

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

**Sponsored by the  
Society of Actuaries'  
Committee on Post Retirement Needs & Risks  
and Pension Section**

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**Executive Summary prepared by Project Oversight Group**

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## EXECUTIVE SUMMARY

The purpose of this study is to gain understanding of how people make decisions about when to retire and about managing in retirement. The study is designed to help understand the rationale and process used in decision making. It supplements quantitative research, and can also help inform the issues for such research.

Whether people have sufficient assets and income for retirement is very dependent on when they decide to retire and how they expect to live during retirement. In addition, certain financial shocks will continue to occur in retirement much like they did during a person's working lifetime. There are also many non-financial decisions involved in the process.

The Society of Actuaries (SOA) Committee on Post-Retirement Needs and Risks has been working to improve the management of the post-retirement period for about 15 years. As part of that work, it has studied how middle market Americans (generally those with less than \$500,000 of net worth) make decisions about retirement and how they deal with key financial risks after retirement. The SOA uses these results to help improve retirement security and the systems that support it. Results of research are communicated to the public, actuaries and others in an effort to help the public achieve a higher level of financial security.

Relatively little is known about how retirees actually make their decisions to retire and how they manage their assets during retirement. In addition, little is known about what makes an individual successful in managing through their retirement years – especially when a retiree does not appear to have sufficient assets to actually retire. This study was designed specifically to explore how individuals make retirement decisions in order to gain a better understanding of the process they used to make decisions, what steps were completed, how finances and other factors were considered in the decision and how successful they have been in their retirement years. Eight focus groups of “resource constrained” retirees who had retired voluntarily were interviewed. Groups were separated by asset level (\$50,000 - \$150,000 and \$200,000 - \$400,000), sex and geography. A comparison of the experiences of recent (0-5 years) versus more long term (5-10 years) retirees was also examined.

Focus group research is not based on random sampling and provides no quantitative results. Rather, it collects qualitative data that in this study offers insights into the thinking and the rationale that goes into the decisions about when and under what circumstances to retire and decisions on how to manage during retirement. The results can be especially helpful in structuring further survey research.

The full report highlights ten key findings based on the analysis of comments from focus group participants. The overall picture provided by the focus groups includes the following elements:

**Decision to retire:** Even though retirement was voluntary, most of the participants retired in response to health issues, challenges in their workplace, or the need for family care-giving. They did not retire primarily to have free time to pursue a hobby or start a business, although most of them were enjoying frequent travel. They described workplace difficulties such as jobs that were physically difficult, messages from their employer that they perceived as “encouraging” them to retire, and challenges in working with younger

supervisors, among others. Typically, the retirement decision is assumed to consist of a clear distinction between voluntary and involuntary retirement. The stories in these focus groups indicate that much so-called voluntary retirement is actually the result of a “push”, and that the distinction between voluntary and involuntary retirement is not necessarily clear-cut for middle-income retirees. Results may or may not be different for retirees with higher income and asset levels.

**Social Security claiming decisions:** Most participants claimed Social Security at age 62, and they commonly did a simplified type of “break-even” analysis. This frames the claiming decision in terms of how long people must live to “break-even” if they claim later. Such an analysis generally ignores longevity risk and inflation and may lead to an adverse result for people who live longer than the actuarial tables indicated as their expected average lifetime.

**Financial management in retirement:** Many of the focus group participants showed common behaviors and actions:

- Participants were very aware of their regular income and expenses, and they managed expenses based on their estimated daily expenses. They are very adaptable with regard to spending decisions and reduce spending when needed. They are accustomed to making trade-offs when necessary.
- The major strategy for managing their assets is to preserve them. Most did not have a plan to systematically withdraw assets from their retirement accounts. Those who had reached age 70½ use the legally mandated Required Minimum Distribution rules to withdraw funds from their Individual Retirement Accounts. They did not necessarily think much about volatility and some had more assets now than when they retired.
- Some maintain “dual asset accounts” and have a “slush fund” for discretionary spending. The extra fund balance lets them know how much money they can spend on travel and other discretionary items.
- Most own their homes, have paid off their mortgage, and appear to be very careful about debt. They had no interest in using a loan or reverse mortgage to access the equity in their home. It does not appear that they have large credit card balances.
- There is no evidence from the focus groups that people are spending significant parts of their assets on luxury items, such as boats or RVs. They do make choices about current spending and a number report reducing the amount they travel and foregoing other discretionary spending when necessary.

**Planning:** This research, like other SOA research, showed a relatively short planning horizon and very little longer term planning.

- Planning is focused on expected cash flow in the current year. Participants generally did not consider inflation nor did they factor it into their plans.
- As shown in other research, there are gaps in knowledge about longevity as evidenced by their short term planning horizons. They didn't think much about their life expectancy but acknowledged that their health was the biggest threat to their security. The focus group members for the most part do not explicitly plan for shocks and longer term risks. Their risk management strategies appear to be asset preservation, limiting debt, and controlling spending. They do not focus on financial risk management products, and many are not well prepared to deal with substantial shocks. A few had long term care insurance, but there is no information about its adequacy.
- Many of the focus group members have not made longer term calculations to manage their retirement. Some use financial planners or advisors, and those who do use planners reported getting value from them. They did not make a clear distinction between getting advice from a financial planner versus an investment advisor/broker.

**Differences between men and women:** This research strongly indicates significant differences between men and women in the concerns and feelings about retirement, views of care-giving obligations and family relationships, level of optimism, and vulnerability and planning behavior. The men appear optimistic, confident and more likely than women to think they will be able to adapt to any financial situation that arises. Women seem much more concerned about financial security than men and are more concerned about running out of assets, needing long term care, being a burden on their children, and impacting the financial success of their children. Women appear more sociable than men and more family oriented. They are much more likely to be caregivers and to retire in response to family needs. Men are rarely caregivers. While it has long been known that there are differences in retirement situations by sex, this report highlights areas of difference not often considered. However, the concerns of women seem appropriate given their longer average life expectancy and the general tendency of women to marry older men. This means they could outlive their spouse by several years and hence justify their concern about financial security in general and the need for receiving long term care in particular.

**Home equity:** People want to hold on to their homes and home equity as long as possible. They generally plan to stay in their homes, but some plan to downsize.

**Family:** Family is an important factor in their retirement. Participants have helped and are still helping family members. However, they want to be independent and do not intend to rely on family if they need help themselves.

**Activities in retirement:** For these participants, activities in special interest areas, development of new skills, increasing time for hobbies, or extensive travel did not appear to be the major driver of their retirement decisions. Some have hobbies, but they did not cite them as the reason for retirement. Some have used part-time work to fill their days. Others have spent more time with family and grandchildren or traveled.

**Overall satisfaction:** Most of the respondents were generally satisfied with the retirement decisions they made. Some would have preferred to work longer. There was significant variation with how satisfied they were with their life in retirement. Some were lonely, particularly widows. However, they found a value in freedom and stated that their decisions were based on more than just finances. They tended to think more about the quality than the quantity of their retirement years.

**Summary:** These findings paint a picture of these retirees who appear to be “resource-constrained” as careful and conservative financial managers in the short term with a focus on current cash flows rather than on shocks and changes over time. They are quite flexible and able to reduce current spending to match their current income. They are reluctant to draw down assets, saving them for emergencies, shocks or an inheritance. They limit what they spend for travel and meeting their dreams. They do not plan for significant inflation, substantial long term care needs, and large unexpected medical expenses. Very few are using insurance products to manage these risks. While some get formal financial advice, many manage their assets on their own.

Given current longevity, it is quite likely that a considerable number of them will struggle in later years. While working longer is widely cited as a method to help people be more secure, for many this might not be a practical solution because of factors such as health problems or lack of job opportunities. More research is needed to identify better strategies to help both current and future retirees improve their retirement security. One solution may involve changes to the retirement system to encourage more informed decision making. Another solution may point to the need to tailor messages based on sex since there was a clear difference between attitude and approach between men and women in these groups. Finally, workforce policy changes to encourage older individuals to work longer and better support their retirement timing decisions may be necessary.

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## INTRODUCTION AND METHODOLOGY

The Society of Actuaries has made a major commitment to understand how Americans deal with key financial risks and to communicate this information to the public, actuaries and others in an effort to help the public achieve a higher level of financial security and learn how to effectively deal with financial risks. This study grows out of this commitment. In 2005, the Society conducted focus group research on the decision people make to retire and found that many were not carefully considering the financial impact of leaving work. Since then, the Society has conducted surveys on the issue of how Americans assess the financial risks intrinsic to retirement.

This study is a continuation of these efforts. It is based on an assessment that we still do not have an adequate understanding of why people retire when they do and how they assess financial risks in making their decision to stop earning money from work. The current research is based on a particularly important segment of retirees. First, the focus is on those who actually had a decision to make about retirement: they were not forced to retire due to ill-health or disability and voluntarily left the labor force. Second, the focus is on people who had finances that are at least somewhat constrained. In other words, they did not have enough money to make the decision to retire very easy from a financial perspective. None of the respondents have regular household income that exceeds \$2,500 a month from a combination of defined benefit plans from household member and rental income. Thus, they do not have sufficient guaranteed or dependable income to provide financial security. Further, asset levels were selected that are not sufficient to ensure an unassailable level of financial security.

The goal was to select people who have a financial need to make careful management decisions: they are required to make choices and carefully consider trade-offs. Having selected this group of people, the research objective was to understand the thought process that these middle market Americans went through when they decided to retire and how they are managing their assets and finances in the wake of that decision.

The Society decided to conduct eight focus groups to achieve these goals. Mathew Greenwald & Associates was engaged to conduct the groups and Matt Greenwald, president of the firm, moderated the groups.

After considerable discussion, it was decided to examine 1) people with financial assets of \$50,000 to \$150,000 and 2) those with financial assets of \$200,000 to \$400,000. In both cases, as stated, the research included only those who do not have lifetime income from defined benefit pension plans and income from rental income that totals more than \$2,500 a month. Four groups were conducted with people in each of the two asset categories for the total of eight groups.



Those with \$50,000 to \$150,000 clearly have financial constraints. The people in the second category, financial assets of \$200,000 to \$400,000, are more financially secure. However, with many financial advisors asserting that no more than 4% of assets should be withdrawn from principal at the start of retirement, even \$400,000 does not permit an unconstrained financial life.

Half of the groups were comprised totally of men and the other half totally of women. This enabled a deeper understanding of the differences between the genders and this research strategy worked very well. All of the participants are financial decision makers in their household and all were ages 63-75. As indicated above, all stated that they retired "voluntarily." Most retired within the past ten years. We intended to split the groups evenly - four each - between those who mainly retired within the past five years and those who retired six to ten years ago. However, some inaccuracies in recruiting for the groups (which was conducted by the local focus group facilities) led to some people who had retired beyond the sought after boundaries.

All focus group participants had household incomes between \$25,000 and \$100,000. Finally, participants were screened to ensure that neither the participants themselves nor their spouses (if applicable) worked in financial services, market research, or advertising in the past 15 years. They were also screened to ensure that none had ever worked as a financial advisor, actuary or accountant. People from these occupations or types of firms are likely to have knowledge of either finances or the research process that makes them somewhat atypical and thus they were excluded to prevent the risk that they would skew the results.

It should also be noted that the selection criteria did systematically exclude certain types of workers. Those with long service in government employment and many large organizations are likely to have been excluded because their defined benefit income is likely to exceed \$2,500 a month. Many professionals and senior executives are likely to have accumulated over \$400,000. Care must be taken in generalizing from this research.

Also, this research is qualitative and results must, therefore, be interpreted carefully. The participants were not drawn from a representative sample and the number of people involved in this research is not large. However, qualitative research can provide in-depth insights and identify issues worthy of further, quantitative research.

The groups were conducted in May 2013. Three groups had eight participants and five had nine participants. Two groups were conducted in each of four cities: Baltimore, MD; Chattanooga, TN; Chicago, IL; and Phoenix, AZ. The upper asset groups were conducted in Chicago and Phoenix and the lower asset groups were conducted in Chattanooga and Baltimore. The breakdown of the participants' prior occupations and number of years since working full time by group and city are as follows:

<b>Baltimore, MD Group 1: Males with Assets \$50,000 to \$150,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Sales	15
Sales/Marketing	14
Computer engineering	13
Transportation	12
Insurance claims	12
Manufacturing	11
Housing: Federally funded loan program	9
Federal government	6
Sales	6

<b>Baltimore, MD Group 2: Females with Assets \$50,000 to \$150,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Sales, Secretary for Federal government	6 to 10
Nurse	7
Manufacturing: Quality control	7
Administration	6
Customer service	5
IT Specialist	3.5
Childcare	2
Secretary	2

<b>Chattanooga, TN Group 1: Males with Assets \$50,000 to \$150,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Fireman	14
Truck delivery	12
Manufacturing management	10
Welding	5
Construction	5
Manufacturing	5
Telecommunications	2
Service manager/Teacher	1
Entrepreneur, Real estate developer, Airline transport pilot	Not given

<b>Chattanooga, TN Group 2: Females with Assets \$50,000 to \$150,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Business education teacher	16
Social work	15
Administration	13
Teacher	11
Administration	9
Credit collection	8
Sales/Customer service	8
Clothing alterations	8
Guidance counselor	7

<b>Chicago, IL Group 1: Males with Assets \$200,000 to \$400,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Picture frame shop owner	8
Sales manager	6.5
Sales manager	5
Sales/Sales management	4
Manager of forecasting/Inventory	4
Purchasing manager	3
Machinist	3
Purchasing analyst	1

<b>Chicago, IL Group 2: Females with Assets \$200,000 to \$400,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Library: Circulation desk	8
Part time Retail merchandising	8
Senior Production specialist at law publishing company	8
Non-profit healthcare finance/Real estate/Internet banking	6
Financial analyst	5.5
Customer service	5
Real estate broker	4.5
Beauty salon receptionist	4

<b>Phoenix, AZ Group 1: Males with Assets \$200,000 to \$400,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Construction	12
Maintenance supervisor	10
Self employed: Meat cutter	9
Information technology	8
Teacher/Vocational rehab	8
Sales	8
Lithographic printer	7
Nuclear Reactor operator/Insurance manager	6.5
Nightclub/Liquor store owner	6

<b>Phoenix, AZ Group 2: Females with Assets \$200,000 to \$400,000</b>	
<b>Occupation</b>	<b>Years Retired</b>
Equipment trainer/Making pacemakers	7
Accounting	6
Executive secretary in hotel industry	6
High school math teacher	5.5
IT Project manager	5
Part time at Starbucks	3
Chef	2
Revenue accounting	2
Part time office work	Not given

## OVERVIEW OF FINDINGS

This research provides several important new insights on people who retired with somewhat limited financial assets. This group represents most Americans; the average person age 65 has household financial assets of less than \$100,000. There are three findings that appear particularly noteworthy. The first is that while the participants stated that they retired voluntarily, most retired because work became too difficult for them. For some the difficulty was physical, for others it was stress and for still others it was a feeling of not being appreciated at work or being set aside. This expands our understanding of what motivates many people to retire. Second, most retirees do not know how to cope with financial risk. While they understand, to a considerable degree, probabilities of events happening, such as living to a certain age, they also have uppermost in their minds that “anything can happen.” Thus, many conclude that planning is not effective and the best one can do is just adjust as things occur. This leads many, for example, to claim Social Security as soon as they can, even though the break-even analyses that they conduct leads to the conclusion that, given how long they themselves feel they are likely to live, they would be better off delaying claiming. Third, many want to maintain their financial assets and their home equity as long as they can. There is an understanding that over a retirement period that can be quite long, unexpected events with financial consequences can occur. The only protection many have is to maintain their asset levels as best they can. This precautionary financial management makes planning for these assets, in some sense, unnecessary, since most want to avoid systematic withdrawal and keep their assets at the same level they were when they retired, or increase their asset level.

