

August 2022
Volume 24, Number 1

THE RETIREMENT FORUM

Published by the Retirement Section of the Society of Actuaries



The Retirement Forum, published on an ad hoc basis by the Retirement Section of the Society of Actuaries (SOA), publishes full papers that will stand the test of time and are likely to prompt debate and discussion among actuarial professionals. It is made available on [SOA.org](https://www.soa.org) without charge.

The Retirement Section Communications Team makes the final determination about which papers are suitable for publication. Information concerning the make-up of this committee can be found at <https://www.soa.org/sections/leadership/ret-sect-com-team/>.

Comments on any of the papers in this issue of *The Retirement Forum* are welcome. They will be published in a future issue of *Retirement Section News*. Please submit them to ssiegel@soa.org. Comments should be submitted in a Word document. Text should be left-justified and in 12-point font. Formatting should be kept to a minimum. All comments will include a byline to give you full credit for your effort.

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Editor's Introduction

By Esther Peterson

Why is retirement planning a challenge and how can we equip ourselves and our communities to face that challenge? Individuals make decisions about how much to save for retirement and when to retire, how to use their funds in retirement and what approaches to use to protect against risk. Employers navigate their role in preparing employees for retirement. Financial advisors align short-term and long-term financial goals of their clients with expected cash flow needs during retirement years. Retirement actuaries work with employers, the financial services industry and the policy community to support financial security in retirement for everyone. All of these individuals and entities face complex challenges which include communication, planning comprehensively for the short term and long term in retirement, the uncertainty of post-retirement risk and often the inadequacy of assets for the duration of retirement.

Over the past twenty years, the Society of Actuaries has done extensive research on the post-retirement period and post-retirement risks. The research included a series of surveys of public knowledge and perceptions, focus groups and in-depth interviews, calls for essays and a variety of other studies. Since 2017, Anna Rappaport has been writing a series of topical reports for the *Society of Actuaries Research Institute* highlighting key findings that are touched on in multiple studies and that continue to be relevant today. This edition of the *Retirement Forum* on Macro and Micro Retirement Planning focuses on three of these reports and includes comments from various contributors along with responses to these comments by the author.

“How People Plan for Retirement” identifies common planning practices and compares how plans differ from reality. It discusses the implications of these disparities and how they can become better aligned with a long-term perspective.

“Women and Post-Retirement Risks” looks at how certain risks are a greater concern for women than for men due to their role as family caretakers, lower retirement resources, generally living longer and having longer expected periods of disability.

“Family is Important for Retirement Security” analyzes the role that family plays in addressing a wide range of issues for individuals as they age and lose the ability to care for themselves.

Each report concludes with tips for how to respond to the research.

On behalf of the Society of Actuaries Retirement Section, I would like to thank the authors for their contributions. I thank Dana Anspach, Vickie Bajtelsmit, Carol Bogosian, Phyllis Borzi, John Cutler and Paula Hogan for sharing their expertise and pertinent comments on the reports. They represent perspectives from highly accomplished actuaries, financial advisors, attorneys and economists. They have worked in the private sector advising individuals, in financial service companies, in the policy community and as professors. Collectively, they have a very broad range of experience in what works well—and what does not—in addressing retirement risks. Their collaboration has added an important dimension to understanding the research.

The Society of Actuaries continues to actively engage in research pertaining to *aging and retirement*, as summarized in several *reports* each year that are accessible on SOA.org. These reports can be used to understand our own needs and the needs of our communities. For financial advisors and retirement

actuaries, they provide a framework for planning, consulting, and working toward a future where more needs are met.

We invite you to read the 2022 *Retirement Forum*!

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How People Plan for Retirement

By Anna Rappaport

In This Report

BIENNIAL RISK SURVEYS

2001–2017 Risks and Process of Retirement Survey. Each survey includes topics of special focus.

2015 Risks and Process of Retirement Survey: Key Findings and Issues, Spending Patterns and Debt, Society of Actuaries, 2016

2015 Risks and Process of Retirement Survey: Key Findings and Issues, Shocks and Unexpected Spending in Retirement, Society of Actuaries, 2016

FOCUS GROUPS AND IN-DEPTH INTERVIEWS

Post-Retirement Experiences of Individuals 85+ Years Old (2017)

Post-Retirement Experiences of Individuals Retired for 15 Years or More (2015)

The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups (2013)

Spending and Investing in Retirement: Is There a Strategy?, Society of Actuaries, LIMRA and INFRE (2006)

CONSUMER INFORMATION

Managing Post-Retirement Risks (a guide to the risks)

Managing Retirement Decisions Briefs

ESSAYS AND PAPERS

Diverse Risk Essay Collection

Financial Wellness Essay Collection

Managing the Impact of Long-Term Care Needs and Expense on Retirement Security (monograph)

SEGMENTING THE MIDDLE MARKET—PHASE I UPDATE TO 2010 DATA MEASURES OF BENEFIT ADEQUACY

Originally published in slightly different form as Anna Rappaport, *How People Plan for Retirement*, © 2017 by The Society of Actuaries. All rights reserved.

How People Plan for Retirement

Managing retirement security in the United States has been increasingly challenging for all stakeholders. Major factors contributing to these challenges include a growing older-age population, the shift from defined benefit to defined contribution plans and significant gaps in financial literacy. These factors contribute to a growing concern about how well Americans will fare in old age and the adequacy of their retirement security.

The Society of Actuaries' (SOA) Committee on Post-Retirement Needs and Risks (the Committee) has been working for nearly 20 years to identify and understand the way Americans manage their finances post-retirement. This research work includes a wide-ranging exploration of post-retirement risks through surveys of the public; focus groups and interviews; and collections of essays, research papers and other research reports covering related topics.

This report focuses on how people plan. It offers highlights and key findings from the 20 years of committee research and related SOA work, together with guidance about where to find more information. This report focuses on planning and risk management and how individuals approach these tasks.

The intended audience for this report includes retirement experts; plan developers and service providers; and those who serve individuals, including employee benefit plan sponsors, advisors and financial services organizations.

The SOA Post-Retirement Needs and Risks research includes several projects that look at how people plan for risks in retirement. Insights into how people plan can be found in several sets of focus groups and in-depth interviews:

- The 2013 focus groups provided insights into planning by relatively recent retirees.
- The 2015 focus groups provided insights into those retired 15 years or more.
- The 2017 in-depth interviews focused on retirees age 85 and older.

Biennial risk surveys since 2001 have provided input on how retirees and pre-retirees view risk.

The research consistently shows gaps in knowledge and a lack of long-term planning. Retirees are often very aware of current regular cash flows and careful about regular spending. While some may overspend, others underspend and none demonstrate major extravagant purchases. Retirees have demonstrated flexibility. They seem very willing to reduce expenses and seem to be satisfied after making such adjustments. Essays, public information and other SOA research provide ideas about how to deal with these issues.

This report will describe key findings from the post-retirement risk research, present some ideas from the essay collections and share other SOA research reports. It is part of a series that offers highlights and key findings from the 20 years of research, together with guidance about where to find more information.

ACCESSING THE RESEARCH:

The full reports from all work of the Committee can be downloaded from the Aging and Post-Retirement Research page on the website at <https://www.soa.org/research/topics/aging-ret-res-report-list/>

For more detail on the risks and why they are important, please visit <https://www.soa.org/research/topics/research-post-retirement-needs-and-risks/#decisions>.

Risks and the Reality for Retirees

The reality faced by retirees sets the stage for retirement risk management. It is important to recognize that the reality faced by new retirees is shifting. Some important things to think about include:

- Many people are not knowledgeable about retirement planning. Some are unable to do basic math required for budgeting, and more do not have enough knowledge to understand the impact of investment returns over time.
- Middle-income retirees have substantially more nonfinancial assets (e.g., home equity and automobiles) than financial assets (e.g., 401(k)s, savings accounts, stocks and bonds). For married households in 25% to 75% of all households, nonfinancial median assets were 65% of the total, and for middle-income singles, nonfinancial median assets were 80% of the total. Couples have more financial assets than single persons, and some people have little or no financial assets.¹ Investment risks do not apply to those without financial assets. Which risks are important varies greatly depending on asset level.
- For people without many assets, retirement timing is particularly important. Social Security is often the only or the major retirement income source for middle- and lower-income Americans, and working longer and claiming Social Security at a later age means more monthly income.
- Many people retire earlier than planned. While some people retire involuntarily, that is only part of the story. Many people who retired voluntarily feel they were pushed into retirement.² The 2017 Retirement Risk Survey indicates that pre-retirees are expecting to retire at a mean age of 65, whereas retirees surveyed had retired at a mean age of 58.³ Major forces driving retirement earlier than desired include difficult work environments, family members needing help and health challenges.
- Many people do not have adequate emergency funds as they enter retirement. Many people also enter retirement with mortgage or other consumer debt.
- There has been a major decline in defined benefit (DB) plans over the past 25 years and a shift to defined contribution (DC) plans has often been accompanied by a decrease in the level of benefits for longer service employees. While DB plans often have embedded longevity and long-term disability protection, DC plans generally lack such protection. Long-term disability is a major threat to retirement security in this environment.⁴
- Ages at exit from the labor force are slightly rising. More people are working either part-time or full-time as part of retirement and even more are expecting to work. Currently, however, many more people expect to work in retirement than actually do.
- Average American families will often need to reduce their standard of living in retirement.

The Voices of Retirees: Focus Group/Interview Quotes

The focus groups provided insights into issues faced by individuals and how people think about those issues.

The 2015 SOA Focus Group research sampled views of long-term retirees (retired 15 years or more) who were in the broad middle range of financial assets: those with investable assets between \$50,000 and

¹ Data is from the SOA's *Segmenting the Middle Market: Retirement Risks and Solutions—Phase 1 Report Update to 2010 Data* (2013). These studies analyzed the Survey of Consumer Finances and showed that for middle-income retirees (25% to 75% of all households), nonfinancial assets were much larger than financial assets, and for mass affluent (75% to 85% of households) retirees, nonfinancial assets were still more than half of total assets. Analyses were performed using the 2007 and 2010 surveys. It was decided that the conclusions would not change with the 2013 updated data, so the analysis was not repeated. This work provides a vital big picture of the resources of middle-income Americans.

² Retirement decisions were a major theme of the SOA's 2013 focus groups with recent retirees. They were also a topic of focus for the 2013 Risk Survey.

³ The last few surveys showed a 5- to 7-year spread between the age at which individuals retired versus what pre-retirees expected.

⁴ Risks do not go away with the shift to DC plans, but risk protection may. Areas where risk protection is lost include protection against pre-retirement inflation risk, longevity risk and some protection against disability risk. The problems are magnified by low awareness of some of these issues. For more information, see Society of Actuaries, *Diverse Risks Essays* (2016), Rappaport, Anna, "Thinking About the Future of Retirement."

\$350,000 in the United States and Canada. By interviewing people who have been retired for 15 years or more, the SOA was able to learn how these people are experiencing the financial challenges they face and how they have responded to these experiences. The researchers supplemented the focus groups by conducting in-depth interviews with children of individuals who needed long-term care, but who were otherwise similar.

The SOA report includes both the focus groups and interview results. Here are some of the participants' comments:

I mean, who is going to go first—my money or me?—Female, Baltimore, MD

Long-term care insurance, which I've had for many years for my husband and myself, has gone up so much recently that it scares me.—Female, Baltimore, MD

*My medical keeps going up and up and up. I get a deferred pension, but they keep taking more and more each year out of my pension for medical. Right now it's like \$400 or \$500 a month out of my pension.
—Male, Dallas, TX*

HIGHLIGHTS OF PUBLIC PERCEPTIONS AND KNOWLEDGE

The SOA risk research findings appear in two major studies, as follows:

- In 2017, the SOA post-retirement risk research consisted of four components—the Survey of Post-Retirement Risk and the Process of Retirement (surveying U.S. pre-retirees and retirees), in-depth interviews looking at experiences of U.S. and Canadian individuals who were age 85 or older and were resource-constrained, a small sample survey of age 85 and older individuals, and a small sample survey of adult children of age 85 and older individuals.⁵
- In 2015, the SOA post-retirement risk research consisted of three components—the Survey of Post-Retirement Risk and the Process of Retirement (surveying U.S. pre-retirees and retirees), focus groups looking at experiences of U.S. and Canadian individuals who had been retired 15 years or more and were resource-constrained, and in-depth interviews with caregivers of people who needed substantial care and would have generally fit into the focus group population.

A major finding from these studies, when viewed together, is that planning often tends to be short term and cash-flow focused. In addition, many people do not focus on risk or plan for financial shocks.

The findings from the 2017 SOA post-retirement risk survey⁶ regarding risk concerns and risk management are generally consistent with prior years' surveys. However, pre-retirees and retirees are generally more concerned in 2017 than they were in 2015.

Some highlights of the survey results are as follows.

RISK CONCERNS

- The top concerns regarding post-retirement risks are inflation, health care expenses and paying for long-term care.⁷ These top concerns have appeared consistently in repeated iterations of the survey, although the priority of each concern changes. 2017 was the ninth biennial survey.

⁵ This report considers the risk survey and in-depth interviews only. The small sample surveys were not available at the time of the report.

⁶ Note that this research covers pre-retirees and retirees, and that the age range is 45 to 80.

⁷ Note that the risks covered by an individual's benefit plans and those considered most important vary considerably with level of assets, employee benefits and personal situation.

- Pre-retirees continue to be more concerned than retirees about most risks. This has been true for many iterations of the survey. The focus groups and interviews also indicate that as retirees have been retired longer, they become less concerned. This progression is evident among recent retirees, individuals retired 15 years or more and retirees over age 85.
- Retirees and pre-retirees seem to have relatively little concern about some important risks such as fraud. There also seems to be little awareness of the likelihood of retiring much earlier than expected.

RISK MANAGEMENT

- The top risk management strategies used are similar over time. They are reducing spending, increasing savings, and paying off debt. These strategies can work for dealing with modest short-falls and one-time unexpected items, but they are usually not adequate to handle big risks such as major long-term care events or the accumulated effect of multiple shocks over time.
- As in prior years, risk protection products, other than health insurance, are not used very often. Note that the costs of possible long-term care are much greater than is usually recognized.
- Many more pre-retirees say they expect to work longer than retirees actually did.

PLANNING FOR RETIREMENT

- There continue to be gaps in planning and the use of shorter planning horizons at retirement than are recommended for comprehensive planning.
- Planning is often cash-flow focused, where the retiree or pre-retiree looks at current regular expected expenses and regular income, and tries to cover expenses with regular income. They often do not factor in the potential for unexpected or unpredictable expenses. However, many retirees do try to hold on to assets to cover such expenses.
- Individuals do not do what experts think they should do and expect that they will do. It is very important not to make assumptions about what people will do.
- Families can be an important part of retirement security, but they are often ignored in planning. They tend to enter the picture when major limitations occur, making help available right away.

LEARNING FROM PARENTS' EXPERIENCE

Experience with parents can help with planning in general, and it can provide insight into how to deal with the journey as things change, particularly when people need help in old age.

Specific examples help illuminate how decisions are made, when helpers are needed, what types of help are used and how families think about the issues. The paper *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*⁸ shows the interaction between decisions, housing and supportive care in some specific situations.

