June 15, 2020).

Many factors have contributed to these advisory trends, not just COVID. But advisors making the stay-or-go decision while COVID continues could definitely impact the retirement future either way. For instance, if an advisor decides to retire now, clients will be forced to shift to a new advisor of unknown expertise and strategies and with unknown impact on their retirement plan and future. If many advisors reach the same decision, more retirement clients will be affected. If the advisor decides to stay, what are the chances the firm will survive the economic effects of COVID? This raises the same question about clients: What will happen to their retirement?

Then again, some observers wonder whether more advisors are even needed today and in the future, given the rise of technology firms that fill the need for certain products and services.

> RETIREMENT IMPACT: Potential for influx of new retirement advisors or new types of retirement delivery services and/or client uncertainty about who to consult going forward

Conclusion

As noted earlier, this discussion covers only a few examples of COVID impacts that may alter retirement in the future.

When deciding whether and how to adapt existing products and services accordingly, financial industry experts might want to explore whether certain terms that professionals use in retirement discussions are clear enough for the public to understand. A recent conversation with a curious pre-retiree provides a case in point:

“What does the term ‘post-retirement’ mean,” asked an analytically-minded fellow. “Huh?” I responded, thinking the answer was obvious. “Well,” the gentleman said, “there is ‘employment’ when you are still working, and there is ‘retirement’ when you are older and no longer working. So does ‘post-retirement’ refer to returning to work after you’ve been in retirement for a while? Or does it mean…death?”

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Relevant SOA Resources

Impact of COVID-19 on Retirement Risks is a 2020 report from the Society of Actuaries that looks at how COVID-19 is impacting numerous retirement-related risks. This SOA report is informed by numerous retirement experts who participated in an extensive online discussion on the topic.

Society of Actuaries Research Brief: Impact of COVID-19, also published in 2020, provides an extensive macro-level view of COVID-19 impacts on the broad insurance industry, complete with statistics, charts and insights from retirement experts.

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