



Retirement Survey Report Key Findings and Issues:

Housing In Retirement

ACKNOWLEDGMENTS

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

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

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

Housing in Retirement

For more than 16 years, the Society of Actuaries (SOA) has studied post-retirement risks—identifying risks and how they are managed. The *2017 Risks and Process of Retirement Survey*, conducted on the SOA's behalf by Greenwald and Associates, is our ninth biennial study on this topic.

This report on housing is one of four additional reports that provide a more detailed examination of specific topics explored in the survey. The other three reports offer an overview of the survey findings, an assessment of financial wellness and an examination of the burden of caregiving and long-term care.

ABOUT THE RESEARCH

The *2017 Risks and Process of Retirement Survey* (the 2017 Risk Survey) was designed to evaluate Americans' awareness of retirement risk and how these perceptions affect the management of their finances. A total of 2,258 interviews (1,030 pre-retirees, 1,025 retirees and an additional 203 interviews among retired widows) lasting an average of 20 minutes were completed from June 20 through June 30, 2017.

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

The results of this study reflect the overall income distributions of Americans age 45 to 80. This was done through a combination of fielding targets and weighting. This distinguishes the findings from many other studies on this topic, which focus on high-net-worth individuals.

Some questions in this survey were similar to questions in prior years' surveys and therefore provide insight into how perspectives of risk change over time. However, caution should be exercised when comparing specific numerical results of the 2017 Risk Survey with the results from questions from the 2011 or earlier iterations of the survey. Starting in 2013, this study was conducted online, whereas all previous studies in the series were conducted by telephone.

HOUSING REPORT ORGANIZATION

This report on housing in retirement provides responses to selected questions from the 2017 Risk Survey. For each question, the researchers show the results along with a brief explanation. We supplement the responses to the questions with commentary and perspectives from some of the SOA's Project Oversight Group members and with input from representatives of all organizations that supported the studies and material from other related research.

In addition, this report concludes with a look at related housing findings from SOA's *Post-Retirement Experiences of Individuals 85+ Years Old* and related research.

CONTEXT: THE IMPORTANCE OF HOUSING FOR RETIREMENT SECURITY

Housing was selected as a major topic for the 2017 Risk Survey because it is a very important issue for retirees, many of whom must make several big decisions about housing. Housing is important for the following reasons, among others:

- On average, costs related to housing are the biggest expense for many retired households.
- For many middle-income households, the value of housing equity is considerably larger than financial assets. Prior

research has shown that some households have housing assets and virtually no financial assets. However, the results of the 2017 Risk Survey find that value and equity are strongly correlated to financial assets for the survey respondents.

- On average, costs related to housing are the biggest expense for many retired households.
- For many middle-income households, the value of housing equity is considerably larger than financial assets. Some households have housing assets and virtually no financial assets.
- People have a lot of identity and emotional attachment to homes where they have lived for a long time.
- The location of housing determines access to family, friends, public transportation, services, health care, parks and so on as well as climate. It makes a great deal of difference from a lifestyle point of view.
- When people develop physical or other personal limitations, housing may or may not continue to work, depending on, for example, the presence of stairs, the width of doorways, grab bars and various modifications to bathrooms. Some housing is combined with services and in-home caregiving.

Retired and near-retired families have several decisions to make about housing:

- Is our current housing affordable? What can we do to reduce the cost?
- Now that we no longer need to be near a job site, should we move?
- If we move, where do we want to go? Will we encounter huge differences in housing costs and available services based on geographic area?
- What family members do we need to be near?
- Should we pay off our mortgage?
- Do we want to get a reverse mortgage?
- Will some of our housing assets be needed to help finance retirement, or can we reduce other expenses?
- If the house has stairs or other features that may make it difficult if we develop physical or other limitations, should

we make modifications when needed, or should we seek other housing?

- Would senior housing of some sort be a better option for us? There are several types of senior housing, and they include a variety of different services. Some include care.
- What will meet our needs in the long run?

Thinking about Housing and the Planning Horizon

As we look at the responses to the 2017 Risk Survey, we need to remember that most people answered based on their *present situation*, rather than on a conceptualized future. For example, the findings revealed that retirees engaged in a great deal of planning that is relatively short-term and cash-flow based. It is likely that many respondents did not consider future changes and longer-term issues, meaning that responses in many cases do not reflect the challenges that retirees may face later.

ASPECTS OF HOUSING IN RETIREMENT

The 2017 Risk Survey examined how retirees and pre-retirees perceive their home as an asset to fund retirement and potential long-term care needs. More broadly, this research aimed to find out how housing fits into Americans' greater retirement plans.

Also, this wave of research explored new housing topics, including plans to move, current housing arrangements, concerns and important considerations in determining where to live in retirement. The following are key findings on housing decisions in retirement:

1. *The Big Picture: Major Housing Priorities*

The home is a source of stability and security for retirees; therefore, remaining in the home is a top priority for many. Nearly two in three retirees and more than two in five pre-retirees told SOA researchers that they wish to remain in their current home throughout retirement.

Among the few planning to move, many said they intend to downsize. Becoming a burden to family was a concern to both pre-retirees and retirees. Although it is generally

desirable to live near family, few said they plan to live with family in retirement.

2. *Current Housing Situation*

Home ownership is common among pre-retirees and retirees. Among the 2017 Risk Survey respondents, retirees were more likely than pre-retirees to say they own their home free and clear, but majorities of pre-retirees and retirees said they own their homes. Roughly one in five said they are renting.

Most reported they were living in single-family homes, with slightly more retired widows than pre-retirees saying they live in a small apartment or condo building or an independent senior living community. Few said they have moved within the past five years. Slightly more retirees reported having moved recently than did pre-retirees, a finding that may be a reflection of their retirement life phase.

Majorities of pre-retirees and retirees said they live with their spouses/partners. Meanwhile, three in four retired widows reported living alone. It was uncommon for retirees and retired widows to say they live with someone other than a spouse/partner.

3. *Housing Concerns*

For two in five pre-retirees and nearly half of retirees, housing expenses represented less than 25% of their expenses. Still, for one in six of both groups, housing comprised at least half of their overall expenses. Despite cost, remaining in their home as they age was among the top retirement concerns of all 2017 Risk Survey respondents, with pre-retirees being more concerned than retirees.

Differences in homeownership may be driving the greater concern found among pre-retirees. As may be expected, a smaller proportion of pre-retirees said they had paid off their home mortgage than did retirees. As a result, more pre-retirees expressed concern than retirees that their home

equity will not support their retirement and that they have too much housing debt. It should also be noted that pre-retirees express more concern about most risks.

4. *Using the Home to Fund Retirement*

For many, the home is a valuable asset in which most people have built equity. The largest share of respondents estimated their home equity as being between \$50,000 and \$150,000. In general, homeowners were reluctant to use their home to fund retirement, with one in four pre-retirees and one-third of retirees saying they would never touch it.

Yet pre-retirees expressed slightly more willingness than retirees. For example, nearly four in 10 pre-retirees said they would be willing to use their home just as they would any other asset or that they were willing but a little less likely to do so than with other assets. Only 28% of retirees expressed this type of willingness.

5. *Desired Housing in Retirement*

Proximity to quality health care facilities was the top consideration among pre-retirees and retirees when choosing housing in retirement.

In addition to health care, housing options that increase access to needed services such as transportation, restaurants and shops and professional help were also important. People indicated that they value living near family and friends, but retired widows are more likely than pre-retirees and retirees to place importance on all aspects of living in an emotionally supportive community.

Quality of life attributes such as fitness amenities and living in proximity to nature and scenery were generally more important to pre-retirees and retired widows than to retirees.

In considering retirement housing needs, the respondents indicated that independent living was much more attractive than continuing care retirement communities (CCRCs), assisted living facilities and nursing homes.

The Big Picture: Major Housing Priorities

SURVEY FINDINGS

Remaining in the home was a priority for pre-retirees and retirees. Nearly two-thirds (64%) of retirees and slightly more than two in five (44%) pre-retirees said they wish to remain in their current home throughout retirement. Compared to renters and people who owe money on a mortgage, pre-retired and retired homeowners who have no mortgage showed greater preference to remain in their home throughout retirement.

WHO PLANS TO REMAIN IN THE HOME THROUGHOUT RETIREMENT?

Among pre-retirees:

- Homeowners without a mortgage: 60%
- Homeowners with a mortgage: 46%
- Renters: 18%

Among retirees:

- Homeowners without a mortgage: 75%
- Homeowners with a mortgage: 66%
- Renters: 42%

Pre-retirees and retirees who were not planning to remain in their home throughout retirement displayed a strong preference for moving into a smaller home. Nearly three in four pre-retirees (72%) and more than three in five retirees (61%) said they plan to downsize. Still, notable proportions of pre-retirees (24%) and retirees (35%) said they plan to move to a home of a comparable size.

Although pre-retirees and retirees place importance on living near family, very few said they plan to live with family during retirement (pre-retirees: 4%, retirees: 5%). However, some remained uncertain. Nearly one in five pre-retirees and retired widows (18% each) and one in seven retirees (14%) were unsure if they will live with family during retirement.

DISCUSSION

When people retire, they most often have a strong preference to stay in their home. However, this will not work out in the long term for everyone. Many factors may change as people age. For instance, personal income may be lower after retirement and it may not keep up with inflation. Staying in a long-term home may not be affordable, convenient or suitable. Some retirees may develop physical or mental limitations and need to be near family and/or other help.