The 2015 Risk Survey included questions to identify more broadly how respondents viewed their parents' retirement and what influence it had on them. For some people, their parents' experience of retirement has made them more concerned about their own retirement. For example, nearly half (46% of pre-retirees and 42% of retirees) reported that their parents' experiences have made them more concerned. Most of these individuals (84% of pre-retirees and 78% of retirees) also reported that those experiences have impacted their own preparations for retirement either a great deal or some.

Only a few (10% of pre-retirees and 8% of retirees) indicated their parents' experiences have left them less concerned.

⁸ This paper appears in the *Managing the Impact of Long-Term Needs and Expense on Retirement Security* monograph, published in 2014 by the SOA.

Among the others, 44% of pre-retirees and half (50%) of retirees said their parents' experiences in retirement have not affected their own concerns about financial security in retirement.

The Voices of Retirees: Focus Group/Interview Quotes

A few years back like when my dad retired, he didn't have any retirement. He had Social Security and that was it . . . And that wasn't anything for me to look back to and say, well, that's what I want in my life. I better get busy right now. —Male, Dallas, TX

My father passed away fairly early, but my mom retired, and the one thing that we learned from her and from my husband's parents is pay everything off and whatever you buy, buy it with cash and that way you don't owe anything. It was just like your utilities.—Female, Dallas, TX

I watched my mother in extended care and I got lots of bills. It was the worst three years I've ever been through in my life and the money, jeepers. They're going to sock it to you if you've got it. They're going to take it to help with the guy who hasn't got it. You're in the same room. You can't buy anything once you get to that point.
—Female, Edmonton, AB

THE IMPORTANCE OF FAMILY AND FAMILY HELP

Individual situations vary depending on the needs of the person, local options, financial resources and family available to help. The interviews included in the 2015 retirement risk research⁹ show more of the same. The 2017 risk survey and in-depth interviews also provide more information on this topic. Some older persons need a lot of help and support. The interviews, by providing examples based on personal experience, make the statistical data more understandable. They help the users of the research focus better on the issues.

Some key points with respect to this work include:

- Major long-term care events are very expensive and can become all-consuming for the family.
- Spouses are the first line of help, and children are the second.
- While many people do not plan for family help, family members often help parents and others when needed.
- Friends and neighbors may also step in.
- It is unclear what support people without available family members or friends will use.
- When family members and friends are not available, or when the need is for more help, people turn to paid help. This can easily become a major financial problem.

RESPONDING TO RISK CONCERNS

Information Sources

The SOA's *Managing Post-Retirement Risks* series and the *Managing Retirement Decisions* series both provide information for consumers and advisors on the options and issues involved in managing retirement risks. Essays in the *Managing Diverse Risks—Essay Collection* provide a range of ideas as well.

The *Age Wise Infographics* from the SOA provide one-page explanations of specific ideas. For example, when asked for their concerns, survey respondents repeatedly name inflation as one of the top three risks. The following Age Wise infographic provides insights into how inflation interacts with longevity risk:

⁹ The report *Post-Retirement Experiences of Individuals Retired for 15 Years or More* (SOA, 2016) includes interviews with caregivers of individuals retired 15 years or more who need care.



Age Wise is a series of infographics to help you understand how life expectancy and the decisions you make impact your plans for a happy, healthy and well-funded retirement.



SOCIETY OF ACTUARIES

It's Time to "Check Out" Inflation

A 2015 survey by the Society of Actuaries found

Most of us have always expected that inflation will have some impact on how far our dollars stretch for retirement. Hopefully, you have included some assumptions about inflation in your plan for retirement income. **But will that be enough?**



69% of pre-retirees



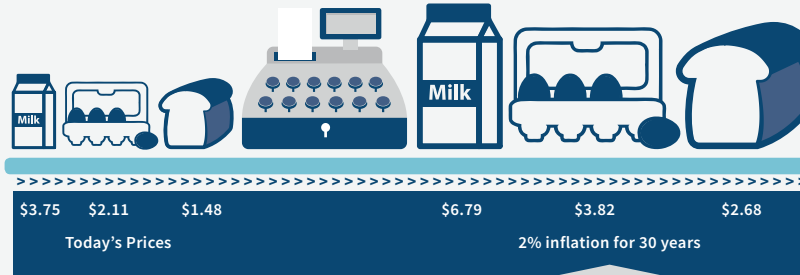
52% of retirees

were either **somewhat or very concerned** that the **value of their savings and investments might not keep up with inflation.**

How far will your dollars stretch?

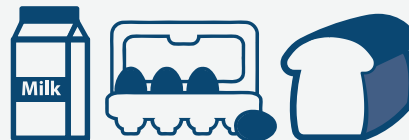
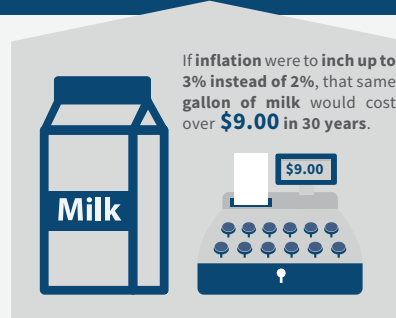
Retirees are living longer than ever before, and that impacts how far your dollars will stretch.

Here is how your expenses would look if **inflation** were a **flat 2% a year** for the **next 30 years**:



But that doesn't tell the whole story...

For example, the **rate of medical inflation** over the **past 20 years** has been **nearly double the rate of overall inflation**. As you age, you are likely to spend more for health care.



Medical could have the biggest impact of all. Are you planning for inflation in your retirement?

For further material and related studies to help you make informed decisions, go to: www.soa.org/managing-retire-risk

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Different Approaches to Planning and Solutions

Traditional planning approaches call for working to maintain a standard of living and replacing paychecks during retirement. They also call for using risk protection products to protect against health and long-term care risk. These approaches address the need for gradually spending money during retirement and using a plan to convert, over time, assets into income.

What many retirees have said in the focus groups sponsored by the SOA is that they prefer to hold on to assets, spend their regular income and reduce planned spending to bring spending down to the level of regular income.

Another idea is to reduce exposure to risk. The SOA's *Managing Diverse Risks—Essay Collection* offers ideas from different authors about how to manage and think about risk. These ideas complement the research findings in the surveys and focus groups.

Reducing Exposure to Risk

The essay “Dealing with Multiple Post-Retirement Risks in the Middle Market” by Charles S. Yanikoski offers some practical approaches to dealing with a variety of post-retirement risks. Reducing exposure is a main idea. This approach can help defend against specific risks, and often can also increase wealth, and therefore directly or indirectly help defend against all risks.

There are several ways for reducing exposure, most prominently by:

- **Being more economical in one’s lifestyle.** This helps reduce the risk of living too long because it becomes less expensive to do so, and it enhances one’s ability to increase or at least preserve wealth already accumulated.
- **Looking for opportunities for additional income.** This can include similar or different work, often on a limited basis, during retirement, or delaying retirement.
- **Making shrewd trade-offs in forced decisions** (such as Social Security claiming, or the choice of a defined benefit plan retirement option).
- **Making prudent financial decisions in other areas.** This means analyzing what is important, what the options are and making conscious choices.
- **Choosing a healthier lifestyle.** This can have a mixed effect, such as reducing medical expenses and perhaps extending one’s ability to earn money, but also increasing the risk of “living too long.”
- **Strengthening social relationships.** This can contribute to personal or community networks that can provide help in times of need and reduce out-of-pocket costs when adversity does arise.
- **Adjusting attitudes.** This mainly involves accepting certain “adverse” outcomes as tolerable. One example is agreeing to end up in a Medicaid-paid nursing home, if the need arises, even if it means sharing a room with a previously unknown person.

Setting Goals

One of the consequences of a short-term planning focus is that longevity risk is often overlooked. In “A Portfolio Approach to Retirement Income Security,” Steve Vernon shares typical retirement income goals that include:

- A desired level of liquidity to meet emergencies
- Maximizing expected lifetime retirement income
- Income that doesn’t decrease due to capital market volatility
- Income that retirees can’t outlive

Dealing with Multiple Asset Classes

Some people need to choose how to withdraw monies from different asset investments. When it's time to decumulate, many people have access to multiple assets. So which asset(s) should go first?

Unfortunately, this simple question has no easy answer, either in general or typically in specific cases, and it depends on personal preferences as well as financial outcomes. The essay "Decumulation Strategy for Retirees: Which Asset to Liquidate?" by Charles S. Yanikoski offers a framework for ranking and evaluating asset classes for withdrawal.

Tips for Responding to This Research

This research offers important information for individuals, advisors, organizations sponsoring employee benefits programs and companies offering retirement products and services.

Tips for Retirees and Near-Retirees

- **Plan for the rest of life.** Many people will live longer than expected, and couples need to think about planning for the longer-lived partner.
- **Don't forget about the need for help later in life.** Many households will need help. Women are likely to need help for a longer period than men and much less likely to have a spouse to provide it. Long-term care insurance is a partial solution.
- **Don't retire too early.** Working longer can improve security in retirement. Keep skills and contacts up-to-date so that there are better chances for a new job if one is needed. Be open to different ideas.
- **Don't overlook the importance of Social Security claiming.** The claiming age makes a huge difference in the amount of Social Security monthly income, especially for couples.
- **Be thoughtful about helping others.** Family often asks for help from retirees. Be careful about using assets needed for your retirement to help family members.
- **Establish an income and spending plan.** Plan for both expected and unexpected expenses in retirement.

Tips for Plan Sponsors

- **Capitalize on employee openness to learn from employer-sponsored sources.** Many individuals trust information from their employers. Use leverage with employees to help them.
- **Capitalize on outside resources.** There is good information from many sources. Not-for-profits are less likely to have biased information.

Conclusion (or maybe you might say, The Big Picture)

Retirement planning should entail assessing various risk concerns ranging from identifying income sources and adjusting spending to dealing with inflation, health care expenses and many other concerns. Ideally, this assessment occurs both before and during retirement.

In addition, retirement planning should entail ongoing management of risks. The SOA extensive research over 20 years has found that when such management occurs, it tends to be short term and cash-flow focused. Examples include reducing spending, increasing savings and paying off debt. These short-term steps do help people meet and deal with many expected retirement obligations. However, most people do little about specifically managing big risks such as a major long-term care event or a financial shock, according to the research. This can have serious repercussions for individuals, families

and the community at large. Rather, for many the strategy is to manage expected cash flows and retain as much of their assets as possible.

Retirement plan sponsors, advisors, organizations and companies that work with pre- and post-retirees can use findings from the research to inform their own understanding on these issues as well as to help educate the individuals they serve. The information and tips in this paper can be a starting point for guidance on ways to identify retirement risks and manage those risks.

Appendix: More About the Research

The Society of Actuaries Committee on Post-Retirement Needs and Risks has based its insights on robust research designed to increase understanding of the way Americans manage their finances post-retirement and to help improve the management of the risks.

The full reports from the Committee are available for download at the Society of Actuaries website: <https://www.soa.org/research/topics/aging-ret-res-report-list/>

The Committee's focus has been on exploring the perspective of the individual. This includes representation at all income levels, but with primary focus on the middle market.

The research approaches include:

- **Biennial risk surveys.** These surveys study the knowledge and attitude of Americans age 45 to 80, split between retirees and pre-retirees with respect to post-retirement risks and the process of retirement. Each report includes some common questions and several topics of emphasis selected for that survey, such as health and long-term care, women's issues, shocks and so on. Surveys conducted since 2001.
- **Focus groups and in-depth interviews.** This research includes periodic projects targeted to specific subgroups and issues. The purpose is to better understand retiree rationale by supplementing the surveys and to help provide input into questions and structure of surveys. Projects conducted in 2005, 2013, 2015 and 2017.
- **Consumer information.** Gaps in knowledge are a key finding of the research, so the Committee designed several publications that are designed to fill in gaps and provide helpful information for consumers and consumer-support services. These publications include *Managing Post-Retirement Risk: A Guide to Retirement Planning* (risk chart), *Managing Retirement Decisions* (a series of 12 shorter guides to specific decisions), and *Age Wise Infographics* on longevity-related issues. A new series starting with *Retirement Health and Happiness* provides information about Retirement Literacy.
- **Essays and papers.** These are monographs that include essays and papers on topics such as the *Financial Wellness Essay Collection*, *Diverse Risks Essay Collection* and *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security*. These works reflect a range of perspectives from individual publishing authors who responded to calls for papers. Their ideas include solutions to some of the challenges raised by the research.
- **Other research.** The Committee has conducted other projects, including a series on lifetime income, reports on financial advice and discussions of retirement planning software. In addition to the direct work of the Committee, the Society of Actuaries conducts other research related to these issues, and there is work performed by related entities.

References

BIENNIAL RISK SURVEY SERIES

- *2015 Risks and Process of Retirement Survey: Key Findings and Issues, Spending Patterns and Debt*, Society of Actuaries, 2016
- *2015 Risks and Process of Retirement Survey: Key Findings and Issues, Shocks and Unexpected Spending in Retirement*, Society of Actuaries, 2016
- *Entire Risks and Process of Retirement Survey Series*

FOCUS GROUPS AND IN-DEPTH INTERVIEWS AND REPORTS

- *Post-Retirement Experiences of Individuals 85+ Years Old*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals Retired for 15 Years or More*, Society of Actuaries, 2016
- *The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups*, Society of Actuaries, 2013
- *Spending and Investing in Retirement: Is There a Strategy*, Society of Actuaries, LIMRA and INFRE, 2006

CONSUMER INFORMATION PUBLICATIONS

- *Managing Post-Retirement Risk: A Guide to Retirement Planning* (Risk Chart), Society of Actuaries, 2011
- *Managing Retirement Decisions*, Society of Actuaries, various dates

ESSAYS AND PAPERS

- *Managing Diverse Risks—Essay Collection*, Society of Actuaries, 2016
 - Essays supporting content: Yanikoski, Charles S., “Dealing with Multiple Post-Retirement Risks in the Middle Market”
 - Yanikoski, Charles S., “Decumulation Strategy for Retirees: Which Assets to Liquidate”
 - Vernon, Steve, “A Portfolio Approach to Retirement Income Security”
 - Rappaport, Anna M., “Thinking About the Future of Retirement”
- *Financial Wellness Essay Collection*, Society of Actuaries, 2017
 - Rappaport, Anna M., “Don’t Forget the Role of Families in Lifetime Financial Security”
- *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph*, Society of Actuaries, 2015
 - Papers supporting content: Rappaport, Anna M., “Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience”

PRESENTATIONS

- *Post-Retirement Needs and Risks: What Do We Really Know* (presentation decks for this topic and other presentations of Committee work are available on the website. They are updated periodically and tailored to different audiences.)

OTHER

- Society of Actuaries, *Segmenting the Middle Market: Retirement Risks and Solutions—Phase I Report Update to 2010 Data*, 2013
- Society of Actuaries, *Measures of Benefit Adequacy*

Comments on

“How People Plan for Retirement”

By Dana Anspach

The Society of Actuaries’ report “How People Plan for Retirement” does an excellent job of documenting the risks people face as they pass through their retirement years.

As a practitioner, I find that some of these risks apply across all demographics, while others have the most relevance to the lower- to middle-income segment, which is the segment interviewed in the 2015 SOA focus group.

What I find common across most demographics is the lack of ability to develop a plan to turn assets into income. There is a tendency to preserve wealth regardless of asset level and choose reduced spending over consuming even a small amount of principal. However, those with a higher income and/or net worth are more likely to seek professional help and follow the guidance provided. Those who get advice that incorporates education can see why decisions like delaying the start of Social Security work to their benefit over a multi-decade time horizon.