Following are ten key findings.

1. A large majority of the focus group participants retired because work became too difficult or unpleasant, not because they wanted the benefits of the free time offered by not having to work full-time. They were “pushed out” of work rather than “pulled into” retirement by a desire to have free time or to pursue non-work related interests. This may be different for those with higher levels of financial assets.

There were many reasons for work becoming too difficult. For a small number, the cause was physical. For example, their knees hurt or they were no longer strong enough to handle the equipment. More often, the cause was that the work became increasingly stressful, they became less able to handle the stress of working or the travel required by their jobs became too difficult. In a few cases, they felt that their employer clearly no longer wanted them. A few were fired or offered a package: however they defined their retirement voluntary because they decided not to look for another job. In a few cases, people retired because they no longer felt respected or needed at work. A comment made

by a few was that “working for a 30 year old” became unpalatable. A few people, mainly women, retired to provide caregiving to a spouse or parent.

Despite the difficulty of working, many did miss the work environment. The main loss was the relationships they had at work. A few were lonely and feel isolated now that they are retired.

2. The assessment of financial ability to retire tended to be very simplistic, unless the person worked with a financial advisor. Of those who worked with a financial advisor, most did not ask the financial advisor if they could afford to retire. Advisors who offered an opinion often did not provide a detailed analysis or a financial plan.

In most cases, people based their decision that they could afford to retire on their ability to pay their monthly bills from Social Security, pension benefits, work income from a spouse or their expectation of part-time work. They expected inflation, but typically did not include inflation into their calculations of whether or not they could afford to retire. Many report very limited expenses. Most own their homes and, in most cases, mortgages have been paid off.

3. Social Security is claimed most often at age 62. Most did a break-even analysis, which they believe suggested that they should claim as soon as they could.

Some claimed Social Security as soon as they could because they could not resist the additional income. The break-even analysis put the decision as a win-loss proposition: you win if you live beyond the break-even point and lose if you die before. Even though most expect to live beyond where that break-even point would have been, almost all fear losing more than they enjoy winning and claimed early to avoid the possibility of loss.

4. The decision to retire was often made without talking to anyone.

Many report telling their spouse they decided to retire, rather than asking an opinion. Some did discuss the issue with their spouse, children, co-workers or financial advisors.

5. There is very little ability to assess the potential of future risks and it is considered more effective to manage assets for the current time and deal with exigencies as they occur. However, this does not imply that these participants are not aware of the potential of finance-related risks and are doing nothing about it. The step that almost all are taking is to retain asset levels as best they can, as a contingency for future risks.

Family history was seen as a good indicator of life expectancy. Based on that, the moderator asked participants in a few groups how people whose parents both died relatively young should plan their finances differently from those whose parents died at a

significantly older age. The almost universal answer was that it should make no difference because anything can happen and it is difficult to plan for it.

6. The main financial concern about retirement is the fear of running out of financial assets or the increasing cost of health care or other expenses.

Some people regret no longer being able to afford the “extras,” but most are content with their lifestyle. When asked if they are content with their decision to retire when they did, almost all said they are. They do not regret giving up the extra money they could have earned because they do not feel it would have made that much of a difference. Their main view was that they should not have worked longer. Some, however, regret not working longer, but, in almost all cases they regret not working longer for sociability reasons, not financial reasons.

7. Most are trying to maintain their asset levels. They are either not spending any of their accumulations or only skimming off earnings.

The main reason for maintaining assets is the fear of any emergency or health care expense that will require some assets. Most have a desire to retain assets for a variety of reasons, including concern about health care costs and inflation. There is a strong desire to stay in their homes and an aversion to using the home equity for living expenses. Several have a “separate fund,” sometimes referred to as a “slush fund,” “fun fund,” “blow money” or similar term. In most cases, especially among men, this fund is for discretionary expenditures. Women use this fund for discretionary expenses as well, but some women also use this fund for gifts for family members and as an emergency fund for unexpected events.

8. Women frequently take on caregiving responsibilities with parents, spouse, or children. The only caregiving role men reported was for their spouses in extreme situations.

It is very important for almost all, but not all, men and women that they not rely on their children for caregiving. This includes the women who have taken on caregiving roles and have given up a great deal to be caregivers. The main reason for not wanting to rely on their children for caregiving is that they do not want to be a burden to loved ones. For some, a secondary reason is their fear that they would lose their dignity.

9. There are substantial differences between men and women and the decision to separate the groups by gender turned out to be very valuable.

Women are more thoughtful, more concerned about financial security, more family-oriented and available for caregiving. The men seemed to do more posturing and were

more likely to state that they were financially alright, even in cases in which they had very little financial resources. Women feel more financially vulnerable, even those with the same asset levels of men. The differences between male and female participants will be discussed in more detail in a later section.

10. There is very little use of retirement planning or use of written financial plans.

Those with financial plans value them. Financial plans are especially considered useful as a guide or road map. However, most of these people do not have financial advisors and many believe that planning is impossible because anything can happen. For example, one stated, "Man plans and God laughs." Another said, "a financial plan is good until the ink dries." It should also be noted that most of the participants do not have sufficient asset levels to be in the target market of many financial planners.

## COMMENTS ON KEY SUB-GROUPS

Clearly, interpretations of differences between key sub-groups in a focus group study must be made with a great deal of caution. Focus groups are comprised of small numbers of people. When comparing segments of focus group participants, the number of people in each group being compared, of course, is even smaller. Further, recruiting for focus groups does not derive a representative sample of the population. With these cautions in mind, this research does suggest clear differences between men and women. The research also suggests some differences between unmarried and married retirees. There were notable and expected differences between people in the higher and lower asset groups covered. Each of these differences will be discussed in turn.

This research strongly indicates significant differences between men and women in the concerns and feelings about retirement, perceived caregiving obligations and family relationships, level of optimism and vulnerability and planning behavior. Women appear much more concerned about financial security than men and are more concerned about running out of assets, needing long term care and being a burden on their children and the financial success of their children. Women appear more sociable than men and more family oriented. They are much more likely to be caregivers. The men appear more optimistic and more likely to think they will be able to adapt to any financial situation that arises. Men are rarely caregivers. In these groups only two men acted as caregivers, one for his wife and one for his mother.

Unmarried people, usually widowed, tended, as expected to be more isolated and lonely and most interested in going back to work. In a few cases, women were invited to live with



their children. (The SOA study, “Segmenting the Middle Market” has information related to this issue.)

The higher asset level participants (investable assets of \$200,000 to \$400,000 versus \$50,000 to \$150,000) are more confident, less likely to have cutback significantly on lifestyle and more likely to have done financial planning.

The research was conducted in four regions of the country. Comparisons of regions is made more complex because the participants in two of the regions had higher asset levels and participants in the other two regions had lower asset levels. Also, the limitation in the amount of defined benefit income that focus group participants were permitted to have probably muted some regional differences. Some areas with a higher incidence of a unionized labor force and large employers, including government, are likely to differ in reasons for retirement. But, as noted earlier, this research tended not to include many workers from those types of employment. With these constraints it is harder to detect differences by region. The similarities of people in different parts of the country appear much stronger than any regional differences.

## IMPLICATIONS

This research provides, in the viewpoint of the researcher, important new insights into why people retire and how they manage their money once retired. The findings raise fundamental questions and challenges conventional thinking on key issues. Six findings are of particular significance. The first, and perhaps most important, is that many people in the asset levels studied do not retire because 1) they want to stop work to do other things or 2) they have carefully calculated they have enough money to be financially secure for the rest of their lives. Rather, most seem to have been, one way or another, “pushed” out of work for various reasons. This result challenges views about the capability and practicality of many to delay retirement. To the extent that people find work very difficult in their early and middle 60s, their ability to be productive workers is reduced. The finding that retirement is most often the result of feeling “forced out” of work is an important issue and it seems that follow-up quantitative research would be useful to test these qualitative findings. Follow-up research on what strategies are feasible for continued work would also be useful considering the emphasis on people working longer as a way to deal with inadequate retirement assets. The findings suggest efforts to enhance the design of work and work sharing for older workers may help many middle market employees stay in the labor force and enhance their retirement security.

Second, many retired after simply calculating that they presently have enough income to pay for basic expenses or somewhat more. Very few considered any trade-offs of how additional work would have translated into more financial security. Very few considered the strong likelihood of inflation increasing their cost of living as they age. Many are now experiencing these higher costs.

This lack of understanding of how to incorporate inflation into decisions about being able to afford to retire seems likely to lead to increase the likelihood of having very constrained finances in older age. Education and tools on how to factor in inflation in retirement decisions should be considered.

Third, the participants exhibit very little planning or sophisticated strategies for dealing with financial risks. Indeed, many have the feeling that because “anything can happen,” any assessment of risk is not worthwhile. The most often used strategy is to adjust to events as they happen (often at the same time that they hold onto assets as long as possible in order to have a cushion). This finding suggests that further research on the best approaches for risk management in the middle market, encouraging employers to offer support for risk protection products and tools, and public and worker education on the value of assessing risks and how to incorporate those assessments into decision making may be useful.

Fourth, these findings support other research that found that most people claim Social Security earlier than seems optimal, due to loss aversion and the framing of the decision as a break-even decision. The need for continued efforts to help people make better decisions about when to claim benefits is reinforced by this research. All parties who are in a position of influence should encourage more evaluation of this decision and encourage a more effective approach to how the decision is framed.

Fifth, this research shows a good deal of precautionary financial behavior. Most people try to maintain their asset levels or increase them. Within this group, there is almost no systematic spend down. Most homeowners are strongly averse to using their home equity. Rather, there is an effort to pay off mortgages and retain the home. This precautionary behavior helps provide some feeling of financial security as people fear inflation, a health event or the need for long term care in old age. However, these participants do not have a good sense of how much money they need to have as they age. They appear correct in wanting a financial cushion, but many could feel they need a larger cushion than is optimal. It appears that more thinking is needed on the issue of how much money people of different asset levels should retain as they age. Also, more education on other methods of constructing a financial cushion seems justified.

Sixth, it should be reiterated that this research has found that these middle market Americans have been able to manage their lifestyles and expenses in ways that have enabled them to retain a financial cushion and, to a very considerable extent, retain a

lifestyle they consider at least satisfactory. They are responsible and prudent. They do not claim to be deprived. Considering that they often retired before they really wanted to, this is a real accomplishment. Thus, efforts to enhance the financial security of these middle market retirees does not start of a base of a crisis, but from a base of people who are coping satisfactorily, but whose long term financial security could be enhanced by more effective planning and refined financial strategies.

Taken together, these findings show a picture of these resource constrained retirees as careful and conservative financial managers, but with a focus on current cash flows rather than on shocks and changes over time. They are quite flexible and reduce current spending to match their current income. They are reluctant to draw down assets, saving them for emergencies, shocks or an inheritance. They limit what they spend for travel and meeting their dreams. Significant inflation, substantial long term care needs, and unexpected medical expenses could derail their plans. While some get formal financial advice, many do it on their own. Given current longevity, it is quite likely that a considerable number of them will struggle in later years. While working longer is widely cited as a method to help people be more secure, but for many this might not be a practical solution. More work is needed to help identify the best strategies to educate workers on more effective planning and financial strategies and employers on job design approaches that can help them retain valued employees in ways in which both the employee and employer benefit.

## **ORGANIZATION OF THE REPORT**

The Table of Contents provides a roadmap of the report. While most of the topics covered in this research are inter-related, the report attempts to present findings in a somewhat “temporal” fashion, starting with how people feel about retirement, then moving to how the decision to retire was made, including how people calculated if they could retire. After that, the report describes struggles and surprises in retirement, caregiving and how people feel about stopping work. The next sections of the report deal with spending and investment strategy after retirement and planning for longevity. The final two sections address two specific issues that retirees face: what to do with home equity and when to claim Social Security.

This report contains a large number of verbatim comments of the focus group participants. It is hoped that including so many quotes will enable the reader to better understand these retirees by seeing the language they use to describe key issues.

## DETAILED FINDINGS

### Most Enjoyable and Financially Worrisome Aspects of Retirement

Retirees mention a wide range of things when asked what they enjoy most about retirement, but the aspect that is mentioned most often, by far, is “freedom” and the ability to do what they want, when they want.

*“I enjoy most the freedom to do exactly what I want to when I want to do it.”  
Female, Chicago*

*“I think the flexibility and being able to basically enjoy my life. My choices.”  
Female, Chicago*

*“I enjoy doing all the things I always put off. I read an hour a day. I’m enjoying it.”  
Male, Chicago*

*“The freedom. When we decide to go somewhere, we can go.”  
Male, Chattanooga*

*“Right now I’m just enjoying living.”  
Female, Chattanooga*

*“What I enjoy most is just the time to be able to do things I want.”  
Male, Phoenix*

*“What I like most is being able to sleep late in the morning.”  
Female, Phoenix*

The second most frequently mentioned enjoyable aspect of retirement is related to spending time with family members. Among family members, interacting with grandchildren is cited most. A number of people retired to provide caregiving to family members, but providing caregiving is, understandably, not listed as the most enjoyable aspect of retirement.

