

*Fast Facts*

# Retirement Adequacy in the US: Should we be concerned?

## SUMMARY

Retirement adequacy levels in the U.S. lie somewhere between crisis and serendipity, according to this in-depth analysis of nearly 60 studies. The studies show inconsistent outcomes in U.S. retirement adequacy, with the majority of retirees having adequate income but others not. The authors note that the inconsistencies can reflect differences in research parameters as well as in expectations about standard of living, financial shocks, and similar factors. Long-term participants in today's employer-based retirement plans largely enjoy adequacy, the authors say, and Social Security does help reduce poverty in old age for others. However, more research is needed on retirement adequacy for particularly vulnerable populations.

## HIGHLIGHTS

- Major studies find that 25% to 35% of the population is at risk of being unable to maintain their pre-retirement standard of living through retirement. Yet SOA research has found that many retirees adjust to, and are content with, their new lower standard of living.
- Given that most adequacy studies do not sufficiently account for major unexpected expenses or shocks, such as poor investment performance, long-term care, and death of spouse, these studies may be underestimating the percentage at risk of retirement shortfalls.
- Each household has unique family situations, goals, and preferences, so adequacy measures need to assess how well the actual plan meets the individual's goals. No "one size fits all" approach exists.
- Retirement income sources can include Social Security, withdrawal from tax-deferred savings, pension benefits, home equity, income from assets and investments, insurance and annuity products, and employment earnings.
- High-income earners and long-term participants in employer retirement plans are least at risk of having inadequate retirement income. The less well-off often rely on Social Security to replace a substantial portion of pre-retirement earned income, but many in this demographic have no financial cushion for emergencies.
- Those at greatest risk are vulnerable populations such as the disabled, widowed, divorced, unemployed, and those with no workplace retirement benefits. They tend to be underrepresented in existing adequacy research.
- Modifications to the social safety net and/or employer programs will be necessary to help improve outcomes for more people.

## LINK TO FULL REPORT

Retirement Adequacy in the United States: Should We Be Concerned?

<https://www.soa.org/resources/research-reports/2018/retire-adequacy-us-concern/>

## METHODOLOGY

- Research period span: Primarily 2014 -2017, with some earlier sources
- Sources: Research in online publications
- Studies examined: Nearly 60
- Topical range: retirement adequacy metrics; retirement needs, income and resources; comparison of major adequacy studies by needs, risks, income sources, population subgroups, etc.; individual financial behaviors in post-retirement; and trends affecting future retirement

## REPORT SPECS

- Published: March 2018
- Pages: 45
- Access: Downloadable pdf
- Research Sponsor: Retirement Section
- Author(s): Vickie Bajtelsmit, JD, PhD, Professor, Colorado State University; and Anna Rappaport, FSA, MAAA, President, Rappaport Consulting
- Contents: Executive summary; introduction; key stakeholders; major studies review; empirical approaches, data and measures of adequacy; conclusions, recommendations, 9 tables, 1 chart, references, glossary
- Body of research: This report draws on research from the numerous studies identified in the references section. Sources include not only relevant SOA surveys, reports, focus groups and interviews but also government data and other studies from publishers such as: American Council of Life Insurers, Aon Hewitt, Center for Retirement Research at Boston College, Employee Benefit Research Institute, Investment Company Institute, Michigan Retirement Research Center, Stanford Center on Longevity, University of Massachusetts Boston with National Council on Aging, and Urban Institute.



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