In addition, all demographics show a common theme of thinking they will work to an older age, but in reality, due to health or changing workforce needs, many find themselves retired several years earlier than planned. This means saving more for a potential earlier-than-expected retirement date needs to become a standard recommendation.

Lower income/net worth demographics are more likely to focus on current cash flow and less likely to see the value professional advice can bring. They do not want to spend the money on advice or feel such advice is only for the “wealthy.” Inflation has a bigger impact on this demographic, as increases in basics such as food, transportation and health care will necessitate reducing discretionary spending, whereas higher net worth demographics naturally spend less on discretionary items as they age and absorb price increases on basics with little impact on their lifestyle.

In addition, lower income demographics do not have the cash flow to purchase long-term care insurance, or the more expensive health care plans, and thus can be subject to additional costs as their health deteriorates. They must spend down assets and rely on Medicaid if extended long-term care needs arise. Building community and family support as a resource is critically important for this group. Whereas high income demographics often purchase supplemental plans that cap their out-of-pocket costs, and they have the means to cover long-term care events when they occur.

Overall, all retirement groups benefit from having a plan to convert assets to income, and potentially at an earlier age than expected, but the underlying techniques to recommend vary depending on the demographic.

For middle- to low-income households with more non-financial assets, delaying Social Security and using reverse mortgages should become the norm. The key is getting them to see this as a decision that increases wealth and lifestyle.

Higher net worth households can benefit from planning that allows them to see how they can safely spend more during their retirement years while they are around to enjoy the contributions they can make, while also conveying they can do this without the risk of running out of money.

All demographics benefit from focusing on average to above average life expectancy vs. the “right now” mentality or the “what if I don’t live that long” view. What we need to do is figure out how to influence more people approaching retirement to think about cash flow over decades vs. a monthly or annual snapshot. Perhaps real-life stories of those age 80+ illustrating what their income would have been if they had delayed Social Security or purchased an annuity would add a practical viewpoint and help bring these decisions to life.

The other factor that can help is encouraging people to focus on increasing income during their working years. It is difficult to save if you only make enough to cover necessities. Providing resources to move people up the income ladder means they have the possibility to become better prepared for retirement.

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Author's Response to Comments by Dana Anspach

By Anna Rappaport

Thank you to Dana Anspach for very interesting comments. The SOA research on retirement planning is a combination of studies that focused on low- and middle-income retirees and surveys that focused on all income groups.

Dana comments on strategies that are important for low- and middle-income retirees. That is very important because these are the groups most likely to run out of money and the groups most likely to struggle during retirement. Higher economic status retirees are more focused on investment of assets, preserving and growing assets, and leaving a legacy. Much of the SOA work is focused more on the challenges facing middle-income and lower-income individuals.

Dana talks about the challenges of developing a plan that turns assets into income, particularly for the lower- and middle-income groups. She mentions reverse mortgages as playing a role, particularly for lower-income individuals. This will also be true for individuals whose wealth is heavily in their houses. I believe that tools and approaches to determine when this is a good strategy are very important. However, it is also important to check that the house is affordable in the long run before embarking on such a strategy.

Dana's focus on lifetime income is very important, and it builds on the need for longer-term planning and bigger-picture thinking. Two of the biggest problems with the way many people approach planning is the failure to focus on the long term and the failure to focus on needs more broadly. Once people start doing this, then lifetime income becomes an important part of the conversation.

The SOA has sponsored a series of projects on lifetime income, which include modeling of different approaches, and reports focused on different perspectives, including legal issues and the challenges around using defaults. While the SECURE Act included some steps that should lead to progress on lifetime income, many of these issues are still unresolved. The lifetime income reports can be found on SOA.org.

Anna Rappaport, FSA, MAAA, serves as chairperson of the Committee on Post-Retirement Needs and Risks. She can be reached at anna.rappaport@gmail.com.

Comments on

“How People Plan for Retirement”

By Paula H. Hogan

Anna Rappaport provides a succinct and thought-provoking summary of 20 years of SOA research documenting how pre-retirees and retirees think about and experience actual retirement. This is welcome research. It provides useful insights for smart public policy and personal planning. A key finding is that “perfect” financial planning for retirement differs significantly from the actual typical retiree experience.

SOA research repeatedly shows that people find it hard to imagine getting older and therefore are not well positioned to plan for it. As one example, the 2017 SOA survey shows pre-retirees expecting to retire at a mean age of 65, while surveyed retirees retired at a mean age of 58.

Rappaport describes that for most retirees, gaps in knowledge and a shorter than optimal planning horizon are confounding perfect planning, which can have undesirable consequences. As Rappaport notes, planning is often cash-flow focused, where the retiree or pre-retiree plans to cover expected expenses with regular income, with little long-term planning for unexpected or unpredictable expenses.

This foreshortened view of personal finances, combined with significant gaps in financial knowledge, leads to less than optimal use of fairly standard risk mitigation strategies such as cash reserves, reverse mortgages, long-term care insurance, hybrid life/long-term care insurance policies, retirement community contracts, lifetime income contracts, tax-optimized investment strategies and nuanced income, and estate tax planning. Suboptimal planning is a major retirement risk in a world with increasing longevity and decreasing availability of pension income and in which inflation, health expenses and market volatility are key threats to financial security.

Fortunately, retirees demonstrate resilience by reducing spending to conform to regular income as necessary and, in old age, leaning on family for personal assistance. The role of family support is an important potential safety net for many retirees at the point when personal assistance is needed. However, for many retirees family support is not available because of small family formation and/or geographic distance.

As a financial advisor, I often see gaps in financial knowledge and the very human tendency to not be able to picture growing old preventing clients from easily adopting a long-term risk management perspective.

I also see that we ask our elders to manage dauntingly complex personal decisions that historically have not been a part of aging, such as:

- Converting portfolio wealth to cash flow
- Choosing and engaging with health insurance coverage
- Choosing where to live in old age
- Figuring out transportation as driving becomes less possible
- Arranging for likely necessary custodial care
- Avoiding rampant financial fraud and scams
- Managing the risk of social isolation

Gaps in financial knowledge and foreshortened planning horizons are severe impediments to addressing these challenges. Standard strategies are often technical in nature and/or require forward thinking, which are hard for all of us even when we are at the top of our game. Yet, as we age, the specter of cognitive decline is also a key issue.

In light of these realities so ably summarized by Anna Rappaport, it is timely to consider ways to bridge the gap between perfect and typical retirement planning. There is no easy or comprehensive answer for either public or personal policy. However, from my work as a financial advisor, here some fundamental strategies for retirees to consider:

- **First, take it seriously.** It is the last third of your life. As with other chapters of your life, it matters how you envision your desired life, how you plan for it, and discerning what, for you, will be the key metrics for success. It matters what kind of old person you decide to be.
- **Simplify and automate finances.** Consolidate investment accounts and pare down bank accounts and credit cards. Have income deposited automatically to one main bank account from which as many expenses as possible are paid automatically.
- **Document important information.** Include all the details someone would need to take over your affairs for you on short notice: Where are your financial records? Computer passwords? Estate plan documents? Who helps takes care of your home, your pets, your car, and yes, your hair? Where are titles and deeds? What professionals assist you—attorneys, accountant, insurance agents, financial advisor or broker, physicians, and veterinarian. Who is in your inner circle: pastor/rabbi, friends, neighbors, hobby or alumni groups?
- **Set up financial safety nets.** Get a second set of eyes on your finances. Give your named agent duplicate financial statements or web access to your accounts sooner rather than later. Delegate more. Stop doing your own tax returns. Bring your named agent with you to the attorney's office and medical appointments. Freeze your credit. Let your various advisors talk with each other and with your family.

People who take these steps have already strengthened their financial safety net for old age.

I also notice that taking these steps is often correlated with—or maybe contributory to—a personal outlook that makes one even more ready to engage in other forward-planning strategies and in getting appropriate advice and assistance.

In our culture, aging is not for cowards. But SOA research and financial advisory experience offer useful insights for personal and public policy.

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Author's Response to Comments by Paula Hogan

By Anna Rappaport

I want to thank Paula Hogan for very insightful and useful comments. Paula shares her experience and perspective as a financial advisor who deals with the challenges faced by individual family units. She has also experienced how different families react to a variety of situations.

The SOA research offers data based on a sample of the population providing information in a research setting. Paula's perspective focuses on what she learned in real-life situations. These situations offer us details about the challenges families face. These details, together with data, offer a very powerful combination.

Paula offers us a list of fundamental strategies for retirees to consider, which can be a practical way to address some of the common gaps in planning uncovered in the SOA research. I really like Paula's lists, and one of the things that is interesting about them is that they go well beyond investing and managing money. For example, she mentions the issues of choosing where to live, figuring out transportation and dealing with social isolation.

My big takeaway from Paula's comments and from my personal experience is that successfully dealing with old age involves a combination of big picture planning and dealing with many different details. The details are very important, and it is extremely helpful to have advisors and helpers who understand the details and options for dealing with them. It is also always helpful to have a sounding board to discuss important matters and think through options because there are no perfect answers to questions, and there can be pros and cons of each option.

Anna Rappaport, FSA, MAAA, serves as chairperson of the Committee on Post-Retirement Needs and Risks. She can be reached at anna.rappaport@gmail.com.

Family is Important to Retirement Security

By Anna Rappaport

In This Report

This report includes references to the following Society of Actuaries program research and initiatives:

GENERATIONAL DIFFERENCES AND ANALYSIS

Financial Perspectives on Aging and Retirement Across the Generations, 2018

Family Obligations Across Generations, 2018

Financial Fragility Across the Generations, 2019

RISK SURVEYS

2001–2017 Risks and Process of Retirement Survey. Each biennial survey includes topics of special focus.

2017 Risks and Process of Retirement: Key Findings and Issues

2017 Risks and Process of Retirement: Caregiving for Older Individuals: Perspectives of the Caregiver and the Care Recipient

Post-Retirement Experiences of Individuals 85+ Years Old: A Report of Surveys of Individuals Ages 85 and Over and Adult Children with Parents 85 and Over, 2018

FOCUS GROUPS AND IN-DEPTH INTERVIEWS

Post-Retirement Experiences of Individuals Retired for 15 Years or More, 2016

Post-Retirement Experiences of Individuals 85+ Years Old: A Report on Sixty-two In-Depth Interviews in the United States and Canada, 2017

COMMITTEE CONVERSATIONS

A Conversation on Dementia and Cognitive Decline, 2018

CONSUMER INFORMATION

Managing Post-Retirement Risks: Strategies for a Secure Retirement (risk chart)

Women and Post-Retirement Risks, 2018

Originally published in slightly different form as Anna Rappaport, *Family Is Important to Retirement Security*, © 2020 by The Society of Actuaries. All rights reserved.

ESSAYS AND PAPERS (ONLY ITEMS SUPPORTING CONTENT LISTED)

Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph, 2015

Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*

Sandra Timmerman, *The 65 Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle*

Financial Wellness Essay Collection, 2017

Anna Rappaport, *Don't Forget the Role of Families in Lifetime Financial Security*

Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*

Family Structure, Roles and Dynamics Linked to Retirement Security Essay Collection, 2019

John Cutler, *Caregiving and What We Have Learned So Far*

Anna Rappaport, *Retirement Security and Blended Families*

Anna Rappaport, *Retirement Success and Elder Orphans*

John Turner, *The Declining Role of Families in the U.S. Retirement Income System*

RETIREMENT SECTION NEWS ARTICLE

Anna M. Rappaport and Sally Hass, Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience, *Pension Section News*, February 2017

Family is Important to Retirement Security

Managing retirement security in the U.S. has been increasingly challenging for all stakeholders. Major factors contributing to these challenges include people living longer than did prior generations, an increasing older-age population, the shift from defined benefit pension plans to defined contribution retirement plans and significant gaps in financial literacy. These factors contribute to growing concern about how well Americans will fare in old age and the adequacy of their retirement security.

The Society of Actuaries' (SOA) Aging and Retirement Strategic Research Program (the SOA program), implemented in 2018, builds on nearly 20 years of post-retirement-focused SOA research in this field. The studies are designed to identify and understand the way Americans manage their finances during the post-retirement years. This body of work includes a wide-ranging exploration of post-retirement risks through surveys of the public; focus groups and interviews; and collections of essays, research papers and other related research reports.

This new SOA report explores findings from SOA's research about the role of family in retirement security. It references essays published in 2019 about family and retirement security as well as other research on how family helps (and the importance of family help), how people fare throughout retirement, plus national data on assets and spending. It builds on two prior SOA reports on women and post-retirement risk and the age 85+ period as well as the SOA's 20 years of post-retirement research, and it offers guidance about where to find more information.

The intended audience for this report includes retirement experts; plan developers and service providers; and those who serve individuals, including employee benefit plan sponsors, advisors and financial services organizations.

Thinking About Retirement and the Family

If we go back 150 years, there was no retirement system and people did not retire as they often do in today's work world. They also did not live as long. Couples had several children and often lived in multi-generational households. Families cared for people as they aged and for those who could no longer work.

As retirement systems developed following World War II, people were able to retire, and families were no longer the primary source of support for older persons. People lived longer and retired earlier as benefit plans were liberalized and, for many people, retirement included longer periods without work or earnings. During retirement, people had substantial choice about how to spend their time. By the late 20th century, birth rates in many nations had dropped, resulting in fewer adult children to care for parents.

Discussions about retirement and retirement planning often do not include consideration of the family. But SOA research over the last 20 years has made it increasingly clear that family is still important as people think about and plan for retirement. In fact, even though family is no longer the primary economic support in retirement, family is a major source of help when needed. In the SOA *2017 Risks and Process of Retirement Survey*, for instance, caregiving and planning for long-term care were important topics, and both topics involved interaction with family. In addition, family and how family members support each other was an important topic in the SOA's 2018 survey report *Financial Perspectives on Aging and Retirement Across the Generations Study*. The SOA's 2019 essay collection, *Family Structure, Roles and Dynamics Linked to Retirement Security*, addressed the topic directly, making family the major theme for the entire group of essays.

Now, this report focuses on SOA efforts to bring family back into the conversation, based on the role family plays in retirement. This discussion refers to prior SOA research as well as some other sources of research. It makes clear that, for many Americans, the extended family plays the role of sharing risk and supplementing (or even taking the place of) personal savings and formal risk management. But other Americans have few (and sometimes no) family members available to help. These polar opposites have definite implications for retirement professionals and customers throughout the financial sector.

CHANGING DEMOGRAPHICS SET THE STAGE

In *The Declining Role of Families in the U.S. Retirement Income System*, John Turner sets the stage by reminding us that families were once society’s primary source of support in old age and that people had many children in part to provide care in old age. Changes in marriage and child-bearing as well as geographic separation of families are trends that have combined to reshape the American family and its retirement structure. This essay points to a long-term decline in the role of the family in providing financial and primary old age support.

The modern era’s increasing longevity, increased divorce rate, growth of blended families and acceptance of same sex marriage point to a very different set of family patterns today and a very different aged population than in the past. Longevity researchers predict that people who retire in their 60s in this decade will be retired much longer than retirees in the past. John Cutler, in *Caregiving and What We Have Learned So Far*, says we will be an increasingly older population with much more diversity. The recognition of the LGBTQ+ community, the increasing percentage of adults born in another country and greater racial diversity will be elements of that.