Mortgages are a consideration too. People who have mortgages at the time of retirement are less likely to expect to stay in their homes, as affordability is likely to become a substantial consideration. Even people without mortgages may encounter affordability concerns, such as when faced with rising taxes¹ and utility costs. In addition, those who live in older homes may be confronted with expensive home repairs. People in condominiums may face the same issues due to unexpected special assessments.

It should be remembered that many retirees have a short planning horizon. While they often want to, and plan to, remain in their homes at the time of retirement, many will decide to move later for a variety of reasons.

The Late in Life study with retirees age 85 and above offered additional insights. Many retirees reported moving after retirement, but the majority remained in their own homes.

The related survey of adult children of older retirees indicated that their parents' decision to move was often in response to a need to do something, rather than as a result of realizing a dream. (More details on the age 85 and older study appear later in this report.) Such decisions entail risk. Our observation is that reactionary changes, such as moving after a health shock, likely represent suboptimal decision-making strategies and may lessen the financial benefits of moving/downsizing.

The SOA's 2015 focus groups with those retired 15 years or more provided some insights into housing as well. Some retirees who

1 Examples of real estate taxes by state based on the median home value in the state are New Jersey, \$7,601; Connecticut, \$5,443; Indiana, \$1,100; and Alabama, \$550. The median home values are New Jersey, \$316,400; Connecticut, \$269,300; Indiana, \$126,500; and Alabama, \$128,500. Examples are chosen to show the range. Data are from Wallethub, <https://wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585/>.

were living in long-term homes at the time observed that their former home had more space than needed. In addition, they said their former homes were costly to maintain and subject to higher taxes. Others said they had downsized and were happy they did.

As indicated above, very few people said they plan to live with family. People usually do not plan for family help. However, the age 85 and above research found that when people have problems, family is often the first source of help, and children seem ready to help their parents.

A study from the Pew Foundation² found that many more people end up living with family than had indicated plans to do so. This is significant because the Pew data should be representative of the U.S. population.

The same study also showed that among women ages 65–84, 13% were unmarried and living with children, and 8% were unmarried and living with other family members or nonfamily individuals. Among women ages 85 and above, 23% were living with children, and 7% were living with other family members or nonfamily individuals. For men, the numbers were smaller, 4% and 7% at ages 65–84 and 10% and 6% at ages 85 and older, respectively. This provides useful evidence that housing plans do not always provide an accurate forecast of future housing.

Following are some related tables and charts from SOA's housing research included in the 2017 Post-Retirement Risk Survey.

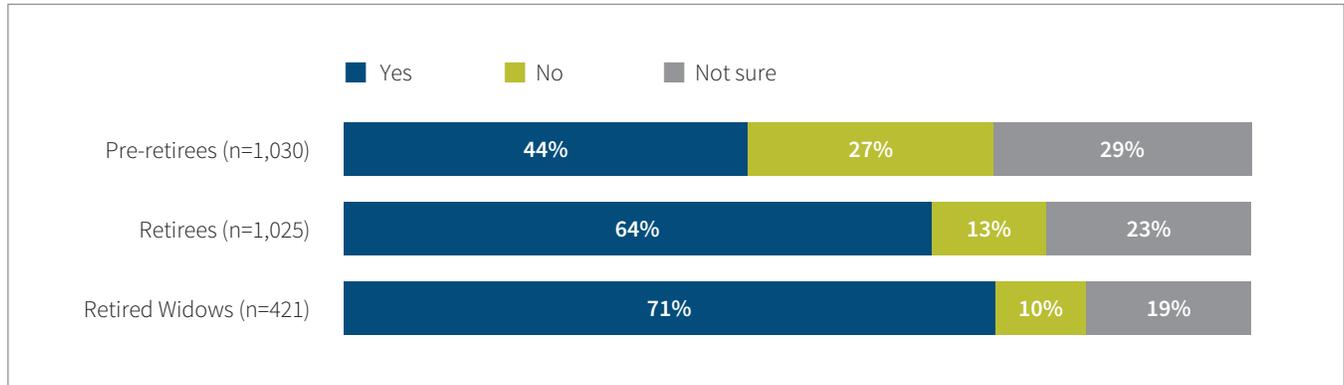
² Renee Stepler, "Smaller Share of Women Ages 65 and Older Are Living Alone, More Are Living with Spouse or Children," Pew Foundation, 2016; data based on the Pew Research Center analysis of 2014 American Community Survey.



PLANS TO STAY IN CURRENT HOME

Question: Do you plan to live in your current home throughout your retirement?

(Results are shown by retirement status)



PLANS TO STAY IN CURRENT HOME BY HOMEOWNERSHIP

Question: Do you plan to live in your current home throughout your retirement?

(Results are shown by income group and retirement status)

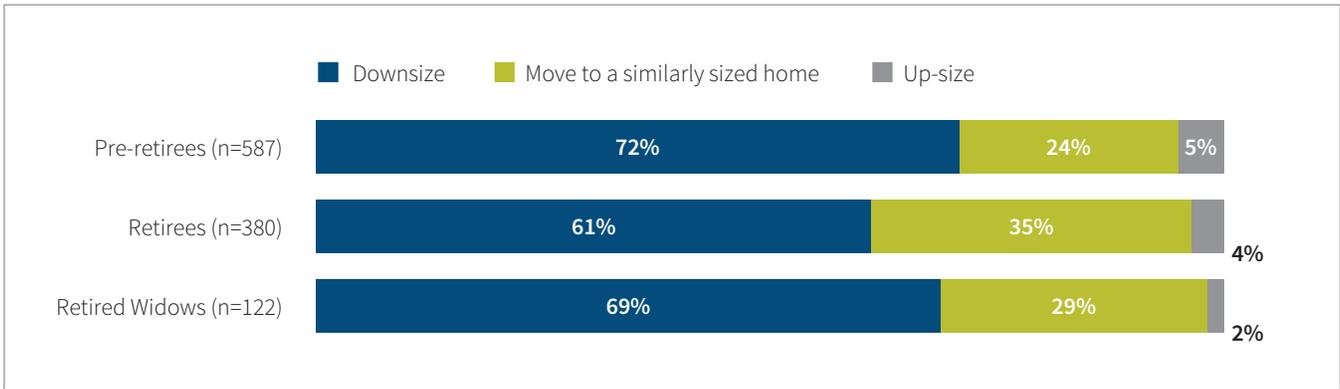
Plan to Live in Current Home throughout Retirement		Yes	No	Not Sure
Pre-retirees				
Own Home, No Mortgage (n=282)	A	60% ^{BC}	18	23
Own Home, with Mortgage (n=544)	B	46% ^C	22	32 ^A
Rent/ Other (n=204)	C	18%	54 ^{AB}	28
Retirees				
Own Home, No Mortgage (n=497)	A	75% ^{BC}	7	17
Own Home, with Mortgage (n=311)	B	66% ^C	12	12
Rent/ Other (n=217)	C	42%	24 ^{AB}	24 ^{AB}
Retired Widows				
Own Home, No Mortgage (n=222)	A	79% ^C	8	13
Own Home, with Mortgage (n=107)	B	74% ^C	8	19
Rent/ Other (n=92)	C	55%	18 ^A	27 ^A

Note: Superscripts (A, B, C) show a significant difference from the row noted. So if row A includes a BC superscript, that means the value is significantly different from those two rows.

PLANS FOR MOVING IN RETIREMENT

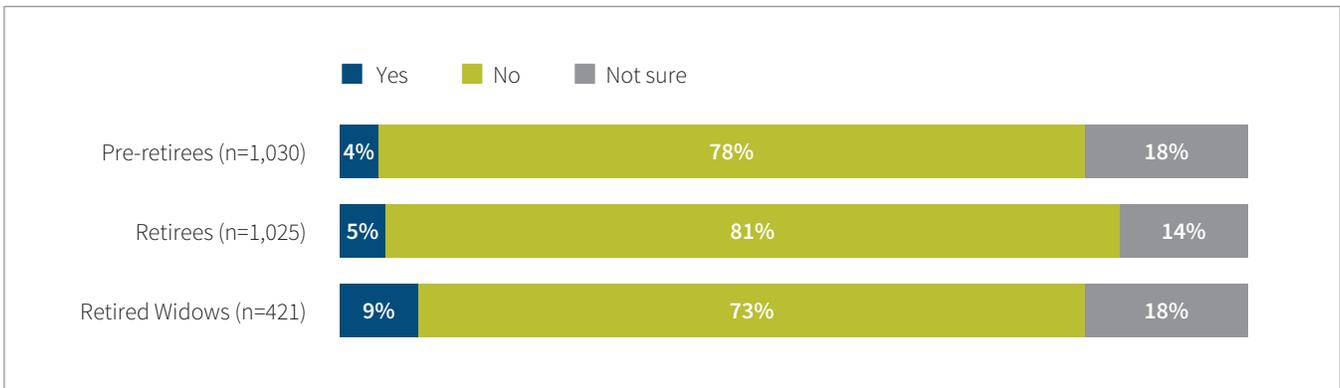
Question: [Do you plan to/If you moved during retirement, would you most likely] downsize your home in retirement, move to a similarly sized home, or upsize your home in retirement?

(Among those not planning to stay in their home or not sure)



PLANS TO LIVE WITH FAMILY IN RETIREMENT

Question: Do you plan to move in with family in retirement or have family move in with you?



Current Housing Situation

SURVEY FINDINGS

Large majorities of pre-retirees (81%) and retirees (75%) said they own their home. But more retirees than pre-retirees reported owning their home free and clear (46% versus 27% pre-retirees), while more pre-retirees reported owing money on a mortgage (55% versus 29% retirees). Additionally, about two in 10 pre-retirees (17%) and retirees (20%) said they are renting.