*“I think I like being able to be with my grandkids. I have seven grandkids. They’re always needing a sitter here or going to school or this or that. I like that.”  
Female, Chicago*

*"I did like the fact of being with my grandchildren."*

*Female, Chicago*

*"I can spend more time with my grandchildren."*

*Female, Baltimore*

*"Time to spend with the grandkids; run errands for the families that are still working and their wife still works."*

*Male, Chattanooga*

The part of retirement that is pointed to third most often as most enjoyable is simply not having to work. This is expressed in different ways, including not having to work at night, not having to get up and go to work and not having a boss.

*"I guess the best thing I like is not having a boss. But other than that I think I'd rather be working."*

*Female, Chicago*

*"I enjoy not having to go to corporate meetings, conference calls."*

*Female, Baltimore*

*"I like not having to punch a clock."*

*Male, Chattanooga*

*"I enjoy not having a mandatory schedule."*

*Female, Chattanooga*

*"What I enjoy most about being retired is not having to work shifts."*

*Male, Phoenix*

A few people state that what they like best about being retired is the ability to spend time on hobbies or interests, such as golf, volunteering, bird watching, travel, ministry and other activities. However, although these interests are considered the best part of being retired by a few, none of the participants stated they retired because they wanted to do more of these activities. They did not, for example, retire to play golf or go bird watching. Most of these people were, in some ways, pushed out of work, not motivated by a desire for more time to follow interests.

*"I like that now I have the time to volunteer for something that gives me more satisfaction than my job."*

*Female, Chicago*

*"You can say it's free time and I bird watch and mostly I like to travel a lot and go on cruises."*

*Male, Chattanooga*

*"What I like most about not working is traveling."*

*Female, Phoenix*

*"It's been eight years since I retired. What I enjoy most is golf."*

*Male, Phoenix*

A few people say they do not enjoy any aspect of retirement. Indeed, most of these people wish they were working and find retirement lonely and isolating. They could not name one part of retirement they enjoy most, not even the ability to sleep late.

*"I don't know that I like being retired. I kind of like getting out there and going and having friends and sitting down for coffee and complaining about the company and how to make it better and everything else."*

*Female, Chicago*

*"Really I'm not that crazy about being retired, because I like to have something to do."*

*Female, Chattanooga*

When asked to identify their biggest financial concern in retirement, several issues were mentioned. The concern mentioned most often, by far, is fear of outliving financial resources. This is expressed in a variety of ways, often phrased as "making the money last."

*"My main financial concern is that I don't live longer than the resources that I have."*

*Female, Chicago*

*"My main concern is just making it last."*

*Male, Chicago*

*"Main concern is making the amount of money that I have last. Hopefully making it grow a little bit."*

*Male, Chicago*

*“As far as making the money last, I think that’s the big thing.”*

*Male, Chicago*

*“I want my money to last long enough. Maybe, a little bit longer, than me.”*

*Female, Baltimore*

*“Major financial concern is that the money will last long enough.”*

*Male, Phoenix*

The two concerns listed next most often related to the cost of health care and inflation. There are a variety of concerns about health care costs, but they center around Medicare premiums and supplemental health insurance premiums.

In general, women are more concerned about their financial futures than men. They worry more about running out of money and becoming a burden on their children.

Related to health insurance, a few people mention long term care and needing care as a financial concern. Long term care is mentioned much less frequently than concern about health care expenses, but it is clearly a risk that is of great concern, and even fear, to many.

*“My main financial concern is health care. I’m afraid it’s going to become so expensive that I won’t have enough money for it.”*

*Female, Chicago*

*“The only thing I am concerned about is being able to afford my health insurance for as long as I will need it.”*

*Female, Baltimore*

*“My biggest financial concern is Medicare and the supplemental insurance going up every year.”*

*Female, Chattanooga*

*“My main financial concern is I am really concerned about all of our healthcare.”*

*Female, Chattanooga*

*“Main financial concern is medical expenses, and will we have enough.”*

*Female, Phoenix*

*“Don’t want to depend on somebody else. Independent.”*

*Male, Chattanooga*

Concern about inflation is caused by a number of factors. The main cause is that many of these retirees have already experienced price increases that they did not expect, even in these low inflation times.

*“My main concern is the expenses I have no control over. In the past year, my long-term care insurance, my taxes, my homeowners have all gone up. I can’t do anything about that.”*

*Male, Chicago*

*“Taxes keep going up and prices keep going up. Just like everybody else, you wonder if you’re going to make it or not.”*

*Male, Chattanooga*

*“Main concern is I have a fixed income and everything keeps going up.”*

*Male, Chattanooga*

*“My main financial concern is inflation and our incomes not keeping up with it.”*

*Female, Chattanooga*

A variety of other financial concerns are mentioned. A number of participants express concern about how they can “stretch” their financial resources. Clearly, many people with constrained resources find it very difficult to afford all of the activities they want to partake in, or were able to do when they were working. At the same time they are trying very hard to preserve their assets to protect against future costs, inflation and the possibility of health care events and long life. The way they try to cope with these cross pressures is “stretching:” finding ways to do things less expensively, targeted cutbacks in expenses in some areas, and cutting back on how often they do some enjoyable things, such as travel.

The other financial concern that a number of participants bring up is having enough money for family. Usually that refers to a desire to leave an inheritance, and their fear that they will not be able to do that. The majority of participants do not have a strong bequest sentiment, but more than a few do feel a strong desire to leave money to their children. In a few cases, participants are providing financial assistance to children now. Some of them believe their children’s need for financial support will continue and are concerned that they will lose their ability to provide that support.



## The Decision to Retire

A key issue in the research is why people with constrained assets decide to retire, how they make the decision, what information they seek out to help make the decision, and what calculations they make to assist them with this decision. Of course, intrinsic to a study of the decision to retire is that people have a decision to make. Many people retire because they have to due to reasons of health, disability and other factors. In a real sense, those that physically cannot work at all really do not make a decision, it is made for them. For this research we focused on people who retired voluntarily, not because they were simply unable to work. All asserted that they retired voluntarily, even if they did so for physical or psychological reasons. The research technique used to start to understand the decision to retire was to ask the focus group participants to tell the “story” of their decision to retire. This technique worked very well. Following is a summary of the stories, with key quotes.

The most striking finding about the decision to retire is the extent to which people left work because they felt they could no longer do the work or because they felt devalued and pushed out: even though they stated they left the labor force voluntarily and could have worked longer. Very few left work based on a plan or because they calculated that they could afford to retire. Almost none left work because they really wanted to have the leisure or freedom to do other things they really enjoyed. A few retired because they felt the need to provide caregiving to a family member.

The difficulty reported most often was the stress of work. For many, work became more stressful or their ability to deal with the stress of work declined to the level that they simply felt they could no longer cope with it.

*“I wasn’t thinking about it at all. My mom passed away and she left me and her daughters a little money, and then I was having issues with the owner and I couldn’t take it anymore. I guess the pressure or whatever with my mom and I just said that’s it.”*

*Female, Chicago*

*“Well, he told me. It was so bad. I would come home after 25 years working there; I’d come home crying. He said, “You know, quit.” And so I did. I told them I retired. They really made it tough for people. So I retired because it was for my own sanity and I figured the other people that were there, most of the women were single and they needed the insurance. I had my husband’s and I thought, “What am I doing here?” But I didn’t get anything. I had a 401(k) and years before when they sold the company, they froze my retirement. So I was stuck with what I had in 1996 and that was not much. That was kind of a slap in the face but I got out before I went nuts.”*

*Female, Chicago*

*"I was on the road constantly. So, it is all of those things combined. I found that I was getting less and less enjoyment out of it, except when I was interacting with the client. That was my focus. It was just too much. Too many reports, too many phone calls."*

*Female, Baltimore*

*"I don't mind saying this, is that one accident, too many fires, too many house calls, the red phone ringing – over a period of time you begin to think about it's time to go. Because each time you sit there and you reach for that phone, you start thinking about at my age at that particular time, I started picking up more and more of my friends. And people don't realize how difficult that is when you show up on the scene and it's someone you know. And the older I got, the more frequent. I started making plans. It's time to go. That's when I realized that my time, the margin was shrinking, it's time to go. I went on and retired."*

*Male, Chattanooga*

*"Central office was not the catalyst, but it played a big part, because there was always more, more, more to do, and never anything taken away. The demands on the teachers, the demands on the counselor, the fact that you get blamed for everything. That kind of pulled me into thinking about some things."*

*Female, Chattanooga*

*"So after the 37 years and my losing my patience and their being more demanding, I thought I'm going home, and that is what I did."*

*Female, Chattanooga*

*"A young man got stabbed, and watching him pretty much at my feet when I got to the destination of where he was that morning, it took the life out of me almost. But that wasn't the reason I was retiring. I had moved up into that position when I really should have stayed as a house principal where I felt comfortable, because when you get to the very top next to the principal, it's like being in a goldfish bowl. Everything is about your fault. This is on you, on you. Things were happening, and I couldn't go back to what I was doing. So I said you've got about 35, almost 40 years under your belt, but they are going to give you credit for about 35. Then I went to Albany and I checked into that and found out how many years and how much money I was going to get. I said okay."*

*Female, Chattanooga*

*"You can only watch devastation for so long, and you feel helpless. Year after year after year it's like some people get cold to it and just do their job. Then there are others who are like me who are looking at my home, my children, and I thought what would I do if this were happening to them? The older I got, the harder it was for me to watch these kids go through what they were going through, which is stress."*

*Female, Chattanooga*

Another often mentioned reason for retiring is that work became too physically demanding. In some cases, the work required a good deal of strength and as the workers got older they lost the strength. In other cases, the work demanded fairly normal activities, such as walking around a factory or ability to sit or to travel and the workers found those activities increasingly difficult to accomplish.

*“When I quit working it was basically because I took a leave of absence for a short period of time because I got rheumatoid arthritis and it was difficult in the beginning. But in any case, I did not quit at that point so I just kept on working through that. But when it got to be too difficult, that’s when I thought about retiring for sure.”*

*Female, Chicago*

*“I began thinking about retirement, when I started having a medical problem. I wasn’t able to sit for long periods of time. The type of job I was doing, I was sitting all day long. Of course, I couldn’t do my job standing. But, I loved my job, and I wanted to continue working. But, it was best for me to come out at that time. My husband and I were set pretty well in investments. Because, we always were the couple who liked to save money and invest money. So, I felt like we could come out and live comfortably. At that time, he was already retired. So, it was pretty easy for me to make up my mind, to come home with him. Knowing I would be getting my Social Security soon.”*

*Female, Baltimore*

*“It was decided for me, because I had health problems. I had to get a kidney removed and then, I had like eight hernias. It just wasn’t possible for me to do the things I could do anymore.”*

*Female, Baltimore*

*“Mine was more I got injured on the job and I just kind of phased out. After I was injured I was around for maybe another three or four days and that was it. And we had another manager come down from Nashville to take over. No problem.”*

*Male, Chattanooga*

*“My body started breaking down. I had to have two knee transplants. Also, I just felt worn out. I did it on my own. After my 30 years was up, I just decided that this was it. After I retired and I got home, I was depressed. I went through a stage of depression because my mother had passed away. I said why did I retire because then my children moved away and they took the grandchildren. So it was just my husband and I. He worked, but this depression came over me, and it took me I guess about 4-5 years before I got to where I am now. So that is how I felt. It was like rush, rush, rush, rush, and then when I stopped, now what?”*

*Female, Chattanooga*

*"I was overworked and probably underpaid. I had a job that I never got caught up. It was just continuous. Never did I get to the point where I didn't have anything to do. So I began to think about retirement. While I was working there, I had a heart attack, and they said it was because of the stress of the job. But when I went back to work three months later, there were no changes. So I thought that, in order to live a long time, I better retire. So I did."*

*Female, Chattanooga*

*"I was originally going to retire at 62. Then the stock market took a dive. So my 401(k) went down with it. So I carried on to 65. But the last four years, I used to run big presses, and it was getting too much for my knees physically. If you have an office job, you can probably work until you're 70-75. But you can't do manual work like that."*

*Male, Phoenix*

Another frequently raised issue for retiring was the sense the worker had that he or she was no longer wanted in the organization. In some cases, the person was actually terminated (but considered their retirement voluntary because they decided not to look for another job). In other cases, their company changed ownership and they felt their job was vulnerable, or they were assigned to report to a more junior person or they felt that their skills just were not valued.

*"When the company reorganized and showed that they weren't interested in people my age and opportunities came and went. Opportunities came to younger people and to me it was a sign that you'd better start thinking about it."*

*Female, Chicago*

*"My company was doing a lot of overseas outsourcing and for three years I went every day to work wondering if this was going to be my last day because they were downsizing and letting people go. Then they came over and we had to train them to take our jobs away. Like you had said, too, it was more or less age. And I wanted to know day-to-day whether I had a job or not, so I had the option to retire and I was vested too, so I chose that."*

*Female, Chicago*

*"As for me, I was still thinking about it already but I had an incident like maybe Mel did where one day I was called in and when I went there they said, "We're going to have to let you go." And I wasn't exactly mad about it. I think they expected me to tear the place up or something and I was saying, "Okay, the first thing is we're going to have to figure out what kind of plan we're going to have for me to transition to somebody else," and that sort of thing. They also were awfully nice about giving me a pretty generous severance. So I was thinking about doing it before then anyway."*

*Male, Chicago*

*"I moved on from that position to another one, because they started talking about that former position, probably, going away. So, I got another job in a different department, with a manager who was younger than my daughter. Which was not a problem. She was a nice girl. But, the job – the department, to me, was unnecessary. Believe it or not. The work was like – "Why are we doing this?" Almost every day, I was on a conference call thinking, "Why are we doing this?" It made no sense. Then, actually two other people in the department retired."*

*Female, Baltimore*

*"I would hear things being said. I was thinking, "Uh-oh. I am going to get laid off from this one too. Because, they are going to end up closing up." So, I just decided to go ahead and retire. I still needed money coming in. So, I decided to retire and thought, "I will get something part-time, if it doesn't work out." For a little while, I did the part-time thing. But then, when my grandson came along, I decided to quit the part-time job and stay home with him. And, when he goes to school next year, I will probably go back part-time."*

*Female, Baltimore*

*"I don't know how much is technology, because there was a lot of technology that it was longer for me to learn than it was some young person. I wasn't into that technology anyway, and yet they expected me to, and I felt like I couldn't do as much as they expected me to do, and they didn't give me the help that I needed to know what to do with it."*

*Female, Chattanooga*

One point should be emphasized. While these focus group participants report that they retired because they felt they could no longer work, it is also clear that it was possible for almost all to continue on for a few more months or years, as difficult as it was. For those who lost their job it was possible, they say, for them to have sought out another job. Thus, their decision to retire was, as they had indicated when they were recruited to participate in the groups, voluntary in that they actually had a choice and could have continued working.