The SOA’s 2018 research report on *Financial Perspectives on Aging and Retirement Across the Generations* provides a look at prevailing attitudes about and perspectives on retirement among adults in the five major generations alive today. It also probes demographic differences across the generations. For example, the older generations were much more likely to have married, although many of the marriages had ended. The older generations also had more children. Table 1 breaks down some of the statistics by generation.

TABLE 1

Family Status of Respondents by Generation

	MILLENNIALS	GEN X	LATE BOOMER	EARLY BOOMER	SILENT
Gender	50% Male 50% Female	49% Male 51% Female	48% Male 52% Female	47% Male 53% Female	45% Male 55% Female
Marital Status	47% Married 15% Partner* 2% Divorced** 0% Widowed 36% Never Married	59% Married 11% Partner* 10% Divorced** 2% Widowed 19% Never Married	66% Married 4% Partner* 16% Divorced** 3% Widowed 10% Never Married	63% Married 4% Partner* 14% Divorced** 9% Widowed 10% Never Married	52% Married 1% Partner* 17% Divorced** 27% Widowed 3% Never Married
Children	58% None 20% One 22% Two or more	34% None 19% One 46% Two or more	26% None 19% One 55% Two or more	28% None 16% One 56% Two or more	10% None 17% One 74% Two or more
Step-Children	90% None 7% One 4% Two or more	82% None 8% One 10% Two or more	86% None 4% One 11% Two or more	80% None 10% One 11% Two or more	86% None 5% One 10% Two or more

Source: *Financial Perspectives on Aging and Retirement Across the Generations*

Notes: Totals may not add up to 100% due to rounding.

* Unmarried and living with a partner in a permanent relationship

**Separated or divorced

The SOA 2017–18 research on individuals age 85 and over also provides some insights on demographics in old age and on the important role that family plays for this group. The age 85+ population is heavily female, and many are widowed.

FOR MORE INFORMATION

- *Financial Perspectives on Aging and Retirement Across the Generations*, 2018
- John Cutler, *Caregiving and What We Have Learned So Far*, 2019
- John Turner, *The Declining Role of Families in the U.S. Retirement Income System*, 2019

THE GENERATIONS, EXPECTATIONS AND FAMILY SUPPORT

Family is a common source of help when help is needed at all life stages. It is a real-world safety net for many. A strong sense of family obligations spans the generations and different life stages.

For example, most respondents in the SOA generations research agreed that parents should fund or contribute what they could afford to their children’s college costs and allow their adult children to move back into their homes if needed, with millennials more likely than older generations to agree. However, there are limits to what most think parents should do financially; fewer than three in 10 said parents should put themselves in financial jeopardy to help their adult children.

TABLE 2

Sense of Family Obligations of Millennials vs. Other Generations % Agreeing with Statement

PARENTS OBLIGATION TO CHILDREN	MILLENNIALS	OTHER GENERATIONS
Parents should contribute fully, or what can reasonably be afforded, to their children’s cost of college	64%	58%
Parents should allow adult children who have financial difficulties to move back into their home	64%	52%
Parents should help adult children if they have problems, even if it means they will have inadequate funds for themselves later	34%	25%
ADULT CHILDREN’S OBLIGATIONS TO PARENTS	MILLENNIALS	OTHER GENERATIONS
Adult children should prioritize helping with tasks parents are no longer able to do	80%	80%
Adult children should help parents financially if needed and they can afford it	80%	73%
Adult children’s first priority is to their own families, not to their parents	55%	65%
Adult children should have parents move in with them rather than assisted living	48%	41%
The days when children would sacrifice their own happiness to take care of parents are over	38%	43%

Source: *Financial Perspectives on Aging and Retirement Across the Generations*

In contrast to the SOA’s generations research, which identifies expectations about obtaining help in retirement, the SOA’s age 85 and over research provides insights into what people have actually done in this area. For instance, when people have problems as they age, the respondents said that family members are the first people to whom the elders turn, and families usually try to help. In many situations where extensive care is needed, elders often reported needing to supplement or replace family assistance

with paid help. However, even though people commonly turn to family for support, many indicated they often do not plan for such help and, in earlier research, many said they do not want such help.

In 2015, the SOA conducted focus groups with individuals retired 15 years or more. This research offers a different insight to the apparent lack of planning for help when needed. The 15-year-plus retirees said they did not want to rely on their children for support, but some of them saw children as possible support and a fallback resource. While the research indicates that seniors do not plan on having children help them, and many work hard to avoid it, at the end of the day, the findings show that children and other family members typically offer a substantial amount of assistance. The help provided by family members was also documented by the *2017 Risks and Process of Retirement Survey*'s responses on caregiving and the SOA research on individuals age 85 and over.

The financial fragility analysis combined with SOA generations research provides insights into who is financially fragile and some of the differences in the way they plan. Financial fragility was defined through an overall weighted score assigned to each respondent depending on how each answered certain survey questions. For example, the researchers assigned respondents a higher fragility score if a person did not feel on track for a secure retirement. Married people were less likely to be financially fragile than others. Those living with a partner, separated, divorced or single never married tended to be financially fragile. Millennials most often scored as having high financial fragility. Those demonstrating high financial fragility reported helping other family members less often and tended to need help themselves.

FOR MORE INFORMATION

- *Financial Perspectives on Aging and Retirement Across the Generations*, 2018
- John Cutler, *Caregiving and What We Have Learned So Far*, 2019
- *Post-Retirement Experiences of Individuals Retired 15 Years or More*, 2016
- *2017 Risk and Process of Retirement Survey*
- *Financial Fragility Across the Generations*, 2019

Support Issues

SUPPORT PROVIDED TO INDIVIDUALS AGE 85 AND OVER BY FAMILY

Many individuals need some help as they age. By age 85, needing help is very common, but many people need help earlier. The need for assistance may start with needing help with activities such as snow removal and home repairs that the elders once did themselves. It may then move on to needing help with anything that requires physical agility such as going on a ladder to change light bulbs. It may move on to needing help with driving, housework and other frequent chores.

Although some people choose to outsource such tasks even if they can do them without help, they may experience the need for help later on due to either physical or mental decline or both. Examples include people who experience loss of sight and hearing, or people who become unable to carry on a conversation. At the extreme is the need for help with some or all of the activities of daily living such as bathing, toileting, mobility and eating. In addition, people with mental decline often need help with managing finances.

The timing of help varies greatly. Some help can be scheduled as needed and may be needed occasionally or every few days. Some people need help daily, but some of these individuals can be left alone for a few hours at a time or even all day. At the extreme, people can't be left alone at all and need constant help.

A variety of statistics exists about how many people need long-term care. The term long-term care is probably not uniformly defined in the different studies, making for some variations in the statistical comparisons. However, the term generally applies to people who need a lot of help. Long-term care insurance policies typically define eligibility for policy benefits as needing help with two or three activities of daily living.

In some cases, when such need arises, the family member offering help and the person being helped live together or very nearby to facilitate such assistance. If necessary, one of the individuals may move in with the other.

Family may be involved at all levels of care, but other options may also be available. People who are working but may live nearby often provide less intensive help. As the need for help becomes more intense, the elders or their families may hire paid helpers. In some cases, the individual needing help moves to a facility such as assisted living, memory care or a nursing home where facility staff provides the care; in such cases, the elder probably still needs help with managing health care and/or finances, and a family member may provide this valuable assistance.

NON-FINANCIAL HELP

Most adult children do not provide financial support to their parents. However, individuals age 85 and over may need help with specific non-financial tasks, and this help often comes from family. The survey of individuals age 85 and over focused heavily on a variety of such chores and tasks that family addresses. Significantly, very few of these respondents reported getting family help with personal care.

Elders reported needing:

- To be driven places: 49%
- Support in taking care of their residence: 35%
- Help with shopping: 34%
- Assistance with housekeeping: 23%
- Assistance with personal care or activities of daily living: 8%

The sample for the telephone survey in this research was healthier than the general population. Also, while some of the respondents would be considered eligible for long-term care benefits, most would not; their eligibility would depend on the specific insurance policy or public program involved in the person's care. Factors such as these may have influenced the types of needs reported in the survey.

Adult children who are helping parents were also surveyed. These parents tended to be less healthy and need more help than the general population. More of this group would be considered eligible for long-term care benefits.

The survey of adult children showed that they provide a great deal of non-financial help to parents. The adult children reported they:

- Provide transportation to their parents: 62%
- Assist their parents with shopping: 61%
- Assist with managing medications or medical care: 44%
- Do laundry for their parents: 38%
- Prepare meals: 37%

The adult children also reported their parents used paid help to:

- Clean their residence: 38%
- Prepare meals: 32%
- Assist with personal care: 31%

FOR MORE INFORMATION

- *Post-Retirement Experiences of Individuals Age 85+ Years Old*
- *2017 Risk and Process of Retirement Survey*
- *2017 Risks and Process of Retirement Survey: Caregiving for Older Individuals: Perspectives of the Caregiver and the Care Recipient*
- Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*, 2015
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FINANCIAL HELP

The picture with regard to financial transfers was very different from the situation with regard to assistance with specific tasks. While family members provided help with many tasks, financial help was much less frequent. The age 85 and over individuals did not report much financial help from their children, for example. Most adult children of people age 85 provided consistent insights on this point regarding their help to aging parents and say they and their siblings provide:

- No financial support: 50%
- Little financial support: 21%
- A great deal of support: 11%

Family Help and Unexpected Expenses

The situation for older individuals receiving financial help was quite different from the situation where older individuals provide financial help to adult children. An example is the impact of shocks and unexpected expenses. In the 2015 focus groups and risk survey, one of the most frequently mentioned shocks that older parents mentioned was a situation where children needed help. This was also one of the shocks that the respondents reported as being most difficult to manage, possibly because help was needed over a longer period of time.

Financial Transfers Across the Generations

The SOA findings are reinforced by and consistent with other research on family transfers. The Employee Benefit Research Institute (EBRI) discusses family transfers in a 2015 Issue Brief. This is an analysis of *Health and Retirement Study*¹ longitudinal data. The older households in the study were age 50+, and the analysis covers 1998 to 2010. The EBRI report shows that 38% to 45% of older households in the study made cash transfers to younger family members versus 4% to 5% of older households that received transfers from younger family members. The cause of the transfers is not identified.

Table 3 shows the percentage of households making transfers to children and grandchildren and the amount of transfers by age group in 2010.

¹ The *Health and Retirement Study* is a national longitudinal database of people at ages over 50 sponsored by the National Institute on Aging. It examines the period leading up to retirement, how they retire and their lives in retirement.

TABLE 3

Intrafamily Cash Transfers by Older American Households

AGE GROUP	% MAKING TRANSFERS	AVERAGE AMOUNT	AVERAGE: 2ND INCOME QUARTILE	AVERAGE: TOP INCOME QUARTILE
50–64	51%	\$16,272	\$7,411	\$27,378
65–74	39%	\$13,639	\$7,784	\$21,072
75–84	33%	\$14,704	\$9,849	\$22,864
85–over	28%	\$16,836	\$13,474	\$24,601

Source: Sudipto Banerjee, *Intra-Family Cash Transfers in Older American Households*, EBRI Issue Brief no. 415

Note: Average amount is average transfer in last two years by households making transfers in 2014 dollars. Averages are shown for all households, and for second and top income quartile.

Transfers are more likely to be in higher asset and income families, and the amounts are more likely to be larger.

The Cost of Providing Long-Term Care or Intensive Help

The transfers discussed earlier do not include the value of help provided by family members or the reduction in their earnings or retirement savings while help is being provided. The vast majority of long-term care is provided informally at home, very often by women. The cost to the caregiver of providing care is extremely high, particularly if the caregiver must leave a job or reduce a work schedule, but, in many cases, this cost is not explicitly recognized.

One study by Sandra Timmerman and Anna Rappaport has estimated that the individual who provides caregiving for aging parents loses a lifetime average of more than \$300,000 in wages, retirement benefits and Social Security benefits. In married couples, the caregiver is often the wife. She then may be left as a widow without a spouse to care for her and with family assets depleted due to her husband’s care needs.

The Family Bank

Merrill Lynch in partnership with Age Wave conducted a survey of the link between retirement and family issues. They found strong links. As part of the research, they introduced the idea of a “family bank,” defined as the household to which family members most often turn for help. Among respondents age 50+, more than half (56%) held the belief that there is a family bank in their family.

The same study indicated that 62% of people age 50+ provide financial assistance to family members, either on a one-time, ongoing or somewhere-in-between basis. The families providing such support are generally not factoring this expenditure into their retirement plans. Therefore, they may be underestimating their retirement spending requirements.

The study shows that among respondents age 50+ who provided money to family members in the last five years, recipients were:

- Adult children (21+): 68%
- Grandchildren: 26%
- Parents/in-laws: 16%
- Siblings: 13%
- Other relatives: 14%

Some family members were helping people in more than one group.

FOR MORE INFORMATION

- *Post-Retirement Experiences of Individuals Age 85+ Years Old*
- *2015 Risks and Process of Retirement Survey*
- *Post-Retirement Experiences of Individuals Retired 15 Years or More*, 2015
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COGNITIVE DECLINE CHANGES EVERYTHING

A substantial number of people experience cognitive decline as they age, and they need help with managing finances and health care. Depending on how far along the decline is, they may need help with everything, and on a constant basis. The SOA conducted a conversation on dementia and cognitive decline in 2018. The commentary that emerged offers insights into the signals of decline and some of the challenges. The age 85 and over research did not distinguish cognitive decline from other reasons for needing help.

FOR MORE INFORMATION

- *A Conversation on Dementia and Cognitive Decline*, 2018

DISCUSSIONS ABOUT AND HELP WITH MANAGING FINANCES

The studies with individuals at different stages during retirement indicate that some used financial advisors, but most did not. This is noteworthy because the focus groups and in-depth interviews excluded people with higher net worth who might have been more likely to use advisors. The experience reported with advisors was mixed.

Meanwhile, the age 85 and over research did not show more people hiring advisors at advanced ages if they had not done so earlier. It also did not indicate much changing of financial advisors. Financial advisors do not generally perform or assist with day-to-day financial tasks for clients, but there are specialized services that provide such assistance.

Even though family members often help their over-age-85 elders, including in some cases helping with day-to-day financial management, the younger members do not usually become involved in helping with longer-term financial thinking. Most of the people who were 85 and over when surveyed in 2017 indicated they had not given thought to, or had a family discussion about, finances. Only approximately one in 10 reported having given a great deal of thought about, or had much discussion with, family on topics such as investing, type of lifestyle desired, how long their assets will last in retirement or how to budget their money.

The preliminary stages of the age 85 and over research indicated it was very common for people who live in assisted living facilities to need help managing their day-to-day finances, and that adult children commonly provide that help. The survey of adult children of age 85 and over parents also found that the children helped with managing their parents' medical care. Nearly everyone with cognitive decline will need help with both sets of tasks.

Two online conversations, the conversation on dementia and a preliminary conversation conducted before the age 85 and over surveys, focused on other alternatives for managing day-to-day finances. The studies provide some insights into these alternative services but not about elders' and families' experiences with them, how often alternative approaches are used or details about what they provide.