As for moving from one residence to another, neither pre-retirees nor retirees indicated that they have moved very often. For example, only one in five pre-retirees (18%) and retired widows (22%) and one in four retirees (25%) said they have moved within the past five years.

Most pre-retirees and retirees indicated that they reside in single-family homes. A slightly larger percentage of retired widows than pre-retirees said they live in a small apartment

or condo building (16% versus 10% pre-retirees) or an independent senior living community (11% versus 1% pre-retirees). Even among retirees and retired widows, few said they reside in communities designated for seniors.

A majority of pre-retirees (68%) and retirees (52%) reported living with their spouses/partners, while three in four retired widows said they live alone (75%). More re-retirees than retirees reported living with adult children (26% versus 12% retirees) and children under 18 (19% versus 4% retirees). Very few retirees and retired widows said they live with someone other than a spouse/partner.

DISCUSSION

The 2017 Risk Survey data and the Pew data offer insights. Both indicated that more people live with family members than had



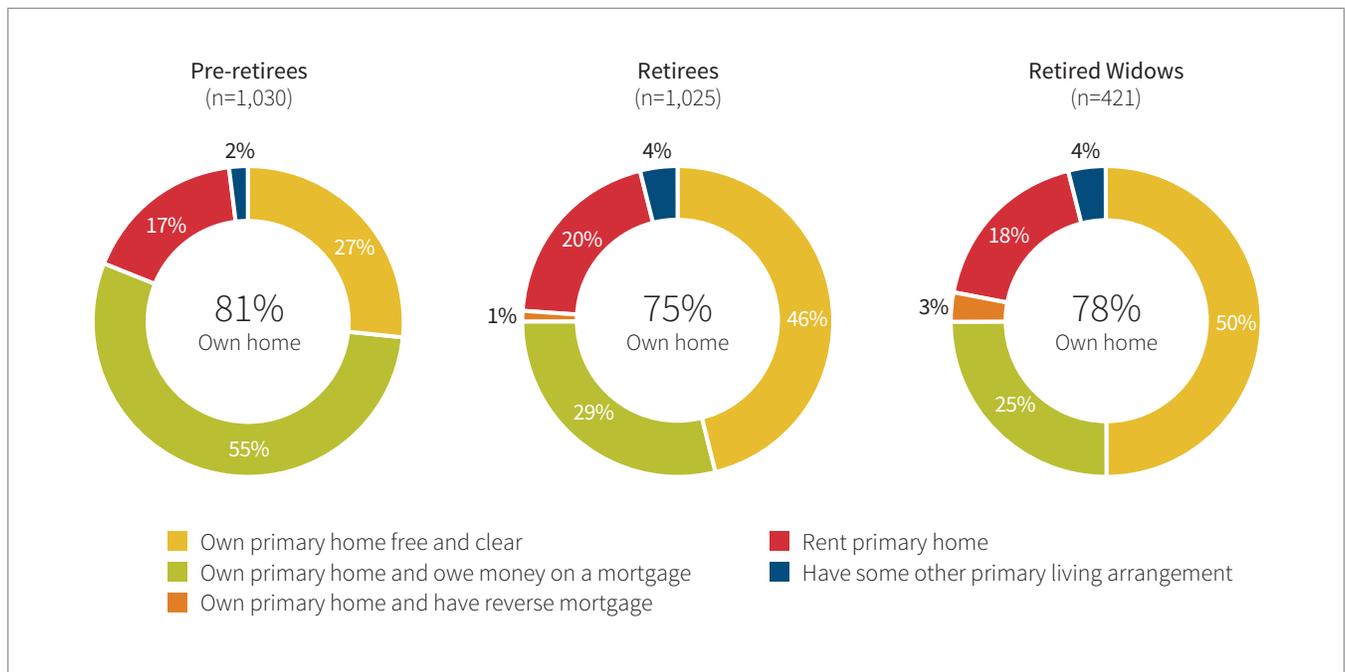
planned to do so. In addition, more retired men were married and living with spouses than were retired women.

The Pew study, cited above, found that among individuals age 85 and above, 49% of men said they are living with spouses, while just 12% of women said the same. By comparison, at the younger ages of 65-84, the numbers were higher and a bit closer in spread: 69% and 49%, respectively.

The 2017 Risk Survey found that some people move during retirement. Research on the age 85 and older population, discussed later in this report, provides more insights into moving during retirement and the reasons for doing so.

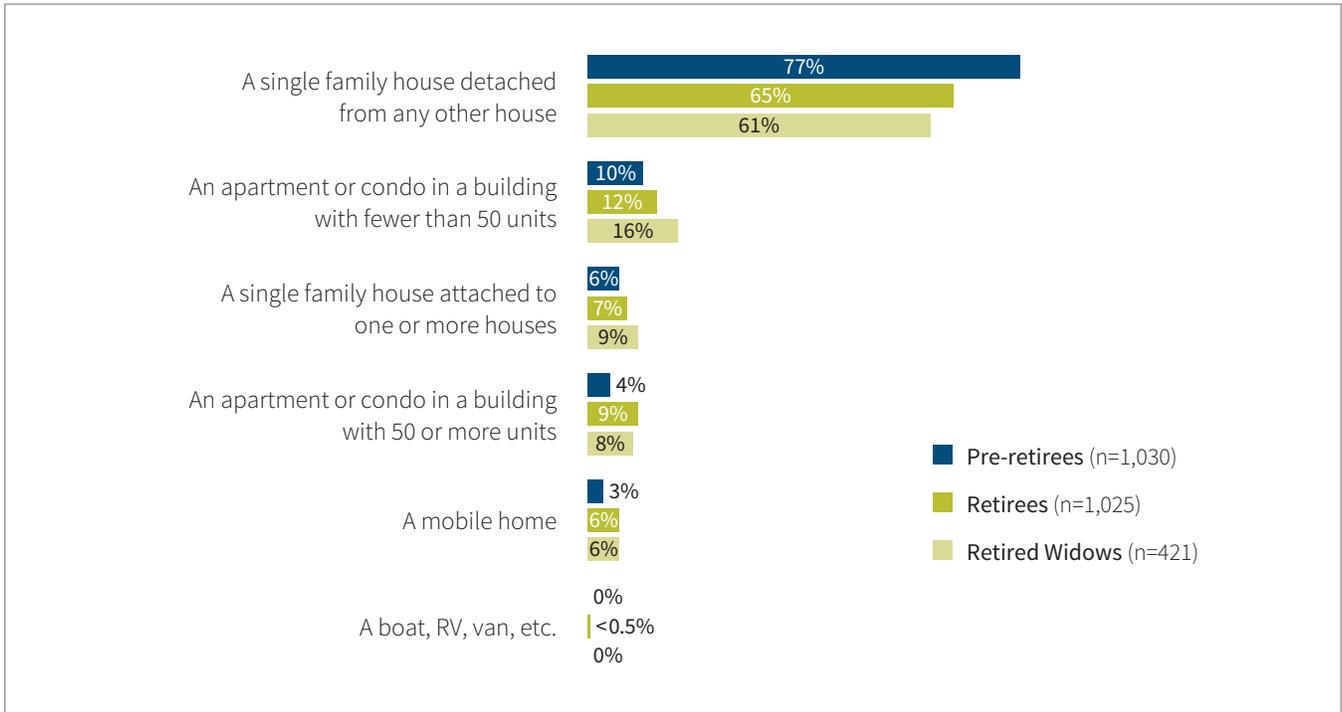
HOMEOWNERSHIP

Question: Do you currently own your primary home, rent or have some other primary living arrangement?



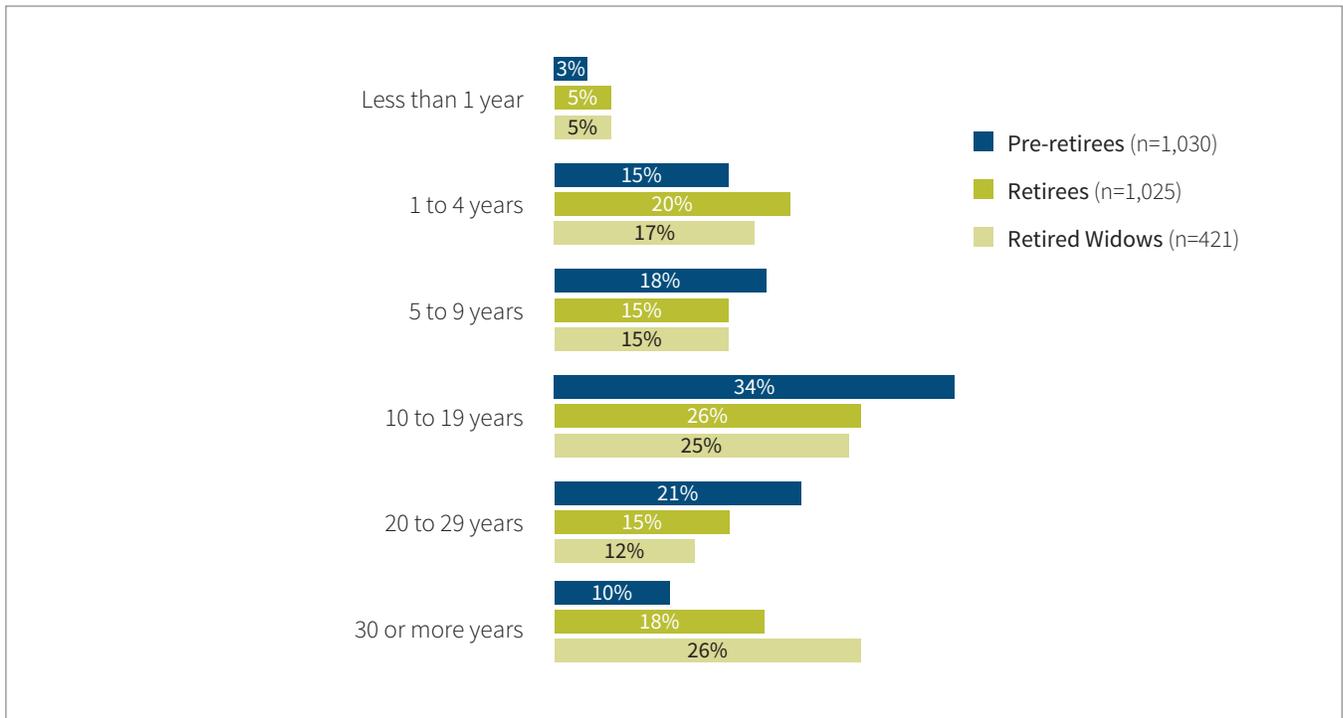
TYPE OF HOME

Question: Which of the following best describes your primary home?