Another reason for retiring, that was mentioned more than a few times, is the need to provide caregiving to a spouse or another family member.

*"I started to think about retiring in two contexts. The first was my mother was ill and my husband was dying of esophageal cancer and I had a brain tumor. That was pretty all at the same time. I was caregiver while I was in that state. And working."*

*Female, Chicago*

*"But she worked for the phone company and went through a change and ended up with MS and went into a wheelchair within two years. She's doing fine. We deal with this."*

*About eight years ago she'd been disabled about 12 years now, and it was getting harder for her to do stuff at home without me being around. I'm married to a Polish woman and she's very stubborn. She tries to do things by herself and she gets herself into situations. Eight years ago what the situation was she fell out of her chair getting out of a van. She drove in our garage and we live in a very rural area and there was nobody around. When I came home from work she was laying in the garage waiting for me to come home. That's when I made the decision to retire."*

*Male, Chicago*

*"I wanted to work until I was 65. But, my husband just passed about a year and a half ago. When he really got to the point, where I figured I needed to be there with him, I just cut it off at 62."*

*Female, Baltimore*

*"I had a lot of commitments at home. My mother was sick, and the lady that I hooked up with after my divorce, she got sick."*

*Male, Phoenix*

While these decisions were also voluntary, from the perspective of the caregiver they were absolutely compelling and impossible to put off.

There are, of course, people (but not many from these groups) who do retire based on some judgment of their financial capability to afford to stop earning money through work. In general, these judgments were not based on detailed analysis and were quite summary. As expected, this is more likely with people with investable assets of \$200,000 to \$400,000 than with people with financial assets of \$50,000 to \$150,000.

### The Decision Process

It is striking how quickly many people made the decision to retire. Many say they made the decision to retire in less than a week. There are also some who made the decision over a long period of time. But most of those do not do careful financial planning and calculations. The proportion who make the decision to retire based on a consideration of their ability to retire and an analysis of their level of financial security in retirement is a small minority.

*"No. It was instantaneous and it just happened and we had no choice."*

*Male, Chicago*

*"I would say about six years. It was a process because it was accumulating and it seemed like it was just compacting itself. When you're working in EMS, you have an edge. Certain things don't bother you, but as the process goes on and you get older,*

*that edge becomes dull just like anything else and you don't have that edge no more - emotionally and physically. I started looking around and I started saying, "It's time to start making plans to hit the door and let somebody younger have it, because I'm losing it." It's kind of rough. You stay on a job and I don't care how old you are, you know you're not up to speed but you stay there anyway, and that's not good when you're in EMS, because you're dealing with someone's lives and it's something you don't do."*

*Male, Chattanooga*

*"It took about three years. I thought next year I'm not going to let it get to me like it got to me this year. I always had a plan as to how I was going to relieve the stress. It didn't work. The stress just got worse."*

*Female, Chattanooga*

Many people say they made the decision to retire without conferring with anyone else, although almost all married people had discussed the difficulties they were having at work with their spouse many times. All of the married people talked about the retirement decision with their spouse as soon as they made it, but the discussion was more focused on informing them of the decision rather than asking the spouse to help them make the decision. No one stated that their spouse tried to talk them out of retiring. In almost every instance, the spouse understood the reason for the retirement decision and supported it.

It appears that the dynamic is that people find work increasingly difficult and focus on how hard they feel it is to work. At a certain point they appear to reach a point and decide very quickly that they can no longer "take it" and they decide to retire.

*"We talked about it but she was happy too. It was coming and we saw it coming."*

*Male, Chicago*

*"We just talked about it. He said, "If that is what you want to do, then do it."*

*Female, Baltimore*

*"I decided in one day but I left about three months later. I set a date and I said, "I'm leaving after my birthday," and that's what I did."*

*Male, Chattanooga*

*"Immediately."*

*Female, Chattanooga*

*"When I started to retire, it took me six days to make my mind up to retire."*

*Female, Chattanooga*

*"We kind of discussed it among ourselves. Just the two of us basically, yes. And, of course, with him teaching, he had some input from some of the other educators. They said, "Maybe, retirement is good. Maybe, it is not." That kind of weighed in a little. But, it was basically our decision."*

*Female, Baltimore*

*"I didn't ask anybody's opinion. I just told my husband that's what I was going to do."*

*Female, Baltimore*

*"I pretty much told him, "It is time for me to come out." He agreed with me. He said that I should have been gone with the way I was having my medical problem."*

*Female, Baltimore*

*"I discussed it. But, pretty much, before I went to him, my mind was made up (a few agreeing). I just wanted him to know what I was thinking."*

*Female, Baltimore*

*"He always left things up to me anyway."*

*Female, Baltimore*

*"I made up my mind. And then, I went to him and made him think it was his idea."*

*Female, Baltimore*

*"I talked to my wife, of course, and that's a pretty big decision when you've not got a whole lot of pension built and you've got two of you looking into the future. I laid my wife out; the Lord laid it out for me. I had my house paid for in the early '50s. I'm still in the same house. That normally is the largest investment anybody makes in their lifetime, and I decided and I said, "This is the way we should do it and what do you think about it?" She said, "It's scary." I said, "Yeah, but that's life." "*

*Male, Chattanooga*

*"Well, I discussed it with my wife but she'd been working. She's younger than me; she still works. I had gotten injured on the job, so I had long-term disability because of the manager and that ran for a little over 2½ years. Then I said, "Well, this is coming to an end here." Because they kept saying, "Why don't you go for Social Security?" The insurance that was paying my disability. I said, "Okay, I'll do that, but I still want to put in for my retirement," and that was it. It was done."*

*Male, Chattanooga*

*"I discussed it with my wife first. Then we went to him."*

*Male, Chattanooga*



*"I'm sure it was a discussion over a long period of time. She knew the stress I was under."*

*Male, Chattanooga*

*"My husband, because what was happening is I was bringing the stress home, and our marriage was getting rocky. I talked to him about it."*

*Female, Chattanooga*

*"I think I told him I decided to do it."*

*Female, Chattanooga*

*"I talked to my husband, and he agreed. He was ill at the time, but he was still working his little part time job. The more we talked about it, the more we decided that yes, I would go ahead and retire."*

*Female, Chattanooga*

It should be noted that some people had a sense earlier in their lives that they would retire at age 65. That age appears to have been an expected age to retire. However, it should be noted that most of those who report that they had age 65 as a target retirement age retired before then, although some worked longer.

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

*Male, Chicago*

*"At 65 I thought maybe I'd have to go another year or two, but then when the time came I realized I didn't have to."*

*Male, Chicago*

*"My parents were 65. They were shot. We all thought that by the time you get to 65, there was nothing left of you. But things have changed a lot since my parents retired."*

*Male, Chicago*

A significant number of people, but less than half, talked to a financial advisor about retiring. In most cases, however, the participant told the advisor he or she had made the decision to retire. Only in a few cases did the participant ask the advisor if he or she could afford to retire. Men were more likely than women to consult with an advisor, and higher

asset people were more likely than lower asset people to consult with an advisor. Advisors from a wide range of firms were used. No firm emerged as predominant.

*"I've talked to a couple of different financial people. Weighed out my situation and my finances - the whole thing. And had them run numbers and see what they came up with. That was a factor in my decision."*

*Male, Chicago*

*"I talked to a financial advisor but not necessarily specifically about what to do in retirement with the money. Just what to do with the 401(k) and that sort of thing, but not specifically retirement. But I did make a spreadsheet and a whole budget and exactly monthly expenses and expected income. I did do that."*

*Male, Chicago*

*"I did ask him if he thought I could retire."*

*Female, Baltimore*

*"He said I could. But, there was always a "but". "You want to get this right and that right. Get everything lined up right." Eventually, it turned out fine. And, he didn't reprimand me or anything. Which, I thought he would. I am still working with him, and everything is looking okay."*

*Female, Baltimore*

*"I told them what I wanted to do. But, they didn't ask me. I told them."*

*Female, Baltimore*

Almost all people knew how much they would get from Social Security and pensions before they retired and they knew what their monthly expenses were. Almost all knew the extent to which their guaranteed income would cover their regular expenses.

The participants were asked, as they decided to retire, if they considered some of the things that could occur and affect them in the retirement period. A fairly common viewpoint is that it is not worthwhile to consider unpredictable events because nothing can be done about them: it is better just to live one's life.

*"You can worry about it but you can't do anything about it. So they're all uncontrollable."*

*Male, Chicago*

*"You can't do anything about it. It's the uncontrollable thing. You pick up a newspaper every day and somebody is screwing up somewhere and it's going to affect the stock market usually bad, sometimes good."*

*Male, Chicago*

*"I do watch the Dow every day and I didn't worry about the money going away or anything like that, but I had some ugly times in 2006 or 2007. Those were some ugly days."*

*Male, Chicago*

One factor that did have some bearing on the decision to retire of a number of participants is that they did not think that the money they could have earned by working longer would have been that significant. Also, there was concern among a few that if they waited to retire they might become too old to enjoy some activities that they wanted to do.

*"If you wanted to work a little longer to have the extra money to do certain things, you might reach an age where you're too old to do them."*

*Male, Chicago*

*"At this point I'm satisfied with where I am and what I'm doing and I'm comfortable. It wouldn't have been worth it to work another five or six more years to save the amount of money to get me to the next level."*

*Male, Chicago*

*"Tomorrow you won't be able to do it. It's just that fast."*

*Male, Chicago*

*"And if you think, 'Well, I'll work a few more years and then I can afford to do this,' that could go on and on and on."*

*Male, Chicago*

One consequence of making the decision to retire very quickly is that most of the participants, when they retired, did not have a real plan of what they were going to do with their time once they stopped working. However, most did have, and continue to have, activities they enjoyed doing and that filled their time. For some it is hobbies, for others it is family activity. Some seek out work to supplement their income. A few, but only a few, feel lonely and isolated.

*"Well, I like to exercise and it used to be I'd try to fit it in during the day and it was kind of hard because I would have to get up real early or have to do it very late. So exercising and my wife and I have a lot of common interests, like we used to go to*

*Vegas a lot. But going to casinos and going to a horse race - things like that. So there are a lot of things we like to do together also, and apart."*

*Male, Chicago*

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

*Male, Phoenix*

*"If you've got a wife like mine, she's always got something for you to do. I do a lot of odd jobs for friends and stuff, like handyman work and stuff like that. I read a lot and do crosswords. We intended to travel more, but like I say, it's going to be expensive. We traveled more the first 2-3 years. But then it got to be expensive. But I have a son with a business in Colorado. So I'm going there for August."*

*Male, Phoenix*

*"I didn't expect that, but where I worked, Bell South ... they had encouraged over the years to find a hobby when you retire, because when you retire, you are going to need something. So I took up crochet and knitting and things like that to keep my hands busy, because they said find something to do, because when you retire, it is one of the worst times of your life when something catastrophic comes. So I did, I took up that hobby."*

*Female, Chattanooga*

Interestingly, most of the participants believe they made the right decision to retire when they did. Some feel they should have worked longer, some feel they should have gone about the decision differently and gotten more information, a few wished they had saved more so they could have retired earlier. But by and large, in the retrospect of several years, most feel the decision they made was the right one. However, many state they wish they had been more informed and thoughtful when they made the decision to retire.

*"As I was getting older, you have to worry about – my knees used to hurt. So, it was time."*

*Female, Baltimore*

*"Yes. I didn't have any regrets about doing it."*

*Female, Baltimore*

*"No. But, if I was out there, I would have stayed. Because, I am a people person. I enjoy meeting different people, and I miss that."*

*Female, Baltimore*

*"I think maybe, I would have started to work with a financial advisor earlier – when I was younger."*

*Female, Baltimore*

*"Been more aware."*

*Female, Baltimore*

*"Yes. I would have maybe, done a little bit differently financially. Now that I am older, I can look back on that. But, you can't turn the years back."*

*Female, Baltimore*

*"Knowing what I know now, I would have used a financial advisor and I would have saved more. Bought less and saved more."*

*Female, Baltimore*

*"No. I think my stress level was at the point, where that is definitely what I should have done. I wouldn't do anything differently."*

*Female, Baltimore*

*"I would have retired exactly when I retired. I think it was a good point. I always wanted to retire and have a reasonable portion of health, strength and sanity ... so be able to do some things, and that was good. I would do it exactly like I did."*

*Female, Chattanooga*

*"It was the right time."*

*Female, Chattanooga*

*"I probably would have worked longer."*

*Male, Phoenix*

*"It's perfect time. So many younger people in the work force, and I saw my stamina deteriorate to where it was almost a given. My body was telling me."*

*Female, Phoenix*

*"Mine was absolutely the right time."*

*Female, Phoenix*

*"Same thing. I am having fun, we still have money, I'm spending time with my husband and a little job to keep my mind occupied. Money is important, but sometimes it is not the most important thing."*

*Female, Phoenix*

### Calculating if One Can Afford to Retire

The participants were asked if they believed, when they retired, that they had enough money to afford to retire. Most believed they did. A number of people paid off their mortgage before they retired to try to get their monthly expenses as low as possible. The technique that most people use to calculate how much is needed to retire is to calculate if they have enough income, from Social Security, any pension income, part-time work and any other regular income, to pay current monthly expenses. Most of these participants with constrained assets, especially those with investable assets of \$50,000 to \$150,000, do not want to spend down their assets, or even draw from their assets. They want to retain these assets for use in emergencies and unplanned expenses, including a rise in costs and/or illness. At most, they will draw off interest, dividends and investment gains. There is little planning for inflation increasing living costs. A few people refer to providing some “leeway” to help protect against inflation. Almost all of the participants knew their monthly expenses prior to retirement, almost all knew when they were working how much they could receive from Social Security: indeed, many still working past age 62 had already claimed Social Security. Many believe that if their regular income covered their current monthly expenses, they could afford to retire. Very few considered the long term impact of inflation.