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- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, 2017
- Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, 2017
- *Post-Retirement Experiences of Individuals Age 85+ Years Old*
- *A Conversation on Dementia and Cognitive Decline*, 2018

Family Structures

BLENDING FAMILIES

Blended families² are part of the picture today. A 2011 Pew Research Center survey provides insights into how prevalent blended families are in the U.S. The survey found that 42% of adults have at least one steprelative; 30% have a step- or half-sibling, 18% have a living stepparent and 13% have a stepchild. The results by age varied widely. In the age 18–29 category, 52% reported having at least one steprelative, and this dropped to 34% by age 65 and above. Of respondents age 65 and above, 22% had at least one stepchild. Younger adults were most likely to have a stepparent, with 33% of respondents age 18–29 saying this was the case.

A 2015 Pew Research Center study looked into how families have changed over time and what U.S. families look like in recent times. That report analyzed the 1960 and 1980 U.S. Census and the 2014 American Community Survey. The report indicated that in 1960, 73% of children were living with two parents in a first marriage, but in 2014, only 46% of children were living with two parents in a first marriage. The percentage living with two parents who were either cohabiting or in a remarriage increased from 14% in 1960 to 22% in 2014. The percentage living with a single parent increased from 9% in 1960 to 26% in 2014.

Family is a very important source of help when needed later in life. But blended families may be different. Here are questions to be considered:

- Are blended families different?
- Will the children in blended families step up to help their stepparents?
- Which people in blended families are likely to help and which are not?

The SOA generations research indicates that differences exist in how people feel about blended family members. While two-thirds of respondents said they believe parents should not differentiate between stepchildren and “natural born” children in the help they offer to adult children, only half agreed that stepchildren have the same obligation to their stepparents as natural born children. Those who currently

² Blended families, that is, a family consisting of a couple or individual and children from both current and previous relationships.

had at least one stepchild were more likely to agree that parents should not differentiate between their stepchildren and natural born children.

An essay published in the SOA's Family Structure collection provides anecdotal evidence that blended families are different. More work is needed to understand these issues and deal with them.

FOR MORE INFORMATION

- *Financial Perspectives on Aging and Retirement Across the Generations*, 2018
- *Family Obligations Across Generations*, 2018
- Anna Rappaport, *Retirement Security and Blended Families*, 2019
- Pew Research Center, *A Portrait of Stepfamilies*, 2011
- Pew Research Center, *The American Family Today*, 2015

ELDER ORPHANS: PEOPLE WITHOUT FAMILIES

The SOA research indicates that family help and support are often very important when people need assistance. Families are also an important source of social engagement. But some people have no available family members. In her essay *Retirement Success and Elder Orphans*, Anna Rappaport provides some data on elder orphans, a discussion of their issues and some conclusions about their challenges.

Elder orphans can be defined as aged, community-dwelling individuals who are socially and/or physically isolated without an identified available family member or designated surrogate or caregiver, according to 2016 research published in *Current Gerontology and Geriatrics Research*.³ A *Psychology Today* article describes elder orphans as those “aging alone.” It is estimated that 22% of Americans 65 and older are at risk for becoming “elder orphans.”

It is estimated that the number of people living alone with limited support will increase in the future, according to the *Current Gerontology* article. In coming years, people will be aging in cohorts that had fewer children, were less likely to marry and married later than today's elderly. Divorce at all ages has also been on the rise. Nieces and nephews will be a source of help for some.

In thinking about elder orphans, it helps to remember that:

- Elder orphans need more financial resources than those who have family to provide a great deal of support.
- Elder orphan situations differ depending on personal level of independence and financial resources.
 - Elder orphans need contacts and sources of social engagement at all stages of retirement.
 - Elder orphans who need modest amounts of help and support need someone other than family to take the place of family.
 - Elder orphans with substantial cognitive decline or who need major help not only need the aid but also need someone to supervise their situation. This may be particularly difficult.
- Long-term care insurance can be particularly valuable to elder orphans.
- When an elder orphan needs help, moving into senior housing that embeds an appropriate amount of assistance is a reasonable option to consider.

³ The authors are affiliated with Long Island Jewish Medical Center and Maimonides Medical Center. This paper takes a somewhat medical perspective, and it includes a literature search.

- It is important to carefully select the people chosen to help elder orphans. Failure to select trusted assistance can leave such a person vulnerable to fraud or abuse or to needing a court-appointed guardian if they are unable to make decisions and function on their own.
- Building a support network before an elder orphan needs help is very important. Age-friendly communities offer a good environment for creating opportunities to meet people and establish supporting networks.

More work is needed to understand what works well, develop solutions further and provide resources to elder orphans.

FOR MORE INFORMATION

- Anna Rappaport, *Retirement Success and Elder Orphans*, 2019
- Maria T. Carney, et al., *Elder Orphans Hiding in Plain Sight, Current Gerontology and Geriatrics Research*, 2016
- Bella DePaulo, *Elder Orphans: A Real Problem or a New Way to Scare Singles? Psychology Today*, 2016

MORE ISSUES

In addition to the issues discussed above, the SOA's post-retirement research examines other family/retirement-related issues, a few of which appear in this section. Several are listed below. (One topic that gets a lot of attention in retirement circles, estate planning, is not discussed as it is outside the scope of this report.)

Divorce and Retirement Security

The SOA 2015 focus groups found divorce after retirement was one of the shocks retirees could not recover from easily. This is a growing retirement concern because divorce at older ages is on the rise. Many studies show that couples are much better off than singles in retirement, and widows are often better off than divorced individuals. There are also challenges related to divorce before retirement, but these are beyond the scope of this work.

Transfer of Decision-Making

Individuals, and especially elders, are wise to designate—preferably well in advance—the person or persons to whom they wish to give authority to make decisions for them, both financially and for health care, if no longer able to do so. They execute legal documents detailing these wishes; matters related to development of such documents are beyond the scope of SOA research. For the purposes of this report, however, it is important to know that SOA research does highlight the need for these documents, especially how individuals at very high ages need to be clear in giving instructions to those whom they entrust with this responsibility. SOA research also points out the importance of cooperation among family members and the value of the person needing help to communicate the authority they have bestowed.

Are Family Members Always Helpful?

While many family members are very helpful, not all are. In some cases, family members are guilty of misappropriating funds. They can also be a source of elder exploitation. In families with several children, everyone benefits when the children work together. That does not always happen, however. In view of the potential for conflict and misunderstanding, elders and their representatives need to use discretion in deciding what to discuss with family members and with whom to discuss it. Note that caregivers can also be involved in financial exploitation. Matters related to fraud and exploitation are very important, but they are largely beyond the scope of SOA research; most of the research that considered family involvement did not provide any insights about things going wrong.

Planning for Family Help: A Family Analysis

Creating a family analysis could assist those overseeing an elder's need for help. Such an analysis could include a listing of parents, siblings and children (and maybe others), together with some evaluation of who might be able to help and who might request help, with any notes about potential magnitude. Types of help can include management of medical care, shopping, errands, household chores, household management, hands-on care, financial management and/or financial help. If the elder needs to move because of diminished capacity, this may require help moving and/or cleaning out their earlier residences as well as setting up the new residence.

Individuals, working independently or with their advisors, should build the family analysis. Ideally, siblings will work together with each other and their parents on such an evaluation. The analysis needs to consider which family members have good judgment and which ones can be trusted. It should also identify which family members are most likely to help in the event of cognitive difficulties. In blended families, or in cases of elder orphans, there may be additional issues in the analysis.

In addition to helping with a wide variety of day-to-day matters, the family analysis should be helpful in identifying which family members might serve as co-trustees (if the elders have a trust) and which ones might be given a power of attorney or health care power of attorney.

TIPS BASED ON THIS RESEARCH

This collective research offers important information for individuals, advisors, organizations sponsoring employee benefits and companies that offer risk management products. The findings and observations reflect the role that families play in supporting individuals with help and financial support, including substantial aid across generations. The following are general tips for different stakeholders.

Tips for Individuals and Their Advisors

- **Analyze the situation.** A family analysis is the background and foundation for incorporating family into personal plans. Elder orphans typically want to focus on their environment and sources of support other than family.
 - Identify and provide for known situations requiring ongoing support, such as disabled adult children.
 - Identify potential situations such as the likely need for future help.
 - Identify any situations involving cognitive and physical decline at present.
- **Decide who to include in conversations.** When multiple family members exist, decisions will be needed about which ones will be involved in discussions. This will entail consideration of potential conflicts and also conversations with trusted family members to ensure they are available to help and to inform them of the elder's financial resources and legal documents.
- **Work together as a couple.** For married couples, this planning is usually done together. Although couples are often the first source of support for each other, as time goes on, they often need additional help. In blended families, the secondary sources of support may be different for the two partners.
- **Get legal help.** Secure appropriate legal help for situations requiring an attorney including preparation of wills, trusts, powers of attorney and health care directives. Legal issues are beyond the scope of this report.
- **Agree how advisors should help.** The financial advisor and client need to agree how the advisor will be involved in helping the client. Everyone should be comfortable with the advisor. Be sure to understand the firm's requirements for including family members in handling affairs and executing the required documents.

- **Think about the future.** A household can plan for future support when help is needed or simply wait until assistance is needed. Identifying sources of help before the need arises, and having ideas about where to seek help, often makes for smoother transitions when the elder needs assistance.
- **Decide if the family and/or the elder is ready for a family discussion.** Seniors need to decide whether they wish to have a family discussion about their situation, and who and what topics to include.
- **Identify how the family will participate in planning.** Advisors should identify with their clients how family will be involved in discussions, either ongoing or if there is a problem. A specific family member can be designated as the go-to person if the advisor finds a new problem.
- **Build financial help into plans.** If the families help or plan to help others financially, that should be built into financial plans for retirement.
- **Provide for extra expenses if no family help is available.** When there is no family help available, include extra spending to pay for help in the long-term retirement plan.

Note: The same estate planning requirements apply regardless of the availability of family, but such matters are beyond the scope of this paper. Family members will often serve as trustees, and they are provided for in wills. They also often hold powers of attorney.

Tips for Employee Benefit Sponsors and Financial Service Organizations

- **Include information about family issues.** These topics should be a part of financial wellness and education programs.
- **Include program elements linked to family issues and special services.** These topics should be a part of employee assistance programs to help elder orphans.

Final Thoughts

Over a lifetime, help from family members is critical in childhood, often very necessary in late years, and sometimes in the years in between. As people age, capabilities may decline, and help from family members can become an increasingly important source of support, whether it involves changing a tire, cutting the grass, or picking up the elder's food and medicine from the local store. As people reach very advanced ages, however, they often develop physical and cognitive limitations. At this point, help becomes particularly important since it is required more often, with greater intensity, and must often coordinate with medical and other community systems.

Family is often the source of support in times of major need. But hands-on help for seniors is more common than financial help. Several sources of data indicate that many more older adults provide financial help to adult children than vice versa. This suggests that many older people should plan to pay for much of the support they will need when they reach advanced ages.

People without family support still need some of the help that family members would offer. They have the challenge of finding trusted sources of help or figuring out how they will manage alone.

Individual financial plans usually do not consider the potential for family help across generations nor do they take into account the added challenges for those without family support.

The available research leaves unanswered questions. More research is needed into the role and limitations of family in supporting the challenges of aging elders, the alternatives to family support and the impact of family support on caregivers.

This includes the role of traditional family units and quasi-traditional units (like stepfamilies), but also the role of family surrogates for the elder orphans who have no family members either nearby or still living. The increased longevity that many Americans have enjoyed in recent decades has provided many reasons to celebrate the elder years. What is needed now is a deeper understanding of how families (and surrogate families) can support their elders while still keeping their own lives on track and thriving, and how those same elders can find meaningful ways to participate in their family life even as frailty approaches.

Appendix

MORE ABOUT THE RESEARCH

The SOA research teams have based their insights on robust research designed to increase understanding of the way Americans manage their post-retirement finances and to help improve management of the risks. The focus has been on exploring the perspective of the individual. This includes representation at all income levels but with primary focus on the middle market.

The research approaches include the following:

- **Biennial risk surveys.** These surveys explore the knowledge and attitude of Americans age 45 to 80, with respondents split between retirees and pre-retirees with respect to post-retirement risks and the process of retirement. Each report includes some common questions and several topics of emphasis selected for that survey, such as health and long-term care, women's issues and shocks. These surveys have been conducted since 2001.
- **Focus groups and in-depth interviews.** These are periodic research projects targeted to specific subgroups and issues. The purpose is to understand better retiree rationale, to supplement the risk surveys and to help provide input into questions and structure of surveys. Projects were conducted in 2005, 2013, 2015 and 2017.
- **Consumer information.** Gaps in knowledge are a key finding of the research, so the SOA Post-Retirement Needs and Risks Committee designed several publications to fill in gaps and provide helpful information for consumers and consumer-support services. These publications include *Managing Post-Retirement Risk: Strategies for a Secure Retirement* (risk chart), *Managing Retirement Decisions* (a series of 12 shorter guides to specific decisions) and *Age Wise Infographics* on longevity-related issues. A new series starting with *Retirement Health and Happiness* provides information about retirement literacy.
- **Essays and papers.** These are monographs that include essays and papers on topics such as the *Financial Wellness Essay Collection*, *Diverse Risks Essay Collection*, *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security* and *Family Structure, Roles and Dynamics Linked to Retirement Security Essay Collection*. These works reflect a range of perspectives from individual publishing authors who responded to calls for papers. Their ideas include solutions to some of the challenges raised by the research.
- **Other research.** The SOA has conducted other projects, including a series on lifetime income, reports on financial advice and discussions of retirement planning software.

ACCESS THE REPORTS

- **The full reports are available for download at the SOA website:** <http://www.soa.org/research/topics/aging-ret-res-report-list/>.

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Risk Survey Series

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- *Family Obligations Across Generations*, 2018 (<https://www.soa.org/globalassets/assets/files/resources/research-report/2018/family-obligations.pdf>)
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- *Post-Retirement Experiences of Individuals Retired for 15 Years or More: A Report on Twelve Focus Groups and Fifteen In-depth Interviews in the United States and Canada*, 2016 (<https://www.soa.org/globalassets/assets/Files/Research/Projects/research-2015-focus-group-report-final.pdf>)
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Committee Conversations

- *A Conversation on Dementia and Cognitive Decline*, 2018 (<https://www.soa.org/globalassets/assets/Files/resources/research-report/2018/cognitive-conversation.pdf>)

Consumer Information

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Comments on

“Family is Important to Retirement Security”

By Carol A. Bogosian

Eventually, we all get to the stage where we need some help in our daily lives. For some people, the need comes in early years, but most often the strongest need comes in our later years. Often, family and friends are the primary source for assisting us. Denying this fact is easier for many people than facing the issue. But denial does not change the need later in life. However, denial does complicate the situation as choosing and preparing the family member or friend is critical for having a better outcome.

Today’s smaller, blended and geographically dispersed family structures create other issues for assisting with family members. Decisions on who will provide assistance and what support other family members will provide can be a difficult negotiating discussion within family structures. Decisions made before assistance is needed may involve modifying or changing the residence and possibly moving to another part of the country. Decisions may be around obtaining local oversight from friends or professional care services so family members are aware of changes in needs for assistance. Decisions will also involve cost and affordability of care whether provided by the family or through professional care services.

Women are most often the chosen family member to provide care for elderly family members. Women are also more likely to curtail their working years and careers and provide unpaid caregiving instead. Additionally, employment may be too difficult to maintain as employer programs do not provide elderly care benefits to caregivers. Thus, women are often less financially prepared for retirement. The report mentioned, but did not focus directly on, this issue.