YEARS RESIDED IN HOME

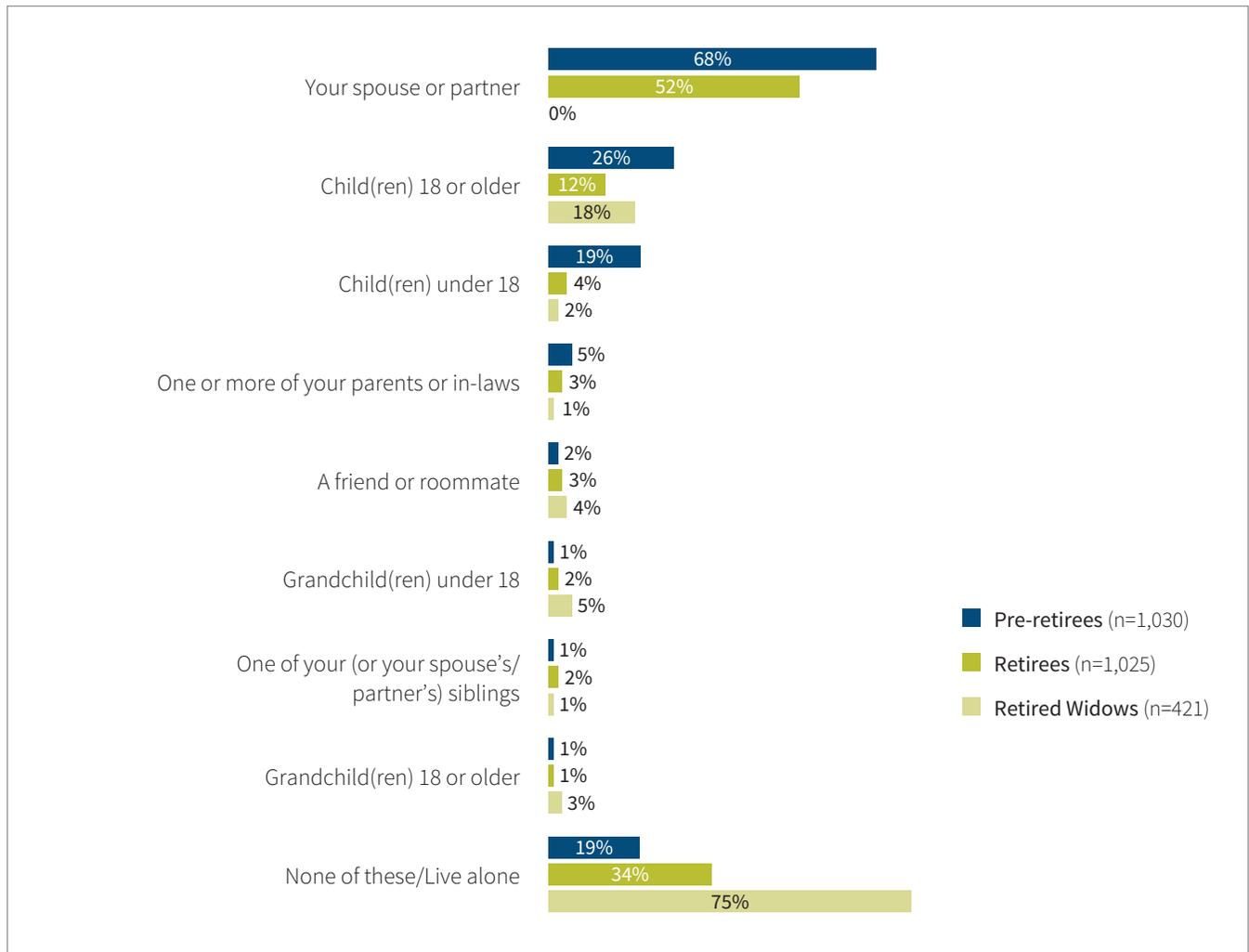
Question: For how many years have you resided in your primary home?



HOUSEHOLD MEMBERS

Question: Other than you, who else lives in your household? Please select all that apply.

(Top responses shown)



Housing Concerns

SURVEY FINDINGS

In the 2017 Risk Survey, four in five pre-retirees and retirees indicated they spend less than half of their total expenses on housing, and about two in five less than 25%. However, a notable portion reported spending more: Among both pre-retirees and retirees, about one in six said housing comprises at least 50% of their overall expenses, and renters plus those who do not own their home free and clear reported spending more as well.

Just half of pre-retirees (50%) and retirees (54%) said they feel prepared for a major home repair, suggesting that the other half feel unprepared. Respondents who spend 50% or more on housing are more likely than those who spend less to be in the unprepared segment, which suggests that the need for a major home repair could be financially problematic.

The survey uncovered a strong desire for people to be able to stay in their home as they age. Of the five areas of concern the researchers covered, the concern ranking highest was being able to remain in the home. However, only about one in six said they were very concerned about this, and another one in three (35% of pre-retirees and 31% of retirees) said they were somewhat concerned.

But many pre-retirees and retirees do want a choice of where to live in retirement. For instance, half of pre-retirees (48%) and over one-third of retirees (37%) said they were at least somewhat concerned about their ability to have a choice of where to live in retirement.

The pronounced differences in homeownership among pre-retirees and retirees may be driving some of the increased concern among pre-retirees. As noted above, more pre-retirees than retirees reported owing money on a mortgage (55% versus 29% retirees). With that, more pre-retirees said they felt concern that their home equity will not support their retirement plans (44% versus 31% retirees and 35% retired widows). The retirees also said they have too much housing debt in retirement (33% versus 16% retirees and 17% retired widows).

DISCUSSION

The amount spent on housing is heavily related to income, according to the survey results. In general, lower income

retirees reported spending relatively more on housing and having less income left for other expenditures than those of greater means.

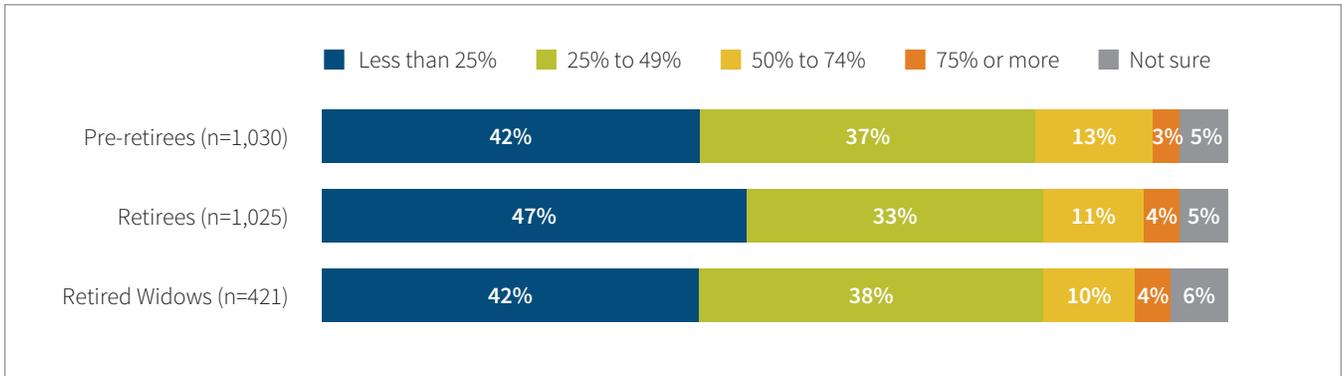
For example, 64% of retirees with incomes of \$75,000 or more said they spend less than 25% of their income on housing, whereas 56% of retirees with incomes of \$35,000 to \$74,999, and 28% of retirees with incomes of less than \$35,000 said the same. By comparison, just 6% of retirees with incomes of \$75,000 or more said they spend more than 50% of their income on housing, while 10% of retirees with incomes of \$35,000 to \$74,999, and 26% of retirees with incomes of less than \$35,000 said the same.

Lower income retirees also exhibited higher levels of concern on all the concerns discussed above. This is not surprising, given that spending a significant percentage of income on housing leaves a small financial cushion and little room for error.