*“I kind of felt, with the Social Security and the pension I get from England, if I didn't have a mortgage, I would be pretty much level with where I was when I was earning for the last few years. So that has worked out for me. And we're living actually every bit as good as when I was working.”*

*Male, Phoenix*

*“I just paid everything off before I retired. I didn't have any credit cards, no mortgage, nothing, no car payments. I knew I could afford it. My wife still worked. She worked a few years longer than me.”*

*Male, Phoenix*

*“I was basically the same way, have all the bills and everything paid off. I just tried to figure out if your house taxes or property taxes went up so much a year, how long would your money last you? Things like that. Things you had to pay that you weren't going to get out of. That kind of helped me make a decision as to how much I could spend.”*

*Male, Phoenix*

*“You have to know what's coming in and what's going out.”*

*Female, Chicago*

*"If you have pensions like these gals or Social Security or inheritances, trusts, you add all that up and then you add up all your electric and heat and if you have a mortgage or whatever, and then if you have some surplus I think then that's a good thing. You have the possibility of retiring."*

*Female, Chicago*

*"I figured what we had coming in versus what we took out and fortunately a little more afterwards than before."*

*Male, Chicago*

*"You just know. You list your expenses and you list your income and you see what's there. Then you hope to God that whatever the money you've invested is going to take you when inflation moves in and it's no longer covered. I was able to live off of my husband's pension and Social Security without touching any of my savings. So the Starbucks money was just fun money. So I figured I could quit."*

*Female, Phoenix*

*"You looked at your expenses, and you looked at your Social Security. If your expenses had been the same for the past "X" number of years, because your lifestyle hasn't changed, then that would be my hint that I can do this on this money. There are always exceptions to the rules. Air conditioner breaks, things of that sort if you are not on your monthly expenses. That is when, God willing, you have some savings to be able to compensate. Also, with what you've saved with 401's and stock and whatever, that is always there as a cushion."*

*Female, Phoenix*

*"We felt that once we retired, we would pay off our house. So we took those savings and we paid off our house. It made us feel better. We knew we weren't putting that out every month. We feel better."*

*Female, Phoenix*

*"I had enough for my mortgage and for expenses like car insurance and mainly big necessity things like that. I knew that I had enough money."*

*Female, Phoenix*

A few people did plan for inflation. As indicated, the typical approach is to accumulate a little more money.

*"I always left a little extra in."*

*Female, Chattanooga*

*“So with the planner, he helped us plan inflation. He built that into how much we needed to be saving, and each year it went up.”*

*Female, Chattanooga*

*“We had a written plan as to what he felt like we needed to do in order to keep up with inflation. So that was built in. So each year whatever we made, whatever my husband made, because at that time, he had now retired. Whatever my husband made, we would say that this year we have to do this, we have to do that. That is how we did it.”*

*Female, Chattanooga*

Despite the lack of planning for inflation, most of the participants state that they expected some expenses to rise after retirement. There are two countervailing forces: inflation raising costs for almost all items and a reduction in costs due to not having to commute to work or pay for other work-related expenses. Furthermore, other costs can be lowered. For example, a few people mention that they have always given gifts to children and grandchildren, but after retirement they lowered the cost of those gifts. Some substituted lower priced food for higher cost food. Most people, at the point of retirement, said they expected their expenses to rise, and most report that their expenses have risen since they stopped working.

*“I thought expenses would be higher.”*

*Male, Chicago*

*“The actual expense itself would be the same but the costs would be going up. I’d still have my electric bill and my gas or phone bill or whatever, but that would be going up.”*

*Male, Chicago*

*“Whatever I need, if lettuce went up to \$3 a head, I don’t need to buy it. I am flexible. If something is a good value, I will buy it. But I don’t have to have some things. So I will go in and, no matter what they ask me, I’m going to pay it.”*

*Female, Phoenix*

*“Other things go down. You don’t spend as much for gas and you don’t spend as much for dry cleaning and things like that.”*

*Male, Chicago*

*“The only deal breaker I think I had is if gas goes up to \$4.50 a gallon, I will stop driving. Don’t laugh, it’s really true. When the gas was closer to \$4, I said to my husband that I’m walking over to the supermarket, which is not far from where we live. He said, “Why don’t you take the car?” Why bother? I’m not getting that much, I could*



*use the exercise, and I don't want to pay money for the gas. The gas is a deal breaker with me."*

*Female, Phoenix*

*"Some went down. But, I can't see it. Because, when some went down, some went up."*

*Female, Baltimore*

*"Our grocery bill went up."*

*Female, Baltimore*

*"Everything has gone up."*

*Male, Chicago*

*"Inflation dictates they go up."*

*Male, Chicago*

*"Mine have been going up. Taxes and things that I can't control - insurance premiums and things like that."*

*Male, Chicago*

*"Same for me. Food and gas have gone up but pretty much everything's the same. They tell you that the electric company in my village has changed. I'm paying less for electric and less for garbage, so a couple of things went down."*

*Male, Chicago*

*"They balance out. I'm sure you don't have to buy suits anymore. Different things like that."*

*Male, Chicago*

*"I think what goes down is what you determine is going to go down). Like, I had a line item for gifts. I had to do a double take when I realized how much I was giving in gifts to people, for birthdays, weddings and all of that. So, that you can lower – that kind of thing (a couple agreeing). But, there are certain things... Your travel expenses, you can lower. But, it is only the things that you can lower that you notice go down. But, the regular expenses, the taxes, the health insurance does not)."*

*Female, Baltimore*

*"Giving money to the grandkids and this and that, it all averages out. You don't have any bills; our bills are paid one month and the next month they're gone, but there's*

*always grandkids needing money for something or in-laws or somebody needing something. Always.”*

*Male, Chattanooga*

*“I knew there was inflation, but I think the concern was how much inflation would be and how great a decision it was going to be. Again, that goes back to Washington and what they’re doing and so forth. But we made a decision to retire and we discussed it and we looked at financial stuff. We made sure there was a little leeway in there to cover inflation at a normal rate. Now if it becomes excessive, then we’ll be hurting a little bit. But at a normal rate, we protected ourselves.”*

*Male, Chattanooga*

*“Day in and day out they’ve gone up slightly, but it was mentioned earlier about things like long-term care and real estate taxes. I got socked in the last few years like everybody did. It used to go up maybe \$200 or \$300 a year and it was fine. But suddenly it’s \$1,000 and \$1,000 and where’s this coming from? Times are bad. So it depends on how you look at it.”*

*Male, Chicago*

*“I think more. Gas when I retired was about \$2 a gallon. Now it’s over \$1, maybe \$1.25 higher. So we go on less trips.”*

*Female, Chattanooga*

*“You have more free time to spend more money. You go to the Cubs game or something like that.”*

*Male, Chicago*

A small proportion of participants report that they have a written financial plan. Those who have a written financial plan consider them valuable. Written financial plans appear to be useful as “guides.” They help people make financial decisions, including in a few cases, the decision to retire, and they give a perspective on how things have changed financially over time.

*“It tells you what’s going forward but the more interesting part of it is it tells you where you’ve been and then you can, because you’ve already lived it, you can look at it and understand how the changes that you’ve lived through have affected your financial situation and that helps you to understand what may be coming down the road ahead of you.”*

*Female, Chicago*

*"If you do it every couple of years, then you see how the cost of living has gone up and so then it makes you more careful maybe of what you're spending because you're realizing more is going out than coming in."*

*Female, Chicago*

*"I think when it's first done then it makes me think okay, here's going forward what I need to do. But then it's not like I think about it every day. I just know what I have and know what I can spend. It just gives me the comfort of knowing that I've got enough to go forward."*

*Female, Chicago*

*"It gives you a guide. It's like reading a roadmap. You start here and you want to get to there and here's a way to get there. You have to make sure you're right on that path. If you veer off, "I've got to do something different to get back on that path."*

*Male, Chicago*

*"It is valuable. In the moment, he shows me all of the risks, possibilities and all of that good stuff. And then, he gives me some things that I might want to do."*

*Female, Baltimore*

*"It makes me feel comfortable that he knows what he is doing, and he is helping me to my financial goal. Which is to be able to afford what I need to afford, as long as I am around."*

*Female, Baltimore*

*"He makes me feel very comfortable."*

*Female, Baltimore*

*"It's a guide, and you just follow it as best you can."*

*Female, Chattanooga*

*"It really helps me make decisions about where I want to go. It helped me decide do I want to leave money to my children and to my wife? She's 4-1/2 years younger than me. So I have made a decision to do that and set up a vehicle in place to manage that. For example, I take money out of my IRA and fund life insurance, which takes care of my wife and my kids. So I don't have to worry a bit about what is going to happen to my wife or my children. That is all taken care of."*

*Male, Phoenix*

In one group (of higher asset men) those without a financial plan were asked why they did not have a plan. Two reasons were offered: 1) things change and that reduces the value of a plan and 2) they do not need a plan because they monitor their assets regularly.

*"Thing's change. It's only as good as long as it lasts."*

*Male, Chicago*

*"I don't think you'd look at it unless you have some kind of problems."*

*Male, Chicago*

*"I can look at my situation daily. I know every day. I'm up and I'm down. I don't look at it every day but I can tell, and then I have quarterly discussions."*

*Male, Chicago*

There appear to be three levels of thinking about monthly expenses in retirement. The lowest level is having enough money to cover the most basic of expenses, with the retiree making significant cutbacks in living expenses. Some people try to pay off their mortgage in order to keep their monthly expenses as low as possible. Of course, living costs do go down when people retire because commuting and other work related costs are no longer needed. But this initial level refers to cutbacks beyond just the elimination of work-related expenses. It is most often done by people in the lower asset group.

*"But then, you don't spend as much money. You don't need lunch money. You don't need to put as much gas in your car. You don't need to do all of this. When you are home, you really don't need as much money. You'd be surprised how much money it costs you per month to go to work."*

*Female, Baltimore*

*"To me, a lot got cut, because it wasn't important."*

*Female, Baltimore*

*"Once you retire, your extras take on a whole new light. It is like I thought I really needed to have this, but it is not that important in the whole scheme of things now."*

*Female, Baltimore*

*"Things that you thought were important before, suddenly they are just not important. You don't go to that many functions anymore. You don't go shopping every week."*

*Female, Baltimore*

*"You don't need to dress up."*

*Female, Baltimore*

*"We look at what bills we have and everything beyond that is not a "has to".*

*Male, Chicago*

The second level is basically retaining most of the pre-retirement lifestyle, but with a reduction in some of the “extras,” that is, discretionary expenses such as travel and some clothing expenses. This second level means maintaining the same basic regular living expenses, as when working, but taking fewer trips, being more careful in spending for non-necessary items.

The third level includes the “extras.” Most of these retirees did spend money on some extras; some did not have to cut back at all. Some worked part-time or occasionally to be able to afford these expenses.

*“I knew we were covered. But, I just wanted extra. When I say “extra”, I mean just to get up and go anytime we wanted to travel. We didn’t have to think about that part. But, the basic bills were already covered and a lot of extras. We had extra. But, I guess I am just greedy for money, like most women. I like to shop. I like to travel and do all of that extra stuff. And, I realized maybe, I would have to cut back. But, when I came home, it wasn’t too bad. A lot of things I did that I didn’t have to do. Now, I sit down and do the main things. As you get older, you don’t need all of this. You know, the things that you wanted when you were younger. A lot of stuff I cut out, and I really don’t miss it. I am living very comfortably.”*

*Female, Baltimore*

*“You find that you have most everything that you wanted.”*

*Female, Baltimore*

### Work after Retirement

One factor that encouraged some, but not most, to retire was the idea that they could work after retirement and make some additional money. Supplementing earnings through work (usually part-time work is preferred) is appealing to some, just as others have no desire to work. Some who work after retirement find benefits beyond the income. They enjoy the sociability which is often a part of work and just the opportunity to have something to do with their time.

*“I volunteer at school and I make a little stipend, but I just enjoy it so much. I started out thinking it would be the money, which is next to nothing because it’s minimum wage, and I do it one day a week, but I love those kids. It’s good for me.”*

*Female, Chicago*

*"I do house sales occasionally with my sister. One of the reasons I don't like to do it so much anymore is because she didn't pay me. That's another thing. That's why I don't know if I'm going to get a job because I get so aggravated. I think I'm worth so much more than anybody wants to pay me."*

*Female, Chicago*

*"I already work what I would call a part-time, part-time job. One of the women I used to work with, she was our executive director and left some years ago. Now, she is an executive director at another agency. She called me and asked if I would like a very part-time, part-time job. It is very flexible. I only work three or four hours a week – whatever I want to work and when I want to work."*

*Female, Baltimore*

### Surprises and Struggles in Retirement

Many people report being surprised by at least one thing since they have retired. The main surprise concerns the state of their health and stamina. While a few are surprised about how strong and vibrant they have remained, more have been surprised about how easily they become tired and their loss of energy. Many say they are pleasantly surprised about how busy they are and how the days go by so quickly because of all the activities they have. A number have been surprised about the rise in some costs, especially the cost of medical care. A few are surprised about new and positive things that have emerged in their lives. One woman is very pleased to be in a new relationship at a time that she thought the opportunity for new relationships was over. Another woman learned that she is capable of home repairs, a skill she never knew she had because her husband did all of the handy work around the house while he was alive. A few people report being surprised by how lonely and isolated they feel.

*"I guess my biggest surprise is I am just as busy now as I was when I worked. I don't see how I had time to work. You stay so busy."*

*Female, Chattanooga*

*"For me, how tired I got at doing the things that I thought I would really spend a lot of time doing. I thought that I would be still enjoying it at the same level that I did when I first retired."*

*Male, Phoenix*

*"I think what surprised me is I don't have as much stamina as I used to. I'm 65 and I really expect ... I've been divorced for 35 years, so I have always done everything. I did stuff on the car, I took down walls, I remodeled the house, I installed the dishwasher, redid the kitchen. I did it all. My knees, I can't get down on my knees"*

*anymore, so laying floor tiles is out of the question. I just feel like I am surprised that I'm slowing down a little, and I don't like that."*

*Female, Phoenix*

*"I'm almost getting a little bit tired of playing golf. I have to cut back to two times a week instead of four."*

*Male, Phoenix*

*"Yeah, I sometimes feel that I actually feel better now than the day I retired."*

*Male, Phoenix*

*"I retired at 62, because I had a lot of health issues going on over the years. I mean a lot of health issues. I wanted to retire while I still had enough energy left. But then I just started feeling better. I think beating the stress of the 40-hour a week job and just doing a few different things. Right now I'm doing a little handyman work, getting out there and meeting the people. I am doing things that I never thought I was going to be able to do at age 70, and people are amazed when they see me coming out at my age and doing the work, crawling under sinks and that kind of stuff. So I kind of surprised myself that way, I guess."*

*Male, Phoenix*

*"I guess my surprise would be 1) the loneliness, and 2) I was so used to my husband doing everything and now I'm having to do it. You never think about it, because on a day-to-day basis, if everything is taken care of, he built China cabinets, he built stereo cabinets, he took care of the house."*

*Female, Phoenix*

*"I kept all my husband's tools and stuff. He was real handy. He did everything too. But I usually was his helper if he was fixing the fence or plumbing or handing the tools. So I kind of learned a lot of things. So I just fix everything myself, unless it's something with strength."*

*Female, Phoenix*

*"I'm in a relationship, and I thought I was downsizing. But being with him, he's looking at a retirement property. Things I haven't thought about, because I've been alone for four years."*

*Female, Phoenix*

*"The biggest surprise, I think, is the food first of all. And taxes. The fact that property tax is so high and the value of your home is so low. It doesn't seem right. You want to pay more taxes if your house is worth more, but that's kind of crazy."*

*Female, Chicago*

*"The biggest surprise is, I guess, taxes and the cost of the health care."*

*Female, Chicago*

*"I've really made a lot of new friends."*

*Male, Chicago*

A few also mention being surprised by how low interest rates are on fixed investments.