Managing medical care for a family member has been made more difficult with HIPAA laws in place. Health care providers are reluctant to share information due to legal restrictions. This can hamper family caregivers from assessing the needs of their family members and possibly delay making key decisions for life changes on their behalf. Pertinent legal documents should be in place but may not be fully sufficient to navigate the health care systems.

Legal and financial advice will be needed to effectively care for family members. Counseling may be needed to have family conversations in a productive manner. People will benefit from seeking more information on these topics as the report does not focus directly on these issues.

However, the report does provide compelling thoughts and resources for various aspects of aging and caring for family members. Another area needing more research is handling affairs for people aging alone. This may be a growing issue as people live longer than previous generations and either may be estranged from family and friends or have no living extended family.

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Author's Response to Comments by Carol Bogosian

By Anna Rappaport

Thank you to Carol Bogosian for her insightful comments. Carol takes the perspective of the individual and some of the challenges they face as they help support elderly family members or friends. She focuses on practical issues and the reality on the ground.

She points out that it is women who most often are helpers and are faced with the day-to-day realities of caregiving. Caregiving is costly to women in terms of time, and it also often means they leave jobs or take time off and end up with less retirement resources.

One of the issues she raises is denial and reluctance to face up to future issues on a timely basis. A 2021 SOA research report, *Thinking Ahead: Informing the Design of a Roadmap for Keeping You Safe as You Age*, deals with some of these issues.

Carol also points out several situations that are becoming increasingly important over time. As there are longer lives, more blended families, smaller families, more solo agers and more women in the workforce, there will likely be more people without family members to care for them. More work is needed to think about effective solutions for these people.

Family members who have been involved in caregiving learn the practical realities and challenges they face. Carol discusses health care, legal and financial issues. One can encounter surprises and unexpected challenges in all three domains. There are complex practical issues in dealing with aging.

Anna Rappaport, FSA, MAAA, serves as chairperson of the Committee on Post-Retirement Needs and Risks. She can be reached at anna.rappaport@gmail.com.

Comments on

“Family is Important for Retirement Security”

By John Cutler

Once again, Anna Rappaport has identified and crafted a wonderful piece on a topic not often addressed. For those of us who toil continuously in the space of long-term care, the aspect that amazes us is that there is not more identification or traction on this issue.

In deference to the amount of space to discuss this document, we can forego reiterating that most care in this country is unpaid caregiving. And the vast majority of unpaid caregiving is by family members. What I found most useful about this report is that it collects in one place most of what the SOA has done recently on the topic.

I'll pick out a few of the salient aspects of the report in the following comments.

First off, family caregiving is definitely one of those areas where changing demographics is important. In my opinion, and for the most part, these changes are probably not going to help families. Blended families are now the norm, not to mention the increase in the LGBTQ+ populations who were not as apparent in previous decades. One example of the potential stress is that blended or new family settings (LGBTQ+ as well) won't necessarily have figured out the “role” various family members are supposed to play. In established families, even dysfunctional ones, these roles may well have been explored and settled decades before the caregiving needs arise. These changes stress the caregivers in new ways that we have yet to fully recognize or come up with ways to better support seniors in need.

Two other particularly useful issues the report identifies and reviews are the increase in the population 85 and over and the lack of support for a population that could be called “elder orphans” (they have no biological family members who could care for them). Both these demographic changes provide great challenges in the long-term care environment in terms of the ability to adequately help those in need who are either extremely frail or who have no family to lean on.

All this has a major impact on how and when to deliver family care, and at the same time we are likely to have a decline in the ability to provide that care. For example, one thing that showed up in this work is that adult children now provide more financial support—cutting a check to help with Mom's care is easier than flying to another state to show up in person to help her. It will be interesting to see if that changes the expectation of either party (parent or child) or whether we will all live with the guilt of not doing enough.

Another useful part of the report lies in identifying what seniors want. For instance, transportation is placed at the top of the list (it is even higher rated if one includes the separate category of shopping trips). Adult children were in turn asked what they actually do and how that matches up to the parents' list. Adult children identified things like medication management and assistance with home care (doing laundry, for example). The report also discusses findings related to purchased services paid for by either the parent or adult child (not strictly informal care). For the most part these revolve around house cleaning, meal preparation and other assistance with personal care.

At the end, the report provides some guidance and suggestions for individual caregivers as well as professionals such as financial advisors. But it would also be nice to see more research around professionals or other paid providers who will have to be brought in as substitutes by the family.

Employers are also mentioned. But few of these suggestions pertaining to employers are given in any great detail. This is an area that calls out for greater research. And, in fact, the SOA is planning to do more research on the employer aspect in 2022. Continued work in this area is critical given how the decline in family support will impact the employment arena.

Last, actuaries were not really mentioned in a report coming from the Society of Actuaries. That is a mistake in my opinion because this is an area many actuaries probably ignore because they cannot quantify it. But in almost every actuarial area, informal/family caregiving DOES need to be addressed. So, another direction for the SOA would be to target their financing and research efforts in the future across multiple actuarial areas of practice so informal and family caregiving gets its due.

John Cutler is a consultant and frequent contributor to SOA activities and committees. He now resides in Wilmington, NC, and can be reached at jobncutler@yahoo.com.

Author's Response to Comments by John Cutler

By Anna Rappaport

I want to thank John Cutler for interesting and insightful comments. I agree with John's comments and would like to provide some additional references and thoughts for those interested in the points made, as follows.

John appreciated the fact that the report is a summary of SOA work on a related topic. This is one of a series of reports that represent that related work on this topic. The *series* is available on SOA.org.

John has suggested that actuaries should consider these issues more and be more involved with them. I support that suggestion and believe that it is important to examine the environment and context as we think about various issues and risks.

John views this topic heavily from a long-term care perspective. Family members are often providers of informal care and support as well as supervisors of formal care and support. They are also often medical advocates. Family is extremely important to long-term care, but this is not the only area where family is important. We traditionally think about the household (and/or married couple) as an economic unit. I have come to realize that depending on the culture and/or community that we are part of, "a family unit" can be defined in various different ways.

John suggests we do more work related to the family, and I strongly agree with this idea. Some of the things to think about in defining the family (or support group) and topics for future research include:

- How families are composed and who has a joint economic arrangement
- Whether there are different arrangements or special issues for immigrants
- How multi-generational and other extended families work together
- Issues for "solo agers" and how they build a support network
- Challenges of informal caregivers
- Integrating family into long-term care support
- Blended families and the different issues that accompany them
- Role of LGBTQ+ families and special issues for these families
- How family patterns vary by race and ethnicity

Anna Rappaport, FSA, MAAA, serves as chairperson of the Committee on Post-Retirement Needs and Risks. She can be reached at anna.rappaport@gmail.com.

Women and Post-Retirement Risks

By Anna Rappaport

In This Report

RISK SURVEYS

2001–2017 Risks and Process of Retirement Survey. Each biennial survey includes topics of special focus.

2013 Risks and Process of Retirement Survey: Key Findings and Issues, Impact of Retirement Risks on Women, Society of Actuaries, 2014

2015 Risks and Process of Retirement Survey: Key Findings and Issues, Shocks and Unexpected Spending in Retirement, Society of Actuaries, 2016

Forthcoming report on 2017 survey of individuals over age 85

FOCUS GROUPS AND IN-DEPTH INTERVIEWS

Post-Retirement Experiences of Individuals 85+ Years Old (2017)

Post-Retirement Experiences of Individuals Retired for 15 Years or More (2015)

The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups (2013)

Spending and Investing in Retirement: Is There a Strategy, Society of Actuaries, LIMRA and INFRE (2006)

CONSUMER INFORMATION

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Managing Retirement Decisions Briefs

Women Take the Wheel: Destination Retirement, 2017

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Diverse Risk Essay Collection

“Women and Retirement Risk: What Should Plan Sponsors, Planners, Software Developers and Product Developers Know?”

Managing the Impact of Long-Term Care Needs and Expense on Retirement Security monograph

“Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience”

“The 65-Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle”

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Women and Post-Retirement Risks

Managing retirement security in the United States has been increasingly challenging for all stakeholders. Major factors contributing to these challenges include a growing older-age population, the shift from defined benefit to defined contribution plans and significant gaps in financial literacy. These factors contribute to a growing concern about how well Americans will fare in old age and the adequacy of their retirement security.

The Society of Actuaries' (SOA) Committee on Post-Retirement Needs and Risks (the Committee) has been working for nearly 20 years to identify and understand the way Americans manage their finances post-retirement. This research work includes a wide-ranging exploration of post-retirement risks through surveys of the public; focus groups and interviews; and collections of essays, research papers and other research reports covering related topics.

This report focuses on retirement issues related to women. It offers highlights and key findings from the 20 years of committee research and related SOA work, together with guidance about where to find more information. This report focuses on the differences in the situation of men and women and the related retirement planning and long-term care issues. SOA data is supplemented by some national data on marital status and living arrangements.

The intended audience for this report includes retirement experts; plan developers and service providers; and those who serve individuals, including employee benefit plan sponsors, advisors and financial services organizations.

The retirement story for women is often very different than that for men. This is even though women and men share a number of retirement realities, such as: women are subject to the same risks as men; women are covered by the same employee benefit plans when they work in the same jobs as men; and married women generally live in the same household as their husbands. Yet women also often follow different retirement paths than men in several other ways.

The SOA's extensive research about post-retirement needs and risks has uncovered some significant areas of difference. These differences are so distinct that those who work with women on retirement issues can derive substantial benefit from learning about the trends, as can women themselves and their partners and families.

The SOA research points to several reasons for the gender differences in retirement. Women generally live longer than men. They typically have different life experiences, including different work histories as well as different physical and emotional demands, even at the older ages. They are more likely than men to serve as family caregivers, impacting them during the time they may be saving for retirement as well as during retirement.

In addition, older women are much more likely than older men to be single, and older women are more likely to live alone or with family members other than a spouse.

Insights into the personal situations of both women and men can be found in several SOA focus groups. The 2013 focus groups provided insights into planning by relatively recent retirees, and the 2015 focus groups examined planning of retirees who were retired 15 years or more. The 2017 in-depth interviews focused on retirees who were over age 85. Meanwhile, the SOA's biennial risk surveys have, since 2001, provided input on how retirees and pre-retirees view risk.

The research consistently shows fairly similar perceptions about risk by gender, although women often express more concern about some risks. The findings also show that outcomes for women are often very different than outcomes for men; this is due to many of the differences mentioned above, such as many women living longer than men and spending their last years alone.

Essays, public information and other SOA research provide insight about how retirees and their financial advisors and providers can plan for and deal with these gender-related issues.

This 2018 report on women in retirement describes key findings from the SOA's post-retirement risk research. In addition, it presents some retirement ideas for women, based on the SOA essay collections as well as other SOA research conducted over the past 20 years. The report is part of an SOA series on several retirement topics and includes guidance about where to find more information.

ACCESSING THE RESEARCH:

The full reports from all work of the Committee can be downloaded from the Aging and Post-Retirement Research page on the website at <https://www.soa.org/research/topics/aging-ret-res-report-list/>

The Reality for Women

Women and men have different life experiences in several areas, with the differences being particularly dramatic at the very high ages.¹ In 2014, at ages 85 and over, the U.S. population of 6,033,000 was 66 percent women and 34 percent men. At ages 65–84, the population was 40,179,000 and was split 55 percent women and 45 percent men. In 2014, marital status by age group for the United States was as shown in Table 1.

Some of the important differences by gender include:

- **Longevity.** Women generally live longer than men, and the population at the highest ages is primarily female.
- **Older women more likely to be alone.** Women are likely to be alone in old age whether never married, widowed or divorced. A high percentage of older women are widows, and some spend many years as widows. Among those more than 85 years old, 75 percent are widowed and 87 percent are not currently married.
- **Career differences.** Overall, women have fewer years of paid work and lower career earnings.
- **Family responsibility.** In the allocation of family responsibility, women often assume more responsibility at home and for caregiving at many life stages.
- **Higher long-term care costs.** On a societal basis, women experience higher long-term care costs since they are more likely to need help with activities of daily living later in life and less likely to have a family caregiver.
- **More focus on others.** Many women have trouble thinking about their needs first (or at the same time) when others have needs. The result is that their needs tend to become secondary or may even be forgotten for long periods of time.
- **Less likely to remarry.** Women are less likely than men to find new spouses or partners after widowhood.

¹ The Pew Foundation's 2016 report *Smaller Share of Women Ages 65 and Older Are Living Alone, More Are Living with Spouse or Children* by Renee Stepler offers insights into the population and some factors about marital status and living arrangements.

TABLE 1

Marital Status by Age and Gender Among Older Americans

Marital Status	Men		Women	
	65-84	85+	65-84	85+
Married	72%	51%	48%	13%
Divorced and Separated	13	7	17	7
Widowed	10	38	30	75
Never Married	5	4	5	5
Total	100%	100%	100%	100%

Source: Stepler, Renee, *Smaller Share of Women Ages 65 and Older Are Living Alone, More Are Living with Spouse or Children*, Pew Foundation, 2016; data is based on tabulation of 2014 American Community Survey and adjusted for rounding.

FOR MORE INFORMATION:

See the SOA’s *2013 Risks and Process of Retirement Survey: Key Findings and Issues, Impact of Retirement Risks on Women*, Society of Actuaries, 2014. Also see the SOA essay from the Diverse Risks Essay Collection titled “*Women and Retirement Risk: What Should Plan Sponsors, Planners, Software Developers and Product Developers Know?*”

Women and Retirement Risks

Women are generally subject to the same retirement risks as men, but the risks can have a different impact between genders, often because of differences in life circumstances. Table 2 summarizes some of the risks that have significant difference in impact by gender.

TABLE 2

RISK	DISCUSSION OF RISK	ISSUES FOR WOMEN
Risks that have a direct greater impact on women		
Loss of spouse	Women tend to live longer than their spouses and often marry older men. Periods of widowhood of 15 years or more are common.	Women who are widowed often experience a decline in income and standard of living. Women need to be aware of the strong possibility of widowhood and the resulting impact.
Decline in functional status	The cost of care for older, frail people can amount to \$1 million or more for a couple over their lifetimes, if both need paid care. Nursing home costs vary but can exceed \$80,000 per person per year. ²	Women have longer periods of expected disability than men. At age 65, women have an expected period of 2.83 years of more severe disability compared to 1.50 years for men. Women are also less likely to have a family caregiver.

(continued)

² Genworth found that the 2016 national median monthly nursing home cost was \$6,844 in a semi-private room and \$7,698 in a private room. The national median assisted living facility cost for 2016 was \$3,628. (From Genworth website, <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html>)

TABLE 2 (continued)

RISK	DISCUSSION OF RISK	ISSUES FOR WOMEN
Lower lifetime earnings and wealth	Social Security benefits and employment-based retirement benefits all depend on earnings history and years of employment.	Median earnings of women working full-time are less than 80% of what men earn in comparable jobs, and they work fewer years on average. Fewer women receive retirement benefits based on their own work history than men.
Risks that affect women differently because of their longer life span		
Outliving assets	At age 65, average life expectancy is 20 years for American men and 22 years for American women. Half of the population will live longer than life expectancy, and some will even live to age 100 or longer. ³	Women have lower savings, lower private pension coverage, and depend more heavily on Social Security for retirement income. Women are exposed to a greater risk that household resources are depleted by their spouse's health care costs, and they then become widows.
Health care risk	Medical costs during retirement are expected to be \$260,000 ⁴ on average for a couple both age 65. Premiums and prescription drug costs are a significant drain on the incomes of average American seniors.	Health costs may affect women more than men because they have lower income but are expected to have similar annual medical costs at the same age. Medical costs generally increase with age.
Inflation	Most expenses increase during retirement, and medical costs increase more rapidly than general inflation.	Inflation affects people who live longer more than those with shorter lives, and this has a compounding effect. Therefore, it has a greater effect on women.