AMOUNT SPENT ON HOUSING

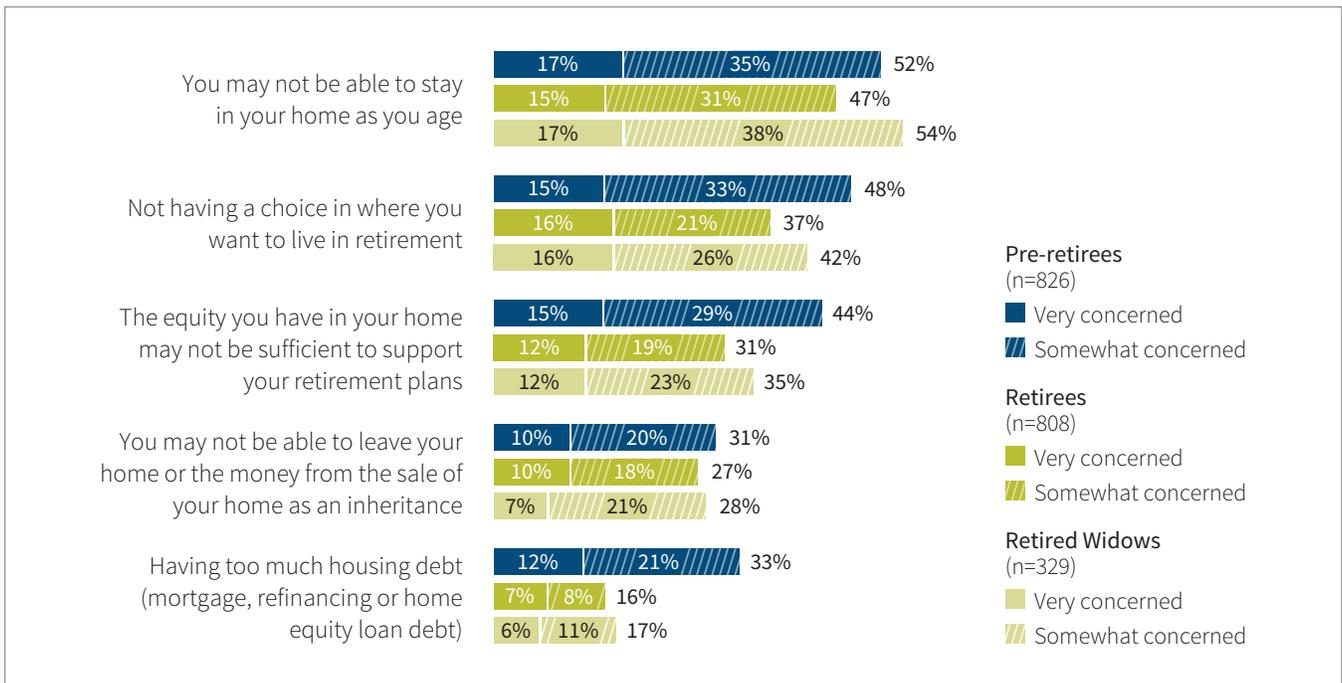
Question: About what proportion of your total expenses go toward housing, including mortgage or rent payments, Homeowners' Association or condo fees, real estate taxes, insurance, energy costs and home maintenance?



HOUSING-RELATED CONCERNS

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

(Asked among homeowners)



Using the Home to Fund Retirement

SURVEY FINDINGS

Homeowners perceive their home as a valuable asset in which most have built equity. Among those whom the SOA surveyed in 2017, the majority of pre-retirees (60%) and half of retirees and retired widows (50%) said they own a home with a market value of \$200,000 or more. Many also reported having built up a significant amount of equity in their homes—more than \$100,000 among more than half of pre-retirees (55%) and three-fifths of retirees and retired widows (61%). These home equity amounts are consistent with findings in past SOA risk surveys.

Pre-retirees and retirees indicated that they were generally reluctant to use their home as an asset to fund retirement. More than six in 10 pre-retirees (63%) and seven in 10 retirees (72%) said they would be reluctant to use their home this way or never would. That included 24% of pre-retirees and 35% of retirees who asserted that they would never touch their home equity to fund retirement.

Yet there was some openness to the idea. For example, about four in 10 pre-retirees (39%) and retirees (37%) said they would be reluctant to sell their home to fund retirement but would do so if the money was absolutely needed for medical or long-term care needs. Indeed, 6% of retirees reported having already sold the home to pay for some type of long-term care, and 20% said they intend to sell their home for this reason.

Pre-retirees expressed slightly more willingness than retirees to use their home as a retirement asset. Thirty-seven percent of pre-retirees said they were willing to use their home just like any other asset or only a little less likely (compared to 28% of retirees).

Overall, higher income pre-retirees and retirees showed more flexibility regarding using their home's value to help fund retirement.

DISCUSSION

For many middle-income Americans, their home equity exceeds their financial assets.³ Our observation is that many people do not consider using their home values to fund retirement, unless it becomes a necessity. However, as indicated above, many people downsize somewhere along the way, and that is equivalent to using part of the home's value to help fund retirement.

Research with current retirees indicated that they are resilient. Many indicated willingness to make major cuts in expenses to help fund retirement, with the preference being to cut other expenses first versus downsizing or moving to a less expensive home in many cases.

The current generation of retirees has more defined benefit plan benefits than future generations are likely to have. Furthermore, many in future generations of retirees may not have much in savings when they reach retirement, given that Medicare costs are continuing to rise and that Social Security benefits, while indexed for inflation, have been cut somewhat. Unless the economic trends reverse, it seems very likely that more people will need either to use their home value to help fund retirement or to cut expenses drastically.

Older homeowners can use their home's value to help fund retirement in various ways. One option is to take out a reverse mortgage. These products allow the homeowner to convert a portion of the home's equity into cash. The mortgage is secured by the home itself. For more details, see the SOA decision brief *Where to Live in Retirement*. SOA researchers have found that current retirees do not use reverse mortgages very often, and the products are not popular with many retirees. However, reverse mortgages are evolving and new methods for using them are being developed, so their use is likely to increase in the future.⁴

3 See the SOA Research *Segmenting the Middle Market: Retirement Risks and Solutions* for an analysis of the Survey of Consumer Finances on this point. The SOA study was updated to 2010 data, but not since, because of the expectation that the basic conclusions will be similar using later data. The research looks at two market segments, those with assets in the 25th to 75th percentile and those with assets in the 75th to 85th percentile.

4 The Funding Longevity Task Force at the American College is a source of more information: <http://fundinglongevitytaskforce.com>.

MARKET VALUE OF HOME

Question: What do you estimate is the current market value of your primary home? For example, if you sold your home tomorrow, this is the amount you would expect to sell it for.

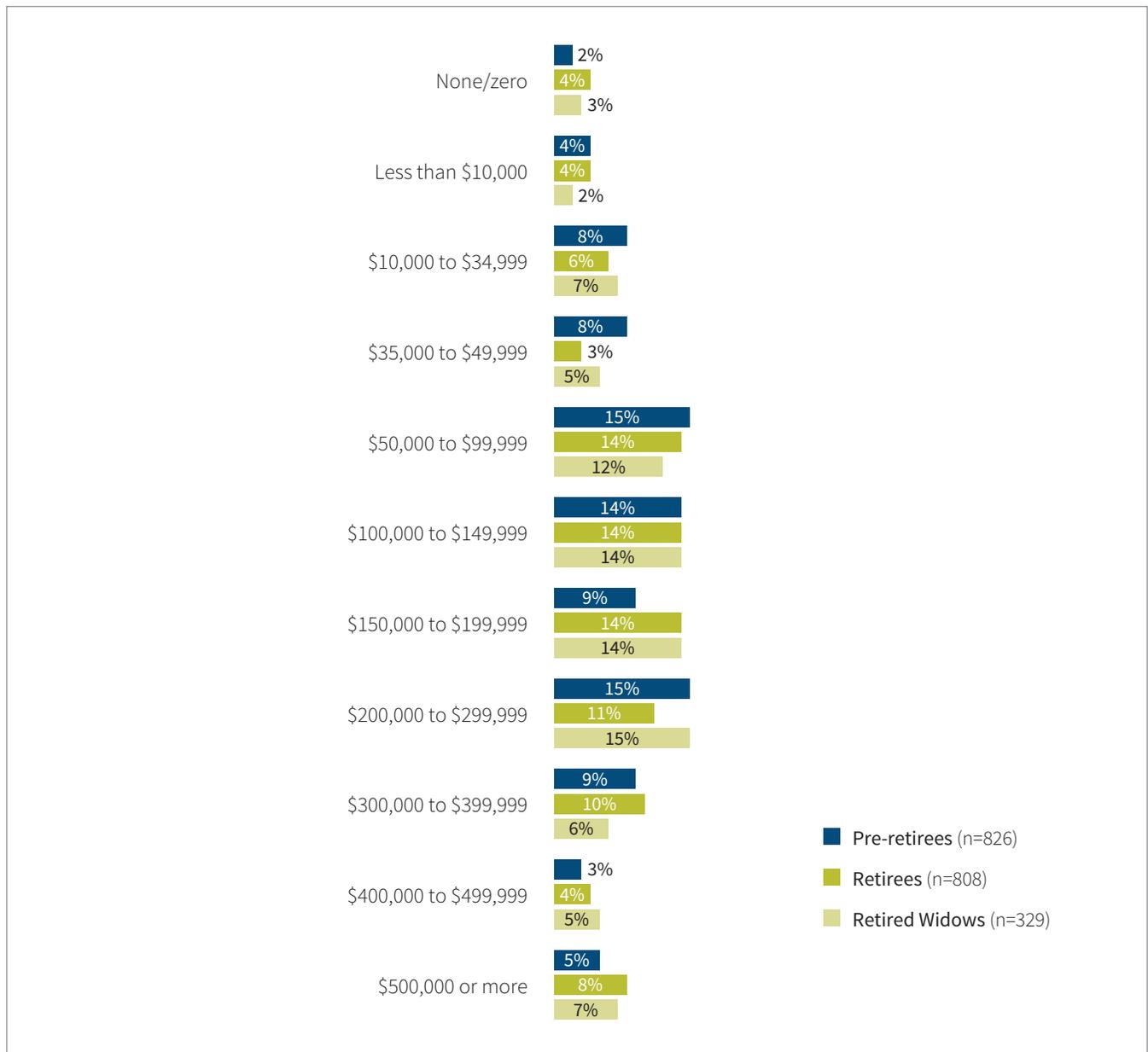
(Among homeowners)



EQUITY BUILT IN PRIMARY HOME

Question: How much equity do you currently have in your primary home?