*"The interest rate."*

*Female, Chicago*

Participants in the two groups in Phoenix and Chattanooga were asked what they have struggled with the most since retiring. A variety of things are mentioned, with health factors mentioned most often. Loneliness, finances and technology were also alluded to.

*"The hardest thing to do is accept the fact that you can't do some of the things you used to do."*

*Male, Phoenix*

*"Health restrictions, I guess."*

*Male, Phoenix*

*"Even your sight too. Without my glasses, I would have a hard time getting under the sink and trying to do some plumbing work, because I can't see close up. But when I was 50-years-old, I could see fine and didn't need the glasses. I'd say by the time you hit 50, you start needing glasses. But I notice some guys don't wear them here."*

*Male, Phoenix*

*"Distance I can see, but I just can't see close up."*

*Male, Phoenix*

*"My health."*

*Female, Phoenix*

*"I'd say health. I get down, I can't get up. I have to lay on the floor and try to get myself back up."*

*Female, Phoenix*



*"We lose our strength."*

*Female, Phoenix*

*"I had a heart attack, which was totally surprising, two years ago."*

*Female, Phoenix*

*"Or wear you out."*

*Female, Phoenix*

*"I think losing the strength, in my arms especially."*

*Female, Phoenix*

*"Technology."*

*Female, Phoenix*

*"I think that's a good one that she said, because I remember when my father and mother were getting up there in years, and I would rent them movies. That is when we had the VCR. They never could figure out how to do it. I would write them instructions and I'd rent them these movies, and they never watched them, because they could never figure them out. But now I find all the new fangled stuff that I don't want to ..."*

*Female, Phoenix*

*"With me, it is finances in the sense of the liquidity of it. When I was working, there was money always around. Now, I have to think about it. I don't think long. But, it is not quick. I can't just - it hits my head, and I go do it."*

*Female, Baltimore*

*"Afraid of being alone."*

*Female, Chattanooga*

*"Being alone after your husband passes away."*

*Female, Chattanooga*

### Caregiving and Long Term Care

There are significant gender differences on caregiving. Women are much more likely to have been caregivers: for parents, children and spouses. Very few men have been caregivers and, with few exceptions, have not provided caregiving to anyone beyond a spouse. There is a significant amount of concern about needing long term care, especially

among women. Most believe nursing home care is expensive and many worry that they will not be able to afford it or that the cost of this care will prevent them from leaving any money to their children. A few people own long term care insurance; most do not because it is considered too expensive. Interestingly, there is a very strong aversion among most, but not all, to asking children to take care of them if they should need long term care. This aversion is especially strong among women. The very people who willingly sacrificed a great deal to care for parents and children tend not to want to turn to family for long term care, should they need it.

There are two reasons for not wanting to turn to children for long term care. The first reason is part of the same value that motivated them to provide long term care to family members: they want to protect their children. When it comes to needing long term care these women tend strongly “not wanting to be a burden.” Many know full well how hard it is to be a caregiver. They do not want their children to have to bear this burden. The second reason for many is that they fear that people who need long term care often “lose their dignity.” These women strongly want to retain their feeling of dignity, especially around their children.

*“I heard it is about \$6,800 a month to keep a person in a nursing home.”*

*Female, Baltimore*

*“I looked into it and was going to get it. But it's so expensive, I just decided to just take one day at a time.”*

*Female, Chattanooga*

*“I just wouldn't want to be a burden. You say it anyway, but that's why. I wouldn't want to feel like one.”*

*Male, Phoenix*

*“My son says he's going to get a lilac-scented pillow for me when I'm that age!*

*Financially I would rather have them do that so that I can leave the money to the kids. I don't want to give it to somebody to take care of me.”*

*Male, Phoenix*

*“It's a lot of hard work, and it ties the person down. Anything that happens, you just feel so guilty, because you feel like what did I do that I shouldn't have, or what should I have done that I didn't. My father fell and was bleeding all over the bathroom, and it's like what did I do or what did I not do? I don't want that. I want to be independent.”*

*Female, Phoenix*

*“There is a saying years ago that I heard, that ten children are not too much for one parent, but one parent is too much for ten children. We brought them into this world*

*and we nurtured them and gave them and made them what they are. In no way do I want to turn around and have them have to take care of me. Whether it's just the way we grew up or what we feel, I don't know what I would do. No, I don't want them taking care of me."*

*Female, Phoenix*

*"You don't want to destroy the relationship you have with your child now. I get along excellent with all three of mine. I don't want that to turn and for them to be sad that they have me or for me to be sad that ..."*

*Female, Phoenix*

*"Life has taught us how to be guilty. Our kids of today don't have that. It's a totally different way of life from when we were brought up. Even though we raised our children, they are not the same as the way we were raised."*

*Female, Phoenix*

*"And I don't feel that way. They're my family. I took care of my husband's mother and dad, and I lost my mother at 35. I relished the opportunity that I had to care for his parents, and my kids were raised seeing that and knowing what I did without and what I did get. Families are wonderful, and you guys are all acting like you're the curse or damnation or something. I was proud to take care of my mother-in-law and my father-in-law."*

*Female, Phoenix*

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

*Male, Chattanooga*

*"Let me say this. I believe in the family unit, so I believe if I help my kids, if I need help at some time, no matter what it is, I believe they need to help me. I think that's a biblical principle and I believe in that."*

*Male, Chattanooga*

*"I have always told my children that if I get so I can't get up and can't get my own food and do for myself, just lock the door ..."*

*Female, Chattanooga*

*"Because I don't want them burdened with those things. I actually don't want them burdened. I would like to do what I can for as long as I can. I know that they are quite*

*willing and able. But I just don't want to move in with them, unless I am just not able anymore to do anything."*

*Female, Chattanooga*

*"The children have a life of their own, and I feel like it's always imposing on that. I have always told them I would check my own self in somewhere if I got where I couldn't"*

*Female, Chattanooga*

*"Another thing is, if you've been a caretaker, you lose dignity. That is one thing. I mean your children have to do everything for you, whereas you've done for them as babies. But you're older. They've got to clean you, bathe you, whatever."*

*Female, Chattanooga*

*"I think it's a two-edged sword on that, because my father had prostate cancer. My father was always very large and in charge. But I read somewhere that it is on that bed of affliction where we learn so many things. Both sets of people. He ended up in hospice. Dad never wanted anybody to do anything for him. Here he was on his bed, could not help himself, but he learned how to allow someone to serve him. And, by the same token, his children learned, not that we needed to learn, but in the condition that he was we learned how to ... he learned how to allow the service. We learned how to serve to that extent. I personally don't want to be served to that extent."*

*Female, Chattanooga*

### How They Feel About Stopping Work

In retrospect, several years after having retired, many are glad they left their job when they did.

*"I was kind of eager to give it up. I was ready. I was absolutely ready to do it. I was tired of the pressure. I wasn't feeling well from all of the outside pressures of the job. The politicalness of it. The rat race of it. I was ready. I'd had enough. And maybe it was because I was 35 years of the same company and basically the same industry or whatever. I was just ready at 61..."*

*Male, Chicago*

*"I just didn't want to do it anymore and I had other things that I wanted to do. So it was voluntary and I was just tired of what I was doing and always hoped that I could be doing something more interesting, but it wasn't all that interesting to me anymore."*

*Male, Chicago*

*"I had reached a point where I thought I could. I was in a situation where I said, "Okay, I'll keep doing this as long as I enjoy it. When I stop enjoying it, that's when I'm going to stop doing it." And I was enjoying it. I could have stopped at any time, and as it turned out the company got sold and they got new management in there and they said, "We don't need you anymore." So all right, fine. I'm gone."*

*Male, Chicago*

*"I could take it or leave it. I enjoyed what I was doing, but I was getting a little tired of it anyway and it's a lot easier to have that attitude when you know that you probably can retire as opposed to, "I'm not sure about this."*

*Male, Chicago*

*"I was in sales. I traveled. I had to get up on a Monday morning and drive three and a half hours to get to my territory, and come back on Thursday and drive three and a half hours back. I got tired of it. When they said it wasn't going to be there anymore, it was just, "Thank you."*

*Male, Chicago*

*"I did the right thing for myself getting out of there, but I probably should have had something going. Because I kept thinking in the back of my mind, I knew the job I had there anyway was going to be going to China, because they were outsourcing, so I should have probably looked for another job, but that was eight years ago and it wasn't quite as bad as it is now."*

*Female, Chicago*

However, it should be noted that a number of people have regrets about when they stopped work. The main cause of that is missing the people they worked with and the financial pressures they are now under.

*"I still dream about work. I dream about some of the situations. But I don't want to go back and do it. But there is still that stuff in my head. I will have a dream that I'm working in the office developing software and stuff ..."*

*Male, Phoenix*

*"Four years after I retired the second time, I felt guilty for not working."*

*Male, Phoenix*

*"No. I would work longer."*

*Female, Baltimore*

*"I think I would have stayed. Everything was right to do it, but now looking back I would have squeezed a couple. I did work two years after we sold it."*

*Male, Chicago*

*"Knowing what I know now and my husband passing, yes I would have stayed."*

*Female, Baltimore*

*"I would not have retired. Because, once you retired, you can't go back and make any money – not any sizeable amount of money. Because, they start taking it from you – \$1 for every \$2 that you make. Once you get past \$16,200, I think, you are paying to go to work. I would not have done that. That would have depended upon knowing something before it happened. And, no one ever knows that."*

*Female, Baltimore*

*"I would have stayed longer if my job wasn't going to be eliminated."*

*Female, Chicago*

*"I think I would do more investigation. I'd find out more concretely. I would function more on fact, than just the fact that I was tired of working. And, that was the most important thing. That's the main thing."*

*Female, Baltimore*

### Investment Strategy

In a couple of groups the participants were asked if they changed their investment strategy after they retired. There is some tendency to become more conservative and invest less in equities, but many maintained their investment strategy. There is a wide diversity of asset allocations, ranging from those with almost all of their money in fixed accounts to those who have about half their investable assets in equities.

*"I'm conservative. It's about the same. I was conservative at 62 and I still am. And everything stayed the same."*

*Female, Chicago*

*"I had a high, high percentage of stocks and I kept dropping. I recently kicked it back up because of the way it's going up. But I did become more conservative."*

*Male, Chicago*

*"I spent more time working the money when I was still working and after I retired it's set in its place where it should be and I don't work with it as much."*

*Male, Chicago*

*"It's the same with the exception I think I take less risk with investments."*

*Male, Chattanooga*

### Coping with Inflation

Despite efforts to keep spending low, the general increase in costs due to inflation has put financial pressure on many.

*"Everything in general. Food has gone up. Clothing. If you want to go get something done at the cleaners, three months ago it was \$0.80 cheaper than it is now to have one garment cleaned."*

*Female, Chicago*

*"Gas has gone up and during the past eight years."*

*Female, Chicago*

*"Our taxes went up, the value of our home went down, and so we're fighting that now because enough of that. It's gone up a little bit but this time it jumped too much, so now we're going to fight that. We travel. We go out with our friends and have a nice dinner once a week and stuff. So I have to say it pretty much stayed the same. However, there are nights I lay there in bed and think, "Oh my gosh, we shouldn't have gone out and spent \$80 on a dinner." That's a lot for me."*

*Female, Chicago*

*"Food particularly. I don't use as much gas any longer, so that's not as important. But I'd say food is one of the biggest things I've noticed of the rising costs that affect me. But I still eat well. I buy better food, but it costs more than it would have then."*

*Female, Chicago*

While most participants did not account for inflation in assessing whether or not they could afford to retire, they do have a spending strategy for dealing with inflation. As indicated, the way those who planned for inflation tended to do it was to save a little more or provide themselves "leeway." The way retirees deal with inflation is to cut back spending or to substitute low cost items for high cost items.

*"You leave yourself some leeway, but you never know."*

*Male, Chattanooga*

*“Just live day-by-day and just kind of adjust back other areas to take care of inflation.”*

*Male, Phoenix*

*“Maybe you won’t buy a new car. Maybe you won’t take a trip.”*

*Male, Phoenix*

*“You adjust costs.”*

*Male, Phoenix*

### Change in Spending

Many people report spending less after they retired. They are mainly able to accomplish this by being very careful in how they buy and in cutting back on gifts to family and other types of expenditures.

*“I cut back on my expenses because I’ve always been very generous with members of my family and my friends and I was giving away money that I didn’t have to give away to people who didn’t need it. And that was a hard lesson to straighten out on myself. I really got to the point that I realized that people were receiving money from me and they were grateful because they didn’t have to spend their own money. And then all of a sudden I realized that if a child was in a financial strait, if they had a six figure income and so did their spouse, and they’d worked themselves into trouble because of their poor planning, all the money that I own could not band-aid their problems and I was trying. And when I stopped doing that, I started to recover and that rebalanced me and what I’m doing for myself.”*

*Female, Chicago*

*“But you’re also capable of adjusting. If you see it’s getting out of hand, you can always just scale it back.”*

*Male, Chicago*

*“And you’re a better shopper than you were.”*

*Male, Chicago*

*“I’ve taken one two week and one 10 day cruise the past seven or eight winters. I used to take one week.”*

*Male, Chicago*



A few people, but only a few, in the upper asset level groups only report spending more than they had before. The main reason they spend more is that they have more time, and a built up demand, for travel they could not do when they were working.