Source: Adapted from “Overview of Retirement Risks for Women” from the report *2013 Risks and Process of Retirement Survey: Key Findings and Issues, Impact of Retirement Risks on Women*, Society of Actuaries, 2014, and from the table “Some Key Risks in the Post-Retirement Years” from the *Post-Retirement Risks and Related Decisions Report*, Society of Actuaries, 2017.

Selected Findings from SOA Risks and the Process of Retirement Survey

The SOA’s *2017 Risks and the Process of Retirement Survey* did repeat many questions from prior surveys. For the repeated questions, the 2017 survey results were generally like those from prior years except that there was an increase in concern, for both genders, from 2015 to 2017.

Highlights of the generally consistent findings include the following:

- **Leading risks.** Though the exact order may vary, the risks of inflation, health care, and long-term care repeatedly headed the list of retirement risks that concern both pre-retirees and retirees. Pre-retirees remained more likely than retirees to say they are concerned about these risks, and they were more likely than the survey participants in 2015 to say they are “very” concerned.

³ Source: The RP 2014 Healthy Annuitants mortality table with MP 2016 mortality improvement. Assumes age 65 in 2017. Data supplied by the SOA.

⁴ Fidelity estimates that a couple both age 65 in 2016 needs an estimated \$260,000 for health care costs, not including long-term care. They estimate an additional \$130,000 as an average long-term care expense. “Health Care Costs in Retirement Rise to an Estimated \$260,000, Fidelity Analysis Shows” (downloaded on March 31, 2017).

- **Primary strategies.** In 2017, the three primary risk-management strategies used by both pre-retirees and retirees remained elimination of debt, saving as much as possible and controlling spending. The same strategies appear in survey to survey, but in 2017, more so than in 2015, majorities of pre-retirees said they plan to eliminate all consumer debt and completely pay off their mortgage. Financial products other than supplemental health insurance were not very popular for risk management.
- **Retirement date goal.** Pre-retirees continued to say they plan to retire at a later age than retirees actually did retire.
- **Work in retirement.** More respondents indicated having an expectation that they are likely to work in retirement than retirees who reported they do work in retirement.

The areas where the 2017 survey results differed by gender show key variances among both pre-retirees and retirees.

A core question in the survey is about how concerned individuals are about post-retirement risks. Women voiced more concern than men about the top concerns.⁵ For instance, Table 3 shows that 85 percent of pre-retired women said they were very or somewhat concerned that the value of their savings and investments might not keep up with inflation, while only 71 percent of pre-retired men said the same. Among retirees, 62 percent of the women but only 52 percent of the men expressed this concern. A similar pattern occurred in the other concern areas shown in Table 3.

Another of the core repeated questions dealt with strategies to manage risk. The three top strategies, among surveys, have consistently been eliminating debt, trying to save as much as possible and cutting back on spending.

The 2017 survey did not show substantial differences by gender for the first two strategies, but it did show a substantial difference on cutting spending. Among pre-retirees, 32 percent of women indicated that they had already cut back on spending, while only 22 percent of men reported the same. Among retirees, 51 percent of women indicated that they had already cut back on spending, while just 34 percent of men said the same.

One topic emphasized in the 2017 survey was the link between housing and retirement. One question looked at 17 important attributes that people might consider when deciding where to live in retirement. On several of those attributes, men and women differed substantially in weighting importance. For example, being near family, friends and a friendly community were much more important to women than to men, and being near quality health care, having less maintenance and access to transportation were moderately more important to women.

Table 4 provides detail on some examples of the attributes where importance differed markedly by gender.

Another special topic in the 2017 survey was long-term care and caregiving. Among pre-retirees, 56 percent of women said they had at some point spent time caring for someone, whereas only 35 percent of men said the same. Among retirees, it was 63 percent of the women versus 43 percent of the men.

⁵ It should be noted that women have lower income on average than men, and generally lower-income people are more concerned. Some of this difference in concern may be related to the income difference, as well as the differences in life expectancy since women are more likely to be living alone.

TABLE 3

Examples of Concerns in Retirement by Gender

Question: *How concerned are you about each of the following (during retirement)?*

(%VERY/SOMEWHAT CONCERNED)	Pre-retirees		Retirees	
	MALE (N = 511)	FEMALE (N = 519)	MALE (N = 493)	FEMALE (N = 532)
	(a)	(b)	(a)	(b)
The value of your savings and investments might not keep up with inflation.	71%	83% ^A	52%	62% ^A
You might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home.	68	78 ^A	53	65 ^A
You might not have enough money to pay for adequate health care.	72	77	49	57 ^A
You might deplete all your savings.	63	75 ^A	47	56 ^A
You may not be able to stay in your home as you age.*	47	57 ^A	41	53 ^A

* Asked among homeowners

^A Designates a significant difference from the prior column.

TABLE 4

Important Attributes in Deciding Where to Live in Retirement by Gender

Question: *Thinking about where you plan to live throughout your retirement, how important is it that the home and/or location you choose offer the following*

(%VERY/SOMEWHAT IMPORTANT)	Pre-retirees		Retirees	
	MALE (N = 511)	FEMALE (N = 519)	MALE (N = 493)	FEMALE (N = 532)
	(a)	(b)	(a)	(b)
Examples: large difference by gender				
Located near family	64%	83% ^A	60%	80% ^A
Located near friends	57	74 ^A	63	77 ^A
A culture of mutual support: neighbors or friends who help each other when they need it	62	71 ^A	59	75 ^A
Gives you a sense of belonging to a community	48	65 ^A	45	68 ^A
The ability to receive help with chores, like cleaning or laundry	50	62 ^A	43	61 ^A
Public services for seniors, such as library courses or senior centers	46	57 ^A	39	55 ^A
Opportunities for social engagements, such as shared meals, bridge clubs or holiday parties	36	48 ^A	27	44 ^A
Examples: moderate differences by gender				
Near quality health care and/or hospitals	84%	88%	85%	92% ^A
Low or no home maintenance required	80	89 ^A	76	83 ^A
Access to needed transportation	68	74	61	69 ^A

^A Designates a significant difference from the prior column.

FOR MORE INFORMATION:

The above examples show the kinds of differences found in the risk survey results. To learn more, see the SOA's *2017 Risks and Process of Retirement Survey*.

Selected Findings from SOA Research with Individuals Age 85 and Older

The 2017 research with individuals age 85 and older included in-depth interviews and a telephone survey. Future research will include an online survey of adult children with parents age 85 and older. Some interesting findings from the 2017 data include the following points related to gender:

- **Marital demographics.** Of married participants in the telephone survey, nearly 90 percent were female. Women were much more likely to be alone and be widowed.
- **Financial security.** Men said they felt more secure financially. Respondents over age 90 felt more secure than those at ages 85–89. People with more income and assets felt more secure, but having long-term care insurance did not correspond to feeling more secure. Widows and those in poor health worried more about their finances. These results seem consistent with other research done in the last five years.
- **Spending.** Analysis by the Employee Benefit Research Institute (EBRI) of spending during retirement indicates that household spending after age 65 generally declines with age except for health care spending, which increases. The SOA survey of individuals age 85 and over provided consistent results about spending at ages 85 and over and provided some insights on differences by gender. For example, the survey found that women are more frugal than men, and widows are the most frugal. All groups are more frugal than 20 years ago. Regarding health care, about 40 percent of respondents said they are spending more than 10 years ago, and about 40 percent reported spending the same. There were no differences by gender in the changes over the 10 years. Regarding housing, more people said they are spending less compared to 10 years ago, with the change larger for women. Regarding entertainment and travel, more respondents reported spending less, with women spending less than 10 years ago more often than men.
- **Debt.** Just over one-third indicated they are negatively impacted by debt without any differences by gender.
- **Importance of family.** The in-depth interviews made clear how important family was when a problem emerges. The survey offers more detail. The clear majority of the survey respondents (86 percent) said they are not getting financial help from family, but about one-third get some help with specific tasks. Women are much more likely to get help with transportation and shopping, and men are more likely to get help with housekeeping, laundry and cooking. More people are getting help with transportation. About half said they expect to get help from family if their health fails, with no difference by gender.
- **Living arrangements.** The research found that women are somewhat less likely to own homes, and widows are most likely to live in a community setting.
- **Advice.** When asked what advice they would give to children and grandchildren, the respondents gave top priority to “save more and save earlier” followed by “spend wisely.” There were no differences by gender.

FOR MORE INFORMATION:

See the SOA's *Post-Retirement Experiences of Individuals 85+ Years Old (2017)* report and also the SOA's survey of individuals age 85 and older (to be released shortly).

Living Arrangements for Older Women and Men

Older women have different living arrangements than older men. Older women are more likely to be living alone, much less likely to be living with a spouse, more likely to be living with their own children, and more likely to be living in a nursing home or other group housing.

The SOA 2017 interviews with individuals age 85 and older, and the 2017 Risk Survey included such results, but data from the Pew Foundation study shown in Table 5 covers a more representative sample of the U.S. population.

The SOA retirement risk research, as well as other studies, indicates strongly that people prefer to remain in their own homes; however, about 40 percent of women age 85 and older are no longer in their own homes.

TABLE 5

Living Arrangements for Older Men and Women—2014

TYPE OF ARRANGEMENT	WOMEN AGE 65–84	MEN AGE 65–84	WOMEN AGE 85 AND UP	MEN AGE 85 AND UP
Nursing home or other group quarters	2%	2%	13%	8%
Unmarried, living with other family or nonfamily	8	7	7	6
Unmarried, living with own children	13	4	23	10
Living with spouse	46	69	12	49
Living alone	30	17	46	27

Notes: Numbers may not add up to 100 percent due to rounding. Older adults who are living with a spouse may also be living with children or other relatives or nonrelatives.

Source: Stepler, Renee, *Smaller Share of Women Ages 65 and Older Are Living Alone, More Are Living with Spouse or Children*, Pew Foundation, 2016; data is based on the Pew Research Center analysis of 2014 American Community Survey.

Women and Long-Term Care

The SOA research sheds light on women and long-term care as well. Here are some key observations:

- Women are more likely to need long-term care than men.
- In general, people tend not to plan for the long-term care of themselves or their loved ones. In addition, many have an overly optimistic set of expectations about Medicare as a source of financing for long-term care. Currently, only about 10 percent of American households have long-term care insurance.⁶ This is even though major long-term care events are a huge problem for many households. Women who live longer are more likely to be adversely impacted by the lack of planning for long-term care. They have a longer expected period of care and are less likely to have a spouse who can help them.
- Family is a very important source of help when people need assistance and support, although many people do not plan for such help. Providing help can be costly to the family caregiver, who is most often a woman, perhaps the wife, daughter, sister or other female member in the extended family. The caregiving responsibility can adversely affect the retirement savings and health of the women who provide this unpaid care.

⁶ For more details on long-term care insurance coverage, see Johnson, Richard W., *Who Is Covered by Private Long-Term Care Insurance?*, Urban Institute Brief, August 2, 2016.

- Husbands are much more likely than their wives to expect to have spouses and other family members serve as caregivers.
- Women generally live longer but are less likely to have access to family caregivers.

Neither men nor women want to be in a nursing home, but women are more likely to be in a nursing home, both because of their longer life and because they are less likely to have family caregivers.

FOR MORE INFORMATION:

See the SOA’s *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security* monograph papers on “Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience” and also “The 65-Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle.” In addition, see the SOA’s 2017 *Risks and Process of Retirement Survey*.

Women on average need assistance for a considerably longer time than men. Analysis of health expectancy⁷ divides the life expectancy into three periods: non-disabled, mild or moderate disability and more severely disabled. As Table 6 illustrates, women have a much greater expected period of needing help.

The situation is further complicated because women are less likely to have a family caregiver.

TABLE 6

Division of Total Life Expectancy into Three Periods Based on Health Status (Expected Number of Years of Life Expectancy in Various Health States)

AGE	NON-DISABLED	MILD OR MODERATE DISABILITY	MORE SEVERELY DISABLED*
Male			
65	12.34	1.50	1.50
75	6.77	1.37	1.61
85	2.89	1.04	1.75
95	0.81	0.61	1.91
Female			
65	13.65	2.97	2.83
75	6.99	2.55	2.96
85	2.47	1.74	3.03
95	0.52	0.78	2.54

* More severely disabled includes those with activities of daily living (ADL) and cognitive impairments that would make them claim eligibility under HIPAA-qualified long-term care⁸ policies.

Source: Eric Stallard, “Estimates of the Incidence, Prevalence, Duration, Intensity and Cost of Chronic Disability Among the U.S. Elderly,” paper presented at SOA Living to 100, 2008, and published in SOA Monograph, Table 4. Table notes that author’s calculations are based on the 1984–94 NLTCS.

⁷ Health expectancy offers a means to divide life expectancy between expected periods of healthy life and periods when various levels of assistance will be needed.

⁸ HIPAA is U.S. federal legislation and defines conditions under which payments from long-term care insurance get favorable tax treatment.

LESSONS LEARNED FROM RETIREES

The Committee's researchers conducted focus groups with financially resource-constrained retirees who had been retired more than 15 years in 2015 and with retirees who were more recently retired in 2013. Focus groups were conducted separately by gender. In 2017, in-depth interviews were conducted with individuals age 85 and older.

The Committee has also surveyed retirees and near retirees about post-retirement risks every two years starting in 2001. Some of the findings from this work include:

- **Concerns about retirement risks.** Women are more concerned about retirement risks than men. This is logical since the risks affect them more.
- **Planning horizons.** Many people have retirement planning horizons that are too short, which is particularly serious for women. Gaps in knowledge and misperceptions are very common.
- **Dealing with shocks.** Women play a major role in dealing with shocks and are often left to deal with the problems remaining after their husbands were sick for a long time and then died. People commonly deal with things as they happen rather than anticipating and planning for financial shocks. Dental expenses and home repairs are major items of unexpected expenses for retirees. These issues affect both genders, and couples as well as singles. Retirees often can manage through these shocks unless they experience multiple shocks.
- **Some shocks are particularly difficult.** Divorce after retirement, a major long-term care event, and substantial ongoing help to children often cause major financial disruption. Some mothers make substantial gifts to children when the children lose jobs or experience major problems. This can adversely impact their future ability to care for themselves.
- **Retirees are very resilient.** SOA focus groups indicate that women are often more realistic than men about risks and concerns. Retirees are very resilient and adapt to many unexpected changes and shocks. Widows often adapt quite well. SOA researchers found similar results throughout the retirement years.
- **Older people need help.** Most people over age 85 have some limitations, and many need help. Family becomes very important when people need help, and this is particularly important at ages 85 and over. However, men are much more likely to be married and have a spouse to help, whereas women are less likely to be married, may have children, but are more likely not to have access to a family helper.
- **Impact of caregiving.** Women are much more likely to be caregivers and to time their retirement because of the caregiving needs of others.