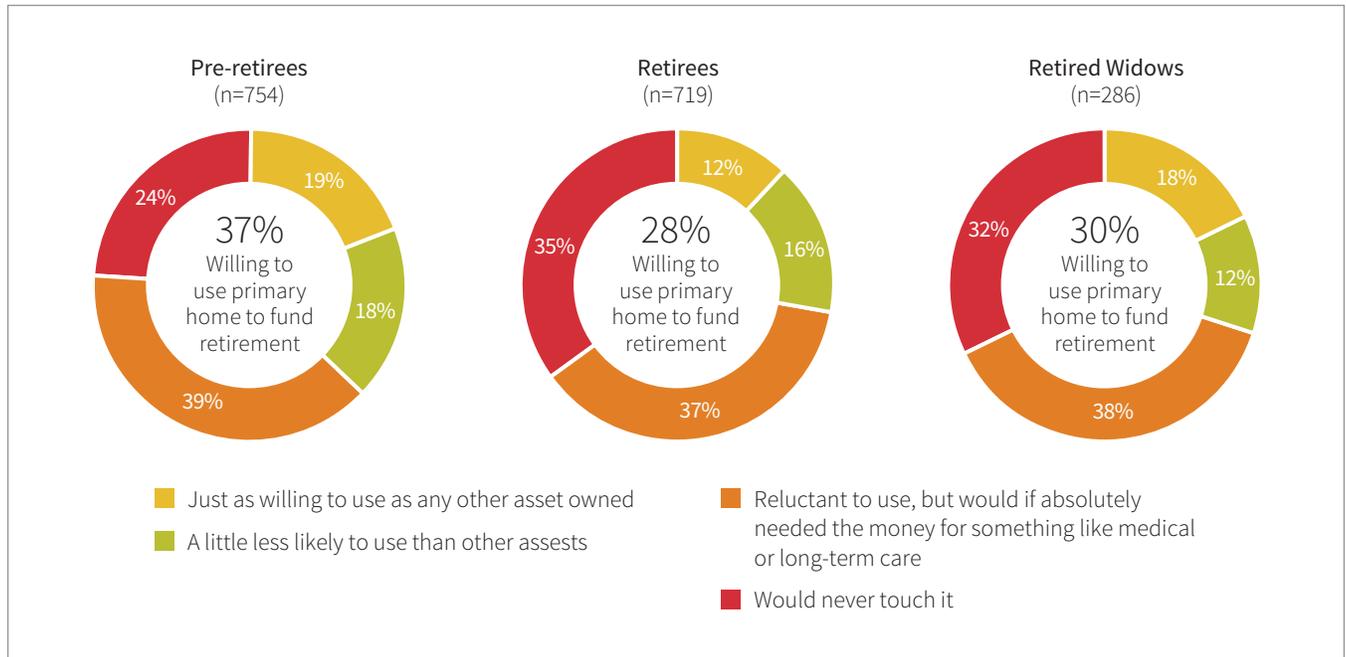
(Among homeowners)



WILLINGNESS TO USE HOME TO FUND RETIREMENT

Question: Which best describes how you feel about selling your primary home to fund your retirement?

(Among those who have built home equity)



Desired Housing in Retirement

SURVEY FINDINGS

Throughout the 2017 Risk Survey data, health care emerged as a top concern and priority. It was not surprising, therefore, to see that access to quality health care was the top consideration among older people who are choosing housing in retirement: More than one in three pre-retirees (35%) and about half of retirees (45%) and retired widows (50%) said this was very important to them.

Housing options that increase access to services such as transportation, shops and restaurants, and professional help were also high in importance. Living near family was important to pre-retirees and retirees, as well, especially for retired widows who rated as important all aspects of living in an emotionally supportive community.

As for quality-of-life attributes, such as fitness amenities and nature and scenery, these were more important to pre-retirees and retired widows than retirees in general.

The 2017 Risk Survey found substantial differences in housing priorities by gender. Among retirees, for example, a greater percentage of women than men said they desire housing that is close to services such as health care facilities (92% versus 85% men), restaurants and shops (87% versus 75%) and transportation (69% versus 61%). Additionally, women placed more importance than men on living near family (80% versus 60%) and in a mutually supportive community (75% versus 59%).

Choice and independence were clearly important in determining housing in retirement. When evaluating senior living communities, the large majority (90%) of pre-retirees and retirees rated independent living as very or somewhat attractive. By comparison, just 60% or so said the same about continuing care retirement communities (CCRCs) and assisted living facilities, and only 10% viewed nursing homes that way.



DISCUSSION

The choice of housing is very important since housing is a major contributor to well-being in retirement. The researchers asked respondents about the importance of various characteristics of housing and grouped the responses into three sets: access to services and affordable cost of living, emotional support and quality of life.

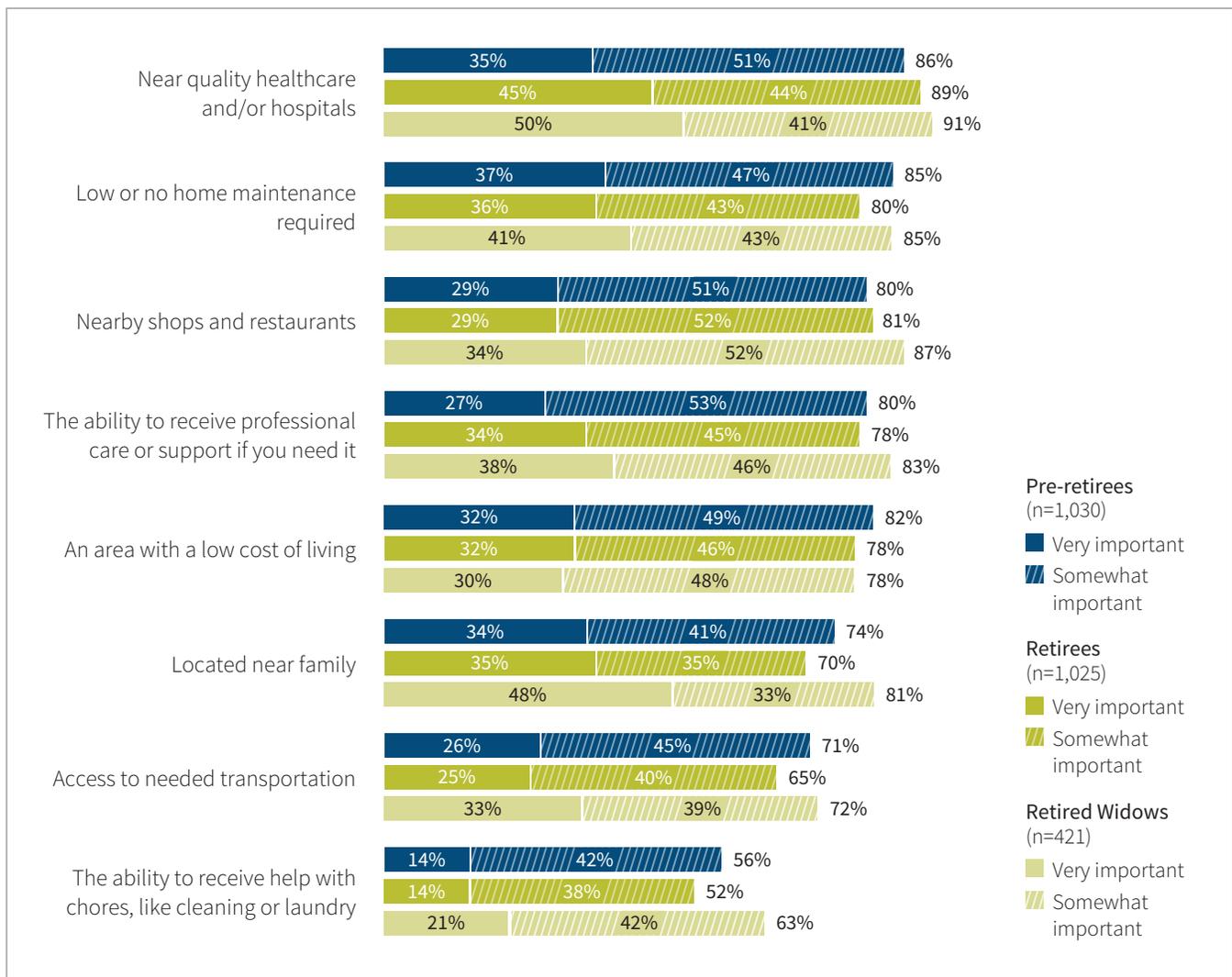
The questions were worded to refer to “throughout your retirement.” We do not know how much the longer-term scope of these questions influenced the answers, but we do know that other planning tends to be rather short-term and often does not take future change into account.