*"I've spent more time. Like in the winter time I'll go out of town for a month or two. When I was working I couldn't do that."*

*Male, Chicago*

*"I think I'm spending more, because I'm traveling, where when I was working, I didn't."*

*Female, Phoenix*

A number of participants say that it is hard to determine how much is needed to afford to retire or to pay for basic expenses because so many unpredictable things could happen. This viewpoint came up in several ways across all of the groups: that planning and calculations are not that helpful because it is impossible to know what will happen. The strategy appears to focus less on planning ahead, although many try to do this, and more on adjusting to circumstances as they occur.

*"You never know, really, when enough is enough. You don't. You can consult or you can talk to people and advisors or whatever, but that's just opinions."*

*Male, Chicago*

*"You don't know what's going to happen tomorrow, but for today you felt comfortable to do it."*

*Male, Chicago*

*"There's a problem with that, though. The problem is the unanticipated expenses. The ones that you don't see coming that you don't even know to plan for them because you don't know that they exist. Fifty percent of my healthcare is not covered by Medicare for example. Who would have thought? That's when Medicare is healthy and I'm not so sure Medicare is going to stay healthy, so I can't even begin to imagine the proportions. Then I keep making decisions that are expensive ones and I'm not apologizing for them either, because they help to frame the person I am and what my passions are. So sometimes I put my own self in a place where other people wouldn't put themselves in and then I'm there and I need to figure it out from that point forward. So it's not the original math that I did. There was enough then. But there were things like I needed to factor that if I stayed in the house, at some point I was going to need a furnace and air conditioning and a roof and those things, and I really didn't have any idea except that they were these intangible things. I guess I always thought I could sell property. I could sell antiques. I could sell prints or I could figure it out when the time came. And that's exactly what I've been doing is figuring it out as the time comes."*

*Female, Chicago*

*“Everything is so uncertain. You don't know. There is no way you can know if you can afford it. I don't care how much money you have. If you have it in the stock market, you may lose it tomorrow. You may lose it today. There are just so many uncertainties that you better save everything you can, because you don't know, and you better not have it all in one place.”*

*Female, Chattanooga*

*“Another thing is, I control my own finances, and if I see something has gone up, I will cut down somewhere else. I don't worry about it. I just live one day at a time, be happy and go on.”*

*Female, Chattanooga*

Also, a few participants did not even try to think through whether or not they could afford to retire. They did not know how to make the calculation and they did not try to figure it out: they just retired when they felt they could no longer work.

*“In all honesty, none of it entered my mind.”*

*Female, Phoenix*

*“It was just overwhelming, and I never thought.”*

*Female, Phoenix*

On the other side, a few participants went to financial planners, did detailed calculations, used spreadsheets to do several analyses and basically made informed decisions. But even people who did that type of preparation believe that they are vulnerable and that there are severe constraints on the value of planning.

*“My spreadsheet. And then leave it up to God.”*

*Female, Phoenix*

*“Yeah. The spreadsheet did show me that it was going to slowly go up. But then the stock market crashed and that kind of ... so I'm staying even.”*

*Female, Phoenix*

*“I thought my savings and investments would go up.”*

*Female, Phoenix*

## Knowing How Much to Spend in Retirement

Almost all of the participants feel they know exactly how much they can afford to spend in retirement: it is the amount of income they get from Social Security, pensions and work income. That is, they try to spend their income without taking money from their assets. Only a small number take earnings from their assets, while keeping their principal intact. Fewer draw down their income. One referred to the “4% rule” and is taking no more than 4% to 5% from assets.

*“I know that there’s enough there and I know what’s coming up in the future that I won’t need to be taking out, so it’ll have time to grow some more. I didn’t take a lot out; it was just a few thousand dollars more. But I know that certain things will happen, like my house will be paid off and I won’t need that money so it will have time to grow.”*

*Female, Chicago*

*“I started to take some but like I said, when I retired it was just what I had in my 401(k) and they stopped the pensions. So when I first retired I was taking the interest and everything, but then I had to stop. I bought a car right off the bat and decided that I didn’t want any payments, so I paid cash for it from the money thinking that was going to be a better thing rather than paying interest on the loan. So that made my investment go down.”*

*Female, Chicago*

*“Basically, it’s common sense. It’s not planning, it’s just common sense. You know what’s coming in and you’re not going to go out and spend \$5,000 or \$3,000 or \$200 for dinner just for the hell of it. You know what’s coming in and its common sense if you spend anything.”*

*Male, Chicago*

*“As long as nothing happens and you know what your income is and you know what you have, it’s pretty standard a month.”*

*Male, Chicago*

*“My financial advisor said how much I can take out and maintain the principal in my IRA. I’ve got a pension and Social Security, but the buffer is the IRA. So he has advised me, because I was taking out a certain amount, and he said, “You need to take out less or you’re going to drain your principal too fast.” So I said okay, we’ll cut back, and my wife started Social Security. So that enabled us to do that.”*

*Male, Phoenix*

*"I think by how much I spend normally. I'm married, and my wife is sharp when it comes to buying home goods, groceries and everything. Sometimes they pay her. They have gotten to a point where they almost pay her. She uses coupons and buys on sale."*

*Male, Phoenix*

*"In general, they say about 4-5%. If you have an asset that you want to draw from, the general thing is 4%. You shouldn't take more than about 4-5% out of it if you want to maintain that asset for a long time."*

*Male, Phoenix*

*"We have a five year plan and we don't touch any of our money. What we have coming in between Social Security and disability with her, we use as a live on. We have a five year goal. The money that comes off of our accounts, all our investments, goes into a separate account and every five years that money is what we want to do with it. And that keeps investing too, but in bonds and it stays. And if we don't use it, then that moves into our crash account. That's when, "Hey, why don't we go to Barbados or something for a couple of weeks?" That's what our crash account does."*

*Male, Chicago*

*"I didn't take the money out, but I spent the interest and the dividends rather than save them. The principal I didn't touch, but I used the money that I intended to grow to live rather than to save. And that makes me sad with myself."*

*Female, Chicago*

*"I expect it to grow and to make money for me so I can continue to live."*

*Female, Chicago*

*"I didn't take money from the principal."*

*Female, Chicago*

*"I was always expecting to take the earnings on the investments in order to live."*

*Female, Chicago*

*"Keep it there to let it grow. But then things happen."*

*Female, Chicago*

*"I take the dividends, but then I turn around and I reinvest because I worked so much in my life. My Social Security is pretty good. I sold my house; it was paid for. Actually I feel so free because I'm not paying taxes. It's just very nice."*

*Female, Chicago*

*"I let it grow. Because I just don't need it, number one. Number two, I don't know what's going to happen tomorrow or the next day."*

*Male, Chattanooga*

*"I'm not taking any of it out at the present time."*

*Female, Chattanooga*

*"I don't take any. I have it as security. I know when my husband passed away, I have a son and a daughter. My daughter said, "Mom, what are you going to live on? Are you alright?" I said I'm fine. I never discussed none of my stuff with my children, I just did my own."*

*Female, Chattanooga*

*"I figure how many healthy years do I have left to travel? So I want to spend the money now. I am not going to lose principal, but I am not going to deprive myself during my still healthy years."*

*Female, Phoenix*

*"That is why I only touch my interest and not my principal. Because, that is something that I know, if the economy gets worse and I really needed something to fall back on, then that is when I would touch the principal."*

*Female, Baltimore*

Many participants are very careful about their spending, keeping very careful records on all that they spend. A few comment that using credit cards helps them track their expenditures.

*"I think today with the computers and paying online and the charge cards and the checkbook and the balance, you can feel what's going on and what's coming in. I know the biggest thing I have is my long-term care insurance, which I hate but somebody told me you've got to have it. I know when that comes due. I know when my real estate tax comes due. You've got this mental picture."*

*Male, Chicago*

*"We've got a book with literally everything we spend on a regular monthly basis and when she writes a check, she crosses it out. So we know where we've got the money. We've got two pension checks coming in the first of the month and we've got her Social Security comes the second week and mine comes the third week. So in the fourth week is when we know we can't do some crazy things. But if you plan through it, there's really no problem."*

*Male, Chicago*

*“I also found that having a credit card, believe it or not, is beneficial in some ways, in that we just put everything that we possibly can that we’re going to spend on a credit card so that at the end of the month we know what we’re going to owe. And we can see that on a yearly basis and many yearly bases. So we knew what we were spending all along as a general rule. We can’t put everything on a credit card, but pretty much the rest will be the minority we will take out from the bank or write a check or whatever it is.”*

*Male, Chicago*

*“I had a certain amount coming in in a checking account every month and my wife takes care of the checking account. That’s our budget. I have credit cards. We use those for emergencies or something like that. But you’ve got the checkbook there and you keep a tab on the balance and when that goes down, you’d better stop spending. If you don’t, I have things to cover it, but by and large that’s our budget. If we need more we’ll put more in there. But that’s what I tend to use as a foundation. Like you say, if we need to buy a new refrigerator or something like that, then we make arrangements aside from that.”*

*Male, Chicago*

Of course, at age 70½, people with qualified money are required to take Required Minimum Distributions (RMD). Among the people of that age, the RMD is often the only distribution they take. Only a minority of the participants have less in financial assets now than they had when they retired.

*“I have to. I take the required minimum distribution.”*

*Female, Chattanooga*

*“The only reason is because I’m 72 and I’ve got to take some out of my IRA.”*

*Male, Phoenix*

### A Side Fund

A number of these retirees use a type of mental accounting to help govern their expenditures on discretionary items. Mental accounting is a behavioral finance concept and it refers to a tendency for people to develop artificial categories for money and use these categories to drive behavior. The category that many retirees use is a concept they often refer to as a “slush fund,” a “crash fund,” “mad money” or “blow money.” This is money that they accumulate and use for discretionary expenses they enjoy but do not need. These separate accounts are funded by money left over at the end of the month,

work income, unexpected income and gifts. Some use slush funds for dinners out, others use them for travel.

*"It's for emergencies. For instance, since the beginning of the year I spent \$4,000 on my pets. "*

*Female, Chicago*

*"It's more for buying things for my house and I'm always changing stuff. But I keep some money in CDs, even though you don't get any..."*

*Female, Chicago*

*"No, it's for fun things. And I just draw it out when I know I'm taking a trip or I have an expense."*

*Female, Chicago*

*"For emergency."*

*Female, Chicago*

*"It's for emergencies or if we want to take vacations. If we want to take three weeks in Barbados."*

*Male, Chicago*

*"It's if I need a car or want to go on vacation or whatever."*

*Male, Chicago*

*"Yeah, I've got a slush fund. It's a seasonal part-time job."*

*Male, Chicago*

*"I keep a separate savings for that."*

*Female, Chattanooga*

*"That's money that I don't have to spend on expenses."*

*Female, Chattanooga*

*"Maybe that month you had money left over, and you just throw it in the savings in case you need it the next month."*

*Female, Chattanooga*

*"I've had blow money, but I've had to help my children. I have girls and they need things for the grandchildren. So that is where my blow money went."*

*Female, Chattanooga*

*"I have basically a slush fund, you might say, where I know I can spend so much on myself. My wife doesn't spend too much on hers."*

*Male, Phoenix*

The participants in some groups were asked which activities they would most like to do that they are not doing because they feel they cannot afford it. Travel came up most frequently. Hobbies were mentioned second most often.

*"I've got an old car I don't know what to do with. I'd love to pour \$10-\$15,000 in it. I have a '94 Cadillac El Dorado. It's like an old girlfriend. I don't want it and I don't want anybody else to have it. But if I hit the Lottery, I'm going to pour \$15,000 into that car and make it like it was. That's the only thing. Would I buy better clothes or eat at fancier restaurants? Maybe I'm a simple person, but no."*

*Male, Chicago*

*"I like to travel. We were in China just a few months ago and that was nice. There's other places – Italy and those kinds of places."*

*Male, Chicago*

*"I want to go to Antarctica. That's my bucket list."*

*Male, Chicago*

*"I'd spend two to four months down South or out West. Somewhere warmer in the winter."*

*Male, Chicago*

*"I'd take fishing trips. A whole lot of fishing trips. Maybe down South in the winter."*

*Male, Chicago*

*"I'd spend more money on hobbies and maybe buy a motorcycle. Which maybe I could do, but I'm kind of procrastinating."*

*Male, Chicago*

*"I'd play golf at golf courses I can't afford to play on now."*

*Male, Chicago*

*"Not going on that cruise that my husband and I used to. If I didn't go anywhere else, whenever we wanted to, we would go on a cruise. My husband was in the service. He*



*was in Hawaii. He waited until he retired, and he said that he always wanted to go to Hawaii. We went to Hawaii. Then, after that, we always wanted to go on a cruise every year."*

*Female, Baltimore*

*"We take a cruise every year. But, even along with the cruises, we would go somewhere else within that year. We don't do that now. It kind of cut us down on our vacations. I really miss that a lot."*

*Female, Baltimore*

*"Yes. We go on vacation two or three times a year. Over the last two years, we have not done that. It was like once a year. Where before, it was at least three times a year."*

*Female, Baltimore*

*"I like to travel. But I'm afraid to take my money and travel if I need it."*

*Female, Chattanooga*

*"Travel more, have good health."*

*Female, Chattanooga*

When the participants in Phoenix (whose assets were \$200,000 to \$400,000) were asked why they did not spend more, the main responses are concerns about sickness, a stock market crash, the risk of needing a nursing home, fear the money will run out and wanting to leave the money to children. A few say they never thought about it because they are spending what they want. However, while a few want to preserve their financial assets for their children, this is not an important financial goal for most. Many want their children to get their home and anything left over, but providing a specific amount or as much as possible is not important.

*"I don't want it to run out. I don't want to be in that red line."*

*Female, Phoenix*

*"I never thought about it."*

*Female, Phoenix*

*"I want to leave it to my kids, don't want it to run out."*

*Female, Phoenix*

## Planning for Longevity

As stated, the primary financial concern of these retirees is outliving their financial resources. Therefore the focus group participants were asked how long they expected to live. There are two types of responses to this question. First, many people believe that family history is the most effective method of estimating how long they will live.