FOR MORE INFORMATION:

See the following SOA reports: *Post-Retirement Experiences of Individuals 85+ Years Old* (2017); *Post-Retirement Experiences of Individuals Retired for 15 Years or More* (2015); *The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups* (2013); and *Spending and Investing in Retirement: Is There a Strategy?* Society of Actuaries, LIMRA and INFRE (2006)

Tips Based on This Research

This collective research offers important information for individuals, advisors, organizations sponsoring employee benefits and companies that offer risk management products. The findings and observations reflect the special issues of women and consider different life circumstances by gender. The following are general tips for different stakeholders:

TIPS FOR WOMEN RETIREES AND NEAR RETIREES AND THEIR ADVISORS

- **Think longer term.** It is particularly important for women to think longer term and plan for the rest of life since women generally live longer than men.
- **Remember, married couples often become singles.** For married couples, a retirement plan should be designed to work for the couple, but also for each of the individuals if they are no longer together. Women are much more likely to be widowed and need to manage as singles later in life. Women should not forget about the need to plan for widowhood and the possible contingency of divorce in their planning.
- **Consider long-term care planning.** A plan to manage long-term care is particularly important for women.
- **Be careful about debt.** Avoid getting too much into debt, and married women need to be careful that their spouses do not obligate them for too much debt.
- **Be thoughtful about helping family.** Women are particularly likely to focus on helping others but should take care not to give too much money to their children. It is good to help family members, but not if that puts oneself into a difficult situation.
- **Carefully decide about caregiving.** Women should think carefully about the long-term consequences before giving up a job or going on a reduced hours arrangement so they can provide caregiving.
- **Be engaged in family financial decisions.** It is important for women to understand and participate in the family financial decisions. Too often husbands may deal with financial matters without input from their wives.
- **Maintain an emergency fund.** Women particularly need to maintain an adequate emergency fund, as they are most likely to be left without resources and alone.
- **Women without family support should build a support network.** Women who do not have direct family support need to think about what type of support network they can build.

TIPS FOR EMPLOYEE BENEFIT SPONSORS AND FINANCIAL SERVICE ORGANIZATIONS

- **Target financial wellness programs.** In designing financial wellness programs, remember that women have different life situations. Messages should address these situations.
- **Expand educational materials.** Include in educational materials information about divorce and widowhood.
- **Encourage retirement savings and related disability benefits.** Provide offerings for and encourage women to save enough for retirement and to maintain adequate disability benefits. Encourage women to save enough for retirement to meet their different life situations.
- **Inform employees about Social Security claiming.** Help women understand the issues surrounding Social Security claiming. These issues are important both with respect to their own benefits and to benefits in their possible role as spouse or widow. Couples should coordinate claiming strategies.

Final Thoughts

Retirement planning is particularly important to women because they generally live longer. The issues faced by the very old heavily affect women. Women who live to higher ages (85 or over) are very likely to be alone at those ages. Couples frequently split responsibilities, but once a spouse is alone, sharing responsibilities that way is no longer possible. Importantly, although women are often the family care-takers, they need to think about their own welfare and future as well.

Appendix: More About the Research

The SOA Committee on Post-Retirement Needs and Risks has based its insights on robust research designed to increase understanding of the way Americans manage their finances post-retirement and to help improve the management of the risks.

The full reports from the Committee are available for download at the Society of Actuaries website: <https://www.soa.org/research/topics/aging-ret-res-report-list/>

The Committee's focus has been on exploring the perspective of the individual. This includes representation at all income levels, but with primary focus on the middle market.

The research approaches include:

- **Biennial risk surveys.** Surveys of the knowledge and attitude of Americans age 45 to 80, split between retirees and pre-retirees with respect to post-retirement risks and the process of retirement. Each report includes some common questions and several topics of emphasis selected for that survey, such as health and long-term care, women's issues, shocks, and so on. Surveys conducted since 2001.
- **Focus groups and in-depth interviews.** Periodic projects are targeted to specific subgroups and issues to better understand retiree rationale, to supplement the surveys and also to help provide input into questions and structure of surveys. Projects were conducted in 2005, 2013, 2015 and 2017.
- **Consumer information.** Gaps in knowledge are a key finding of the research, so the Committee designed several publications that are designed to fill in gaps and provide helpful information for consumers and consumer-support services. These publications include *Managing Post-Retirement Risk: A Guide to Retirement Planning* (risk chart), *Managing Retirement Decisions* (a series of 12 shorter guides to specific decisions), and *Age Wise Infographics* on longevity-related issues. A new series starting with *Retirement Health and Happiness* provides information about retirement literacy.
- **Essays and papers.** These are monographs that include essays and papers on topics such as the *Financial Wellness Essay Collection*, *Diverse Risks Essay Collection* and *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security*. These works reflect a range of perspectives from individual publishing authors who responded to calls for papers. Their ideas include solutions to some of the challenges raised by the research.
- **Other research.** The committee has conducted other projects, including a series on lifetime income, reports on financial advice and discussions of retirement planning software. In addition to the direct work of the committee, the SOA conducts other research related to these issues, and there is work performed by related entities.

References

RISK SURVEY SERIES

- *2013 Risks and Process of Retirement Survey: Key Findings and Issues, Impact of Retirement Risks on Women*, Society of Actuaries, 2014
- *2015 Risks and Process of Retirement Survey: Key Findings and Issues, Shocks and Unexpected Spending in Retirement*, Society of Actuaries, 2016

- *Entire Risks and Process of Retirement Survey Series*
- Forthcoming report on 2017 survey of individuals over age 85

FOCUS GROUPS AND IN-DEPTH INTERVIEWS AND REPORTS

- *Post-Retirement Experiences of Individuals 85+ Years Old*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals Retired for 15 Years or More*, Society of Actuaries, 2016
- *The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups*, Society of Actuaries, 2013
- *Spending and Investing in Retirement: Is There a Strategy?*, Society of Actuaries, LIMRA and INFRE, 2006

CONSUMER INFORMATION PUBLICATIONS

- *Managing Post-Retirement Risk: A Guide to Retirement Planning* (Risk Chart), Society of Actuaries, 2011
- *Managing Retirement Decisions*, Society of Actuaries, various dates (note that one of the decision briefs specifically deals with women
 - Decision brief supporting content: *Women Take the Wheel: Destination Retirement*

ESSAYS AND PAPERS

- *Managing Diverse Risks—Essay Collection*, Society of Actuaries, 2016
 - Rappaport, Anna M., “Women and Retirement Risk: What Should Plan Sponsors, Planners, Software Developers and Product Developers Know?”
- *Financial Wellness Essay Collection*, Society of Actuaries, 2017
 - Rappaport, Anna M., “Don’t Forget the Role of Families in Lifetime Financial Security”
- *Managing the Impact of Long-Term Care Needs and Expense on Retirement Security Monograph*, Society of Actuaries, 2015
 - Rappaport, Anna M., “Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience”
 - Timmerman, Sandra, “The 65-Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle”

PRESENTATIONS

- *Post-Retirement Needs and Risks: What Do We Really Know* (Presentation decks for this topic and other presentations of committee work are available on the SOA website. They are updated periodically and tailored to different audiences.)

OTHER

- Johnson, Richard W., *Who Is Covered by Private Long-Term Care Insurance?*, Urban Institute Brief, 2016
- Stepler, Renee, *Smaller Share of Women Age 65 and Over Are Living Alone*, Pew Foundation, 2016

Comments on

“Women and Post-Retirement Risks”

By Vickie Bajtelsmit

Near the beginning of my academic career, I wrote a paper entitled “Why Do Women Invest Differently than Men?”¹ At that time, public policy makers had growing concerns about the difficulties faced by women in securing an adequate retirement, but the research on this topic was in its infancy. My coauthor and I posited that gender differences in retirement outcomes could be explained by differences in education, labor market experiences (career choice, gender wage gap, industry segregation, discrimination, etc.), dependent care decisions (resulting in time out of the labor force), and differences in risk aversion (whether innate or the result of socialization). Although our paper was part literature review and part “think piece,” it has engendered a multitude of studies over the last decades, by myself and hundreds of others, providing support for our hypotheses.

Fast forward to today, and Anna Rappaport’s report does a terrific job of documenting that most of the retirement concerns for women in the early 1990s have persisted. Although the gender pay gap has improved from 72 percent in 1993 to 80 percent today, women still have fewer years of paid work and lower career earnings than men. Women still do the lion’s share of caregiving, resulting in time out of the workforce. Women still live longer than men and face many years of widowhood, often living alone in their last years. Financial literacy, a topic not even on our radar in my original paper, has also been identified as an important gender difference that can have long-lasting impact on financial security.

What *has* changed over time is our understanding of these problems and the resiliency of retirees in dealing with the realities of retirement. The SOA’s Committee on Post-Retirement Needs and Risks has funded extensive research, through surveys, focus groups, and reports that have elucidated the issues. Although this body of work covers many interrelated topics, the components that focus on women’s issues, much of which has been championed by Anna Rappaport as the long-time chair of the committee, is excellently summarized in this report. The author’s passion for this topic and deep understanding of the issues are clearly evident throughout.

After carefully reading the report and considering the findings, I find myself struck by how much is still left to be done. Women still face most of the same issues they did 25 years ago, but some of the preexisting problems are compounded by declining marriage rates, the disappearance of traditional defined benefit plans, and greater longevity. Add to that the potential for reduced Social Security benefits as that program’s insolvency date looms. The missing piece is still the lack of satisfying solutions. Although Anna provides a section suggesting a number of tips for women and their advisors, they are all directed at encouraging long-term planning. For the vast majority of women (and men) who delay planning or do not have sufficient assets to justify seeking financial advice, the retirement issues of today will likely be the same, or maybe worse, in another 25 years. This is not a criticism of the report, but rather a call to action for future research aimed at finding better solutions.

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¹ Bajtelsmit, V. and A. Bernasek. 1996. “Why Do Women Invest Differently than Men?” *Financial Counseling and Planning* Vol. 7.

Author's Response to Comments by Vickie Bajtelsmit

By Anna Rappaport

Thank you to Vickie Bajtelsmit for her comments. Vickie points out that women have long had challenges when it comes to retirement security. She offers some comparison of the situation 25 years ago and the situation today. The Women's Institute for a Secure Retirement had its 25th anniversary in 2021. During the anniversary celebration, there was a comparison of the situation 25 years ago and today. In both situations, the bottom line was the same: many of the same problems have persisted through the 25 years. A few things are better today—for example, the pay gap is a little smaller and more women have a college education. And some things are not as good—there are fewer defined benefit plans today and Social Security is getting closer to a benefit cut if nothing is done to get it back into financial balance.

Vickie points out that there is increasing recognition of the importance of these issues, and I agree with that. Both financial service firms and financial wellness programs are recognizing the need for speaking to women's concerns and addressing what is most important to them. That is good news. But the bad news is that many people are still planning only for the short term and many are not taking action.

Vickie points out the need for further research and for more action. I agree with both of those points. I also believe there is a continuing need for addressing pay disparities and conditions of employment.

While there is a need for many Americans—both men and women—to take more action in order to support their retirement planning, women still face more challenges when it comes to retirement security. Providers of benefits, financial wellness programs and advisors should consider women's issues and needs.

Anna Rappaport, FSA, MAAA, serves as chairperson of the Committee on Post-Retirement Needs and Risks. She can be reached at anna.rappaport@gmail.com.

Comments on

“Women and Post-Retirement Risks”

By Phyllis C. Borzi

Anna Rappaport has long been known among members of the employee benefits community, including both state and federal policymakers, as one of the most thoughtful, creative and passionate commentators on the world of employer-provided benefits and the impact that those benefits have on plan sponsors who offer them and the lives of the workers and their families who are fortunate enough to have access to them.

As a long-time contributor to the sizeable body of significant research on the retirement marketplace generated by the Society of Actuaries (SOA) over the past decades, Ms. Rappaport’s report continues her tradition of providing insights into the critical issues facing women in preparing for and navigating their way through retirement in a clear and understandable framework that is accessible to non-experts as well as seasoned researchers.

“Women and Post-Retirement Risks” pulls together key findings from the work of the Society of Actuaries’ Committee on Post-Retirement Needs and Risks that has been conducted in the past 20 years. But Ms. Rappaport’s report is not just a simple compendium of past research findings. Rather, she identifies and describes these findings in an eminently readable and extraordinarily helpful discussion framework, supplemented by useful graphics that provide the reader with a thought-provoking road map through the challenges facing working women and those considering and entering retirement. Just as importantly, the article identifies for its readers practical tips that flow from this important research to help women work through these challenges.

Two of the key findings from the SOA research that Ms. Rappaport discusses are often overlooked by other authors addressing the special problems faced by women in preparing for retirement. Based on my own experience during my more than four decades working on retirement issues, I believe they deserve special mention and additional focus by policymakers and researchers.

First, in describing how life experiences differ between men and women, Ms. Rappaport identifies an important gender difference—the fact that women often have trouble thinking about their needs first when compared to the needs of others, particularly their spouses and children. Recently I have been working on issues related to women and divorce and, in this context, our experience shows this is all too true. In trying to help women understand their potential legal rights to request a share of their spouse’s pension at divorce, the response we often see is for the former spouse to immediately subjugate or ignore her own financial security in favor of her children, whether minor or adult.

This is also a common factor in situations in which a woman’s or couple’s retirement savings are diverted to provide funds to children for educational or housing expenses. In these instances, it is generally the woman who is more willing to put her children’s financial needs above her own. This is an important finding, and it would be useful to pursue additional, more focused research on the economic impact of this clear gender difference. Although much has been written about caregivers and the need for greater economic and other support for them, one might consider this female tendency to elevate the needs of others over one’s own, in the context of that discussion, since arguably providing long-term financial support for adult children may be seen as a form of economic caregiving.

Second, in describing the risks facing women in making decisions regarding where to live when approaching and during retirement, Ms. Rappaport focuses on the greater likelihood that women more often than men think about and choose a setting that provides greater mutual support. Women will choose locations near family or friends, or a community where services for seniors are more readily available. While much has been written about senior housing issues generally, given their greater longevity, the consequences for women who fail to consider the need for this type of mutual support when making locational decisions deserves additional attention.

In summary, by providing this extremely useful and thoughtful report focusing on key findings of the SOA's research, Ms. Rappaport provides a strong and important contribution to the continuing policy discussions on the post-retirement risks, challenges and opportunities facing women. Moreover, this report also helps to identify potential additional areas for follow-up research. Perhaps most significantly, Ms. Rappaport has produced a clear description of these risks that can be used to stimulate future debate even among non-experts about how to improve the potential for ensuring a successful retirement for women.

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Author's Response to Comments by Phyllis Borzi

By Anna Rappaport

Thank you to Phyllis Borzi for very interesting comments and for sharing her experience. Phyllis points out the relationship of both personal action and policy to the issues raised in the paper. She points to specific issues where she has observed challenges.

One of the issues she points out is divorce, and that often women make decisions in divorce settlements that are opposite to supporting their retirement security. This is a great concern. In earlier research on shocks, Society of Actuaries research indicated that divorce after retirement was one of the shocks that people often could not recover from financially.

Phyllis discusses the tendency of women to think about the needs of others first and not to balance the needs of others with their own. Since women are often the last to live in a couple, this can be very troublesome. They sacrifice a lot to care for others and then they are left in trouble.

Phyllis also points out the need for longer-term thinking. Failure to think longer term and from a big-picture perspective are two of the biggest problems with retirement planning, particularly for women. Phyllis's comments remind me of the importance to think through the details risk by risk.

Anna Rappaport, FSA, MAAA, serves as chairperson of the Committee on Post-Retirement Needs and Risks. She can be reached at anna.rappaport@gmail.com.