The SOA’s age 85 and older research offered some insights into why people moved during retirement. These insights will be considered together with the 2017 Risk Survey results later in this report.

IMPORTANT CONSIDERATIONS IN DECIDING WHERE TO LIVE IN RETIREMENT

Areas of Concern: Access to Needed Services and Affordable Cost of Living

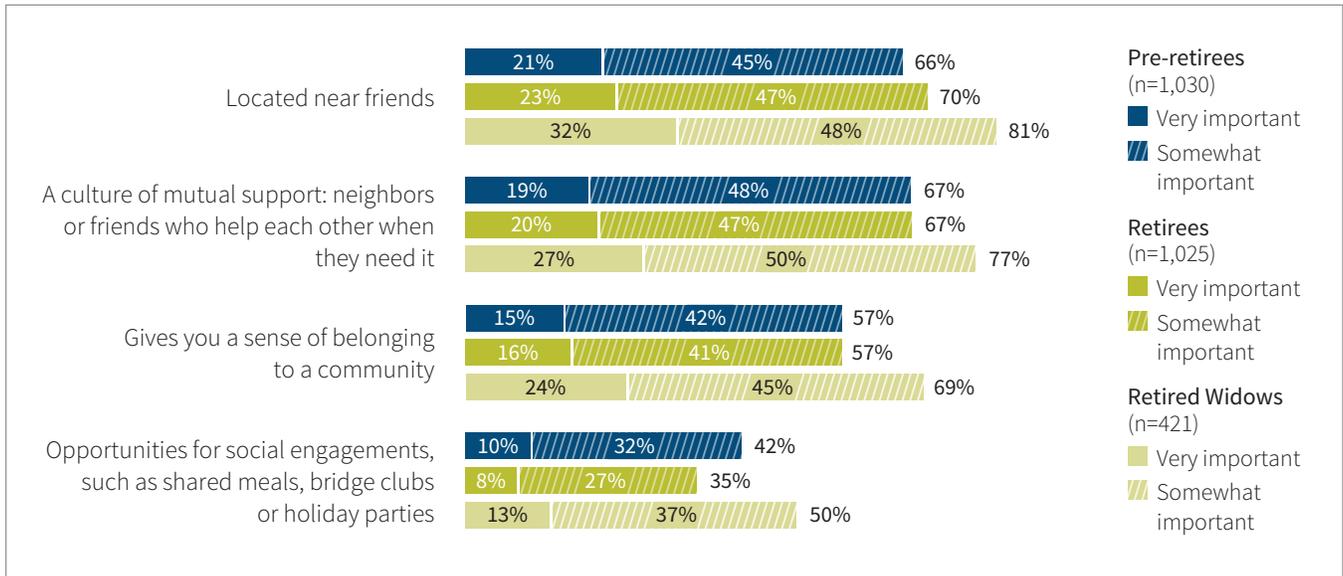
Question: Thinking about where you plan to live throughout your retirement, how important is it that the home and/or location you choose offer the following?



IMPORTANT CONSIDERATIONS IN DECIDING WHERE TO LIVE IN RETIREMENT

Area of Concern: Emotional Support

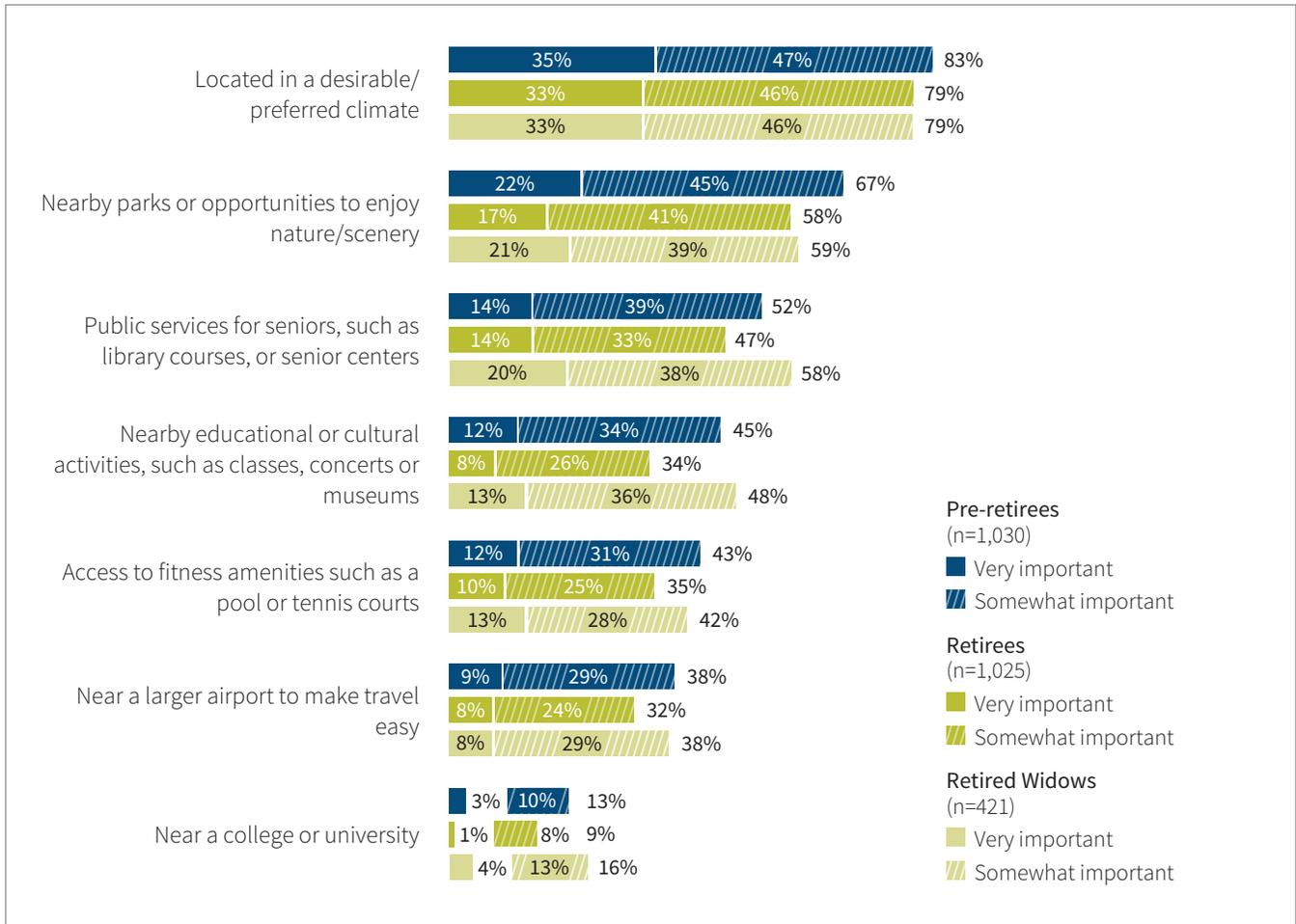
Question: Thinking about where you plan to live throughout your retirement, how important is it that the home and/or location you choose offer the following?



IMPORTANT CONSIDERATIONS IN DECIDING WHERE TO LIVE IN RETIREMENT

Area of Concern: Quality of Life

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?



Further Insights from Research with Retirees Age 85 and Older

BACKGROUND

Findings from in-depth interviews with retirees age 85+ and their adult children appear in the 2017 SOA report *Post-Retirement Experiences of Individuals 85+ Years Old* (the 85+ Study). This study is part of what SOA refers to as its 2017 age 85 and older research.

The 85+ Study also includes two surveys conducted in 2017, the results of which will be released shortly. The surveys include a telephone sampling of individuals age 85 and older and an online sampling of adult children of individuals age 85 and over. These surveys build on [focus group research](#) that SOA conducted in 2015 with people retired at least 15 years plus focus group research conducted in 2013 with those retired less than 10 years.

The 85+ Study includes direct quotes from the retirees and details on how they manage risks in retirement. When combined with the 2015 [focus groups](#) findings, these data highlight how many middle-income American families make important decisions that go beyond the traditional issues of saving and investing.

The combination of these studies with the 2017 Risk Survey results yields new insights into how older Americans think about retirement finances and plan and manage risks in retirement. This information is valuable for individuals planning for themselves, plan sponsors providing information for employees and retirees, and those serving the older age market. The United States will have many more retirees in the future, and many of those retirees will have longer periods of retirement and thus longer periods of financial exposure than previous generations.

A PERSPECTIVE ON HOUSING FROM PRE-RETIREMENT TO LATE IN LIFE

The SOA research provides a unique opportunity to examine issues confronting the elderly throughout retirement. The 2017 Risk Survey examined pre-retirees and retirees up to age 80, and the 85+ Study provided critically important information on housing and other issues during this segment of the lifespan.

The 2017 Risk Survey revealed how retirees and pre-retirees perceive their home as an asset to fund retirement and potential long-term care needs. More broadly, this research aimed to find out how housing fits into Americans' overall retirement plans. The research explored housing topics such as plans to move, current housing arrangements, concerns, and important considerations in determining where to live in retirement.

By comparison, the 85+ Study focused more on the types of living arrangements in which the elderly find themselves later in life. To what extent did earlier plans come to fruition? This research also probed how much older retirees rely on their home's value in retirement.

In interpreting the data, it is important to remember that the age 85 and older telephone survey screened out those who had more than \$400,000 in financial assets, and the quotas required that half the respondents have less than \$50,000 in financial assets. Due to those parameters, this sample had a somewhat different wealth distribution than did the 2017 Risk Survey.