*"I looked at my family history."*

*Male, Chicago*

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

*Male, Chicago*

*"My mom died at 63. My dad died at 71 and my 71st birthday was yesterday, so I should probably start worrying a little bit."*

*Male, Chicago*

*"I looked at when my dad passed away and my mom and I just kicked on about 25 years. I'm a little optimistic."*

*Male, Chicago*

*"I thought about the family history of course, and I talked to some financial people and they were writing programs based off of (a) the money there, and (b) what my monthly expenses were, and then best case scenarios with the market or the worst case scenarios, how long it would last."*

*Male, Chicago*

*"Your family history."*

*Female, Baltimore*

*"I thought about my mother and some other relatives, who lived to 92. I am not sure about that age. But, I thought about that plus, my health and figuring how long I can last. That kind of thing."*

*Female, Baltimore*

However, the second point is that many people have the view that the future is, to a great extent, unpredictable and that anything can happen. Specifically on family history, many feel that their lifestyles are different than their parents, which affects life expectancy and other things have occurred which could very well lead to their living longer, or shorter, than their parents. In some cases there are real divergences between how long parents and grandparents live, making it very difficult for people to estimate their own life expectancy.

*"I just kind of flipped a coin and it's an "unknown" and just went with it."*

*Male, Chicago*

*"I would say family history and then I threw it out because I really think that looking at when my parents passed away to some extent is important, but I think we're talking about two different ballgames now. My generation and their generation. And how they died; what they died from sort of things. Is the possibility that could happen to me? Yeah, maybe, but I'm not sure it's going to be. I looked at my wife's side. Her father just passed away a couple of years ago and he was 93. Her mother is still living and she's 95. Yeah, it could be genetics but I'm not sure."*

*Male, Chicago*

*"They have these computerized things online that you can try out. None of them seemed to work for me."*

*Male, Chicago*

*"When you talk about family, my mom lived until 96. But personally, it depends on your lifestyle and I smoke. I don't think I'm going to live that long. Which I did take into consideration, and my husband smokes. He basically has stopped now, but you have to think of all the damage that has done through the years. So even though my mom lived until 96, whatever his dad and his mom, what you've done to your body in all these years."*

*Female, Chicago*

*"But you can see what your parents did to their bodies, too. My grandparents lived longer than my parents. "*

*Female, Chicago*

*"It's a factor, but it's only one factor."*

*Female, Chicago*

*"My father died at 76 and my mother is still alive at 91, so what does that mean for me?"*

*Female, Chicago*

*"It means nothing. I'm going to live to however long I'm going to live. It means nothing."*

*Female, Chicago*

When asked specifically about the impact of expected life expectancy on financial planning and decisions about how much to save and spend, most of the participants in the focus groups in which this question was raised believe that life expectancy should not affect financial planning because how long people live is basically unpredictable and should not be relied upon.

*“But there’s always the case of accidents. I just lost a friend of mine, my age, in a car accident. It was just devastating. Someone living all those years and to go out that way, it was awful. That could be any one of us.”*

*Female, Chicago*

*“But I don’t think you can deny yourself all the time, too.”*

*Female, Chicago*

*“I was just pointing out that no matter how you plan, it doesn’t always go that way.”*

*Female, Chicago*

However, many also believe that people do tend to live longer now, so it is prudent to anticipate that and plan to live for a long time. Also, some believe that this is a reason to be careful in taking money out of accumulations because it is important to make sure the money lasts as long as possible. Underlying that feeling is a strong desire not to rely on children as a back-up for financial support or even rely on Social Security.

*“Be aware. You can’t think the same way today as you did even five years ago or ten years ago. Things are different. You’re going to live longer, so your money has to last longer. Generally speaking, most people are going to live longer now.”*

*Female, Chicago*

*“But you don’t plan for that. My plan is for that money to never go away and to outlive me is the plan. You only take out a certain percentage every year so that that money doesn’t go away.”*

*Female, Chicago*

*“With the economy today, we can’t rely on our children like they relied on us to help us out.”*

*Female, Chicago*

*“You can’t even plan that Social Security is going to be there. You can’t plan that Medicare is going to be there. So if you’re building your financial plan, I don’t care who you’re using to help you, there are things. You just need to position yourself so you are capable of being adaptable to changing circumstances. Either you have to have*

*property or jewelry or children that will take you in from the storm. You need to know what options are available to you.”*

*Female, Chicago*

In a couple of the focus groups, the participants were asked if a person whose parents both died at age 71 should plan retirement and finances differently than a person whose parents both died at age 94.

There is a diversity of opinion. As suggested by earlier responses, some state that parental longevity should have no impact because life span is unpredictable. Others say that the age at which their parents died is one factor, but other factors should be considered, such as lifestyle and other factors that can affect health. Still others think these histories are important, but focus most on the importance of people whose parents died at age 71 to stop work early and enjoy retirement.

*“My husband passed at 73 and wasn’t even sick. He died of a heart attack. So, you don’t know.”*

*Female, Baltimore*

*“And, cancer is so prevalent now. It doesn’t know age. My daughter-in-law, last December was 43-years-old, when she had breast cancer, and it came back. Her parents are not old. But, they are not really young. The way cancer is just horrible now, you can’t go by the genes.”*

*Female, Baltimore*

*“But, that depends on what they died from.”*

*Female, Baltimore*

*“What we are assuming in the answers we are hearing is that whatever parents “A” or “B” died of that the offspring is going to have it to the same degree. And secondly, what our lifestyles are that may or may not lead us towards those ends. To me, that is how I think. I wouldn’t necessary follow that.”*

*Female, Baltimore*

*“I think it’s a minor thing, but it can be a consideration in certain areas.”*

*Male, Phoenix*

*“My lifestyle is completely different than what my father’s was.”*

*Male, Phoenix*

*"If my parents died at 71, I would have wanted to retire much earlier, figuring that I wouldn't make it much past 71."*

*Female, Baltimore*

*"The one with the parents that died at 94, she relaxes and just enjoys her life. The one, whose parents died at 71, she says, "I have got to go to the doctor more often."*

*Female, Baltimore*

*"Well, the person with the parents that died younger would want to retire earlier."*

*Female, Baltimore*

*"You have to consider not only the parents – using your example – what their lifestyle was, but you have also got to consider the offspring's. What their lifestyles are. Because those parents did not have the availability of the screenings and all of that kind of stuff going on in healthcare today. We might be able to increase their longevity with the appropriate treatment. My answer would be the offspring of both of those sets of parents, their retirement considerations should be totally on their set of circumstances (a few agreeing)."*

*Female, Baltimore*

*"Some of my friends, if they have real longevity in their families, the decision when to take Social Security becomes more of a factor if the parents and grandparents both lived into their nineties. When I tell them that they ought to start at 62, they say, "No, we've got longevity in our family. I'm going to wait."*

*Male, Phoenix*

*"Your genes are real important about that decision that you talked about. Absolutely."*

*Male, Phoenix*

*"I think the longevity, if you come from a family that has a long longevity line, I think you tend to be a little more cautious with spending, because if you are going to take after your mom or your dad ... my husband's mother was 100 when she died. And my dad was 95. So we both got the genes. So maybe when we get to be 80, we need to start watching our money. But not right now."*

*Female, Phoenix*

### The Value of Home Ownership

Most of the participants own their homes and would like to remain in their homes, some for a considerable period of time and some for as long as they live. Those who plan to sell are most often motivated by the feeling that their homes are too big for them now that their

children have left or home maintenance is too difficult. A few want to move to be near children or be in a location they now consider more attractive.

*"I want to be carried out."*

*Male, Chicago*

*"We're staying now. We may move in the future, but right now we like where we're at."*

*Male, Chicago*

*"I intend to stay there until I can't stay any longer health wise."*

*Female, Chattanooga*

*"Too big. I'm like her. I have acreage in a house that I don't need for me."*

*Female, Chattanooga*

*"Yes, I'm thinking of selling. I want one floor, and like I say, I don't have relatives or children."*

*Female, Chattanooga*

*"I'm going to sell and downsize this year. If I can sell this year."*

*Female, Chattanooga*

Most appear to have no mortgage on their home. A number believe it is important to pay off your mortgage prior to retirement as a method of lowering monthly expenses. Some consider the equity in their home a last resort to pay for long term care or health care, many would like the home, or the equity in their home, to go to their children.

*"I think that it's a last resort for if I need long-term care or something like that."*

*Female, Chicago*

*"And, healthcare is so, so expensive now-a-days. If you do have a house or land, and you have a catastrophic illness, unless you have got millions and millions put away, the average citizen is going to end up selling that house."*

*Female, Baltimore*

There is an aversion to reverse annuity mortgages or other methods of using the equity in their homes. It is considered a bad deal. Further, many are uncomfortable because the interest costs build up over time, reducing the equity they have in their home. Many hope

to leave their homes to their children. This leads them to conceptualize a reverse annuity mortgage as a method for putting an extra burden on their children.

*"You leave a burden on your kids."*

*Female, Baltimore*

*"I don't know. I come from a family, where I know the house where my mom was born. As a matter of fact, I can still go to the house my mom was born in. My mom was born in 1919. My mom was born in a house up in Northern Baltimore County, and it has stayed in the family. I guess I have a mindset of keep this in the family. I have two children. Now, they do have their own. But, I don't know what is going to happen later on. I feel like, if I went out and my husband and I worked for 30 years and paid for a house and it is ours, I don't feel like I should just go away and let the bank have my house. Because, if I have a reverse mortgage and I live and accumulate another \$150,000, my kids will probably be about my age. They are never going to have the money to pay that back. It is like there is another mortgage every month. I don't think that is right."*

*Female, Baltimore*

*"I wouldn't do either one of them. Just because, I don't want to leave the debt to my children."*

*Female, Baltimore*

*"You don't want to leave a burden on your children. Now, with my mom, she had thought about a reverse mortgage. People tried to talk her into that. But, what she did, she took the house and property and put it in the name of my sisters and me so that it would remain in the family. And, she didn't go that route. Because, she wanted to keep the family home. That is how it stands right now."*

*Female, Baltimore*

*"I don't really know the details of a reverse mortgage. I know someone whose mother did it, prior to her dying. They weren't happy with it. I don't know what is involved. I do know there was an article in an AARP bulletin the other day. But, I didn't read it yet. But, it was listing ten reasons why you shouldn't – that type of thing. When I do read it, I will get a little more understanding. But, it doesn't sound like something I would want to do."*

*Female, Baltimore*

*"Fees. A whole lot of stuff."*

*Female, Chattanooga*

*"I knew a person who went into that reverse mortgage. She was 75 years of age and was forced to go back to work just to maintain. So I don't know what happened to her,*



*but she said that it was the worst thing that she had ever done in her life. She was not specific, but I've never heard anything nice about the reverse mortgage plan."*

*Female, Chattanooga*

### Claiming Social Security

A majority of participants claimed Social Security at age 62, even if they were working. Many claimed at the time they retired. Very few delayed claiming past the time they retired. Most knew, at the time they claimed, that Social Security benefits went up every month that claiming was delayed. There are several reasons for claiming early and for not delaying claiming. A few people state that they needed the money. Also, a couple had the fear that if they put off claiming, the government would reduce or eliminate Social Security benefits and only those who were already taking benefits would be able to continue with scheduled benefit levels. A couple of people were concerned they would die fairly soon and wanted to get some benefits before that.

*"For financial reasons, too. I needed the money to live on. And also he said it was more beneficial to take it out at 62 than to wait to get a little bit more income monthly, because it might not be there."*

*Female, Chicago*

*"That's another reason I did it is because it locked in the benefits and I knew then they couldn't change it."*

*Male, Chattanooga*

*"Two reasons. One for being greedy, and the other was I knew I could. My best friend kept saying, "Don't do it. Don't do it. Don't do it." I regretted it afterwards, but that is quite a bit of money that I could have still had. I had two close friends pass away before they were 60, and I said who knows? I might not be around either."*

*Female, Chattanooga*

*"I was 63 and probably close to 1/2. But I lost those five friends of mine, and they hadn't collected Social Security. I thought to myself that I pretty much live the same lifestyle they did, so I probably ought to go ahead and get what I can get while I can get it."*

*Male, Phoenix*

*"The earliest you can take it."*

*Female, Phoenix*

*"That's the year that you can."*

*Female, Phoenix*

The main reason that people say they did not delay claiming Social Security is because they did an analysis of how long they would have to wait in order for the total amount of benefits they received by claiming later to equal, and then start to surpass, the total amount they would get to that point in time by claiming earlier. This type of analysis is often referred to by financial professionals as a "break-even analysis." Many of the participants estimate the break-even period as about 17 years, which is fairly accurate. In all cases in which a break-even analysis was conducted, the person decided not to delay. This is true even in cases in which the person expected to live past the break-even period, or in which the parents, whose age of death is considered by the participant to be a good gauge of their life expectancy, lived well past the break-even point.

*"I figured out if you waited until you were 65 or 66, whatever the max was, to catch up you'd have to be about 78 years old."*

*Male, Chicago*

*"It's almost 17 years to catch up."*

*Male, Chicago*

*"I just did the numbers. I talked earlier about how long you expect to live. Okay, I picked a day. This is how long I expect to live. And it was better to take it at 62."*

*Male, Chicago*

*"I figured three years, 62 to 65, 36 months times what I was going to get. Then how much I would have gotten. There was a 10 year difference."*

*Male, Chicago*

*"I wanted the retirement I could get because I calculated that if I lived past 90, I would make money if I take it at 62 rather than at 65. It takes 15 years to make up the difference. I took it at 62½."*

*Male, Chattanooga*

*"I calculated the earnings at 62, or what they would pay me at 62 versus 65. I would have to live well beyond 90 to ever break even."*

*Male, Chattanooga*

*"No money difference. It wasn't worth staying another three years. I wouldn't draw that much more."*

*Male, Chattanooga*

*"62. I agree with Richard's calculations. You don't know if you're going to live to 65."  
Male, Chattanooga*

*"The cut you take by taking at 62, my husband and I would have had to have been 82-  
years-old before we started seeing a loss. At 82, you will realize that you are getting  
less a month. At 82, what do I need? A roof over my head."  
Female, Chattanooga*

*"Because I didn't think that I would live to be 70. It would have taken me seven years  
to have made it up."  
Female, Chattanooga*

*"I was just afraid it wasn't going to be there, and I figured out financially how long I'd  
have to live to benefit from it. It's an odds game."  
Male, Phoenix*

*"I took mine at 62. I basically did the same thing. I compared to about age 77 or so to  
break even. But I had a lot of health problems. That was one of the main reasons why  
I wanted to retire at 62, while I could still do some fishing and work in my shop a little  
bit. So I did it at 62, and my wife is working yet."  
Male, Phoenix*

*"She said if you took it at 65 when you actually retire at 65, the difference would take  
you 14 years to make it up. You might not live 14 years, so I took it at 65."  
Male, Phoenix*