Following is a review of key 85+ Study housing trends and issues, combined with relevant findings from the 2017 Risk Survey.



1. *Housing Situation: Plans versus Reality*

In the 2017 Risk Survey, two in three retirees and more than two in five pre-retirees said they wish to remain in their current home throughout retirement. In line with this, home ownership was prevalent among both pre-retirees and retirees, with three-quarters of retirees and even more pre-retirees (81%) saying they own their homes. Nearly two-thirds of pre-retirees and six in 10 retirees reported that they have lived in their current home for 10 years or longer.

The 85+ Study found that the plans of pre-retirees and younger retirees do materialize to some extent. For example, most retirees age 85 and older who were healthy enough to do so continued to remain in their home. More specifically, two-thirds of the elderly sample who were healthy enough to participate in a phone survey, and three-quarters of women in this sample said they are continuing to reside in their homes. In addition, half of adult children reporting on their elderly parents' situation said their parents still reside in their own residence.

However, the 85+ Study also found an inconsistency with the 2017 Risk Survey. It found that a majority of adult children (close to 60%) said their parents had moved at least once since retirement. Close to four in 10 said this was done to obtain residential services in a senior living community or facility. One-third said they did so to manage better physically or to be located closer to family. Meanwhile, the 2017 Risk Survey found that just one-quarter of pre-retirees and only slightly more retirees (34%) felt that, when determining where to live in retirement, it was very important to have access to professional care or support when needed. This is not surprising since many individuals do not plan for the longer term, and they may not anticipate how needs will change as their situation changes.

2. *Housing Expenses*

Almost half of retirees and more than a quarter of pre-retirees in the 2017 Risk Survey own their home free and clear. Roughly one in five pre-retirees and retirees were renting. In the 85+ Study, however, close to seven in 10 retirees age 85 and up own their home free and clear and only one in 10 rents. This suggests that the older Americans have had

more time to pay off a mortgage and are more likely to have done so, thus lowering their overall housing expenses.

For many pre-retirees and retirees in the 2017 Risk Survey, housing did not represent an unduly large expense; more than four in 10 said housing comprised less than 25% of their expenses. Still, for one in six, housing comprised at least half of their overall expenses. Then again, half of both pre-retirees and retirees said they feel financially prepared to handle a major home repair.

The 85+ Study found something similar. In that study, it was rare for those age 85 and older to acknowledge housing expenses as a major factor. A consideration is that few of these respondents had a mortgage. While the survey of this group did not ask about housing specifically, other SOA data have found that a large majority in this demographic can live within their means and absorb recurring housing expenses. In the age 85 and older in-depth interviews with this age group, for example, there was little mention of not being able to afford the home. Furthermore, in the 85+ Study, not many of the very old noted home repairs as a major expense; by contrast, more were more apt to notice increases in utility bills. Only 13% of the respondents named home repairs and condo assessments as an expense that had a major impact in the last five years, and 35% said that they had a minor impact. In contrast, 23% said increases in utilities had a major impact in the last five years, and 27% said that they had a minor impact. This contrasts with the 2015 focus groups, where home repairs were a major unexpected expense.

3. *Living Arrangements*

Becoming a burden to family was a concern for pre-retirees and retirees who responded to the 2017 Risk Survey. Roughly a quarter of pre-retirees and retirees said they are concerned about burdening their children by having to live with them. Many others were not concerned about this, however, perhaps because they have no plan or intention to live with family in retirement. Just 4% of pre-retirees and 5% of retirees said they plan to live with family in retirement; this is even though many said it is desirable to live near (though not with) family.

Indeed, the 85+ Study revealed that more than 80% of this older demographic have at least one close family member living within 50 miles of them. What is unknown is the extent to which this is a function of moves made in the last 10 years.

Majorities of pre-retirees and retirees in the 2017 Risk Survey said they live with their spouses/partners. Just one-fifth of pre-retirees reported living alone, compared to one-third of retirees. In contrast, by age 85 and with a notable increase in widowhood, two-thirds of older retirees reported living in their homes alone. Among elderly retirees who live with others, they are slightly more likely to live with children than they are with a spouse or partner.

Another factor impacting living arrangements was health and ability to live independently, a far bigger factor for those age 85 and older. Expectedly, in the 2017 Risk Survey just 1% of pre-retirees reported living in a community or facility designed for seniors, while 8% of retirees said the same. In the 85+ Study, however, the numbers were higher: One in five reported living in some type of senior living community or facility. Further, 32% of adult children reported that their elderly parents were living in a senior community setting.

4. *Using the Home to Fund Retirement and Long-Term Care*

In the 2017 Risk Survey, nearly two-thirds of pre-retirees (63%) and seven in 10 retirees (72%) expressed reluctance to use their home as an asset to fund retirement. This included a quarter of pre-retirees and one-third of retirees who said they would never use their home to fund retirement.

Likewise, those age 85 and above expressed little desire to leverage their home as a financial asset. This occurred even though they were approaching a time in life when many may soon need to fund significant long-term care expenses and when they have far more equity in their homes than in financial accounts. One might conjecture that, among this older age group, home equity would be inextricably linked to funding long-term care, yet the opposite was the case: Fewer than one in five said they would consider using their home to fund long-term care.

Data suggest an interesting avenue of exploration for determining the reasons for the more reluctant mindset among the older age samples regarding leveraging their homes. The 85+ Study findings suggest that the elderly and their adult children believe they can prepare for long-term care expenses by using their limited financial resources. A majority claimed they intend to save on their own or already do so, and close to half said they have, or intend to, cut down on other expenses for this purpose.

Given the financial wherewithal of this age sample, for many people, these efforts would yield paltry sums relative to long-term care costs. Yet a majority claimed that the cost of long-term care would be either no burden or only a minor burden on the family. This raises the question of whether younger retirees are more realistic about leveraging their homes and if there is a growing level of financial denial about the need for, and associated cost of, long-term care that occurs as people age.

Conclusion

Housing is an important element of retirement life, and housing costs are a major factor in retirement spending. Housing-related issues, concerns and trends vary significantly among pre-retirees, early retirees and those who have been retired for one, two or more decades. SOA's research has found that while some people do think about, and plan for, the home in which they will retire, others do not. The planning for a sizeable portion is simply to stay in the current home if possible. Many people do not conceptualize how they and their future housing needs are likely to change, and whether staying in their home will work for them.

Looking forward, many older people could benefit from having greater access to education about future housing realities—and options. It is worthwhile to think about housing together with the supports and services in the surrounding community. Similarly, those serving the older market may benefit from learning more about retirement housing issues and trends, so they can provide more effective guidance and recommendations. Given the steadily increasing size of the retirement population nationwide, more people, not fewer, will likely need this help in the future.

Other Resources Related to Housing and Retirement

FOR HELP WITH MAKING HOUSING DECISIONS

- The SOA has published a set of decision briefs focused on important retirement decisions. One is about housing and retirement. See [Where to Live in Retirement](#)—housing issues and special elderly housing needs.

FOR INFORMATION ON THE IMPORTANCE OF HOUSING WEALTH

- The SOA research *Segmenting the Middle Market* provides information on the financial and nonfinancial assets of middle-income Americans who are nearing and at retirement age using data from the Survey of Consumer finances. The most recent study used 2010 SCF data, but we believe that the same conclusions will hold with more recent data.
- [Segmenting the Middle Market: Retirement Risks and Solutions—Phase 1 Report Update to 2010 Data](#)—January 2013—The Phase 1 effort defined relevant consumer segments among middle-income/midlevel net worth households as shown in the Federal Reserve Board’s Survey of Consumer Finances (SCF). This report updates the Phase 1 analysis with 2010 SCF data.

FOR INFORMATION ON REVERSE MORTGAGES

- [Understanding Reverse Mortgages: An Interview with Shelley Giordano](#), from Society of Actuaries Pension Section News, Feb. 2017, p. 55.

RESEARCH REPORTS

These Society of Actuaries reports include some discussion of housing issues together with other issues.

- [Optimizing Retirement Income by Integrating Retirement Plans, IRAs, and Home Equity](#)—December 2017—The SOA’s Committee on Post-Retirement Needs and Risks and the Retirement Section offer this report, which provides

a framework of analyses and methods that various stakeholders can use to compare and assess strategies for developing lifetime retirement income.

- [Post-Retirement Experiences of Individuals Retired for 15 Years or More](#)—January 2016—This study seeks to understand how middle-income-market retired Americans and Canadians manage their assets and spending decisions over the long term.
- [Housing in Retirement Round Table](#)—September 2010—This provides a transcript of an SOA roundtable discussion on housing in retirement along with an online discussion that took place before the roundtable. Also available is a collection of papers on the topic that appear in an online monograph.
- [How Americans Manage Their Finances—Results of the Financial Management Survey](#)—January 2016—This survey investigated how the financial lives of Americans have changed with the economic recovery over the past few years.

PAPERS AND ESSAYS RELATED TO RETIREMENT AND HOUSING

- [Housing in Retirement Monograph](#)—September 2009—In 2014, the SOA published a monograph titled *Managing the Impact of Long-Term Needs and Expense on Retirement Security*. These two papers are related to housing and home equity.
 - *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience* by Anna Rappaport—[Abstract—Complete Paper](#)
 - *Home Equity: A Strategic Resource for Long-Term Services and Supports* by Barbara Stucki—[Abstract—Complete Paper](#)

2017 Post-Retirement Risk Survey Profile of Respondents

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

* ≤ 0.5%

Profile of Respondents (Cont.)

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

* ≤ 0.5%

Profile of Respondents (Cont.)

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

* ≤ 0.5%

